MANAGEMENT DISCUSSION AND ANALYSIS
SECOND QUARTER 2021

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CORPORATE PROFILE

This Management Discussion and Analysis covers the main activities of Quebecor Inc. in the second 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"), 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, and key performance indicators, such as revenue-generating unit ("RGU") and average billing per unit ("ABPU"). Definitions of the non-IFRS measures 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 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).

The impact of the COVID-19 health crisis on the operating results of the Corporation's business segments in the second 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, including the potential effects of another wave. The public health crisis could have a material adverse impact on the growth of the Corporation's operating results and cash flows in the short and medium terms. As a result, the growth recorded during quarters preceding the health crisis may not be indicative of future growth.

HIGHLIGHTS

Second quarter 2021

Revenues: $1.13 billion, a $127.4 million (12.7%) increase.

Adjusted EBITDA: $501.4 million, a $25.7 million (5.4%) increase.

Net income attributable to shareholders: $123.5 million ($0.50 per basic share), a decrease of $51.4 million ($0.19 per basic share).

Adjusted income from continuing operating activities: $158.3 million ($0.65 per basic share), an increase of $13.4 million ($0.08 per basic share) or 9.2%.

Cash flows from operations: $338.1 million, a $12.0 million (3.7%) increase.

Cash flows provided by continuing operating activities: $229.7 million, a $163.8 million (-41.6%) decrease.

Year to date

Revenues: $2.22 billion, a $163.0 million (7.9%) increase.

Adjusted EBITDA: $954.1 million, a $41.7 million (4.6%) increase.

Net income attributable to shareholders: $244.8 million ($1.00 per basic share), a decrease of $61.7 million ($0.21 per basic share).

Adjusted income from continuing operating activities: $288.2 million ($1.17 per basic share), an increase of $31.8 million ($0.16 per basic share) or 12.4%.

Cash flows from operations: $645.7 million, a $24.6 million (4.0%) increase.

Cash flows provided by continuing operating activities: $491.3 million, a $223.8 million (-31.3%) 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 June 30		Six months ended June 30	
	2021	2020	**2021**	2020
Income				
Revenues:				
Telecommunications	**$ 928.4**	$ 869.1	**$ 1,842.4**	$ 1,743.8
Media	**198.2**	132.7	**373.0**	307.5
Sports and Entertainment	**33.5**	25.9	**64.7**	60.7
Inter-segment	**(28.9)**	(23.9)	**(57.8)**	(52.7)
	1,131.2	1,003.8	**2,222.3**	2,059.3
Adjusted EBITDA (negative adjusted EBITDA)[1]:				
Telecommunications	**481.5**	463.6	**932.4**	899.1
Media	**16.7**	7.6	**18.0**	11.7
Sports and Entertainment	**3.1**	2.8	**5.2**	(1.0)
Head Office	**0.1**	1.7	**(1.5)**	2.6
	501.4	475.7	**954.1**	912.4
Depreciation and amortization	**(196.6)**	(195.7)	**(391.9)**	(393.8)
Financial expenses	**(87.0)**	(81.6)	**(170.1)**	(169.0)
Gain on valuation and translation of financial instruments	**7.0**	4.2	**1.2**	27.5
Restructuring of operations and other items	**20.6**	(10.3)	**16.1**	(14.2)
Loss on debt refinancing	**(80.9)**	–	**(80.9)**	–
Income taxes	**(39.8)**	(50.8)	**(83.8)**	(91.3)
Income from discontinued operations	**–**	32.5	**–**	33.8
Net income	**$ 124.7**	$ 174.0	**$ 244.7**	$ 305.4
Income from continuing operations attributable to shareholders	**$ 123.5**	$ 142.4	**$ 244.8**	$ 272.7
Net income attributable to shareholders	**123.5**	174.9	**244.8**	306.5
Adjusted income from continuing operating activities[1]	**158.3**	144.9	**288.2**	256.4
Per basic share:				
Income from continuing operations attributable to shareholders	**0.50**	0.56	**1.00**	1.08
Net income attributable to shareholders	**0.50**	0.69	**1.00**	1.21
Adjusted income from continuing operating activities[1]	**0.65**	0.57	**1.17**	1.01

1 See « Non-IFRS Financial Measures »

	Three months ended June 30		Six months ended June 30	
	2021	2020	**2021**	2020
Additions to property, plant and equipment and to intangible assets[1]				
Telecommunications	**$ 151.4**	$ 140.8	**$ 289.4**	$ 273.8
Media	**9.6**	7.6	**15.3**	15.3
Sports and Entertainment	**0.6**	0.7	**1.6**	1.6
Head Office	**1.7**	0.5	**2.1**	0.6
	163.3	149.6	**308.4**	291.3
Cash flows				
Cash flows from operations[1]:				
Telecommunications	**330.1**	322.8	**643.0**	625.3
Media	**7.1**	–	**2.7**	(3.6)
Sports and Entertainment	**2.5**	2.1	**3.6**	(2.6)
Head Office	**(1.6)**	1.2	**(3.6)**	2.0
	338.1	326.1	**645.7**	621.1
Free cash flows from continuing operating activities[1]	**76.8**	239.5	**167.9**	379.8
Cash flows provided by continuing operating activities	**229.7**	393.5	**491.3**	715.1

	June 30 2021	Dec. 31 2020
Balance sheet		
Cash and cash equivalents	**$ 1,999.3**	$ 136.7
Working capital	**610.0**	(70.4)
Net assets related to derivative financial instruments	**489.3**	597.1
Total assets	**11,991.2**	9,861.6
Total debt (current and long-term)	**7,685.6**	5,773.4
Lease liabilities (current and long-term)	**183.0**	173.3
Convertible debentures, including embedded derivatives	**154.7**	156.5
Equity attributable to shareholders	**1,210.8**	1,112.6
Equity	**1,320.5**	1,214.1
Number of common shares outstanding (in millions)	**244.1**	248.2
Consolidated net debt leverage ratio[1]	**2.71x**	2.68x

Telecommunications

- The Telecommunications segment grew its revenues by $59.3 million (6.8%) and its adjusted EBITDA by $17.9 million (3.9%) in the second quarter of 2021.
- Videotron significantly increased its revenues from wireline equipment ($28.1 million or 127.1%), mobile services and equipment ($26.3 million or 12.4%) and Internet access ($25.7 million or 9.3%) in the second quarter of 2021.
- There was an increase of 27,200 connections (1.8%) to the mobile telephony service and 5,300[2] subscriptions (0.3%) to the Internet access service in the second quarter of 2021.

[1] See « Non-IFRS Financial Measures »

[2] The number for the end of the first quarter of 2021 has been lowered by 2,500 customers to correct an irregularity discovered in the RGU growth compilation systems.

- On July 29, 2021, Quebecor announced an investment of nearly $830 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.
- On May 26, 2021, Videotron announced the upcoming launch of Vrai, a new Québec subscription platform that will meet the strong demand for unscripted lifestyle, documentary and entertainment content. Vrai will go live in 2021 with thousands of hours of all-French, on-demand content, including more than 40 first-run exclusive original Québec productions.
- On May 12, 2021, Videotron announced the roll-out of its 5G network in Québec City, following the successful launch in Montréal in December 2020. With its increased speed, expanded connectivity and minimal latency, 5G will open up a world of possibilities for Québec City customers.
- On April 15, 2021, the Canadian Radio television and Telecommunications Commission ("CRTC") announced that some telecommunications providers may be given access to the wireless networks of Canada's major carriers in order to offer Canadians greater choice and more options at affordable prices. As a result, regional carriers that invest in network infrastructure and spectrum will be able to offer competitive services as mobile virtual network operators in regions where competition is limited.
- On April 1, 2021, Videotron announced the acquisition of Cablovision Warwick Inc. ("Cablovision Warwick") and its network, which has been serving the municipalities of Warwick, Kingsey Falls and Saint-Félix-de-Kingsey in the Centre-du-Québec region for more than four decades. Cablovision Warwick's customers will therefore have access to Videotron's network and its line of products and services.

Media

- On July 16, 2021, TVA Group Inc. ("TVA Group") announced that the studios of Canadian film and television industry leader MELS will be enlarged with the construction of MELS 4, with the support of the Québec government and the City of Montréal. The project will strengthen MELS' position on the market for foreign blockbusters and series.

Investing and financing operations

- On June 17, 2021, Videotron issued $750.0 million aggregate principal amount of 3.625% Senior Notes maturing on June 15, 2028, for net proceeds of $743.2 million, net of financing costs of $6.8 million. Videotron also issued US$500.0 million aggregate principal amount of 3.625% Senior Notes maturing on June 15, 2029, for net proceeds of $599.6 million, net of financing costs of $5.8 million.

- On June 3, 2021, Quebecor Media issued a redemption notice for its 6.625% Senior Notes maturing on January 15, 2023, in the aggregate principal amount of $500.0 million, at a redemption price of 107.934% of their principal amount. Videotron also issued a redemption notice for its 5.000% Senior Notes maturing on July 15, 2022, in the aggregate principal amount of US$800.0 million, at a redemption price of 104.002% of their principal amount. The Senior Notes were redeemed in July 2021 and the related hedging contracts were unwound for a total cash consideration of $1.38 billion.

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

Senior management

- On June 4, 2021, Jean-François Pruneau resigned as President and Chief Executive Officer of Videotron to pursue personal investment projects. Pierre Karl Péladeau, President and Chief Executive Officer of Quebecor Media, took over as President of Videotron.

- 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.

- As Marc M. Tremblay, Chief Operating Officer and Chief Legal Officer of the Corporation, had previously advised the Corporation that he wished to plan his retirement at a date to be determined, and as the Corporation wanted him to remain until at least March 31, 2022, it has reached an agreement providing for Mr. Tremblay to remain in his position until at least that date, while gradually reducing his responsibilities starting August 1, 2021.

ANALYSIS OF CONSOLIDATED RESULTS OF OPERATIONS AND CASH FLOWS

2021/2020 second quarter comparison

Revenues: $1.13 billion, a $127.4 million (12.7%) increase.

- Revenues increased in Telecommunications ($59.3 million or 6.8% of segment revenues), Media ($65.5 million or 49.4%), and Sports and Entertainment ($7.6 million or 29.3%).

Adjusted EBITDA: $501.4 million, a $25.7 million (5.4%) increase.

- Adjusted EBITDA increased in Telecommunications ($17.9 million or 3.9% of segment adjusted EBITDA), Media ($9.1 million), and Sports and Entertainment ($0.3 million or 10.7%).
- 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 $2.2 million favourable variance in the Corporation's stock-based compensation charge in the second quarter of 2021 compared with the same period of 2020.

Net income attributable to shareholders: $123.5 million ($0.50 per basic share) in the second quarter of 2021, compared with $174.9 million ($0.69 per basic share) in the same period of 2020, a decrease of $51.4 million ($0.19 per basic share).

- The main unfavourable variances were:
  - $80.9 million unfavourable variance related to debt refinancing;
  - $32.5 million decrease in income from discontinued operations;
  - $5.4 million increase in financial expenses.
- The main favourable variances were:
  - $30.9 million favourable variance in the gain and charge for restructuring of operations and other items;
  - $25.7 million increase in adjusted EBITDA;
  - $11.0 million decrease in the income tax expense.

Adjusted income from continuing operating activities: $158.3 million ($0.65 per basic share) in the second quarter of 2021, compared with $144.9 million ($0.57 per basic share) in the same period of 2020, an increase of $13.4 million ($0.08 per basic share).

Cash flows from operations: $338.1 million, a $12.0 million (3.7%) increase due to the $25.7 million increase in adjusted EBITDA, partially offset by a $13.7 million increase in additions to property, plant and equipment and to intangible assets.

Cash flows provided by continuing operating activities: $229.7 million, a $163.8 million (-41.6%) 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: $196.6 million in the second quarter of 2021, a $0.9 million increase.

Financial expenses: $87.0 million in the second quarter of 2021, a $5.4 million increase due primarily to higher average indebtedness, partially offset by the impact of lower average interest on long-term debt.

Gain on valuation and translation of financial instruments: $7.0 million in the second quarter of 2021, a $2.8 million favourable variance due to a favourable variance, without any tax consequences, in gains and losses on embedded derivatives related to convertible debentures.

Gain on restructuring of operations and other items: $20.6 million in the second quarter of 2021, compared with a$10.3 million charge in the same period of 2020, a $30.9 million favourable variance.

- On April 1, 2021, Alithya acquired R3D Conseil, of which Quebecor was one of the main shareholders. The corresponding gain on disposal of $19.6 million was recognized in the second quarter of 2021.

- A $2.2 million charge was also recognized in the second quarter of 2021 in connection with cost-reduction measures in various segments of the Corporation ($10.6 million in the second quarter of 2020). In addition, a $3.2 million gain on other items was recognized in the second quarter of 2021 ($0.3 million in the second quarter of 2020).

Loss on debt refinancing: $80.9 million in the second quarter of 2021.

- On June 3, 2021, Quebecor Media issued a redemption notice for its 6.625% Senior Notes maturing on January 15, 2023, in the aggregate principal amount of $500.0 million, at a redemption price of 107.934% of their principal amount. Videotron also issued a redemption notice for its 5.000% Senior Notes maturing on July 15, 2022, in the aggregate principal amount of US$800.0 million, at a redemption price of 104.002% of their principal amount. As a result, an $80.9 million net loss was recorded in the consolidated statement of income in the second quarter of 2021.

Income tax expense: $39.8 million in the second quarter of 2021 (effective tax rate of 27.1%), compared with $50.8 million in the same period of 2020 (effective tax rate of 27.1%), an $11.0 million favourable variance caused mainly by the impact of the decrease in taxable income. The effective tax rate is calculated considering only taxable and deductible items.

2021/2020 year to date comparison

Revenues: $2.22 billion, a $163.0 million (7.9%) increase.

- Revenues increased in Telecommunications ($98.6 million or 5.7% of segment revenues), Media ($65.5 million or 21.3%), and Sports and Entertainment ($4.0 million or 6.6%).

Adjusted EBITDA: $954.1 million, a $41.7 million (4.6%) increase.

- Adjusted EBITDA increased in Telecommunications ($33.3 million or 3.7% of segment adjusted EBITDA), Media ($6.3 million or 53.8%), and Sports and Entertainment ($6.2 million).
- The change in the fair value of Quebecor and Quebecor Media stock options and in the value of Quebecor stock-price-based share units resulted in a $3.3 million unfavourable variance in the Corporation's stock-based compensation charge in the first half of 2021 compared with the same period of 2020.

Net income attributable to shareholders: $244.8 million ($1.00 per basic share) in the first half of 2021, compared with $306.5 million ($1.21 per basic share) in the same period of 2020, a decrease of $61.7 million ($0.21 per basic share).

- The main unfavourable variances were:
  - $80.9 million unfavourable variance related to debt refinancing;
  - $33.8 million decrease in income from discontinued operations;
  - $26.3 million unfavourable variance related to gains on valuation and translation of financial instruments, including $25.4 million without any tax consequences.
- The main favourable variances were:
  - $41.7 million increase in adjusted EBITDA;
  - $30.3 million favourable variance in the gain and charge for restructuring of operations and other items;
  - $7.5 million decrease in the income tax expense.

Adjusted income from continuing operating activities: $288.2 million ($1.17 per basic share) in the first half of 2021, compared with $256.4 million ($1.01 per basic share) in the same period of 2020, an increase of $31.8 million ($0.16 per basic share).

Cash flows from operations: $645.7 million, a $24.6 million (4.0%) increase due to the $41.7 million increase in adjusted EBITDA, partially offset by a $17.1 million increase in additions to property, plant and equipment and to intangible assets.

Cash flows provided by continuing operating activities: $491.3 million, a $223.8 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: $391.9 million in the first half of 2021, a $1.9 million decrease.

Financial expenses: $170.1 million, a $1.1 million increase. Increases in financial expenses were due primarily to higher average indebtedness. Reductions in financial expenses were mainly due to a lower average interest rate on long-term debt and a favourable variance in the gain or loss on foreign currency translation of short-term monetary items.

Gain on valuation and translation of financial instruments: $1.2 million in the first half of 2021 compared with $27.5 million in the same period of 2020, a $26.3 million unfavourable variance due to the unfavourable variance, without any tax consequences, in gains and losses on embedded derivatives related to convertible debentures.

Gain on restructuring of operations and other items: $16.1 million in the first half of 2021, compared with a $14.2 million charge in the same period of 2020, a $30.3 million favourable variance.

- On April 1, 2021, Alithya acquired R3D Conseil, of which Quebecor was one of the main shareholders. The corresponding gain on disposal of $19.6 million was recognized in the first half of 2021.

- A $5.4 million charge was also recognized in the first half of 2021 in connection with cost-reduction measures in various segments of the Corporation ($14.4 million in the first half of 2020). In addition, a $2.7 million gain on other items was recognized in the first half of 2021 ($0.2 million in the first half of 2020). A $0.8 million charge for impairment of assets was recognized in connection with various restructuring initiatives in the first half of 2021.

Loss on debt refinancing: $80.9 million in the first half of 2021, due to the same factors as those noted above under "2021/2020 second quarter comparison."

Income tax expense: $83.8 million in the first half of 2021 (effective tax rate of 26.4%), compared with $91.3 million in the same period of 2020 (effective tax rate of 27.2%), a $7.5 million favourable variance caused mainly by the impact of the decrease in taxable income. The effective tax rate is calculated considering only taxable and deductible items.

SEGMENTED ANALYSIS

Telecommunications

Second quarter 2021 operating results

Revenues: $928.4 million in the second quarter of 2021, a $59.3 million (6.8%) increase.

- Revenues from mobile telephony services increased $15.1 million (9.5%) to $174.8 million, due primarily to an increase in the number of subscriber connections and higher average per-connection revenue for each service.
- Revenues from Internet access services increased $25.7 million (9.3%) to $301.8 million, due mainly to an increase in average per-subscriber revenues and subscriber base growth.
- Revenues from television services decreased $16.5 million (-7.2%) to $211.3 million, due mainly to a decrease in average per-subscriber revenues and a decrease in the subscriber base.
- Revenues from wireline telephony services decreased $6.2 million (-7.1%) 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 mobile equipment sales to customers increased $11.2 million (21.6%) to $63.0 million, mainly because of the increase in the number of mobile devices sold, combined with price increases.
- Revenues from wireline equipment sales to customers increased $28.1 million to $50.2 million, mainly because of the increase in equipment sales related to the Helix platform, combined with price increases.
- Other revenues increased $1.9 million (4.3%) to $46.6 million.

ABPU: Videotron's total ABPU was $50.63 in the second quarter of 2021, compared with $49.62 in the same period of 2020, a $1.01 (2.0%) increase. Mobile ABPU was $50.30 in the second quarter of 2021, compared with $50.32 in the same period of 2020, a $0.02 decrease.

Customer statistics

RGUs – The total number of RGUs was 6,121,000 at June 30, 2021, a decrease of 20,200[1] from the end of the first quarter of 2021 (compared with an increase of 15,000 in the same period of 2020), and a 12-month increase of 20,800 (0.3%) (Table 2).

Mobile telephony – The number of subscriber connections to mobile telephony services stood at 1,530,400 at June 30, 2021, an increase of 27,200 (1.8%) from the end of the first quarter of 2021 (compared with an increase of 35,100 in the same period of 2020), and a 12-month increase of 125,500 (8.9%) (Table 2).

Internet access – The number of subscribers to Internet access services stood at 1,810,200 at June 30, 2021, an increase of 5,300[1] (0.3%) from the end of the first quarter of 2021 (compared with an increase of 15,900 in the same period of 2020), and a 12-month increase of 60,900 (3.5%) (Table 2). As of June 30, 2021, Videotron's Internet access services had a household and business penetration rate (number of subscribers as a proportion of the total 3,020,900 homes and businesses passed by Videotron's network as of June 30, 2021, up from 2,970,900 one year earlier) of 59.9% compared with 58.9% a year earlier.

Television – The number of subscribers to television services stood at 1,441,400 at June 30, 2021, a decrease of 16,100[1] (-1.1%) from the end of the first quarter of 2021 (compared with a decrease of 14,800 in the same period of 2020), and a 12-month decrease of 55,900 (-3.7%) (Table 2). At June 30, 2021, television services had a household and business penetration rate of 47.7% versus 50.4% a year earlier.

Wireline telephony – The number of subscriber connections to wireline telephony services stood at 872,400 at June 30, 2021, a decrease of 25,300 (-2.8%) from the end of the first quarter of 2021 (compared with a decrease of 21,700 in the same period of 2020), and a 12-month decrease of 104,100 (-10.7%) (Table 2). As of June 30, 2021, wireline telephony services had a household and business penetration rate of 28.9% versus 32.9% a year earlier.

Club illico – The number of subscribers to the Club illico over-the-top video service ("Club illico") stood at 466,600 at June 30, 2021, a decrease of 11,300 (-2.4%) from the end of the first quarter of 2021 (compared with an increase of 500 in the same period of 2020), and a 12-month decrease of 5,600 (-1.2%) (Table 2).

[1] The numbers of RGU's for the end of the first quarter of 2021 have been lowered by 4,100 customers (2,500 to internet access services and 1,600 to television services) to correct an irregularity discovered in the RGU growth compilation systems.

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

	June 2021	Mar. 2021	Dec. 2020	Sept. 2020	June 2020	Mar. 2020	Dec. 2019	Sept. 2019
Mobile telephony	**1,530.4**	1,503.2	1,481.1	1,452.6	1,404.9	1,369.8	1,330.5	1,288.7
Internet[1]	**1,810.2**	1,804.9	1,796.8	1,769.8	1,749.3	1,733.4	1,727.3	1,724.3
Television[1]	**1,441.4**	1,457.5	1,475.6	1,481.8	1,497.3	1,512.1	1,531.8	1,545.2
Wireline telephony	**872.4**	897.7	924.7	947.8	976.5	998.2	1,027.3	1,052.7
Club illico	**466.6**	477.9	469.7	452.9	472.2	471.7	459.3	443.5
Total[1]	**6,121.0**	6,141.2	6,147.9	6,104.9	6,100.2	6,085.2	6,076.2	6,054.4

1 The numbers of RGUs for the end of the first quarter of 2021 have been lowered by 4,100 customers (2,500 to Internet access services and 1,600 to television services) to correct an irregularity discovered in the RGU growth compilation systems.

Adjusted EBITDA: $481.5 million, a $17.9 million (3.9%) increase due primarily to:

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

Partially offset by:

- higher operating expenses, including advertising, customer service and technical quality, IT and engineering expenses.

Cost/revenue ratio: Employee costs and purchases of goods and services for all Telecommunications segment operations, expressed as a percentage of revenues, were 48.1% in the second quarter of 2021 compared with 46.7% in the same period of 2020, mainly as a result of increases in some operating expenses.

Cash flows from operations: $330.1 million in the second quarter of 2021, compared with $322.8 million in the same period of 2020 (Table 11). The $7.3 million increase was due to the $17.9 million increase in adjusted EBITDA and a $9.4 million decrease in additions to intangible assets, including decreased investment in IT systems, partially offset by a $20.0 million increase in additions to property, plant and equipment, including increased investment in the LTE-A network.

Year to date operating results

Revenues: $1.84 billion, a $98.6 million (5.7%) increase, essentially due to the same factors as those noted above in the discussion of second quarter 2021 results.

- Revenues from mobile telephony services increased $25.4 million (7.9%) to $345.3 million.
- Revenues from Internet access services increased $44.8 million (8.1%) to $598.4 million.
- Revenues from television services decreased $36.4 million (-7.9%) to $424.5 million.
- Revenues from wireline telephony services decreased $8.3 million (-4.9%) to $161.4 million.
- Revenues from mobile equipment sales to customers increased $23.9 million (24.0%) to $123.5 million.
- Revenues from wireline equipment sales to customers increased $46.5 million (92.3%) to $96.9 million.
- Other revenues increased $2.7 million (3.0%) to $92.4 million.

ABPU: Videotron's total ABPU was $50.31 in the first half of 2021 compared with $49.76 in the same period of 2020, a $0.55 (1.1%) increase. Mobile ABPU was $50.12 in the first half of 2021, compared with $50.95 in the same period of 2020, an $0.83 (-1.6%) 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" plans.

Customer statistics

RGUs – 26,900 (-0.4%) unit decrease in the first half of 2021 compared with an increase of 24,000 in the same period of 2020.

Mobile telephony – 49,300 (3.3%) subscriber-connection increase in the first half of 2021 compared with an increase of 74,400 in the same period of 2020.

Internet access – 13,400 (0.7%) subscriber increase in the first half of 2021 compared with an increase of 22,000 in the same period of 2020.

Television – 34,200 (-2.3%) decrease in the customer base in the first half of 2021 compared with a decrease of 34,500 in the same period of 2020.

Wireline telephony – 52,300 (-5.7%) subscriber-connection decrease in the first half of 2021 compared with a decrease of 50,800 in the same period of 2020.

Club illico – 3,100 (-0.7%) subscriber decrease in the first half of 2021 compared with an increase of 12,900 in the same period of 2020.

Adjusted EBITDA: $932.4 million, a $33.3 million (3.7%) increase due primarily to:

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

Partially offset by:

- higher operating expenses, including advertising, customer service and technical quality, IT and engineering expenses.

Cost/revenue ratio: Employee costs and purchases of goods and services for all Telecommunications segment operations, expressed as a percentage of revenues, were 49.4% in the first half of 2021 compared with 48.4% in the same period of 2020, mainly as a result of increases in some operating expenses.

Cash flows from operations: $643.0 million in the first half of 2021 compared with $625.3 million in the same period of 2020 (Table 11). The $17.7 million increase was due to the $33.3 million increase in adjusted EBITDA and a $14.9 million decrease in additions to intangible assets, including decreased investment in IT systems, partially offset by a $30.5 million increase in additions to property, plant and equipment, including increased investment in the LTE-A network.

Media

Second quarter 2021 operating results

Revenues: $198.2 million in the second quarter of 2021, a $65.5 million (49.4%) increase.

- Advertising revenues increased by $44.3 million (81.9%), mainly because of higher advertising revenues at TVA Network and the specialty channels, combined with higher revenues at the newspapers and Quebecor Out of Home.
- Other revenues increased by $18.3 million (59.6%), mainly because of higher revenues from film production and audiovisual services, higher revenues from production and distribution, and increased volume at Qolab Communications Inc. (“Qolab Communications”).
- Subscription revenues increased by $2.9 million (6.1%), mainly because of higher subscription revenues at the magazines, newspapers and specialty channels.

Adjusted EBITDA: $16.7 million in the second quarter of 2021, a $9.1 million increase due primarily to:

- impact of the revenue increase.

Partially offset by:

- higher broadcast content costs, due primarily to the resumption of the National Hockey League’s activities in 2021 and of television activities in general;
- higher labour costs, essentially as a result of the favourable impact in the second quarter of 2020 of government measures introduced to deal with the COVID-19 pandemic.

Cost/revenue ratio: Employee costs and purchases of goods and services for all Media segment operations, expressed as a percentage of revenues, were 91.6% in the second quarter of 2021 compared with 94.3% in the same period of 2020, mainly due to the fixed component of costs, which does not fluctuate in proportion to revenue growth.

Cash flows from operations: $7.1 million in the second quarter of 2021 compared with nil in the same period of 2020 (Table 11). The $7.1 million favourable variance was due to the $9.1 million increase in adjusted EBITDA, partially offset by a $2.0 million increase in additions to property, plant and equipment and to intangible assets.

Year to date operating results

Revenues: $373.0 million in the first half of 2021, a $65.5 million (21.3%) increase.

- Advertising revenues increased by $42.6 million (32.3%), mainly because of higher advertising revenues at TVA Network and the specialty channels, combined with higher revenues at Quebecor Out of Home and higher newspaper advertising revenues.
- Other revenues increased by $22.4 million (29.5%), mainly because of higher revenues from film production and audiovisual services, and increased volume at Qolab Communications.
- Subscription revenues increased by $0.5 million (0.5%).

Adjusted EBITDA: $18.0 million in the first half of 2021, a $6.3 million (53.8%) increase due essentially to the same factors as those noted above in the discussion of second quarter 2021 results.

Cost/revenue ratio: Employee costs and purchases of goods and services for the Media segment's operations, expressed as a percentage of revenues, were 95.2% in the first half of 2021 compared with 96.2% in the same period of 2020.

Cash flows from operations: $2.7 million in the first half of 2021 compared with negative $3.6 million in the same period of 2020 (Table 11). The $6.3 million increase was essentially due to the $6.3 million increase in adjusted EBITDA.

Sports and Entertainment

Second quarter 2021 operating results

Revenues: $33.5 million in the second quarter of 2021, a $7.6 million (29.3%) increase due primarily to higher revenues from book distribution and publishing, and from hockey, partially offset by lower revenues from music, essentially because of the discontinuation of physical distribution operations.

Adjusted EBITDA: $3.1 million in the second quarter of 2021, a $0.3 million (10.7%) increase due primarily to the impact of the revenue increase, partially offset by the increase in labour costs due in part to the favourable impact in the second quarter of 2020 of government measures introduced to deal with the COVID-19 pandemic.

Cash flows from operations: $2.5 million in the second quarter of 2021 compared with $2.1 million in the same period of 2020 (Table 11). The $0.4 million favourable variance is mainly due to the $0.3 million favourable variance in adjusted EBITDA.

Year to date operating results

Revenues: $64.7 million in the first half of 2021, a $4.0 million (6.6%) increase due primarily to higher revenues from book distribution and publishing, partially offset by a decrease in revenues from music, mainly because of the discontinuation of physical distribution operations.

Adjusted EBITDA: $5.2 million in the first half of 2021, a $6.2 million favourable variance due primarily to the impact of the revenue increase, combined with a decrease in some operating expenses.

Cash flows from operations: $3.6 million in the first half of 2021 compared with negative $2.6 million in the same period of 2020 (Table 11). The $6.2 million favourable variance was due to the $6.2 million increase 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

Second quarter 2021

Cash flows provided by continuing operating activities: $229.7 million in the second quarter of 2021 compared with $393.5 million in the same period of 2020.

The $163.8 million decrease was mainly due to:

- $192.6 million unfavourable net change in non-cash balances related to operating activities, due primarily to unfavourable variances in accounts payable, income tax payable, accounts receivable and inventory;
- $5.3 million increase in the cash portion of financial expenses;
- $5.1 million increase in current income taxes.

Partially offset by:

- $25.7 million increase in adjusted EBITDA;
- $11.7 million favourable variance in the cash portion of restructuring of operations and other items.

Year to date

Cash flows provided by continuing operating activities: $491.3 million in the first half of 2021 compared with $715.1 million in the same period of 2020.

The $223.8 million decrease was mainly due to:

- $268.4 million unfavourable net change in non-cash balances related to operating activities, due primarily to unfavourable variances in income tax payable, inventory and broadcasting rights, and accounts receivable;
- $7.5 million increase in current income taxes.

Partially offset by:

- $41.7 million increase in adjusted EBITDA;
- $12.3 million favourable variance in the cash portion of restructuring of operations and other items.

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 half of 2021 compared with the same period of 2020, while the increased profitability of all of the Corporation's segments had a favourable impact.

Working capital: $610.0 million at June 30, 2021 compared with negative $70.4 million at December 31, 2020. The $680.4 million favourable variance was due primarily to an increase in cash and cash equivalents related to the issuance by Videotron of Senior Notes and recognition of the short-term receivable portion of derivative financial instruments, as well as favourable variances in accounts receivable and inventory, partially offset by an increase in the short-term portion of long-term debt and in accounts payable.

Investing activities

Second quarter 2021

Cash flows used for additions to property, plant and equipment: $105.5 million in the second quarter of 2021 compared with $106.7 million in the same period of 2020. The $1.2 million decrease mainly reflects a $23.2 million favourable net change in current non-cash items, partially offset by increased investment in the LTE-A network in the Telecommunications segment.

Cash flows used for additions to intangible assets: $50.4 million in the second quarter of 2021 compared with $48.0 million in the same period of 2020. The $2.4 million increase was mainly due to a $10.7 million unfavourable net change in current non-cash items, partially offset by decreased investment in IT systems, mainly in the Telecommunications segment.

Proceeds from disposal of assets: $3.0 million in the second quarter of 2021 compared with $0.7 million in the same period of 2020.

Business acquisitions: $6.7 million in the second quarter of 2021 compared with $10.8 million in the same period of 2020.

Year to date

Cash flows used for additions to property, plant and equipment: $217.3 million in the first half of 2021 compared with $186.7 million in the same period of 2020. The $30.6 million increase mainly reflects increased investment in the LTE-A network in the Telecommunications segment.

Cash flows used for additions to intangible assets: $109.2 million in the first half of 2021 compared with $150.8 million in the same period of 2020. The $41.6 million reduction was mainly due to a $26.8 million favourable net change in current non-cash items, combined with decreased investment in IT systems, mainly in the Telecommunications segment.

Proceeds from disposal of assets: $3.1 million in the first half of 2021 compared with $2.2 million in the same period of 2020.

Business acquisitions: $21.8 million in the first half of 2021 compared with $10.8 million in the same period of 2020.

Free cash flows from continuing operating activities

Second quarter 2021

Free cash flows from continuing operating activities: $76.8 million in the second quarter of 2021 compared with $239.5 million in the same period of 2020 (Table 12). The $162.7 million decrease was essentially due to the $163.8 million decrease in cash flows provided by continuing operating activities.

Year to date

Free cash flows from continuing operating activities: $167.9 million in the first half of 2021 compared with $379.8 million in the same period of 2020 (Table 12).

The $211.9 million decrease was mainly due to:

- $223.8 million decrease in cash flows provided by continuing operating activities;
- $30.6 million increase in cash flows used for additions to property, plant and equipment.

Partially offset by:

- $41.6 million decrease in cash used for additions to intangible assets.

Financing activities

Consolidated debt (long-term debt plus bank indebtedness): $1.92 billion increase in the first half of 2021; $107.8 million net unfavourable variance in assets and liabilities related to derivative financial instruments.

- Debt increases in the first half 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 costs of $6.0 million;
  - issuance on June 17, 2021 by Videotron of $750.0 million aggregate principal amount of 3.625% Senior Notes maturing on June 15, 2028, for net proceeds of $743.2 million, net of financing costs of $6.8 million. Videotron also issued US$500.0 million aggregate principal amount of 3.625% Senior Notes maturing on June 15, 2029, for net proceeds of $599.6 million, net of financing costs of $5.8 million;
  - $22.8 million increase in drawings on TVA Group's secured revolving credit facility.
- Debt reductions in the first half of 2021 essentially consisted of:
  - $99.5 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 $489.3 million at June 30, 2021 compared with $597.1 million at December 31, 2020. The $107.8 million net unfavourable variance was mainly due to the unfavourable impact of exchange rate fluctuations on the value of derivative financial instruments.
- On June 3, 2021, Quebecor Media issued a redemption notice for its 6.625% Senior Notes maturing on January 15, 2023, in the aggregate principal amount of $500.0 million, at a redemption price of 107.934% of their principal amount. Videotron also issued a redemption notice for its 5.000% Senior Notes maturing on July 15, 2022, in the aggregate principal amount of US$800.0 million, at a redemption price of 104.002% of their principal amount. The Senior Notes were redeemed in July 2021 and the related hedging contracts were unwound for a total cash consideration of $1.38 billion.
- 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: $2.42 billion at June 30, 2021 for Quebecor and its wholly owned subsidiaries, pro forma the redemption on July 5, 2021 by Quebecor Media of 6.625% Senior Notes in the aggregate principal amount of $500.0 million, and the redemption on July 6, 2021 by Videotron of 5.000% Senior Notes in the aggregate principal amount of US$800.0 million, consisting of $1.80 billion in available unused revolving credit facilities and $616.7 million in cash and cash equivalents.

Consolidated debt (long-term debt plus bank indebtedness): $7.69 billion at June 30, 2021, a $1.92 billion increase compared with December 31, 2020; $107.8 million net unfavourable variance in assets and liabilities related to derivative financial instruments (see “Financing activities” above).

- Consolidated debt essentially consisted of Videotron’s $6.05 billion debt ($4.11 billion at December 31, 2020); TVA Group’s $55.5 million debt ($28.8 million at December 31, 2020); Quebecor Media’s $1.54 billion debt ($1.59 billion at December 31, 2020); and Quebecor’s $45.2 million debt ($45.9 million at December 31, 2020).

Consolidated net debt leverage ratio: 2.71x at June 30, 2021 compared with 2.68x at December 31, 2020.

As of June 30, 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-month periods ended June 30
(in millions of Canadian dollars)

2022	$	1,543.2
2023		1,088.6
2024		743.9
2025		400.0
2026		375.0
2027 and thereafter		3,563.8
Total	**$**	**7,714.5**

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

The weighted average term of Quebecor’s consolidated debt was approximately 5.8 years at June 30, 2021, pro forma the redemption on July 5, 2021 by Quebecor Media of 6.625% Senior Notes in the aggregate principal amount of $500.0 million, and the redemption on July 6, 2021 by Videotron of 5.000% Senior Notes in the aggregate principal amount of US$800.0 million (4.3 years at December 31, 2020). After taking into account hedging instruments, debt consisted of approximately 96.2% fixed-rate debt (96.1% at December 31, 2020) and 3.8% floating-rate debt (3.9% at December 31, 2020), pro forma the redemptions of Senior Notes on July 5 and 6, 2021.

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 June 30, 2021, the Corporation was in compliance with all required financial ratios and restrictive covenants in its financing agreements.

Dividends declared

On August 4, 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 September 14, 2021 to shareholders of record as of the close of business on August 20, 2021.

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 Shares triggered an adjustment to the floor price and ceiling price then in effect. Accordingly, effective 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).

Participation in 3500 MHz spectrum auction

On July 29, 2021, Quebecor announced an investment of nearly $830 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. Now that it holds 175 blocks of spectrum (for an average depth of 32 MHz) in the 3500 MHz band in four Canadian provinces outside Québec, Quebecor plans to roll out its mobile telephone service in some urban and rural areas in the rest of Canada.

Analysis of consolidated balance sheet

Table 4
Consolidated balance sheet of Quebecor
Analysis of main differences between June 30, 2021 and December 31, 2020
(in millions of Canadian dollars)

	June 30, 2021[1]	Dec. 31, 2020	Difference	Main reasons for difference
Assets				
Cash and cash equivalents	**$ 1,999.3**	$ 136.7	$ 1,862.6	Cash flows generated by financing activities
Accounts receivable	**653.2**	563.6	89.6	Current portion of government credits receivable for major capital projects
Inventories	**283.8**	250.7	33.1	Impact of current variances in activity
Property, plant and equipment	**3,134.9**	3,189.2	(54.3)	Depreciation for the period less additions to property, plant and equipment
Intangible assets	**1,482.5**	1,466.7	15.8	Additions to intangible assets and business acquisitions less amortization for the period
Derivative financial instruments[2]	**489.3**	597.1	(107.8)	See "Financing activities"
Other assets	**459.1**	433.8	25.3	Impact of current variances in operating and investing activities, including variances in current portion of government credits receivable for major capital projects
Liabilities				
Accounts payable, accrued charges and provisions	**$ 914.4**	$ 872.2	$ 42.2	Impact of current variances in activity
Income taxes[3]	**25.5**	65.1	(39.6)	Current disbursements less current income taxes for the period
Long-term debt, including short-term portion and bank indebtedness	**7,691.2**	5,775.1	1,916.1	See "Financing activities"
Other liabilities	**292.9**	422.8	(129.9)	Gain on remeasurement of defined benefit plans less an increase related to a revaluation of an asset decommissioning obligation

[2] The "restricted cash" and "deferred subsidies" line items are combined for purposes of the analysis.

[3] Current and long-term assets less long-term liabilities.

[4] Current liabilities less current assets.

ADDITIONAL INFORMATION

Contractual obligations

At June 30, 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 June 30, 2021
(in millions of Canadian dollars)

	Total	Under 1 year	1-3 years	3-5 years	5 years or more
Long-term debt[1]	**$ 7,714.5**	$ 1,543.2	$ 1,832.5	$ 775.0	$ 3,563.8
Convertible debentures[2]	**153.4**	–	153.4	–	–
Interest payments[3]	**1,516.6**	251.7	500.7	361.0	403.2
Lease liabilities	**183.0**	35.9	59.4	30.1	57.6
Interest payments on lease liabilities	**46.8**	7.6	11.2	7.4	20.6
Additions to property, plant and equipment and other commitments	**1,581.1**	383.1	453.3	330.5	414.2
Derivative financial instruments[4]	**(439.3)**	(190.8)	(294.6)	–	46.1
Total contractual obligations	**$ 10,756.1**	**$ 2,030.7**	**$ 2,715.9**	**$ 1,504.0**	**$ 4,505.5**

1 The carrying value of long-term debt excludes changes in the fair value of long-term debt related to hedged interest rate risk and financing costs.
2 Based on the market value at June 30, 2021 of a number of shares obtained by dividing the outstanding principal amount by the market price of a Quebecor Class B share at that date, subject to a floor price of approximately $25.86 per share and a ceiling price of approximately $32.32. The Corporation may also redeem convertible debentures by issuing the corresponding number of its Class B Shares.
3 Estimated interest payable on long-term debt and convertible debentures, based on interest rates, hedging of interest rates and hedging of foreign exchange rates as of June 30, 2021.
4 Estimated future receipts, net of future disbursements, related to foreign exchange hedging of the principal of U.S.-dollar-denominated debt using derivative financial instruments.

Related party transactions

In the second quarter of 2021, the Corporation made sales to related parties in the amount of $1.5 million ($0.6 million in the same period of 2020) and no purchases from related parties ($3.5 million in the same period of 2020).

In the first half of 2021, the Corporation made sales to related parties in the amount of $2.7 million ($1.7 million in the same period of 2020) and purchases of $3.9 million from related parties ($5.6 million in the same period of 2020).

Capital stock

In accordance with Canadian financial reporting standards, Table 6 below presents information on the Corporation's capital stock as at July 19, 2021. In addition, 3,291,243 share options were outstanding as of July 19, 2021.

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

	July 19, 2021	
	Issued and outstanding	**Book value**
Class A Shares	**76,984,034**	**$ 8.6**
Class B Shares	**166,764,957**	**$ 983.1**

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.

On May 19, 2021, the Toronto Stock Exchange authorized the Corporation to amend its normal course issuer bid to increase the maximum number of Class B Shares that it may repurchase to 7,500,000, representing approximately 4.3% of issued and outstanding Class B Shares as of July 31, 2020. The other terms and conditions of the bid remain unchanged.

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.

In the first half of 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 the same period of 2020). The $107.5 million excess of the purchase price over the carrying value of the repurchased Class B Shares was recorded as a reduction in retained earnings ($77.0 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 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 June 30, 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)

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

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

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

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 based on discounted cash flows using 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.

Gains on valuation and translation of financial instruments for the second quarter and first half of 2021 and 2020 are summarized in Table 8.

Table 8
Gain on valuation and translation of financial instruments
(in millions of Canadian dollars)

	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)

Losses on cash flow hedges in the amounts of $1.6 million and $4.2 million were recorded under "Other comprehensive income" in the second quarter and first half of 2021 respectively ($19.0 million loss and $43.9 million gain in the second quarter and first half of 2020 respectively).

Contingencies and legal disputes

Lawsuits have been brought by and against the Corporation in connection with disputes between the Corporation and a competitor. 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 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.

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 its decisions on the Corporation's capital structure, including its financing strategy, and in managing debt maturity risks.

Adjusted EBITDA

In its analysis of operating results, the Corporation defines adjusted EBITDA, as reconciled to net income under IFRS, as net income before depreciation and amortization, financial expenses, gain on valuation and translation of financial instruments, restructuring of operations and other items, loss on debt refinancing, income tax, 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 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 June 30		Six months ended June 30	
	2021	2020	**2021**	2020
Adjusted EBITDA (negative adjusted EBITDA):				
Telecommunications	**$ 481.5**	$ 463.6	**$ 932.4**	$ 899.1
Media	**16.7**	7.6	**18.0**	11.7
Sports and Entertainment	**3.1**	2.8	**5.2**	(1.0)
Head Office	**0.1**	1.7	**(1.5)**	2.6
	501.4	475.7	**954.1**	912.4
Depreciation and amortization	**(196.6)**	(195.7)	**(391.9)**	(393.8)
Financial expenses	**(87.0)**	(81.6)	**(170.1)**	(169.0)
Gain on valuation and translation of financial instruments	**7.0**	4.2	**1.2**	27.5
Restructuring of operations and other items	**20.6**	(10.3)	**16.1**	(14.2)
Loss on debt refinancing	**(80.9)**	–	**(80.9)**	–
Income taxes	**(39.8)**	(50.8)	**(83.8)**	(91.3)
Income from discontinued operations	**–**	32.5	**–**	33.8
Net income	**$ 124.7**	$ 174.0	**$ 244.7**	$ 305.4

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 on valuation and translation of financial instruments, restructuring of operations and other items, and loss on debt refinancing, net of income tax related to adjustments and net income attributable to non-controlling interest related to adjustments, and before 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 June 30		Six months ended June 30	
	2021	2020	**2021**	2020
Adjusted income from continuing operating activities	**$ 158.3**	$ 144.9	**$ 288.2**	$ 256.4
Gain on valuation and translation of financial instruments	**7.0**	4.2	**1.2**	27.5
Restructuring of operations and other items	**20.6**	(10.3)	**16.1**	(14.2)
Loss on debt refinancing	**(80.9)**	–	**(80.9)**	–
Income taxes related to adjustments[1]	**18.5**	3.1	**20.2**	2.5
Net income attributable to non-controlling interest related to adjustments	**–**	0.5	**–**	0.5
Discontinued operations	**–**	32.5	**–**	33.8
Net income attributable to shareholders	**$ 123.5**	$ 174.9	**$ 244.8**	$ 306.5

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

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

Cash flows from operations

Cash flows from operations represents adjusted EBITDA, less additions to property, plant and equipment and to intangible assets (excluding licence acquisitions and renewals). Cash flows from operations represents funds available for interest and income tax payments, expenditures related to restructuring programs, business acquisitions, licence acquisitions and renewals, payment of dividends, repayment of long-term debt and 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 are used by the Corporation's management and Board of Directors to evaluate the cash flows generated by the operations of all of its segments, on a consolidated basis, in addition to the operating cash flows generated by each segment. Cash flows from operations are also relevant because they are a component of the Corporation's annual incentive compensation programs. The Corporation's definition of 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 June 30		Six months ended June 30	
	2021	2020	**2021**	2020
Adjusted EBITDA (negative adjusted EBITDA)				
Telecommunications	**$ 481.5**	$ 463.6	**$ 932.4**	$ 899.1
Media	**16.7**	7.6	**18.0**	11.7
Sports and Entertainment	**3.1**	2.8	**5.2**	(1.0)
Head Office	**0.1**	1.7	**(1.5)**	2.6
	501.4	475.7	**954.1**	912.4
Minus				
Additions to property, plant and equipment:[1]				
Telecommunications	**(113.6)**	(93.6)	**(213.0)**	(182.5)
Media	**(3.0)**	(1.6)	**(4.2)**	(3.5)
Sports and Entertainment	**–**	–	**(0.1)**	(0.1)
Head Office	**(1.0)**	(0.4)	**(1.2)**	(0.5)
	(117.6)	(95.6)	**(218.5)**	(186.6)
Additions to intangible assets:[2]				
Telecommunications	**(37.8)**	(47.2)	**(76.4)**	(91.3)
Media	**(6.6)**	(6.0)	**(11.1)**	(11.8)
Sports and Entertainment	**(0.6)**	(0.7)	**(1.5)**	(1.5)
Head Office	**(0.7)**	(0.1)	**(0.9)**	(0.1)
	(45.7)	(54.0)	**(89.9)**	(104.7)
Cash flows from operations				
Telecommunications	**330.1**	322.8	**643.0**	625.3
Media	**7.1**	–	**2.7**	(3.6)
Sports and Entertainment	**2.5**	2.1	**3.6**	(2.6)
Head Office	**(1.6)**	1.2	**(3.6)**	2.0
	$ 338.1	$ 326.1	**$ 645.7**	$ 621.1

[1] **Reconciliation to cash flows used for additions to property, plant and equipment as per condensed consolidated financial statements:**	Three months ended June 30		Six months ended June 30	
	2021	2020	**2021**	2020
Additions to property, plant and equipment	**$ (117.6)**	$ (95.6)	**$ (218.5)**	$ (186.6)
Net variance in current non-cash items related to additions to property, plant and equipment (excluding government credits receivable for major capital projects)	**12.1**	(11.1)	**1.2**	(0.1)
Cash flows used for additions to property, plant and equipment	**$ (105.5)**	$ (106.7)	**$ (217.3)**	$ (186.7)

[2] **Reconciliation to cash flows used for additions to intangible assets as per condensed consolidated financial statements:**	Three months ended June 30		Six months ended June 30	
	2021	2020	**2021**	2020
Additions to intangible assets	**$ (45.7)**	$ (54.0)	**$ (89.9)**	$ (104.7)
Net variance in current non-cash items related to additions to intangible assets (excluding government credits receivable for major capital projects)	**(4.7)**	6.0	**(19.3)**	(46.1)
Cash flows used for additions to intangible assets	**$ (50.4)**	$ (48.0)	**$ (109.2)**	$ (150.8)

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 June 30		Six months ended June 30	
	2021	2020	**2021**	2020
Cash flows from operations from Table 11	**$ 338.1**	$ 326.1	**$ 645.7**	$ 621.1
<u>Plus (minus)</u>				
Cash portion of financial expenses	**(84.8)**	(79.5)	**(165.7)**	(164.9)
Cash portion related to restructuring of operations and other items	**1.1**	(10.6)	**(2.1)**	(14.4)
Current income taxes	**(64.4)**	(59.3)	**(127.8)**	(120.3)
Other	**2.7**	(1.4)	**2.4**	2.6
Net change in non-cash balances related to operating activities	**(123.3)**	69.3	**(166.5)**	101.9
Net change in current non-cash items related to additions to property, plant and equipment (excluding government credits receivable for major capital projects)	**12.1**	(11.1)	**1.2**	(0.1)
Net change in current non-cash items related to additions to intangible assets (excluding government credits receivable for major capital projects)	**(4.7)**	6.0	**(19.3)**	(46.1)
Free cash flows from continuing operating activities	**76.8**	239.5	**167.9**	379.8
<u>Plus (minus)</u>				
Cash flows used for additions to property, plant and equipment	**105.5**	106.7	**217.3**	186.7
Cash flows used for additions to intangible assets	**50.4**	48.0	**109.2**	150.8
Proceeds from disposal of assets	**(3.0)**	(0.7)	**(3.1)**	(2.2)
Cash flows provided by continuing operating activities	**$ 229.7**	$ 393.5	**$ 491.3**	$ 715.1

Consolidated net debt leverage ratio

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

Table 13 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 13
Consolidated net debt leverage ratio
(in millions of Canadian dollars)

	June 30, 2021	Dec. 31, 2020
Total long-term debt[1]	**$ 7,714.5**	$ 5,786.4
Plus (minus)		
Lease liabilities	**147.1**	139.0
Current portion of lease liabilities	**35.9**	34.3
Bank indebtedness	**5.6**	1.7
Assets related to derivative financial instruments	**(531.8)**	(625.5)
Liabilities related to derivative financial instruments	**42.5**	28.4
Cash and cash equivalents	**(1,999.3)**	(136.7)
Consolidated net debt excluding convertible debentures	**5,414.5**	5,227.6
Divided by:		
Trailing 12-month adjusted EBITDA	**$ 1,994.3**	$ 1,952.6
Consolidated net debt leverage ratio	**2.71x**	2.68x

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

Key performance indicators

Revenue-generating unit

The Corporation uses RGU, an industry metric, as a key performance indicator. An RGU represents, as the case may be, subscriptions to the Internet access, television and 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 June 30, 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> and <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 August 4, 2021 and are subject to change after that 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

August 4, 2021

QUEBECOR INC.

SELECTED QUARTERLY FINANCIAL DATA

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

	2021		2020				2019	
	June 30	March 31	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30
Revenues	**$ 1,131.2**	**$ 1,091.1**	$ 1,146.8	$ 1,111.7	$ 1,003.8	$ 1,055.5	$ 1,136.2	$ 1,073.4
Adjusted EBITDA	**501.4**	**452.7**	526.8	513.4	475.7	436.7	494.5	509.3
Cash flows from operations	**338.1**	**307.6**	345.2	346.1	326.1	295.0	260.5	332.4
Contribution to net income attributable to shareholders:								
Continuing operating activities	**158.3**	**129.9**	165.0	173.1	144.9	111.5	159.6	173.8
Gain (loss) on valuation and translation of financial instruments	**7.3**	**(5.3)**	(0.4)	(18.3)	4.5	21.7	(13.6)	5.6
Unusual items	**(42.1)**	**(3.3)**	(4.2)	(13.9)	(7.0)	(2.9)	(0.9)	(0.9)
Discontinued operations	**-**	**-**	(0.6)	-	32.5	1.3	-	-
Net income attributable to shareholders	**123.5**	**121.3**	159.8	140.9	174.9	131.6	145.1	178.5
Basic data per share								
Contribution to net income attributable to shareholders:								
Continuing operating activities	**$ 0.65**	**$ 0.52**	$ 0.66	$ 0.69	$ 0.57	$ 0.44	$ 0.63	$ 0.68
Gain (loss) on valuation and translation of financial instruments	**0.03**	**(0.02)**	-	(0.07)	0.02	0.08	(0.05)	0.02
Unusual items	**(0.18)**	**(0.01)**	(0.02)	(0.06)	(0.03)	(0.01)	(0.01)	-
Discontinued operations	**-**	**-**	-	-	0.13	0.01	-	-
Net income attributable to shareholders	**0.50**	**0.49**	0.64	0.56	0.69	0.52	0.57	0.70
Weighted average number of shares outstanding (in millions)	**245.0**	**246.7**	249.1	250.5	252.8	254.0	254.8	255.6
Diluted data per share								
Contribution to net income attributable to shareholders:								
Continuing operating activities	**$ 0.64**	**$ 0.52**	$ 0.66	$ 0.68	$ 0.57	$ 0.42	$ 0.62	$ 0.67
Dilution impact	**-**	**-**	-	0.01	-	-	0.01	-
Loss on valuation and translation of financial instruments	**-**	**(0.02)**	-	(0.07)	-	-	(0.05)	-
Unusual items	**(0.17)**	**(0.01)**	(0.02)	(0.06)	(0.03)	(0.01)	(0.01)	-
Discontinued operations	**-**	**-**	-	-	0.12	0.01	-	-
Net income attributable to shareholders	**0.47**	**0.49**	0.64	0.56	0.66	0.42	0.57	0.67
Weighted average number of diluted shares outstanding (in millions)	**249.9**	**246.9**	253.8	250.7	258.6	259.9	255.0	261.7