MANAGEMENT DISCUSSION AND ANALYSIS
2021

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CORPORATE PROFILE

Quebecor Inc. is a holding company that owns all of the shares of Quebecor Media Inc., one of Canada's largest telecommunications and media groups. Quebecor Media Inc.'s subsidiaries operate in the following business segments: Telecommunications, Media, and Sports and Entertainment. Unless the context otherwise requires, in this Management Discussion and Analysis, "Quebecor" and the "Corporation" refer to Quebecor Inc. and its subsidiaries, and "Quebecor Media" refers to Quebecor Media Inc. and its subsidiaries.

Through its Quebecor Media subsidiary, Quebecor is a leading Canadian telecommunications and media company engaged in the following lines of business: mobile and wireline telecommunications; Internet access; television; over-the-top ("OTT") video business telecommunications solutions; broadcasting; soundstage and equipment rental; audiovisual content production and distribution; newspaper publishing and distribution; digital news and entertainment platforms; music streaming; book and magazine publishing and distribution; music production and distribution; out-of-home advertising; operation and management of a world-class arena and an entertainment venue; ownership and management of Quebec Major Junior Hockey League ("QMJHL") teams; concert production, and management and promotion of sporting and cultural events. Through its Videotron Ltd. ("Videotron") subsidiary, Quebecor Media is a leading mobile and wireline communications provider. Quebecor Media also holds leading positions through its Media segment and its Sports and Entertainment segment in the creation, promotion and distribution of entertainment and news, and related Internet services, that are designed to appeal to audiences in every demographic category. Quebecor Media continues to pursue a convergence strategy to capture synergies within its portfolio of properties and to leverage the value of its content across multiple distribution platforms.

All amounts are stated in Canadian dollars ("CAN") unless otherwise indicated.

The Corporation's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

The Corporation uses non-standardized IFRS financial measures such as adjusted EBITDA, adjusted income from continuing operating activities, adjusted cash flows from operations (formerly "cash flows from operations"), free cash flows from continuing operating activities and consolidated net debt leverage ratio, as well as key performance indicators such as revenue-generating unit ("RGU") and average billing per unit ("ABPU"). Definitions of the non-IFRS measures and key performance indicators used by the Corporation are provided in the "Non-IFRS Measures" and "Key Performance Indicators" sections below.

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. 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, depending on circumstances, the restrictions and preventive measures imposed by the Québec government have caused a reduction in volume at Videotron's retail outlets; a reduction in advertising revenues, in sports events broadcast by the TVA Sports specialty channel and in film and audiovisual content activity in the Media segment; and the cancellation of most shows and events in the Sports and Entertainment segment. Due to the decrease in their revenues, most of the business units in the Media segment and Sports and Entertainment segment qualified for the Canadian Emergency Wage Subsidy, and subsidies totalling $12.2 million were recorded in 2021 as a reduction in employee costs ($49.6 million in 2020).

The impact of the COVID-19 health crisis on the operating results of the Corporation's business segments in 2021 is analyzed in greater detail in the "Segmented Analysis" section below. It is difficult at this stage to foresee all the consequences of this crisis, including the potential effects of another major wave. The public health crisis could have a material adverse impact on the growth of the Corporation's operating results and cash flows in the short and medium terms. As a result, the growth recorded during the quarters preceding the health crisis may not be indicative of future growth.

HIGHLIGHTS

2021 financial year

Revenues: $4.55 billion, a $236.6 million (5.5%) increase.

Adjusted EBITDA[1]: $1.97 billion, a $20.6 million (1.1%) increase, despite the $12.6 million unfavourable impact of recognition of a one-time item in the Telecommunications segment in 2020.

Net income attributable to shareholders: $578.4 million ($2.38 per basic share) in 2021, a decrease of $28.8 million ($0.03 per basic share).

Adjusted income from continuing operating activities[1]: $621.9 million ($2.55 per basic share) in 2021, an increase of $27.4 million ($0.19 per basic share).

Adjusted cash flows from operations[1]: $1.38 billion in 2021, a $69.7 million (5.3%) increase.

Cash flows provided by continuing operating activities: $1.18 billion in 2021, a $248.9 million (-17.4%) decrease.

Fourth quarter 2021

Revenues: $1.18 billion, a $37.1 million (3.2%) increase.

Adjusted EBITDA: $498.8 million, a $28.0 million (-5.3%) decrease.

Net income attributable to shareholders: $160.5 million ($0.67 per basic share) in the fourth quarter of 2021, an favourable variance of $0.7 million ($0.03 per basic share).

Adjusted income from continuing operating activities: $157.6 million ($0.66 per basic share) in the fourth quarter of 2021, a decrease of $7.4 million.

Adjusted cash flows from operations: $370.6 million, a $25.4 million (7.4%) increase.

Cash flows provided by continuing operating activities: $323.1 million, a $53.9 million (-14.3%) decrease.

[1] See "Non-IFRS Financial Measures" below.

Table 1
Consolidated summary of income, cash flows and balance sheet
(in millions of Canadian dollars, except per basic share data)

	Years ended December 31			Three months ended December 31	
	2021	2020	2019	**2021**	2020
Income					
Revenues					
Telecommunications	**$ 3,735.0**	$ 3,622.6	$ 3,480.4	**$ 953.1**	$ 940.9
Media	**776.0**	650.5	738.0	**212.4**	185.8
Sports and Entertainment	**167.0**	158.0	192.2	**53.2**	48.8
Inter-segment	**(123.6)**	(113.3)	(116.8)	**(34.8)**	(28.7)
	4,554.4	4,317.8	4,293.8	**1,183.9**	1,146.8
Adjusted EBITDA (negative adjusted EBITDA):					
Telecommunications	**1,875.7**	1,864.4	1,803.4	**466.5**	481.7
Media	**83.4**	82.2	74.8	**28.8**	45.6
Sports and Entertainment	**20.4**	8.7	7.3	**4.2**	2.1
Head Office	**(6.3)**	(2.7)	(6.0)	**(0.7)**	(2.6)
	1,973.2	1,952.6	1,879.5	**498.8**	526.8
Depreciation and amortization	**(783.8)**	(803.2)	(750.4)	**(197.6)**	(213.5)
Financial expenses	**(333.4)**	(328.2)	(327.5)	**(79.5)**	(79.1)
Gain (loss) on valuation and translation of financial instruments	**14.4**	8.0	(6.5)	**7.2**	(0.9)
Restructuring of operations and other items	**(4.1)**	(39.2)	(28.6)	**(7.8)**	(6.1)
Loss on debt refinancing	**(80.9)**	–	–	–	–
Income taxes	**(197.0)**	(205.8)	(205.7)	**(56.6)**	(58.1)
Income (loss) from discontinued operations	–	33.2	97.5	–	(0.6)
Net income	**$ 588.4**	$ 617.4	$ 658.3	**$ 164.5**	$ 168.5
Income from continuing operations attributable to shareholders	**$ 578.4**	$ 574.0	$ 555.3	**$ 160.5**	$ 160.4
Net income attributable to shareholders	**578.4**	607.2	652.8	**160.5**	159.8
Adjusted income from continuing operating activities	**621.9**	594.5	581.0	**157.6**	165.0
Per basic share:					
Income from continuing operations attributable to shareholders	**2.38**	2.28	2.17	**0.67**	0.64
Net income attributable to shareholders	**2.38**	2.41	2.55	**0.67**	0.64
Adjusted income from continuing operating activities	**2.55**	2.36	2.27	**0.66**	0.66

	Years ended December 31			Three months ended December 31	
	2021	2020	2019	**2021**	2020
Additions to property, plant and equipment and to intangible assets:					
Telecommunications	**$ 537.1**	$ 596.1	$ 678.1	**$ 108.2**	$ 164.6
Media	**44.9**	38.0	50.0	**17.3**	14.8
Sports and Entertainment	**4.3**	3.4	4.9	**1.7**	0.9
Head Office	**4.8**	2.7	2.4	**1.0**	1.3
	591.1	640.2	735.4	**128.2**	181.6
Acquisition of spectrum licences	**830.0**	–	255.8	**664.0**	–
Cash flows:					
Adjusted cash flows from operations					
Telecommunications	**1,338.6**	1,268.3	1,125.3	**358.3**	317.1
Media	**38.5**	44.2	24.8	**11.5**	30.8
Sports and Entertainment	**16.1**	5.3	2.4	**2.5**	1.2
Head Office	**(11.1)**	(5.4)	(8.4)	**(1.7)**	(3.9)
	1,382.1	1,312.4	1,144.1	**370.6**	345.2
Cash flows provided by continuing operating activities	**1,182.6**	1,431.5	1,211.8	**323.1**	377.0
Dividends declared	**267.6**	201.1	100.3	**65.8**	49.8
Dividends declared per basic share	**1.10**	0.80	0.39	**0.28**	0.20
Balance sheet:					
Cash and cash equivalents	**$ 64.7**	$ 136.7	$ 14.0	$	
Working capital	**50.4**	(70.4)	(161.4)		
Net assets related to derivative financial instruments	**382.3**	597.1	677.7		
Total assets	**10,763.0**	9,861.6	9,725.9		
Total long-term debt	**6,554.0**	5,786.4	5,986.1		
Lease liabilities (current and long term)	**183.2**	173.3	137.9		
Convertible debentures, including embedded derivatives	**141.6**	156.5	165.8		
Equity attributable to shareholders	**1,255.6**	1,112.6	977.5		
Equity	**1,378.8**	1,214.1	1,072.1		
Consolidated net debt leverage ratio[1]	**3.19x**	2.68x	2.91x		

Telecommunications

- The Telecommunications segment grew its revenues by $112.4 million (3.1%) and its adjusted EBITDA by $11.3 million (0.6%) in 2021.
- Videotron increased its revenues from mobile services and equipment ($73.2 million or 8.0%), Internet access ($70.0 million or 6.2%) and wireline equipment ($52.3 million or 34.5%) in 2021.
- Net increase of 41,700 revenue-generating units ("RGUs") (0.7%) in 2021, including 120,800 connections (8.2%) to the mobile telephony service and 44,000 subscriptions (2.4%) to the Internet access service.

[1] See "Non-IFRS Financial Measures" below.

- On September 9, 2021, Videotron and TVA Sports announced a partnership with the Lions de Trois-Rivières, the new ECHL hockey team. The new Trois-Rivières arena is named the “Colisée Vidéotron” and TVA Sports is the exclusive official broadcaster of the Lions’ home games as they begin their first season.
- On August 17, 2021, Videotron launched Vrai, a new Québec subscription platform that will meet the strong demand for unscripted lifestyle, documentary and entertainment content. In its first year, Vrai offered thousands of hours of all-French, on-demand content, including more than a hundred new original Québec productions.
- 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: Ontario, Manitoba, Alberta and British Columbia.
- On June 4, 2021, Jean-François Pruneau resigned as President and Chief Executive Officer of Videotron to pursue personal investment projects. Pierre Karl Péladeau, President and Chief Executive Officer of Quebecor, took over as President of Videotron.
- On May 12, 2021, Videotron announced the roll-out of its 5G network in Québec City, following the successful launch in Montréal in December 2020. With its increased speed, expanded connectivity and minimal latency, 5G will open up a world of possibilities for Québec City customers.
- On April 15, 2021, the Canadian Radio-television and Telecommunications Commission (“CRTC”) announced that some telecommunications providers may be given access to the wireless networks of Canada’s major carriers in order to offer Canadians greater choice and more options at affordable prices. As a result, regional carriers that invest in network infrastructure and spectrum will be able to offer competitive services as mobile virtual network operators in regions where competition is limited.
- On April 1, 2021, Videotron announced the acquisition of Cablovision Warwick Inc. (“Cablovision Warwick”) and its network, which has been serving the municipalities of Warwick, Kingsey Falls and Saint-Félix-de-Kingsey in the Centre-du-Québec region for more than four decades. Cablovision Warwick’s customers will therefore have access to Videotron’s network and its line of products and services.
- On March 22, 2021, Videotron entered into agreements with the Québec government and the government of Canada jointly aimed at achieving government targets for the roll-out of high-speed Internet services in various regions of Québec. Under these agreements, Videotron is expanding its high-speed Internet network to connect approximately 37,000 more households and the governments have undertaken to provide financial assistance in the amount of approximately $258.0 million, which will be used in its entirety for the extension of Videotron’s network. In accordance with the terms and conditions of the agreements, a $216.2 million advance was received from the government at program commencement and recorded as restricted cash, with a corresponding amount as a deferred subsidy, on the Corporation’s consolidated balance sheet. In 2021, $53.8 million of these deferred subsidies were recognized as a reduction of additions to property, plant and equipment, upon the realization of the required investments.

Media

- The Media segment grew its revenues by $125.5 million (19.3%) and its adjusted EBITDA by $1.2 million (1.5%) in 2021.
- On September 15, 2021, Quebecor unveiled the new QUB digital platform, which brings together all of its news and entertainment content in one place. Available on the Internet and via a mobile app, QUB is differentiated by its vast quantity of multi-source, multi-format content, including text, music, video and audio, available live or on demand on a single platform to support discoverability.
- On July 16, 2021, TVA Group Inc. (“TVA Group”) announced that the studios of Canadian film and television industry leader MELS will be enlarged with the construction of MELS 4, with the support of Investissement Québec and the City of Montréal. The project will strengthen MELS’ position on the market for foreign blockbusters and series.
- On April 14, 2021, France Lauzière took time off from her professional duties for family reasons. On October 29, 2021, Ms. Lauzière resigned from her position as President and Chief Executive Officer of TVA Group and Chief Content Officer of Quebecor Content, for the same reasons. After joining the Corporation in 2001, she was instrumental in strengthening TVA’s dominant position as Québec’s television leader. Ms. Lauzière remains available to work with the company on strategic projects and to contribute her expertise in content. Pierre Karl Péladeau, President and Chief Executive Officer of Quebecor, continues to serve as Acting President of TVA Group and Quebecor Content.

Sports and Entertainment

- The Sports and Entertainment segment grew its revenues by $9.0 million (5.7%) and its adjusted EBITDA by $11.7 million in 2021.
- On October 6, 2021, Event Management Gestev Inc., an entity in the Sports and Entertainment segment, became the new manager of the Cabaret du Casino de Montréal. It is now operating the acoustically superior multipurpose venue and presenting unique programming for thousands of guests.
- On February 1, 2021, the Sports and Entertainment segment acquired Les Disques Audiogramme inc. ("Disques Audiogramme"), the largest independent French-language record label in North America, which also includes Éditorial Avenue, Canada's largest French-language music publisher, in order to continue supporting talented Québec artists and promoting the dissemination of Québec music.

Investing and financing operations

- On February 23, 2022, the Board of Directors of Quebecor declared a quarterly dividend of $0.30 per share on its Class A Multiple Voting Shares ("Class A Shares") and Class B Subordinate Voting Shares ("Class B Shares"), a 9% increase.
- On February 15, 2022, TVA Group amended its $75.0 million secured revolving credit facility to extend its term from February 2022 to February 2023 and amend certain terms and conditions.
- In December 2021, Investissement Québec granted TVA Group an interest free unsecured loan for a maximum amount of $25.0 million in order to support the construction of MELS' fourth production studio. The loan contains certain restrictive covenants as well as typical representations and warranties. As of December 31, 2021, no amount was drawn on the unsecured loan.
- On July 6, 2021, Videotron completed the early redemption of the entirety of its 5.000% Senior Notes due July 15, 2022, in aggregate principal amount of US$800.0 million, at a redemption price of 104.002% of their principal amount, in accordance with a notice issued on June 3, 2021. The related hedges in an asset position were also unwound.
- On July 5, 2021, Quebecor Media completed the early redemption of the entirety of its 6.625% Senior Notes due January 15, 2023, in aggregate principal amount of $500.0 million, at a redemption price of 107.934% of their principal amount, in accordance with a notice issued on June 3, 2021.
- On June 17, 2021, Videotron issued $750.0 million aggregate principal amount of 3.625% Senior Notes due 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 3.625% Senior Notes due June 15, 2029, for net proceeds of $599.6 million, net of financing costs of $5.8 million.
- On April 1, 2021, Alithya Group Inc ("Alithya"), a strategy and digital transformation leader, acquired the firm R3D Conseil inc, ("R3D Conseil") 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 Alithya's issued and outstanding shares. The corresponding $19.6 million gain on disposal was 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.
- On January 22, 2021, Videotron issued $650.0 million aggregate principal amount of 3.125% Senior Notes maturing on January 15, 2031, for net proceeds of $644.0 million, net of financing costs of $6.0 million.

TREND INFORMATION

Competition continues to intensify in the mobile and wireline telephony, Internet access, television and OTT markets. Due to ongoing technological developments, the distinction between those platforms is fading rapidly and the Corporation expects increasing competition from non-traditional businesses across its key business segments. There is also competition from wholesale Internet resellers, which purchase high-speed access services from large companies in order to offer customers their own services. Thus, the subscriber growth recorded in the Telecommunications sector in past years is not necessarily representative of future growth.

Moreover, the Telecommunications segment has in the past required substantial capital for the upgrade, expansion and maintenance of its mobile and wireline networks and the launch and expansion of new or additional services to support growth in its customer base and demand for increased bandwidth capacity and other services. The Corporation expects that additional capital expenditures will be required in the short and medium terms to expand and maintain the Telecommunications segment's systems and services, including expenditures relating to the cost of its mobile services infrastructure, maintenance and enhancement, as well as costs relating to the roll-out of LTE-Advanced/5G technologies. In addition, the demand for wireless data services has been growing constantly and is projected to continue to grow. The anticipated levels of data traffic will represent an increasing challenge to the current mobile network's ability to support this traffic. The Corporation will have to acquire additional spectrum in the future to meet the growing demand.

Some of Quebecor Media's lines of business are cyclical in nature. They are dependent on advertising and, particularly in the newspaper and magazine businesses, on circulation sales. Operating results are therefore sensitive to prevailing economic conditions.

The Media industry has been experiencing fundamental and permanent structural changes. Generalized audience fragmentation has prompted many advertisers to review their media placement strategies and to turn a significant part of their advertising budgets over to international competitors operating solely in digital media. In the broadcasting industry, audiences are increasingly fragmented as viewing habits have shifted toward Internet-based content delivery platforms that allow users greater control over content and timing, such as OTT video services. The Corporation's Media segment has taken steps in order to maintain its leadership position and offer audiences and advertisers alike the best available content, when they want it and on the media platform they want.

Moreover, newspaper and magazine circulation as measured by copies sold has been declining over the past several years in the industry. The traditional run of press advertising for major multimarket retailers has been declining due to a shift in marketing strategy toward other media and to retail industry consolidation. To respond to such competition, the Media segment's operations have developed their Internet presence through branded websites, including specialized websites.

The Sports and Entertainment segment has made significant investments in its efforts to develop the business. The Corporation expects that additional capital expenditures and other investments will be required in order to expand the Sports and Entertainment segment.

In the books and music businesses, digital technology has disrupted buying and consuming habits, particularly with the emergence of vehicles such as music streaming and ebooks, which compete with conventional formats. The Corporation recently developed its own music streaming service, which prominently features Québec music in addition to its international catalogue.

INTEREST IN SUBSIDIARIES

As of December 31, 2021, Quebecor held all the shares of Quebecor Media.

Table 2 shows Quebecor Media's equity interest in its main subsidiaries at December 31, 2021.

Table 2
Quebecor Media's interest (direct and indirect) in its main subsidiaries
As of December 31, 2021

	Percentage of vote	Percentage of equity
Videotron Ltd.	100.0 %	100.0 %
TVA Group Inc.	99.9 %	68.4 %
MediaQMI Inc.	100.0 %	100.0 %
QMI Spectacles inc.	100.0 %	100.0 %

Quebecor Media's interest in its subsidiaries has not varied over the past three years.

2021/2020 FINANCIAL YEAR COMPARISON

Analysis of consolidated results of operations and cash flows of Quebecor

Revenues: $4.55 billion, a $236.6 million (5.5%) increase.

- Revenues increased in Telecommunications ($112.4 million or 3.1% of segment revenues), Media ($125.5 million or 19.3%), and Sports and Entertainment ($9.0 million or 5.7%).

Adjusted EBITDA: $1.97 billion, a $20.6 million (1.1%) increase.

- Adjusted EBITDA increased in Sports and Entertainment ($11.7 million or 134.5% of segment adjusted EBITDA), Telecommunications ($11.3 million or 0.6%), despite the $12.6 million unfavourable impact of recognition of a one-time item in 2020, and Media ($1.2 million or 1.5%).
- The change in the fair value of Quebecor and Quebecor Media stock options and the value of Quebecor stock-price-based share units resulted in an $8.7 million favourable variance in the Corporation's stock-based compensation charge in 2021 compared with 2020.

Net income attributable to shareholders: $578.4 million ($2.38 per basic share) in 2021, compared with $607.2 million ($2.41 per basic share) in 2020, a decrease of $28.8 million ($0.03 per basic share).

- The main unfavourable variances were:
  - $80.9 million unfavourable variance related to debt refinancing;
  - $33.2 million decrease in income from discontinued operations;
  - $5.2 million increase in financial expenses.
- The main favourable variances were:
  - $35.1 million favourable variance in restructuring of operations and other items;
  - $20.6 million increase in adjusted EBITDA;
  - $19.4 million decrease in the depreciation and amortization charge;
  - $8.8 million decrease in the income tax expense;
  - $6.4 million favourable variance related to gains on valuation and translation of financial instruments, including $5.6 million without any tax consequences.

Adjusted income from continuing operating activities: $621.9 million ($2.55 per basic share) in 2021, compared with $594.5 million ($2.36 per basic share) in 2020, an increase of $27.4 million ($0.19 per basic share).

Adjusted cash flows from operations: $1.38 billion, a $69.7 million (5.3%) increase due to the $49.1 million decrease in additions to property, plant and equipment and to intangible assets, and the $20.6 million increase in adjusted EBITDA.

Cash flows provided by continuing operating activities: $1.18 billion, a $248.9 million decrease due primarily to the unfavourable net change in non-cash balances related to operating activities and the increase in current income taxes.

Depreciation and amortization charge: $783.8 million in 2021, a $19.4 million decrease due mainly to the impact of decreased investment in property, plant and equipment and intangible assets in the Telecommunications segment, including lower spending related to the leasing of set-top boxes.

Financial expenses: $333.4 million in 2021, a $5.2 million increase due primarily to higher average indebtedness, partially offset by the impact of the lower average interest rate on long-term debt.

Gain on valuation and translation of financial instruments: $14.4 million in 2021, a $6.4 million favourable variance due to a favourable variance, without any tax consequences, in gains on embedded derivatives related to convertible debentures.

Charge for restructuring of operations and other items: $4.1 million in 2021, a $35.1 million favourable variance.

- A $25.3 million charge was recognized in 2021 in connection with cost-reduction measures in the Corporation’s various segments ($31.6 million in 2020). In addition, a $3.1 million gain on other items was recognized in 2021 ($0.9 million in 2020). A $1.5 million charge for impairment of assets was recognized in connection with various restructuring initiatives in 2021 ($8.5 million in 2020).
- On April 1, 2021, Alithya acquired R3D Conseil, of which Quebecor was one of the main shareholders. The corresponding $19.6 million gain on disposal was recognized in 2021.

Loss on debt refinancing: $80.9 million in 2021.

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, an $80.9 million net loss was recorded in the consolidated statement of income in 2021.

Income tax expense: $197.0 million in 2021 (effective tax rate of 26.5%), compared with $205.8 million in 2020 (effective tax rate of 26.4%), an $8.8 million favourable variance caused mainly by the impact of the decrease in taxable income. The effective tax rate is calculated considering only taxable and deductible items.

SEGMENTED ANALYSIS

Telecommunications

In Quebecor Media's Telecommunications segment, Videotron is a leading cable operator in Canada and the largest in Québec by wireline RGU. Videotron offers advanced mobile telephony services, including high-speed Internet access, mobile television and many other functionalities supported by smartphones. Videotron also offers Internet access services; digital television distribution services, including video-on-demand, pay-per-view and pay TV; wireline telephony services; and an OTT service. As well, Videotron includes Videotron Business, a full-service business telecommunications provider that offers mobile and wireline telephony, high-speed data transmission, Internet access and television services. Videotron also offers Helix, a technology platform that has revolutionized entertainment and home management with features including voice remote, ultra-intelligent Wi-Fi and support for home automation, all tailored to customer needs and preferences.

2021 operating results

Revenues: $3.74 billion in 2021, a $112.4 million (3.1%) increase.

- Revenues from mobile telephony services increased $54.0 million (8.2%) to $712.5 million, due primarily to an increase in the number of subscriber connections.
- Revenues from Internet access services increased $70.0 million (6.2%) to $1.20 billion, due mainly to an increase in average per-subscriber revenues and subscriber base growth.
- Revenues from television services decreased $67.5 million (-7.5%) to $836.1 million, mainly because of a decrease in average per-subscriber revenues and a decrease in the subscriber base.
- Revenues from wireline telephony services decreased $19.9 million (-5.9%) to $318.5 million, mainly because of the impact of the net decrease in subscriber connections, partially offset by higher average per-connection revenues.
- Revenues from mobile equipment sales to customers increased $19.2 million (7.5%) to $276.4 million, mainly because of price increases, partially offset by a decrease in the number of mobile devices sold.
- Revenues from wireline equipment sales to customers increased $52.3 million (34.5%) to $204.0 million, mainly because of higher volume and prices for equipment sales related to the Helix platform.
- Other revenues increased $4.3 million (2.4%) to $186.1 million.

ABPU: Videotron's total ABPU was $50.33 in 2021 compared with $49.94 in 2020, a $0.39 (0.8%) increase. Mobile ABPU was $49.73 in 2021, compared with $50.85 in 2020, a $1.12 (-2.2%) decrease due in part to the popularity of bring-your-own-device ("BYOD") plans.

Customer statistics

RGUs – The total number of RGUs was 6,189,600 at December 31, 2021, an increase of 41,700 (0.7%) in 2021 compared with an increase of 71,700 in 2020 (Table 3).

Mobile telephony – The number of subscriber connections to the mobile telephony service stood at 1,601,900 at December 31, 2021, an increase of 120,800 (8.2%) in 2021 compared with an increase of 150,600 in 2020 (Table 3).

Internet access – The number of subscribers to the Internet access service stood at 1,840,800 at December 31, 2021, an increase of 44,000 (2.4%) in 2021 compared with an increase of 69,500 in 2020 (Table 3).

Television – The number of subscribers to television services stood at 1,418,600 at December 31, 2021, a decrease of 57,000 (-3.9%) in 2021 compared with a decrease of 56,200 in 2020 (Table 3).

Wireline telephony – The number of subscriber connections to the wireline telephony service stood at 824,900 at December 31, 2021, a decrease of 99,800 (-10.8%) in 2021 compared with a decrease of 102,600 in 2020 (Table 3).

OTT video – The number of subscribers to the OTT video service stood at 503,400 at December 31, 2021, an increase of 33,700 (7.2%) in 2021 compared with an increase of 10,400 in 2020 (Table 3).

Table 3
Telecommunications segment year-end RGUs (2017-2021)
(in thousands of customers)

	2021	2020	2019	2018	2017
Mobile telephony	**1,601.9**	1,481.1	1,330.5	1,153.8	1,024.0
Internet	**1,840.8**	1,796.8	1,727.3	1,704.5	1,666.5
Television	**1,418.6**	1,475.6	1,531.8	1,597.3	1,640.5
Wireline telephony	**824.9**	924.7	1,027.3	1,113.9	1,188.5
OTT video	**503.4**	469.7	459.3	420.8	361.6
Total	**6,189.6**	6,147.9	6,076.2	5,990.3	5,881.1

Adjusted EBITDA: $1.88 billion, a $11.3 million (0.6%) increase due primarily to:

- impact of the net revenue increase, net of the cost of equipment sold.

Partially offset by:

- increases in some operating expenses, including engineering, advertising, IT and administrative expenses;
- $12.6 million unfavourable variance related to recognition of a one-time item in 2020.

Cost/revenue ratio: Employee costs and purchases of goods and services for all Telecommunications segment operations, expressed as a percentage of revenues, were 49.8% in 2021 compared with 48.5% in 2020. The increase was due primarily to the impact of recognition of a one-time item in 2020 and increases in some operating expenses.

Adjusted cash flows from operations: $1.34 billion in 2021 compared with $1.27 billion in 2020 (Table 14). The $70.3 million (5.5%) increase was due to a $48.4 million decrease in additions to intangible assets, including decreased investment in IT systems, an $11.3 million increase in Adjusted EBITDA and a $10.6 million decrease in additions to property, plant and equipment.

Media

In the Media segment, TVA Group operates the largest French-language private television network in North America. TVA Group is the sole owner of 6 of the 10 television stations in the TVA Network, as well as the specialty channels TVA Sports, LCN, addik^{TV}, Prise 2, Yoopa, CASA, MOI ET CIE, Évasion and Zeste. TVA Group also holds interests in two other TVA Network affiliates. As well, TVA Group is engaged in commercial production and custom publishing through its Communications Qolab inc. (“Communications Qolab”) subsidiary. In addition to linear television, TVA Network and the specialty channels broadcast on-demand and streaming content over multiplatform applications, including the TVA+ website and mobile app, which provide free access to TVA Network programs, some specialty channel content, and original content.

Through its subsidiaries, TVA Group owns MELS Studios and Postproduction G.P. and MELS Dubbing Inc., providers of soundstage, equipment and mobile unit rental, postproduction, dubbing and visual effects services to the film and television industries.

Through the companies in the Incendo Media inc. group, TVA Group is engaged in the production and distribution of television programs, movies and series for international markets.

TVA Group publishes more than 50 magazine titles in various categories, including show business, television, fashion and decorating. It also markets digital products associated with the various magazine brands.

The Media segment also operates two paid daily newspapers, *Le Journal de Montréal* and *Le Journal de Québec*, seven days a week. The websites of the paid dailies, journaldemontreal.com and journaldequebec.com, which provide real-time access to the news on mobiles and tablets, lead the news sites in their markets with more than 4.6 million unique visitors per month (source: ComScore Inc., monthly average unduplicated, January to December 2021). According to corporate figures, the aggregate circulation of the paid newspapers as of December 31, 2021 was approximately 1.4 million copies per week in print and electronic formats.

In addition, the Media segment includes NumériQ inc.(“NumériQ”), which brings together digital strategy and content production assets that are harnessed to create digital platforms and content for the Corporation’s various platforms, and operates a number of other digital brands, including *Le Guide de l’auto, Le sac de chips, Pèse sur Start, Silo 57* and *24heures.ca*. NumériQ owns the QUB platform, which offers all the news entertainment content of Quebecor's brands in one place. NumériQ also owns QUB radio, an online and mobile audio platform with a live radio stream and a library of podcasts, and the QUB musique music streaming platform.

The Corporation's apps and websites log a combined total of more than 6.8 million unique visitors per month in Canada (source: ComScore Inc., November 2021).

The Media segment is also engaged in printing newspapers, distributing newspapers and magazines, and out-of-home advertising. In addition, the segment includes QMI Agency, a news agency that provides content to all Quebecor Media properties; Quebecor Media Expertise, which offers Media segment customers integrated, diversified and complete advertising services; Quebecor Content, which contributes to the creation, development, acquisition and distribution of television content and formats; and Elmire Inc., a digital marketing agency.

2021 operating results

Revenues: $776.0 million in 2021, a $125.5 million (19.3%) increase.

- Advertising revenues increased by $68.5 million (24.0%), mainly because of higher advertising revenues at TVA Network and the specialty channels.
- Other revenues increased by $54.6 million (33.2%), mainly because of higher revenues from film production and audiovisual services, increased volume at Communications Qolab, and higher revenues from TVA Network and from production and distribution services.
- Subscription revenues increased by $2.4 million (1.2%).

Adjusted EBITDA: $83.4 million in 2021, a $1.2 million (1.5%) increase due primarily to:

- impact of the revenue increase.

Partially offset by:

- higher broadcast content costs, mainly because of the resumption of play in the National Hockey League ("NHL") in 2021 and the recovery in television activity in general;
- higher labour costs, essentially as a result of increased volume and the impact of the ending of the segment's eligibility for the government measures introduced to deal with the COVID-19 pandemic.

Cost/revenue ratio: Employee costs and purchases of goods and services for the Media segment's operations, expressed as a percentage of revenues, were 89.3% in 2021 compared with 87.4% in 2020. The increase was mainly due to a net increase in broadcast content costs and higher labour costs.

Adjusted cash flows from operations: $38.5 million in 2021 compared with $44.2 million in 2020 (Table 14). The $5.7 million decrease was mainly due to a $6.9 million increase in additions to property, plant and equipment and to intangible assets.

Sports and Entertainment

The Sports and Entertainment segment includes management and operation of the Videotron Centre under an agreement between Quebecor Media and Québec City for usage and naming rights to the arena that was ratified in 2011 and runs through 2040. The segment leases the arena, exploits advertising space, generates sponsorship revenues and operates the food concessions at events. The segment's activities also include the production and coproduction of shows presented at the Videotron Centre and other venues. In addition, the Sports and Entertainment segment operates sports and cultural events manager Event Management Gestev Inc., which is the official imprint for shows and events produced in Québec by Quebecor Media.

The Sports and Entertainment segment includes the activities of the QMJHL hockey teams Armada de Blainville-Boisbriand and Remparts de Québec.

The Sports and Entertainment segment also owns the Théâtre Capitole, a performance venue in Québec City, where the segment rents out the space, exploits the advertising spaces, generates sponsorship revenues and may act as copromoter of some events.

Since the fall of 2021, the segment has also managed the Casino de Montréal's performance space under a renewable annual contract. It is the presenter of shows at the venue.

As well, the Sports and Entertainment segment includes educational publisher CEC Publishing Inc.; Sogides Group Inc., which is engaged in general literature publishing through its 18 publishing houses; and Messageries A.D.P. inc., which distributes print books and ebooks, and which is the exclusive distributor for more than 260 Québec and European French-language publishers.

The Sports and Entertainment segment is engaged in music recording and video production (Disques Musicor and MP3) and concert and event production (Musicor Spectacles). In 2021, Musique Select discontinued its distribution and sub-distribution activities for both physical media and digital content.

Also in 2021, the Sports and Entertainment segment acquired Disques Audiogramme, the largest independent French-language record label in North America.

2021 operating results

Revenues: $167.0 million in 2021, a $9.0 million (5.7%) increase due primarily to higher revenues from book distribution and publishing, including educational publishing, and from hockey activities, partially offset by a decrease in revenues from music, mainly because of the discontinuation of physical distribution operations and lower concert revenues.

Adjusted EBITDA: $20.4 million in 2021, an $11.7 million increase due primarily to the impact of the revenue increase.

Adjusted cash flows from operations: $16.1 million in 2021 compared with $5.3 million in 2020 (Table 14). The $10.8 million increase was due primarily to the $11.7 million increase in adjusted EBITDA.

2021/2020 FOURTH QUARTER COMPARISON

Analysis of consolidated results of operations and cash flows of Quebecor

Revenues: $1.18 billion, a $37.1 million (3.2%) increase.

- Revenues increased in Telecommunications ($12.2 million or 1.3% of segment revenues), Media ($26.6 million or 14.3%), and Sports and Entertainment ($4.4 million or 9.0%).

Adjusted EBITDA: $498.8 million, a $28.0 million (-5.3%) decrease.

- Adjusted EBITDA decreased in Telecommunications ($15.2 million or -3.2% of segment adjusted EBITDA) and in Media ($16.8 million or -36.8%).
- Adjusted EBITDA increased in Sports and Entertainment ($2.1 million).
- The change in the fair value of Quebecor and Quebecor Media stock options and in the value of Quebecor stock-price-based share units resulted in a $5.6 million favourable variance in the Corporation's stock-based compensation charge in the fourth quarter of 2021 compared with the same period of 2020.

Net income attributable to shareholders: $160.5 million ($0.67 per basic share) in the fourth quarter of 2021, compared with $159.8 million ($0.64 per basic share) in the same period of 2020, a favourable variance of $0.7 million ($0.03 per basic share).

- The main favourable variances were:
    - $15.9 million decrease in the depreciation and amortization charge;
    - $8.1 million favourable variance in gains and losses on valuation and translation of financial instruments, including $7.4 million without any tax consequences;
    - $4.7 million favourable variance in non-controlling interest;
- The unfavourable variance was mainly due to:
    - $28.0 million decrease in adjusted EBITDA.

Adjusted income from continuing operating activities: $157.6 million ($0.66 per basic share) in the fourth quarter of 2021, compared with $165.0 million ($0.66 per basic share) in the same period of 2020, a decrease of $7.4 million.

Adjusted cash flows from operations: $370.6 million, a $25.4 million (7.4%) increase due primarily to a $27.1 million decrease in additions to property, plant and equipment and a $26.3 million decrease in additions to intangible assets, partially offset by the $28.0 million decrease in adjusted EBITDA.

Cash flows from continuing operating activities: $323.1 million, a $53.9 million decrease due primarily to the increase in current income taxes and the decrease in adjusted EBITDA, partially offset by the favourable net change in non-cash balances related to operating activities.

Depreciation and amortization charge: $197.6 million in the fourth quarter of 2021, a $15.9 million decrease due mainly to the impact of investments in property, plant and equipment and in intangible assets in the Telecommunications segment, including lower spending related to the leasing of set-top boxes.

Financial expenses: $79.5 million in the fourth quarter of 2021, a $0.4 million increase caused by higher average indebtedness and an unfavourable variance in losses and gains on foreign currency translation of short-term monetary items. Reductions in financial expenses were mainly due to the impact of lower average interest rates on long-term debt.

Gain on valuation and translation of financial instruments: $7.2 million in the fourth quarter of 2021 compared with a $0.9 million loss in the same period of 2020. The $8.1 million favourable variance was due to a $7.4 million favourable variance, without any tax consequences, in gains and losses on embedded derivatives related to convertible debentures.

Charge for restructuring of operations and other items: $7.8 million in the fourth quarter of 2021, a $1.7 million unfavourable variance.

- A $7.5 million charge was recognized in the fourth quarter of 2021 in connection with cost-reduction initiatives in the Corporation's various segments ($5.4 million in the fourth quarter of 2020). In addition, a $0.4 million gain on other items was recognized in 2021 ($0.5 million in 2020). In the fourth quarter of 2021, a $0.7 million charge for impairment of assets was also recognized in connection with various restructuring initiatives ($1.2 million in the fourth quarter of 2020).

Income tax expense: $56.6 million in the fourth quarter of 2021 (effective tax rate of 26.5%), compared with $58.1 million in the same period of 2020 (effective tax rate of 25.6%), a $1.5 million favourable variance caused essentially by the impact of the decrease in taxable income.

SEGMENTED ANALYSIS

Telecommunications

Revenues: $953.1 million, a $12.2 million (1.3%) increase due essentially to the same factors as those noted above under "2021/2020 financial year comparison."

- Revenues from the mobile telephony service increased $15.2 million (8.9%) to $185.4 million.
- Revenues from Internet access services increased $9.3 million (3.2%) to $301.6 million.
- Revenues from television services decreased $16.2 million (-7.4%) to $203.8 million.
- Revenues from the wireline telephony service decreased $5.6 million (-6.7%) to $77.7 million.
- Revenues from mobile equipment sales to customers increased $3.5 million (4.5%) to $80.9 million.
- Revenues from wireline equipment sales to customers increased $4.8 million (9.4%) to $55.8 million.
- Other revenues increased $1.2 million (2.6%) to $47.9 million.

ABPU: Videotron's total ABPU was $49.94 in the fourth quarter of 2021, compared with $50.21 in the same period of 2020, a $0.27 (-0.5%) decrease. Mobile ABPU was $48.57 in the fourth quarter of 2021, compared with $50.52 in the same period of 2020, a $1.95 (-3.9%) decrease due in part to the popularity of BYOD plans.

Customer statistics

RGUs – 43,000 (0.7%) unit increase in the fourth quarter of 2021 compared with an increase of 43,000 in the same period of 2020.

Mobile telephony – 30,600 (1.9%) subscriber-connection increase in the fourth quarter of 2021 compared with an increase of 28,500 in the same period of 2020.

Internet access – 8,100 (0.4%) subscriber increase in the fourth quarter of 2021 compared with an increase of 27,000 in the same period of 2020.

Television – 9,400 (-0.7%) subscriber decrease in the fourth quarter of 2021 compared with a decrease of 6,200 in the same period of 2020.

Wireline telephony – 22,500 (-2.7%) subscriber-connection decrease in the fourth quarter of 2021 compared with a decrease of 23,100 in the same period of 2020.

OTT video – 36,200 (7.7%) subscriber increase in the fourth quarter of 2021 compared with an increase of 16,800 in the same period of 2020.

Adjusted EBITDA: $466.5 million, a $15.2 million (-3.2%) decrease due primarily to:

- increases in some operating expenses, including IT, administrative, engineering and advertising costs;
- impact of increases in the cost of equipment sold.

Cost/revenue ratio: Employee costs and purchases of goods and services for all Telecommunications segment operations, expressed as a percentage of revenues, were 51.1% in the fourth quarter of 2021 compared with 48.8% in the same period of 2020. The increase was mainly due to increases in some operating expenses and in the cost of equipment sold.

Adjusted cash flows from operations: $358.3 million in the fourth quarter of 2021 compared with $317.1 million in the same period of 2020 (Table 14). The $41.2 million increase was caused by a $28.9 million decrease in additions to property, plant and equipment due to a general slowdown in investment following a review of the strategic priorities, and a $27.5 million decrease in additions to intangible assets, also due to the strategic priorities review, partially offset by the $15.2 million decrease in adjusted EBITDA.

Media

Revenues: $212.4 million in the fourth quarter of 2021, a $26.6 million (14.3%) increase.

- Advertising revenues increased by $16.9 million (19.5%), mainly because of higher advertising revenues at TVA Network and the specialty channels.
- Other revenues increased by $9.7 million (20.0%), mainly because of increased volume at Communications Qolab and higher revenues from production and distribution services.

Adjusted EBITDA: $28.8 million in the fourth quarter of 2021, a $16.8 million (-36.8%) decrease due primarily to:

- higher broadcast content costs, mainly because of the resumption of play in the NHL in the fourth quarter of 2021 and the recovery in television activity in general;

Partially offset by:

- impact of the revenue increase.

Cost/revenue ratio: Employee costs and purchases of goods and services for the Media segment's operations, expressed as a percentage of revenues, were 86.4% in the fourth quarter of 2021 compared with 75.5% in the same period of 2020. The increase was mainly due to an increase in broadcast content costs.

Adjusted cash flows from operations: $11.5 million in the fourth quarter of 2021 compared with $30.8 million in the same period of 2020 (Table 14). The $19.3 million decrease was mainly due to the $16.8 million decrease in adjusted EBITDA and a $2.5 million increase in additions to property, plant and equipment and to intangible assets.

Sports and Entertainment

Revenues: $53.2 million in the fourth quarter of 2021, a $4.4 million (9.0%) increase due primarily to higher revenues from hockey, music, and book distribution and publishing, partially offset by lower revenues from concerts and sporting events.

Adjusted EBITDA: $4.2 million in the fourth quarter of 2021, a $2.1 million increase due primarily to the impact of the increase in revenues.

Adjusted cash flows from operations: $2.5 million in the fourth quarter of 2021 compared with $1.2 million in the same period of 2020 (Table 14). The $1.3 million increase was due to the $2.1 million increase in adjusted EBITDA, partially offset by a $0.8 million increase in additions to property, plant and equipment and to intangible assets.

2020/2019 FINANCIAL YEAR COMPARISON

Analysis of consolidated results of operations and cash flows of Quebecor

Revenues: $4.32 billion, a $24.0 million (0.6%) increase.

- Revenues increased in Telecommunications ($142.2 million or 4.1% of segment revenues).
- Revenues decreased in Media ($87.5 million or -11.9% of segment revenues) and in Sports and Entertainment ($34.2 million or -17.8%).

Adjusted EBITDA: $1.95 billion, a $73.1 million (3.9%) increase.

- Adjusted EBITDA increased in Telecommunications ($61.0 million or 3.4% of segment adjusted EBITDA), Media ($7.4 million or 9.9%), and Sports and Entertainment ($1.4 million or 19.2%).
- There was a favourable variance at Head Office ($3.3 million).
- The change in the fair value of Quebecor Media stock options resulted in a $1.5 million favourable variance in the stock-based compensation charge in 2020 compared with 2019. The change in the fair value of Quebecor stock options and in the value of Quebecor stock-price-based share units resulted in a $7.2 million favourable variance in the Corporation's stock-based compensation charge in 2020.

Net income attributable to shareholders: $607.2 million ($2.41 per basic share) in 2020, compared with $652.8 million ($2.55 per basic share) in 2019, a decrease of $45.6 million ($0.14 per basic share).

- The main unfavourable variances were:
    - $64.3 million decrease in income from discontinued operations;
    - $52.8 million increase in the depreciation and amortization charge;
    - $10.6 million unfavourable variance in the charge for restructuring of operations and other items.
- The main favourable variances were:
    - $73.1 million increase in adjusted EBITDA;
    - $14.5 million favourable variance in gains and losses on valuation and translation of financial instruments, including $15.0 million without any tax consequences.

Adjusted income from continuing operating activities: $594.5 million ($2.36 per basic share) in 2020, compared with $581.0 million ($2.27 per basic share) in 2019, an increase of $13.5 million ($0.09 per basic share).

Adjusted cash flows from operations: $1.31 billion in 2020, a $168.3 million (14.7%) increase due to a $67.8 million decrease in additions to property, plant and equipment, a $27.4 million decrease in additions to intangible assets, and the $73.1 million increase in adjusted EBITDA.

Cash flows provided by continuing operating activities: $1.43 billion in 2020, a $219.7 million (18.1%) increase due primarily to the favourable net change in non-cash balances related to operating activities and the increase in adjusted EBITDA, partially offset by the increase in current income taxes and the increase in the cash portion related to restructuring of operations and other items.

Depreciation and amortization charge: $803.2 million in 2020, an $52.8 million increase due mainly to the impact of investments in property, plant and equipment and in intangible assets in the Telecommunications segment, including the amortization of intangible assets related to investments in the Helix platform, and the impact of the revision of the depreciation period for some capital assets in the Telecommunications segment in consideration of technological developments, partially offset by lower spending related to the leasing of set-top boxes.

Financial expenses: $328.2 million in 2020, a $0.7 million increase. The impact of higher average interest on the long-term debt was offset by lower average indebtedness.

Gain on valuation and translation of financial instruments: $8.0 million in 2020 compared with a $6.5 million loss in 2019. The $14.5 million favourable variance was due to a $15.0 million favourable variance, without any tax consequences, in the gain on embedded derivatives related to convertible debentures.

Charge for restructuring of operations and other items: $39.2 million in 2020 compared with $28.6 million in 2019, a $10.6 million increase.

- A $30.7 million net restructuring charge was recognized in 2020 in connection with cost-reduction initiatives in the Corporation's various segments ($9.8 million in 2019). An $8.5 million charge for impairment of assets was also recognized in 2020 in connection with restructuring initiatives ($18.8 million in 2019).

Income tax expense: $205.8 million in 2020 (effective tax rate of 26.4%), compared with $205.7 million in 2019 (effective tax rate of 26.6%), a $0.1 million unfavourable variance.

CASH FLOWS AND FINANCIAL POSITION

This section provides an analysis of the Corporation's sources and uses of cash flows, as well as a financial position analysis as of the balance sheet date. This section should be read in conjunction with the discussion of trends under "Trend Information" above, the risk analysis in the "Risks and Uncertainties" section below, and the discussion of the Corporation's financial risks under "Financial Instruments and Financial Risk Management" below.

Operating activities

Cash flows provided by continuing operating activities: $1.18 billion in 2021 compared with $1.43 billion in 2020.

The $248.9 million decrease was mainly due to:

- $227.1 million unfavourable net change in non-cash balances related to operating activities, due primarily to unfavourable variances in accounts receivable, income tax payable, accounts payable and accrued charges, prepaid expenses and inventory, partially offset by the favourable variance in contract assets and deferred revenues;
- $48.2 million increase in current income taxes;
- $5.4 million increase in the cash portion of financial expenses.

Partially offset by:

- $20.6 million increase in adjusted EBITDA;
- $9.6 million favourable variance in the cash portion of restructuring of operations and other items.

The unfavourable net change in non-cash items related to operating activities and the increase in current income taxes had an unfavourable impact on cash flows provided by continuing operating activities in 2021 compared with 2020, while the increase in profitability had a favourable impact.

Working capital: $50.4 million at December 31, 2021 compared with negative $70.4 million at December 31, 2020. The $120.8 million favourable variance was due primarily to an increase in accounts receivable and inventory, partially offset by a decrease in cash and cash equivalents and in contract assets.

Investing activities

Cash flows used for additions to property, plant and equipment: $429.3 million in 2021 compared with $447.2 million in 2020. The $17.9 million decrease mainly reflects a $13.5 million favourable net change in current non-cash items.

Cash flows used for additions to intangible assets: $1.02 billion in 2021 compared with $205.9 million in 2020. The $812.8 million increase mainly reflects Videotron's acquisition of spectrum licences in the 3500 MHz band for a total of $830.0 million.

Proceeds from disposal of assets: $7.7 million in 2021 compared with $4.4 million in 2020.

Net business acquisitions: $21.0 million in 2021 compared with $47.1 million in 2020. The $26.1 million decrease reflects, in part, the acquisition of Télédistribution Amos inc. in 2020 in the Telecommunications segment.

Business disposals: $0.2 million in 2020.

Free cash flows from continuing operating activities[1]

Free cash flows from continuing operating activities: $572.3 million in 2021 compared with $782.8 million in 2020 (Table 15).

The $210.5 million decrease was mainly due to:

- $248.9 million decrease in cash flows provided by continuing operating activities;

Partially offset by:

- $17.9 million decrease in cash flows used for additions to property, plant and equipment;
- $17.2 million decrease in cash flows used for additions to intangible assets, excluding the spectrum licences.

Financing activities

Consolidated debt (long-term debt plus bank indebtedness): $749.3 million increase in 2021; $214.8 million reduction in net assets related to derivative financial instruments.

- Additions to debt in 2021 essentially consisted of:
  - issuance on January 22, 2021 by Videotron of $650.0 million aggregate principal amount of 3.125% Senior Notes maturing on January 15, 2031 for net proceeds of $644.0 million, net of financing costs of $6.0 million;
  - issuance on June 17, 2021 by Videotron of $750.0 million aggregate principal amount of 3.625% Senior Notes 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 3.625% Senior Notes maturing on June 15, 2029, for net proceeds of $599.6 million, net of financing costs of $5.8 million;
  - $285.0 million increase in Videotron's drawings on its secured revolving credit facility.

- Debt reductions in 2021 essentially consisted of:
  - early redemption by Videotron on July 6, 2021 of the entirety of its 5.000% Senior Notes due July 15, 2022, in aggregate principal amount of US$800.0 million, at a redemption price of 104.002% of their principal amount, in accordance with a notice issued on June 3, 2021;
  - early redemption by Quebecor Media on July 5, 2021 of the entirety of its 6.625% Senior Notes due January 15, 2023, in aggregate principal amount of $500.0 million, at a redemption price of 107.934% of their principal amount, in accordance with a notice issued on June 3, 2021;
  - $22.6 million favourable impact of exchange rate fluctuations. The consolidated debt reduction attributable to this item was offset by the decrease in the asset (or increase in the liability) related to derivative financial instruments;
  - $15.1 million decrease in TVA Group's drawings on its secured revolving credit facility.

- Assets and liabilities related to derivative financial instruments totalled a net asset of $597.1 million at December 31, 2020 compared with $382.3 million at December 31, 2021. The $214.8 million decrease was mainly due to:
  - unwinding of Videotron's hedges in an asset position in connection with the early redemption on July 6, 2021 of its 5.000% Senior Notes in aggregate principal amount of US$800.0 million;
  - unfavourable impact of exchange rate fluctuations on the value of derivative financial instruments;
  - unfavourable impact of interest rate trends in Canada, compared with the United States, on the fair value of derivative financial instruments.

- On February 15, 2022, TVA Group amended its $75.0 million secured revolving credit facility to extend its term from February 2022 to February 2023 and amend certain terms and conditions.

[1] See "Non-IFRS Financial Measures" below.

- In December 2021, Investissement Québec granted TVA Group an interest free unsecured loan for a maximum amount of $25.0 million in order to support the construction of MELS' fourth production studio. The loan contains certain restrictive covenants as well as typical representations and warranties. As of December 31, 2021, no amount was drawn on the unsecured loan.

Financial Position

Net available liquidity: $1.57 billion at December 31, 2021 for Quebecor and its wholly owned subsidiaries, consisting of $1.51 billion in available unused revolving credit facilities and $56.5 million in cash and cash equivalents.

Consolidated debt (long-term debt plus bank indebtedness): $6.52 billion at December 31, 2021, a $749.3 million increase compared with December 31, 2020; $214.8 million reduction in net assets related to derivative financial instruments (see "Financing activities" above).

- Consolidated debt essentially consisted of Videotron's $5.38 billion debt ($4.11 billion at December 31, 2020); TVA Group's $12.0 million debt ($28.8 million at December 31, 2020); Quebecor Media's $1.09 billion debt ($1.59 billion at December 31, 2020); and Quebecor's $44.5 million debt ($45.9 million at December 31, 2020).

As at December 31, 2021, minimum principal payments on long-term debt in the coming years are as follows:

Table 4
Minimum principal payments on Quebecor's long-term debt
12 months ending December 31
(in millions of Canadian dollars)

2022	$	56.5
2023		1,374.2
2024		758.2
2025		400.0
2026		375.0
2027 and thereafter		3,590.1
Total	**$**	**6,554.0**

From time to time, Quebecor may (but is under no obligation to) seek to retire or purchase its outstanding securities, including debentures, in open market purchases, privately negotiated transactions, or otherwise. Such repurchases, if any, will depend on its liquidity position and requirements, prevailing market conditions, contractual restrictions and other factors. The amounts involved may be material.

The weighted average term of Quebecor's consolidated debt was approximately 5.1 years as of December 31, 2021, compared with 4.3 years as of December 31, 2020). After taking into account hedging instruments, the debt consisted of approximately 91.7% fixed-rate debt (96.1% at December 31, 2020) and 8.3% floating-rate debt (3.9% at December 31, 2020).

Management of the Corporation believes that cash flows and available sources of financing should be sufficient to cover committed cash requirements for capital investments, working capital, interest payments, income tax payments, debt and lease repayments, pension plan contributions, share repurchases, and dividend payments to shareholders. The Corporation believes it will be able to meet future debt maturities, which are staggered over the coming years.

Pursuant to its financing agreements, the Corporation is required to maintain certain financial ratios and comply with certain financial covenants. At December 31, 2021, the Corporation was in compliance with all required financial ratios and restrictive covenants in its financing agreements.

Dividends declared

On February 23, 2022, the Board of Directors of Quebecor declared a quarterly dividend of $0.30 per share on its Class A Multiple Voting Shares (“Class A Shares”) and Class B Subordinate Voting Shares (“Class B Shares”), payable on April 5, 2022 to shareholders of record at the close of business on March 11, 2022.

Convertible debentures

In accordance with the terms of the trust indenture governing the convertible debentures, the quarterly dividend declared on November 3, 2021 on Quebecor Class B Shares triggered an adjustment to the floor price and ceiling price then in effect. Accordingly, effective November 18, 2021, the conversion features of the convertible debentures are subject to an adjusted floor price of approximately $25.49 per share (that is, a maximum number of approximately 5,883,572 Class B Shares corresponding to a ratio of $150.0 million to the adjusted floor price) and an adjusted ceiling price of approximately $31.87 per share (that is, a minimum number of approximately 4,706,858 Class B Shares corresponding to a ratio of $150.0 million to the adjusted ceiling price).

Board of directors

After a period of reflection in recent months, Mr. Normand Provost announced that he was leaving his position as director after 17 years on the board of directors of Quebecor Media and 8 years on the board of the Corporation. Over the years, Mr. Provost has notably acted as a member of the Executive Committee of Quebecor Media and as Chairman of the Audit and Risk Management Committee of the Corporation, Quebecor Media and Videotron.

Analysis of consolidated balance sheet at December 31, 2021

Table 5
Consolidated balance sheet of Quebecor
Analysis of main variances between December 31, 2021 and 2020
(in millions of Canadian dollars)

	Dec. 31, 2021[1]	Dec. 31, 2020	Difference	Main reasons for difference
Assets				
Cash and cash equivalents	**$ 64.7**	$ 136.7	$ (72.0)	Cash flows used in investing activities
Accounts receivable	**745.1**	563.6	181.5	Impact of current variances in activities, including increased financing of equipment sales, and current portion of government credits receivable for major capital projects
Contract assets	**129.4**	174.9	(45.5)	Increased financing of equipment sales
Inventories	**282.6**	250.7	31.9	Impact of current variances in activity
Property, plant and equipment	**3,058.7**	3,189.2	(130.5)	Depreciation for the period less additions to property, plant and equipment
Intangible assets	**2,344.1**	1,466.7	877.4	Acquisition of spectrum in the 3500 MHz band, additions to intangible assets and business acquisitions, less amortization for the period
Derivative financial instruments[2]	**382.3**	597.1	(214.8)	See “Financing activities”
Other assets	**521.1**	433.8	87.3	Impact of current variances in operating activities, including the impact of increased financing of equipment sales, and the impact of investing activities
Liabilities				
Income taxes[3]	**40.1**	65.1	(25.0)	Current disbursements less current income taxes for the period
Long-term debt, including short-term portion and bank indebtedness	**6,524.4**	5,775.1	749.3	See “Financing activities”
Other liabilities	**293.2**	422.8	(129.6)	Gain on remeasurement of defined benefit plans less upward adjustment of liabilities related to dismantling of assets

1 The “restricted cash” and “deferred subsidies” line items are combined for purposes of the analysis.
2 Long-term assets less long-term liabilities.
3 Current liabilities less current assets.

ADDITIONAL INFORMATION

Contractual obligations

At December 31, 2021, material contractual obligations of operating activities included: capital repayment and interest on long-term debt; convertible debentures and lease liabilities; capital asset purchases and other commitments; and obligations related to derivative financial instruments, less estimated future receipts on derivative financial instruments. Table 6 below shows a summary of these contractual obligations.

Table 6
Contractual obligations of Quebecor as of December 31, 2021
(in millions of Canadian dollars)

	Total	Under 1 year	1-3 years	3-5 years	5 years or more
Long-term debt[1]	**$ 6,554.0**	$ 56.5	$ 2,132.4	$ 775.0	$ 3,590.1
Convertible debentures[2]	**150.0**	–	150.0	–	–
Interest payments[3]	**1,375.7**	254.1	453.3	338.5	329.8
Lease liabilities	**183.2**	36.1	59.4	28.8	58.9
Interest payments on lease liabilities	**43.9**	7.3	10.5	7.0	19.1
Additions to property, plant and equipment and other commitments	**1,473.8**	322.1	449.9	315.1	386.7
Derivative financial instruments[4]	**(332.8)**	1.6	(354.2)	–	19.8
Total contractual obligations	**$ 9,447.8**	**$ 677.7**	**$ 2,901.3**	**$ 1,464.4**	**$ 4,404.4**

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 Based on the market value at December 31, 2021 of a number of shares obtained by dividing the outstanding principal amount by the market price of a Quebecor Class B share at that date, subject to a floor price of approximately $25.49 per share and a ceiling price of approximately $31.87. The Corporation may also redeem convertible debentures by issuing the corresponding number of its Class B Shares.
3 Estimated interest payable on long-term debt and convertible debentures, based on interest rates, hedging of interest rates and hedging of foreign exchange rates as of December 31, 2021.
4 Estimated future receipts, net of future disbursements, related to foreign exchange hedging on the principal of U.S.-dollar-denominated debt using derivative financial instruments.

Significant commitments included in Table 6

Videotron has 20-year service sharing and exchange agreements with Rogers Communications Inc. to build out and operate an LTE network in Québec and the Ottawa area. It also has an agreement with Comcast Corporation to develop an innovative Internet Protocol Television ("IPTV") delivery solution, as well as agreements for the roll-out of LTE-A and 5G technologies and the purchase of mobile devices. As at December 31, 2021, the balance of those commitments stood at $425.2 million.

The Quebecor Out of Home division has agreements with various Québec transit commissions for the installation and maintenance of bus shelters, and for advertising rights on bus shelters and buses. As at December 31, 2021, the balance of those commitments stood at $96.3 million.

In the normal course of business, the Media segment, through TVA Group, contracts commitments regarding broadcast rights for television programs, sporting events and films, as well as distribution rights for audiovisual content. As at December 31, 2021, the balance of those commitments stood at $459.4 million.

Pension plan contributions

The expected employer contributions to the Corporation's defined benefit pension plans and post-retirement benefit plans will be $38.2 million in 2022, based on the most recent financial actuarial reports filed (contributions of $39.8 million were paid in 2021).

Related party transactions

During the year ended December 31, 2021, the Corporation incurred expenses to affiliated corporations in the amount of $13.3 million ($12.6 million in 2020), which included the purchase of goods and services, and acquired property, plant and equipment and intangible assets from affiliated corporations in the amount of $4.6 million (nil in 2020). The Corporation also made sales to affiliated corporations in the amount of $7.8 million in 2021 ($3.7 million in 2020). These transactions were accounted for at the consideration agreed between parties.

Off-balance sheet arrangements

Guarantees

In the normal course of business, the Corporation enters into numerous agreements containing guarantees, including the following:

Business and asset disposals

In the sale of all or part of a business or an asset, in addition to possible indemnification relating to failure to perform covenants and breach of representations or warranties, the Corporation may agree to indemnify against claims related to the past conduct of the business. Typically, the term and amount of such indemnification will be limited by the agreement. The nature of these indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay to guaranteed parties. The Corporation has not accrued any amount in respect of these items on the consolidated balance sheets.

Outsourcing companies and suppliers

In the normal course of its operations, the Corporation enters into contractual agreements with outsourcing companies and suppliers. In some cases, the Corporation agrees to provide indemnifications in the event of legal procedures initiated against them. In other cases, the Corporation provides indemnification to counterparties for damages resulting from the outsourcing companies and suppliers. The nature of the indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay. No amount has been accrued on the consolidated balance sheets with respect to these indemnifications.

Capital stock

In accordance with Canadian financial reporting standards, Table 7 presents information on the Corporation's capital stock as at February 3, 2022. In addition, 2,319,600 share options were outstanding as of February 3, 2022.

Table 7
Capital stock
(in shares and millions of Canadian dollars)

	February 3, 2022	
	Issued and outstanding	**Book value**
Class A Shares	**76,984,034**	**$ 8.6**
Class B Shares	**162,273,507**	**$ 956.6**

On August 4, 2021, the Corporation authorized 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.

On August 6, 2021, the Corporation entered into an automatic securities purchase plan ("the plan") with a designated broker whereby shares may be repurchased under the plan at times when such purchases would otherwise be prohibited pursuant to regulatory restrictions or self-imposed blackout periods. The plan received prior approval from the Toronto Stock Exchange. It came into effect on August 15, 2021 and will terminate on the same date as the normal course issuer bid.

Under the plan, before entering a self-imposed blackout period, the Corporation may, but is not required to, ask the designated broker to make purchases under the normal course issuer bid. Such purchases shall be made at the discretion of the designated broker, within parameters established by the Corporation prior to the blackout periods. Outside the blackout periods, purchases will be made at the discretion of the Corporation's management.

In 2021, the Corporation purchased and cancelled 8,914,650 Class B Shares for a total cash consideration of $282.4 million (6,457,050 Class B Shares for a total cash consideration of $201.2 million in 2020). The excess of $229.8 million of the purchase price over the carrying value of Class B Shares repurchased was recorded as a reduction of retained earnings ($163.1 million in 2020).

Risks and Uncertainties

The Corporation operates in the telecommunications, media, and sports and entertainment industries, which entails a variety of risk factors and uncertainties. The Corporation's operating environment and financial results may be materially affected by the risks and uncertainties discussed below.

Increased competition from non-traditional sources

The Corporation faces technological substitution across all its key business segments. Due to ongoing technological developments, the distinction between broadcasting, Internet and wireline and mobile telephony platforms is fading rapidly. For instance, content producers and providers are leveraging their content rights and pursuing strategies to deploy their own OTT distribution platforms in order to reach consumers directly via the Internet. By doing so, content producers and providers are less dependent on content aggregators, such as Videotron. The Internet, including through mobile devices, provides an important broadcasting and distribution service. More specifically, an increasing number of the Corporation's customers are using mobile devices as their primary means of video entertainment; therefore, in direct competition with its television and wireline Internet access services. In addition, mobile operators, through the development of their mobile networks, offer wireless and fixed wireless Internet services, which compete with the Corporation's wireline Internet access service. Due to the converging nature of technological advances, the Corporation expects increasing competition from non-traditional businesses, which may affect its overall business strategy and could adversely affect its business, financial condition and results of operations.

Competition and technological development

In its television business, the Corporation competes against incumbent local exchange carriers ("ILECs") and third-party Internet access ("TPIA") providers. These competitors have rolled out their own IPTV service in the vast majority of the territory in which the Corporation operates.

The rapidly growing landscape of OTT content providers, many of which having substantial financial resources, now compete directly for viewership and a share of the monthly entertainment spend. Furthermore, the OTT content providers' attractive price points (which are in part due to the fact that they do not contribute financially to the Canadian traditional television business model or Internet infrastructure and are not subject to Canadian Radio-television and Telecommunications Commission ("CRTC") regulations) may make the Corporation's traditional offer less appealing for its customers and may affect its ability to retain and acquire customers. Consequently, this could place the Corporation at a competitive disadvantage, lead to increased operational costs and have an adverse effect on its business, prospects, revenues, financial condition and results of operations.

Furthermore, the Corporation faces competition from illegal providers of television services and illegal access to non-Canadian direct broadcast satellite ("DBS") signal (also called grey market piracy), as well as from signal theft of DBS that enables customers to access programming services from U.S. and Canadian DBS without paying any fees (also called black market piracy).

In its Internet access business, the Corporation faces competition from several resellers who have access to the wholesale TPIA service mandated by the CRTC. These TPIA providers may also provide telephony and networking applications and have entered the IPTV market. Their market share is significant and growing, especially in Québec and Ontario, the two regions in Canada where they have been particularly active and aggressively pricing their services.

On May 27, 2021, the CRTC issued a decision to TPIA providers adopting the interim wholesale rates set on October 6, 2016 as final rates, with certain modifications, including the removal of the supplementary markup of 10% for incumbent local exchange carriers. From May 28, 2021 to August 25, 2021, several TPIA providers petitioned the Governor in Council to, among other things, restore the lower rates set in the 2019 Order as final. On June 28, 2021, one of these TPIA providers also filed a motion with the Federal Court of Appeal seeking leave to appeal the May 27, 2021 decision. A coalition comprised of the five largest cable carriers, including Videotron, filed comments in relation to these petitions on September 22, 2021 and November 1, 2021. The same coalition will defend the CRTC decision at the Federal Court of Appeal.

The Corporation also competes against other ISPs offering residential and commercial Internet access services as well as fixed wireless access and open Wi-Fi networks in some cities. The main competitors are the ILECs that offer Internet access through digital subscriber line, fibre to the node and fibre to the home technologies, in certain cases offering download speeds comparable, or superior to the Corporation's. In addition, satellite operators such as Xplornet, Telesat and Starlink are increasing their existing high-speed Internet access capabilities with the launch of high-throughput satellites, targeting households in low population density and remote locations and claiming future download speeds comparable to the Corporation's low and medium download speeds. Finally, certain municipalities also plan to build and operate their own broadband networks. They plan to do so through public/private partnership arrangements, competing directly with the Corporation in some of its local markets.

The Corporation's wireline business has numerous competitors, including ILECs, competitive local exchange carriers, mobile telephony service operators and other providers of Voice over Internet Protocol ("VoIP") and cloud-based telephony. Some of these competitors are not facility-based and therefore have much lower infrastructure costs. In addition, Internet protocol-based products and services are generally subject to downward pricing pressure, lower margins and technological evolution, all of which could have an adverse effect on the Corporation's business, prospects, revenues, financial condition and results of operations.

In its mobile telephony business, the Corporation competes against a mix of market participants, some of them active in its territory in some or all of the products it offers, with others offering only mobile telephony services. In addition, users of mobile voice and data systems may find their communication needs satisfied by other current adjunct technologies, such as Wi-Fi, "hotspots" or trunk radio systems, which have the technical capability to handle mobile data communication and mobile telephone calls. There can be no assurance that current or future competitors will not provide network capacity and/or services comparable or superior to those the Corporation provides or may in the future provide, or at lower prices, or adapt more quickly to evolving industry trends or changing market requirements or introduce competing services. For instance, some providers of mobile telephony services (including incumbent carriers) have deployed and have been operating for many years lower-cost mobile telephony brands in order to acquire additional market share. Furthermore, CRTC's recent decision ordering the national incumbent wireless carriers to provide mobile virtual network operator ("MVNO") access services to regional wireless carriers for a period of seven years stands to have significant impact on the Corporation's competitive environment, as the Corporation could see the emergence of new MVNO competitors. the Corporation may not be able to compete successfully in the future against existing and such potential new competitors; increased competition could have a material adverse effect on its business, prospects, revenues, financial condition and results of operations.

Finally, many of its competitors are offering special bundling discounts to customers who subscribe to two or more of their services (television, Internet access, wireline and mobile telephony services). Should the Corporation fail to keep its existing customers and lose them to such competitors, it may end up losing a subscriber for multiple services as a result of its bundling strategy. This could have an adverse effect on its business, prospects, revenues, financial condition, and results of operations.

Fierce price competition in all the Corporation's businesses and across the industries in which it operates, combined with the declining demand for certain traditional products, may affect the Corporation's ability to raise the price of its products and services commensurately with increases in its operating costs, as it has done in the past. This could have an adverse effect on its business, revenues, financial condition, and results of operations.

Capital to address significant and rapid technological changes

New technologies in the telecommunication industry, including 5G technology, are evolving faster than the historical industry investment cycle. Their introduction and pace of adoption could result in requirements for additional immediate capital investments not currently planned, as well as shorter estimated useful lives for certain of the Corporation's existing assets. The Corporation's strategy of maintaining a competitive position in the suite of products and services it offers and of launching new products and services requires capital investments in its networks, information technology systems and infrastructure, as well as the acquisition of spectrum to support growth in its customer base and its demands for increased bandwidth capacity and other services.

The Corporation must continually invest in its services, networks and technologies due to the rapid evolution of technologies, or it may be required to acquire, develop or integrate new technologies. Improvements in its services depend on many factors. The cost of the acquisition, development or implementation of new technologies and spectrum could be significant and the Corporation's ability to fund such acquisition, development or implementation may be limited, which could have a material adverse effect on its ability to successfully compete in the future. Any such difficulty or inability to compete could have a material adverse effect on its business, reputation, prospects, financial condition and results of operations.

In the past, the Corporation has required substantial capital for the upgrade, expansion and maintenance of its networks and the launch and deployment of new or additional services. The Corporation expects that additional capital expenditures will continue to be required in the short-term, mid-term and long-term in order to maintain, expand geographically and enhance its networks systems and services, including expenditures relating to the deployment of LTE-Advanced/5G mobile technologies. Moreover, additional investments in the Corporation's business may not translate into incremental revenues, cash flows or profitability.

Epidemics, pandemics and other public health emergencies

The COVID-19 pandemic has had a significant impact on the economic environment in Canada and around the world. The overall impact on the Corporation's business and activities is still uncertain and cannot be evaluated with precision despite recent developments relating to vaccines, considering future developments such as the spread of the virus, the expected date of termination of the crisis, the risks associated with potential future waves of the virus, its impact on consumer spending, labour shortages due to the virus, the continuing disruption in the supply chain and the effectiveness or the strictness of the actions taken by the federal and Québec governments to manage the pandemic. Public and private sector regulations, policies and other measures aimed at reducing the spread of the COVID-19 pandemic include the suspension of business activities deemed non-essential when needed, restrictions on the movement of personnel, the promotion of physical and social distancing, lockdown orders, border closures, travel bans, self-imposed quarantine periods, self-isolation, and the adoption of work-from-home and online education by companies, schools and institutions.

Potential adverse impacts of the COVID-19 pandemic include, but are not limited to: (i) a reduction in demand for the Corporation's products or services, or an increase in delinquent or unpaid bills, due to job losses and associated financial hardship; (ii) a decline in revenues as a result of services provided at no cost to customers; (iii) a decline in access fees for speciality television services and exclusive on-demand content due to the postponement or cancellation of sporting events; (iv) the temporary suspension of the Corporation's content production activities, a reduction in the availability of external content, and therefore a reduction in the Corporation's ability to provide the content and programming that its customers expect; (v) a downgrade or cancellation of customer services; (vi) issues delivering the Corporation's products and services; (vii) lost revenues due to the significant economic challenges that small and medium-sized business customers are facing; (viii) lower advertising revenues and reduced film and audiovisual content activity in the Media segment; (ix) delays or cancellations of shows and events, and interruption of music and book distribution activities in the Sports and Entertainment segment; (x) uncertainty associated with the costs and availability of resources required to provide appropriate levels of service to customers; (xi) additional capital expenditures, and uncertainty associated with costs, delays and the availability of resources required to maintain, upgrade or expand Videotron's network in order to accommodate increased network usage, and to expand its self-install and self-serve programs in order to attract new customers; (xii) unexpected increase of user data demand and increased pressure on Videotron's network capacity, which could negatively affect its network's performance, availability, speed, consistency and its ability to provide services; (xiii) the ability of certain suppliers and vendors to provide products and services to the Corporation; (xiv) the impact of legislation, regulations and other government interventions in response to the COVID-19 pandemic; (xv) the negative impact on global credit and capital markets; and (xvi) the ability to access capital markets at a reasonable cost or at all. Any of these risks and uncertainties could have a material adverse impact on the Corporation's business, prospects, results of operations and financial condition.

The outbreak of the COVID-19 pandemic has resulted in significant economic interventions by the federal, provincial, and municipal governments throughout Canada, which include, notably, grants, wage subsidies, incentives, increased assistance programs and loans, as well as temporary relief measures put in place by regulatory agencies to support certain economic activities, industries or major employers. There can be no assurance that these economic mitigation measures will continue at their present levels or at all.

Ongoing access to spectrum

Wireless, video and broadband services are undergoing rapid and significant technological changes and a dramatic increase in usage – in particular, from the demand for faster and seamless usage of video and data across mobile and fixed devices. It is projected that this demand will continue to accelerate, driven by the following increases: levels of broadband penetration; need for personal connectivity and networking; teleworking; affordability of mobile devices; multimedia-rich services and applications; and unlimited data plans. The anticipated levels of data traffic will represent a growing challenge to the current mobile network's ability to serve this traffic. The Corporation will have to acquire additional spectrum in order to address this increased demand. The ability to acquire additional spectrum at a reasonable price or at all is dependent on competition level as well as the spectrum auction timing and rules. In previous auctions, ISED Canada has used, and the Corporation has benefited from, certain measures to support competition, which notably included set-asides and spectrum aggregation limits ensuring that a minimum amount of spectrum was effectively reserved for eligible facilities-based telecommunication service providers that were not national incumbent wireless carriers. There can be no assurance that these pro-competition measures will be used again by ISED Canada in future auctions, or that the Corporation will be or remain eligible to benefit from such measures. If the Corporation is not successful in acquiring additional spectrum it may need on reasonable terms, or not at all, that could have a material adverse effect on its business, prospects and financial condition.

Roaming agreements

The Corporation has entered into roaming agreements with multiple carriers around the world and has thereby established worldwide coverage for its customers. Should it be unable to extend its worldwide coverage, or to renew or substitute for these roaming agreements on acceptable terms, the Corporation may be placed at a competitive disadvantage, which could adversely affect its ability to operate its mobile business successfully and profitably. In addition, if the Corporation is unable to renew, or substitute for, these roaming agreements on a timely basis and at an acceptable cost, its cost structure could materially increase, and, consequently, its business, prospects, revenues, financial condition and results of operations could be adversely affected.

Increasing proportion of customers with no fixed-term contracts

Given rising costs of mobile devices and marginal technological advancements in mobile devices, consumers tend to keep their mobile devices for longer periods of time, thereby increasing the proportion of wireless customers without fixed term contracts. Such customers are under no contractual obligation to remain with a specific carrier for a fixed term. Moreover, the Corporation customers who bring their own device receive wireless services without entering into fixed term contracts. In addition, new technologies now embedded in a growing number of mobile devices, including the eSIM or embedded-SIM, will, once widely adopted, allow customers to switch between carriers without the use of a carrier-provided SIM card. This could have a material adverse effect on the Corporation's churn rate and, consequently, on its business, prospects, revenues, financial condition and results of operations.

Inventory obsolescence

The Corporation's various products in inventory generally have a relatively short lifecycle due to frequent technological changes. If it cannot effectively manage inventory levels based on product demand, or minimum order quantities from its suppliers, this could increase the risk of inventory obsolescence and could have an adverse effect on its business, financial condition and results of operations. Moreover, equipment provisioning delay has amplified with the worldwide electronic components shortage induced by the COVID-19 pandemic, which may lead to an increase in inventory and add significance to this risk.

Capital expenditures

There can be no assurance that the Corporation will be able to generate or otherwise obtain the funds to implement its business strategies and finance its capital expenditure programs or other investment requirements, whether through cash from operations, additional borrowings or other sources of funding. If the Corporation is unable to generate sufficient funds or obtain additional financing on acceptable terms, it may be unable to implement its business strategies or proceed with the capital expenditures and investments required to maintain its leadership position, and its business, financial condition, results of operations, reputation, and prospects could be materially adversely affected.

Access to support structures

The Corporation requires access to the support structures of hydroelectric and telephone utilities and it needs municipal rights of way to deploy its cable and mobile networks. Where access to the structures of telephone utilities cannot be secured, the Corporation may apply to the CRTC to obtain a right of access under the *Telecommunications Act* (Canada) (the "*Telecommunications Act*"). The Corporation has entered into comprehensive support structure access agreements with all the major hydroelectric companies and all the major telecommunications companies in its service territory. Should the Corporation seek to renew or to renegotiate these agreements, it cannot guarantee that these agreements will continue to be available on their respective terms, on acceptable terms, or at all, which may place the Corporation at a competitive disadvantage and which may have a material adverse effect on its business and prospects.

Successful implementation of business and operating strategies

The Corporation's business strategies are based on leveraging an integrated platform of media assets. Its strategies include offering multiplatform advertising solutions, generating and distributing content across a spectrum of media properties and assets, launching and deploying additional value-added products and services, pursuing cross-promotional opportunities, enhancing its advanced wireline and wireless networks, expanding our network service offering in the rest of Canada, developing high quality and premium content, further integrating the operations of its subsidiaries, leveraging geographic clustering, and maximizing customer satisfaction across its business. The Corporation may not be able to implement these strategies successfully or realize their anticipated results fully or at all, and their implementation may be more costly or challenging than initially planned. In addition, its ability to successfully implement these strategies could be adversely affected by a number of factors beyond its control, including operating difficulties, increased dependence on third-party suppliers and service providers, increased ongoing operating costs, regulatory developments, general or local economic conditions, increased competition, technological changes, any restrictive measures put in place in order to contain an outbreak of a contagious disease or other adverse public health development, and other factors described in this section. Any material failure to implement its strategies could have an adverse effect on its reputation, business, financial condition, prospects, and results of operations, as well as on its ability to meet its obligations, including its ability to service its indebtedness.

As part of its strategy, in recent years, the Corporation has entered into certain agreements with third parties under which it is committed to making significant operating and capital expenditures in the future in order to offer new products and services to its customers. It can provide no assurance that it will be successful in developing such new products and services in relation to these engagements, including the marketing of new revenue sources.

In July 2021, the Corporation announced an investment of nearly $830.0 million in the acquisition by Videotron of 294 blocks of spectrum in the 3.5 GHz band. In an effort to implement its operation expansion strategy, more than half of the investment was concentrated in southern and eastern Ontario, Manitoba, Alberta and British Columbia. All spectrum was awarded to Videotron on

December 17, 2021, following final payment. In addition, a competitor contested the award of spectrum in Manitoba, Alberta and British Columbia in Federal Court, alleging that Videotron did not qualify for the auction in those regions. No decision on the merits has been made yet. The Corporation can provide no assurance that the award of spectrum in these three provinces will not be overturned by the Court and that it will be successful in implementing its operation expansion strategy in the rest of Canada.

Consumer trends to abandon traditional telephony and television services

The recent trend towards mobile substitution (when users cancel their wireline telephony services and opt exclusively for mobile telephony services) is largely the result of the increasing mobile penetration rate in Canada. In addition, there is also a consumer trend to abandon, substitute or reduce traditional television services for Internet access services allowing customers to stream directly from broadcasters and OTT content providers. Consequently, the Corporation may not be successful in converting its existing wireline telephony and television subscriber base to its mobile telephony services, its Internet access services or its OTT entertainment platforms, which could have a material adverse effect on its business, prospects, revenues, results of operations and financial condition.

Rapid growth

The Corporation has experienced substantial growth in its business and has significantly expanded its operations over the years. It has sought in the past, and may, in the future, seek to further expand the types of businesses and geographic areas in which it operates, under appropriate conditions. The Corporation can provide no assurance that it will be successful in either developing or fulfilling the objectives of any such business expansion.

In addition, the Corporation's expansion may require it to incur significant costs or divert significant resources and may limit its ability to pursue other strategic and business initiatives, which could have an adverse effect on its business, prospects, results of operations and financial condition. Furthermore, if the Corporation is not successful in managing its growth, or if the Corporation is required to incur significant or unforeseen costs, its business, prospects, results of operations and financial condition could be adversely affected.

Success in the development of its Sports and Entertainment business

The Corporation has made and is continuing to make significant investments in an effort to develop its Sports and Entertainment business. Some of these investments require significant expenditures and management attention. The success of such investments involves numerous risks that could adversely affect its growth and profitability, including the following risks: that investments may require substantial financial resources that otherwise could be used in the development of its other businesses; that the Corporation will not be able to achieve the benefits it expects from its investments in the same timeline as its other businesses; and, specifically with regards to the Videotron Centre, that it might not be able to maximize its profitability due to the fact that it does not have a main tenant nor operate in a major market, which makes it harder to attract international talents.

Implementation of changes to the structure of its business

The Corporation has and will continue to implement changes to the structure of its business due to many factors, such as a system replacement or upgrade, a process redesign, the necessity of a corporate restructuring and the integration of business acquisitions or existing business units. These changes must be managed carefully in order to ensure that the Corporation captures the intended benefits. The implementation process may negatively impact overall customer experience and may lead to greater-than-expected operational challenges, employee turnover, operating costs and expenses, customer losses, and business disruption for the Corporation, all of which could adversely affect its business and its ability to gain the anticipated benefits.

Key personnel

The Corporation's success depends to a large extent on the continued services of its senior management and its ability to retain skilled employees. There is intense competition for qualified management and skilled employees, and the Corporation's failure to recruit, train and retain such employees could have a material adverse effect on its business, prospects, results of operations and financial condition. In addition, in order to implement and manage its businesses and operating strategies effectively, the Corporation must sustain a high level of efficiency and performance, maintain content quality, continually enhance its operational and management systems, and continue to effectively attract, train, motivate and manage its employees. If the Corporation is not successful in these efforts, it may have a material adverse effect on its business, prospects, results of operations and financial condition.

Competition for advertising, circulation revenues/audience

The media industry has experienced fundamental and permanent structural changes. The growth of the Internet has presented alternative content distribution options that compete with traditional media, and an increasing number of non-traditional providers are developing technologies to satisfy the demand for entertainment and information content. Furthermore, the Corporation's customers have an increased control over the manner, content and timing of their media consumption, including through new technologies that give consumers greater flexibility to fast forward or skip advertisements within the Corporation's programming. These alternative technologies and new content distribution options have increased audience fragmentation, reduced the Corporation's Media segment business' audience, readership and circulation levels and have had an adverse effect on advertising revenues from local, regional and national advertisers.

Advertising revenue is the primary source of revenue for the Corporation's Media segment. As a result of those structural changes, competition for advertising spend in traditional media comes mainly from digital media technologies, which have introduced a wide variety of media distribution platforms for consumers and advertisers. These new competitors also include digital advertising giants with greater financial resources and a controlling share of the online advertising market thus reducing demand in some segments of The Corporation's traditional media advertising inventories. In addition, foreign digital advertising giants currently operate in Canada without being subject to its fiscal environment, therefore increasing the Corporation's competitive disadvantage. Furthermore, the international consolidation of advertising agencies is disrupting the demand model as some of its clients now negotiate through these consolidated positions, therefore putting additional pressure on market prices.

The continuous technological improvements to the Internet and the access to unlimited data, combined with higher download speeds, may continue to divert a portion of the Corporation's Media segment business' existing customer base from traditional media to digital media technology, which could adversely impact the demand for its services. The ability of the Corporation's Media segment to succeed over the long-term depends on various factors, including the Corporation's ability to attract advertisers and consumers to its own digital platforms. In addition, even if successful, the Corporation can provide no assurance that it will be able to recover the costs associated with the implementation of these digital initiatives through incremental revenues, cash flows or profitability.

As the media market continues to change and fragment, the Corporation expects its readership, circulation and audience to reduce and its advertising revenues, business, prospects, results of operations and financial condition could be materially adversely affected.

Finally, the Corporation's revenues and operating results in these businesses depend on the relative strength of the economy in the Corporation's principal markets, as well as the strength or weakness of local, regional and national economic factors. Since a significant portion of the Corporation's advertising revenues is derived from retail, automotive and consumer packaged goods sector advertisers, weakness in these sectors has had and may continue to have an adverse impact on the revenues and results of operations of the Corporation's Media segment.

Distribution, production and acquisition of original programming

The financial performance of its television, Club illico, Vrai, video on demand and mobile services depends in large part on the Corporation's ability to distribute a wide range of appealing video programming on its platforms and on its ability to produce and acquire original content on an ongoing basis.

In its telecommunications business, the Corporation obtains television programming rights from suppliers pursuant to programming contracts. In recent years, these suppliers have become vertically integrated and are now more limited in number. The Corporation may be unable to maintain key programming contracts at commercially reasonable rates for television programming. Loss of programming contracts, the Corporation's inability to obtain programming at reasonable rates or its inability to pass rate increases through to its customers could have a material adverse effect on its business, prospects, results of operations and financial condition.

Increased competition in the television, OTT and video on demand industry from local and foreign OTT content providers with access to substantial financial resources may result in a competitive disadvantage from a content perspective and may have a material adverse effect on the Corporation's business, prospects, revenues, financial conditions and results of operations. Notably, on September 28, 2017, the Minister of Canadian Heritage and Netflix concluded an arrangement pursuant to which Netflix undertakes to invest a minimum of $500 million in original productions in Canada over the next five years. This arrangement may exert upward pressure on content price.

Furthermore, on February 2, 2022, the federal government introduced Bill C-11 which proposes to amend the Broadcasting Act (Canada) (the "Broadcasting Act") in order to include foreign OTT content providers in Canada's regulatory framework. Similarly to Netflix's arrangement, such bill would force these providers to promote Canadian cultural products and make material expenditures in order to support local cultural production. If adopted, this bill could increase competition and put greater pressure on the price of Canadian content.

Launch of new products and services

The Corporation is investing in the launch of new products and services. During the period preceding or immediately following the launch of a new product or service, revenues are generally relatively modest, while initial operating expenses may prove more substantial. Furthermore, although the Corporation believes in the potential associated with this strategy, there is a possibility that the anticipated profitability could take several years to materialize or may never materialize.

Single-clustered network

The Corporation provides its television, Internet access, wireline telephony and mobile telephony services through a primary headend and a series of local headends in a single-clustered network. Despite available emergency backup or replacement sites, automatic failover systems, and disaster recovery measures, a failure in the Corporation's primary headend, including exogenous threats, such as cyber-attacks, natural disasters, sabotage or terrorism, or dependence on certain external infrastructure providers (such as electric utilities), could prevent it from delivering some of its products and services throughout its networks until the failure has been resolved, which may result in significant customer dissatisfaction, loss of revenues and potential civil litigation, and could have a material adverse effect on its financial condition.

Reputation

The Corporation has generally enjoyed a good reputation among the public. Its ability to maintain its existing customer relationships and to attract new customers depends to a large extent on its reputation. While the Corporation has put in place certain mechanisms to mitigate the risk that its reputation may be tarnished, including good governance practices and a Code of Ethics, there can be no assurance that these measures will be effective to prevent violations or perceived violations of the law or ethical business practices. The loss or tarnishing of its reputation could have a material adverse effect on its business, prospects, financial condition and results of operations.

Protection of personal data

The ordinary course of the Corporation's businesses involves the receipt, collection, storage and transmission of sensitive data, including its proprietary business information and that of its customers, and personally identifiable information of its customers and employees, whether in its systems, infrastructure, networks and processes, or those of its suppliers. The Corporation faces risks inherent in protecting the security of such personal data. In particular, the Corporation faces a number of challenges in protecting the data contained and hosted on its systems, or those belonging to its suppliers, including from advertent or inadvertent actions or inactions by its employees, as well as in relation to compliance with applicable laws, rules and regulations relating to the collection, use, disclosure and security of personal information, including any requests from regulatory and government authorities relating to such data. Although the Corporation has developed and maintains systems, processes and security controls that are designed to protect personally identifiable information of its clients, employees or business partners, the Corporation may be unable to prevent the improper disclosure, loss, misappropriation of, unauthorized access to, or other security breaches relating to such data that the Corporation stores or processes or that its suppliers store or process. As a result, the Corporation may incur significant costs, be subject to investigations, sanctions and litigation, including under laws that protect the privacy of personal information, and the Corporation may suffer damage to its business, competitive position and reputation, which could have a material adverse effect on its financial condition.

On September 22, 2021, Québec's National Assembly adopted Bill 64, *An Act to modernize legislative provisions as regards the protection of personal information* which will come into force on September 22, 2023, except for certain provisions which will come into force in 2022. The bill modifies the obligations of public bodies and private sector enterprises by modernizing framework applicable to the protection of personal information and imposes new obligations on the Corporation. Bill 64 adds important deterrent powers to the authorities in charge of their application. Federal and provincial legislation in the area of privacy and personal information is constantly evolving and is expected to undergo significant changes in the coming years. The Corporation does not expect compliance with this legislation to threaten its business, but it may incur significant costs to update its security systems, processes and controls, which could have a material adverse effect on its financial condition.

Cybersecurity

Although the Corporation has implemented and regularly reviews and updates processes and procedures to protect against customers and business service interruption, unauthorized access to or use of sensitive data, including data of its customers, and to prevent data loss or theft, and although ever-evolving cyber-threats require the Corporation to continually evaluate and adapt its systems, infrastructure, networks and processes, the Corporation cannot assure that its systems, infrastructure, networks and processes, as well as those of its suppliers, will be adequate to safeguard against unauthorized access by third parties or errors by employees or by third-party suppliers. The Corporation is also at risk from increasingly sophisticated phishing attacks, SIM swaps, fraudulent ports and other types of frauds. If the Corporation is subject to a significant cyber-attack or breach, unauthorized access, errors of third-party suppliers or other security breaches, the Corporation may incur significant costs, be subject to investigations, sanctions and litigation, including under laws that protect the privacy of personal information, and the Corporation may suffer damage to its business, competitive position and reputation, which could have a material adverse effect on its financial condition.

The costs associated with a major cyber-attack could also include expensive incentives offered to existing customers and business partners to retain their business, increased expenditures on cybersecurity measures and the use of alternate resources, lost revenues and customers from business interruption and litigation. The Corporation's contractual risk transfers do not eliminate the risk completely and the potential costs associated with these attacks could exceed the scope and limits of the insurance coverage it maintains.

Protection from piracy

The Corporation may not be able to protect its services and data from piracy. It may be unable to prevent electronic attacks to gain unauthorized access to its networks, digital programming, and Internet access services. It uses encryption technology to protect its television signals and OTT service from unauthorized access and to control programming access based on subscription packages. It may not be able to deploy adequate technology to prevent unauthorized access to its networks, programming and data, which may have an adverse effect on its customer base and lead to a possible decline in revenues, as well as to significant remediation costs and legal claims.

Malicious and abusive Internet practices

The Corporation's customers utilize its cable, mobile and fibre-optic connectivity business networks to access the Internet and, as a consequence, the Corporation or its customers may become a victim of common malicious and abusive Internet activities, such as unsolicited mass advertising (or spam) and dissemination of viruses, worms and other destructive or disruptive software. These activities could have adverse consequences on its networks and its customers, including deterioration of service, excessive call volume to call centres, and damage to its customers' or its own equipment and data. Significant incidents could lead to customer dissatisfaction and, ultimately, to a loss of customers or revenues, in addition to increased costs to service customers and protect its networks. Any significant loss of cable, mobile or fibre-optic connectivity business customers, or a significant increase in the costs of serving those customers, could adversely affect its reputation, business, prospects, results of operations, and financial condition.

Dependence on information technology systems

The day-to-day operation of the Corporation's business is highly dependent on information technology systems, including those of certain third-party suppliers, some of which are based in territories with potential geopolitical risk. Furthermore, its business relies on the use of numerous distinct information technology systems, billing systems, sales channels, databases as well as different rate plans, promotions and product offerings, which make its operations increasingly complex and may unfavourably impact its response time to market trends and the risk of billing or service errors. An inability to maintain and enhance its existing IT systems or obtain new systems to accommodate additional customer growth or to support new products and services could have an adverse impact on its ability to acquire new subscribers, retain existing customers, produce accurate and timely billing, generate revenue growth, manage operating expenses and carry out operations without interruption; all of which may have a material adverse effect on its business, prospects, results of operations and financial condition.

The Corporation has entered into strategic relationships with service providers to ensure that the technology it adopts and invests in is the best in class in its industry. An inability to maintain these relationships or difficulties implementing its technology roadmap could result in higher capital requirements, prolonged development timelines and substandard performance of its products and services.

Products and services supplied to the Corporation by third-party suppliers may contain latent security issues, including, but not limited to, software and hardware security issues, that would not be apparent upon a diligent inspection. Failure to identify and remedy those issues may result in significant customer dissatisfaction, loss of revenues, and could adversely impact its results of operations and financial condition.

Third-party suppliers and providers

The Corporation depends on third-party suppliers and providers for certain services, hardware, licensed technological platforms and equipment that are, or may become, critical to its operations and network evolution. These materials and services include end-user terminals such as set-top boxes, gateways, Wi-Fi routers, mobile telephony handsets, network equipment such as wireline and telephony modems, servers and routers, fibre-optic cable and equipments, telephony switches, inter-city links, support structures, licensed technological platforms, external cloud-based services and network functions, services and operational software, the "backbone" telecommunications network for its Internet access, telephony services and mobile services, and construction services for the expansion of and upgrades to its wireline and wireless networks. These services, platforms and equipment are each available from a single or limited number of suppliers and the Corporation therefore faces the risks of supply disruption, including due to geopolitical events, external events such as climate change related impacts, epidemics, pandemics or other public health issues, business difficulties, restructuring, or supply-chain issues. If no supplier can provide the Corporation with the equipment and services it requires, or that comply with evolving Internet and telecommunications standards or that are compatible with its other equipment and software interfaces, its business, financial condition and results of operations could be materially adversely affected. In addition, if the Corporation is unable to obtain critical equipment, software, services or other items on a timely basis and at an acceptable cost, its ability to offer its products and services at competitive pricing and roll out advanced services may be delayed, and its business, financial condition and results of operations could be materially adversely affected.

Moreover, as there is a limited number of manufacturers of mobile devices and customer premises equipment ("CPE"), there is a risk that the Corporation will not be able to maintain agreements for their existing supply on commercially reasonable terms. The rising mobile device and CPE costs as well as the potential delays in delivery mobile devices and CPE, in a price-sensitive market, could negatively impact the Corporation's revenues, financial condition and results of operations, as it may not be able to pass on to customers a corresponding increase in the price of its products. Furthermore, some of the Corporation's competitors benefit from higher purchasing volumes which provide them the ability to negotiate better prices and faster deliveries from manufacturers.

In addition, the Corporation obtains proprietary content critical to its operations through licensing arrangements with content providers. Some providers may seek to increase fees or impose technological requirements to protect their proprietary content. If the Corporation is unable to renegotiate commercially acceptable arrangements with these content providers, comply with their technological requirements or find alternative sources of equivalent content, its business, financial condition and results of operations could be materially adversely affected.

Litigation and other claims

In the normal course of business, the Corporation is involved in various legal proceedings and other claims relating to the conduct of its business, including class actions. Although, in the opinion of management, the outcome of current pending claims and other litigation is not expected to have a material adverse effect on the Corporation's reputation, results of operations, liquidity or financial condition, a negative outcome in respect of any such claim or litigation could have the said adverse effect. Moreover, the cost of defending against lawsuits and the diversion of management's attention could be significant.

Intellectual property rights

The Corporation relies on its intellectual property, such as copyrights, trademarks and trade secrets, as well as licenses and other agreements with its vendors and other third parties, to use various technologies, conduct its operations and sell its products and services. Legal challenges to its intellectual property rights, or the ones of third-party suppliers, and claims of intellectual property infringement by third parties could require that it enters into royalty or licensing agreements on unfavourable terms, incur substantial monetary liability, or be enjoined preliminarily or permanently from further use of the intellectual property in question or from the continuation of its businesses as currently conducted. The Corporation may need to change its business practices if any of these events occur, which may limit its ability to compete effectively and could have an adverse effect on its results of operations. In the event that it believes any such challenges or claims are without merit, they can nonetheless be time-consuming and costly to defend and divert management's attention and resources away from its businesses. Moreover, if the Corporation is unable to obtain or continue to obtain licenses from its vendors and other third parties on reasonable terms, its businesses could be adversely affected.

Piracy and other unauthorized uses of content are made easier, and the enforcement of the Corporation's intellectual property rights is made more challenging, by technological advances. The steps the Corporation has taken to protect its intellectual property may not prevent the misappropriation of its proprietary rights. The Corporation may not have the ability in certain jurisdictions to adequately protect intellectual property rights. Moreover, others may independently develop processes and technologies that are competitive to the Corporation's. Also, the Corporation may not be able to discover or determine the extent of any unauthorized use of its proprietary rights. Unauthorized use of its intellectual property rights may increase the cost of protecting these rights or reduce its revenues. The Corporation cannot be sure that any legal actions against such infringers will be successful, even when its rights have been infringed.

Strikes, other labour protests and health risks affecting employees

The Corporation is not currently subject to any labour dispute. Nevertheless, it can neither predict the outcome of current or future negotiations relating to labour disputes, union representation or renewal of collective bargaining agreements, nor guarantee that the Corporation will not experience future work stoppages, strikes or other forms of labour protests pending the outcome of any current or future negotiations. If its unionized workers engage in a strike or any other form of work stoppage, it could experience a significant disruption to its operations, damage to its property and/or interruption to its services, which could adversely affect its business, assets, financial condition, results of operations and reputation. Even should the Corporation not experience strikes or other forms of labour protests, the outcome of labour negotiations could adversely affect its business and results of operations. Such could be the case if current or future labour negotiations or contracts were to further restrict its ability to maximize the efficiency of its operations. In addition, its ability to make short-term adjustments to control compensation and benefit costs is limited by the terms of its collective bargaining agreements.

Health threats to employees resulting from epidemics, pandemics or other health issues could adversely affect the Corporation's business, assets, financial conditions, results of operations and reputation.

The COVID-19 pandemic has accelerated the Corporation's adoption of a remote work policy establishing guidelines for its employees when working from home. Remote work arrangements of its employees and those of certain of its suppliers could introduce additional operating risks including, but not limited to, confidentiality risks, privacy risks, information security risks, health and safety risks and impair the Corporation's ability to manage its business. This situation could also result in an increase in the number of legal proceedings and other claims related to the pursuit of its activities outside of its usual premises.

Pension plan liability

The economic cycles, employee demographics and changes in regulations could have a negative impact on the funding of the Corporation's defined benefit pension plans and related expenditures. There is no guarantee that the expenditures and contributions required to fund these pension plans will not increase in the future and therefore negatively impact its operating results and financial condition. Risks related to the funding of defined benefit plans may materialize if total obligations with respect to a pension plan exceed the total value of its trust assets. Shortfalls may arise due to lower-than-expected returns on investments, changes in the assumptions used to assess the pension plan's obligations, and actuarial losses.

Exchange rate fluctuations

Most of the Corporation's revenues and expenses are denominated in CAN dollars. However, certain expenditures, such as the purchase of set-top boxes, gateways, modems, mobile devices, the payment of royalties to certain business providers or service providers, and certain capital expenditures, including certain costs related to the development and maintenance of its mobile network, are paid in U.S. dollars. Those costs are only partially hedged, so a significant increase in the U.S. dollar could have an adverse effect on its results of operations and financial condition.

Also, a substantial portion of its debt is denominated in U.S. dollars, and interest, principal and premium, if any, are payable in U.S. dollars. For the purposes of financial reporting, any change in the value of the CAN dollar against the U.S. dollar during a given financial reporting period would result in a foreign exchange gain or loss on the translation of any unhedged U.S.-dollar-denominated debt into CAN dollars. Consequently, reported earnings and debt could fluctuate materially as a result of foreign exchange gains or losses. The Corporation has entered into transactions to hedge the exchange rate risk with respect to its U.S.-dollar-denominated debt outstanding at December 31, 2021, and it intends to enter into such transactions for new U.S.-dollar-denominated debt in the future. These hedging transactions could, in certain circumstances, prove economically ineffective and may not be successful in protecting it against exchange rate fluctuations, or it may be required to provide cash and other collateral in the future in order to secure its obligations with respect to such hedging transactions, or it may be unable to enter into such transactions on favourable terms, or at all, in the future or, pursuant to the terms of these hedging transactions, its counterparties thereto may owe the Corporation significant amounts of money and may be unable to honour such obligations, all of which could have an adverse effect on its results of operations and financial condition.

In addition, certain cross-currency interest rate swaps entered into by the Corporation include an option that allows each party to unwind the transaction on a specific date at the then settlement amount.

The Corporation holds interests in certain foreign companies. A significant adverse change in the value of the currencies of these foreign companies, the Turkish Lira and the Euro, could have an adverse impact on the results of operations and the financial condition of the Corporation.

The fair value of the derivative financial instruments that the Corporation is party to is estimated using period-end market rates and reflects the amount it would receive or pay if the instruments were terminated and settled at those dates, as adjusted for counterparties' non-performance risk. At December 31, 2021, the net aggregate fair value of its cross-currency interest rate swaps and foreign exchange forward contracts was in a net asset position of $382.3 million on a consolidated basis. These swaps have been set up with major Canadian and US banks.

Some of the Corporation's suppliers source their products out of the U.S.; therefore, although the Corporation pays those suppliers in CAN dollars, the prices it pays for such commodities or products may be affected by fluctuations in the exchange rate. The Corporation may in the future enter into transactions to hedge its exposure to the exchange rate risk related to the prices of some of those commodities or products. However, fluctuations in the exchange rate for purchases that are not hedged could affect the prices the Corporation pays for such purchases and could have an adverse effect on its results of operations and financial condition.

Volatility

The capital and credit markets have experienced significant volatility and disruption in the past, resulting in periods of upward pressure on the cost of new debt capital and severe restrictions in credit availability for many companies. In such periods, the disruptions and volatility in the capital and credit markets have also resulted in higher interest rates or greater credit spreads on the issuance of debt securities and increased costs under credit facilities. Disruptions and volatility in the capital and credit markets could increase Quebecor's interest expense, thereby adversely affecting its results of operations and financial position.

Quebecor's access to funds under its existing credit facilities is dependent on the ability of the financial institutions that are parties to those facilities to meet their funding commitments. Those financial institutions may not be able to meet their funding commitments if they experience shortages of capital and liquidity, or if they experience excessive volumes of borrowing requests within a short period of time. Moreover, the obligations of the financial institutions under Quebecor's credit facilities are several and not joint and, as a result, a funding default by one or more institutions does not need to be made up by the others.

Some of Quebecor's debt has a variable rate of interest linked to various interest rate benchmarks, such as the London Inter-Bank Offered Rate ("LIBOR") or the Canadian Dollar Offered Rate ("CDOR"). It is expected that interest rates benchmarks such as LIBOR and CDOR will be reformed or will be discontinued and replaced with alternative interest rate benchmark rates which meet new regulatory and market requirements. The consequence of this development cannot be entirely predicted but could include an increase in the cost of its variable rate indebtedness.

Extended periods of volatility and disruptions in the capital and credit markets as a result of uncertainty, pandemics, epidemics and other public health issues, ongoing changes or increases in regulation of financial institutions, reduced financing alternatives or failures of significant financial institutions, could adversely affect Quebecor's access to the liquidity and affordability of funding needed for its businesses in the longer term. Such disruptions could require Quebecor to take measures to maintain a cash balance until markets stabilize or until alternative credit arrangements or other funding for its business needs can be arranged. Market disruptions and broader economic challenges may lead to lower demand for certain of Quebecor's products, a declining level of retail and commercial activity and increased incidences of customer inability to pay or to timely pay for the services or products it provides. Events such as these could adversely impact Quebecor's results of operations, cash flows, financial condition and prospects.

Asset impairment charges

In the past, the Corporation has recorded asset impairment charges which have been material in some cases. Subject to the realization of various factors, including, but not limited to, weak economic or market conditions, the Corporation may be required to record in the future, in accordance with IFRS accounting valuation principles, additional non-cash impairment charges if the carrying value of an asset in its financial statements is in excess of its recoverable value. Any such asset impairment charge could be material and may adversely affect its future reported results of operations and equity, although such charges would not affect its cash flows.

Acquisitions, dispositions, business combinations, or joint ventures

From time to time, the Corporation engages in discussions and activities with respect to possible acquisitions, dispositions, business combinations, or joint ventures intended to complement or expand its business, some of which may be significant transactions and involve significant risks and uncertainties. The Corporation may not realize the anticipated benefit from any of the transactions it pursues and may have difficulty incorporating or integrating any acquired business. Regardless of whether it consummates any such transaction, the negotiation of a potential transaction (including associated litigation), as well as the integration of any acquired business, could require the Corporation to incur significant costs and cause diversion of management's time and resources and disrupt its business operations. The Corporation could face several challenges in the consolidation and integration of information technology, accounting systems, personnel and operations.

If the Corporation decides to sell individual properties or other assets or businesses, it will benefit from the net proceeds realized from such sales. However, its revenues may suffer in the long term due to the disposition of a revenue-generating asset, the timing of such dispositions may be poor, causing it to fail to realize the full value of the disposed asset or the terms of such dispositions may be overly restrictive to us or may result in unfavorable post-closing price adjustments if some conditions are not met, all of which may diminish its ability to repay its indebtedness at maturity.

Any of the foregoing could have a material adverse effect on its business, financial condition, operating results, liquidity, and prospects.

Competition and consolidation of retail locations in the Telecommunications business

In the Corporation's Telecommunications business, the competition to offer products in the best available commercial retail spaces is fierce. Some of its telecommunications business competitors have pursued a strategy of selling their products through independent retailers, in major retail chains and convenience stores, via telemarketing campaigns and via home delivery to extend their presence on the market and some of its competitors have also acquired certain independent retailers and created new distribution networks. This could result in limiting the customer reach of the Corporation's retail network and places it at a competitive disadvantage, which could have an adverse effect on its business, prospects, results of operations and financial condition.

Rising adoption of web-based and application-based channels

To better meet the changing habits and expectations of consumers and businesses, the Corporation's telecommunications business' competitors are rapidly developing digital platforms, which allow them to sell and distribute their products on web-based or application-based channels and to shift customer interaction to digital platforms driving more self-help, self-install and self-service. If the Corporation does not succeed in implementing and pursuing its own digital strategy and fails to evolve its customer experience in line with customers' demands, this could place the Corporation at a competitive disadvantage, which could have an adverse effect on its business, prospects, results of operations and financial condition.

Government acts and regulations risks

The Corporation's operations are subject to extensive government regulation and policy-making in Canada. Laws and regulations govern the issuance, amendment, renewal, transfer, suspension, revocation and ownership of broadcast programming and distribution licenses. With respect to distribution, regulations govern, among other things, the distribution of Canadian and non-Canadian programming services and the maximum fees to be charged to the public in certain circumstances. The Corporation's broadcasting distribution and telecommunications operations (including Internet access service) are regulated respectively by the *Broadcasting Act* and the *Telecommunications Act* and regulations thereunder. The CRTC, which administers the *Broadcasting Act* and the *Telecommunications Act*, has the power to grant, amend, suspend, revoke and renew broadcasting licenses, approve certain changes in corporate ownership and control, and make regulations and policies in accordance with the *Broadcasting Act* and the *Telecommunications Act*, subject to certain directions from the federal cabinet. The Corporation's wireless and wireline operations are also subject to technical requirements, license conditions and performance standards under the *Radiocommunication Act* (Canada) (the "*Radiocommunication Act*"), which is administered by ISED Canada.

Changes to the laws, regulations and policies governing the Corporation's operations, the introduction of new laws, regulations, policies or terms of license, the issuance of new licenses, including additional spectrum licenses, to its competitors, or changes in the treatment of the tax deductibility of advertising expenditures, could have an impact on customer buying practices and/or a material adverse effect on its business (including how it provides products and services), prospects, results of operations and financial condition. In addition, the Corporation may incur increased costs in order to comply with existing and newly adopted laws and regulations or penalties for any failure to comply.

The CRTC launched a comprehensive review of the wireless market. The Canadian Government had requested that the CRTC consider competition, affordability, consumer interests and innovation in its decisions. In a recent decision, the CRTC ordered the national incumbent wireless carriers to provide MVNO access services to regional wireless carriers for a period of seven years. This decision stands to have significant impact on the Corporation's competitive environment, as the Corporation could see the emergence of new MVNO competitors. The Corporation may not be able to compete successfully in future against existing and such potential competitors. This material increase in competition in the Corporation's mobile telephony business could have a material adverse effect on its business, prospects, revenues, financial condition, and results of operations.

In addition, laws relating to communications, data protection, e-commerce, direct marketing and digital advertising and the use of public records have become more prevalent in recent years. Existing and proposed legislation and regulations, including changes in the manner in which such legislation and regulations are interpreted by courts in Canada, the United States and other jurisdictions may impose limits on the collection and use of certain kinds of information. Furthermore, the CRTC and ISED Canada have the power to impose monetary sanctions for failure to comply with current regulations.

TPIAs access to our cable network

The largest cable operators in Canada, including Videotron, have been required by the CRTC to provide TPIA providers with access to their networks at mandated cost-based rates. Numerous TPIA providers are interconnected to the Corporation's cable network and are thereby providing retail Internet access services as well as, in some cases, retail VoIP and IP-based television distribution services.

Since 2015, the CRTC has reemphasized in a series of decisions the importance it gives to mandated wholesale access arrangements as a driver of competition in the retail Internet access market. Among other things, the CRTC has ordered all of the major telephone and cable companies, including Videotron, to provide new disaggregated wholesale access services, which are to replace existing aggregated wholesale access services after a transition period. These new disaggregated services will include mandated access to high-speed services provided over fibre-access facilities, including the fibre-access facilities of the large incumbent telephone companies. Implementation of these new wholesale services could permit Internet resellers to enhance their service offerings in the retail market, thereby affecting the Corporation's competitive position as well its ability to recover the cost of providing underlying network services.

License renewals

Videotron's AWS-1 licenses were renewed in December 2018 for a 20-year term. Videotron's other spectrum licenses, including in the AWS-3, 700 MHz, 2500 MHz, 600 MHz and 3500 MHz bands, are issued for 20-year terms from their respective dates of issuance. At the end of these terms, the Corporation expects that new licenses will be issued for subsequent terms through a renewal process, unless a breach of licence conditions has occurred, a fundamental reallocation of spectrum to a new service is required, or in the event that an overriding policy need arises. The process for issuing or renewing licenses, including the terms and conditions of the new licenses and whether license fees should apply for a subsequent license term, are expected to be determined by ISED Canada.

If, at the end of their respective term, the licenses are not renewed on acceptable terms, or at all, the Corporation’s ability to continue to offer its wireless services, or to offer new services, may be negatively impacted, or its cost structure could materially increase, and, consequently, it could have a material adverse effect on its business, prospects, results of operations and financial condition.

Government programs

The Corporation benefits from several government programs developed to support major investment projects, the deployment of high-speed Internet services in various regions of Québec, the production and distribution of televisual and cinematographic products, and magazine publishing in Canada, including federal and provincial refundable tax credits. There can be no assurance that the local cultural incentive programs that the Corporation may access in Canada will continue to be available in the future or will not be reduced, amended or eliminated. Any future reductions or other changes in the policies or rules of application in Canada or in any of its provinces in connection with these government incentive programs, including any change in the Québec or the federal programs providing for refundable tax credits, could, among other things, increase the cost of acquiring Canadian content or investment projects affected by these programs and influence the programming of content broadcast or the Corporation's decision to initiate certain investment projects, including incur capital expenditures for the extension of its wireline and mobile networks, which could have a material adverse effect on its results of operations and financial condition. Canadian content programming is also subject to certification by various agencies of the federal government. If programming fails to so qualify, the Corporation would not be able to use the programs to meet Canadian content programming obligations and might not qualify for certain Canadian tax credits and government incentives.

In addition, the Canadian and provincial governments currently provide grants, incentives and tax credits to attract foreign producers and support domestic film and television production. Many of the major studios and other key customers of the Corporation’s film production and audiovisual services business, content producers for its broadcasting operations, as well as its production and distribution business, finance a portion of their production budgets through these grants, incentives and tax credits. There can be no assurance that these grants, incentives and tax credits will continue at their present levels or at all, and if they are reduced or discontinued, the level of activity in the motion picture and television industries may be reduced, as a result of which the Corporation’s results of operations and financial condition might be adversely affected.

The successful tax credit model of Québec and other provinces in Canada has been copied by other jurisdictions. Some producers may select locations other than Québec to take advantage of other tax credit programs. Other factors, such as director or star preference, may also have the effect of productions being shot in a location other than Québec and may therefore have a material adverse effect on the Corporation’s business, results of operations and financial condition.

Environmental laws and regulations and climate change

The Corporation is subject to a variety of environmental laws and regulations. Some of its facilities are subject to federal, provincial, state and municipal laws and regulations concerning, for example, emissions to the air, water and sewer discharge, the handling and disposal of hazardous materials and waste, including electronic waste, recycling, soil remediation of contaminated sites, or otherwise relating to the protection of the environment. In addition, laws and regulations relating to workplace safety and worker health, which, among other things, regulate employee exposure to hazardous substances in the workplace, also govern the Corporation’s operations. Failure to comply with present or future laws or regulations could result in substantial liability for the Corporation.

Environmental laws and regulations and their interpretation have changed rapidly in recent years and may continue to do so in the future. For instance, most Canadian provinces have implemented Extended Producer Responsibility regulations in order to encourage sustainability practices such as the “Ecological recovery and reclamation of electronic products”, which sets certain recovery targets and which may require the Corporation to monitor and adjust its practices in the future. Evolving public expectations with respect to the environment and increasingly stringent laws and regulations could result in increased costs of compliance, and failure to recognize and adequately respond to them could result in fines, regulatory scrutiny, or have a significant effect on the Corporation’s reputation and brands.

The Corporation’s properties, as well as areas surrounding those properties, particularly those in areas of long-term industrial use, may have had historic uses, or may have current uses, in the case of surrounding properties, which may affect its properties and require further study or remedial measures. The Corporation cannot provide assurance that all environmental liabilities have been determined, that any prior owner of its properties did not create a material environmental condition not known to the Corporation, that a material environmental condition does not otherwise exist on any of its properties, or that expenditure will not be required to deal with known or unknown contamination.

The Corporation owns, through its subsidiaries, certain properties located on partially remediated former landfills. The operation and ownership of these properties carry inherent risks of environmental and health and safety liabilities, including for personal injuries, property damage, release of hazardous materials, remediation and clean-up costs and other environmental damages. The Corporation may, from time to time, be involved in administrative and judicial proceedings relating to such matters, which could have a material adverse effect on its business, financial condition and results of operations.

Finally, the effects of global climate change are increasing the severity and frequency of extreme weather-related events and will potentially result in increased operational and capital costs. Some of the more significant climate-related risks that were identified include potential increased operational costs to maintain the Corporation's network operations during extreme weather events, and potential increased capital costs as a result of damage to its facilities and/or equipment, and disruption of operations. The effects of global climate change may in turn also affect the Corporation's team members' ability to manage the Corporation, and affect the communities in which it operates, which could have a material adverse effect on its business, financial condition, and results of operations.

Concerns about alleged health risks relating to radiofrequency emissions

All the Corporation's cell sites comply with applicable laws and it relies on its suppliers to ensure that the network equipment and customer equipment supplied to it meet all applicable regulatory and safety requirements. Nevertheless, some studies have alleged links between radiofrequency emissions from certain wireless devices and cell sites and various health problems, or possible interference with electronic medical devices, including hearing aids and pacemakers. There is no definitive evidence of harmful effects from exposure to radiofrequency emissions when the limits imposed by applicable laws and regulations are complied with. Additional studies of radiofrequency emissions are ongoing and there is no certainty as to the results of any such future studies.

The current concerns over radiofrequency emissions or perceived health risks of exposure to radiofrequency emissions could lead to additional governmental regulation, diminished use of wireless services, including Videotron's, or product liability lawsuits that might arise or have arisen. Any of these could have a material adverse effect on the Corporation's business, prospects, revenues, financial condition and results of operations.

Indebtedness

Quebecor currently has a substantial amount of debt and significant interest payment requirements. As at December 31, 2021, it had $6.52 billion of consolidated long-term debt (long-term debt plus bank indebtedness). Quebecor's indebtedness could have significant consequences, including the following:

- increase its vulnerability to general adverse economic and industry conditions;
- require it to dedicate a substantial portion of its cash flow from operations to making interest and principal payments on its indebtedness, reducing the availability of its cash flow to fund capital expenditures, working capital and other general corporate purposes;
- limit its flexibility in planning for, or reacting to, changes in its businesses and the industries in which Quebecor operates;
- place it at a competitive disadvantage compared to competitors with less debt or greater financial resources; and
- limit, along with the financial and other restrictive covenants in its indebtedness, its ability to, among other things, borrow additional funds on commercially reasonable terms, if at all.

Although Quebecor has significant indebtedness, as at December 31, 20201, it had more than $1.58 billion available for additional borrowings under its existing credit facilities on a consolidated basis, and the indentures governing its outstanding Senior Notes would permit it to incur substantial additional indebtedness in the future. If Quebecor incurs additional debt, the risks it now faces as a result of its leverage could intensify.

Restrictive covenants

Quebecor's debt instruments contain a number of operating and financial covenants, which may vary depending on their respective governing terms, restricting its ability to, among other things:

- borrow money or sell preferred stock;
- create liens;
- pay dividends on or redeem or repurchase stock;
- make certain types of investments;
- restrict dividends or other payments by some subsidiaries;
- enter into transactions with affiliates;

- issue guarantees of debt; and
- sell assets or merge with other companies.

If Quebecor is unable to comply with these covenants and is unable to obtain waivers from its creditors, then it would be unable to make additional borrowings under its credit facilities. Its indebtedness under these agreements would be in default and that could, if not cured or waived, result in an acceleration of such indebtedness and cause cross-defaults under its other debt, including Senior Notes. If Quebecor's indebtedness is accelerated, it may not be able to repay its indebtedness or borrow sufficient funds to refinance it, and any such prepayment or refinancing could adversely affect Quebecor's financial condition. In addition, if Quebecor incurs additional debt in the future or refinances existing debt, it may be subject to additional covenants, which may be more restrictive than those to which it is currently subject. Even if Quebecor is able to comply with all applicable covenants, the restrictions on its ability to manage its business at its sole discretion could adversely affect its business by, among other things, limiting its ability to take advantage of financings, mergers, acquisitions and other corporate opportunities that Quebecor believes would be beneficial.

Holding corporation

Quebecor is a holding corporation and a substantial portion of its assets is the capital stock of its subsidiaries. As a holding corporation, Quebecor conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenues. Consequently, Quebecor's cash flow and ability to service its debt obligations are dependent on the cash flows of its existing and future subsidiaries and the distribution of this cash flow to Quebecor, or on loans, advances or other payments made by those entities to Quebecor. The ability of those entities to pay dividends or make loans, advances or payments to Quebecor will depend on their operating results and will be subject to applicable laws and contractual restrictions contained in the instruments governing their debt. Quebecor Media and Videotron have several series of debt securities outstanding, and the Quebecor Media, Videotron and TVA Group have credit facilities that limit their ability to distribute cash. In addition, if its existing or future subsidiaries incur additional debt in the future or refinance existing debt, Quebecor may be subject to additional contractual restrictions contained in the instruments governing that debt, which may be more restrictive than those to which it is currently subject.

The ability of its subsidiaries to generate sufficient cash flows from operations to allow Quebecor to make scheduled payments on its debt obligations will depend on their future financial performance, which will be affected by a range of economic, competitive and business factors as well as by structural changes, many of which are outside its or their control. If the cash flows and earnings of Quebecor's operating subsidiaries and the amount that they are able to distribute to Quebecor as dividends or otherwise are not sufficient for Quebecor, it may not be able to satisfy its debt obligations. If it is unable to satisfy its debt obligations, it may have to undertake alternative financing plans, such as refinancing or restructuring its debt, selling assets, reducing or delaying capital investments, or seeking to raise additional capital. It can provide no assurance that any such alternative refinancing would be possible; that any assets could be sold, or, if sold, the timing of the sales and the amount of proceeds realized from those sales; that additional financing could be obtained on acceptable terms, if at all; or that additional financing would be permitted under the terms of its various debt instruments then in effect. Inability to generate sufficient cash flows to satisfy Quebecor's debt obligations, or to refinance those obligations on commercially reasonable terms, could have a material adverse effect on its business, prospects, results of operations and financial condition.

Ability to refinance

Quebecor may be required from time to time to refinance some of its existing debt at or prior to maturity. Quebecor and its subsidiaries' ability to obtain additional financing to repay such existing debt at maturity will depend on a number of factors, including prevailing market conditions, credit availability and operating performance. There can be no assurance that any such financing will be available to Quebecor on favourable terms, or at all.

Provisions in the Articles that could discourage or prevent a takeover

Provisions in the Corporation's Articles and Bylaws could make it more difficult for a third party to acquire it, even if doing so would be beneficial in the opinion of the holders of Quebecor's Class B Shares. Those provisions principally include:

- the multiple voting feature of Quebecor's Class A Shares; and
- the election structure of the Board of Directors, whereby holders of Class A Shares elect 75% of the Corporation's directors, while holders of Class B Shares elect 25%.

The existence of these provisions could have the effect of delaying, preventing or deterring a change in control of Quebecor, could deprive its shareholders of an opportunity to receive a premium for their Class B Shares as part of a sale of Quebecor, and might ultimately affect the market price of its shares.

Interests of holders of Quebecor's Class A Shares that may conflict with the interests of other shareholders

The Class B Shares have one vote per share, while the Class A Shares have 10 votes per share on all matters to be voted on by shareholders, with the exception of matters where the holders of shares of a single class are entitled to vote separately. As of December 31, 2021 approximately 74.3% of the combined voting power of all outstanding shares is controlled by a majority shareholder, and the exercise of the voting rights attached to those shares makes it possible to decide or significantly influence all issues submitted to a shareholder vote, including the election of Class A directors and approval of significant corporate transactions, such as amendments to the Corporation's Articles, mergers, amalgamations, or the sale of all or substantially all of its assets.

The holders of the Class A Shares may also have interests that differ from those of the other shareholders and may vote in a way with which other shareholders disagree and which may be adverse to their interests. This concentration of voting power may have the effect of delaying, preventing, or deterring a change in control of Quebecor; could deprive its shareholders of an opportunity to receive a premium for their Class B Shares as part of a sale of Quebecor, and might ultimately affect the market price of its shares.

Financial Instruments and Financial Risk Management

The Corporation's financial risk-management policies have been established in order to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk-management policies are reviewed regularly to reflect changes in market conditions and in the Corporation's activities.

The Corporation uses a number of financial instruments, mainly cash and cash equivalents, restricted cash, trade receivables, contract assets, long-term investments, bank indebtedness, trade payables, accrued liabilities, long-term debt, convertible debentures, lease liabilities and derivative financial instruments. As a result of its use of financial instruments, the Corporation is exposed to credit risk, liquidity risk and market risks relating to foreign exchange fluctuations and interest rate fluctuations.

In order to manage its foreign exchange and interest rate risks, the Corporation uses derivative financial instruments: (i) to set in CAN dollars future payments on debts denominated in U.S. dollars (interest and principal) and certain purchases of inventories and other capital expenditures denominated in a foreign currency; and (ii) to achieve a targeted balance of fixed- and floating rate debt. The Corporation does not intend to settle its derivative financial instruments prior to their maturity as none of these instruments is held or issued for speculative purposes.

Table 8
Description of derivative financial instruments at December 31, 2021
(in millions of dollars)

Foreign exchange forward contracts

Maturity	CAN dollar average exchange rate per one U.S. dollar	Notional amount sold	Notional amount bought
Videotron			
Less than 1 year	1.2578	$ 177.4	US$ 141.0

Hedged item	Hedging instrument			
	Period covered	Notional amount	Annual interest rate on notional amount in CAN dollars	CAN dollar exchange rate on interest and capital payments per one U.S. dollar
Quebecor Media				
5.750% Senior Notes due 2023	2016 to 2023	US$ 431.3	7.27%	0.9792
5.750% Senior Notes due 2023	2012 to 2023	US$ 418.7	6.85%	0.9759
Videotron				
5.375% Senior Notes due 2024	2014 to 2024	US$ 158.6	Bankers' acceptance 3 months + 2.67%	1.1034
5.375% Senior Notes due 2024	2017 to 2024	US$ 441.4	5.62%	1.1039
5.125% Senior Notes due 2027	2017 to 2027	US$ 600.0	4.82%	1.3407
3.625% Senior Notes due 2029	2021 to 2029	US$ 500.0	4.04%	1.2109

Cross-currency swaps

Certain cross-currency swaps entered into by the Corporation include an option that allows each party to unwind the transaction on a specific date at the then settlement amount.

The gains on valuation and translation of financial instruments for 2021 and 2020 are summarized in Table 10.

Table 9
Gain on valuation and translation of financial instruments
(in millions of Canadian dollars)

	2021	2020
Gain on embedded derivatives related to convertible debentures	**$ (14.9)**	$ (9.3)
Other	**0.5**	1.3
	$ (14.4)	$ (8.0)

A $0.4 million gain on cash flow hedges was recorded under other comprehensive income in 2021 ($17.1 million loss in 2020).

Fair Value of Financial Instruments

The fair value of long-term debt and convertible debentures is estimated based on quoted market prices when available or on valuation models. 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 on 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. 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, to the net exposure of the counterparty or the Corporation.

The fair value of embedded derivatives related to convertible debentures is determined by option pricing models using 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 December 31, 2021 and December 31, 2020 were as follows:

Table 10
Fair value of long-term debt, convertible debentures and derivative financial instruments
(in millions of Canadian dollars)

		2021		2020
Asset (liability)	**Carrying value**	**Fair value**	Carrying value	Fair value
Long-term debt[1]	**$ (6,554.0)**	**$ (6,660.4)**	$ (5,786.4)	$ (6,216.1)
Convertible debentures[2]	**(139.5)**	**(139.5)**	(153.5)	(153.5)
Derivative financial instruments[3]				
Foreign exchange forward contracts	**0.9**	**0.9**	(8.0)	(8.0)
Cross-currency swaps	**381.4**	**381.4**	605.1	605.1

1 The carrying value of long-term debt excludes 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.

3 The net fair value of derivative financial instruments designated as cash flow hedges is an asset position of $348.1 million as of December 31, 2021 ($552.5 million at December 31, 2020) and the net fair value of derivative financial instruments designated as fair value hedges is an asset position of $34.2 million as of December 31, 2021 ($44.6 million at December 31, 2020).

Due to the judgment used in applying a wide range of acceptable techniques and estimates in calculating fair value amounts, fair values are not necessarily comparable among financial institutions or other market participants and may not be realized in an actual sale or on the immediate settlement of the instrument.

Credit risk management

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial asset fails to meet its contractual obligations and arises principally from amounts receivable from customers, including contract assets.

The gross carrying amounts of financial assets represent the maximum credit exposure. As of December 31, 2021, the gross carrying amount of trade receivables and contract assets, including their long-term portions, was $913.4 million ($790.2 million as of December 31, 2020).

In the normal course of business, the Corporation continuously monitors the financial condition of its customers and reviews the credit history of each new customer. The Corporation uses its customers' historical terms of payment and acceptable collection periods for each customer class, as well as changes in its customers' credit profiles, to define default to collect amounts receivable from customers, including contract assets.

As of December 31, 2021, no customer balance represented a significant portion of the Corporation's consolidated trade receivables. The Corporation is using the expected credit losses method to estimate its provision for credit losses, which considers the specific credit risk of its customers, the expected lifetime of its financial assets, historical trends and economic conditions As of December 31, 2021, the provision for expected credit losses represented 2.0% of the gross amount of trade receivables and contract assets (2.6% as of December 31, 2020), while 6.9% of trade receivables were 90 days past their billing date (5.0% as of December 31, 2020).

The following table shows changes to the provision for expected credit losses for the years ended December 31, 2021 and 2020:

		2021		2020
Balance at beginning of year	**$**	**20.8**	$	19.6
Changes in expected credit losses charged to income		**17.2**		17.4
Write-off		**(19.5)**		(16.2)
Balance at end of year	**$**	**18.5**	$	20.8

The Corporation believes that its product lines and the diversity of its customer base are instrumental in reducing its credit risk, as well as the impact of fluctuations in product-line demand. The Corporation does not believe that it is exposed to an unusual level of customer credit risk.

As a result of its use of derivative financial instruments, the Corporation is exposed to the risk of non-performance by a third party. When the Corporation enters into derivative contracts, the counterparties (either foreign or Canadian) must have credit ratings at least in accordance with the Corporation's risk-management policy and are subject to concentration limits. These credit ratings and concentration limits are monitored on an ongoing basis, but at least quarterly.

Liquidity risk management

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due or the risk that those financial obligations will have to be met at excessive cost. The Corporation manages this exposure through staggered debt maturities. The weighted average term of the Corporation's consolidated debt was approximately 5.1 years as of December 31, 2021, compared with 4.3 years at December 31, 2020.

Market risk

Market risk is the risk that changes in market prices due to foreign exchange rates, interest rates and/or equity prices will affect the value of the Corporation's financial instruments. The objective of market risk management is to mitigate and control exposures within acceptable parameters while optimizing the return on risk.

Foreign currency risk

Most of the Corporation's consolidated revenues and expenses, other than interest expense on U.S.-dollar-denominated debt, purchases of set-top boxes, gateways, modems, mobile devices and certain capital expenditures, are received or denominated in CAN dollars. A significant portion of the interest, principal and premium, if any, payable on its debt is payable in U.S. dollars. The Corporation has entered into transactions to hedge the foreign currency risk exposure on its U.S.-dollar-denominated debt obligations outstanding as of December 31, 2021, and to hedge its exposure on certain purchases of set-top boxes, gateways, modems, mobile devices and capital expenditures. Accordingly, the Corporation's sensitivity to variations in foreign exchange rates is economically limited.

The estimated sensitivity on income and on other comprehensive income, before income taxes, of a variance of $0.10 in the year-end exchange rate of a CAN dollar per one U.S. dollar used to calculate the fair value of financial instruments as of December 31, 2021 is as follows:

Increase (decrease)		**Income**		**Other comprehensive income**
Increase of $0.10	**$**	**0.7**	**$**	**35.1**
Decrease of $0.10		**(0.7)**		**(35.1)**

A variance of $0.10 in the 2021 average exchange rate of CAN dollar per one U.S. dollar would have resulted in a variance of $8.8 million on the value of unhedged purchases of goods and services and $6.6 million on the value of unhedged acquisitions of tangible and intangible assets in 2021.

A variance of 10% in the exchange rate of CAN dollar per one Turkish Lira as of December 31, 2021 would have resulted in a variance of $3.2 million of the loss on translation of investments in foreign associates in the consolidated statements of comprehensive income.

Interest rate risk

Some of the Corporation's bank credit facilities bear interest at floating rates based on the following reference rates: (i) Bankers' acceptance rate, (ii) LIBOR, (iii) Canadian prime rate, and (iv) U.S. prime rate. The Senior Notes issued by the Corporation bear interest at fixed rates. The Corporation has entered into cross-currency swap agreements in order to manage cash flow risk exposure. After taking into account hedging instruments, the debt consisted of approximately 91.7% fixed-rate debt, compared with 96.1% at December 31, 2020, and 8.3% floating-rate debt, compared with 3.9% at December 31, 2020.

The estimated sensitivity on interest payments of a 100 basis-point variance in the year-end Canadian Bankers' acceptance rate as of December 31, 2021 was $5.2 million.

The estimated sensitivity on income and on other comprehensive income, before income taxes, of a 100 basis-point variance in the discount rate used to calculate the fair value of financial instruments, other than convertible debentures and embedded derivatives related to convertible debentures, as of December 31, 2021, as per the Corporation's valuation models, is as follows:

Increase (decrease)		**Income**		**Other comprehensive income**
Increase of 100 basis points	**$**	**(0.7)**	**$**	**(5.2)**
Decrease of 100 basis points		**0.7**		**5.2**

Capital management

The Corporation's primary objective in managing capital is to maintain an optimal capital base in order to support the capital requirements of its various businesses, including growth opportunities.

In managing its capital structure, the Corporation takes into account the asset characteristics of its subsidiaries and planned requirements for funds, leveraging their individual borrowing capacities in the most efficient manner to achieve the lowest cost of financing. Management of the capital structure involves the issuance and repayment of debt and convertible debentures, the issuance and repurchase of shares, the use of cash flows generated by operations, and the level of distributions to shareholders. The Corporation has not significantly changed its strategy regarding the management of its capital structure since the last financial year.

The Corporation's capital structure is composed of equity, bank indebtedness, long-term debt, convertible debentures, embedded derivatives related to convertible debentures, lease liabilities, derivative financial instruments and cash and cash equivalents. The capital structure as of December 31, 2021 and 2020 is as follows:

Table 11
Capital structure of Quebecor
(in millions of Canadian dollars)

		2021		2020
Bank indebtedness	**$**	**–**	$	1.7
Long-term debt		**6,524.4**		5,773.4
Convertible debentures		**150.0**		150.0
Embedded derivatives related to convertible debentures		**(8.4)**		6.5
Lease liabilities		**183.2**		173.3
Derivative financial instruments		**(382.3)**		(597.1)
Cash and cash equivalents		**(64.7)**		(136.7)
Net liabilities		**6,402.2**		5,371.1
Equity	**$**	**1,378.8**	$	1,214.1

The Corporation is not subject to any externally imposed capital requirements other than certain restrictions under the terms of its borrowing agreements, which relate, among other things, to permitted investments, intercompany transactions, and the declaration and payment of dividends or other distributions.

Contingencies and legal disputes

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.

There are also a number of other legal proceedings against the Corporation that are pending. Generally, management of the Corporation establishes provisions for claims or actions considering the facts of each case. The Corporation cannot determine when and if any payment will be made related to these legal proceedings.

In August 2021, a competitor launched legal proceedings in Federal Court contesting the awarding of licences in the 3500 MHZ band in Western Canada to Videotron. This case is currently before the Court.

On August 15, 2019, the 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.

Critical Accounting Policies and Estimates

Revenue recognition

The Corporation accounts for a contract with a customer only when all of the following criteria are met:

- the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
- the entity can identify each party's rights regarding the goods or services to be transferred;
- the entity can identify the payment terms for the goods or services to be transferred;
- the contract has commercial substance (i.e. the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract); and
- it is probable that the entity will collect the consideration to which it is entitled in exchange for the goods or services to be transferred to the customer.

The portion of revenues that is invoiced and unearned is presented as "Deferred revenue" in the consolidated balance sheets. Deferred revenue is usually recognized as revenue in the subsequent year.

Telecommunications

The Telecommunications segment provides services under multiple deliverable arrangements, mainly for mobile contracts in which the sale of mobile devices is bundled with telecommunication services over the contract term. The total consideration from a contract with multiple deliverables is allocated to all performance obligations in the contract based on the stand-alone selling price of each obligation. The total consideration can be comprised of an upfront fee or a number of monthly installments for the equipment sale and a monthly fee for the telecommunication service. Each performance obligation of multiple deliverable arrangements is then separately accounted for based on its allocated consideration amount.

The Corporation does not adjust the amount of consideration allocated to the equipment sale for the effects of a financing component since this component is not significant.

The Telecommunications segment recognizes each of its main activities' revenues as follows:

- operating revenues from subscriber services, such as television distribution, Internet access, wireline and mobile telephony, and OTT video services are recognized when services are provided;
- revenues from equipment sales to subscribers are recognized when the equipment is delivered;
- operating revenues related to service contracts are recognized in income on a straight-line basis over the period in which the services are provided; and
- wireline connection and mobile activation revenues are deferred and recognized respectively as revenues over the period of time the customer is expected to remain a customer of the Corporation and over the contract term.

When a mobile device and a service are bundled under a single mobile contract, the term of the contract is generally 24 months.

The portion of mobile revenues earned without being invoiced is presented as contract assets in the consolidated balance sheets. Contract assets are realized over the term of the contract.

Media

The Media segment recognizes each of its main activities' revenues as follows:

- advertising revenues are recognized when the advertising is aired on television, is featured in newspapers or magazines or is displayed on the digital properties or on transit shelters;
- revenues from subscriptions to specialty television channels or to online publications are recognized on a monthly basis at the time service is provided or over the period of the subscription;
- revenues from the sale or distribution of newspapers and magazines are recognized upon delivery, net of provisions for estimated returns based on historical rate of returns;
- soundstage and equipment rental revenues are recognized over the rental period;
- revenues derived from speciality film and television services are recognized when services are provided; and
- revenues from distribution of audiovisual content are recognized when the content has been delivered and accepted in accordance with the conditions of the licence or distribution agreement.

Sports and Entertainment

The Sports and Entertainment segment recognizes each of its main activities' revenues as follows:

- revenues from the sale or distribution of books and entertainment products are recognized upon delivery, net of provisions for estimated returns based on historical rate of returns;
- revenues from venue rental, ticket sales (including season tickets) and sales from food concessions are recognized when the events take place and/or goods are sold, as the case may be;
- revenues from the rental of suites are recognized ratably over the period of the agreement;
- revenues from the sale of advertising in the form of venue signage or sponsorships are recognized ratably over the period of the agreement; and
- revenues derived from sporting and cultural event management are recognized when services are provided.

Impairment of assets

For the purposes of assessing impairment, assets are grouped in cash-generating units ("CGUs"), which represent the lowest levels for which there are separately identifiable cash inflows generated by those assets. The Corporation reviews, at each balance sheet date, whether events or circumstances have occurred to indicate that the carrying amounts of its long-lived assets with finite useful lives may be less than their recoverable amounts. Goodwill, intangible assets having an indefinite useful life, and intangible assets not yet available for use are tested for impairment each financial year, as well as whenever there is an indication that the carrying amount of the asset, or the CGU to which an asset has been allocated, exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs of disposal and the value in use of the asset or the CGU. Fair value less costs of disposal represents the amount an entity could obtain at the valuation date from the asset's disposal in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. The value in use represents the present value of the future cash flows expected to be derived from the asset or the CGU.

The Corporation uses the discounted cash flow method to estimate the recoverable amount, consisting of future cash flows derived primarily from the most recent budget and three-year strategic plan approved by the Corporation's management and presented to the Board of Directors. These forecasts considered each CGU's past operating performance and market share as well as economic trends, along with specific and market industry trends and corporate strategies. A perpetual growth rate is used for cash flows beyond the three-year strategic plan period. The discount rate used by the Corporation is a pre-tax rate derived from the weighted average cost of capital pertaining to each CGU, which reflects the current market assessment of: (i) the time value of money; and (ii) the risk specific to the assets for which the future cash flow estimates have not been risk-adjusted. The perpetual growth rate was determined with regard to the specific markets in which the CGUs participate.

An impairment loss is recognized in the amount by which the carrying amount of an asset or a CGU exceeds its recoverable amount. When the recoverable amount of a CGU to which goodwill has been allocated is lower than the CGU's carrying amount, the related goodwill is first impaired. Any excess amount of impairment is recognized and attributed to assets in the CGU, prorated to the carrying amount of each asset in the CGU.

An impairment loss recognized in prior periods for long-lived assets with finite useful lives and intangible assets having an indefinite useful life, other than goodwill, can be reversed through the consolidated statement of income to the extent that the resulting carrying value does not exceed the carrying value that would have been the result had no impairment loss been recognized previously.

When determining the recoverable amount of an asset or CGU, assessment of the information available at the valuation date is based on management's judgment and may involve estimates and assumptions. Furthermore, the discounted cash flow method used in determining the recoverable amount of an asset or CGU relies on the use of estimates such as the amount and timing of cash flows, expected variations in the amount or timing of those cash flows, the time value of money as represented by the risk-free rate, and the risk premium associated with the asset or CGU.

Therefore, the judgment used in determining the recoverable amount of an asset or CGU may affect the amount of the impairment loss to be recorded to an asset or CGU, as well as the potential reversal of the impairment charge in the future.

Based on the data and assumptions used in its last impairment test, the Corporation believes that there is no significant amount of long-lived assets with finite useful lives, or goodwill and intangible assets with indefinite useful lives, on its books at this time that present a significant risk of impairment in the near future.

The net book value of goodwill as at December 31, 2021 was $2.72 billion, and the net book value of intangible assets with indefinite useful lives as at December 31, 2021 was $1.57 billion.

Indefinite useful life of spectrum licences

Management has concluded that spectrum licences have an indefinite useful life. This conclusion was based on an analysis of factors, such as the Corporation's financial ability to renew the spectrum licences, the competitive, legal and regulatory landscape, and future expectations regarding the use of the spectrum licences. The determination that spectrum licences have an indefinite useful life therefore involves judgment, which could have an impact on the amortization charge recorded in the consolidated statements of income if management were to change its conclusion in the future.

Derivative financial instruments and hedge accounting

The Corporation uses various derivative financial instruments to manage its exposure to fluctuations in foreign currency exchange rates and interest rates. The Corporation does not hold or use any derivative financial instruments for speculative purposes. Under hedge accounting, the Corporation documents all hedging relationships between hedging instruments and hedged items, as well as its strategy for using hedges and its risk-management objective. It also designates its derivative financial instruments as either fair value hedges or cash flow hedges when they qualify for hedge accounting. The Corporation assesses the effectiveness of its hedging relationships at initiation and on an ongoing basis.

The Corporation generally enters into the following types of derivative financial instruments.

- The Corporation uses foreign exchange forward contracts to hedge foreign currency rate exposure on anticipated equipment or inventory purchases in a foreign currency. These foreign exchange forward contracts are designated as cash flow hedges.
- The Corporation uses cross-currency swaps to hedge (i) foreign currency rate exposure on interest and principal payments on foreign currency denominated debt and/or (ii) fair value exposure on certain debt resulting from changes in interest rates. The cross-currency swaps that set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting an interest rate from a floating rate to a floating rate or from a fixed rate to a fixed rate, are designated as cash flow hedges. The cross-currency swaps are designated as fair value hedges when they set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting the interest rate from a fixed rate to a floating rate.
- The Corporation has established a hedge ratio of one for one for all its hedging relationships as the underlying risks of its hedging derivatives are identical to the hedged item risks.

The Corporation measures and records the effectiveness of its hedging relationships as follows.

- For cash flow hedges, the hedge effectiveness is tested and measured by comparing changes in the fair value of the hedging derivative with the changes in the fair value of a hypothetical derivative that simulates cash flows of the hedged items .
- For fair value hedges, the hedge effectiveness is tested and measured by comparing changes in the fair value of the hedging derivative with the changes in the fair value of the hedged item attributable to the hedged risk.
- Most of the Corporation's hedging relationships are not generating material ineffectiveness. The ineffectiveness, if any, is recorded in the consolidated statements of income as a gain or loss on valuation and translation of financial instruments.

Under hedge accounting, the Corporation applies the following accounting policies.

- For derivative financial instruments designated as fair value hedges, changes in the fair value of the hedging derivative recorded in income are substantially offset by changes in the fair value of the hedged item to the extent that the hedging relationship is effective. When a fair value hedge is discontinued, the carrying value of the hedged item is no longer adjusted and the cumulative fair value adjustments to the carrying value of the hedged item are amortized to income over the remaining term of the original hedging relationship.
- For derivative financial instruments designated as cash flow hedges, the effective portion of a hedge is reported in other comprehensive income until it is recognized in income during the same period in which the hedged item affects income, while the ineffective portion is immediately recognized in income. When a cash flow hedge is discontinued, the amounts previously recognized in accumulated "other comprehensive income" are reclassified to income when the variability in the cash flows of the hedged item affects income.

Any change in the fair value of derivative financial instruments recorded in income is included in gain or loss on valuation and translation of financial instruments. Interest expense on hedged long-term debt is reported at the hedged interest and foreign currency rates.

Derivative financial instruments that do not qualify for hedge accounting, including derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts, are reported on a fair value basis on the consolidated balance sheets. Any change in the fair value of these derivative financial instruments is recorded in the consolidated statements of income as a gain or loss on valuation and translation of financial instruments.

Convertible debentures

The convertible debentures are accounted for as a financial liability and the cap and floor conversion price features are accounted for separately as embedded derivatives. The embedded derivatives are measured at fair value and any subsequent change in the fair value is recorded in the consolidated statements of income as a gain or loss on valuation and translation of financial instruments.

Pension plans and postretirement benefits

The Corporation offers defined contribution pension plans and defined benefit pension plans to some of its employees.

Quebecor Media’s defined benefit obligations with respect to defined benefit pension plans and postretirement benefits are measured at present value and assessed on the basis of a number of economic and demographic assumptions which are established with the assistance of Quebecor Media’s actuaries. Key assumptions relate to the discount rate, the rate of increase in compensation, retirement age of employees, healthcare costs, and other actuarial factors. Defined benefit pension plan assets are measured at fair value and consist mainly of equities and corporate and government fixed-income securities.

Remeasurements of the net defined benefit liability or asset are recognized immediately in other comprehensive income.

Recognition of a net benefit asset is limited under certain circumstances to the amount recoverable, which is primarily based on the present value of future contributions to the plan, to the extent that the Corporation can unilaterally reduce those future contributions. In addition, an adjustment to the net benefit asset or the net benefit liability can be recorded to reflect a minimum funding liability in a certain number of the Corporation’s pension plans. The assessment of the amount recoverable in the future and the minimum funding liability is based on a number of assumptions, including future service costs and future plan contributions.

The Corporation considers all the assumptions used to be reasonable in view of the information available at this time. However, variances from certain of those assumptions may have a significant impact on the costs and obligations of pension plans and postretirement benefits in future periods.

Share-based compensation

Stock-based awards to employees that call for settlement in cash, deferred share units (“DSUs”) or performance share units (“PSUs”), or that call for settlement in cash at the option of the employee, as stock options awards, are accounted for at fair value and classified as a liability. The compensation cost is recognized in expenses over the vesting period. Changes in the fair value of stock-based awards between the grant date and the measurement date result in a change in the liability and compensation cost.

The fair value of DSUs and PSUs is based on the underlying share price at the date of valuation. The fair value of stock option awards is determined by applying an option pricing model, taking into account the terms and conditions of the grant and assumptions such as the risk-free interest rate, distribution yield, expected volatility, and the expected remaining life of the option.

Provisions

Provisions are recognized (i) when the Corporation has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and (ii) when the amount of the obligation can be reliably estimated. Restructuring costs, comprised primarily of termination benefits, are recognized when a detailed plan for the restructuring exists and a valid expectation has been raised in those affected that the plan will be carried out.

Provisions are reviewed at each consolidated balance sheet date and changes in estimates are reflected in the consolidated statements of income in the reporting period in which the changes occur.

The amount recognized as a provision is the best estimate of the expenditures required to settle the present obligation at the balance sheet date or to transfer it to a third party at that time and it is adjusted for the effect of time value when material. The amount recognized for onerous contracts is the lower of the cost necessary to fulfill the obligations, net of expected economic benefits deriving from the contracts, and any indemnity or penalty arising from failure to fulfill those obligations.

No amounts are recognized for obligations that are possible but not probable or for those for which an amount cannot be reasonably estimated.

Contract costs

Incremental and direct costs, such as costs to obtain a contract, mainly sales commissions, or the cost of connecting a subscriber to the Corporation’s telecommunication network, are included in contract costs and amortized over the period of time the customer is expected to maintain its service or over the contract term. The amortization of contract costs is included in purchase of goods and services in the consolidated statements of income.

Provision for expected credit losses

The Corporation maintains a provision to cover anticipated credit losses from customers who are unable to pay their debts. The provision is reviewed periodically, considering the specific credit risk of its customers, the expected lifetime of its financial assets, historical trends and economic conditions.

Business acquisitions

A business acquisition is accounted for by the acquisition method. The cost of an acquisition is measured at the fair value of the consideration given in exchange for control of the business acquired at the acquisition date. This consideration can be comprised of cash, assets transferred, financial instruments issued, or future contingent payments. The identifiable assets and liabilities of the acquired business are recognized at their fair value at the acquisition date. Goodwill is measured and recognized as the excess of the fair value of the consideration paid over the fair value of the recognized identifiable assets acquired and liabilities assumed.

Determining the fair value of certain acquired assets, assumed liabilities and future contingent considerations requires judgment and involves complete and absolute reliance on estimates and assumptions. The Corporation primarily uses the discounted future cash flows approach to estimate the value of acquired intangible assets.

The estimates and assumptions used in the allocation of the purchase price at the date of acquisition may also have an impact on the amount of an impairment charge to be recognized, if any, after the date of acquisition, as discussed above under "Impairment of assets."

Contingent considerations and future conditional adjustments

Contingent considerations and future conditional adjustments arising from business acquisition or disposal are measured and accounted for at their fair value. The fair value is estimated based on a present value model requiring management to assess the probabilities that the conditions on which the contingent considerations and future conditional adjustments are based will be met in the future. The assessment of these contingent and conditional potential outcomes requires judgment from management and could have an impact on the initial amount of contingent considerations or future conditional adjustments recognized and on any subsequent changes in fair value recorded in the consolidated statements of income.

Interpretation of laws and regulations

Interpretation of laws and regulations, including those of the CRTC and tax regulations, requires judgment from management and could have an impact on revenue recognition, provisions, income taxes and capital expenditures in the consolidated financial statements.

Tax credits and government assistance

The Corporation has access to several government programs designed to support large investment projects, the roll-out of high-speed Internet services in various regions of Québec, production and distribution of televisual products and movies, as well as music products, magazine and book publishing in Canada. In addition, most of the business units in the Media segment and Sports and Entertainment segment have qualified for the Emergency Wage Subsidy program available during the health crisis. The Corporation also receives tax credits mainly related to its research and development activities, publishing activities and digital activities. Government financial assistance is accounted for as revenue or as a reduction in related costs, whether capitalized and amortized or expensed, in the year the costs are incurred and when management has reasonable assurance that the conditions of the government programs are being met.

Income taxes

Deferred income taxes are accounted for using the liability method. Under this method, deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in income in the period that includes the substantive enactment date. A deferred tax asset is recognized initially when it is probable that future taxable income will be sufficient to use the related tax benefits and may be reduced subsequently, if necessary, to an amount that is more likely than not to be realized.

The assessment of deferred income taxes is judgmental in nature and is dependent on assumptions and estimates as to the availability and character of future taxable income. The ultimate amount of deferred income tax assets realized could be slightly different from that recorded, since it is influenced by the Corporation's future operating results.

The Corporation is under audit at all times by various tax authorities in each of the jurisdictions in which it operates. A number of years may elapse before a particular matter for which management has established a reserve is audited and resolved. The number of years between each tax audit varies depending on the tax jurisdiction. Management believes that its estimates are reasonable and reflect the probable outcome of known tax contingencies, although the outcome is difficult to predict.

Leases

The Corporation recognizes, for most of its leases, a right-of-use asset and a lease liability at the commencement of a lease. The right-of-use asset and the lease liability are initially measured at the present value of lease payments over the lease term, less incentive payments received, using the Corporation incremental borrowing rate or the interest rate implicit in the lease at that date. The term of the lease is comprised of the initial lease term and any additional period for which it is reasonably certain that the Corporation will exercise its extension option.

Right-of-use assets are depreciated over the shorter of the lease term or the useful life of the underlying asset.

Interest on lease liabilities is recorded in the consolidated statements of income as financial expenses and principal payments on the lease liability are presented as part of financing activities in the consolidated statements of cash flows.

Non-IFRS financial measures

The financial measures not standardized under IFRS that are used by the Corporation to assess its financial performance, such as adjusted EBITDA, adjusted income from continuing operating activities, adjusted cash flows from operations, free cash flows from continuing operating activities and consolidated net debt leverage ratio, are not calculated in accordance with, or recognized by IFRS. The Corporation’s method of calculating these non-IFRS financial measures may differ from the methods used by other companies and, as a result, the non-IFRS financial measures presented in this document may not be comparable to other similarly titled measures disclosed by other companies.

Adjusted EBITDA

In its analysis of operating results, the Corporation defines adjusted EBITDA, as reconciled to net income under IFRS, 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 tax, and income (loss) from discontinued operations. Adjusted EBITDA as defined above is not a measure of results that is consistent with IFRS. It is not intended to be regarded as an alternative to IFRS financial performance measures or to the statement of cash flows as a measure of liquidity. It should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The Corporation uses adjusted EBITDA in order to assess the performance of its investment in Quebecor Media. The Corporation’s management and Board of Directors use this measure in evaluating its consolidated results as well as the results of the Corporation’s operating segments. This measure eliminates the significant level of impairment and depreciation/amortization of tangible and intangible assets and is unaffected by the capital structure or investment activities of the Corporation and its business segments.

Adjusted EBITDA is also relevant because it is a component of the Corporation’s annual incentive compensation programs. A limitation of this measure, however, is that it does not reflect the periodic costs of tangible and intangible assets used in generating revenues in the Corporation’s segments. The Corporation also uses other measures that do reflect such costs, such as adjusted cash flows from operations and free cash flows from continuing operating activities. The Corporation’s definition of adjusted EBITDA may not be the same as similarly titled measures reported by other companies.

Table 12 provides a reconciliation of adjusted EBITDA to net income as disclosed in Quebecor’s consolidated financial statements. The consolidated financial information for the three-month periods ended December 31, 2021 and 2020 presented in Table 12 below is drawn from the Corporation’s unaudited quarterly consolidated financial statements.

Table 12
Reconciliation of the adjusted EBITDA measure used in this report to the net income measure used in the consolidated financial statements
(in millions of Canadian dollars)

	Years ended December 31			Three months ended December 31	
	2021	2020	2019	**2021**	2020
Adjusted EBITDA (negative adjusted EBITDA):					
Telecommunications	**$ 1,875.7**	$ 1,864.4	$ 1,803.4	**$ 466.5**	$ 481.7
Media	**83.4**	82.2	74.8	**28.8**	45.6
Sports and Entertainment	**20.4**	8.7	7.3	**4.2**	2.1
Head Office	**(6.3)**	(2.7)	(6.0)	**(0.7)**	(2.6)
	1,973.2	1,952.6	1,879.5	**498.8**	526.8
Depreciation and amortization	**(783.8)**	(803.2)	(750.4)	**(197.6)**	(213.5)
Financial expenses	**(333.4)**	(328.2)	(327.5)	**(79.5)**	(79.1)
Gain (loss) on valuation and translation of financial instruments	**14.4**	8.0	(6.5)	**7.2**	(0.9)
Restructuring of operations and other items	**(4.1)**	(39.2)	(28.6)	**(7.8)**	(6.1)
Loss on debt refinancing	**(80.9)**	–	–	**–**	–
Income taxes	**(197.0)**	(205.8)	(205.7)	**(56.6)**	(58.1)
Income (loss) from discontinued operations	**–**	33.2	97.5	**–**	(0.6)
Net income	**$ 588.4**	$ 617.4	$ 658.3	**$ 164.5**	$ 168.5

Adjusted income from continuing operating activities

The Corporation defines adjusted income from continuing operating activities, as reconciled to net income attributable to shareholders under IFRS, as net income attributable to shareholders before gain (loss) on valuation and translation of financial instruments, restructuring of operations and other items, and loss on debt refinancing, net of income tax related to adjustments and net income attributable to non-controlling interest related to adjustments, and before income (loss) from discontinued operations attributable to shareholders. Adjusted income from continuing operating activities, as defined above, is not a measure of results that is consistent with IFRS. It should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The Corporation uses adjusted income from continuing operating activities to analyze trends in the performance of its businesses. The above-listed items are excluded from the calculation of this measure because they impair the comparability of financial results. Adjusted income from continuing operating activities is more representative for forecasting income. The Corporation's definition of adjusted income from continuing operating activities may not be identical to similarly titled measures reported by other companies.

Table 13 provides a reconciliation of adjusted income from continuing operating activities to the net income attributable to shareholders' measure used in Quebecor's consolidated financial statements. The consolidated financial information for the three-month periods ended December 31, 2021 and 2020 presented in Table 13 below is drawn from the Corporation's unaudited quarterly consolidated financial statements.

Table 13

Reconciliation of the adjusted income from continuing operating activities measure used in this report to the net income attributable to shareholders' measure used in the consolidated financial statements

(in millions of Canadian dollars)

	Years ended December 31			Three months ended December 31	
	2021	2020	2019	**2021**	2020
Adjusted income from continuing operating activities	**$ 621.9**	$ 594.5	$ 581.0	**$ 157.6**	$ 165.0
Gain (loss) on valuation and translation of financial instruments	**14.4**	8.0	(6.5)	**7.2**	(0.9)
Restructuring of operations and other items	**(4.1)**	(39.2)	(28.6)	**(7.8)**	(6.1)
Loss on debt refinancing	**(80.9)**	–	–	**–**	–
Income taxes related to adjustments[1]	**26.1**	9.1	8.0	**2.5**	2.1
Net income attributable to non-controlling interest related to adjustments	**1.0**	1.6	1.4	**1.0**	0.3
Discontinued operations	–	33.2	97.5	**–**	(0.6)
Net income attributable to shareholders	**$ 578.4**	$ 607.2	$ 652.8	**$ 160.5**	$ 159.8

[1] Includes impact of fluctuations in income tax applicable to adjusted items, either for statutory reasons or in connection with tax transactions.

Adjusted cash flows from operations and free cash flows from continuing operating activities

Adjusted cash flows from operations

Adjusted cash flows from operations represents adjusted EBITDA, less additions to property, plant and equipment and to intangible assets (excluding licence acquisitions and renewals). Adjusted cash flows from operations represents funds available for interest and income tax payments, expenditures related to restructuring programs, business acquisitions, licence acquisitions and renewals, payment of dividends, repayment of long-term debt and lease liabilities, and share repurchases. Adjusted cash flows from operations is not a measure of liquidity that is consistent with IFRS. It is not intended to be regarded as an alternative to IFRS financial performance measures or to the statement of cash flows as a measure of liquidity. Adjusted cash flows from operations is used by the Corporation's management and Board of Directors to evaluate the cash flows generated by the operations of all of its segments, on a consolidated basis, in addition to the operating cash flows generated by each segment. Cash flows from operations are also relevant because they are a component of the Corporation's annual incentive compensation programs. The Corporation's definition of adjusted cash flows from operations may not be identical to similarly titled measures reported by other companies.

Free cash flows from continuing operating activities

Free cash flows from continuing operating activities represents cash flows provided by continuing operating activities calculated in accordance with IFRS, less cash flows used for additions to property, plant and equipment and to intangible assets (excluding expenditures related to licence acquisitions and renewals), plus proceeds from disposal of assets. Free cash flows from continuing operating activities is used by the Corporation's management and Board of Directors to evaluate cash flows generated by the Corporation's operations. Free cash flows from continuing operating activities represents available funds for business acquisitions, licence acquisitions and renewals, payment of dividends, repayment of long-term debt and lease liabilities, and share repurchases. Free cash flows from continuing operating activities is not a measure of liquidity that is consistent with IFRS. It is not intended to be regarded as an alternative to IFRS financial performance measures or to the statement of cash flows as a measure of liquidity. The Corporation's definition of free cash flows from continuing operating activities may not be identical to similarly titled measures reported by other companies.

Tables 14 and 15 provide a reconciliation of adjusted cash flows from operations and free cash flows from continuing operating activities to cash flows provided by continuing operating activities reported in the consolidated financial statements. The consolidated financial information for the three-month periods ended December 31, 2021 and 2020 presented in tables 14 and 15 is drawn from the Corporation's unaudited quarterly consolidated financial statements.

Table 14
Adjusted cash flows from operations
(in millions of Canadian dollars)

	Years ended December 31			Three months ended December 31	
	2021	2020	2019	**2021**	2020
Adjusted EBITDA (negative adjusted EBITDA):					
Telecommunications	**$ 1,875.7**	$ 1,864.4	$ 1,803.4	**$ 466.5**	$ 481.7
Media	**83.4**	82.2	74.8	**28.8**	45.6
Sports and Entertainment	**20.4**	8.7	7.3	**4.2**	2.1
Head Office	**(6.3)**	(2.7)	(6.0)	**(0.7)**	(2.6)
	1,973.2	1,952.6	1,879.5	**498.8**	526.8
Minus					
Additions to property, plant and equipment:[1]					
Telecommunications	**(391.5)**	(402.1)	(459.3)	**(75.0)**	(103.9)
Media	**(20.3)**	(14.3)	(24.0)	**(9.7)**	(7.6)
Sports and Entertainment	**(0.8)**	(0.6)	(1.3)	**(0.4)**	(0.4)
Head Office	**(1.5)**	(1.5)	(1.7)	**0.1**	(0.2)
	(414.1)	(418.5)	(486.3)	**(85.0)**	(112.1)
Additions to intangible assets:[2]					
Telecommunications	**(145.6)**	(194.0)	(218.8)	**(33.2)**	(60.7)
Media	**(24.6)**	(23.7)	(26.0)	**(7.6)**	(7.2)
Sports and Entertainment	**(3.5)**	(2.8)	(3.6)	**(1.3)**	(0.5)
Head Office	**(3.3)**	(1.2)	(0.7)	**(1.1)**	(1.1)
	(177.0)	(221.7)	(249.1)	**(43.2)**	(69.5)
Adjusted cash flows from operations					
Telecommunications	**1,338.6**	1,268.3	1,125.3	**358.3**	317.1
Media	**38.5**	44.2	24.8	**11.5**	30.8
Sports and Entertainment	**16.1**	5.3	2.4	**2.5**	1.2
Head Office	**(11.1)**	(5.4)	(8.4)	**(1.7)**	(3.9)
	$ 1,382.1	$ 1,312.4	$ 1,144.1	**$ 370.6**	$ 345.2

[1] **Reconciliation to cash flows used for additions to property, plant and equipment as per consolidated financial statements:**	Years ended December 31			Three months ended December 31	
	2021	2020	2019	**2021**	2020
Additions to property, plant and equipment	**$ (414.1)**	$ (418.5)	$ (486.3)	**$ (85.0)**	$ (112.1)
Net variance in current operating items related to additions to property, plant and equipment (excluding government credits receivable for major capital projects)	**(15.2)**	(28.7)	(15.3)	**(6.6)**	(10.3)
Cash flows used for additions to property, plant and equipment	**$ (429.3)**	$ (447.2)	$ (501.6)	**$ (91.6)**	$ (122.4)

[2] **Reconciliation to cash flows used for additions to intangible assets as per consolidated financial statements:**	Years ended December 31			Three months ended December 31	
	2021	2020	2019	**2021**	2020
Additions to intangible assets	**$ (177.0)**	$ (221.7)	$ (249.1)	**$ (43.2)**	$ (69.5)
Net variance in current operating items related to additions to intangible assets (excluding government credits receivable for major capital projects)	**(11.7)**	15.8	8.0	**1.1**	48.7
Cash flows used for licence acquisitions	**(830.0)**	–	(255.8)	**(664.0)**	–
Cash flows used for additions to intangible assets	**$ (1,018.7)**	$ (205.9)	$ (496.9)	**$ (706.1)**	$ (20.8)

Table 15
Free cash flows from continuing operating activities and cash flows provided by continuing operating activities reported in the consolidated financial statements
(in millions of Canadian dollars)

	Years ended December 31			Three months ended December 31	
	2021	2020	2019	**2021**	2020
Adjusted cash flows from operations from Table 14	**$ 1,382.1**	$ 1,312.4	$ 1,144.1	**$ 370.6**	$ 345.2
<u>**Plus (minus)**</u>					
Cash portion of financial expenses	**(325.5)**	(320.1)	(319.4)	**(77.8)**	(77.1)
Cash portion related to restructuring of operations and other items	**(22.0)**	(31.6)	(9.8)	**(7.5)**	(5.4)
Current income taxes	**(256.9)**	(208.7)	(107.9)	**(65.6)**	(27.7)
Other	**8.6**	3.7	2.9	**2.7**	(0.2)
Net change in non-cash balances related to operating activities	**(187.1)**	40.0	(229.3)	**(26.0)**	(38.6)
Net variance in current operating items related to additions to property, plant and equipment (excluding government credits receivable for major capital projects)	**(15.2)**	(28.7)	(15.3)	**(6.6)**	(10.3)
Net variance in current operating items related to additions to intangible assets (excluding government credits receivable for major capital projects)	**(11.7)**	15.8	8.0	**1.1**	48.7
Free cash flows from continuing operating activities	**572.3**	782.8	473.3	**190.9**	234.6
<u>**Plus (minus)**</u>					
Cash flows used for additions to property, plant and equipment	**429.3**	447.2	501.6	**91.6**	122.4
Cash flows used for additions to intangible assets (excluding licence acquisitions and renewals)	**188.7**	205.9	241.1	**42.1**	20.8
Proceeds from disposal of assets	**(7.7)**	(4.4)	(4.2)	**(1.5)**	(0.8)
Cash flows provided by continuing operating activities	**$ 1,182.6**	$ 1,431.5	$ 1,211.8	**$ 323.1**	$ 377.0

Consolidated net debt leverage ratio

The consolidated net debt leverage ratio represents consolidated net debt, excluding convertible debentures, divided by the trailing 12-month adjusted EBITDA. Consolidated net debt, excluding convertible debentures, represents total long-term debt plus bank indebtedness, lease liabilities, the current portion of lease liabilities and liabilities related to derivative financial instruments, less assets related to derivative financial instruments and cash and cash equivalents. The consolidated net debt leverage ratio serves to evaluate the Corporation’s financial leverage and is used by management and the Board of Directors in its decisions on the Corporation’s capital structure, including its financing strategy, and in managing debt maturity risks. The consolidated net debt leverage ratio excludes convertible debentures because, subject to certain conditions, those debentures can be repurchased at the Corporation’s discretion by issuing Quebecor Class B Shares. Consolidated net debt leverage ratio is not a measure established in accordance with IFRS. It is not intended to be used as an alternative to IFRS measures or the balance sheet to evaluate its financial position. The Corporation’s definition of consolidated net debt leverage ratio may not be identical to similarly titled measures reported by other companies.

Table 16 provides the calculation of consolidated net debt leverage ratio and the reconciliation to balance sheet items reported in Quebecor's consolidated financial statements.

Table 16
Consolidated net debt leverage ratio
(in millions of Canadian dollars)

	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019
Total long-term debt[1]	**$ 6,554.0**	$ 5,786.4	$ 5,986.1
Plus (minus)			
Lease liabilities	**147.1**	139.0	106.6
Current portion of lease liabilities	**36.1**	34.3	31.3
Bank indebtedness	**–**	1.7	29.4
Assets related to derivative financial instruments	**(405.6)**	(625.5)	(679.8)
Liabilities related to derivative financial instruments	**23.3**	28.4	2.1
Cash and cash equivalents	**(64.7)**	(136.7)	(14.0)
Consolidated net debt excluding convertible debentures	**6,290.2**	5,227.6	5,461.7
Divided by:			
Trailing 12-month adjusted EBITDA	**$ 1,973.2**	$ 1,952.6	$ 1,879.5
Consolidated net debt leverage ratio	**3.19x**	2.68x	2.91x

1 Excluding changes in the fair value of long-term debt related to hedged interest rate risk and financing costs.

Key performance indicators

Revenue-generating unit

The Corporation uses RGU, an industry metric, as a key performance indicator. An RGU represents, as the case may be, subscriptions to the Internet access, television and OTT video services, and subscriber connections to the mobile and wireline telephony services. RGU is not a measurement that is consistent with IFRS and the Corporation's definition and calculation of RGU may not be the same as identically titled measurements reported by other companies or published by public authorities.

Average billing per unit

The Corporation uses ABPU, an industry metric, as a key performance indicator. This indicator is used to measure monthly average subscription billing per RGU. ABPU is not a measurement that is consistent with IFRS and the Corporation's definition and calculation of ABPU may not be the same as identically titled measurements reported by other companies.

Mobile ABPU is calculated by dividing the average subscription billing for mobile telephony services by the average number of mobile RGUs during the applicable period, and then dividing the resulting amount by the number of months in the applicable period.

Total ABPU is calculated by dividing the combined average subscription billing for Internet access, television, OTT video, mobile and wireline telephony services by the total average number of RGUs from Internet access, television, mobile and wireline telephony services during the applicable period, and then dividing the resulting amount by the number of months in the applicable period.

Controls and procedures

In accordance with Regulation 52-109 on Certification of Disclosure in Issuers' Annual and Interim Filings, the effectiveness of the Corporation's disclosure controls and procedures ("DCP") and "Internal control over financial reporting" ("ICFR") has been evaluated. Based on this evaluation, the President and Chief Executive Officer and the Chief Financial Officer concluded that DCP and ICFR were effective as of the end of the financial year ended December 31, 2021, and that the DCP design provides reasonable assurance that material information relating to the Corporation, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared, and the information that the Corporation must present in its annual documents, its interim documents or in other documents it files or submits under securities regulations is recorded, processed, condensed and presented within the timeframes prescribed by this legislation. Moreover, the design of ICFR provides reasonable assurance of the reliability of the Corporation's financial reporting and of the preparation of its financial statements, for the purpose of financial reporting, in accordance with the IFRS.

Finally, no change to ICFR that has had or is liable to have a material effect was identified by the Corporation's management during the financial period beginning October 1, 2021 and ending December 31, 2021.

Additional information

The Corporation is a reporting issuer subject to the securities laws of all Canadian provinces and is therefore required to file financial statements, a proxy circular and an annual information form with the various securities commissions. Copies of those documents are available free of charge from the Corporation on request at www.quebecor.com and on the SEDAR website at www.sedar.com.

Cautionary statement regarding forward-looking statements

The statements in this report that are not historical facts are forward-looking statements and are subject to significant known and unknown risks, uncertainties and assumptions that could cause the Corporation's actual results for future periods to differ materially from those set forth in forward-looking statements. Forward-looking statements may be identified by the use of the conditional or by forward-looking terminology such as the terms "plans," "expects," "may," "anticipates," "intends," "estimates," "projects," "seeks," "believes," or similar terms, variations of such terms or the negative of such terms. Some important factors that could cause actual results to differ materially from those expressed in these forward-looking statements include, but are not limited to:

- Quebecor Media's ability to continue successfully developing its network and the facilities that support its mobile services;
- general economic, financial or market conditions and variations in the businesses of local, regional and national advertisers in Quebecor Media's newspapers, television outlets and other media properties;
- the intensity of competitive activity in the industries in which Quebecor operates;
- fragmentation of the media landscape;
- new technologies that might change consumer behaviour with respect to Quebecor Media's product suites;
- unanticipated higher capital spending required for developing Quebecor Media's network or to address the continued development of competitive alternative technologies, or the inability to obtain additional capital to continue the development of Quebecor's business;
- Quebecor's ability to implement its business and operating strategies successfully and to manage its growth and expansion;
- disruptions to the network through which Quebecor Media provides its television, Internet access, mobile and wireline telephony and OTT video services, and its ability to protect such services against piracy, unauthorized access and other security breaches;
- labour disputes or strikes;
- service interruptions resulting from equipment breakdown, network failure, the threat of natural disasters, epidemics, pandemics and other public-health crisis, including the COVID-19 pandemic, and political instability in some countries;
- impact of emergency measures implemented by various levels of government;
- changes in Quebecor Media's ability to obtain services and equipment critical to its operations;
- changes in laws and regulations, or in their interpretations, which could result, among other things, in the loss (or reduction in value) of Quebecor Media's licences or markets, or in an increase in competition, compliance costs or capital expenditures;
- Quebecor Media's ability to successfully develop its Sports and Entertainment segment and other expanding lines of business in its other segments;
- Quebecor's substantial indebtedness, the tightening of credit markets, and the restrictions on its business imposed by the terms of its debt; and
- interest rate fluctuations that could affect a portion of Quebecor's interest payment requirements on long-term debt.

The forward-looking statements in this document are made to provide investors and the public with a better understanding of the Corporation's circumstances and are based on assumptions it believes to be reasonable as of the day on which they are made. Investors and others are cautioned that the foregoing list of factors that may affect future results is not exhaustive and that undue reliance should not be placed on any forward-looking statements. For more information on the risks, uncertainties and assumptions that could cause the Corporation's actual results to differ from current expectations, please refer to the "Trend Information," Risks and Uncertainties” and “Financial Instruments and Financial Risk Management” sections above, and the Corporation’s other public filings, available at www.sedar.com and www.quebecor.com.

The forward-looking statements in this Management Discussion and Analysis reflect the Corporation’s expectations as of February 23, 2022, and are subject to change after this date. The Corporation expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.

Montréal, Québec

February 23, 2022

QUEBECOR INC.
SELECTED FINANCIAL DATA

Years ended December 31, 2021, 2020 and 2019
(in millions of Canadian dollars, except per share data)

	2021	2020	2019
Operations			
Revenues	**$ 4,554.4**	$ 4,317.8	$ 4,293.8
Adjusted EBITDA	**1,973.2**	1,952.6	1,879.5
Adjusted cash flows from operations	**1,382.1**	1,312.4	1,144.1
Contribution to net income attributable to shareholders:			
Continuing operations	**621.9**	594.5	581.0
Gain (loss) on valuation and translation of financial instruments	**15.7**	7.5	(6.1)
Unusual items	**(59.2)**	(28.0)	(19.6)
Discontinued operations	**-**	33.2	97.5
Net income attributable to shareholders	**578.4**	607.2	652.8
Basic data per share			
Contribution to net income attributable to shareholders:			
Continuing operations	**$ 2.55**	$ 2.36	$ 2.27
Gain (loss) on valuation and translation of financial instruments	**0.06**	0.03	(0.02)
Unusual items	**(0.23)**	(0.11)	(0.08)
Discontinued operations	**-**	0.13	0.38
Net income attributable to shareholders	**2.38**	2.41	2.55
Weighted average number of shares outstanding (in millions)	**243.5**	251.6	255.6
Diluted data per share			
Contribution to net income attributable to shareholders:			
Continuing operations	**$ 2.52**	$ 2.33	$ 2.24
Dilution impact	**-**	-	0.03
Loss on valuation and translation of financial instruments	**-**	-	(0.02)
Unusual items	**(0.23)**	(0.11)	(0.08)
Discontinued operations	**-**	0.13	0.38
Net income attributable to shareholders	**2.29**	2.35	2.55
Diluted weighted average number of shares (in millions)	**248.3**	256.3	255.8

QUEBECOR INC.

SELECTED QUARTERLY FINANCIAL DATA

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

	2021				2020			
	Dec. 31	**Sept. 30**	**June 30**	**March 31**	Dec. 31	Sept. 30	June 30	March 31
Revenues	**$ 1,183.9**	**$ 1,148.2**	**$ 1,131.2**	**$ 1,091.1**	$ 1,146.8	$ 1,111.7	$ 1,003.8	$ 1,055.5
Adjusted EBITDA	**498.8**	**520.3**	**501.4**	**452.7**	526.8	513.4	475.7	436.7
Adjusted cash flows from operations	**370.6**	**365.8**	**338.1**	**307.6**	345.2	346.1	326.1	295.0
Contribution to net income attributable to shareholders:								
Continuing operating activities	**157.6**	**176.1**	**158.3**	**129.9**	165.0	173.1	144.9	111.5
Gain (loss) on valuation and translation of financial instruments	**7.6**	**6.1**	**7.3**	**(5.3)**	(0.4)	(18.3)	4.5	21.7
Unusual items	**(4.7)**	**(9.1)**	**(42.1)**	**(3.3)**	(4.2)	(13.9)	(7.0)	(2.9)
Discontinued operations	**-**	**-**	**-**	**-**	(0.6)	-	32.5	1.3
Net income attributable to shareholders	**160.5**	**173.1**	**123.5**	**121.3**	159.8	140.9	174.9	131.6
Basic data per share								
Contribution to net income attributable to shareholders:								
Continuing operating activities	**$ 0.66**	**$ 0.73**	**$ 0.65**	**$ 0.52**	$ 0.66	$ 0.69	$ 0.57	$ 0.44
Gain (loss) on valuation and translation of financial instruments	**0.03**	**0.02**	**0.03**	**(0.02)**	-	(0.07)	0.02	0.08
Unusual items	**(0.02)**	**(0.04)**	**(0.18)**	**(0.01)**	(0.02)	(0.06)	(0.03)	(0.01)
Discontinued operations	**-**	**-**	**-**	**-**	-	-	0.13	0.01
Net income attributable to shareholders	**0.67**	**0.71**	**0.50**	**0.49**	0.64	0.56	0.69	0.52
Weighted average number of shares outstanding (in millions)	**239.8**	**242.7**	**245.0**	**246.7**	249.1	250.5	252.8	254.0
Diluted data per share								
Contribution to net income attributable to shareholders:								
Continuing operating activities	**$ 0.65**	**$ 0.72**	**$ 0.64**	**$ 0.52**	$ 0.66	$ 0.68	$ 0.57	$ 0.42
Dilution impact	**-**	**-**	**-**	**-**	-	0.01	-	-
Loss on valuation and translation of financial instruments	**-**	**-**	**-**	**(0.02)**	-	(0.07)	-	-
Unusual items	**(0.02)**	**(0.04)**	**(0.17)**	**(0.01)**	(0.02)	(0.06)	(0.03)	(0.01)
Discontinued operations	**-**	**-**	**-**	**-**	-	-	0.12	0.01
Net income attributable to shareholders	**0.63**	**0.68**	**0.47**	**0.49**	0.64	0.56	0.66	0.42
Weighted average number of diluted shares outstanding (in millions)	**244.6**	**247.5**	**249.9**	**246.9**	253.8	250.7	258.6	259.9