

Condensed consolidated financial statements of

**QUEBECOR INC.**

Three-month and six-month periods ended June 30, 2021 and 2020

**QUEBECOR INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**

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

		Three months ended June 30		Six months ended June 30	
	Note	2021	2020	2021	2020
<b>Revenues</b>	2	\$ 1,131.2	\$ 1,003.8	\$ 2,222.3	\$ 2,059.3
Employee costs	3	169.5	136.7	345.9	314.7
Purchase of goods and services	3	460.3	391.4	922.3	832.2
Depreciation and amortization		196.6	195.7	391.9	393.8
Financial expenses	4	87.0	81.6	170.1	169.0
Gain on valuation and translation of financial instruments	5	(7.0)	(4.2)	(1.2)	(27.5)
Restructuring of operations and other items	6	(20.6)	10.3	(16.1)	14.2
Loss on debt refinancing	8	80.9	-	80.9	-
<b>Income before income taxes</b>		<b>164.5</b>	<b>192.3</b>	<b>328.5</b>	<b>362.9</b>
Income taxes (recovery):					
Current		64.4	59.3	127.8	120.3
Deferred		(24.6)	(8.5)	(44.0)	(29.0)
		<b>39.8</b>	<b>50.8</b>	<b>83.8</b>	<b>91.3</b>
<b>Income from continuing operations</b>		<b>124.7</b>	<b>141.5</b>	<b>244.7</b>	<b>271.6</b>
Income from discontinued operations	16	-	32.5	-	33.8
<b>Net income</b>		<b>\$ 124.7</b>	<b>\$ 174.0</b>	<b>\$ 244.7</b>	<b>\$ 305.4</b>
<b>Income (loss) from continuing operations attributable to</b>					
Shareholders		\$ 123.5	\$ 142.4	\$ 244.8	\$ 272.7
Non-controlling interests		1.2	(0.9)	(0.1)	(1.1)
<b>Net income (loss) attributable to</b>					
Shareholders		\$ 123.5	\$ 174.9	\$ 244.8	\$ 306.5
Non-controlling interests		1.2	(0.9)	(0.1)	(1.1)
<b>Earnings per share attributable to shareholders</b>	10				
Basic:					
From continuing operations		\$ 0.50	\$ 0.56	\$ 1.00	\$ 1.08
From discontinued operations		-	0.13	-	0.13
Net income		0.50	0.69	1.00	1.21
Diluted:					
From continuing operations		0.47	0.54	0.98	0.96
From discontinued operations		-	0.12	-	0.13
Net income		0.47	0.66	0.98	1.09
<b>Weighted average number of shares outstanding (in millions)</b>		<b>245.0</b>	<b>252.8</b>	<b>245.8</b>	<b>253.4</b>
<b>Weighted average number of diluted shares (in millions)</b>		<b>249.9</b>	<b>258.6</b>	<b>250.7</b>	<b>259.2</b>

See accompanying notes to condensed consolidated financial statements.

# QUEBECOR INC.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of Canadian dollars)  
(unaudited)

	Note	Three months ended June 30		Six months ended June 30	
		2021	2020	2021	2020
<b>Income from continuing operations</b>		\$ 124.7	\$ 141.5	\$ 244.7	\$ 271.6
Other comprehensive (loss) income from continuing operations:					
Items that may be reclassified to income:					
Cash flow hedges:					
(Loss) gain on valuation of derivative financial instruments		(1.6)	(19.0)	(4.2)	43.9
Deferred income taxes		2.9	6.4	4.8	(8.6)
Items that will not be reclassified to income:					
Defined benefit plans:					
Re-measurement (loss) gain	13	(2.5)	(62.0)	174.5	(62.0)
Deferred income taxes		0.5	16.0	(46.4)	16.0
Reclassification to income:					
Gain related to cash flow hedges	8	(1.0)	-	(1.0)	-
Deferred income taxes		0.6	-	0.6	-
		(1.1)	(58.6)	128.3	(10.7)
<b>Comprehensive income from continuing operations</b>		<b>123.6</b>	<b>82.9</b>	<b>373.0</b>	<b>260.9</b>
Income from discontinued operations	16	-	32.5	-	33.8
<b>Comprehensive income</b>		<b>\$ 123.6</b>	<b>\$ 115.4</b>	<b>\$ 373.0</b>	<b>\$ 294.7</b>
<b>Comprehensive income (loss) from continuing operations attributable to</b>					
Shareholders		\$ 120.8	\$ 87.3	\$ 364.7	\$ 265.5
Non-controlling interests		2.8	(4.4)	8.3	(4.6)
<b>Comprehensive income (loss) attributable to</b>					
Shareholders		\$ 120.8	\$ 119.8	\$ 364.7	\$ 299.3
Non-controlling interests		2.8	(4.4)	8.3	(4.6)

See accompanying notes to condensed consolidated financial statements.

## QUEBECOR INC. SEGMENTED INFORMATION

(in millions of Canadian dollars)  
(unaudited)

Three months ended June 30, 2021

	Telecommuni- cations	Media	Sports and Enter- tainment	Head office and Inter- segments	Total
Revenues	\$ 928.4	\$ 198.2	\$ 33.5	\$ (28.9)	\$ 1,131.2
Employee costs	101.7	55.9	7.1	4.8	169.5
Purchase of goods and services	345.2	125.6	23.3	(33.8)	460.3
Adjusted EBITDA <sup>1</sup>	481.5	16.7	3.1	0.1	501.4
Depreciation and amortization					196.6
Financial expenses					87.0
Gain on valuation and translation of financial instruments					(7.0)
Restructuring of operations and other items					(20.6)
Loss on debt refinancing					80.9
<b>Income before income taxes</b>					<b>\$ 164.5</b>
<b>Cash flows used for:</b>					
Additions to property, plant and equipment	\$ 101.3	\$ 3.3	\$ -	\$ 0.9	\$ 105.5
Additions to intangible assets	42.1	7.1	0.6	0.6	50.4

Three months ended June 30, 2020

	Telecommuni- cations	Media	Sports and Enter- tainment	Head office and Inter- segments	Total
Revenues	\$ 869.1	\$ 132.7	\$ 25.9	\$ (23.9)	\$ 1,003.8
Employee costs	100.7	26.2	4.1	5.7	136.7
Purchase of goods and services	304.8	98.9	19.0	(31.3)	391.4
Adjusted EBITDA <sup>1</sup>	463.6	7.6	2.8	1.7	475.7
Depreciation and amortization					195.7
Financial expenses					81.6
Gain on valuation and translation of financial instruments					(4.2)
Restructuring of operations and other items					10.3
<b>Income before income taxes</b>					<b>\$ 192.3</b>
<b>Cash flows used for:</b>					
Additions to property, plant and equipment	\$ 104.8	\$ 1.6	\$ -	\$ 0.3	\$ 106.7
Additions to intangible assets	41.0	6.2	0.7	0.1	48.0

**QUEBECOR INC.**  
**SEGMENTED INFORMATION (continued)**

(in millions of Canadian dollars)  
(unaudited)

Six months ended June 30, 2021

	Telecommuni- cations	Media	Sports and Enter- tainment	Head office and Inter- segments	Total
Revenues	\$ 1,842.4	\$ 373.0	\$ 64.7	\$ (57.8)	\$ 2,222.3
Employee costs	206.2	111.0	14.6	14.1	345.9
Purchase of goods and services	703.8	244.0	44.9	(70.4)	922.3
Adjusted EBITDA <sup>1</sup>	932.4	18.0	5.2	(1.5)	954.1
Depreciation and amortization					391.9
Financial expenses					170.1
Gain on valuation and translation of financial instruments					(1.2)
Restructuring of operations and other items					(16.1)
Loss on debt refinancing					80.9
<b>Income before income taxes</b>					<b>\$ 328.5</b>
<b>Cash flows used for:</b>					
Additions to property, plant and equipment	\$ 208.9	\$ 7.1	\$ 0.1	\$ 1.2	\$ 217.3
Additions to intangible assets	93.4	13.2	1.5	1.1	109.2

Six months ended June 30, 2020

	Telecommuni- cations	Media	Sports and Enter- tainment	Head office and Inter- segments	Total
Revenues	\$ 1,743.8	\$ 307.5	\$ 60.7	\$ (52.7)	\$ 2,059.3
Employee costs	203.6	85.9	14.1	11.1	314.7
Purchase of goods and services	641.1	209.9	47.6	(66.4)	832.2
Adjusted EBITDA <sup>1</sup>	899.1	11.7	(1.0)	2.6	912.4
Depreciation and amortization					393.8
Financial expenses					169.0
Gain on valuation and translation of financial instruments					(27.5)
Restructuring of operations and other items					14.2
<b>Income before income taxes</b>					<b>\$ 362.9</b>
<b>Cash flows used for:</b>					
Additions to property, plant and equipment	\$ 178.4	\$ 7.8	\$ 0.1	\$ 0.4	\$ 186.7
Additions to intangible assets	136.1	13.1	1.5	0.1	150.8

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

See accompanying notes to condensed consolidated financial statements.

**QUEBECOR INC.**  
**CONSOLIDATED STATEMENTS OF EQUITY**

(in millions of Canadian dollars)  
(unaudited)

	Equity attributable to shareholders				Equity attributable to non-controlling interests	Total equity
	Capital stock	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive loss		
	(note 11)			(note 13)		
<b>Balance as of December 31, 2019</b>	\$ 1,055.9	\$ 17.4	\$ (31.7)	\$ (64.1)	\$ 94.6	\$ 1,072.1
Net income (loss)	-	-	306.5	-	(1.1)	305.4
Other comprehensive loss	-	-	-	(7.2)	(3.5)	(10.7)
Dividends	-	-	(101.2)	-	(0.2)	(101.4)
Repurchase of Class B Shares	(18.6)	-	(77.0)	-	-	(95.6)
<b>Balance as of June 30, 2020</b>	1,037.3	17.4	96.6	(71.3)	89.8	1,169.8
Net income	-	-	300.7	-	11.3	312.0
Other comprehensive (loss) income	-	-	-	(62.6)	0.4	(62.2)
Dividends	-	-	(99.9)	-	-	(99.9)
Repurchase of Class B Shares	(19.5)	-	(86.1)	-	-	(105.6)
<b>Balance as of December 31, 2020</b>	1,017.8	17.4	211.3	(133.9)	101.5	1,214.1
Net income (loss)	-	-	244.8	-	(0.1)	244.7
Other comprehensive income	-	-	-	119.9	8.4	128.3
Dividends	-	-	(135.0)	-	(0.1)	(135.1)
Repurchase of Class B Shares	(24.0)	-	(107.5)	-	-	(131.5)
<b>Balance as of June 30, 2021</b>	\$ 993.8	\$ 17.4	\$ 213.6	\$ (14.0)	\$ 109.7	\$ 1,320.5

See accompanying notes to condensed consolidated financial statements.

# QUEBECOR INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars)  
(unaudited)

		Three months ended June 30		Six months ended June 30	
	Note	2021	2020	2021	2020
<b>Cash flows related to operating activities</b>					
Income from continuing operations		\$ 124.7	\$ 141.5	\$ 244.7	\$ 271.6
Adjustments for:					
Depreciation of property, plant and equipment		145.8	152.7	292.0	305.8
Amortization of intangible assets		40.6	34.3	79.5	70.2
Amortization of right-of-use assets		10.2	8.7	20.4	17.8
Gain on valuation and translation of financial instruments	5	(7.0)	(4.2)	(1.2)	(27.5)
Gain on disposal of other assets	6	(19.5)	(0.3)	(19.0)	(0.2)
Impairment of assets	6	-	-	0.8	-
Loss on debt refinancing	8	80.9	-	80.9	-
Amortization of financing costs	4	2.2	2.1	4.4	4.1
Deferred income taxes		(24.6)	(8.5)	(44.0)	(29.0)
Other		(0.3)	(2.1)	(0.7)	0.4
		<u>353.0</u>	<u>324.2</u>	<u>657.8</u>	<u>613.2</u>
Net change in non-cash balances related to operating activities		(123.3)	69.3	(166.5)	101.9
Cash flows provided by continuing operating activities		<u>229.7</u>	<u>393.5</u>	<u>491.3</u>	<u>715.1</u>
<b>Cash flows related to investing activities</b>					
Business acquisitions		(6.7)	(10.8)	(21.8)	(10.8)
Additions to property, plant and equipment	7	(105.5)	(106.7)	(217.3)	(186.7)
Additions to intangible assets		(50.4)	(48.0)	(109.2)	(150.8)
Proceeds from disposals of assets		3.0	0.7	3.1	2.2
Other		(7.2)	(2.3)	(8.0)	(2.9)
Cash flows used in continuing investing activities		<u>(166.8)</u>	<u>(167.1)</u>	<u>(353.2)</u>	<u>(349.0)</u>
<b>Cash flows related to financing activities</b>					
Net change in bank indebtedness		2.3	4.0	3.9	(8.8)
Net change under revolving facilities		25.9	(82.3)	22.8	(135.2)
Issuance of long-term debt, net of financing costs	8	1,342.8	-	1,986.8	-
Repayment of long-term debt		(0.2)	(0.3)	(0.6)	(0.6)
Repayment of lease liabilities		(10.8)	(10.9)	(21.0)	(20.5)
Settlement of hedging contracts		(0.8)	(0.8)	(0.8)	(0.8)
Repurchase of Class B Shares	11	(47.1)	(61.5)	(131.5)	(95.6)
Dividends		(135.0)	(101.2)	(135.0)	(101.2)
Dividends paid to non-controlling interests		-	-	(0.1)	(0.2)
Cash flows provided by (used in) continuing financing activities		<u>1,177.1</u>	<u>(253.0)</u>	<u>1,724.5</u>	<u>(362.9)</u>
Cash flows provided by (used in) continuing operations		<u>1,240.0</u>	<u>(26.6)</u>	<u>1,862.6</u>	<u>3.2</u>
Cash flows provided by discontinued operations	16	-	7.8	-	7.8
Cash and cash equivalents at beginning of period		<u>759.3</u>	<u>43.8</u>	<u>136.7</u>	<u>14.0</u>
<b>Cash and cash equivalents at end of period</b>		<u>\$ 1,999.3</u>	<u>\$ 25.0</u>	<u>\$ 1,999.3</u>	<u>\$ 25.0</u>
<b>Cash and cash equivalents consist of</b>					
Cash		\$ 1,998.5	\$ 20.3	\$ 1,998.5	\$ 20.3
Cash equivalents		0.8	4.7	0.8	4.7
		<u>\$ 1,999.3</u>	<u>\$ 25.0</u>	<u>\$ 1,999.3</u>	<u>\$ 25.0</u>
<b>Interest and taxes reflected as operating activities</b>					
Cash interest payments		\$ 117.5	\$ 118.3	\$ 156.1	\$ 157.2
Cash income tax payments (net of refunds)		54.3	(0.1)	167.1	22.9

See accompanying notes to condensed consolidated financial statements.

# QUEBECOR INC.

## CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars)  
(unaudited)

	Note	June 30 2021	December 31 2020
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 1,999.3	\$ 136.7
Restricted cash	7	206.3	-
Accounts receivable		653.2	563.6
Contract assets		175.9	174.9
Income taxes		10.2	4.9
Inventories		283.8	250.7
Derivative financial instruments		193.4	-
Other current assets		136.6	113.0
		<b>3,658.7</b>	<b>1,243.8</b>
<b>Non-current assets</b>			
Property, plant and equipment		3,134.9	3,189.2
Intangible assets		1,482.5	1,466.7
Goodwill		2,718.3	2,714.0
Right-of-use assets		152.6	143.1
Derivative financial instruments		338.4	625.5
Deferred income taxes		46.7	45.5
Other assets		459.1	433.8
		<b>8,332.5</b>	<b>8,617.8</b>
<b>Total assets</b>		<b>\$ 11,991.2</b>	<b>\$ 9,861.6</b>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Bank indebtedness		\$ 5.6	\$ 1.7
Accounts payable, accrued charges and provisions		914.4	872.2
Deferred revenue		307.6	307.5
Deferred subsidies	7	206.3	-
Income taxes		35.7	70.0
Current portion of long-term debt	8	1,543.2	28.5
Current portion of lease liabilities		35.9	34.3
		<b>3,048.7</b>	<b>1,314.2</b>
<b>Non-current liabilities</b>			
Long-term debt	8	6,142.4	5,744.9
Derivative financial instruments		42.5	28.4
Convertible debentures	9	150.0	150.0
Lease liabilities		147.1	139.0
Deferred income taxes		847.1	848.2
Other liabilities		292.9	422.8
		<b>7,622.0</b>	<b>7,333.3</b>
<b>Equity</b>			
Capital stock	11	993.8	1,017.8
Contributed surplus		17.4	17.4
Retained earnings		213.6	211.3
Accumulated other comprehensive loss	13	(14.0)	(133.9)
<b>Equity attributable to shareholders</b>		<b>1,210.8</b>	<b>1,112.6</b>
Non-controlling interests		109.7	101.5
		<b>1,320.5</b>	<b>1,214.1</b>
Contingencies	15		
Subsequent event	17		
<b>Total liabilities and equity</b>		<b>\$ 11,991.2</b>	<b>\$ 9,861.6</b>

See accompanying notes to condensed consolidated financial statements.

# QUEBECOR INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

---

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

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

### COVID-19 pandemic

The COVID-19 pandemic has had a significant impact on the economic environment in Canada and around the world. In order to limit the spread of the virus, the Québec government has imposed a number of restrictions and special preventive measures since the beginning of this health crisis, including the suspension of some business activities. In May 2021, the Québec government gradually announced the stages of its reopening plan, which extend over a period of several months. 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 in 2020 and a reduction in film and audiovisual content activity in the Media segment; and the cancellation of most shows and events in the Sports and Entertainment segment. Despite the constraints created by this pandemic, Quebecor has provided essential telecommunications and news services during this health crisis, while safeguarding the health and safety of the public and its employees. Due to the decrease in their revenues, most of the business units in the Media segment and Sports and Entertainment segment have qualified for the Canadian Emergency Wage Subsidy and subsidies totalling \$3.7 million and \$9.3 million were recorded in the respective three-month and six-month periods ended June 30, 2021, as a reduction in employee costs (\$29.5 million in the three-month and six-month periods ended June 30, 2020). Given the uncertainty about the future evolution of the pandemic, including a possible new wave, the full impact of the health crisis cannot be determined with certainty.

# QUEBECOR INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

### 1. BASIS OF PRESENTATION

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

These condensed consolidated financial statements were approved for issue by the Board of Directors of Quebecor on August 4, 2021.

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

### 2. REVENUES

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Telecommunications:				
Internet	\$ 301.8	\$ 276.1	\$ 598.4	\$ 553.6
Television	211.3	227.8	424.5	460.9
Mobile telephony	174.8	159.7	345.3	319.9
Wireline telephony	80.7	86.9	161.4	169.7
Mobile equipment sales	63.0	51.8	123.5	99.6
Wireline equipment sales	50.2	22.1	96.9	50.4
Other	46.6	44.7	92.4	89.7
Media:				
Advertising	98.4	54.1	174.5	131.9
Subscription	50.8	47.9	100.2	99.7
Other	49.0	30.7	98.3	75.9
Sports and Entertainment	33.5	25.9	64.7	60.7
Inter-segments	(28.9)	(23.9)	(57.8)	(52.7)
	\$ 1,131.2	\$ 1,003.8	\$ 2,222.3	\$ 2,059.3

# QUEBECOR INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

### 3. EMPLOYEE COSTS AND PURCHASE OF GOODS AND SERVICES

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Employee costs	\$ 219.4	\$ 188.7	\$ 443.7	\$ 418.6
Less employee costs capitalized to property, plant and equipment and intangible assets	(49.9)	(52.0)	(97.8)	(103.9)
	169.5	136.7	345.9	314.7
Purchase of goods and services:				
Royalties, rights and creation costs <sup>1</sup>	195.0	168.7	377.8	337.2
Cost of products sold	116.3	90.9	232.2	188.0
Service contracts	49.4	40.7	104.3	87.1
Marketing, circulation and distribution expenses	21.8	12.2	40.5	33.3
Other	77.8	78.9	167.5	186.6
	460.3	391.4	922.3	832.2
	\$ 629.8	\$ 528.1	\$ 1,268.2	\$ 1,146.9

<sup>1</sup> During the first quarter of 2021, the Corporation reviewed the allocation of the value of the rights attached to the various components of its contract for the National Hockey League ("NHL") games to better reflect the economic benefits arising from them. In addition, the beginning of the 2020/2021 season was postponed from 2020 to 2021 and the season was also shortened. These changes had the effect of altering the timing of recognition in income of the NHL content rights. As well, during the second quarter of 2020, the Corporation remeasured its audiovisual content asset mainly related to the NHL rights, given the pandemic and its impacts on the Media segment's operations. The cost of NHL rights therefore has increased by \$8.2 million in the second quarter of 2021 as compared to 2020 and it has increased by \$24.8 million for the six-month period ended June 30, 2021, as compared to 2020.

### 4. FINANCIAL EXPENSES

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Interest on long-term debt and on debentures	\$ 83.1	\$ 76.2	\$ 162.7	\$ 153.4
Amortization of financing costs	2.2	2.1	4.4	4.1
Interest on lease liabilities	2.1	1.8	4.3	3.8
Interest on net defined benefit liability	2.2	2.0	4.4	3.9
(Gain) loss on foreign currency translation on short-term monetary items	(2.2)	(1.6)	(3.4)	3.0
Other	(0.4)	1.1	(2.3)	0.8
	\$ 87.0	\$ 81.6	\$ 170.1	\$ 169.0

# QUEBECOR INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

### 5. GAIN ON VALUATION AND TRANSLATION OF FINANCIAL INSTRUMENTS

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Gain on embedded derivatives related to convertible debentures	\$ (7.5)	\$ (4.7)	\$ (1.8)	\$ (27.2)
Other	0.5	0.5	0.6	(0.3)
	\$ (7.0)	\$ (4.2)	\$ (1.2)	\$ (27.5)

### 6. RESTRUCTURING OF OPERATIONS AND OTHER ITEMS

During the respective three-month and six-month periods ended June 30, 2021, charges of \$2.2 million and \$5.4 million were recorded in connection with cost reduction initiatives in the Corporation's various segments (\$10.6 million and \$14.4 million in 2020), while an impairment charge on assets of \$0.8 million was also recorded in the six-month period ended June 30, 2021 (none in 2020).

On April 1, 2021, Alithya Group Inc. ("Alithya"), a strategy and digital transformation leader, acquired the firm R3D Conseil inc., of which Quebecor was one of the main shareholders. As a result of this transaction, the Corporation now holds 11.9% of Alithya's share capital and 6.7% of voting rights related to the issued and outstanding shares of Alithya, and a corresponding gain on disposal of \$19.6 million was recorded in the second quarter of 2021. This transaction also included purchase commitments from Quebecor for Alithya's services totalling approximately \$360.0 million as part of a 10-year commercial agreement.

In addition, during the respective three-month and six-month periods ended June 30, 2021, the Corporation also recorded gains related to other items of \$3.2 million and \$2.7 million (\$0.3 million and \$0.2 million in 2020).

### 7. RESTRICTED CASH AND DEFERRED SUBSIDIES

On March 22, 2021, Videotron and the Québec government, jointly with the Canadian Government, signed agreements to support the achievement of the government's targets for the roll-out of high-speed Internet services in various regions of Québec. Under these agreements, Videotron will extend its high-speed Internet network to connect approximately 37,000 additional households and the government has committed to provide financial assistance in the amount of approximately \$258.0 million, which will be fully invested in Videotron's network extension. In accordance with the terms of the agreements, an amount of \$216.2 million received in advance from the government in March 2021 was classified as restricted cash with a corresponding amount recorded as deferred subsidies in the consolidated balance sheet. During the respective three-month and six-month periods ended June 30, 2021, \$4.4 million and \$9.9 million of these deferred subsidies were recognized in reduction of the additions to property, plant and equipment, upon the realization of the required investments.

# QUEBECOR INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

### 8. LONG-TERM DEBT

Components of long-term debt are as follows:

	June 30, 2021	December 31, 2020
Total long-term debt	\$ 7,714.5	\$ 5,786.4
Change in fair value related to hedged interest rate risk	12.4	16.8
Financing costs, net of amortization	(41.3)	(29.8)
	7,685.6	5,773.4
Less current portion	(1,543.2)	(28.5)
	\$ 6,142.4	\$ 5,744.9

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

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

On June 17, 2021, Videotron issued \$750.0 million aggregate principal amount of Senior Notes bearing interest at 3.625% and maturing on June 15, 2028, for net proceeds of \$743.2 million, net of financing costs of \$6.8 million. Videotron also issued US\$500.0 million aggregate principal amount of Senior Notes bearing interest at 3.625% and maturing on June 15, 2029, for net proceeds of \$599.6 million, net of financing costs of \$5.8 million. The Senior Notes are unsecured and contain certain restrictions, including limitations on Videotron's ability to incur additional indebtedness, pay dividends and make other distributions. The Notes are guaranteed by specific subsidiaries of Videotron and are redeemable at the option of Videotron, in whole or in part, at a price based on a make-whole formula during the first three years of the term of the Notes and at a decreasing premium thereafter. Videotron has fully hedged the foreign currency risk associated with the new Senior Notes denominated in U.S. dollars by using cross-currency swaps.

As of June 30, 2021, the carrying value of long-term debt denominated in U.S. dollars, excluding financing costs, was \$4,156.8 million (\$3,655.1 million as of December 31, 2020) while the net fair value of related hedging derivative instruments was in an asset position of \$494.1 million (\$605.1 million as of December 31, 2020).

# QUEBECOR INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

### 9. CONVERTIBLE DEBENTURES

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

### 10. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

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

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

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Income from continuing operations attributable to shareholders	\$ 123.5	\$ 142.4	\$ 244.8	\$ 272.7
Impact of assumed conversion of convertible debentures of the Corporation and of stock options of subsidiaries	(6.4)	(3.6)	0.3	(25.1)
<b>Income from continuing operations attributable to shareholders, adjusted for dilution effect</b>	<b>\$ 117.1</b>	<b>\$ 138.8</b>	<b>\$ 245.1</b>	<b>\$ 247.6</b>
Net income attributable to shareholders	\$ 123.5	\$ 174.9	\$ 244.8	\$ 306.5
Impact of assumed conversion of convertible debentures of the Corporation and of stock options of subsidiaries	(6.4)	(3.6)	0.3	(25.1)
<b>Net income attributable to shareholders, adjusted for dilution effect</b>	<b>\$ 117.1</b>	<b>\$ 171.3</b>	<b>\$ 245.1</b>	<b>\$ 281.4</b>
Weighted average number of shares outstanding (in millions)	245.0	252.8	245.8	253.4
Potentially dilutive effect of convertible debentures of the Corporation and of stock options of the Corporation (in millions)	4.9	5.8	4.9	5.8
<b>Weighted average number of diluted shares outstanding (in millions)</b>	<b>249.9</b>	<b>258.6</b>	<b>250.7</b>	<b>259.2</b>

# QUEBECOR INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

### 11. CAPITAL STOCK

#### (a) Authorized capital stock

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

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

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

#### (b) Issued and outstanding capital stock

	Class A Shares		Class B Shares	
	Number	Amount	Number	Amount
Balance as of December 31, 2020	77,039,834	\$ 8.6	171,132,357	\$ 1,009.2
Class A Shares converted into Class B Shares	(55,800)	–	55,800	–
Shares purchased and cancelled	–	–	(4,073,200)	(24.0)
<b>Balance as of June 30, 2021</b>	<b>76,984,034</b>	<b>\$ 8.6</b>	<b>167,114,957</b>	<b>\$ 985.2</b>

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

On May 19, 2021, the Corporation received approval from the Toronto Stock Exchange to amend its normal course issuer bid in order to increase the maximum number of Class B Shares that may be repurchased to 7,500,000 Class B Shares, representing approximately 4.3% of issued and outstanding Class B Shares as of July 31, 2020. No other terms of the normal course issuer bid have been amended.

On August 4, 2021, the Corporation authorized a normal course issuer bid for a maximum of 1,000,000 Class A Shares representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 6,000,000 Class B Shares representing approximately 3.6% of issued and outstanding Class B Shares as of July 30, 2021. The purchases can be made from August 15, 2021 to August 14, 2022, at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange or other alternative trading systems. All shares purchased under the bid will be cancelled.

During the six-month period ended June 30, 2021, the Corporation purchased and cancelled 4,073,200 Class B Shares for a total cash consideration of \$131.5 million (3,143,300 Class B Shares for a total cash consideration of \$95.6 million in 2020). The excess of \$107.5 million of the purchase price over the carrying value of Class B Shares repurchased was recorded in reduction of retained earnings (\$77.0 million in 2020).

On August 4, 2021, the Board of Directors of the Corporation declared a dividend of \$0.275 per share on Class A Shares and Class B Shares, or approximately \$67.1 million, payable on September 14, 2021, to shareholders of record at the close of business on August 20, 2021.

# QUEBECOR INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

### 12. STOCK-BASED COMPENSATION PLANS

#### Stock option plans

The following table provides details of changes to outstanding options in the principal stock-based compensation plans in which management of the Corporation and its subsidiaries participates, for the six-month period ended June 30, 2021:

	Outstanding options	
	Number	Weighted average exercise price
<b>Quebecor</b>		
As of December 31, 2020	3,630,959	\$ 30.57
Cancelled	(208,216)	29.72
<b>As of June 30, 2021</b>	<b>3,422,743</b>	<b>\$ 30.62</b>
<b>Vested options as of June 30, 2021</b>	<b>-</b>	<b>\$ -</b>
<b>Quebecor Media</b>		
As of December 31, 2020	47,950	\$ 65.96
Exercised	(15,300)	63.23
<b>As of June 30, 2021</b>	<b>32,650</b>	<b>\$ 67.24</b>
<b>Vested options as of June 30, 2021</b>	<b>32,650</b>	<b>\$ 67.24</b>
<b>TVA Group Inc.</b>		
As of December 31, 2020	795,000	\$ 2.06
Cancelled	(105,497)	2.43
<b>As of June 30, 2021</b>	<b>689,503</b>	<b>\$ 2.00</b>
<b>Vested options as of June 30, 2021</b>	<b>25,000</b>	<b>\$ 6.85</b>

During the three-month period ended June 30, 2021, 5,000 stock options of Quebecor Media were exercised for a cash consideration of \$0.3 million (16,000 stock options for \$0.9 million in 2020). During the six-month period ended June 30, 2021, 15,300 stock options of Quebecor Media were exercised for a cash consideration of \$1.0 million (72,500 stock options for \$4.3 million in 2020).

#### Deferred share unit and performance share unit plans

The deferred share unit ("DSU") is based either on Quebecor Class B Shares and on TVA Group Inc. Class B Non-Voting Shares ("TVA Group Class B Shares"). The DSUs vest over six years and will be redeemed for cash only upon the participant's retirement or termination of employment, as the case may be. DSUs entitle the holders to receive additional units when dividends are paid on Quebecor Class B Shares or TVA Group Class B Shares. As of June 30, 2021, 142,141 DSUs based on Quebecor Class B Shares and 165,282 DSUs based on TVA Group Class B Shares were outstanding under these plans (148,785 and 204,598, respectively, as of December 31, 2020). During the first quarter of 2020, a cash consideration of \$4.8 million was paid relating to a performance share unit plan terminated in 2020.

# QUEBECOR INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

### 12. STOCK-BASED COMPENSATION PLANS (continued)

#### Stock-based compensation expense

For the three-month period ended June 30, 2021, a reversal of the charge related to all stock-based compensation plans was recorded in the amount of \$1.9 million (a charge of \$0.3 million in 2020). For the six-month period ended June 30, 2021, a charge related to all stock-based compensation plans was recorded in the amount of \$1.7 million (a reversal of the charge of \$1.6 million in 2020).

### 13. ACCUMULATED OTHER COMPREHENSIVE LOSS ATTRIBUTABLE TO SHAREHOLDERS

	Cash flow hedges <sup>1</sup>	Defined benefit plans <sup>2</sup>	Total
Balance as of December 31, 2019	\$ 40.3	\$ (104.4)	\$ (64.1)
Other comprehensive income (loss)	35.3	(42.5)	(7.2)
Balance as of June 30, 2020	75.6	(146.9)	(71.3)
Other comprehensive loss	(46.0)	(16.6)	(62.6)
Balance as of December 31, 2020	29.6	(163.5)	(133.9)
Other comprehensive income	0.2	119.7	119.9
<b>Balance as of June 30, 2021</b>	<b>\$ 29.8</b>	<b>\$ (43.8)</b>	<b>\$ (14.0)</b>

<sup>1</sup> No significant amount is expected to be reclassified in income over the next 12 months in connection with derivatives designated as cash flow hedges. The balance is expected to reverse over a 8 year period.

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

### 14. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

# QUEBECOR INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

### 14. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

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

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

Asset (liability)	June 30, 2021		December 31, 2020	
	Carrying value	Fair value	Carrying value	Fair value
Long-term debt <sup>1</sup>	\$ (7,714.5)	\$ (8,029.4)	\$ (5,786.4)	\$ (6,216.1)
Convertible debentures <sup>2</sup>	(152.1)	(152.1)	(153.5)	(153.5)
<b>Derivative financial instruments</b>				
Foreign exchange forward contracts	(4.8)	(4.8)	(8.0)	(8.0)
Cross-currency swaps	494.1	494.1	605.1	605.1

<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 costs.

<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.

### 15. CONTINGENCIES

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

On August 15, 2019, the Canadian Radio-television and Telecommunications Commission ("CRTC") issued an order to finalize the rates, retroactively to March 31, 2016, at which the large cable and telephone companies provide aggregated wholesale access to their high-speed Internet networks. The interim rates in effect since 2016 had been invoiced to resellers and accounted for in the Corporation's consolidated financial statements on the basis of the effective date of March 31, 2016. The new proposed rates were substantially lower than the interim rates. On May 27, 2021, the CRTC restored, in a final decision, the interim rates that had been in effect since 2016. Accordingly, no adjustments are necessary to the consolidated financial statements.

# QUEBECOR INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

---

### 16. DISCONTINUED OPERATIONS

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

### 17. SUBSEQUENT EVENT

On July 29, 2021, Quebecor announced an investment of nearly \$830.0 million in the acquisition by Videotron of 294 blocks of spectrum in the 3500 MHz band across the country. More than half of the investment is concentrated in four Canadian provinces outside Québec: southern and eastern Ontario, Manitoba, Alberta and British Columbia.