

Condensed consolidated financial statements of

QUEBECOR INC.

Three-month and nine-month periods ended September 30, 2021 and 2020

QUEBECOR INC.
CONSOLIDATED STATEMENTS OF INCOME

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

		Three months ended September 30		Nine months ended September 30	
	Note	2021	2020	2021	2020
Revenues	2	\$ 1,148.2	\$ 1,111.7	\$ 3,370.5	\$ 3,171.0
Employee costs	3	172.1	156.5	518.0	471.2
Purchase of goods and services	3	455.8	441.8	1,378.1	1,274.0
Depreciation and amortization		194.3	195.9	586.2	589.7
Financial expenses	4	83.8	80.1	253.9	249.1
(Gain) loss on valuation and translation of financial instruments	5	(6.0)	18.6	(7.2)	(8.9)
Restructuring of operations and other items	6	12.4	18.9	(3.7)	33.1
Loss on debt refinancing	9	-	-	80.9	-
Income before income taxes		235.8	199.9	564.3	562.8
Income taxes (recovery):					
Current		63.5	60.7	191.3	181.0
Deferred		(6.9)	(4.3)	(50.9)	(33.3)
		56.6	56.4	140.4	147.7
Income from continuing operations		179.2	143.5	423.9	415.1
Income from discontinued operations	17	-	-	-	33.8
Net income		\$ 179.2	\$ 143.5	\$ 423.9	\$ 448.9
Income from continuing operations attributable to					
Shareholders		\$ 173.1	\$ 140.9	\$ 417.9	\$ 413.6
Non-controlling interests		6.1	2.6	6.0	1.5
Net income attributable to					
Shareholders		\$ 173.1	\$ 140.9	\$ 417.9	\$ 447.4
Non-controlling interests		6.1	2.6	6.0	1.5
Earnings per share attributable to shareholders	11				
Basic:					
From continuing operations		\$ 0.71	\$ 0.56	\$ 1.71	\$ 1.64
From discontinued operations		-	-	-	0.13
Net income		0.71	0.56	1.71	1.77
Diluted:					
From continuing operations		0.68	0.56	1.66	1.58
From discontinued operations		-	-	-	0.13
Net income		0.68	0.56	1.66	1.71
Weighted average number of shares outstanding (in millions)		242.7	250.5	244.8	252.4
Weighted average number of diluted shares (in millions)		247.5	250.7	249.6	258.2

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of Canadian dollars)
(unaudited)

	Note	Three months ended September 30		Nine months ended September 30	
		2021	2020	2021	2020
Income from continuing operations		\$ 179.2	\$ 143.5	\$ 423.9	\$ 415.1
Other comprehensive income (loss) from continuing operations:					
Items that may be reclassified to income:					
Cash flow hedges:					
Gain (loss) on valuation of derivative financial instruments		15.7	(25.0)	11.5	18.9
Deferred income taxes		(3.8)	6.1	1.0	(2.5)
Items that will not be reclassified to income:					
Defined benefit plans:					
Re-measurement gain (loss)	14	27.5	(25.0)	202.0	(87.0)
Deferred income taxes		(7.3)	6.6	(53.7)	22.6
Equity investment:					
Gain on revaluation of an equity investment		2.4	-	2.4	-
Deferred income taxes		(0.3)	-	(0.3)	-
Reclassification to income:	9				
Gain related to cash flow hedges		-	-	(1.0)	-
Deferred income taxes		-	-	0.6	-
		34.2	(37.3)	162.5	(48.0)
Comprehensive income from continuing operations		213.4	106.2	586.4	367.1
Income from discontinued operations	17	-	-	-	33.8
Comprehensive income		\$ 213.4	\$ 106.2	\$ 586.4	\$ 400.9
Comprehensive income (loss) from continuing operations attributable to					
Shareholders		\$ 205.4	\$ 104.8	\$ 570.1	\$ 370.3
Non-controlling interests		8.0	1.4	16.3	(3.2)
Comprehensive income (loss) attributable to					
Shareholders		\$ 205.4	\$ 104.8	\$ 570.1	\$ 404.1
Non-controlling interests		8.0	1.4	16.3	(3.2)

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC. SEGMENTED INFORMATION

(in millions of Canadian dollars)
(unaudited)

Three months ended September 30, 2021

	Telecommuni- cations	Media	Sports and Enter- tainment	Head office and Inter- segments	Total
Revenues	\$ 939.5	\$ 190.6	\$ 49.1	\$ (31.0)	\$ 1,148.2
Employee costs	103.8	53.7	8.4	6.2	172.1
Purchase of goods and services	358.9	100.3	29.7	(33.1)	455.8
Adjusted EBITDA ¹	476.8	36.6	11.0	(4.1)	520.3
Depreciation and amortization					194.3
Financial expenses					83.8
Gain on valuation and translation of financial instruments					(6.0)
Restructuring of operations and other items					12.4
Income before income taxes					\$ 235.8
Cash flows used for:					
Additions to property, plant and equipment	\$ 114.8	\$ 4.9	\$ 0.3	\$ 0.4	\$ 120.4
Additions to intangible assets	197.3	4.2	0.7	1.2	203.4

Three months ended September 30, 2020

	Telecommuni- cations	Media	Sports and Enter- tainment	Head office and Inter- segments	Total
Revenues	\$ 937.9	\$ 157.2	\$ 48.5	\$ (31.9)	\$ 1,111.7
Employee costs	101.4	38.6	7.5	9.0	156.5
Purchase of goods and services	352.9	93.7	33.4	(38.2)	441.8
Adjusted EBITDA ¹	483.6	24.9	7.6	(2.7)	513.4
Depreciation and amortization					195.9
Financial expenses					80.1
Loss on valuation and translation of financial instruments					18.6
Restructuring of operations and other items					18.9
Income before income taxes					\$ 199.9
Cash flows used for:					
Additions to property, plant and equipment	\$ 133.9	\$ 3.4	\$ 0.1	\$ 0.7	\$ 138.1
Additions to intangible assets	29.6	3.9	0.8	-	34.3

QUEBECOR INC.
SEGMENTED INFORMATION (continued)

(in millions of Canadian dollars)
(unaudited)

Nine months ended September 30, 2021

	Telecommuni- cations	Media	Sports and Enter- tainment	Head office and Inter- segments	Total
Revenues	\$ 2,781.9	\$ 563.6	\$ 113.8	\$ (88.8)	\$ 3,370.5
Employee costs	310.0	164.7	23.0	20.3	518.0
Purchase of goods and services	1,062.7	344.3	74.6	(103.5)	1,378.1
Adjusted EBITDA ¹	1,409.2	54.6	16.2	(5.6)	1,474.4
Depreciation and amortization					586.2
Financial expenses					253.9
Gain on valuation and translation of financial instruments					(7.2)
Restructuring of operations and other items					(3.7)
Loss on debt refinancing					80.9
Income before income taxes					\$ 564.3
Cash flows used for:					
Additions to property, plant and equipment	\$ 323.7	\$ 12.0	\$ 0.4	\$ 1.6	\$ 337.7
Additions to intangible assets	290.7	17.4	2.2	2.3	312.6

Nine months ended September 30, 2020

	Telecommuni- cations	Media	Sports and Enter- tainment	Head office and Inter- segments	Total
Revenues	\$ 2,681.7	\$ 464.7	\$ 109.2	\$ (84.6)	\$ 3,171.0
Employee costs	305.0	124.5	21.6	20.1	471.2
Purchase of goods and services	994.0	303.6	81.0	(104.6)	1,274.0
Adjusted EBITDA ¹	1,382.7	36.6	6.6	(0.1)	1,425.8
Depreciation and amortization					589.7
Financial expenses					249.1
Gain on valuation and translation of financial instruments					(8.9)
Restructuring of operations and other items					33.1
Income before income taxes					\$ 562.8
Cash flows used for:					
Additions to property, plant and equipment	\$ 312.3	\$ 11.2	\$ 0.2	\$ 1.1	\$ 324.8
Additions to intangible assets	165.7	17.0	2.3	0.1	185.1

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, (gain) loss on valuation and translation of financial instruments, restructuring of operations and other items, loss on debt refinancing, 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 (note 12)	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive (loss) income (note 14)		
Balance as of December 31, 2019	\$ 1,055.9	\$ 17.4	\$ (31.7)	\$ (64.1)	\$ 94.6	\$ 1,072.1
Net income	-	-	447.4	-	1.5	448.9
Other comprehensive loss	-	-	-	(43.3)	(4.7)	(48.0)
Dividends	-	-	(151.3)	-	(0.2)	(151.5)
Repurchase of Class B Shares	(27.7)	-	(115.7)	-	-	(143.4)
Balance as of September 30, 2020	1,028.2	17.4	148.7	(107.4)	91.2	1,178.1
Net income	-	-	159.8	-	8.7	168.5
Other comprehensive (loss) income	-	-	-	(26.5)	1.6	(24.9)
Dividends	-	-	(49.8)	-	-	(49.8)
Repurchase of Class B Shares	(10.4)	-	(47.4)	-	-	(57.8)
Balance as of December 31, 2020	1,017.8	17.4	211.3	(133.9)	101.5	1,214.1
Net income	-	-	417.9	-	6.0	423.9
Other comprehensive income	-	-	-	152.2	10.3	162.5
Dividends	-	-	(201.8)	-	(0.1)	(201.9)
Repurchase of Class B Shares	(41.7)	-	(184.2)	-	-	(225.9)
Balance as of September 30, 2021	\$ 976.1	\$ 17.4	\$ 243.2	\$ 18.3	\$ 117.7	\$ 1,372.7

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars)
(unaudited)

		Three months ended September 30		Nine months ended September 30	
	Note	2021	2020	2021	2020
Cash flows related to operating activities					
Income from continuing operations		\$ 179.2	\$ 143.5	\$ 423.9	\$ 415.1
Adjustments for:					
Depreciation of property, plant and equipment		142.9	149.5	434.9	455.3
Amortization of intangible assets		40.8	37.0	120.3	107.2
Amortization of right-of-use assets		10.6	9.4	31.0	27.2
(Gain) loss on valuation and translation of financial instruments	5	(6.0)	18.6	(7.2)	(8.9)
Gain on disposal of other assets	6	-	(0.2)	(19.0)	(0.4)
Impairment of assets	6	-	7.3	0.8	7.3
Loss on debt refinancing	9	-	-	80.9	-
Amortization of financing costs	4	1.8	2.0	6.2	6.1
Deferred income taxes		(6.9)	(4.3)	(50.9)	(33.3)
Other		0.4	(0.1)	(0.3)	0.3
		<u>362.8</u>	<u>362.7</u>	<u>1,020.6</u>	<u>975.9</u>
Net change in non-cash balances related to operating activities		5.4	(23.3)	(161.1)	78.6
Cash flows provided by continuing operating activities		<u>368.2</u>	<u>339.4</u>	<u>859.5</u>	<u>1,054.5</u>
Cash flows related to investing activities					
Business acquisitions		0.8	-	(21.0)	(10.8)
Additions to property, plant and equipment	7	(120.4)	(138.1)	(337.7)	(324.8)
Additions to intangible assets	8	(203.4)	(34.3)	(312.6)	(185.1)
Proceeds from disposals of assets		3.1	1.4	6.2	3.6
Other		-	(48.5)	(8.0)	(51.4)
Cash flows used in continuing investing activities		<u>(319.9)</u>	<u>(219.5)</u>	<u>(673.1)</u>	<u>(568.5)</u>
Cash flows related to financing activities					
Net change in bank indebtedness		-	(5.4)	3.9	(14.2)
Net change under revolving facilities		(16.1)	10.3	6.7	(124.9)
Issuance of long-term debt, net of financing costs	9	-	-	1,986.8	-
Repayment of long-term debt	9	(1,564.4)	(0.4)	(1,565.0)	(1.0)
Repayment of lease liabilities		(10.4)	(10.8)	(31.4)	(31.3)
Settlement of hedging contracts	9	185.2	-	184.4	(0.8)
Repurchase of Class B Shares	12	(94.4)	(47.8)	(225.9)	(143.4)
Dividends		(66.8)	(50.1)	(201.8)	(151.3)
Dividends paid to non-controlling interests		-	-	(0.1)	(0.2)
Cash flows (used in) provided by continuing financing activities		<u>(1,566.9)</u>	<u>(104.2)</u>	<u>157.6</u>	<u>(467.1)</u>
Cash flows (used in) provided by continuing operations		<u>(1,518.6)</u>	<u>15.7</u>	<u>344.0</u>	<u>18.9</u>
Cash flows provided by discontinued operations	17	-	-	-	7.8
Cash and cash equivalents at beginning of period		<u>1,999.3</u>	<u>25.0</u>	<u>136.7</u>	<u>14.0</u>
Cash and cash equivalents at end of period		<u>\$ 480.7</u>	<u>\$ 40.7</u>	<u>\$ 480.7</u>	<u>\$ 40.7</u>
Cash and cash equivalents consist of					
Cash		\$ 479.6	\$ 39.5	\$ 479.6	\$ 39.5
Cash equivalents		1.1	1.2	1.1	1.2
		<u>\$ 480.7</u>	<u>\$ 40.7</u>	<u>\$ 480.7</u>	<u>\$ 40.7</u>
Interest and taxes reflected as operating activities					
Cash interest payments		\$ 49.2	\$ 41.3	\$ 205.3	\$ 198.5
Cash income tax payments (net of refunds)		58.0	70.7	225.1	93.6

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars)
(unaudited)

		September 30	December 31
	Note	2021	2020
Assets			
Current assets			
Cash and cash equivalents		\$ 480.7	\$ 136.7
Restricted cash	7	202.3	-
Accounts receivable		700.6	563.6
Contract assets		153.3	174.9
Income taxes		7.3	4.9
Inventories		312.9	250.7
Other current assets		134.2	113.0
		<u>1,991.3</u>	<u>1,243.8</u>
Non-current assets			
Property, plant and equipment		3,095.3	3,189.2
Intangible assets	8	1,643.8	1,466.7
Goodwill		2,718.5	2,714.0
Right-of-use assets		150.8	143.1
Derivative financial instruments		406.3	625.5
Deferred income taxes		39.8	45.5
Other assets		488.2	433.8
		<u>8,542.7</u>	<u>8,617.8</u>
Total assets		<u>\$ 10,534.0</u>	<u>\$ 9,861.6</u>
Liabilities and equity			
Current liabilities			
Bank indebtedness		\$ 5.6	\$ 1.7
Accounts payable, accrued charges and provisions		893.6	872.2
Deferred revenue		301.7	307.5
Deferred subsidies	7	202.3	-
Income taxes		38.1	70.0
Current portion of long-term debt	9	35.3	28.5
Current portion of lease liabilities		36.4	34.3
		<u>1,513.0</u>	<u>1,314.2</u>
Non-current liabilities			
Long-term debt	9	6,221.5	5,744.9
Derivative financial instruments		16.7	28.4
Convertible debentures	10	150.0	150.0
Lease liabilities		145.2	139.0
Deferred income taxes		844.7	848.2
Other liabilities		270.2	422.8
		<u>7,648.3</u>	<u>7,333.3</u>
Equity			
Capital stock	12	976.1	1,017.8
Contributed surplus		17.4	17.4
Retained earnings		243.2	211.3
Accumulated other comprehensive income (loss)	14	18.3	(133.9)
Equity attributable to shareholders		<u>1,255.0</u>	<u>1,112.6</u>
Non-controlling interests		117.7	101.5
		<u>1,372.7</u>	<u>1,214.1</u>
Contingencies	16		
Total liabilities and equity		<u>\$ 10,534.0</u>	<u>\$ 9,861.6</u>

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month and nine-month periods ended September 30, 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 has had 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. The Québec government has gradually implemented a new reopening plan since May 2021 and has imposed the use of a vaccination passport starting September 1, 2021, required to be admitted to certain locations or to participate in certain non-essential activities. Since March 2020, this health crisis has curtailed the operations of many of Quebecor's business partners and has 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; and the cancellation of most shows and events in the Sports and Entertainment segment. Despite the constraints created by this pandemic, Quebecor has provided 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 \$9.4 million were recorded in the nine-month period ended September 30, 2021, as a reduction in employee costs (\$14.4 million and \$43.9 million in the respective three-month and nine-month periods ended September 30, 2020). Given the uncertainty about the future evolution of the pandemic, including any new major wave, the full impact of the health crisis cannot be determined with certainty.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

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 November 3, 2021.

Comparative figures for previous periods have been restated to conform to the presentation adopted for the three-month and nine-month periods ended September 30, 2021.

2. REVENUES

	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
Telecommunications:				
Internet	\$ 301.4	\$ 285.5	\$ 899.8	\$ 839.1
Television	207.8	222.7	632.3	683.6
Mobile telephony	181.8	168.4	527.1	488.3
Wireline telephony	79.4	85.4	240.8	255.1
Mobile equipment sales	72.0	80.2	195.5	179.8
Wireline equipment sales	51.3	50.3	148.2	100.7
Other	45.8	45.4	138.2	135.1
Media:				
Advertising	75.9	66.9	250.4	198.8
Subscription	51.8	49.9	152.0	149.6
Other	62.9	40.4	161.2	116.3
Sports and Entertainment	49.1	48.5	113.8	109.2
Inter-segments	(31.0)	(31.9)	(88.8)	(84.6)
	\$ 1,148.2	\$ 1,111.7	\$ 3,370.5	\$ 3,171.0

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 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 September 30		Nine months ended September 30	
	2021	2020	2021	2020
Employee costs	\$ 211.3	\$ 202.4	\$ 655.0	\$ 621.0
Less employee costs capitalized to property, plant and equipment and intangible assets	(39.2)	(45.9)	(137.0)	(149.8)
	172.1	156.5	518.0	471.2
Purchase of goods and services:				
Royalties, rights and creation costs ¹	171.1	158.0	548.9	495.2
Cost of products sold	130.0	143.5	362.2	331.5
Service contracts	46.8	54.1	151.1	141.2
Marketing, circulation and distribution expenses	20.4	20.8	60.9	54.1
Other	87.5	65.4	255.0	252.0
	455.8	441.8	1,378.1	1,274.0
	\$ 627.9	\$ 598.3	\$ 1,896.1	\$ 1,745.2

¹ In 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 has increased by \$13.3 million for the nine-month period ended September 30, 2021 as compared to 2020.

4. FINANCIAL EXPENSES

	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
Interest on long-term debt and on debentures	\$ 75.2	\$ 75.9	\$ 237.9	\$ 229.3
Amortization of financing costs	1.8	2.0	6.2	6.1
Interest on lease liabilities	2.1	1.9	6.4	5.7
Interest on net defined benefit liability	2.2	1.9	6.6	5.8
Loss (gain) on foreign currency translation on short-term monetary items	2.7	(1.6)	(0.7)	1.4
Other	(0.2)	–	(2.5)	0.8
	\$ 83.8	\$ 80.1	\$ 253.9	\$ 249.1

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

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

	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
(Gain) loss on embedded derivatives related to convertible debentures	\$ (5.8)	\$ 17.8	\$ (7.6)	\$ (9.4)
Other	(0.2)	0.8	0.4	0.5
	\$ (6.0)	\$ 18.6	\$ (7.2)	\$ (8.9)

6. RESTRUCTURING OF OPERATIONS AND OTHER ITEMS

During the respective three-month and nine-month periods ended September 30, 2021, charges of \$12.4 million and \$17.8 million were recorded in connection with cost reduction initiatives in the Corporation's various segments (\$11.8 million and \$26.2 million in 2020), while an impairment charge on assets of \$0.8 million was also recorded in the nine-month period ended September 30, 2021 (\$7.3 million in the three-month and nine-month periods ended September 30, 2020).

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 a result of this transaction, the Corporation now holds 11.9% of Alithya's share capital and 6.7% of voting rights related to the issued and outstanding shares of Alithya, and a corresponding gain on disposal of \$19.6 million was recorded in the second quarter of 2021. This transaction also included purchase commitments from Quebecor for Alithya's services totalling approximately \$360.0 million as part of a 10-year commercial agreement.

In addition, during the nine-month period ended September 30, 2021, the Corporation also recorded a gain related to other items of \$2.7 million (\$0.2 million and \$0.4 million in the respective three-month and nine-month periods ended September 30, 2020).

7. 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 in March 2021 was classified as restricted cash with a corresponding amount recorded as deferred subsidies in the consolidated balance sheet. During the respective three-month and nine-month periods ended September 30, 2021, \$4.0 million and \$13.9 million of these deferred subsidies were recognized in reduction of the additions to property, plant and equipment, upon the realization of the required investments.

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8. SPECTRUM LICENCES

On July 29, 2021, Quebecor announced an investment of nearly \$830.0 million in the acquisition by Videotron of 294 blocks of spectrum in the 3500 MHz band across the country. More than half of the investment is concentrated in four Canadian provinces outside Québec: southern and eastern Ontario, Manitoba, Alberta and British Columbia. Videotron made an initial deposit of \$166.0 million in the third quarter of 2021 for the acquisition of these spectrum licences. Innovation, Science and Economic Development Canada ("ISED") had initially set October 4, 2021 as the date for payment of the balance. However, delivery of the licenses has been postponed to give ISED time to conduct technical consultations with respect to the 3500 MHz band. ISED has not yet determined the date on which the spectrum licences will be issued and delivered as well as the date the final payment of \$664.0 million will become due.

In late August 2021, two competitors launched legal proceedings in Federal Court contesting the awarding of licences in the 3500 MHz band in Western Canada to Videotron. These cases are currently before the Court. On October 22, 2021, the Federal Court dismissed an application for an interlocutory injunction filed by a competitor to halt the granting of spectrum licences in Western Canada.

9. LONG-TERM DEBT

Components of long-term debt are as follows:

	September 30, 2021	December 31, 2020
Total long-term debt	\$ 6,284.7	\$ 5,786.4
Change in fair value related to hedged interest rate risk	11.7	16.8
Financing costs, net of amortization	(39.6)	(29.8)
	6,256.8	5,773.4
Less current portion	(35.3)	(28.5)
	\$ 6,221.5	\$ 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 costs 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.

On June 3, 2021, Quebecor Media issued a redemption notice for its Senior Notes in aggregate principal amount of \$500.0 million, bearing interest at 6.625% and due January 15, 2023, at a redemption price of 107.934% of their principal amount. Videotron also issued a redemption notice for its Senior Notes in aggregate principal amount of US\$800.0 million, bearing interest at 5.000% and due July 15, 2022, at a redemption price of 104.002% of their principal amount. As a result, a net loss of \$80.9 million was recorded in the consolidated statement of income in the second quarter of 2021, including a gain of \$1.0 million previously recorded in other comprehensive income. In July 2021, the Senior Notes were redeemed and the related hedging contracts were unwound, for a total cash consideration of \$1,377.9 million, including the early redemption premium.

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9. LONG-TERM DEBT (continued)

On June 17, 2021, Videotron issued \$750.0 million aggregate principal amount of Senior Notes bearing interest at 3.625% and maturing on June 15, 2028, for net proceeds of \$743.2 million, net of financing costs of \$6.8 million. Videotron also issued US\$500.0 million aggregate principal amount of Senior Notes bearing interest at 3.625% and maturing on June 15, 2029, for net proceeds of \$599.6 million, net of financing costs of \$5.8 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 three years of the term of the Notes and at a decreasing premium thereafter. Videotron has fully hedged the foreign currency risk associated with the new Senior Notes denominated in U.S. dollars by using cross-currency swaps.

As of September 30, 2021, the carrying value of long-term debt denominated in U.S. dollars, excluding financing costs, was \$3,242.7 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 \$388.4 million (\$605.1 million as of December 31, 2020).

10. CONVERTIBLE DEBENTURES

In accordance with the terms of the trust indenture governing the convertible debentures, the quarterly dividend declared on May 12, 2021, on Quebecor Class B Subordinate Voting Shares ("Class B Shares") triggered an adjustment to the floor price and ceiling price then in effect. Effective on May 27, 2021, the conversion features of the convertible debentures are subject to an adjusted floor price of approximately \$25.86 per share (that is, a maximum number of approximately 5,801,117 Class B Shares corresponding to a ratio of \$150.0 million to the adjusted floor price) and an adjusted ceiling price of approximately \$32.32 per share (that is, a minimum number of approximately 4,640,894 Class B Shares corresponding to a ratio of \$150.0 million to the adjusted ceiling price).

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11. 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 September 30		Nine months ended September 30	
	2021	2020	2021	2020
Income from continuing operations attributable to shareholders	\$ 173.1	\$ 140.9	\$ 417.9	\$ 413.6
Impact of assumed conversion of convertible debentures of the Corporation and of stock options of subsidiaries	(4.7)	(0.1)	(4.3)	(6.3)
Income from continuing operations attributable to shareholders, adjusted for dilution effect	\$ 168.4	\$ 140.8	\$ 413.6	\$ 407.3
Net income attributable to shareholders	\$ 173.1	\$ 140.9	\$ 417.9	\$ 447.4
Impact of assumed conversion of convertible debentures of the Corporation and of stock options of subsidiaries	(4.7)	(0.1)	(4.3)	(6.3)
Net income attributable to shareholders, adjusted for dilution effect	\$ 168.4	\$ 140.8	\$ 413.6	\$ 441.1
Weighted average number of shares outstanding (in millions)	242.7	250.5	244.8	252.4
Potentially dilutive effect of convertible debentures of the Corporation and of stock options of the Corporation (in millions)	4.8	0.2	4.8	5.8
Weighted average number of diluted shares outstanding (in millions)	247.5	250.7	249.6	258.2

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12. 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 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	(55,800)	–	55,800	–
Shares purchased and cancelled	–	–	(7,064,650)	(41.7)
Balance as of September 30, 2021	76,984,034	\$ 8.6	164,123,507	\$ 967.5

On August 4, 2021, 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 3.6% of issued and outstanding Class B Shares as of July 30, 2021. The purchases can be made from August 15, 2021 to August 14, 2022, 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 nine-month period ended September 30, 2021, the Corporation purchased and cancelled 7,064,650 Class B Shares for a total cash consideration of \$225.9 million (4,695,800 Class B Shares for a total cash consideration of \$143.4 million in 2020). The excess of \$184.2 million of the purchase price over the carrying value of Class B Shares repurchased was recorded in reduction of retained earnings (\$115.7 million in 2020).

On November 3, 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 \$66.3 million, payable on December 14, 2021, to shareholders of record at the close of business on November 19, 2021.

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13. 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 participate, for the nine-month period ended September 30, 2021:

	Outstanding options	
	Number	Weighted average exercise price
Quebecor		
As of December 31, 2020	3,630,959	\$ 30.57
Granted	100,000	31.49
Cancelled	(675,316)	30.44
As of September 30, 2021	3,055,643	\$ 30.63
Vested options as of September 30, 2021	-	\$ -
Quebecor Media		
As of December 31, 2020	47,950	\$ 65.96
Exercised	(47,950)	65.96
As of September 30, 2021	-	\$ -
TVA Group Inc.		
As of December 31, 2020	795,000	\$ 2.06
Cancelled	(105,497)	2.43
As of September 30, 2021	689,503	\$ 2.00
Vested options as of September 30, 2021	25,000	\$ 6.85

During the three-month period ended September 30, 2021, 32,650 stock options of Quebecor Media were exercised for a cash consideration of \$2.2 million (5,000 stock options for \$0.2 million in 2020). During the nine-month period ended September 30, 2021, 47,950 stock options of Quebecor Media were exercised for a cash consideration of \$3.2 million (77,500 stock options for \$4.5 million in 2020).

Deferred share unit and performance share unit plans

The deferred share unit ("DSU") is based either on Quebecor Class B Shares or on TVA Group Inc. 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 September 30, 2021, 133,984 DSUs based on Quebecor Class B Shares and 163,839 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.

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13. STOCK-BASED COMPENSATION PLANS (continued)

Stock-based compensation expense

For the three-month period ended September 30, 2021, a reversal of the charge related to all stock-based compensation plans was recorded in the amount of \$1.2 million (a charge of \$5.2 million in 2020). For the nine-month period ended September 30, 2021, a charge related to all stock-based compensation plans was recorded in the amount of \$0.5 million (\$3.6 million in 2020).

14. ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO SHAREHOLDERS

	Cash flow hedges ¹	Defined benefit plans ²	Equity investment	Total
Balance as of December 31, 2019	\$ 40.3	\$ (104.4)	\$ –	\$ (64.1)
Other comprehensive income (loss)	16.4	(59.7)	–	(43.3)
Balance as of September 30, 2020	56.7	(164.1)	–	(107.4)
Other comprehensive (loss) income	(27.1)	0.6	–	(26.5)
Balance as of December 31, 2020	29.6	(163.5)	–	(133.9)
Other comprehensive income	12.1	138.0	2.1	152.2
Balance as of September 30, 2021	\$ 41.7	\$ (25.5)	\$ 2.1	\$ 18.3

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 7 3/4-year period.

² The re-measurement gain in the consolidated statement of comprehensive income for the nine-month period ended September 30, 2021 is mainly due to an increase in the discount rate since December 31, 2020.

15. 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.

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15. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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.

The carrying value and fair value of long-term debt, convertible debentures and derivative financial instruments as of September 30, 2021 and December 31, 2020 are as follows:

Asset (liability)	September 30, 2021		December 31, 2020	
	Carrying value	Fair value	Carrying value	Fair value
Long-term debt ¹	\$ (6,284.7)	\$ (6,492.9)	\$ (5,786.4)	\$ (6,216.1)
Convertible debentures ²	(146.6)	(146.6)	(153.5)	(153.5)
Derivative financial instruments				
Foreign exchange forward contracts	1.2	1.2	(8.0)	(8.0)
Cross-currency swaps	388.4	388.4	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 costs.

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.

16. 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 to finalize 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 had been invoiced to resellers and accounted for in the Corporation's consolidated financial statements on the basis of the effective date of March 31, 2016. The new proposed rates were substantially lower than the interim rates. On May 27, 2021, the CRTC restored, in a final decision, the interim rates that had been in effect since 2016. Accordingly, no adjustments are necessary to the consolidated financial statements.

17. DISCONTINUED OPERATIONS

In the second quarter of 2020, a gain of \$30.8 million, net of income taxes of \$4.7 million, was recorded as certain adjusting conditions to the sale price were achieved in connection to the 4Degrees Colocation Inc. data center operations sold in 2019 by Videotron.