MANAGEMENT DISCUSSION AND ANALYSIS

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CORPORATE PROFILE

This Management Discussion and Analysis covers the main activities of Quebecor Inc. in the first quarter of 2020 and the major changes from the previous financial year. Quebecor Inc. is a holding company with a 100% interest in Quebecor Media Inc., one of Canada's largest telecommunications and media groups.

Quebecor Media Inc. operates in the following business segments: Telecommunications, Media, and Sports and Entertainment. Quebecor Media Inc. is pursuing a convergence strategy that captures synergies among its properties and leverages the value of content for the benefit of multiple distribution platforms. Unless the context otherwise requires, 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.

This report should be read in conjunction with the information in the consolidated financial statements and Management Discussion and Analysis for the financial year ended December 31, 2019. All amounts are stated in Canadian dollars ("CAN") unless otherwise indicated.

The COVID-19 pandemic is having a significant impact on the economic environment in Canada and around the world. Since March 2020, in order to limit the spread of the virus, the Québec government has imposed a number of restrictions and special preventive measures, including the suspension of business activities deemed non-essential. These measures have curtailed the operations of many of Quebecor's business partners and have led to a significant slowdown in some of Quebecor's segments. Among other impacts, the COVID-19 virus and the measures to prevent its spread have led to a significant reduction in volume at the Videotron Ltd. ("Videotron") retail outlets and delays in client migration to its new Helix home entertainment and management platform; lower advertising revenues, significant decrease of sporting events broadcast by the TVA Sports channel, and reduced film and audiovisual content activity in the Media segment; and delays or cancellations of shows and events, and interruption of music and book distribution activities in the Sports and Entertainment segment. Quebecor is however continuing to provide essential telecommunications and news services during this health crisis, while safeguarding the health and safety of its employees and the public. Videotron has also taken a number of important initiatives to make life easier for its customers, such as temporarily suspending data limits (overage charges) on all residential and business Internet plans, providing additional services, and suspending certain fees. Furthermore, Videotron's network has properly handled the increase in traffic since the beginning of the crisis, as its ongoing strategy to add capacity ahead of the curve has proven to be right. As well, TVA Group Inc. ("TVA Group") has unscrambled the LCN all-news channel to give Quebecers real-time access to all developments concerning the crisis, and it also continues to broadcast television content on its distribution channels. Because of the measures put in place by the Québec government to limit the spread of the virus, approximately 10% of Quebecor's workforce are now receiving benefits under the Corporation's supplemental assistance program because they are on stand-by. The program provides additional financial assistance to top up the Canada Emergency Wage Subsidy or Canada Emergency Response Benefit, as the case may be, and so minimize the impact of this situation. While the uncertainty regarding the full extent and duration of the pandemic continues, the Corporation's Board of Directors and its executive management team will, on an ongoing basis, monitor the impact of the crisis on the Corporation's business units, employees, customers and business partners, as well as on the population of Québec, and will take appropriate action, as needed, until the crisis abates and market conditions stabilize. As a major corporate citizen and the Québec leader in telecommunications, news and entertainment, the Corporation is committed to continuing and will continue to play its role during this crisis in order to ensure that the public continues to benefit from all the services it needs.

The impact of the COVID-19 crisis on the operating results of the Corporation's business segments in the first quarter of 2020 is analyzed in greater detail in the "Segmented Analysis" section below. It is difficult at this stage to foresee what consequences this crisis will have in upcoming quarters. The COVID-19 crisis could have a material adverse impact on the growth of the Corporation's operating results and cash flows in the short and medium terms. As a result, the growth recorded in previous quarters may not be indicative of future growth.

The Corporation has reviewed the nature and definition of one of the financial measures not standardized under International Financial Reporting Standards ("IFRS") that it uses. As a result, "cash flows from segment operations" has been abandoned and replaced by the new "cash flows from operations" metric. This metric will henceforth be used to measure the cash flows generated by the operations of all the business segments, on a consolidated basis, in addition to the cash flows from operations generated by each segment. Furthermore, calculation of this metric will henceforth be based on additions to property, plant and equipment and to intangible assets rather than cash used for additions to property, plant and equipment and to intangible assets. As well, the new metric is calculated without taking into account proceeds on disposals. In addition, the previously used "free cash flows from continuing operating activities of the Quebecor Media subsidiary" metric has been abandoned and replaced by the new "free cash flows from continuing operating activities" metric. The definition remains the same except that the measure now includes free cash flows from all of the Corporation's continuing operating activities, not just those of its Quebecor Media subsidiary. For the definitions of the new cash flows from operations and free cash flows from continuing operating activities measures, see "Cash flows from operations and free cash flows from continuing operating activities" under "Non-IFRS Financial Measures" below.

HIGHLIGHTS SINCE END OF 2019

- Quebecor Media's revenues totalled $1.06 billion in the first quarter of 2020, a $28.2 million (2.7%) increase from the same period of 2019.

Telecommunications

- The Telecommunications segment grew its revenues by $34.0 million (4.0%) and its adjusted EBITDA by $12.5 million (3.0%) in the first quarter of 2020.
- Videotron significantly increased its revenues from customer equipment sales ($26.9 million or 54.7%) and mobile telephony ($18.8 million or 13.3%) in the first quarter of 2020.
- Videotron's total average billing per unit ("ABPU") was $49.87 in the first quarter of 2020 compared with $49.47 in the same period of 2019, a $0.40 (0.8%) increase. Mobile ABPU was $51.60 in the first quarter of 2020 compared with $52.50 in the same period of 2019, a $0.90 (-1.7%) decrease due in part to the popularity of bring your own device ("BYOD") plans.
- There was a net increase of 14,200 revenue-generating units ("RGUs") (0.2%) in the first quarter of 2020, including 39,300 connections (3.0%) to the mobile telephony service, 12,400 subscriptions (2.7%) to the Club illico over-the-top video service ("Club illico") and 8,600 subscriptions (0.5%) to cable Internet access service.
- On March 13, 2020, Videotron announced the suspension of data caps on all existing customers' residential and business Internet plans to support the implementation of effective teleworking arrangements at Québec businesses in response to the COVID-19 pandemic. On April 18, 2020, the suspension of data limits was extended to June 30, 2020.
- Videotron also cancelled roaming charges outside Canada and the Daily Traveller Pass fee until June 30, 2020 in order to make life easier for its customers during the pandemic.
- In the first quarter of 2020, Videotron announced the official launch of its mobile network in Rimouski after several months of build-out and testing in the Lower St. Lawrence region.
- Videotron placed first in the Technology and Telecommunications category in the BIP Recherche-ICO awards for the most trusted organizations of the past decade, announced by the Institut de la confiance dans les organisations (ICO) on March 11, 2020. Videotron was also on the 2020 list of *Montréal's Top Employers* released by Mediacorp Canada Inc. on January 30, 2020.

Media

- The Media segment grew its revenues by $2.1 million (1.2%) and its adjusted EBITDA by $2.9 million in the first quarter of 2020.
- According to the spring 2020 Vividata survey, *Le Journal de Montréal* and *Le Journal de Québec* remain Québec's news leaders with more than $3.6 million readers per week on all platforms (print, mobile and Internet). TVA Group remains a leading player in the Canadian magazine industry with an average of more than $8.7 million readers on all platforms.

Financial transactions

- On February 21, 2020, TVA Group amended its secured revolving credit facility to extend its term from February 2020 to February 2021, lower the limit from $150.0 million to $75.0 million, and amend certain terms and conditions of the facility.

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 operations and free cash flows from continuing operating activities, 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, gain (loss) on valuation and translation of financial instruments, restructuring of operations and other items, income taxes and income from discontinued operations. Adjusted EBITDA as defined above is not a measure of results that is consistent with IFRS. It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows as a measure of liquidity. It should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The Corporation uses adjusted EBITDA in order to assess the performance of its investment in Quebecor Media. The Corporation's management and Board of Directors use this measure in evaluating its consolidated results as well as the results of the Corporation's operating segments. This measure eliminates the significant level of impairment and depreciation/amortization of tangible and intangible assets and is unaffected by the capital structure or investment activities of the Corporation and its business segments.

Adjusted EBITDA is also relevant because it is a significant component of the Corporation's annual incentive compensation programs. A limitation of this measure, however, is that it does not reflect the periodic costs of tangible and intangible assets used in generating revenues in the Corporation's segments. The Corporation also uses other measures that do reflect such costs, such as cash flows from operations and free cash flows from continuing operating activities. The Corporation's definition of adjusted EBITDA may not be the same as similarly titled measures reported by other companies.

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

Table 1

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

(in millions of Canadian dollars)

	Three months ended March 31	
	2020	2019
Adjusted EBITDA (negative adjusted EBITDA):		
Telecommunications	**$ 435.5**	$ 423.0
Media	**4.1**	1.2
Sports and Entertainment	**(3.8)**	(0.7)
Head Office	**0.9**	(2.8)
	436.7	420.7
Depreciation and amortization	**(198.1)**	(188.5)
Financial expenses	**(87.4)**	(82.1)
Gain (loss) on valuation and translation of financial instruments	**23.3**	(14.3)
Restructuring of operations and other items	**(3.9)**	(8.5)
Income taxes	**(40.5)**	(37.9)
Income from discontinued operations	**1.3**	97.5
Net income	**$ 131.4**	$ 186.9

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

Table 2 provides a reconciliation of adjusted income from continuing operating activities to the net income attributable to shareholders' measure used in Quebecor's condensed consolidated financial statements.

Table 2

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

(in millions of Canadian dollars)

	2020	2019
Adjusted income from continuing operating activities	**$ 111.5**	$ 111.4
Gain (loss) on valuation and translation of financial instruments	**23.3**	(14.3)
Restructuring of operations and other items	**(3.9)**	(8.5)
Income taxes related to adjustments[1]	**(0.6)**	2.1
Net income attributable to non-controlling interest related to adjustments	**–**	0.8
Discontinued operations	**1.3**	97.5
Net income attributable to shareholders	**$ 131.6**	$ 189.0

[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 operations and free cash flows from continuing operating activities

Cash flows from operations

Cash flows from operations represents adjusted EBITDA, less additions to property, plant and equipment and to intangible assets. Cash flows from operations represents funds available for interest and income tax payments, expenditures related to restructuring programs, business acquisitions, licence acquisitions and renewals, payment of dividends, repayment of long-term debt and share repurchases. Cash flows from 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 statements of cash flows as a measure of liquidity. Cash flows from operations is used by the Corporation's management and Board of Directors to evaluate cash flows generated by the operations of all of its segments. The Corporation's definition of cash flows from operations may not be identical to similarly titled measures reported by other companies.

Free cash flows from continuing operating activities

Free cash flows from continuing operating activities represents cash flows provided by continuing operating activities calculated in accordance with IFRS, less cash flows used for additions to property, plant and equipment and to intangible assets, plus proceeds from disposal of assets. Free cash flows from continuing operating activities is used by the Corporation's management and Board of Directors to evaluate cash flows generated by the Corporation's operations. Free cash flows from continuing operating activities represents available funds for business acquisitions, licence acquisitions and renewals, payment of dividends, 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.

Tables 3 and 4 provide a reconciliation of cash flows from operations and free cash flows from continuing operating activities to cash flows provided by continuing operating activities reported in the condensed consolidated financial statements.

Table 3
Cash flows from operations
(in millions of Canadian dollars)

	Three months ended March 31	
	2020	2019
Adjusted EBITDA (negative adjusted EBITDA)		
Telecommunications	**$ 435.5**	$ 423.0
Media	**4.1**	1.2
Sports and Entertainment	**(3.8)**	(0.7)
Head Office	**0.9**	(2.8)
	436.7	420.7
Minus		
Additions to property, plant and equipment:[1]		
Telecommunications	**(88.9)**	(94.3)
Media	**(1.9)**	(6.6)
Sports and Entertainment	**(0.1)**	(0.5)
Head Office	**(0.1)**	–
	(91.0)	(101.4)
Additions to intangible assets:[2]		
Telecommunications	**(44.1)**	(40.2)
Media	**(5.8)**	(1.5)
Sports and Entertainment	**(0.8)**	(1.1)
Head Office	**–**	(0.2)
	(50.7)	(43.0)
Cash flows from operations		
Telecommunications	**302.5**	288.5
Media	**(3.6)**	(6.9)
Sports and Entertainment	**(4.7)**	(2.3)
Head Office	**0.8**	(3.0)
	$ 295.0	$ 276.3

[1] **Reconciliation to cash flows used for additions to property, plant and equipment as per condensed consolidated financial statements:**

	Three months ended March 31	
	2020	2019
Additions to property, plant and equipment	**$ (91.0)**	$ (101.4)
Net increase (decrease) in current accounts payable related to additions to property, plant and equipment	**11.0**	(38.4)
Cash flows used for additions to property, plant and equipment	**$ (80.0)**	$ (139.8)

[2] **Reconciliation to cash flows used for additions to intangible assets as per condensed consolidated financial statements:**

	Three months ended March 31	
	2020	2019
Additions to intangible assets	**$ (50.7)**	$ (43.0)
Net decrease in current accounts payable related to additions to intangible assets	**(52.1)**	(8.2)
Cash flows used for additions to intangible assets	**$ (102.8)**	$ (51.2)

Table 4
Free cash flows from continuing operating activities and cash flows provided by continuing operating activities reported in the condensed consolidated financial statements.
(in millions of Canadian dollars)

	Three months ended March 31	
	2020	2019
Cash flows from operations presented in Table 3	**$ 295.0**	$ 276.3
Plus (minus)		
Cash portion of financial expenses	**(85.4)**	(80.1)
Cash portion related to restructuring of operations and other items	**(3.9)**	(5.0)
Current income taxes	**(61.0)**	(45.6)
Other	**4.1**	0.9
Net change in non-cash balances related to operating activities	**32.6**	(107.8)
Net increase (decrease) in current accounts payable related to additions to property, plant and equipment	**11.0**	(38.4)
Net decrease in current accounts payable related to additions to intangible assets	**(52.1)**	(8.2)
Free cash flows from continuing operating activities	**140.3**	(7.9)
Plus (minus)		
Cash flows used for additions to property, plant and equipment	**80.0**	139.8
Cash flows used for additions to intangible assets	**102.8**	51.2
Proceeds from disposal of assets	**(1.5)**	(2.6)
Cash flows provided by continuing operating activities	**$ 321.6**	$ 180.5

KEY PERFORMANCE INDICATORS

Revenue-generating unit

The Corporation uses RGU, an industry metric, as a key performance indicator. An RGU represents, as the case may be, subscriptions to the cable Internet, cable television and Club illico services, and subscriber connections to the mobile telephony and cable telephony services. RGU is not a measurement that is consistent with IFRS and the Corporation's definition and calculation of RGU may not be the same as identically titled measurements reported by other companies or published by public authorities.

Average billing per unit

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

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

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

ANALYSIS OF CONSOLIDATED RESULTS OF OPERATIONS AND CASH FLOWS OF QUEBECOR

2020/2019 first quarter comparison

Revenues: $1.06 billion, a $28.2 million (2.7%) increase.

- Revenues increased in Telecommunications ($34.0 million or 4.0% of segment revenues) and in Media ($2.1 million or 1.2%).
- Revenues decreased in Sports and Entertainment ($5.6 million or -13.9%).

Adjusted EBITDA: $436.7 million, a $16.0 million (3.8%) increase.

- Adjusted EBITDA increased in Telecommunications ($12.5 million or 3.0% of segment adjusted EBITDA) and in Media ($2.9 million).
- There was a favourable variance at Head Office ($3.7 million) due to a decrease in the stock-based compensation charge.
- Adjusted EBITDA decreased in Sports and Entertainment ($3.1 million).
- The change in the fair value of Quebecor Media stock options resulted in a $2.9 million favourable variance in the stock-based compensation charge in the first quarter of 2020 compared with the same period of 2019. The change in the fair value of Quebecor stock options and in the value of Quebecor stock-price-based share units resulted in a $5.5 million favourable variance in the Corporation's stock-based compensation charge in the first quarter of 2020.

Net income attributable to shareholders: $131.6 million ($0.52 per basic share) in the first quarter of 2020, compared with $189.0 million ($0.74 per basic share) in the same period of 2019, a decrease of $57.4 million ($0.22 per basic share).

- The main unfavourable variances were:
  - $96.2 million decrease in income from discontinued operations;
  - $9.6 million increase in the depreciation and amortization charge;
  - $5.3 million increase in financial expenses;
  - $2.6 million increase in the income tax expense.
- The main favourable variances were:
  - $37.6 million favourable variance related to gains on valuation and translation of financial instruments, including $36.1 million without any tax consequences;
  - $16.0 million increase in adjusted EBITDA;
  - $4.6 million favourable variance in the charge for restructuring of operations and other items.

Adjusted income from continuing operating activities: $111.5 million ($0.44 per basic share) in the first quarter of 2020 compared with $111.4 million ($0.44 per basic share) in the same period of 2019.

Cash flows from operations: $295.0 million, an $18.7 million (6.8%) increase due mainly to the increase in adjusted EBITDA.

Cash flows from continuing operating activities: $321.6 million, a $141.1 million increase due primarily to the favourable net change in non-cash balances related to operating activities.

Depreciation and amortization charge: $198.1 million in the first quarter of 2020, a $9.6 million increase due mainly to the impact of capital expenditures and investments in intangible assets in the Telecommunications segment, including amortization of intangible assets related to investments in the Helix platform, partially offset by decreased investment related to the leasing of set-top boxes.

Financial expenses: $87.4 million in the first quarter of 2020, a $5.3 million increase caused mainly by the unfavourable variance in the gain or loss on foreign currency translation of short-term monetary items and higher average interest on the debt. The main decreases in financial expenses is mainly due to lower average indebtedness.

Gain on valuation and translation of financial instruments: $23.3 million in the first quarter of 2020 compared with a $14.3 million loss in the same period of 2019. The $37.6 million favourable variance was due to a $36.1 million favourable variance, without any tax consequences, in gains and losses on embedded derivatives related to convertible debentures.

Charge for restructuring of operations and other items: $3.9 million in the first quarter of 2020, compared with $8.5 million in the same period of 2019, a $4.6 million favourable variance.

- A $3.9 million net charge was recognized during the first quarter of 2020 in connection with measures related to the COVID-19 crisis and cost-reduction measures in the Corporation's various segments ($5.0 million charge for cost-reduction measures in the first quarter of 2019). In the first quarter of 2019, a $3.5 million charge for impairment of assets was also recognized in connection with various restructuring initiatives.

Income tax expense: $40.5 million in the first quarter of 2020 (effective tax rate of 27.3%), compared with $37.9 million in the same period of 2019 (effective tax rate of 26.9%), a $2.6 million unfavourable variance caused mainly by the impact of the increase in taxable income.

SEGMENTED ANALYSIS

Telecommunications

First quarter 2020 operating results

Revenues: $874.7 million in the first quarter of 2020, a $34.0 million (4.0%) increase.

- Revenues from the mobile telephony service increased $18.8 million (13.3%) to $160.2 million, due primarily 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 $3.9 million (1.4%) to $277.5 million, due mainly to an increase in the customer base, partially offset by the unfavorable impact related to the suspension of data caps as part of the response to the COVID-19 crisis.
- Combined revenues from all cable television services decreased $12.1 million (-4.9%) to $233.1 million, due primarily to the impact of the net decrease in the customer base.
- Revenues from the cable telephony service decreased $4.5 million (-5.2%) to $82.8 million, mainly because of the impact of the net decrease in subscriber connections, partially offset by higher average per-connection revenues due in part to increases in some rates.
- Revenues from customer equipment sales increased $26.9 million (54.7%) to $76.1 million, mainly because of the impact of equipment sales related to the Helix platform launched on August 27, 2019.
- Other revenues increased $1.0 million (2.3%) to $45.0 million, mainly reflecting higher revenue at Club illico.

Videotron's total ABPU was $49.87 in the first quarter of 2020 compared with $49.47 in the same period of 2019, a $0.40 (0.8%) increase. Mobile ABPU was $51.60 in the first quarter of 2020 compared with $52.50 in the same period of 2019, a $0.90 (-1.7%) decrease due in part to the popularity of BYOD plans.

Customer statistics

RGUs – The total number of RGUs was 6,090,400 at March 31, 2020, an increase of 14,200 (0.2%) from the end of 2019 (compared with an increase of 23,300 in the same period of 2019), and a 12-month increase of 76,800 (1.3%) (Table 5).

Mobile telephony – The number of subscriber connections to the mobile telephony service stood at 1,369,800 at March 31, 2020, an increase of 39,300 (3.0%) from the end of 2019 (compared with an increase of 39,800 in the same period of 2019), and a 12-month increase of 176,200 (14.8%) (Table 5).

Cable Internet access – The number of subscribers to cable Internet access services stood at 1,735,900 at March 31, 2020, an increase of 8,600 (0.5%) since the end of 2019 (compared with an increase of 6,300 in the same period of 2019), and a 12-month increase of 25,100 (1.5%) (Table 5). As of March 31, 2020, Videotron's cable Internet access services had a household and business penetration rate of 58.7% (number of subscribers as a proportion of the total 2,958,000 homes and businesses passed by Videotron's network as of March 31, 2020, up from 2,915,400 one year earlier), the same as a year earlier.

Cable television – The number of subscribers to cable television services stood at 1,512,100 at March 31, 2020, a decrease of 19,700 (-1.3%) since the end of 2019 (compared with a decrease of 14,700 in the same period of 2019), and a 12-month decrease of 70,500 (-4.5%) (Table 5). At March 31, 2020, the cable television service had a household and business penetration rate of 51.1% versus 54.3% a year earlier.

Cable telephony service – The number of subscriber connections to the cable telephony service stood at 1,000,900 at March 31, 2020, a decrease of 26,400 (-2.6%) since the end of 2019 (compared with a decrease of 19,000 in the same period of 2019), and a 12-month decrease of 94,000 (-8.6%) (Table 5). At March 31, 2020, the cable telephony service had a household and business penetration rate of 33.8% compared with 37.6% a year earlier.

Club illico – The number of subscribers to Club illico stood at 471,700 at March 31, 2020, an increase of 12,400 (2.7%) since the end of 2019 (compared with an increase of 10,900 in the same period of 2019), and a 12-month increase of 40,000 (9.3%) (Table 5).

Table 5
Telecommunications segment quarter-end RGUs for the last eight quarters
(in thousands of units)

	March 2020	Dec. 2019	Sept. 2019	June 2019	March 2019	Dec. 2018	Sept. 2018	June 2018
Mobile telephony	**1,369.8**	1,330.5	1,288.7	1,231.9	1,193.6	1,153.8	1,120.7	1,079.2
Cable Internet	**1,735.9**	1,727.3	1,724.3	1,706.9	1,710.8	1,704.5	1,697.5	1,674.1
Cable television	**1,512.1**	1,531.8	1,545.2	1,558.4	1,582.6	1,597.3	1,603.7	1,606.0
Cable telephony	**1,000.9**	1,027.3	1,052.7	1,072.9	1,094.9	1,113.9	1,131.1	1,148.2
Club illico	**471.7**	459.3	443.5	431.0	431.7	420.8	402.9	391.9
Total	**6,090.4**	6,076.2	6,054.4	6,001.1	6,013.6	5,990.3	5,955.9	5,899.4

Adjusted EBITDA: $435.5 million, a $12.5 million (3.0%) increase due primarily to:

- impact of the net revenue increase.

Partially offset by:

- net increase in operating expenses, including engineering, customer service and IT expenses.

Cost/revenue ratio: Employee costs and purchases of goods and services for all Telecommunications segment operations, expressed as a percentage of revenues, were 50.2% in the first quarter of 2020 compared with 49.7% in the same period of 2019.

Cash flows from operations: $302.5 million in the first quarter of 2020 compared with $288.5 million in the same period of 2019 (Table 3). The $14.0 million increase was due primarily to the $12.5 million increase in adjusted EBITDA.

Media

Revenues: $174.8 million in the first quarter of 2020, a $2.1 million (1.2%) increase.

- Other revenues increased by $7.2 million (18.9%), mainly because of higher revenues from film production and audiovisual services, combined with higher revenues from the production and distribution of audiovisual content following the acquisition of the companies in the Incendo Media Inc. group on April 1, 2019.
- Subscription revenues increased by $1.0 million (2.0%), 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.
- Advertising revenues decreased by $6.1 million (-7.3%), mainly because of lower advertising revenues at TVA Network, in the newspapers and magazines, due in part to repercussions of the COVID-19 pandemic.

Adjusted EBITDA: $4.1 million in the first quarter of 2020, a $2.9 million 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 by TVA Group in the second quarter of 2019, lower content costs in the broadcasting business, and lower labour, editorial and selling costs in the newspaper publishing business.

Cost/revenue ratio: Employee costs and purchases of goods and services for all Media segment operations, expressed as a percentage of revenues, were 97.7% in the first quarter of 2020 compared with 99.3% in the same period of 2019. The reduction was mainly due to the contribution of business acquisitions and the decrease in operating expenses.

Cash flows from operations: Negative $3.6 million in the first quarter of 2020 compared with negative $6.9 million in the same period of 2019 (Table 3). The $3.3 million favourable variance was due to the $2.9 million increase in adjusted EBITDA and the $4.7 million decrease in additions to property, plant and equipment, partially offset by the $4.3 million increase in additions to intangible assets, mainly attributable to investments in digital.

Sports and Entertainment

Revenues: \$34.8 million in the first quarter of 2020, a \$5.6 million (-13.9%) decrease due primarily to a decrease in revenues from book and music distribution, from concerts at the Videotron Centre, and from the hockey business, due in part to repercussions of the COVID-19 pandemic.

Adjusted EBITDA: Negative \$3.8 million in the first quarter of 2020, a \$3.1 million decrease due to the impact of the revenue decrease.

Cash flows from operations: Negative \$4.7 million in the first quarter of 2020 compared with negative \$2.3 million in the same period of 2019 (Table 3). The \$2.4 million unfavourable variance was due to the \$3.1 million increase in negative adjusted EBITDA, partially offset by the \$0.7 million decrease in additions to property, plant and equipment and to intangible assets.

CASH FLOWS AND FINANCIAL POSITION

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

Operating activities

Cash flows provided by continuing operating activities: $321.6 million in the first quarter of 2020 compared with $180.5 million in the same period of 2019.

The $141.1 million increase was primarily due to:

- $140.4 million favourable net change in non-cash balances related to operating activities, due primarily to a favourable variance in income tax payable, decrease in inventory and increase in accounts payable and accrued charges in the Telecommunications segment, partially offset by an increase in accounts receivable and prepaid expenses;
- $12.5 million and $2.9 million increases in adjusted EBITDA in the Telecommunications and Media segments respectively.

Partially offset by:

- $15.4 million increase in current income taxes;
- $5.3 million increase in the cash portion of financial expenses.

The favourable net variance in income tax payable and in other non-cash items related to the Telecommunications segment's operating activities, and the segment's increased profitability, had a favourable impact on cash flows provided by continuing operating activities in the first quarter of 2020 compared with the same quarter of 2019.

Working capital: Negative $157.6 million at March 31, 2020 compared with negative $161.4 million at December 31, 2019. A favourable variance in cash and cash equivalents and a decrease in bank indebtedness were partially offset by the unfavourable variance in income tax payable and a decrease in inventory.

Investing activities

Cash flows used for additions to property, plant and equipment: $80.0 million in the first quarter of 2020 compared with $139.8 million in the same period of 2019. A $59.8 million decrease, including $49.4 million due to the net variance in current accounts payable and $10.4 million due primarily to decreased investment related to the leasing of set-top boxes in the Telecommunications segment.

Cash flows used for additions to intangible assets: $102.8 million in the first quarter of 2020 compared with $51.2 million in the same period of 2019. A $51.6 million increase, including $43.9 million due to the net decrease in current accounts payable and $7.7 million due primarily to increased investment in IT systems in the Telecommunications segment.

Proceeds from disposal of assets: $1.5 million in the first quarter of 2020 compared with $2.6 million in the same period of 2019.

Business acquisitions: $23.5 million in the first quarter of 2019, consisting of the acquisition of the companies in the Serdy Média inc. and Serdy Video Inc. groups in the Media segment.

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

Free cash flows from continuing operating activities

Free cash flows from continuing operating activities: $140.3 million in the first quarter of 2020 compared with negative $7.9 million in the same period of 2019 (Table 4).

The $148.2 million increase was due primarily to:

- $141.1 million increase in cash flows provided by continuing operating activities;
- $59.8 million decrease in cash used for additions to property, plant and equipment.

Partially offset by:

- $51.6 million increase in cash used for additions to intangible assets.

Financing activities

Consolidated debt (long-term debt plus bank indebtedness): $238.6 million increase in the first quarter of 2020; $366.2 million net favourable variance in assets and liabilities related to derivative financial instruments.

- Debt increases in the first quarter of 2020 essentially consisted of:
  - $291.4 million unfavourable impact of exchange rate fluctuations. The consolidated debt increase attributable to this item was offset by the increase in the asset (or decrease in the liability) related to cross-currency swap agreements entered under “Derivative financial instruments”;
  - $11.2 million increase in debt attributable to changes in fair value related to hedged interest risk;
  - $5.4 million increase in the bank indebtedness of TVA Group;
  - $3.2 million increase in Quebecor’s debt.
- Debt reductions in the first quarter of 2020 essentially consisted of:
  - $55.9 million net reduction in drawings on the secured revolving credit facility of Videotron, TVA Group and Quebecor Media;
  - $18.6 million decrease in the bank indebtedness of Videotron and Quebecor Media.
- Assets and liabilities related to derivative financial instruments totalled a net asset of $1.04 billion at March 31, 2020 compared with $677.7 million at December 31, 2019. The $366.2 million net favourable variance was mainly due to:
  - favourable impact of exchange rate fluctuations on the value of derivative financial instruments;
  - 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, lower the limit from $150.0 million to $75.0 million, and amend certain terms and conditions of the facility.

Financial Position

Net available liquidity: $1.77 billion at March 31, 2020 for Quebecor Media and its wholly owned subsidiaries, consisting of $29.0 million in cash and cash equivalents and $1.74 billion in available unused revolving credit facilities.

Net available liquidity: $35.1 million as at March 31, 2020 for Quebecor at the corporate level, consisting of $36.0 million in available unused revolving credit facilities, less $0.9 million in bank indebtedness.

Consolidated debt (long-term debt plus bank indebtedness)**:** $6.23 billion at March 31, 2020, a $238.6 million increase compared with December 31, 2019; $366.2 million net favourable variance in assets and liabilities related to derivative financial instruments (see “Financing activities” above).

- Consolidated debt essentially consisted of Videotron’s $4.44 billion debt ($4.25 billion at December 31, 2019); TVA Group’s $35.5 million debt ($44.9 million at December 31, 2019); Quebecor Media’s $1.69 billion debt ($1.64 billion at December 31, 2019); and Quebecor’s $61.9 million debt ($58.7 million at December 31, 2019).

As at March 31, 2020, minimum principal payments on long-term debt in the coming years were as follows:

Table 6
Minimum principal payments on Quebecor's long-term debt
12 months ending March 31
(in millions of Canadian dollars)

2021	$	45.5
2022		1.4
2023		2,857.9
2024		57.2
2025		843.7
2026 and thereafter		2,418.7
Total	**$**	**6,224.4**

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 5.0 years as of March 31, 2020 (5.2 years as of December 31, 2019). After taking into account hedging instruments, at March 31, 2020 the debt consisted of approximately 94.8% fixed-rate debt (93.9% at December 31, 2019) and 5.2% floating-rate debt (6.1% at December 31, 2019).

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 March 31, 2020, the Corporation was in compliance with all required financial ratios and restrictive covenants in its financing agreements.

Dividends declared

On May 13, 2020, the Board of Directors of Quebecor declared a quarterly dividend of $0.20 per share on its Class A Multiple Voting Shares ("Class A Shares") and Class B Subordinate Voting Shares ("Class B Shares"), payable on June 23, 2020 to shareholders of record at the close of business on May 29, 2020.

Convertible debentures

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

Board of Directors

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

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

Analysis of consolidated balance sheet

Table 7
Consolidated balance sheet of Quebecor
Analysis of main differences between March 31, 2020 and December 31, 2019
(in millions of Canadian dollars)

	March 31, 2020	Dec. 31, 2019	Difference	Main reasons for difference
Assets				
Cash and cash equivalents	**$ 43.8**	$ 14.0	$ 29.8	Impact of current variances in activity
Inventories	**226.0**	240.4	(14.4)	Impact of current variances in activity
Property, plant and equipment	**3,350.6**	3,415.9	(65.3)	Depreciation for the period less additions to property, plant and equipment
Right-of-use assets	**126.0**	110.4	15.6	Impact of current variances in activity
Derivative financial instruments[1]	**1,043.9**	677.7	366.2	See “Financing Activities”
Other long-term assets	**266.9**	248.7	18.2	Impact of current variances in activity
Liabilities				
Income taxes[2]	**$ 21.5**	$ (14.9)	$ 36.4	Current income taxes for the period less current disbursements
Long-term debt, including short-term portion and bank indebtedness	**6,225.5**	5,986.9	238.6	See “Financing Activities”
Other long-term liabilities	**357.0**	371.2	(14.2)	Gains on embedded derivatives related to convertible debentures

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

ADDITIONAL INFORMATION

Contractual Obligations

At March 31, 2020, 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 8 below shows a summary of these contractual obligations.

Table 8
Contractual obligations of Quebecor as of March 31, 2020
(in millions of Canadian dollars)

	Total	Under 1 year	1-3 years	3-5 years	5 years or more
Long-term debt[1]	**$ 6,224.4**	$ 45.5	$ 2,859.3	$ 900.9	$ 2,418.7
Convertible debentures[2]	**150.0**	–	–	150.0	–
Interest payments[3]	**1,427.8**	211.1	593.8	302.8	320.1
Lease liabilities	**153.0**	35.5	45.5	27.3	44.7
Interest payments on lease-obligation liabilities	**46.7**	7.0	10.2	6.7	22.8
Additions to property, plant and equipment and other commitments	**1,640.1**	395.8	564.1	300.3	379.9
Derivative financial instruments[4]	**(899.2)**	1.6	(680.0)	(181.5)	(39.3)
Total contractual obligations	**$ 8,742.8**	**$ 696.5**	**$ 3,392.9**	**$ 1,506.5**	**$ 3,146.9**

1 The carrying value of long-term debt excludes changes in the fair value of long-term debt related to hedged interest risk and financing fees.
2 Based on the market value at March 31, 2020 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 approximately $26.57 per share and a ceiling price of approximately $33.22. The Corporation may also redeem convertible debentures by issuing the corresponding number of its Class B Shares.
3 Estimated interest payable on long-term debt and convertible debentures, based on interest rates, hedging of interest rates and hedging of foreign exchange rates as of March 31, 2020.
4 Estimated future receipts, net of disbursements, related to foreign exchange hedging of U.S.-dollar-denominated debt using derivative financial instruments.

Table 9 presents lease liabilities by segment at March 31, 2020 and December 31, 2019:

Table 9
Lease liabilities by segment
(in millions of Canadian dollars)

	March 31, 2020	Dec. 31, 2019
Telecommunications	**$ 120.0**	$ 114.2
Media	**16.8**	13.5
Sports and Entertainment	**45.9**	40.8
Head Office	**(29.7)**	(30.6)
Total	**$ 153.0**	137.9

Related party transactions

In the first quarter of 2020, the Corporation made sales to related parties in the amount of $1.1 million ($0.9 million in the same period of 2019) and purchases of $2.3 million from related parties (nil in the same period of 2019).

Capital stock

In accordance with Canadian financial reporting standards, Table 10 presents information on the Corporation's capital stock as at April 22, 2020. In addition, 2,454,892 stock options were outstanding as of April 22, 2020.

Table 10
Capital stock
(in shares and millions of Canadian dollars)

	April 22, 2020	
	Issued and outstanding	**Book value**
Class A Shares	**77,212,534**	**$ 8.6**
Class B Shares	**176,077,607**	**1,039.4**

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 the first quarter of 2020, the Corporation purchased and cancelled 1,059,100 Class B Shares for a total cash consideration of $34.1 million (1,319,600 Class B Shares for a total cash consideration of $39.5 million in the same period of 2019). The $27.8 million excess of the purchase price over the carrying value of the repurchased Class B Shares was recorded as a reduction in retained earnings ($31.7 million increase in the deficit in the same period of 2019).

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

Financial instruments

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

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

Certain cross-currency interest rate swaps entered into by the Corporation include an option that allows each party to unwind the transaction on a specific date at the then settlement amount.

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

Table 11
Fair value of long-term debt, convertible debentures and derivative financial instruments
(in millions of Canadian dollars)

	March 31, 2020		December 31, 2019	
Asset (liability)	**Carrying value**	**Fair value**	Carrying value	Fair value
Long-term debt[1]	**$ (6,224.4)**	**$ (6,135.6)**	$ (5,986.1)	$ (6,376.2)
Convertible debentures[2]	**(139.8)**	**(139.8)**	(162.0)	(162.0)
Derivative financial instruments				
Foreign exchange forward contracts	**7.5**	**7.5**	(2.1)	(2.1)
Cross-currency interest rate swaps	**1,036.4**	**1,036.4**	679.8	679.8

1 The carrying value of long-term debt excludes changes in the fair value of long-term debt related to hedged interest 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.

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 period-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.

Gains and losses on valuation and translation of financial instruments for the first quarters of 2020 and 2019 are summarized in Table 12.

Table 12
(Gain) loss on valuation and translation of financial instruments
(in millions of Canadian dollars)

	Three months ended March 31	
	2020	2019
(Gain) loss on embedded derivatives related to convertible debentures	**$ (22.5)**	$ 13.6
Other	**(0.8)**	0.7
	$ (23.3)	$ 14.3

A $62.9 million gain was recorded under "Other comprehensive income" in the first quarter of 2020 in relation to cash flow hedging relationships ($19.3 million loss in the same period of 2019).

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.

On August 15, 2019, the Canadian Radio-television and Telecommunications Commission ("CRTC") issued an order finalizing the rates, retroactively to March 31, 2016, at which the large cable and telephone companies provide aggregated wholesale access to their high-speed Internet networks. The interim rates in effect since 2016 have been invoiced to resellers and accounted for in the Corporation consolidated financial statements. The new rates are substantially lower than interim rates and could result in a retrospective reduction in earnings of approximately $30.0 million (before income taxes) for the 2020 financial year and approximately $52.0 million (before income taxes) for the period of March 31, 2016 to December 31, 2019. 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.

Risks and Uncertainties Updates

The COVID-19 pandemic is evolving rapidly. The extent to which it may impact the Corporation's business and activities will depend on future developments, which are highly uncertain and cannot be predicted with precision, such as the spread of the virus, the duration of the outbreak, its impact on consumer spending, labour shortages due to the virus, the resulting disruption in the supply chain and the effectiveness of the actions taken by the federal and Québec governments to manage the pandemic. Public and private sector regulations, policies and other measures aimed at reducing the spread of COVID-19 include the suspension of business activities deemed non-essential, the promotion of social distancing, lockdown orders, and the adoption of work-from-home and online education by companies, schools and institutions.

Potential adverse impacts of the COVID-19 pandemic include, but are not limited to:

- a reduction in demand for the Corporation's products or services, or an increase in delinquent or unpaid bills, due to job losses and associated financial hardship;
- a decline in the Corporation's revenues as a result of services provided at no cost to customers, such as suspending data caps on Residential and Business Internet plans, suspending roaming charges, access fees to speciality television services and exclusive on-demand content;
- a reduction in the value of broadcast and distribution rights due to the postponement or cancellation of sporting events and a corresponding decline in subscription revenues;
- customers downgrading or cancelling their services;
- issues delivering the Corporation's products and services, including delays in client migration to Videotron's new Helix home entertainment and management platform;
- lost revenue due to the significant economic challenges that small and medium-sized business customers are facing;
- lower advertising revenues and reduced film and audiovisual content activity in the Media segment;
- delays or cancellations of shows and events, and interruption of music and book distribution activities in the Sports and Entertainment segment;
- uncertainty associated with the costs and availability of resources required to provide the appropriate levels of service to customers;
- additional capital expenditures and the availability of resources required to maintain, upgrade or expand Quebecor Media's network in order to accommodate increased network usage;
- uncertainty associated with costs, delays and availability of resources required to complete major maintenance and expansion projects;
- the ability of certain suppliers and vendors to provide products and services to the Corporation;

- the impact of new legislation, new regulations and other government interventions in response to the COVID-19 pandemic;
- the negative impact on global credit and capital markets; and
- the ability to access capital markets at a reasonable cost.

Any of these risks and uncertainties could have a material adverse impact on the business, prospects, results of operations and financial condition of the Corporation.

This update to the Corporation's Risks and Uncertainties should be read in conjunction with the "Risks and Uncertainties" section contained in the Corporation's annual Management Discussion and Analysis for the financial year ended December 31, 2019, which is available on the Corporation's website at <www.quebecor.com> and on the SEDAR website at <www.sedar.com>.

Controls and procedures

The purpose of internal controls over financial reporting is to provide reasonable assurance as to the reliability of the Corporation's financial reporting and the preparation of its consolidated financial statements in accordance with IFRS.

There have not been any changes in internal controls over financial reporting during the three months ended March 31, 2020 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

Additional information

The Corporation is a reporting issuer subject to the securities laws of all Canadian provinces and is therefore required to file financial statements, a proxy circular and an annual information form with the various securities commissions. Copies of those documents are available free of charge from the Corporation on request, and on the Web at <www.sedar.com>.

Cautionary statement regarding forward-looking statements

The statements in this report that are not historical facts are forward-looking statements and are subject to significant known and unknown risks, uncertainties and assumptions that could cause the Corporation's actual results for future periods to differ materially from those set forth in forward-looking statements. Forward-looking statements may be identified by the use of the conditional or by forward-looking terminology such as the terms "plans," "expects," "may," "anticipates," "intends," "estimates," "projects," "seeks," "believes," or similar terms, variations of such terms or the negative of such terms. Some important factors that could cause actual results to differ materially from those expressed in these forward-looking statements include, but are not limited to:

- Quebecor Media's ability to continue successfully developing its network and the facilities that support its mobile services;
- general economic, financial or market conditions and variations in the businesses of local, regional and national advertisers in Quebecor Media's newspapers, television outlets and other media properties;
- the intensity of competitive activity in the industries in which Quebecor operates;
- fragmentation of the media landscape;
- new technologies that might change consumer behaviour with respect to Quebecor Media's product suites;
- unanticipated higher capital spending required for developing Quebecor Media's network or to address the continued development of competitive alternative technologies, or the inability to obtain additional capital to continue the development of Quebecor's business;
- Quebecor's ability to implement its business and operating strategies successfully and to manage its growth and expansion;
- disruptions to the network through which Quebecor Media provides its digital cable television, Internet access, mobile and cable telephony, and Club illico services, and its ability to protect such services against piracy, unauthorized access and other security breaches;
- labour disputes or strikes;
- service interruptions resulting from equipment breakdown, network failure, the threat of natural disaster, epidemics, pandemics and other public health crises, including the COVID-19 pandemic, and political instability in some countries;
- impact of emergency measures implemented by various governments;
- 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 of the Corporation's Management Discussion and Analysis for the year ended December 31, 2019 and the "Risks and uncertainties update" section above.

The forward-looking statements in this Management Discussion and Analysis reflect the Corporation's expectations as of May 13, 2020, and are subject to change after that date. The Corporation expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.

Montréal, Québec

May 13, 2020

QUEBECOR INC.

SELECTED QUARTERLY FINANCIAL DATA

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

	2020				2019			2018
	March 31	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30
Revenues	**$ 1,055.5**	$ 1,136.2	$ 1,073.4	$ 1,056.9	$ 1,027.3	$ 1,087.1	$ 1,053.2	$ 1,038.7
Adjusted EBITDA	**436.7**	494.5	509.3	455.0	420.7	460.5	474.0	425.9
Cash flows from operations	**295.0**	260.5	332.4	275.0	276.3	180.3	280.0	262.3
Contribution to net income attributable to shareholders:								
Continuing operating activities	**111.5**	159.6	173.8	136.2	111.4	132.9	141.5	105.9
Gain (loss) on valuation and translation of financial instruments	**21.7**	(13.6)	5.6	16.3	(14.4)	(11.5)	54.9	(75.7)
Unusual items	**(2.9)**	(0.9)	(0.9)	(12.3)	(5.5)	(5.0)	(10.2)	10.8
Discontinued operations	**1.3**	-	-	-	97.5	1.1	0.9	1.0
Net income attributable to shareholders	**131.6**	145.1	178.5	140.2	189.0	117.5	187.1	42.0
Basic data per share								
Contribution to net income attributable to shareholders:								
Continuing operating activities	**$ 0.44**	$ 0.63	$ 0.68	$ 0.53	$ 0.44	$ 0.52	$ 0.61	$ 0.45
Gain (loss) on valuation and translation of financial instruments	**0.08**	(0.05)	0.02	0.07	(0.06)	(0.05)	0.24	(0.33)
Unusual items	**(0.01)**	(0.01)	-	(0.05)	(0.02)	(0.02)	(0.05)	0.05
Discontinued operations	**0.01**	-	-	-	0.38	0.01	-	0.01
Net income attributable to shareholders	**0.52**	0.57	0.70	0.55	0.74	0.46	0.80	0.18
Weighted average number of shares outstanding (in millions)	**254.0**	254.8	255.6	255.9	256.0	255.1	232.8	233.5
Diluted data per share								
Contribution to net income attributable to shareholders:								
Continuing operating activities	**$ 0.42**	$ 0.62	$ 0.67	$ 0.52	$ 0.43	$ 0.51	$ 0.55	$ 0.40
Dilution impact	**-**	0.01	-	-	0.01	0.01	-	0.05
Gain (loss) on valuation and translation of financial instruments	**-**	(0.05)	-	-	(0.06)	(0.05)	-	(0.33)
Unusual items	**(0.01)**	(0.01)	-	(0.05)	(0.02)	(0.02)	(0.04)	0.05
Discontinued operations	**0.01**	-	-	-	0.38	0.01	-	0.01
Net income attributable to shareholders	**0.42**	0.57	0.67	0.47	0.74	0.46	0.51	0.18
Weighted average number of diluted shares outstanding (in millions)	**259.9**	255.0	261.7	262.1	256.5	255.5	268.8	239.4