QUEBECOR

MANAGEMENT DISCUSSION AND ANALYSIS
2020

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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 telephony; Internet access; television; the Club illico over-the-top ("OTT") video service ("Club illico"); 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-IFRS measures and key performance indicators. In 2020, the Corporation reviewed the nature and definition of some of its non-IFRS measures. As a result, "cash flows from segment operations" was abandoned and replaced by the new "cash flows from operations" metric. The Corporation also added the "consolidated net debt leverage ratio" measure. 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. Descriptions of the changes to non-IFRS measures made by the Corporation in 2020 are also provided.

COVID-19 pandemic

The COVID-19 pandemic is having a significant impact on the economic environment in Canada and around the world. On March 13, 2020, in order to limit the spread of the virus, the Québec government imposed a number of restrictions and special preventive measures, including the suspension of business activities deemed non-essential, across Québec. The Québec government subsequently implemented a gradual reopening plan, which was followed at the end of December 2020 by new restrictions and the suspension of some business activities due to the second wave of the pandemic. This health crisis curtailed the operations of many of Quebecor's business partners and led to a significant slowdown in some of the Corporation's segments in 2020. Among other impacts, the restrictions and preventive measures imposed by the Québec government caused a significant reduction in volume at Videotron retail outlets and delays in client migration to its new Helix entertainment and home management platform; lower advertising revenues, a significant decrease in sports events broadcast by the TVA Sports specialty channel, and reduced film and audiovisual content activity in the Media segment; and the cancellation of most shows and events, and the interruption of music and book distribution activities in the Sports and Entertainment segment. Despite the constraints created by this pandemic, Quebecor has continued and will continue to provide essential telecommunications and news services during this health crisis, while safeguarding the health and safety of the public and its employees. Because of the slowdown in the economy, approximately 10% of Quebecor's workforce have received benefits in 2020 under the Corporation's assistance program. During the health crisis, this program provides financial assistance to employees temporarily laid off or to employees on stand-by in addition to the Canadian wage subsidy programs. Due to significant decreases in their revenues, most of the business units in the Media segment and Sports and Entertainment segment qualified for the Emergency Wage Subsidy, and subsidies totalling $49.6 million were recorded in 2020 as a reduction in employee costs, including $29.0 million in TVA Group Inc ("TVA Group"), $7.5 million in Sports and Entertainment, $4.6 million in newspapers, $3.1 million in Quebecor Media Sales and $2.9 million in NumériQ. Given the uncertainty about the evolution of the pandemic, the full impact of the health crisis over its duration cannot be determined with certainty.

The impact of the COVID-19 health crisis on the operating results of the Corporation's business segments in 2020 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 until the situation returns to normal. The 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

2020 financial year

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

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

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

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

Cash flows from operations: $1.31 billion in 2020, a $168.3 million (14.7%) increase.

Cash flows provided by continuing operating activities: $1.43 billion in 2020, a $219.7 million (18.1%) increase.

Consolidated net debt leverage ratio: 2.68x at December 31, 2020 compared with 2.91x at December 31, 2019.

Fourth quarter 2020

Revenues: $1.15 billion, a $10.6 million (0.9%) increase.

Adjusted EBITDA: $526.8 million, a $32.3 million (6.5%) increase.

Net income attributable to shareholders: $159.8 million ($0.64 per basic share) in the fourth quarter of 2020, a favourable variance of $14.7 million ($0.07 per basic share).

Adjusted income from continuing operating activities: $165.0 million ($0.66 per basic share) in the fourth quarter of 2020, a $5.4 million increase.

Cash flows from operations: $345.2 million, an $84.7 million (32.5%) increase.

Cash flows provided by continuing operating activities: $377.0 million, a $13.9 million increase.

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

	Years ended December 31			Three months ended December 31	
	2020	2019	2018	**2020**	2019
Income					
Revenues					
Telecommunications	**$ 3,622.6**	$ 3,480.4	$ 3,382.0	**$ 940.9**	$ 908.6
Media	**650.5**	738.0	728.6	**185.8**	208.0
Sports and Entertainment	**158.0**	192.2	182.1	**48.8**	54.7
Inter-segment	**(113.3)**	(116.8)	(111.7)	**(28.7)**	(35.1)
	4,317.8	4,293.8	4,181.0	**1,146.8**	1,136.2
Adjusted EBITDA (negative adjusted EBITDA):					
Telecommunications	**1,864.4**	1,803.4	1,715.6	**481.7**	462.7
Media	**82.2**	74.8	60.0	**45.6**	35.3
Sports and Entertainment	**8.7**	7.3	10.5	**2.1**	2.6
Head Office	**(2.7)**	(6.0)	(9.8)	**(2.6)**	(6.1)
	1,952.6	1,879.5	1,776.3	**526.8**	494.5
Depreciation and amortization	**(803.2)**	(750.4)	(753.1)	**(213.5)**	(186.3)
Financial expenses	**(328.2)**	(327.5)	(332.0)	**(79.1)**	(81.4)
Gain (loss) on valuation and translation of financial instruments	**8.0**	(6.5)	(61.3)	**(0.9)**	(14.6)
Restructuring of operations and other items	**(39.2)**	(28.6)	(29.1)	**(6.1)**	(1.6)
Income taxes	**(205.8)**	(205.7)	(162.8)	**(58.1)**	(60.3)
Income from discontinued operations	**33.2**	97.5	3.8	**(0.6)**	–
Net income	**$ 617.4**	$ 658.3	$ 441.8	**$ 168.5**	$ 150.3
Income from continuing operating activities attributable to shareholders	**$ 574.0**	$ 555.3	$ 400.2	**$ 160.4**	$ 145.1
Net income attributable to shareholders	**607.2**	652.8	403.7	**159.8**	145.1
Adjusted income from continuing operating activities	**594.5**	581.0	469.8	**165.0**	159.6
Per basic share:					
Income from continuing operating activities attributable to shareholders	**2.28**	2.17	1.67	**0.64**	0.57
Net income attributable to shareholders	**2.41**	2.55	1.69	**0.64**	0.57
Adjusted income from continuing operating activities	**2.36**	2.27	1.96	**0.66**	0.63

	Years ended December 31			Three months ended December 31	
	2020	2019	2018	**2020**	2019
Additions to property, plant and equipment and to intangible assets:					
Telecommunications	**$ 596.1**	$ 678.1	$ 720.2	**$ 164.6**	$ 214.2
Media	**38.0**	50.0	33.8	**14.8**	18.4
Sports and Entertainment	**3.4**	4.9	5.0	**0.9**	0.8
Head Office	**2.7**	2.4	5.0	**1.3**	0.6
	640.2	735.4	764.0	**181.6**	234.0
Acquisition of spectrum licences	**–**	255.8	–	**–**	–
Cash flows:					
Cash flows from operations					
Telecommunications	**1,268.3**	1,125.3	995.4	**317.1**	248.5
Media	**44.2**	24.8	26.2	**30.8**	16.9
Sports and Entertainment	**5.3**	2.4	5.5	**1.2**	1.8
Head Office	**(5.4)**	(8.4)	(14.8)	**(3.9)**	(6.7)
	1,312.4	1,144.1	1,012.3	**345.2**	260.5
Cash flows provided by continuing operating activities	**1,431.5**	1,211.8	1,424.0	**377.0**	363.1
Dividends declared	**201.1**	100.3	46.3	**49.8**	28.7
Dividends declared per basic share	**0.80**	0.39	0.19	**0.20**	0.11
Balance sheet:					
Cash and cash equivalents	**$ 136.7**	$ 14.0	$ 21.0	**$**	
Working capital	**(33.4)**	(161.4)	(291.9)		
Total assets	**9,861.6**	9,725.9	9,657.5		
Total debt (current and long-term)	**5,773.4**	5,957.5	6,428.2		
Lease liabilities	**173.3**	137.9	144.4		
Convertible debentures, including embedded derivatives	**156.5**	165.8	155.2		
Equity attributable to shareholders	**1,112.6**	977.5	480.0		
Equity	**1,214.1**	1,072.1	568.5		
Number of common shares outstanding (in millions)	**248.2**	254.6	257.1		
Consolidated net debt leverage ratio	**2.68x**	2.91x	3.22x		

<u>Telecommunications</u>

- The Telecommunications segment grew its revenues by $142.2 million (4.1%) and its adjusted EBITDA by $61.0 million (3.4%) in 2020.
- Videotron significantly increased its revenues from customer equipment sales ($139.1 million or 51.6%), mobile telephony ($57.8 million or 9.6%), and Internet access ($17.1 million or 1.5%) in 2020.
- Videotron's total average billing per unit ("ABPU") was $49.94 in 2020, compared with $50.00 in 2019, a $0.06 (-0.1%) decrease. Mobile ABPU was $50.85 in 2020, compared with $52.56 in 2019, a $1.71 (-3.3%) decrease due in part to a decrease in overage and roaming revenues caused by the COVID-19 public health crisis and the popularity of bring your own device ("BYOD") plans.
- There was a net increase of 71,700 revenue generating units ("RGU") (1.2%) in 2020, including 150,600 connections (11.3%) to the mobile telephony service, 69,500 subscriptions (4.0%) to the Internet access service and 10,400 subscriptions (2.3%) to Club illico.

- On December 15, 2020, Videotron announced the launch of its 5G network, with service to be phased in first in the City of Montréal and then rolled out in other parts of Québec. This state-of-the-art technology offers customers faster upload and download speeds and supports the introduction of new applications.
- From March 13 through June 30, 2020, and December 20, 2020 through January 3, 2021, Videotron suspended data caps on all of its customers' residential and business Internet plans to support the implementation of effective teleworking arrangements at Québec businesses and enable customers to stay connected with loved ones during the COVID-19 pandemic. From March 13 to June 30, 2020, Videotron also cancelled roaming charges outside Canada and the Daily Traveller Pass fee.
- Videotron placed first in the Technology and Telecommunications category in the BIP Recherche-ICO awards for the most trusted organizations of the past decade, announced by the Institut de la confiance dans les organisations (ICO) on March 11, 2020. Videotron was also on the 2020 list of Montréal's Top Employers released by Mediacorp Canada Inc. on January 30, 2020.

Media

- On September 30, 2020, TVA Group announced that Mels Studios and Postproduction G.P. had obtained Dolby Atmos Home Entertainment 9.1.4 certification, a Canadian first. Dolby reserves this certification for companies that meet the highest standards in order to provide moviegoers around the world with optimal sound quality.
- According to the fall 2020 Vividata survey, *Le Journal de Montréal* and *Le Journal de Québec* remain Québec's news leaders with more than $3.7 million readers per week on all platforms (print, mobile and Internet). TVA Group remains a leading player in the Canadian magazine industry with an average of more than 8.3 million readers on all platforms.

Sports and Entertainment

- On February 10, 2021, the Sports and Entertainment segment announced the acquisition of Les Disques Audiogramme inc. The addition of the largest independent French-language record label in North America positions the segment to continue supporting talented Québec artists and disseminating and promoting Québec music.
- On June 17, 2020, the Sports and Entertainment segment announced the acquisition of the Théâtre Capitole in Québec City. The acquisition of the unique, hundred-year-old, 1,300-seat venue will enhance the Québec City entertainment scene.

Financial transactions

- On February 24, 2021, the Board of Directors of Quebecor declared a quarterly dividend of $0.275 per share on its Class A Multiple Voting Shares ("Class A Shares") and Class B Subordinate Voting Shares ("Class B Shares"). The 38% increase is in line with the Corporation's dividend target of 30% to 50% of free cash flows.
- On February 11, 2021, TVA Group amended its $75.0 million secured revolving credit facility to extend its term from February 2021 to February 2022 and amend certain terms and conditions. On February 21, 2020, TVA Group had lowered the limit on the facility from $150.0 million to $75.0 million and amended certain terms and conditions.
- 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 $644.1 million, net of financing fees of $5.9 million. Videotron intends to use the proceeds from this offering for general corporate purposes, including, without limitation, the repayment of a portion of its current debt.
- Quebecor's $50.0 million revolving credit facility expired on July 15, 2020 and was not renewed.

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. Competition also comes from wholesale Internet resellers. These resellers purchase large companies' high-speed access services to offer their own services to customers. 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, 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 term 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 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 the 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, measured in terms of copies sold, has been declining in that industry over the past several years. 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 to expand the Sports and Entertainment segment despite not operating in a major market.

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 e-books, 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, 2020, Quebecor held all the shares of Quebecor Media.

Table 2 shows Quebecor Media's equity interest in its main subsidiaries at December 31, 2020.

Table 2
Quebecor Media's interest (direct and indirect) in its main subsidiaries
As of December 31, 2020

	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.

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).

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 rate 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.

Segmented Analysis

Telecommunications

In Quebecor Media's Telecommunications segment, Videotron is the largest cable operator in Québec and the third-largest in Canada by customer base. Its state-of-the-art network passes 2,994,700 homes and businesses. Videotron offers advanced mobile telephony services, including high-speed Internet access, mobile television and many other functionalities supported by smartphones; Internet access service; digital television distribution services, including video-on-demand, pay-per-view and pay TV; wireline telephony services; and Club illico. Videotron also 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 launched in August 2019 that is revolutionizing entertainment and home management with voice remote, ultra-intelligent Wi-Fi and support for home automation. On December 15, 2020, Videotron announced the launch of its 5G network, state-of-the-art technology that offers customers faster upload and download speeds and supports the introduction of new applications.

2020 operating results

Revenues: $3.62 billion in 2020, a $142.2 million (4.1%) increase.

- Revenues from the mobile telephony service increased $57.8 million (9.6%) to $658.5 million, due primarily to an increase in the number of subscriber connections, partially offset by a decrease in average per-subscriber revenues.
- Revenues from Internet access services increased $17.1 million (1.5%) to $1.13 billion, due mainly to an increase in the customer base, partially offset by a decrease in average per-subscriber revenues.
- Revenues from television services decreased $70.8 million (-7.3%) to $903.6 million, due primarily to the impact of the net decrease in the customer base.
- Revenues from the wireline telephony service decreased $2.7 million (-0.8%) to $338.4 million, mainly because of the impact of the net decrease in subscriber connections, largely offset by higher average per-connection revenues due in part to increases in some rates.
- Revenues from customer equipment sales increased $139.1 million (51.6%) to $408.9 million, mainly because of the impact of equipment sales related to the Helix platform launched on August 27, 2019 and higher sales of mobile devices.
- Other revenues increased $1.7 million (0.9%) to $181.8 million, mainly reflecting higher revenue at Club illico.

Total ABPU: Videotron's total ABPU was $49.94 in 2020 compared with $50.00 in 2019, a $0.06 (-0.1%) decrease. Mobile ABPU was $50.85 in 2020, compared with $52.56 in 2019, a $1.71 (-3.3%) decrease due in part to a decrease in overage and roaming revenues caused by the COVID-19 public health crisis and the popularity of BYOD plans.

Customer statistics

RGUs – The total number of RGUs was 6,147,900 at December 31, 2020, an increase of 71,700 (1.2%) in 2020 compared with an increase of 85,900 in 2019 (Table 3).

Mobile telephony – The number of subscriber connections to the mobile telephony service stood at 1,481,100 at December 31, 2020, an increase of 150,600 (11.3%) in 2020 compared with an increase of 176,700 in 2019 (Table 3).

Internet access – The number of subscribers to the Internet access service stood at 1,796,800 at December 31, 2020, an increase of 69,500 (4.0%) in 2020 compared with an increase of 22,800 in 2019 (Table 3). As of December 31, 2020, Videotron's Internet access services had a household and business penetration rate (number of subscribers as a proportion of the total 2,994,700 homes and businesses passed by Videotron's network as of December 31, 2020, up from 2,950,100 one year earlier) of 60.0% compared with 58.6% a year earlier.

Television – The number of subscribers to television services stood at 1,475,600 at December 31, 2020, a decrease of 56,200 (-3.7%) in 2020 compared with a decrease of 65,500 in 2019 (Table 3). At December 31, 2020, the television service had a household and business penetration rate of 49.3% versus 51.9% a year earlier.

Wireline telephony – The number of subscriber connections to the wireline telephony service stood at 924,700 at December 31, 2020, a decrease of 102,600 (-10.0%) in 2020 compared with a decrease of 86,600 in 2019 (Table 3). As of December 31, 2020, the wireline telephony service had a household and business penetration rate of 30.9% versus 34.8% a year earlier.

Club illico – The number of subscribers to Club illico stood at 469,700 at December 31, 2020, an increase of 10,400 (2.3%) in 2020 compared with an increase of 38,500 in 2019 (Table 3).

Table 3
Telecommunications segment year-end RGUs (2016-2020)
(in thousands of customers)

	2020	2019	2018	2017	2016
Mobile telephony	**1,481.1**	1,330.5	1,153.8	1,024.0	893.9
Internet	**1,796.8**	1,727.3	1,704.5	1,666.5	1,612.8
Television	**1,475.6**	1,531.8	1,597.3	1,640.5	1,690.9
Wireline telephony	**924.7**	1,027.3	1,113.9	1,188.5	1,253.1
Club illico	**469.7**	459.3	420.8	361.6	314.7
Total	**6,147.9**	6,076.2	5,990.3	5,881.1	5,765.4

Adjusted EBITDA: $1.86 billion, a $61.0 million (3.4%) increase due primarily to:

- impact of the net revenue increase.

Partially offset by:

- net increase in operating expenses, due mainly to cost increases related to the popularity of the Helix platform, which continues to grow, partially offset by the impact of prudent management of other costs.

The unfavourable variance in the comparative results caused by recognition of a one-time gain in 2019 was partially offset by a favourable variance due to the updating of certain provisions 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 48.5% in 2020 compared with 48.2% in 2019.

Cash flows from operations: $1.27 billion in 2020 compared with $1.13 billion in 2019 (Table 15). The $143.0 million (12.7%) increase was due primarily to a $57.2 million decrease in additions to property, plant and equipment, mainly attributable to lower spending related to the leasing of set-top boxes and the postponement of some investments during the COVID-19 pandemic, as well as a $24.8 million decrease in additions to intangible assets, also due to the postponement of some investments, and the $61.0 million increase in adjusted EBITDA.

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. 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 (“Incendo Media”), TVA Group is engaged in the production and distribution of television programs, movies and series for international markets.

TVA Group publishes more than 50 French- and English-language magazine titles in various categories, including show business, television, fashion and decorating. It also markets digital products associated with the various magazine brands. TVA Group is the largest magazine publisher in Québec.

The Media segment also operates two paid daily newspapers, *Le Journal de Montréal* and *Le Journal de Québec*, the free daily *24 heures* and the J5 app, which provides real-time access to news on mobile devices and tablets. The websites of the paid dailies, *journaldemontreal.com* and *journaldequebec.com*, lead the news sites in their markets with more than 4.9 million unique visitors per month (source: ComScore Canada Multi-platform, monthly average unduplicated, January to November 2020). According to corporate figures, the aggregate circulation of the Media segment's paid and free newspapers as of December 31, 2020 was approximately 1.8 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 *Tabloïd*. 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 7.1 million unique visitors per month in Canada (source: ComScore Inc., November 2020).

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 Sales, which offers Media segment customers integrated, diversified and complete advertising services, and Quebecor Content, which contributes to the creation, development, acquisition and distribution of television content and formats.

2020 operating results

Revenues: $650.5 million in 2020, an $87.5 million (-11.9%) decrease.

- Advertising revenues decreased by $54.1 million (-15.9%), mainly because of lower advertising revenues at TVA Network, the newspapers, magazines, specialty channels and Quebecor Out of Home, partly reflecting the impact of COVID-19.
- Other revenues decreased $23.1 million (-12.3%), due primarily to a decrease in revenues from film and audiovisual services because of the suspension of film shoots during the COVID-19 pandemic, as well as a decrease in magazine distribution revenues.
- Subscription revenues decreased by $10.3 million (-4.9%), mainly because of lower subscription revenues at the magazines and newspapers.

Adjusted EBITDA: $82.2 million in 2020, a $7.4 million (9.9%) increase. A decrease in labour costs due to the impact of salary savings and the government measures introduced to deal with the COVID-19 pandemic, decreases in broadcast content costs, and decreases in production, distribution, editorial and selling expenses were partially offset by the impact of the net revenue decrease.

Cost/revenue ratio: Employee costs and purchases of goods and services for the Media segment's operations, expressed as a percentage of revenues, were 87.4% in 2020 compared with 89.9% in 2019. The decrease was mainly due to lower labour costs and broadcast content costs, as well as decreases in production, distribution, editorial and selling expenses.

Cash flows from operations: $44.2 million in 2020 compared with $24.8 million in 2019 (Table 15). The $19.4 million (78.2%) increase was due to a $12.0 million decrease in additions to property, plant and equipment and to intangible assets, and the $7.4 million increase in adjusted EBITDA.

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 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 operates the food concessions during events.

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 e-books, and which is the exclusive distributor for more than 260 Québec and European French-language publishers.

The Sports and Entertainment segment is engaged in the distribution of CDs and videos (Distribution Select); the distribution of music to Internet music downloading and streaming services (Select Digital); music recording and video production (Disques Musicor); and concert and event production (Musicor Spectacles).

On February 10, 2021, the Sports and Entertainment segment announced the acquisition of Les Disques Audiogramme inc., the largest independent French-language record label in North America.

2020 operating results

Revenues: $158.0 million in 2020, a $34.2 million (-17.8%) decrease due primarily to lower revenues from music, from concerts at the Videotron Centre, from hockey and from sporting events caused in large part by the COVID-19 pandemic, partially offset by higher revenues from book publishing and distribution.

Adjusted EBITDA: $8.7 million in 2020, a $1.4 million (19.2%) increase due primarily to decreases in some operating expenses, including labour costs as a result of the impact of salary savings and government measures introduced to deal with the COVID-19 pandemic, and decreases in operating and production costs, partially offset by the impact of the decline in revenues.

Cash flows from operations: $5.3 million in 2020 compared with $2.4 million in 2019 (Table 15). The $2.9 million favourable variance was due primarily to the $1.4 million increase in adjusted EBITDA and a $1.5 million decrease in additions to property, plant and equipment and to intangible assets.

2020/2019 FOURTH QUARTER COMPARISON

Analysis of consolidated results of operations and cash flows of Quebecor

Revenues: $1.15 billion, a $10.6 million (0.9%) increase.

- Revenues increased in Telecommunications ($32.3 million or 3.6%).
- Revenues decreased in Media ($22.2 million or -10.7% of segment revenues) and in Sports and Entertainment ($5.9 million or -10.8%).

Adjusted EBITDA: $526.8 million, a $32.3 million (6.5%) increase.

- Adjusted EBITDA increased in Telecommunications ($19.0 million or 4.1% of segment adjusted EBITDA) and in Media ($10.3 million or 29.2%).
- There was a favourable variance at Head Office ($3.5 million).
- Adjusted EBITDA decreased in Sports and Entertainment ($0.5 million or -19.2%).
- The change in the fair value of Quebecor Media stock options resulted in a $1.1 million favourable variance in the stock-based compensation charge in the fourth quarter of 2020 compared with the same period of 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 $3.3 million favourable variance in the Corporation's stock-based compensation charge in the fourth quarter of 2020.

Net income attributable to shareholders: $159.8 million ($0.64 per basic share) in the fourth quarter of 2020, compared with $145.1 million ($0.57 per basic share) in the same period of 2019, a favourable variance of $14.7 million ($0.07 per basic share).

- The main favourable variances were:
  - $32.3 million increase in adjusted EBITDA;
  - $13.7 million favourable variance in losses on valuation and translation of financial instruments, including $12.6 million without any tax consequences.
- The main unfavourable variances were:
  - $27.2 million increase in the depreciation and amortization charge;
  - $4.5 million increase in the charge for restructuring of operations and other items.

Adjusted income from continuing operating activities: $165.0 million ($0.66 per basic share) in the fourth quarter of 2020, compared with $159.6 million ($0.63 per basic share) in the same period of 2019, a $5.4 million increase.

Cash flows from operations: $345.2 million, an $84.7 million (32.5%) increase due primarily to a $27.5 million decrease in additions to property, plant and equipment, a $24.9 million decrease in additions to intangible assets, and the $32.3 million increase in adjusted EBITDA.

Cash flows provided by continuing operating activities: $377.0 million, a $13.9 million increase due primarily to the net change in non-cash balances related to operating activities and the increase in adjusted EBITDA in the Telecommunications and Media segments, partially offset by the increase in current income taxes.

Depreciation and amortization charge: $213.5 million in the fourth quarter of 2020, an $27.2 million increase due mainly to the impact of the revision of the depreciation period for some capital assets in the Telecommunications segment in consideration of technological developments and the impact of investments in property, plant and equipment and in intangible assets in the Telecommunications segment, including amortization of intangible assets related to investments in the Helix platform, partially offset by lower spending related to the leasing of set-top boxes.

Financial expenses: $79.1 million in the fourth quarter of 2020, a $2.3 million decrease caused mainly by lower average indebtedness and a favourable variance in gains and losses on foreign currency translation of short-term monetary items, partially offset by the impact of the higher average interest rate on the long-term debt.

Loss on valuation and translation of financial instruments: $0.9 million in the fourth quarter of 2020 compared with $14.6 million in the same period of 2019. The $13.7 million favourable variance was due to a $12.6 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: $6.1 million in the fourth quarter of 2020 compared with $1.6 million in the same period of 2019, a $4.5 million unfavourable variance.

- A $4.9 million charge was recognized in the fourth quarter of 2020 in connection with cost-reduction initiatives in the Corporation's various segments ($1.6 million in the fourth quarter of 2019). In the fourth quarter of 2020, a $1.2 million charge for impairment of assets was also recognized in connection with various restructuring initiatives.

Income tax expense: $58.1 million in the fourth quarter of 2020 (effective tax rate of 25.6%), compared with $60.3 million in the same period of 2019 (effective tax rate of 27.0%), a $2.2 million favourable variance caused essentially by the impact of the decrease in taxable income.

Segmented Analysis

Telecommunications

Revenues: $940.9 million, a $32.3 million (3.6%) increase due essentially to the same factors as those noted above under “2020/2019 financial year comparison.”

- Revenues from the mobile telephony service increased $13.0 million (8.3%) to $170.2 million.
- Revenues from Internet access services increased $9.6 million (3.4%) to $292.3 million.
- Revenues from television services decreased $19.5 million (-8.1%) to $220.0 million.
- Revenues from wireline telephony service decreased $0.4 million (-0.5%) to $83.3 million.
- Revenues from customer equipment sales increased $28.8 million (28.9%) to $128.4 million.
- Other revenues increased $0.8 million (1.7%) to $46.7 million.

Total ABPU: Videotron’s total ABPU was $50.21 in the fourth quarter of 2020 compared with $$49.99 in the same period of 2019, a $0.22 (0.4%) increase. Mobile ABPU was $50.52 in the fourth quarter of 2020, compared with $51.89 in the same period of 2019, a $1.37 (-2.6%) decrease due in part to a decrease in overage and roaming revenues caused by the COVID-19 public health crisis and the popularity of BYOD plans.

Customer statistics

RGUs – 43,000 (0.7%) unit increase in the fourth quarter of 2020 compared with an increase of 21,800 in the same period of 2019.

Mobile telephony – 28,500 (2.0%) subscriber-connection increase in the fourth quarter of 2020 compared with an increase of 41,800 in the same period of 2019.

Internet access – 27,000 (1.5%) subscriber increase[1] in the fourth quarter of 2020 compared with an increase of 3,000 in the same period of 2019.

Television – 6,200 (-0.4%) subscriber decrease in the fourth quarter of 2020 compared with a decrease of 13,400 in the same period of 2019.

Wireline telephony – 23,100 (-2.4%) subscriber-connection decrease[2] in the fourth quarter of 2020 compared with a decrease of 25,400 in the same period of 2019.

Club illico – 16,800 (3.7%) subscriber increase in the fourth quarter of 2020 compared with an increase of 15,800 in the same period of 2019.

Adjusted EBITDA: $481.7 million, a $19.0 million (4.1%) increase due primarily to the impact of the net revenue increase.

Cost/revenue ratio: Employee costs and purchases of goods and services for all Telecommunications segment operations, expressed as a percentage of revenues, were 48.8% in the fourth quarter of 2020 compared with 49.1% in the same period of 2019.

Cash flows from operations: $317.1 million in the fourth quarter of 2020 compared with $248.5 million in the same period of 2019 (Table 15). The $68.6 million increase was caused primarily by a $26.2 million decrease in additions to intangible assets due to the postponement of some investments during the COVID-19 pandemic, a $23.4 million decrease in additions to property, plant and equipment, also due to the postponement of some investments, and the $19.0 million increase in adjusted EBITDA.

[1] The numbers for the end of the third quarter of 2020 have been lowered by 3,800 customers (reflecting reductions in customer growth of 2,500 and 1,300 in the first and second quarters of 2020 respectively) to correct an irregularity discovered in the RGU growth compilation systems.

[2] The numbers for the end of the third quarter of 2020 have been lowered by 3,100 subscriber connections (reflecting reductions in customer growth of 2,700 and 400 in the first and second quarters of 2020 respectively) to correct an irregularity discovered in the RGU growth compilation systems.

Media

Revenues: $185.8 million in the fourth quarter of 2020, a $22.2 million (-10.7%) decrease.

- Other revenues decreased $9.6 million (-16.6%) due primarily to a decrease in revenues from production and distribution, and from film and audiovisual services, because of the suspension of film shoots due to the COVID-19 pandemic, as well as a decrease in magazine distribution revenues.
- Advertising revenues decreased by $8.5 million (-8.9%), mainly because of lower advertising revenues at the newspapers, the speciality channels and TVA Network.
- Subscription revenues decreased by $4.1 million (-7.5%), mainly because of lower subscription revenues at the specialty channels and the magazines.

Adjusted EBITDA: $45.6 million in the fourth quarter of 2020, a $10.3 million (29.2%) favourable variance due primarily to:

- lower broadcasting content costs due, among other things, to the postponement of sporting events, decreases in some operating expenses, including labour costs, because of the impact of salary savings and the government measures introduced to deal with the COVID-19 pandemic, and to lower production and distribution costs.

Cost/revenue ratio: Employee costs and purchases of goods and services for the Media segment's operations, expressed as a percentage of revenues, were 75.5% in the fourth quarter of 2020 compared with 83.0% in the same period of 2019. The decrease was mainly due to the decrease in broadcast content costs.

Cash flows from operations: $30.8 million in the fourth quarter of 2020 compared with $16.9 million in the same period of 2019 (Table 15). The $13.9 million increase was mainly due to the $10.3 million increase in adjusted EBITDA and a $4.1 million decrease in additions to property, plant and equipment.

Sports and Entertainment

Revenues: $48.8 million in the fourth quarter of 2020, a $5.9 million (-10.8%) decrease due primarily to lower revenues from music, hockey, concerts at the Videotron Centre and sporting events because of the COVID-19 pandemic, partially offset by higher revenues from book distribution and publishing.

Adjusted EBITDA: $2.1 million in the fourth quarter of 2020, a $0.5 million (-19.2%) decrease due primarily to the impact of the decline in revenues, partially offset by decreases in some operating expenses, including labour costs as a result of the impact of salary savings and the government measures introduced to deal with the COVID-19 pandemic, and production costs.

Cash flows from operations: $1.2 million in the fourth quarter of 2020 compared with $1.8 million in the same period of 2019 (Table 15). The $0.6 million decrease was essentially due to the $0.5 million decrease in adjusted EBITDA.

2019/2018 FINANCIAL YEAR COMPARISON

Analysis of consolidated results of operations and cash flows of Quebecor

Revenues: $4.29 billion, a $112.8 million (2.7%) increase.

- Revenues increased in Telecommunications ($98.4 million or 2.9% of segment revenues), Sports and Entertainment ($10.1 million or 5.5%) and Media ($9.4 million or 1.3%).

Adjusted EBITDA: $1.88 billion, a $103.2 million (5.8%) increase.

- Adjusted EBITDA increased in Telecommunications ($87.8 million or 5.1% of segment adjusted EBITDA).
- Adjusted EBITDA increased in Media ($14.8 million or 24.7%).
- There was a favourable variance at Head Office ($3.8 million), mainly due to lower stock-based compensation costs.
- Adjusted EBITDA decreased in Sports and Entertainment ($3.2 million or -30.5%).
- The change in the fair value of Quebecor Media stock options resulted in a $7.4 million favourable variance in the stock-based compensation charge in 2019 compared with 2018. The change in the fair value of Quebecor stock options and in the value of Quebecor stock-price-based share units resulted in a $1.6 million unfavourable variance in the Corporation's stock-based compensation charge in 2019.

Net income attributable to shareholders: $652.8 million ($2.55 per basic share) in 2019, compared with $403.7 million ($1.69 per basic share) in 2018, an increase of $249.1 million ($0.86 per basic share).

- The main favourable variances were:
  - $103.2 million increase in adjusted EBITDA;
  - $93.7 million favourable variance in income from discontinued operations;
  - $54.8 million favourable variance in losses on valuation and translation of financial instruments, including $54.7 million without any tax consequences;
  - $32.6 million favourable variance in non-controlling interest.
- The unfavourable variance was mainly due to:
  - $42.9 million increase in the income tax expense.

Adjusted income from continuing operating activities: $581.0 million ($2.27 per basic share) in 2019, compared with $469.8 million ($1.96 per basic share) in 2018, an increase of $111.2 million ($0.31 per basic share) or 23.7%.

Cash flows from operations: $1.14 billion in 2019, a $131.8 million (13.0%) increase due to a $103.2 million increase in adjusted EBITDA and a $67.9 million decrease in additions to property, plant and equipment, partially offset by a $39.3 million increase in additions to intangible assets.

Cash flows provided by continuing operating activities: $1.21 billion in 2019, a $212.2 million (-14.9%) decrease due primarily to the unfavourable net change in non-cash balances related to operating activities, partially offset by the increase in adjusted EBITDA in the Telecommunications and Media segments and the decrease in current income taxes.

Depreciation and amortization charge: $750.4 million in 2019, a $2.7 million decrease.

Financial expenses: $327.5 million in 2019, a $4.5 million decrease. Reductions in financial expenses were caused mainly by lower interest on convertible debentures and a lower average interest rate on the debt. Additions to financial expenses were caused mainly by higher average indebtedness as a result of debt financing of a portion of the repurchase of the Quebecor Media shares held by CDP Capital d'Amérique Investissements inc., in the second quarter of 2018, and lower interest revenues generated by liquidity.

Loss on valuation and translation of financial instruments: $6.5 million in 2019 compared with $61.3 million in 2018. The $54.8 million favourable variance was due to a $54.7 million favourable variance, without any tax consequences, in losses on embedded derivatives related to convertible debentures.

Charge for restructuring of operations and other items: $28.6 million in 2019, compared with $29.1 million in 2018.

- A $9.8 million net restructuring charge was recognized in 2019 in connection with cost-reduction initiatives in the Corporation's various segments ($14.2 million in 2018). An $18.8 million charge for impairment of assets was also recognized in 2019 in connection with restructuring initiatives ($14.9 million in 2018).

Income tax expense: $205.7 million in 2019 (effective tax rate of 26.6%), compared with $162.8 million in 2018 (effective tax rate of 24.6%), a $42.9 million unfavourable variance. The increase in the effective tax rates reflects the recognition of benefits arising from prior year tax losses in 2018. This increase in the tax rate, combined with the impact of the increase in taxable income for tax purposes, explains the increase in the income tax expense in 2019 compared with 2018. The effective tax rate is calculated considering only taxable and deductible items.

CASH FLOWS AND FINANCIAL POSITION

This section provides an analysis of the Corporation 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" below.

Operating activities

Cash flows provided by continuing operating activities: $1.43 billion in 2020 compared with $1.21 billion in 2019.

The $219.7 million increase was primarily due to:

- $269.3 million favourable net change in non-cash operating assets and liabilities, due primarily to favourable variances in income tax payable and accounts payable and accrued charges, partially offset by an increase in accounts receivable;
- $61.0 million increase in adjusted EBITDA in the Telecommunications segment.

Partially offset by:

- $100.8 million increase in current income taxes;
- $20.9 million increase in the cash portion of the charge for restructuring of operations and other items.

The favourable net variance in income tax payable and in other non-cash items and the increase in the Telecommunications segment's profitability had a favourable impact on cash flows provided by continuing operating activities in 2020 compared with 2019.

Working capital: Negative $33.4 million at December 31, 2020 compared with negative $161.4 million at December 31, 2019. The $128.0 million favourable variance was due primarily to an increase in cash and cash equivalents provided by cash flows from operating activities, an increase in accounts receivable, a reduction in the short-term portion of long-term debt, a reduction in bank indebtedness, a decrease in deferred revenues and an increase in inventory, partially offset by an increase in accounts payable and accrued charges.

Investing activities

Cash flows used for additions to property, plant and equipment: $447.2 million in 2020 compared with $501.6 million in 2019. The $54.4 million reduction consists of $67.8 million due primarily to a decrease in investments related to set-top box rental and the postponement of some investments because of COVID-19, mainly in the Telecommunications segment, partially offset by a $13.4 million net unfavourable variance in current non-cash items.

Cash flows used for additions to intangible assets: $205.9 million in 2020 compared with $496.9 million in 2019. The $291.0 million reduction mainly reflects the impact of the purchase by Videotron of spectrum licences in the 600 MHz band for $255.8 million in 2019 and the postponement of some investments because of COVID-19, mainly in the Telecommunications segment, and a $7.8 million net favourable variance in current non-cash items.

Proceeds from disposal of assets: $4.4 million in 2020 compared with $4.2 million in 2019.

Business acquisitions: $47.1 million in 2020 compared with $35.6 million in 2019.

- Business acquisitions in 2020 consisted essentially of the acquisition of Télédistribution Amos inc. and its network in Abitibi-Témiscamingue in the Telecommunications segment, and of the Théâtre Capitole, a Québec City performance venue, in the Sports and Entertainment segment.
- In 2019, business acquisitions consisted of the acquisition of the companies in the Serdy Média inc., Serdy Video Inc. and Incendo Media groups in the Media segment.

Business disposals: $0.2 million in 2020 compared with $260.7 million in 2019.

- In 2019, business disposals consisted in the sale of the operations of the 4Degrees Colocation Inc. data centres ("4Degrees Colocation").

Free cash flows from continuing operating activities

Free cash flows from continuing operating activities: $782.8 million in 2020 compared with $473.3 million in 2019 (Table 16).

The $309.5 million increase was due primarily to:

- $219.7 million increase in cash flows provided by continuing operating activities;
- $54.4 million decrease in cash flows used for additions to property, plant and equipment;
- $35.2 million decrease in cash flows used for additions to intangible assets.

Financing activities

Consolidated debt (long-term debt plus bank indebtedness)**:** $211.8 million reduction in 2020. $80.6 million net unfavourable variance in assets and liabilities related to derivative financial instruments.

- Debt reductions in 2020 essentially consisted of:
  - $116.1 million net reduction in drawings on the secured revolving credit facility of Videotron, TVA Group and Quebecor Media;
  - $71.4 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 cross-currency swap agreements entered under "Derivative financial instruments";
  - $28.8 million decrease in the bank indebtedness of Quebecor Media and Videotron;
  - $12.8 million decrease in Quebecor's debt.
- Additions to debt in 2020 essentially consisted of:
  - $7.7 million increase in debt attributable to changes in fair value related to hedged interest risk.
- Assets and liabilities related to derivative financial instruments totalled a net asset of $597.1 million at December 31, 2020 compared with $677.7 million at December 31, 2019. The $80.6 million net unfavourable variance was mainly due to the unfavourable impact of exchange rate fluctuations on the value of derivative financial instruments.
- 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 $644.1 million, net of financing fees of $5.9 million. Videotron intends to use the proceeds from this offering for general corporate purposes, including, without limitation, the repayment of a portion of its current debt.
- Quebecor's $50.0 million revolving credit facility expired on July 15, 2020 and was not renewed.
- On February 11, 2021, TVA Group amended its $75.0 million secured revolving credit facility to extend its term from February 2021 to February 2022 and amend certain terms and conditions. On February 21, 2020, TVA Group had lowered the limit on the facility from $150.0 million to $75.0 million and amended certain terms and conditions.

Financial Position

Net available liquidity: $2.58 billion at December 31, 2020 for Quebecor and its wholly owned subsidiaries, pro forma the issuance by Videotron of Senior Notes in the aggregate principal amount of $650.0 million on January 22, 2021, consisting of available unused revolving credit facilities in the amount of $1.80 billion, and cash and cash equivalents of $781.5 million.

Consolidated debt (long-term debt plus bank indebtedness)**:** $5.78 billion at December 31, 2020, a $211.8 million decrease compared with December 31, 2019; $80.6 million net unfavourable variance in assets and liabilities related to derivative financial instruments (see "Financing activities" above).

- Consolidated debt essentially consisted of Videotron's $4.11 billion debt ($4.25 billion at December 31, 2019); TVA Group's $28.8 million debt ($44.9 million at December 31, 2019); Quebecor Media's $1.59 billion debt ($1.64 billion at December 31, 2019); and Quebecor's $45.9 million debt ($58.7 million at December 31, 2019).

Consolidated net debt leverage ratio: 2.68x at December 31, 2020 compared with 2.91x at December 31, 2019. The decrease was due primarily to net reductions in drawings on the revolving credit facilities and bank indebtedness, as the case may be, by Videotron, TVA Group, Quebecor Media and Quebecor, using free cash flows from continuing operating activities, and the increase in the trailing 12-month adjusted EBITDA.

As at December 31, 2020, 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)

2021	$	28.5
2022		1,062.5
2023		1,593.4
2024		763.5
2025		400.0
2026 and thereafter		1,938.5
Total	**$**	**5,786.4**

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 4.3 years as of December 31, 2020 (4.9 years pro forma the issuance by Videotron of Senior Notes in the aggregate principal amount of $650.0 million on January 22, 2021) compared with 5.2 years as of December 31, 2019. After taking into account hedging instruments, debt consisted of approximately 96.1% fixed-rate debt (96.6% pro forma the issuance of the Senior Notes on January 22, 2021), compared with 93.9% as at December 31, 2019, and 3.9% floating-rate debt (3.4% pro forma the issuance of the Senior Notes on January 22, 2021), compared with 6.1% as at December 31, 2019.

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 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. The key indicators listed in those financing agreements include debt service coverage ratio and debt ratio (long-term debt over adjusted EBITDA). At December 31, 2020, the Corporation was in compliance with all required financial ratios and restrictive covenants in its financing agreements.

Dividends declared

On February 24, 2021, the Board of Directors of Quebecor declared a quarterly dividend of $0.275 per share on its Class A Shares and Class B Shares, payable on April 6, 2021 to shareholders of record as of the record date of March 12, 2021.

Convertible debentures

In accordance with the terms of the trust indenture governing the convertible debentures, the quarterly dividend declared on November 4, 2020 on Quebecor Class B Shares triggered an adjustment to the floor price and ceiling price then in effect. Accordingly, effective November 19, 2020, the conversion features of the convertible debentures are subject to an adjusted floor price of approximately $26.20 per share (that is, a maximum number of approximately 5,724,218 Class B Shares corresponding to a ratio of $150.0 million to the adjusted floor price) and an adjusted ceiling price of approximately $32.76 per share (that is, a minimum number of approximately 4,579,374 Class B Shares corresponding to a ratio of $150.0 million to the adjusted ceiling price).

Analysis of consolidated balance sheet at December 31, 2020

Table 5
Consolidated balance sheet of Quebecor
Analysis of main variances between December 31, 2020 and 2019
(in millions of Canadian dollars)

	Dec. 31, 2020	Dec. 31, 2019	Difference	Main reasons for difference
Assets				
Cash and cash equivalents	**$ 136.7**	$ 14.0	$ 122.7	Impact of current variances in activity
Accounts receivable	**600.6**	548.0	52.6	Impact of current variances in activity
Property, plant and equipment	**3,189.2**	3,415.9	(226.7)	Depreciation for the period less additions to property, plant and equipment
Intangible assets	**1,466.7**	1,444.0	22.7	Additions to intangible assets less amortization for the period
Goodwill	**2,714.0**	2,692.9	21.1	Acquisition of Télédistribution Amos and its network by the Telecommunications segment
Derivative financial instruments[1]	**597.1**	677.7	(80.6)	See “Financing Activities”
Other assets	**396.8**	248.7	148.1	Impact of current variances in operating and investing activities
Liabilities				
Accounts payable and accrued charges	**872.2**	809.6	62.6	Impact of current variances in activity
Long-term debt, including short-term portion and bank indebtedness	**5,775.1**	5,986.9	(211.8)	See “Financing Activities”
Deferred income taxes[2]	**802.7**	828.0	(25.3)	Impact of variances in activity on consolidated statement of income and consolidated statement of comprehensive income
Other liabilities	**422.8**	371.2	51.6	Loss on remeasurement of defined benefit plans, partially offset by an adjustment on the contingent consideration related to the sale of 4Degrees Colocation

1 Long-term assets less long-term liabilities.
2 Long-term liabilities less long-term assets.

ADDITIONAL INFORMATION

Contractual Obligations

At December 31, 2020, 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, 2020
(in millions of Canadian dollars)

	Total	Under 1 year	1-3 years	3-5 years	5 years or more
Long-term debt[1]	**$ 5,786.4**	$ 28.5	$ 2,655.9	$ 1,163.5	$ 1,938.5
Convertible debentures[2]	**150.0**	–	–	150.0	–
Interest payments[3]	**1,188.4**	246.9	471.0	251.6	218.9
Lease liabilities	**173.3**	34.3	52.9	29.8	56.3
Interest payments on lease liabilities	**48.5**	7.7	11.4	7.5	21.9
Additions to property, plant and equipment and other commitments	**1,355.4**	383.6	403.7	275.1	293.0
Derivative financial instruments[4]	**(538.0)**	1.6	(479.2)	(101.3)	40.9
Total contractual obligations	**$ 8,164.0**	$ **702.6**	$ **3,115.7**	$ **1,776.2**	$ **2,569.5**

1 The carrying value of long-term debt excludes changes in the fair value of long-term debt related to hedged interest rate risk and financing fees.
2 Based on the market value at December 31, 2020 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 $26.20 per share and a ceiling price of approximately $32.76. 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, 2020.
4 Estimated future receipts, net of future disbursements, on derivative financial instruments related to foreign exchange hedging on the principal of U.S -dollars-denominated debt.

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, 2020, the balance of those commitments stood at $646.6 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, 2020, the balance of those commitments stood at $105.1 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, 2020, the balance of those commitments stood at $483.5 million.

Table 7 presents lease liabilities by segment at December 31, 2020 and December 31, 2019:

Table 7
Lease liabilities by segment
(in millions of Canadian dollars)

	Dec. 30, 2020	Dec. 31, 2019
Telecommunications	**$ 142.3**	$ 114.2
Media	**13.4**	13.5
Sports and Entertainment	**44.1**	40.8
Head Office	**(26.5)**	(30.6)
Total	**$ 173.3**	$ 137.9

Pension plan contributions

The expected employer contributions to the Corporation's defined benefit pension plans and post-retirement benefit plans will be $34.2 million in 2021, based on the most recent financial actuarial reports filed (contributions of $29.3 million were paid in 2020).

Related party transactions

The Corporation made sales to affiliated corporations in the amount of $3.7 million in 2020 ($3.8 million in 2019). 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 in the consolidated balance sheets.

Outsourcing companies and suppliers

In the normal course of business, 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 in the consolidated balance sheets with respect to these indemnifications.

Capital stock

In accordance with Canadian financial reporting standards, Table 8 presents information on the Corporation's capital stock as at February 4, 2021. In addition, 3,630,959 share options were outstanding as of February 4, 2021.

Table 8
Capital stock
(in shares and millions of Canadian dollars)

	February 4, 2021		
	Issued and outstanding		**Book value**
Class A Shares	**77,039,034**	**$**	**8.6**
Class B Shares	**169,983,857**	**$**	**1,002.4**

On August 5, 2020, 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 3.5% of issued and outstanding Class B Shares as of July 31, 2020. The purchases can be made from August 15, 2020 to August 14, 2021, at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange or other alternative trading systems. All shares purchased under the bid will be cancelled.

On August 7, 2020, the Corporation announced that it had 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, 2020 and terminates 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 2020, the Corporation purchased and cancelled 6,457,050 Class B Shares for a total cash consideration of $201.2 million (3,107,356 Class B Shares for a total cash consideration of $94.6 million in the same period of 2019). The excess of $163.1 million of the purchase price over the carrying value of Class B Shares repurchased was recorded in reduction of retained earnings (an increase of the deficit of $76.3 million in 2019).

In 2019, 680,000 Class B Shares were issued upon exercise of stock options for a cash consideration of $8.3 million. Following this transaction, the contributed surplus was increased by $12.7 million and the stock option plan liability was reduced by the same amount.

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

Quebecor Media 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 Quebecor Media's customers are using mobile devices as their primary means of video entertainment; therefore, in direct competition with its television and Internet access services. In addition, mobile operators, through the development of their mobile networks, offer wireless and fixed wireless Internet services, which compete with Quebecor Media's Internet access service. Due to the converging nature of technological advances, Quebecor Media 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, Quebecor Media 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 Quebecor Media 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 Quebecor Media's traditional offer less appealing for its customers and may affect its ability to retain and acquire customers. Consequently, this could place Quebecor Media 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. Also, foreign OTT content providers with no Canadian place of business are not required to charge federal and provincial sales tax (except in Saskatchewan and Québec). Given that Quebecor Media's clients, notably its Club illico subscribers, must be charged GST when they purchase Quebecor Media's services, Quebecor Media is at a competitive disadvantage.

Furthermore, Quebecor Media 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, Quebecor Media faces competition from several resellers who have access to the wholesale TPIA service mandated by the CRTC. The recently revised wholesale rates, if upheld by the CRTC following a pending review and vary application, will provide TPIA providers with a cost structure that could lead to increased competition either from established TPIA providers or new entrants. 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.

Quebecor Media also competes against other Internet service providers ("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 Quebecor Media'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 Quebecor Media'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 Quebecor Media in some of its local markets.

Quebecor Media'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 Quebecor Media's business, prospects, revenues, financial condition and results of operations.

In its mobile telephony business, Quebecor Media 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 Quebecor Media 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, the decisions to be taken by the CRTC with regards to a new regulatory framework for mobile services stand to have a significant impact on Quebecor Media’s competitive environment, as Quebecor Media could see the emergence of non facility-based operators (mobile virtual network operators “MVNOs”) with mandated access to the networks of facility-based operators. Quebecor Media 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 Quebecor Media 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 Quebecor Media’s businesses and across the industries in which it operates, combined with the declining demand for certain traditional products, may affect Quebecor Media’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 are evolving faster than the historical investment cycle in the industry. Their introduction and pace of adoption could result in requirements for additional capital investments not currently planned, as well as shorter estimated useful lives for certain of Quebecor Media’s existing assets. Quebecor Media’s strategy of maintaining a leadership 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.

Quebecor Media 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 Quebecor Media’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.

5G technology is evolving rapidly. Canada’s first standards-based commercial launches were announced in 2020 and 5G coverage will expand over the upcoming years. The 5G ecosystem operates on multiple frequency bands, including the 600 MHz spectrum acquired in 2019 by Videotron. However, 3.5 GHz spectrum is becoming a primary band for 5G mobile coverage. ISED Canada is scheduled to hold an auction of 3.5 GHz frequencies beginning in June 2021. There is a risk that Quebecor Media may not be able to purchase the 3.5 GHz spectrum required to compete equally on network speeds and 5G capacity. Any such difficulty or inability to compete could have a material adverse effect on Quebecor Media’s business, reputation, prospects, financial condition, and results of operations.

In the past, Quebecor Media has required substantial capital for the upgrade, expansion and maintenance of its networks and the launch and deployment of new or additional services. Quebecor Media expects that additional capital expenditures will continue to be required in the short-term, mid-term and long-term in order to maintain, expand and enhance its networks systems and services, including expenditures relating to the deployment of LTE-Advanced/5G mobile technologies. Moreover, additional investments in Quebecor Media’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 Quebecor Media’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 Quebecor Media'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 most of Quebecor Media's content production activities, a reduction in the availability of external content, and therefore a reduction in its ability to provide the content and programming that its customers expect; (v) a downgrade or cancellation of customer services; (vi) issues delivering Quebecor Media'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 Quebecor Media; (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 Quebecor Media'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, thereby resulting in Quebecor Media's operations and financial condition being adversely affected.

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 further 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. Quebecor Media 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 Quebecor Media 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 Quebecor Media will be or remain eligible to benefit from such measures. If Quebecor Media 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

Quebecor Media 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, Quebecor Media may be placed at a competitive disadvantage, which could adversely affect its ability to operate its mobile business successfully and profitably. In addition, if Quebecor Media 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, Quebecor Media 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 Quebecor Media's churn rate and, consequently, on its business, prospects, revenues, financial condition and results of operations.

Inventory obsolescence

Quebecor Media'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.

Capital expenditures

There can be no assurance that Quebecor Media 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 Quebecor Media 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

Quebecor Media 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, Quebecor Media may apply to the CRTC to obtain a right of access under the *Telecommunications Act* (Canada) (the "*Telecommunications Act*"). Quebecor Media 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 Quebecor Media 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 Quebecor Media at a competitive disadvantage and which may have a material adverse effect on its business and prospects.

Successful implementation of business and operating strategies

Quebecor Media'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 broadband network, developing high quality and premium content, further integrating the operations of its subsidiaries, leveraging geographic clustering, and maximizing customer satisfaction across its business. Quebecor Media 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, Quebecor Media 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.

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, Quebecor Media 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

Quebecor Media 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 in which it participates, under appropriate conditions. Quebecor Media can provide no assurance that it will be successful in either developing or fulfilling the objectives of any such business expansion.

In addition, Quebecor Media'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 Quebecor Media is not successful in managing its growth, or if Quebecor Media 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

Quebecor Media 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 Quebecor Media 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

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

Key personnel

Quebecor'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 Quebecor's failure to recruit, train, deploy 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, Quebecor 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 Quebecor 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, Quebecor Media'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 Quebecor Media'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 Quebecor Media's traditional media advertising inventories. In addition, foreign digital advertising giants currently operate in Canada without being subject to its fiscal environment, therefore increasing Quebecor Media's 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 Quebecor Media's ability to attract advertisers and consumers to its own digital platforms. In addition, even if successful, Quebecor Media 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, Quebecor Media 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, Quebecor Media's revenues and operating results in these businesses depend on the relative strength of the economy in Quebecor Media's principal markets, as well as the strength or weakness of local, regional and national economic factors. Since a significant portion of Quebecor Media'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 and mobile services depends in large part on Quebecor Media'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, Quebecor Media 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. Quebecor Media may be unable to maintain key programming contracts at commercially reasonable rates for television programming. Loss of programming contracts, Quebecor Media'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 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 Quebecor Media'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, while not required to charge provincial (except in Saskatchewan and Québec) and federal sales taxes or to contribute financially to the Canadian traditional television business model or Internet infrastructure. This arrangement may exert upward pressure on content price.

Furthermore, on November 3, 2020, the federal government introduced Bill C-10 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 them to promote Canadian cultural products and make material expenditures in order to support local cultural production. If adopted, this bill could put an even greater pressure on the price of content.

Launch of new products and services

Quebecor Media is investing in the launch of new products and services. During the period 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 Quebecor Media 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

Quebecor Media 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 Quebecor Media'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

Quebecor Media 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 Quebecor Media 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 Quebecor Media'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. Quebecor Media faces risks inherent in protecting the security of such personal data. In particular, Quebecor Media 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 Quebecor Media has developed and maintains systems, processes and security controls that are designed to protect personally identifiable information of its clients, employees or business partners, Quebecor Media may be unable to prevent the improper disclosure, loss, misappropriation of, unauthorized access to, or other security breaches relating to such data that Quebecor Media stores or processes or that its suppliers store or process. As a result, Quebecor Media may incur significant costs, be subject to investigations, sanctions and litigation, including under laws that protect the privacy of personal information, and Quebecor Media may suffer damage to its business, competitive position and reputation, which could have a material adverse effect on its financial condition.

On June 12, 2020, Québec's Minister of Justice introduced Bill 64, *An Act to modernize legislative provisions as regards the protection of personal information*. The purpose of this bill is to modify the obligations of public bodies and private sector enterprises by modernizing the framework applicable to the protection of personal information. On November 17, 2020, Canada's Minister of Innovation, Science and Industry introduced Bill C-11, the *Digital Charter Implementation Act*, *2020*, which will create new and enhanced obligations for private-sector organizations. If passed, these bills are expected to impose new obligations on Quebecor Media and add 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. Quebecor Media 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 Quebecor Media 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 Quebecor Media to continually evaluate and adapt its systems, infrastructure, networks and processes, Quebecor Media 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. Quebecor Media is also at risk from increasingly sophisticated phishing attacks, SIM swaps, fraudulent ports and other types of frauds. If Quebecor Media is subject to a significant cyber-attack or breach, unauthorized access, errors of third-party suppliers or other security breaches, Quebecor Media may incur significant costs, be subject to investigations, sanctions and litigation, including under laws that protect the privacy of personal information, and Quebecor Media 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. Quebecor Media'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

Quebecor Media 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 develop or acquire 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

Quebecor Media's cable, mobile and fibre-optic connectivity business customers utilize its networks to access the Internet and, as a consequence, Quebecor Media or they 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 Quebecor Media'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.

Quebecor Media 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 Quebecor Media 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

Quebecor Media 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, 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 available from a single or limited number of suppliers and Quebecor Media 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 Quebecor Media 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, its business, financial condition and results of operations could be materially adversely affected. In addition, if Quebecor Media 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 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 Quebecor Media will not be able to maintain agreements for their existing supply on commercially reasonable terms. The rising mobile device and CPE costs, in a price-sensitive market, could negatively impact Quebecor Media'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 Quebecor Media's competitors benefit from higher purchasing volumes which provide them the ability to negotiate better prices from manufacturers.

In addition, Quebecor Media 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

Quebecor Media is unable to renegotiate commercially acceptable arrangements with these content providers, comply with their technological requirements or find alternative sources of equivalent content, its operations may be adversely affected.

Litigation and other claims

In the normal course of business, Quebecor 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 Quebecor'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

Quebecor Media 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. Quebecor Media 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 Quebecor Media 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 Quebecor Media's intellectual property rights is made more challenging, by technological advances. The steps Quebecor Media has taken to protect its intellectual property may not prevent the misappropriation of its proprietary rights. Quebecor Media 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 Quebecor Media's. Also, Quebecor Media 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. Quebecor Media 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

Quebecor Media 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 Quebecor Media 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 Quebecor Media 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 public health issues could adversely affect Quebecor Media's business, assets, financial conditions, results of operations and reputation.

The COVID-19 pandemic has accelerated Quebecor Media'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 Quebecor Media'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 Quebecor Media'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, mobile devices 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, 2020, 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 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, 2020, the net aggregate fair value of its cross-currency interest rate swaps and foreign exchange forward contracts was in a net asset position of $597.1 million on a consolidated basis.

Some of its 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 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 Quebecor Media'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 Quebecor Media'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, Quebecor Media'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 Quebecor Media 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 Quebecor Media 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

Quebecor Media'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. Quebecor Media'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. Quebecor Media'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 Quebecor Media'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, Quebecor Media 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 has launched a comprehensive review of the wireless market. The Canadian Government has requested that the CRTC consider competition, affordability, consumer interests and innovation in its decisions. This review could result in the introduction of mandatory resale in the wireless marketplace and the emergence of MVNOs in the mobile telephony industry. This material increase in competition in Quebecor Media’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 Quebecor Media’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.

In a series of decisions since 2015, the CRTC has reemphasized 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. On August 15, 2019, the CRTC introduced a flat rate for wholesale Internet access independent of access speed and also ordered that new access and capacity rates be applied retroactively to March 31, 2016. Those new proposed rates are substantially lower than interim rates and could represent a reduction in earnings of approximately $30.0 million (before income taxes) for the year 2020 and a retrospective reduction of approximately $52.0 million (before income taxes) from March 31, 2016 to December 31, 2019. A coalition of cable companies (including Videotron) has filed an application with the CRTC to review and vary its rating decision. The implementation of the new rates has been suspended while this application is considered. If the CRTC’s decision is ultimately upheld in its current form, it will significantly reduce Videotron’s wholesale Internet service revenues. In addition, it will significantly change the competitive landscape and will allow Internet resellers to adopt more aggressive pricing strategies in the retail market. This could lead to a loss of Quebecor Media’s subscribers, affect its ability to recover the costs of providing these services, reduce the incentives to invest in its networks and have a material adverse effect on its ability to successfully compete.

License renewals

Videotron’s AWS-1 licenses were renewed in December 2018 for a 20-year term. A public consultation to determine the license fees to be paid during the renewal term has not yet been initiated.

Videotron’s other spectrum licenses, including in the AWS-3, 700 MHz, 2500 MHz and 600 MHz bands, are issued for 20-year terms from their respective dates of issuance. At the end of these terms, Quebecor Media 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, Quebecor Media’s ability to continue to offer its wireless services, or to offer new services, may be negatively impacted and, consequently, it could have a material adverse effect on its business, prospects, results of operations and financial condition.

Government programs

Quebecor Media takes advantage of several government programs designed to support 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 Quebecor Media 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 increase the cost of acquiring and producing Canadian programs which are required to be broadcast and 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 Quebecor Media'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

Quebecor Media 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 Quebecor Media's operations. Failure to comply with present or future laws or regulations could result in substantial liability for Quebecor Media.

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 Quebecor Media 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 Quebecor Media's reputation and brands.

Quebecor Media'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. Quebecor Media 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 Quebecor Media, 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.

Quebecor Media 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. Quebecor Media 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 likely result in increased operational and capital costs. Some of the more significant climate-related risks that were identified include increased operational costs to maintain Quebecor Media's network operations during extreme weather events, and increased capital costs as a result of damage to its facilities and/or equipment.

Concerns about alleged health risks relating to radiofrequency emissions

All Quebecor Media'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 Quebecor Media'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, 2020, it had $5.78 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, 2020, it had more than $1.85 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 the Corporation'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 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's 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, 2020 approximately 74.30% 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, accounts receivable, 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 debts. 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 9
Description of derivative financial instruments
As of December 31, 2020
(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	1.3235	$	207.1	US$	156.5

Cross-currency interest rate swaps

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					
5.000% Senior Notes due 2022	2014 to 2022	US$	543.1	6.01%	0.9983
5.000% Senior Notes due 2022	2012 to 2022	US$	256.9	5.81%	1.0016
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

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 losses on valuation and translation of financial instruments for 2020 and 2019 are summarized in Table 10.

Table 10
Loss on valuation and translation of financial instruments
((in millions of Canadian dollars)

		2020		2019
Loss on embedded derivatives related to convertible debentures	**$**	**(9.3)**	$	5.7
Other		**1.3**		0.8
	$	**(8.0)**	$	6.5

A loss on cash flow hedges of $17.1 million was recorded under "other comprehensive income" in 2020 (gain of $73.8 million in 2019).

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 in the consolidated balance sheets is estimated as per the Corporation's valuation models. These models project future cash flows and discount the future amounts to a present value using the contractual terms of the derivative financial instrument and factors observable in external market data, such as period-end swap rates and foreign exchange rates. 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 adjusted 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, 2020 and December 31, 2019 were as follows:

Table 11
Fair value of long-term debt, convertible debentures and derivative financial instruments
(in millions of Canadian dollars)

				2020				2019
Asset (liability)		**Carrying value**		**Fair value**		Carrying value		Fair value
Long-term debt[1]	**$**	**(5,786.4)**	**$**	**(6,216.1)**	$	(5,986.1)	$	(6,376.2)
Convertible debentures[2]		**(153.5)**		**(153.5)**		(162.0)		(162.0)
Derivative financial instruments[3]								
Foreign exchange forward contracts		**(8.0)**		**(8.0)**		(2.1)		(2.1)
Cross-currency interest rate swaps		**605.1**		**605.1**		679.8		679.8

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

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

3 The fair value of derivative financial instruments designated as cash flow hedges is an asset position of $552.5 million as of December 31, 2020 ($635.5 million in 2019) and the fair value of derivative financial instruments designated as fair value hedges is an asset position of $44.6 million as of December 31, 2020 ($42.2 million in 2019).

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 carrying amounts of financial assets represent the maximum credit exposure.

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. As of December 31, 2020, 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, 2020, the provision for expected credit losses represented 2.5% of the gross amount of accounts receivable and contract assets (2.5% as of December 31, 2019), while 5.0% of trade receivables were 90 days past their billing date (7.2% as of December 31, 2019).

The following table shows changes to the provision for expected credit losses for the years ended December 31, 2020 and 2019:

		2020		2019
Balance at beginning of year	**$**	**19.6**	$	20.5
Changes in expected credit losses charged to income		**17.4**		18.8
Write-off		**(16.2)**		(19.7)
Balance at end of year	**$**	**20.8**	$	19.6

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 Quebecor's consolidated debt was approximately 4.3 years as of December 31, 2020 (4.9 years pro forma the issuance by Videotron of Senior Notes in the aggregate principal amount of $650.0 million on January 22, 2021) compared with 5.2 years as of December 31, 2019.

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, 2020, 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, 2020 is as follows:

Increase (decrease)		Income		Other comprehensive income
Increase of $0.10	$	**1.0**	$	**48.7**
Decrease of $0.10		**(1.0)**		**(48.7)**

A variance of $0.10 in the 2020 average exchange rate of CAN dollar per one U.S. dollar would have resulted in a variance of $5.4 million on the value of unhedged purchases of goods and services and $3.7 million on the value of unhedged acquisitions of tangible and intangible assets in 2020.

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 interest rate swap agreements in order to manage cash flow risk exposure. After taking into account hedging instruments, debt consisted of approximately 96.1% fixed-rate debt (96.6% pro forma the issuance by Videotron of Senior Notes in the aggregate principal amount of $650.0 million on January 22, 2021), compared with 93.9% as at December 31, 2019, and 3.9% floating-rate debt (3.4% pro forma the issuance of the Senior Notes on January 22, 2021), compared with 6.1% as at December 31, 2019.

The estimated sensitivity on interest payments of a 100 basis-point variance in the year-end Canadian Bankers' acceptance rate as of December 31, 2020 was $2.0 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, 2020, as per the Corporation's valuation models, is as follows:

Increase (decrease)		Income		Other comprehensive income
Increase of 100 basis points	$	**(1.2)**	$	**(10.0)**
Decrease of 100 basis points		**1.2**		**10.0**

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, 2020 and 2019 is as follows:

Table 12
Capital structure of Quebecor
(in millions of Canadian dollars)

		2020		2019
Bank indebtedness	**$**	**1.7**	$	29.4
Long-term debt		**5,773.4**		5,957.5
Convertible debentures		**150.0**		150.0
Embedded derivatives related to convertible debentures		**6.5**		15.8
Lease liabilities		**173.3**		137.9
Derivative financial instruments		**(597.1)**		(677.7)
Cash and cash equivalents		**(136.7)**		(14.0)
Net liabilities		**5,371.1**		5,598.9
Equity	**$**	**1,214.1**	$	1,072.1

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.

On August 15, 2019, the CRTC issued an order finalizing the rates, retroactively to March 31, 2016, at which the large cable and telephone companies provide aggregated wholesale access to their high-speed Internet networks. The interim rates in effect since 2016 have been invoiced to resellers and accounted for in the Corporation's consolidated financial statements. The new proposed rates are substantially lower than the interim rates and could represent a reduction in earnings of approximately $30.0 million (before income taxes) for the year 2020 and a retrospective reduction of approximately $52.0 million (before income taxes) from March 31, 2016 to December 31, 2019. On September 28, 2020, the CRTC approved a request from a coalition of cable companies (including Videotron) to stay the implementation of the order pertaining to final rates pending its final determination on the review and vary requests. Accordingly, at this stage of these proceedings, the Corporation still estimates that the interim rates are the appropriate basis to account for its wholesale Internet access revenues.

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 is generally comprised of an upfront fee 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 leasing revenues are recognized over the rental period;
- revenues derived from speciality film and television services are recognized when services are provided; and
- revenues from the 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 food and beverage sales 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 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 consider 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 this three-year 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 has been 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, 2020 was $2.71 billion, and the net book value of intangible assets with indefinite useful lives as at December 31, 2020 was $741.1 million.

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 interest rate 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 interest rate 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 interest rate 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 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 the hedged items' cash flows.
- 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 in 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.

Re-measurements 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.

Stock-based compensation

Stock-based awards to employees that call for settlement in cash, as deferred share units ("DSUs") or performance share units ("PSUs"), or that call for settlement in cash at the option of the employee, as stock option 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 when: (i) 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 when (ii) 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 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 acquisition

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 business acquired are recognized at their fair value at the acquisition date. Goodwill initially arising from a business acquisition 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 or the 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 regulation, 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, 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 the Sports and Entertainment segment have qualified for the Emergency Wage Subsidy program available during the health crisis related to the COVID-19. 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 term lease, less incentive payment received, using the Corporation's incremental borrowing rate at that date or interest rate implicit in the lease. 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.

Interests on lease liabilities are 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, 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.

In 2020, the Corporation reviewed the nature and definition of its non-IFRS measures. As a result, "cash flows from segment operations" was abandoned and replaced by the new "cash flows from operations" metric. This metric is now used to measure the cash flows generated by the operations of all the business segments, on a consolidated basis, in addition to the cash flows from operations generated by each segment. Furthermore, calculation of this metric will henceforth be based on additions to property, plant and equipment and to intangible assets rather than cash flows used for additions to property, plant and equipment and to intangible assets. As well, the new metric is calculated without taking into account proceeds on disposals. The Corporation also added the "consolidated net debt leverage ratio" measure. 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 decisions on the Corporation's capital structure, including its financing strategy, and in managing debt maturity risks.

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, income taxes 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 significant 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 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 13 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, 2020 and 2019 presented in Table 13 below is drawn from the Corporation's unaudited quarterly consolidated financial statements.

Table 13
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	
	2020	2019	2018	**2020**	2019
Adjusted EBITDA (negative adjusted EBITDA):					
Telecommunications	**$ 1,864.4**	$ 1,803.4	$ 1,715.6	**$ 481.7**	$ 462.7
Media	**82.2**	74.8	60.0	**45.6**	35.3
Sports and Entertainment	**8.7**	7.3	10.5	**2.1**	2.6
Head Office	**(2.7)**	(6.0)	(9.8)	**(2.6)**	(6.1)
	1,952.6	1,879.5	1,776.3	**526.8**	494.5
Depreciation and amortization	**(803.2)**	(750.4)	(753.1)	**(213.5)**	(186.3)
Financial expenses	**(328.2)**	(327.5)	(332.0)	**(79.1)**	(81.4)
Gain (loss) on valuation and translation of financial instruments	**8.0**	(6.5)	(61.3)	**(0.9)**	(14.6)
Restructuring of operations and other items	**(39.2)**	(28.6)	(29.1)	**(6.1)**	(1.6)
Income taxes	**(205.8)**	(205.7)	(162.8)	**(58.1)**	(60.3)
Income (loss) from discontinued operations	**33.2**	97.5	3.8	**(0.6)**	–
Net income	**$ 617.4**	$ 658.3	$ 441.8	**$ 168.5**	$ 150.3

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, 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 14 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, 2020 and 2019 presented in Table 14 below is drawn from the Corporation’s unaudited quarterly consolidated financial statements.

Table 14

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	
	2020	2019	2018	**2020**	2019
Adjusted income from continuing operating activities	**$ 594.5**	$ 581.0	$ 469.8	**$ 165.0**	$ 159.6
Gain (loss) on valuation and translation of financial instruments	**8.0**	(6.5)	(61.3)	**(0.9)**	(14.6)
Restructuring of operations and other items	**(39.2)**	(28.6)	(29.1)	**(6.1)**	(1.6)
Income taxes related to adjustments[1]	**9.1**	8.0	19.0	**2.1**	1.4
Net income attributable to non-controlling interest related to adjustments	**1.6**	1.4	1.8	**0.3**	0.3
Discontinued operations	**33.2**	97.5	3.5	**(0.6)**	–
Net income attributable to shareholders	**$ 607.2**	$ 652.8	$ 403.7	**$ 159.8**	$ 145.1

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

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

Cash flows from operations

Cash flows from operations represents adjusted EBITDA, less additions to property, plant and equipment and to intangible assets (excluding licence acquisitions and renewals). 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 share repurchases. 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. Cash flows from operations is used by the Corporation's management and Board of Directors to evaluate cash flows generated by the operations of all of its segments. The Corporation's definition of 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 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 15 and 16 provide a reconciliation of 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, 2020 and 2019 presented in Tables 15 and 16 is drawn from the Corporation's unaudited quarterly consolidated financial statements.

Table 15
Cash flows from operations
(in millions of Canadian dollars)

	Years ended December 31			Three months ended December 31	
	2020	2019	2018	**2020**	2019
Adjusted EBITDA (negative adjusted EBITDA):					
Telecommunications	**$ 1,864.4**	$ 1,803.4	$ 1,715.6	**$ 481.7**	$ 462.7
Media	**82.2**	74.8	60.0	**45.6**	35.3
Sports and Entertainment	**8.7**	7.3	10.5	**2.1**	2.6
Head Office	**(2.7)**	(6.0)	(9.8)	**(2.6)**	(6.1)
	1,952.6	1,879.5	1,776.3	**526.8**	494.5
Minus					
Additions to property, plant and equipment:[1]					
Telecommunications	**(402.1)**	(459.3)	(517.4)	**(103.9)**	(127.3)
Media	**(14.3)**	(24.0)	(29.2)	**(7.6)**	(11.7)
Sports and Entertainment	**(0.6)**	(1.3)	(1.5)	**(0.4)**	(0.2)
Head Office	**(1.5)**	(1.7)	(6.1)	**(0.2)**	(0.4)
	(418.5)	(486.3)	(554.2)	**(112.1)**	(139.6)
Additions to intangible assets:[2]					
Telecommunications	**(194.0)**	(218.8)	(202.8)	**(60.7)**	(86.9)
Media	**(23.7)**	(26.0)	(4.6)	**(7.2)**	(6.7)
Sports and Entertainment	**(2.8)**	(3.6)	(3.5)	**(0.5)**	(0.6)
Head Office	**(1.2)**	(0.7)	1.1	**(1.1)**	(0.2)
	(221.7)	(249.1)	(209.8)	**(69.5)**	(94.4)
Cash flows from operations					
Telecommunications	**1,268.3**	1,125.3	995.4	**317.1**	248.5
Media	**44.2**	24.8	26.2	**30.8**	16.9
Sports and Entertainment	**5.3**	2.4	5.5	**1.2**	1.8
Head Office	**(5.4)**	(8.4)	(14.8)	**(3.9)**	(6.7)
	$ 1,312.4	$ 1,144.1	$ 1,012.3	**$ 345.2**	$ 260.5

[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	
	2020	2019	2018	**2020**	2019
Additions to property, plant and equipment	**$ (418.5)**	$ (486.3)	$ (554.2)	**$ (112.1)**	$ (139.6)
Net (decrease) increase in current non-cash items related to additions to property, plant and equipment (excluding government credits receivable for major capital projects)	**(28.7)**	(15.3)	4.7	**(10.3)**	15.3
Cash flows used for additions to property, plant and equipment	**$ (447.2)**	$ (501.6)	$ (549.5)	**$ (122.4)**	$ (124.3)

[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	
	2020	2019	2018	**2020**	2019
Additions to intangible assets	**$ (221.7)**	$ (249.1)	$ (209.8)	**$ (69.5)**	$ (94.4)
Net increase in current non-cash items related to additions to intangible assets (excluding government credits receivable for major capital projects)	**15.8**	8.0	12.4	**48.7**	22.0
Cash flows used for licence acquisitions	**-**	(255.8)	-	**-**	-
Cash flows used for additions to intangible assets	**$ (205.9)**	$ (496.9)	$ (197.4)	**$ (20.8)**	$ (72.4)

Table 16
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	
	2020	2019	2018	**2020**	2019
Cash flows from operations from Table 15	**$ 1,312.4**	$ 1,144.1	$ 1,012.3	**$ 345.2**	$ 260.5
Plus (minus)					
Cash portion of financial expenses	**(320.1)**	(319.4)	(324.9)	**(77.1)**	(79.4)
Cash portion related to restructuring of operations and other items	**(30.7)**	(9.8)	(14.2)	**(4.9)**	(1.6)
Current income taxes	**(208.7)**	(107.9)	(154.9)	**(27.7)**	7.2
Other	**2.8**	2.9	4.8	**(0.7)**	1.6
Net change in non-cash balances related to operating activities	**40.0**	(229.3)	146.3	**(38.6)**	(58.2)
Net (decrease) increase in current non-cash items related to additions to property, plant and equipment (excluding government credits receivable for major capital projects)	**(28.7)**	(15.3)	4.7	**(10.3)**	15.3
Net increase in current non-cash items related to additions to intangible assets (excluding government credits receivable for major capital projects)	**15.8**	8.0	12.4	**48.7**	22.0
Free cash flows from continuing operating activities	**782.8**	473.3	686.5	**234.6**	167.4
Plus (minus)					
Cash flows used for additions to property, plant and equipment	**447.2**	501.6	549.5	**122.4**	124.3
Cash flows used for additions to intangible assets (excluding licence acquisitions and renewals)	**205.9**	241.1	197.4	**20.8**	72.4
Proceeds from disposal of assets	**(4.4)**	(4.2)	(9.4)	**(0.8)**	(1.0)
Cash flows provided by continuing operating activities	**$ 1,431.5**	$ 1,211.8	$ 1,424.0	**$ 377.0**	$ 363.1

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

Table 17
Consolidated net debt leverage ratio
(in millions of Canadian dollars)

	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018
Total long-term debt[1]	**$ 5,786.4**	$ 5,986.1	$ 6,461.7
Plus (minus)			
Lease liabilities	**139.0**	106.6	108.4
Current portion of lease liabilities	**34.3**	31.3	36.0
Bank indebtedness	**1.7**	29.4	24.3
Assets related to derivative financial instruments	**(625.5)**	(679.8)	(887.0)
Liabilities related to derivative financial instruments	**28.4**	2.1	-
Cash and cash equivalents	**(136.7)**	(14.0)	(21.0)
Consolidated net debt excluding convertible debentures	**5,227.6**	5,461.7	5,722.4
Divided by:			
Trailing 12-month adjusted EBITDA	**$ 1,952.6**	$ 1,879.5	$ 1,776.3
Consolidated net debt leverage ratio	**2.68x**	2.91x	3.22x

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

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 Club illico 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, Club illico, 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, 2020, 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, 2020 and ending December 31, 2020.

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, and on the Web 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 digital television, Internet access, mobile and wireline telephony and Club illico 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 disaster, epidemics, pandemics and other public health crises, 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" 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 24, 2021, 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 24, 2021

QUEBECOR INC.
SELECTED FINANCIAL DATA

Years ended December 31, 2020, 2019 and 2018
(in millions of Canadian dollars, except per share data)

	2020	2019	2018
Operations			
Revenues	**$ 4,317.8**	$ 4,293.8	$ 4,181.0
Adjusted EBITDA	**1,952.6**	1,879.5	1,776.3
Cash flows from operations	**1,312.4**	1,144.1	1,012.3
Contribution to net income attributable to shareholders:			
Continuing operations	**594.5**	581.0	469.8
Gain (loss) on valuation and translation of financial instruments	**7.5**	(6.1)	(61.4)
Unusual items	**(28.0)**	(19.6)	(8.2)
Discontinued operations	**33.2**	97.5	3.5
Net income attributable to shareholders	**607.2**	652.8	403.7
Basic data per share			
Contribution to net income attributable to shareholders:			
Continuing operations	**$ 2.36**	$ 2.27	$ 1.96
Gain (loss) on valuation and translation of financial instruments	**0.03**	(0.02)	(0.26)
Unusual items	**(0.11)**	(0.08)	(0.03)
Discontinued operations	**0.13**	0.38	0.02
Net income attributable to shareholders	**2.41**	2.55	1.69
Weighted average number of shares outstanding (in millions)	**251.6**	255.6	239.3
Diluted data per share			
Contribution to net income attributable to shareholders:			
Continuing operations	**$ 2.33**	$ 2.24	$ 1.92
Dilution impact	**-**	0.03	0.03
Gain (loss) on valuation and translation of financial instruments	**-**	(0.02)	(0.26)
Unusual items	**(0.11)**	(0.08)	(0.03)
Discontinued operations	**0.13**	0.38	0.02
Net income attributable to shareholders	**2.35**	2.55	1.68
Diluted weighted average number of shares (in millions)	**256.3**	255.8	239.8

QUEBECOR INC.

SELECTED QUARTERLY FINANCIAL DATA

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

				2020				2019
	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30	March 31
Revenues	$ 1,146.8	$ 1,111.7	$ 1,003.8	$ 1,055.5	$ 1,136.2	$ 1,073.4	$ 1,056.9	$ 1,027.3
Adjusted EBITDA	526.8	513.4	475.7	436.7	494.5	509.3	455.0	420.7
Cash flows from operations	345.2	346.1	326.1	295.0	260.5	332.4	274.9	276.3
Contribution to net income attributable to shareholders:								
Continuing operating activities	165.0	173.1	144.9	111.5	159.6	173.8	136.2	111.4
(Loss) gain on valuation and translation of financial instruments	(0.4)	(18.3)	4.5	21.7	(13.6)	5.6	16.3	(14.4)
Unusual items	(4.2)	(13.9)	(7.0)	(2.9)	(0.9)	(0.9)	(12.3)	(5.5)
Discontinued operations	(0.6)	-	32.5	1.3	-	-	-	97.5
Net income attributable to shareholders	159.8	140.9	174.9	131.6	145.1	178.5	140.2	189.0
Basic data per share								
Contribution to net income attributable to shareholders:								
Continuing operating activities	0.66	$ 0.69	$ 0.57	$ 0.44	$ 0.63	$ 0.68	$ 0.53	$ 0.44
(Loss) gain on valuation and translation of financial instruments	-	(0.07)	0.02	0.08	(0.05)	0.02	0.07	(0.06)
Unusual items	(0.02)	(0.06)	(0.03)	(0.01)	(0.01)	-	(0.05)	(0.02)
Discontinued operations	-	-	0.13	0.01	-	-	-	0.38
Net income attributable to shareholders	0.64	0.56	0.69	0.52	0.57	0.70	0.55	0.74
Weighted average number of shares outstanding (in millions)	249.1	250.5	252.8	254.0	254.8	255.6	255.9	256.0
Diluted data per share								
Contribution to net income attributable to shareholders:								
Continuing operating activities	0.66	$ 0.68	$ 0.57	$ 0.42	$ 0.62	$ 0.67	$ 0.52	$ 0.43
Dilution impact	-	0.01	-	-	0.01	-	-	0.01
(Loss) gain on valuation and translation of financial instruments	-	(0.07)	-	-	(0.05)	-	-	(0.06)
Unusual items	(0.02)	(0.06)	(0.03)	(0.01)	(0.01)	-	(0.05)	(0.02)
Discontinued operations	-	-	0.12	0.01	-	-	-	0.38
Net income attributable to shareholders	0.64	0.56	0.66	0.42	0.57	0.67	0.47	0.74
Weighted average number of diluted shares outstanding (in millions)	253.8	250.7	258.6	259.9	255.0	261.7	262.1	256.5