MANAGEMENT DISCUSSION AND ANALYSIS

TABLE OF CONTENTS

CORPORATE PROFILE

This Management Discussion and Analysis covers the main activities of Quebecor Inc. in the first quarter of 2018 and the major changes from the previous financial year. Quebecor Inc. is a holding company with an 81.53% interest in Quebecor Media Inc., 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, "Quebecor" or the "Corporation" refer to Quebecor Inc. and its subsidiaries, and "Quebecor Media" refers to Quebecor Media Inc. and its subsidiaries.

On July 6, 2017, Quebecor Media repurchased for cancellation 541,899 of its Common Shares held by CDP Capital d'Amérique Investissement inc. ("CDP Capital") for an aggregate purchase price of $37.7 million, payable in cash. On the same date, Quebecor Media also paid off a security held by CDP Capital for $6.2 million. Upon completion of these transactions, the Corporation's interest in Quebecor Media increased from 81.07% to 81.53%.

On November 15, 2017, the Corporation carried out a two-for-one split of its outstanding Class A Multiple Voting Shares ("Class A Shares") and Class B Subordinate Voting Shares ("Class B Shares"). Accordingly, holders of the Corporation's shares received an additional share for each share owned on the record date of November 15, 2017. As a result, all references to numbers of shares, per-share amounts and stock-based compensation have been restated retroactively to reflect the split.

During the fourth quarter of 2017, the Corporation changed its organizational structure and transferred its book publishing and distribution operations and music distribution and production operations from the Media segment to the Sports and Entertainment segment. Accordingly, prior-period figures in the Corporation's segmented reporting have been reclassified to reflect those changes.

On January 1, 2018, the Corporation adopted on a fully retroactive basis the new rules under IFRS 15, *Revenue from Contracts with Customers*, which specify how and when an entity should recognize revenue. 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. Among other impacts, the adoption of IFRS 15 resulted in an increase in the revenue from the device sale and in a decrease in the mobile service revenue recognized over the contract term. As well, costs to obtain a contract and connection costs are now fully amortized as operating expenses over the contract term or over the period of time the customer is expected to maintain its service. A description of the new rules and details of the retroactive adjustments to comparative data are provided under "Changes in Accounting Policies" below. As well, to clarify the impact of IFRS 15 on non-IFRS measures, columns presenting the data without application of IFRS 15 have been added to the tables showing the calculation and reconciliation of non-IFRS measures, as presented under "Non-IFRS Financial Measures."

Following adoption of IFRS 15, and to reflect changes in its activities and services, including the growth of its mobile telephony business, the Corporation reviewed the nature and definition of its key performance indicators. Accordingly, average monthly revenue per user ("ARPU") has been abandoned and replaced by a new metric, average billing per unit ("ABPU"). ABPU will be used henceforth to measure the performance of mobile activities and the performance of all activities combined. The definition of the new ABPU metric is provided under "Key Performance Indicators" below. The definition of revenue-generating unit ("RGU") has also been added in the same section; the nature and calculation of the metric are unchanged.

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, 2017. All amounts are stated in Canadian dollars ("CAN") unless otherwise indicated.

HIGHLIGHTS SINCE END OF 2017

- Quebecor's revenues totalled $1.01 billion in the first quarter of 2018, a $5.2 million (0.5%) increase from the same period of 2017.

Telecommunications

- The Telecommunications segment's revenues increased by $18.4 million (2.3%) and its adjusted operating income by $26.6 million (6.9%) in the first quarter of 2018.
- Videotron Ltd. ("Videotron") significantly increased its revenues from mobile telephony ($14.7 million or 13.2%), Internet access ($11.1 million or 4.4%) and the Club illico over-the-top video service ("Club illico") ($2.1 million or 23.3%) in the first quarter of 2018.

- Videotron's total ABPU was $48.82 in the first quarter of 2018 compared with $47.41 in the same period of 2017, a $1.41 (3.0%) increase. Mobile ABPU was $53.25 in the first quarter of 2018 compared with $52.64 in the same period of 2017, a $0.61 (1.2%) increase.
- There was a net increase of 19,300 RGUs (0.3%) in the first quarter of 2018, including 23,300 connections to the mobile telephony service, 21,800 Club illico subscriptions and 8,100 subscriptions to the cable Internet access service.
- Videotron was ranked the most respected telecommunications company in Québec for the 13th consecutive year in the 2018 Léger-NATIONAL reputation survey. Videotron was also the most influential telecommunications brand in Québec on the 2018 Ipsos-*Infopresse* index.

Media

- On May 1, 2018, TVA Group Inc. ("TVA Group") signed an agreement to acquire the companies in the Serdy Média inc. ("Serdy Média") group, which owns and operates the Évasion and Zeste specialty channels, and the companies in the Serdy Video Inc. group, for a total consideration of $24 million. The acquisition is subject to approval by the Canadian Radio-television and Telecommunications Commission ("CRTC").
- According to the spring 2018 Vividata survey, *Le Journal de Montréal, Le Journal de Québec* and the free daily *24 heures* in Montréal remain Québec's news leaders with a combined total of nearly 4.0 million readers per week across all platforms (print, mobile and Web). TVA Group remains a leading player in the Canadian magazine industry with an average of nearly 9.1 million readers across all platforms.
- On January 22, 2018, TVA Group acquired the assets of Mobilimage inc., essentially consisting of mobile units and production equipment, for $2.7 million. The acquired company's mobile unit and production equipment rental businesses has been folded into the Film Production & Audiovisual Services segment's operations.
- Mels Studios and Postproduction G.P. ("MELS") has been nominated for six awards at the 2018 Gala Québec Cinéma in the Best Visual Effects, Best Sound – Documentary Film, and Best Sound categories, a testimony to the creative spirit of MELS' professionals and the respect they have earned in the film industry.

Financial transactions

- In view of the Corporation's current and prospective financial profile, the Board of Directors has examined the dividend policy and has set a dividend target of 30% to 50% of the Corporation's annual free cash flows, to be achieved gradually by the end of a four-year period. Accordingly, on May 7, 2018, the Board of Directors of Quebecor declared a quarterly dividend of $0.055 per share on Class A and Class B shares, a 100% increase.
- During the first quarter of 2018, the Corporation issued a notice regarding the redemption of convertible debentures in the principal amount of $37.5 million. A $71.9 million cash payment was made on April 4, 2018 in connection with that redemption.
- During the first quarter of 2018, the Corporation purchased and cancelled 4,125,800 Class B Shares under its normal course issuer bid for a total cash consideration of $98.7 million. The $90.8 million excess of the purchase price over the carrying value of the repurchased Class B Shares was recorded as a reduction of retained earnings.

NON-IFRS FINANCIAL MEASURES

The financial measures not standardized under International Financial Reporting Standards ("IFRS") that are used by the Corporation to assess its financial performance, such as adjusted operating income, adjusted income from continuing operating activities, cash flows from segment operations and free cash flows from continuing operating activities of the Quebecor Media subsidiary, 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.

On a transitional basis and to clarify the impact of retroactive adoption of IFRS 15, as described under "Changes in Accounting Policies," columns have been added to the calculation and reconciliation tables for non-IFRS financial measures, where applicable. Accordingly, those tables also show the calculation and reconciliation of non-IFRS measures in 2018 and 2017 based on the former accounting policies with respect to revenue recognition, i.e. without the adjustments required by adoption of IFRS 15.

Adjusted operating income

In its analysis of operating results, the Corporation defines adjusted operating income, as reconciled to net income under IFRS, 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 tax. Adjusted operating income 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 other financial operating 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 operating income 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 operating income is also relevant because it is a significant component of the Corporation's annual incentive compensation programs. A limitation of this measure, however, is that it does not reflect the periodic costs of tangible and intangible assets used in generating revenues in the Corporation's segments. The Corporation also uses other measures that do reflect such costs, such as cash flows from segment operations and free cash flows from continuing operating activities of the Quebecor Media subsidiary. The Corporation's definition of adjusted operating income may not be the same as similarly titled measures reported by other companies.

Table 1 below provides a reconciliation of adjusted operating income to net income as disclosed in Quebecor's condensed consolidated financial statements.

Table 1
Reconciliation of the adjusted operating income measure used in this report to the net income measure used in the condensed consolidated financial statements
(in millions of Canadian dollars)

	With adoption of IFRS 15[1]		**Without IFRS 15**[2]	
	Three months ended March 31		Three months ended March 31	
	2018	2017	**2018**	2017
Adjusted operating income (loss):				
Telecommunications	**$ 410.5**	$ 383.9	**$ 417.9**	$ 377.1
Media	**(1.1)**	(2.2)	**(1.1)**	(2.2)
Sports and Entertainment	**(2.1)**	(0.8)	**(2.1)**	(0.8)
Head Office	**0.1**	(9.0)	**0.1**	(9.0)
	407.4	371.9	**414.8**	365.1
Depreciation and amortization	**(179.9)**	(169.8)	**(179.9)**	(169.8)
Financial expenses	**(76.6)**	(77.1)	**(76.6)**	(77.1)
Loss on valuation and translation of financial instruments	**(29.6)**	(72.4)	**(29.6)**	(72.4)
Restructuring of operations, litigation and other items	**(6.5)**	10.9	**(6.5)**	10.9
Loss on debt refinancing	**-**	(15.6)	**–**	(15.6)
Income taxes	**(39.2)**	(27.2)	**(39.2)**	(27.2)
Impact of IFRS 15	**-**	-	**(7.4)**	6.8
Net income	**$ 75.6**	$ 20.7	**$ 75.6**	$ 20.7

1 Non-IFRS measures presented in these columns are calculated based on IFRS 15 new rules, adopted by the Corporation on a retroactive basis and described under "Changes in Accounting Policies."

2 Non-IFRS measures presented in these columns are calculated based on the Corporation's former accounting policies with respect to revenue recognition, i.e. without the impact of IFRS 15 adoption.

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 on valuation and translation of financial instruments, restructuring of operations, litigation and other items, 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 the 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 2 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 2
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)

	With adoption of IFRS 15[1]		**Without IFRS 15**[2]	
	Three months ended March 31		Three months ended March 31	
	2018	2017	**2018**	2017
Adjusted income from continuing operating activities	**$ 89.6**	$ 74.9	**$ 94.0**	$ 70.8
Loss on valuation and translation of financial instruments	**(29.6)**	(72.4)	**(29.6)**	(72.4)
Restructuring of operations, litigation and other items	**(6.5)**	10.9	**(6.5)**	10.9
Loss on debt refinancing	**–**	(15.6)	**–**	(15.6)
Income taxes related to adjustments[3]	**2.1**	6.1	**2.1**	6.1
Net income attributable to non-controlling interest related to adjustments	**1.1**	–	**1.1**	–
Impact of IFRS 15	**–**	–	**(4.4)**	4.1
Net income attributable to shareholders	**$ 56.7**	$ 3.9	**$ 56.7**	$ 3.9

1 Non-IFRS measures presented in these columns are calculated based on IFRS 15 new rules, adopted by the Corporation on a retroactive basis and described under "Changes in Accounting Policies."

2 Non-IFRS measures presented in these columns are calculated based on the Corporation's former accounting policies with respect to revenue recognition, i.e. without the impact of IFRS 15 adoption.

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

Cash flows from segment operations

Cash flows from segment operations represents adjusted operating income, less additions to property, plant and equipment and to intangible assets (excluding disbursements for licence acquisitions and renewals), plus proceeds from disposal of assets (excluding proceeds from disposal of licences). The Corporation uses cash flows from segment operations as a measure of the liquidity generated by its segments. Cash flows from segment operations represents funds available for interest and income tax payments, expenditures related to restructuring programs, business acquisitions, licence acquisitions and renewals, payment of dividends, reduction of paid-up capital by Quebecor Media, repayment of long-term debt and purchase of non-controlling interest. Cash flows from segment operations is not a measure of liquidity that is consistent with IFRS. It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows as a measure of liquidity. Cash flows from segment operations is used by the Corporation's management and Board of Directors to evaluate cash flows generated by its segments' operations. The Corporation's definition of cash flows from segment operations may not be identical to similarly titled measures reported by other companies. Tables 7 and 8 provide a reconciliation of cash flows from segment operations to cash flows provided by operating activities reported in Quebecor's condensed consolidated financial statements.

Free cash flows from continuing operating activities of the Quebecor Media subsidiary

Free cash flows from continuing operating activities of the Quebecor Media subsidiary represents cash flows provided by its operating activities calculated in accordance with IFRS, less additions to property, plant and equipment and to intangible assets (excluding disbursements for licence acquisitions and renewals), plus proceeds from disposal of assets (excluding proceeds from disposal of licences). 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 operations of the Quebecor Media subsidiary. Free cash flows from continuing operating activities represents Quebecor Media's available funds for business acquisitions, licence acquisitions and renewals, payment of dividends, reduction of paid-up capital, repayment of long-term debt 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 other financial operating 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.

Table 8 provides a reconciliation of free cash flows from continuing operating activities of Quebecor Media to cash flows provided by operating activities reported in Quebecor's condensed consolidated financial statements.

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 cable Internet, cable television and Club illico services, and subscriber connections to the mobile telephony and cable 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.

Average billing per unit

The Corporation uses ABPU, an industry metric, as a key performance indicator. This indicator is used to measure monthly average subscription billing per average RGU. ABPU is not a measurement that is consistent with IFRS and the Corporation's definition and calculation of ABPU may not be the same as identically titled measurements reported by other companies.

Mobile ABPU is calculated by dividing the average subscription billing for mobile telephony services by the average number of mobile RGUs during the applicable period, and then dividing the resulting amount by the number of months in the applicable period.

Total ABPU is calculated by dividing the combined average subscription billing for cable Internet, cable television, Club illico, mobile telephony and cable telephony services by the total average number of RGUs from cable Internet, cable television, mobile telephony and cable telephony services during the applicable period, and then dividing the resulting amount by the number of months in the applicable period.

ANALYSIS OF CONSOLIDATED RESULTS OF QUEBECOR

2018/2017 first quarter comparison

Revenues: $1.01 billion, a $5.2 million (0.5%) increase.

- Revenues increased in Telecommunications ($18.4 million or 2.3% of segment revenues).
- Revenues decreased in Media ($10.9 million or -5.9%) and in Sports and Entertainment ($1.1 million or -2.9%).

Adjusted operating income: $407.4 million, a $35.5 million (9.5%) increase.

- Adjusted operating income increased in Telecommunications ($26.6 million or 6.9% of segment adjusted operating income). There were favourable variances in Media ($1.1 million or 50.0%) and at Head Office ($9.1 million). The change at Head Office was due to lower compensation costs, including the stock-based compensation charge.
- There was an unfavourable variance in Sports and Entertainment ($1.3 million).
- The change in the fair value of Quebecor Media stock options resulted in a $0.8 million unfavourable variance in the stock-based compensation charge in the first quarter of 2018 compared with the same period of 2017. The change in the fair value of Quebecor stock options and in the value of Quebecor stock-price-based share units resulted in a $3.3 million favourable variance in the Corporation's stock-based compensation charge in the first quarter of 2018.

Net income attributable to shareholders: $56.7 million ($0.24 per basic share) in the first quarter of 2018, compared with $3.9 million ($0.02 per basic share) in the same period of 2017, a favourable variance of $52.8 million ($0.22 per basic share).

- The main favourable variances were:
  - $42.8 million favourable variance in losses on valuation and translation of financial instruments, including $44.5 million without any tax consequences;
  - $35.5 million increase in adjusted operating income;
  - $15.6 million favourable variance in the loss on debt refinancing.
- The main unfavourable variances were:
  - $17.4 million unfavourable variance in the charge for restructuring of operations, litigation and other items;
  - $12.0 million increase in the income tax expense;
  - $10.1 million increase in the depreciation and amortization charge.

Adjusted income from continuing operating activities: $89.6 million ($0.38 per basic share) in the first quarter of 2018, compared with $74.9 million ($0.31 per basic share) in the same period of 2017, an increase of $14.7 million ($0.07 per basic share) or 19.6%.

Depreciation and amortization charge: $179.9 million in the first quarter of 2018, a $10.1 million increase due mainly to the impact of capital expenditures in the Telecommunications segment, including depreciation of investments in wired and wireless networks and computer systems, as well as the impact of changes to the depreciation period for some telecommunications network components.

Financial expenses: $76.6 million in the first quarter of 2018, a $0.5 million decrease caused mainly by higher interest revenues generated by increased liquidity, partially offset by higher average interest on the debt, 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: $29.6 million in the first quarter of 2018 compared with $72.4 million in the same period of 2017. The $42.8 million favourable variance was essentially due to a $44.5 million favourable variance, without any tax consequences, in losses on embedded derivatives related to convertible debentures.

Charge for restructuring of operations, litigation and other items: $6.5 million in the first quarter of 2018 compared with a $10.9 million gain in the same period of 2017, a $17.4 million unfavourable variance.

- A $6.5 million net charge was recognized in the first quarter of 2018 in connection with cost-reduction initiatives in the Corporation's various segments.
- A $10.9 million net gain was recognized in the first quarter of 2017 in connection with developments in legal disputes, labour cost-reduction initiatives in the Corporation's various segments, and customer migration from analog to digital service in the Telecommunications segment.

Loss on debt refinancing: $15.6 million in the first quarter of 2017.

- On May 1, 2017, Videotron redeemed $125.0 million aggregate principal amount of its outstanding 6.875% Senior Notes issued on July 5, 2011 and maturing on July 15, 2021 at a redemption price of 103.438% of their principal amount, in accordance with a notice issued on March 31, 2017. A $5.2 million loss was recorded in the consolidated statement of income in the first quarter of 2017 in connection with this redemption.
- On May 1, 2017, Quebecor Media redeemed the entirety of its outstanding 7.375% Senior Notes issued on January 5, 2011 and maturing on January 15, 2021, in the aggregate principal amount of $325.0 million, at a redemption price of 102.458% of their principal amount, in accordance with a notice issued on March 31, 2017. A $10.4 million loss was recorded in the consolidated statement of income in the first quarter of 2017 in connection with this redemption.

Income tax expense: $39.2 million in the first quarter of 2018 (effective tax rate of 27.4%), compared with $27.2 million in the same period of 2017 (effective tax rate of 26.4%), a $12.0 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.

SEGMENTED ANALYSIS

Telecommunications

First quarter 2018 operating results

Revenues: $823.4 million in the first quarter of 2018, an $18.4 million (2.3%) increase.

- Revenues from the mobile telephony service increased $14.7 million (13.2%) to $125.8 million, essentially due to an increase in the number of subscriber connections.
- Revenues from the Internet access service increased $11.1 million (4.4%) to $261.6 million, mainly as a result of higher per-subscriber revenues, reflecting, among other things, the favourable impact of the product mix and increases in some rates, as well as customer growth, partially offset by a decrease in overage charges.
- Combined revenues from all cable television services decreased $2.6 million (-1.0%) to $248.7 million, due primarily to the impact of the net decrease in the customer base and a decrease in video-on-demand and pay-per-view orders, partially offset by increased revenues from the leasing of digital set-top boxes and higher per-customer revenues, due in part to increases in some rates.
- Revenues from the cable telephony service decreased $7.4 million (-7.2%) to $95.2 million, mainly because of the impact of the net decrease in subscriber connections and lower long-distance revenues, partially offset by higher per-connection revenues.
- Revenues from Club illico increased $2.1 million (23.3%) to $11.1 million, essentially because of subscriber growth.
- Revenues of Videotron Business increased $0.4 million (1.3%) to $31.8 million, due primarily to higher revenues at Fibrenoire inc. ("Fibrenoire").
- Revenues from customer equipment sales increased $0.4 million (0.9%) to $45.5 million, mainly because of higher net revenues per mobile device, partially offset by decreased sales of digital set-top boxes.
- Revenues of the Le SuperClub Vidéotron ltée retail chain decreased $0.1 million (-6.3%) to $1.5 million, mainly because of store closings.
- Other revenues decreased $0.1 million (-4.2%) to $2.3 million.

Videotron's total ABPU was $48.82 in the first quarter of 2018 compared with $47.41 in the same period of 2017, a $1.41 (3.0%) increase. Mobile ABPU was $53.25 in the first quarter of 2018 compared with $52.64 in the same period of 2017, a $0.61 (1.2%) increase.

Customer statistics

RGUs – The total number of RGUs was 5,900,400 at March 31, 2018, an increase of 19,300 (0.3%) in the first quarter of 2018 (compared with an increase of 30,000 in the same period of 2017), and a 12-month increase of 105,000 (1.8%) (Table 3).

Mobile telephony service – The number of subscriber connections to the mobile telephony service stood at 1,047,300 at March 31, 2018, an increase of 23,300 (2.3%) in the first quarter of 2018 (compared with an increase of 27,000 in the same period of 2017), and a 12-month increase of 126,400 (13.7%) (Table 3).

Cable Internet access – The number of subscribers to cable Internet access services stood at 1,674,600 at March 31, 2018, an increase of 8,100 (0.5%) in the first quarter of 2018 (compared with an increase of 15,300 in the same period of 2017), and a 12-month increase of 46,500 (2.9%) (Table 3). As of March 31, 2018, Videotron's cable Internet access services had a household and business penetration rate (number of subscribers as a proportion of the total 2,879,500 homes and businesses passed by Videotron's network as of March 31, 2018, up from 2,845,700 one year earlier) of 58.2% compared with 57.2% a year earlier.

Cable television – The combined customer base for all of Videotron's cable television services decreased by 15,000 (-0.9%) in the first quarter of 2018 (compared with a decrease of 10,300 in the same period of 2017) and by 55,100 (-3.3%) in the 12-month period ended March 31, 2018 (Table 3). At the end of the first quarter of 2018, Videotron had 1,625,500 subscribers to its cable television services. The household and business penetration rate was 56.5% versus 59.1% a year earlier.

- As of March 31, 2018, the number of subscribers to the illico Digital TV service stood at 1,625,500, a decrease of 15,000 (-0.9%) in the first quarter of 2018 (compared with an increase of 8,000 in the same quarter of 2017), and a 12-month increase of 30,400 (1.9%). As of March 31, 2018, illico Digital TV had a household and business penetration rate of 56.5% versus 56.1% a year earlier.

- As of March 31, 2018, substantially all subscribers to the analog cable television service had migrated to digital service.

Cable telephony service – The number of subscriber connections to the cable telephony service stood at 1,169,600 at March 31, 2018, a decrease of 18,900 (-1.6%) in the first quarter of 2018 (compared with a decrease of 11,800 in the same period of 2017), and a 12-month decrease of 71,700 (-5.8%) (Table 3). At March 31, 2018, the cable telephony service had a household and business penetration rate of 40.6% versus 43.6% a year earlier.

Club illico – The number of subscribers to Club illico stood at 383,400 at March 31, 2018, an increase of 21,800 (6.0%) in the first quarter of 2018 (compared with an increase of 9,800 in the same period of 2017), and a 12-month increase of 58,900 (18.2%) (Table 3).

Table 3
Telecommunications segment quarter-end RGUs for the last eight quarters
(in thousands of units)

	March 2018	Dec. 2017	Sept. 2017	June 2017	March 2017	Dec. 2016	Sept. 2016	June 2016
Mobile telephony	**1,047.3**	1,024.0	990.3	953.3	920.9	893.9	867.7	828.9
Cable Internet	**1,674.6**	1,666.5	1,654.1	1,627.2	1,628.1	1,612.8	1,596.1	1,571.7
Cable television:								
Analog	**–**	–	45.1	59.9	85.5	103.8	124.9	137.7
Digital	**1,625.5**	1,640.5	1,603.9	1,596.8	1,595.1	1,587.1	1,570.8	1,559.8
	1,625.5	1,640.5	1,649.0	1,656.7	1,680.6	1,690.9	1,695.7	1,697.5
Cable telephony	**1,169.6**	1,188.5	1,205.4	1,221.0	1,241.3	1,253.1	1,265.1	1,284.0
Club illico	**383.4**	361.6	347.4	337.6	324.5	314.7	278.5	266.3
Total	**5,900.4**	5,881.1	5,846.2	5,795.8	5,795.4	5,765.4	5,703.1	5,648.4

Adjusted operating income: $410.5 million, a $26.6 million (6.9%) increase due primarily to:

- impact of the revenue increase;
- favourable variance related to the retroactive adjustment recorded in the first quarter of 2018 arising from the CRTC decision on roaming fees issued during the quarter.

Partially offset by:

- increases in some operating expenses, including engineering, advertising and administrative costs.

Cost/revenue ratio: Operating costs for all Telecommunications segment operations, expressed as a percentage of revenues, were 50.1% in the first quarter of 2018 compared with 52.3% in the same period of 2017, mainly because of the fixed component of costs, which does not fluctuate in proportion to revenue growth, and the favourable retroactive adjustment related to roaming fees recorded in the first quarter of 2018.

Cash flows from segment operations: $216.1 million in the first quarter of 2018, compared with $188.9 million in the same period of 2017 (Table 4). The $27.2 million increase was due to the $26.6 million increase in adjusted operating income and the $22.0 million decrease in additions to property, plant and equipment because of reduced investments in wired and wireless networks and in customer equipment, partially offset by a $21.4 million increase in additions to intangible assets, mainly reflecting spending on the Internet Protocol television ("IPTV") project.

Table 4: Telecommunications
Cash flows from operations
(in millions of Canadian dollars)

	With adoption of IFRS 15[1] Three months ended March 31		Without IFRS 15[2] Three months ended March 31	
	2018	2017	**2018**	2017
Adjusted operating income	**$ 410.5**	$ 383.9	**$ 417.9**	$ 377.1
Additions to property, plant and equipment	**(139.8)**	(161.8)	**(139.8)**	(161.8)
Additions to intangible assets	**(55.0)**	(33.6)	**(55.0)**	(33.6)
Proceeds from disposal of assets	**0.4**	0.4	**0.4**	0.4
Cash flows from segment operations	**$ 216.1**	$ 188.9	**$ 223.5**	$ 182.1

1 Non-IFRS measures presented in these columns are calculated based on IFRS 15 new rules, adopted by the Corporation on a retroactive basis and described under "Changes in Accounting Policies."

2 Non-IFRS measures presented in these columns are calculated based on the Corporation's former accounting policies with respect to revenue recognition, i.e. without the impact of IFRS 15 adoption.

Media

First quarter 2018 operating results

Revenues: $173.2 million in the first quarter of 2018, a $10.9 million (-5.9%) decrease.

- Broadcasting revenues decreased by $3.6 million (-3.2%), essentially because of lower advertising revenues at TVA Network and lower subscription revenues at TVA Sports.
- Film production and audiovisual service revenues were stable. A decrease in postproduction, dubbing and visual effects revenues was offset by growth in soundstage and equipment rental revenues due to a larger number of productions in the first quarter of 2018 than in the same period of 2017.
- Newspaper publishing revenues decreased $2.3 million (-5.1%).
  - Advertising revenues decreased 10.1%; circulation revenues decreased 1.0%; digital revenues decreased 6.5%; combined revenues from commercial printing and other sources increased 0.9%.
- Magazine publishing revenues decreased by $2.9 million (-13.6%), due primarily to:
  - lower advertising revenues and subscription revenues;
  - impact of sale of *The Hockey News* in January 2018.
- Revenues of Quebecor Media Out of Home increased by $0.3 million (12.5%), mainly because of higher advertising revenues.

Adjusted operating loss: $1.1 million in the first quarter of 2018, compared with $2.2 million in the same period of 2017, a $1.1 million (50.0%) favourable variance.

- Adjusted operating income from broadcasting increased by $1.7 million, mainly because of the impact of decreased content costs at TVA Sports and cost-reduction initiatives, partially offset by the impact of decreased revenues and higher content costs at TVA Network.
- The adjusted operating loss of film production and audiovisual services decreased by $0.6 million, mainly as a result of lower administrative expenses, including the charge for bad debts.
- There was a $2.0 million unfavourable variance in the adjusted operating loss of newspaper publishing, due mainly to the impact of the revenue decrease and spending on digital activities.
- Adjusted operating income from magazine publishing increased by $0.5 million, mainly because of the impact of the decrease in operating expenses, including printing, editorial and selling expenses, as well as cost reductions related to restructuring initiatives, partially offset by the impact of the revenue decrease.

- The adjusted operating loss of Quebecor Media Out of Home decreased by $0.4 million, primarily as a result of the favourable impact of the revenue increase, combined with decreases in some operating expenses.

Cost/revenue ratio: Employee costs and purchases of goods and services for all Media segment operations, expressed as a percentage of revenues, were 100.6% in the first quarter of 2018 compared with 101.2% in the same period of 2017.

Cash flows from segment operations: Negative $7.6 million in the first quarter of 2018 compared with negative $8.9 million in the same period of 2017 (Table 5). The $1.3 million favourable variance was due primarily to the $1.1 million decrease in the adjusted operating loss.

Table 5: Media
Cash flows from operations
(in millions of Canadian dollars)

	Three months ended March 31	
	2018	2017
Adjusted operating loss	**$ (1.1)**	$ (2.2)
Additions to property, plant and equipment	**(5.0)**	(6.0)
Additions to intangible assets	**(1.5)**	(0.7)
Cash flows from segment operations	**$ (7.6)**	$ (8.9)

Sports and Entertainment

First quarter 2018 operating results

Revenues: $37.2 million in the first quarter of 2018, a $1.1 million (-2.9%) decrease.

- Revenues from sports and concerts increased by $0.2 million (1.8%), mainly because of the successful coproduction of *Saturday Night Fever* at the Capitole de Québec and at Théâtre Saint-Denis in Montréal, and increased hockey revenues, partially offset by a decrease in revenues from sporting events.
- Book distribution and publishing revenues decreased by $1.3 million (-7.0%), primarily as a result of lower revenues from general literature and lower volume in bookstore distribution.
- Music distribution and production revenues were stable.

Adjusted operating loss: $2.1 million in the first quarter of 2018, compared with $0.8 million in the same period of 2017, a $1.3 million unfavourable variance.

- There was a $0.5 million unfavourable variance in the adjusted operating loss of sports and concerts, mainly because of higher concert production costs, partially offset by the revenue increase.
- There was a $0.5 million unfavourable variance in the adjusted operating loss of book distribution and publishing, due mainly to the impact of the revenue decrease, partially offset by decreases in some operating expenses, including selling and administrative expenses.
- There was a $0.1 million unfavourable variance in the adjusted operating loss of music distribution and production, due primarily to increases in some administrative expenses.

Cash flows from segment operations: Negative $3.3 million in the first quarter of 2018 compared with negative $1.3 million in the same period of 2017 (Table 6). The $2.0 million unfavourable variance was due to the $1.3 million increase in the adjusted operating loss and a $0.7 million increase in additions to property, plant and equipment and to intangible assets.

Table 6: Sports and Entertainment
Cash flows from operations
(in millions of Canadian dollars)

	Three months ended March 31	
	2018	2017
Adjusted operating loss	**$ (2.1)**	$ (0.8)
Additions to property, plant and equipment	**(0.2)**	(0.1)
Additions to intangible assets	**(1.0)**	(0.4)
Cash flows from segment operations	**$ (3.3)**	$ (1.3)

CASH FLOWS AND FINANCIAL POSITION

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

Operating activities

Cash flows provided by operating activities: $294.7 million in the first quarter of 2018, compared with $147.3 million in the same period of 2017.

- The $147.4 million increase was primarily due to:
  - $187.0 million favourable change in non-cash operating assets and liabilities, due primarily to favourable variances in income tax receivable and payable, provisions, accounts payable and accrued charges, and inventory in the Telecommunications segment;
  - $35.5 million increase in adjusted operating income, including $26.6 million in the Telecommunications segment.

  Partially offset by:
  - $56.4 million increase in current income taxes in the first quarter of 2018 compared with the same quarter of 2017, mainly because of recognition of tax benefits in the first quarter of 2017;
  - $17.4 million unfavourable variance in the cash portion of restructuring of operations, litigation and other items.

The Telecommunications segment's increased profitability, the favourable variance in income tax receivable and payable, and the favourable variances in accounts payable, accrued charges and inventory in the Telecommunications segment had a favourable impact on cash flows provided by operating activities in the first quarter of 2018 compared with the same quarter of 2017.

Working capital: Negative $98.5 million at March 31, 2018 compared with negative $159.3 million at December 31, 2017. The $60.8 million favourable variance was due primarily to the decrease in accounts payable and accrued charges and the increase in cash and cash equivalents from cash flows provided by operating activities, partially offset by the increase in net income tax payable and the unfavourable variance in the fair value of the current liability from embedded derivatives related to convertible debentures maturing in 2018.

Investing activities

Additions to property, plant and equipment: $145.4 million in the first quarter of 2018 compared with $168.3 million in the same period of 2017. The $22.9 million decrease was due to decreased investments in wired and wireless networks and in customer equipment in the Telecommunications segment.

Additions to intangible assets: $56.9 million in the first quarter of 2018 compared with $35.1 million in the same period of 2017. The $21.8 million increase was due primarily to investment in the IPTV project in the Telecommunications segment.

Business acquisitions: $2.7 million in the first quarter of 2018 compared with $5.6 million in the same period of 2017.

- In the first quarter of 2018, business acquisitions consisted of the acquisition of the assets of Mobilimage inc. by the Media segment.
- In the first quarter of 2017, business acquisitions consisted of payments on the balance payable on the acquisition of Fibrenoire by the Telecommunications segment.

Free cash flows from continuing operating activities of the Quebecor Media subsidiary

Free cash flows from continuing operating activities of Quebecor Media: $96.0 million in the first quarter of 2018 compared with negative $47.1 million in the same period of 2017 (Table 7).

- The $143.1 million favourable variance was due primarily to the $141.8 million increase in cash flows provided by operating activities.

Table 7
Cash flows from segment operations and free cash flows from continuing operating activities of Quebecor Media
(in millions of Canadian dollars)

	With adoption of IFRS 15[1] Three months ended March 31		Without IFRS 15[2] Three months ended March 31	
	2018	2017	**2018**	2017
Cash flows from segment operations				
Telecommunications	**$ 216.1**	$ 188.9	$ **223.5**	$ 182.1
Media	**(7.6)**	(8.9)	**(7.6)**	(8.9)
Sports and Entertainment	**(3.3)**	(1.3)	**(3.3)**	(1.3)
Quebecor Media Head Office	**0.7**	(7.6)	**0.7**	(7.6)
	205.9	171.1	**213.3**	164.3
Cash interest expense	**(67.0)**	(69.4)	**(67.0)**	(69.4)
Cash portion related to restructuring of operations, litigation and other items	**(6.5)**	10.9	**(6.5)**	10.9
Current income taxes	**(59.8)**	(3.4)	**(59.8)**	(3.4)
Other	**(0.5)**	1.3	**(0.5)**	1.3
Net change in operating assets and liabilities	**23.9**	(157.6)	**23.9**	(157.6)
Impact of IFRS 15	**–**	–	**(7.4)**	6.8
Free cash flows from continuing operating activities of Quebecor Media	**$ 96.0**	$ (47.1)	**$ 96.0**	$ (47.1)

1 Non-IFRS measures presented in these columns are calculated based on IFRS 15 new rules, adopted by the Corporation on a retroactive basis and described under "Changes in Accounting Policies."

2 Non-IFRS measures presented in these columns are calculated based on the Corporation's former accounting policies with respect to revenue recognition, i.e. without the impact of IFRS 15 adoption.

Table 8
Free cash flows from continuing operating activities of Quebecor Media and cash flows provided by operating activities of Quebecor
(in millions of Canadian dollars)

	Three months ended March 31	
	2018	2017
Free cash flows from continuing operating activities of Quebecor Media presented in Table 7	**$ 96.0**	$ (47.1)
Quebecor Head Office cash flow items:		
Cash flows from segment operations	**(0.4)**	(2.2)
Cash interest expense	**(7.8)**	(5.9)
Net change in operating assets and liabilities	**5.0**	(0.5)
	(3.2)	(8.6)
Plus additions to property, plant and equipment	**145.4**	168.3
Plus additions to intangible assets	**56.9**	35.1
Minus proceeds from disposal of assets	**(0.4)**	(0.4)
Cash flows provided by continuing operating activities of Quebecor	**$ 294.7**	$ 147.3

Financing activities

Consolidated debt (long-term debt plus bank indebtedness): $175.3 million increase in the first quarter of 2018; $50.2 million net favourable variance in assets and liabilities related to derivative financial instruments.

- Additions to debt in the first quarter of 2018 essentially consisted of:
  - $99.5 million unfavourable impact of exchange rate fluctuations. The consolidated debt increase attributable to this item was offset by an increase in the asset (or decrease in the liability) related to cross-currency swap agreements entered under “Derivative financial instruments”;
  - $82.8 million increase in Quebecor’s drawings on its revolving bank credit facility.
- Reductions in debt in the first quarter of 2018 mainly consisted of:
  - $4.8 million decrease in debt attributable to changes in fair value related to hedged interest risk;
  - current payments totalling $3.3 million on the term loan facilities of TVA Group and Quebecor Media.
- Assets and liabilities related to derivative financial instruments totalled a net asset of $607.9 million at March 31, 2018 compared with $557.7 million at December 31, 2017. The $50.2 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.

During the first quarter of 2018, the Corporation issued a notice regarding the redemption of convertible debentures in the principal amount of $37.5 million. A $71.9 million cash payment was made on April 4, 2018 in respect of that redemption.

Financial position

Net available liquidity: $2.20 billion at March 31, 2018 for Quebecor Media and its wholly owned subsidiaries, consisting of $925.6 million in cash and cash equivalents and $1.27 billion in available unused revolving credit facilities.

Net available liquidity: $41.3 million as at March 31, 2018 for Quebecor at the corporate level, consisting of $0.3 million in cash and cash equivalents and $41.0 million in available unused revolving credit facilities.

Consolidated debt (long-term debt plus bank indebtedness): $5.71 billion at March 31, 2018, a $175.3 million increase compared with December 31, 2017; $50.2 million net favourable variance in assets and liabilities related to derivative financial instruments (see "Financing activities" above).

- Consolidated debt essentially consisted of Videotron's $3.33 billion debt ($3.27 billion at December 31, 2017); TVA Group's $60.2 million debt ($62.6 million at December 31, 2017); Quebecor Media's $2.02 billion debt ($1.98 billion at December 31, 2017); and Quebecor's $307.5 million debt ($225.7 million at December 31, 2017).

As at March 31, 2018, minimum principal payments on long-term debt in the coming years were as follows:

Table 9
Minimum principal payments on Quebecor's long-term debt
12-month periods ended March 31
(in millions of Canadian dollars)

2019	$	20.8
2020		313.5
2021		424.0
2022		1.4
2023		2,670.0
2024 and thereafter		2,321.0
Total	**$**	**5,750.7**

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

The weighted average term of Quebecor's consolidated debt was approximately 5.6 years as of March 31, 2018 (5.9 years as of December 31, 2017). After taking into account hedging instruments, the debt consisted of approximately 83.4% fixed-rate debt (84.7% at December 31, 2017) and 16.6% floating-rate debt (15.3% at December 31, 2017).

Management of the Corporation believes that cash flows and available sources of financing should be sufficient to cover committed cash requirements for capital investments, working capital, interest payments, income tax payments, debt repayments, pension plan contributions, share repurchases, dividend payments to shareholders, and payment of dividends (or distributions) to non-controlling interest. 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. The key indicators listed in those financing agreements include debt service coverage ratio and debt ratio (long-term debt over adjusted operating income). At March 31, 2018, the Corporation was in compliance with all required financial ratios and restrictive covenants in its financing agreements.

Dividends declared

In view of the Corporation's current and prospective financial profile, the Board of Directors has examined the dividend policy and has set a dividend target of 30% to 50% of the Corporation's annual free cash flows, to be achieved gradually by the end of a four-year period. Accordingly, on May 7, 2018, the Board of Directors of Quebecor declared a quarterly dividend of $0.055 per share on Class A and Class B shares, a 100% increase, payable on June 18, 2018 to shareholders of record as of the record date of May 24, 2018.

Analysis of consolidated balance sheet as at March 31, 2018

Table 10
Consolidated balance sheet of Quebecor
Analysis of main differences between March 31, 2018 and December 31, 2017
(in millions of Canadian dollars)

	March 31, 2018	Dec. 31, 2017	Difference	Main reasons for difference
Assets				
Cash and cash equivalents	**$ 929.3**	$ 864.9	$ 64.4	Cash flows provided by operating activities
Accounts receivable	**523.1**	543.4	(20.3)	Impact of current variances in activity
Property, plant and equipment	**3,545.9**	3,594.6	(48.7)	Depreciation for the period less additions to property, plant and equipment on an accrual basis
Intangible assets	**996.7**	983.1	13.6	Investment in the IPTV project by the Telecommunications segment on an accrual basis less amortization for the period
Derivative financial instruments[1]	**607.9**	557.7	50.2	See “Financing activities”
Liabilities				
Accounts payable and accrued charges	**649.6**	738.7	(89.1)	Impact of current variances in activity
Income taxes[2]	**28.7**	(16.0)	44.7	Current income taxes for the period
Long-term debt, including short-term portion and bank indebtedness	**5,712.7**	5,537.4	175.3	See “Financing activities”
Convertible debentures and embedded derivatives related to convertible debentures	**920.4**	892.2	28.2	Losses on embedded derivatives
Deferred income tax[3]	**691.7**	716.0	(24.3)	Deferred income tax recovery

1 Long-term assets less long-term liabilities.

2 Current liabilities less current assets.

3 Long-term liabilities less long-term assets.

ADDITIONAL INFORMATION

At March 31, 2018, material contractual obligations of operating activities included: capital repayment and interest on long-term debt; principal repayment and interest on convertible debentures; operating lease arrangements; capital asset purchases and other commitments; and obligations related to derivative financial instruments, less estimated future receipts on derivative financial instruments. Table 11 below shows a summary of these contractual obligations.

Table 11
Contractual obligations of Quebecor as of March 31, 2018
(in millions of Canadian dollars)

	Total	Under 1 year	1-3 years	3-5 years	5 years or more
Long-term debt[1]	**$ 5,750.7**	$ 20.8	$ 737.5	$ 2,671.4	$ 2,321.0
Convertible debentures[2]	**921.2**	921.2	–	–	–
Interest payments[3]	**1,624.9**	221.2	552.0	500.8	350.9
Operating leases	**192.4**	45.9	51.3	21.2	74.0
Additions to property, plant and equipment and other commitments	**1,348.9**	212.1	340.3	292.9	503.6
Derivative financial instruments[4]	**(652.2)**	0.5	(81.1)	(492.2)	(79.4)
Total contractual obligations	**$ 9,185.9**	**$ 1,421.7**	**$ 1,600.0**	**$ 2,994.1**	**$ 3,170.1**

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 Based on the market value at March 31, 2018 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 $9.625 per share and a ceiling price of $12.03125. The Corporation may also redeem convertible debentures by issuing the corresponding number of 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 March 31, 2018.

4 Estimated future receipts, net of disbursements, related to foreign exchange hedging using derivative financial instruments.

Related party transactions

In the first quarter of 2018, the Corporation made sales to affiliated corporations in the amount of $0.7 million ($0.7 million in the same period of 2017).

Capital stock

In accordance with Canadian financial reporting standards, Table 12 below presents information on the Corporation's capital stock as at April 15, 2018. In addition, 680,000 stock options were outstanding as of April 15, 2018.

Table 12
Capital stock
(in shares and millions of Canadian dollars)

	April 15, 2018	
	Issued and outstanding	Book value
Class A Shares	**77,324,844**	**$ 8.6**
Class B Shares	**156,466,384**	**296.8**

On August 9, 2017, the Board of Directors of Quebecor authorized the renewal of its 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 ("TSX") 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 was increased to 8,400,000, or approximately 9.9% of the public float as at 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 the first quarter of 2017). The $90.8 million excess of the purchase price over the carrying value of the repurchased Class B Shares was recorded as a reduction of retained earnings ($11.6 million in the first quarter of 2017).

On November 9, 2017, the Corporation announced that it had entered into an automatic securities purchase plan ("the plan"), as of November 10, 2017, with a designated broker under its normal course issuer bid, 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.

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.

The plan received prior approval from the TSX. It came into effect on November 13, 2017 and terminates on the same date as the normal course issuer bid.

On November 15, 2017, the Corporation carried out a two-for-one split of its outstanding Class A Shares and Class B Shares. Accordingly, holders of the Corporation's shares received an additional share for each share owned on the record date of November 15, 2017.

Financial instruments

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

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

Certain cross-currency interest rate 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 March 31, 2018 and December 31, 2017 were as follows:

Table 13
Fair value of long-term debt, convertible debentures and derivative financial instruments
(in millions of Canadian dollars)

	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.

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 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 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 of the Corporation.

Losses and gains on valuation and translation of financial instruments in the first quarters of 2018 and 2017 are summarized in Table 14.

Table 14
Loss on valuation and translation of financial instruments
(in millions of Canadian dollars)

	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

A $43.1 million loss was recorded under "Other comprehensive income" in the first quarter of 2018 in relation to cash flow hedging relationships ($12.3 million loss in the first quarter of 2017).

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 material impact on the consolidated financial statements.

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

On January 1, 2018, the Corporation adopted, on a fully retroactive 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” on the consolidated balance sheets. All other types of revenue have not been impacted by the adoption of IFRS 15.

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 comparative 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 interest	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 interest	**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 cash flows from operating, investing and financing activities.

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 March 31, 2018 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, and on the Web 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 digital cable television, Internet access, mobile and cable telephony, and Club illico services, and its ability to protect such services against piracy, unauthorized access and other security breaches;
- labour disputes or strikes;
- 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 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, 2017.

The forward-looking statements in this Management Discussion and Analysis reflect the Corporation’s expectations as of May 7, 2018, 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

May 7, 2018

QUEBECOR INC.

SELECTED QUARTERLY FINANCIAL DATA

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

	2018	2017				2016		
	March 31	Dec. 31[1]	Sept. 30[1]	June 30[1]	March 31[1]	Dec. 31[1]	Sept. 30[1]	June 30[1]
Revenues	**$ 1,006.7**	$ 1,064.1	$ 1,040.6	$ 1,038.6	$ 1,001.5	$ 1,067.6	$ 1,017.7	$ 1,003.5
Adjusted operating income	**407.4**	420.0	432.0	404.3	371.9	410.6	415.1	374.9
Contribution to net income attributable to shareholders:								
Continuing operating activities	**89.6**	83.6	103.7	88.6	74.9	97.4	98.3	78.6
(Loss) gain on valuation and translation of financial instruments	**(29.1)**	(7.8)	(79.1)	(36.2)	(72.4)	50.0	(68.2)	(57.0)
Unusual items	**(3.8)**	(5.6)	149.0	78.6	1.4	(11.4)	(23.3)	(3.1)
Discontinued operations	**-**	0.3	4.8	6.8	-	-	-	-
Net income attributable to shareholders	**56.7**	70.5	178.4	137.8	3.9	136.0	6.8	18.5
Basic data per share								
Contribution to net income attributable to shareholders:								
Continuing operating activities	**$ 0.38**	$ 0.35	$ 0.43	$ 0.37	$ 0.31	$ 0.40	$ 0.40	$ 0.32
(Loss) gain on valuation and translation of financial instruments	**(0.12)**	(0.03)	(0.33)	(0.15)	(0.30)	0.20	(0.28)	(0.23)
Unusual items	**(0.02)**	(0.03)	0.62	0.32	0.01	(0.05)	(0.09)	(0.01)
Discontinued operations	**-**	-	0.02	0.03	-	-	-	-
Net income attributable to shareholders	**0.24**	0.29	0.74	0.57	0.02	0.55	0.03	0.08
Weighted average number of shares outstanding (in millions)	**235.9**	239.7	241.4	242.8	243.2	244.2	244.6	244.8
Diluted data per share								
Contribution to net income attributable to shareholders:								
Continuing operating activities	**$ 0.34**	$ 0.32	$ 0.39	$ 0.33	$ 0.28	$ 0.36	$ 0.36	$ 0.30
Dilution impact	**0.04**	0.03	0.04	0.04	0.03	-	0.04	0.03
(Loss) gain on valuation and translation of financial instruments	**(0.12)**	(0.03)	(0.33)	(0.15)	(0.30)	-	(0.28)	(0.24)
Unusual items	**(0.02)**	(0.03)	0.62	0.32	0.01	(0.04)	(0.09)	(0.01)
Discontinued operations	**-**	-	0.02	0.03	-	-	-	-
Net income attributable to shareholders	**0.24**	0.29	0.74	0.57	0.02	0.32	0.03	0.08
Weighted average number of diluted shares outstanding (in millions)	**236.3**	240.0	241.8	243.2	243.6	286.6	244.6	245.6

[1] Comparative numbers have been restated to reflect the adoption of IFRS 15, *Revenue from Contracts with Customers.*