QUÉBEC-TÉLÉPHONE

56th
ANNUAL
REPORT

1982

On peut obtenir des exemplaires français de ce rapport à l'adresse suivante:

Le secrétaire
Québec-Téléphone
6, rue Saint-Jean
Rimouski (Québec)
G5L 7E4

TABLE OF CONTENTS

WORLD COMMUNICATIONS YEAR

Special attention will be focused on ways by which technology may better support human needs and cohesion during the year 1983 designated "World Communications Year" by the United Nations Organization.

Canada will be an active participant in this universal event from which great benefits are anticipated including public awareness of the changes fostered by the growing information society.

CORPORATE PROFILE

Since 1927, Québec-Téléphone has provided various telecommunications services throughout a vast territory covering 272,000 km^2, equal to 40% of the inhabited area of Québec. The half million people it serves reside on the outskirts of Québec City, and in the Lower St. Lawrence, Gaspé and North Shore regions.

The Company's 2,036 employees have expertise in various fields of activity including transmission of voice, data, radio and television programs, computer communications, word processing, mobile radio communications and paging systems.

The Company generates $ 139.6 million in annual revenues. It has 284,558 telephones in service in 136 exchanges. Its buildings, land and equipment are valued at $ 445.8 million.

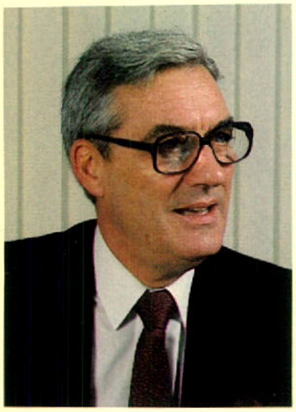
Under provincial jurisdiction, Québec-Téléphone is regulated by the *Régie des services publics* of Québec. Its two major common shareholders are *La Compagnie de Téléphone Anglo-Canadienne* (51.0%) and *Caisse de dépôt et placement du Québec* (17.0%).

HIGHLIGHTS

		1982	1981	Increase (Decrease)
Financial (thousands of dollars)	Operating revenues	**$ 139,587**	$ 130,884	6.6%
	Operating expenses	**98,351**	91,888	7.0%
	Salaries and benefits	**53,633**	50,702	5.8%
	Net income applicable to Common shares	**14,127**	12,205	15.7%
	Common share dividends	**8,576**	8,089	6.0%
	Funds used for construction	**31,851**	42,705	(25.4%)
	Telecommunications property, at cost[1]	**445,771**	428,517	4.0%
Shareholders items	Earnings per Common share	**$ 3.35**	$ 3.02	10.9%
	Dividends declared per Common share	**$ 2.03**	$ 2.00	1.5%
	Common equity per Common share[1]	**$ 22.35**	$ 21.36	4.6%
	Return on average Common share equity	**15.5%**	14.5%	6.9%
	Average number of Common shares	**4,221,885**	4,044,266	4.4%
	Number of Common shareholders[1]	**3,617**	3,295	9.8%
Other statistics	Telephone gain for the year	**2,833**	4,855	(41.6%)
	Telephones in service[1]	**284,558**	281,725	1.0%
	Toll messages handled (in thousands)	**28,175**	30,002	(6.1%)
	Number of employees[1]	**2,036**	2,166	(6.0%)

1. Year-end

THE CHAIRMAN'S LETTER



Raymond Sirois
President and
Chief Executive Officer

This annual report reflects the total commitment to corporate plans, programs and results by our dedicated staff throughout 1982. Our efforts were aimed at maintaining stability in a shaky economic environment.

Faced with a persistently high unemployment rate and unstable markets for primary resources such as forest, mining and fishing, our territory was seriously affected by the general slowdown of business in the province. These economic constraints had a negative effect on the usual growth rate of our activities and forced us to adjust to a lower demand for our services.

Our legal obligation to provide continuous, universally-accessible high quality service throughout our territory prohibits the use of stringent measures used currently by other types of businesses. We therefore dismissed several drastic solutions such as the reduction of services, the withdrawal of certain products or the moving out of less profitable sectors. We also realize that our subscribers would not easily accept a decrease in the traditionally high level of excellence and dependability of their local and long-distance telephone service.

In an effort to narrow and, if possible, fill the gap between our goals and results, we strengthened our cost control mechanisms. The introduction of an investment management program and better strategic planning activities contributed significantly to the stability of the Company during this period of recession. In the same logic, we were able to increase many productivity factors by pursuing mechanization of programs, centralization of operations and modernization of systems.

Inflationary pressures along with rapid technological changes have prompted us to revise certain operating procedures inherited from a highly stable era. This practice of over-estimating the useful life of plant and equipment led to late recovery of the invested capital. However, the *Régie des services publics* of Québec ordered the Company to postpone its proposed increase in the rhythm of plant replacement.

We also reexamined the high level of cross-subsidization between our services in an effort to attain a much fairer ratio between our rates and the actual cost of providing these services. This will eventually lead to the establishment of rates based on network usage which should benefit most of our subscribers. The new pricing philosophy will obviously be accompanied by a change in sales techniques and a deregulation of certain services for a rapid adaptation to the competitive environment.

In examining these future scenarios designed to maximize results and minimize resources, we attempt to demonstrate our true responsibility towards all our shareholders, customers and employees. It is with this end in view that we continuously devote our talent, expertise and determination.

◀ *Several task forces work intensely to develop plans of action inspired by realism and a concern for optimization of resources.*

On behalf of the Board of Directors

Raymond Sirois

Raymond Sirois
Chairman of the Board
February 1, 1983

REPORT
OF ACTIVITIES

HUMAN RESOURCES

In troubled times, the dedication and energy deployed by groups who strive to succeed are appreciated more than ever. In 1982, the constant effort of its employees at all levels was the major factor in Québec-Téléphone's resistance to the recession.

Throughout the year, several task forces worked intensely to develop plans of action inspired by realism and a concern for optimization of resources. Results of this concerted effort were recorded in prospective documents among which the master piece was the Company's memorandum on terminal attachment. During the public hearings held on this subject by the *Régie des services publics,* independant observers stressed the precision and pertinence of the different elements of testimony in support of the statements expressed in the memorandum. They recognized the significant contribution of the Company to the debate on an issue of vital importance i.e. the harmonious development in the province of a public service in a competitive environment.

Results equally encouraging crowned the continuous efforts of various groups of employees under the contest: "Spirit of service in 1982". Nine North American GTE Companies participated in this motivation program aimed at providing a quality of service in line with customer's expectations. Having regularly maintained one of the highest ratings for several factors of excellence, Québec-Téléphone won the prize for the best overall performance awarded among the participating companies in the contest for the second quarter of 1982.

Flexibility is required to adapt to fluctuating demands for services. The maturity demonstrated by Québec-Téléphone's personnel in accepting various restraints also contributed to restore a proper balance. A number of employees cooperated by accepting temporary re-assignments or re-scheduling of vacations. The support of most employees took the form of a shorter workweek with proportional reduction in salaries and associated benefits. The salary scales for management were frozen and annual general increases cancelled. Besides minimizing layoffs, these measures allowed the Company to protect more than one hundred jobs.

In the management of its human resources, the Company developed new methods to evaluate and enhance the performance of employees. It had to adapt to a context characterized by a more stable work force deprived of the benefits of continuous renewal formerly assured by recruiting. On one hand, the urgency to proceed to a fairer distribution of resources between departments prompted the Company to transfer rather than promote its people. On the other hand, management performance assessment programs were revised to appreciate results rather than the methods used to attain them. Consequently, the evaluation of leadership and creativity potential can more easily be related to measurable objectives.

In the labor relations sector, the Company signed on March 15 a first collective agreement with the union representing its professional employees. Another agreement covering security and housekeeping personnel was renewed on November 22.

In a decision rendered on November 18, the Labor Court determined that coordinators, foremen, supervisors, chief operators and assistant chief operators were representatives of the employer pursuant to the Labor Code and therefore non-union employees.

◀ *Concerned with the quality of service, Québec-Téléphone's employees deploy a diversity of talents and skills. They strive to succeed.*

MATERIAL RESOURCES

The optimal use of all available resources becomes even more imperative during periods of recession. Well aware of this, Québec-Téléphone's personnel practiced more stringent management of assets as a key objective in 1982.

Intensive sessions on the application of sound financial principles to everyday situations developed employee awareness of different ways to improve the profitability of the Company. Based on the knowledge they received, the participants suggested to top management various measures to reduce operating expenses. Several projects submitted were carefully assessed and implemented during the year which resulted in vital reductions in cost and deferred investments.

The sheer size of Québec-Téléphone's territory entails considerable travelling expenses. A series of energy conservation measures with no negative effects on our clientele were resolutely applied to cut down expenses. In order to reduce the costs of purchase and maintenance of the fleet, vehicles retired were replaced with smaller, lighter and more fuel-efficient models. The installation of timing devices further reduced the fuel consumption of engines running at idle. This represents a significant saving especially under very cold temperatures in the winter. Furthermore, new practices were adopted to rationalize employee transportation through the assignment of in-house agents to ensure more efficient travel management.

By adjusting material purchases to the critical path of every project, the Company saved on the financing of its outside plant operations. The distribution of inventories was streamlined without affecting the availability of various styles of telephones in the colors best appreciated by its customers. The processing of payments to 5,800 suppliers for approximately 80,000 accountable items were optimized through mechanization.

In the switching sector, computerization led to in-depth modification of the assignment of lines and telephone numbers to subscribers. One advantage of this new system is the availability of more detailed data on the usage level of equipment to facilitate the comparison between estimates, actual and potential traffic to be distributed. For control purposes, data processing now generates in minutes monthly reports that took three days to produce manually.

But increasing mechanization also involves certain risks such as improper use or loss of critical data. To better protect data against possible destruction, the Company devised an emergency plan with various scenarios and appropriate protection methods. This plan guarantees the continuity of operations in all circumstances.

◀ *Servicing a vast territory entails high travel costs. The rationalization of employee transportation contributes to a better management of activities requiring high mobility.*

GHI
ABC
DEF
JKL
MNO
PRS
TUV
WXY

CUSTOMER SERVICE

Technology must not be regarded as an end in itself but rather as a means to better serve the public. It is this guiding principle which dictated Québec-Téléphone's service offerings to its business and residential subscribers during the year.

The conversion to digital switching technology completed in February 1982 in Sainte-Marie-de-Beauce was most beneficial. A wider range of optional services can now be offered as a result. A major advantage of this modernization is easier access to long-distance services. The mechanized routing of operator-handled calls enables most subscribers in the Québec Region to dial their long-distance calls, a faster and more practical service which has benefitted our Lower St. Lawrence, Gaspé and North Shore subscribers since 1978.

A Telecommunications Centre for Special Needs (Disabilities) to better respond to and process handicapped persons' communications needs was inaugurated in Rimouski early last summer. The attendants of this new Centre make every effort to find practical solutions to the visual, hearing, verbal, prehensile and locomotive impairments of these customers as brought to their attention and to simplify the referral of special service orders to the appropriate departments. Health and social workers who praised the Company effort recognized the social impact of the Telecommunications Centre as a means to promote the autonomy of the handicapped clientele which represents five percent of the population.

Phase II of a mechanization program covering all data entering the subscriber's file was implemented in our Service Offices in November. Mechanized files are now being used to complete the cycle from initial contact to billing for the service requested. This eliminates paperwork and intermediate operations and also minimizes the risk of errors. By the same token, the various steps in the processing of the customer's order are totally integrated without duplication of work for our employees. This new system which reduces service congestion further guarantees superior dependability of customer contact, file updating, assignment and task coordinating activities.

In an effort to efficiently satisfy the specific needs of its business clientele, the Company extended the line of products for small and medium-sized businesses. New products offered include small PABXs with low energy consumption and a variety of basic features previously limited to high-capacity systems.

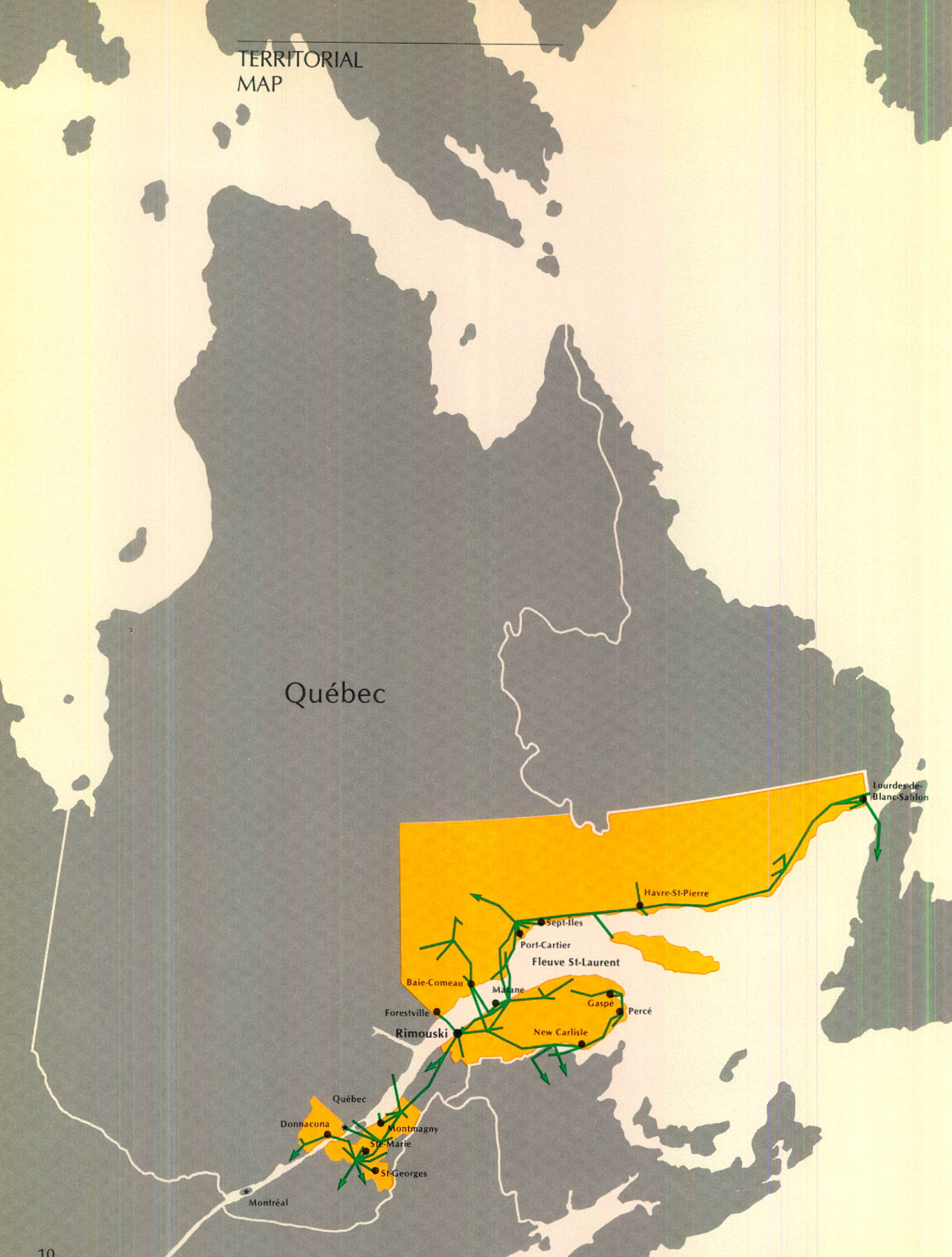
To promote adequate awareness of its resources among business people, the Company turned to telemarketing, a concept based on the use of the telephone to market products and services. By applying to its own operations procedures offered to customers, the Company improved its efficiency, generated significant revenue and asserted more convincingly the efficiency of its methods to solve communications problems.

In new competitive fields including word processing and data transmission, Québec-Téléphone negotiated profitable agreements with highly-competent firms for the marketing of various systems and products. The resulting agreements cover activities of considerable growth potential.

As it adjusts increasingly to competition, Québec-Téléphone develops a global marketing strategy rather than an approach based principally on sales. To meet the challenges of the market, the internal structures were altered and resources rearranged in planning, customer service, selection and promotion of products and services during the year.

◀ *By providing access to the most efficient equipment, Québec-Téléphone takes its customer's requirements seriously.*

TERRITORIAL MAP



1982 IN BRIEF

January
The Rimouski Chapter of the *Ligue de l'électricité du Québec* awards a prize of excellence to Québec-Téléphone for its vigorous energy conservation programs.

February
The final phase of the digital conversion program of the Sainte-Marie-de-Beauce toll centre, initiated in 1978, enhances network dependability and flexibility for the users.

In the *"Mercuriades 82"* competition sponsored by the Chamber of Commerce of the Province of Québec, the Company is a finalist in the Community Involvement category for its support of arts and culture.

March
Mobile radio communications enabling travelling customers to keep in touch with their work base is extended within the Company's Eastern and Western Regions.

Québec-Téléphone signs with Bell Canada a traffic agreement representing a greater share of long-distance service and revenue between area 418 and the maritime provinces of New Brunswick and Newfoundland.

April
The *Régie des services publics* of Québec issues two ordinances on terminal attachment designed to permit subscriber ownership of certain terminal equipment.

May
Under the 1982 Employees' Stock Purchase Plan, 421 Québec-Téléphone employees, including 109 new participants, subscribe the 100,000 shares available.

June
Québec-Téléphone establishes new preferential rates for handicapped persons and inaugurates a Telecommunications Centre for Special Needs (Disabilities) to assist these customers in their specific service requirements.

July
Following the termination of its service contract with Québec-Téléphone, CN Telecommunications moves its telegraph operations to Montréal. The closing of the Rimouski Office marks the end of an era and gives way to more efficient telex and data transmission technologies.

August
In its brief on terminal attachment, Québec-Téléphone indicates its firm determination to enter independant and competitive activities while maintaining existing regulated services.

September
The Company applies the rate schedule previously authorized by the *Régie des services publics* in its Order No. 9659-A.

October
The Laval University Faculty of Administration awards its Hermès Trophy to Mr. Raymond Sirois, Québec-Téléphone's President, Chief Executive Officer and Chairman of the Board, for his outstanding contribution to the development of telecommunications in the province of Québec.

November
Distribution of telephone directories in urban areas is assumed by youth movements, the remuneration of which contributes to support their educational and leisure activities.

December
The Customer Service Department announces a program of conversion to telephone jacks for terminal connection.

FINANCIAL REVIEW

Earnings

Net income applicable to common shares, for the period ended December 31, 1982, increased by 15.7% to reach $ 14.1 million or $ 3.35 per share compared with $ 12.2 million or $ 3.02 per share in 1981. During the year, the average number of common shares outstanding rose from 4,044,266 to 4,221,885, an increase of 4.4%.

The rate of return on average common share equity was 15.5% compared with 14.5% for the preceding period; the return on average invested capital also improved to attain 12.1% compared with 11.6% in 1981.

These results were obtained despite a general economic slowdown at the national level, through the combined effects of restrictive measures taken by the Company to reduce operating expenses, a small rate adjustment and a reduction in depreciation expense in accordance with an order of the *Régie des services publics* of Québec. It should also be noted that the results of this year were also affected by a reduction of the provincial income tax rate for corporations which went from 13% to 8% on January 1, 1982.

Revenues

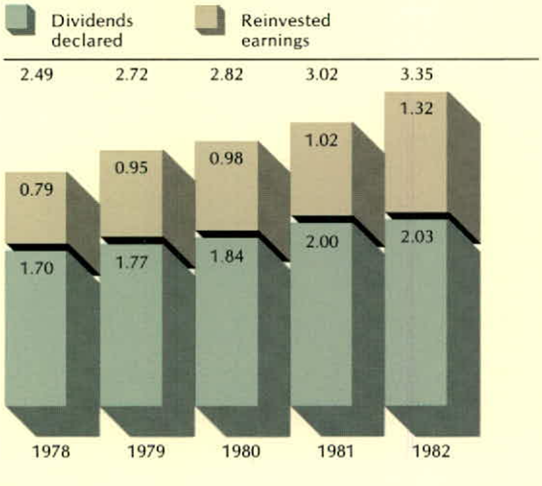
The decline in the growth rate of the number of telephones in service which began in 1981 continued in 1982, allowing nevertheless a net gain of 2,833 telephones for the last twelve months. During the same period, the volume of long-distance calls handled decreased 6.1% to a total of 28.2 million calls compared with 30.0 million in 1981; however, this reduction was partially offset by increased use of the Wide Area Telephone Service (WATS) and private toll lines. Despite a moderate demand for our services, operating revenues reached $ 139.6 million, representing a 6.6% increase when compared with $ 130.9 million in 1981. This increase is mainly attributable to general rate adjustments effective March 31 and July 1, 1981 for toll and local services, respectively, as well as to an adjustment of certain rates on September 1, 1982. WATS revenues continued growing to attain $ 9.8 million, an increase of 15.1% over $ 8.5 million in 1981.

Expenses

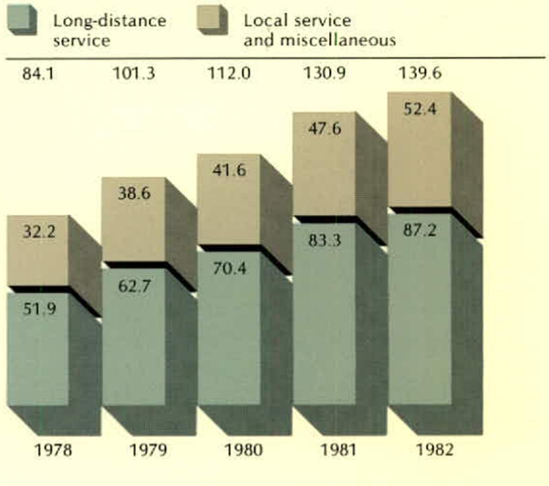
Operating expenses, excluding depreciation and general taxes, increased 10.8% to $ 62.5 million compared with $ 56.5 million in 1981.

During the year, restrictive measures were taken by the Company to reduce operating expenses as much as possible; among the major steps taken last May were a reduction of working hours and related salaries for some 1,500 employees, a freeze of salary scales for management and a suspension of new hiring. These

Earnings and dividends per Common share *(Dollars)*



Operating revenues *(Millions of dollars)*



restraints slowed the increase in total payroll to 3.8% without resorting to mass layoffs.

On the other hand, improvements to employees' pension and group insurance plans, higher costs for mail, material and supplies as well as charging to expense of some costs previously capitalized were the major factors responsible for a growth rate of controllable expenses higher than that of revenues. Compared with the preceding period, the immediate charging to expense of costs previously capitalized and recovered through depreciation represents an increase in operating expenses of approximately $ 1.3 million.

Although the total value of telecommunications property increased by $ 17.3 million during the year, depreciation charges were $ 24.6 million compared with $ 26.3 million in 1981, in accordance with an order issued by the *Régie des services publics* of Québec.

Having risen by 27.8% in 1981, the burden of general taxes increased again by 22.8% in 1982 to attain $ 11.2 million or 8.0% of total revenues compared with 7.0% in 1981. This increase results mainly from the full effect of rates increased during 1981 for employer's contributions to the Québec Health Insurance Plan and for capital tax, as well as a significant increase in 1982 of the annual dues payable to the *Régie des services publics* of Québec.

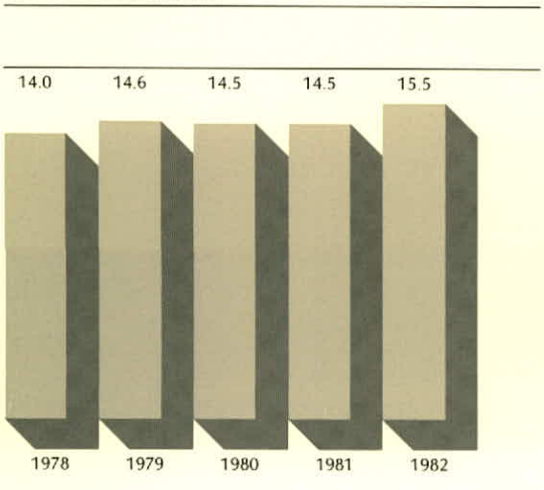
The full financing of the expansion and improvement program by funds provided from operations as well as progressive reduction of interest rates on short-term loans which began in the second half of the year contributed to limit the increase in interest charges to 6.2% despite a charge of $ 0.5 million to this account representing the annual amortization of the unrealized loss on the translation of the long-term debt payable in United States dollars.

Capital Expenditures

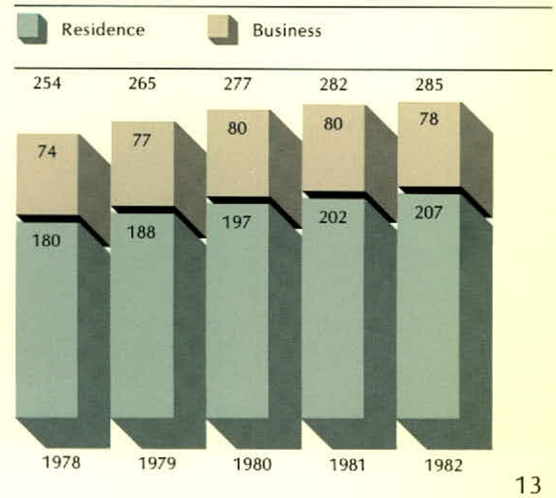
To adjust to a lower demand for services, the Company had to limit its expansion program. It also reduced slightly the rhythm of equipment modernization of recent years while maintaining the same quality of service.

Capital expenditures for expansion and improvement of telecommunications property, including the cost of funds used during construction and the cost of reused material and equipment amounted to $ 34.9 million, which is $ 10.1 million less than planned at the beginning of the year. More specifically, $ 23.3 million were allocated to basic service while equipment modernization and service improvement including the continuation of rural upgrading programs required capital outlays of approximately $ 10.5 million. In addition, administrative support activities required outlays of $ 1.1 million.

Return on average Common share equity *(%)*



Telephones in service *(Thousands)*



Rates and Regulatory Matters

On February 18, 1982, the Company filed an application with the *Régie des services publics* of Québec for a general adjustment of rates to be effective July 1, 1982. Had the request been granted in full, such adjustment was estimated to produce approximately $ 9.8 million in additional revenues and a rate of return on average common equity of 17.0% for 1982.

By its Order 9659-A dated July 30, 1982, the regulatory body granted the Company, effective September 1, 1982, increases principally in local service rates where extended area service is available, service charges, minimum charge for long-distance calls and rates of certain specialized and auxiliary services which resulted in $ 1.8 million in additional revenues in 1982.

On the other hand, the *Régie* does not believe that " (...) it would be wise or timely, in the current economic situation, to accelerate the replacement rate of Company assets and to shorten residual lives in a period when its customers themselves stretch the life of other forms of assets in a real, nonartifical manner (...) " * and consequently set the depreciation expense provision for the year 1982 at the level of the actual average expense incurred for the years 1980 and 1981.

* Translation of an excerpt of the Order 9659-A.

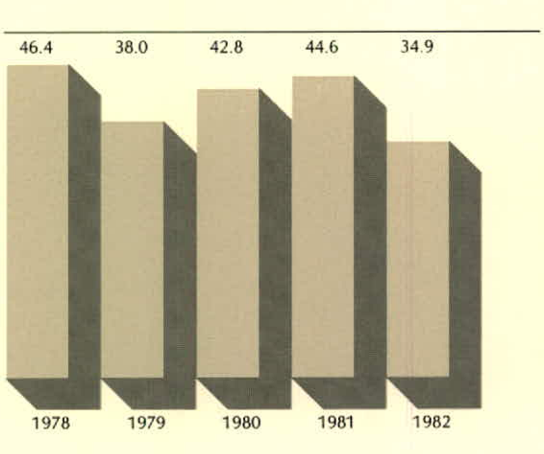
Dividend Payments

Dividends declared totalled $ 10.1 million for the year as compared to $ 9.7 million for 1981. All quarterly dividends were paid to the Company's preferred, subordinate preferred, and common shareholders. On November 2, 1982, the Board of Directors increased by 6% - from $ 0.50 to $ 0.53 - the quarterly dividend per common share payable on January 1, 1983; the dividend declared per common share was $ 2.03 for the year ended compared with $ 2.00 in 1981.

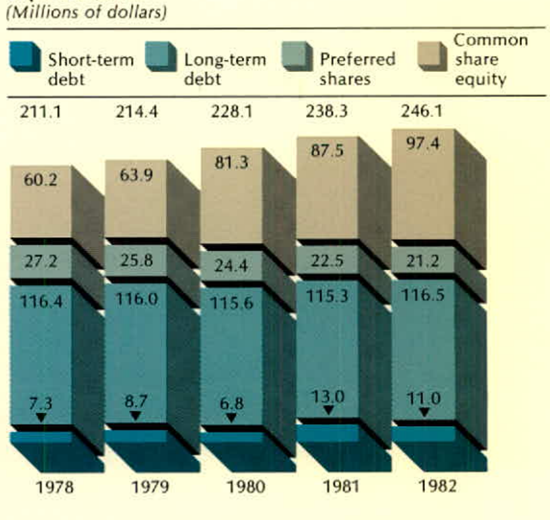
Financing

During the year ended December 31, 1982, in addition to meeting the sinking fund requirements, the Company redeemed $ 3.4 million of First Mortgage Bonds at maturity and reduced its short-term notes by $ 1.9 million. Under the Common Shareholders' Dividend Reinvestment and Share Purchase Plan and the Stock Dividend and Share Purchase Plan, 226,344 new Common shares were issued to nearly 800 shareholders. In addition, 37,240 Common shares were issued to more than 500 employees participating in the Employees' Stock Purchase Plan through salary deductions. These plans brought an aggregate $ 4.4 million in new funds to the Company compared with $ 2.0 million the year before.

Gross capital expenditures
(Millions of dollars)



Capital structure
(Millions of dollars)



FINANCIAL STATEMENTS

QUÉBEC-TÉLÉPHONE

QUÉBEC-TÉLÉPHONE

MANAGEMENT'S REPORT

Management is responsible for the integrity and objectivity of data in the financial statements and complementary notes to the annual report.

Fully aware of this responsibility, Québec-Téléphone maintains elaborate systems of internal control to ensure that the books and records supporting the financial statements present fairly all the transactions in accordance with generally accepted accounting principles and to ensure compliance with policies and administrative rules of conduct. The systems of internal control are strengthened through periodic examinations conducted by the internal auditors and through the examination of financial statements by the external auditors, Arthur Andersen & Cie and Samson Bélair, Chartered Accountants.

The Board of Directors pursues its responsibility for these financial statements principally through its Audit Committee which meets periodically with Management as well as with the internal and external auditors. The latter have full and free access to the Audit Committee, and meet with it, with and without Management being present, to discuss auditing and financial reporting matters.

On behalf of Management,

Simon Soucy

Simon Soucy
Vice President - Finance
and Treasurer

Raymond Sirois

Raymond Sirois
President and Chief
Executive Officer

AUDITORS' REPORT

To the Shareholders of Québec-Téléphone:

We have examined the consolidated balance sheets and consolidated statements of capitalization of Québec-Téléphone (a Québec company) and subsidiary as of December 31, 1982 and 1981, and the related consolidated statements of income and reinvested earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Québec-Téléphone and subsidiary as of December 31, 1982 and 1981, and the results of their operations and the changes in their financial position for the years then ended, in accordance with generally accepted accounting principles which, except for the change (with which we concur) in the method of accounting for translation of foreign debt as described in note 2 to the consolidated financial statements, were applied on a consistent basis during the years.

Samson Bélair

Samson Bélair
Chartered Accountants

January 28, 1983

Arthur Andersen & Cie

Arthur Andersen & Cie
Chartered Accountants

STATEMENTS OF INCOME AND REINVESTED EARNINGS

for the years ended December 31

QUEBEC-TELEPHONE

		1982	1981
		Thousands of dollars	
Operating revenues	Local service	**$ 51,852**	$ 46,704
	Long-distance service	**87,183**	83,328
	Miscellaneous	**1,733**	1,652
	Less: uncollectible accounts	**1,181**	800
		139,587	130,884
Operating expenses (Note 5)	Maintenance	**24,738**	23,211
	Depreciation	**24,627**	26,318
	Traffic	**4,182**	4,542
	Customer services and marketing	**8,224**	8,072
	Administrative and other expenses	**21,765**	18,099
	Pension plans and other employee benefits (Note 6)	**3,625**	2,531
	General taxes (Note 7)	**11,190**	9,115
		98,351	91,888
Operating income		**41,236**	38,996
	Other income (Note 8)	**1,507**	1,768
Income before interest charges and income taxes		**42,743**	40,764
Interest charges	Interest on long-term debt	**11,350**	11,278
	Interest on short-term notes	**1,935**	1,671
	Unrealized foreign exchange loss (Note 2)	**474**	—
	Amortization of discount and expenses on long-term debt	**168**	170
		13,927	13,119
Income before income taxes		**28,816**	27,645
	Income taxes (Note 12)	**13,182**	13,821
Net income		**15,634**	13,824
	Preferred share and Subordinate Preferred share dividends	**1,507**	1,619
Net income applicable to Common shares		**14,127**	12,205
Reinvested earnings	At beginning of year	**34,813**	30,712
		48,940	42,917
	Less: Common share dividends	**8,576**	8,089
	Less: commission and expenses on sale of shares	**—**	15
	At end of year	**$ 40,364**	$ 34,813
Earnings per Common share		**$ 3.35**	$ 3.02
Dividends declared per Common share		**$ 2.03**	$ 2.00
Average number of Common shares (thousands)		**4,222**	4,044

The accompanying notes are an integral part of these financial statements.

BALANCE SHEETS

December 31		1982	1981
ASSETS		**Thousands of dollars**	
Telecommunications property, at cost	Buildings, plant and equipment	**$ 425,756**	$ 408,214
	Less: accumulated depreciation (Note 10)	**136,819**	126,325
		288,937	281,889
	Land	**1,765**	1,780
	Property under construction	**11,686**	9,893
	Construction materials, at average cost	**6,564**	8,630
		308,952	302,192
Investment in Common shares of Telesat Canada, at cost		**600**	600
Current assets	Cash	**367**	75
	Accounts receivable	**15,926**	14,999
	Prepaid expenses	**613**	702
		16,906	15,776
Deferred charges	Unamortized discount and expenses on long-term debt	**1,170**	1,338
	Deferred unrealized loss on foreign currency (Note 2)	**4,319**	—
	Other	**2,111**	2,805
		7,600	4,143
Total assets		**$ 334,058**	$ 322,711

On behalf of the Board of Directors, February 1, 1983:

Raymond Sirois

Raymond Sirois, Director

Hervé Belzile

Hervé Belzile, Director

QUEBEC-TELEPHONE

CAPITALIZATION AND LIABILITIES		1982	1981
		Thousands of dollars	
Capitalization (see accompanying statement)	Common share equity	**$ 97,431**	$ 87,461
	Subordinate Preferred shares	**208**	226
	Preferred shares	**21,205**	22,323
	Long-term debt	**116,465**	115,329
		235,129	225,339
Current liabilities	Short-term debt (Note 11)	**11,017**	12,971
	Accounts payable:		
	Affiliates	**1,248**	179
	Other	**6,371**	7,454
	Income taxes payable (Note 12)	**2,385**	3,384
	Dividends payable	**2,676**	2,439
	Accrued interest	**2,344**	2,286
	Other accrued liabilities	**6,463**	5,415
	Unearned revenues	**3,035**	2,853
		35,539	36,981
Deferred income taxes (Note 12)		**63,390**	60,391
Total capitalization and liabilities		**$ 334,058**	$ 322,711

Simon Soucy

Simon Soucy
Vice President - Finance and Treasurer

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CAPITALIZATION (Note 3)

QUEBEC-TELEPHONE

December 31

			1982		1981	
			Thousands of dollars			
Common share equity	Common shares without nominal or par value		**$ 57,067**		$ 52,648	
	Authorized	Unlimited				
	Outstanding (1981: 4,093,829)	4,358,511				
	Reinvested earnings (see accompanying statement)		**40,364**		34,813	
			97,431	**41%**	87,461	39%
Subordinate Preferred shares of the par value of $ 15 each	Authorized	541,322				
	Outstanding (1981: 14,135)	13,037				
	$ 1.68 Cumulative Redeemable Convertible Series B		**195**		212	
	Premium on Subordinate Preferred shares Series B		**13**		14	
			208	**—%**	226	—%
Cumulative Redeemable Preferred shares of the par value of $ 20 each	Authorized	1,297,279				
	Outstanding (1981: 1,179,420)	1,113,606				
	Series					
	1955 5% (sinking fund)		**800**		852	
	1956 5% (sinking fund)		**369**		406	
	1965 4 3/4%		**8,000**		8,000	
	1973 7 3/4% (purchase fund)		**4,428**		4,430	
	1975 9 3/4% (sinking fund)		**1,800**		2,400	
	1977 7% (sinking fund)		**6,875**		7,500	
	Less: sinking fund payments		**1,247**		1,265	
			$ 21,025	**9%**	$ 22,323	10%

						1982		1981	
						Thousands of dollars			
Long-term debt					Issued				
	First Mortgage Bonds								
	Series	Rate	Maturing						
	F	5⅝%	December 1,	1984	$ 3,000,000 (U.S.)*	**$ 2,704**		$ 2,416	
	G	5½%	October 15,	1982	5,000,000	**—**		3,405	
	H	5½%	June 1,	1987	6,000,000	**4,189**		4,289	
	I	6%	October 15,	1990	5,000,000	**4,450**		4,550	
	J	7%	January 2,	1989	5,000,000	**5,000**		5,000	
	L	9⅛%	April 15,	1991	7,500,000	**377**		389	
	M	8¾%	May 15,	1992	7,500,000	**7,500**		7,500	
	N	8½%	March 15,	1993	8,500,000	**8,500**		8,500	
	O	9¾%	July 1,	1994	16,500,000 (U.S.)*	**20,370**		15,921	
	P	11⅞%	October 15,	1995	15,000,000	**15,000**		15,000	
	Q	10⅝%	December 15,	1996	20,000,000	**20,000**		20,000	
	R	10½%	December 2,	1983	25,000,000	**25,000**		25,000	
	Less: sinking fund payments					**185**		216	
						112,905		111,754	
	General Mortgage Bonds								
	Series	Rate	Maturing						
	D	5¾%	April 1,	1983	5,000,000	**3,560**		3,590	
	Less: sinking fund payment					**—**		15	
						3,560		3,575	
						116,465	**50%**	115,329	51%
Total capitalization						**$ 235,129**	**100%**	$ 225,339	100%

* See note 2.

The accompanying notes are an integral part of these financial statements.

CHANGES IN FINANCIAL POSITION

for the years ended December 31

QUÉBEC-TÉLÉPHONE

		1982	1981
		Thousands of dollars	
Source of funds	**From operations**		
	Net income applicable to Common shares	**$ 14,127**	$ 12,205
	Expenses not requiring a cash outlay:		
	Depreciation	**24,627**	26,318
	Deferred income taxes — this year (Note 12)	**1,930**	3,760
	Other	**1,800**	(672)
		42,484	41,611
	Increase in deferred income taxes — prior years	**1,069**	234
	Net proceeds from financing		
	Common shares	**4,401**	2,013
	Increase (decrease) in short-term notes	**(1,890)**	6,225
		2,511	8,238
	Total	**$ 46,064**	$ 50,083
Application of funds	**Funds used for construction**		
	Gross capital expenditures	**$ 34,869**	$ 44,550
	Increase (decrease) in construction materials	**(2,066)**	89
	Less: charges not requiring a cash outlay	**952**	1,934
		31,851	42,705
	Other		
	Common share dividends	**8,576**	8,089
	Redemptions of Preferred shares and long-term debt	**5,019**	2,161
	Increase (decrease) in working capital (Note 13)	**618**	(2,872)
		14,213	7,378
	Total	**$ 46,064**	$ 50,083

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

for the years ended December 31, 1982 and 1981

QUEBEC-TELEPHONE

1. Significant Accounting Policies

The Company's financial statements have been prepared by Management in accordance with Canadian generally accepted accounting principles, and in conformity with prevailing practices in the Canadian telecommunications industry. The Company is subject to regulations by the *Régie des services publics* of Québec.

Earnings per Common Share
Earnings per Common share are calculated using the quarterly weighted average number of outstanding Common shares eligible for quarterly dividend.

Principles of Consolidation
These financial statements are consolidated and include the accounts of *La Compagnie de Téléphone Bonaventure et Gaspé, Limitée,* an inactive wholly-owned subsidiary.

Accounting for Certain Disbursements
Along with other telecommunications companies and with the concurrence of the *Régie des services publics* of Québec, the Company has, for some years, been charging to expense certain disbursements which were previously capitalized. In comparison with the preceding year, these disbursements represent in 1982 an increase in operating expenses of approximately $ 1,310,000.

Telecommunications Property
Telecommunications property is recorded at original cost and includes certain costs related to pension, payroll taxes and funds used during construction applicable to the construction activity. The original cost of retired telecommunications property is charged to accumulated depreciation or, to construction material when such property can be re-used; therefore, no gain or loss on retirement is recognized in the statement of income.

Depreciation
Depreciation is calculated by the straight-line method using rates based on the estimated service life of the assets. In the Order 9659-A issued by the *Régie des services publics* of Québec on July 30, 1982, the Company was enjoined to reevaluate, considering the prevailing economic situation, the service life of its assets, thus reducing the composite depreciation rate from 6.99% in 1981 to 5.95% in 1982.

Investment
The investment in Common shares of Telesat Canada is recorded at original cost. Its estimated value under the equity method as at December 31, 1982 was $ 1,189,000.

Amortization of Discount and Expenses on Long-Term Debt
Discount and expenses on long-term debt are amortized using the straight-line method over the life of the related commitments.

Income Taxes
The Company uses the tax allocation method to account for temporary variations between taxable and booked income.

Long-Distance Service Revenues
The Company receives part of its long-distance service revenues pursuant to agreements with other telecommunications companies for services provided jointly. The Company's actual share of the joint business cannot be specifically determined before the completion of settlement studies. Related provisions are recorded in the books.

Translation of Foreign Currencies
Current transactions are translated in Canadian dollars at the rate of exchange prevailing at the transaction date; exchange gains or losses are included in net income for the year during which they are incurred.

2. Change in Accounting Policies

The long-term debt payable in U.S. funds is reflected in the financial statements at the Canadian dollar equivalent at the rate of exchange prevailing on December 31, 1982. The unrealized loss on long-term debt amounts to $ 4,792,546 and is being charged in equal amounts over the remaining term of the debt commencing in 1982. The portion charged to operations was $ 473,568 for the year ended December 31, 1982.

The Company's previous policy was to translate the long-term debt at the rate of exchange prevailing at the respective transaction date except for long-term debt issued before June 1, 1970 which was translated at the rate of exchange prevailing before the Canadian dollar was floated.

3. Capitalization

Capital Stock

During 1982, transactions related to the capital stock of the Company were as follows:

	Common	Subordinate Preferred	Preferred
Shares outstanding at December 31, 1981	4,093,829	14,135	1,179,420
Issued	263,584	—	—
Redeemed	—	—	(65,814)
Converted	1,098	(1,098)	—
Shares outstanding at December 31, 1982	**4,358,511**	**13,037**	**1,113,606**

On September 17, 1982, Supplementary Letters Patent were granted to the Company authorizing the modification of its capital stock as follows:

a) Cancellation of 24,627 5% Cumulative Redeemable Preferred shares Series 1955 and 1956.
b) Cancellation of 56,000 7 3/4% Cumulative Redeemable Preferred shares Series 1973.
c) Cancellation of 180,000 9 3/4% Cumulative Redeemable Preferred shares Series 1975.
d) Cancellation of 124,992 7% Cumulative Redeemable Preferred shares Series 1977.
e) Cancellation of 458,678 $ 1.68 Cumulative Redeemable Convertible Subordinate Preferred shares Series B.

On September 17, 1982, the Company received a certificate from the *Ministère des Institutions financières et Coopératives* of Québec authorizing its continuance under Part 1A of the Companies Act of Québec. On the same date, the authorized capital stock went from 5,000,000 to an unlimited number of Common shares without nominal or par value.

Common Shares

During 1982, 264,682 Common shares amounting to $ 4,418,867 were issued under the following plans intended to shareholders and employees:

a) Common Shareholders' Dividend Reinvestment and Share Purchase Plan
b) Common Shareholders' Stock Dividend and Share Purchase Plan
c) Conversion at the holders' option of $ 1.68 Cumulative Redeemable Convertible Subordinate Preferred shares Series B
d) Employees' Stock Purchase Plan.

As of December 31, 1982, 486,007 Common shares were reserved for issuance under these plans.

Subordinate Preferred Shares

The $ 1.68 Cumulative Redeemable Convertible Subordinate Preferred shares Series B are convertible at the option of the holders thereof at any time on or before June 30, 1986, into one Common share for each share so converted.

Since more than 85% of the original issue has now been converted into Common shares, the Company has the option at any time to redeem all or part of the outstanding Series B shares at the then current redemption price.

Preferred Shares

In order to meet the sinking fund requirements for the 1955 and 1956 Series, payments for the next five years will be as follows: $ 22,471 in 1983 and $ 50,000 for each of the years 1984, 1985, 1986 and 1987.

In addition, the Company must redeem each year 30,000 Preferred shares Series 1975, at par value and make all reasonable efforts to redeem each year 9,000 Preferred shares Series 1973, at a price not exceeding $ 20.

The Company must call for redemption and redeem 31,248 Preferred shares Series 1977 on October 1, in each of the years 1983 to 1985 inclusive, and the remaining 250,016 Preferred shares Series 1977 on October 1, 1986 at their par value.

Long-Term Debt

The Trust Deeds of the Company require the use of a sinking fund or the pledge of additional unmortgaged property for each of the series as follows:

a) Series F, H and I, First Mortgage:
   Annual payment of 1 1/2% of the principal amount of the bonds issued.
b) Series J, M, N, O, P and Q, First Mortgage:
   Annual payment of 1% or additional mortgage of 1 1/2% of the principal amount of bonds issued. During the previous years, the Company used the latter alternative.

c) Series L, First Mortgage:

Annual payment of $ 8,960 representing 2% of the aggregate principal amount of bonds issued and not prepaid on April 15, 1975.

During 1982, the Company has redeemed $ 3,405,000 First Mortgage Bonds Series G whose redemption date was October 15, 1982.

Bonds redeemable within one year that the Company plans to refinance by way of a long-term debt have been classified as long-term debt.

To meet the sinking fund requirements and the debt retirements, the following payments will have to be made during the next five years:

Year ending December 31	Requirements: Sinking fund payments (Thousands of dollars)	Requirements: Debt retirements (Thousands of dollars)
1983	$ 185	$ 28,560
1984	174	2,648
1985	174	—
1986	174	—
1987	84	3,840

First Mortgage Bonds of all series are secured equally and rateably under a fixed and specific hypothec, mortgage, pledge, charge, cession and transfer of/and on all immovable property, such as buildings, equipment, telephone lines and apparatus, rights-of-way and similar rights and a floating charge on all other assets. The security provided for the General Mortgage Bonds is similar but subordinated to that provided for the First Mortgage Bonds.

4. Construction Program

The cost of the Company's program for improvements and construction of new plant and facilities in 1983, as now planned, is estimated at $ 35.0 million, including the cost of re-usable material and equipment; purchase commitments amounting to approximately $ 2.9 million have been made in connection therewith as of December 31, 1982.

5. Certain Operating Expenses

Traffic expenses represent mainly operators' wages incurred in handling telephone calls; customer services and marketing expenses represent costs incurred in business relations with customers, advertising and directories; administrative and other expenses include principally accounting, data processing, budget, internal auditing, engineering costs incurred for planning and administrative purposes, stationery expenses and office services such as mail, house service and the administration of a purchase department.

6. Pension Plans

The Company maintains funded pension plans for the benefit of its employees in conformity with the requirements of the Québec Supplemental Pension Plans Act. As a rule, an annual actuarial study is made for administration purposes.

Based on an actuarial study as of December 31, 1981, the total estimated liability for past services unrecorded at the end of 1982 was $ 2,731,431 and with interest thereon, will be amortized by annual instalments of $ 389,054 up to December 31, 1996.

The cost inherent to these pension plans charged to operating expenses was $ 2,141,000 for the year ended December 31, 1982 and $ 1,514,000 for 1981.

7. General Taxes

General taxes were as follows:

	1982 (Thousands of dollars)	1981 (Thousands of dollars)
Tax on capital	**$ 1,385**	$ 1,117
Tax assessed under the Municipal Taxation Act	**6,262**	5,343
Other real estate taxes	**475**	421
Payroll taxes	**2,792**	2,550
Other taxes	**633**	88
	11,547	9,519
Less: portion capitalized	**357**	404
	$ 11,190	$ 9,115

8. Other Income

This account includes an allowance for the cost of funds used during construction. For the year ended December 31, 1982, $ 660,320 ($ 826,999 in 1981) were applied to the telecommunications property at the rate of 11.60% (11.03% in 1981) and credited to other income. This rate reflects the Company's rate of return on total invested capital for the previous year.

9. Remuneration of Directors and Officers

The total direct remuneration of the directors and officers was $ 620,711 for the year ended December 31, 1982 and $ 562,435 for 1981.

10. Accumulated Depreciation

Changes in the accumulated depreciation account were as follows:

	1982	1981
	Thousands of dollars	
Balance at beginning of year	**$ 126,325**	$ 107,888
Amount charged to depreciation account	**24,627**	26,318
Amount charged to other accounts	**658**	1,103
Less: telecommunications property retired (net value)	**14,791**	8,984
Balance at end of year	**$ 136,819**	$ 126,325

11. Short-Term Debt

At December 31, short-term debt included:

	1982	1981
	Thousands of dollars	
Short-term notes		
Bank	**$ 3,585**	$ 9,475
La Compagnie de Téléphone Anglo-Canadienne	**6,000**	2,000
Sinking fund payments on Cumulative Redeemable Preferred shares	**1,247**	1,265
Sinking fund payments on long-term debt	**185**	231
	$ 11,017	$ 12,971

The average interest rate on short-term notes was 15.92% in 1982 and 19.86% in 1981.

The Company's policy is to utilize short-term financing mainly to finance its construction program pending long-term financing. In computing the rate of return on average invested capital and the average debt service cost, short-term debt is included in total capitalization.

12. Income Taxes

The Company has been assessed by the Department of National Revenue and by the *Ministère du Revenu* of Québec up to and including December 31, 1981. Audits have been made by the Department of National Revenue from 1977 to 1979 inclusively; no material adjustment has resulted from these. Audits have also been made by the *Ministère du Revenu* of Québec from 1974 to 1978 inclusively; these audits are not yet completed but the Management estimates that no important liability should ensue.

The effective income tax rate was 45.5% in 1982 and 50.2% in 1981.

Current and deferred income taxes for the years were as follows:

	1982	1981
	Thousands of dollars	
Current	**$ 11,252**	$ 10,061
Deferred	**1,930**	3,760
	$ 13,182	$ 13,821

The reconciliation of the income tax accounts shown in the balance sheets is presented below:

	Current income taxes		Deferred income taxes	
	1982	1981	**1982**	1981
	Thousands of dollars			
Balance at beginning of year	**$ 3,384**	$ 1,313	**$ 60,391**	$ 56,397
Payments	**(11,307)**	(7,751)	**—**	—
Provision	**11,252**	10,061	**1,930**	3,760
Prior years' adjustments	**(944)**	(239)	**1,069**	234
Balance at end of year	**$ 2,385**	$ 3,384	**$ 63,390**	$ 60,391

13. Changes in Working Capital other than Short-Term Debt

The changes in working capital are accounted for by:

	1982	1981
	Thousands of dollars	
Increase (decrease) in current assets		
Cash	**$ 292**	$ (198)
Accounts receivable	**927**	2,051
Prepaid expenses	**(89)**	13
(Increase) decrease in current liabilities		
Accounts payable and other accrued liabilities	**(1,511)**	(2,667)
Income taxes payable	**999**	(2,071)
Increase (decrease) in working capital	**$ 618**	$ (2,872)

14. Related Party Transactions

GTE International Incorporated, GTE Service Corporation, *La Compagnie de Téléphone Anglo-Canadienne, AEL Microtel Limitée, GTE Sylvania Canada Limitée* and Dominion Directory Company Limited and their respective subsidiaries are direct or indirect affiliates of the Company.

The Company's policy is to purchase high-quality goods and services at the best possible price. Consequently, no advantage is given to affiliates and transactions with these are made on a competitive basis, that is at the same or better conditions which would have prevailed if the parties had not been affiliated.

During 1982, the Company has paid in dividends, goods and services the sum of $ 65.9 million of which $ 11.2 million to affiliates. The Company has paid to *La Compagnie de Téléphone Anglo-Canadienne* interests on short-term notes amounting to $ 0.8 million; the rate of interest on these notes being the same as on 30-day Canadian commercial paper.

15. Comparative Financial Statements

Certain reclassifications were made to the 1981 financial statements in order to make them comparable to those of 1982.

FIVE-YEAR REVIEW

QUEBEC-TELEPHONE

		1982	1981	1980	1979	1978
Selected results and reinvested earnings items (thousands of dollars)	Operating revenues	**$ 139,587**	$ 130,884	$ 112,000	$ 101,303	$ 84,136
	Operating expenses (excluding depreciation and general taxes)	**62,534**	56,455	47,775	42,040	34,137
	Depreciation of telecommunications property	**24,627**	26,318	22,470	20,839	18,514
	General taxes	**11,190**	9,115	7,133	6,203	4,110
	Total operating expenses	**98,351**	91,888	77,378	69,082	56,761
	Interest charges	**13,927**	13,119	12,642	12,347	10,936
	Income taxes	**13,182**	13,821	11,517	10,015	8,718
	Net income	**15,634**	13,824	11,640	10,902	9,590
	Dividends on Preferred shares and Subordinate Preferred shares	**1,507**	1,619	1,765	1,882	2,094
	Net income applicable to Common shares	**14,127**	12,205	9,875	9,020	7,496
	Common share dividends	**8,576**	8,089	6,444	5,875	5,119
	Reinvested net income	**5,551**	4,116	3,431	3,145	2,224
Selected balance sheet items (thousands of dollars)	Telecommunications property, at cost	**$ 445,771**	$ 428,517	$ 394,648	$ 361,496	$ 341,954
	Accumulated depreciation	**136,819**	126,325	107,888	93,083	83,826
	Capitalization	**235,129**	225,339	221,325	205,673	203,842
	Common share equity	**97,431**	87,461	81,316	63,864	60,225
	Preferred shares and Subordinate Preferred shares	**21,233**	22,549	24,368	25,790	27,225
	Long-term debt	**116,465**	115,329	115,641	116,019	116,392
	Short-term debt	**11,017**	12,971	6,792	8,711	7,316
Financial statistics	Average number of Common shares (thousands)	**4,222**	4,044	3,502	3,319	3,011
	Earnings per Common share	**$ 3.35**	$ 3.02	$ 2.82	$ 2.72	$ 2.49
	Dividends declared per Common share	**$ 2.03**	$ 2.00	$ 1.84	$ 1.77	$ 1.70
	Dividend payout	**60.7%**	66.3%	65.3%	65.1%	68.3%
	Value per Common share					
	Equity (1)	**$ 22.35**	$ 21.36	$ 20.44	$ 19.16	$ 18.21
	Market value (high-low) (2)	**$ 20 7/8-15 3/4**	$ 20 7/8-16 1/2	$ 23-18	$ 26-21 1/2	$ 24 1/2-20 1/2
	Return on average Common share equity	**15.5%**	14.5%	14.5%	14.6%	14.0%
	Return on average invested capital (3)	**12.1%**	11.6%	11.0%	10.9%	10.3%
	Average debt service cost (3)	**10.6%**	10.6%	10.1%	10.0%	9.5%
	Debt to total capitalization	**50%**	51%	52%	56%	57%
	Times interest earned before taxes	**3.54**	3.45	3.06	2.85	3.06
	Number of Common shareholders	**3,617**	3,295	2,815	1,876	1,878
Other statistics	Number of employees (1)	**2,036**	2,166	2,195	2,209	2,199
	Salaries and benefits (thousands of dollars)	**$ 53,633**	$ 50,702	$ 44,033	$ 39,645	$ 33,422
	Funds used for construction (thousands of dollars)	**$ 31,851**	$ 42,705	$ 41,601	$ 35,840	$ 45,991
	Telecommunications property per telephone (1)	**$ 1,567**	$ 1,521	$ 1,425	$ 1,362	$ 1,347
	Telephones in service (1)	**284,558**	281,725	276,870	265,337	253,854
	Automatic Number Identification	**73.1%**	72.8%	66.2%	66.5%	64.8%
	Toll messages handled (thousands)	**28,175**	30,002	29,656	27,929	26,015

(1) Year-end.
(2) Valuation day value (December 22, 1971): $ 13.75 per share.
(3) See note 11 to the accompanying financial statements.

BOARD OF DIRECTORS

Hervé Belzile †
Chairman and Chief Executive Officer
Alliance compagnie mutuelle d'assurance-vie

Roger Charbonneau †
President
Laboratoires Anglo-French Limitée

Roger DeSerres *
President
Omer DeSerres Ltée

James L. Johnson
President - Telephone Operating Group
GTE Service Corporation

Charles Mercier *
Vice President - Marketing and Customer Service
Québec-Téléphone

M. Brian Mulroney *
President
Compagnie minière I O C

Bernard Panet-Raymond * †
President
O.R.C. Canada Inc.

Claude Pratte, Q.C. *
Advocate

Raymond Sirois **
President and Chairman of the Board
Québec-Téléphone

William E. Starkey
Group Vice President - Telephone Operating Group
GTE Service Corporation

Antoine Turmel
Chairman and Chief Executive Officer
Provigo Inc.

** president of executive committee
* member of executive committee
† member of audit committee

At the General Meeting of April 13, 1982, Mr. William E. Starkey, Group Vice President, Telephone Operating Group, GTE Service Corporation was elected to the Board.

OFFICERS

Raymond Sirois
President and Chief Executive Officer

Charles Mercier
Vice President - Marketing and Customer Service

Ghislain Bouchard
Vice President - Human Resources and Legal Affairs, Secretary

Robert Duchesne
Vice President - Network Engineering and Construction

Simon Soucy
Vice President - Finance and Treasurer

Gilles Laroche
Vice President - Business Development

Andrée Bélanger
Assistant Secretary

GENERAL INFORMATION

Québec-Téléphone is incorporated under the laws of Québec by Letters Patent dated June 7, 1927 and is subject to the regulatory authority of the *Régie des services publics* of Québec.

Major Shareholder
As at December 31, 1982, *La Compagnie de Téléphone Anglo-Canadienne*, 8750, chemin de la Côte-de-Liesse, Saint-Laurent, Québec, owned 2,222,770 Common shares of Québec-Téléphone, or 51.0% of outstanding Common shares.

Listing of Shares
Common shares, 4 3/4% Preferred shares Series 1965, 7 3/4% Preferred shares Series 1973 and $ 1.68 Cumulative Redeemable Convertible Subordinate Preferred shares Series B are listed on the Montréal and Toronto stock exchanges. The 5% Preferred shares Series 1955 and 1956 are listed on the Montréal stock exchange.

Stock Transfer Offices
Trust Général du Canada, 1100, rue University, Montréal, Québec, is the Registrar and Transfer Agent for all classes of shares of the Company. *Compagnie Trust Royal* is the Co-Transfer Agent and Registrar for the 4 3/4% Preferred shares Series 1965, at its offices in Toronto and Winnipeg, and is the Co-Transfer Agent and Registrar for the 7 3/4% Preferred shares Series 1973, for the $ 1.68 Cumulative Redeemable Convertible Subordinate Preferred shares Series B and for the Company's Common shares at its offices in Saint John, N.B., Toronto, Winnipeg, Regina, Calgary and Vancouver.

Trustee for Bonds
Trust Général du Canada
1100, rue University
Montréal, Québec

Bankers
Banque Nationale du Canada
Banque de Montréal

Subsidiary
La Compagnie de Téléphone Bonaventure et Gaspé, Limitée
New Carlisle, Québec

Annual Meeting
The Directors appreciate the interest shown by shareholders who attend the Annual General Meetings and who participate in the discussion of the Company's affairs. This year the meeting will be held on April 12, 1983, in Rimouski, Québec. All shareholders who find it possible to attend are urged to do so.

ANNUAL REPORT

QUÉBEC-TELEPHONE

Head Office: 6, rue Saint-Jean, Rimouski (Québec) G5L 7E4