MANAGEMENT DISCUSSION AND ANALYSIS

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CORPORATE PROFILE

Quebecor Inc. is a holding company with an interest in Quebecor Media Inc., one of Canada's largest telecommunications and media groups. Quebecor Media Inc.'s subsidiaries operate in the following business segments: Telecommunications, Media, and Sports and Entertainment. Unless the context otherwise requires, in this Management Discussion and Analysis, "Quebecor" and the "Corporation" refer to Quebecor Inc. and its subsidiaries, and "Quebecor Media" refers to Quebecor Media Inc. and its subsidiaries.

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") 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's 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 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 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 3 provides a reconciliation of adjusted EBITDA to net income 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.

Through its Quebecor Media subsidiary, Quebecor is a leading Canadian telecommunications and media company engaged in the following lines of business: mobile and cable telephony; Internet access; cable television; over-the-top ("OTT") video service; business telecommunications solutions; broadcasting; soundstage and equipment rental; audiovisual content production and distribution; newspaper publishing and distribution; specialized websites; book and magazine publishing and distribution; rental and distribution of video games and game consoles; music production and distribution; out-of-home advertising; operation and management of a world-class entertainment venue; ownership and management of Quebec Major Junior Hockey League ("QMJHL") teams; concert production, and management and promotion of sporting and cultural events. Through its Videotron Ltd. ("Videotron") subsidiary, Quebecor Media is a leading mobile and cable communication service provider. Quebecor Media also holds leading positions through its Media segment and its Sports and Entertainment segment in the creation, promotion and distribution of entertainment and news, and in related Internet services, that are designed to appeal to audiences in every demographic category. Quebecor Media continues to pursue a convergence strategy to capture synergies within its portfolio of properties and to leverage the value of its content across multiple distribution platforms.

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

The Corporation's financial statements are prepared in accordance with IFRS.

DISCONTINUED OPERATIONS

On January 24, 2019, 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 paid by Videotron in the second quarter of 2019. The determination of the final proceeds from the sale is however subject to certain adjustments based on the realization of future conditions over a period of up to 10 years. Accordingly, a gain on disposal of $97.2 million, net of income taxes of $18.5 million, was accounted for in the first quarter of 2019, while an amount of $53.1 million from the proceeds received at the date of transaction was deferred in connection with the estimated present value of the future conditional adjustments. The results of operations and cash flows of these businesses were reclassified as discontinued operations in the consolidated statements of income and cash flows.

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

HIGHLIGHTS SINCE END OF 2018

- Quebecor's revenues totalled $4.29 billion in 2019, a $112.8 million (2.7%) increase from 2018.

Telecommunications

- The Telecommunications segment grew its revenues by $98.4 million (2.9%) and its adjusted EBITDA by $87.8 million (5.1%) in 2019.
- Videotron significantly increased its revenues from mobile telephony ($66.3 million or 12.4%), customer equipment sales ($36.3 million or 15.5%) and Internet access ($35.0 million or 3.2%) in 2019.
- Videotron's total average billing per unit ("ABPU") was $50.00 in 2019, compared with $49.51 in 2018, a $0.49 (1.0%) increase. Mobile ABPU was $52.56 in 2019 compared with $53.62 in 2018, a $1.06 (-2.0%) decrease due in part to the popularity of bring your own device ("BYOD") plans.
- Videotron posted a net increase of 85,900 revenue-generating units ("RGU") (1.4%) in 2019, including 176,700 subscriber connections (15.3%) to the mobile telephony service, the largest annual increase in the number of connections since the launch of the mobile network in 2010; 38,500 subscribers (9.1%) to the Club illico OTT video service ("Club illico"), and 22,800 subscribers (1.3%) to cable Internet access.
- On December 23, 2019, Videotron announced the closing of the acquisition of Télédistribution Amos inc. and its network in Abitibi-Témiscamingue. The acquisition is subject to approval from Innovation, Science and Economic Development Canada ("ISED Canada") and to customary conditions.
- On December 13, 2019, Videotron announced that Samsung Electronics Co. Ltd. has been chosen as its partner for the roll-out of LTE-A and 5G radio access technology in Québec and in the Ottawa area. In this phase, Videotron will accelerate construction of its new generation network with a target of gradual commissioning beginning in 2020.
- On August 27, 2019, Videotron launched Helix, the new technology platform that is revolutionizing entertainment and home management with voice remote, ultra-intelligent Wi-Fi, and, coming soon, support for home automation, all tailored to customer needs and preferences.
- On April 10, 2019, Videotron purchased 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, were acquired for $255.8 million.
- Videotron earned numerous honours in 2019. It ranked first on the Top-Rated Workplace: Best in Québec list based on reviews posted on Indeed, Canada's leading jobs site. Videotron ranked as the most respected telecommunications company in Québec for the 14th consecutive year in the 2019 Léger reputation survey, and it was the most influential telecommunications brand in Québec for the 6th consecutive year on the 2019 Ipsos-*Infopresse* index. Lastly, Videotron made its appearance on Mediacorp Canada Inc.'s list of Canada's 70 greenest employers in 2019.

Media

- The Media segment grew its revenues by $9.4 million (1.3%) and its adjusted EBITDA by $14.8 million (24.7%) in 2019.
- According to the fall 2019 Vividata survey, *Le Journal de Montréal, Le Journal de Québec* and the free daily *24 heures* remain Québec's news leaders with more than 4.0 million readers per week across all platforms (print, mobile and Internet). TVA Group Inc. ("TVA Group") remains a leading player in the Canadian magazine industry with nearly 9.0 million readers across all platforms.
- On April 1, 2019, TVA Group closed the acquisition of the companies in the Incendo Media inc. ("Incendo Media") group, a Montréal-based producer and distributor of television programs for international markets, for a cash consideration of $11.1 million (net of cash acquired of $0.9 million) and a balance payable at fair value of $6.8 million. An amount of $0.6 million relating to certain post-closing adjustments was also received in the third quarter of 2019.
- On February 13, 2019, TVA Group closed the acquisition of the companies in the Serdy Média inc. ("Serdy Média") group, which owns and operates the Évasion and Zeste specialty channels, along with the companies in the Serdy Video Inc. ("Serdy Video") group, for a total consideration of $23.5 million, net of acquired cash of $0.5 million. Post-closing adjustments of $1.6 million were also paid in the third quarter of 2019. The transaction was announced on May 1, 2018 and received Canadian Radio-television and Telecommunications Commission ("CRTC") approval on January 14, 2019.

Sports and Entertainment

- In September 2019, the Videotron Centre completed its fourth year of operations. During that year, the Videotron Centre hosted 97 sporting events and concerts, a 6.6% increase from the previous year. In December 2019, the trade magazine *Pollstar* ranked the Videotron Centre 92nd in the world and 6th in Canada among arenas by 2019 ticket sales.

Financial transactions

- On March 11, 2020, the Board of Directors of Quebecor declared a quarterly dividend of $0.20 per share on the Corporation's Class A Multiple Voting Shares ("Class A Shares") and Class B Shares, an increase of 78% of the quarterly dividend and in line with the objective of gradually achieving a dividend target of 30% to 50% of the Corporation's annual free cash flows.
- On February 21, 2020, TVA Group amended its secured revolving credit facility to extend its term from February 2020 to February 2021, to reduce the amount available for borrowing from $150.0 million to $75.0 million and to amend certain terms and conditions of the facility. On February 13, 2019, TVA Group amended this secured revolving credit facility to extend its term to February 2020 and to amend certain terms and conditions of the facility.
- On October 8, 2019, Videotron issued $800.0 million aggregate principal amount of 4.50% Senior Notes maturing on January 15, 2030, for net proceeds of $790.7 million, net of financing fees of $9.3 million. Videotron used the proceeds mainly to pay down a portion of the amount due under its secured revolving credit facility.
- On July 15 2019, Quebecor Media prepaid the balance of its term loan "B" and settled the related hedging contracts for a total cash consideration of $340.9 million.
- On February 15, 2019, Quebecor Media amended its $300.0 million secured revolving credit facility, extending its term to July 2022 and to amend certain terms and conditions of the facility.

TREND INFORMATION

Competition continues to intensify in the mobile and cable telephony, Internet access, cable television and OTT video markets. Due to ongoing technological developments, the distinction between those platforms is fading rapidly and we expect increasing competition from non-traditional businesses across the key business segments of the Corporation. Competition also comes from wholesale Internet resellers. These resellers purchase large companies' high-speed access services to offer their own services to customers. Thus, the subscriber growth recorded in the Telecommunications sector in past years is not necessarily representative of future growth.

Moreover, the Telecommunications segment has in the past required substantial capital for the upgrade, expansion and maintenance of its mobile and cable networks, the launch and expansion of new or additional services to support growth in its customer base and demand for increased bandwidth capacity and other services. The Corporation expects that additional capital expenditures will be required in the short and medium term to expand and maintain the Telecommunications segment's systems and services, including expenditures relating to the cost of its mobile services infrastructure, maintenance and enhancement, as well as costs relating to advancements in LTE-Advanced and 5G mobile technologies, network virtualisation and automation, Internet access capacity and speed, ultra-high-definition television, Internet of Things, Internet Protocol Television ("IPTV") and OTT delivery technology, as well as the introduction of virtual reality and home automation. In addition, the demand for wireless data services has been growing constantly and is projected to continue to grow in the future. The anticipated levels of data traffic will represent an increasing challenge to the current mobile network's capabilities to support this traffic and we may have to acquire additional spectrum in the future.

Some of Quebecor Media's lines of business are cyclical in nature. They are dependent on advertising and, particularly in the newspaper and magazine businesses, on circulation sales. Operating results are therefore sensitive to prevailing economic conditions.

The Media industry has experienced fundamental and permanent structural changes. Generalized audience fragmentation has prompted many advertisers to review their media placement strategies and turn an important part of their advertising budgets over to international competitors operating solely in digital media. In the broadcasting industry, audiences are increasingly fragmented as viewing habits have shifted toward Internet based content delivery platforms that allow users greater control over content and timing, such as the OTT video services. The Corporation's Media segment has taken steps in order to maintain its leadership position and offer audiences and advertisers alike the best available content, when they want it and on the media platform they want.

Moreover, newspaper and magazine circulation, measured in terms of copies sold, has been declining in that industry over the past several years. The traditional run of press advertising for major multimarket retailers has been declining due to a shift in marketing strategy toward other media and to retail industry consolidation. To respond to such competition, the Media segment's operations have developed their Internet presence through branded websites, including specialized websites.

The Sports and Entertainment segment has made significant investments in its efforts to develop the business. The Corporation expects that additional capital expenditures and other investments will be required to expand the Sports and Entertainment segment despite not operating in a major market.

In the books and music businesses, digital technology has disrupted buying and consuming habits, particularly with the emergence of vehicles such as music streaming and e-books, which compete with conventional formats.

INTEREST IN SUBSIDIARIES

As of December 31, 2019, Quebecor held a 100% interest in Quebecor Media. The Corporation's interest in Quebecor Media increased from 81.53% to 100.0% as a result of the repurchase by Quebecor Media, on May 11 and June 22, 2018, of 16,064,215 of its Common Shares held by CDP Capital, and the purchase by Quebecor on June 22, 2018 of 1,564,696 shares of Quebecor Media held by CDP Capital.

Table 1 shows Quebecor Media's equity interest in its main subsidiaries at December 31, 2019.

Table 1
Quebecor Media's interest (direct and indirect) in its main subsidiaries
As of December 31, 2019

	Percentage of vote	**Percentage of equity**
Videotron Ltd.	100.0%	100.0%
TVA Group Inc.	99.9	68.4
MediaQMI Inc.	100.0	100.0
QMI Spectacles inc.	100.0	100.0

Quebecor Media's interest in its subsidiaries has not varied significantly over the past two years.

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, litigation 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 2 provides a reconciliation of adjusted EBITDA to net income as disclosed in Quebecor's consolidated financial statements. The consolidated financial information for the three-month periods ended December 31, 2019 and 2018 presented in Table 2 is drawn from the unaudited consolidated statements of income.

Table 2
Reconciliation of the adjusted EBITDA measure used in this report to the net income measure used in the consolidated financial statements
(in millions of Canadian dollars)

	Years ended December 31		Three months ended December 31	
	2019	2018	**2019**	2018
Adjusted EBITDA (negative adjusted EBITDA):				
Telecommunications	**$ 1,803.4**	$ 1,715.6	**$ 462.7**	$ 435.4
Media	**74.8**	60.0	**35.3**	28.5
Sports and Entertainment	**7.3**	10.5	**2.6**	3.3
Head Office	**(6.0)**	(9.8)	**(6.1)**	(6.7)
	1,879.5	1,776.3	**494.5**	460.5
Depreciation and amortization	**(750.4)**	(753.1)	**(186.3)**	(190.4)
Financial expenses	**(327.5)**	(332.0)	**(81.4)**	(86.4)
Loss on valuation and translation of financial instruments	**(6.5)**	(61.3)	**(14.6)**	(10.6)
Restructuring of operations, litigation and other items	**(28.6)**	(29.1)	**(1.6)**	(7.0)
Income taxes	**(205.7)**	(162.8)	**(60.3)**	(46.6)
Income from discontinued operations	**97.5**	3.8	**–**	1.1
Net income	**$ 658.3**	$ 441.8	**$ 150.3**	$ 120.6

Adjusted EBITDA without restatement of comparative figures

Table 3 provides a reconciliation of adjusted EBITDA to net income without restatement of comparative figures following adoption of IFRS 16.

Table 3
Reconciliation of the adjusted EBITDA measure used in this report to the net income measure used in the consolidated financial statements, without restatement of comparative figures following the adoption of IFRS 16
(in millions of Canadian dollars)

	Years ended December 31		Three months ended December 31	
	2019	2018	**2019**	2018
Adjusted EBITDA (negative adjusted EBITDA):				
Telecommunications	**$ 1,803.4**	$ 1,677.0	**$ 462.7**	$ 425.9
Media	**74.8**	55.3	**35.3**	27.5
Sports and Entertainment	**7.3**	5.0	**2.6**	1.9
Head Office	**(6.0)**	(5.2)	**(6.1)**	(5.3)
	1,879.5	1,732.1	**494.5**	450.0
Depreciation and amortization	**(750.4)**	(720.2)	**(186.3)**	(182.2)
Financial expenses	**(327.5)**	(323.5)	**(81.4)**	(84.4)
Loss on valuation and translation of financial instruments	**(6.5)**	(61.3)	**(14.6)**	(10.6)
Restructuring of operations, litigation and other items	**(28.6)**	(29.8)	**(1.6)**	(7.7)
Income taxes	**(205.7)**	(161.9)	**(60.3)**	(46.4)
Income from discontinued operations	**97.5**	3.8	**–**	1.1
Net income	**$ 658.3**	$ 439.2	**$ 150.3**	$ 119.8

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, 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 4 provides a reconciliation of adjusted income from continuing operating activities to the net income attributable to shareholders' measure used in Quebecor's consolidated financial statements. The consolidated financial information for the three-month periods ended December 31, 2019 and 2018 presented in Table 4 is drawn from the unaudited consolidated statements of income.

Table 4
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 consolidated financial statements
(in millions of Canadian dollars)

	Years ended December 31		Three months ended December 31	
	2019	2018	**2019**	2018
Adjusted income from continuing operating activities	**$ 581.0**	$ 469.8	**$ 159.6**	$ 132.9
Loss on valuation and translation of financial instruments	**(6.5)**	(61.3)	**(14.6)**	(10.6)
Restructuring of operations, litigation and other items	**(28.6)**	(29.1)	**(1.6)**	(7.0)
Income taxes related to adjustments[1]	**8.0**	19.0	**1.4**	1.1
Net income attributable to non-controlling interest related to adjustments	**1.4**	1.8	**0.3**	–
Discontinued operations	**97.5**	3.5	**–**	1.1
Net income attributable to shareholders	**$ 652.8**	$ 403.7	**$ 145.1**	$ 117.5

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 (excluding disbursements for licence acquisitions and renewals), plus proceeds from disposal of assets. 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 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 (excluding disbursements for licence acquisitions and renewals), plus proceeds from disposal of assets. Free cash flows from continuing operating activities is used by the Corporation's management and Board of Directors to evaluate cash flows generated by the 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 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.

2019/2018 FINANCIAL YEAR COMPARISON

Analysis of consolidated results of Quebecor

Revenues: $4.29 billion, a $112.8 million (2.7%) increase.

- Revenues increased in Telecommunications ($98.4 million or 2.9% of segment revenues), Sports and Entertainment ($10.1 million or 5.5%) and Media ($9.4 million or 1.3%).

Adjusted EBITDA: $1.88 billion, a $103.2 million (5.8%) increase. Without restatement of comparative figures following adoption of IFRS 16, adjusted EBITDA increased by $147.4 million (8.5%).

- Adjusted EBITDA increased in Telecommunications ($87.8 million or 5.1% of segment adjusted EBITDA). Without restatement of comparative figures following adoption of IFRS 16, adjusted EBITDA increased by $126.4 million (7.5%).
- Adjusted EBITDA increased in Media ($14.8 million or 24.7%).
- There was a favourable variance at Head Office ($3.8 million), mainly due to lower stock-based compensation costs.
- Adjusted EBITDA decreased in Sports and Entertainment ($3.2 million or -30.5%).
- The change in the fair value of Quebecor Media stock options resulted in a $7.4 million favourable variance in the stock-based compensation charge in 2019 compared with 2018. The change in the fair value of Quebecor stock options and in the value of Quebecor stock-price-based share units resulted in a $1.6 million unfavourable variance in the Corporation's stock-based compensation charge in 2019.

Net income attributable to shareholders: $652.8 million ($2.55 per basic share) in 2019, compared with $403.7 million ($1.69 per basic share) in 2018, an increase of $249.1 million ($0.86 per basic share).

- The main favourable variances were:
  - $103.2 million increase in adjusted EBITDA;
  - $93.7 million favourable variance in income from discontinued operations;
  - $54.8 million favourable variance in losses on valuation and translation of financial instruments, including $54.7 million without any tax consequences;
  - $32.6 million favourable variance in non-controlling interest.
- The unfavourable variance was mainly due to:
  - $42.9 million increase in the income tax expense.

Net income attributable to shareholders without restatement of comparative figures following adoption of IFRS 16 was $652.8 million in 2019, compared with $401.3 million in 2018, a $251.5 million increase.

Adjusted income from continuing operating activities: $581.0 million ($2.27 per basic share) in 2019, compared with $469.8 million ($1.96 per basic share) in 2018, an increase of $111.2 million ($0.31 per basic share) or 23.7%.

Depreciation and amortization charge: $750.4 million in 2019, a $2.7 million decrease.

Financial expenses: $327.5 million in 2019, a $4.5 million decrease. Reductions in financial expenses were caused mainly by lower interest on convertible debentures and a lower average interest rate on the debt. Additions to financial expenses were caused mainly by higher average indebtedness as a result of debt financing of 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.

Loss on valuation and translation of financial instruments: $6.5 million in 2019 compared with $61.3 million in 2018. The $54.8 million favourable variance was due to a $54.7 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: $28.6 million in 2019, compared with $29.1 million in 2018.

- A $9.8 million net restructuring charge was recognized in 2019 in connection with cost-reduction initiatives in the Corporation's various segments ($14.2 million in 2018). An $18.8 million charge for impairment of assets was also recognized in 2019 in connection with restructuring initiatives ($14.9 million in 2018).

Income tax expense: $205.7 million in 2019 (effective tax rate of 26.6%), compared with $162.8 million in 2018 (effective tax rate of 24.6%), a $42.9 million unfavourable variance. The increase in the effective tax rates reflects recognition of benefits arising from prior year tax losses in 2018. This increase in the tax rate, combined with the impact of the increase in taxable income for tax purposes, explains the increase in the income tax expense in 2019 compared with 2018. The effective tax rate is calculated considering only taxable and deductible items.

SEGMENTED ANALYSIS

Telecommunications

In Quebecor Media's Telecommunications segment, Videotron is the largest cable operator in Québec and the third-largest in Canada by customer base. Its state-of-the-art network passes 2,950,100 homes and businesses. Videotron offers advanced mobile telephony services, including high-speed Internet access, mobile television and many other functionalities supported by smartphones; Internet access service; digital cable television services, including video-on-demand, pay-per-view and pay TV; cable telephony services; and Club illico. Videotron also includes Videotron Business, a full-service business telecommunications provider that offers mobile and cable telephony, high-speed data transmission, Internet access and cable television services. In August 2019, Videotron launched Helix, the new technology platform that is revolutionizing entertainment and home management with voice remote, ultra-intelligent Wi-Fi, and, coming soon, support for home automation, all tailored to customer needs and preferences.

The segment is also engaged in retail sales and rentals of DVDs, Blu-ray discs and console games through the Le SuperClub Vidéotron ltée subsidiary and its franchise network.

2019 operating results

Revenues: $3.48 billion in 2019, a $98.4 million (2.9%) increase.

- Revenues from the mobile telephony service increased $66.3 million (12.4%) to $600.7 million, essentially due to an increase in the number of subscriber connections, partially offset by a decrease in average per-subscriber revenues.
- Revenues from Internet access services increased $35.0 million (3.2%) to $1.11 billion, due mainly to higher per-subscriber revenues, reflecting among other things the impact of a favourable product mix and increases in some rates, and to an increase in the customer base, partially offset by a decrease in overage charges.
- Total revenues from cable television services decreased $22.3 million (-2.2%) to $974.4 million, due primarily to the impact of the net decrease in the customer base, partially offset by higher per-customer revenues resulting from, among other things, the impact of increases in some rates.
- Revenues from the cable telephony service decreased $27.5 million (-7.5%) to $341.1 million, mainly because of the impact of the net decrease in subscriber connections.
- Revenues from customer equipment sales increased $36.3 million (15.5%) to $269.8 million, mainly because of the impact of equipment sales related to the new Helix platform launched on August 27, 2019.
- Other revenues increased $10.6 million (6.3%) to $180.1 million, mainly reflecting revenue increases at Club illico and at Videotron Business.

ABPU: Videotron's total ABPU was $50.00 in 2019 compared with $49.51 in 2018, a $0.49 (1.0%) increase. Mobile ABPU was $52.56 in 2019 compared with $53.62 in 2018, a $1.06 (-2.0%) decrease due in part to the popularity of BYOD plans.

Customer statistics

RGUs – The total number of RGUs was 6,076,200 at December 31, 2019, an increase of 85,900 (1.4%) in 2019 compared with an increase of 109,200 in 2018 (Table 5).

Mobile telephony – The number of subscriber connections to the mobile telephony service stood at 1,330,500 at December 31, 2019, an increase of 176,700 (15.3%) in 2019 compared with an increase of 129,800 in 2018 (Table 5). The 2019 annual increase in the number of connections was the largest since the launch of the mobile network in 2010.

Cable Internet access – The number of subscribers to cable Internet access services stood at 1,727,300 at December 31, 2019, an increase of 22,800 (1.3%) in 2019 compared with an increase of 38,000 in 2018 (Table 5). As of December 31, 2019, Videotron's cable Internet access services had a household and business penetration rate (number of subscribers as a proportion of the total 2,950,100 homes and businesses passed by Videotron's network as of December 31, 2019, up from 2,907,900 one year earlier) of 58.6%, the same as a year earlier.

Cable television – The number of subscribers to cable television services stood at 1,531,800 at December 31, 2019, a decrease of 65,500 (-4.1%) in 2019 compared with a decrease of 43,200 in 2018 (Table 5). At December 31, 2019, the cable television service had a household and business penetration rate of 51.9% versus 54.9% a year earlier.

Cable telephony – The number of subscriber connections to the cable telephony service stood at 1,027,300 at December 31, 2019, a decrease of 86,600 (-7.8%) in 2019 compared with a decrease of 74,600 in 2018 (Table 5). At December 31, 2019, the cable telephony service had a household and business penetration rate of 34.8% versus 38.3% a year earlier.

Club illico – The number of subscribers to Club illico stood at 459,300 at December 31, 2019, an increase of 38,500 (9.1%) in 2019 compared with an increase of 59,200 in 2018 (Table 5).

Table 5
Telecommunications segment year-end RGUs (2015-2019)
(in thousands of customers)

	2019	2018	2017	2016	2015
Mobile telephony	**1,330.5**	1,153.8	1,024.0	893.9	768.6
Cable Internet	**1,727.3**	1,704.5	1,666.5	1,612.8	1,568.2
Cable television	**1,531.8**	1,597.3	1,640.5	1,690.9	1,736.9
Cable telephony	**1,027.3**	1,113.9	1,188.5	1,253.1	1,316.3
Club illico	**459.3**	420.8	361.6	314.7	257.5
Total	**6,076.2**	5,990.3	5,881.1	5,765.4	5,647.5

Adjusted EBITDA: $1.80 billion, an $87.8 million (5.1%) increase due primarily to:

- impact of the net revenue increase;
- net decrease in operating expenses, reflecting in part the impact of a one-time gain, the favourable impact of a reversal of a provision in connection with a lawsuit, as well as lower engineering expenses, partially offset by the unfavourable impact of start-up expenses for Fizz.

Partially offset by:

- retroactive favourable adjustment recorded in 2018 related to roaming fees following a CRTC decision (creating an unfavourable variance in 2019 when compared with 2018);
- higher cost of mobile telephony and cable television equipment sales, reflecting in part the impact of the cost of equipment related to the new Helix platform.

Adjusted EBITDA without restatement of comparative figures following adoption of IFRS 16 increased by $126.4 million (7.5%).

Cost/revenue ratio: Employee costs and purchase of goods and services for all Telecommunications segment operations, expressed as a percentage of revenues, were 48.2% in 2019, compared with 49.3% in 2018, mainly because of the decrease in operating expenses, reflecting in part the impact of a one-time gain, the favourable impact of a reversal of a provision in connection with a lawsuit, and the fixed component of costs, which does not fluctuate in proportion to revenue growth.

Cash flows from operations

Cash flows from segment operations: $1.12 billion in 2019 compared with $1.02 billion in 2018 (Table 6). The $100.6 million increase was due primarily to the $87.8 million increase in adjusted EBITDA and a $36.4 million decrease in additions to property, plant and equipment, mainly attributable to lower spending related to the leasing of digital set-top boxes, partially offset by a $22.0 million increase in additions to intangible assets, due primarily to investment in the IPTV project.

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

		2019		2018
Adjusted EBITDA	**$**	**1,803.4**	$	1,715.6
Additions to property, plant and equipment		**(476.8)**		(513.2)
Additions to intangible assets (excluding acquisition of spectrum licences)		**(212.2)**		(190.2)
Proceeds from disposal of assets		**4.1**		5.7
Cash flows from segment operations	**$**	**1.118.5**	$	1,017.9

Media

In the Media segment, TVA Group operates the largest French-language private television network in North America. TVA Group is the sole owner of 6 of the 10 television stations in the TVA Network, as well as the specialty channels TVA Sports, LCN, addik^{TV}, Prise 2, Yoopa, CASA, MOI ET CIE, Évasion and Zeste. TVA Group also holds interests in two other TVA Network affiliates and is engaged in commercial production. In addition to linear television, TVA Network and the specialty channels broadcast on-demand streaming content over multiplatform applications, including the *tva.ca* website and the TVA mobile app, which provide free access to TVA Network programs and to some specialty channel content in high definition, live or on demand.

Through its subsidiaries, TVA Group owns Mels Studios and Postproduction G.P. and Mels Dubbing Inc., providers of soundstage, equipment and mobile unit rental, postproduction, dubbing and visual effects services to the film and television industries.

Since the acquisition of the companies in the Incendo Media group on April 1, 2019, TVA Group has been engaged in the production and distribution of television programs, movies and series for international markets.

TVA Group publishes more than 50 French- and English-language magazine titles in various categories, including show business, television, fashion and decorating. It also markets digital products associated with the various magazine brands and provides custom publishing services. TVA Group is the largest magazine publisher in Québec.

The Media segment also operates two paid daily newspapers, *Le Journal de Montréal* and *Le Journal de Québec*, the free daily *24 heures* and the J5 app, which provides real-time access to news on mobile devices, tablets and Apple Watch. The websites of the paid dailies*, journaldemontreal.com* and *journaldequebec.com*, lead the news sites in their markets with more than 4.1 million visitors per month (source: ComScore, November 2019). According to corporate figures, the aggregate circulation of the Media segment's paid and free newspapers as of December 31, 2019 was approximately 2.3 million copies per week in print and electronic formats.

In addition, the Media segment includes NumériQ inc.("NumériQ"), which brings together digital content and strategy production assets harnessed to create digital platforms and content for the Corporation's various platforms, and it operates a number of other digital brands, including *Le Guide de l'auto, Le sac de chips, Pèse sur Start, Silo 57* and *Tabloïd.* NumériQ also owns QUB radio, an online and mobile audio platform with a live radio stream and a library of podcasts.

The Corporation's apps and websites log a combined total of more than 7.6 million unique visitors per month in Canada (source: ComScore, December 2019).

The Media segment is also engaged in printing newspapers, distributing newspapers and magazines, and out-of-home advertising. In addition, the segment includes QMI Agency, a news agency that provides content to all Quebecor Media properties, as well as Quebecor Media Sales, which offers Media segment customers integrated, diversified and complete advertising services.

2019 operating results

Revenues: $738.0 million in 2019, a $9.4 million (1.3%) increase.

- Subscription revenues increased by $8.9 million (4.4%), mainly from the specialty channels, reflecting in part the impact of the acquisition of the Évasion and Zeste specialty channels on February 13, 2019, partially offset by lower magazine subscription revenues.
- Other revenues increased by $13.1 million (7.5%), mainly because of higher revenues from the production and distribution of audiovisual content following the acquisition of the companies in the Incendo Media group on April 1, 2019, combined with higher revenues from film production and audiovisual services.
- Advertising revenues decreased by $12.6 million (-3.6%), mainly because of lower advertising revenues at the newspapers and magazines, partially offset by higher advertising revenues at the specialty channels, including Évasion and Zeste.

Adjusted EBITDA: $74.8 million in 2019, a $14.8 million (24.7%) favourable variance due primarily to:

- decreases in some operating expenses, reflecting in part the impact of the budget cuts announced in the second quarter of 2019, lower content costs in the broadcasting business, lower editorial, selling, labour and administration costs in the newspaper publishing business, and lower subscription costs in the magazines business;
- the acquired businesses' contribution to adjusted EBITDA.

Partially offset by:

- impact of lower revenues, on a comparable basis;
- increased digital investments.

Cost/revenue ratio: Employee costs and purchases of goods and services for the Media segment's operations, expressed as a percentage of revenues, were 89.9% in 2019 compared with 91.8% in 2018. The reduction was mainly due to the decrease in operating expenses and the contribution of business acquisitions.

Cash flows from operations

Cash flows from segment operations: $28.2 million in 2019, compared with $30.2 million in 2018 (Table 7). The $2.0 million decrease was due to the $13.1 million increase in additions to property, plant and equipment and to intangible assets, mainly attributable to spending on digital, and the $3.7 million decrease in proceeds from disposal of assets, partially offset by the $14.8 million increase in adjusted EBITDA.

Table 7: Media
Cash flows from operations
(in millions of Canadian dollars)

	2019	2018
Adjusted EBITDA	**$ 74.8**	$ 60.0
Additions to property, plant and equipment	**(21.8)**	(28.7)
Additions to intangible assets	**(24.8)**	(4.8)
Proceeds from disposal of assets	**–**	3.7
Cash flows from segment operations	**$ 28.2**	$ 30.2

Sports and Entertainment

The Sports and Entertainment segment includes management and operation of the Videotron Centre under an agreement between Quebecor Media and Québec City for usage and naming rights to the arena that was ratified in 2011 and runs through 2040. The segment leases the arena, exploits advertising space, generates sponsorship revenues and operates the food concessions at events. The segment's activities also include production and coproduction of shows presented at the Videotron Centre and other venues. In addition, the Sports and Entertainment segment operates sports and cultural events manager Event Management Gestev Inc., which is the official imprint for shows and events produced in Québec by Quebecor Media.

The Sports and Entertainment segment includes the activities of the QMJHL hockey teams Armada de Blainville-Boisbriand and Remparts de Québec.

As well, the Sports and Entertainment segment includes educational publisher CEC Publishing Inc.; Sogides Group Inc., which is engaged in general literature publishing through its 18 publishing houses; and Messageries A.D.P. inc., which distributes print books and e-books, and which is the exclusive distributor for more than 260 Québec and European French-language publishers.

The Sports and Entertainment segment is engaged in the distribution of CDs and videos (Distribution Select); the distribution of music to Internet music downloading and streaming services (Select Digital); music recording and video production (Disques Musicor); and concert and event production (Musicor Spectacles).

2019 operating results

Revenues: $192.2 million in 2019, a $10.1 million (5.5%) increase due mainly to higher revenues from book distribution.

Adjusted EBITDA: $7.3 million in 2019, a $3.2 million (-30.5%) decrease due mainly to decreased contribution to margin from book distribution, lower revenues from educational publishing, and increased operating expenses for the Music business, partially offset by lower operating expenses for the concerts business.

Cash flows from operations

Cash flows from segment operations: $2.6 million in 2019, compared with $5.5 million in 2018 (Table 8). The $2.9 million unfavourable variance was mainly due to the $3.2 million unfavourable variance in adjusted EBITDA.

Table 8: Sports and Entertainment
Cash flows from operations
(in millions of Canadian dollars)

	2019	2018
Adjusted EBITDA	**$ 7.3**	$ 10.5
Additions to property, plant and equipment	**(1.3)**	(1.5)
Additions to intangible assets	**(3.5)**	(3.5)
Proceeds from disposal of assets	**0.1**	–
Cash flows from segment operations	**$ 2.6**	$ 5.5

2019/2018 FOURTH QUARTER COMPARISON

Analysis of consolidated results of Quebecor

Revenues: $1.14 billion, a $49.1 million (4.5%) increase.

- Revenues increased in Telecommunications ($42.5 million or 4.9% of segment revenues), Media ($10.0 million or 5.1%), and Sports and Entertainment ($1.2 million or 2.2%).

Adjusted EBITDA: $494.5 million, a $34.0 million (7.4%) increase. Without restatement of comparative figures following adoption of IFRS 16, adjusted EBITDA increased by $44.5 million (9.9%).

- Adjusted EBITDA increased $27.3 million (6.3%) in the Telecommunications segment. Without restatement of comparative figures following adoption of IFRS 16, the segment's adjusted EBITDA increased by $36.8 million (8.6%).
- Adjusted EBITDA increased in Media ($6.8 million or 23.9%).
- There was a favourable variance at Head Office ($0.6 million).
- Adjusted EBITDA decreased in Sports and Entertainment ($0.7 million or -21.2%).
- The change in the fair value of Quebecor Media stock options resulted in a $2.1 million favourable variance in the stock-based compensation charge in the fourth quarter of 2019 compared with the same period of 2018. The change in the fair value of Quebecor stock options and in the value of Quebecor stock-price-based share units resulted in a $1.8 million unfavourable variance in the Corporation's stock-based compensation charge in the fourth quarter of 2019.

Net income attributable to shareholders: $145.1 million ($0.57 per basic share) in the fourth quarter of 2019, compared with $117.5 million ($0.46 per basic share) in the same period of 2018, a favourable variance of $27.6 million ($0.11 per basic share).

- The main favourable variances were:
  - $34.0 million increase in adjusted EBITDA;
  - $5.4 million decrease in the charge for restructuring of operations, litigation and other items;
  - $5.0 million decrease in financial expenses;
  - $4.1 million decrease in the depreciation and amortization charge.
- The main unfavourable variances were:
  - $13.7 million increase in the income tax expense;
  - $4.0 million unfavourable variance in losses on valuation and translation of financial instruments, including $1.6 million without any tax consequences.

Net income attributable to shareholders without restatement of comparative figures following adoption of IFRS 16 was $145.1 million in the fourth quarter of 2019, compared with $116.9 million in the same period of 2018, a $28.2 million increase.

Adjusted income from continuing operating activities: $159.6 million ($0.63 per basic share) in the fourth quarter of 2019, compared with $132.9 million ($0.52 per basic share) in the same period of 2018, an increase of $26.7 million ($0.11 per basic share) or 20.1%.

Depreciation and amortization charge: $186.3 million in the fourth quarter of 2019, a $4.1 million decrease due primarily to decreased spending related to the leasing of digital set-top boxes.

Financial expenses: $81.4 million in 2019, a $5.0 million decrease caused mainly by lower average indebtedness and a favourable variance in gains and losses on foreign currency translation of short-term monetary items, partially offset by a higher average interest rate on the debt.

Loss on valuation and translation of financial instruments: $14.6 million in 2019 compared with $10.6 million in the same period of 2018. The $4.0 million unfavourable variance was due to a $1.6 million unfavourable variance, without any tax consequences, in gains and losses on embedded derivatives related to convertible debentures, combined with current variances in the fair value of other derivative financial instruments.

Charge for restructuring of operations, litigation and other items: $1.6 million in the fourth quarter of 2019 compared with $7.0 million in the same period of 2018, a $5.4 million favourable variance.

- A $1.6 million net charge was recognized in the fourth quarter of 2019 in connection with cost-reduction initiatives in the Corporation's various segments ($7.0 million in the fourth quarter of 2018).

Income tax expense: $60.3 million in 2019 (effective tax rate of 27.0%), compared with $46.6 million in 2018 (effective tax rate of 26.3%), a $13.7 million unfavourable variance caused essentially by the impact of the increase in taxable income. The effective tax rate is calculated considering only taxable and deductible items.

SEGMENTED ANALYSIS

Telecommunications

Revenues: $908.6 million, a $42.5 million (4.9%) increase due essentially to the same factors as those noted above under "2019/2018 financial year comparison."

- Revenues from the mobile telephony service increased $17.7 million (12.7%) to $157.2 million.
- Revenues from Internet access services increased $8.6 million (3.1%) to $282.7 million.
- Total revenues from cable television services decreased $9.5 million (-3.8%) to $239.5 million.
- Revenues from cable telephony service decreased $6.1 million (-6.8%) to $83.7 million.
- Revenues from customer equipment sales increased $28.7 million (40.5%) to $99.6 million.
- Other revenues increased $3.1 million (7.2%) to $45.9 million.

ABPU: Videotron's total ABPU was $49.99 in the fourth quarter of 2019 compared with $49.84 in the same period of 2018, a $0.15 (0.3%) increase. Mobile ABPU was $51.89 in the fourth quarter of 2019, compared with $53.25 in the same period of 2018, a $1.36 (-2.6%) decrease due in part to the popularity of BYOD plans.

Customer statistics

RGUs – 21,800 (0.4%) unit increase in the fourth quarter of 2019 compared with an increase of 34,400 in the same period of 2018.

Mobile telephony – 41,800 (3,2%) subscriber-connection increase in the fourth quarter of 2019 compared with an increase of 33,100 in the same period of 2018. The 2019 fourth-quarter increase in the number of connections was the largest since 2014.

Cable Internet access – 3,000 (0.2%) subscriber increase in the fourth quarter of 2019 compared with an increase of 7,000 in the same period of 2018.

Cable television – 13,400 (-0.9%) subscriber decrease in the fourth quarter of 2019 compared with a decrease of 6,400 in the same period of 2018.

Cable telephony – 25,400 (-2.4%) subscriber-connection decrease in the fourth quarter of 2019 compared with a decrease of 17,200 in the same period of 2018.

Club illico – 15,800 (3.6%) subscriber increase in the fourth quarter of 2019 compared with an increase of 17,900 in the same period of 2018.

Adjusted EBITDA: $462.7 million, a $27.3 million (6.3%) increase due primarily to:

- impact of the net revenue increase;
- favourable impact of a reversal of a provision in connection with a lawsuit.

Partially offset by:

- net increase in operating expenses, reflecting in part the impact of a favourable retroactive adjustment to taxes on the network recorded in 2018 (creating an unfavourable variance in 2019 compared with 2018), plus the unfavourable impact of start-up expenses for Fizz, partially offset by a decrease in engineering and advertising expenses.

Adjusted EBITDA without restatement of comparative figures following adoption of IFRS 16 increased by $36.8 million (8.6%).

Cost/revenue ratio: Employee costs and purchase of goods and services for all Telecommunications segment operations, expressed as a percentage of revenues, were 49.1% in the fourth quarter of 2019 compared with 49.7% in the same period of 2018.

Media

Revenues: $208.0 million in the fourth quarter of 2019, a $10.0 million (5.1%) increase.

- Subscription revenues increased by $4.1 million (8.1%), mainly because of higher subscription revenues at the specialty channels, including the impact of the acquisition of Évasion and Zeste, and favourable retroactive adjustments to the subscription fees in agreements with some cable providers to reflect the fair value of the specialty channels, partially offset by lower subscription revenues at the magazines.
- Other revenues increased by $9.2 million (18.9%), due essentially to the same factors as those noted above under "2019/2018 comparison."
- Advertising revenues decreased by $3.3 million (-3.3%), mainly because of lower advertising revenues at the magazines and newspapers, partially offset by higher advertising revenues at the specialty channels, including Évasion and Zeste, and at Quebecor Media Out of Home.

Adjusted EBITDA: $35.3 million in the fourth quarter of 2019, a $6.8 million (23.9%) favourable variance due primarily to:

- impact of the net revenue increase;
- decreases in some operating expenses, reflecting in part the impact of the budget cuts announced in the second quarter of 2019, and lower labour, editorial and selling costs in the newspaper publishing business.

Cost/revenue ratio: Employee costs and purchases of goods and services for the Media segment's operations, expressed as a percentage of revenues, were 83.0% in the fourth quarter of 2019 compared with 85.6% in the same period of 2018. The reduction was mainly due to the contribution of business acquisitions and the decrease in operating expenses.

Sports and Entertainment

Revenues: $54.7 million in the fourth quarter of 2019, a $1.2 million (2.2%) increase due mainly to higher revenues from book distribution, partially offset by lower revenues in the Music business.

Adjusted EBITDA: $2.6 million in the fourth quarter of 2019, a $0.7 million (-21.2%) decrease due mainly to a decreased contribution to margin from book distribution, partially offset by lower operating expenses in the Music business.

2018/2017 FINANCIAL YEAR COMPARISON

Analysis of consolidated results of Quebecor

Revenues: $4.18 billion, a $55.9 million (1.4%) increase.

- Revenues increased in Telecommunications ($94.2 million or 2.9% of segment revenues) and in Sports and Entertainment ($0.8 million or 0.4%).
- Revenues decreased in Media ($41.3 million or -5.4%).

Adjusted EBITDA: $1.78 billion, a $116.8 million (7.0%) increase.

- Adjusted EBITDA increased in Telecommunications ($122.5 million or 7.7% of segment adjusted EBITDA).
- There was a favourable variance at Head Office ($9.2 million), mainly due to lower compensation costs.
- There was an unfavourable variance in Media ($13.8 million or -18.7%) and in Sports and Entertainment ($1.1 million or -9.5%).
- The change in the fair value of Quebecor Media stock options resulted in a $0.5 million unfavourable variance in the stock-based compensation charge in 2018 compared with 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 $2.1 million favourable variance in the Corporation's stock based compensation charge in 2018.

Net income attributable to shareholders: $403.7 million ($1.69 per basic share) in 2018, compared with $390.7 million ($1.61 per basic share) in 2017, an increase of $13.0 million ($0.08 per basic share).

- The main favourable variances were:
    - $138.5 million favourable variance in losses on valuation and translation of financial instruments, including $137.0 million without any tax consequences;
    - $116.8 million increase in adjusted EBITDA;
    - $99.9 million favourable variance in non-controlling interest;
    - $43.8 million favourable variance in impairment of goodwill and intangible assets;
    - $15.6 million favourable variance in the loss on debt refinancing.
- The main unfavourable variances were:
    - $330.9 million gain on the sale of spectrum licences recognized in 2017, including $165.5 million without any tax consequences;
    - $16.9 million increase in the income tax expense;
    - $14.7 million increase in financial expenses;
    - $14.4 million unfavourable variance in income from discontinued operations;
    - $13.1 million increase in the depreciation and amortization charge;
    - $11.6 million unfavourable variance in the charge for restructuring of operations, litigation and other items.

Adjusted income from continuing operating activities: $469.8 million ($1.96 per basic share) in 2018, compared with $348.2 million ($1.44 per basic share) in 2017, an increase of $121.6 million ($0.52 per basic share) or 34.9%.

Depreciation and amortization charge: $753.1 million, a $13.1 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.

Financial expenses: $332.0 million in 2018, a $14.7 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, partially offset by higher interest revenues generated by liquidity and a lower average interest rate on the debt.

Loss on valuation and translation of financial instruments: $61.3 million in 2018 compared with $199.8 million in 2017. The $138.5 million favourable variance was essentially due to a $137.0 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: $29.1 million in 2018, compared with $17.5 million in 2017, an $11.6 million unfavourable variance.

- A $14.2 million charge was recognized in 2018 in connection with cost-reduction initiatives in the Corporation's various segments and with disposal of assets. A $17.5 million net charge related to cost-reduction initiatives, customer migration from analog to digital service in the Telecommunications segment, and developments in legal disputes was recognized in 2017.
- A $14.9 million charge for impairment of assets was also recognized in 2018 in connection with various restructuring initiatives, primarily in the Telecommunications segment.

Gain on sale of spectrum licences: $330.9 million in 2017.

- On July 24, 2017, Videotron sold its seven 2500 MHz and 700 MHZ wireless spectrum licences outside Québec to Shaw Communications Inc. for a cash consideration of $430.0 million. A $243.1 million gain was recognized on the sale of the licences, including $121.6 million without any tax consequences.
- On June 20, 2017, Videotron sold its Advanced Wireless Services ("AWS-1") spectrum licence in the Toronto metropolitan area to Rogers Communications Canada Inc. ("Rogers") for a cash consideration of $184.2 million, pursuant to the transfer option held since 2013 by Videotron. An $87.8 million gain was recognized on the sale of the licence, including $43.9 million without any tax consequences.

Charge for impairment of goodwill and intangible assets: $43.8 million in 2017.

- In 2017, Quebecor Media performed impairment tests on its Magazines cash-generating unit ("CGU") in view of the downtrend in the industry's revenues. Quebecor Media concluded that the recoverable amount of its Magazines CGU was less than its carrying amount. Accordingly, a $30.0 million non-cash goodwill impairment charge, including $1.5 million without any tax consequences, and a charge for impairment of intangible assets totalling $12.4 million, including $3.1 million without any tax consequences, were recorded in 2017. An additional $1.4 million charge for impairment of intangible assets was also recognized in various segments of the Corporation in 2017.

Loss on debt refinancing: $15.6 million in 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. A $5.2 million loss was recorded in the consolidated statement of income in 2017 in connection with this redemption.
- On May 1, 2017, Quebecor Media fully redeemed 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. A $10.4 million loss was recorded in the consolidated statement of income in 2017 in connection with this redemption.

Income tax expense: $162.8 million in 2018 (effective tax rate of 24.6%), compared with $145.9 million in 2017 (effective tax rate of 21.6%), a $16.9 million unfavourable variance. The effective tax rates mainly reflect recognition of benefits arising from prior year tax losses in 2018 and 2017. The increase in the effective rate was mainly due to recognition of lower tax losses in 2018 than in 2017. The increase in the income tax expense was due to the increase in effective tax rates, partially offset by the impact of the decrease in taxable income for tax purposes. The effective tax rate is calculated considering only taxable and deductible items.

CASH FLOWS AND FINANCIAL POSITION

This section provides an analysis of the Corporation's sources and uses of cash flows, as well as a financial position analysis as of the balance sheet date. This section should be read in conjunction with the discussion of trends under "Trend Information" above, the risk analysis in the "Risks and Uncertainties" section below, and the discussion of the Corporation's financial risks under "Financial Instruments and Financial Risk" below.

Operating activities

Cash flows provided by continuing operating activities: $1.21 billion in 2019 compared with $1.42 billion in 2018.

The $212.2 million decrease was mainly due to:

- $375.6 million unfavourable change in non-cash operating assets and liabilities, due primarily to an unfavourable variance in income tax payable and to a decrease in other operating liabilities, an increase in other operating assets, a decrease in accounts payable and accrued charges, and an increase in inventory in the Telecommunications segment.

Partially offset by:

- $87.8 million and $14.8 million increases in adjusted EBITDA in the Telecommunications and Media segments respectively;
- $47.0 million decrease in current income taxes;
- $5.5 million decrease in the cash portion of financial expenses;
- $4.4 million decrease in the cash portion of the charge for restructuring of operations, litigation and other items.

The unfavourable variance in income tax payable and the decrease in other operating liabilities, the increase in other operating assets, the decrease in accounts payable and accrued charges and the increase in inventory in the Telecommunications segment had an unfavourable impact on cash flows provided by continuing operating activities in 2019 compared with 2018, while increased profitability in the Telecommunications and Media segments and a decrease in the cash interest expense had a favourable impact. The evolution of Videotron's business model, including the launch of Helix, is largely responsible for the additional investment in operating assets.

Working capital: Negative $153.4 million at December 31, 2019 compared with negative $291.9 million at December 31, 2018. The $138.5 million favourable variance was due primarily to the decreases in net income tax payable and in accounts payable and accrued charges, and increases in other current assets, contract assets and inventory, partially offset by the realization of net assets held for sale.

Investing activities

Additions to property, plant and equipment: $501.6 million in 2019 compared with $549.5 million in 2018. The $47.9 million decrease was due primarily to decreased spending related to the leasing of digital set-top boxes in the Telecommunications segment.

Additions to intangible assets: $496.9 million in 2019 compared with $197.4 million in 2018. The $299.5 million increase was due primarily to the acquisition of spectrum licenses for $255.8 million and spending on the IPTV project.

Proceeds from disposal of assets: $4.2 million in 2019 compared with $9.4 million in 2018.

Business acquisitions: $35.6 million in 2019 compared with $10.3 million in 2018.

- In 2019, business acquisitions consisted of the acquisition of the companies in the Serdy Média, the companies in the Serdy Video group, and the companies in the Incendo Media group in the Media segment.
- In 2018, business acquisitions consisted mainly of the acquisition of LC Media, Audio Zone and the assets of Mobilimage by the Media segment.

Business disposals: $260.7 million in 2019, consisting of the sale of the operations of the 4Degrees Colocation data centres.

Acquisition of non-controlling interest: $1.54 billion in 2018.

- On May 11 and June 22, 2018, Quebecor Media repurchased a total of 16,064,215 of its Common Shares held by CDP Capital for a total aggregate purchase price of $1.54 billion, paid in cash. Available cash and drawings on Videotron's secured revolving credit facility were used to finance the transaction.
- On June 22, 2018, the Corporation purchased 1,564,696 Common Shares of Quebecor Media held by CDP Capital in consideration of the issuance of $150.0 million aggregate principal amount of convertible debentures of Quebecor to CDP Capital.

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

Free cash flows from continuing operating activities of Quebecor Media: $514.2 million in 2019 compared with $721.6 million in 2018 (Table 9). The $207.4 million decrease was mainly due to:

- $206.4 million decrease in cash flows provided by continuing operating activities;
- $43.7 million increase in additions to intangible assets.

Partially offset by:

- $47.9 million decrease in additions to property, plant and equipment.

Table 9
Cash flows from segment operations and free cash flows from continuing operating activities of Quebecor Media
(in millions of Canadian dollars)

	2019	2018
Cash flows from segment operations		
Telecommunications	**$ 1,118.5**	$ 1,017.9
Media	**28.2**	30.2
Sports and Entertainment	**2.6**	5.5
Quebecor Media Head Office	**(4.6)**	(9.4)
	1,144.7	1,044.2
Cash interest expense	**(275.0)**	(284.7)
Cash portion related to restructuring of operations, litigation and other items	**(9.8)**	(14.2)
Current income taxes	**(107.0)**	(154.9)
Other	**(1.3)**	(4.6)
Net change in operating assets and liabilities	**(237.4)**	135.8
Free cash flows from continuing operating activities of Quebecor Media	**$ 514.2**	$ 721.6

Table 10
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)

	2019	2018
Free cash flows from continuing operating activities of Quebecor Media presented in Table 9	**$ 514.2**	$ 721.6
Quebecor Head Office cash flow items:		
Cash flows from segment operations	**(3.7)**	(5.4)
Cash interest expense	**(44.4)**	(40.2)
Current income taxes	**(0.9)**	–
Net change in operating assets and liabilities	**8.1**	10.5
	(40.9)	(35.1)
Plus additions to property, plant and equipment	**501.6**	549.5
Plus additions to intangible assets (excluding spectrum licences)	**241.1**	197.4
Minus proceeds from disposal of assets	**(4.2)**	(9.4)
Cash flows provided by continuing operating activities of Quebecor	**$ 1,211.8**	$ 1,424.0

Financing activities

Consolidated debt (long-term debt plus bank indebtedness): $465.6 million reduction in 2019; $209.3 million net unfavourable variance in assets and liabilities related to derivative financial instruments.

- Debt reductions in 2019 essentially consisted of:
  - $649.1 million decrease in Videotron's drawings on its secured revolving credit facility;
  - prepayment by Quebecor Media on July 15, 2019 of the balance of its US$350 million term loan "B" issued on August 1, 2013, bearing interest at the London Interbank Offered Rate ("LIBOR") plus 2.25%, and maturing on August 17, 2020;
  - $198.2 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";
  - repayment of TVA Group's secured term loan in the amount of $52.9 million.
- Additions to debt in 2019 essentially consisted of:
  - issuance by Videotron on October 8, 2019 of $800.0 million aggregate principal amount of 4.50% Senior Notes maturing on January 15, 2030, for net proceeds of $790.7 million, net of financing fees of $9.3 million;
  - $53.9 million increase in total drawings on the secured revolving bank credit facilities of TVA Group and Quebecor Media;
  - $5.7 million increase in the bank indebtedness of Quebecor Media;
  - $5.5 million increase in Quebecor's debt.
- Assets and liabilities related to derivative financial instruments totalled a net asset of $677.7 million at December 31, 2019 compared with $887.0 million at December 31, 2018. The $209.3 million decrease was mainly due to:
  - unfavourable impact of exchange rate fluctuations on the value of derivative financial instruments;
  - unwinding of Quebecor Media's hedges in an asset position in connection with prepayment of its term loan "B" on July 15, 2019.

Partially offset by:

- o favourable impact of interest rate trends in Canada, compared with the United States, on the fair value of derivative financial instruments.

- On February 21, 2020, TVA Group amended its secured revolving credit facility to extend its term from February 2020 to February 2021, to reduce the amount available for borrowing from $150.0 million to $75.0 million and to amend certain terms and conditions of the facility. On February 13, 2019, TVA Group amended this secured revolving credit facility to extend its term to February 2020 and to amend certain terms and conditions of the facility.

- On February 15, 2019, Quebecor Media amended its $300.0 million secured revolving credit facility to extend the maturity date to July 2022 and to change certain terms and conditions of the facility.

Financial position

Net available liquidity: $1.68 billion at December 31, 2019 for Quebecor Media and its wholly owned subsidiaries, consisting of $1.70 billion in available unused revolving credit facilities, less $21.2 million in bank indebtedness.

Net available liquidity: $38.4 million as at December 31, 2019 for Quebecor at the corporate level, consisting of $39.0 million in available unused revolving credit facilities, less $0.6 million in bank indebtedness.

Consolidated debt (long-term debt plus bank indebtedness): $5.99 billion at December 31, 2019, a $465.6 million decrease compared with December 31, 2018; $209.3 million net unfavourable variance in assets and liabilities related to derivative financial instruments (see "Financing activities" above).

- Consolidated debt essentially consisted of Videotron's $4.25 billion debt ($4.23 billion at December 31, 2018); TVA Group's $44.9 million debt ($52.8 million at December 31, 2018); Quebecor Media's $1.64 billion debt ($2.12 billion at December 31, 2018); and Quebecor's $58.7 million debt ($53.2 million at December 31, 2018).

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

Table 11
Minimum principal payments on Quebecor's long-term debt
12 months ending December 31
(in millions of Canadian dollars)

2020	$	57.2
2021		1.4
2022		1,092.7
2023		1,701.0
2024		779.4
2025 and thereafter		2,354.4
Total	**$**	**5,986.1**

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 5.2 years as of December 31, 2019 (5.1 years as of December 31, 2018). After taking into account hedging instruments, at December 31, 2019 the debt consisted of approximately 93.9% fixed-rate debt (76.3% at December 31, 2018) and 6.1% floating-rate debt (23.7% at December 31, 2018).

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 and dividend payments to shareholders. The Corporation believes it will be able to meet future debt maturities, which are staggered over the coming years.

Pursuant to its financing agreements, the Corporation is required to maintain certain financial ratios and comply with certain financial covenants. The key indicators listed in those financing agreements include debt service coverage ratio and debt ratio (long-term debt over adjusted EBITDA). At December 31, 2019, the Corporation was in compliance with all required financial ratios and restrictive covenants in its financing agreements.

Dividends declared

On March 11, 2020, the Board of Directors of Quebecor declared a quarterly dividend of $0.20 per share on Class A Shares and Class B Shares, payable on April 21, 2020 to shareholders of record as of the record date of March 27, 2020.

600 MHz spectrum auction

On April 10, 2019, Videotron purchased 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, were acquired for $255.8 million.

Board of Directors

On March 11, 2020, the Board of Directors received the resignation of Manon Brouillette, a Director of the Corporation and of Quebecor Media since 2019.

On March 11, 2020, Michèle Colpron was appointed a Director of Quebecor and Quebecor Media.

Analysis of consolidated balance sheet at December 31, 2019

Table 12
Consolidated balance sheet of Quebecor
Analysis of main variances between December 31, 2019 and 2018
(in millions of Canadian dollars)

	Dec. 31, 2019	Dec. 31, 2018	Difference	Main reasons for difference
Assets				
Contract assets	**$ 168.3**	$ 144.4	$ 23.9	Increased mobile device sales
Inventory	**240.4**	203.1	37.3	Impact of current variances in activity and Helix launch
Income taxes[1]	**14.9**	(114.4)	129.3	Current disbursements less current income taxes for the period
Other current assets	**121.2**	101.5	19.7	Impact of current variances in activity
Net assets held for resale[1]	**–**	88.4	(88.4)	Sale of 4Degrees Colocation
Property, plant and equipment	**3,415.9**	3,467.3	(51.4)	Depreciation for the period, less additions to property, plant and equipment on an accrual basis
Intangible assets	**1,444.0**	1,135.3	308.7	Acquisition of spectrum licences and investment in the IPTV project by Videotron, less amortization for the period
Goodwill	**2,692.9**	2,678.3	14.6	Acquisition of the companies in the Incendo Media group, the Serdy Média group and the Serdy Video group
Derivative financial instruments[2]	**677.7**	887.0	(209.3)	See “Financing activities”
Other long-term assets	**240.7**	201.6	39.1	Investments in affiliated corporations, acquisition of companies in the Incendo Media group and Helix launch
Liabilities				
Accounts payable and accrued charges	**809.6**	830.8	(21.2)	Impact of current variances in activity
Long-term debt, including current portion and bank indebtedness	**5,986.9**	6,452.5	(465.6)	See “Financing activities”
Deferred income tax[3]	**828.0**	724.1	103.9	Deferred income tax expense on statement of income
Other long-term liabilities	**371.2**	268.9	102.3	Loss on remeasurement of pension plan obligations and assets; contingent consideration related to the sale of 4Degrees Colocation

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

ADDITIONAL INFORMATION

Contractual Obligations

At December 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 13 below shows a summary of these contractual obligations.

Table 13
Contractual obligations of Quebecor as of December 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]	**$ 5,986.1**	$ 57.2	$ 1,094.1	$ 2,480.4	$ 2,354.4
Convertible debentures[2]	**150.0**	–	–	150.0	–
Interest payments[3]	**1,514.9**	253.3	616.3	314.2	331.1
Lease liabilities	**137.9**	31.3	40.7	22.3	43.6
Interest payments on lease liabilities	**44.5**	6.5	9.2	6.2	22.6
Additions to property, plant and equipment and other commitments	**1,672.3**	462.8	480.8	306.5	422.2
Derivative financial instruments[4]	**(607.8)**	1.6	(236.6)	(397.8)	25.0
Total contractual obligations	**$ 8,897.9**	**$ 812.7**	**$ 2,004.5**	**$ 2,881.8**	**$ 3,198.9**

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 December 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 December 31, 2019.

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

Significant commitments included in Table 13

Videotron has 20-year service sharing and exchange agreements with Rogers to build out and operate an LTE network in Québec and the Ottawa area. It also has an agreement with Comcast Corporation to develop an innovative IPTV solution, as well as agreements for the roll-out of LTE-A and 5G technologies and the purchase of mobile devices. As at December 31, 2019, the balance of those commitments stood at $894.1 million.

The Quebecor Media Out of Home division has agreements with various Québec transit commissions for the installation and maintenance of bus shelters, and for advertising rights on bus shelters and buses. As at December 31, 2019, the balance of those commitments stood at $113.8 million.

In the normal course of business, the Media segment, through TVA Group, contracts commitments regarding broadcast rights for television programs, sporting events and films, as well as distribution rights for audiovisual content. As at December 31, 2019, the balance of those commitments stood at $518.3 million.

Pension plan contributions

The expected employer contributions to the Corporation's defined benefit pension plans and post-retirement benefit plans will be $33.6 million in 2020, based on the most recent financial actuarial reports filed (contributions of $34.6 million were paid in 2019).

Related party transactions

The Corporation made sales to affiliated corporations in the amount of $3.8 million in 2019 ($2.8 million in 2018). These transactions were accounted for at the consideration agreed between parties.

Off-balance sheet arrangements

Guarantees

In the normal course of business, the Corporation enters into numerous agreements containing guarantees, including the following:

Business and asset disposals

In the sale of all or part of a business or an asset, in addition to possible indemnification relating to failure to perform covenants and breach of representations or warranties, the Corporation may agree to indemnify against claims related to the past conduct of the business. Typically, the term and amount of such indemnification will be limited by the agreement. The nature of these indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay to guaranteed parties. The Corporation has not accrued any amount in respect of these items in the consolidated balance sheets.

Outsourcing companies and suppliers

In the normal course of business, the Corporation enters into contractual agreements with outsourcing companies and suppliers. In some cases, the Corporation agrees to provide indemnifications in the event of legal procedures initiated against them. In other cases, the Corporation provides indemnification to counterparties for damages resulting from the outsourcing companies and suppliers. The nature of the indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay. No amount has been accrued in the consolidated balance sheets with respect to these indemnifications.

Capital stock

In accordance with Canadian financial reporting standards, Table 13 presents information on the Corporation's capital stock as at February 10, 2020. In addition, 2,454,892 share options were outstanding as of February 10, 2020.

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

	February 10, 2020	
	Issued and outstanding	**Book value**
Class A Shares	**77,212,934**	**$ 8.6**
Class B Shares	**176,757,207**	**$ 1,043.4**

On August 7, 2019, the Corporation filed a normal course issuer bid for a maximum of 1,000,000 Class A Shares representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 4,000,000 Class B Shares representing approximately 2.2% of issued and outstanding Class B Shares as of August 1, 2019. The purchases can be made from August 15, 2019 to August 14, 2020 at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange or other alternative trading systems. All shares purchased under the bid will be cancelled.

In 2019, the Corporation purchased and cancelled 3,107,356 Class B Shares for a total cash consideration of $94.6 million (11,390,300 Class B Shares for a total cash consideration of $291.7 million in 2018). The excess of $76.3 million of the purchase price over the carrying value of Class B Shares repurchased was recorded in increase of deficit in 2019 ($257.6 million in 2018).

In 2019, 680,000 Class B Shares were issued upon exercise of stock options for a cash consideration of $8.3 million (100,000 Class B Shares for a cash consideration of $1.3 million in 2018). As a result of this transaction, contributed surplus was increased by $12.7 million ($1.2 million in 2018) and stock-based compensation liability was reduced by the same amount.

Risks and Uncertainties

The Corporation operates in the telecommunications, media, and sports and entertainment industries, which entails a variety of risk factors and uncertainties. The Corporation's operating environment and financial results may be materially affected by the risks and uncertainties discussed below.

Increased competition from non-traditional sources

Quebecor Media faces technological substitution across all its key business segments. Due to ongoing technological developments, the distinction between broadcasting, Internet and cable and mobile telephony platforms is fading rapidly. For instance, content providers and studios are leveraging their content rights and pursuing strategies to deploy their own OTT distribution platform and reach consumers directly through the Internet. By doing so, they are less dependent on content aggregators, such as Videotron. The Internet, through cable and mobile devices, is generally an important broadcasting and distribution platform; an increasing number of Quebecor Media's customers are using mobile devices as their primary means of video entertainment, in direct competition with its cable business. In addition, mobile operators, with the development of their mobile networks, offer wireless and fixed wireless Internet services, which compete with Quebecor Media's Internet access business. Due to the converging nature of technological advances, Quebecor Media expects increasing competition from non-traditional businesses, which may affect its overall business strategy and could adversely affect its business, financial condition and results of operations.

Competition and technological development

In its cable business, Quebecor Media competes against incumbent local exchange carriers ("ILECs"). The primary ILEC competitor has rolled out its own IPTV service in the vast majority of the territory in which Quebecor Media operates. It has also secured licenses to operate video distribution services using video digital subscriber line ("VDSL") technology. In addition, some third-party Internet service providers ("ISPs") have launched Internet Protocol video services ("IP video services") in territories where Quebecor Media provides services.

The rapidly growing landscape of OTT content providers, many of which have substantial financial resources, now compete for viewership and a share of the monthly entertainment spend. Furthermore, the OTT content providers' attractive price points (which are in part due to the fact that they do not contribute financially to the Canadian traditional television business model or Internet infrastructure and are not subject to CRTC regulations) makes Quebecor Media's traditional offer less appealing for its customers and may affect its ability to retain and acquire customers. Consequently, this could place Quebecor Media at a competitive disadvantage, lead to increased operational costs and have an adverse effect on its business, prospects, revenues, financial condition and results of operations. Also, foreign OTT content providers with no Canadian place of business are not required to charge federal and provincial sales tax (except in Alberta and Québec). Since Quebecor Media's clients, notably its Club illico subscribers, must be charged GST when they purchase Quebecor Media's services, Quebecor Media is at a competitive disadvantage.

Furthermore, Quebecor Media faces competition from illegal providers of cable television services and illegal access to non-Canadian direct broadcast satellite ("DBS") signal (also called grey market piracy), as well as from signal theft of DBS that enables customers to access programming services from U.S. and Canadian DBS without paying any fees (also called black market piracy).

In its Internet access business, Quebecor Media faces competition from several resellers who have access to the wholesale third party Internet access ("TPIA") service mandated by the CRTC. The recently CRTC mandated revised wholesale rates, if upheld by the Federal Court of Appeal, will provide TPIA providers with a cost structure that could lead to increased competition either from established TPIA providers or new entrants. These TPIA providers may also provide telephony and networking applications and have entered the IPTV market. Their market share is significant and growing, especially in Québec and Ontario, the two regions in Canada where they have been particularly active and aggressively pricing their services.

Quebecor Media also competes against other ISPs offering residential and commercial Internet access services as well as fixed wireless access and open Wi-Fi networks in some cities. The main competitors are the ILECs that offer Internet access through digital subscriber line, fibre to the node and fibre to the home technologies, often offering comparable download speeds to Quebecor Media's. In addition, satellite operators such as Xplornet are increasing their existing high-speed Internet access capabilities with the launch of high-throughput satellites, targeting households in rural and remote locations and claiming future download speeds comparable to Quebecor Media's low and medium download speeds. Finally, certain municipalities also plan to build and operate their own broadband networks. They plan to do so through public/private partnership arrangements, competing directly with Quebecor Media in some of its local markets.

Quebecor Media's cable telephony business has numerous competitors, including ILECs, competitive local exchange carriers, mobile telephony service operators and other providers of Voice over Internet Protocol ("VoIP") and cloud-based telephony. Some of these competitors are not facility-based and therefore have much lower infrastructure costs. In addition, Internet protocol-based products and services are generally subject to downward pricing pressure, lower margins and technological evolution, all of which could have an adverse effect on Quebecor Media's business, prospects, revenues, financial condition and results of operations.

In its mobile telephony business, Quebecor Media competes against a mix of market participants, some of them active in its territory in some or all of the products it offers, with others offering only mobile telephony services. In addition, users of mobile voice and data systems may find their communication needs satisfied by other current adjunct technologies, such as Wi-Fi, "hotspots" or trunk radio systems, which have the technical capability to handle mobile data communication and mobile telephone calls. There can be no assurance that current or future competitors will not provide network capacity and/or services comparable or superior to those Quebecor Media provides or may in the future provide, or at lower prices, or adapt more quickly to evolving industry trends or changing market requirements, or introduce competing services. For instance, some providers of mobile telephony services (including incumbent carriers) have deployed and have been operating for many years lower-cost mobile telephony brands in order to acquire additional market share. Furthermore, the decisions to be taken by the CRTC with regards to a new regulatory framework for mobile services stand to have a significant impact on Quebecor Media's competitive environment, as Quebecor Media could see the emergence of non facility-based operators (mobile virtual network operators "MVNOs"). Quebecor Media may not be able to compete successfully in the future against existing and those potential new competitors; increased competition could have a material adverse effect on its business, prospects, revenues, financial condition and results of operations.

Finally, a few of its competitors are offering special discounts to customers who subscribe to two or more of their services (cable television or IPTV, Internet access, landline and mobile telephony services). Should Quebecor Media fail to keep its existing customers and lose them to such competitors, it may end up losing one subscriber for each of its services as a result of its bundling strategy. This could have an adverse effect on its business, prospects, revenues, financial condition, and results of operations.

Fierce price competition in all Quebecor Media's businesses and across the industries in which it operates, combined with the declining demand for certain traditional products, may affect Quebecor Media's ability to raise the price of its products and services in line with increases in its operating costs, as it has done in the past. This could have an adverse effect on its business, revenues, financial condition, and results of operations.

Significant and rapid technological changes

New technologies in the telecommunication industry are evolving faster than the historical investment cycle in the industry. Their introduction and pace of adoption could result in requirements for additional capital investments not currently planned, as well as shorter estimated useful lives for certain of Quebecor Media's existing assets. Quebecor Media's strategy of maintaining a leadership position in the suite of products and services it offers and of launching new products and services requires capital investments in its networks, information technology systems and infrastructure, as well as the acquisition of spectrum to support growth in its customer base and its demands for increased bandwidth capacity and other services.

Quebecor Media must continually invest in its services, networks and technologies due to the rapid evolution of technologies, or it may required to acquire, develop or integrate new technologies. Improvements in its services depend on may factors. The cost of the acquisition, development or implementation of new technologies and spectrum could be significant and Quebecor Media's ability to fund such acquisition, development or implementation may be limited, which could have a material adverse effect on its ability to successfully compete in the future. Any such difficulty or inability to compete could have a material adverse effect on its business, reputation, prospects, financial condition and results of operations.

5G technology is evolving rapidly and Canada's first standards-based commercial launches are expected in 2020. Smartphones are generally expected to support 5G technology in 2020. It is expected that 5G ecosystems will operate on multiple frequency bands, including the 600 MHz spectrum recently acquired by Videotron. However, 3.5 GHz spectrum is becoming a primary band for 5G mobile coverage. ISED Canada is expected to auction 3.5 GHz frequencies by late 2020 or early 2021. There is a risk that Quebecor Media may not be able to purchase the 3.5 GHz spectrum required to compete equally on network speeds and 5G capacity. Any such difficulty or inability to compete could have a material adverse effect on Quebecor Media's business, reputation, prospects, financial condition, and results of operations.

In the past, Quebecor Media has required substantial capital for the upgrade, expansion and maintenance of its networks and the launch and deployment of new or additional services. Quebecor Media expects that additional capital expenditures will continue to be required in the short-term, mid-term and long-term in order to maintain, expand and enhance its networks systems and services, including expenditures relating to advancements in LTE-Advanced/5G mobile technologies, network virtualisation and automation, Internet access, ultra-high-definition television, Internet of Things, IPTV and OTT delivery technology, as well as the introduction of virtual reality and home automation. Moreover, additional investments in Quebecor Media's business may not translate into incremental revenues, cash flows or profitability.

Ongoing access to spectrum

Wireless, video and broadband services are undergoing rapid and significant technological changes and a dramatic increase in usage – in particular, the demand for faster and seamless usage of video and data across mobile and fixed devices. It is projected that this demand will further accelerate, driven by the following increases: levels of broadband penetration; need for personal connectivity and networking; affordability of mobile devices; multimedia-rich services and applications; and unlimited data plans. The anticipated levels of data traffic will represent a growing challenge to the current mobile network's ability to serve this traffic. Quebecor Media may have to acquire additional spectrum in order to address this increased demand. The ability to acquire additional spectrum is dependent on the timing and the rules established by ISED Canada. If Quebecor Media is not successful in acquiring additional spectrum it may need on reasonable terms, or not at all, that could have a material adverse effect on its business, prospects and financial condition.

Roaming agreements

Quebecor Media has entered into roaming agreements with multiple carriers around the world and has established worldwide coverage. Should it be unable to extend its worldwide coverage, or to renew or substitute for those roaming agreements at their respective or better terms or on acceptable terms, Quebecor Media may be placed at a competitive disadvantage, which could adversely affect its ability to operate its mobile business successfully and profitably. In addition, if Quebecor Media is unable to renew, or substitute for, these roaming agreements on a timely basis and at an acceptable cost, its cost structure could materially increase, and, consequently, its business, prospects, revenues, financial condition and results of operations could be adversely affected.

Higher handset costs and increasing BYOD customers

Quebecor Media's mobile telephony business model is based substantially on increasing monthly revenues while financing the cost of subscriber handsets over the term of their contract, similar to other Canadian wireless carriers. This model attracts customers and in exchange they commit to a term contract. However, the higher handset costs, in a price sensitive market, could negatively impact Quebecor Media's revenues, financial condition and results of operations. Furthermore, given the fact that its competitors benefit from higher purchasing volumes, they may have the ability to negotiate better prices from manufacturers of mobile devices, thus enabling them to recoup a larger share of their subscribers' monthly spending.

Furthermore, given the marginal technological advancements in mobile devices, consumers tend to conserve their mobile devices for longer periods of time, thereby increasing the number of BYOD customers. Such customers are under no contractual obligation to remain with a specific carrier. Also, new technologies now embedded in certain handset devices will, once widely adopted, allow customers to switch between carriers without the use of a carrier-provided Sim card. This could have a material adverse effect on Quebecor Media's churn rate and, consequently, on its business, prospects, revenues, financial condition and results of operations.

Inventory obsolescence

Quebecor Media's various products in inventory generally have a relatively short lifecycle due to frequent technological changes. If it cannot effectively manage inventory levels based on product demand, or minimum order quantities from its suppliers, this could increase the risk of inventory obsolescence and could have an adverse effect on its business, financial condition and results of operations.

Capital expenditures

There can be no assurance that Quebecor Media will be able to generate or otherwise obtain the funds to implement its business strategies and finance its capital expenditure programs or other investment requirements, whether through cash from operations, additional borrowings or other sources of funding. If Quebecor Media is unable to generate sufficient funds or obtain additional financing on acceptable terms, it may be unable to implement its business strategies or proceed with the capital expenditures and investments required to maintain its leadership position, and its business, financial condition, results of operations, reputation, and prospects could be materially adversely affected.

Access to support structures

Quebecor Media requires access to the support structures of hydroelectric and telephone utilities and it needs municipal rights of way to deploy its cable and mobile networks. Where access to the structures of telephone utilities cannot be secured, Quebecor Media may apply to the CRTC to obtain a right of access under the *Telecommunications Act* (Canada) (the "*Telecommunications Act*"). Quebecor Media has entered into comprehensive support structure access agreements with all the major hydroelectric companies and all the major telecommunications companies on its service territory. Should Quebecor Media seek to renew or renegotiate these agreements, it cannot guarantee that these agreements will continue to be available on their respective terms, on acceptable terms, or at all, which may place Quebecor Media at a competitive disadvantage and which may have a material adverse effect on its business and prospects.

Successful implementation of business and operating strategies

Quebecor Media's business strategies are based on leveraging an integrated platform of media assets. Its strategies include offering multiplatform advertising solutions, generating and distributing content across a spectrum of media properties and assets, launching and deploying additional value-added products and services, pursuing cross-promotional opportunities, enhancing its advanced broadband network, pursuing enhanced content development, further integrating the operations of its subsidiaries, leveraging geographic clustering, and maximizing customer satisfaction across its businesses. Quebecor Media may not be able to implement these strategies successfully or realize their anticipated results fully or at all, and their implementation may be more costly or challenging than initially planned. In addition, its ability to successfully implement these strategies could be adversely affected by a number of factors beyond its control, including operating difficulties, increased dependence on third party suppliers and service providers, increased ongoing operating costs, regulatory developments, general or local economic conditions, increased competition, technological changes, and other factors described in this section. Any material failure to implement its strategies could have an adverse effect on its reputation, business, financial condition, prospects, and results of operations, as well as on its ability to meet its obligations, including its ability to service its indebtedness.

As part of its strategy, in recent years, Quebecor Media has entered into certain agreements with third parties under which it is committed to making significant operating and capital expenditures in the future in order to offer new products and services to its customers. It can provide no assurance that it will be successful in developing such new products and services in relation to these engagements, including the marketing of new revenue sources.

Consumer trends to abandon cable telephony and traditional television services

The recent trend towards mobile substitution (when users cancel their landline telephony services and opt for mobile telephony services only) is largely the result of the increasing mobile penetration rate in Canada. In addition, there is also a consumer trend to abandon, substitute or reduce traditional television services for Internet access services in order to stream directly from broadcasters and OTT content providers. Quebecor Media may not be successful in converting its existing cable telephony and cable television subscriber base to its mobile telephony services, its Internet access services or its OTT entertainment platforms, which could have a material adverse effect on its business, prospects, revenues, results of operations and financial condition.

Rapid growth

Quebecor Media has experienced substantial growth in its business and has significantly expanded its operations over the years. It has sought in the past, and may, in the future, seek to further expand the types of businesses in which it participates, under appropriate conditions. Quebecor Media can provide no assurance that it will be successful in either developing or fulfilling the objectives of any such business expansion.

In addition, Quebecor Media's expansion may require it to incur significant costs or divert significant resources, and may limit its ability to pursue other strategic and business initiatives, which could have an adverse effect on its business, prospects, results of operations and financial condition. Furthermore, if Quebecor Media is not successful in managing its growth, or if Quebecor Media is required to incur significant or unforeseen costs, its business, prospects, results of operations and financial condition could be adversely affected.

Success in the development of its Sports and Entertainment business

Quebecor Media has made and is continuing to make significant investments in an effort to develop its Sports and Entertainment business. Some of these investments require significant expenditures and management attention. The success of such investments involves numerous risks that could adversely affect its growth and profitability, including the following risks: that investments may require substantial financial resources that otherwise could be used in the development of its other businesses; that Quebecor Media will not be able to achieve the benefits it expects from its investments in the same timeline as its other businesses; and, specifically with regards to the Videotron Centre, that it might not be able to maximize its profitability due to the fact that it does not have a main tenant nor operate in a major market, which might prevent it from attracting international talents.

Implementation of changes to the structure of its business

Quebecor Media has and will continue to implement changes to the structure of its business due to many factors, such as the necessity of a corporate restructuring, a system replacement or upgrade, a process redesign, and the integration of business acquisitions or existing business units. These changes must be managed carefully to ensure that Quebecor Media captures the intended benefits. The implementation process may negatively impact overall customer experience and may lead to greater-than-expected operational challenges, costs and expenses, customer losses, and business disruption for Quebecor Media, all of which could adversely affect its business and its ability to gain the anticipated benefits.

Key personnel

Quebecor's success depends to a large extent on the continued services of its senior management and its ability to retain skilled employees. There is intense competition for qualified management and skilled employees, and Quebecor's failure to recruit, train and retain such employees could have a material adverse effect on its business, prospects, results of operations and financial condition. In addition, in order to implement and manage its businesses and operating strategies effectively, Quebecor must sustain a high level of efficiency and performance, maintain content quality, continually enhance its operational and management systems, and continue to effectively attract, train, motivate and manage its employees. If Quebecor is not successful in these efforts, it may have a material adverse effect on its business, prospects, results of operations and financial condition.

Competition for advertising, circulation revenues/audience

The media industry has experienced fundamental and permanent structural changes. The growth of the Internet has presented alternative content distribution options that compete with traditional media, and an increasing number of non-traditional providers are developing technologies to satisfy the demand for entertainment and information content. Furthermore, Quebecor Media's customers have an increased control over the manner, content and timing of their media consumption, including through new technologies that give consumers greater flexibility to fast forward or skip advertisements within Quebecor Media's programming. These alternative technologies and new content distribution options have increased audience fragmentation, reduced the Corporation's Media segment business' audience, readership and circulation levels and have had an adverse effect on advertising revenues from local, regional and national advertisers.

Advertising revenue is the primary source of revenue for the Corporation's Media segment. As a result of those structural changes, competition for advertising spend in traditional media comes mainly from digital media technologies, which have introduced a wide variety of media distribution platforms for consumers and advertisers. These new competitors also include digital advertising giants with greater financial resources and a controlling share of the online advertising market thus reducing demand in some segments of Quebecor Media's traditional media advertising inventories. Furthermore, the international consolidation of advertising agencies is disrupting the demand model as some of its clients now negotiate through these consolidated positions.

The continuous technological improvements to the Internet and the access to unlimited data, combined with higher download speeds, may continue to divert a portion of the Corporation's Media segment business' existing customer base from traditional media to digital media technology, which could adversely impact the demand for its services. The ability of the Corporation's Media segment to succeed over the long-term depends on various factors, including Quebecor Media's ability to attract advertisers and consumers to its online sites. In addition, even if successful, Quebecor Media can provide no assurance that it will be able to recover the costs associated with the implementation of these digital initiatives through incremental revenues, cash flows or profitability.

As the media market continues to change and fragment, Quebecor Media expects its readership, circulation and audience to reduce and its advertising revenues, business, prospects, results of operations and financial condition could be materially adversely affected.

Finally, Quebecor Media's revenues and operating results in these businesses depend on the relative strength of the economy in Quebecor Media's principal markets, as well as the strength or weakness of local, regional and national economic factors. Since a significant portion of Quebecor Media's advertising revenues is derived from retail, automotive and consumer packaged goods sector advertisers, weakness in these sectors and in the real estate industry has had and may continue to have an adverse impact on the revenues and results of operations of the Corporation's Media segment.

Distribution, production and acquisition of original programming

The financial performance of its cable, Club illico and mobile services depends in large part on Quebecor Media's ability to distribute, on its platforms, a wide range of appealing video programming and on its ability to produce and acquire original content.

In its telecommunications business, Quebecor Media obtains television programming rights from suppliers pursuant to programming contracts. In recent years, these suppliers have become vertically integrated and are now more limited in number. Quebecor Media may be unable to maintain key programming contracts at commercially reasonable rates for television programming. Loss of programming contracts, Quebecor Media's inability to obtain programming at reasonable rates or its inability to pass rate increases through to its customers could have a material adverse effect on its business, prospects, results of operations and financial condition.

Increased competition in the television industry from local and foreign deregulated OTT content providers with access to substantial financial resources may result in a competitive disadvantage from a content perspective and may have a material adverse effect on Quebecor Media's business, prospects, revenues, financial conditions and results of operations. Notably, on September 28, 2017, the Minister of Canadian Heritage and Netflix concluded an arrangement pursuant to which Netflix undertakes to invest a minimum of $500 million in original productions in Canada over the next five years, while not required to charge provincial (except in Alberta and Québec) and federal sales taxes or to contribute financially to the Canadian traditional television business model or Internet infrastructure. This arrangement may place Quebecor Media at a competitive disadvantage in the market and exert an upward pressure on content price.

Launch of new products and services

Quebecor Media is investing in the launch of new products and services. During the period immediately following the launch of a new product or service, revenues are generally relatively modest, while initial operating expenses may prove more substantial. Furthermore, although Quebecor Media believes in the potential associated with this strategy, there is a possibility that the anticipated profitability could take several years to materialize or may never materialize.

Single-clustered network

Quebecor Media provides its cable and IP television, Internet access, cable telephony and mobile telephony services through a primary headend and through 12 additional regional headends in a single-clustered network. Despite available emergency backup or replacement sites, a failure in Quebecor Media's primary headend, including exogenous threats, such as cyber-attacks, natural disasters, sabotage or terrorism, or dependence on certain external infrastructure providers (such as electric utilities), could prevent it from delivering some of its products and services throughout its networks until the failure has been resolved, which may result in significant customer dissatisfaction, loss of revenues and potential civil litigation, and could have a material adverse effect on its financial condition.

Reputation

Quebecor Media has generally enjoyed a good reputation among the public. Its ability to maintain its existing customer relationships and to attract new customers depends to a large extent on its reputation. While Quebecor Media has put in place certain mechanisms to mitigate the risk that its reputation may be tarnished, including good governance practices and a Code of Ethics, there can be no assurance that these measures will be effective to prevent violations or perceived violations of the law or ethical business practices. The loss or tarnishing of its reputation could have a material adverse effect on its business, prospects, financial condition and results of operations.

Protection of personal data

The ordinary course of Quebecor Media's businesses involves the receipt, collection, storage and transmission of sensitive data, including its proprietary business information and that of its customers, and personally identifiable information of its customers and employees, whether in its systems, infrastructure, networks and processes, or those of its suppliers. Quebecor Media faces risks inherent in protecting the security of such personal data. In particular, Quebecor Media faces a number of challenges in protecting the data in and hosted on its systems, or those belonging to its suppliers, including from intentional or inadvertent actions or inactions by its employees, as well as in relation to compliance with applicable laws, rules and regulations relating to the collection, use, disclosure and security of personal information, including any requests from regulatory and government authorities relating to such data. Although Quebecor Media has developed systems, processes and security controls that are designed to protect personally identifiable information of its clients, employees or business partners, Quebecor Media may be unable to prevent the improper disclosure, loss, misappropriation of, unauthorized access to, or other security breach relating to such data that Quebecor Media stores or processes or that its suppliers store or process. As a result, Quebecor Media may incur significant costs, be subject to investigations, sanctions and litigation, including under laws that protect the privacy of personal information, and Quebecor Media may suffer damage to its business, competitive position and reputation, which could have a material adverse effect on its financial condition.

Cybersecurity

Although Quebecor Media has implemented and regularly reviews and updates processes and procedures to protect against signal interruption, unauthorized access to or use of sensitive data, including data of its customers, and to prevent data loss or theft, and although ever-evolving cyber-threats require Quebecor Media to continually evaluate and adapt its systems, infrastructure, networks and processes, Quebecor Media cannot assure that its systems, infrastructure, networks and processes, as well as those of its suppliers, will be adequate to safeguard against all information security access by third parties or errors by employees or by third-party suppliers. Quebecor Media is also at risk from increasingly sophisticated phishing attacks, Sim swaps, fraudulent ports and other types of frauds. If Quebecor Media is subject to a significant cyber-attack or breach, unauthorized access, errors of third-party suppliers or other security breaches, Quebecor Media may incur significant costs, be subject to investigations, sanctions and litigation, including under laws that protect the privacy of personal information, and Quebecor Media may suffer damage to its business, competitive position and reputation, which could have a material adverse effect on its financial condition.

The costs associated with a major cyber-attack could also include expensive incentives offered to existing customers and business partners to retain their business, increased expenditures on cybersecurity measures and the use of alternate resources, lost revenues and customers from business interruption and litigation. Quebecor Media's contractual risk transfers do not eliminate the risk completely and the potential costs associated with these attacks could exceed the scope and limits of the insurance coverage it maintains.

Protection from piracy

Quebecor Media may not be able to protect its services and data from piracy. It may be unable to prevent electronic attacks to gain unauthorized access to its networks, digital programming, and Internet access services. It uses encryption technology to protect its cable signals and OTT service from unauthorized access and to control programming access based on subscription packages. It may not be able to develop or acquire adequate technology to prevent unauthorized access to its networks, programming and data, which may have an adverse effect on its customer base and lead to a possible decline in revenues, as well as to significant remediation costs and legal claims.

Malicious and abusive Internet practices

Quebecor Media's cable, mobile and fibre-optic connectivity business customers utilize its networks to access the Internet and, as a consequence, Quebecor Media or they may become a victim of common malicious and abusive Internet activities, such as unsolicited mass advertising (or spam) and dissemination of viruses, worms and other destructive or disruptive software. These activities could have adverse consequences on its networks and its customers, including deterioration of service, excessive call volume to call centres, and damage to its customers' or its own equipment and data. Significant incidents could lead to customer dissatisfaction and, ultimately, to a loss of customers or revenues, in addition to increased costs to service customers and protect its networks. Any significant loss of cable, mobile or fibre-optic connectivity business customers, or a significant increase in the costs of serving those customers, could adversely affect its reputation, business, prospects, results of operations, and financial condition.

Dependence on information technology systems

The day-to-day operation of Quebecor Media's business is highly dependent on information technology systems, including those of certain third-party suppliers, some of which are based in territories providing geopolitical risk. An inability to maintain and enhance its existing IT systems or obtain new systems to accommodate additional customer growth or to support new products and services could have an adverse impact on its ability to acquire new subscribers, retain existing customers, produce accurate and timely billing, generate revenue growth, manage operating expenses and carry out operation without interruption, all of which may have a material adverse effect on its business, prospects, results of operations and financial condition.

Products and services supplied to Quebecor Media by third-party suppliers may contain latent security issues, including, but not limited to, software and hardware security issues, that would not be apparent upon a diligent inspection. Failure to identify and remedy those issues could adversely impact its results of operations and financial condition.

Third-party suppliers and providers

Quebecor Media depends on third-party suppliers and providers for certain services, hardware, licensed technological platforms and equipment that are, or may become, critical to its operations and network evolution. These materials and services include set-top boxes, gateways, mobile telephony handsets and network equipment, cable and telephony modems, servers and routers, fibre-optic cable, telephony switches, inter-city links, support structures, licensed technological platforms, software, the "backbone" telecommunications network for Internet access and telephony services, and construction services for the expansion of and upgrades to its cable and mobile networks. These services and equipment are available from a single or limited number of suppliers and Quebecor Media therefore faces the risks of supply disruption, including due to geopolitical events, external events such as epidemics or pandemics, business difficulties, restructuring, or supply-chain issues. If no supplier can provide Quebecor Media with the equipment and services it requires, or that comply with evolving Internet and telecommunications standards or that are compatible with its other equipment and software, its business, financial condition and results of operations could be materially adversely affected. In addition, if Quebecor Media is unable to obtain critical equipment, software, services or other items on a timely basis and at an acceptable cost, its ability to offer its products and services and roll out advanced services may be delayed, and its business, financial condition and results of operations could be materially adversely affected.

In addition, Quebecor Media obtains proprietary content critical to its operations through licensing arrangements with content providers. Some providers may seek to increase fees or impose technological requirements to protect their proprietary content. If Quebecor Media is unable to renegotiate commercially acceptable arrangements with these content providers, comply with their technological requirements or find alternative sources of equivalent content, its operations may be adversely affected.

Litigation and other claims

In the normal course of business, Quebecor is involved in various legal proceedings and other claims relating to the conduct of its business, including class actions. Although, in the opinion of management, the outcome of current pending claims and other litigation is not expected to have a material adverse effect on Quebecor's reputation, results of operations, liquidity or financial condition, a negative outcome in respect of any such claim or litigation could have the said adverse effect. Moreover, the cost of defending against lawsuits and the diversion of management's attention could be significant.

Intellectual property rights

Quebecor Media relies on its intellectual property, such as patents, copyrights, trademarks and trade secrets, as well as licenses and other agreements with its vendors and other third parties, to use various technologies, conduct its operations and sell its products and services. Legal challenges to its intellectual property rights, or the ones of third-party suppliers, and claims of intellectual property infringement by third parties could require that it enters into royalty or licensing agreements on unfavourable terms, incur substantial monetary liability, or be enjoined preliminarily or permanently from further use of the intellectual property in question or from the continuation of its businesses as currently conducted. Quebecor Media may need to change its business practices if any of these events occur, which may limit its ability to compete effectively and could have an adverse effect on its results of operations. In the event that it believes any such challenges or claims are without merit, they can nonetheless be time-consuming and costly to defend and divert management's attention and resources away from its businesses. Moreover, if Quebecor Media is unable to obtain or continue to obtain licenses from its vendors and other third parties on reasonable terms, its businesses could be adversely affected.

Piracy and other unauthorized uses of content are made easier, and the enforcement of Quebecor Media's intellectual property rights more challenging, by technological advances. The steps Quebecor Media has taken to protect its intellectual property may not prevent the misappropriation of its proprietary rights. Quebecor Media may not have the ability in certain jurisdictions to adequately protect intellectual property rights. Moreover, others may independently develop processes and technologies that are competitive to Quebecor Media's. Also, Quebecor Media may not be able to discover or determine the extent of any unauthorized use of its proprietary rights. Unauthorized use of its intellectual property rights may increase the cost of protecting these rights or reduce its revenues. Quebecor Media cannot be sure that any legal actions against such infringers will be successful, even when its rights have been infringed.

Strikes, other labour protests and health risks affecting employees

Quebecor Media is not currently subject to any labour dispute. Nevertheless, it can neither predict the outcome of current or future negotiations relating to labour disputes, union representation or renewal of collective bargaining agreements, nor guarantee that Quebecor Media will not experience future work stoppages, strikes or other forms of labour protests pending the outcome of any current or future negotiations. If its unionized workers engage in a strike or any other form of work stoppage, it could experience a significant disruption to its operations, damage to its property and/or interruption to its services, which could adversely affect its business, assets, financial condition, results of operations and reputation. Even should Quebecor Media not experience strikes or other forms of labour protests, the outcome of labour negotiations could adversely affect its business and results of operations. Such could be the case if current or future labour negotiations or contracts were to further restrict its ability to maximize the efficiency of its operations. In addition, its ability to make short-term adjustments to control compensation and benefit costs is limited by the terms of its collective bargaining agreements.

Health threats to employees resulting from epidemics and pandemics could adversely affect Quebecor Media's business, assets, financial conditions, results of operations and reputation.

Pension plan liability

The economic cycles, employee demographics and changes in regulations could have a negative impact on the funding of Quebecor Media's defined benefit pension plans and related expenditures. There is no guarantee that the expenditures and contributions required to fund these pension plans will not increase in the future and therefore negatively impact its operating results and financial condition. Risks related to the funding of defined benefit plans may materialize if total obligations with respect to a pension plan exceed the total value of its trust assets. Shortfalls may arise due to lower-than-expected returns on investments, changes in the assumptions used to assess the pension plan's obligations, and actuarial losses.

Exchange rate fluctuations

Most of the Corporation's revenues and expenses are denominated in CAN dollars. However, certain expenditures, such as the purchase of set-top boxes, gateways, mobile devices and certain capital expenditures, including certain costs related to the development and maintenance of its mobile network, are paid in U.S. dollars. Those costs are only partially hedged, so a significant increase in the U.S. dollar could have an adverse effect on its results of operations and financial condition.

Also, a substantial portion of its debt is denominated in U.S. dollars, and interest, principal and premium, if any, are payable in U.S. dollars. For the purposes of financial reporting, any change in the value of the CAN dollar against the U.S. dollar during a given financial reporting period would result in a foreign exchange gain or loss on the translation of any unhedged U.S.-dollar-denominated debt into CAN dollars. Consequently, reported earnings and debt could fluctuate materially as a result of foreign exchange gains or losses. The Corporation has entered into transactions to hedge the exchange rate risk with respect to its U.S.-dollar-denominated debt outstanding at December 31, 2019, and it intends to enter into such transactions for new U.S.-dollar-denominated debt in the future. These hedging transactions could, in certain circumstances, prove economically ineffective and may not be successful in protecting it against exchange rate fluctuations, or it may be required to provide cash and other collateral in the future in order to secure its obligations with respect to such hedging transactions, or it may be unable to enter into such transactions on favourable terms, or at all, in the future or, pursuant to the terms of these hedging transactions, its counterparties thereto may owe the Corporation significant amounts of money and may be unable to honour such obligations, all of which could have an adverse effect on its results of operations and financial condition.

In addition, 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 fair value of the derivative financial instruments that the Corporation is party to is estimated using period-end market rates and reflects the amount it would receive or pay if the instruments were terminated and settled at those dates, as adjusted for counterparties' non-performance risk. At December 31, 2019, the net aggregate fair value of its cross-currency interest rate swaps and foreign exchange forward contracts was in a net asset position of $677.7 million on a consolidated basis.

Some of its suppliers source their products out of the U.S.; therefore, although the Corporation pays those suppliers in CAN dollars, the prices it pays for such commodities or products may be affected by fluctuations in the exchange rate. The Corporation may in the future enter into transactions to hedge its exposure to the exchange rate risk related to the prices of some of those commodities or products. However, fluctuations in the exchange rate for purchases that are not hedged could affect the prices the Corporation pays for such purchases and could have an adverse effect on its results of operations and financial condition.

Volatility

The capital and credit markets have experienced significant volatility and disruption in the past, resulting in periods of upward pressure on the cost of new debt capital and severe restrictions in credit availability for many companies. In such periods, the disruptions and volatility in the capital and credit markets have also resulted in higher interest rates or greater credit spreads on the issuance of debt securities and increased costs under credit facilities. Disruptions and volatility in the capital and credit markets could increase Quebecor's interest expense, thereby adversely affecting its results of operations and financial position.

Quebecor's access to funds under its existing credit facilities is dependent on the ability of the financial institutions that are parties to those facilities to meet their funding commitments. Those financial institutions may not be able to meet their funding commitments if they experience shortages of capital and liquidity, or if they experience excessive volumes of borrowing requests within a short period of time. Moreover, the obligations of the financial institutions under Quebecor's credit facilities are several and not joint and, as a result, a funding default by one or more institutions does not need to be made up by the others.

Extended periods of volatility and disruptions in the capital and credit markets as a result of uncertainty, changed or increased regulation of financial institutions, reduced financing alternatives or failures of significant financial institutions, could adversely affect Quebecor's access to the liquidity and affordability of funding needed for its businesses in the longer term. Such disruptions could require Quebecor to take measures to maintain a cash balance until markets stabilize or until alternative credit arrangements or other funding for its business needs can be arranged. Market disruptions and broader economic challenges may lead to lower demand for certain of Quebecor's products and increased incidences of customer inability to pay or to timely pay for the services or products it provides. Events such as those could adversely impact Quebecor's results of operations, cash flows, financial condition and prospects.

Asset impairment charges

In the past, the Corporation has recorded asset impairment charges which have been material in some cases. Subject to the realization of various factors, including, but not limited to, weak economic or market conditions, the Corporation may be required to record in the future, in accordance with IFRS accounting valuation principles, additional non-cash impairment charges if the carrying value of an asset in its financial statements is in excess of its recoverable value. Any such asset impairment charge could be material and may adversely affect its future reported results of operations and equity, although such charges would not affect its cash flows.

Acquisitions, dispositions, business combinations, or joint ventures

From time to time, the Corporation engages in discussions and activities with respect to possible acquisitions, dispositions, business combinations, or joint ventures intended to complement or expand its business, some of which may be significant transactions and involve significant risks and uncertainties. The Corporation may not realize the anticipated benefit from any of the transactions it pursues and may have difficulty incorporating or integrating any acquired business. Regardless of whether it consummates any such transaction, the negotiation of a potential transaction (including associated litigation), as well as the integration of any acquired business, could require the Corporation to incur significant costs and cause diversion of management's time and resources and disrupt its business operations. The Corporation could face several challenges in the consolidation and integration of information technology, accounting systems, personnel and operations.

If the Corporation decides to sell individual properties or other assets or businesses, it will benefit from the net proceeds realized from such sales. However, its revenues may suffer in the long term due to the disposition of a revenue-generating asset, the timing of such dispositions may be poor, causing it to fail to realize the full value of the disposed asset or the terms of such dispositions may be overly restrictive to us or may result in unfavorable post-closing price adjustments if some conditions are not met, all of which may diminish its ability to repay its indebtedness at maturity.

Any of the foregoing could have a material adverse effect on its business, financial condition, operating results, liquidity, and prospects.

Competition and consolidation of retail locations in the Telecommunications business

In Quebecor Media's Telecommunications business, the competition to offer products in the best available retail commercial spaces is fierce. Some of its telecommunications business competitors have pursued a strategy of selling their products through independent retailers to extend their presence on the market, while some have also acquired certain independent retailers and created new distribution networks. This could result in limiting the customer reach of Quebecor Media's retail network and places it at a competitive disadvantage, which could have an adverse effect on its business, prospects, results of operations and financial condition.

Government acts and regulations risks

Quebecor Media's operations are subject to extensive government regulation and policy-making in Canada. Laws and regulations govern the issuance, amendment, renewal, transfer, suspension, revocation and ownership of broadcast programming and distribution licenses. With respect to distribution, regulations govern, among other things, the distribution of Canadian and non-Canadian programming services and the maximum fees to be charged to the public in certain circumstances. Quebecor Media's broadcasting distribution and telecommunications operations (including Internet access service) are regulated respectively by the *Broadcasting Act* (Canada) (the "*Broadcasting Act*") and the *Telecommunications Act* and regulations thereunder. The CRTC, which administers the *Broadcasting Act* and the *Telecommunications Act*, has the power to grant, amend, suspend, revoke and renew broadcasting licenses, approve certain changes in corporate ownership and control, and make regulations and policies in accordance with the *Broadcasting Act* and the *Telecommunications Act*, subject to certain directions from the federal cabinet. Quebecor Media's wireless and cable operations are also subject to technical requirements, license conditions and performance standards under the *Radiocommunication Act* (Canada) (the "*Radiocommunication Act*"), which is administered by ISED Canada.

Changes to the laws, regulations and policies governing Quebecor Media's operations, the introduction of new laws, regulations, policies or terms of license, the issuance of new licenses, including additional spectrum licenses, to its competitors, or changes to the treatment of the tax deductibility of advertising expenditures, could have an impact on customer buying practices and/or a material adverse effect on its business (including how it provides products and services), prospects, results of operations and financial condition. In addition, Quebecor Media may incur increased costs in order to comply with existing and newly adopted laws and regulations or penalties for any failure to comply.

The CRTC has launched a comprehensive review of the wireless market. The Canadian Government has requested that the CRTC consider competition, affordability, consumer interests and innovation in its decisions. This review could result in the introduction of mandatory resale in the wireless marketplace and the emergence of MVNOs in the mobile telephony industry. This material increase in competition in Quebecor Media's mobile telephony business could have a material adverse effect on its business, prospects, revenues, financial condition and results of operations.

In addition, laws relating to communications, data protection, e-commerce, direct marketing and digital advertising and the use of public records have become more prevalent in recent years. Existing and proposed legislation and regulations, including changes in the manner in which such legislation and regulations are interpreted by courts in Canada, the United States and other jurisdictions may impose limits on the collection and use of certain kinds of information. Furthermore, the CRTC and ISED Canada have the power to impose monetary sanctions for failure to comply with current regulations.

Provision of TPIAs with access to our cable network

The largest cable operators in Canada, including Videotron, have been required by the CRTC to provide TPIA providers with access to their networks at mandated cost-based rates. Numerous TPIA providers are interconnected to Quebecor Media's cable network and are thereby providing retail Internet access services as well as, in some cases, retail VoIP and IP-based television distribution services.

In a series of decisions since 2015, the CRTC has reemphasized the importance it gives to mandated wholesale access arrangements as a driver of competition in the retail Internet access market. Among other things, the CRTC has ordered all of the major telephone and cable companies, including Videotron, to provide new disaggregated wholesale access services, which are to replace existing aggregated wholesale access services after a transition period. These new disaggregated services will include mandated access to high-speed services provided over fibre-access facilities, including the fibre-access facilities of the large incumbent telephone companies. On August 15, 2019, the CRTC introduced a flat rate for wholesale Internet access independent of access speed and also ordered that new access and capacity rates be applied retroactively to March 31, 2016. Those new proposed rates are substantially lower than interim rates and could represent a retroactive reduction in earnings of approximately $22.0 million (before income taxes) in 2019 and approximately $30.0 million (before income taxes) from March 31, 2016 to December 31, 2018. A coalition of cable companies (including Videotron) has filed appeals of this decision with the Federal Court of Appeal, the federal Cabinet and the CRTC itself. If the CRTC's decision is ultimately upheld in its current form, it will significantly reduce Videotron's wholesale Internet service revenues. In addition, it will significantly change the competitive landscape and will allow Internet resellers to adopt more aggressive pricing strategies in the retail market. This could lead to a loss of Quebecor Media's subscribers, affect its ability to recover the costs of providing these services, reduce the incentives to invest in its networks and have a material adverse effect on its ability to successfully compete.

License renewals

Videotron's AWS-1 licenses were renewed in December 2018 for a 20-year term. A public consultation to determine the license fees to be paid during the renewal term has not yet been initiated.

Videotron's other spectrum licenses, including in the AWS-3, 700 MHz, 2500 MHz and 600 MHz bands, are issued for 20-year terms from their respective dates of issuance. At the end of these terms, Quebecor Media expects that new licenses will be issued for subsequent terms through a renewal process, unless a breach of licence conditions by Videotron has occurred, a fundamental reallocation of spectrum to a new service is required, or in the event that an overriding policy need arises. The process for issuing or renewing licenses, including the terms and conditions of the new licenses and whether license fees should apply for a subsequent license term, are expected to be determined by ISED Canada.

If, at the end of their respective term, the licenses are not renewed on acceptable terms, or at all, Quebecor Media's ability to continue to offer its wireless services, or to offer new services, may be negatively impacted and, consequently, it could have a material adverse effect on its business, prospects, results of operations and financial condition.

Government programs

Quebecor Media takes advantage of several government programs designed to support production and distribution of televisual and cinematographic products and magazine publishing in Canada, including federal and provincial refundable tax credits. There can be no assurance that the local cultural incentive programs that Quebecor Media may access in Canada will continue to be available in the future or will not be reduced, amended or eliminated. Any future reductions or other changes in the policies or rules of application in Canada or in any of its provinces in connection with these government incentive programs, including any change in the Québec or the federal programs providing for refundable tax credits, could increase the cost of acquiring and producing Canadian programs which are required to be broadcast and which could have a material adverse effect on its results of operations and financial condition. Canadian content programming is also subject to certification by various agencies of the federal government. If programming fails to so qualify, the Corporation would not be able to use the programs to meet Canadian content programming obligations and might not qualify for certain Canadian tax credits and government incentives.

In addition, the Canadian and provincial governments currently provide grants, incentives and tax credits to attract foreign producers and support domestic film and television production. Many of the major studios and other key customers of Quebecor Media's film production and audiovisual services business, content producers for its broadcasting operations, as well as its production and distribution business, finance a portion of their production budgets through these grants, incentives and tax credits. There can be no assurance that these grants, incentives and tax credits will continue at their present levels or at all, and if they are reduced or discontinued, the level of activity in the motion picture and television industries may be reduced, as a result of which the Corporation's results of operations and financial condition might be adversely affected.

The successful tax credit model of Québec and other provinces in Canada has been copied by other jurisdictions. Some producers may select locations other than Québec to take advantage of other tax credit programs. Other factors, such as director or star preference, may also have the effect of productions being shot in a location other than Québec and may therefore have a material adverse effect on the Corporation's business, results of operations and financial condition.

Environmental laws and regulations and climate change

Quebecor Media is subject to a variety of environmental laws and regulations. Some of its facilities are subject to federal, provincial, state and municipal laws and regulations concerning, for example, emissions to the air, water and sewer discharge, the handling and disposal of hazardous materials and waste, including electronic waste, recycling, soil remediation of contaminated sites, or otherwise relating to the protection of the environment. In addition, laws and regulations relating to workplace safety and worker health, which, among other things, regulate employee exposure to hazardous substances in the workplace, also govern Quebecor Media's operations. Failure to comply with present or future laws or regulations could result in substantial liability for Quebecor Media.

Environmental laws and regulations and their interpretation have changed rapidly in recent years and may continue to do so in the future. For instance, most Canadian provinces have implemented Extended Producer Responsibility regulations in order to encourage sustainability practices such as the "Ecological recovery and reclamation of electronic products", which sets certain recovery targets and which may require Quebecor Media to monitor and adjust its practices in the future. Evolving public expectations with respect to the environment and increasingly stringent laws and regulations could result in increased costs of compliance, and failure to recognize and adequately respond to them could result in fines, regulatory scrutiny, or have a significant effect on Quebecor Media's reputation and brands.

Quebecor Media's properties, as well as areas surrounding those properties, particularly those in areas of long-term industrial use, may have had historic uses, or may have current uses, in the case of surrounding properties, which may affect its properties and require further study or remedial measures. Quebecor Media cannot provide assurance that all environmental liabilities have been determined, that any prior owner of its properties did not create a material environmental condition not known to Quebecor Media, that a material environmental condition does not otherwise exist on any of its properties, or that expenditure will not be required to deal with known or unknown contamination.

Quebecor Media owns, through one of its subsidiaries, certain properties located on a partially remediated former landfill. The operation and ownership of these properties carries an inherent risk of environmental and health and safety liabilities, including for personal injuries, property damage, release of hazardous materials, remediation and clean-up costs and other environmental damages. Quebecor Media may, from time to time, be involved in administrative and judicial proceedings relating to such matters, which could have a material adverse effect on its business, financial condition and results of operations.

Finally, the effects of global climate change are increasing the severity and frequency of extreme weather-related events, and will likely result in increased operational and capital costs. Some of the more significant climate-related risks that were identified include increased operational costs to maintain Quebecor Media's network operations during extreme weather events, and increased capital costs as a result of damage to its facilities and/or equipment.

Concerns about alleged health risks relating to radiofrequency emissions

All Quebecor Media's cell sites comply with applicable laws and it relies on its suppliers to ensure that the network equipment and customer equipment supplied to it meet all applicable regulatory and safety requirements. Nevertheless, some studies have alleged links between radiofrequency emissions from certain wireless devices and cell sites and various health problems, or possible interference with electronic medical devices, including hearing aids and pacemakers. There is no definitive evidence of harmful effects from exposure to radiofrequency emissions when the limits imposed by applicable laws and regulations are complied with. Additional studies of radiofrequency emissions are ongoing and there is no certainty as to the results of any such future studies.

The current concerns over radiofrequency emissions or perceived health risks of exposure to radiofrequency emissions could lead to additional governmental regulation, diminished use of wireless services, including Videotron's, or product liability lawsuits that might arise or have arisen. Any of these could have a material adverse effect on Quebecor Media's business, prospects, revenues, financial condition and results of operations

Indebtedness

Quebecor currently has a substantial amount of debt and significant interest payment requirements. As at December 31, 2019, it had $5.99 billion of consolidated long-term debt (long-term debt plus bank indebtedness). Quebecor's indebtedness could have significant consequences, including the following:

- increase its vulnerability to general adverse economic and industry conditions;
- require it to dedicate a substantial portion of its cash flow from operations to making interest and principal payments on its indebtedness, reducing the availability of its cash flow to fund capital expenditures, working capital and other general corporate purposes;
- limit its flexibility in planning for, or reacting to, changes in its businesses and the industries in which Quebecor operates;
- place it at a competitive disadvantage compared to competitors with less debt or greater financial resources; and
- limit, along with the financial and other restrictive covenants in its indebtedness, its ability to, among other things, borrow additional funds on commercially reasonable terms, if at all.

Although Quebecor has significant indebtedness, as at December 31, 2019, it had more than $1.77 billion available for additional borrowings under its existing credit facilities on a consolidated basis, and the indentures governing its outstanding Senior Notes would permit it to incur substantial additional indebtedness in the future. If Quebecor incurs additional debt, the risks it now faces as a result of its leverage could intensify.

Restrictive covenants

Quebecor's debt instruments contain a number of operating and financial covenants, which may vary depending on their respective governing terms, restricting its ability to, among other things:

- borrow money or sell preferred stock;
- create liens;
- pay dividends on or redeem or repurchase stock;
- make certain types of investments;
- restrict dividends or other payments;
- enter into transactions with affiliates;
- issue guarantees of debt; and
- sell assets or merge with other companies.

If Quebecor is unable to comply with these covenants and is unable to obtain waivers from its creditors, then it would be unable to make additional borrowings under its credit facilities. Its indebtedness under these agreements would be in default and that could, if not cured or waived, result in an acceleration of such indebtedness and cause cross-defaults under its other debt, including Quebecor Media's Senior Notes. If Quebecor's indebtedness is accelerated, it may not be able to repay its indebtedness or borrow sufficient funds to refinance it, and any such prepayment or refinancing could adversely affect the Corporation's financial condition. In addition, if Quebecor incurs additional debt in the future or refinances existing debt, it may be subject to additional covenants, which may be more restrictive than those to which it is currently subject. Even if Quebecor is able to comply with all applicable covenants, the restrictions on its ability to manage its business at its sole discretion could adversely affect its business by, among other things, limiting its ability to take advantage of financings, mergers, acquisitions and other corporate opportunities that Quebecor believes would be beneficial.

Holding corporation

Quebecor is a holding corporation and a substantial portion of its assets is the capital stock of its subsidiaries. As a holding corporation, Quebecor conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenues. Consequently, Quebecor's cash flow and ability to service its debt obligations are dependent on the cash flows of its existing and future subsidiaries and the distribution of this cash flow to Quebecor, or on loans, advances or other payments made by those entities to Quebecor. The ability of those entities to pay dividends or make loans, advances or payments to Quebecor will depend on their operating results and will be subject to applicable laws and contractual restrictions contained in the instruments governing their debt. Quebecor Media and Videotron have several series of debt securities outstanding, and both Videotron and TVA Group have credit facilities that limit their ability to distribute cash. In addition, if its existing or future subsidiaries incur additional debt in the future or refinance existing debt, Quebecor may be subject to additional contractual restrictions contained in the instruments governing that debt, which may be more restrictive than those to which it is currently subject.

The ability of its subsidiaries to generate sufficient cash flows from operations to allow Quebecor to make scheduled payments on its debt obligations will depend on their future financial performance, which will be affected by a range of economic, competitive and business factors as well as by structural changes, many of which are outside its or their control. If the cash flows and earnings of Quebecor's operating subsidiaries and the amount that they are able to distribute to Quebecor as dividends or otherwise are not sufficient for Quebecor, it may not be able to satisfy its debt obligations. If it is unable to satisfy its debt obligations, it may have to undertake alternative financing plans, such as refinancing or restructuring its debt, selling assets, reducing or delaying capital investments, or seeking to raise additional capital. It can provide no assurance that any such alternative refinancing would be possible; that any assets could be sold, or, if sold, the timing of the sales and the amount of proceeds realized from those sales; that additional financing could be obtained on acceptable terms, if at all; or that additional financing would be permitted under the terms of its various debt instruments then in effect. Inability to generate sufficient cash flows to satisfy Quebecor's debt obligations, or to refinance those obligations on commercially reasonable terms, could have a material adverse effect on its business, prospects, results of operations and financial condition.

Ability to refinance

Quebecor may be required from time to time to refinance some of its existing debt at or prior to maturity. Quebecor's ability to obtain additional financing to repay such existing debt at maturity will depend on a number of factors, including prevailing market conditions, credit availability and operating performance. There can be no assurance that any such financing will be available to Quebecor on favourable terms, or at all.

Provisions in the Articles that could discourage or prevent a takeover

Provisions in the Corporation's Articles and Bylaws could make it more difficult for a third party to acquire it, even if doing so would be beneficial in the opinion of the holders of Quebecor's Class B Shares. Those provisions principally include:

- the multiple voting feature of Quebecor's Class A Shares; and
- the election structure of the Board of Directors, whereby holders of Class A Shares elect 75% of the Corporation's directors, while holders of Class B Shares elect 25%.

The existence of these provisions could have the effect of delaying, preventing or deterring a change in control of Quebecor, could deprive its shareholders of an opportunity to receive a premium for their Class B Shares as part of a sale of Quebecor, and might ultimately affect the market price of its shares.

Interests of holders of Quebecor's Class A Shares that may conflict with the interests of other shareholders

The Class B Shares have one vote per share, while the Class A Shares have 10 votes per share on all matters to be voted on by shareholders. As of December 31, 2019 approximately 73.67% of the combined voting power of all outstanding shares is controlled by a majority shareholder, and the exercise of the voting rights attached to those shares makes it possible to decide or significantly influence all issues submitted to a shareholder vote, including the election of Class A directors and approval of significant corporate transactions, such as amendments to the Corporation's Articles, mergers, amalgamations, or the sale of all or substantially all of its assets.

The holders of the Class A Shares may also have interests that differ from those of the other shareholders and may vote in a way with which other shareholders disagree and which may be adverse to their interests. This concentration of voting power may have the effect of delaying, preventing, or deterring a change in control of Quebecor; could deprive its shareholders of an opportunity to receive a premium for their Class B Shares as part of a sale of Quebecor, and might ultimately affect the market price of its shares.

Financial Instruments and Financial Risk Management

The Corporation's financial risk-management policies have been established in order to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk-management policies are reviewed regularly to reflect changes in market conditions and in the Corporation's activities.

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. As a result of its use of financial instruments, the Corporation is exposed to credit risk, liquidity risk and market risks relating to foreign exchange fluctuations and interest rate fluctuations.

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.

Table 14
Description of derivative financial instruments
As of December 31, 2019
(in millions of dollars)

Foreign exchange forward contracts

Maturity	CAN dollar average exchange rate per one U.S. dollar	Notional amount sold	Notional amount bought
Videotron			
Less than 1 year	1.3195	$ 139.2	US$ 105.5

Cross-currency interest rate swaps

Hedged item	Hedging instrument			
	Period covered	Notional amount	Annual interest rate on notional amount in CAN dollars	CAN dollar exchange rate on interest and capital payments per one U.S. dollar
Quebecor Media				
5.750% Senior Notes due 2023	2016 to 2023	US$ 431.3	7.27%	0.9792
5.750% Senior Notes due 2023	2012 to 2023	US$ 418.7	6.85%	0.9759
Videotron				
5.000% Senior Notes due 2022	2014 to 2022	US$ 543.1	6.01%	0.9983
5.000% Senior Notes due 2022	2012 to 2022	US$ 256.9	5.81%	1.0016
5.375% Senior Notes due 2024	2014 to 2024	US$ 158.6	Bankers' acceptance 3 months + 2.67%	1.1034
5.375% Senior Notes due 2024	2017 to 2024	US$ 441.4	5.62%	1.1039
5.125% Senior Notes due 2027	2017 to 2027	US$ 600.0	4.82%	1.3407

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 losses on valuation and translation of financial instruments for 2019 and 2018 are summarized in Table 15.

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

		2019		2018
Loss on embedded derivatives related to convertible debentures	**$**	**5.7**	$	60.4
Other		**0.8**		0.9
	$	**6.5**	$	61.3

A gain on cash flow hedges of $73.8 million was recorded under “other comprehensive income” in 2019 (loss of $10.1 million in 2018).

Fair Value of Financial Instruments

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.

The carrying value and fair value of long-term debt, convertible debentures and derivative financial instruments as of December 31, 2019 and December 31, 2018 were as follows:

Table 16
Fair value of long-term debt, convertible debentures and derivative financial instruments
(in millions of Canadian dollars)

				2019				2018
Asset (liability)		**Carrying value**		**Fair value**		Carrying value		Fair value
Long-term debt[1]	**$**	**(5,986.1)**	**$**	**(6,376.2)**	$	(6,461.7)	$	(6,444.9)
Convertible debentures[2]		**(162.0)**		**(162.0)**		(150.6)		(150.6)
Derivative financial instruments[3]								
Foreign exchange forward contracts		**(2.1)**		**(2.1)**		6.7		6.7
Cross-currency interest rate swaps		**679.8**		**679.8**		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 principal amount and the value of the conversion features related to the floor and ceiling prices, recognized as embedded derivatives.

3 The fair value of derivative financial instruments designated as cash flow hedges is an asset position of $635.5 million as of December 31, 2019 ($840.6 million in 2018) and the fair value of derivative financial instruments designated as fair value hedges is an asset position of $42.2 million as of December 31, 2019 ($46.4 million in 2018).

Due to the judgment used in applying a wide range of acceptable techniques and estimates in calculating fair value amounts, fair values are not necessarily comparable among financial institutions or other market participants and may not be realized in an actual sale or on the immediate settlement of the instrument.

Credit risk management

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial asset fails to meet its contractual obligations and arises principally from amounts receivable from customers, including contract assets.

The carrying amounts of financial assets represent the maximum credit exposure.

In the normal course of business, the Corporation continuously monitors the financial condition of its customers and reviews the credit history of each new customer. As of December 31, 2019, no customer balance represented a significant portion of the Corporation's consolidated trade receivables. The Corporation is using the expected credit losses method to estimate its provision for credit losses, which considers the specific credit risk of its customers, the expected lifetime of its financial assets, historical trends and economic conditions As of December 31, 2019, the provision for expected credit losses represented 2.5% of the gross amount of accounts receivable and contract assets (2.7% as of December 31, 2018), while 7.2% of trade receivables were 90 days past their billing date (11.7% as of December 31, 2018).

The following table shows changes to the provision for expected credit losses for the years ended December 31, 2019 and 2018:

		2019		2018
Balance at beginning of year	**$**	**20.5**	$	21.1
Changes in expected credit losses charged to income		**18.8**		19.6
Write-off		**(19.7)**		(20.2)
Balance at end of year	**$**	**19.6**	$	20.5

The Corporation believes that its product lines and the diversity of its customer base are instrumental in reducing its credit risk, as well as the impact of fluctuations in product-line demand. The Corporation does not believe that it is exposed to an unusual level of customer credit risk.

As a result of its use of derivative financial instruments, the Corporation is exposed to the risk of non-performance by a third party. When the Corporation enters into derivative contracts, the counterparties (either foreign or Canadian) must have credit ratings at least in accordance with the Corporation's risk-management policy and are subject to concentration limits. These credit ratings and concentration limits are monitored on an ongoing basis, but at least quarterly.

Liquidity risk management

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due or the risk that those financial obligations will have to be met at excessive cost. The Corporation manages this exposure through staggered debt maturities. The weighted average term of the Corporation's consolidated debt was approximately 5.2 years as of December 31, 2019 (5.1 years as of December 31, 2018) (see also "Contractual obligations" above).

Market risk

Market risk is the risk that changes in market prices due to foreign exchange rates, interest rates and/or equity prices will affect the value of the Corporation's financial instruments. The objective of market risk management is to mitigate and control exposures within acceptable parameters while optimizing the return on risk.

Foreign currency risk

Most of the Corporation's consolidated revenues and expenses, other than interest expense on U.S.-dollar-denominated debt, purchases of set-top boxes, gateways, mobile devices and certain capital expenditures, are received or denominated in CAN dollars. A significant portion of the interest, principal and premium, if any, payable on its debt is payable in U.S. dollars. The Corporation has entered into transactions to hedge the foreign currency risk exposure on its U.S.-dollar-denominated debt obligations outstanding as of December 31, 2019, and to hedge its exposure on certain purchases of set-top boxes, gateways, mobile devices and capital expenditures. Accordingly, the Corporation's sensitivity to variations in foreign exchange rates is economically limited.

The estimated sensitivity on income and on "other comprehensive income," before income taxes, of a variance of $0.10 in the year-end exchange rate of a CAN dollar per one U.S. dollar used to calculate the fair value of financial instruments as of December 31, 2019 is as follows:

Increase (decrease)		Income		Other comprehensive income
Increase of $0.10	$	1.2	$	38.8
Decrease of $0.10		(1.2)		(38.8)

A variance of $0.10 in the 2019 average exchange rate of CAN dollar per one U.S. dollar would have resulted in a variance of $2.9 million on the value of unhedged purchases of goods and services and $6.6 million on the value of unhedged acquisitions of tangible and intangible assets in 2019.

Interest rate risk

Some of the Corporation's bank credit facilities bear interest at floating rates based on the following reference rates: (i) Bankers' acceptance rate, (ii) LIBOR, (iii) Canadian prime rate, and (iv) U.S. prime rate. The Senior Notes issued by the Corporation bear interest at fixed rates. The Corporation has entered into cross-currency interest rate swap agreements in order to manage cash flow risk exposure. As of December 31, 2019, after taking into account the hedging instruments, long-term debt was comprised of 93.9% fixed-rate debt (76.3% in 2018) and 6.1% floating-rate debt (23.7% in 2018).

The estimated sensitivity on interest payments of a 100 basis-point variance in the year-end Canadian Bankers' acceptance rate as of December 31, 2019 was $3.3 million.

The estimated sensitivity on income and on "other comprehensive income," before income taxes, of a 100 basis-point variance in the discount rate used to calculate the fair value of financial instruments, other than convertible debentures and embedded derivatives related to convertible debentures (note 21), as of December 31, 2019, as per the Corporation's valuation models, is as follows:

Increase (decrease)		Income		Other comprehensive income
Increase of 100 basis points	$	(1.5)	$	(18.0)
Decrease of 100 basis points		1.5		18.0

Capital management

The Corporation's primary objective in managing capital is to maintain an optimal capital base in order to support the capital requirements of its various businesses, including growth opportunities.

In managing its capital structure, the Corporation takes into account the asset characteristics of its subsidiaries and planned requirements for funds, leveraging their individual borrowing capacities in the most efficient manner to achieve the lowest cost of financing. Management of the capital structure involves the issuance and repayment of debt and convertible debentures, the issuance and repurchase of shares, the use of cash flows generated by operations, and the level of distributions to shareholders. The Corporation has not significantly changed its strategy regarding the management of its capital structure since the last financial year.

The Corporation's capital structure is composed of equity, bank indebtedness, long-term debt, convertible debentures, embedded derivatives related to convertible debentures, lease liabilities, derivative financial instruments and cash and cash equivalents. The capital structure as of December 31, 2019 and 2018 is as follows:

Table 17
Capital structure of Quebecor
(in millions of Canadian dollars)

	2019	2018
Bank indebtedness	**$ 29.4**	$ 24.3
Long-term debt	**5,957.5**	6,428.2
Convertible debentures	**150.0**	150.0
Embedded derivatives related to convertible debentures	**15.8**	5.2
Lease liabilities	**137.9**	144.4
Derivative financial instruments	**(677.7)**	(887.0)
Cash and cash equivalents	**(14.0)**	(21.0)
Net liabilities	**5,598.9**	5,844.1
Equity	**$ 1,072.1**	$ 568.5

The Corporation is not subject to any externally imposed capital requirements other than certain restrictions under the terms of its borrowing agreements, which relate, among other things, to permitted investments, intercompany transactions, and the declaration and payment of dividends or other distributions.

Contingencies and legal disputes

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

There are also a number of other legal proceedings against the Corporation that are pending. Generally, management of the Corporation, establishes provisions for claims or actions considering the facts of each case. The Corporation cannot determine when and if any payment will be made related to those provisions.

On August 15, 2019, the CRTC issued an order finalizing the rates, retroactively to March 31, 2016, by which the large cable and telephone companies provide aggregated wholesale access to their high-speed Internet networks. The interim rates in effect since 2016 have been invoiced to resellers and accounted for in the Corporation consolidated financial statements. The new proposed rates are substantially lower than interim rates and could represent a retroactive reduction in earnings of approximately $22.0 million (before income taxes) in 2019 and approximately $30.0 million (before income taxes) from March 31, 2016 to December 31, 2018. On September 13, 2019, a coalition of cable companies (including Videotron) and Bell Canada filed separate appeals of the CRTC's order with the Federal Court of Appeal arguing, among other things, that the order is marked by numerous errors of law and jurisdiction resulting in wholesale rates that are unreasonably low. The cable companies and Bell Canada also filed separate requests to stay the implementation of the order pending disposition of their appeals. On November 22, 2019, the leave to appeal was granted by the Federal Court of Appeal and the interim stay of the CRTC's order granted by this court on September 27, 2019, was extended until a final ruling by the court is made. Accordingly, at this stage of these proceedings, the Corporation still estimates that the interim rates are the appropriate basis to account for its wholesale Internet access revenues.

Critical Accounting Policies and Estimates

Revenue recognition

The Corporation accounts for a contract with a customer only 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 perform 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 portion of revenues that is invoiced and unearned is presented as "Deferred revenues" in the consolidated balance sheets. Deferred revenues are usually recognized as revenues in the subsequent year.

<u>Telecommunications</u>

The Telecommunications segment provides services under multiple deliverable arrangements, mainly for mobile contracts in which the sale of mobile devices is bundled with telecommunication services over the contract term. The total consideration from a contract with multiple deliverables is allocated to all performance obligations in the contract based on the stand-alone selling price of each obligation. The total consideration is generally comprised of an upfront fee for the equipment sale and a monthly fee for the telecommunication service. Each performance obligation of multiple deliverable arrangements is then separately accounted for based on its allocated consideration amount.

The Corporation does not adjust the amount of consideration allocated to the equipment sale for the effects of a financing component since this component is not significant.

The Telecommunications segment recognizes each of its main activities' revenues as follows:

- operating revenues from subscriber services, such as cable television, Internet access, cable and mobile telephony, and OTT video services are recognized when services are provided;
- revenues from equipment sales to subscribers are recognized when the equipment is delivered;
- operating revenues related to service contracts are recognized in income on a straight-line basis over the period in which the services are provided; and
- cable connection and mobile activation revenues are deferred and recognized respectively as revenues over the period of time the customer is expected to remain a customer of the Corporation and over the contract term.

When a mobile device and a service are bundled under a single mobile contract, the term of the contract is generally 24 months.

The portion of mobile revenues earned without being invoiced is presented as contract assets in the consolidated balance sheets. Contract assets are realized over the term of the contract.

<u>Media</u>

The Media segment recognizes each of its main activities' revenues as follows:

- advertising revenues are recognized when the advertising is aired on television, is featured in newspapers or magazines, or is displayed on the digital properties or on transit shelters;
- revenues from subscriptions to specialty television channels or to online publications are recognized on a monthly basis at the time service is provided or over the period of the subscription;
- revenues from the sale or distribution of newspapers and magazines are recognized upon delivery, net of provisions for estimated returns based on historical rate of returns;
- soundstage and equipment leasing revenues are recognized over the rental period;
- revenues derived from speciality film and television services are recognized when services are provided; and
- revenues from the distribution of audiovisual content are recognized when the content has been delivered and accepted in accordance with the conditions of the licence or distribution agreement.

<u>Sports and Entertainment</u>

The Sports and Entertainment segment recognizes each of its main activities' revenues as follows:

- revenues from the sale or distribution of books and entertainment products are recognized upon delivery, net of provisions for estimated returns based on historical rate of returns;
- revenues from venue rental, ticket sales (including season tickets) and food and beverage sales are recognized when the events take place and/or goods are sold, as the case may be;
- revenues from the rental of suites are recognized ratably over the period of the agreement;

- revenues from the sale of advertising in the form of venue signage or sponsorships are recognized ratably over the period of the agreement; and
- revenues derived from sporting and cultural event management are recognized when services are provided.

Impairment of assets

For the purposes of assessing impairment, assets are grouped in CGUs, which represent the lowest levels for which there are separately identifiable cash inflows generated by those assets. The Corporation reviews, at each balance sheet date, whether events or circumstances have occurred to indicate that the carrying amounts of its long-lived assets with finite useful lives may be less than their recoverable amounts. Goodwill, intangible assets having an indefinite useful life, and intangible assets not yet available for use are tested for impairment each financial year, as well as whenever there is an indication that the carrying amount of the asset, or the CGU to which an asset has been allocated, exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs of disposal and the value in use of the asset or the CGU. Fair value less costs of disposal represents the amount an entity could obtain at the valuation date from the asset's disposal in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. The value in use represents the present value of the future cash flows expected to be derived from the asset or the CGU.

The Corporation uses the discounted cash flow method to estimate the recoverable amount, consisting of future cash flows derived primarily from the most recent budget and three-year strategic plan approved by the Corporation's management and presented to the Board of Directors. These forecasts consider each CGU's past operating performance and market share as well as economic trends, along with specific and market industry trends and corporate strategies. A perpetual growth rate is used for cash flows beyond this three-year period. The discount rate used by the Corporation is a pre-tax rate derived from the weighted average cost of capital pertaining to each CGU, which reflects the current market assessment of: (i) the time value of money; and (ii) the risk specific to the assets for which the future cash flow estimates have not been risk-adjusted. The perpetual growth rate has been determined with regard to the specific markets in which the CGUs participate.

An impairment loss is recognized in the amount by which the carrying amount of an asset or a CGU exceeds its recoverable amount. When the recoverable amount of a CGU to which goodwill has been allocated is lower than the CGU's carrying amount, the related goodwill is first impaired. Any excess amount of impairment is recognized and attributed to assets in the CGU, prorated to the carrying amount of each asset in the CGU.

An impairment loss recognized in prior periods for long-lived assets with finite useful lives and intangible assets having an indefinite useful life, other than goodwill, can be reversed through the consolidated statement of income to the extent that the resulting carrying value does not exceed the carrying value that would have been the result had no impairment loss been recognized previously.

When determining the recoverable amount of an asset or CGU, assessment of the information available at the valuation date is based on management's judgment and may involve estimates and assumptions. Furthermore, the discounted cash flow method used in determining the recoverable amount of an asset or CGU relies on the use of estimates such as the amount and timing of cash flows, expected variations in the amount or timing of those cash flows, the time value of money as represented by the risk-free rate, and the risk premium associated with the asset or CGU. Therefore, the judgment used in determining the recoverable amount of an asset or CGU may affect the amount of the impairment loss to be recorded to an asset or CGU, as well as the potential reversal of the impairment charge in the future.

Based on the data and assumptions used in its last impairment test, the Corporation believes that there is no significant amount of long-lived assets with finite useful lives, or goodwill and intangible assets with indefinite useful lives, on its books at this time that present a significant risk of impairment in the near future.

The net book value of goodwill as at December 31, 2019 was $2.69 billion, and the net book value of intangible assets with indefinite useful lives as at December 31, 2019 was $741.1 million.

Indefinite useful life of spectrum licences

Management has concluded that spectrum licences have an indefinite useful life. This conclusion was based on an analysis of factors, such as the Corporation's financial ability to renew the spectrum licences, the competitive, legal and regulatory landscape, and future expectations regarding the use of the spectrum licences. The determination that spectrum licences have an indefinite useful life therefore involves judgment, which could have an impact on the amortization charge recorded in the consolidated statements of income if management were to change its conclusion in the future.

Derivative financial instruments and hedge accounting

The Corporation uses various derivative financial instruments to manage its exposure to fluctuations in foreign currency exchange rates and interest rates. The Corporation does not hold or use any derivative financial instruments for speculative purposes. Under hedge accounting, the Corporation documents all hedging relationships between hedging instruments and hedged items, as well as its strategy for using hedges and its risk-management objective. It also designates its derivative financial instruments as either fair value hedges or cash flow hedges when they qualify for hedge accounting. The Corporation assesses the effectiveness of its hedging relationships at initiation and on an ongoing basis.

The Corporation generally enters into the following types of derivative financial instruments.

- The Corporation uses foreign exchange forward contracts to hedge foreign currency rate exposure on anticipated equipment or inventory purchases in a foreign currency. These foreign exchange forward contracts are designated as cash flow hedges.
- The Corporation uses cross-currency interest rate swaps to hedge: (i) foreign currency rate exposure on interest and principal payments on foreign currency denominated debt; and/or (ii) fair value exposure on certain debt resulting from changes in interest rates. The cross-currency interest rate swaps that set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting an interest rate from a floating rate to a floating rate or from a fixed rate to a fixed rate, are designated as cash flow hedges. The cross-currency interest rate swaps are designated as fair value hedges when they set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting the interest rate from a fixed rate to a floating rate.
- The Corporation uses interest rate swaps to manage fair value exposure on certain debts resulting from changes in interest rates. These swap agreements require a periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. These interest rate swaps are designated as fair value hedges when they convert the interest rate from a fixed rate to a floating rate, or as cash flow hedges when they convert the interest rate from a floating rate to a fixed rate.
- The Corporation has established a hedge ratio of one for one for all its hedging relationships as underlying risks of its hedging derivatives are identical to the hedged item risks.

The Corporation measures and records the effectiveness of its hedging relationships as follows.

- For cash flow hedges, the hedge effectiveness is tested and measured by comparing changes in the fair value of the hedging derivative with the changes in the fair value of a hypothetical derivative that simulates the hedged items' cash flows.
- For fair value hedges, the hedge effectiveness is tested and measured by comparing changes in the fair value of the hedging derivative with the changes in the fair value of the hedged item attributable to the hedged risk.
- Most of the Corporation's hedging relationships are not generating material ineffectiveness. The ineffectiveness, if any, is recorded in the consolidated statements of income as a gain or loss on valuation and translation of financial instruments.

Under hedge accounting, the Corporation applies the following accounting policies.

- For derivative financial instruments designated as fair value hedges, changes in the fair value of the hedging derivative recorded in income are substantially offset by changes in the fair value of the hedged item to the extent that the hedging relationship is effective. When a fair value hedge is discontinued, the carrying value of the hedged item is no longer adjusted and the cumulative fair value adjustments to the carrying value of the hedged item are amortized to income over the remaining term of the original hedging relationship.
- For derivative financial instruments designated as cash flow hedges, the effective portion of a hedge is reported in "other comprehensive income" until it is recognized in income during the same period in which the hedged item affects income, while the ineffective portion is immediately recognized in income. When a cash flow hedge is discontinued, the amounts previously recognized in accumulated "other comprehensive income" are reclassified to income when the variability in the cash flows of the hedged item affects income.

Any change in the fair value of derivative financial instruments recorded in income is included in gain or loss on valuation and translation of financial instruments. Interest expense on hedged long-term debt is reported at the hedged interest and foreign currency rates.

Derivative financial instruments that do not qualify for hedge accounting, including derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts, are reported on a fair value basis in the consolidated balance sheets. Any change in the fair value of these derivative financial instruments is recorded in the consolidated statements of income as a gain or loss on valuation and translation of financial instruments.

Convertible debentures

The convertible debentures are accounted for as a financial liability and the cap and floor conversion price features are accounted for separately as embedded derivatives. The embedded derivatives are measured at fair value and any subsequent change in the fair value is recorded in the consolidated statements of income as a gain or loss on valuation and translation of financial instruments.

Pension plans and postretirement benefits

The Corporation offers defined contribution pension plans and defined benefit pension plans to some of its employees.

Quebecor Media's defined benefit obligations with respect to defined benefit pension plans and postretirement benefits are measured at present value and assessed on the basis of a number of economic and demographic assumptions which are established with the assistance of Quebecor Media's actuaries. Key assumptions relate to the discount rate, the rate of increase in compensation, retirement age of employees, healthcare costs, and other actuarial factors. Defined benefit pension plan assets are measured at fair value and consist mainly of equities and corporate and government fixed-income securities.

Re-measurements of the net defined benefit liability or asset are recognized immediately in "other comprehensive income."

Recognition of a net benefit asset is limited under certain circumstances to the amount recoverable, which is primarily based on the present value of future contributions to the plan, to the extent that the Corporation can unilaterally reduce those future contributions. In addition, an adjustment to the net benefit asset or the net benefit liability can be recorded to reflect a minimum funding liability in a certain number of the Corporation's pension plans. The assessment of the amount recoverable in the future and the minimum funding liability is based on a number of assumptions, including future service costs and future plan contributions.

The Corporation considers all the assumptions used to be reasonable in view of the information available at this time. However, variances from certain of those assumptions may have a significant impact on the costs and obligations of pension plans and postretirement benefits in future periods.

Stock-based compensation

Stock-based awards to employees that call for settlement in cash, as deferred share units ("DSUs") or performance share units ("PSUs"), or that call for settlement in cash at the option of the employee, as stock option awards, are accounted for at fair value and classified as a liability. The compensation cost is recognized in expenses over the vesting period. Changes in the fair value of stock-based awards between the grant date and the measurement date result in a change in the liability and compensation cost.

The fair value of DSUs and PSUs is based on the underlying share price at the date of valuation. The fair value of stock option awards is determined by applying an option pricing model, taking into account the terms and conditions of the grant and assumptions such as the risk-free interest rate, distribution yield, expected volatility, and the expected remaining life of the option.

Provisions

Provisions are recognized when: (i) the Corporation has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation; and when (ii) the amount of the obligation can be reliably estimated. Restructuring costs, comprised primarily of termination benefits, are recognized when a detailed plan for the restructuring exists and a valid expectation has been raised in those affected that the plan will be carried out.

Provisions are reviewed at each balance sheet date and changes in estimates are reflected in the consolidated statements of income in the reporting period in which the changes occur.

The amount recognized as a provision is the best estimate of the expenditures required to settle the present obligation at the balance sheet date or to transfer it to a third party at that time and it is adjusted for the effect of time value when material. The amount recognized for onerous contracts is the lower of the cost necessary to fulfill the obligations, net of expected economic benefits deriving from the contracts, and any indemnity or penalty arising from failure to fulfill those obligations.

No amounts are recognized for obligations that are possible but not probable or for those for which an amount cannot be reasonably estimated.

Contract costs

Incremental and direct costs, such as costs to obtain a contract, mainly sales commissions, or the cost of connecting a subscriber to the Corporation's telecommunication network, are included in contract costs and amortized over the period of time the customer is expected to maintain its service or over the contract term. The amortization of contract costs is included in purchase of goods and services in the consolidated statements of income.

Provision for expected credit losses

The Corporation maintains a provision to cover anticipated credit losses from customers who are unable to pay their debts. The provision is reviewed periodically, considering the specific credit risk of its customers, the expected lifetime of its financial assets, historical trends and economic conditions.

Business acquisition

A business acquisition is accounted for by the acquisition method. The cost of an acquisition is measured at the fair value of the consideration given in exchange for control of the business acquired at the acquisition date. This consideration can be comprised of cash, assets transferred, financial instruments issued, or future contingent payments. The identifiable assets and liabilities of the business acquired are recognized at their fair value at the acquisition date. Goodwill initially arising from a business acquisition is measured and recognized as the excess of the fair value of the consideration paid over the fair value of the recognized identifiable assets acquired and liabilities assumed.

Determining the fair value of certain acquired assets, assumed liabilities and future contingent considerations requires judgment and involves complete and absolute reliance on estimates and assumptions. The Corporation primarily uses the discounted future cash flows approach to estimate the value of acquired intangible assets.

The estimates and assumptions used in the allocation of the purchase price at the date of acquisition may also have an impact on the amount of an impairment charge to be recognized, if any, after the date of acquisition, as discussed above under “Impairment of assets.”

Contingent considerations and future conditional adjustments

Contingent considerations and future conditional adjustments arising from business acquisition or disposal are measured and accounted for at their fair value. The fair value is estimated based on a present value model, requiring management to assess the probabilities that the conditions on which the contingent considerations or the future conditional adjustments are based will be met in the future. The assessment of these contingent and conditional potential outcomes requires judgment from management and could have an impact on the initial amount of contingent considerations or future conditional adjustments recognized and on any subsequent changes in fair value recorded in the consolidated statements of income.

Interpretation of laws and regulations

Interpretation of laws and regulation, including those of the CRTC and tax regulations, requires judgment from management and could have an impact on revenue recognition, provisions and income taxes in the consolidated financial statements.

Income taxes

Deferred income taxes are accounted for using the liability method. Under this method, deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in income in the period that includes the substantive enactment date. A deferred tax asset is recognized initially when it is probable that future taxable income will be sufficient to use the related tax benefits and may be reduced subsequently, if necessary, to an amount that is more likely than not to be realized.

The assessment of deferred income taxes is judgmental in nature and is dependent on assumptions and estimates as to the availability and character of future taxable income. The ultimate amount of deferred income tax assets realized could be slightly different from that recorded, since it is influenced by the Corporation’s future operating results.

The Corporation is under audit at all times by various tax authorities in each of the jurisdictions in which it operates. A number of years may elapse before a particular matter for which management has established a reserve is audited and resolved. The number of years between each tax audit varies depending on the tax jurisdiction. Management believes that its estimates are reasonable and reflect the probable outcome of known tax contingencies, although the outcome is difficult to predict.

Leases

The Corporation recognizes, for most of its leases, a right-of-use asset and a lease liability at the commencement of a lease. The right-of-use asset and the lease liability are initially measured at the present value of lease payments over the term lease, less incentive payment received, using the Corporation's incremental borrowing rate at that date or interest rate implicit in the lease. The term of the lease is comprised of the initial lease term and any additional period for which it is reasonably certain that the Corporation will exercise its extension option.

Right-of-use assets are depreciated over the shorter of the lease term or the useful life of the underlying asset.

Interests on lease liabilities are recorded in the consolidated statements of income as financial expenses and principal payments on the lease liability are presented as part of financing activities in the consolidated statements of cash flows.

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 lease 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’s 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 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 retrospective adoption of IFRS 16 had the following impacts on the comparative consolidated financial figures:

Consolidated statements of income and comprehensive income

Increase (decrease)		2018
Purchase of goods and services	$	(44.2)
Depreciation and amortization		32.9
Financial expenses		8.5
Restructuring of operations, litigation and other items		(0.7)
Deferred income tax expense		0.9
Net income and comprehensive income	$	2.6
Net income and comprehensive income attributable to:		
Shareholders	$	2.2
Non-controlling interests		0.4

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 interests	(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

(i) 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

In accordance with Regulation 52-109 on Certification of Disclosure in Issuers' Annual and Interim Filings, the effectiveness of the Corporation's disclosure controls and procedures ("DCP") and "Internal control over financial reporting" ("ICFR") has been evaluated. Based on this evaluation, the President and Chief Executive Officer and the Chief Financial Officer concluded that DCP and ICFR were effective as of the end of the financial year ended December 31, 2019, and that the DCP design provides reasonable assurance that material information relating to the Corporation, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared, and the information that the Corporation must present in its annual documents, its interim documents or in other documents it files or submits under securities regulations is recorded, processed, condensed and presented within the timeframes prescribed by this legislation. Moreover, the design of ICFR provides reasonable assurance of the reliability of the Corporation's financial reporting and of the preparation of its financial statements, for the purpose of financial reporting, in accordance with the IFRS.

Finally, no change to ICFR that has had or is liable to have a material effect was identified by the Corporation's management during the financial period beginning October 1, 2019 and ending December 31, 2019.

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;
- interruptions resulting from equipment breakdown, network failure, the threat of natural disaster, epidemics, pandemics and political instability is some countries;
- changes in Quebecor Media's ability to obtain services and equipment critical to its operations;
- changes in laws and regulations, or in their interpretations, which could result, among other things, in the loss (or reduction in value) of Quebecor Media's licences or markets, or in an increase in competition, compliance costs or capital expenditures;
- Quebecor Media's ability to successfully develop its Sports and Entertainment segment and other expanding lines of business in its other segments;
- Quebecor's substantial indebtedness, the tightening of credit markets, and the restrictions on its business imposed by the terms of its debt; and
- interest rate fluctuations that could affect a portion of Quebecor's interest payment requirements on long-term debt.

The forward-looking statements in this document are made to provide investors and the public with a better understanding of the Corporation's circumstances and are based on assumptions it believes to be reasonable as of the day on which they are made. Investors and others are cautioned that the foregoing list of factors that may affect future results is not exhaustive and that undue reliance should not be placed on any forward-looking statements. For more information on the risks, uncertainties and assumptions that could cause the Corporation's actual results to differ from current expectations, please refer to the Corporation's public filings, available at <www.sedar.com> and <www.quebecor.com>, including, in particular, the "Risks and Uncertainties" section above.

The forward-looking statements in this Management Discussion and Analysis reflect the Corporation's expectations as of March 11, 2020 and are subject to change after this 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

March 11, 2020

QUEBECOR INC.
SELECTED FINANCIAL DATA

Years ended December 31, 2019, 2018 and 2017
(in millions of Canadian dollars, except per share data)

	2019	2018[1]	2017[1]
Operations			
Revenues	**$ 4,293.8**	$ 4,181.0	$ 4,125.1
Adjusted EBITDA	**1,879.5**	1,776.3	1,659.5
Contribution to net income attributable to shareholders:			
Continuing operations	**581.0**	469.8	348.2
Loss on valuation and translation of financial instruments	**(6.1)**	(61.4)	(195.6)
Unusual items	**(19.6)**	(8.2)	223.3
Discontinued operations	**97.5**	3.5	14.8
Net income attributable to shareholders	**652.8**	403.7	390.7
Cash flows provided by continuing operating activities	**1,211.8**	1,424.0	1,193.4
Basic data per share			
Contribution to net income attributable to shareholders:			
Continuing operations	**$ 2.27**	$ 1.96	$ 1.44
Loss on valuation and translation of financial instruments	**(0.02)**	(0.26)	(0.81)
Unusual items	**(0.08)**	(0.03)	0.92
Discontinued operations	**0.38**	0.02	0.06
Net income attributable to shareholders	**2.55**	1.69	1.61
Dividends	**0.39**	0.19	0.10
Equity attributable to shareholders	**3.84**	1.87	3.62
Weighted average number of shares outstanding (in millions)	**255.6**	239.3	241.8
Number of shares outstanding (in millions)	**254.6**	257.1	238.2
Diluted data per share			
Contribution to net income attributable to shareholders:			
Continuing operations	**$ 2.24**	$ 1.92	$ 1.31
Dilution impact	**0.03**	0.03	0.13
Loss on valuation and translation of financial instruments	**(0.02)**	(0.26)	(0.81)
Unusual items	**(0.08)**	(0.03)	0.92
Discontinued operations	**0.38**	0.02	0.06
Net income attributable to shareholders	**2.55**	1.68	1.61
Diluted weighted average number of shares (in millions)	**255.8**	239.8	242.1
Financial position			
Working capital[2]	**$ (79.7)**	$ (231.2)	$ 752.5
Long-term debt	**5,957.5**	6,428.2	5,536.6
Lease liabilities	**137.9**	144.4	167.9
Convertible debentures, including embedded derivatives	**165.8**	155.2	892.2
Equity attributable to shareholders	**977.5**	480.0	861.4
Equity	**1,072.1**	568.5	1,397.0
Total assets	**9,725.9**	9,657.5	10,108.7

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

[2] Including cash and cash equivalent and bank indebtedness and excluding the current portion of long term debt, lease liabilities and convertible debentures.

QUEBECOR INC.

SELECTED QUARTERLY FINANCIAL DATA

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

				2019				2018
	Dec. 31	**Sept. 30**	**June 30**	**March 31**	Dec. 31[1]	Sept. 30[1]	June 30[1]	March 31[1]
Revenues	**$ 1,136.2**	**$ 1,073.4**	**$ 1,056.9**	**$ 1,027.3**	$ 1,087.1	$ 1,053.2	$ 1,038.7	$ 1,002.0
Adjusted EBITDA	**494.5**	**509.3**	**455.0**	**420.7**	460.5	474.0	425.9	415.9
Contribution to net income attributable to shareholders:								
Continuing operating activities	**159.6**	**173.8**	**136.2**	**111.4**	132.9	141.5	105.9	89.5
(Loss) gain on valuation and translation of financial instruments	**(13.6)**	**5.6**	**16.3**	**(14.4)**	(11.5)	54.9	(75.7)	(29.1)
Unusual items	**(0.9)**	**(0.9)**	**(12.3)**	**(5.5)**	(5.0)	(10.2)	10.8	(3.8)
Discontinued operations	**-**	**-**	**-**	**97.5**	1.1	0.9	1.0	0.5
Net income attributable to shareholders	**145.1**	**178.5**	**140.2**	**189.0**	117.5	187.1	42.0	57.1
Basic data per share								
Contribution to net income attributable to shareholders:								
Continuing operating activities	**$ 0.63**	**$ 0.68**	**$ 0.53**	**$ 0.44**	$ 0.52	$ 0.61	$ 0.45	$ 0.38
(Loss) gain on valuation and translation of financial instruments	**(0.05)**	**0.02**	**0.07**	**(0.06)**	(0.05)	0.24	(0.33)	(0.12)
Unusual items	**(0.01)**	**-**	**(0.05)**	**(0.02)**	(0.02)	(0.05)	0.05	(0.02)
Discontinued operations	**-**	**-**	**-**	**0.38**	0.01	-	0.01	-
Net income attributable to shareholders	**0.57**	**0.70**	**0.55**	**0.74**	0.46	0.80	0.18	0.24
Weighted average number of shares outstanding (in millions)	**254.8**	**255.6**	**255.9**	**256.0**	255.1	232.8	233.5	235.9
Diluted data per share								
Contribution to net income attributable to shareholders:								
Continuing operating activities	**$ 0.62**	**$ 0.67**	**$ 0.52**	**$ 0.43**	$ 0.51	$ 0.55	$ 0.40	$ 0.34
Dilution impact	**0.01**	**-**	**-**	**0.01**	0.01	-	0.05	0.04
(Loss) gain on valuation and translation of financial instruments	**(0.05)**	**-**	**-**	**(0.06)**	(0.05)	-	(0.33)	(0.12)
Unusual items	**(0.01)**	**-**	**(0.05)**	**(0.02)**	(0.02)	(0.04)	0.05	(0.02)
Discontinued operations	**-**	**-**	**-**	**0.38**	0.01	-	0.01	-
Net income attributable to shareholders	**0.57**	**0.67**	**0.47**	**0.74**	0.46	0.51	0.18	0.24
Weighted average number of diluted shares outstanding (in millions)	**255.0**	**261.7**	**262.1**	**256.5**	255.5	268.8	239.4	236.3

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