

Condensed consolidated financial statements of

QUEBECOR INC.

Three-month periods ended March 31, 2021 and 2020

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF INCOME

(in millions of Canadian dollars, except for earnings per share data)
(unaudited)

Three months ended
March 31

	Note	2021	2020
Revenues	2	\$ 1,091.1	\$ 1,055.5
Employee costs	3	176.4	178.0
Purchase of goods and services	3	462.0	440.8
Depreciation and amortization		195.3	198.1
Financial expenses	4	83.1	87.4
Loss (gain) on valuation and translation of financial instruments	5	5.8	(23.3)
Restructuring of operations and other items	6	4.5	3.9
Income before income taxes		164.0	170.6
Income taxes (recovery):			
Current		63.4	61.0
Deferred		(19.4)	(20.5)
		44.0	40.5
Income from continuing operations		120.0	130.1
Income from discontinued operations		-	1.3
Net income		\$ 120.0	\$ 131.4
Income (loss) from continuing operations attributable to			
Shareholders		\$ 121.3	\$ 130.3
Non-controlling interests		(1.3)	(0.2)
Net income (loss) attributable to			
Shareholders		\$ 121.3	\$ 131.6
Non-controlling interests		(1.3)	(0.2)
Earnings per share attributable to shareholders	10		
Basic:			
From continuing operations		\$ 0.49	\$ 0.51
From discontinued operations		-	0.01
Net income		0.49	0.52
Diluted:			
From continuing operations		0.49	0.41
From discontinued operations		-	0.01
Net income		0.49	0.42
Weighted average number of shares outstanding (in millions)		246.7	254.0
Weighted average number of diluted shares (in millions)		246.9	259.9

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of Canadian dollars)
(unaudited)

Three months ended
March 31

	Note	2021	2020
Income from continuing operations		\$ 120.0	\$ 130.1
Other comprehensive income from continuing operations:			
Items that may be reclassified to income:			
Cash flow hedges:			
(Loss) gain on valuation of derivative financial instruments		(2.6)	62.9
Deferred income taxes		1.9	(15.0)
Items that will not be reclassified to income:			
Defined benefit plans:			
Re-measurement gain	13	177.0	-
Deferred income taxes		(46.9)	-
		129.4	47.9
Comprehensive income from continuing operations		249.4	178.0
Income from discontinued operations		-	1.3
Comprehensive income		\$ 249.4	\$ 179.3
Comprehensive income (loss) from continuing operations attributable to			
Shareholders		\$ 243.9	\$ 178.2
Non-controlling interests		5.5	(0.2)
Comprehensive income (loss) attributable to			
Shareholders		\$ 243.9	\$ 179.5
Non-controlling interests		5.5	(0.2)

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC. SEGMENTED INFORMATION

(in millions of Canadian dollars)
(unaudited)

Three months ended March 31, 2021

	Telecommuni- cations	Media	Sports and Enter- tainment	Head office and Inter- segments	Total
Revenues	\$ 914.0	\$ 174.8	\$ 31.2	\$ (28.9)	\$ 1,091.1
Employee costs	104.5	55.1	7.5	9.3	176.4
Purchase of goods and services	358.6	118.4	21.6	(36.6)	462.0
Adjusted EBITDA ¹	450.9	1.3	2.1	(1.6)	452.7
Depreciation and amortization					195.3
Financial expenses					83.1
Loss on valuation and translation of financial instruments					5.8
Restructuring of operations and other items					4.5
Income before income taxes					\$ 164.0
Cash flows used for					
Additions to property, plant and equipment	\$ 107.6	\$ 3.8	\$ 0.1	\$ 0.3	\$ 111.8
Additions to intangible assets	51.3	6.1	0.9	0.5	58.8

Three months ended March 31, 2020

	Telecommuni- cations	Media	Sports and Enter- tainment	Head office and Inter- segments	Total
Revenues	\$ 874.7	\$ 174.8	\$ 34.8	\$ (28.8)	\$ 1,055.5
Employee costs	102.9	59.7	10.0	5.4	178.0
Purchase of goods and services	336.3	111.0	28.6	(35.1)	440.8
Adjusted EBITDA ¹	435.5	4.1	(3.8)	0.9	436.7
Depreciation and amortization					198.1
Financial expenses					87.4
Gain on valuation and translation of financial instruments					(23.3)
Restructuring of operations and other items					3.9
Income before income taxes					\$ 170.6
Cash flows used for					
Additions to property, plant and equipment	\$ 73.6	\$ 6.2	\$ 0.1	\$ 0.1	\$ 80.0
Additions to intangible assets	95.1	6.9	0.8	-	102.8

¹ The Chief Executive Officer uses adjusted EBITDA as the measure of profit to assess the performance of each segment. Adjusted EBITDA is referred as a non-IFRS measure and is defined as net income before depreciation and amortization, financial expenses, loss (gain) on valuation and translation of financial instruments, restructuring of operations and other items, income taxes and income from discontinued operations.

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.
CONSOLIDATED STATEMENTS OF EQUITY

(in millions of Canadian dollars)
(unaudited)

	Equity attributable to shareholders				Equity attributable to non-controlling interests	Total equity
	Capital stock	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive loss		
	(note 11)			(note 13)		
Balance as of December 31, 2019	\$ 1,055.9	\$ 17.4	\$ (31.7)	\$ (64.1)	\$ 94.6	\$ 1,072.1
Net income (loss)	-	-	131.6	-	(0.2)	131.4
Other comprehensive income	-	-	-	47.9	-	47.9
Dividends	-	-	(50.9)	-	(0.2)	(51.1)
Repurchase of Class B Shares	(6.3)	-	(27.8)	-	-	(34.1)
Balance as of March 31, 2020	1,049.6	17.4	21.2	(16.2)	94.2	1,166.2
Net income	-	-	475.6	-	10.4	486.0
Other comprehensive loss	-	-	-	(117.7)	(3.1)	(120.8)
Dividends	-	-	(150.2)	-	-	(150.2)
Repurchase of Class B Shares	(31.8)	-	(135.3)	-	-	(167.1)
Balance as of December 31, 2020	1,017.8	17.4	211.3	(133.9)	101.5	1,214.1
Net income (loss)	-	-	121.3	-	(1.3)	120.0
Other comprehensive income	-	-	-	122.6	6.8	129.4
Dividends	-	-	(68.3)	-	(0.1)	(68.4)
Repurchase of Class B Shares	(15.6)	-	(68.8)	-	-	(84.4)
Balance as of March 31, 2021	\$ 1,002.2	\$ 17.4	\$ 195.5	\$ (11.3)	\$ 106.9	\$ 1,310.7

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars)
(unaudited)

Three months ended
March 31

	Note	2021	2020
Cash flows related to operating activities			
Income from continuing operations		\$ 120.0	\$ 130.1
Adjustments for:			
Depreciation of property, plant and equipment		146.2	153.1
Amortization of intangible assets		38.9	35.9
Amortization of right-of-use assets		10.2	9.1
Loss (gain) on valuation and translation of financial instruments	5	5.8	(23.3)
Impairment of assets	6	0.8	-
Amortization of financing costs	4	2.2	2.0
Deferred income taxes		(19.4)	(20.5)
Other		0.1	2.6
		<u>304.8</u>	<u>289.0</u>
Net change in non-cash balances related to operating activities		(43.2)	32.6
Cash flows provided by continuing operating activities		<u>261.6</u>	<u>321.6</u>
Cash flows related to investing activities			
Business acquisitions	7	(15.1)	-
Additions to property, plant and equipment	8	(111.8)	(80.0)
Additions to intangible assets		(58.8)	(102.8)
Proceeds from disposals of assets		0.1	1.5
Other		(0.8)	(0.6)
		<u>(186.4)</u>	<u>(181.9)</u>
Cash flows used in continuing investing activities			
Cash flows related to financing activities			
Net change in bank indebtedness		1.6	(12.8)
Net change under revolving facilities		(3.1)	(52.9)
Issuance of long-term debt, net of financing fees	9	644.0	-
Repayment of long-term debt		(0.4)	(0.3)
Repayment of lease liabilities		(10.2)	(9.6)
Repurchase of Class B Shares	11	(84.4)	(34.1)
Dividends paid to non-controlling interests		(0.1)	(0.2)
		<u>547.4</u>	<u>(109.9)</u>
Cash flows provided by (used in) continuing financing activities			
Cash flows provided by continuing operations		<u>622.6</u>	<u>29.8</u>
Cash and cash equivalents at beginning of period		<u>136.7</u>	<u>14.0</u>
Cash and cash equivalents at end of period		<u>\$ 759.3</u>	<u>\$ 43.8</u>
Cash and cash equivalents consist of			
Cash		\$ 759.0	\$ 4.7
Cash equivalents		0.3	39.1
		<u>\$ 759.3</u>	<u>\$ 43.8</u>
Interest and taxes reflected as operating activities			
Cash interest payments		\$ 38.6	\$ 38.9
Cash income tax payments (net of refunds)		112.8	23.0

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars)
(unaudited)

	Note	March 31 2021	December 31 2020
Assets			
Current assets			
Cash and cash equivalents		\$ 759.3	\$ 136.7
Restricted cash	8	210.7	-
Accounts receivable		635.9	600.6
Contract assets		176.7	174.9
Income taxes		10.0	4.9
Inventories		271.7	250.7
Other current assets		136.7	113.0
		2,201.0	1,280.8
Non-current assets			
Property, plant and equipment		3,167.2	3,189.2
Intangible assets		1,480.3	1,466.7
Goodwill		2,714.0	2,714.0
Right-of-use assets		148.4	143.1
Derivative financial instruments		569.4	625.5
Deferred income taxes		31.5	45.5
Other assets		379.1	396.8
		8,489.9	8,580.8
Total assets		\$ 10,690.9	\$ 9,861.6
Liabilities and equity			
Current liabilities			
Bank indebtedness		\$ 3.3	\$ 1.7
Accounts payable, accrued charges and provisions		961.7	872.2
Deferred revenue		307.5	307.5
Deferred subsidies	8	210.7	-
Income taxes		23.8	70.0
Current portion of long-term debt	9	25.4	28.5
Current portion of lease liabilities		35.1	34.3
		1,567.5	1,314.2
Non-current liabilities			
Long-term debt	9	6,330.7	5,744.9
Derivative financial instruments		35.1	28.4
Convertible debentures		150.0	150.0
Lease liabilities		144.3	139.0
Deferred income taxes		859.8	848.2
Other liabilities		292.8	422.8
		7,812.7	7,333.3
Equity			
Capital stock	11	1,002.2	1,017.8
Contributed surplus		17.4	17.4
Retained earnings		195.5	211.3
Accumulated other comprehensive loss	13	(11.3)	(133.9)
Equity attributable to shareholders		1,203.8	1,112.6
Non-controlling interests		106.9	101.5
		1,310.7	1,214.1
Contingencies	15		
Subsequent events	16		
Total liabilities and equity		\$ 10,690.9	\$ 9,861.6

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month periods ended March 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

Quebecor Inc. (“Quebecor” or the “Corporation”) is incorporated under the laws of Québec. The Corporation's head office and registered office is located at 612 rue Saint-Jacques, Montréal (Québec), Canada. Quebecor is a holding corporation with a 100% interest in Quebecor Media Inc. (“Quebecor Media”). Unless the context otherwise requires, Quebecor or the Corporation refers to Quebecor Inc. and its subsidiaries and Quebecor Media refers to Quebecor Media Inc. and its subsidiaries.

The Corporation operates, through its subsidiaries, in the following industry segments: Telecommunications, Media, and Sports and Entertainment. The Telecommunications segment offers Internet access, television distribution, mobile and wireline telephony, business solutions and over-the-top video services in Canada. The operations of the Media segment in Québec include the operation of an over-the-air television network and specialty television services, the operation of soundstage and equipment leasing and post-production services for the film and television industries, the printing, publishing and distribution of daily newspapers, the operation of news and entertainment digital platforms and a music streaming service, the publishing and distribution of magazines, the production and distribution of audiovisual content, and the operation of an out-of-home advertising business. The activities of the Sports and Entertainment segment in Québec encompass the operation and management of the Videotron Centre in Québec City, show production, sporting and cultural events management, the publishing and distribution of books, the distribution and production of music, and the operation of two Quebec Major Junior Hockey League teams.

COVID-19 pandemic

The COVID-19 pandemic continues to have a significant impact on the economic environment in Canada and around the world. In order to limit the spread of the virus, the Québec government has imposed a number of restrictions and special preventive measures since the beginning of this health crisis, including the suspension of some business activities. Since March 2020, this health crisis curtailed the operations of many of Quebecor's business partners and led to a significant slowdown in some of the Corporation's segments. Among other impacts, the restrictions and preventive measures imposed by the Québec government caused a reduction in volume at Videotron Ltd.'s (“Videotron”) retail outlets; a reduction in advertising revenues, a decrease in sports events broadcast by the TVA Sports specialty channel in 2020 and a reduction in film and audiovisual content activity in the Media segment in 2020; and the cancellation of most shows and events in the Sports and Entertainment segment. Despite the constraints created by this pandemic, Quebecor has continued and will continue to provide essential telecommunications and news services during this health crisis, while safeguarding the health and safety of the public and its employees. Due to the decrease in their revenues, most of the business units in the Media segment and Sports and Entertainment segment have qualified for the Canadian Emergency Wage Subsidy and subsidies totalling \$5.6 million were recorded in the first quarter of 2021 as a reduction in employee costs (no amount in the first quarter of 2020). Given the uncertainty about the evolution of the pandemic, the full impact until the end of the health crisis cannot be determined with certainty.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
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1. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), except that they do not include all disclosures required under IFRS for annual consolidated financial statements. In particular, these consolidated financial statements were prepared in accordance with IAS 34, *Interim Financial Reporting*, and, accordingly, they are condensed consolidated financial statements. These condensed consolidated financial statements should be read in conjunction with the Corporation’s 2020 annual consolidated financial statements, which contain a description of the accounting policies used in the preparation of these condensed consolidated financial statements.

These condensed consolidated financial statements were approved for issue by the Board of Directors of Quebecor on May 12, 2021.

Comparative figures for the previous period have been restated to conform to the presentation adopted for the three-month period ended March 31, 2021.

2. REVENUES

	Three months ended March 31	
	2021	2020
Telecommunications:		
Internet	\$ 296.6	\$ 277.5
Television	213.2	233.1
Mobile telephony	170.5	160.2
Wireline telephony	80.7	82.8
Mobile equipment sales	60.5	47.8
Wireline equipment sales	46.7	28.3
Other	45.8	45.0
Media:		
Advertising	76.1	77.8
Subscription	49.4	51.8
Other	49.3	45.2
Sports and Entertainment	31.2	34.8
Inter-segments	(28.9)	(28.8)
	\$ 1,091.1	\$ 1,055.5

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

3. EMPLOYEE COSTS AND PURCHASE OF GOODS AND SERVICES

	Three months ended March 31	
	2021	2020
Employee costs	\$ 224.3	\$ 229.9
Less employee costs capitalized to property, plant and equipment and intangible assets	(47.9)	(51.9)
	176.4	178.0
Purchase of goods and services:		
Royalties, rights and creation costs ¹	182.8	168.5
Cost of products sold	115.9	97.1
Service contracts	54.9	46.4
Marketing, circulation and distribution expenses	18.7	21.1
Other	89.7	107.7
	462.0	440.8
	\$ 638.4	\$ 618.8

¹ During the first quarter of 2021, the Corporation reviewed the allocation of the value of the rights attached to the various components of its contract for the National Hockey League ("NHL") games to better reflect the economic benefits arising from them. In addition, the beginning of the 2020/2021 season was postponed from 2020 to 2021 and the season was also shortened. These changes had the effect of altering the timing of recognition in income of the NHL content rights. The cost of NHL rights therefore increased by \$16.7 million in the first quarter of 2021.

4. FINANCIAL EXPENSES

	Three months ended March 31	
	2021	2020
Interest on long-term debt and on debentures	\$ 79.6	\$ 77.2
Amortization of financing costs	2.2	2.0
Interest on lease liabilities	2.2	2.0
Interest on net defined benefit liability	2.2	1.9
(Gain) loss on foreign currency translation on short-term monetary items	(1.2)	4.6
Other	(1.9)	(0.3)
	\$ 83.1	\$ 87.4

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

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

	Three months ended March 31	
	2021	2020
Loss (gain) on embedded derivatives related to convertible debentures	\$ 5.7	\$ (22.5)
Other	0.1	(0.8)
	\$ 5.8	\$ (23.3)

6. RESTRUCTURING OF OPERATIONS AND OTHER ITEMS

During the first quarter of 2021, a charge of \$3.7 million was recorded in connection with cost reduction initiatives in the Corporation's various segments (\$3.9 million in 2020).

During the first quarter of 2021, an impairment charge on assets of \$0.8 million was also recorded as a result of restructuring initiatives (none in 2020).

7. BUSINESS ACQUISITIONS

On February 1, 2021, the Sports and Entertainment segment acquired Les Disques Audiogramme inc., a record label, for a cash consideration of \$14.5 million. The acquired assets consist mainly of intangible assets.

During the first quarter of 2021, a post-closing adjustment of \$0.6 million was paid relating to the acquisition of the Incendo Media inc. group by TVA Group Inc. ("TVA Group") on April 1, 2019.

8. RESTRICTED CASH AND DEFERRED SUBSIDIES

On March 22, 2021, Videotron and the Québec government, jointly with the Canadian Government, signed agreements to support the achievement of the government's targets for the roll-out of high-speed Internet services in various regions of Québec. Under these agreements, Videotron will extend its high-speed Internet network to connect approximately 37,000 additional households and the government has committed to provide financial assistance in the amount of approximately \$258.0 million, which will be fully invested in Videotron's network extension. In accordance with the terms of the agreements, an amount of \$216.2 million received in advance from the government was classified as restricted cash with a corresponding amount recorded as deferred subsidies in the consolidated balance sheet as of March 31, 2021. A portion of \$5.5 million of these deferred subsidies was recognized in reduction of the additions to property, plant and equipment in the first quarter of 2021 upon the realization of the required investments.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

9. LONG-TERM DEBT

Components of long-term debt are as follows:

	March 31, 2021	December 31, 2020
Total long-term debt	\$ 6,376.1	\$ 5,786.4
Change in fair value related to hedged interest rate risk	13.5	16.8
Financing fees, net of amortization	(33.5)	(29.8)
	6,356.1	5,773.4
Less current portion	(25.4)	(28.5)
	\$ 6,330.7	\$ 5,744.9

On January 22, 2021, Videotron issued \$650.0 million aggregate principal amount of Senior Notes bearing interest at 3.125% and maturing on January 15, 2031, for net proceeds of \$644.0 million, net of financing fees of \$6.0 million. The Senior Notes are unsecured and contain certain restrictions, including limitations on Videotron's ability to incur additional indebtedness, pay dividends and make other distributions. The Notes are guaranteed by specific subsidiaries of Videotron and are redeemable at the option of Videotron, in whole or in part, at a price based on a make-whole formula during the first five years of the term of the Notes and at a decreasing premium thereafter.

In March 2021, Videotron contracted new unsecured on-demand credit facilities under which letters of credit were issued and submitted to Innovation, Science and Economic Development Canada ("ISED Canada") as a pre-auction deposit, in respect to its application to participate to the 3500 MHz spectrum auction. In accordance with the rules of confidentially established by ISED Canada respecting restrictions on communications during the auction process, it is strictly forbidden for the Corporation to disclose the amount of these letters of credit. Videotron may withdraw the letters of credit at any time prior to the opening of the auction.

As of March 31, 2021, the carrying value of long-term debt denominated in U.S. dollars, excluding financing fees, was \$3,595.0 million (\$3,655.1 million as of December 31, 2020) while the net fair value of related hedging derivative instruments was in an asset position of \$540.7 million (\$605.1 million as of December 31, 2020).

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
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10. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

Basic earnings per share are calculated by dividing net income attributable to shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share are calculated by taking into account the potentially dilutive effect of stock options of the Corporation on the number of shares outstanding, the potentially dilutive effect of stock options of the Corporation's subsidiaries on net income attributable to shareholders, and the potentially dilutive effect of conversion of convertible debentures issued by the Corporation on net income attributable to shareholders and on the number of shares outstanding.

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

	Three months ended March 31	
	2021	2020
Income from continuing operations attributable to shareholders	\$ 121.3	\$ 130.3
Impact of assumed conversion of convertible debentures of the Corporation and of stock options of subsidiaries	–	(21.9)
Income from continuing operations attributable to shareholders, adjusted for dilution effect	\$ 121.3	\$ 108.4
Net income attributable to shareholders	\$ 121.3	\$ 131.6
Impact of assumed conversion of convertible debentures of the Corporation and of stock options of subsidiaries	–	(21.9)
Net income attributable to shareholders, adjusted for dilution effect	\$ 121.3	\$ 109.7
Weighted average number of shares outstanding (in millions)	246.7	254.0
Potentially dilutive effect of convertible debentures of the Corporation and of stock options of the Corporation (in millions)	0.2	5.9
Weighted average number of diluted shares outstanding (in millions)	246.9	259.9

For the three-month period ended March 31, 2021, the diluted earnings per share calculation does not take into consideration the potential dilutive effect of convertible debentures of the Corporation since their impact is anti-dilutive.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

11. CAPITAL STOCK

(a) Authorized capital stock

An unlimited number of Class A Multiple Voting Shares ("Class A Shares") with voting rights of 10 votes per share convertible at any time into Class B Subordinate Voting Shares ("Class B Shares") on a one-for-one basis.

An unlimited number of Class B Shares convertible into Class A Shares on a one-for-one basis, only if a takeover bid for Class A Shares is made to holders of Class A Shares without being made concurrently and under the same terms to holders of Class B Shares, for the sole purpose of allowing the holders of Class B Shares to accept the offer and subject to certain other stated conditions provided in the articles, including acceptance of the offer by the majority holder.

Holders of Class B Shares are entitled to elect 25% of the Board of Directors of Quebecor. Holders of Class A Shares may elect the other members of the Board of Directors.

(b) Issued and outstanding capital stock

	Class A Shares		Class B Shares	
	Number	Amount	Number	Amount
Balance as of December 31, 2020	77,039,834	\$ 8.6	171,132,357	\$ 1,009.2
Class A Shares converted into Class B Shares	(55,200)	–	55,200	–
Shares purchased and cancelled	–	–	(2,649,300)	(15.6)
Balance as of March 31, 2021	76,984,634	\$ 8.6	168,538,257	\$ 993.6

On August 5, 2020, the Corporation filed a normal course issuer bid for a maximum of 1,000,000 Class A Shares representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 6,000,000 Class B Shares representing approximately 3.5% of issued and outstanding Class B Shares as of July 31, 2020. The purchases can be made from August 15, 2020 to August 14, 2021, at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange or other alternative trading systems. All shares purchased under the bid will be cancelled.

During the three-month period ended March 31, 2021, the Corporation purchased and cancelled 2,649,300 Class B Shares for a total cash consideration of \$84.4 million (1,059,100 Class B Shares for a total cash consideration of \$34.1 million in 2020). The excess of \$68.8 million of the purchase price over the carrying value of Class B Shares repurchased was recorded in reduction of retained earnings (\$27.8 million in 2020).

On May 12, 2021, the Board of Directors of the Corporation declared a dividend of \$0.275 per share on Class A Shares and Class B Shares, or approximately \$67.5 million, payable on June 22, 2021, to shareholders of record at the close of business on May 28, 2021.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

12. STOCK-BASED COMPENSATION PLANS

Stock option plans

The following table provides details of changes to outstanding options in the principal stock-based compensation plans in which management of the Corporation and its subsidiaries participates, for the three-month period ended March 31, 2021:

	Outstanding options	
	Number	Weighted average exercise price
Quebecor		
As of December 31, 2020	3,630,959	\$ 30.57
Cancelled	(22,593)	30.19
As of March 31, 2021	3,608,366	\$ 30.57
Vested options as of March 31, 2021	–	\$ –
Quebecor Media		
As of December 31, 2020	47,950	\$ 65.96
Exercised	(10,300)	63.10
As of March 31, 2021	37,650	\$ 66.75
Vested options as of March 31, 2021	37,650	\$ 66.75
TVA Group		
As of December 31, 2020	795,000	\$ 2.06
Cancelled	(25,497)	1.87
As of March 31, 2021	769,503	\$ 2.06
Vested options as of March 31, 2021	35,000	\$ 6.85

During the three-month period ended March 31, 2021, 10,300 stock options of Quebecor Media were exercised for a cash consideration of \$0.7 million (56,500 stock options for \$3.4 million in 2020).

Deferred share unit and performance share unit plans

The deferred share unit (“DSU”) is based either on Quebecor Class B Shares and on TVA Group Class B Non-Voting Shares (“TVA Group Class B Shares”). The DSUs vest over six years and will be redeemed for cash only upon the participant’s retirement or termination of employment, as the case may be. DSUs entitle the holders to receive additional units when dividends are paid on Quebecor Class B Shares or TVA Group Class B Shares. As of March 31, 2021, 143,677 DSUs based on Quebecor Class B Shares and 179,784 DSUs based on TVA Group Class B Shares were outstanding under these plans (148,785 and 204,598, respectively, as of December 31, 2020). During the first quarter of 2020, a cash consideration of \$4.8 million was paid relating to a performance share unit plan terminated in 2020.

Stock-based compensation expense

For the three-month period ended March 31, 2021, a charge related to all stock-based compensation plans was recorded in the amount of \$3.6 million (a reversal of the charge of \$1.9 million in 2020).

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

13. ACCUMULATED OTHER COMPREHENSIVE LOSS ATTRIBUTABLE TO SHAREHOLDERS

	Cash flow hedges ¹	Defined benefit plans ²	Total
Balance as of December 31, 2019	\$ 40.3	\$ (104.4)	\$ (64.1)
Other comprehensive income	47.9	–	47.9
Balance as of March 31, 2020	88.2	(104.4)	(16.2)
Other comprehensive loss	(58.6)	(59.1)	(117.7)
Balance as of December 31, 2020	29.6	(163.5)	(133.9)
Other comprehensive (loss) income	(0.7)	123.3	122.6
Balance as of March 31, 2021	\$ 28.9	\$ (40.2)	\$ (11.3)

¹ No significant amount is expected to be reclassified in income over the next 12 months in connection with derivatives designated as cash flow hedges. The balance is expected to reverse over a 6 year period.

² The re-measurement gain in the consolidated statement of comprehensive income for the three-month period ended March 31, 2021 is mainly due to an increase in the discount rate since December 31, 2020.

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with IFRS 13, *Fair Value Measurement*, the Corporation considers the following fair value hierarchy which reflects the significance of the inputs used in measuring its financial instruments:

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

The fair value of long-term debt and convertible debentures is estimated based on quoted market prices when available or on valuation models using Level 1 and Level 2 inputs. When the Corporation uses valuation models, the fair value is estimated using discounted cash flows using year-end market yields or the market value of similar instruments with the same maturity.

The fair value of derivative financial instruments recognized in the consolidated balance sheets is estimated as per the Corporation's valuation models. These models project future cash flows and discount the future amounts to a present value using the contractual terms of the derivative financial instrument and factors observable in external market data, such as period-end swap rates and foreign exchange rates (Level 2 inputs). An adjustment is also included to reflect non-performance risk impacted by the financial and economic environment prevailing at the date of the valuation in the recognized measure of the fair value of the derivative financial instruments by applying a credit default premium, estimated using a combination of observable and unobservable inputs in the market (Level 3 inputs), to the net exposure of the counterparty or the Corporation. Derivative financial instruments are classified as Level 2.

The fair value of embedded derivatives related to convertible debentures is determined by option pricing models using Level 2 market inputs, including volatility, discount factors, and the underlying instrument's implicit interest rate and credit premium.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

14. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The carrying value and fair value of long-term debt, convertible debentures and derivative financial instruments as of March 31, 2021 and December 31, 2020 are as follows:

Asset (liability)	March 31, 2021		December 31, 2020	
	Carrying value	Fair value	Carrying value	Fair value
Long-term debt ¹	\$ (6,376.1)	\$ (6,724.9)	\$ (5,786.4)	\$ (6,216.1)
Convertible debentures ²	(159.4)	(159.4)	(153.5)	(153.5)
Derivative financial instruments				
Foreign exchange forward contracts	(6.4)	(6.4)	(8.0)	(8.0)
Cross-currency interest rate swaps	540.7	540.7	605.1	605.1

¹ The carrying value of long-term debt excludes changes in the fair value of long-term debt related to hedged interest rate risk and financing fees.

² The carrying value and fair value of convertible debentures consist of the principal amount and the value of the conversion features related to the floor and ceiling prices, recognized as embedded derivatives.

15. CONTINGENCIES

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

On August 15, 2019, the Canadian Radio-television and Telecommunications Commission ("CRTC") issued an order finalizing the rates, retroactively to March 31, 2016, at which the large cable and telephone companies provide aggregated wholesale access to their high-speed Internet networks. The interim rates in effect since 2016 have been invoiced to resellers and accounted for in the Corporation's consolidated financial statements. The new proposed rates are substantially lower than the interim rates and could represent a reduction in earnings of approximately \$40.0 million (before income taxes) for the year 2021 and a retrospective reduction of approximately \$82.0 million (before income taxes) from March 31, 2016 to December 31, 2020. On September 28, 2020, the CRTC approved a request from a coalition of cable companies (including Videotron) to stay the implementation of the order pertaining to final rates pending its final determination on the review and vary requests. Accordingly, at this stage of these proceedings, the Corporation still estimates that the interim rates are the appropriate basis to account for its wholesale Internet access revenues.

16. SUBSEQUENT EVENTS

On April 1, 2021, Alithya Group inc. ("Alithya"), a strategy and digital transformation leader, acquired the firm R3D Conseil inc., of which Quebecor was one of the main shareholders. As part of this transaction, Quebecor obtained 11.9% of Alithya's share capital and 6.7% of voting rights related to the issued and outstanding Alithya's shares. The corresponding gain on disposal of approximately \$19.0 million will be accounted for in the second quarter of 2021. This transaction also includes purchase commitments from Quebecor for Alithya's services totalling approximately \$360.0 million as part of a 10-year commercial agreement.