MANAGEMENT DISCUSSION AND ANALYSIS

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CORPORATE PROFILE

This Management Discussion and Analysis covers the main activities of Quebecor Inc. in the first quarter of 2019 and the major changes from the previous financial year. Quebecor Inc. is a holding company with an interest in Quebecor Media Inc., one of Canada's largest telecommunications and media groups. On June 22, 2018, Quebecor Media Inc. became a wholly owned subsidiary of Quebecor Inc.

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" refers to Quebecor Inc. and its subsidiaries, and "Quebecor Media" refers to Quebecor Media Inc. and its subsidiaries.

On May 11 and June 22, 2018, Quebecor Media repurchased a total of 16,064,215 of its Common Shares held by CDP Capital d'Amérique Investissements inc. ("CDP Capital"), a subsidiary of the Caisse de dépôt et placement du Québec, for a total aggregate purchase price of $1.54 billion, paid in cash. On June 22, 2018, Quebecor purchased 1,564,696 Common Shares of Quebecor Media held by CDP Capital in consideration of the issuance of a convertible debenture in the principal amount of $150.0 million, convertible into Class B Subordinate Voting Shares ("Class B Shares") of Quebecor. Upon completion of these transactions, the Corporation's interest in Quebecor Media increased from 81.53% to 100.0%.

On January 1, 2019, the Corporation adopted on a fully retrospective basis the new rules under IFRS 16 which set out new principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The standard provides lessees with a single accounting model for all leases, with certain exemptions. In particular, lessees are required to report most leases on their balance sheets by recognizing right-of-use assets and related financial liabilities. Assets and liabilities arising from a lease are initially measured on a present value basis. The adoption of IFRS 16 had significant impacts on the consolidated financial statements since all of the Corporation segments are engaged in various long-term leases relating to premises and equipment. Under IFRS 16, most lease charges are now expensed as a depreciation of the right-of-use asset, along with an interest on the related lease liability. Since operating lease charges were recognized as operating expenses as they were incurred under previous standard, the adoption of IFRS 16 has changed the timing of the recognition of these lease charges over the term of each lease. It has also affected the classification of expenses in the consolidated statements of income. Principal payments of the lease liability are now presented as financing activities in the consolidated statements of cash flows, whereas under the previous standard these payments were presented as operating activities. The impact of adoption of IFRS 16 on a fully retrospective basis is described under "Changes in Accounting Policies."

Table 2 provides a reconciliation of adjusted EBITDA to net income for the first quarter of 2019, compared with the first quarter of 2018, without restatement of comparative figures following adoption of IFRS 16, as permitted under International Financial Reporting Standards ("IFRS"). Form F1 in Canadian securities regulatory authorities' *Regulation 51-102 respecting continuous disclosure obligations* stipulates that if a choice made in applying a change in accounting policies has a material effect, as is the case with IFRS 16, the Corporation may explain its choice and discuss the effect on its financial performance.

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, 2018. All amounts are stated in Canadian dollars ("CAN") unless otherwise indicated.

DISCONTINUED OPERATIONS

On January 24, 2019, Videotron Ltd. ("Videotron") sold its 4Degrees Colocation Inc. ("4Degrees Colocation") data centre operations for an amount of $261.6 million, which was fully paid in cash at the date of transaction. An amount of $0.9 million relating to a working capital adjustment was also payable by Videotron on March 31, 2019. The determination of the final proceeds from the sale is however subject to certain adjustments based on the realization of future conditions over a period of up to 10 years. Accordingly, a gain on disposal of $97.2 million, net of income taxes of $18.5 million, was accounted for in the first quarter of 2019, while an amount of $53.1 million from the proceeds received at the date of transaction was deferred in connection with the estimated present value of the future conditional adjustments. The results of operations and cash flows of these businesses were reclassified as discontinued operations in the consolidated statements of income and cash flows. The amount deferred is revaluated on a quarterly basis and any change is recorded in income from discontinued operations.

In this Management Discussion and Analysis, only continuing operating activities of Quebecor Media are included in the analysis of its segment operating results.

HIGHLIGHTS SINCE END OF 2018

- Quebecor's revenues totalled $1.03 billion in the first quarter of 2019, a $25.3 million (2.5%) increase from the same period of 2018.
- On January 7, 2019, Quebecor announced the following corporate management changes:
  - Mr. Jean-François Pruneau, previously Senior Vice-President and Chief Financial Officer of Quebecor and Quebecor Media, was appointed President and Chief Executive Officer of Videotron. Mr. Pruneau succeeds Ms. Manon Brouillette, who resigned as of December 31, 2018 and is a candidate for election to the Board of Directors at Quebecor's Annual Meeting of Shareholders, to be held on May 9, 2019. As well, Mr. Hugues Simard was appointed Chief Financial Officer of Quebecor and Quebecor Media on January 7, 2019.
  - Mr. Marc M. Tremblay was appointed Chief Operating Officer, Chief Legal Officer and Corporate Secretary of Quebecor and Quebecor Media. Mr. Tremblay was previously Senior Vice-President, Chief Legal Officer and Public Affairs, and Corporate Secretary of Quebecor and Quebecor Media.

Telecommunications

- The Telecommunications segment grew its revenues by $22.0 million (2.7%) and its adjusted EBITDA by $5.8 million (1.4%) in the first quarter of 2019, despite the $10.9 million favourable retroactive adjustment recorded in the Telecommunications segment in the first quarter of 2018 related to roaming fees following a Canadian Radio-television and Telecommunications Commission ("CRTC") decision, creating an unfavourable variance in the year-over-year comparison for the first quarter of 2019. Without restatement of comparative figures following adoption of IFRS 16, adjusted EBITDA increased by $15.1 million (3.7%).
- Videotron significantly increased its revenues from mobile telephony ($15.6 million or 12.4%), Internet access ($12.0 million or 4.6%) and customer equipment sales ($3.7 million or 8.1%) in the first quarter of 2019.
- Videotron's total average billing per unit ("ABPU") was $49.47 in the first quarter of 2019 compared with $48.82 in the same period of 2018, a $0.65 (1.3%) increase. Mobile ABPU was $52.50 in the first quarter of 2019 compared with $53.25 in the same period of 2018, a 0.75 $ (-1.4%) decrease due in part to the popularity of bring your own device ("BYOD") plans, multi-line plans and the impact of the launch of Fizz, the new advantageously priced, fully digital mobile brand.
- There was a net increase of 23,300 revenue-generating units ("RGUs") (0.4%) in the first quarter of 2019, including 39,800 connections (3.4%) to the mobile telephony service, 10,900 subscriptions (2.6%) to the Club illico over-the-top video service ("Club illico") and 6,300 subscriptions (0.4%) to cable Internet access service.
- On April 10, 2019, Quebecor announced the purchase by Videotron of 10 blocks of low-frequency spectrum in the 600 MHz band in Innovation, Science and Economic Development Canada's ("ISED Canada") latest commercial mobile spectrum auction. The licences covering Eastern, Southern and Northern Québec, as well as Outaouais and Eastern Ontario areas and were acquired for $256.0 million.
- Videotron received many honours in the first quarter of 2019. It ranked first in customer experience among Canadian mobile carriers for the 3rd consecutive year according to the Forrester Customer Experience Index and was rated the most respected telecommunications company in Québec for the 14th consecutive year in the 2019 Léger Reputation survey. Videotron was also the most influential telecommunications brand in Québec for the 6th consecutive year, according to the 2019 Ipsos-*Infopresse* index. Finally, Videotron made its appearance on Media Corp. Canada's list of Canada's 70 greenest employers in 2019.

Media

- On April 1, 2019, TVA Group Inc. ("TVA Group") closed the acquisition, announced on February 22, 2019, of the companies in the Incendo Media Inc. group, a Montréal-based producer and distributor of television programs for international markets, for a cash consideration of $12.0 million and a balance payable of $7.5 million, subject to certain adjustments.
- On February 13, 2019, TVA Group closed the acquisition of the companies in the Serdy Média inc. group, which owns and operates the Évasion and Zeste specialty channels, along with the companies in the Serdy Video Inc. group, for a total consideration of $23.5 million, net of acquired cash of $0.5 million. Post-closing adjustments estimated at $1.9 million are also payable. The transaction was announced on May 1, 2018 and received CRTC approval on January 14, 2019.

- According to the spring 2019 Vividata survey, *Le Journal de Montréal, Le Journal de Québec* and the free daily *24 heures* remain Québec's news leaders with nearly 4.0 million readers per week on all platforms (print, mobile and Internet). TVA Group remains a leading player in the Canadian magazine industry with an average of more than 9.3 million readers on all platforms.

Financial transactions

- In view of the Corporation's financial profile, in the first quarter of 2018 the Board of Directors set a dividend target of 30% to 50% of the Corporation's annual free cash flows, to be achieved gradually over a four-year period. Accordingly, on May 8, 2019, the Board of Directors of the Corporation declared a quarterly dividend of $0.1125 per share on the Corporation's Class A Multiple Voting Shares ("Class A Shares") and Class B Shares, an increase of more than 100%, payable on June 18, 2019 to shareholders of record as of the record date of May 24, 2019.

- On February 15, 2019, Quebecor Media amended its $300.0 million secured revolving credit facility, extending its term to July 2022. Certain conditions were also amended.

- On February 13, 2019, TVA Group amended its $150.0 million secured revolving credit facility, extending its term to February 2020. Certain conditions were also amended.

NON-IFRS FINANCIAL MEASURES

The financial measures not standardized under IFRS that are used by the Corporation to assess its financial performance, such as adjusted EBITDA, adjusted income from continuing operating activities, cash flows from 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.

Adjusted EBITDA

In its analysis of operating results, the Corporation defines adjusted EBITDA, as reconciled to net income under IFRS, as net income before depreciation and amortization, financial expenses, loss on valuation and translation of financial instruments, restructuring of operations and other items, income taxes and income from discontinued operations. Adjusted EBITDA as defined above is not a measure of results that is consistent with IFRS. It is not intended to be regarded as an alternative to 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 EBITDA in order to assess the performance of its investment in Quebecor Media. The Corporation's management and Board of Directors use this measure in evaluating its consolidated results as well as the results of the Corporation's operating segments. This measure eliminates the significant level of impairment and depreciation/amortization of tangible and intangible assets and is unaffected by the capital structure or investment activities of the Corporation and its business segments.

Adjusted EBITDA is also relevant because it is a 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 EBITDA may not be the same as similarly titled measures reported by other companies.

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

Table 1

Reconciliation of the adjusted EBITDA measure used in this report to the net income measure used in the condensed consolidated financial statements

(in millions of Canadian dollars)

	Three months ended March 31	
	2019	2018
Adjusted EBITDA (negative adjusted EBITDA):		
Telecommunications	**$ 423.0**	$ 417.2
Media	**1.2**	0.1
Sports and Entertainment	**(0.7)**	(0.7)
Head Office	**(2.8)**	(0.7)
	420.7	415.9
Depreciation and amortization	**(188.5)**	(186.7)
Financial expenses	**(82.1)**	(78.5)
Loss on valuation and translation of financial instruments	**(14.3)**	(29.6)
Restructuring of operations and other items	**(8.5)**	(6.5)
Income taxes	**(37.9)**	(39.2)
Income from discontinued operations	**97.5**	0.7
Net income	**$ 186.9**	$ 76.1

Adjusted EBITDA without restatement of comparative figures

Table 2 provides a reconciliation of adjusted EBITDA to net income for the first quarter of 2019, compared with the first quarter of 2018, without restatement of comparative figures following adoption of IFRS 16.

Table 2

Reconciliation of the adjusted EBITDA measure used in this report to the net income measure used in the condensed consolidated financial statements, without restatement of comparative figures following the adoption of IFRS 16

(in millions of Canadian dollars)

	Three months ended March 31	
	2019	2018
Adjusted EBITDA (negative adjusted EBITDA):		
Telecommunications	**$ 423.0**	$ 407.9
Media	**1.2**	(1.1)
Sports and Entertainment	**(0.7)**	(2.1)
Head Office	**(2.8)**	0.1
	420.7	404.8
Depreciation and amortization	**(188.5)**	(178.6)
Financial expenses	**(82.1)**	(76.2)
Loss on valuation and translation of financial instruments	**(14.3)**	(29.6)
Restructuring of operations and other items	**(8.5)**	(6.5)
Income taxes	**(37.9)**	(39.0)
Income from discontinued operations	**97.5**	0.7
Net income	**$ 186.9**	$ 75.6

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 and other items, net of income tax related to adjustments and net income attributable to non-controlling interest related to adjustments, and before the income from discontinued operations attributable to shareholders. Adjusted income from continuing operating activities, as defined above, is not a measure of results that is consistent with IFRS. It should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The Corporation uses adjusted income from continuing operating activities to analyze trends in the performance of its businesses. The above-listed items are excluded from the calculation of this measure because they impair the comparability of financial results. Adjusted income from continuing operating activities is more representative for forecasting income. The Corporation's definition of adjusted income from continuing operating activities may not be identical to similarly titled measures reported by other companies.

Table 3 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 3

Reconciliation of the adjusted income from continuing operating activities measure used in this report to the net income attributable to shareholders' measure used in the condensed consolidated financial statements

(in millions of Canadian dollars)

	Three months ended March 31	
	2019	2018
Adjusted income from continuing operating activities	**$ 111.4**	$ 89.5
Loss on valuation and translation of financial instruments	**(14.3)**	(29.6)
Restructuring of operations and other items	**(8.5)**	(6.5)
Income taxes related to adjustments[1]	**2.1**	2.1
Net income attributable to non-controlling interest related to adjustments	**0.8**	1.1
Discontinued operations	**97.5**	0.5
Net income attributable to shareholders	**$ 189.0**	$ 57.1

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

Cash flows from segment operations

Cash flows from segment operations represents adjusted EBITDA, less additions to property, plant and equipment and to intangible assets, plus proceeds from disposal of assets. 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 8 and 9 provide a reconciliation of cash flows from segment operations to cash flows provided by continuing 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 continuing operating activities calculated in accordance with IFRS, less additions to property, plant and equipment and to intangible assets, plus proceeds from disposal of assets. Free cash flows from continuing operating activities is used by the Corporation's management and Board of Directors to evaluate cash flows generated by the 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 9 provides a reconciliation of free cash flows from continuing operating activities of Quebecor Media to cash flows provided by continuing 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 or published by public authorities.

Average billing per unit

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

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

Total ABPU is calculated by dividing the combined average subscription billing for 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

2019/2018 first quarter comparison

Revenues: $1.03 billion, a $25.3 million (2.5%) increase.

- Revenues increased in Telecommunications ($22.0 million or 2.7% of segment revenues) and in Sports and Entertainment ($3.2 million or 8.6%).
- Revenues decreased in Media ($0.5 million or -0.3%).

Adjusted EBITDA: $420.7 million, a $4.8 million (1.2%) increase. Without restatement of comparative figures following adoption of IFRS 16, adjusted EBITDA increased by $15.9 million (3.9%).

- Adjusted EBITDA increased in Telecommunications ($5.8 million or 1.4% of segment adjusted EBITDA, despite the $10.9 million favourable retroactive adjustment recorded in the Telecommunications segment in the first quarter of 2018 related to roaming fees following a CRTC decision, creating an unfavourable variance in the year-over-year comparison for the first quarter of 2019). Without restatement of comparative figures following adoption of IFRS 16, the Telecommunications segment's adjusted EBITDA increased by $15.1 million (3.7%).
- Adjusted EBITDA increased in Media ($1.1 million).
- Adjusted EBITDA was stable in Sports and Entertainment.
- There was an unfavourable variance at Head Office ($2.1 million) due to a higher stock-based compensation charge, as well as increased philanthropic expenses.
- The change in the fair value of Quebecor stock options and in the value of Quebecor stock-price-based share units resulted in a $2.3 million unfavourable variance in the Corporation's stock-based compensation charge in the first quarter of 2019 compared with the same period of 2018.

Net income attributable to shareholders: $189.0 million ($0.74 per basic share) in the first quarter of 2019 compared with $57.1 million ($0.24 per basic share) in the same period of 2018. The increase of $131.9 million ($0.50 per basic share) was due primarily to:

- $97.0 million favourable variance in income from discontinued operations;
- $21.1 million favourable variance in non-controlling interest;
- $15.3 million favourable variance in losses on valuation and translation of financial instruments, including $14.6 million without any tax consequences.

Net income attributable to shareholders without restatement of comparative figures following adoption of IFRS 16 was $189.0 million in the first quarter of 2019 compared with $56.7 million in the same period of 2018, a $132.3 million increase.

Adjusted income from continuing operating activities: $111.4 million ($0.44 per basic share) in the first quarter of 2019, compared with $89.5 million ($0.38 per basic share) in the same period of 2018, an increase of $21.9 million ($0.06 per basic share) or 24.4%.

Depreciation and amortization charge: $188.5 million in the first quarter of 2019, a $1.8 million increase.

Financial expenses: $82.1 million in the first quarter of 2019, a $3.6 million increase caused mainly by higher average indebtedness as a result of debt financing a portion of the repurchase of the Quebecor Media shares held by CDP Capital in the second quarter of 2018 and lower interest revenues generated by liquidity, partially offset by the lower average interest rate on the debt.

Loss on valuation and translation of financial instruments: $14.3 million in the first quarter of 2019 compared with $29.6 million in the same period of 2018. The $15.3 million favourable variance was essentially due to a $14.6 million favourable variance, without any tax consequences, in losses on embedded derivatives related to convertible debentures.

Charge for restructuring of operations and other items: $8.5 million in the first quarter of 2019 compared with $6.5 million in the same period of 2018, a $2.0 million unfavourable variance.

- A $5.0 million net restructuring charge was recognized in the first quarter of 2019 in connection with cost-reduction initiatives in the Corporation's various segments ($6.5 million in the first quarter of 2018). A $3.5 million charge for impairment of assets was also recognized in the first quarter of 2019 in connection with various restructuring initiatives.

Income tax expense: $37.9 million in the first quarter of 2019 (effective tax rate of 26.9%) compared with $39.2 million in the same period of 2018 (effective tax rate of 27.5%), a $1.3 million favourable variance. The effective tax rate is calculated considering only taxable and deductible items.

SEGMENTED ANALYSIS

Telecommunications

First quarter 2019 operating results

Revenues: $840.7 million in the first quarter of 2019, a $22.0 million (2.7%) increase.

- Revenues from the mobile telephony service increased $15.6 million (12.4%) to $141.4 million, essentially due to an increase in the number of subscriber connections.
- Revenues from Internet access services increased $12.0 million (4.6%) to $273.6 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 $3.5 million (-1.4%) to $245.2 million, due primarily to the impact of the net decrease in the customer base, partially offset by higher per-customer revenues.
- Revenues from the cable telephony service decreased $7.9 million (-8.3%) to $87.3 million, mainly because of the impact of the net decrease in subscriber connections and lower revenues per connection.
- Revenues from customer equipment sales increased $3.7 million (8.1%) to $49.2 million, mainly because of higher mobile device revenues.
- Other revenues increased $2.1 million (5.0%) to 44.0 million, mainly reflecting a $1.8 million (16.2%) increase in the revenues of Club illico to $12.9 million.

Total ABPU: Videotron's total ABPU was $49.47 in the first quarter of 2019 compared with $48.82 in the same period of 2018, a $0.65 (1.3%) increase. Mobile ABPU was $52.50 in the first quarter of 2019 compared with $53.25 in the same period of 2018, a $0.75 (-1.4%) decrease due in part to the popularity of BYOD plans, multi-line plans and the impact of the launch of Fizz, the new advantageously priced, fully digital mobile brand.

Customer statistics

RGUs – The total number of RGUs was 6,013,600 at March 31, 2019, an increase of 23,300 (0.4%) in the first quarter of 2019 (compared with an increase of 19,300 in the same period of 2018), and a 12-month increase of 113,200 (1.9%) (Table 4).

Mobile telephony service – The number of subscriber connections to the mobile telephony service stood at 1,193,600 at March 31, 2019, an increase of 39,800 (3.4%) in the first quarter of 2019 (compared with an increase of 23,300 in the same period of 2018), and a 12-month increase of 146,300 (14.0%) (Table 4).

Cable Internet access – The number of subscribers to cable Internet access services stood at 1,710,800 at March 31, 2019, an increase of 6,300 (0.4%) in the first quarter of 2019 (compared with an increase of 8,100 in the same period of 2018), and a 12-month increase of 36,200 (2.2%) (Table 4). As of March 31, 2019, Videotron's cable Internet access services had a household and business penetration rate (number of subscribers as a proportion of the total 2,915,400 homes and businesses passed by Videotron's network as of March 31, 2019, up from 2,879,500 one year earlier) of 58.7% compared with 58.2% a year earlier.

Cable television – The number of subscribers to cable television services stood at 1,582,600 at March 31, 2019, a decrease of 14,700 (-0.9%) in the first quarter of 2019 (compared with a decrease of 15,000 in the same period of 2018), and a 12-month decrease of 42,900 (-2.6%) (Table 4). At March 31, 2019, the cable television service had a household and business penetration rate of 54.3% versus 56.5% a year earlier.

Cable telephony service – The number of subscriber connections to the cable telephony service stood at 1,094,900 at March 31, 2019, a decrease of 19,000 (-1.7%) in the first quarter of 2019 (compared with a decrease of 18,900 in the same period of 2018), and a 12-month decrease of 74,700 (-6.4%) (Table 4). At March 31, 2019, the cable telephony service had a household and business penetration rate of 37.6% versus 40.6% a year earlier.

Club illico – The number of subscribers to Club illico stood at 431,700 at March 31, 2019, an increase of 10,900 (2.6%) in the first quarter of 2019 (compared with an increase of 21,800 in the same period of 2018), and a 12-month increase of 48,300 (12.6%) (Table 4).

Table 4
Telecommunications segment quarter-end RGUs for the last eight quarters
(in thousands of units)

	March 2019	Dec. 2018	Sept. 2018	June 2018	March 2018	Dec. 2017	Sept. 2017	June 2017
Mobile telephony	**1,193.6**	1,153.8	1,120.7	1,079.2	1,047.3	1,024.0	990.3	953.3
Cable Internet	**1,710.8**	1,704.5	1,697.5	1,674.1	1,674.6	1,666.5	1,654.1	1,627.2
Cable television:	**1,582.6**	1,597.3	1,603.7	1,606.0	1,625.5	1,640.5	1,649.0	1,656.7
Cable telephony	**1,094.9**	1,113.9	1,131.1	1,148.2	1,169.6	1,188.5	1,205.4	1,221.0
Club illico	**431.7**	420.8	402.9	391.9	383.4	361.6	347.4	337.6
Total	**6,013.6**	5,990.3	5,955.9	5,899.4	5,900.4	5,881.1	5,846.2	5,795.8

Adjusted EBITDA: $423.0 million, a $5.8 million (1.4%) increase due primarily to:

- Impact of the net revenue increase;
- decreases in some operating expenses, including engineering, administrative and advertising expenses, partially offset by the unfavourable impact of start-up expenses for Fizz.

Partially offset by:

- $10.9 million favourable retroactive adjustment recorded in the Telecommunications segment in the first quarter of 2018 related to roaming fees following a CRTC decision, creating an unfavourable variance in the year-over-year comparison for the first quarter of 2019;
- Higher costs per mobile device sold.

Adjusted EBITDA without restatement of comparative figures following adoption of IFRS 16 increased by $15.1 million (3.7%).

Cost/revenue ratio: Operating costs for all Telecommunications segment operations, expressed as a percentage of revenues, were 49.7% in the first quarter of 2019 compared with 49.0% in the same period of 2018.

Cash flows from segment operations: $244.4 million in the first quarter of 2019 compared with $223.7 million in the same period of 2018 (Table 5). The $20.7 million increase was due to the $6.3 million decrease in additions to property, plant and equipment, mainly reflecting lower spending related to the leasing of digital set-top boxes and reduced investment in wired and wireless networks; a $6.4 million decrease in additions to intangible assets, due mainly to lower spending on the Internet Protocol television ("IPTV") project; and the $5.8 million increase in adjusted EBITDA.

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

	Three months ended March 31	
	2019	2018
Adjusted EBITDA	**$ 423.0**	$ 417.2
Additions to property, plant and equipment	**(132.6)**	(138.9)
Additions to intangible assets	**(48.6)**	(55.0)
Proceeds from disposal of assets	**2.6**	0.4
Cash flows from segment operations	**$ 244.4**	$ 223.7

Media

Revenues: $172.7 million in the first quarter of 2019, a $0.5 million (-0.3%) decrease.

- Advertising revenues decreased by $2.5 million (-2.9%), mainly because of lower advertising revenues at the newspapers, TVA Network and the magazines, partially offset by higher advertising revenues at the specialty channels and Quebecor Out of Home.
- Subscription revenues increased by $0.7 million (1.4%), mainly because of higher subscription revenues at the specialty channels, partially offset by lower subscription revenues at the magazines.
- Other revenues increased by $1.3 million (3.5%), mainly because of higher revenues from film production and audiovisual services.

Adjusted EBITDA: $1.2 million in the first quarter of 2019, a $1.1 million favourable variance due primarily to:

- Decreases in some operating expenses, including labour and marketing expenses in the newspaper publishing business, subscription expenses at the magazines and content costs in the broadcasting business, partially offset by higher digital expenses.

Cost/revenue ratio: Employee costs and purchases of goods and services for all Media segment operations, expressed as a percentage of revenues, were 99.3% in the first quarter of 2019 compared with 99.9% in the same period of 2018. The reduction was mainly due to the decrease in operating expenses.

Cash flows from segment operations: Negative $7.1 million in the first quarter of 2019 compared with negative $6.4 million in the same period of 2018 (Table 6). The $0.7 million unfavourable variance was due to the $1.8 million increase in additions to property, plant and equipment and to intangible assets, partially offset by the $1.1 million increase in adjusted EBITDA.

Table 6: Media
Cash flows from operations
(in millions of Canadian dollars)

	Three months ended March 31	
	2019	2018
Adjusted EBITDA	**$ 1.2**	$ 0.1
Additions to property, plant and equipment	**(6.7)**	(5.0)
Additions to intangible assets	**(1.6)**	(1.5)
Cash flows from segment operations	**$ (7.1)**	$ (6.4)

Sports and Entertainment

Revenues: $40.4 million in the first quarter of 2019, a $3.2 million (8.6%) increase due mainly to higher revenues from book distribution.

Adjusted EBITDA: Negative $0.7 million in the first quarter of 2019, stable compared with the same period of 2018.

Cash flows from segment operations: Negative $2.2 million in the first quarter of 2019 compared with negative $1.9 million in the same period of 2018 (Table 7). The $0.3 million unfavourable variance was due to the increase in additions to property, plant and equipment.

Table 7: Sports and Entertainment
Cash flows from operations
(in millions of Canadian dollars)

	Three months ended March 31	
	2019	2018
Adjusted EBITDA	**$ (0.7)**	$ (0.7)
Additions to property, plant and equipment	**(0.5)**	(0.2)
Additions to intangible assets	**(1.0)**	(1.0)
Cash flows from segment operations	**$ (2.2)**	$ (1.9)

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 continuing operating activities: $180.5 million in the first quarter of 2019 compared with $300.9 million in the same period of 2018.

The $120.4 million decrease was mainly due to:

- $136.9 million unfavourable change in non-cash operating assets and liabilities, due primarily to the unfavourable variance in income tax payable in the Telecommunications segment;
- $3.4 million increase in the cash interest expense.

Partially offset by:

- $14.2 million decrease in current income taxes;
- $5.8 million increase in the Telecommunications segment's adjusted EBITDA.

The unfavourable variance in income tax payable in the Telecommunications segment had an unfavourable impact on cash flows provided by continuing operating activities in the first quarter of 2019 compared with the same quarter of 2018, while the Telecommunications segment's increased profitability had a favourable impact.

Working capital: Negative $268.4 million at March 31, 2019 compared with negative $325.1 million at December 31, 2018. The $56.7 million favourable variance was due primarily to the decrease in accounts payable and accrued charges and in net income tax payable, partially offset by the decrease in net assets held for sale and in accounts receivable.

Investing activities

Additions to property, plant and equipment: $139.8 million in the first quarter of 2019 compared with $144.5 million in the same period of 2018. The $4.7 million decrease was due primarily to decreased spending related to the leasing of digital set-top boxes and decreased investment in wired and wireless networks in the Telecommunications segment.

Additions to intangible assets: $51.2 million in the first quarter of 2019 compared with $56.9 million in the same period of 2018. The $5.7 million decrease was due primarily to lower investment in the IPTV project in the Telecommunications segment.

Proceeds from disposal of assets: $2.6 million in the first quarter of 2019 compared with $0.4 million in the same period of 2018.

Business acquisitions: $23.5 million in the first quarter of 2019 compared with $2.7 million in the same period of 2018.

- In the first quarter of 2019, business acquisitions consisted of the acquisition of the companies in the Serdy Média inc. and Serdy Video Inc. groups in the Media segment.

Business disposals: $261.6 million in the first quarter of 2019, consisting of the sale of the operations of the 4Degrees Colocation data centres.

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

Free cash flows from continuing operating activities of Quebecor Media: $14.9 million in the first quarter of 2019 compared with $103.7 million in the same period of 2018 (Table 8). The $88.8 million decrease was primarily due to:

- $101.1 million decrease in cash flows provided by continuing operating activities.

Partially offset by:

- $10.1 million decrease in additions to property, plant and equipment and to intangible assets.

Table 8
Cash flows from segment operations and free cash flows from continuing operating activities of Quebecor Media
(in millions of Canadian dollars)

	Three months ended March 31	
	2019	2018
Cash flows from segment operations (negative cash flows from segment operations)		
Telecommunications	**$ 244.4**	$ 223.7
Media	**(7.1)**	(6.4)
Sports and Entertainment	**(2.2)**	(1.9)
Quebecor Media Head Office	**(0.8)**	1.1
	234.3	216.5
Cash interest expense	**(69.6)**	(69.5)
Cash portion of charge for restructuring of operations and other items	**(5.0)**	(6.5)
Current income taxes	**(45.6)**	(59.8)
Other	**(1.6)**	(1.1)
Net change in operating assets and liabilities	**(97.6)**	24.1
Free cash flows from continuing operating activities of Quebecor Media	**$ 14.9**	$ 103.7

Table 9
Free cash flows from continuing operating activities of Quebecor Media and cash flows provided by continuing operating activities of Quebecor
(in millions of Canadian dollars)

	Three months ended March 31	
	2019	2018
Free cash flows from continuing operating activities of Quebecor Media presented in Table 8	**$ 14.9**	$ 103.7
Quebecor Head Office cash flow items:		
Cash flows from segment operations	**(2.0)**	(1.6)
Cash interest expense	**(10.5)**	(7.2)
Other	**(0.1)**	–
Net change in operating assets and liabilities	**(10.2)**	5.0
	(22.8)	(3.8)
Plus additions to property, plant and equipment	**139.8**	144.5
Plus additions to intangible assets	**51.2**	56.9
Minus proceeds from disposal of assets	**(2.6)**	(0.4)
Cash flows provided by continuing operating activities of Quebecor	**$ 180.5**	$ 300.9

Financing activities

Consolidated debt (long-term debt plus bank indebtedness): $273.6 million reduction in the first quarter 2019; $114.0 million net unfavourable variance in assets and liabilities related to derivative financial instruments.

- Debt reductions in the first quarter of 2019 essentially consisted of:
  - $180.2 million net reduction in drawings on the revolving bank credit facilities of Videotron, TVA Group and Quebecor Media;
  - $96.6 million favourable impact of exchange rate fluctuations; the consolidated debt reduction attributable to this item was offset by the decrease in the asset (or increase in the liability) related to cross-currency swap agreements entered under "Derivative financial instruments."
- Assets and liabilities related to derivative financial instruments totalled a net asset of $773.0 million at March 31, 2019 compared with $887.0 million at December 31, 2018. The $114.0 million net unfavourable variance was mainly due to:
  - unfavourable impact of exchange rate fluctuations on the value of derivative financial instruments;
  - unfavourable impact of interest rate trends in Canada, compared with the United States, on the fair value of derivative financial instruments.
- On February 15, 2019, Quebecor Media amended its $300.0 million secured revolving credit facility, extending its term to July 2022. Certain conditions were also amended.
- On February 13, 2019, TVA Group amended its $150.0 million secured revolving credit facility, extending its term to February 2020. Certain conditions were also amended.

Financial position

Net available liquidity: $1.25 billion at March 31, 2019 for Quebecor Media and its wholly owned subsidiaries, consisting of $1.26 billion in available unused revolving credit facilities, less $5.8 million in bank indebtedness.

Net available liquidity: $46.9 million as at March 31, 2019 for Quebecor at the corporate level, consisting of $1.9 million in cash and cash equivalents and $45.0 million in available unused revolving credit facilities.

Consolidated debt (long-term debt plus bank indebtedness): $6.18 billion at March 31, 2019, a $273.6 million decrease compared with December 31, 2018; $114.0 million net unfavourable variance in assets and liabilities related to derivative financial instruments (see "Financing activities" above).

- Consolidated debt essentially consisted of Videotron's $3.96 billion debt ($4.23 billion at December 31, 2018); TVA Group's $72.3 million debt ($52.8 million at December 31, 2018); Quebecor Media's $2.09 billion debt ($2.12 billion at December 31, 2018); and Quebecor's $53.0 million debt ($53.2 million at December 31, 2018).

As at March 31, 2019, minimum principal payments on long-term debt in the coming years were as follows:

Table 10
Minimum principal payments on Quebecor's long-term debt
12-month periods ended March 31
(in millions of Canadian dollars)

2020	$	68.5
2021		443.8
2022		1.4
2023		2,757.8
2024		532.8
2025 and thereafter		2,376.8
Total	**$**	**6,181.1**

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

The weighted average term of Quebecor's consolidated debt was approximately 4.8 years as of March 31, 2019 (5.1 years as of December 31, 2018). As at March 31, 2019, after taking into account hedging instruments, the debt consisted of approximately 79.0% fixed-rate debt (76.3% at December 31, 2018) and 21.0% floating-rate debt (23.7% at December 31, 2018).

The Corporation's management 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 dividend payments (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 EBITDA). At March 31, 2019, the Corporation was in compliance with all required financial ratios and restrictive covenants in its financing agreements.

Dividends declared

On May 8, 2019, the Board of Directors of Quebecor declared a quarterly dividend of $0.1125 per share on Class A Shares and Class B Shares, an increase of more than 100%, payable on June 18, 2019 to shareholders of record as of the record date of May 24, 2019.

600 MHz spectrum auction

On April 10, 2019, Quebecor announced the purchase by Videotron of 10 blocks of low-frequency spectrum in the 600 MHz band in ISED Canada's latest commercial mobile spectrum auction. The licences covering Eastern, Southern and Northern Québec, as well as Outaouais and Eastern Ontario areas and were acquired for $256.0 million.

Analysis of consolidated balance sheet as at March 31, 2019

Table 11
Consolidated balance sheet of Quebecor
Analysis of main differences between March 31, 2019 and December 31, 2018
(in millions of Canadian dollars)

	March 31, 2019	Dec. 31, 2018	Difference	Main reasons for difference
Assets				
Accounts receivable	**$ 519.5**	$ 553.8	$ (34.3)	Impact of current variances in activity
Net assets held for resale[1]	**–**	88.4	(88.4)	Sale of 4Degrees Colocation
Property, plant and equipment	**3,419.0**	3,467.3	(48.3)	Depreciation for the period less additions to property, plant and equipment on an accrual basis
Derivative financial instruments[2]	**773.0**	887.0	(114.0)	See "Financing activities"
Liabilities				
Accounts payable and accrued charges	**756.2**	832.0	(75.8)	Impact of current variances in activity
Income taxes[3]	**21.2**	114.4	(93.2)	Current disbursments less current income taxes for the period
Long-term debt, including short-term portion and bank indebtedness	**6,178.9**	6,452.5	(273.6)	See "Financing activities"
Other long-term liabilities	**306.9**	235.7	71.2	Contingent consideration related to the sale of 4Degrees Colocation and losses on embedded derivatives related to convertible debentures.

1 Current assets less current liabilities.
2 Long-term assets less long-term liabilities.
3 Current liabilities less current assets.

ADDITIONAL INFORMATION

Contractual Obligations

At March 31, 2019, material contractual obligations of operating activities included: capital repayment and interest on long-term debt, convertible debentures and lease liabilities; capital asset purchases and other commitments; and obligations related to derivative financial instruments, less estimated future receipts on derivative financial instruments. Table 12 below shows a summary of these contractual obligations.

Table 12
Contractual obligations of Quebecor as of March 31, 2019
(in millions of Canadian dollars)

	Total	Under 1 year	1-3 years	3-5 years	5 years or more
Long-term debt[1]	**$ 6,181.1**	$ 68.5	$ 445.2	$ 3,290.6	$ 2,376.8
Convertible debentures[2]	**150.0**	–	–	–	150.0
Interest payments on long-term debt and convertible debentures[3]	**1,435.7**	221.4	577.4	401.2	235.7
Lease liabilities	**138.6**	35.7	42.5	21.8	38.6
Interest payments on lease liabilities	**46.8**	6.9	9.3	6.3	24.3
Additions to property, plant and equipment and other commitments	**1,722.2**	391.3	625.1	276.4	429.4
Derivative financial instruments[4]	**(800.6)**	0.3	(95.3)	(570.4)	(135.2)
Total contractual obligations	**$ 8,873.8**	**$ 724.1**	**$ 1,604.2**	**$ 3,425.9**	**$ 3,119.6**

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, 2019 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 $26.85 per share and a ceiling price of $33.5625. The Corporation may also redeem convertible debentures by issuing the corresponding number of its Class B Shares.

3 Estimated interest payable on long-term debt and convertible debentures, based on interest rates, hedging of interest rates and hedging of foreign exchange rates as of March 31, 2019.

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

Related party transactions

In the first quarter of 2019, the Corporation made sales to related parties in the amount of $0.9 million ($0.7 million in the same period of 2018).

Capital stock

In accordance with Canadian financial reporting standards, Table 13 below presents information on the Corporation's capital stock as at April 24, 2019. In addition, 1,732,892 stock options were outstanding as of April 24, 2019.

Table 13
Capital stock
(in shares and millions of Canadian dollars)

	April 24, 2019		
	Issued and outstanding		**Book value**
Class A Shares	**77,246,944**	**$**	**8.6**
Class B Shares	**178,670,053**		**1,052.2**

On August 8, 2018, 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 7,800,000 Class B Shares, representing approximately 5.0% of issued and outstanding Class B Shares as of August 1, 2018. The purchases can be made from August 15, 2018 to August 14, 2019 at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange or other alternative trading systems. All repurchased shares will be cancelled.

In the first quarter of 2019, the Corporation purchased and cancelled 1,319,600 Class B Shares for a total cash consideration of $39.5 million (4,125,800 Class B Shares for a total cash consideration of $98.7 million in the first quarter of 2018). The $31.7 million excess of the purchase price over the carrying value of the repurchased Class B Shares was recorded as an increase in the deficit. ($90.8 million reduction of retained earnings in the first quarter of 2018). On February 1, 2019, the maximum number of Class B Shares that could be repurchased under the normal course issuer bid authorized on August 8, 2018 had been reached.

In the first quarter of 2019, 180,000 Class B Shares of Quebecor were issued upon exercise of stock options for a cash consideration of $2.7 million. Following this transaction, the contributed surplus was increased by $3.0 million and the stock option plan liability was reduced by the same amount.

Financial instruments

The Corporation uses a number of financial instruments, mainly cash and cash equivalents, accounts receivable, contract assets, long-term investments, bank indebtedness, trade payables, accrued liabilities, long-term debt, convertible debentures, 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, (ii) to achieve a targeted balance of fixed- and floating-rate debts, and (iii) to lock in the value of certain derivative financial instruments through offsetting transactions. 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, 2019 and December 31, 2018 were as follows:

Table 14
Fair value of long-term debt, convertible debentures and derivative financial instruments
(in millions of Canadian dollars)

	March 31, 2019		December 31, 2018	
Asset (liability)	**Carrying value**	**Fair value**	Carrying value	Fair value
Long-term debt[1]	**$ (6,181.1)**	**$ (6,388.0)**	$ (6,461.7)	$ (6,444.9)
Convertible debentures[2]	**(164.5)**	**(164.5)**	(150.6)	(150.6)
Derivative financial instruments				
Foreign exchange forward contracts	**1.4**	**1.4**	6.7	6.7
Cross-currency interest rate swaps	**771.6**	**771.6**	880.3	880.3

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 the Corporation.

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

Losses on valuation and translation of financial instruments in the first quarters of 2019 and 2018 are summarized in Table 15.

Table 15
Loss on valuation and translation of financial instruments
(in millions of Canadian dollars)

	Three months ended March 31	
	2019	2018
Loss on embedded derivatives related to convertible debentures	**$ 13.6**	$ 28.2
Other	**0.7**	1.4
	$ 14.3	$ 29.6

A $19.3 million loss was recorded under "Other comprehensive income" in the first quarter of 2019 in relation to cash flow hedging relationships ($43.1 million in the first quarter of 2018).

Contingencies and legal disputes

Lawsuits were brought by and against the Corporation in connection with business disputes between the Corporation and a competitor. At this stage in the proceedings, management of the Corporation does not expect their outcome to have a material effect on Corporation's results or financial position.

Changes in accounting policies

(i) IFRS 16 – *Leases*

On January 1, 2019, the Corporation adopted on a fully retrospective basis the new rules under IFRS 16 which set out new principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The standard provides lessees with a single accounting model for all leases, with certain exemptions. In particular, lessees are required to report most leases on their balance sheets by recognizing right-of-use assets and related financial liabilities. Assets and liabilities arising from a lease are initially measured on a present value basis.

The adoption of IFRS 16 had significant impacts on the consolidated financial statements since all of the Corporation segments are engaged in various long-term leases relating to premises and equipment.

Under IFRS 16, most lease charges are now expensed as a depreciation of the right-of-use asset, along with an interest on the related lease liability. Since operating lease charges were recognized as operating expenses as they were incurred under the previous standard, the adoption of IFRS 16 has changed the timing of the recognition of these lease charges over the term of each lease. It has also affected the classification of expenses in the consolidated statements of income.

Principal payments on the lease liability are also now presented as financing activities in the consolidated statements of cash flows, whereas under the previous standard these payments were presented as operating activities.

The retroactive adoption of IFRS 16 had the following impacts on the comparative consolidated financial figures:

Consolidated statements of income and comprehensive income

Increase (decrease)		Three months ended March 31, 2018
Purchase of goods and services	$	(11.1)
Depreciation and amortization		8.1
Financial expenses		2.3
Deferred income tax expense		0.2
Net income and comprehensive income	$	0.5
Net income and comprehensive income attributable to:		
Shareholders	$	0.4
Non-controlling interest		0.1
Earnings per share attributable to shareholders	$	–

Consolidated balance sheets

Increase (decrease)	December 31, 2018	December 31, 2017
Other current assets	$ (2.2)	$ (2.2)
Property, plant and equipment	15.5	15.5
Right-of-use assets	112.6	133.5
Provisions	(1.5)	(1.4)
Lease liabilities[1]	144.4	167.9
Other liabilities	(4.3)	(3.4)
Deferred income tax liability	(3.3)	(4.3)
Deficit	9.2	7.2
Non-controlling interest	(0.2)	(4.8)

1 The current portion of lease liabilities is $36.0 million as of December 31, 2018 and $39.8 million as of December 31, 2017.

ii) IFRIC 23 - *Uncertainty over Income Tax Treatments*

IFRIC 23 provides guidance on how to value uncertain income tax positions based on the probability of whether or not the relevant tax authorities will accept the Corporation's tax treatments. The adoption of IFRIC 23 had no impact on the consolidated financial statements.

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, 2019 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, 2018.

The forward-looking statements in this Management Discussion and Analysis reflect the Corporation's expectations as of May 8, 2019, 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 8, 2019

QUEBECOR INC.

SELECTED QUARTERLY FINANCIAL DATA

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

	2019	2018				2017		
	March 31	Dec. 31[1]	Sept. 30[1]	June 30[1]	March 31[1]	Dec. 31[1]	Sept. 30[1]	June 30[1]
Revenues	**$ 1,027.3**	$ 1,087.1	$ 1,053.2	$ 1,038.7	$ 1,002.0	$ 1,059.5	$ 1,036.1	$ 1,034.0
Adjusted EBITDA	**420.7**	460.5	474.0	425.9	415.9	428.7	440.1	412.0
Contribution to net income attributable to shareholders:								
Continuing operating activities	**111.4**	133.3	141.6	105.9	89.5	83.9	103.3	87.0
(Loss) gain on valuation and translation of financial instruments	**(14.4)**	(11.5)	54.9	(75.7)	(29.1)	(7.8)	(79.1)	(36.2)
Unusual items	**(5.5)**	(5.5)	(10.2)	10.8	(3.8)	(5.6)	149.0	78.6
Discontinued operations	**97.5**	1.1	0.9	1.0	0.5	0.5	5.4	7.7
Net income attributable to shareholders	**189.0**	117.4	187.2	42.0	57.1	71.0	178.6	137.1
Basic data per share								
Contribution to net income attributable to shareholders:								
Continuing operating activities	**$ 0.44**	$ 0.52	$ 0.62	$ 0.44	$ 0.38	$ 0.35	$ 0.43	$ 0.36
(Loss) gain on valuation and translation of financial instruments	**(0.06)**	(0.05)	0.24	(0.32)	(0.12)	(0.03)	(0.33)	(0.15)
Unusual items	**(0.02)**	(0.02)	(0.05)	0.05	(0.02)	(0.03)	0.62	0.32
Discontinued operations	**0.38**	0.01	-	0.01	-	-	0.02	0.04
Net income attributable to shareholders	**0.74**	0.46	0.81	0.18	0.24	0.29	0.74	0.57
Weighted average number of shares outstanding (in millions)	**256.0**	255.1	232.8	233.5	235.9	239.7	241.4	242.8
Diluted data per share								
Contribution to net income attributable to shareholders:								
Continuing operating activities	**$ 0.43**	$ 0.51	$ 0.55	$ 0.40	$ 0.34	$ 0.32	$ 0.39	$ 0.32
Dilution impact	**0.01**	0.01	-	0.04	0.04	0.03	0.04	0.04
(Loss) gain on valuation and translation of financial instruments	**(0.06)**	(0.05)	-	(0.32)	(0.12)	(0.03)	(0.33)	(0.15)
Unusual items	**(0.02)**	(0.02)	(0.04)	0.05	(0.02)	(0.03)	0.62	0.32
Discontinued operations	**0.38**	0.01	-	0.01	-	-	0.02	0.04
Net income attributable to shareholders	**0.74**	0.46	0.51	0.18	0.24	0.29	0.74	0.57
Weighted average number of diluted shares outstanding (in millions)	**256.0**	255.5	268.8	239.4	236.3	240.0	241.8	243.2

[1] Comparative numbers have been restated to reflect the adoption of IFRS 16, *Leases*.