



MANAGEMENT DISCUSSION AND ANALYSIS

SECOND QUARTER 2022

TABLE OF CONTENTS

CORPORATE PROFILE	2
HIGHLIGHTS	3
ANALYSIS OF CONSOLIDATED RESULTS OF OPERATIONS AND CASH FLOWS	7
SEGMENTED ANALYSIS	10
CASH FLOWS AND FINANCIAL POSITION	14
ADDITIONAL INFORMATION	19
SELECTED QUARTERLY FINANCIAL DATA	30

CORPORATE PROFILE

This Management Discussion and Analysis covers the main activities of Quebecor Inc. in the second quarter of 2022 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, 2021. All amounts are stated in Canadian dollars ("CAN") unless otherwise indicated.

The Corporation uses financial measures not standardized under International Financial Reporting Standards ("IFRS"), such as adjusted EBITDA, adjusted income from continuing operating activities, adjusted cash flows from operations, free cash flows from continuing operating activities and consolidated net debt leverage ratio, and key performance indicators, such as revenue-generating unit ("RGU") and average monthly revenue per unit ("ARPU"). The previously used average billing per unit ("ABPU") metric was abandoned in the first quarter of 2022 and replaced by ARPU, which affords better comparability in view of the Corporation's changing business model related to equipment sales. Definitions of the non-IFRS measures and key performance indicators used by the Corporation, including the new ARPU metric, are provided in the "Non-IFRS financial measures" and "Key performance indicators" sections below.

COVID-19 pandemic

Since March 2020, the COVID-19 pandemic has had an impact on some of the Corporation's quarterly results, more particularly in the Media and the Sports and Entertainment segments. Given the uncertainty around the future evolution of the pandemic, including any new major waves, all future impacts of the health crisis on the results of operations cannot be determined with certainty.

HIGHLIGHTS

Second quarter 2022

Revenues: \$1.12 billion, a \$16.0 million (-1.4%) decrease.

Adjusted EBITDA:¹ \$491.4 million, a \$10.0 million (-2.0%) decrease.

Net income attributable to shareholders: \$157.4 million (\$0.66 per basic share), an increase of \$33.9 million (\$0.16 per basic share).

Adjusted income from continuing operating activities:¹ \$161.7 million (\$0.68 per basic share), an increase of \$3.4 million (\$0.03 per basic share).

Adjusted cash flows from operations:¹ \$361.0 million, a \$22.9 million (6.8%) increase.

Cash flows provided by operating activities: \$241.7 million, a \$12.0 million (5.2%) increase.

Year to date

Revenues: \$2.20 billion, a \$19.1 million (-0.9%) decrease.

Adjusted EBITDA: \$933.5 million, a \$20.6 million (-2.2%) decrease.

Net income attributable to shareholders: \$278.8 million (\$1.17 per basic share), an increase of \$34.0 million (\$0.17 per basic share).

Adjusted income from continuing operating activities: \$290.4 million (\$1.22 per basic share), an increase of \$2.2 million (\$0.05 per basic share).

Adjusted cash flows from operations: \$677.1 million, a \$31.4 million (4.9%) increase.

Cash flows provided by operating activities: \$469.4 million, a \$21.9 million (-4.5%) decrease.

¹ See "Non-IFRS financial measures."

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

	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Income				
Revenues:				
Telecommunications	\$ 912.6	\$ 928.4	\$ 1,816.0	\$ 1,842.4
Media	188.1	198.2	369.9	373.0
Sports and Entertainment	45.0	33.5	79.1	64.7
Inter-segment	(30.5)	(28.9)	(61.8)	(57.8)
	1,115.2	1,131.2	2,203.2	2,222.3
Adjusted EBITDA (negative adjusted EBITDA):				
Telecommunications	487.5	481.5	947.5	932.4
Media	4.1	16.7	(7.8)	18.0
Sports and Entertainment	4.7	3.1	4.6	5.2
Head Office	(4.9)	0.1	(10.8)	(1.5)
	491.4	501.4	933.5	954.1
Depreciation and amortization	(191.6)	(196.6)	(386.3)	(391.9)
Financial expenses	(82.0)	(87.0)	(159.5)	(170.1)
(Loss) gain on valuation and translation of financial instruments	(2.1)	7.0	(9.4)	1.2
Restructuring of operations and other items	(3.5)	20.6	(4.4)	16.1
Loss on debt refinancing	–	(80.9)	–	(80.9)
Income taxes	(55.9)	(39.8)	(100.5)	(83.8)
Net income	\$ 156.3	\$ 124.7	\$ 273.4	\$ 244.7
Net income attributable to shareholders	157.4	123.5	278.8	244.8
Adjusted income from continuing operating activities	161.7	158.3	290.4	288.2
Per basic share:				
Net income attributable to shareholders	0.66	0.50	1.17	1.00
Adjusted income from continuing operating activities	0.68	0.65	1.22	1.17

Table 1 (continued)

	Three months ended		Six months ended	
	June 30		June 30	
	2022	2021	2022	2021
Additions to property, plant and equipment and to intangible assets:				
Telecommunications	\$ 118.1	\$ 151.4	\$ 233.5	\$ 289.4
Media	10.9	9.6	20.1	15.3
Sports and Entertainment	0.8	0.6	1.6	1.6
Head Office	0.6	1.7	1.2	2.1
	130.4	163.3	256.4	308.4
Cash flows:				
Adjusted cash flows from operations:				
Telecommunications	369.4	330.1	714.0	643.0
Media	(6.8)	7.1	(27.9)	2.7
Sports and Entertainment	3.9	2.5	3.0	3.6
Head Office	(5.5)	(1.6)	(12.0)	(3.6)
	361.0	338.1	677.1	645.7
Free cash flows from continuing operating activities ¹	117.8	76.8	221.8	167.9
Cash flows provided by operating activities	241.7	229.7	469.4	491.3
			June 30, 2022	Dec. 31, 2021
Balance sheet				
Cash and cash equivalents			\$ 9.1	\$ 64.7
Working capital			(735.7)	50.4
Net assets related to derivative financial instruments			406.0	382.3
Total assets			10,671.3	10,763.0
Total long-term debt (including current portion)			6,603.4	6,554.0
Lease liabilities (current and long term)			178.6	183.2
Convertible debentures, including embedded derivatives			150.7	141.6
Equity attributable to shareholders			1,403.2	1,255.6
Equity			1,527.5	1,378.8
Consolidated net debt leverage ratio¹			3.27x	3.19x

Telecommunications

- The Telecommunications segment's revenues decreased by \$15.8 million (-1.7%) and its adjusted EBITDA increased by \$6.0 million (1.2%) in the second quarter of 2022.
- Videotron's revenues from mobile services and equipment increased by \$27.0 million (11.4%) in the second quarter of 2022.
- Subscriber connections to the mobile telephony service increased by 34,600 (2.1%) in the second quarter of 2022.

¹ See "Non-IFRS financial measures."

- On June 17, 2022, Videotron entered into an agreement with Rogers Communications Inc. (“Rogers”) and Shaw Communications Inc. (“Shaw”) to acquire Freedom Mobile Inc. (“Freedom Mobile”) for a total of \$2.85 billion on a cash and debt-free basis. The agreement, which is conditional on regulatory approval, provides for the acquisition of Freedom Mobile brand’s entire wireless and Internet customer base, as well as its owned infrastructure, spectrum and retail outlets. It also includes a long-term undertaking by Shaw and Rogers to provide Videotron with transport services (including backhaul and backbone) and roaming services. This agreement will support the expansion of the Corporation’s telecommunications services in Ontario and Western Canada. The transaction is conditional, among other things, on clearance under the Competition Act and the approval of Innovation, Science and Economic Development Canada and would close substantially concurrently with closing of the acquisition of Shaw by Rogers. Videotron has secured the committed debt financing required for this transaction.

Financing operations

- On May 20, 2022, Videotron amended its \$1.50 billion secured revolving credit facility to extend its term to July 2026 and Quebecor Media amended its \$300.0 million secured revolving credit facility to extend its term to July 2025. Certain terms and conditions of the credit facilities were also amended.

ANALYSIS OF CONSOLIDATED RESULTS OF OPERATIONS AND CASH FLOWS

2022/2021 second quarter comparison

Revenues: \$1.12 billion, a \$16.0 million (-1.4%) decrease.

- Revenues decreased in Telecommunications (\$15.8 million or -1.7% of segment revenues) and in Media (\$10.1 million or -5.1%).
- Revenues increased in Sports and Entertainment (\$11.5 million or 34.3%).

Adjusted EBITDA: \$491.4 million, a \$10.0 million (-2.0%) decrease.

- Adjusted EBITDA decreased in Media (\$12.6 million or -75.4% of segment adjusted EBITDA) and there was an unfavourable variance at Head Office (\$5.0 million) due to a change in the allocation of corporate expenses.
- Adjusted EBITDA increased in Telecommunications (\$6.0 million or 1.2%) and in Sports and Entertainment (\$1.6 million or 51.6%).
- The change in the fair value of Quebecor stock options and stock-price-based share units resulted in a \$1.8 million unfavourable variance in the Corporation's stock-based compensation charge in the second quarter of 2022 compared with the same period of 2021.

Net income attributable to shareholders: \$157.4 million (\$0.66 per basic share) in the second quarter of 2022, compared with \$123.5 million (\$0.50 per basic share) in the same period of 2021, an increase of \$33.9 million (\$0.16 per basic share).

- The main favourable variances were:
 - \$80.9 million decrease in the loss on debt refinancing;
 - \$5.0 million decrease in the depreciation and amortization charge;
 - \$5.0 million decrease in financial expenses.
- The main unfavourable variances were:
 - \$24.1 million unfavourable variance in the charge for restructuring of operations and other items;
 - \$16.1 million increase in the income tax expense;
 - \$10.0 million decrease in adjusted EBITDA;
 - \$9.1 million unfavourable variance in losses on valuation and translation of financial instruments, including \$9.4 million without any tax consequences.

Adjusted income from continuing operating activities: \$161.7 million (\$0.68 per basic share) in the second quarter of 2022, compared with \$158.3 million (\$0.65 per basic share) in the same period of 2021, an increase of \$3.4 million (\$0.03 per basic share).

Adjusted cash flows from operations: \$361.0 million, a \$22.9 million (6.8%) increase due to a \$22.8 million decrease in additions to intangible assets and a \$10.1 million decrease in additions to property, plant and equipment, partially offset by the \$10.0 million decrease in adjusted EBITDA.

Cash flows provided by operating activities: \$241.7 million, a \$12.0 million (5.2%) increase due primarily to the favourable net change in non-cash balances related to operating activities and the decrease in the cash portion of financial expenses, partially offset by the decrease in adjusted EBITDA, the increase in current income taxes and the unfavourable variance in the cash portion related to restructuring of operations and other items.

Depreciation and amortization charge: \$191.6 million in the second quarter of 2022, a \$5.0 million decrease due mainly to the impact of decreased investment in property, plant and equipment in the Telecommunications segment, including lower spending related to the leasing of set-top boxes.

Financial expenses: \$82.0 million in the second quarter of 2022, a \$5.0 million decrease caused by the impact of the lower average interest rate on the long-term debt, partially offset by an unfavourable variance in gains and losses on foreign currency translation of short-term monetary items and higher average indebtedness.

Loss on valuation and translation of financial instruments: \$2.1 million in the second quarter of 2022 a \$9.1 million unfavourable variance essentially due to the unfavourable variance, without any tax consequences, in gains and losses on embedded derivatives related to convertible debentures.

Charge for restructuring of operations and other items: \$3.5 million in the second quarter of 2022, a \$24.1 million unfavourable variance.

- A \$1.2 million charge was recognized in the second quarter of 2022 in connection with cost-reduction measures in various segments of the Corporation (\$2.2 million in the second quarter of 2021). Charges for other items totalling \$2.3 million were also recognized in the second quarter of 2022 (\$3.2 million gain in the second quarter of 2021).
- A \$19.6 million gain on disposal was recognized in the second quarter of 2021 in connection with the acquisition by Alithya Group Inc. ("Alithya") of R3D Conseil inc. ("R3D Conseil"), of which Quebecor was one of the main shareholders.

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 Senior Notes in aggregate principal amount of \$500.0 million, bearing interest at 6.625% and due January 15, 2023, at a redemption price of 107.934% of their principal amount. Videotron also issued a redemption notice for its Senior Notes in aggregate principal amount of US\$800.0 million, bearing interest at 5.000% and due July 15, 2022, at a redemption price of 104.002% of their principal amount. As a result, an \$80.9 million net loss was recorded in the consolidated statement of income in the second quarter of 2021.

Income tax expense: \$55.9 million in the second quarter of 2022 (effective tax rate of 26.4%), compared with \$39.8 million in the same period of 2021 (effective tax rate of 27.0%), a \$16.1 million unfavourable variance caused mainly by the impact of the increase in taxable income. The effective tax rate is calculated considering only taxable and deductible items.

2022/2021 year-to-date comparison

Revenues: \$2.20 billion, a \$19.1 million (-0.9%) decrease.

- Revenues decreased in Telecommunications (\$26.4 million or -1.4% of segment revenues) and in Media (\$3.1 million or -0.8%).
- Revenues increased in Sports and Entertainment (\$14.4 million or 22.3%).

Adjusted EBITDA: \$933.5 million, a \$20.6 million (-2.2%) decrease.

- Adjusted EBITDA increased in Telecommunications (\$15.1 million or 1.6% of segment adjusted EBITDA).
- There were unfavourable variances in Media (\$25.8 million), Sports and Entertainment (\$0.6 million or -11.5%) and Head Office (\$9.3 million), due in the latter case to a change in the allocation of corporate expenses.
- The change in the fair value of Quebecor stock options and stock-price-based share units resulted in a \$0.4 million unfavourable variance in the Corporation's stock-based compensation charge in the first half of 2022 compared with the same period of 2021.

Net income attributable to shareholders: \$278.8 million (\$1.17 per basic share) in the first half of 2022, compared with \$244.8 million (\$1.00 per basic share) in the same period of 2021, an increase of \$34.0 million (\$0.17 per basic share).

- The main favourable variances were:
 - \$80.9 million decrease in the loss on debt refinancing;
 - \$10.6 million decrease in financial expenses;
 - \$5.6 million decrease in the depreciation and amortization charge;
 - \$5.3 million favourable variance in non-controlling interest.
- The main unfavourable variances were:
 - \$20.5 million unfavourable variance in the charge for restructuring of operations and other items;
 - \$20.6 million decrease in adjusted EBITDA;

- \$16.7 million increase in the income tax expense;
- \$10.6 million unfavourable variance in losses on valuation and translation of financial instruments, including \$10.9 million without any tax consequences.

Adjusted income from continuing operating activities: \$290.4 million (\$1.22 per basic share) in the first half of 2022, compared with \$288.2 million (\$1.17 per basic share) in the same period of 2021, an increase of \$2.2 million (\$0.05 per basic share).

Adjusted cash flows from operations: \$677.1 million, a \$31.4 million (4.9%) increase due to a \$41.3 million decrease in additions to intangible assets and a \$10.7 million decrease in additions to property, plant and equipment, partially offset by the \$20.6 million decrease in adjusted EBITDA.

Cash flows provided by operating activities: \$469.4 million, a \$21.9 million (-4.5%) decrease due primarily to the decrease in adjusted EBITDA and the increase in current income taxes, partially offset by the favourable net change in non-cash balances related to operating activities and the decrease in the cash portion of financial expenses.

Depreciation and amortization charge: \$386.3 million in the first half of 2022, a \$5.6 million decrease due essentially to the same factors as those noted above under “2022/2021 second quarter comparison.”

Financial expenses: \$159.5 million in the first half of 2022, a \$10.6 million decrease caused by the impact of the lower average interest rate on the long-term debt, partially offset by higher average indebtedness and an unfavourable variance in gains and losses on foreign currency translation of short-term monetary items.

Loss on valuation and translation of financial instruments: \$9.4 million in the first half of 2022 a \$10.6 million unfavourable variance essentially due to the unfavourable variance, without any tax consequences, in gains and losses on embedded derivatives related to convertible debentures.

Charge for restructuring of operations and other items: \$4.4 million in the first half of 2022, a \$20.5 million unfavourable variance.

- A \$1.9 million charge was recognized in the first half of 2022 in connection with cost-reduction measures in various segments of the Corporation (\$5.0 million in the first half of 2021). Charges for other items totalling \$2.5 million were also recognized in the first half of 2022 (\$2.3 million gain in the first half of 2021).
- A \$19.6 million gain on disposal was recognized in the first half of 2021 in connection with the acquisition by Alithya of R3D Conseil, of which Quebecor was one of the main shareholders. A \$0.8 million charge for impairment of assets was also recognized 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 “2022/2021 second quarter comparison.”

Income tax expense: \$100.5 million in the first half of 2022 (effective tax rate of 26.4%), compared with \$83.8 million in the same period of 2021 (effective tax rate of 26.4%), a \$16.7 million unfavourable variance caused essentially by the impact of the increase in taxable income. The effective tax rate is calculated considering only taxable and deductible items.

SEGMENTED ANALYSIS

Telecommunications

Second quarter 2022 operating results

Revenues: \$912.6 million in the second quarter of 2022, a \$15.8 million (-1.7%) decrease.

- Revenues from mobile telephony services increased \$17.0 million (9.7%) to \$191.8 million, due primarily to an increase in the number of subscriber connections and higher average per-connection revenue.
- Revenues from Internet access services increased \$3.1 million (1.0%) to \$304.9 million, due mainly to an increase in the customer base, partially offset by a decrease in average per-subscriber revenues.
- Revenues from television services decreased \$10.9 million (-5.2%) to \$200.4 million, mainly because of a decrease in the subscriber base and a decrease in average per-subscriber revenues.
- Revenues from wireline telephony services decreased \$7.0 million (-8.7%) to \$73.7 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 \$10.0 million (15.9%) to \$73.0 million, mainly because of price increases.
- Revenues from wireline equipment sales to customers decreased \$29.7 million (-59.2%) to \$20.5 million, mainly because of a lower volume of equipment sales related to the Helix platform.
- Other revenues increased \$1.7 million (3.6%) to \$48.3 million, mainly reflecting a revenue increase at Videotron Business.

ARPU¹: Videotron's total ARPU was \$47.17 in the second quarter of 2022 compared with \$47.22 in the same period of 2021, a \$0.05 (-0.1%) decrease. Mobile ARPU was \$38.94 in the second quarter of 2022 compared with \$38.41 in the same period of 2021, a \$0.53 (1.4%) increase.

Customer statistics

RGUs¹ – The total number of RGUs was 6,191,100 at June 30, 2022, a decrease of 12,300 (-0.2%) from the end of the first quarter of 2022 (compared with a decrease of 20,200 in the same period of 2021), and a 12-month increase of 70,100 (1.1%) (Table 2).

Mobile telephony – The number of subscriber connections to mobile telephony services stood at 1,661,000 at June 30, 2022, an increase of 34,600 (2.1%) from the end of the first quarter of 2022 (compared with an increase of 27,200 in the same period of 2021), and a 12-month increase of 130,600 (8.5%) (Table 2).

Internet access – The number of subscribers to Internet access services stood at 1,846,100 at June 30, 2022, the same number as at the end of the first quarter of 2022 (compared with an increase of 5,300 in the same period of 2021), and a 12-month increase of 35,900 (2.0%) (Table 2).

Television – The number of subscribers to television services stood at 1,393,500 at June 30, 2022, a decrease of 12,900 (-0.9%) from the end of the first quarter of 2022 (compared with a decrease of 16,100 in the same period of 2021), and a 12-month decrease of 47,900 (-3.3%) (Table 2).

Wireline telephony – The number of subscriber connections to wireline telephony services stood at 785,700 at June 30, 2022, a decrease of 17,900 (-2.2%) from the end of the first quarter of 2022 (compared with a decrease of 25,300 in the same period of 2021), and a 12-month decrease of 86,700 (-9.9%) (Table 2).

OTT – The number of subscribers to over-the-top ("OTT") video services stood at 504,800 at June 30, 2022, a decrease of 16,100 (-3.1%) from the end of the first quarter of 2022 (compared with a decrease of 11,300 in the same period of 2021), and a 12-month increase of 38,200 (8.2%) (Table 2).

¹ See "Key performance indicators."

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

	June 2022	Mar. 2022	Dec. 2021	Sept. 2021	June 2021	Mar. 2021	Dec. 2020	Sept. 2020
Mobile telephony	1,661.0	1,626.4	1,601.9	1,571.3	1,530.4	1,503.2	1,481.1	1,452.6
Internet	1,846.1	1,846.1	1,840.8	1,832.7	1,810.2	1,804.9	1,796.8	1,769.8
Television	1,393.5	1,406.4	1,418.6	1,428.0	1,441.4	1,457.5	1,475.6	1,481.8
Wireline telephony	785.7	803.6	824.9	847.4	872.4	897.7	924.7	947.8
OTT video	504.8	520.9	503.4	467.2	466.6	477.9	469.7	452.9
Total	6,191.1	6,203.4	6,189.6	6,146.6	6,121.0	6,141.2	6,147.9	6,104.9

Adjusted EBITDA: \$487.5 million, a \$6.0 million (1.2%) increase due primarily to:

- decrease in operating expenses, including customer service expenses and administrative expenses;
- favorable net change in non-recurring items.

Partially offset by:

- impact of lower revenues.

Cost/revenue ratio: Employee costs and purchases of goods and services for all Telecommunications segment operations, expressed as a percentage of revenues, were 46.6% in the second quarter of 2022 compared with 48.1% in the same period of 2021. The reduction was mainly due to the decrease in operating expenses and the reversal of a provision in connection with a lawsuit.

Adjusted cash flows from operations: \$369.4 million in the second quarter of 2022 compared with \$330.1 million in the same period of 2021 (Table 11). The \$39.3 million increase was caused by decreases of \$19.9 million in additions to intangible assets and \$13.4 million in additions to property, plant and equipment, due primarily to a general slowdown in investment following the review of strategic priorities, and the \$6.0 million increase in adjusted EBITDA.

Year-to-date operating results

Revenues: \$1.82 billion in the first half of 2022, a \$26.4 million (-1.4%) decrease, essentially due to the same factors as those noted above in the discussion of second quarter 2022 results.

- Revenues from mobile telephony service increased \$33.8 million (9.8%) to \$379.1 million.
- Revenues from Internet access services increased \$5.1 million (0.9%) to \$603.5 million.
- Revenues from television services decreased \$26.8 million (-6.3%) to \$397.7 million.
- Revenues from wireline telephony service decreased \$12.5 million (-7.7%) to \$148.9 million.
- Revenues from mobile equipment sales to customers increased \$13.3 million (10.8%) to \$136.8 million.
- Revenues from wireline equipment sales to customers decreased \$44.1 million (-45.5%) to \$52.8 million.
- Other revenues increased \$4.8 million (5.2%) to \$97.2 million.

ARPU: Videotron's total ARPU was \$46.78 in the first half of 2022 compared with \$46.93 in the same period of 2021. The \$0.15 (-0.3%) decrease was due in part to the fact that mobile telephony made up a larger proportion of the units. Mobile ARPU was \$38.82 in the first half of 2022 compared with \$38.25 in the same period of 2021, a \$0.57 (1.5%) increase.

Customer statistics

RGUs – 1,500-unit increase in the first half of 2022 compared with a decrease of 26,900 in the same period of 2021.

Mobile telephony – 59,100 (3.7%) subscriber-connection increase in the first half of 2022 compared with an increase of 49,300 in the same period of 2021.

Internet access – 5,300 (0.3%) subscriber increase in the first half of 2022 compared with an increase of 13,400 in the same period of 2021.

Television – 25,100 (-1.8%) decrease in the customer base in the first half of 2022 compared with a decrease of 34,200 in the same period of 2021.

Wireline telephony – 39,200 (-4.8%) subscriber-connection decrease in the first half of 2022 compared with a decrease of 52,300 in the same period of 2021.

OTT – 1,400 (0.3%) subscriber increase in the first half of 2022 compared with a decrease of 3,100 in the same period of 2021.

Adjusted EBITDA: \$947.5 million, a \$15.1 million (1.6%) increase due primarily to:

- decrease in operating expenses, including customer service expenses, labour costs and administrative expenses;
- favorable net change in non-recurring items.

Partially offset by:

- impact of lower revenues.

Cost/revenue ratio: Employee costs and purchases of goods and services for all Telecommunications segment operations, expressed as a percentage of revenues, were 47.8% in the first half of 2022 compared with 49.4% in the same period of 2021. The reduction was mainly due to the decrease in operating expenses and the reversal of a provision in connection with a lawsuit.

Adjusted cash flows from operations: \$714.0 million in the first half of 2022 compared with \$643.0 million in the same period of 2021 (Table 11). The \$71.0 million increase was caused by decreases of \$36.3 million in additions to intangible assets and \$19.6 million in additions to property, plant and equipment, due primarily to a general slowdown in investment following the review of strategic priorities, and the \$15.1 million increase in adjusted EBITDA.

Media

Second quarter 2022 operating results

Revenues: \$188.1 million in the second quarter of 2022, a \$10.1 million (-5.1%) decrease.

- Advertising revenues decreased by \$9.3 million (-9.5%), mainly because of lower advertising revenues at the specialty channels and newspapers, partially offset by higher advertising revenues at Quebecor Out of Home.
- Subscription revenues decreased by \$1.5 million (-3.0%), mainly because of lower subscription revenues at the specialty channels and the magazines.
- Other revenues increased \$0.7 million (1.4%).

Adjusted EBITDA: \$4.1 million in the second quarter of 2022, a \$12.6 million decrease due primarily to:

- increase in the TVA Network's content costs, including for reality and variety shows and news programming;
- impact of lower revenues.

Partially offset by:

- lower content costs at the TVA Sports channel, mainly because of the shortened broadcast schedule for the National Hockey League ("NHL") 2020-2021 season as a result of the COVID-19 pandemic.

Cost/revenue ratio: Employee costs and purchases of goods and services for the Media segment's operations, expressed as a percentage of revenues, were 97.8% in the second quarter of 2022 compared with 91.6% in the same period of 2021. The increase was mainly due to the large fixed component of operating costs, which does not fluctuate in proportion to the decrease in revenues and to the net increase in broadcast content costs.

Adjusted cash flows from operations: Negative \$6.8 million in the second quarter of 2022 compared with positive \$7.1 million in the same period of 2021 (Table 11). The \$13.9 million unfavourable variance was due primarily to the \$12.6 million decrease in adjusted EBITDA.

Year-to-date operating results

Revenues: \$369.9 million in the first half of 2022, a \$3.1 million (-0.8%) decrease.

- Advertising revenues decreased by \$6.2 million (-3.6%), mainly because of lower advertising revenues at the specialty channels and newspapers.
- Subscription revenues decreased by \$2.6 million (-2.6%), mainly because of lower subscription revenues at the specialty channels and the magazines.
- Other revenues increased by \$5.7 million (5.8%), mainly because of higher revenues from digital marketing agency services and from film production and audiovisual services.

Adjusted EBITDA: Negative \$7.8 million in the first half of 2022, a \$25.8 million unfavourable variance due primarily to:

- higher operating expenses at TVA Network, mainly for content and labour costs, at Communications Qolab inc. and for film production and audiovisual services;
- impact of the revenue decrease.

Partially offset by:

- lower content costs at the TVA Sports channel, mainly because of the absorption of higher costs in 2021 as a result of the change in the broadcast schedule for the NHL's 2020-2021 season.

Cost/revenue ratio: Employee costs and purchases of goods and services for the Media segment's operations, expressed as a percentage of revenues, were 102.1% in the first half of 2022 compared with 95.2% in the same period of 2021, mainly because of increased spending on television content and increases in some operating expenses.

Adjusted cash flows from operations: Negative \$27.9 million in the first half of 2022 compared with positive \$2.7 million in the same period of 2021 (Table 11). The \$30.6 million unfavourable variance was due to the \$25.8 million unfavourable variance in adjusted EBITDA and the \$9.3 million increase in additions to property, plant and equipment caused by the start of construction on MELS 4, partially offset by a \$4.5 million decrease in additions to intangible assets.

Sports and Entertainment

Second quarter 2022 operating results

Revenues: \$45.0 million in the second quarter of 2022, an \$11.5 million (34.3%) increase due primarily to higher revenues from concerts, music and hockey with the easing of public health measures.

Adjusted EBITDA: \$4.7 million in the second quarter of 2022, a \$1.6 million (51.6%) favourable variance due primarily to the impact of the increase in revenues.

Adjusted cash flows from operations: \$3.9 million in the second quarter of 2022 compared with \$2.5 million in the same period of 2021 (Table 11). The \$1.4 million increase was due primarily to the \$1.6 million increase in adjusted EBITDA.

Year-to-date operating results

Revenues: \$79.1 million in the first half of 2022, a \$14.4 million (22.3%) increase due primarily to higher revenues from concerts, music, book distribution and hockey, primarily as a result of the easing of public health measures.

Adjusted EBITDA: \$4.6 million in the first half of 2022, a \$0.6 million decrease, primarily due to increases in operating expenses, including selling, labour and administrative expenses, considering the gradual resumption of activities.

Adjusted cash flows from operations: \$3.0 million in the first half of 2022 compared with \$3.6 million in the same period of 2021 (Table 11). The \$0.6 million decrease was due to the \$0.6 million decrease in adjusted EBITDA.

CASH FLOWS AND FINANCIAL POSITION

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

Operating activities

Second quarter 2022

Cash flows provided by operating activities: \$241.7 million in the second quarter of 2022 compared with \$229.7 million in the same period of 2021.

The \$12.0 million increase was primarily due to:

- \$29.7 million favourable net change in non-cash balances related to operating activities, due primarily to favourable variances in inventory and in contract assets, partially offset by unfavourable variances in interest payable, accounts payable, accrued charges and provisions, and in income tax payable;
- \$4.5 million decrease in the cash portion of financial expenses.

Partially offset by:

- \$10.0 million decrease in adjusted EBITDA;
- \$5.6 million increase in current income taxes;
- \$4.0 million unfavourable variance in the cash portion of restructuring of operations and other items.

Year to date

Cash flows provided by operating activities: \$469.4 million in the first half of 2022 compared with \$491.3 million in the same period of 2021.

The \$21.9 million decrease was mainly due to:

- \$20.6 million decrease in adjusted EBITDA;
- \$16.6 million increase in current income taxes.

Partially offset by:

- \$9.7 million decrease in the cash portion of financial expenses;
- \$9.4 million favourable net change in non-cash balances related to operating activities, due primarily to favourable variances in contract assets, income tax payable and accounts receivable, partially offset by unfavourable variances in accounts payable, accrued charges and provisions, inventory and deferred revenues.

The decrease in adjusted EBITDA had an unfavourable impact on cash flows provided by operating activities in the first half of 2022 compared with the same period of 2021.

Working capital: Negative \$735.7 million at June 30, 2022 compared with positive \$50.4 million at December 31, 2021. The \$786.1 million unfavourable variance was due primarily to a Senior Note maturing in 2023 and related derivative financial instruments, the balances of which have been recorded in current items, decreases in cash and cash equivalents, and investments in contract assets, partially offset by an increase in inventory, and a decrease in accounts payable, accrued charges and provisions.

Investing activities

Second quarter 2022

Cash flows used for additions to property, plant and equipment: \$104.2 million in the second quarter of 2022 compared with \$105.5 million in the same period of 2021, a \$1.3 million reduction.

Deferred subsidies used to finance additions to property, plant and equipment: \$46.1 million in the second quarter of 2022 compared with \$4.4 million in the same quarter of 2021. These amounts represent the use of subsidies recorded as a reduction of additions to property, plant and equipment in connection with the program to roll out high-speed Internet services in various regions of Québec. This use is now presented on the consolidated statement of cash flows in accordance with the IFRS *Interpretations Committee* decision on the inclusion of restricted cash in this statement, which was finalized during the second quarter of 2022.

Cash flows used for additions to intangible assets: \$23.8 million in the second quarter of 2022 compared with \$50.4 million in the same period of 2021. The \$26.6 million reduction was mainly due to a slowdown in investment following the completion of certain strategic projects, mainly in the Telecommunications segment, and a \$3.8 million favourable net change in current non-cash items.

Proceeds from disposal of assets: \$4.1 million in the second quarter of 2022 compared with \$3.0 million in the same period of 2021.

Business acquisitions: \$3.8 million in the second quarter of 2022 compared with \$6.7 million in the same period of 2021.

Acquisition of investments and other: \$2.3 million in the second quarter of 2022 compared with \$7.2 million in the same period of 2021.

Year to date

Cash flows used for additions to property, plant and equipment: \$199.5 million in the first half of 2022 compared with \$217.3 million in the same period of 2021. The \$17.8 million reduction was due primarily to a general slowdown in investment following the review of strategic priorities, mainly in the Telecommunications segment, and a \$7.1 million favourable net change in current non-cash items.

Deferred subsidies used to finance additions to property, plant and equipment: \$77.8 million in the first half of 2022 compared with net subsidies of \$206.3 million received in the same period of 2021. The 2022 amount represents the use of subsidies recorded as a reduction of additions to property, plant and equipment in connection with the program to roll out high-speed Internet services in various regions of Québec. In the first half of 2021, \$216.2 million was advanced under this program and \$9.9 million was utilized. These amounts are now presented on the consolidated statement of cash flows in accordance with the IFRS *Interpretations Committee* decision on the inclusion of restricted cash in this statement, which was finalized during the second quarter of 2022.

Cash flows used for additions to intangible assets: \$53.6 million in the first half of 2022 compared with \$109.2 million in the same period of 2021. The \$55.6 million reduction was mainly due to a slowdown in investment following the completion of certain strategic projects, mainly in the Telecommunications segment, and a \$14.3 million favourable net change in current non-cash items.

Proceeds from disposal of assets: \$5.5 million in the first half of 2022 compared with \$3.1 million in the same period of 2021.

Business acquisitions: \$3.8 million in the first half of 2022 compared with \$21.8 million in the same period of 2021, mainly for acquisitions in the Telecommunications and Sports and Entertainment segments in 2021.

Acquisition of investments and other: \$6.4 million in the first half of 2022 compared with \$8.0 million in the same period of 2021.

Free cash flows from continuing operating activities

Second quarter 2022

Free cash flows from continuing operating activities: \$117.8 million in the second quarter of 2022 compared with \$76.8 million in the same period of 2021 (Table 12).

The \$41.0 million increase was due primarily to:

- \$26.6 million decrease in cash flows used for additions to intangible assets;
- \$12.0 million increase in cash flows provided by operating activities.

Year to date

Free cash flows from continuing operating activities: \$221.8 million in the first half of 2022 compared with \$167.9 million in the same period of 2021 (Table 12).

The \$53.9 million increase was due primarily to:

- \$55.6 million decrease in cash flows used for additions to intangible assets;
- \$17.8 million decrease in cash flows used for additions to property, plant and equipment.

Partially offset by:

- \$21.9 million decrease in cash flows provided by operating activities.

Financing activities

Consolidated debt (long-term debt plus bank indebtedness): \$61.6 million increase in the first half of 2022; \$23.7 million net favourable variance in assets and liabilities related to derivative financial instruments.

- Debt increases in the first half of 2022 essentially consisted of:
 - \$47.2 million unfavourable impact of exchange rate fluctuations. The consolidated debt increase attributable to this item was offset by the increase in the asset (or decrease in the liability) related to derivative financial instruments;
 - \$21.1 million increase in the bank indebtedness of Videotron, TVA Group Inc. ("TVA Group") and Quebecor Media;
 - \$24.9 million increase in total drawings on the secured revolving bank credit facilities of TVA Group and Quebecor Media.
- Debt reductions in the first half of 2022 essentially consisted of:
 - \$22.0 million decrease in Videotron's drawings on its secured revolving credit facility;
 - \$10.1 million decrease in debt attributable to changes in fair value related to hedged interest risk.
- Assets and liabilities related to derivative financial instruments totalled a net asset of \$406.0 million at June 30, 2022 compared with \$382.3 million at December 31, 2021. The \$23.7 million net favourable variance was mainly due to:
 - favourable impact of exchange rate fluctuations on the value of derivative financial instruments.

Partially offset by:

- unfavourable impact of interest rate trends in Canada, compared with the United States, on the fair value of derivative financial instruments.
- On May 20, 2022, Videotron amended its \$1.50 billion secured revolving credit facility to extend its term to July 2026 and Quebecor Media amended its \$300.0 million secured revolving credit facility to extend its term to July 2025. Certain terms and conditions of the credit facilities were also amended.
- On February 15, 2022, TVA Group amended its \$75.0 million secured revolving credit facility to extend its term from February 2022 to February 2023 and amend certain terms and conditions.

Financial Position

Net available liquidity: \$1.52 billion at June 30, 2022 for Quebecor and its wholly owned subsidiaries, consisting of \$1.53 billion in available unused revolving credit facilities less \$14.8 million in bank indebtedness.

Consolidated debt (long-term debt plus bank indebtedness): \$6.59 billion at June 30, 2022, a \$61.6 million increase compared with December 31, 2021; \$23.7 million net favourable variance in assets and liabilities related to derivative financial instruments (see "Financing activities" above).

- Consolidated debt essentially consisted of Videotron's \$5.40 billion debt (\$5.38 billion at December 31, 2021); TVA Group's \$34.8 million debt (\$12.0 million at December 31, 2021); Quebecor Media's \$1.11 billion debt (\$1.09 billion at December 31, 2021); and Quebecor's \$44.5 million debt (\$44.5 million at December 31, 2021).

As of June 30, 2022, 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)

2023	\$	1,171.4
2024		772.4
2025		400.0
2026		380.0
2027		1,035.9
2028 and thereafter		2,843.7
Total	\$	6,603.4

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

The weighted average term of Quebecor's consolidated debt was approximately 4.8 years as of June 30, 2022 (5.1 years as of December 31, 2021). After taking into account hedging instruments, the debt consisted of approximately 78.3% fixed-rate debt (91.7% at December 31, 2021) and 21.7% floating-rate debt (8.3% at December 31, 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, business acquisitions, 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, 2022, the Corporation was in compliance with all required financial ratios and restrictive covenants in its financing agreements.

Dividends declared

On August 3, 2022, the Board of Directors of Quebecor declared a quarterly dividend of \$0.30 per share on its Class A Multiple Voting Shares ("Class A Shares") and Class B Subordinate Voting Shares ("Class B Shares"), payable on September 13, 2022 to shareholders of record at the close of business on August 19, 2022.

Convertible debentures

In accordance with the terms of the trust indenture governing the convertible debentures, the quarterly dividend declared on May 11, 2022 on Quebecor Class B Shares triggered an adjustment to the floor price and ceiling price then in effect. Accordingly, effective May 26, 2022, the conversion features of the convertible debentures are subject to an adjusted floor price of approximately \$25.07 per share (that is, a maximum number of approximately 5,984,010 Class B Shares corresponding to a ratio of \$150.0 million to the adjusted floor price) and an adjusted ceiling price of approximately \$31.33 per share (that is, a minimum number of approximately 4,787,208 Class B Shares corresponding to a ratio of \$150.0 million to the adjusted ceiling price).

Analysis of consolidated balance sheet

Table 4

Consolidated balance sheet of Quebecor

Analysis of main differences between June 30, 2022 and December 31, 2021

(in millions of Canadian dollars)

	June 30, 2022 ¹	Dec. 31, 2021 ¹	Difference	Main reasons for difference
Assets				
Cash and cash equivalents	\$ 9.1	\$ 64.7	\$ (55.6)	Cash flows used in financing activities and investing activities.
Contract assets	78.5	129.4	(50.9)	Increased financing of equipment sales.
Inventories	349.5	282.6	66.9	Impact of current variances in activities.
Property, plant and equipment	2,977.4	3,058.7	(81.3)	Depreciation for the period less additions to property, plant and equipment.
Intangible assets	2,304.9	2,344.1	(39.2)	Amortization for the period less additions to intangible assets.
Derivative financial instruments ²	406.0	382.3	23.7	See "Financing activities."
Other assets	655.8	521.1	134.7	Gain on remeasurement of defined benefit plans.
Liabilities				
Accounts payable, accrued charges and provisions	794.9	861.0	(66.1)	Impact of current variances in operating activities.
Income taxes ³	17.8	40.1	(22.3)	Current disbursements less current income taxes for the period.
Long-term debt, including short-term portion and bank indebtedness	6,586.0	6,524.4	61.6	See "Financing activities."
Other liabilities	198.1	293.2	(95.1)	Gain on remeasurement of defined benefit plans.

¹ The "restricted cash" and "deferred subsidies" line items are combined for the purposes of the analysis.

² Current and long-term assets less long-term liabilities.

³ Current liabilities less current assets.

ADDITIONAL INFORMATION

Contractual obligations

At June 30, 2022, 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, 2022
(in millions of Canadian dollars)

	Total	Under 1 year	1-3 years	3-5 years	5 years or more
Long-term debt ¹	\$ 6,603.4	\$ 1,171.4	\$ 1,172.4	\$ 1,415.9	\$ 2,843.7
Convertible debentures ²	150.0	–	150.0	–	–
Interest payments ³	1,273.2	236.7	453.9	326.2	256.4
Lease liabilities	178.6	37.0	57.9	26.1	57.6
Interest payments on lease liabilities	41.6	7.0	10.0	6.7	17.9
Additions to property, plant and equipment and other commitments	1,821.9	431.3	788.8	279.5	322.3
Derivative financial instruments ⁴	(380.2)	(263.9)	(110.1)	32.0	(38.2)
Total contractual obligations	\$ 9,688.5	\$ 1,619.5	\$ 2,522.9	\$ 2,086.4	\$ 3,459.7

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, 2022 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 \$25.07 per share and a ceiling price of approximately \$31.33. 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, 2022.

⁴ Estimated future receipts, net of future disbursements, related to foreign exchange hedging on the principal of U.S.-dollar-denominated debt using derivative financial instruments.

Related party transactions

In the second quarter of 2022, the Corporation incurred expenses to affiliated corporations in the amount of \$20.7 million (nil in the same period of 2021), which are included the purchase of goods and services, and acquired property, plant and equipment and intangible assets from affiliated corporations in the amount of \$2.5 million (nil in the same period of 2021). The Corporation also made sales to affiliated corporations in the amount of \$0.9 million (\$1.5 million in the same period of 2021).

In the first half of 2022, the Corporation incurred expenses to affiliated corporations in the amount of \$29.1 million (\$3.9 million in the same period of 2021), which are included the purchase of goods and services, and acquired property, plant and equipment and intangible assets from affiliated corporations in the amount of \$2.9 million (nil in the same period of 2021). The Corporation also made sales to affiliated corporations in the amount of \$2.4 million (\$2.7 million in the same period of 2021).

These transactions were accounted for at the consideration agreed between parties.

Capital stock

Table 6 below presents information on the Corporation's capital stock as at July 18, 2022. In addition, 3,831,816 share options of the Corporation were outstanding as of the same date.

Table 6

Capital stock

(in shares and millions of Canadian dollars)

	July 18, 2022	
	Issued and outstanding	Book value
Class A Shares	76,984,034	\$ 8.6
Class B Shares	157,620,556	929.2

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

On April 27, 2022, 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 10,000,000 Class B Shares, representing approximately 6.8% of the Class B Shares public float as of July 30, 2021. No other terms of the normal course issuer bid have been amended.

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

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

On August 3, 2022, 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 3.8% of issued and outstanding Class B Shares as of July 29, 2022. The purchases can be made from August 15, 2022 to August 14, 2023 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 2022, the Corporation purchased and cancelled 4,202,951 Class B Shares for a total cash consideration of \$123.1 million (4,073,200 Class B Shares for a total cash consideration of \$131.5 million in the same period of 2021). The \$98.3 million excess of the purchase price over the carrying value of the repurchased Class B Shares was recorded as a reduction in retained earnings (\$107.5 million in the same period of 2021).

Financial instruments

The Corporation uses a number of financial instruments, mainly cash and cash equivalents, restricted cash, trade receivables, contract assets, long-term investments, bank indebtedness, trade payables, accrued liabilities, long-term debt, convertible debentures, lease liabilities and derivative financial instruments.

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

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, 2022 and December 31, 2021 were as follows:

Table 7
Fair value of long-term debt, convertible debentures and derivative financial instruments
(in millions of Canadian dollars)

Asset (liability)	June 30, 2022		December 31, 2021	
	Carrying value	Fair value	Carrying value	Fair value
Long-term debt¹	\$ (6,603.4)	\$ (5,977.7)	\$ (6,554.0)	\$ (6,660.4)
Convertible debentures²	(149.0)	(149.0)	(139.5)	(139.5)
Derivative financial instruments				
Foreign exchange forward contracts	2.6	2.6	0.9	0.9
Cross-currency swaps	403.4	403.4	381.4	381.4

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

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

The fair value of long-term debt and convertible debentures is estimated based on quoted market prices when available or on valuation models. When the Corporation uses valuation models, the fair value is estimated using discounted cash flows 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 implicit interest rate and credit premium.

Losses on valuation and translation of financial instruments in the second quarters and first halves of 2022 and 2021 are summarized in Table 8.

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

	Three months ended		Six months ended	
	June 30		June 30	
	2022	2021	2022	2021
Loss (gain) on embedded derivatives related to convertible debentures	\$ 1.9	\$ (7.5)	\$ 9.1	\$ (1.8)
Other	0.2	0.5	0.3	0.6
	\$ 2.1	\$ (7.0)	\$ 9.4	\$ (1.2)

A \$4.4 million gain and a \$14.0 million loss on cash flow hedges were recorded under "Other comprehensive income" in the second quarter and first half of 2022 respectively (losses of \$1.6 million and \$4.2 million in the second quarter and first half of 2021 respectively).

Non-IFRS financial measures

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

Adjusted EBITDA

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

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

Table 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	
	2022	2021	2022	2021
Adjusted EBITDA (negative adjusted EBITDA):				
Telecommunications	\$ 487.5	\$ 481.5	\$ 947.5	\$ 932.4
Media	4.1	16.7	(7.8)	18.0
Sports and Entertainment	4.7	3.1	4.6	5.2
Head Office	(4.9)	0.1	(10.8)	(1.5)
	491.4	501.4	933.5	954.1
Depreciation and amortization	(191.6)	(196.6)	(386.3)	(391.9)
Financial expenses	(82.0)	(87.0)	(159.5)	(170.1)
(Loss) gain on valuation and translation of financial instruments	(2.1)	7.0	(9.4)	1.2
Restructuring of operations and other items	(3.5)	20.6	(4.4)	16.1
Loss on debt refinancing	–	(80.9)	–	(80.9)
Income taxes	(55.9)	(39.8)	(100.5)	(83.8)
Net income	\$ 156.3	\$ 124.7	\$ 273.4	\$ 244.7

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 (loss) 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. 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 June 30		Six months ended June 30	
	2022	2021	2022	2021
Adjusted income from continuing operating activities	\$ 161.7	\$ 158.3	\$ 290.4	\$ 288.2
(Loss) gain on valuation and translation of financial instruments	(2.1)	7.0	(9.4)	1.2
Restructuring of operations and other items	(3.5)	20.6	(4.4)	16.1
Loss on debt refinancing	–	(80.9)	–	(80.9)
Income taxes related to adjustments ¹	1.3	18.5	2.2	20.2
Net income attributable to shareholders	\$ 157.4	\$ 123.5	\$ 278.8	\$ 244.8

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

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

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

Free cash flows from continuing operating activities

Free cash flows from continuing operating activities represents cash flows provided by 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 adjusted cash flows from operations and free cash flows from continuing operating activities to cash flows provided by operating activities reported in the condensed consolidated financial statements.

Table 11**Adjusted cash flows from operations**

(in millions of Canadian dollars)

	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Adjusted EBITDA (negative adjusted EBITDA)				
Telecommunications	\$ 487.5	\$ 481.5	\$ 947.5	\$ 932.4
Media	4.1	16.7	(7.8)	18.0
Sports and Entertainment	4.7	3.1	4.6	5.2
Head Office	(4.9)	0.1	(10.8)	(1.5)
	491.4	501.4	933.5	954.1
Minus				
Additions to property, plant and equipment: ¹				
Telecommunications	(100.2)	(113.6)	(193.4)	(213.0)
Media	(6.8)	(3.0)	(13.5)	(4.2)
Sports and Entertainment	(0.2)	–	(0.3)	(0.1)
Head Office	(0.3)	(1.0)	(0.6)	(1.2)
	(107.5)	(117.6)	(207.8)	(218.5)
Additions to intangible assets: ²				
Telecommunications	(17.9)	(37.8)	(40.1)	(76.4)
Media	(4.1)	(6.6)	(6.6)	(11.1)
Sports and Entertainment	(0.6)	(0.6)	(1.3)	(1.5)
Head Office	(0.3)	(0.7)	(0.6)	(0.9)
	(22.9)	(45.7)	(48.6)	(89.9)
Adjusted cash flows from operations				
Telecommunications	369.4	330.1	714.0	643.0
Media	(6.8)	7.1	(27.9)	2.7
Sports and Entertainment	3.9	2.5	3.0	3.6
Head Office	(5.5)	(1.6)	(12.0)	(3.6)
	\$ 361.0	\$ 338.1	\$ 677.1	\$ 645.7

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	
	2022	2021	2022	2021
Additions to property, plant and equipment	\$ (107.5)	\$ (117.6)	\$ (207.8)	\$ (218.5)
Net variance in current operating items related to additions to property, plant and equipment (excluding government credits receivable for major capital projects)	3.3	12.1	8.3	1.2
Cash flows used for additions to property, plant and equipment	\$ (104.2)	\$ (105.5)	\$ (199.5)	\$ (217.3)

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	
	2022	2021	2022	2021
Additions to intangible assets	\$ (22.9)	\$ (45.7)	\$ (48.6)	\$ (89.9)
Net variance in current operating items related to additions to intangible assets (excluding government credits receivable for major capital projects)	(0.9)	(4.7)	(5.0)	(19.3)
Cash flows used for additions to intangible assets	\$ (23.8)	\$ (50.4)	\$ (53.6)	\$ (109.2)

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

(in millions of Canadian dollars)

	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Adjusted cash flows from operations from Table 11	\$ 361.0	\$ 338.1	\$ 677.1	\$ 645.7
Plus (minus)				
Cash portion of financial expenses	(80.3)	(84.8)	(156.0)	(165.7)
Cash portion related to restructuring of operations and other items	(2.9)	1.1	(3.8)	(2.1)
Current income taxes	(70.0)	(64.4)	(144.4)	(127.8)
Other	1.2	2.7	2.7	2.4
Net change in non cash balances related to operating activities	(93.6)	(123.3)	(157.1)	(166.5)
Net variance in current operating items related to additions to property, plant and equipment (excluding government credits receivable for major capital projects)	3.3	12.1	8.3	1.2
Net variance in current operating items related to additions to intangible assets (excluding government credits receivable for major capital projects)	(0.9)	(4.7)	(5.0)	(19.3)
Free cash flows from continuing operating activities	117.8	76.8	221.8	167.9
Plus (minus)				
Cash flows used for additions to property, plant and equipment	104.2	105.5	199.5	217.3
Cash flows used for additions to intangible assets	23.8	50.4	53.6	109.2
Proceeds from disposal of assets	(4.1)	(3.0)	(5.5)	(3.1)
Cash flows provided by operating activities	\$ 241.7	\$ 229.7	\$ 469.4	\$ 491.3

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 2022	Dec. 31, 2021
Total long-term debt¹	\$ 6,603.4	\$ 6,554.0
<u>Plus (minus)</u>		
Lease liabilities	141.6	147.1
Current portion of lease liabilities	37.0	36.1
Bank indebtedness	21.6	-
Assets related to derivative financial instruments	(414.5)	(405.6)
Liabilities related to derivative financial instruments	8.5	23.3
Cash and cash equivalents	(9.1)	(64.7)
Consolidated net debt excluding convertible debentures	6,388.5	6,290.2
Divided by:		
Trailing 12 month adjusted EBITDA	1,952.6	1,973.2
Consolidated net debt leverage ratio	\$ 3.27x	\$ 3.19x

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

Key performance indicators

Revenue-generating unit

The Corporation uses RGU, an industry metric, as a key performance indicator. An RGU represents, as the case may be, subscriptions to the Internet access, television and OTT 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 monthly revenue per unit

The Corporation uses ARPU, an industry metric, as a key performance indicator. This indicator is used to measure monthly revenues per average RGU. ARPU is not a measurement that is consistent with IFRS and the Corporation's definition and calculation of ARPU may not be the same as identically titled measurements reported by other companies. The previously used ABPU metric was abandoned in the first quarter of 2022 and replaced by ARPU, which affords better comparability in view of the Corporation's changing business model related to equipment sales.

Mobile ARPU is calculated by dividing mobile telephony revenues 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 ARPU is calculated by dividing the combined revenues from mobile and wireline telephony, Internet access, television and OTT services by the total average number of RGUs from mobile and wireline telephony, Internet access and television services during the applicable period, and then dividing the resulting amount by the number of months in the applicable period.

Table 14
Videotron's ARPU for the past eight quarters
(in Canadian dollars)

	Q2-2022	Q1-2022	Q4-2021	Q3-2021	Q2-2021	Q1-2021	Q4-2020	Q3-2020
Mobile ARPU	\$ 38.94	\$ 38.70	\$ 38.97	\$ 39.13	\$ 38.41	\$ 38.08	\$ 38.69	\$ 39.20
Total ARPU	\$ 47.17	\$ 46.40	\$ 47.07	\$ 47.32	\$ 47.22	\$ 46.64	\$ 46.94	\$ 46.84

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, 2022 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 OTT 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 crises, including the COVID-19 pandemic, and political instability in some countries;
- impact of emergency measures implemented by various levels of government;
- changes in Quebecor Media's ability to obtain services and equipment critical to its operations;
- changes in laws and regulations, or in their interpretations, which could result, among other things, in the loss (or reduction in value) of Quebecor Media's licences or markets, or in an increase in competition, compliance costs or capital expenditures;
- Quebecor Media's ability to successfully develop its Sports and Entertainment segment and other expanding lines of business in its other segments;
- Quebecor's substantial indebtedness, the tightening of credit markets, and the restrictions on its business imposed by the terms of its debt; and
- interest rate fluctuations that could affect a portion of Quebecor's interest payment requirements on long-term debt.

The forward-looking statements in this document are made to provide investors and the public with a better understanding of the Corporation's circumstances and are based on assumptions it believes to be reasonable as of the day on which they are made. Investors and others are cautioned that the foregoing list of factors that may affect future results is not exhaustive and that undue reliance should not be placed on any forward-looking statements. For more information on the risks, uncertainties and assumptions

that could cause the Corporation's actual results to differ from current expectations, please refer to the 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, 2021.

The forward-looking statements in this Management Discussion and Analysis reflect the Corporation's expectations as of August 3, 2022 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 3, 2022

QUEBECOR INC.

SELECTED QUARTERLY FINANCIAL DATA

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

	2022		2021				2020	
	June 30	March 31	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30
Revenues	\$ 1,115.2	\$ 1,088.0	\$ 1,183.9	\$ 1,148.2	\$ 1,131.2	\$ 1,091.1	\$ 1,146.8	\$ 1,111.7
Adjusted EBITDA	491.4	442.1	498.8	520.3	501.4	452.7	526.8	513.4
Adjusted cash flows from operations	361.0	316.1	370.6	365.8	338.1	307.6	345.2	346.1
Contribution to net income attributable to shareholders:								
Continuing operating activities	161.7	128.7	157.6	176.1	158.3	129.9	165.0	173.1
(Loss) gain on valuation and translation of financial instruments	(1.8)	(6.6)	7.6	6.1	7.3	(5.3)	(0.4)	(18.3)
Unusual items	(2.5)	(0.7)	(4.7)	(9.1)	(42.1)	(3.3)	(4.2)	(13.9)
Discontinued operations	-	-	-	-	-	-	(0.6)	-
Net income attributable to shareholders	157.4	121.4	160.5	173.1	123.5	121.3	159.8	140.9
Basic data per share								
Contribution to net income attributable to shareholders:								
Continuing operating activities	\$ 0.68	\$ 0.54	\$ 0.66	\$ 0.73	\$ 0.65	\$ 0.52	\$ 0.66	\$ 0.69
(Loss) gain on valuation and translation of financial instruments	(0.01)	(0.03)	0.03	0.02	0.03	(0.02)	-	(0.07)
Unusual items	(0.01)	-	(0.02)	(0.04)	(0.18)	(0.01)	(0.02)	(0.06)
Discontinued operations	-	-	-	-	-	-	-	-
Net income attributable to shareholders	0.66	0.51	0.67	0.71	0.50	0.49	0.64	0.56
Weighted average number of shares outstanding (in millions)	236.7	239.2	239.8	242.7	245.0	246.7	249.1	250.5
Diluted data per share								
Contribution to net income attributable to shareholders:								
Continuing operating activities	\$ 0.67	\$ 0.53	\$ 0.65	\$ 0.72	\$ 0.64	\$ 0.52	\$ 0.66	\$ 0.68
Dilution impact	0.01	0.01	-	-	-	-	-	0.01
Loss on valuation and translation of financial instruments	(0.01)	(0.03)	-	-	-	(0.02)	-	(0.07)
Unusual items	(0.01)	-	(0.02)	(0.04)	(0.17)	(0.01)	(0.02)	(0.06)
Discontinued operations	-	-	-	-	-	-	-	-
Net income attributable to shareholders	0.66	0.51	0.63	0.68	0.47	0.49	0.64	0.56
Weighted average number of diluted shares outstanding (in millions)	236.8	239.2	244.6	247.5	249.9	246.9	253.8	250.7