Condensed consolidated financial statements of

QUEBECOR INC.

Three-month periods ended March 31, 2018 and 2017

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF INCOME

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

	Note	Three months ended March 31 2018	2017 (restated, note 2)
Revenues	3	**$ 1,006.7**	$ 1,001.5
Employee costs	4	**180.0**	187.1
Purchase of goods and services	4	**419.3**	442.5
Depreciation and amortization		**179.9**	169.8
Financial expenses	5	**76.6**	77.1
Loss on valuation and translation of financial instruments	6	**29.6**	72.4
Restructuring of operations, litigation and other items	7	**6.5**	(10.9)
Loss on debt refinancing		**-**	15.6
Income before income taxes		**114.8**	47.9
Income taxes (recovery):			
Current		**59.8**	3.4
Deferred		**(20.6)**	23.8
		39.2	27.2
Net income		**$ 75.6**	$ 20.7
Net income attributable to			
Shareholders		**$ 56.7**	$ 3.9
Non-controlling interests		**18.9**	16.8
Earnings per share attributable to shareholders	10		
Basic		**$ 0.24**	$ 0.02
Diluted		**0.24**	0.02
Weighted average number of shares outstanding (in millions)		**235.9**	243.2
Weighted average number of diluted shares (in millions)		**236.3**	243.6

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of Canadian dollars) (unaudited)		Three months ended March 31		
		2018		2017 (restated, note 2)
Net income	**$**	**75.6**	$	20.7
Other comprehensive loss:				
Items that may be reclassified to income:				
Cash flow hedges:				
Loss on valuation of derivative financial instruments		**(43.1)**		(12.3)
Deferred income taxes		**3.8**		3.8
		(39.3)		(8.5)
Comprehensive income	**$**	**36.3**	$	12.2
Comprehensive income (loss) attributable to				
Shareholders	**$**	**24.7**	$	(3.0)
Non-controlling interests		**11.6**		15.2

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.
SEGMENTED INFORMATION

(in millions of Canadian dollars)
(unaudited)

Three months ended March 31, 2018

	Telecommunications	Media	Sports and Entertainment	Head office and Inter-segments	Total
Revenues	**$ 823.4**	**$ 173.2**	**$ 37.2**	**$ (27.1)**	**$ 1,006.7**
Employee costs	**102.2**	**59.3**	**9.7**	**8.8**	**180.0**
Purchase of goods and services	**310.7**	**115.0**	**29.6**	**(36.0)**	**419.3**
Adjusted operating income[1]	**410.5**	**(1.1)**	**(2.1)**	**0.1**	**407.4**
Depreciation and amortization					**179.9**
Financial expenses					**76.6**
Loss on valuation and translation of financial instruments					**29.6**
Restructuring of operations, litigation and other items					**6.5**
Income before income taxes					**$ 114.8**
Additions to property, plant and equipment	**$ 139.8**	**$ 5.0**	**$ 0.2**	**$ 0.4**	**$ 145.4**
Additions to intangible assets	**55.0**	**1.5**	**1.0**	**(0.6)**	**56.9**

Three months ended March 31, 2017
(restated, note 2)

	Telecommunications	Media	Sports and Entertainment	Head office and Inter-segments	Total
Revenues	$ 805.0	$ 184.1	$ 38.3	$ (25.9)	$ 1,001.5
Employee costs	100.6	57.8	9.2	19.5	187.1
Purchase of goods and services	320.5	128.5	29.9	(36.4)	442.5
Adjusted operating income[1]	383.9	(2.2)	(0.8)	(9.0)	371.9
Depreciation and amortization					169.8
Financial expenses					77.1
Loss on valuation and translation of financial instruments					72.4
Restructuring of operations, litigation and other items					(10.9)
Loss on debt refinancing					15.6
Income before income taxes					$ 47.9
Additions to property, plant and equipment	$ 161.8	$ 6.0	$ 0.1	$ 0.4	$ 168.3
Additions to intangible assets	33.6	0.7	0.4	0.4	35.1

[1] The Chief Executive Officer uses adjusted operating income as the measure of profit to assess the performance of each segment. Adjusted operating income is referred as a non-IFRS measure and is defined as net income before depreciation and amortization, financial expenses, loss on valuation and translation of financial instruments, restructuring of operations, litigation and other items, loss on debt refinancing and income taxes.

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	Accumulated other comprehensive loss		
	(note 11)			(note 13)		
Balance as of December 31, 2016, as previously reported	$ 323.3	$ 2.3	$ 235.7	$ (106.1)	$ 392.0	$ 847.2
Changes in accounting policies (note 2)	-	-	143.7	-	33.6	177.3
Balance as of December 31, 2016, as restated	323.3	2.3	379.4	(106.1)	425.6	1,024.5
Net income	-	-	3.9	-	16.8	20.7
Other comprehensive loss	-	-	-	(6.9)	(1.6)	(8.5)
Dividends or distributions	-	-	(5.5)	-	(4.7)	(10.2)
Repurchase of Class B Shares	(1.2)	-	(11.6)	-	-	(12.8)
Balance as of March 31, 2017	322.1	2.3	366.2	(113.0)	436.1	1,013.7
Net income	-	-	386.6	-	121.4	508.0
Other comprehensive income	-	-	-	62.7	14.7	77.4
Issuance of Class B shares	1.1	1.2	-	-	-	2.3
Dividends or distributions	-	-	(19.8)	-	(14.0)	(33.8)
Repurchase of Class B Shares	(9.3)	-	(105.4)	-	-	(114.7)
Non-controlling interests acquisition	-	-	(25.7)	(0.4)	(17.8)	(43.9)
Balance as of December 31, 2017	313.9	3.5	601.9	(50.7)	540.4	1,409.0
Net income	-	-	56.7	-	18.9	75.6
Other comprehensive loss	-	-	-	(32.0)	(7.3)	(39.3)
Dividends or distributions	-	-	(6.6)	-	(4.7)	(11.3)
Repurchase of Class B Shares	(7.9)	-	(90.8)	-	-	(98.7)
Balance as of March 31, 2018	**$ 306.0**	**$ 3.5**	**$ 561.2**	**$ (82.7)**	**$ 547.3**	**$ 1,335.3**

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 March 31 2018	2017 (restated, note 2)
Cash flows related to operating activities			
Net income		**$ 75.6**	$ 20.7
Adjustments for:			
Depreciation of property, plant and equipment		**153.5**	144.6
Amortization of intangible assets		**26.4**	25.2
Loss on valuation and translation of financial instruments	6	**29.6**	72.4
Loss on debt refinancing		**-**	15.6
Amortization of financing costs and long-term debt discount	5	**1.8**	1.8
Deferred income taxes		**(20.6)**	23.8
Other		**(0.5)**	1.3
		265.8	305.4
Net change in non-cash balances related to operating activities		**28.9**	(158.1)
Cash flows provided by operating activities		**294.7**	147.3
Cash flows related to investing activities			
Business acquisitions		**(2.7)**	(5.6)
Additions to property, plant and equipment		**(145.4)**	(168.3)
Additions to intangible assets		**(56.9)**	(35.1)
Proceeds from disposals of assets		**0.4**	0.4
Other		**(0.6)**	-
Cash flows used in investing activities		**(205.2)**	(208.6)
Cash flows related to financing activities			
Net change in bank indebtedness		**(0.8)**	48.6
Net change under revolving facilities		**82.8**	197.4
Repayment of long-term debt	9	**(3.7)**	(183.7)
Settlement of hedging contracts		**-**	(0.1)
Repurchase of Class B Shares	11	**(98.7)**	(12.8)
Dividends or distributions paid to non-controlling interests		**(4.7)**	(4.7)
Cash flows (used in) provided by financing activities		**(25.1)**	44.7
Net change in cash and cash equivalents		**64.4**	(16.6)
Cash and cash equivalents at beginning of period		**864.9**	22.3
Cash and cash equivalents at end of period		**$ 929.3**	$ 5.7
Cash and cash equivalents consist of			
Cash		**$ 929.0**	$ 4.6
Cash equivalents		**0.3**	1.1
		$ 929.3	$ 5.7
Interest and taxes reflected as operating activities			
Cash interest payments		**$ 42.1**	$ 42.3
Cash income tax payments (net of refunds)		**14.2**	51.2

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.
CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars)
(unaudited)

	Note	March 31 2018	December 31 2017 (restated, note 2)	December 31 2016 (restated, note 2)
Assets				
Current assets				
Cash and cash equivalents		**$ 929.3**	$ 864.9	$ 22.3
Accounts receivable		**523.1**	543.4	525.4
Contract assets		**130.7**	132.8	106.6
Income taxes		**5.4**	29.3	6.9
Inventories		**192.8**	188.1	183.3
Other current assets		**131.9**	119.8	102.4
		1,913.2	1,878.3	946.9
Non-current assets				
Property, plant and equipment		**3,545.9**	3,594.6	3,605.1
Intangible assets		**996.7**	983.1	1,224.0
Goodwill		**2,696.4**	2,695.8	2,725.4
Derivative financial instruments		**632.8**	591.8	809.0
Deferred income taxes		**39.7**	33.2	16.0
Other assets		**185.4**	185.1	177.1
		8,096.9	8,083.6	8,556.6
Total assets		**$ 10,010.1**	$ 9,961.9	$ 9,503.5
Liabilities and equity				
Current liabilities				
Bank indebtedness		**$ -**	$ 0.8	$ 18.9
Accounts payable and accrued charges		**649.6**	738.7	705.9
Provisions		**31.6**	25.4	69.3
Deferred revenue		**355.2**	346.8	339.7
Income taxes		**34.1**	13.3	35.2
Convertible debentures	8	**450.0**	450.0	-
Embedded derivatives related to convertible debentures	8	**470.4**	442.2	-
Current portion of long-term debt	9	**20.8**	20.4	51.8
		2,011.7	2,037.6	1,220.8
Non-current liabilities				
Long-term debt	9	**5,691.9**	5,516.2	5,616.9
Derivative financial instruments		**24.9**	34.1	0.3
Convertible debentures		**-**	-	500.0
Other liabilities		**214.9**	215.8	516.2
Deferred income taxes		**731.4**	749.2	624.8
		6,663.1	6,515.3	7,258.2
Equity				
Capital stock	11	**306.0**	313.9	323.3
Contributed surplus		**3.5**	3.5	2.3
Retained earnings		**561.2**	601.9	379.4
Accumulated other comprehensive loss	13	**(82.7)**	(50.7)	(106.1)
Equity attributable to shareholders		**788.0**	868.6	598.9
Non-controlling interests		**547.3**	540.4	425.6
		1,335.3	1,409.0	1,024.5
Total liabilities and equity		**$ 10,010.1**	$ 9,961.9	$ 9,503.5

See accompanying notes to condensed consolidated financial statements.

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

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 (including data centers), cable and mobile telephony and over-the-top video services in Canada and is engaged in the rental of movies, televisual products and video games through its video-on-demand service and video rental stores. 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 distribution of movies, 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.

The Media segment experiences significant seasonality due, among other factors, to seasonal advertising patterns and influences on people's viewing, reading and listening habits. Because the Media segment depends on the sale of advertising for a significant portion of its revenue, operating results are also sensitive to prevailing economic conditions, including changes in local, regional and national economic conditions, particularly as they may affect advertising expenditures. Accordingly, the results of operations for interim periods should not necessarily be considered indicative of full-year results due to the seasonality of certain operations.

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 2017 annual consolidated financial statements, which contain a description of the accounting policies used in the preparation of these condensed financial statements.

These condensed consolidated financial statements were approved for issue by the Board of Directors of Quebecor on May 7, 2018.

Comparative figures for the three-month period ended March 31, 2017 have been restated to conform to the presentation adopted for the three-month period ended March 31, 2018.

2. CHANGES IN ACCOUNTING POLICIES

(i) IFRS 9 – *Financial Instruments*

On January 1, 2018, the Corporation adopted the new rules under IFRS 9, *Financial Instruments*, which simplify the measurement and classification of financial assets by reducing the number of measurement categories in IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard also provides for a fair value option in the designation of a non-derivative financial liability and its related classification and measurement, as well as for a new hedge accounting model more closely aligned with risk-management activities undertaken by entities.

Under the new rules, all financial assets and liabilities of the Corporation are now classified as subsequently measured at amortized cost.

The adoption of IFRS 9 had no impact on the consolidated financial statements.

(ii) IFRS 15 – *Revenue from Contracts with Customers*

On January 1, 2018, the Corporation adopted, on a fully retrospective basis, the new rules under IFRS 15, *Revenue from Contracts with Customers,* which specify how and when an entity should recognize revenue, and which also require the entity to provide users of financial statements with more informative disclosures. The standard provides a single, principles-based, five-step model, under which the Corporation now only accounts for a contract with a customer when all of the following criteria are met:

- the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to performing their respective obligations;
- the entity can identify each party's rights regarding the goods or services to be transferred;
- the entity can identify the payment terms for the goods or services to be transferred;
- the contract has commercial substance (i.e. the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract); and
- it is probable that the entity will collect the consideration to which it is entitled in exchange for the goods or services to be transferred to the customer.

The adoption of IFRS 15 had significant impacts on the consolidated financial statements, mainly in the Telecommunications segment, with regards to the timing of the recognition of its revenues, the classification of its revenues, as well as the capitalization of costs, such as the costs to obtain a contract and connection costs.

Under IFRS 15, the total consideration from a contract with multiple deliverables is now allocated to all performance obligations in the contract, based on the stand-alone selling price of each obligation, without being limited to a non-contingent amount. The Telecommunications segment provides mobile devices and services under contracts with multiple deliverables and for a fixed period of time. Under IFRS 15, promotional offers related to the sale of mobile devices, previously accounted for as a reduction in related equipment sales on activation, are now considered in the total consideration to be allocated to all performance obligations. Among other impacts, the adoption of IFRS 15 results in an increase in the revenue from the device sale and in a decrease in the mobile service revenue recognized over the contract term. The timing of the recognition of these revenues therefore changes under IFRS 15. However, the total revenue recognized over a contract term relating to all performance obligations within the contract remains the same as under the previous rules. The portion of revenues that is earned without having been invoiced is now presented as contract assets in the consolidated balance sheets, which asset is realized during the term of the contract. The long-term portion of contract assets is included in “Other Assets” in the consolidated balance sheets. All other types of revenue have not been impacted by the adoption of IFRS 15.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

2. CHANGES IN ACCOUNTING POLICIES (continued)

(ii) IFRS 15 – *Revenue from Contracts with Customers* (continued)

In addition, under IFRS 15, certain costs to obtain a contract, mainly sales commissions, are capitalized and amortized as operating expenses over the contract term or over the period of time the customer is expected to maintain its service. Previously, such costs were expensed as incurred. Also, the capitalization of connection costs is no longer limited to the related connection revenues as under the previous rules. These capitalized costs are included in “Other Assets” as contract costs in the consolidated balance sheets.

The retroactive adoption of IFRS 15 had the following impacts on the comparatives consolidated financial figures:

Consolidated statements of income and comprehensive income

Increase (decrease)	Three months ended March 31, 2017	
Revenues	$	5.1
Purchase of goods and services		(1.7)
Deferred income tax expenses		1.8
Net income and comprehensive income	$	5.0
Net income and comprehensive income attributable to:		
Shareholders	$	4.1
Non-controlling interests		0.9
Earnings per share attributable to shareholders	$	0.02

Consolidated balance sheets

Increase (decrease)		December 31, 2017		December 31, 2016
Contract assets[1]	$	183.6	$	155.8
Contract costs[2]		92.5		85.4
Deferred income tax liability		73.2		63.9
Retained earnings		165.4		143.7
Non-controlling interests		37.5		33.6

1 The current portion of contract assets is $132.8 million as of December 31, 2017 and $106.6 million as of December 31, 2016.

2 The current portion of contract costs is $55.9 million as of December 31, 2017 and $49.4 million as of December 31, 2016.

The adoption of IFRS 15 had no impact on cashflows from operating, investing, or financing activities.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

3. REVENUES

	Three months ended March 31	
	2018	2017
		(restated, note 2)
Internet	**$ 261.6**	$ 250.5
Cable television	**248.7**	251.3
Mobile telephony	**125.8**	111.1
Cable telephony	**95.2**	102.6
Telecommunication equipment sales	**45.5**	45.1
Connection and data services	**31.8**	31.4
Over-the-top video	**11.1**	9.0
Advertising – television	**64.7**	67.2
Subscription – television	**31.6**	32.2
Film production and audiovisual	**11.5**	11.6
Advertising – newspapers and magazines	**25.9**	29.6
Circulation and other – newspapers and magazines	**35.6**	37.1
Other	**17.7**	22.8
	$ 1,006.7	$ 1,001.5

4. EMPLOYEE COSTS AND PURCHASE OF GOODS AND SERVICES

	Three months ended March 31	
	2018	2017
		(restated, note 2)
Employee costs	**$ 227.5**	$ 234.9
Less employee costs capitalized to property, plant and equipment and intangible assets	**(47.5)**	(47.8)
	180.0	187.1
Purchase of goods and services:		
Royalties, rights and creation costs	**172.7**	179.6
Cost of products sold	**77.5**	76.8
Service contracts	**39.3**	42.9
Marketing, circulation and distribution expenses	**22.6**	24.3
Building expenses	**23.1**	23.1
Other	**84.1**	95.8
	419.3	442.5
	$ 599.3	$ 629.6

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

5. FINANCIAL EXPENSES

	Three months ended March 31	
	2018	2017
Interest on long-term debt and on debentures	**$ 76.4**	$ 73.6
Amortization of financing costs and long-term debt discount	**1.8**	1.8
Interest on net defined benefit liability	**1.5**	1.6
Loss (gain) on foreign currency translation on short-term monetary items	**0.4**	(0.4)
Other	**(3.5)**	0.5
	$ 76.6	$ 77.1

6. LOSS ON VALUATION AND TRANSLATION OF FINANCIAL INSTRUMENTS

	Three months ended March 31	
	2018	2017
Loss on embedded derivatives related to convertible debentures	**28.2**	72.7
Other	**1.4**	(0.3)
	$ 29.6	$ 72.4

7. RESTRUCTURING OF OPERATIONS, LITIGATION AND OTHER ITEMS

During the first quarter of 2018, a net charge of $6.5 million was recorded relating mainly to various cost reduction initiatives across the Corporation (net gain of $10.9 million in 2017 which was related to cost reduction initiatives, developments in certain litigations and the migration of subscribers from analog to digital services in the Telecommunications segment).

8. CONVERTIBLE DEBENTURES

During the first quarter of 2018, the Corporation sent a notice of redemption of an aggregate principal amount of $37.5 million of convertible debentures. An amount in cash of $71.9 million was paid on April 4, 2018 relating to the redemption of these debentures.

9. LONG TERM DEBT

Components of long-term debt are as follows:

		March 31, 2018		December 31, 2017
Long-term debt	**$**	**5,750.7**	$	5,572.1
Change in fair value related to hedged interest rate risk		**1.0**		5.8
Financing fees, net of amortization		**(39.0)**		(41.3)
		5,712.7		5,536.6
Less current portion		**(20.8)**		(20.4)
	$	**5,691.9**	$	5,516.2

10. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

Basic earnings per share are calculated by dividing net income attributable to shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share are calculated by taking into account the potentially dilutive effect of stock options of the Corporation on the number of shares outstanding, the potentially dilutive effect of stock options of the Corporation's subsidiaries on net income attributable to shareholders, and the potentially dilutive effect of conversion of convertible debentures issued by the Corporation on 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 March 31			
		2018		2017
Net income attributable to shareholders	**$**	**56.7**	$	3.9
Impact of assumed conversion of stock options of subsidiaries		**(0.2)**		(0.2)
Net income attributable to shareholders, adjusted for dilution effect	**$**	**56.5**	$	3.7
Weighted average number of shares outstanding (in millions)		**235.9**		243.2
Potentially dilutive effect of stock options of the Corporation (in millions)		**0.4**		0.4
Weighted average number of diluted shares outstanding (in millions)		**236.3**		243.6

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

11. CAPITAL STOCK

(a) Authorized capital stock

An unlimited number of Class A Multiple Voting Shares (“Class A Shares”) with voting rights of 10 votes per share convertible at any time into Class B Subordinate Voting Shares (“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, 2017	77,379,944	$ 8.6	160,837,084	$ 305.3
Class A Shares converted into Class B Shares	(55,100)	–	55,100	–
Shares purchased and cancelled	–	–	(4,125,800)	(7.9)
Balance as of March 31, 2018	**77,324,844**	**$ 8.6**	**156,766,384**	**$ 297.4**

On August 9, 2017, the Corporation filed 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 4,000,000 Class B Shares representing approximately 2.4% of issued and outstanding Class B Shares as of August 1, 2017. The purchases can be made from August 15, 2017 to August 14, 2018 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 December 15, 2017, the maximum number of Class B Shares that may be repurchased under the Corporation’s normal course issuer bid program was increased to 8,400,000, representing approximately 9.9% of the Class B Shares public float as of August 1, 2017.

In the first quarter of 2018, the Corporation purchased and cancelled 4,125,800 Class B Shares for a total cash consideration of $98.7 million (659,200 Class B Shares for a total cash consideration of $12.8 million in 2017). The excess of $90.8 million of the purchase price over the carrying value of Class B Shares repurchased was recorded in reduction of retained earnings ($11.6 million in 2017).

On May 7, 2018, the Board of Directors of the Corporation declared a dividend of $0.055 per share on Class A Shares and Class B Shares, or approximately $12.8 million, payable on June 18, 2018 to shareholders of record at the close of business on May 24, 2018.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

12. STOCK-BASED COMPENSATION PLANS

Stock option plans

The following table provides details of changes to outstanding options in the principal stock-based compensation plans in which management of the Corporation and its subsidiaries participates, for the three-month period ended March 31, 2018:

	Outstanding options		
	Number		Weighted average exercise price
Quebecor			
As of December 31, 2017 and March 31, 2018	**780,000**	**$**	**12.25**
Vested options as of March 31, 2018	**720,000**	**$**	**12.01**
Quebecor Media			
As of December 31, 2017	595,827	$	62.84
Exercised	(38,500)		64.23
As of March 31, 2018	**557,327**	**$**	**62.75**
Vested options as of March 31, 2018	**247,350**	**$**	**60.77**
TVA Group Inc.			
As of December 31, 2017 and March 31, 2018	**60,000**	**$**	**6.85**
Vested options as of March 31, 2018	**36,000**	**$**	**6.85**

During the three-month period ended March 31, 2018, 38,500 stock options of Quebecor Media were exercised for a cash consideration of $1.1 million (14,850 stock options for $0.2 million in 2017). During the three-month period ended March 31, 2017, 1,160,000 stock options of Quebecor were exercised for a cash consideration of $8.2 million.

Mid-term stock-based compensation plan

Under a mid-term stock-based compensation plan, participants are entitled to receive a cash payment at the end of a three-year period based on the appreciation of the Quebecor Class B Share price, and subject to the achievement of certain non-market performance criteria. All the 187,220 units outstanding as of December 31, 2017 were exercised during the first quarter of 2018 for a cash consideration of $1.6 million (2,281,882 units for a cash consideration of $9.8 million in 2017).

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 Inc. Class B Non-Voting Shares (TVA Group Class B Shares"). The DSUs vest over six years and will be redeemed for cash only upon the participant's retirement or termination of employment, as the case may be, 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 March 31, 2018, 243,021 DSUs based on Quebecor Class B Shares, 266,389 DSUs based on TVA Group Class B Shares, 310,687 PSUs based on Quebecor Class B Shares and 270,637 PSUs based on TVA Group Class B Shares were outstanding under these plans.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

12. STOCK-BASED COMPENSATION PLANS (continued)

Stock-based compensation expense

For the three-month period ended March 31, 2018, a consolidated charge related to all stock-based compensation plans was recorded in the amount of $4.2 million ($6.7 million in 2017).

13. ACCUMULATED OTHER COMPREHENSIVE LOSS

	Cash flow hedges	Defined benefit plans	Total
Balance as of December 31, 2016	$ (69.8)	$ (36.3)	$ (106.1)
Other comprehensive loss	(6.9)	–	(6.9)
Balance as of March 31, 2017	(76.7)	(36.3)	(113.0)
Other comprehensive income (loss)	65.0	(2.7)	62.3
Balance as of December 31, 2017	(11.7)	(39.0)	(50.7)
Other comprehensive loss	(32.0)	–	(32.0)
Balance as of March 31, 2018	**$ (43.7)**	**$ (39.0)**	**$ (82.7)**

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 9-year period.

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

The fair value of cash equivalents and bank indebtedness, classified as held for trading and accounted for at their fair value in the consolidated balance sheets, is determined using Level 2 inputs.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

14. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The fair value of derivative financial instruments recognized in the consolidated balance sheets is estimated as per the Corporation's valuation models. These models project future cash flows and discount the future amounts to a present value using the contractual terms of the derivative instrument and factors observable in external market data, such as period-end swap rates and foreign exchange rates (Level 2 inputs). An adjustment is also included to reflect non-performance risk impacted by the financial and economic environment prevailing at the date of the valuation in the recognized measure of the fair value of the derivative 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 carrying value and fair value of long-term debt, convertible debentures and derivative financial instruments as of March 31, 2018 and December 31, 2017 are as follows:

	March 31, 2018		December 31, 2017	
Asset (liability)	**Carrying value**	**Fair value**	Carrying value	Fair value
Long-term debt[1]	**$ (5,750.7)**	**$ (5,884.0)**	$ (5,572.1)	$ (5,883.3)
Convertible debentures[2]	**(922.8)**	**(922.8)**	(888.5)	(888.5)
Derivative financial instruments				
Foreign exchange forward contracts	**1.2**	**1.2**	(4.5)	(4.5)
Cross-currency interest rate swaps	**606.7**	**606.7**	562.2	562.2

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

[2] The carrying value and fair value of convertible debentures consist of the initial capital investment and the value of the cap and floor conversion price features, recognized as embedded derivatives.