



# MANAGEMENT DISCUSSION AND ANALYSIS

## FIRST QUARTER 2021

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### TABLE OF CONTENTS

CORPORATE PROFILE .....	2
HIGHLIGHTS .....	2
ANALYSIS OF CONSOLIDATED RESULTS OF OPERATIONS AND CASH FLOWS .....	7
SEGMENTED ANALYSIS .....	9
CASH FLOWS AND FINANCIAL POSITION .....	12
ADDITIONAL INFORMATION .....	16
SELECTED QUARTERLY FINANCIAL DATA .....	25

## CORPORATE PROFILE

This Management Discussion and Analysis covers the main activities of Quebecor Inc. in the first quarter of 2021 and the major changes from the previous financial year. Quebecor Inc. is a holding company that owns Quebecor Media Inc., a wholly owned subsidiary that is one of Canada's largest telecommunications and media groups.

Quebecor Media Inc. operates in the following business segments: Telecommunications, Media, and Sports and Entertainment. Quebecor Media Inc. is pursuing a convergence strategy that captures synergies among its properties and leverages the value of content for the benefit of multiple distribution platforms. 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.

This report should be read in conjunction with the information in the consolidated financial statements and Management Discussion and Analysis for the financial year ended December 31, 2020. All amounts are stated in Canadian dollars ("CAN") unless otherwise indicated.

The Corporation uses measures not standardized under International Financial Reporting Standards ("IFRS") and key performance indicators. The Corporation added the "consolidated net debt leverage ratio" measure in the third quarter of 2020. Definitions of the non-IFRS measures, the new "consolidated net debt leverage ratio" measure and the key performance indicators used by the Corporation are provided in the "Non-IFRS Measures" and "Key Performance Indicators" sections below.

### COVID-19 pandemic

The COVID-19 pandemic continues to have a significant impact on the economic environment in Canada and around the world. In order to limit the spread of the virus, the Québec government has imposed a number of restrictions and special preventive measures since the beginning of this health crisis, including the suspension of some business activities. Since March 2020, this health crisis has curtailed the operations of many of Quebecor's business partners and led to a significant slowdown in some of the Corporation's segments. Among other impacts, the restrictions and preventive measures imposed by the Québec government caused a reduction in volume at Videotron Ltd.'s ("Videotron") retail outlets; a reduction in advertising revenues, a decrease in sports events broadcast by the TVA Sports specialty channel and a reduction in film and audiovisual content activity in the Media segment in 2020; and the cancellation of most shows and events in the Sports and Entertainment segment. Despite the constraints created by this pandemic, Quebecor has continued and will continue to provide essential telecommunications and news services during this health crisis, while safeguarding the health and safety of the public and its employees. Due to the decrease in their revenues, most of the business units in the Media segment and Sports and Entertainment segment have qualified for the Canadian Emergency Wage Subsidy and subsidies totalling \$5.6 million were recorded in the first quarter of 2021 as a reduction in employee costs (no amount in the first quarter of 2020).

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

## HIGHLIGHTS

### First quarter 2021

**Revenues:** \$1.09 billion, a \$35.6 million (3.4%) increase.

**Adjusted EBITDA:** \$452.7 million, a \$16.0 million (3.7%) increase.

**Net income attributable to shareholders:** \$121.3 million (\$0.49 per basic share), a decrease of \$10.3 million (\$0.03 per basic share).

**Adjusted income from continuing operating activities:** \$129.9 million (\$0.52 per basic share), an increase of \$18.4 million (\$0.08 per basic share) or 16.5%.

**Cash flows from operations:** \$307.6 million, a \$12.6 million (4.3%) increase.

**Cash flows provided by continuing operating activities:** \$261.6 million, a \$60.0 million (-18.7%) decrease.

**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)

	Three months ended March 31	
	2021	2020
<b>Income</b>		
Revenues:		
Telecommunications	\$ 914.0	\$ 874.7
Media	174.8	174.8
Sports and Entertainment	31.2	34.8
Inter-segment	(28.9)	(28.8)
	<b>1,091.1</b>	<b>1,055.5</b>
Adjusted EBITDA (negative adjusted EBITDA):		
Telecommunications	450.9	435.5
Media	1.3	4.1
Sports and Entertainment	2.1	(3.8)
Head Office	(1.6)	0.9
	<b>452.7</b>	<b>436.7</b>
Depreciation and amortization	(195.3)	(198.1)
Financial expenses	(83.1)	(87.4)
(Loss) gain on valuation and translation of financial instruments	(5.8)	23.3
Restructuring of operations and other items	(4.5)	(3.9)
Income taxes	(44.0)	(40.5)
Income from discontinued operations	-	1.3
<b>Net income</b>	<b>\$ 120.0</b>	<b>\$ 131.4</b>
Income from continuing operations attributable to shareholders	\$ 121.3	\$ 130.3
Net income attributable to shareholders	121.3	131.6
Adjusted income from continuing operating activities	129.9	111.5
Per basic share:		
Income from continuing operations attributable to shareholders	0.49	0.51
Net income attributable to shareholders	0.49	0.52
Adjusted income from continuing operating activities	0.52	0.44

	Three months ended March 31	
	2021	2020
<b>Additions to property, plant and equipment and to intangible assets</b>		
Telecommunications	\$ 138.0	\$ 133.0
Media	5.7	7.7
Sports and Entertainment	1.0	0.9
Head Office	0.4	0.1
	<b>145.1</b>	141.7
<b>Cash flows</b>		
Cash flows from operations:		
Telecommunications	312.9	302.5
Media	(4.4)	(3.6)
Sports and Entertainment	1.1	(4.7)
Head Office	(2.0)	0.8
	<b>307.6</b>	295.0
Cash flows provided by continuing operating activities	<b>261.6</b>	321.6
	<b>March 31</b>	Dec. 31
	<b>2021</b>	2020
<b>Balance sheet</b>		
Cash and cash equivalents	\$ 759.3	\$ 136.7
Working capital	633.5	(33.4)
Net assets related to derivative financial instruments	534.3	597.1
Total assets	<b>10,690.9</b>	9,861.6
Total debt (current and long-term)	<b>6,356.1</b>	5,773.4
Lease liabilities (current and long term)	179.4	173.3
Convertible debentures, including embedded derivatives	162.1	156.5
Equity attributable to shareholders	<b>1,203.8</b>	1,112.6
Equity	<b>1,310.7</b>	1,214.1
Number of common shares outstanding (in millions)	<b>245.5</b>	248.2
<b>Consolidated net debt leverage ratio</b>	<b>2.67x</b>	2.68x

## **Telecommunications**

- The Telecommunications segment grew its revenues by \$39.3 million (4.5%) and its adjusted EBITDA by \$15.4 million (3.5%) in the first quarter of 2021.
- Videotron significantly increased its revenues from customer equipment sales (\$31.1 million or 40.9%), Internet access (\$19.1 million or 6.9%) and mobile telephony (\$10.3 million or 6.4%), in the first quarter of 2021.
- There was a net increase of 22,100 revenue-generating units (“RGUs”) (1.5%) in mobile telephony and 10,600 (0.6%) in Internet access.
- On April 15, 2021, the Canadian Radio television and Telecommunications Commission (“CRTC”) announced that some telecommunications providers could eventually have access to the wireless networks of Canada’s major carriers in order to offer Canadians greater choice and more options at an affordable price. As a result, regional carriers that invest in network infrastructure and spectrum will be able to offer competitive services as mobile virtual network operators in regions where competition is limited.
- On April 1, 2021, Videotron announced the acquisition of Cablovision Warwick Inc. (“Cablovision Warwick”) and its network, which has been serving the municipalities of Warwick, Kingsey Falls and Saint-Félix-de-Kingsey in the Centre-du-Québec region for more than four decades. Cablovision Warwick’s customers will therefore have access to Videotron’s network as well as its products and services.
- On March 22, 2021, Videotron entered into agreements with the Québec government and Government of Canada jointly aimed at achieving the government’s targets for the roll out of high speed Internet services in various regions of Québec. Under these agreements, Videotron will expand its high-speed Internet network to connect approximately 37,000 more households and the governments have undertaken to provide financial assistance in the amount of approximately \$258.0 million, which will be used in its entirety for the extension of Videotron’s network. In accordance with the terms and conditions of the agreements, a \$216.2 million advance was received from the government and recorded as restricted cash with a corresponding amount recorded as a deferred subsidy in the Corporation’s consolidated balance sheet at March 31, 2021.

## **Sports and Entertainment**

- 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, which also includes Éditorial Avenue, Canada’s largest French-language music publisher, in order to continue supporting talented Québec artists and promote the dissemination of Québec music.

## **Investing and financing operations**

- On April 1, 2021, Alithya Group Inc (“Alithya”), a strategy and digital transformation leader, acquired the firm R3D Conseil inc, of which Quebecor was one of the main shareholders. As part of this transaction, Quebecor obtained 11.9% of Alithya’s share capital and 6.7% of voting rights related to Alithya’s issued and outstanding shares. The corresponding gain on disposal of approximately \$19.0 million will be accounted for in the second quarter of 2021. This transaction also includes purchase commitments from Quebecor for Alithya’s services totalling approximately \$360.0 million as part of a 10-year commercial agreement.
- 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 January 22, 2021, Videotron issued \$650.0 million aggregate principal amount of 3.125% Senior Notes maturing on January 15, 2031, for net proceeds of \$644.0 million, net of financing fees of \$6.0 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.

## **Senior management**

- On April 27, 2021, Quebecor announced that Jean-François Pruneau, President and Chief Executive Officer of Videotron, will be leaving his position to devote himself to personal investment projects. In the course of his career with the Corporation, Mr. Pruneau successfully tackled major challenges. His strong leadership and business acumen made an important contribution to developing the Corporation's business plan and building its solidity. Quebecor's management thanks him warmly for his valuable contribution over the past 20 years. Mr. Pruneau will stay on until June 4, 2021 to oversee the transition. In the wake of this announcement, it has been decided that Pierre Karl Péladeau, President and Chief Executive Officer of Quebecor Media, will take over the responsibilities of the President of Videotron to further cement the concerted leadership and dynamic of efficiency between the two organizations.
- France Lauzière, President and Chief Executive Officer of TVA Group and Chief Content Officer of Quebecor Content, has taken time off from her duties for a period of up to six months, starting April 14, 2021, for family reasons. During her absence, Pierre Karl Péladeau, President and Chief Executive Officer of Quebecor, is assuming her duties at TVA Group and Quebecor Content on an acting basis.
- The Chief Operating Officer and Chief Legal Officer of Quebecor, Marc M. Tremblay, indicated to the Corporation some time ago that he wanted to plan for his retirement at a date to be confirmed. The Corporation, wishing for Mr. Tremblay to remain an officer at least until March 31, 2022, has entered into an agreement providing that Mr. Tremblay remain in his position at least until that date, while gradually reducing his activities starting August 1, 2021.

## ANALYSIS OF CONSOLIDATED RESULTS OF OPERATIONS AND CASH FLOWS

### 2021/2020 first quarter comparison

**Revenues:** \$1.09 billion, a \$35.6 million (3.4%) increase.

- Revenues increased in Telecommunications (\$39.3 million or 4.5% of segment revenues).
- Revenues were flat in the Media segment.
- Revenues decreased in Sports and Entertainment (\$3.6 million or -10.3%).

**Adjusted EBITDA:** \$452.7 million, a \$16.0 million (3.7%) increase.

- Adjusted EBITDA increased in Telecommunications (\$15.4 million or 3.5% of segment adjusted EBITDA) and in Sports and Entertainment (\$5.9 million).
- Adjusted EBITDA decreased in Media (\$2.8 million or -68.3%), and there was an unfavourable variance at Head Office (\$2.5 million) due mainly to an unfavourable variance in the stock-based compensation charge.
- The change in the fair value of Quebecor and Quebecor Media stock options and in the value of Quebecor stock-price-based share units resulted in a \$5.5 million unfavourable variance in the Corporation's stock-based compensation charge in the first quarter of 2021 compared with the same period of 2020.

**Net income attributable to shareholders:** \$121.3 million (\$0.49 per basic share) in the first quarter of 2021, compared with \$131.6 million (\$0.52 per basic share) in the same period of 2020, a decrease of \$10.3 million (\$0.03 per basic share).

- The main unfavourable variances were:
  - \$29.1 million unfavourable variance in losses and gains on valuation and translation of financial instruments, including \$28.2 million without any tax consequences;
  - \$3.5 million increase in the income tax expense.
- The main favourable variances were:
  - \$16.0 million increase in adjusted EBITDA;
  - \$4.3 million decrease related to financial expenses;
  - \$2.8 million decrease in the depreciation and amortization charge.

**Adjusted income from continuing operating activities:** \$129.9 million (\$0.52 per basic share) in the first quarter of 2021, compared with \$111.5 million (\$0.44 per basic share) in the same period of 2020, an increase of \$18.4 million (\$0.08 per basic share).

**Cash flows from operations:** \$307.6 million, a \$12.6 million (4.3%) increase due to the \$16.0 million increase in adjusted EBITDA and a \$6.5 million decrease in additions to intangible assets, partially offset by a \$9.9 million increase in additions to property, plant and equipment.

**Cash flows provided by continuing operating activities:** \$261.6 million, a \$60.0 million decrease due primarily to the unfavourable net change in non-cash balances related to operating activities, partially offset by the increase in adjusted EBITDA.

**Depreciation and amortization charge:** \$195.3 million in the first quarter of 2021, a \$2.8 million decrease due mainly to decreased investment related to the leasing of set-top boxes in the Telecommunications segment, partially offset by the impact of capital expenditures and investments in intangible assets in the segment, including amortization of intangible assets related to investments in the Helix platform.

**Financial expenses:** \$83.1 million in the first quarter of 2021, a \$4.3 million decrease caused mainly by a favourable variance in the gain or loss on foreign currency translation of short-term monetary items and by a lower average interest rate on long-term debt. Increases in financial expenses were due primarily to higher average indebtedness.

**Loss on valuation and translation of financial instruments:** \$5.8 million in the first quarter of 2021 compared with a \$23.3 million gain in the same period of 2020. The \$29.1 million unfavourable variance was due primarily to a \$28.2 million unfavourable variance, without any tax consequences, in gains and losses on embedded derivatives related to convertible debentures.

**Charge for restructuring of operations and other items:** \$4.5 million in the first quarter of 2021, compared with \$3.9 million in the same period of 2020, a \$0.6 million unfavourable variance.

- A \$3.7 million charge was recognized in the first quarter of 2021 in connection with cost-reduction initiatives in the Corporation's various segments (\$3.9 million in the first quarter of 2020). A \$0.8 million charge for impairment of assets was also recognized in connection with various restructuring initiatives in the first quarter of 2021.

**Income tax expense:** \$44.0 million in the first quarter of 2021 (effective tax rate of 25.9%), compared with \$40.5 million in the same period of 2020 (effective tax rate of 27.3%), a \$3.5 million unfavourable variance caused mainly by the impact of the increase in taxable income.



## SEGMENTED ANALYSIS

### Telecommunications

#### First quarter 2021 operating results

**Revenues:** \$914.0 million in the first quarter of 2021, a \$39.3 million (4.5%) increase.

- Revenues from the mobile telephony service increased \$10.3 million (6.4%) to \$170.5 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 \$19.1 million (6.9%) to \$296.6 million, due mainly to an increase in the customer base and an increase in average per-subscriber revenues.
- Revenues from television services decreased \$19.9 million (-8.5%) to \$213.2 million, due primarily to the impact of the net decrease in the customer base and the decrease in average per-subscriber revenues.
- Revenues from the wireline telephony service decreased \$2.1 million (-2.5%) to \$80.7 million, mainly because of the impact of the net decrease in subscriber connections, partially offset by higher average per-connection revenues.
- Revenues from customer equipment sales increased \$31.1 million (40.9%) to \$107.2 million, mainly because of the increase in equipment sales related to the Helix platform and increases in the price of mobile devices.
- Other revenues increased \$0.8 million (1.8%) to \$45.8 million.

**Total average billing per unit (“ABPU”):** Videotron’s total ABPU was \$49.96 in the first quarter of 2021 compared with \$49.90 in the same period of 2020, a \$0.06 (0.1%) increase. Mobile ABPU was \$49.95 in the first quarter of 2021, compared with \$51.60 in the same period of 2020, a \$1.65 (-3.2%) decrease due in part to a decrease in overage and roaming revenues due to the COVID-19 public-health crisis and the popularity of bring your own device (“BYOD”) plans.

#### **Customer statistics**

**RGUs** – The total number of RGUs was 6,145,300 at March 31, 2021, a decrease of 2,600 from the end of the fourth quarter of 2020 (compared with an increase of 9,000 in the same period of 2020), and a 12-month increase of 60,100 (1.0%) (Table 2).

**Mobile telephony** – The number of subscriber connections to the mobile telephony service stood at 1,503,200 at March 31, 2021, an increase of 22,100 (1.5%) from the end of the fourth quarter of 2020 (compared with an increase of 39,300 in the same period of 2020), and a 12-month increase of 133,400 (9.7%) (Table 2).

**Internet access** – The number of subscribers to the Internet access service stood at 1,807,400 at March 31, 2021, an increase of 10,600 (0.6%) from the end of the fourth quarter of 2020 (compared with an increase of 6,100 in the same period of 2020), and a 12-month increase of 74,000 (4.3%) (Table 2). As of March 31, 2021, Videotron’s Internet access services had a household and business penetration rate (number of subscribers as a proportion of the total 3,005,100 homes and businesses passed by Videotron’s network as of March 31, 2021, up from 2,958,000 one year earlier) of 60.1% compared with 58.6% a year earlier.

**Television** – The number of subscribers to television services stood at 1,459,100 at March 31, 2021, a decrease of 16,500 (-1.1%) from the end of the fourth quarter of 2020 (compared with a decrease of 19,700 in the same period of 2020), and a 12-month decrease of 53,000 (-3.5%) (Table 2). At March 31, 2021, the television service had a household and business penetration rate of 48.6% versus 51.1% a year earlier.

**Wireline telephony service** – The number of subscriber connections to the wireline telephony service stood at 897,700 at March 31, 2021, a decrease of 27,000 (-2.9%) from the end of the fourth quarter of 2020 (compared with a decrease of 29,100 in the same period of 2020), and a 12-month decrease of 100,500 (-10.1%) (Table 2). As of March 31, 2021, the wireline telephony service had a household and business penetration rate of 29.9% versus 33.7% a year earlier.

**Club illico** – The number of subscribers to the Club illico over-the-top video service (“Club illico”) stood at 477,900 at March 31, 2021, an increase of 8,200 (1.7%) from the end of the fourth quarter of 2020 (compared with an increase of 12,400 in the same period of 2020), and a 12-month increase of 6,200 (1.3%) (Table 2).

**Table 2**  
**Telecommunications segment quarter-end RGUs for the last eight quarters**  
(in thousands of units)

	Mar. 2021	Dec. 2020	Sept. 2020	June 2020	Mar. 2020	Dec. 2019	Sept. 2019	June 2019
Mobile telephony	1,503.2	1,481.1	1,452.6	1,404.9	1,369.8	1,330.5	1,288.7	1,231.9
Internet	1,807.4	1,796.8	1,769.8	1,749.3	1,733.4	1,727.3	1,724.3	1,706.9
Television	1,459.1	1,475.6	1,481.8	1,497.3	1,512.1	1,531.8	1,545.2	1,558.4
Wireline telephony	897.7	924.7	947.8	976.5	998.2	1,027.3	1,052.7	1,072.9
Club illico	477.9	469.7	452.9	472.2	471.7	459.3	443.5	431.0
<b>Total</b>	<b>6,145.3</b>	<b>6,147.9</b>	<b>6,104.9</b>	<b>6,100.2</b>	<b>6,085.2</b>	<b>6,076.2</b>	<b>6,054.4</b>	<b>6,001.1</b>

**Adjusted EBITDA:** \$450.9 million, a \$15.4 million (3.5%) increase due primarily to:

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

Partially offset by:

- increase in operating expenses, including increase in customer service and technical quality expenses.

**Cost/revenue ratio:** Employee costs and purchases of goods and services for all Telecommunications segment operations, expressed as a percentage of revenues, were 50.7% in the first quarter of 2021 compared with 50.2% in the same period of 2020.

**Cash flows from operations:** \$312.9 million in the first quarter of 2021 compared with \$302.5 million in the same period of 2020 (Table 11). The \$10.4 million increase was due to the \$15.4 million increase in adjusted EBITDA and a \$5.5 million decrease in additions to intangible assets, including decreased investment in IT systems, partially offset by a \$10.5 million increase in additions to property, plant and equipment, including increased investment in the LTE-A network.

## Media

### First quarter 2021 operating results

**Revenues:** \$174.8 million in the first quarter of 2021, stable compared with the same period of 2020.

- Other revenues increased \$4.1 million (9.1%), mainly because of increased volume in commercial production as a result of demand growth and the accelerated timing of some projects.
- Subscription revenues decreased by \$2.4 million (-4.6%), mainly because of lower subscription revenues at the specialty channels, newspapers and magazines.
- Advertising revenues decreased by \$1.7 million (-2.2%), mainly because of lower advertising revenues at the newspapers and Quebecor Out-of-Home, partially offset by higher advertising revenues at the specialty channels and TVA Network.

**Adjusted EBITDA:** \$1.3 million in the first quarter of 2021, a \$2.8 million (-68.3%) decrease due primarily to:

- higher broadcast content costs, due primarily to a review by the Corporation of the allocation of the value of the rights attached to the various components of its contract for National Hockey League ("NHL") games to better reflect the financial benefits arising from it, the postponement of the start of the NHL's 2020-2021 regular season from 2020 to 2021 and the shortened season.

Partially offset by:

- decreases in labour costs, due to the impact of salary savings and the government measures introduced to deal with the COVID-19 pandemic;
- decreases in other content costs and production, administration, distribution and marketing expenses.

**Cost/revenue ratio:** Employee costs and purchases of goods and services for all Media segment operations, expressed as a percentage of revenues, were 99.3% in the first quarter of 2021 compared with 97.7% in the same period of 2020, mainly due to the net increase in broadcast content costs.

**Cash flows from operations:** Negative \$4.4 million in the first quarter of 2021 compared with negative \$3.6 million in the same period of 2020 (Table 11). The \$0.8 million unfavourable variance was due to the \$2.8 million decrease in adjusted EBITDA, partially offset by a \$2.0 million decrease in additions to property, plant and equipment and to intangible assets.

## Sports and Entertainment

### First quarter 2021 operating results

**Revenues:** \$31.2 million in the first quarter of 2021, a \$3.6 million (-10.3%) decrease due primarily to a decrease in revenues from music distribution, concerts and hockey activities due to the COVID-19 pandemic, partially offset by higher revenues from book distribution and general literature publishing.

**Adjusted EBITDA:** \$2.1 million in the first quarter of 2021, a \$5.9 million favourable variance due primarily to decreases in some operating expenses, including production costs and labour costs, as a result of the impact of salary savings and the government measures introduced to deal with the COVID-19 pandemic, and decreases in administration costs, partially offset by the impact of the revenue decrease.

**Cash flows from operations:** \$1.1 million in the first quarter of 2021 compared with negative \$4.7 million in the same period of 2020 (Table 11). The \$5.8 million favourable variance was essentially due to the \$5.9 million favourable variance in adjusted EBITDA.

## CASH FLOWS AND FINANCIAL POSITION

This section provides an analysis of sources and uses of cash flows, as well as a financial position analysis as of the balance sheet date.

### Operating activities

**Cash flows provided by continuing operating activities:** \$261.6 million in the first quarter of 2021, compared with \$321.6 million in the same period of 2020.

The \$60.0 million decrease was mainly due to:

- \$75.8 million unfavourable net change in non-cash balances related to operating activities, due primarily to unfavourable variances in income tax payable and inventory, partially offset by a favourable variance in accounts payable.

Partially offset by:

- \$16.0 million increase in adjusted EBITDA.

The unfavourable net change in income tax payable and in other non-cash items related to operating activities had an unfavourable impact on cash flows provided by continuing operating activities in the first quarter of 2021 compared with the same period of 2020, while the increased profitability of the Telecommunications and Sports and Entertainment segments had a favourable impact.

**Working capital:** \$633.5 million at March 31, 2021 compared with negative \$33.4 million at December 31, 2020. The \$666.9 million favourable variance was due primarily to an increase in cash and cash equivalents, in connection with the issuance by Videotron of Senior Notes, and favourable variances in income tax payable and accounts receivable, partially offset by an increase in accounts payable.

### Investing activities

**Cash flows used for additions to property, plant and equipment:** \$111.8 million in the first quarter of 2021 compared with \$80.0 million in the same period of 2020. The \$31.8 million increase mainly reflects a \$21.9 million unfavourable net change in current non-cash items and increased investment in the LTE-A network in the Telecommunications segment.

**Cash flows used for additions to intangible assets:** \$58.8 million in the first quarter of 2021 compared with \$102.8 million in the same period of 2020. The \$44.0 million reduction was mainly due to a \$37.5 million favourable net change in current non-cash items and decreased investment in IT systems, mainly in the Telecommunications segment.

**Proceeds from disposal of assets:** \$0.1 million in the first quarter of 2021 compared with \$1.5 million in the same period of 2020.

**Business acquisitions:** \$15.1 million in the first quarter of 2021, essentially consisting in the acquisition of Les Disques Audiogramme inc., in the Sports and Entertainment segment.

### Free cash flows from continuing operating activities

**Free cash flows from continuing operating activities:** \$91.1 million in the first quarter of 2021 compared with \$140.3 million in the same period of 2020 (Table 12).

The \$49.2 million decrease was mainly due to:

- \$60.0 million decrease in cash flows provided by continuing operating activities;
- \$31.8 million increase in cash flows used for additions to property, plant and equipment.

Partially offset by:

- \$44.0 million decrease in cash used for additions to intangible assets.

## **Financing activities**

**Consolidated debt** (long-term debt plus bank indebtedness): \$584.3 million increase in the first quarter of 2021; \$62.8 million net unfavourable variance in assets and liabilities related to derivative financial instruments.

- Debt increases in the first quarter of 2021 essentially consisted of:
  - Issuance on January 22, 2021 by Videotron of \$650.0 million aggregate principal amount of 3.125% Senior Notes maturing on January 15, 2031 for net proceeds of \$644.0 million, net of financing fees of \$6.0 million.
- Debt reductions in the first quarter of 2021 essentially consisted of:
  - \$56.9 million favourable impact of exchange rate fluctuations. The consolidated debt reduction attributable to this item was offset by the decrease in the asset (or increase in the liability) related to derivative financial instruments.
- Assets and liabilities related to derivative financial instruments totalled a net asset of \$534.3 million at March 31, 2021 compared with \$597.1 million at December 31, 2020. The \$62.8 million net unfavourable variance was mainly due to the unfavourable impact of exchange rate fluctuations on the value of derivative financial instruments.
- 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.

## **Financial Position**

**Net available liquidity:** \$2.55 billion at March 31, 2021 for Quebecor Media and its wholly owned subsidiaries, consisting of \$1.80 billion in available unused revolving credit facilities and \$754.0 million in cash and cash equivalents.

**Consolidated debt** (long-term debt plus bank indebtedness): \$6.36 billion at March 31, 2021, a \$584.3 million increase compared with December 31, 2020; \$62.8 million net unfavourable variance in assets and liabilities related to derivative financial instruments (see "Financing activities" above).

- Consolidated debt essentially consisted of Videotron's \$4.72 billion debt (\$4.11 billion at December 31, 2020); TVA Group's \$27.2 million debt (\$28.8 million at December 31, 2020); Quebecor Media's \$1.57 billion debt (\$1.59 billion at December 31, 2020); and Quebecor's \$45.5 million debt (\$45.9 million at December 31, 2020).

**Consolidated net debt leverage ratio:** 2.67x at March 31, 2021 compared with 2.68x at December 31, 2020.

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

**Table 3**  
**Minimum principal payments on Quebecor's long-term debt**  
**12 months ending March 31**  
(in millions of Canadian dollars)

2022	\$	25.4
2023		2,618.2
2024		-
2025		753.7
2026		775.0
2027 and thereafter		2,203.8
<b>Total</b>	<b>\$</b>	<b>6,376.1</b>

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 4.7 years as of March 31, 2021 (4.3 years as of December 31, 2020). After taking into account hedging instruments, at March 31, 2021 the debt consisted of approximately 96.6% fixed-rate debt (96.1% at December 31, 2020) and 3.4% floating-rate debt (3.9% at December 31, 2020).

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

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

### **Dividends declared**

On May 12, 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"), payable on June 22, 2021 to shareholders of record at the close of business on May 28, 2021.

### **Participation in 3500 MHz spectrum auction**

In April 2021, Videotron qualified as a bidder in the auction for spectrum licences in the 3500 MHz band announced by Innovation, Science and Economic Development Canada ("ISED Canada"). The auction is scheduled to commence on June 15, 2021.

In March 2021, Videotron contracted new unsecured on-demand credit facilities under which letters of credit were issued and submitted to ISED Canada as a pre-auction deposit, with the application to bid. The submission of these letters of credit did not have the effect of reducing the Corporation's net available liquid assets under the Corporation's current credit facilities. In accordance with the rules of confidentiality established by ISED Canada respecting communications during the auction process, the Corporation may not disclose the amount of these letters of credit. Videotron may withdraw the letters of credit at any time prior to the opening of the auction.

The full licensing framework for spectrum in the 3500 MHz band published by ISED Canada, including the method used to determine the amount of the pre-auction deposit, is available on the ISED Canada website at [https://www.ic.gc.ca/eic/site/smt-gst.nsf/eng/h\\_sf11519.html](https://www.ic.gc.ca/eic/site/smt-gst.nsf/eng/h_sf11519.html).

## Analysis of consolidated balance sheet

**Table 4**

**Consolidated balance sheet of Quebecor**

**Analysis of main differences between March 31, 2021 and December 31, 2020**

(in millions of Canadian dollars)

	March 31, 2021 <sup>1</sup>	Dec. 31, 2020	Difference	Main reasons for difference
<b>Assets</b>				
Cash and cash equivalents	\$ 759.3	\$ 136.7	\$ 622.6	Cash flows generated by financing activities
Accounts receivable	635.9	600.6	35.3	Current portion of government credits receivable for major capital projects
Inventories	271.7	250.7	21.0	Impact of current variances in activity
Other current assets	136.7	113.0	23.7	Impact of current variances in activity
Property, plant and equipment	3,167.2	3,189.2	(22.0)	Depreciation for the period less additions to property, plant and equipment
Intangible assets	1,480.3	1,466.7	13.6	Additions to intangible assets and business acquisitions less amortization for the period
Derivative financial instruments <sup>2</sup>	534.3	597.1	(62.8)	See "Financing activities"
Other assets	379.1	396.8	(17.7)	Current portion of government credits receivable for major capital projects less impact of current variances in operating and investing activities
<b>Liabilities</b>				
Accounts payable, accrued charges and provisions	\$ 961.7	\$ 872.2	\$ 89.5	Impact of current variances in activity
Income taxes <sup>3</sup>	13.8	65.1	(51.3)	Current disbursements less current income taxes for the period
Long-term debt, including short-term portion and bank indebtedness	6,359.4	5,775.1	584.3	See "Financing activities"
Deferred income tax <sup>4</sup>	828.3	802.7	25.6	Impact of variances in activity on statement of income and statements of comprehensive income
Other liabilities	292.8	422.8	(130.0)	Gain on remeasurement of defined benefit plans

<sup>1</sup> The "restricted cash" and "deferred subsidy" line items are combined for the purposes of the analysis.

<sup>2</sup> Long-term assets less long-term liabilities

<sup>3</sup> Current liabilities less current assets

<sup>4</sup> Long-term liabilities less long-term assets

## ADDITIONAL INFORMATION

### Contractual obligations

At March 31, 2021, material contractual obligations of operating activities included: capital repayment and interest on long-term debt; convertible debentures and lease liabilities; capital asset purchases and other commitments; and obligations related to derivative financial instruments, less estimated future receipts on derivative financial instruments. Table 5 below shows a summary of these contractual obligations.

**Table 5**  
**Contractual obligations of Quebecor as of March 31, 2021**  
(in millions of Canadian dollars)

	Total	Under 1 year	1-3 years	3-5 years	5 years or more
Long-term debt <sup>1</sup>	\$ 6,376.1	\$ 25.4	\$ 2,618.2	\$ 1,528.7	\$ 2,203.8
Convertible debentures <sup>2</sup>	154.5	-	-	154.5	-
Interest payments <sup>3</sup>	1,311.5	223.9	486.1	288.6	312.9
Lease liabilities	179.4	35.1	56.0	30.2	58.1
Interest payments on lease liabilities	50.1	8.2	12.2	8.1	21.6
Additions to property, plant and equipment and other commitments	1,235.9	340.2	384.9	255.5	255.3
Derivative financial instruments <sup>4</sup>	(481.1)	1.6	(441.9)	(91.5)	50.7
<b>Total contractual obligations</b>	<b>\$ 8,826.4</b>	<b>\$ 634.4</b>	<b>\$ 3,115.5</b>	<b>\$ 2,174.1</b>	<b>\$ 2,902.4</b>

- <sup>1</sup> 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.
- <sup>2</sup> Based on the market value at March 31, 2021 of a number of shares obtained by dividing the outstanding principal amount by the market price of a Quebecor Class B share at that date, subject to a floor price of approximately \$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.
- <sup>3</sup> 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 March 31, 2021.
- <sup>4</sup> Estimated future receipts, net of future disbursements, related to foreign exchange hedging on the principal of U.S.-dollar-denominated debt using derivative financial instruments.

### Related party transactions

In the first quarter of 2021, the Corporation made sales to related parties in the amount of \$1.2 million (\$1.1 million in the same period of 2020) and purchases of \$3.8 million from related parties (\$2.3 million in the same period of 2020).

### Capital stock

In accordance with Canadian financial reporting standards, Table 6 presents information on the Corporation's capital stock as at April 22, 2021. In addition, 3,608,366 stock options were outstanding as of April 22, 2021.

**Table 6**  
**Capital stock**  
(in shares and millions of Canadian dollars)

	April 22, 2020	
	Issued and outstanding	Book value
Class A Shares	76,984,634	\$ 8.6
Class B Shares	168,519,357	\$ 993.5



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

## Financial instruments

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.

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.

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

**Table 7**

### Fair value of long-term debt, convertible debentures and derivative financial instruments

(in millions of Canadian dollars)

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

<sup>1</sup> The carrying value of long-term debt excludes the fair value of long-term debt related to hedged interest rate risk and financing fees.

<sup>2</sup> 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.

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 based on period-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.

Losses and gains on valuation and translation of financial instruments for the first quarter of 2021 are summarized in Table 8.

**Table 8**  
**Loss (gain) on valuation and translation of financial instruments**  
(in millions of Canadian dollars)

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

A \$2.6 million loss was recorded under "Other comprehensive income" in the first quarter of 2021 in relation to cash flow hedging relationships (\$62.9 million gain in the same period of 2020).

### 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 the proceedings, management of the Corporation is of the opinion that the outcome is not expected to have a material adverse effect on the Corporation's results or on its financial position.

On August 15, 2019, the 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 proposed new rates are substantially lower than the interim rates and could represent a reduction in earnings of approximately \$40.0 million (before income taxes) for the year 2021 and a retrospective reduction of approximately \$82.0 million (before income taxes) from March 31, 2016 to December 31, 2020. On September 28, 2020, the CRTC approved a request from a coalition of cable companies (including Videotron) to stay the implementation of the order pertaining to final rates pending its final determination on the review and vary requests. Accordingly, at this stage of these proceedings, the Corporation still estimates that the interim rates are the appropriate basis to account for its wholesale Internet access revenues.

### 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.

The Corporation added the "consolidated net debt leverage ratio" measure in the third quarter of 2020. 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, (loss) gain on valuation and translation of financial instruments, restructuring of operations and other items, income taxes and income 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 9 provides a reconciliation of adjusted EBITDA to net income as disclosed in Quebecor's condensed consolidated financial statements.

**Table 9**

### Reconciliation of the adjusted EBITDA measure used in this report to the net income measure used in the condensed consolidated financial statements

(in millions of Canadian dollars)

	Three months ended	
	March 31	
	2021	2020
Adjusted EBITDA (negative adjusted EBITDA):		
Telecommunications	\$ 450.9	\$ 435.5
Media	1.3	4.1
Sports and Entertainment	2.1	(3.8)
Head Office	(1.6)	0.9
	<b>452.7</b>	436.7
Depreciation and amortization	(195.3)	(198.1)
Financial expenses	(83.1)	(87.4)
(Loss) gain on valuation and translation of financial instruments	(5.8)	23.3
Restructuring of operations and other items	(4.5)	(3.9)
Income taxes	(44.0)	(40.5)
Income from discontinued operations	-	1.3
<b>Net income</b>	<b>\$ 120.0</b>	<b>\$ 131.4</b>

### 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 the income 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 10 provides a reconciliation of adjusted income from continuing operating activities to the net income attributable to shareholders' measure used in Quebecor's condensed consolidated financial statements.

**Table 10**

**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 condensed consolidated financial statements**

(in millions of Canadian dollars)

	Three months ended March 31	
	2021	2020
Adjusted income from continuing operating activities	\$ 129.9	\$ 111.5
(Loss) gain on valuation and translation of financial instruments	(5.8)	23.3
Restructuring of operations and other items	(4.5)	(3.9)
Income taxes related to adjustments <sup>1</sup>	1.7	(0.6)
Discontinued operations	-	1.3
<b>Net income attributable to shareholders</b>	<b>\$ 121.3</b>	<b>\$ 131.6</b>

<sup>1</sup> 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 lease liabilities, 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 lease liabilities, and share repurchases. Free cash flows from continuing operating activities is not a measure of liquidity that is consistent with IFRS. It is not intended to be regarded as an alternative to IFRS financial performance measures or to the statement of cash flows as a measure of liquidity. The Corporation's definition of free cash flows from continuing operating activities may not be identical to similarly titled measures reported by other companies.

Tables 11 and 12 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 condensed consolidated financial statements.

**Table 11****Cash flows from operations**

(in millions of Canadian dollars)

	Three months ended March 31	
	2021	2020
<b>Adjusted EBITDA (negative adjusted EBITDA)</b>		
Telecommunications	\$ 450.9	\$ 435.5
Media	1.3	4.1
Sports and Entertainment	2.1	(3.8)
Head Office	(1.6)	0.9
	<b>452.7</b>	<b>436.7</b>
<b>Minus</b>		
Additions to property, plant and equipment: <sup>1</sup>		
Telecommunications	(99.4)	(88.9)
Media	(1.2)	(1.9)
Sports and Entertainment	(0.1)	(0.1)
Head Office	(0.2)	(0.1)
	<b>(100.9)</b>	<b>(91.0)</b>
Additions to intangible assets: <sup>2</sup>		
Telecommunications	(38.6)	(44.1)
Media	(4.5)	(5.8)
Sports and Entertainment	(0.9)	(0.8)
Head Office	(0.2)	-
	<b>(44.2)</b>	<b>(50.7)</b>
<b>Cash flows from operations</b>		
Telecommunications	312.9	302.5
Media	(4.4)	(3.6)
Sports and Entertainment	1.1	(4.7)
Head Office	(2.0)	0.8
	<b>\$ 307.6</b>	<b>\$ 295.0</b>

<sup>1</sup> Reconciliation to cash flows used for additions to property, plant and equipment as per condensed consolidated financial statements:

	Three months ended March 31	
	2021	2020
Additions to property, plant and equipment	\$ (100.9)	\$ (91.0)
Net variance in current non-cash items related to additions to property, plant and equipment (excluding government credits receivable for major capital projects)	(10.9)	11.0
Cash flows used for additions to property, plant and equipment	<b>\$ (111.8)</b>	<b>\$ (80.0)</b>

<sup>2</sup> Reconciliation to cash flows used for additions to intangible assets as per condensed consolidated financial statements:

	Three months ended March 31	
	2021	2020
Additions to intangible assets	\$ (44.2)	\$ (50.7)
Net variance in current non-cash items related to additions to intangible assets (excluding government credits receivable for major capital projects)	(14.6)	(52.1)
Cash flows used for additions to intangible assets	<b>\$ (58.8)</b>	<b>\$ (102.8)</b>

**Table 12****Free cash flows from continuing operating activities and cash flows provided by continuing operating activities reported in the condensed consolidated financial statements.**

(in millions of Canadian dollars)

	Three months ended March 31	
	2021	2020
<b>Cash flows from operations from Table 11</b>	<b>\$ 307.6</b>	<b>\$ 295.0</b>
<b><u>Plus (minus)</u></b>		
Cash portion of financial expenses	(80.9)	(85.4)
Cash portion related to restructuring of operations and other items	(3.7)	(3.9)
Current income taxes	(63.4)	(61.0)
Other	0.2	4.1
Net change in non-cash balances related to operating activities	(43.2)	32.6
Net change in current non-cash items related to additions to property, plant and equipment (excluding government credits receivable for major capital projects)	(10.9)	11.0
Net change in current non-cash items related to additions to intangible assets (excluding government credits receivable for major capital projects)	(14.6)	(52.1)
<b>Free cash flows from continuing operating activities</b>	<b>91.1</b>	<b>140.3</b>
<b><u>Plus (minus)</u></b>		
Cash flows used for additions to property, plant and equipment	111.8	80.0
Cash flows used for additions to intangible assets	58.8	102.8
Proceeds from disposal of assets	(0.1)	(1.5)
<b>Cash flows provided by continuing operating activities</b>	<b>\$ 261.6</b>	<b>\$ 321.6</b>

**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 its financial position. The Corporation's definition of consolidated net debt leverage ratio may not be identical to similarly titled measures reported by other companies.

Table 14 provides the calculation of consolidated net debt leverage ratio and the reconciliation to balance sheet items reported in Quebecor's condensed consolidated financial statements.

**Table 14****Consolidated net debt leverage ratio**

(in millions of Canadian dollars)

	March. 31, 2021	Dec. 31, 2020
<b>Total long-term debt<sup>1</sup></b>	<b>\$ 6,376.1</b>	<b>\$ 5,786.4</b>
<b>Plus (minus)</b>		
Lease liabilities	144.3	139.0
Current portion of lease liabilities	35.1	34.3
Bank indebtedness	3.3	1.7
Assets related to derivative financial instruments	(569.4)	(625.5)
Liabilities related to derivative financial instruments	35.1	28.4
Cash and cash equivalents	(759.3)	(136.7)
Consolidated net debt excluding convertible debentures	5,265.2	5,227.6
Divided by:		
Trailing 12-month adjusted EBITDA	\$ 1,968.6	\$ 1,952.6
<b>Consolidated net debt leverage ratio</b>	<b>2.67x</b>	<b>2.68x</b>

<sup>1</sup> Excluding changes in the fair value of long-term debt related to hedged interest 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**

The purpose of internal controls over financial reporting is to provide reasonable assurance as to the reliability of the Corporation's financial reporting and the preparation of its consolidated financial statements in accordance with IFRS.

There have not been any changes in internal controls over financial reporting during the three months ended March 31, 2021 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

**Additional information**

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

## Cautionary statement regarding forward-looking statements

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

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

The forward-looking statements in this document are made to provide investors and the public with a better understanding of the Corporation's circumstances and are based on assumptions it believes to be reasonable as of the day on which they are made. Investors and others are cautioned that the foregoing list of factors that may affect future results is not exhaustive and that undue reliance should not be placed on any forward-looking statements. For more information on the risks, uncertainties and assumptions that could cause the Corporation's actual results to differ from current expectations, please refer to the Corporation's public filings, available at <[www.sedar.com](http://www.sedar.com)> and <[www.quebecor.com](http://www.quebecor.com)>, including, in particular, the "Risks and Uncertainties" section of the Corporation's Management Discussion and Analysis for the year ended December 31, 2020.

The forward-looking statements in this Management Discussion and Analysis reflect the Corporation's expectations as of May 12, 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

May 12, 2021



# QUEBECOR INC.

## SELECTED QUARTERLY FINANCIAL DATA

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

	2021			2020			2019		
	March 31	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30	
<b>Revenues</b>	\$ 1,091.1	\$ 1,146.8	\$ 1,111.7	\$ 1,003.8	\$ 1,055.5	\$ 1,136.2	\$ 1,073.4	\$ 1,056.9	
<b>Adjusted EBITDA</b>	452.7	526.8	513.4	475.7	436.7	494.5	509.3	455.0	
<b>Cash flows from operations</b>	307.6	345.2	346.1	326.1	295.0	260.5	332.4	274.9	
Contribution to net income attributable to shareholders:									
Continuing operating activities	129.9	165.0	173.1	144.9	111.5	159.6	173.8	136.2	
(Loss) gain on valuation and translation of financial instruments	(5.3)	(0.4)	(18.3)	4.5	21.7	(13.6)	5.6	16.3	
Unusual items	(3.3)	(4.2)	(13.9)	(7.0)	(2.9)	(0.9)	(0.9)	(12.3)	
Discontinued operations	-	(0.6)	-	32.5	1.3	-	-	-	
<b>Net income attributable to shareholders</b>	<b>121.3</b>	<b>159.8</b>	<b>140.9</b>	<b>174.9</b>	<b>131.6</b>	<b>145.1</b>	<b>178.5</b>	<b>140.2</b>	

### Basic data per share

Contribution to net income attributable to shareholders:								
Continuing operating activities	\$ 0.52	\$ 0.66	\$ 0.69	\$ 0.57	\$ 0.44	\$ 0.63	\$ 0.68	\$ 0.53
(Loss) gain on valuation and translation of financial instruments	(0.02)	-	(0.07)	0.02	0.08	(0.05)	0.02	0.07
Unusual items	(0.01)	(0.02)	(0.06)	(0.03)	(0.01)	(0.01)	-	(0.05)
Discontinued operations	-	-	-	0.13	0.01	-	-	-
<b>Net income attributable to shareholders</b>	<b>0.49</b>	<b>0.64</b>	<b>0.56</b>	<b>0.69</b>	<b>0.52</b>	<b>0.57</b>	<b>0.70</b>	<b>0.55</b>

### Weighted average number

of shares outstanding (in millions)	246.7	249.1	250.5	252.8	254.0	254.8	255.6	255.9
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### Diluted data per share

Contribution to net income attributable to shareholders:								
Continuing operating activities	\$ 0.52	\$ 0.66	\$ 0.68	\$ 0.57	\$ 0.42	\$ 0.62	\$ 0.67	\$ 0.52
Dilution impact	-	-	0.01	-	-	0.01	-	-
(Loss) gain on valuation and translation of financial instruments	(0.02)	-	(0.07)	-	-	(0.05)	-	-
Unusual items	(0.01)	(0.02)	(0.06)	(0.03)	(0.01)	(0.01)	-	(0.05)
Discontinued operations	-	-	-	0.12	0.01	-	-	-
<b>Net income attributable to shareholders</b>	<b>0.49</b>	<b>0.64</b>	<b>0.56</b>	<b>0.66</b>	<b>0.42</b>	<b>0.57</b>	<b>0.67</b>	<b>0.47</b>

### Weighted average number

of diluted shares outstanding (in millions)	246.9	253.8	250.7	258.6	259.9	255.0	261.7	262.1
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