

Condensed consolidated financial statements of

QUEBECOR INC.

Three-month and nine-month periods ended September 30, 2020 and 2019

QUEBECOR INC.
CONSOLIDATED STATEMENTS OF INCOME

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

	Note	Three months ended September 30		Nine months ended September 30	
		2020	2019	2020	2019
Revenues	2	\$ 1,111.7	\$ 1,073.4	\$ 3,171.0	\$ 3,157.6
Employee costs	3	156.5	162.6	471.2	516.6
Purchase of goods and services	3	441.8	401.5	1,274.0	1,256.0
Depreciation and amortization		195.9	187.0	589.7	564.1
Financial expenses	4	80.1	81.2	249.1	246.1
Loss (gain) on valuation and translation of financial instruments	5	18.6	(6.0)	(8.9)	(8.1)
Restructuring of operations and other items	6	18.9	1.2	33.1	27.0
Income before income taxes		199.9	245.9	562.8	555.9
Income taxes (recovery):					
Current		60.7	29.7	181.0	115.1
Deferred		(4.3)	33.5	(33.3)	30.3
		56.4	63.2	147.7	145.4
Income from continuing operations		143.5	182.7	415.1	410.5
Income from discontinued operations	17	-	-	33.8	97.5
Net income		\$ 143.5	\$ 182.7	\$ 448.9	\$ 508.0
Income from continuing operations attributable to					
Shareholders		\$ 140.9	\$ 178.5	\$ 413.6	\$ 410.2
Non-controlling interests		2.6	4.2	1.5	0.3
Net income attributable to		\$ 140.9	\$ 178.5	\$ 447.4	\$ 507.7
Shareholders		140.9	178.5	447.4	507.7
Non-controlling interests		2.6	4.2	1.5	0.3
Earnings per share attributable to shareholders	11				
Basic:					
From continuing operations		\$ 0.56	\$ 0.70	\$ 1.64	\$ 1.60
From discontinued operations		-	-	0.13	0.38
Net income		0.56	0.70	1.77	1.98
Diluted:					
From continuing operations		0.56	0.67	1.58	1.57
From discontinued operations		-	-	0.13	0.37
Net income		0.56	0.67	1.71	1.94
Weighted average number of shares outstanding (in millions)		250.5	255.6	252.4	255.8
Weighted average number of diluted shares (in millions)		250.7	261.7	258.2	261.9

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of Canadian dollars)
(unaudited)

	Note	Three months ended September 30		Nine months ended September 30	
		2020	2019	2020	2019
Income from continuing operations		\$ 143.5	\$ 182.7	\$ 415.1	\$ 410.5
Other comprehensive (loss) income from continuing operations:					
Items that may be reclassified to income:					
Cash flow hedges:					
(Loss) gain on valuation of derivative financial instruments		(25.0)	41.4	18.9	71.6
Deferred income taxes		6.1	(6.5)	(2.5)	(4.7)
Items that will not be reclassified to income:					
Defined benefit plans:					
Re-measurement loss	14	(25.0)	-	(87.0)	-
Deferred income taxes		6.6	-	22.6	-
Reclassification to income:					
Gain related to cash flow hedges		-	(1.1)	-	(1.1)
Deferred income taxes		-	0.7	-	0.7
		(37.3)	34.5	(48.0)	66.5
Comprehensive income from continuing operations		106.2	217.2	367.1	477.0
Income from discontinued operations	17	-	-	33.8	97.5
Comprehensive income		\$ 106.2	\$ 217.2	\$ 400.9	\$ 574.5
Comprehensive income (loss) from continuing operations attributable to					
Shareholders		\$ 104.8	\$ 213.0	\$ 370.3	\$ 476.7
Non-controlling interests		1.4	4.2	(3.2)	0.3
Comprehensive income (loss) attributable to					
Shareholders		\$ 104.8	\$ 213.0	\$ 404.1	\$ 574.2
Non-controlling interests		1.4	4.2	(3.2)	0.3

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC. SEGMENTED INFORMATION

(in millions of Canadian dollars)
(unaudited)

Three months ended September 30, 2020

	Telecommuni- cations	Media	Sports and Enter- tainment	Head office and Inter- segments	Total
Revenues	\$ 937.9	\$ 157.2	\$ 48.5	\$ (31.9)	\$ 1,111.7
Employee costs	101.4	38.6	7.5	9.0	156.5
Purchase of goods and services	352.9	93.7	33.4	(38.2)	441.8
Adjusted EBITDA ¹	483.6	24.9	7.6	(2.7)	513.4
Depreciation and amortization					195.9
Financial expenses					80.1
Loss on valuation and translation of financial instruments					18.6
Restructuring of operations and other items					18.9
Income before income taxes					\$ 199.9
Cash flows used for:					
Additions to property, plant and equipment	\$ 133.9	\$ 3.4	\$ 0.1	\$ 0.7	\$ 138.1
Additions to intangible assets	29.6	3.9	0.8	-	34.3

Three months ended September 30, 2019

	Telecommuni- cations	Media	Sports and Enter- tainment	Head office and Inter- segments	Total
Revenues	\$ 876.7	\$ 167.2	\$ 55.8	\$ (26.3)	\$ 1,073.4
Employee costs	92.2	53.4	9.5	7.5	162.6
Purchase of goods and services	316.8	81.2	39.4	(35.9)	401.5
Adjusted EBITDA ¹	467.7	32.6	6.9	2.1	509.3
Depreciation and amortization					187.0
Financial expenses					81.2
Gain on valuation and translation of financial instruments					(6.0)
Restructuring of operations and other items					1.2
Income before income taxes					\$ 245.9
Cash flows used for:					
Additions to property, plant and equipment	\$ 117.4	\$ 5.0	\$ 0.1	\$ 0.1	\$ 122.6
Additions to intangible assets	57.2	8.5	0.8	(0.1)	66.4

QUEBECOR INC.
SEGMENTED INFORMATION (continued)

(in millions of Canadian dollars)
(unaudited)

Nine months ended September 30, 2020

	Telecommuni- cations	Media	Sports and Enter- tainment	Head office and Inter- segments	Total
Revenues	\$ 2,681.7	\$ 464.7	\$ 109.2	\$ (84.6)	\$ 3,171.0
Employee costs	305.0	124.5	21.6	20.1	471.2
Purchase of goods and services	994.0	303.6	81.0	(104.6)	1,274.0
Adjusted EBITDA ¹	1,382.7	36.6	6.6	(0.1)	1,425.8
Depreciation and amortization					589.7
Financial expenses					249.1
Gain on valuation and translation of financial instruments					(8.9)
Restructuring of operations and other items					33.1
Income before income taxes					\$ 562.8
Cash flows used for:					
Additions to property, plant and equipment	\$ 312.3	\$ 11.2	\$ 0.2	\$ 1.1	\$ 324.8
Additions to intangible assets	165.7	17.0	2.3	0.1	185.1

Nine months ended September 30, 2019

	Telecommuni- cations	Media	Sports and Enter- tainment	Head office and Inter- segments	Total
Revenues	\$ 2,571.8	\$ 530.0	\$ 137.5	\$ (81.7)	\$ 3,157.6
Employee costs	291.8	170.8	29.1	24.9	516.6
Purchase of goods and services	939.3	319.7	103.7	(106.7)	1,256.0
Adjusted EBITDA ¹	1,340.7	39.5	4.7	0.1	1,385.0
Depreciation and amortization					564.1
Financial expenses					246.1
Gain on valuation and translation of financial instruments					(8.1)
Restructuring of operations and other items					27.0
Income before income taxes					\$ 555.9
Cash flows used for:					
Additions to property, plant and equipment	\$ 361.2	\$ 13.7	\$ 1.1	\$ 1.3	\$ 377.3
Additions to intangible assets	402.3	19.1	2.9	0.2	424.5

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

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.
CONSOLIDATED STATEMENTS OF EQUITY

(in millions of Canadian dollars)
(unaudited)

	Equity attributable to shareholders				Equity attributable to non-controlling interests	Total equity
	Capital stock	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive loss		
	(note 12)			(note 14)		
Balance as of December 31, 2018	\$ 1,065.9	\$ 4.7	\$ (507.9)	\$ (82.7)	\$ 88.5	\$ 568.5
Net income	-	-	507.7	-	0.3	508.0
Other comprehensive income	-	-	-	66.5	-	66.5
Issuance of Class B Shares	2.7	3.0	-	-	-	5.7
Dividends	-	-	(71.6)	-	-	(71.6)
Repurchase of Class B Shares	(15.7)	-	(64.8)	-	-	(80.5)
Balance as of September 30, 2019	1,052.9	7.7	(136.6)	(16.2)	88.8	996.6
Net income	-	-	145.1	-	5.2	150.3
Other comprehensive (loss) income	-	-	-	(47.9)	0.6	(47.3)
Dividends	-	-	(28.7)	-	-	(28.7)
Issuance of Class B Shares	5.6	9.7	-	-	-	15.3
Repurchase of Class B Shares	(2.6)	-	(11.5)	-	-	(14.1)
Balance as of December 31, 2019	1,055.9	17.4	(31.7)	(64.1)	94.6	1,072.1
Net income	-	-	447.4	-	1.5	448.9
Other comprehensive loss	-	-	-	(43.3)	(4.7)	(48.0)
Dividends	-	-	(151.3)	-	(0.2)	(151.5)
Repurchase of Class B Shares	(27.7)	-	(115.7)	-	-	(143.4)
Balance as of September 30, 2020	\$ 1,028.2	\$ 17.4	\$ 148.7	\$ (107.4)	\$ 91.2	\$ 1,178.1

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars)
(unaudited)

	Note	Three months ended September 30		Nine months ended September 30	
		2020	2019	2020	2019
Cash flows related to operating activities					
Income from continuing operations		\$ 143.5	\$ 182.7	\$ 415.1	\$ 410.5
Adjustments for:					
Depreciation of property, plant and equipment		149.5	148.4	455.3	450.2
Amortization of intangible assets		37.0	29.7	107.2	87.1
Amortization of right-of-use assets		9.4	8.9	27.2	26.8
Loss (gain) on valuation and translation of financial instruments	5	18.6	(6.0)	(8.9)	(8.1)
Impairment of assets	6	7.3	-	7.3	18.8
Amortization of financing costs and long-term debt discount	4	2.0	2.1	6.1	6.1
Deferred income taxes		(4.3)	33.5	(33.3)	30.3
Other		(0.3)	0.2	(0.1)	(1.9)
		<u>362.7</u>	<u>399.5</u>	<u>975.9</u>	<u>1,019.8</u>
Net change in non-cash balances related to operating activities		(23.3)	(20.5)	78.6	(171.1)
Cash flows provided by continuing operating activities		<u>339.4</u>	<u>379.0</u>	<u>1,054.5</u>	<u>848.7</u>
Cash flows related to investing activities					
Business acquisitions	7	-	(1.0)	(10.8)	(35.6)
Business disposals	17	-	-	-	260.7
Additions to property, plant and equipment		(138.1)	(122.6)	(324.8)	(377.3)
Additions to intangible assets	8	(34.3)	(66.4)	(185.1)	(424.5)
Proceeds from disposals of assets		1.4	0.5	3.6	3.2
Other		(48.5)	(17.8)	(51.4)	(25.0)
Cash flows used in continuing investing activities		<u>(219.5)</u>	<u>(207.3)</u>	<u>(568.5)</u>	<u>(598.5)</u>
Cash flows related to financing activities					
Net change in bank indebtedness		(5.4)	6.9	(14.2)	4.0
Net change under revolving facilities		10.3	251.3	(124.9)	281.3
Repayment of long-term debt		(0.4)	(435.4)	(1.0)	(443.4)
Repayment of lease liabilities		(10.8)	(9.4)	(31.3)	(29.9)
Settlement of hedging contracts		-	91.6	(0.8)	90.8
Issuance of Class B Shares		-	-	-	2.7
Repurchase of Class B Shares	12	(47.8)	(41.0)	(143.4)	(80.5)
Dividends		(50.1)	(28.7)	(151.3)	(71.6)
Dividends paid to non-controlling interests		-	-	(0.2)	-
Cash flows used in continuing financing activities		<u>(104.2)</u>	<u>(164.7)</u>	<u>(467.1)</u>	<u>(246.6)</u>
Cash flows provided by continuing operations		15.7	7.0	18.9	3.6
Cash flows provided by (used in) discontinued operations	17	-	-	7.8	(0.7)
Cash and cash equivalents at beginning of period		25.0	17.2	14.0	21.3
Cash and cash equivalents at end of period		<u>\$ 40.7</u>	<u>\$ 24.2</u>	<u>\$ 40.7</u>	<u>\$ 24.2</u>
Cash and cash equivalents consist of					
Cash		\$ 39.5	\$ 15.7	\$ 39.5	\$ 15.7
Cash equivalents		1.2	8.5	1.2	8.5
		<u>\$ 40.7</u>	<u>\$ 24.2</u>	<u>\$ 40.7</u>	<u>\$ 24.2</u>
Interest and taxes reflected as operating activities					
Cash interest payments		\$ 41.3	\$ 45.5	\$ 198.5	\$ 203.3
Cash income tax payments (net of refunds)		70.7	54.2	93.6	235.0

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars)
(unaudited)

	Note	September 30 2020	December 31 2019
Assets			
Current assets			
Cash and cash equivalents		\$ 40.7	\$ 14.0
Accounts receivable		596.1	548.0
Contract assets		164.9	160.3
Income taxes		5.6	19.1
Inventories		211.4	240.4
Other current assets		115.0	121.2
		1,133.7	1,103.0
Non-current assets			
Property, plant and equipment		3,281.4	3,415.9
Intangible assets		1,509.9	1,444.0
Goodwill		2,692.9	2,692.9
Right-of-use assets		137.2	110.4
Derivative financial instruments		800.2	679.8
Deferred income taxes		44.5	31.2
Other assets		289.0	248.7
		8,755.1	8,622.9
Total assets		\$ 9,888.8	\$ 9,725.9
Liabilities and equity			
Current liabilities			
Bank indebtedness		\$ 15.2	\$ 29.4
Accounts payable, accrued charges and provisions		784.2	809.6
Deferred revenue		326.2	332.7
Income taxes		78.1	4.2
Current portion of long-term debt	9	30.6	57.2
Current portion of lease liabilities		34.3	31.3
		1,268.6	1,264.4
Non-current liabilities			
Long-term debt	9	5,908.8	5,900.3
Derivative financial instruments		1.6	2.1
Convertible debentures		150.0	150.0
Lease liabilities		133.7	106.6
Deferred income taxes		824.1	859.2
Other liabilities		423.9	371.2
		7,442.1	7,389.4
Equity			
Capital stock	12	1,028.2	1,055.9
Contributed surplus		17.4	17.4
Retained earnings (deficit)		148.7	(31.7)
Accumulated other comprehensive loss	14	(107.4)	(64.1)
Equity attributable to shareholders		1,086.9	977.5
Non-controlling interests		91.2	94.6
		1,178.1	1,072.1
Contingencies	16		
Total liabilities and equity		\$ 9,888.8	\$ 9,725.9

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month and nine-month periods ended September 30, 2020 and 2019
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

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

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

COVID-19 pandemic

The COVID-19 pandemic is having a significant impact on the economic environment in Canada and around the world. On March 13, 2020, in order to limit the spread of the virus, the Québec government imposed a number of restrictions and special preventive measures, including the suspension of business activities deemed non-essential across Québec. Since then, the Québec government has gradually implemented a reopening plan, which was followed at the end of September by a second set of restrictions due to the second wave of the pandemic. This new plan includes regional restrictions according to the alert level of each region and remains subject to change as the pandemic evolves. This health crisis curtailed the operations of many of Quebecor's business partners and led to a significant slowdown in some of Quebecor's segments in the first nine months of 2020. Among other impacts, the first wave of measures to prevent the spread of the COVID-19 virus has led to a significant reduction in volume at Videotron Ltd.'s (“Videotron”) retail outlets and delays in client migration to its new Helix entertainment and home management platform; lower advertising revenues, a significant decrease in sports events broadcast by the TVA Sports channel, and reduced film and audiovisual content activity in the Media segment; and cancellations of shows and events, and interruption of music and book distribution activities in the Sports and Entertainment segment. Activity has since partly resumed at some of Quebecor's affected business units by the health crisis, particularly those involved in retail sales and distribution, sports broadcasting and film and audiovisual content production. However, the business slowdown continues and the recovery remains very fragile, particularly with the pandemic entering its second wave. Quebecor has continued and will continue to provide essential telecommunications and news services during this health crisis, while safeguarding the health and safety of the public and its employees. Because of the slowdown in the economy, approximately 10% of Quebecor's workforce has received benefits under the Corporation's assistance program while on stand-by. During the health crisis, this program provides financial assistance in addition to the Canada Emergency Wage Subsidy or Canada Emergency Response Benefit programs. Most of the business units in the Media segment and Sports and Entertainment segment have qualified for the Emergency Wage Subsidy, and provisions for subsidies were recorded in 2020 as a reduction in employee costs, including \$25.6 million in TVA Group Inc. (“TVA Group”). Given the uncertainty about the evolution of the pandemic, the full impact of the crisis over its duration cannot be determined with certainty.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2020 and 2019
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

1. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), except that they do not include all disclosures required under IFRS for annual consolidated financial statements. In particular, these consolidated financial statements were prepared in accordance with IAS 34, *Interim Financial Reporting*, and, accordingly, they are condensed consolidated financial statements. These condensed consolidated financial statements should be read in conjunction with the Corporation’s 2019 annual consolidated financial statements, which contain a description of the accounting policies used in the preparation of these condensed consolidated financial statements.

These condensed consolidated financial statements were approved for issue by the Board of Directors of Quebecor on November 4, 2020.

Comparative figures for previous periods have been restated to conform to the presentation adopted for the three-month and nine-month periods ended September 30, 2020.

2. REVENUES

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Telecommunications:				
Internet	\$ 285.5	\$ 279.3	\$ 839.1	\$ 831.6
Television	222.7	242.2	683.6	734.9
Mobile telephony	168.4	155.7	488.3	443.5
Wireline telephony	85.4	84.4	255.1	257.4
Equipment sales	130.5	69.6	280.5	170.2
Other	45.4	45.5	135.1	134.2
Media:				
Advertising	66.9	67.9	198.8	244.4
Subscription	49.9	52.0	149.6	155.8
Other	40.4	47.3	116.3	129.8
Sports and Entertainment	48.5	55.8	109.2	137.5
Inter-segments	(31.9)	(26.3)	(84.6)	(81.7)
	\$ 1,111.7	\$ 1,073.4	\$ 3,171.0	\$ 3,157.6

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2020 and 2019
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

3. EMPLOYEE COSTS AND PURCHASE OF GOODS AND SERVICES

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Employee costs	\$ 202.4	\$ 214.4	\$ 621.0	\$ 676.5
Less employee costs capitalized to property, plant and equipment and intangible assets	(45.9)	(51.8)	(149.8)	(159.9)
	156.5	162.6	471.2	516.6
Purchase of goods and services:				
Royalties, rights and creation costs	158.0	143.4	495.2	496.2
Cost of products sold	143.5	105.5	331.5	285.9
Service contracts	54.1	40.3	141.2	114.2
Marketing, circulation and distribution expenses	20.8	27.8	54.1	74.0
Other	65.4	84.5	252.0	285.7
	441.8	401.5	1,274.0	1,256.0
	\$ 598.3	\$ 564.1	\$ 1,745.2	\$ 1,772.6

4. FINANCIAL EXPENSES

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Interest on long-term debt and on debentures	\$ 75.9	\$ 74.6	\$ 229.3	\$ 229.2
Amortization of financing costs and long-term debt discount	2.0	2.1	6.1	6.1
Interest on lease liabilities	1.9	2.0	5.7	6.0
Interest on net defined benefit liability	1.9	1.8	5.8	5.4
(Gain) loss on foreign currency translation on short-term monetary items	(1.6)	(0.1)	1.4	(1.5)
Other	—	0.8	0.8	0.9
	\$ 80.1	\$ 81.2	\$ 249.1	\$ 246.1

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2020 and 2019
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

5. LOSS (GAIN) ON VALUATION AND TRANSLATION OF FINANCIAL INSTRUMENTS

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Loss (gain) on embedded derivatives related to convertible debentures	\$ 17.8	\$ (4.2)	\$ (9.4)	\$ (7.0)
Other	0.8	(1.8)	0.5	(1.1)
	\$ 18.6	\$ (6.0)	\$ (8.9)	\$ (8.1)

6. RESTRUCTURING OF OPERATIONS AND OTHER ITEMS

During the respective three-month and nine-month periods ended September 30, 2020, charges of \$11.6 million and \$25.8 million were recorded in connection with cost reduction initiatives in the Corporation's various segments (\$1.2 million and \$8.2 million in 2019).

Impairment charges on assets of \$7.3 million were also recorded as a result of restructuring initiatives during the three-month and nine-month periods ended September 30, 2020 (\$18.8 million in the nine-month period of 2019).

7. BUSINESS ACQUISITIONS

On June 17, 2020, the Sports and Entertainment segment acquired the Théâtre Capitol, a concert hall in Québec, for a cash consideration of \$10.8 million, net of an assumed working capital liability. The acquired assets consist mainly of the building and equipment.

On February 13, 2019, TVA Group acquired the companies in the Serdy Média inc. and Serdy Video Inc. groups, including the Évasion and Zeste specialty channels, for a total cash consideration of \$23.5 million, net of cash acquired of \$0.5 million. An amount of \$1.6 million relating to certain post-closing adjustments was also paid during the third quarter of 2019. The acquired assets consisted mainly of intangible assets and goodwill.

On April 1, 2019, TVA Group acquired the Incendo Media Inc. group, a Montréal-based producer and distributor of television programs for international markets, for a cash consideration of \$11.1 million (net of cash acquired of \$0.9 million) and a balance payable at fair value of \$6.8 million. An amount of \$0.6 million relating to certain post-closing adjustment was also received during the third quarter of 2019. The purchase price is subject to adjustments relating to the achievement of future conditions. The acquired assets consist mainly of intangible assets and goodwill.

8. SPECTRUM LICENCES

On April 10, 2019, Videotron acquired ten 600 MHz spectrum licences covering Eastern, Southern and Northern Québec, as well as Outaouais and Eastern Ontario regions for a total price of \$255.8 million.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2020 and 2019
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

9. LONG-TERM DEBT

Components of long-term debt are as follows:

	September 30, 2020	December 31, 2019
Total long-term debt	\$ 5,952.1	\$ 5,986.1
Change in fair value related to hedged interest rate risk	19.0	9.1
Financing fees, net of amortization	(31.7)	(37.7)
	5,939.4	5,957.5
Less current portion	(30.6)	(57.2)
	\$ 5,908.8	\$ 5,900.3

As of September 30, 2020, the carrying value of long-term debt denominated in U.S. dollars, excluding financing fees, was \$3,820.6 million (\$3,718.8 million as of December 31, 2019) while the net fair value of related hedging derivative instruments was in an asset position of \$800.2 million (\$679.8 million as of December 31, 2019).

On July 15, 2020, the revolving credit facility of Quebecor in an amount of \$50.0 million expired and was not renewed.

On February 21, 2020, TVA Group amended its secured revolving credit facility to extend its term from February 2020 to February 2021, to reduce the amount available for borrowing from \$150.0 million to \$75.0 million and to amend certain terms and conditions.

10. CONVERTIBLE DEBENTURES

In accordance with the terms of the trust indenture governing the convertible debentures, the quarterly dividend declared on March 11, 2020 on Quebecor Class B Subordinate Voting Shares ("Class B Shares") triggered an adjustment to the floor price and ceiling price then in effect. Effective on March 26, 2020, the conversion features of the convertible debentures are subject to an adjusted floor price of approximately \$26.57 per share (that is, a maximum number of approximately 5,644,430 Class B Shares corresponding to a ratio of \$150.0 million to the adjusted floor price) and an adjusted ceiling price of approximately \$33.22 per share (that is, a minimum number of approximately 4,515,544 Class B Shares corresponding to a ratio of \$150.0 million to the adjusted ceiling price).

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2020 and 2019
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

11. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

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

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

	Three months ended		Nine months ended	
	September 30		September 30	
	2020	2019	2020	2019
Income from continuing operations attributable to shareholders	\$ 140.9	\$ 178.5	\$ 413.6	\$ 410.2
Impact of assumed conversion of convertible debentures of the Corporation and of stock options of subsidiaries	(0.1)	(3.3)	(6.3)	1.0
Income from continuing operations attributable to shareholders, adjusted for dilution effect	\$ 140.8	\$ 175.2	\$ 407.3	\$ 411.2
Net income attributable to shareholders	\$ 140.9	\$ 178.5	\$ 447.4	\$ 507.7
Impact of assumed conversion of convertible debentures of the Corporation and of stock options of subsidiaries	(0.1)	(3.3)	(6.3)	1.0
Net income attributable to shareholders, adjusted for dilution effect	\$ 140.8	\$ 175.2	\$ 441.1	\$ 508.7
Weighted average number of shares outstanding (in millions)	250.5	255.6	252.4	255.8
Potentially dilutive effect of convertible debentures of the Corporation and of stock options of the Corporation (in millions)	0.2	6.1	5.8	6.1
Weighted average number of diluted shares outstanding (in millions)	250.7	261.7	258.2	261.9

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2020 and 2019
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

12. CAPITAL STOCK

(a) Authorized capital stock

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

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

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

(b) Issued and outstanding capital stock

	Class A Shares		Class B Shares	
	Number	Amount	Number	Amount
Balance as of December 31, 2019	77,213,834	\$ 8.6	177,415,407	\$ 1,047.3
Class A Shares converted into Class B Shares	(102,100)	–	102,100	–
Shares purchased and cancelled	–	–	(4,695,800)	(27.7)
Balance as of September 30, 2020	77,111,734	\$ 8.6	172,821,707	\$ 1,019.6

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

During the nine-month period ended September 30, 2020, the Corporation purchased and cancelled 4,695,800 Class B Shares for a total cash consideration of \$143.4 million (2,672,056 Class B Shares for a total cash consideration of \$80.5 million in 2019). The excess of \$115.7 million of the purchase price over the carrying value of Class B Shares repurchased was recorded in reduction of retained earnings (an increase of the deficit of \$64.8 million in 2019).

During the nine-month period ended September 30, 2019, the Corporation issued 180,000 Class B Shares upon exercise of stock options for a cash consideration of \$2.7 million. As a result of this transaction, contributed surplus was increased by \$3.0 million and stock-based compensation liability was reduced by the same amount.

On November 4, 2020, the Board of Directors of the Corporation declared a dividend of \$0.20 per share on Class A Shares and Class B Shares, or approximately \$50.0 million, payable on December 15, 2020, to shareholders of record at the close of business on November 20, 2020.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2020 and 2019
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

13. STOCK-BASED COMPENSATION PLANS

Stock option plans

The following table provides details of changes to outstanding options in the principal stock-based compensation plans in which management of the Corporation and its subsidiaries participates, for the nine-month period ended September 30, 2020:

	Outstanding options	
	Number	Weighted average exercise price
Quebecor		
As of December 31, 2019	2,504,892	\$ 29.21
Granted	1,342,267	33.19
Cancelled	(101,200)	30.33
As of September 30, 2020	3,745,959	\$ 30.61
Vested options as of September 30, 2020	-	\$ -
Quebecor Media		
As of December 31, 2019	129,200	\$ 65.41
Exercised	(77,500)	64.82
As of September 30, 2020	51,700	\$ 66.30
Vested options as of September 30, 2020	51,700	\$ 66.30
TVA Group		
As of December 31, 2019	515,000	\$ 2.43
Granted	310,000	1.40
Cancelled	(10,000)	2.16
As of September 30, 2020	815,000	\$ 2.04
Vested options as of September 30, 2020	35,000	\$ 6.85

During the three-month period ended September 30, 2020, 5,000 stock options of Quebecor Media were exercised for a cash consideration of \$0.2 million (38,950 stock options for \$1.9 million in 2019). During the nine-month period ended September 30, 2020, 77,500 stock options of Quebecor Media were exercised for a cash consideration of \$4.5 million (147,400 stock options for \$7.4 million in 2019). During the nine-month period ended September 30, 2019, 180,000 Class B Shares of the Corporation were issued upon exercise of stock options of Quebecor (Note 12).

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2020 and 2019
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

13. STOCK-BASED COMPENSATION PLANS (continued)

Deferred share unit and performance share unit plans

The deferred share unit (“DSU”) and performance share unit (“PSU”) plans are based either on Quebecor Class B Shares and on TVA Group Class B Non-Voting Shares (“TVA Group Class B Shares”). The DSUs vest over six years and will be redeemed for cash only upon the participant’s retirement or termination of employment, as the case may be, and the PSUs vest over three years and will be redeemed for cash at the end of this period subject to the achievement of financial targets. DSUs and PSUs entitle the holders to receive additional units when dividends are paid on Quebecor Class B Shares or TVA Group Class B Shares. As of September 30, 2020, 147,917 DSUs based on Quebecor Class B Shares and 204,598 DSUs based on TVA Group Class B Shares were outstanding under these plans. As of September 30, 2020, there is no PSUs outstanding. During the first quarter of 2020, a cash consideration of \$4.8 million was paid upon PSUs redemption (\$5.4 million in 2019).

Stock-based compensation expense

For the three-month period ended September 30, 2020, a consolidated charge related to all stock-based compensation plans was recorded in the amount of \$5.2 million (\$1.2 million in 2019). For the nine-month period ended September 30, 2020, a consolidated charge related to all stock-based compensation plans was recorded in the amount of \$3.6 million (\$7.9 million in 2019).

14. ACCUMULATED OTHER COMPREHENSIVE LOSS

	Cash flow hedges ¹	Defined benefit plans ²	Total
Balance as of December 31, 2018	\$ (30.3)	\$ (52.4)	\$ (82.7)
Other comprehensive income	66.5	–	66.5
Balance as of September 30, 2019	36.2	(52.4)	(16.2)
Other comprehensive income (loss)	4.1	(52.0)	(47.9)
Balance as of December 31, 2019	40.3	(104.4)	(64.1)
Other comprehensive income (loss)	16.4	(59.7)	(43.3)
Balance as of September 30, 2020	\$ 56.7	\$ (164.1)	\$ (107.4)

¹ No significant amount is expected to be reclassified in income over the next 12 months in connection with derivatives designated as cash flow hedges. The balance is expected to reverse over a 6 1/2-year period.

² The re-measurement loss in the consolidated statement of comprehensive income for the nine-month period ended September 30, 2020 is mainly due to a decrease of the discount rate since December 31, 2019.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2020 and 2019
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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 instruments and factors observable in external market data, such as period-end swap rates and foreign exchange rates (Level 2 inputs). An adjustment is also included to reflect non-performance risk impacted by the financial and economic environment prevailing at the date of the valuation in the recognized measure of the fair value of the derivative financial instruments by applying a credit default premium, estimated using a combination of observable and unobservable inputs in the market (Level 3 inputs), to the net exposure of the counterparty or the Corporation. Derivative financial instruments are classified as Level 2.

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

The carrying value and fair value of long-term debt, convertible debentures and derivative financial instruments as of September 30, 2020 and December 31, 2019 are as follows:

Asset (liability)	September 30, 2020		December 31, 2019	
	Carrying value	Fair value	Carrying value	Fair value
Long-term debt ¹	\$ (5,952.1)	\$ (6,328.1)	\$ (5,986.1)	\$ (6,376.2)
Convertible debentures ²	(153.2)	(153.2)	(162.0)	(162.0)
Derivative financial instruments				
Foreign exchange forward contracts	(1.6)	(1.6)	(2.1)	(2.1)
Cross-currency interest rate swaps	800.2	800.2	679.8	679.8

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

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

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2020 and 2019
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

16. CONTINGENCIES

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

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

17. DISCONTINUED OPERATIONS

On January 24, 2019, Videotron sold its 4Degrees Colocation Inc. data center operations for an amount of \$261.6 million, which was fully paid in cash at the date of transaction. An amount of \$0.9 million relating to a working capital adjustment was also paid by Videotron during the second quarter of 2019. The determination of the final proceeds from the sale is however subject to certain adjustments based on the realization of future conditions over a period of up to 10 years. Accordingly, a gain on disposal of \$97.2 million, net of income taxes of \$18.5 million, was accounted for in the first quarter of 2019, while an amount of \$53.1 million from the proceeds received at the date of transaction was deferred in connection with the estimated present value of the future conditional adjustments. In the second quarter of 2020, a gain of \$30.8 million, net of income taxes of \$4.7 million, was recorded as certain adjusting conditions were achieved.