

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report.....

For the transition period from to

Commission file number: 333-13792

QUEBECOR MEDIA INC.

(Exact name of Registrant as specified in its charter)

Province of Québec, Canada

(Jurisdiction of incorporation or organization)

612 St-Jacques Street

Montréal, Québec, Canada H3C 4M8

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
None	None

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None

(Title of Class)

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Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

5¾% Senior Notes due January 2023
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

79,377,062.24 Common Shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards* provided pursuant to Section 13(a) of the Exchange Act.

*The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued
by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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EXPLANATORY NOTES

In this annual report, unless otherwise specified, the terms “we,” “our,” “us,” the “Corporation” and “Quebecor Media” refer to Quebecor Media Inc., a corporation under the *Business Corporations Act* (Québec) and its consolidated subsidiaries, collectively. All references in this annual report to “Videotron” are references to our wholly-owned subsidiary Videotron Ltd. and its subsidiaries; all references in this annual report to “Le SuperClub Vidéotron” are references to our wholly-owned subsidiary Le SuperClub Vidéotron Ltée; all references in this annual report to “TVA Group” are references to our public subsidiary TVA Group Inc. and its subsidiaries; all references to “Quebecor Media Printing” are references to our wholly-owned subsidiary Quebecor Media Printing (2015) Inc.; all references to “Quebecor Media Network” are references to our wholly-owned subsidiary Quebecor Media Network Inc.; all references to “MediaQMI” are references to our wholly-owned subsidiary MediaQMI Inc.; all references to “CEC Publishing” are references to our wholly-owned subsidiary CEC Publishing Inc.; all references to “Sogides Group” are references to our wholly-owned subsidiary Sogides Group Inc.; all references to “Select Music” are references to our wholly-owned subsidiary Select Music Inc.; all references to “NumériQ” are references to NumériQ Inc.; and all references to “Fibrenoire” are references to Fibrenoire Inc. All references in this annual report to “Quebecor” or “our parent corporation” are references to Quebecor Inc.

In this annual report, all references to the “CRTC” are references to the Canadian Radio-television and Telecommunications Commission.

In this annual report, all references to our “Senior Notes” are references to, collectively, our 5¾% Senior Notes due 2023 originally issued on October 11, 2012 and our 6⅔% Senior Notes due 2023 originally issued on October 11, 2012.

INDUSTRY AND MARKET DATA

Industry statistics and market data used throughout this annual report were obtained from internal surveys, market research, publicly available information and industry publications, including the CRTC, Numeris, the Canadian Circulation Audit Board, the Alliance for Audited Media, Vividata and ComScore Media Metrix. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of this information is not guaranteed. Industry and company data is approximate and may reflect rounding in certain cases.

Paid circulation is defined as average sales of a newspaper per issue. Readership (as opposed to paid circulation) is an estimate of the number of people who read or looked into an average issue of a newspaper or magazine and is measured by an independent survey conducted by Vividata. According to the Q3 2018 Vividata study (the “**Vividata Study**”), the most recent available survey for 2018, readership estimates are based on a multiplatform readership metric of the number of people responding to the Vividata survey circulated by Vividata who report having read or looked into one or more issues of a given newspaper or magazine during a given period equal to the publication interval of the newspaper or magazine. Market share and audiometry information for French speaking viewers in the Province of Québec is based on a survey conducted by Numeris and referenced as Numeris – French Quebec, January 1 to December 31, 2018, Mon-Sun, 2:00 – 2:00, All 2+.

Information contained in this annual report concerning the telecommunication and media industries, our general expectations concerning these industries and our market positions and market shares may also be based on estimates and assumptions made by us based on our knowledge of these industries and which we believe to be reliable. We believe, however, that this data is inherently imprecise, although generally indicative of relative market positions and market shares.

PRESENTATION OF FINANCIAL INFORMATION

IFRS and Functional Currency

Our audited consolidated financial statements for the years ended December 31, 2018, 2017, 2016, 2015 and 2014 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

In this annual report, references to Canadian Dollars, CAN\$ or \$ are to the lawful currency of Canada, our functional currency, and references to US Dollars or US\$ are to the currency of the United States.

Non-IFRS Financial Measures and Key Performance Indicator

In this annual report, we use certain financial measures that are not calculated in accordance with IFRS. We use these non-IFRS financial measures, such as adjusted earnings before interest, tax, depreciation and amortization (“EBITDA”), cash flows from segment operations and free cash flows from continuing operating activities, because we believe that they are meaningful measures of our performance. Our 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 annual report may not be comparable to other similarly titled measures disclosed by other companies.

We provide a definition of adjusted EBITDA, cash flows from segment of operations, free cash flows from continuing operating activities, revenue-generating unit (“RGU”) and average billing per unit (“ABPU”) under “Item 5. Operating and Financial Review and Prospects — Non-IFRS Financial Measures” and “Item 5. Operating and Financial Review and Prospects — Key Performance Indicator”. We also provide a definition of adjusted EBITDA in footnote 3 to the tables under “Item 3. Key Information — A. Selected Financial Data”, and a reconciliation of adjusted EBITDA to the most directly comparable financial measure under IFRS under “Item 5. Operating and Financial Review and Prospects — Non-IFRS Financial Measures” and in footnote 3 to the tables under “Item 3. Key Information — A. Selected Financial Data”. When we discuss cash flow from segment operations in this annual report, we provide the detailed calculation of the measure in the same section. When we discuss free cash flow from continuing operating activities in this annual report, we provide a reconciliation to the most directly comparable IFRS financial measure in “Item 5. Operating and Financial Review and Prospects”.

Unless otherwise indicated, information provided in this annual report, including all operating data presented, is as of December 31, 2018.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements with respect to our financial condition, results of operations, business, and certain of our plans and objectives. These forward-looking statements are made pursuant to the “Safe Harbor” provisions of the United States Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on current expectations, estimates, forecasts and projections about the industries in which we operate, as well as beliefs and assumptions made by our management. Such statements include, in particular, statements about our plans, prospects, financial position and business strategies. Words such as “may,” “will,” “expect,” “continue,” “intend,” “estimate,” “anticipate,” “plan,” “foresee,” “believe,” or “seek,” or the negatives of those terms or variations of them or similar terminology, are intended to identify such forward-looking statements. Although we believe that the expectations reflected in these forward-looking statements are reasonable, these statements, by their nature, involve risks and uncertainties and are not guarantees of future performance. Such statements are also subject to assumptions concerning, among other things: our anticipated business strategies; anticipated trends in our business; anticipated reorganizations of any of our segments or businesses, and any related restructuring provisions or impairment charges; and our ability to continue to control costs. We can give no assurance that these estimates and expectations will prove to have been correct. Actual outcomes and results may, and often do, differ from what is expressed, implied or projected in such forward-looking statements, and such differences may be material. 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:

- our ability to successfully continue developing our network and facilities-based mobile services;
- general economic, financial or market conditions and variations in our Telecommunications, Media and Sports and Entertainment businesses;
- the intensity of competitive activity in the industries in which we operate;
- fragmentation of the media landscape;
- new technologies that might change consumer behaviour toward our product suite;
- unanticipated higher capital spending required to deploy our network or to address the continued development of competitive alternative technologies, or the inability to obtain additional capital to continue the development of our business;
- our ability to implement successfully our business and operating strategies and manage our growth and expansion;
- disruptions to the network through which we provide our digital television, Internet access, telephony and Club illico services, and our ability to protect such services from piracy, unauthorized access or other security breaches;
- labour disputes or strikes;
- changes in our ability to obtain services and equipment critical to our operations;
- changes in laws and regulations, or in their interpretations, which could result, among other things, in the loss (or reduction in value) of our licences or markets or in an increase in competition, compliance costs or capital expenditures;
- our ability to successfully develop our Sports and Entertainment segment and other expanding lines of business in our other segments;
- our substantial indebtedness, the tightening of credit markets, and the restrictions on our business imposed by the terms of our debt; and

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- interest rate fluctuations that affect a portion of our interest payment requirements on long-term debt.

We caution you that the above list of cautionary statements is not exhaustive. These and other factors are discussed in further detail elsewhere in this annual report, including under “Item 3. Key Information — Risk Factors” of this annual report. Each of these forward-looking statements speaks only as of the date of this annual report. We disclaim any obligation to update these statements unless applicable securities laws require us to do so. We advise you to consult any documents we may file with or furnish to the U.S. Securities and Exchange Commission (“SEC”), as described under “Item 10. Additional Information — Documents on Display” of this annual report.

PART I

ITEM 1 — IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2 — OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3 — KEY INFORMATION

A - Selected Financial Data

The following tables present selected consolidated financial information for our business presented in accordance with IFRS for each of the years ended December 31, 2018, 2017, 2016, 2015 and 2014. We derived this selected consolidated financial information from our audited consolidated financial statements, which are comprised of consolidated balance sheets as at December 31, 2018, 2017, 2016, 2015 and 2014 and the related consolidated statements of income, comprehensive income, equity and cash flows for each of the years in the five-year period ended December 31, 2018. The selected consolidated financial information presented below should be read in conjunction with the information contained in “Item 5. Operating and Financial Review and Prospects” and our audited consolidated financial statements as at December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016 and notes thereto contained in “Item 18. Financial Statements” of this annual report (beginning on page F-1). Our audited consolidated financial statements as at December 31, 2016, 2015 and 2014 and for the years ended December 31, 2015 and 2014 are not included in this annual report. Our consolidated financial statements as at December 31, 2018, 2017, 2016, 2015 and 2014 and for the years ended December 31, 2018, 2017, 2016, 2015 and 2014, prepared in accordance with IFRS, have been audited by Ernst & Young LLP, an independent registered public accounting firm. Ernst & Young LLP’s report on our consolidated financial statements as at December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016 is included in this annual report.

Our historical results are not necessarily indicative of our future financial condition or results of operations.

SELECTED FINANCIAL DATA

	Year Ended December 31,				
	2018	2017	2016	2015	2014
		(1) (2)	(1) (2)	(1) (2)	(1) (2)
	(in millions, except ratio)				
STATEMENT OF INCOME DATA:					
Revenues					
Telecommunications	\$ 3,382.0	\$ 3,287.8	\$ 3,192.3	\$ 3,018.1	\$ 2,846.7
Media	728.6	769.9	789.2	812.7	704.2
Sports and Entertainment	182.1	181.3	185.0	187.6	168.2
Inter-segment	(111.7)	(113.9)	(109.4)	(116.5)	(89.9)
	<u>4,181.0</u>	<u>4,125.1</u>	<u>4,057.1</u>	<u>3,901.9</u>	<u>3,629.2</u>
Employee costs	(696.6)	(706.2)	(707.9)	(694.4)	(650.6)
Purchase of goods and services	(1,752.0)	(1,799.7)	(1,789.9)	(1,735.4)	(1,550.7)
Depreciation and amortization	(717.9)	(705.3)	(648.5)	(690.1)	(658.3)
Financial expenses	(280.5)	(281.8)	(302.0)	(309.2)	(323.8)
Loss on valuation and translation of financial instruments	(0.9)	(2.4)	(2.1)	(3.8)	(3.1)
Restructuring of operations, litigation and other items	(29.8)	(17.2)	(28.5)	117.2	(49.6)
Gain on sale of spectrum licences	—	330.9	—	—	—
Impairment of goodwill and other assets	—	(43.8)	(40.9)	(230.7)	(81.0)
Loss on debt refinancing	—	(15.6)	(7.3)	(12.1)	(18.7)
Income taxes	(166.6)	(141.2)	(143.3)	(112.7)	(108.4)
Income (loss) from discontinued operations	3.8	18.2	1.0	(20.1)	(81.6)
Net income	<u>\$ 540.5</u>	<u>\$ 761.0</u>	<u>\$ 387.7</u>	<u>\$ 210.6</u>	<u>\$ 103.4</u>
Income (loss) from continuing operations attributable to:					
Shareholders	534.3	747.6	399.3	249.3	202.7
Non-controlling interests	2.4	(4.8)	(12.6)	(18.6)	(17.7)
Net income (loss) attributable to:					
Shareholders	538.1	765.8	400.3	230.8	124.2
Non-controlling interests	2.4	(4.8)	(12.6)	(20.2)	(20.8)
OTHER FINANCIAL DATA AND RATIO:					
Adjusted EBITDA ⁽³⁾ (unaudited)	\$ 1,732.4	\$ 1,619.2	\$ 1,559.3	\$ 1,472.1	\$ 1,427.9
Additions to property, plant, equipment and intangible assets other than spectrum licenses	750.1	743.7	794.3	789.6	743.7
Additions to spectrum licenses	—	—	—	219.0	217.4
Comprehensive income	519.8	830.4	396.9	158.2	45.3
Comprehensive income (loss) attributable to:					
Shareholders	517.2	834.9	406.8	179.4	70.4
Non-controlling interests	2.6	(4.5)	(9.9)	(21.2)	(25.1)
Ratio of earnings to fixed charges ⁽⁴⁾ (unaudited)	3.3x	4.0x	2.7x	2.0x	1.6x
	As at December 31,				
	2018	2017	2016	2015	2014
		(1)	(1)	(1)	(1)
	(in millions)				
BALANCE SHEET DATA:					
Cash and cash equivalents	\$ 21.0	\$ 864.9	\$ 20.7	\$ 18.6	\$ 395.3
Total assets	10,097.5	9,921.0	9,458.6	9,405.4	9,180.5
Total debt (current and long-term portions)	6,375.0	5,311.7	5,638.1	5,800.6	5,201.8
Capital stock	3,019.7	3,630.8	3,701.4	3,801.4	4,116.1
Equity attributable to shareholders	1,335.9	2,458.7	1,767.7	1,460.9	1,865.2
Dividends or distributions to shareholders	100.0	100.0	100.0	100.0	100.0
Number of common shares outstanding	79.4	95.4	96.0	96.0	103.3

(1) Prior period figures have been restated to reflect the adoption of IFRS 15, *Revenues from Contracts with Customers*. Refer to note 1(b) of our consolidated financial statements for more details.

(2) In 2019, we sold our data centers operations. The results of operations and cash flows related to this business were reclassified as discontinued operations. Refer to note 30 of our consolidated financial statements for more details.

(3) In our analysis of operating results, we define 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, gain on sale of spectrum

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licences, impairment of goodwill and other assets, loss on debt refinancing, income taxes and income (loss) 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 alternatives to other financial operating performance measures or to the consolidated 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. Our parent corporation, Quebecor, uses adjusted EBITDA in order to assess the performance of its investment in Quebecor Media. Our management and Board of Directors use this measure in evaluating our consolidated results as well as results of our operating segments. This measure eliminates the significant level of impairment and depreciation/amortization of tangible and intangible assets, and it is unaffected by the capital structure or investment activities of Quebecor Media and of its business segments. Adjusted EBITDA is also relevant because it is a significant component of our 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 our segments. We also use other measures that do reflect such costs, such as cash flows from segment operations and free cash flows from continuing operating activities. Our definition of adjusted EBITDA may not be the same as similarly titled measures reported by other companies. See “Presentation of Financial Information — Non-IFRS Measures”. Our adjusted EBITDA is calculated from and reconciled to net income under IFRS for the years ended December 31, 2018, 2017, 2016, 2015 and 2014 in the table below:

	Year Ended December 31,				
	2018	2017 (1) (2)	2016 (1) (2)	2015 (1) (2)	2014 (1) (2)
(in millions)					
Reconciliation of adjusted EBITDA to net income					
Adjusted EBITDA					
Telecommunications	\$ 1,677.0	\$ 1,557.8	\$ 1,510.9	\$ 1,417.1	\$ 1,375.9
Media	55.3	69.3	53.9	60.1	50.4
Sports and Entertainment	5.0	6.2	2.3	(1.6)	5.3
Head office	(4.9)	(14.1)	(7.8)	(3.5)	(3.7)
	1,732.4	1,619.2	1,559.3	1,472.1	1,427.9
Depreciation and amortization	(717.9)	(705.3)	(648.5)	(690.1)	(658.3)
Financial expenses	(280.5)	(281.8)	(302.0)	(309.2)	(323.8)
Loss on valuation and translation of financial instruments	(0.9)	(2.4)	(2.1)	(3.8)	(3.1)
Restructuring of operations, litigation and other items	(29.8)	(17.2)	(28.5)	117.2	(49.6)
Gain on sale of spectrum licences	—	330.9	—	—	—
Impairment of goodwill and other assets	—	(43.8)	(40.9)	(230.7)	(81.0)
Loss on debt refinancing	—	(15.6)	(7.3)	(12.1)	(18.7)
Income taxes	(166.6)	(141.2)	(143.3)	(112.7)	(108.4)
Income (loss) from discontinued operations	3.8	18.2	1.0	(20.1)	(81.6)
Net income	<u>\$ 540.5</u>	<u>\$ 761.0</u>	<u>\$ 387.7</u>	<u>\$ 210.6</u>	<u>\$ 103.4</u>

(4) For the purpose of calculating the ratio of earnings to fixed charges under IFRS, (i) earnings consist of net income, plus income taxes, fixed charges, amortized capitalized interest, less interest capitalized and (ii) fixed charges consist of interest expensed and capitalized, plus premiums and discounts amortization, financing fees amortization and an estimate of the interest within rental expense.

B - Risk Factors

This section describes some of the risks that could materially affect our business, revenues, results of operations and financial condition, as well as the market value of our Senior Notes. The factors below should be considered in connection with any forward-looking statements in this document and with the cautionary statements contained in the section “Cautionary Statement Regarding Forward-Looking Statements” at the forepart of this annual report. The risks below are not the only ones that we face. Some risks may not yet be known to us and some that we do not currently believe to be material could later turn out to be material.

Risks Relating to Our Business

We operate in highly competitive industries that are experiencing rapid technological developments and fierce price competition, and our inability to compete successfully could have a material adverse effect on our business, prospects, revenues, financial condition and results of operations.

In our cable business, we compete against incumbent local exchange carriers (“ILECs”), the primary one in our market holds a regional license to provide terrestrial broadcasting distribution in Montréal and several other communities in the Province of Québec. Such primary ILEC has rolled out its own Internet protocol television (“IPTV”) service throughout the country but more specifically in Montréal (including a portion of the greater Montréal area), in Québec City, and in other locations in the Province of Québec. It has also secured licenses to launch video distribution services using video digital subscriber line (“VDSL”) technology. We also compete against providers of direct broadcast satellite (“DBS”, which in Canada are also referred to as “DTH” for “direct-to-home” satellite providers), multichannel multipoint distribution systems, and satellite master antenna television systems. The direct access to some broadcasters’ websites that provide streaming in high-definition (“HD”) of video-on-demand (“VOD”) content is also available for some of the

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channels we offer in our television programming. In addition, some third-party Internet service providers (“ISPs”) have launched Internet Protocol video services (“IPVS”) in territories in which we provide services.

We also face competition from illegal providers of cable television services and illegal access to non-Canadian DBS (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). Competitors in the video business also include emerging content delivery platforms. Furthermore, over-the-top (“OTT”) content providers, such as Netflix, Apple TV and Amazon Prime Video, as well as Canadian services such as Crave TV, compete for viewership and a share of the monthly entertainment spending currently allocated to traditional cable television and cable service VOD offerings.

Unlike us, OTT service providers are not subject to CRTC’s regulations and do not have to contribute financially to the Canadian traditional television business model or Internet infrastructure. Furthermore, foreign providers with no Canadian place of business are not required to charge federal and provincial sales tax. Consequently, this could place us at a competitive disadvantage, lead to increased operational costs and have an adverse effect on our business, prospects, revenues, financial condition and results of operations. 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. As part of this arrangement, the Federal Government has decided not to impose the Goods and Services Tax (GST) on Netflix’s services. Given that our clients must pay GST when they purchase our services, this decision could place us at a competitive disadvantage.

In our Internet access business, we compete against other ISPs offering residential and commercial Internet access services as well as WiMAX and open Wi-Fi networks in some cities. The main competitors are the ILECs that offer Internet access through digital subscriber line (“DSL”), fibre to the node and fibre to the home technologies, often offering download speeds comparable to ours. 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 our low and medium download speeds. The CRTC also requires cable and ILEC network providers, including ourselves, to offer wholesale access to our high-speed Internet systems to third-party ISP competitors for them to provide retail Internet access services. These third-party ISP competitors may also provide telephony, television services, IPVS and networking applications. Their market share is significant and growing especially in Québec and Ontario, the two regions in Canada where these third-party ISP competitors have been particularly active and aggressively pricing their services. 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 us in some of our local markets.

Our cable telephony business has numerous competitors, including ILECs, competitive local exchange carriers, mobile telephony service operators and other providers of telephony, television services, Voice over Internet Protocol (“VoIP”) and Internet communications, including competitors that 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 our business, prospects, revenues, financial condition and results of operations.

In our mobile telephony business, we compete against a mix of market participants, some of them active in some or all of the products we offer, 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 or developing 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 we provide 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. In the near future, depending on new regulations, we could see the emergence of non facility-based operators in the wireless space. Also, we may not be able to compete successfully in the future against existing or potential competitors, and increased competition could have a material adverse effect on our business, prospects, revenues, financial condition, and results of operations.

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Due to ongoing technological developments, the distinction between traditional platforms (broadcasting, Internet and telephony) is fading rapidly. For instance, emerging Go Platforms such as HBO Go, allow customers to view their traditional television content directly on their mobile devices or computers via Internet connection (although authentication as a broadcasting distribution undertaking's subscriber ("**BDU's subscriber**") is still required in Canada). Also, the Internet, through wireline or cable and mobile devices, is an important broadcasting and distribution platform. In addition, mobile operators, with the development of their Long-Term Evolution (also known as "**LTE**") networks, offer wireless and fixed wireless Internet services. Finally, our VoIP telephony service also competes with Internet-based solutions.

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

Fierce price competition in all our businesses and across the industries in which we operate may affect our ability to raise the price of our products and services in line with increases in our operating costs, as we have done in the past. This could have an adverse effect on our business, revenues, financial condition, and results of operations.

We compete, and will continue to compete, with alternative technologies and we may be required to invest a significant amount of capital to address continuing technological evolution and development needs.

In relation to our Media segment, the media industry is experiencing rapid and significant technological changes, which have resulted in alternative means of program and content transmission. The continued growth of the Internet has presented alternative content distribution options that compete with traditional media. Consumers are spending an increasing amount of time on the Internet and on mobile devices, and are increasingly viewing content on a time-delayed or on-demand basis from the Internet, on their televisions and on portable devices. These alternative technologies may increase audience fragmentation, reduce our Media segment business' ratings, readership or circulation levels or have an adverse effect on advertising revenues from local and national advertisers. Furthermore, in our video distribution markets, industry regulators have authorized DTH, microwave services and VDSL services, and may authorize other alternative methods of transmitting television and other content with improved speed and quality.

The continuous technological improvements to the Internet, combined with higher download speeds and cost reductions for customers, may divert a portion of our Media segment business' existing television subscriber base from our services to new video-over-the-Internet model. While having a positive impact on the demand for our Internet services, video-over-the-Internet could adversely impact the demand for our other services.

We may not be able to successfully compete with existing or newly developed alternative technologies, such as advanced LTE technologies leading to and complementing fifth-generation (5G) telecommunication technologies, 5G telecommunication technologies, Software-defined networking (SDN), Network function virtualization (NFV) and virtual reality technologies, or we may be required to acquire, develop or integrate new technologies. The cost of the acquisition, development or implementation of new technologies could be significant and our ability to fund such implementations may be limited, which could have a material adverse effect on our ability to successfully compete in the future. Any such difficulty or inability to compete could have a material adverse effect on our business, reputation, prospects, financial condition and results of operations.

5G technology is evolving rapidly and the world's first standards-based commercial launches are expected in 2019, while smartphones are generally expected to support 5G technology in late 2019 or 2020. It is expected that early 5G ecosystems will operate on three distinct spectrum bands: 3.5 GHz, millimetre wave (mmWave) spectrum (28 GHz and 37—40 GHz) and 600 MHz. Globally, 3.5 GHz spectrum is becoming the primary band for 5G mobile coverage. In Canada, 3.5 GHz was auctioned for fixed wireless access (FWA) between 2004 and 2009; it is currently not licensed for mobile applications and is largely held by Inukshuk (a joint venture owned by Bell and Rogers) in most urban markets. Innovation, Science and Economic Development Canada ("**ISED**") is expected to claw back a portion of Inukshuk's 3.5 GHz spectrum holdings and re-auction it for flexible use (permitting the deployment for mobile applications, such as 5G). Depending on the amount of 3.5 GHz spectrum clawed back and re-auctioned, there is a risk that we may end up with less 3.5 GHz spectrum than desired and would not be able to compete equally on network speeds and 5G capacity. Meanwhile,

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if ISED converts 3.5 GHz spectrum to mobile use before the 3.5 GHz auction concludes, current holders would have access to 5G spectrum before us and could gain a time to market advantage. Also, with regards to the 600 MHz spectrum auctioned in March 2019, there is a risk that we might not be able to purchase the 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 our business, reputation, prospects, financial condition, and results of operations.

We have entered into roaming agreements with other mobile operators in order to provide worldwide coverage to our mobile telephony customers. Our inability to extend our worldwide coverage or to renew, or substitute for, these roaming agreements at their respective terms, and on acceptable terms, may place us at a competitive disadvantage, which could adversely affect our ability to operate our mobile business successfully and profitably.

We have entered into roaming agreements with multiple carriers around the world (including Canada, the United States and Europe), and have established worldwide coverage. Our inability to extend our worldwide coverage or to renew, or substitute for, these roaming agreements at their respective or better terms or on acceptable terms, may place us at a competitive disadvantage, which could adversely affect our ability to operate our mobile business successfully and profitably. In addition, if we are unable to renew, or substitute for, these roaming agreements on a timely basis and at an acceptable cost, our cost structure could materially increase, and, consequently, our business, financial condition and results of operations could be adversely affected.

Our reputation may be negatively impacted, which could have a material adverse effect on our business, financial condition and results of operations.

We have generally enjoyed a good reputation among the public. Our ability to maintain our existing customer relationships and to attract new customers depends to a large extent on our reputation. While we have put in place certain mechanisms to mitigate the risk that our reputation may be tarnished, including good governance practices and a Code of Ethics, we cannot be assured that we will continue to enjoy a good reputation nor can we be assured that events that are beyond our control will not cause our reputation to be negatively impacted. The loss or tarnishing of our reputation could have a material adverse effect on our business, prospects, financial condition and results of operations.

We could be adversely impacted by higher handset subsidies and increase in bring-your-own-device (“BYOD”) customers.

Our mobile telephony business model is based substantially on subsidizing the cost of subscriber handsets, similar to other Canadian wireless carriers. This model attracts customers and in exchange they commit to a term contract with us. We also commit to a minimum subsidy per unit with the supplier of certain smartphone devices. If we are unable to recover the costs of the subsidies over the term of the customer contract, this could negatively impact our business, prospects, revenues, financial condition and results of operations.

Also, with the introduction of the CRTC’s Wireless Code in 2013 and its revision in 2017, limiting wireless term contracts to two years and eliminating device locking, the number of BYOD customers with no-term contracts has increased. Such customers are under no contractual obligation to remain with us, this could have a material adverse effect on our churn rate and, consequently, on our business, prospects, revenues, financial condition and results of operations.

Our inventory may become obsolete.

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

We are regularly required to make capital expenditures to remain technologically and economically competitive. We may not be able to obtain additional capital to implement our business strategies and make capital expenditures.

Our strategy of maintaining a leadership position in the suite of products and services we offer and of launching new products and services requires capital investments in our network and infrastructure to support growth in our

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customer base and its demands for increased bandwidth capacity and other services. In the past, we have required substantial capital for the upgrade, expansion and maintenance of our network and the launch and deployment of new or additional services. We expect 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 our networks, systems and services, including expenditures relating to advancements in Internet access, HD television, ultra-high-definition (“UHD”) television, Internet of Things, IPTV and television everywhere/every platform requiring Internet protocol delivery technology, as well as the introduction of virtual reality and home automation.

New technologies in the telecommunication industry are evolving faster than the historical investment cycle in the industry. The introduction of new technologies and their pace of adoption could result in requirements for additional capital investments not currently planned, as well as shorter estimated useful lives for certain of our existing assets.

The demand for wireless data services has been growing at high rates and 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 smartphones and Internet-only devices (e.g., high-usage data devices such as mobile Internet keys, tablets and electronic book readers); 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. We may have to acquire additional spectrum, if available and if economically reasonable, in order to address this increased demand. The ability to acquire additional spectrum (if needed) is dependent on the timing and the rules established by ISED. If we are not successful in acquiring additional spectrum we may need on reasonable terms, or not at all, that could have a material adverse effect on our business, prospects and financial condition. See also “Item 4. Information on the Corporation — Regulation — Canadian Telecommunications Services — Regulatory Framework for Mobile Wireless Services.”

Developing, maintaining and enhancing our mobile network and any new market standards requires capital expenditures to remain competitive and to comply with our obligations under the agreement with our partner governing the joint operation of our LTE network. A geographical expansion, densification or further upgrade of our mobile network may require us to incur significant costs and to make significant capital expenditures. See also “Item 4. Information on the Corporation — Business Overview - Telecommunications.”

There can be no assurance that we will be able to generate or otherwise obtain the funds to finance any portion of these capital improvement programs, new strategies and services or other capital expenditure requirements, whether through cash from operations, additional borrowings or other sources. If we are unable to generate sufficient funds or obtain additional financing on acceptable terms, or if, for any reason, the agreement with our partner governing the joint operation of our LTE network is terminated or not renewed and we are unable to enter into similar agreements with respect to further upgrades of our mobile network or generate sufficient funds or obtain additional financing to expand and enhance our mobile network, we may be unable to implement our business strategies or proceed with the capital expenditures and investments required to maintain our leadership position, and our business, financial condition, results of operations, reputation, and prospects could be materially adversely affected. Even if we are able to obtain adequate funding, the period of time required to upgrade our network could have a material adverse effect on our ability to successfully compete in the future. Moreover, additional investments in our business may not translate into incremental revenues, cash flows or profitability.

See also the risk factors “— We operate in highly competitive industries that are experiencing rapid technological developments and fierce price competition, and our inability to compete successfully could have a material adverse effect on our business, prospects, revenues, financial condition and results of operations”, “— We compete, and will continue to compete, with alternative technologies and we may be required to invest a significant amount of capital to address continuing technological evolution and development” and “— Risks Relating to our Senior Notes and our Capital Structure — We may be required from time to time to refinance certain of our indebtedness. Our inability to do so on favorable terms, or at all, could have a material adverse effect on us.”

We may need to support increasing costs in securing access to support structures needed for our cable network.

We require access to the support structures of hydroelectric and telephone utilities and need municipal rights of way to deploy our cable network. Where access to the structures of telephone utilities cannot be secured, we may apply to the CRTC to obtain a right of access under the *Telecommunications Act* (Canada) (the “**Telecommunications Act**”). We

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have entered into comprehensive support structure access agreements with all the major hydroelectric companies and all the major telecommunications companies in our service territory. In the event that we seek to renew or to renegotiate these agreements, we cannot guarantee that these agreements will continue to be available on their respective terms, on acceptable terms, or at all, which may place us at a competitive disadvantage and which may have a material adverse effect on our business and prospects.

We may not successfully implement our business and operating strategies.

Our business strategies are based on leveraging an integrated platform of media assets. Our 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 our advanced broadband network, pursuing enhanced content development, further integrating the operations of our subsidiaries, leveraging geographic clustering, and maximizing customer satisfaction across our business. We 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, our ability to successfully implement these strategies could be adversely affected by a number of factors beyond our control, including operating difficulties, increased ongoing operating costs, regulatory developments, general or local economic conditions, increased competition, technological changes, and other factors described in this “Risk Factors” section. While the centralization of certain business operations and processes has the advantage of standardizing our practices, thereby reducing costs and increasing effectiveness, it also represents a risk in itself should a business solution implemented by a centralized office throughout the organization fail to produce the intended results. We may also be required to make capital expenditures or other investments that may affect our ability to implement our business strategies if we are unable to secure additional financing on acceptable terms or to generate sufficient funds internally to cover those requirements. Any material failure to implement our strategies could have a material adverse effect on our reputation, business, financial condition, prospects, and results of operations, as well as on our ability to meet our obligations, including our ability to service our indebtedness.

As part of our strategy, in recent years, we have entered into certain agreements with third-parties under which we are committed to making significant operating expenditures in the future in order to offer new products and services to our customers. We can provide no assurance that we will be successful in developing such new products and services in relation to these engagements, including the marketing of new revenue sources.

We could be adversely impacted by consumers’ trend to abandon cable telephony and television services.

The recent trend towards mobile substitution or “cord-cutting” (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 and the various unlimited offers launched by mobile operators. In addition, there is also a consumer trend to abandon and substitute wire and cable television for Internet access services in order to stream directly from broadcasters and OTT content providers. We may not be successful in converting our existing cable telephony subscriber base to our mobile telephony services or in attracting customers to our OTT entertainment platforms, which could have a material adverse effect on our business, prospects, revenues, results of operations and financial condition.

We could be adversely affected by the rapid growth of traffic volumes on the Internet.

Internet users are downloading an increasing amount of data each year and households are connected to the Internet through a combination of several computers, tablets and other mobile devices, leading to simultaneous flows per home. In addition, some content on the Internet, such as videos, is available at a higher bandwidth for which HD, as opposed to standard definition, has become the norm. OTT service providers have recently started streaming UHD content which uses even more bandwidth than HD content. There has therefore been an increase in data consumption and an intensification of Internet traffic during peak periods, which calls for increased bandwidth capacity to address the needs of our customers.

Equipment costs are under pressure in an effort to counterbalance customers’ demand for bandwidth. While we can relay some of this pressure on costs to our manufacturers, adopt new technologies that reduce costs or implement other cost-reduction initiatives, our inability to fully meet our increasing need for bandwidth may result in loss of clients, price increases or reduced profitability.

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If we do not effectively manage our growth, our business, results of operations and financial condition could be adversely affected.

We have experienced substantial growth in our business and have significantly expanded our operations over the years. We have sought in the past, and may, in the future, seek to further expand the types of businesses in which we participate, under appropriate conditions. We can provide no assurance that we will be successful in either developing or fulfilling the objectives of any such business expansion.

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

We may not be successful in the development of our Sports and Entertainment business.

We have made and are continuing to make significant investments in an effort to develop our 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 our growth and profitability, including the following risks: that investments may require substantial financial resources that otherwise could be used in the development of our other businesses; that we will not be able to achieve the benefits we expect from our investments in the same timeline as our other businesses; and, specifically with regards to the Videotron Center, that we might not be able to maximize its profitability due to the fact that we do not have a main tenant nor operate in a major market.

The implementation of changes to the structure of our business may be more expensive than expected and we may not gain all the anticipated benefits.

We have and will continue to implement changes to the structure of our 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 we capture the intended benefits. The implementation process may lead to greater-than-expected operational challenges and costs, expenses, customer loss, and business disruption for us, which could adversely affect our business and our ability to gain the anticipated benefits.

We depend on key personnel and our inability to retain skilled employees may have an adverse effect on our business, prospects, results of operations and financial condition.

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

Our Media segment faces substantial competition for advertising and circulation revenues/audience.

Advertising revenue is the primary source of revenue for our Media segment. Our revenues and operating results in these businesses depend on the relative strength of the economy in our principal markets, as well as the strength or weakness of local, regional and national economic factors. These economic factors affect the levels of retail and national advertising revenues of our media properties. Since a significant portion of our 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 our Media segment. Advertising consolidation, supported by an international coalition of advertising agencies, is disrupting the demand model

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and exerting strong downward pricing pressure on our advertising inventories. Continuing or deepening softness in the Canadian or U.S. economy could further adversely affect key national advertising revenues.

Advertising revenues for our Media segment are also driven by readership and circulation levels, as well as by market demographics, price, service and advertiser results. Readership and circulation levels tend to be based on the content of the newspaper or magazine, service, availability and price. A prolonged decline in readership and circulation levels in our newspaper and magazine businesses and lack of audience acceptance of our content would have a material effect on the rate and volume of our newspaper and magazine advertising revenues (as rates reflect circulation and readership, among other factors), and could also affect our ability to institute circulation price increases for our print products, all of which could have a material adverse effect on our business, prospects, results of operations and financial condition.

The newspaper and magazine industry is experiencing structural changes, including the growing availability of free access to content, shifting readership habits, digital transferability, the advent of real-time information and secular changes in the advertising industry as well as the declining frequency of regular newspaper and magazine buying, particularly among young people, who increasingly rely on non-traditional media as a source for news and information. As a result, competition for advertising spend and circulation revenues comes not only from other newspapers and traditional media, but also from digital media technologies, which have introduced a wide variety of media distribution platforms (including, most significantly, the Internet and distribution over wireless devices and e-readers) for readers and advertisers.

While we continue to pursue initiatives to offer value-added advertising solutions to our advertisers and to slow down the decline of our circulation base, such as investments in the re-design and overhaul of our newspaper and magazine websites and the publication of e-editions of a number of our newspapers and magazines, we may not be successful in converting our advertising revenues or in transferring our audience to our new digital products. The ability of our Media segment to succeed over the long-term depends on various factors, including our ability to attract advertisers and readers (including subscribers) to our online sites. Our new initiatives developed to generate additional revenues from our websites (such as digital platform advertising) may not be accepted by users and consequently, may negatively affect online traffic. In addition, we can provide no assurance that we will be able to recover the costs associated with the implementation of these initiatives through increased circulation, advertising and digital revenues.

In broadcasting, the proliferation of television channels, progress in mobile and wireless technology, the migration of television audiences to the Internet, including social networks, and the viewing public's increased control over the manner, content and timing of their media consumption through personal video recording devices, have all contributed to the fragmentation of the television viewing audience and to a more challenging advertising sales environment. For example, the increased availability of personal video recording devices and video programming on the Internet, as well as the increased access to various media through mobile devices, may each have the potential to reduce the viewing of our content through traditional distribution outlets. Some of these new technologies also give consumers greater flexibility to watch programming on a time-delayed or on-demand basis, or to fast-forward or skip advertisements within our programming, which may adversely impact the advertising revenues we receive. Delayed viewing and advertisement skipping have the potential to become more common as the penetration of personal video recording devices increases and content becomes increasingly available via Internet sources. If the broadcasting market continues to fragment, our audience share levels and our advertising revenues, our business, prospects, results of operations and financial condition could be materially adversely affected.

Our financial performance could be materially adversely affected if we cannot continue to distribute a wide range of television programming on commercially reasonable terms.

The financial performance of our cable and mobile services depends in large part on our ability to distribute, on our platforms, a wide range of appealing, conveniently-scheduled television programming at reasonable rates. We obtain 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. The quality and amount of television programming we offer affect the attractiveness of our services to customers and, accordingly, the rates we can charge for these services. We may be unable to maintain key programming contracts at commercially reasonable rates for television programming. Loss of programming contracts, our inability to obtain programming at reasonable rates or our inability to pass rate increases

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through to our customers could have a material adverse effect on our business, prospects, results of operations and financial condition.

In addition, our ability to attract and retain cable customers depends, to a certain extent, on our capacity to offer quality content, HD and UHD programming, an appealing variety of programming choices and packages, as well as multiplatform distribution and on-demand content, at competitive prices. If the number of specialty channels being offered does not increase at the level and pace comparable to our competitors, if the content offered on such channels does not receive audience acceptance, or if we are unable to offer multiplatform availability, HD and UHD programming and on-demand content for capacity reasons, among others, this may have a negative impact on revenues from our cable operations.

The multiplicity of foreign and deregulated content providers (often global players on the Internet) puts pressure on the viability of our current business model for television distribution. Substantial capital expenditures on our infrastructure and on our research and development may be required to remain competitive.

We may be adversely affected by variations in our costs, quality and variety of our television programming.

The most significant expenses in television broadcasting are programming and production costs. Increased competition in the television broadcasting industry, developments affecting producers and distributors of programming content, the vertical integration of distributors and broadcasters, introduction from various OTT providers of original and exclusive programming, changes in viewer preferences and other developments could impact both the availability and the costs of programming content, as well as the costs of production. Future increases or volatility in programming and production costs could adversely affect our operating results. Developments in cable, satellite or other forms of distribution could also affect both the availability and the cost of programming and production and increase competition for advertising expenditures. As well, the value of royalties payable pursuant to the *Copyright Act* (Canada) (the “**Copyright Act**”) are frequently decided by the Copyright Board of Canada (the “**Copyright Board**”) during or even after the applicable period, which can cause retroactive increases in content costs.

The launch of new products and services may not be as profitable as anticipated.

We are 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 we believe 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.

We may be adversely affected by the loss of key customers.

Our businesses are based primarily on customer satisfaction with reliability, timeliness, quality and price and, in general, we do not have long-term or exclusive service agreements with our customers. We are unable to predict if, or when, our customers will purchase our services. There can be no assurance that the revenues generated from key customers, individually or in the aggregate, will reach or exceed historical levels in any future period, or that we will be able to develop relationships with new customers. We cannot assure that we will continue to maintain favorable relationships with these customers or that they will not be adversely affected by economic conditions.

We provide our cable television, Internet access, cable telephony and mobile telephony services through a single clustered network, which may be more vulnerable to widespread disruption.

We provide our cable television, Internet access, cable telephony and mobile telephony services through a primary headend and through twelve additional regional headends in our single clustered network. Despite available emergency backup or replacement sites, a failure in our 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 us from delivering some of our products and services throughout our network 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 our financial condition.

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Cybersecurity breaches and other similar disruptions could expose us to liability, which would have an adverse effect on our business and reputation.

The ordinary course of our telecommunications, media and data-storage businesses involves the receipt, collection, storage and transmission of sensitive data, including our proprietary business information and that of our customers, and personally identifiable information of our customers and employees, whether in our systems, infrastructure, networks and processes, including those of our suppliers. The secure processing, maintenance and transmission of this information is critical to our operations and business strategy.

Although we have implemented and regularly review and update processes and procedures to protect against signal interruption, unauthorized access to or use of sensitive data, including data of our customers, and to prevent data loss or theft, and, although ever-evolving cyber-threats require us to continually evaluate and adapt our systems, infrastructure, networks and processes, we cannot assure that our systems, infrastructure, networks and processes, as well as those of our suppliers, will be adequate to safeguard against all information security access by third-parties or errors by employees or by third party suppliers. If we are subject to a significant cyber-attack or breach, unauthorized access, errors of third-party suppliers or other security breaches, we may incur significant costs, be subject to investigations, sanctions and litigation, including under laws that protect the privacy of personal information, and we may suffer damage to our business, competitive position and reputation, which could have a material adverse effect on our financial condition.

In addition, the preventive actions we take to reduce the risks associated with cyber-attacks, including protection of our information assets as well as efforts to improve the overall governance over information security and the controls within our IT systems, may be insufficient to repel or mitigate the effects of a major cyber-attack in the future.

The costs associated with a major cyber-attack could 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. As part of our risk mitigation, contractual risk transfer with our clients and suppliers is worded to limit our liability and we purchase cyber liability insurance to cover the residual liability as per standard business practices. However, our contractual risk transfers do not eliminate the risk completely and the potential costs associated with these attacks could exceed the insurance coverage we maintain.

We store and process increasingly large amounts of personally identifiable data of our clients, employees or our business partners, and the improper use or disclosure of such data would have an adverse effect on our business and reputation.

We store and process increasingly large amounts of personally identifiable information of our clients, employees or our business partners. We face risks inherent in protecting the security of such personal data. In particular, we face a number of challenges in protecting the data in and hosted on our systems, or those belonging to our suppliers, including from advertent or inadvertent actions or inactions by our 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 we have developed systems, processes and security controls that are designed to protect personally identifiable information of our clients, employees or our business partners, we may be unable to prevent the improper disclosure, loss, misappropriation of, unauthorized access to, or other security breach relating to such data that we store or process or that our suppliers store or process. As a result, we may incur significant costs, be subject to investigations, sanctions and litigation, including under laws that protect the privacy of personal information, and we may suffer damage to our business, competitive position and reputation, which could have a material adverse effect on our financial condition.

We are dependent upon our information technology systems and those of certain third-parties. The inability to maintain and enhance our systems could have an adverse impact on our financial results and operations.

The day-to-day operation of our 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 our existing information technology systems or obtain new systems to accommodate additional customer growth or to support new products and services could have an adverse impact on our ability to acquire new subscribers, retain existing customers, produce accurate and timely billing, generate revenue growth and manage operating expenses, all of which may have a material adverse effect on our business, prospects, results of operations and financial condition.

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

Malicious and abusive Internet practices could impair our cable data and mobile data services as well as our fibre-optic connectivity business.

Our cable data, mobile data and fibre-optic connectivity business customers utilize our network to access the Internet and, as a consequence, we 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 our network and our customers, including deterioration of service, excessive call volume to call centers, and damage to our customers' equipment and data or ours. Significant incidents could lead to customer dissatisfaction and, ultimately, to a loss of customers or revenues, in addition to increased costs to service our customers and protect our network. Any significant loss of cable data, mobile data or fibre-optic connectivity business customers, or a significant increase in the costs of serving those customers, could adversely affect our reputation, business, prospects, results of operations and financial condition.

We may not be able to protect our services from piracy, which may have an adverse effect on our customer base and lead to a possible decline in revenues.

In our cable television, Internet access, OTT and telephony business, we may not be able to protect our services and data from piracy. We may be unable to prevent electronic attacks to gain unauthorized access to our network, digital programming, and our Internet access services. We use encryption technology to protect our cable signals and OTT from unauthorized access and to control programming access based on subscription packages. We may not be able to develop or acquire adequate technology to prevent unauthorized access to our network, programming and data, which may have an adverse effect on our customer base and lead to a possible decline in our revenues, as well as to significant remediation costs and legal claims.

We depend on third-party suppliers and providers for services, hardware, licensed technological platforms, equipment, information and other items critical to our operations.

We depend on third-party suppliers and providers for certain services, hardware, licensed technological platforms and equipment that are, or may become, critical to our operations and network evolution. These materials and services include set-top boxes, 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 our Internet access and telephony services, and construction services for the expansion of and upgrades to our cable and mobile networks. These services and equipment are available from a single or limited number of suppliers and therefore we face the risks of supplier disruption, including due to geopolitical events, business difficulties, restructuring or supply-chain issues. If no supplier can provide us with the equipment and services that we require or that comply with evolving Internet and telecommunications standards or that are compatible with our other equipment and software, our business, financial condition and results of operations could be materially adversely affected. In addition, if we are unable to obtain critical equipment, software, services or other items on a timely basis and at an acceptable cost, our ability to offer our products and services and roll out our advanced services may be delayed, and our business, financial condition and results of operations could be materially adversely affected.

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

We may be adversely affected by litigation and other claims.

In the normal course of business, we are involved in various legal proceedings and other claims relating to the conduct of our business, including class actions. Although, in the opinion of our management, the outcome of current

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pending claims and other litigation is not expected to have a material adverse effect on our reputation, results of operations, liquidity or financial condition, a negative outcome in respect of any such claim or litigation could have a said adverse effect. Moreover, the cost of defending against lawsuits and the diversion of management's attention could be significant. See also "Item 8. Financial Information — Legal Proceedings" in this annual report.

Our businesses depend on not infringing the intellectual property rights of others and on using and protecting our intellectual property rights.

We rely on our intellectual property, such as patents, copyrights, trademarks and trade secrets, as well as licenses and other agreements with our vendors and other third parties, to use various technologies, conduct our operations and sell our products and services. Legal challenges to our intellectual property rights, or the ones of third party suppliers, and claims of intellectual property infringement by third parties could require that we enter into royalty or licensing agreements on unfavorable 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 our businesses as currently conducted. We may need to change our business practices if any of these events occur, which may limit our ability to compete effectively and could have an adverse effect on our results of operations. In the event that we believe 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 our businesses. Moreover, if we are unable to obtain or continue to obtain licenses from our vendors and other third parties on reasonable terms, our businesses could be adversely affected.

Piracy and other unauthorized uses of content are made easier, and the enforcement of our intellectual property rights more challenging, by technological advances. The steps we have taken to protect our intellectual property may not prevent the misappropriation of our proprietary rights. We 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 ours. Also, we may not be able to discover or determine the extent of any unauthorized use of our proprietary rights. Unauthorized use of our intellectual property rights may increase the cost of protecting these rights or reduce our revenues. We cannot be sure that any legal actions against such infringers will be successful, even when our rights have been infringed.

We may be adversely affected by strikes and other labour protests.

We are not currently subject to any labour dispute. Nevertheless, we 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 we will not experience future work stoppages, strikes or other forms of labour protests pending the outcome of any current or future negotiations. If our unionized workers engage in a strike or any other form of work stoppage, we could experience a significant disruption to our operations, damage to our property and/or interruption to our services, which could adversely affect our business, assets, financial condition, results of operations and reputation. Even if we do not experience strikes or other forms of labour protests, the outcome of labour negotiations could adversely affect our business and results of operations. Such could be the case if current or future labour negotiations or contracts were to further restrict our ability to maximize the efficiency of our operations. In addition, our ability to make short-term adjustments to control compensation and benefit costs is limited by the terms of our collective bargaining agreements.

Our defined benefit pension plans are currently underfunded and our pension funding requirements could increase significantly due to a reduction in funded status as a result of a variety of factors.

The economic cycles, employee demographics and changes in regulations could have a negative impact on the funding of our 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 our 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.

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We may be adversely affected by exchange rate fluctuations.

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

Also, a substantial portion of our 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 Canadian 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 Canadian dollars. Consequently, our reported earnings and debt could fluctuate materially as a result of foreign-exchange gains or losses. We have entered into transactions to hedge the exchange rate risk with respect to our U.S. dollar-denominated debt outstanding at December 31, 2018, and we intend in the future to enter into such transactions for new U.S. dollar-denominated debt. These hedging transactions could, in certain circumstances, prove economically ineffective and may not be successful in protecting us against exchange rate fluctuations, or we may in the future be required to provide cash and other collateral in order to secure our obligations with respect to such hedging transactions, or we may in the future be unable to enter into such transactions on favorable terms, or at all, or, pursuant to the terms of these hedging transactions, our counterparties thereto may owe us significant amounts of money and may be unable to honour such obligations, all of which could have an adverse effect on our results of operations and financial condition.

In addition, certain cross-currency interest rate swaps entered into by us and our subsidiaries 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 we are party to is estimated using period-end market rates and reflects the amount we would receive or pay if the instruments were terminated and settled at those dates, as adjusted for counterparties' non-performance risk. At December 31, 2018, the net aggregate fair value of our cross-currency interest rate swaps and foreign-exchange forward contracts was in a net asset position of \$887.0 million on a consolidated basis. See also "Item 11. Quantitative and Qualitative Disclosures About Market Risk" of this annual report.

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

The volatility and disruptions in the capital and credit markets could adversely affect our business, including the cost of new capital, our ability to refinance our scheduled debt maturities and meet our other obligations as they become due.

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 our interest expense, thereby adversely affecting our results of operations and financial position.

Our access to funds under our 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 our 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.

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

A failure to adopt an ethical business conduct may adversely affect our reputation.

Any failure or perceived failure to adhere to our policies, the law or ethical business practices could have a significant effect on our reputation and brands and could therefore negatively impact our financial performance. Our framework for managing ethical business conduct includes the adoption of a Code of Ethics which our directors and employees are required to acknowledge and agree to on a regular basis and, as part of an independent audit and security function, maintenance of a whistle-blowing hotline. There can be no assurance that these measures will be effective to prevent violations or perceived violations of law or ethical business practices.

Subject to the realization of various conditions and factors, we may have to record, in the future, asset impairment charges, which could be material and could adversely affect our future reported results of operations and equity.

We have recorded in the past asset impairment charges which, in some cases, have been material. Subject to the realization of various factors, including, but not limited to, weak economic or market conditions, we 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 our financial statements is in excess of its recoverable value. Any such asset impairment charge could be material and may adversely affect our future reported results of operations and equity, although such charges would not affect our cash flow.

We undertake acquisitions, dispositions, business combinations, or joint ventures from time to time which may involve significant risks and uncertainties.

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

If we determine to sell individual properties or other assets or businesses, we will benefit from the net proceeds realized from such sales. However, our 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 us 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 our ability to repay our indebtedness at maturity.

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

The competition for retail locations and the consolidation of independent retailers may adversely affect the customer reach of our telecommunications business' sale network.

The competition to offer products in the best available retail commercial spaces is fierce in the telecommunications business. Some of our telecommunications business' competitors have pursued a strategy of selling their products through independent retailers to extend their presence on the market and some of our competitors have

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also acquired certain independent retailers and created new distribution networks. This could result in limiting the customer reach of our retail network and may contribute to isolate us from our competitors, which could have an adverse effect on our business, prospects, results of operations and financial condition.

Risks Relating to Regulation

We are subject to extensive government regulation and policy-making. Changes in government regulation or policies could adversely affect our business, prospects, results of operations and financial condition.

Our 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. Although the federal government eliminated the foreign ownership restrictions on telecommunications companies with less than 10 percent of total Canadian telecommunications market revenues, there are significant restrictions on the ability of non-Canadian entities to own or control broadcasting licenses and telecommunications carriers in Canada. Our 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. For instance, the CRTC introduced some form of rate regulation following its commonly referred to as “Lets talk TV” public consultation on television broadcasting and distribution. Consequently, we must offer a reduced basic service at \$25 since March 1, 2016 and offer all specialty services “à la carte”, since December 1, 2016. Moreover, the CRTC adopted a Wireless Code and a Television Service Provider Code which regulate numerous aspects of the provision of retail wireless services and retail television services, and is now considering the adoption of an Internet Code to regulate numerous aspects of the provision of retail Internet services. Finally, the CRTC initiated a proceeding in February 2019 to review its regulatory framework related to the provision of wireless services. This review could result in the introduction of mandatory resale into the wireless marketplace, to the detriment of facilities-based wireless competitors. Our 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.

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 our collection and use of certain kinds of information. Furthermore, the CRTC and ISED have the power to impose monetary sanctions for failure to comply with current regulations. For a more extensive description of the regulatory environment affecting our business, see “Item 4. Information on the Corporation — Regulation”.

Changes to the laws, regulations and policies governing our operations, the introduction of new laws, regulations, policies or terms of license, the issuance of new licenses, including additional spectrum licenses to our competitors or changes in the treatment of the tax deductibility of advertising expenditures could have an impact on our customer buying practices and/or a material adverse effect on our business (including how we provide products and services), prospects, results of operations and financial condition. In addition, we may incur increased costs in order to comply with existing and newly adopted laws and regulations or penalties for any failure to comply. Notably, in June 2018, the Government of Canada issued terms of reference for a comprehensive review of the Broadcasting Act, the Telecommunications Act and, as required, the Radiocommunication Act. The review is being conducted by a panel of external experts, which is expected to issue its final report and recommendations in January 2020. It is difficult to predict in what form laws and regulations will be adopted or how they will be construed by the relevant courts or the extent to which any changes might adversely affect us.

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We may be adversely affected if we do not qualify for government programs or if such programs do not constitute sufficient incentives to producers.

We take 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 which we 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 our 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, we 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.

To ensure that we maintain minimum levels of Canadian ownership under the Broadcasting Act and other legislation under which it derives the benefit of tax credits and industry incentives, we have placed constraints on the issuance and transfer of the shares of certain of our subsidiaries.

In addition, the Canadian and provincial governments currently provide grants and incentives to attract foreign producers and support domestic film and television production. Many of the major studios and other key customers of our Film Production & Audiovisual Services Business (as defined in this annual report), as well as content producers for our television broadcasting and production operations, finance a portion of their production budgets through Canadian government incentive programs, including federal and provincial tax credits. There can be no assurance that the government grants and incentive programs presently being offered to participants in the film and television production industry will continue at their present levels or at all. If such grants or incentives are reduced or discontinued, the level of activity in the motion picture and television industries may be reduced, as a result of which our 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 around the world, including by many states in the United States of America. Some producers may select locations other than Québec to take advantage of tax credit programs they may conclude to be more or as attractive as those Québec offers. 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 our business, results of operations and financial condition.

ISED may not renew Videotron's mobile spectrum licenses on acceptable terms, or at all.

Videotron's AWS-1 licenses were issued in December 2008 for a 10-year term. These licences were renewed in December 2018 for a 20-year term. A public consultation process is expected to be initiated shortly regarding the licence fees to be paid during the renewal term.

Videotron's other spectrum licenses, including in the AWS-3, 700MHz and 2500MHz bands, are issued for 20-year terms from their respective dates of issuance. At the end of those respective terms, applications may be made for new licenses for a subsequent term through a renewal process, unless a breach of license condition 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 following public consultations.

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

We are required to provide third-party ISPs with access to our cable systems, which may result in increased competition.

The largest cable operators in Canada, including Videotron, have been required by the CRTC to provide third-party ISPs with access to their cable systems at mandated cost-based rates. Several third-party ISPs are interconnected to our 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. Most significantly, 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 involve third-party ISPs provisioning their own regional transport services. They will also include, for the first time, mandated access to high-speed services provided over fibre-access facilities, including the fibre-access facilities of the large incumbent telephone companies. A tariff proceeding is under way to set the rates for these new disaggregated wholesale services. In parallel, on October 6, 2016, the CRTC ordered a significant interim reduction to the tariff rates for the existing aggregated wholesale services. A second tariff proceeding is under way to set revised final rates for these services while work moves forward on implementing the disaggregated services. Rulings in both tariff proceedings are expected in the first half of 2019. As a result of these rulings, we may experience increased competition for retail cable Internet and telephony customers. In addition, because our third-party Internet access rates are regulated by the CRTC, we could be limited in our ability to recover our costs associated with providing this access.

We are subject to a variety of environmental laws and regulations and may be adversely impacted by climate change.

We are subject to a variety of environmental laws and regulations. Some of our 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 our operations. Failure to comply with present or future laws or regulations could result in substantial liability for us.

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 (EPR) 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 us to monitor and adjust our 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 our reputation and brands.

Our 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 our properties and require further study or remedial measures. We cannot provide assurance that all environmental liabilities have been determined, that any prior owner of our properties did not create a material environmental condition not known to us, that a material environmental condition does not otherwise exist on any of our properties, or that expenditure will not be required to deal with known or unknown contamination.

We own, through one of our subsidiaries, certain studios and vacant lots, some of which are located on a former landfill, with the presence of gas-emitting waste. As a result, the operation and ownership of these studios and vacant lots carries an inherent risk of environmental and health and safety liabilities for personal injuries, property damage, release of hazardous materials, remediation and clean-up costs and other environmental damages (including potential civil actions, compliance or remediation orders, fines and other penalties), and may result in being involved from time to time in administrative and judicial proceedings relating to such matters, which could have a material adverse effect on our business, financial condition and results of operations.

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Finally, climate change has the potential, through an increase in extreme weather events, to disrupt our operations by damaging infrastructure and increasing stress on our telecommunications network.

Concerns about alleged health risks relating to radiofrequency emissions may adversely affect our business.

All our cell sites comply with applicable laws and we rely on our suppliers to ensure that the network equipment and customer equipment supplied to us meets 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 our business, prospects, revenues, financial condition and results of operations.

Risks Relating to our Senior Notes and our Capital Structure

Our indebtedness and significant interest payment requirements could adversely affect our financial condition and therefore make it more difficult for us to fulfill our obligations, including our obligations under our Senior Notes.

We currently have a substantial amount of debt and significant interest payment requirements. As at December 31, 2018, we had \$6.40 billion of consolidated long-term debt (long-term debt plus bank indebtedness). Our indebtedness could have significant consequences, including the following:

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

Although we have significant indebtedness, as at December 31, 2018, we had approximately \$1.21 billion available for additional borrowings under our existing credit facilities on a consolidated basis, and the indentures governing our outstanding Senior Notes would permit us to incur substantial additional indebtedness in the future. If we or our subsidiaries incur additional debt, the risks we now face as a result of our leverage could intensify. For more information regarding our long-term debt and its maturities, refer to Note 18 to our audited consolidated financial statements for the year ended December 31, 2018 included under "Item 18. Financial Statements" of this annual report. See also the risk factor "— Restrictive covenants in our outstanding debt instruments may reduce our operating and financial flexibility, which may prevent us from capitalizing on certain business opportunities."

Restrictive covenants in our outstanding debt instruments may reduce our operating and financial flexibility, which may prevent us from capitalizing on certain business opportunities.

Our credit facilities and the respective indentures governing our Senior Notes contain a number of operating and financial covenants restricting our ability to, among other things:

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

If we are unable to comply with these covenants and are unable to obtain waivers from our creditors, we would be unable to make additional borrowings under our credit facilities, our 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 our other debt, including our Senior Notes. If our indebtedness is accelerated, we may not be able to repay our indebtedness or borrow sufficient funds to refinance it, and any such prepayment or refinancing could adversely affect our financial condition. In addition, if we incur additional debt in the future or refinance existing debt, we may be subject to additional covenants, which may be more restrictive than those to which we are currently subject. Even if we are able to comply with all applicable covenants, the restrictions on our ability to manage our business in our sole discretion could adversely affect our business by, among other things, limiting our ability to take advantage of financings, mergers, acquisitions and other corporate opportunities that we believe would be beneficial to us.

We are a holding corporation and depend on our subsidiaries to generate sufficient cash flow to meet our debt service obligations, including payments on our Senior Notes.

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

The ability of our subsidiaries to generate sufficient cash flow from operations to allow us to make scheduled payments on our 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 structural changes, many of which are outside of our or their control. If the cash flow and earnings of our operating subsidiaries and the amount that they are able to distribute to us, as dividends or otherwise, are not sufficient for us, we may not be able to satisfy our debt obligations. If we are unable to satisfy our debt obligations, we may have to undertake alternative financing plans, such as refinancing or restructuring our debt, selling assets, reducing or delaying capital investments, or seeking to raise additional capital. We 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 our various debt instruments then in effect. Our inability to generate sufficient cash flow to satisfy our debt obligations, or to refinance these obligations on commercially reasonable terms, could have a material adverse effect on our business, prospects, results of operations and financial condition.

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We may be required from time to time to refinance certain of our indebtedness. Our inability to do so on favorable terms, or at all, could have a material adverse effect on us.

We may be required from time to time to refinance certain of our existing debt at or prior to maturity. Our ability and our subsidiaries' ability to obtain additional financing to repay such existing debt at maturity will depend upon a number of factors, including prevailing market conditions, credit availability and our operating performance. There can be no assurance that any such financing will be available to us on favorable terms or at all. See also the risk factor "— The volatility and disruptions in the capital and credit markets could adversely affect our business, including the cost of new capital, our ability to refinance our scheduled debt maturities and meet our other obligations as they become due."

There is no public market for our Senior Notes.

There is currently no established trading market for our issued and outstanding Senior Notes and we do not intend to apply for listing of any of our Senior Notes on any securities exchange or to arrange for any quotation on any automated dealer quotation systems. No assurance can be given as to the prices or liquidity of, or trading markets for, any series of our Senior Notes. The liquidity of any market for our Senior Notes will depend upon the number of holders of our Senior Notes, the interest of securities dealers in making a market in our Senior Notes, applicable regulations, prevailing interest rates, the market for similar securities and other factors, including general economic conditions, our financial condition and performance and our prospects. The absence of an active market for our Senior Notes could adversely affect their market price and liquidity.

In addition, the market for non-investment grade debt has historically been subject to disruptions that have caused volatility in prices of securities. It is possible that the market for our Senior Notes will be subject to such disruptions. Any such disruptions may have a negative effect on a holder's ability to sell our Senior Notes, regardless of our prospects and financial performance.

We may not be able to finance an offer to purchase our Senior Notes in the event of a change of control as required by the respective indentures governing our Senior Notes because we may not have sufficient funds at the time of the change of control or our credit facilities may not allow the repurchases.

If we experience a change of control, as that term is defined in the respective indentures governing our Senior Notes, we may be required to make an offer to repurchase all of our Senior Notes prior to maturity. We can provide no assurance that we will have sufficient funds or be able to arrange for additional financing to repurchase our Senior Notes following such change of control. There is no sinking fund with respect to our outstanding Senior Notes.

In addition, a change of control would be an event of default under our credit facilities. Any future credit agreement or other agreements relating to our indebtedness to which we become a party may contain similar provisions. Our failure to repurchase our Senior Notes if required upon a change of control would, pursuant to the terms of the respective indentures governing our outstanding Senior Notes, constitute an event of default under such indentures. Any such default could, in turn, constitute an event of default under future indebtedness, any of which may cause the related debt to be accelerated after the expiry of any applicable notice or grace periods. If debt were to be accelerated, we may not have sufficient funds to repurchase our Senior Notes and repay the debt.

Canadian bankruptcy and insolvency laws may impair the trustees' ability to enforce remedies under the indentures governing our Senior Notes or the Senior Notes themselves.

The rights of the trustees, who represent the holders of our Senior Notes, to enforce remedies could be delayed by the restructuring provisions of applicable Canadian federal bankruptcy, insolvency and other restructuring legislation if the benefit of such legislation is sought with respect to us. For example, both the *Bankruptcy and Insolvency Act* (Canada) (the "BIA") and the *Companies' Creditors Arrangement Act* (Canada) (the "CCAA") contain provisions enabling an insolvent person to obtain a stay of proceedings against its creditors and to file a proposal to be voted on by the various classes of its affected creditors. A restructuring proposal, if accepted by the requisite majorities of each affected class of creditors, and if approved by the relevant Canadian court, would be binding on all creditors within each affected class, including those creditors that did not vote to accept the proposal. Moreover, this legislation, in certain instances, permits the insolvent debtor to retain possession and administration of its property, subject to court oversight, even though it may be in default under the applicable debt instrument, during the period that the stay against proceedings remains in place. In

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addition, it may be possible in certain circumstances to restructure certain debt obligations under the corporate governing statute applicable to the debtor.

The powers of the court under the BIA, and particularly under the CCAA, have been interpreted and exercised broadly so as to protect a restructuring entity from actions taken by creditors and other parties. Accordingly, we cannot predict whether payments under our outstanding Senior Notes would be made during any proceedings in bankruptcy, insolvency or other restructuring, whether or when the trustees could exercise their respective rights under the respective indentures governing each series of our Senior Notes or whether and to what extent holders of our Senior Notes would be compensated for any delays in payment, if any, of principal, interest and costs, including the fees and disbursements of the respective trustees.

Non-U.S. holders of our Senior Notes are subject to restrictions on the transfer or resale of our Senior Notes.

Although we have registered certain series of our Senior Notes under the Securities Act, we did not, and we do not intend to, qualify our Senior Notes by prospectus in Canada, and, accordingly, the Senior Notes remain subject to restrictions on resale and transfer in Canada. In addition, non-U.S. holders remain subject to restrictions imposed by the jurisdiction in which the holder is resident.

U.S. investors in our Senior Notes may have difficulties enforcing civil liabilities.

We are incorporated under the laws of the Province of Québec. Substantially all of our directors, controlling persons and officers are residents of Canada or other jurisdictions outside the United States, and all or a substantial portion of their assets and substantially all of our assets are located outside the United States. We have agreed, in accordance with the terms of the respective indentures governing each series of our Senior Notes (other than our Canadian-dollar denominated Senior Notes), to accept service of process in any suit, action or proceeding with respect to the indentures or such Senior Notes brought in any federal or state court located in New York City by an agent designated for such purpose, and to submit to the jurisdiction of such courts in connection with such suits, actions or proceedings. However, it may be difficult for holders of our Senior Notes to effect service of process within the United States upon directors, controlling persons, officers and experts who are not residents of the United States or to enforce against us or them in the United States upon judgments of courts of the United States predicated upon civil liability under United States federal or state securities laws or other laws of the United States. In addition, there is doubt as to the enforceability in Canada of liabilities predicated solely upon United States federal or state securities laws against us or against our directors, controlling persons, officers and experts who are not residents of the United States, in original actions or in actions for enforcement of judgments of courts of the United States.

Although our Senior Notes are referred to as “senior notes,” they are effectively subordinated to our secured indebtedness and structurally subordinated to the liabilities of our subsidiaries.

Our Senior Notes are unsecured and, therefore, are effectively subordinated to any secured indebtedness that we may incur to the extent of the assets securing such indebtedness. In the event of a bankruptcy or similar proceeding involving us, the assets that serve as collateral for any secured indebtedness will be available to satisfy the obligations under the secured indebtedness before any payments are made on the Senior Notes. The Senior Notes are effectively subordinated to any borrowings under our credit facilities. In addition, our credit facilities and the respective indentures governing our Senior Notes permit us to incur additional secured indebtedness in the future, which could be significant.

Our subsidiaries do not guarantee the Senior Notes and have no obligation, contingent or otherwise, to pay amounts due under the Senior Notes or to make any funds available to pay those amounts, whether by dividend, distribution, loan or other payment. Holders of Senior Notes do not have a claim as a creditor against our subsidiaries. The Senior Notes are, therefore, structurally subordinated to all indebtedness and other obligations of our subsidiaries. In the event of insolvency, liquidation, reorganization, dissolution or other winding up of any such subsidiary, all of such subsidiary’s creditors (including trade creditors) would be entitled to payment in full out of such subsidiary’s assets before the holders of our Senior Notes would be entitled to any payment.

ITEM 4 — INFORMATION ON THE CORPORATION

A - History and Development of Quebecor Media

Our legal and commercial name is Quebecor Media Inc. Our registered office is located at 612 St-Jacques Street, Montréal, Québec, Canada H3C 4M8, and our telephone number is (514) 380-1999. Our corporate website may be accessed through the URL <http://www.quebecor.com>. The information found on our corporate website or on any other website to which we refer in this annual report does not, however, form part of this annual report and is not incorporated by reference herein. Our agent for service of process in the United States with respect to our Senior Notes (other than our Canadian-dollar denominated Senior Notes due 2023) is CT Corporation System, 111 Eighth Avenue, New York, New York 10011.

Quebecor Media was incorporated in Canada on August 8, 2000 under Part 1A of the *Companies Act* (Québec) (since February 14, 2011, the *Business Corporations Act* (Québec)).

Since December 31, 2015 we have undertaken and/or completed several business acquisitions, combinations, divestitures and business development projects and financing transactions through our direct and indirect subsidiaries, including, among others, the following:

- We have continued to actively develop Videotron's mobile network. As of December 31, 2018, Videotron's mobile telephony services covered the Province of Québec (8.4 million people) and Eastern Ontario. During 2018, we activated 129,800 net new lines on our advanced mobile network at a pace of approximately 10,800 net new lines per month, bringing our total mobile customer base to 1,153,800 activated lines.
- On February 22, 2019, TVA Group reached an agreement to acquire the companies in the Incendo Media Inc. group, a Montréal-based producer and distributor of television products for international markets, for approximately \$19.5 million, subject to certain adjustments.
- On February 15, 2019, we amended our \$300.0 million secured revolving credit facility to extend the maturity to July 2022. Some of the terms and conditions related to these credit facilities were also amended.
- On February 13, 2019, TVA Group closed the acquisition of the companies in the Serdy Média inc. group, which owns and operates the Évasion and Zeste specialty channels, along with the companies in the Serdy Video Inc. group, for a total consideration of \$24.0 million.
- On January 24, 2019, Videotron sold its 4Degrees Colocation data centers operations for an amount of \$261.6 million which was fully paid in cash at the date of transaction. 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.
- On January 7, 2019, we announced certain senior management changes whereby (i) Jean-François Pruneau, formerly Senior Vice President and Chief Financial Officer of Quebecor Media, was appointed President and Chief Executive officer of Videotron, in replacement of Manon Brouillette who stepped down for personal reasons, (ii) Hugues Simard was appointed Chief Financial Officer of Quebecor Media, in replacement of Jean-François Pruneau and (iii) Marc Tremblay was appointed Chief Operating Officer of Quebecor, while retaining his responsibilities as Chief Legal Officer and Corporate Secretary.
- On November 26, 2018, Videotron increased its secured revolving credit facility from \$965.0 million to \$1.5 billion and extended its maturity to July 2023. Some of the terms and conditions related to these credit facilities were also amended.
- On October 15, 2018, we launched QUB radio, a new online and mobile audio app platform with a live radio stream and a library of podcasts.

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- On September 13, 2018, Videotron launched Fizz, a dynamic and competitive new mobile and Internet brand that delivers mobile telephony and Internet service featuring advantageous pricing, a fully digital experience and user autonomy.
- On August 27, 2018, TVA Group acquired all the shares of Audio Zone Inc., a film production and audiovisual services company that provides postproduction sound services.
- On August 13, 2018, we acquired LC Media Inc. (“**LC Media**”), owner of *Le Guide de l’auto*, an authoritative car guide published by Quebecor’s Les Éditions de l’Homme.
- On May 8, 2018, Quebecor and the Corporation entered into an agreement with CDP Capital d’Amérique Investissements inc. (“**CDP Capital**”) to repurchase all of the shares of Quebecor Media still held by CDP Capital for a value of \$1.69 billion. On May 11 and June 22, 2018, we repurchased for cancellation a total of 16,064,215 of our Common Shares held by CDP Capital, representing approximately 91.1% of CDP Capital’s interest before closing, for a total aggregate purchase price of \$1.54 billion, paid in cash. All repurchased shares were cancelled. On June 22, 2018, Quebecor purchased 1,564,696 Common Shares of Quebecor Media held by CDP Capital, representing approximately 8.9% of CDP Capital’s interest before closing, in consideration of the issuance of \$150.0 million aggregate principal amount of convertible debentures of Quebecor. After the completion of these transactions, Quebecor Media became a wholly owned subsidiary of Quebecor.
- On August 29, 2017, Videotron announced a multiyear strategic partnership with multinational telecommunications, media technology company Comcast Corporation (“**Comcast**”), aimed at developing and delivering its own IPTV service based on Comcast’s XFINITY X1 platform to enhance customer experience for Videotron customers.
- On July 24, 2017, Videotron sold its seven 2500 MHz and 700 MHz wireless spectrum licences outside Québec to Shaw Communications Inc. (“**Shaw**”) for a cash consideration of \$430.0 million. The sale included three 700 MHz licences covering southern Ontario and the entirety of the provinces of Alberta and British Columbia, and four 2500 MHz licences covering the major urban centres in those provinces, namely Toronto, Edmonton, Calgary and Vancouver.
- On July 6, 2017, Quebecor Media announced that it had repurchased for cancellation 541,899 of its common shares from CDPQ for an aggregate purchase price of \$37.7 million, paid in cash. On the same date, Quebecor Media also paid off a security held by CDPQ for \$6.2 million. Following the transaction, Quebecor’s interest in Quebecor Media increased from 81.07% to 81.53% and CDPQ’s interest decreased from 18.93% to 18.47%.
- On June 20, 2017, Videotron sold its AWS-1 spectrum licence in the Metropolitan Toronto area to Rogers Communication Inc. (“**Rogers**”) for a cash consideration of \$184.2 million, pursuant to the transfer option held by Videotron since 2013.
- On May 4, 2017, pursuant to its obligations under its credit agreement as a result of the redemption in full of its 6⁷/₈% Senior Notes due July 15, 2021, Videotron added the entire amount of its unsecured revolving credit facility to the amount of its secured revolving credit facility. As a result, Videotron increased its secured facility from \$630.0 million to \$965.0 million and terminated its unsecured facility.
- On April 13, 2017, Videotron issued US\$600.0 million aggregate principal amount of 5¹/₈% Senior Notes, maturing on April 15, 2027, for net proceeds of \$794.5 million (net of financing expenses). The proceeds of this offering were used to (i) redeem and retire the entire outstanding amount of Videotron’s outstanding 6⁷/₈% Senior Notes due July 15, 2021, (ii) partially repay the amounts outstanding under Videotron’s senior credit facilities, and (iii) pay transaction fees and expenses.
- On March 31, 2017, Videotron issued a notice for the redemption of all its outstanding 6⁷/₈% Senior Notes issued on July 5, 2011 and due July 15, 2021, in an aggregate principal amount of \$125.0 million. On

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May 1, 2017, the Senior Notes were redeemed at a redemption price of 103.438% of their principal amount for a cash consideration of \$129.3 million.

- On March 31, 2017, we issued a notice for the redemption of all our outstanding 7³/₈% Senior Notes issued on January 5, 2011 and due January 15, 2021. On May 1, 2017, the Senior Notes were redeemed at a redemption price of 102.458% of their principal amount for a cash consideration of \$333.0 million.
- On February 16, 2017, Quebecor announced corporate management changes. Pierre Karl Péladeau returned to the position of President and Chief Executive Officer of Quebecor and Quebecor Media, replacing Pierre Dion.
- On January 10, 2017, TVA Sports became the exclusive French-language broadcaster of the Montreal Impact, as well as an official broadcaster of the Major League Soccer (“**MLS**”) for the next five years. In 2018, the agreement was extended by one additional year until 2022.
- On December 2, 2016, Videotron issued a notice for the redemption of an aggregate principal amount of \$175.0 million of its outstanding 6⁷/₈% Senior Notes issued on July 5, 2011 and due July 15, 2021. On January 5, 2017, the Senior Notes were redeemed at a redemption price of 103.438% of their principal amount for a cash consideration of \$181.0 million.
- On November 15, 2016, Videotron announced that it has begun implementing Data over Cable Service Interface Specification (“**DOCSIS**”) 3.1 technology on its network. This new-generation technology developed by the CableLabs consortium, of which Videotron is a member, may eventually deliver lightning speeds of up to 10 Gbps for downloads and up to 1 Gbps for uploads. Videotron has now fully deployed DOCSIS 3.1 modems on its network and adapted its equipment and working protocols to this technology.
- On October 24, 2016, TVA Group announced the launch of the new TVA.CA website and the TVA mobile app, which give users free access to TVA programs in high definition, live or on demand.
- On September 20, 2016, Videotron, Ericsson Canada Inc. (“**Ericsson**”), École de technologie supérieure and Société du Quartier de l’innovation de Montréal announced a partnership to create Canada’s first open-air smart living laboratory in order to test all aspects of new fifth-generation (5G) telecommunication technologies.
- On July 13, 2016, Videotron launched its new Hybrid Fibre Giga Internet service, which offers connection speeds of up to 940 Mbps.
- On January 7, 2016, Videotron closed a transaction whereby it acquired Fibrenoire, a company that provides businesses with fibre-optic connectivity services, for a purchase price of \$125.0 million, subject to certain adjustments.

B - Business Overview

Overview

We are one of Canada’s leading telecommunications and media companies, with activities in mobile and cable telephony services, Internet access, cable television, OTT video services, business solutions, broadcasting, soundstage and equipment rental, 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 Québec Major Junior Hockey League (“**QMJHL**”) teams, concert production and management and promotion of sporting and cultural events. Through our Videotron subsidiary, we are a premier mobile and cable communications service provider. We hold leading positions through our Media segment and our Sports & Entertainment segment in the creation, promotion and distribution of entertainment and news, and in Internet-related services that are designed to appeal to audiences in

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every demographic category. We continue to pursue a convergence strategy to capture synergies within our portfolio of properties and to leverage the value of our content across multiple distribution platforms.

Our subsidiaries operate in the following business segments: Telecommunications, Media and Sports & Entertainment.

Competitive Strengths

Leading Market Positions

We are the largest cable operator in the Province of Québec and the third largest in Canada, in each case based on the number of cable customers. We believe that our strong market position has enabled us to launch and deploy new products and services more effectively. For example, since the introduction of our cable Internet access service, we estimate that we have become the largest provider of such service in the geographic areas we serve. Our extensive proprietary and third-party retail distribution network of stores and points of sale, including the *Le SuperClub Vidéotron* stores, our Videotron-branded stores and kiosks, as well as our Videotron authorized dealers, assists us in marketing and distributing our advanced telecommunications services, such as cable Internet access, digital television and cable and mobile telephony, on a large scale basis. We operate *Le Journal de Montréal* and *Le Journal de Québec*, both of which are ranked first in their market based on the average readership estimates survey published by the Vividata Study. Through our TVA Group subsidiary, we are the largest private sector broadcaster of French-language entertainment, news and public affairs programs in North America in terms of market share and the leading French-language magazine publisher in the Province of Québec.

Diverse Media Platform

Our diverse media platform allows us to extend our market reach and cross-promote our brands, programs and other content. In addition, it allows us to provide advertisers with an integrated solution for multi-platform advertising. We can leverage our content, management, sales and marketing and production resources to provide superior information and entertainment services to our customers.

Differentiated Bundled Services and New Products

Through our technologically advanced wireline and wireless network, we offer a differentiated, bundled suite of entertainment, information and communication services, products and content, including digital television, cable Internet access, VOD, subscription-based OTT entertainment service (“**Club illico**”) and other interactive television services, as well as residential and commercial cable telephony services using VoIP technology, and mobile telephony services. In addition, we deliver high-quality services and products, including, for example, our standard cable Internet access service which is offered across our footprint and enables our customers to download data, in a portion of our territory, at a speed higher than currently offered by standard DSL technology. We also offer one of the widest range of French-language programming in Canada including content from our illico-on-Demand and Club illico services available on illico Digital TV, illico.tv or illico app (for Android and iOS). Customers can interrupt and resume programming at will on any of these three illico platforms.

During the fall of 2018, we announced the launch of two new products: Fizz and Helix. Fizz is a new mobile and Internet brand that delivers mobile and Internet services featuring advantageous pricing, a fully digital experience and user autonomy. It has been developed to respond to the technological needs and behaviours of Generation Z and millennials and to expand our market share in this business segment. Fizz offers its customers an online community that provides a completely new, 100% digital experience focused on simplicity, autonomy and sharing, thus enhancing the traditional mobile carrier and Internet services. Helix is a new technology platform that is expected to be rolled out in 2019. Helix is destined to accompany our customers’ new connected lives through a new digital ecosystem based on the Comcast Xfinity X1 platform. Helix is built around the voice-controlled assistant technology that is transforming home connectivity. Helix will provide smarter and more powerful Wi-Fi, an enhanced TV experience through IP technology and seamless integration of Web content platforms, and home automation services, in order to provide for a streamlined, human-scale connected home. The various components of Helix are expected to be unveiled, in greater detail, in 2019.

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Advanced Broadband Network

We are able to leverage our advanced broadband network, substantially all of which is bi-directional, to offer a wide range of advanced services on the same media, such as digital television, VOD, cable Internet access and cable telephony services. We are committed to maintaining and upgrading our network capacity and, to that end, we currently anticipate that ongoing capital expenditures will continue to be required to accommodate the evolution of our products and services and to meet the demand for increased capacity.

Focused and Highly Reliable Network Cluster

Our single hybrid fibre coaxial clustered network covers approximately 79% of the Province of Québec's total addressable market and nine of the province's top ten urban areas. We believe that our single cluster and network architecture provides many benefits, including a higher quality and more reliable network, the ability to launch and deploy new products and services such as Club illico and the illico 4K UHD set-top box, and a lower cost structure through reduced maintenance and technical support costs.

Strong, Market-Focused Management Team

We have a strong, market-focused management team that has extensive experience and expertise in a range of areas, including marketing, finance, technology, telecommunications, media, sports and entertainment. Under the leadership of our senior management team, we have, among other things, improved penetration of our High Speed Internet Access offering, our VoIP telephony services, our cable products and our mobile telephony services, including through the successful build-out and launch of our mobile telephony network and upgrade to the LTE technology.

Our Strategy

Our objective is to increase our revenues and profitability by leveraging the convergence and growth opportunities presented by our portfolio of leading media assets. We attribute our strong historical results and positive outlook for growth and profitability to an ability to develop and execute forward-looking business strategies. The key elements of our strategy include:

- *Build on our position as a telecommunications leader with our mobile telephony network.* We provide an offering of advanced mobile telecommunications services to consumers and small-, medium- and large-sized businesses that are based on effective, reliable technology, diverse and convergent content and unambiguous business policies. Our LTE network is the cornerstone of a corporate business strategy geared toward harnessing all of our creative resources and providing consumers with access to technology, services and information.
- *Leverage growth opportunities and convergence of content, platforms and operations.* We are the largest private sector French-language programming broadcaster in North America, a leading producer of French-language programming, the leading French-language newspaper publisher in the Province of Québec for daily paid newspapers and a leading French-language digital news and information network in the Province of Québec. As a result, we are able to generate and distribute content across a spectrum of media properties and platforms. In addition, these multi-platform media assets enable us to provide advertisers with integrated advertising solutions. We are able to provide flexible, bundled advertising packages that allow advertisers to reach local, regional and national markets, as well as special interest and specific demographic groups. We continue to explore and implement initiatives to leverage growth and convergence opportunities, including efforts to accelerate the migration of content generated by our various publications and television channels to our other media platforms, the sharing of editorial content between our various businesses composing our Media segment and QMI Agency, the acquisition and subsequent sharing of content between our various businesses through QMI Content, the development of a strong live event-oriented segment through our Sports and Entertainment segment, including the Videotron Centre, our two QMJHL hockey franchises, the broadcast of hockey games on our TVA Sports channels following an agreement with Rogers and the National Hockey League ("NHL") whereby TVA Sports became the NHL's official French-language broadcaster in Canada, the broadcast of soccer games on our TVA Sports channels following our agreement with The Montreal Impact and MLS whereby TVA

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Sports became the exclusive broadcaster of Montreal Impact games in French, and the integration of advertising assets with the creation of our sales services through Quebecor Media Sales, aimed at developing global, integrated and multi-platform advertising and marketing solutions.

- *Introduce new and enhanced products and services.* We expect a significant portion of the revenue growth in our Telecommunications segment to be driven by the introduction of new products and services (such as Wideband Internet technology, IPTV and products and services leveraging our mobile network, including the recently announced launch of Fizz and Helix) and by the continuing penetration of products and services such as digital cable services, cable Internet access, mobile telephony and OTT video services, as well as HD and UHD television, VOD, and interactive television content of our digital television, Internet and mobile platforms. We believe that the continued penetration rate of these products and services will result in increased ABPU, and we are focusing sales and marketing efforts on the bundling of these value-added products and services.
- *Cross-promote brands, programs and other content.* The geographic overlap of our telecommunications, broadcasting, newspaper and magazine publishing, store chains and points of sale, and Internet platforms enables us to cost effectively promote and co-brand media properties. We will continue to promote initiatives to advance these cross-promotional activities, including the cross-promotion of various businesses, cross-divisional advertising and shared infrastructures.
- *Leverage geographic clustering.* Our Videotron subsidiary holds cable licenses that cover approximately 79% of the Province of Québec's estimated 3.7 million premises. Geographic clusters facilitate bundled service offerings and, in addition, allow us to tailor our offerings to certain demographic markets. We aim to leverage the highly clustered nature of our systems to enable us to use marketing dollars more efficiently and to enhance customer awareness, increase use of products and services and build brand loyalty.
- *Maximize customer satisfaction and build customer loyalty.* Across our media platform, we believe that maintaining a high level of customer satisfaction is critical to future growth and profitability. An important factor in our historical growth and profitability has been our ability to attract and satisfy customers with high quality products and services. We will continue our efforts to maximize customer satisfaction and build customer loyalty, such as leveraging strategic partnerships to offer exclusive promotions, privileges and contests, to enhance our revenue and profitability.
- *Manage investments through success-driven capital spending, technology improvements and operational leverage.* In our Telecommunications segment, we support the growth in our customer base and bandwidth requirements through strategic success driven modernizations of our network and increases in network capacity. In addition, we continuously seek to optimize expenses and gain operational leverage expenses.
- *Diversification of Revenues.* In our Media segment, we believe that diversifying our revenue streams, which are heavily dependent on the advertising carried by our conventional television network, is critical to future growth and profitability and we will thus continue to explore investments in businesses that are expected to diversify our revenue streams as a growth strategy.

Telecommunications

Through Videotron, we are the largest cable operator in the Province of Québec and the third largest in Canada, in each case based on the number of cable customers, as well as an Internet service provider and a provider of cable and mobile telephony and OTT video services in the Province of Québec. Our cable network is the largest broadband network in the Province of Québec covering approximately 79% of an estimated 3.7 million premises. The deployment of our LTE wireless network and our enhanced offering of mobile communication services for residential and business customers allow us to consolidate our position as a provider of integrated telecommunication services as well as an entertainment and content leader. Our products and services are supported by extensive coaxial, fibre-optic and LTE wireless networks. Since 2015, the coverage of our LTE network was expanded coast-to-coast through roaming agreements with other wireless service providers.

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Videotron Business is a premier full-service telecommunications provider servicing small-, medium- and large-sized businesses, as well as telecommunications carriers. In recent years, we have significantly grown our customer base and have become a leader in the Province of Québec's business telecommunications segment. Products and services include cable television, Internet access, telephony solutions, mobile services and business solutions products such as private network connectivity, Wi-Fi, audio and video transmission.

On January 7, 2016, Videotron acquired Fibrenoire, a company that provides fibre-optic connectivity services. This acquisition has enabled Videotron Business and Fibrenoire to join forces to meet the growing demand from business customers for fibre-optic connectivity.

We own a 100% voting and 100% equity interest in Videotron.

We are also engaged in retail and rental of the suite of Videotron products and services through our *Le SuperClub Videotron* subsidiary, our Videotron-branded stores and kiosks and our authorized dealership network.

Products and Services

Videotron currently offers its customers cable services, mobile telephony services, OTT video services and business telecommunications services.

Cable Services

Advanced Cable-Based Products and Services

Our cable network's large bandwidth is a key factor in the successful delivery of advanced products and services. Several emerging technologies and increasing Internet usage by our customers have presented us with significant opportunities to expand our sources of revenue. We currently offer a variety of advanced products and services, including cable Internet access, digital multiplatform television, residential telephony and selected interactive services. In 2015, we introduced the illico 4K set-top box on the market. This high-tech personal video recorder has a processor 12 times more powerful than the previous generation, thus allowing customers to program up to eight simultaneous recordings and store up to 115 hours of UHD recording. We intend to continue to develop and to deploy additional value-added services to further broaden our service offerings. In doing so, on August 29, 2017, Videotron announced a multiyear agreement with multinational media and technology company, Comcast. This strategic partnership is aimed at developing and delivering an IPTV service based on Comcast's XFINITY X1 platform. This platform will be marketed under our Helix brand.

- *Cable Internet Access.* Leveraging our advanced cable infrastructure, we offer cable Internet access to our customers primarily via cable modems. We provide this service at download speeds of up to 400 Mbps to more than 99% of our homes passed. The launch of a new consumer Internet high speed service, with download speeds of up to 940 Mbps is also available to more than 45% of our homes passed. As of December 31, 2018, we had 1,704,500 cable Internet access customers, representing 58.6% of our total homes passed. Based on internal estimates, we are the largest provider of Internet access services in the areas we serve with an estimated market share of 52% as of December 31, 2018.
- *Digital Television.* We have installed headend equipment through an hybrid fibre-optic and coax network capable of delivering digitally encoded transmissions to a two-way digital set-top box in the customer's home and premises. This digital connection provides significant advantages. In particular, it increases channel capacity, which allows us to increase both programming and service offerings while providing increased flexibility in packaging our services and a HD quality. In accordance with CRTC regulations, we offer a basic package including 23 basic television channels, access to VOD and interactive programming guide. Furthermore, all of our custom packages include the basic package, 52 audio channels providing digital-quality music, 40 FM radio channels and an interactive programming guide. Our extended digital television offering allows customers to customize their choices with the ability to choose between custom or pre-assembled packages with a selection of 392 additional channels, including U.S. super-stations and other special entertainment programs. This also offers customers significant programming flexibility including the option of French-language only, English-language only or a combination of French- and English-language programming, as well as many foreign-language channels.

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As of December 31, 2018, we had 1,597,300 customers for our digital television service, representing 54.9% of our total homes passed.

- *Cable Telephony.* We offer cable telephony service using VoIP technology. We offer discounts to customers who subscribe to more than one of our services. As of December 31, 2018, we had 1,113,900 subscribers to our cable telephony service, representing a penetration rate of 38.3% of our homes passed.
- *Video-On-Demand.* VOD service enables digital cable customers to rent content from a library of movies, documentaries and other programming through their digital set-top box, computer, tablet or mobile phone respectively through illico Digital TV, illico.tv and our illico app. Our digital cable customers are able to rent their VOD selections for a period of up to 48 hours, which they are then able to watch at their convenience with full stop, rewind, fast forward, pause and replay functionality during their rental period. In addition, customers can resume viewing on-demand programming that was paused on either the television, illico.tv or the illico app offered on the iOS and Android platforms. These applications feature a customizable, intuitive interface that brings up selections of content based on the customer's individual settings and enhances the experience by suggesting personalized themed content. These applications smartly and swiftly highlight any content available from the illico catalog, including VOD titles, live television broadcasts or recorded shows, and allow the customer to transfer it directly and seamlessly from their mobile devices to their television.
- *Pay-Per-View and pay television channels.* Pay-Per-View is a group of channels that allows our digital customers to order live events and movies based on a pre-determined schedule. In addition, we offer pay television channels on a subscription basis that allows our customers to access and watch most of the movies available on the linear pay TV channels these customers subscribe to.

Mobile Services

On September 9, 2010, we launched our High Speed Packet Access (“HSPA”) mobile communication network (3G) which was upgraded to HSPA+ (4G), on June 30, 2011.

In 2013, Videotron signed a 20-year agreement with Rogers for the cooperation and collaboration in the build-out and operation of a shared LTE wireless network in the Province of Québec and the Ottawa region (the “**Rogers LTE Agreement**”). In September 2014, Videotron launched its shared LTE wireless network, with Rogers. This shared network delivers an optimal user experience for consumers and businesses. Videotron maintains its business independence throughout this agreement, including its product and service portfolios, billing systems and customer data.

In April 2014, Videotron added Apple's mobile devices, including the iPhone, to its extensive line-up of mobile handsets, thus enabling Videotron to reach a significantly untapped segment of its addressable market, in particular the young mobile users. Subsequently, Videotron launched new illico applications for iPhone and iPad.

In August 2015, Videotron launched the Unlimited Music service, which allowed some mobile customers to stream music through the most popular online platforms without using data from their mobile plan. On April 20, 2017, the CRTC ordered Videotron to stop offering unlimited data to its customers and consumers for streaming or listening to music by July 19, 2017. This deadline was later extended to August 4, 2017.

In the 700 MHz auction held in 2014, Videotron acquired a package of seven spectrum licenses consisting of a single paired 5+5 MHz spectrum block in the upper 700 MHz band over a geographic territory which encompasses the provinces of Québec, Ontario (excluding the region of Northern Ontario), Alberta and British Columbia (the spectrum licences outside Quebec were subsequently sold to Shaw in 2017). The 700 MHz band presents certain superior propagation characteristics and benefits from well-developed LTE equipment and device ecosystems in North America. The 700 MHz band enhances Videotron's ability to maintain a leading edge and a high performance wireless network in the Province of Québec.

In the ISED auction for AWS-3 commercial mobile spectrum held on March 3, 2015, Videotron acquired four 30 MHz licenses for Eastern Québec, Southern Québec, Northern Québec and Eastern Ontario / Outaouais, covering 100% of the population of the Province of Québec and the Ottawa region. This spectrum, which supports LTE technology, further

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enhances Videotron's ability to maintain a leading-edge, high performance wireless network in the Province of Québec and in the Ottawa region.

On May 12, 2015, after the closing of ISED's auction for 2500 MHz commercial mobile spectrum, Videotron was declared the successful bidder for eighteen licenses covering all of the Province of Québec as well as the major urban centres in the rest of Canada, including Toronto, Ottawa, Calgary, Edmonton and Vancouver (the 2500 MHz spectrum licences outside Quebec were subsequently sold to Shaw in 2017).

Since May 13, 2015, the coverage of our LTE network was expanded coast-to-coast through roaming agreements with other wireless service providers.

On June 20, 2017, pursuant to the Rogers LTE Agreement, Videotron exercised its option to sell its AWS-1 spectrum license in the Greater Toronto Area to Rogers for \$184.2 million.

On July 24, 2017, Videotron sold seven 2500 MHz and 700 MHz wireless spectrum licences outside Québec to Shaw for a cash consideration of \$430.0 million, which licenses had been awarded to Videotron in the 2014 and 2015 ISED auction for the 700 MHz and the 2500 MHz wireless spectrum licences, respectively.

Videotron has kept its wireless spectrum licences (Band 4 – AWS1, Band 66– AWS3, band 7– 2500MHz and Band 13 – 700MHz) for the Province of Quebec and Eastern Ontario.

As of December 31, 2018, most households and businesses on our cable footprint had access to our advanced mobile services. As of December 31, 2018, there were 1,153,800 lines activated on our wireless network, representing a year-over-year increase of 129,800 lines (12.7 %).

Club illico

Our subscription based OTT entertainment service, Club illico, offers a rich and varied selection of unlimited, on-demand French-language content (movies, television shows, children's shows, documentaries, comedy performances and concerts). In late 2013, Club illico started funding the production of television series and offering them in their first broadcast window, prior to their linear broadcast. On November 15, 2017, Videotron launched the Club illico mobile application. As of December 31, 2018, 127,100 customers had downloaded this application.

On December 31, 2018, the Club illico service had 420,800 subscribers.

Business Telecommunications Services

Videotron Business is a premier telecommunications service provider, offering reliable and state-of-the-art mobile telephony, Internet access, telephony solutions, data and cable television solutions to all business segments: small and medium-sized companies, large corporations and other telecommunications carriers.

In 2016, with the acquisition of Fibrenoire, Videotron increased its presence in the growing market of fibre-optic connectivity.

Videotron Business serves customers through a dedicated salesforce and customer service teams with solid expertise in business market. Videotron Business relies on its extensive coaxial, fibre-optic and LTE wireless networks to provide the best possible customized solutions to all of its customers.

Customer Statistics Summary

The following table summarizes our customer statistics for our suite of advanced products and services:

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	As of December 31,				
	2018	2017	2016	2015	2014
	(in thousands of customers)				
Revenue-generating units (RGUs)	5,990.3	5,881.1	5,765.4	5,647.5	5,479.3
Mobile Telephony					
Mobile telephony lines	1,153.8	1,024.0	893.9	768.6	632.8
Cable Internet					
Cable Internet customers	1,704.5	1,666.5	1,612.8	1,568.2	1,537.5
Penetration ⁽¹⁾	58.6%	58.0%	56.8%	55.9%	55.4%
Cable Television					
Basic customers ⁽²⁾	1,597.3	1,640.5	1,690.9	1,736.9	1,782.3
Penetration ⁽¹⁾	54.9%	57.1%	59.6%	61.9%	64.2%
Digital customers ⁽³⁾	1,597.3	1,640.5	1,587.1	1,570.6	1,553.6
Penetration ⁽⁴⁾	100%	100.0%	93.9%	90.4%	87.2%
Cable Telephony					
Cable telephony lines	1,113.9	1,188.5	1,253.1	1,316.3	1,349.0
Penetration ⁽¹⁾	38.3%	41.4%	44.1%	46.9%	48.6%
Club illico					
Over-the-top video customers	420.8	361.6	314.7	257.5	177.7
Homes passed⁽⁵⁾	2,907.9	2,873.7	2,839.3	2,806.0	2,777.3

- (1) Represents customers (or telephony lines) as a percentage of total homes passed.
- (2) Basic customers are customers who receive basic cable service in either the analog or digital mode.
- (3) At the end of 2018, substantially all subscribers to the analog cable television service had migrated to digital service.
- (4) Represents customers for the digital service as a percentage of basic customers.
- (5) Homes passed means the number of residential premises, such as single dwelling units or multiple dwelling units, and commercial premises passed by our cable television distribution network in a given cable system service area in which the programming services are offered.

Pricing of our Products and Services

Our revenues are derived from the monthly fees our customers pay for cable television, Internet access and mobile and cable telephony services, as well as Club illico. The rates we charge vary based on the market served and the level of service selected. Rates are usually adjusted annually. We also offer discounts to our customers who subscribe to more than one of our services, when compared to the sum of the prices of the individual services provided to these customers. As of December 31, 2018, the average monthly invoice on recurring subscription fees per residential customer was \$120.53 (representing a 1.7% year-over-year increase) and approximately 77% of our customers were bundling two services or more. A one-time installation fee, which may be waived in part during certain promotional periods, is charged to new customers. Monthly fees for rented equipment, such as set-top boxes or Wi-Fi routers, can be charged depending on the promotional offer.

Our Network Technology

Cable

As of December 31, 2018, our cable network consisted of fibre-optic cable and of coaxial cable, covering approximately 2.9 million homes and serving approximately 2.3 million customers in the Province of Québec. Our network is the largest broadband network in the Province of Québec covering approximately 79% of premises. Our extensive network supports direct connectivity with networks in Ontario, the Maritimes and the United States.

Our cable television network is comprised of four distinct parts including signal acquisition networks, main headends, distribution networks and subscriber drops. The signal acquisition network picks up a wide variety of

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television, radio and multimedia signals. These signals and services originate from either a local source or content provider or are picked up from distant sites chosen for satellite or over-the-air reception quality and transmitted to the main headends by way of fibre-optic relay systems. Each main headend processes, modulates, scrambles and combines the signals in order to distribute them throughout the network. Each main headend is connected to the primary headend in order to receive the digital MPEG2/MPEG4 signals and the IP backbone for the Internet services. The first stage of this distribution consists of a fibre-optic link which distributes the signals to distribution or secondary headends. After that, the signal uses the hybrid fibre coaxial cable network made of wide-band optical nodes, amplifiers and coaxial cables capable of serving up to 30 km in radius from the distribution or secondary headends to the subscriber drops. The subscriber drop brings the signal into the customer's television set directly or, depending on the area or the services selected, through various types of customer equipment including set-top boxes and cable telephony modems.

We have adopted the hybrid fibre coaxial (“HFC”) network architecture as the standard for our ongoing system upgrades. HFC network architecture combines the use of both fibre-optic and coaxial cables. Fibre-optic cable has good broadband frequency characteristics, noise immunity and physical durability and can carry hundreds of video and data channels over extended distances. Coaxial cable is less expensive and requires greater signal amplification in order to obtain the desired transmission levels for delivering channels. In most systems, we deliver our signals via fibre-optic cable from the headend to a group of optical nodes and then via coax to the homes passed served by the nodes. We currently build our network by implementing cells of 125 homes (which can evolve to 64 homes). As a result of the modernization of our network, our network design now provides for average cells of 163 homes throughout our footprint. To allow for this configuration, secondary headends were put into operation in the Greater Montréal Area, in the Greater Québec City Area and in the Greater Gatineau City Area. Remote secondary headends must also be connected with fibre-optic links. From the secondary headends to the homes, the customer services are provided through the transmission of a radiofrequency (“RF”) signal which contains both downstream and upstream information (two-way). The loop structure of the two-way HFC networks brings reliability through redundancy, the cell size improves flexibility and capacity, while the reduced number of amplifiers separating the home from the headend improves signal quality and reliability. The HFC network design provided us with significant flexibility to offer customized programming to individual cells, which is critical to our advanced services, such as VOD, Switched Digital Video Broadcast and the continued expansion of our interactive services.

Starting in 2008, we began an extensive network modernization effort in the Greater Montréal Area, in the Greater Québec City Area and in the Greater Gatineau City Area in order to meet the ever expanding service needs of the customer in terms of video, telephony and Internet access services. This ongoing modernization implies an extension of the upper limit of the RF spectrum available for service offerings and a deep fibre deployment, which significantly extends the fibre portion in the HFC network (thereby reducing the coax portion). Additional optical nodes were systematically deployed to increase the segmentation of customer cells, both for upstream and downstream traffic. This modernization initiative results in (i) a network architecture where the segmentation for the upstream traffic is for 125 homes while that for the downstream traffic is set to 250 (which can evolve to 125 homes), and (ii) the availability of a 1 GHz spectrum for service offerings. The robustness of the network is greatly enhanced (much less active equipment in the network such as RF amplifiers for the coax portion), the service offering potential and customization to the customer base is significantly improved (through the extension of the spectrum to 1 GHz and the increased segmentation) and allows much greater speeds of transmission for Internet services which are presently unrivalled. The overall architecture employs Division Wavelength Multiplexing, which allows us to limit the amount of fibre required, while providing an effective customization potential. As such, in addition to the broadcast information, up to 12 wavelengths can be combined on a transport fibre from the secondary headend to a 3,000 homes aggregation point. Each of these wavelengths is dedicated to the specific requirements of 250 homes. The RF spectrum is set with digital information using quadrature amplitude modulation. MPEG video compression techniques and the DOCSIS protocol allow us to provide a great service offering of standard definition, HD and now UHD video, as well as complete voice and Internet services. This modernization project gives us flexibility to meet customer needs and future network evolution requirements. The modernization of the Greater Montréal Area network is scheduled to be completed by 2022.

DOCSIS 3.1 is currently deployed to provide data service at speeds of up to 940 Mbps. DOCSIS 3.1 is a new-generation technology developed by the CableLabs consortium, of which Videotron is a member, which may eventually deliver lightning speeds of up to 10 Gbps for downloads and up to 1 Gbps for uploads. Videotron uses the latest cablelabs DOCSIS 3.1 standard on the network, which will allow multigigabit downstream speeds. DOCSIS 3.1 uses Orthogonal Frequency-Division Multiplexing (OFDM) modulation and Low-Density Parity Check (LDPC) correction algorithm that provide better resiliency to RF interference and increase throughput for the same spectrum, i.e. increase Mbps/MHz. The

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maximum theoretical gain is 50% in the downstream direction (from the network to the user) and 100% in the upstream direction (from the user to the network), and upcoming live deployments will indicate which proportion of these theoretical limits can be achieved.

Our strategy of maintaining a leadership position in respect of the suite of products and services that we offer and launching new products and services requires investments in our network to support growth in our customer base and increases in bandwidth requirements. 86% of our network in the Province of Québec has been upgraded to a bandwidth of 1002 MHz, the remaining of our network being at 750 MHz. Also, in light of the greater availability of HD and UHD television programming and the ever increasing speed of Internet access, further investments in our network will be required.

Mobile Telephony

As of December 31, 2018, our shared LTE network reached 94% of the population of the Province of Québec and the Greater Ottawa Area, allowing the vast majority of our potential clients to have access to the latest mobile services. Almost all of our towers and transmission equipment are linked through our fibre-optic network using a multiple label switching — or MPLS — protocol. We plan to continue developing and enhancing our mobile technological offering by densifying network coverage and increasing download speeds. Our network is designed to support important customer growth in coming years as well as rapidly evolving mobile technologies. On October 20, 2017, we introduced the Voice over LTE (VoLTE) feature, a new generation of mobile voice services providing eligible users with improved indoor coverage and faster call routing and, on calls between Videotron customers, enabling users to experience HD sound quality on the LTE network.

Our strategy in the coming years is to build on our position as a telecommunication leader with our LTE mobile services and to keep the technology at the cutting edge as it continues to evolve rapidly and new market standards such as LTE-Advanced and heterogeneous networks are being deployed. Videotron is exploring 4.5G and 5G technologies. In doing so, Videotron has created a partnership with Ericsson, L'École de technologie supérieure and Société du Quartier de l'innovation de Montréal. Together with its partners, Videotron has established the first open-air smart living laboratory in Canada. This laboratory will test the many facets of innovations associated with the emerging industry revolving around fifth-generation (5G) telecommunications. Also, the Rogers LTE Agreement provides and allows Rogers and Videotron to continue the evolution of the shared LTE network. Videotron's and Rogers' spectrum contribution will allow them to continue to exploit LTE evolutive technologies and to provide their subscribers with high throughput data connections.

During 2018, Videotron maintained its HSPA+ network throughout the Province of Québec and over the Greater Ottawa Area.

Marketing and Customer Care

Our long term marketing objective is to increase our cash flow through deeper market penetration of our services, development of new services and revenue and operating margin growth per customer. We believe that customers will come to view their cable connection as the best distribution channel to their home for a multitude of services. To achieve this objective, we are pursuing the following strategies:

- develop attractive bundle offers to encourage our customers to subscribe to two or more products, which increases average billing per unit — or ABPU — customer retention and operating margins;
- continue to rapidly deploy advanced products on all our services — cable, Internet access, telephony, Club illico and mobile — to maintain and increase our leadership and consequently, to gain additional market share;
- design product offers that provide greater opportunities for customer entertainment and information;
- deploy strong retention strategies aiming to maintain our existing customer base and to increase our ABPU;

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- develop targeted marketing programs to attract former customers and households that have never subscribed to certain of our services and customers of alternative or competitive services as well as target specific market segments;
- enhance the relationship between customer service representatives and our customers by training and motivating customer service representatives to promote advanced products and services;
- leverage the retail presence of our Videotron-branded stores and kiosks, Le SuperClub Vidéotron, third-party commercial retailers, and authorized distributors;
- maintain and promote our leadership in content and entertainment by leveraging the wide variety of services offered within the Quebecor Media group to our existing and future customers;
- introduce new value added packages of products and services, which we believe will increase ABPU and improve customer retention;
- leverage our business market, using our network and expertise with our commercial customer base, to offer additional bundled services to our customers; and
- develop new products and services to respond to the technological needs and customer behaviours.

We continue to invest time, effort and financial resources in marketing new and existing services. To increase both customer penetration and the number of services used by our customers, we use integrated marketing techniques, including door-to-door solicitation, telemarketing, drive-to-store, media advertising, e-marketing, Short Message Service (SMS) and direct mail solicitation. Those initiatives are also strongly supported by business intelligence tools such as predictive churn models.

Maximizing customer satisfaction is a key element of our business strategy. In support of our commitment to customer satisfaction, we offer the service of dedicated, knowledgeable and well-trained technical experts which we call our “PROS”, the primary mission of which is to support our customers by helping them get the most out of what Videotron has to offer. Through personalized demonstration sessions, the PROS provide customers with continued customer service after subscription has been made. We continue to provide a 24-hour customer service hotline seven days a week across most of our systems, in addition to our web-based customer service capabilities. All of our customer service representatives and technical support staff are trained to assist customers with all of our products and services, which in turn allows our customers to be served more efficiently and seamlessly. Our customer care representatives continue to receive extensive training to perfect their product knowledge and skills, which contributes to retention of customers and higher levels of customer service. We utilize surveys, focus groups and other research tools to assist us in our marketing efforts and anticipate customer needs. To increase customer loyalty, we are also starting to leverage strategic partnerships to offer exclusive promotions, privileges and contests which contribute in expanding our value proposition to our customers.

Programming

We believe that offering a wide variety of conveniently scheduled programming is an important factor in influencing a customer’s decision to subscribe to, and retain, our cable services. We devote resources to obtaining access to a wide range of programming that we believe will appeal to both existing and potential customers. We rely on extensive market research, customer demographics and local programming preferences to determine our channel and package offerings. The CRTC currently regulates the distribution of foreign content in Canada and, as a result, we are limited in our ability to provide such programming to our customers. We obtain basic and premium programming from a number of suppliers, including all major Canadian media groups.

Our programming contracts generally provide for a fixed term of up to five years, and are subject to negotiated renewal. Programming tends to be made available to us for a flat fee per customer. Our overall programming costs have increased in recent years and may continue to increase due to factors including, but not limited to, additional programming being provided to customers as a result of system rebuilds that increase channel capacity, increased costs to produce or purchase specialty programming, inflationary or negotiated annual increases, the concentration of broadcasters

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following acquisitions in the market, the increased competition from OTT service providers for content and the significant increased costs of sports content rights.

Competition

We operate in a competitive business environment in the areas of price, product and service offerings and service reliability. We compete with other providers of television signals and other sources of home entertainment. Due to ongoing technological developments, the distinctions among traditional platforms (broadcasting, Internet, and telecommunications) are fading rapidly. The Internet as well as mobile devices are becoming important broadcasting and distribution platforms. In addition, mobile operators, with the development of their respective mobile networks, are now offering wireless and fixed wireless Internet services and our VoIP telephony service is also competing with Internet-based solutions.

- *Providers of Other Entertainment.* Cable systems face competition from alternative methods of distributing and receiving television signals and from other sources of entertainment such as live sporting events, movie theatres and home video products, including digital recorders, OTT content providers, such as Netflix, Amazon Prime Video and Apple TV, Blu-ray players and video games. The extent to which a cable television service is competitive depends in significant part upon the cable system's ability to provide a greater variety of programming, superior technical performance and superior customer service that are available through competitive alternative delivery sources. The introduction of Club illico, our subscription based OTT platform offering a rich and varied selection of unlimited on-demand content, aims to reduce the effect of competition from alternative delivery sources.
- *DSL.* The deployment of DSL technology provides customers with Internet access at data transmission speeds greater than that available over conventional telephone lines. DSL service provides access speeds that are comparable to low-to-medium speeds of cable-modem Internet access but that decreases with the distance between the DSL modem and the line card.
- *FTTN and FTTH.* Fibre to the neighborhood ("FTTN") technology addresses the distance limitation by bringing the fibre closer to the end user. The last mile is provided by the DSL technology. Fibre to the home ("FTTH") brings the fibre up to the end user location. The speed is then limited by the end equipment rather than the medium (fibre) itself. It provides speeds comparable to high speeds of cable-modem Internet access. Because of the cost involved with FTTH and FTTN, deployment of these technologies is progressive. The main competition for cable-modem Internet access comes from a provider of DSL and Fibre to the x (FTTx) services.
- *Internet Video Streaming.* The continuous technology improvement of the Internet, combined with higher download speeds and its affordability, favors the development and deployment of alternative technologies such as digital content offered by OTT service providers through various Internet streaming platforms. While having a positive impact on the demand for our Internet access services, this model could adversely impact the demand for our cable television services.
- *VDSL.* VDSL technology increases the available capacity of DSL lines, thereby allowing the distribution of digital video. Multi-system operators are now facing competition from ILECs, which have been granted licenses to launch video distribution services using this technology, which operates over copper phone lines. The transmission capabilities of VDSL will be significantly boosted with the deployment of technologies such as vectoring (the reduction or elimination of the effects of far-end crosstalk) and twisted pair bonding (use of additional twisted pairs to increase data carriage capacity). Certain ILECs have already started replacing many of their main feeds with fibre-optic cable and positioning VDSL transceivers, a VDSL gateway, in larger multiple-dwelling units, in order to overcome the initial distance limitations of VDSL. With this added capacity, along with the evolution of compression technology, VDSL-2 will offer significant opportunities for services and increase its competitive threat against other multi-system operators.
- *Direct Broadcast Satellite.* DBS is also a competitor to cable systems. DBS delivers programming via signals sent directly to receiving dishes from medium and high-powered satellites, as opposed to cable

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delivery transmissions. This form of distribution generally provides more channels than some of our television systems and is fully digital. DBS service can be received virtually anywhere in Canada through the installation of a small rooftop or side-mounted antenna. Like digital cable distribution, DBS systems use video compression technology to increase channel capacity and digital technology to improve the quality of the signals transmitted to their customers.

- *Mobile Telephony Services.* With our mobile network, we compete against a mix of participants, some of them being active in some or all the products we offer, while others only offer mobile telephony services in our market. The Canadian incumbents have deployed their LTE networks and this technology has become an industry standard.
- *Private Cable.* Additional competition is posed by satellite master antenna television systems known as “SMATV systems” serving multi dwelling units, such as condominiums, apartment complexes, and private residential communities.
- *Wireless Distribution.* Cable television systems also compete with wireless program distribution services such as MMDS. This technology uses microwave links to transmit signals from multiple transmission sites to line-of-sight antennas located within the customer’s premises.
- *Grey and Black Market Providers.* Cable and other distributors of television signals continue to face competition from the use of access codes and equipment that enable the unauthorized decoding of encrypted satellite signals, from unauthorized access to our analog and digital cable signals (black market) and from the reception of foreign signals through subscriptions to foreign satellite television providers that are not lawful distributors in Canada (grey market).
- *Telephony Service.* Our cable telephony service competes against ILECs and other telephony service providers, VoIP telephony service providers and mobile telephony service providers.
- *Other Internet Service Providers.* In the Internet access business, cable operators compete against other Internet service providers offering residential and commercial Internet access services. The CRTC requires the large Canadian incumbent cable operators to offer access to their high-speed Internet network to competitive Internet service providers at mandated rates.

Retail Sector

Le SuperClub Vidéotron is both a showcase and a valuable and cost-effective distribution network for Videotron’s growing array of advanced products and services, such as cable Internet access, digital television and cable and mobile telephony. Through Le SuperClub Vidéotron, we are the franchisor of the largest chain of video and video game rental stores in the Province of Québec and among the largest of such chains in Canada. We had a total of 55 retail locations as of December 31, 2018, with 38 of these retail locations also offering our suite of telecommunication services and products,

Media

Our Media segment is dedicated to entertainment and news media which includes the operations of TVA Group, MediaQMI, Quebecor Media Out-of-Home, Quebecor Media Network, Quebecor Media Printing and NumériQ. Our Media segment has activities in broadcasting, film production and audiovisual services, magazine publishing, newspaper publishing and other media related operations.

Quebecor Media owns 68.37% of the equity interest and controls 99.97% of the voting power in TVA Group. Quebecor Media also owns 100% of the voting and equity interests of MediaQMI, Quebecor Media Network, Quebecor Media Printing and NumériQ (previously known as Goji Studios).

Products and Services

Broadcasting

Through TVA Group, we operate the largest French-language private television network in North America. TVA Group is the sole owner of six of the ten television stations composing Réseau TVA (“**TVA Network**”) and a portfolio of specialty channels, namely LCN, TVA Sports, addikTV, Prise 2, YOOPA, CASA and MOI&cie, and operates two additional specialty channels since acquiring the ultimate effective control of Évasion and Zeste on February 13, 2019. Each of those specialty channels operates a website, including *tvanouvelles.ca* and *tvasports.ca* which lead by traffic. TVA Group also holds interests in two other TVA Network affiliates. In addition to linear television, the TVA Network and some specialty channels broadcast on-demand and streaming content through their multiplatform applications. Through various subsidiaries and divisions, TVA Group is engaged in commercial production and in the distribution of films and television programs. TVA Group’s website is accessible at *groupetva.ca*.

According to data published by Numeris (which is based on a measurement methodology using audiometry), we had a 37.7% market share of French-speaking viewers in the Province of Québec for the period from January 1, 2018 through December 31, 2018, compared to 37.2 % for the same period from the previous year.

For the period from January 1, 2018 through December 31, 2018, according to Numeris data, TVA Network aired 14 of the 30 most popular TV programs in the Province of Québec, including *La Voix*, which attracted an average audience of more than 2.0 million, and many original productions that broke through the million-viewer mark, notably the new shows *Fugueuse* and *Revolution*. Since May 1999, the TVA Network has been included in the basic channel line-up of most cable and satellite providers across Canada, thus enabling it to reach a significant portion of the French-speaking population of Canada outside the Province of Québec.

Canadian Television Industry Overview

Canada has a well-developed television market that provides viewers with a range of viewing alternatives. The television market has been affected by audience fragmentation across the various content delivery platforms, including the Internet and VOD, as well as the arrival of a large number of specialized services.

There are three main French-language broadcast networks in the Province of Québec: Société Radio-Canada, “V” and TVA Network. In addition to French-language programming, there are three English-language national broadcast networks in the Province of Québec: the Global Television Network, CTV and the Canadian Broadcasting Corporation, known as CBC. Global Television Network, V and CTV are privately held and are commercial networks. CBC and Société Radio-Canada are government owned and financed by a combination of federal government grants and advertising revenues. French-language viewers in the Province of Québec also have access to certain U.S. networks. In the area of specialty television broadcasting in the Province of Québec, our main competitors are Société Radio-Canada, Bell Media and Corus.

The following table sets forth the market share of French speaking viewers in the Province of Québec as of December 31, 2018:

Network	Share of Province of Québec Television
French-language conventional broadcasters:	
TVA Network	23.7%
Société Radio-Canada	13.4%
V	5.6%
TOTAL	42.7%
French-language specialty and pay services:	
TVA Group’s French-language specialty TV	14.0%
Bell Media	13.4%
Corus	7.7%
Société Radio-Canada	4.7%
Others	5.8%
TOTAL	45.6%

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Network	Share of Province of Québec Television
Total English-language channels and others:	11.7%
TVA Group Total Share	37.7%

Source: Numeris — French Quebec, January 1 to December 31, 2018, Mon-Sun, 2:00 — 2:00, All 2+

TVA Network

TVA Network is our French-language network consisting of ten stations, of which six are owned and four are affiliated stations. TVA Network is available to a significant portion of the French speaking population in Canada.

Our owned and operated stations include: CFTM-TV in Montréal, CFQM-TV in Québec City, CHLT-TV in Sherbrooke, CHEM-TV in Trois-Rivières, CFER-TV in Rimouski, Matane, Sept-Iles and CJPM-TV in Saguenay/Lac-St-Jean. Our four affiliated stations are CFEM-TV in Rouyn, CHOT-TV in Gatineau, CHAU-TV in Carleton and CIMT-TV in Rivière-du-Loup. We own a 45% interest of the latter two. A substantial portion of TVA Network’s broadcast schedule is originated from our main station in Montréal. Our signal is transmitted from transmission and retransmission sites authorized by ISED and licensed by the CRTC and is also retransmitted by satellite elsewhere in Canada as a distant signal by various modes of authorized distribution: cable, direct-to-home satellite distribution and MMDS.

In 2016, we launched the revamped TVA.ca website and the TVA mobile app, which give users free access to TVA Network programs and certain content from the speciality channels in high definition, live or on demand. The website and app also offer a number of other functionalities, including the possibility to catch up on shows from the previous seven days, watch exclusive original content, pause and resume play on a different screen and receive customized suggestions.

Television Specialty Broadcasting

Through various subsidiaries, we control the following nine specialty services: *LCN*, a French-language all news service, *TVA Sports*, a French-language specialty television service devoted to sports, *addikTV*, a French-language specialty television service dedicated to the presentation of popular Canadian and American movies and television series, *Prise 2*, a French-language specialty television service devoted to the Province of Québec and American television classics, *MOI&cie*, a French-language specialty television service featuring poignant docu-reality and dramatic series, *CASA*, a French-language specialty television service devoted to real estate, renovation, decoration and cooking, *YOOPA*, a French-language specialty television service aimed exclusively at kids, preschoolers and their families, *Évasion*, a French-language travel and tourism service and *Zeste*, a French-language service which brings together daily cooking and recipes, culinary competitions, epicurean adventures around the world and gastronomic discoveries. Each of our specialty channels has its own dedicated website and *TVA Sports* and *TVA Nouvelles* have their own mobile app.

On November 26, 2013, Quebecor announced an agreement with Rogers and the NHL whereby *TVA Sports* became the NHL’s official French-language broadcaster in Canada. The 12-year agreement has begun with the 2014-15 season. Among other things, *TVA Sports* obtained broadcast rights to 22 Montréal Canadiens regular season games, exclusive French-language broadcast rights to all playoff games (including those involving the Montréal Canadiens) and the Stanley Cup final, as well as broadcast rights to all national games involving Canadian teams and up to 160 games between American NHL teams, and a number of NHL special events, including the All-Star Game and the draft.

On January 10, 2017, *TVA Sports* became the exclusive broadcaster of the Montreal Impact games in French, as well as an official broadcaster of MLS for the next five years. In 2018, the agreement with MLS was extended by one additional year until 2022.

TVA Sports thus broadcasts all Montreal Impact regular season and playoff games. As an official broadcaster of MLS, the sports channel also presents the MLS All-Star Game, along with the MLS Cup Playoffs and the MLS Cup final.

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On May 3, 2018, TVA Sports became the official French-language broadcaster of the 2020 UEFA European Football Championship (Euro 2020) in Canada. The agreement allows TVA Sports to broadcast all 51 games of the prestigious international soccer tournament, in which Europe's best national men's teams will compete.

Discretionary Services	Language	Voting Interest
• <i>addikTV</i>	French	100.0%
• <i>CASA</i>	French	100.0%
• <i>Évasion</i>	French	100.0% ¹
• <i>LCN — Le Canal Nouvelles</i>	French	100.0%
• <i>MOI&cie</i>	French	100.0%
• <i>Prise 2</i>	French	100.0%
• <i>TVA Sports</i>	French	100.0%
• <i>YOOPA</i>	French	100.0%
• <i>Zeste</i>	French	100.0% ¹

¹ Since February 13, 2019

On January 17, 2018, the CRTC set out its decision on an application for final offer arbitration by Quebecor regarding the distribution of the mainstream sports service TVA Sports by the broadcasting distribution undertakings operated by BCE Inc. (“Bell”) in the Province of Quebec. The CRTC selected Bell’s offer, which provides for wholesale tariffs per subscriber below Quebecor’s expectation, for the period between September 1, 2016 to August 31, 2018. Quebecor subsequently filed an application for leave to appeal this decision to the Federal Court of Appeal which was denied on April 12, 2018.

Advertising Sales and Revenues

We derive a majority of our revenues from the sale of integrated and diversified advertising services. For the twelve-month period ended December 31, 2018, TVA Network and the speciality channels derived approximately 59.6% of their revenues from advertising.

Programming

We produce a variety of French-language programming, including a broad selection of entertainment, sports, news and public affairs programming. We actively promote our programming and seek to develop viewer loyalty by offering a consistent programming schedule.

A part of our programming is produced by our wholly-owned subsidiaries, TVA Productions Inc. and TVA Productions II Inc. (collectively, “**TVA Productions**”). Through TVA Productions, we produced approximately 1,114 hours of original programming in 2018, consisting primarily of variety and magazine-style shows, galas and quiz shows.

Furthermore, TVA Sports produced approximately 3,242 hours of original programming in 2018. The remainder of our programming is comprised of foreign and Canadian independently produced programming.

Film Production & Audiovisual Services Business Operations

The film production and audiovisual services business of TVA Group includes soundstage, mobile unit and equipment rental services, postproduction services, expertise in visual effects services, dubbing services, asset management and distribution services and proprietary online transaction and distribution platforms for VOD and digital cinema (DCI) and, in addition, property rights on technologies being used for digital image restoration and for 2D conversion into 3D stereoscopic images. Our film production and audiovisual services business’ software, GeneSys™, uses advanced algorithms for 2D to 3D contents conversion for the large screen and television.

As part of its assets, our film production and audiovisual services business includes movie and television soundstages of approximately 212,000 square feet in Montréal and St-Hubert, Québec, which have cutting-edge equipment, including Canada’s most up-to-date pool of cameras, lighting and specialized equipment. The facilities are used for both local and foreign film and television productions, including American blockbusters.

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This sector's main sources of revenue are film soundstage, mobile unit and equipment rental and postproduction services. In 2018, shooting soundstage, mobile unit and equipment rental services account for 60% of the sector's total revenues, 57% of which come from international clients. Postproduction services account for 16% of the sector's total revenues and mainly serve local clients.

Although cyclical, particularly for film soundstage, mobile unit and equipment rental, the level of activity for this sector remains dependent on the production service needs of international and local producers.

Magazine Publishing

TVA Publications Inc. (“**TVA Publications**”) and Les Publications Charron & Cie inc., wholly-owned subsidiaries of TVA Group, publish more than 50 French and English-language titles in various fields including show business, television, fashion and decorating. They also market digital products associated with the different magazine brands. According to the Vividata Study, with more than 3.7 million readers across all platforms for its French-language titles, TVA Group is the top publisher of French-language magazines in Québec and a leader in the Canadian magazine publishing industry with 9.0 million cross-platform readers. Our objective is to leverage our magazines, focus on culture, lifestyle and entertainment across our television and Internet programming.

TVA Group's Magazines segment also operates websites in order to broadcast daily on different digital platforms content related to the editorial line of its corresponding trademarks.

In 2016, TVA Group released the Molto app, a new digital newsstand that gives users unlimited access to the full content of all its magazines on their tablets and smartphones for monthly subscription fees.

TVA Group also holds an effective 51% share in Les Publications Groupe TVA-Hearst Inc., publisher of *Elle Canada* and *Elle Québec* magazines, in partnership with Hearst Group which holds a 49% share. As well, TVA Group and Bayard Group each hold a 50% share in Publications Senior Inc., publisher of *Le Bel Âge* and *Good Times* magazines.

Newspaper Publishing

Newspaper Operations

We operate our newspaper business, namely *Le Journal de Montréal*, *Le Journal de Québec* and the *24 Heures Montréal*, through MediaQMI. Our daily newspapers disseminate information in traditional printed ways and through daily urban newspaper web sites, namely *journaldemontreal.com* and *journaldequebec.com*, and through the fully customizable J5 mobile app.

Le Journal de Montréal and *Le Journal de Québec* are tabloids. These are mass circulation newspapers that provide succinct and complete news coverage with an emphasis on local news, sports and entertainment. The tabloid format makes extensive use of color, photographs and graphics. Each newspaper contains inserts that feature subjects of interest such as fashion, lifestyle and special sections.

Le Journal de Montréal and *Le Journal de Québec*, already present on all platforms, also offer their readers the J5 mobile app, a fully customizable reading experience which is supported on iOS and Android. Through J5, users can select the news they want to receive daily, based on their interests.

According to corporate figures, the aggregate circulation of our Media segment's paid and free newspapers as of December 31, 2018 was approximately 2.5 million copies per week in print and electronic formats.

Le Journal de Montréal is published seven days a week and is distributed by Quebecor Media Network. The main competitors of *Le Journal de Montréal* are *La Presse* and *The Montréal Gazette*. *Le Journal de Montréal*'s website is accessible at *www.journaldemontreal.com*.

Le Journal de Québec is published seven days a week and is distributed by Quebecor Media Network. The main competitor of *Le Journal de Québec* is *Le Soleil*. *Le Journal de Québec*'s website is accessible at *www.journaldequebec.com*.

The following table lists the respective average readership in 2018 for *Le Journal de Montréal* and *Le Journal de Québec* as well as their market position versus other paid daily newspapers by weekly readership during that period, based on information provided in the Vividata Study:

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NEWSPAPER	2018 AVERAGE READERSHIP			MARKET POSITION BY READERSHIP ⁽¹⁾
	SATURDAY	SUNDAY	MON-FRI	
<i>Le Journal de Montréal</i>	1,619,000	1,275,000	1,208,000	1 st
<i>Le Journal de Québec</i>	841,000	667,000	594,000	1 st
Total Average Readership	2,460,000	1,942,000	1,802,000	

(1) Based on the Vividata Study.

The following table lists the respective average daily paid circulation in 2018 for *Le Journal de Montréal* and *Le Journal de Québec*:

	2018 AVERAGE PAID CIRCULATION		
	SATURDAY	SUNDAY	MON-FRI
<i>Le Journal de Montréal</i>	190,600	173,000	173,000
<i>Le Journal de Québec</i>	92,600	88,600	85,800
Total Average Paid Circulation	283,200	261,600	258,800

Source: Internal Statistics

We publish one free daily commuter publication in the Montréal urban market: the *24 Heures Montréal*. The editorial content of this free daily commuter publication focuses on the greater metropolitan area of Montréal.

The average weekday circulation of the *24 Heures Montréal* for 2018 is 129,700.

Competition

The newspaper industry is seeing secular changes, including the growing availability of free access to media, shifting readership habits, digital transferability, the advent of real-time information and secular changes in the advertising market, all of which affect the nature of competition in the newspaper industry. Competition increasingly comes not only from other newspapers (including other national, metropolitan (both paid and free) and suburban newspapers), magazines and more traditional media platforms, such as broadcasters, cable systems and networks, satellite television and radio, direct marketing and solo and shared mail programs, but also from digital media technologies, which have introduced a wide variety of media distribution platforms (including, most significantly, the Internet, digital readers (e-readers) and distribution over wireless devices) to consumers and advertisers.

Advertising, Circulation and Digital Revenues

Advertising revenue is the largest source of revenue for our newspaper operations, representing 57,6% of our newspaper operations' total revenues in 2018. Advertising rates are based upon the size of the market in which each newspaper operates, circulation, readership, demographic composition of the market and the availability of alternative advertising media.

The principal categories of advertising revenues in our newspaper operations are retail and national advertising. Most of our retail advertisers are car dealers, department stores, electronics stores and furniture stores.

Circulation sales are our newspaper operations' second-largest source of revenue and represented 30,0% of total revenues of our newspaper operations in 2018.

Digital revenues represented 9.7% of total revenues for our newspaper operations in 2018. Digital revenues are generated from advertising on our websites and digital subscriptions to the e-editions of our newspapers. Revenues from digital products represent a potential growth opportunity for our newspaper operations.

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Seasonality and Cyclicalities

Our newspaper operations' operating results tend to follow a recurring seasonal pattern with higher advertising revenue in the spring and in the fall.

Our newspaper business is cyclical in nature. Our operating results are sensitive to prevailing local, regional and national economic conditions because of our dependence on advertising sales for a substantial portion of our revenue.

Other Operations

Commercial Printing

Through our wholly-owned subsidiary Quebecor Media Printing, we operate a printing facility located in Mirabel, Québec, where *Le Journal de Montréal* and the *24 Heures Montréal* are printed.

We also offer third party commercial printing services, which provide us with an additional source of revenue that leverages existing equipment with excess capacity. In our third party commercial printing operations, we compete with other newspaper publishing companies as well as commercial printers. Our competitive strengths in this area include our modern equipment, and our ability to price projects on a variable cost basis, as our core newspaper business covers overhead expenses.

Distribution of periodicals in Québec

Through Messageries Dynamiques, a division of Quebecor Media Network, we deliver magazines and newspapers to dealers through a network that serves nearly 12,200 points of sale. Our home delivery service brings many Québec and Canadian dailies, including *Le Journal de Montréal* and *Le Journal de Québec*, to more than 205,000 homes every day.

Out-of-Home Advertising

We are involved in out-of-home advertising through the installation, maintenance and management of out-of-home advertisement, including on transit and bus shelters. In relation thereto, we entered into a 10-year agreement with *Société de transport de Lévis*, a 20-year agreement with *Société de transport de Laval*, a 20-year agreement with *Société de transport de Montréal* (STM), a 10-year agreement with *Société de transport de Sherbrooke* (STS), and more recently, on January 1, 2019, a 10-year agreement with *Réseau de transport de Longueuil* (RTL).

Production of Digital Content

In 2015, we created NumériQ, an entity that brings together the digital strategy and content production assets harnessed to create digital platforms and content for our various platforms.

In August 2018, NumériQ acquired LC Media which operates the website *Guideautoweb.com* with sections in French and in English (The Car Guide). Most of LC Media revenues come from digital advertising. *Le Guide de l'auto* has also made a successful shift to digital, drawing 1.5 million unique visitors monthly to its websites, *guideautoweb.com* and *carguideweb.com*. The acquisition will enable us to enrich the automotive content on all our platforms.

Our Media segment also operates a number of other digital brands, including *Le sac de chips*, *Pèse sur Start*, *Silo 57* and *Tabloïd*. Moreover, QUB radio, an online and mobile audio platform with a live radio stream and a library of podcasts, has been launched by NumériQ. Our Media segment's apps and websites log 6.5 million unique visitors per month in Canada.

Sports and Entertainment

Products and Services

Our activities in the Sports and Entertainment segment consist primarily of the production, promotion and management of live shows and of various sporting, cultural and corporate events, the operation of two QMJHL teams, the operation and management of the Videotron Centre, as well as book distribution and publishing and music distribution and production.

Videotron Centre

The Videotron Centre is an arena located in Québec City that has 18,400 seats and is home to the *Remparts de Québec* as well as the host of a variety of events and shows featuring local and international artists. Through a 25-year agreement entered into with Québec City, we were granted both the management and naming rights through 2040. We lease the Videotron Centre and generate revenues through the sale of advertisement and sponsorship opportunities as well as through the sale of food and beverages during the events and shows.

AEG Live, a division of AEG Facilities, supports the Sports and Entertainment segment in booking events, shows and tours for the Videotron Centre through an 8-year strategic partnership entered into in 2015. We have also entered into strategic partnerships for the operation of the Videotron Centre with Live Nation Entertainment, involving two of its principal divisions, namely Live Nation Canada, the global market leader in concert production, and Ticketmaster, its ticketing service operating in the Province of Québec under the name “Admission”. Finally, we have entered into a strategic partnership with Levy Restaurants, with an emphasis on building a world class culinary experience in the Videotron Centre through a local food and beverage program, Labatt Breweries of Canada as the Videotron Centre’s official beer supplier and Alex Coulombe ltée (the local Pepsi Co distributor) as the Videotron Centre’s official supplier of soft drinks, sparkling water and isotonic sports drinks.

On September 12, 2018, the Videotron Centre completed its third full year of operation. During its third year of operation, the Videotron Centre hosted 91 sporting events and concerts and a total of approximately 812,000 people attended these events.

QMJHL Hockey Teams

We own two QMJHL franchises, namely the *Armada de Blainville-Boisbriand* (70%) and the *Remparts de Québec* (100%).

Event Production and Management and live-event production

Through our wholly-owned Event Management Gestev Inc. (“**Gestev**”), a sports and cultural events manager, site manager and producer with activities in the Province of Québec, Ottawa, Toronto and Edmonton, we produce or have produced numerous high-profile events such as the Red Bull Crashed Ice (urban extreme ice skating race), Vélirium (International Mountain Bike Festival and UCI World Cup), the Transat Québec Saint-Malo (transatlantic sailing race), Ski Tour (FIS Cross-Country World Cup), the Jamboree (including the FIS Snowboard and Freestyle Skiing World Cups), PBR Major event (Professional Bull Rider event), FIVB Beach Volley World Finals and the Marathon de Québec (a 3-day running event). We also develop and manage sporting events at the Videotron Centre and have produced, on an annual basis, approximately 200 corporate, private and public events and, on average, 3 to 5 host broadcasting for foreign and Canadian broadcasters. We are also managing the site of the Baie de Beauport, a beach in Québec city.

In 2017, Gestev acquired the Montreal based Experiential Marketing Agency “Wasabi atelier experientiel”, which adds to Gestev’s strong reach in experiential marketing and activation agency in Québec City.

Book Distribution and Publishing

We are also involved in book publishing and distribution through academic publisher CEC Publishing, 18 general literature publishers under the Sogides Group umbrella, and Messageries A.D.P. Inc. (“**Messageries ADP**”). Through Sogides Group and the academic publisher CEC Publishing, we are involved in French-language book publishing and we form one of the Province of Québec’s largest book publishing groups. In 2018, we published or reissued a total of 372 titles in paper format and 247 titles in digital format.

As of December 31, 2018, through Messageries ADP, our book distribution company, we were the exclusive distributor of more than 210 Québec and European French-language publishers. We distribute French-language books to approximately 3,100 retail outlets in Canada. In addition, Messageries ADP distributes approximately 9,000 digital books.

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Music

Through certain divisions and subsidiaries of Select Music, we distribute CDs, DVDs, Blu-ray discs, online music by way of file transfer and we offer services in the following areas: music recording, video production and creative licencing, including music for films, advertising and television shows.

Select Music is one of the largest independent music distributors in Canada with a 32% market share in the Province of Québec and a 70% market share for French content in the Province of Québec. Select Music has a catalogue of over 25,200 different CDs, LPs or other audio formats and over 2,000 DVDs or other video formats, a large number of which are from French-speaking artists. In addition, it is a digital aggregator of downloadable products with a selection of approximately 120,350 songs available through 358 retailers worldwide.

Through our Musicor label, we also produce records, videos and shows, and offer artist management services.

Intellectual Property

We use a number of trademarks for our products and services. Many of these trademarks are registered by us in the appropriate jurisdictions. In addition, we have legal rights in the unregistered marks arising from their use. We have taken affirmative legal steps to protect our trademarks and we believe our trademarks are adequately protected.

Television programming and motion pictures are granted legal protection under the copyright laws of the countries in which we operate, and there are substantial civil and criminal sanctions for unauthorized duplication and exhibition. The content of our newspapers and websites is similarly protected by copyright. We own copyright in each of our publications as a whole, and in all individual content items created by our employees in the course of their employment, subject to very limited exceptions. We have entered into licensing agreements with wire services, freelancers and other content suppliers on terms that we believe are sufficient to meet the needs of our publishing operations. We believe we have taken appropriate and reasonable measures to secure, protect and maintain our rights or obtain agreements from licensees to secure, protect and maintain copyright protection of content produced or distributed by us.

We have registered a number of domain names under which we operate websites associated with our television, publishing and Internet operations. As every Internet domain name is unique, our domain names cannot be registered by other entities as long as our registrations are valid.

Insurance

Quebecor Media is exposed to a variety of operational risks in the normal course of business. A portion of the risk associated with assets and responsibilities is transferred to third parties by way of insurance agreements and other risks are mitigated through contractual agreements with clients and suppliers. Quebecor Media believes that it has a combination of third-party insurance and self-insurance sufficient to provide adequate protection against unexpected losses, while minimizing costs.

Environment

Some of our operations are subject to Canadian, provincial and municipal laws and regulations concerning, among other things, emissions to the air, water and sewer discharge, handling and disposal of hazardous materials, the recycling of waste, the soil remediation of contaminated sites, or otherwise relating to the protection of the environment. 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 our operations.

Compliance with these laws has not had, and management does not expect it to have, a material effect upon our capital expenditures, net income or competitive position. Environmental laws and regulations and the interpretation of such laws and regulations, however, have changed rapidly in recent years and may continue to do so in the future. We have monitored the changes closely and have modified our practices where necessary or appropriate.

Our past and current 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 our properties and require further study or remedial measures. As part of our film production and audiovisual

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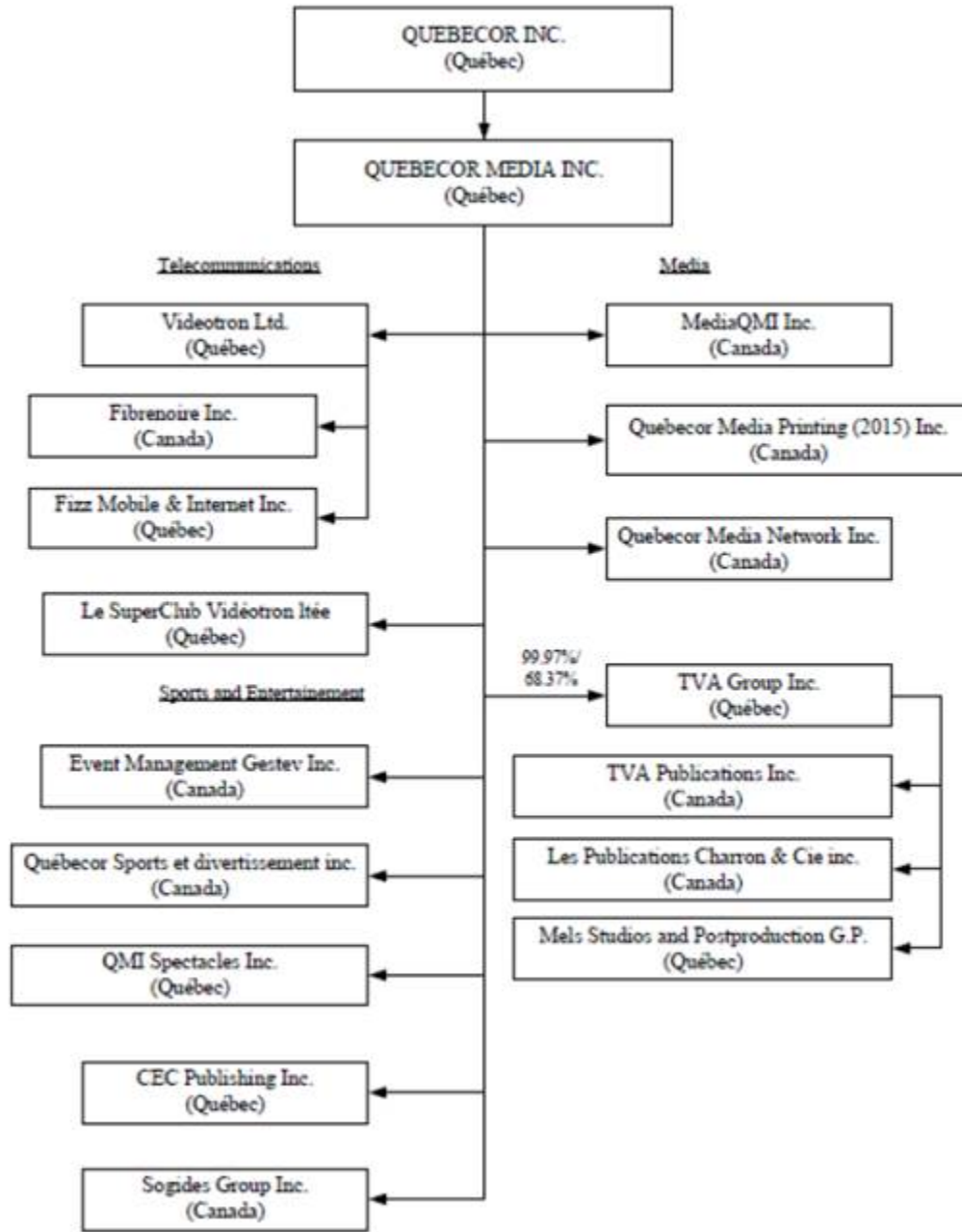
services business, we own certain studios and vacant lots, some of which are located on a former landfill, which produces landfill gas. Where applicable, the landfill gas is managed in accordance with provincial regulations

We are not currently conducting or planning any material study or remedial measure. Furthermore, we cannot provide assurance that all environmental liabilities have been determined, that any prior owner of our properties did not create a material environmental condition not known to us, that a material environmental condition does not otherwise exist as to any such property, or that expenditure will not be required to deal with known or unknown contamination.

We are currently working on preventive measures regarding the potential effects of climate change which, through an increase in extreme weather events, may have an effect on our operations, notably by damaging our infrastructure and increasing the stress on our telecommunications network. In doing so, we are aiming at increasing the resiliency of our network, notably with network redundancies and by collaborating with ISED, which has identified telecommunications as an essential infrastructure.

C - Organizational Structure

The following chart illustrates the relationship among Quebecor Media and its significant operating subsidiaries and holdings as of March 21, 2019 and indicates the jurisdiction of incorporation of each entity. In each case, unless otherwise indicated, Quebecor Media owns a 100% equity and voting interest in its subsidiaries (where applicable, the number on the top indicates the percentage of voting rights held by Quebecor Media and the number on the bottom indicates the percentage of equity owned directly and indirectly by Quebecor Media).



Quebecor, a communications holding company, owns 100% of Quebecor Media. Quebecor’s primary asset is its interest in Quebecor Media.

D - Property, Plants and Equipment

Our corporate offices are located in leased space at 612 St-Jacques Street, Montréal, Québec, Canada H3C 4M8.

Telecommunications

Videotron’s corporate offices are located in leased space at 612 St-Jacques Street, Montréal, Québec, Canada H3C 4M8, (187,592 square feet) in the same building as Quebecor Media’s head office.

Videotron also owns or leases several buildings in Montréal and in Québec City, as indicated in the following table which presents, for each building, the address, the leased or owned status of the property, the primary use of the

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main facilities and the approximate square footage. In addition to the buildings indicated in the following table, Videotron owns or leases a significant number of smaller locations for signal reception sites, customer service and business offices.

Address	Owned/Leased Property	Use of Property	Floor Space Occupied (approximate sq. ft.)
Montréal, Québec 2155 Pie IX Street	Owned property	Office and Technical spaces, Headend	128,000
Montréal, Québec 150 Beaubien Street	Owned property	Office and Technical spaces, Headend	72,000
Montréal, Québec 4545 Frontenac Street	Leased property	Office space, Warehouse, Headend	100,700
Montréal, Québec 800 de la Gauchetière Street	Leased property	Office space	52,000
Montréal, Québec 888 De Maisonneuve Street	Leased property	Office space	49,000
Québec City, Québec 2200 Jean-Perrin Street	Owned property	Regional Headend for the Québec City region and Office space	40,000

Media

Newspaper and Commercial Printing Operations

The following table presents the addresses, the square footage and primary use of the main facilities and other buildings of our newspaper and commercial printing operations. No other single property currently used in our newspaper and commercial printing operations exceeds 50,000 square feet. Unless stated otherwise, we own all of the properties listed below.

Address	Use of Property	Floor Space Occupied (sq. ft.)
Mirabel, Québec 12800 Brault Street	Operations building, including printing plant — <i>Le Journal de Montréal 24 Heures</i> (Montréal)	233,000
Montréal, Québec 4545 Frontenac Street	Operations building — <i>Le Journal de Montréal</i>	138,700
Vanier, Québec 450 Becharde Avenue	Operations building, including printing plant — <i>Le Journal de Québec</i>	56,900

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Broadcasting Operations

The following table presents the addresses, the square footage and primary use of the main facilities and other buildings of our television broadcasting operations. No other single property currently used in our television broadcasting operations exceeds 50,000 square feet. Unless stated otherwise, we own all of the properties listed below.

<u>Address</u>	<u>Use of Property</u>	<u>Floor Space Occupied (sq. ft.)</u>
Montréal, Québec 1600 De Maisonneuve Boulevard East ⁽¹⁾	Television Broadcasting	650,000

(1) Our television broadcasting operations are mainly carried out in Montréal at 1600 De Maisonneuve Boulevard East in a complex of four buildings owned by us which represent a total of approximately 650,000 square feet. We also own buildings in Chicoutimi, Trois-Rivières, Rimouski, and Sherbrooke for local broadcasting.

Film Production & Audiovisual Operations

The following table presents the addresses, the square footage and primary use of the main facilities and other buildings of our film production and audiovisual services business operations. No other single property currently used in our film production and audiovisual services business operations exceeds 50,000 square feet. Unless stated otherwise, we own all of the properties listed below.

<u>Address</u>	<u>Use of Property</u>	<u>Floor Space Occupied (sq. ft.)</u>
Montréal, Québec 2170, Pierre-Dupuy Avenue and 1701-1777, Carrie-Derick Street	Production studio, office and technical spaces	378,600
St-Hubert, Québec 4801, Leckie Street	Production studio, office and technical spaces	114,000

Sports and Entertainment

We generally lease space for the business offices and warehousing activities for the operation of our Sports and Entertainment segment.

Liens and charges

Borrowings under our senior secured credit facilities and under eligible derivative instruments are secured by a first-ranking hypothec and security agreement (subject to certain permitted encumbrances) on all of our movable property (chattels). Our subsidiaries' secured credit facilities are generally secured by first-ranking charges over all of their respective assets (subject to certain permitted encumbrances). TVA Group's credit facilities are secured by charges on its movable property and an immovable hypothec on its properties located at 1600 de Maisonneuve Boulevard East, 1405, 1425 and 1475 Alexandre-De-Sève Street, 1420 and 1470 de Champlain Street, and 1500 Papineau Avenue, Montréal, Québec.

E- Regulation

Ownership and Control of Canadian Broadcast Undertakings

The Canadian Government has directed the CRTC not to issue, amend or renew a broadcasting license to an applicant that is a non-Canadian. Canadian, a defined term in the Direction to the CRTC (Ineligibility of Non-Canadians)

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(the “**Direction to CRTC**”), means, among other things, a citizen or a permanent resident of Canada or a qualified corporation. A qualified corporation is one incorporated or continued in Canada, of which the chief executive officer and not less than 80% of the directors are Canadian, and not less than 80% of the issued and outstanding voting shares and not less than 80% of the votes are beneficially owned and controlled, directly or indirectly, by Canadians. In addition to the above requirements, Canadians must beneficially own and control, directly or indirectly, not less than 66.6% of the issued and outstanding voting shares and not less than 66.6% of the votes of the parent corporation that controls the subsidiary, and neither the parent corporation nor its directors may exercise control or influence over any programming decisions of the subsidiary if Canadians beneficially own and control less than 80% of the issued and outstanding shares and votes of the parent corporation, if the chief executive officer of the parent corporation is a non-Canadian or if less than 80% of the parent corporation’s directors are Canadian. There are no specific restrictions on the number of non-voting shares which may be owned by non-Canadians. Finally, an applicant seeking to acquire, amend or renew a broadcasting license must not otherwise be controlled in fact by non-Canadians, a question of fact which may be determined by the CRTC in its discretion. Control is defined broadly to mean control in any manner that results in control in fact, whether directly through the ownership of securities or indirectly through a trust, agreement or arrangement, the ownership of a corporation or otherwise. Videotron and TVA Group are qualified Canadian corporations.

Regulations made under the Broadcasting Act require the prior approval of the CRTC for any transaction that directly or indirectly results in a change in effective control of the licensee of a broadcasting distribution undertaking (“**BDUs**”) or a television programming undertaking (such as a conventional television station, network or pay or specialty undertaking service), or the acquisition of a voting interest above certain specified thresholds.

Diversity of Voices

The CRTC’s Broadcasting Public Notice CRTC 2008-4, entitled “Diversity of Voices,” sets forth the CRTC’s policies with respect to cross-media ownership; the common ownership of television services, including pay and specialty services; the common ownership of BDUs; and the common ownership of over-the-air television and radio undertakings. Pursuant to these policies, the CRTC will generally permit ownership by one person of no more than one conventional television station in one language in a given market. The CRTC, as a general rule, will not approve applications for a change in the effective control of broadcasting undertakings that would result in the ownership or control, by one person, of a local radio station, a local television station and a local newspaper serving the same market. The CRTC, as a general rule, will not approve applications for a change in effective control that would result in the control, by one person, of a dominant position in the delivery of television services to Canadians that would impact on the diversity of programming available to television audiences. In terms of BDUs, the CRTC, as a general rule, will not approve applications for a change in the effective control of BDUs in a market that would result in one person being in a position to effectively control the delivery of programming services in that market. The CRTC is not prepared to allow one person to control all BDUs in any given market.

Jurisdiction Over Canadian Broadcast Undertakings

Videotron’s cable distribution undertakings and TVA Group’s broadcasting activities are subject to the Broadcasting Act and regulations made under the Broadcasting Act that empower the CRTC, subject to directions from the Governor in Council, to regulate and supervise all aspects of the Canadian broadcasting system in order to implement the policy set out in the Broadcasting Act. Certain of Videotron’s and TVA Group’s undertakings are also subject to the Radiocommunication Act, which empowers ISED to establish and administer the technical standards that networks and transmitters must comply with, namely, maintaining the technical quality of signals.

The CRTC has, among other things, the power under the Broadcasting Act and regulations promulgated thereunder to issue, subject to appropriate conditions, amend, renew, suspend and revoke broadcasting licenses, approve certain changes in corporate ownership and control, and establish and oversee compliance with regulations and policies concerning broadcasting, including various programming and distribution requirements, subject to certain directions from the Federal Cabinet.

Broadcasting License Fees

Programming and BDU licensees are subject to annual license fees payable to the CRTC. The license fees consist of two separate fees. One fee allocates the CRTC’s regulatory costs for the year to licensees based on a licensee’s

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proportion of the gross revenue derived during the year from the licensed activities of all licensees whose gross revenues exceed specific exemption levels (Part I fee). The other fee, also called the Part II license fee, is to be paid on a pro rata basis by all broadcasting undertakings with licensed activity that exceeds \$1,500,000. The total annual amount to be assessed by the CRTC is the lower of: (i) \$100,000,000, and (ii) 1.365% multiplied by the aggregate fee revenues for the return year terminating during the previous calendar year of all licensees whose fee revenues exceed the applicable exemption levels, less the aggregate exemption level for all those licensees for that return year.

Canadian Broadcasting Distribution (Cable Television)

Licensing of Canadian Broadcasting Distribution Undertakings

A cable distribution undertaking, such as Videotron, distributes broadcasting services to customers predominantly over closed transmission paths. A license to operate a cable distribution undertaking gives the cable television operator the right to distribute television programming services in its licensed service area. Broadcasting licenses may be issued for periods not exceeding seven years and are usually renewed, except in particular circumstances or in cases of a serious breach of the conditions attached to the license or the regulations of the CRTC. The CRTC is required to hold a public hearing in connection with the issuance, suspension or revocation of a license.

Videotron operates 53 cable systems pursuant either to the issuance of a license or of an order that exempts certain network operations from the obligation to hold a license. Cable systems with 20,000 customers or fewer and operating their own local headend are exempted from the obligation to hold a license pursuant to exemption orders issued by the CRTC on February 15, 2010 (Broadcasting Order CRTC 2009-544). These cable systems are required to comply with a number of programming carriage requirements set out in the exemption order and comply with the Canadian ownership and control requirements in the Direction to the CRTC. Videotron remains with only 8 cable distribution licenses.

In order to conduct our business, we must maintain our broadcasting distribution undertaking licenses in good standing. Failure to meet the terms of our licenses may result in their short-term renewal, suspension, revocation or non-renewal. We have never failed to obtain a license renewal for any cable system.

Distribution of Canadian Content

The *Broadcasting Distribution Regulations* issued by the CRTC pursuant to the Broadcasting Act mandate the types of Canadian and non-Canadian programming services that may be distributed by BDUs, including cable television systems. For example, local television stations are subject to “must carry” rules which require terrestrial distributors, such as cable operators, to carry these signals and, in some instances, those of regional television stations as part of their basic service. The guaranteed carriage enjoyed by local television broadcasters under the “must carry” rules is designed to ensure that the signals of local broadcasters reach cable households. Furthermore, cable operators and DTH operators must offer their customers more Canadian programming than non-Canadian programming services. In summary, each cable television system is required to distribute all of the Canadian programming services that the CRTC has determined are appropriate for the market it serves, which includes local Canadian stations, services designated by the CRTC under section 9(1)(h) of the Broadcasting Act for mandatory distribution on the basic service, educational services and, if offered, the community channel, and the provincial legislature.

Broadcasting Distribution Regulations

The Broadcasting Distribution Regulations promote competition among BDUs and the development of new technologies for the distribution of such services while ensuring that quality Canadian programs are broadcast. The Broadcasting Distribution Regulations introduced important new rules, including the following:

- *Competition and Carriage Rules.* The Broadcasting Distribution Regulations provide equitable opportunities for all distributors of broadcasting services and prohibit a distributor from giving an undue preference to any person, including itself, or subjecting any person to an undue disadvantage. This gives the CRTC the ability to address complaints of anti-competitive behaviour on the part of certain distributors. Signal carriage and substitution requirements are imposed on all cable television systems.

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- *Contribution to local expression, Canadian programming and community television.* All distributors, except systems with fewer than 2,000 customers, are required to contribute at least 5% of their gross annual broadcast revenues to the creation and presentation of Canadian programming including community programming.
- *Inside Wiring Rules.* The CRTC determined that the inside wiring portion of cable networks creates a bottleneck facility that could affect competition if open access is not provided to other distributors. Incumbent cable companies may retain the ownership of the inside wiring but must allow usage by competitive undertakings to which the cable company may charge a just and reasonable fee for the use of the inside wire. Moreover, the CRTC found that it was appropriate to amend the Broadcasting Distribution Regulations to permit access by subscribers and competing BDUs to inside wire in commercial and institutional properties. Therefore, the CRTC directed all licensees to negotiate appropriate terms and conditions, including a just and reasonable rate, for the use by competitors of the inside wire such licensees own in commercial and institutional properties.

Rates

Our revenue related to cable television is derived mainly from (a) monthly subscription fees for basic cable service; (b) fees for premium services such as specialty services, pay-television, pay-per-view television and VOD; and (c) installation and additional outlets charges.

Pursuant to Broadcasting Regulatory Policy CRTC 2015-96, as of March 1, 2016, the CRTC regulates the fees charged by cable or non-cable BDUs for the basic service. The price of the entry-level basic service offering will be limited to \$25 or less per month.

Vertical Integration

In September 2011, the CRTC released Broadcasting Regulatory Policy CRTC 2011-601 (the “**Policy**”) setting out its decisions on the regulatory framework for vertical integration. Vertical integration refers to the ownership or control by one entity of both programming services, such as conventional television stations or pay and specialty services, as well as distribution services, such as cable systems or DTH satellite services. The Policy: (i) prohibits companies from offering television programs on an exclusive basis to their mobile or Internet subscribers in a manner that they are dependent on the subscription to a specific mobile or retail Internet access service. Any program broadcast on television, including hockey games and other live events, must be made available to competitors under fair and reasonable terms; (ii) allows companies to offer exclusive programming to their Internet or mobile customers provided that it is produced specifically for an Internet portal or a mobile device; and (iii) adopts a code of conduct to prevent anti-competitive behaviour and ensure all distributors, broadcasters and online programming services negotiate in good faith. In Broadcasting Regulatory Policy CRTC 2015-438, the code of conduct was replaced by the Wholesale Code.

Hybrid VOD License

In Broadcasting Regulatory Policy CRTC 2015-86 issued on March 12, 2015, the CRTC considered appropriate to authorize a third category of VOD services based on a hybrid regulatory approach. In Broadcasting Order CRTC 2015-356, the CRTC has authorized these hybrid services to operate with the same flexibility as those services operating under the Digital Media Exemption Order (DMEO), provided that the service is delivered and accessed over the Internet without authentication to a BDU or mobile subscription. Club illico qualifies as a hybrid VOD service.

The hybrid VOD services benefit from the following incentives:

- the ability to offer exclusive programming in the same manner as services operating under the DMEO; and
- the ability to offer their service on a closed BDU network in the same manner as traditional VOD services without the regulatory requirements relating to financial contributions to and shelf space for Canadian programming that would normally be imposed on those traditional VOD services.

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New Media Broadcasting Undertakings

Since 2009, the description of a “new media broadcasting undertaking” encompasses all Internet-based and mobile point-to-point broadcasting services, (Broadcasting Order CRTC 2009-660). In 2012, the Supreme Court of Canada upheld the Federal Court of Appeal’s decision to the effect that Internet access providers play a “content-neutral role” in the transmission of data and do not carry on broadcasting activities.

On July 26, 2012, the CRTC amended the Exemption Order for digital media broadcasting undertakings, Broadcasting Order CRTC 2012-409. These amendments implement determinations made by the CRTC in regulatory framework relating to vertical integration (Broadcasting Regulatory Policy CRTC 2011-601). As such, the CRTC implemented the following:

- A “no head start” rule, where the CRTC expects that digital media broadcasting undertakings that intend to provide exclusive access to television programming in a manner that restricts access based on a consumer’s specific mobile or retail Internet access service will provide other digital media broadcasting undertakings with appropriate notice in order to allow these undertakings to exercise their options;
- A provision to preclude undertakings operating under that exemption order from providing exclusive access to programming designed primarily for conventional television, specialty, pay or VOD services in situations where such access to the programming was restricted on the basis of a consumer’s specific mobile or retail Internet access service;
- A standstill rule whereby an undertaking that was in a dispute with another undertaking concerning the terms of carriage of programming or any right or obligation under the Broadcasting Act would be required to continue providing or distributing the service that was subject to the dispute on the same terms and conditions that prevailed before the dispute; and
- A dispute resolution mechanism.

Copyrights Royalties Payment Obligations

Some of our affiliates, including Videotron and TVA Group, have an obligation to pay copyright royalties set by Tariffs of the Copyright Board of Canada (the “**Copyright Board**”). The Copyright Board establishes the royalties to be paid for the use of certain copyright tariff royalties that Canadian broadcasting undertakings, including cable, television and specialty services, pay to copyright societies (being the organization that administers the rights of several copyright owner). Tariffs certified by the Copyright Board are generally applicable until a public process is held and a decision of the Copyright Board is rendered for a renewed tariff. Renewed tariffs are often applicable retroactively.

The *Copyright Act* (Canada) (the “**Copyright Act**”) provides for the payment of various royalties, including in respect of the communication to the public of musical works (either through traditional cable services or over the Internet), the retransmission of distant television and radio signals. Distant signal is defined for that purpose in regulations adopted under the authority of the Copyright Act.

The Government of Canada may from time to time make amendments to the Copyright Act to implement Canada’s international treaty obligations and for other purposes. Any such amendments could result in our broadcasting undertakings being required to pay additional tariff royalties.

ISP Liability

In 1996, SOCAN proposed a tariff to be applied against ISPs, in respect of composers’/publishers’ rights in musical works communicated over the Internet to ISPs’ customers. SOCAN’s proposed tariff was challenged by a number of industry groups and companies. In 1999, the Copyright Board decided that ISPs should not be liable for the communication of musical works by their customers, although they might be liable if they themselves operated a musical website. In June 2004, the Supreme Court of Canada upheld this portion of the decision of the Copyright Board and determined that ISPs do not incur liability for copyright content when they engage in normal intermediary activities,

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including web hosting for third parties and caching. As a consequence, ISPs may, however, be found liable if their conduct leads to the inference that they have authorized a copyright violation. At the end of 2012, amendments to the Copyright Act received royal assent. These amendments clarify ISPs' liability with respect to acts other than communication to the public by telecommunication, such as reproductions, implements "safe harbours" for the benefit of ISPs, and further put in place a "notice and notice" process to be followed by ISPs, meaning that copyright infringement notices must now be sent to the Internet end-users by ISPs.

Canadian Broadcast Programming (Off the Air Stations and Specialty Services)

Programming of Canadian Content

CRTC regulations require licensees of television stations to maintain a specified percentage of Canadian content in their programming. In Broadcasting Regulatory Policy CRTC 2015-86, issued on March 12, 2015, the CRTC decided that a private television station is required to devote not less than 50% of the evening broadcast period (6:00 p.m. to midnight) to the broadcast of Canadian programs. Pay and specialty services have to devote 35% of the day to the broadcast of Canadian programming.

In the same Policy, the CRTC eliminated immediately the genre exclusivity policy and related protections for all English- and French-language discretionary services including Canadian VOD services. As an exception to the general rule of elimination of genre protections, the CRTC has retained the conditions of license relating to the nature of service for those services that benefit from a mandatory distribution, for national news services and for sports services.

TVA Group's Conditions of License

In Broadcasting Decision CRTC 2017-147, TVA Group obtained a Group-based licence renewals for its French-language television stations and services. TVA Group is subject to certain conditions of licence that applies to the following stations and services: the TVA network, CFTM-DT Montréal, CFCM-DT Québec, CFER-DT Rimouski, CHEM-DT Trois-Rivières, CHLT-DT Sherbrooke, CJPM-DT Saguenay, AddikTV, Moi&cie, Yoopa, Casa and Prise 2 (collectively, "**the Group**"), among others:

- The Group shall, in each broadcast year, devote at least 45% of the previous year's gross revenues of the undertaking to the acquisition of or investment in Canadian programming;
- The Group shall, in each broadcast year, devote at least 15% of the previous year's gross revenues of the undertaking to the acquisition of or investment in programs of national interest. At least 75% of these expenditures must be made to an independent production company;
- TVA network shall broadcast at least six (6) special events per broadcast year reflecting the life of Francophones outside of the Province of Québec;
- TVA network shall broadcast a weekly 30-minute program on the life of Francophones outside of the Province of Québec;
- CFTM-DT Montréal shall broadcast at least 25 hours of local programming in each broadcast week and shall broadcast at least 6 hours of locally reflective news in each broadcast week;
- CFCM-DT Québec shall broadcast at least 18 hours of local programming in each broadcast week, of which at least 5 hours and 30 minutes shall be local news produced in Québec City, including two local newscast on the weekends, at least 3 hours and 30 minutes shall be other programs that focus specifically on the Québec region that may be broadcast on the TVA network and at least 3 hours and 30 minutes shall be locally reflective news in each broadcasting week; and

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- CFER-DT Rimouski, CHEM-DT Trois-Rivières, CHLT-DT Sherbrooke and CJPM-DT Saguenay shall broadcast at least 5 hours of local programming in each broadcast week of which at least 2 hours and 30 minutes of locally reflective news in each broadcast week.

In Broadcasting Notice of Consultation CRTC 2017-428, the CRTC issued a notice regarding the reconsideration of the decisions relating to the licence renewals for the television services of large French-language private ownership groups, including TVA Group. As directed by the Governor General in Council, as part of this process, the CRTC must consider how it can be ensured that significant contributions are made to the creation and presentation of original French-language programming and music programming. In Broadcasting Decision CRTC 2018-334, the CRTC decided that *each group will be required to devote at least 75% of its Canadian programming expenditures* (“CPE”) to original French-language programs in each broadcast year over their respective licence terms. However, given that groups will only have a short time to adjust their programming to meet the new requirements, the Commission imposed an expenditure level equal to 50% of their CPE for the broadcast year beginning September 1, 2018 and ending August 31, 2019. As for music programming, the groups will be required to direct 0.17% of their services’ previous broadcast year’s gross revenues to MUSICACTION. This amount may be counted towards meeting their CPE, which include expenditure and programs of national interest. This expenditure requirement will be temporary. The amended conditions of licence took effect on September 1, 2018, the beginning of the second year of the licence term for the groups’ affected services, and will apply until August 31, 2022, the end of the licence term.

Review of the television and distribution regulatory framework

Many decisions were published in 2015 pursuant to an initiative launched by the CRTC, “Let’s Talk TV: A Conversation with Canadians”, to discuss the future of the television system in Canada. The CRTC has decided, amongst others, to lower exhibition requirements for private television stations and specialty services as of September 2017, to abolish immediately genre exclusivity for specialty services, to create hybrid video on demand licences, to mandate BDUs to offer a reduced basic service at \$25 as of March 1, 2016 and to offer all specialty services “à la carte”, as of December 1, 2016.

New Policy framework for local and community television

On June 15, 2016 the CRTC has published a new Policy framework for local and community television. This policy sets out regulatory measures to ensure that Canadians continue to have access to local programming that reflects their needs and interests. This includes the broadcast of high-quality local news as well as the broadcast of community programming through which Canadians can express themselves. To help ensure that local television stations have the financial resources to continue providing high-quality local news and information and that there is no erosion of local news in the various markets, the CRTC rebalanced the resources already present in the broadcasting system by taking the following steps:

- BDUs will be allowed to devote part of their local expression contribution to the production of local news on local television stations;
- DTH BDUs will be allowed to devote part of their contribution to Canadian programming to the production of local news on local television stations; and
- financial support will be available to independent local television stations (i.e. stations that are not part of large vertically integrated groups) through the creation of the Independent Local News Fund, which will replace the Small Market Local Production Fund. All licensed BDUs will be required to contribute to the new fund.

On January 7, 2016, the CRTC announced a new Television Service Provider Code (the “**Code**”), a mandatory code of conduct for television service providers (“**TVSPs**”). The Code makes it easier for Canadians to understand their television service agreements and empowers customers in their relationships with TVSPs. Among other things, the Code requires TVSPs to ensure that their written agreements with and offers to customers are clear. It also sets out new rules for trial periods for persons with disabilities and makes changes to programming options, service calls, service outages and disconnections. The Code came into effect on 1 September 2017. All licensed TVSPs, as well as those exempted from licensing and that are affiliated with or controlled by a licensed TVSP, are required to adhere to the Code.

Canadian Telecommunications Services

Jurisdiction

The provision of telecommunications services in Canada is regulated by the CRTC pursuant to the Telecommunications Act. The Telecommunications Act provides for the regulation of facilities-based telecommunications common carriers under federal jurisdiction. With certain exceptions, companies that own or operate transmission facilities in Canada that are used to offer telecommunications services to the public for compensation are deemed “telecommunications common carriers” under the Telecommunications Act administered by the CRTC and are subject to regulation. Cable operators offering telecommunications services are deemed “Broadcast Carriers.”

In the Canadian telecommunications market, Videotron operates as a CLEC and a Broadcast Carrier. Videotron also operates its own 4G mobile wireless network and offers services over this network as a Wireless Service Provider (“WSP”).

The issuance of licenses for the use of radiofrequency spectrum in Canada is administered by ISED under the Radiocommunication Act. Use of spectrum is governed by conditions of license which address such matters as license term, transferability and divisibility, technical compliance, lawful interception, research and development requirements, and requirements related to antenna site sharing and mandatory roaming.

Our AWS-1 licenses were issued on December 23, 2008, for a term of 10 years. On February 15, 2018, ISED issued its decision related to the terms of renewal of AWS-1 licences. Pursuant to this decision, all our licences were renewed on December 23, 2018 for a new 20-year term. The terms of renewal include, among other things, enhanced geographic coverage requirements. A separate public consultation process is expected to be initiated shortly regarding the licence fees to be paid during the renewal term.

Our 700 MHz licenses were issued on April 3, 2014, for a term of 20 years. At the end of this term, we will have a high expectation that new licenses will be issued for a subsequent term through a renewal process unless a breach of license condition has occurred, a fundamental reallocation of spectrum to a new service is required, or an overriding policy need arises. The process for issuing licenses after this term and any issues relating to renewal, including the terms and conditions of the new licenses, will be determined by ISED following a public consultation.

Our AWS-3 licenses were issued on April 21, 2015, for a term of 20 years. License renewal at the end of this term will be governed by conditions identical to those just described for our 700 MHz licenses.

Our 2500 MHz licences were issued on June 24, 2015, for a term of 20 years. License renewal at the end of this term will be governed by conditions identical to those just described for our 700 MHz and AWS-3 licenses.

On March 28, 2018, ISED issued its technical, policy and licensing framework for spectrum in the 600 MHz band. Among other things, ISED decided to set aside 30 MHz of the total 70 MHz available in each service area of Canada for bidders registered with the CRTC as facilities-based providers, that are not national incumbent service providers, and that are actively providing commercial telecommunications services to the general public in the relevant service area of interest. Videotron is a qualified applicant to participate in the auction. The auction began on March 12, 2019.

Application of Canadian Telecommunications Regulation

In a series of decisions, the CRTC has determined that the carriage of “non-programming” services by a cable company results in that company being regulated as a carrier under the Telecommunications Act. This applies to a company serving its own customers, or allowing a third party to use its distribution network to provide non-programming services to customers, such as providing access to cable Internet services.

In addition, the CRTC regulates the provision of telephony services in Canada.

Elements of the CRTC’s local telecommunications regulatory framework to which Videotron is subject include: interconnection standards and inter-carrier compensation arrangements; the mandatory provision of equal access (*i.e.* customer choice of long distance provider); standards for the provision of 911 service, message relay service and certain

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privacy features; the obligation not to prevent other local exchange carriers from accessing end-users on a timely basis under reasonable terms and conditions in multi dwelling units where Videotron provides service; and the payment of contribution on VoIP revenues for the purposes of the revenue-based contribution regime established by the CRTC to subsidize residential telephone services in rural and remote parts of Canada.

As a CLEC, Videotron is not subject to retail price regulation. ILECs remain subject to retail price regulation in those geographic areas where facilities-based competition is insufficient to protect the interests of consumers. Videotron's ILEC competitors have requested and been granted forbearance from regulation of local exchange services in the vast majority of residential markets in which Videotron competes, as well as in a large number of business markets, including all of the largest metropolitan markets in the Province of Québec.

In a decision issued on December 21, 2016, the CRTC established a new universal service objective under which all Canadians, in urban areas as well as rural and remote areas, are to have access to voice services and broadband Internet access services, on both fixed and mobile wireless networks. To help achieve this universal service objective, the CRTC has begun to shift the focus of its regulatory frameworks from wireline voice services to broadband Internet access services. Most notably, in a decision issued on June 26, 2018, the CRTC confirmed that it will phase out over a period of three years ending December 31, 2021 the existing revenue-based contribution regime that subsidizes local telephone service and replace it with a new regime that will subsidize broadband Internet access services in underserved areas. The new regime will ultimately distribute funds of approximately \$200 million per year, compared to approximately \$100 million per year under the existing regime. The contribution base for the new regime will also be broader than that of the existing regime, and will include retail Internet revenues for the first time. As a result of these changes, Videotron will incur increased revenue-based contribution payments in future years. Videotron will also be eligible to apply for subsidies to help finance broadband Internet expansion projects in underserved areas.

Right to Access to Telecommunications and Support Structures

The CRTC has concluded that some provisions of the Telecommunications Act may be characterized as encouraging joint use of existing support structures of telephone utilities to facilitate efficient deployment of cable distribution undertakings by Canadian carriers. We access these support structures in exchange for a tariff that is regulated by the CRTC. If it were not possible to agree on the use or conditions of access with a support structure owner, we could apply to the CRTC for a right of access to a supporting structure of a telephone utility. The Supreme Court of Canada, however, held on May 16, 2003, that the CRTC does not have jurisdiction under the Telecommunications Act to establish the terms and conditions of access to the support structures of hydro-electricity utilities. Terms of access to the support structures of hydro-electricity utilities must therefore be negotiated with those utilities.

Videotron has entered into comprehensive support structure access agreements with all of the major hydro-electric companies and all of the major telecommunications companies in its service territory.

Right to Access to Municipal Rights-of-Way

Pursuant to sections 42, 43 and 44 of the Telecommunications Act, the CRTC possesses certain construction and expropriation powers related to the installation, operation and maintenance of telecommunication facilities. In the past, most notably in Telecom Decision CRTC 2001-23, the CRTC has used these powers to grant Canadian carriers access to municipal rights-of-way under terms and conditions set out in a municipal access agreement.

Videotron has outstanding disputes with several Québec municipalities related to the use of municipal rights-of-way. Two of these disputes have been referred to the CRTC for resolution and the records of these proceedings are now closed. The outcome of these proceedings could have a material impact on Videotron's costs for municipal access for its wireline facilities.

Regulatory Framework for Internet Services

In Canada, access to the Internet is a telecommunications service and is regulated under the Telecommunications Act. On July 9, 1998, the CRTC released a decision forbearing from the exercise of most of its powers under the Telecommunications Act as they relate to retail level Internet services. However, the CRTC did maintain its ability to require conditions governing customer confidential information and to place other general conditions on the provision of

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Internet service. In addition, the Commission undertook to approve the rates and terms on which incumbent cable and telephone companies provide access to their telecommunications facilities with respect to competitive providers of retail level Internet services.

Internet access services are not regulated on a retail (price and terms of service) basis. However, since 1998, the CRTC has exercised its power to place general conditions on the provision of Internet services, for example, to establish a framework governing the traffic management practices that may be employed by an Internet service provider.

On November 9, 2018, the CRTC initiated a public proceeding with a view to establishing a mandatory Internet Code to address consumer contracts and related issues — including contract clarity, bill shock and barriers to switching service providers — for retail fixed Internet access services provided to individuals and small businesses by large facilities-based Internet service providers. Interventions in this proceeding were filed on December 19, 2018 and the close of the record is scheduled for April 8, 2019. A CRTC decision approving the Internet Code will then follow in due course. Any new requirements or restrictions contained in the Internet Code will impact Videotron’s flexibility in the design and marketing of its Internet services.

The largest cable operators in Canada, including Videotron, have been required by the CRTC to provide third-party ISPs with access to their cable systems at mandated cost-based rates. At the same time we offer any new retail Internet service speed, we are required to file proposed revisions to our third party Internet access (or “**TPIA**”) tariff to include this new speed offering. TPIA tariff items have been filed and approved for all Videotron Internet service speeds. Several third party ISPs are interconnected to our cable network and are thereby providing retail Internet access services.

The CRTC also requires the large cable carriers, such as us, to allow third party ISPs to provide telephony and networking (LAS/VPN) applications services in addition to retail Internet access services.

In a series of decisions since 2015, the CRTC has reemphasized the importance it accords to mandated wholesale access arrangements as a driver of competition in the retail Internet access market. Most significantly, 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 disaggregated services involve third-party ISPs provisioning their own regional transport services. They also include mandated access to high-speed services provided over fibre-access facilities, including the fibre-access facilities of the large incumbent telephone companies. A tariff proceeding is under way to set the rates for these new disaggregated wholesale services.

In parallel, on October 6, 2016, the CRTC ordered a significant interim reduction to the aggregated wholesale high-speed access service tariffs of the large cable carriers and telephone companies, pending approval of revised final rates. The interim rate reduction took effect immediately. A tariff proceeding is ongoing to determine the revised final aggregated service rates. As part of this proceeding, the CRTC will assess the extent to which, if at all, retroactivity will apply to these revised final rates.

Rulings in the two abovementioned tariff proceedings are expected in the first half of 2019. As a result of these rulings, we may experience increased competition for retail cable Internet and telephony customers. In addition, because our third-party Internet access rates are regulated by the CRTC, we could be limited in our ability to recover our costs associated with providing wholesale access.

On May 10, 2018, the federal Competition Bureau launched a market study to examine the broadband competitive landscape and consumer habits in purchasing Internet services. The purpose of the study is to better understand current market outcomes and the competitive dynamics of Canadian broadband markets more generally. Among other things, the Bureau is examining whether resellers are fulfilling their role in placing increased competitive discipline on traditional telephone and cable companies. Written interventions to the Bureau were filed on August 31, 2018 and an update to the study was published on October 16, 2018. The Bureau is soliciting further inputs from intervenors, after which it intends to publish a draft report, hold further public consultations, then publish a final report in Spring 2019. The results of the study are expected to inform future interventions by the Bureau in CRTC proceedings dealing with the retail and wholesale Internet service markets.

Regulatory Framework for Mobile Wireless Services

The CRTC also regulates mobile wireless services under the Telecommunications Act. On August 12, 1994, the CRTC released a decision forbearing from the exercise of most of its powers under the Telecommunications Act as they relate to mobile wireless service. However, the CRTC did maintain its ability to require conditions governing customer confidential information and to place other general conditions on the provision of mobile wireless service. Since 1994, the CRTC has exercised this power, for example, to mandate wireless number portability, and to require all WSPs to upgrade their networks to more precisely determine the location of a person using a mobile phone to call 911.

The Wireless Code was published on June 3, 2013 and came into force on December 2, 2013. It includes, among other things, a limit on early cancellation fees to ensure customers can take advantage of competitive offers at least every two years, as well as measures requiring service providers to unlock wireless devices, to offer a trial period for wireless contracts, and to set default caps on data overage charges and data roaming charges. On June 15, 2017, the CRTC published a series of revisions to the Wireless Code. These revisions include, among other things, new rules ensuring customers will be provided with unlocked devices, giving families more control over data overages, setting minimum usage limits for the trial period and clarifying that data is a key contract term that cannot be changed during the commitment period without the customer's consent. Videotron has complied with these revisions as required by the December 1, 2017 deadline.

On July 31, 2014, after an investigation that confirmed instances of unjust discrimination and undue preference by one incumbent wireless carrier, the CRTC took action to prohibit exclusivity provisions in wholesale mobile wireless roaming agreements between Canadian carriers for service in Canada. Subsequently, on May 5, 2015, after a broader follow-up proceeding, the CRTC issued a comprehensive policy framework for the provision of wholesale wireless services, including roaming, tower sharing and mobile virtual network operator (MVNO) access services. Most notably, the CRTC decided that each of the three national wireless incumbent carriers would be obliged to provide wholesale roaming services to regional and new entrant carriers at cost-based rates. On March 22, 2018, the CRTC ruled on the final cost-based rates, declaring them retroactive to May 5, 2015. These final rates are substantially below the interim rates that had been in effect since May 5, 2015.

On December 17, 2014, the Government of Canada's second omnibus budget implementation bill for 2014 (C-43) received Royal Assent. This bill amends both the Telecommunications Act and the Radiocommunication Act to give the CRTC and ISED the option to impose monetary penalties on companies that violate established rules such as the Wireless Code and those related to the deployment of spectrum, services to rural areas and tower sharing.

In its May 5, 2015 policy framework for the provision of wholesale wireless services, the CRTC elected not to order cost-based rates for either tower sharing or MVNO access services. In addition, the CRTC elected to exclude non-carrier WiFi networks from the definition of "home network" for the purpose of determining who may access the wholesale roaming service tariffs of the national wireless incumbent carriers. This latter measure had the effect of denying access to these tariffs by Wi-Fi first service providers. Since then, on July 20, 2017, in response to a directive received from the Governor in Council, the CRTC initiated a proceeding to review potential terms of access by Wi-Fi first service providers (and possibly other types of service providers) to the incumbents' wholesale roaming service tariffs. On March 22, 2018, the CRTC ruled that no changes would be made to the terms of access by Wi-Fi first service providers, yet initiated a new proceeding to address an identified gap in the market for lower-cost data-only plans for consumers. In the course of this proceeding, the three national incumbent wireless carriers each filed specific proposals for lower-cost data-only plans they intended to implement. In a decision issued on December 17, 2018, the CRTC stated its expectation that the national incumbent wireless carriers implement these plans within 90 days and that these plans remain available until a decision is issued with respect to an upcoming review of mobile wireless services. This review, which is expected to include an examination of the wholesale wireless policy framework, including the MVNO access framework, is scheduled to commence sometime before April 2019. The result of this review could have an impact on the competitive environment within which Videotron operates.

On April 20, 2017, the CRTC published a new policy framework for assessing the differential pricing practices of Internet service providers. With very narrow exceptions, this framework prohibits the offering of zero-rated services by Internet service providers in Canada, including mobile wireless data service providers. Simultaneously with the publication of this new framework, and as a first application thereof, the CRTC ordered Videotron to cease providing its

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Unlimited Music mobile wireless offering. Videotron has complied with this order. Going forward, this new framework will impact Videotron's flexibility in the design and marketing of its wireless and wireline data services.

Municipal Siting Processes for Wireless Antenna Systems

On February 28, 2013, the Canadian Wireless Telecommunications Association, of which Videotron is a member, and the Federation of Canadian Municipalities signed a joint protocol on the siting process for wireless antenna systems. The protocol establishes a more comprehensive notification and consultation process than current regulations, and emphasizes the need for meaningful pre-consultation to ensure local land use priorities and sensitivities are fully reflected in the location and design of new antenna systems. Telecommunications carriers have agreed for the first time to notify municipalities of all antennas being installed before their construction, regardless of height, and to undertake full public consultation for towers under 15 meters - whenever deemed necessary by the municipality.

On June 26, 2014, the predecessor to ISED announced changes to the policy guiding the installation of new antenna towers, most notably to require companies to consult communities on all commercial tower installations regardless of height and to ensure residents are well informed of upcoming consultations. These changes are largely consistent with the joint protocol cited above.

Sales Practices

On June 6, 2018, the Governor in Council issued Order in Council P.C. 2018-0685 *requiring the CRTC to make a report* regarding the retail sales practices of Canada’s large telecommunications carriers. The CRTC initiated a proceeding to examine the matters identified in the Order in Council. The CRTC sought comments from Canadians on their personal experiences with any misleading or aggressive retail sales practices of large telecommunications carriers and third parties who offer the telecommunications services of those carriers for sale, including comments from consumers who are vulnerable due to their age, a disability, or a language barrier, as well as from current and former employees of the service providers. The CRTC also sought comments from large telecommunications carriers, the Commission for Complaints for Telecom-television Services, public interest organizations, research groups, and any other interested persons. The CRTC held a public hearing on October 22, 2018, to explore these issues with Canadians and stakeholders. The Commission also used various additional means, including a public opinion survey, online consultations, and focus groups, to better understand the views of Canadians. The information obtained via these means will be included on the record of this proceeding.

On February 20, 2019, the CRTC published its Report on Misleading or Aggressive Communications Retail Sales Practices. The CRTC found evidence of misleading or aggressive sales practices by certain telecommunications services providers and concluded that more needs to be done to protect consumers. The report also noted that, even with the existing measures put in place, misleading or aggressive sales practices occur to an unacceptable degree. The CRTC is taking action to introduce new measures to ensure Canadians’ interactions with their service providers are carried out in a fair and respectful way, such as creating a new, mandatory Internet Code of Conduct and a secret shopper program to monitor sales practices. The CRTC is also considering putting into place additional measures to address the situation (e.g. requiring service providers to provide pre-sales quotes, to offer trial periods, to ensure their offers and promotions match the customer’s needs and means). In addition, a set of best practices for service providers was proposed.

Canadian Publishing

Federal and provincial laws do not directly regulate the publication of newspapers in Canada. There are, however, indirect restrictions on the foreign ownership of Canadian newspapers by virtue of certain provisions of the Income Tax Act (Canada), which limits the deductibility by Canadian taxpayers of advertising expenditures which are made in a newspaper other than, subject to limited exceptions, a “Canadian issue” of a “Canadian newspaper.” For any given publication to qualify as a Canadian issue of a Canadian newspaper, the entity that publishes it, if publicly traded on a prescribed stock exchange in Canada, must ultimately be controlled, in law and in fact, by Canadian citizens and, if a private company, must be at least 75% owned, in vote and in value, and controlled in fact by Canadians. In addition, the publication must be printed and published in Canada and edited in Canada by individuals resident in Canada. All of our newspapers qualify as “Canadian issues” of “Canadian newspapers” (or otherwise fall outside of the limitation on deductibility of advertising expenses) and, as a result, our commercial advertisers generally have the right to deduct their advertising expenditures with us for Canadian tax purposes.

ITEM 4A — UNRESOLVED STAFF COMMENTS

None.

ITEM 5 — OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following Management Discussion and Analysis provides information concerning the operating results and financial condition of Quebecor Media Inc. (“Quebecor Media” or the “Corporation”). This discussion should be read in conjunction with the consolidated financial statements and accompanying notes. The Corporation’s consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

All amounts are in Canadian dollars (“CAN dollars”), unless otherwise indicated. This discussion contains forward-looking statements, which are subject to a variety of factors that could cause actual results to differ materially from those contemplated by these statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed under “Cautionary Statement Regarding Forward-Looking Statements” and in “Item 3. Key Information — Risk Factors.”

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

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

DISCONTINUED OPERATIONS

On January 24, 2019, Videotron Ltd. (“Videotron”) sold its 4Degrees Colocation Inc. (“4Degrees Colocation”) data centre operations for an amount of \$261.6 million which was fully paid in cash at the date of transaction. 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, an estimated gain on disposal of \$118.0 million will be accounted for in the first quarter of 2019, while an amount of \$53.0 million from the proceeds received at the date of transaction will be deferred in connection with the estimated present value of the future conditional adjustments. The results of operations and cash flows of these businesses were reclassified as discontinued operations in the consolidated statements of income and cash flows. The amount deferred will be revaluated on a quarterly basis and any change will also be recorded in income from discontinued operations.

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

OVERVIEW

Quebecor Media is one of Canada's leading telecommunications and media companies, with activities in mobile and cable telephony, Internet access, cable television, over-the-top ("OTT") video service, business telecommunication solutions, broadcasting, soundstage and equipment rental, 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 subsidiary, Quebecor Media is a premier 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 Internet-related 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.

Quebecor Media's operating subsidiaries' primary sources of revenue include: subscriptions to Internet access, cable television, mobile and cable telephony services, telecommunication equipment sales, connection services and OTT video service; television, newspapers and magazines subscriptions and advertising revenues; soundstage and equipment rental and services; book publishing and distribution; music distribution; and event management, promotion and production.

The major components of Quebecor Media's subsidiaries' costs are comprised of employee costs and purchase of goods and services costs, which include royalties, rights and creation costs, cost of products sold, service contracts, marketing, circulation and distribution, and building expenses.

QUEBECOR MEDIA'S SEGMENTS

Quebecor Media's subsidiaries operate in the following business segments: Telecommunications, Media and Sports and Entertainment.

TREND INFORMATION

Competition continues to be intense in the mobile and cable telephony, Internet access, cable television and OTT video markets. The significant subscriber growth recorded in the Telecommunications sector in past years is not necessarily representative of future growth, due to the penetration rates currently reached.

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 in order 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 Internet access and TV everywhere, including higher capacity, lower latency and higher speeds, requiring IP technology, and the introduction of new technologies such as virtual reality and the Internet of Things ("IoT"). 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 ability to support this traffic. The Telecommunications segment may have to acquire additional spectrum, if available, 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.

In the Media segment, the broadcasting industry is undergoing a period of significant change. Television audiences are fragmenting as viewing habits shift toward specialty channels and Internet based content delivery platforms that allow users greater control over content and timing, such as the OTT video services. Audience fragmentation has prompted many advertisers to review their media placement strategies. The Media segment is taking steps to adjust to the profound changes in the broadcasting industry 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 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 continue to develop their Internet presence through branded websites, including specialized websites.

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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 in order to expand the Sports and Entertainment segment. In the books and music businesses, digital technology is disrupting buying and consuming habits, particularly with the emergence of vehicles such as music streaming and e-books, which compete with conventional formats.

QUEBECOR MEDIA'S INTEREST IN ITS SUBSIDIARIES

Table 1 shows Quebecor Media's equity interest in its main subsidiaries at December 31, 2018.

Table 1
Quebecor Media's interest (direct and indirect) in its main subsidiaries
As of December 31, 2018

	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 three years.

HIGHLIGHTS SINCE END OF 2017

- Quebecor Media's revenues totalled \$4.18 billion in 2018, a \$55.9 million (1.4%) increase from 2017.
- On January 7, 2019, Quebecor Inc. ("Quebecor") announced the following corporate management changes:
 - Mr. Jean-François Pruneau, previously Senior Vice President and Chief Financial Officer of Quebecor and Quebecor Media, was appointed President and Chief Executive Officer of Videotron. Mr. Pruneau succeeds Ms. Manon Brouillette, who resigned as of December 31, 2018, and whose name was submitted to the Corporation's Human Resources Committee and Corporate Governance Committee at the beginning of 2019 for appointment to the Board of Directors of Quebecor. On the same day, Mr. Hughes Simard was appointed Chief Financial Officer of Quebecor and Quebecor Media.
 - Mr. Marc M. Tremblay was appointed Chief Operating Officer, Chief Legal Officer and Corporate Secretary of Quebecor and Quebecor Media. Mr. Tremblay was previously Senior Vice President, Chief Legal Officer and Public Affairs, and Corporate Secretary of Quebecor and Quebecor Media.

Telecommunications

- The Telecommunications segment grew its revenues by \$94.2 million (2.9%) and its adjusted EBITDA by \$119.2 million (7.7%) in 2018.
- Videotron significantly increased its revenues from mobile telephony (\$64.6 million or 13.8%), Internet access (\$48.4 million or 4.7%), customer equipment sales (\$14.5 million or 6.6%) and the Club illico over-the-top video service ("Club illico") (\$7.3 million or 18.4%) in 2018.
- Videotron's total ABPU was \$49.51 in 2018, compared with \$48.23 in 2017, a \$1.28 (2.7%) increase. Mobile ABPU was \$53.62 in 2018 compared with \$53.23 in 2017, a \$0.39 (0.7%) increase.
- There was a net increase of 109,200 RGUs (1.9%) in 2018, including 129,800 connections to the mobile telephony service, 38,000 subscriptions to the cable Internet access service and 59,200 memberships in Club illico.
- On November 9, 2018, Videotron announced that it had ranked as one of Canada's Top 100 Employers in a prestigious competition that recognizes employers that lead their industries in offering exceptional workplaces for their employees.
- On September 13, 2018, Videotron announced the launch of Fizz, a dynamic and competitive new brand that delivers mobile service featuring an empowering, fully digital experience and advantageous pricing. Videotron, the Corporation's flagship

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brand, will continue focusing on premium wireless plans and on the business segment, while Fizz will aim to increase market penetration among both digital natives and new mobile users.

- Videotron was ranked the most respected telecommunications company in Québec for the 13th consecutive year in the 2018 Léger-NATIONAL reputation survey. Videotron was also the most influential telecommunications brand in Québec on the 2018 Ipsos-*Infopresse* index.

Media

- On February 22, 2019, TVA Group Inc. (“TVA Group”) reached an agreement to acquire the companies in the Incendo Media Inc. group, a Montréal-based producer and distributor of television products for international markets, for approximately \$19.5 million, subject to certain adjustments. The transaction is subject to customary conditions.
- On February 13, 2019, TVA Group closed the acquisition of the companies in the Serdy Média inc. group, which owns and operates the *Évasion* and *Zeste* specialty channels, along with the companies in the Serdy Video Inc. group, for a total consideration of \$24.0 million. The transaction was announced on May 1, 2018. The transaction was approved by the Canadian Radio-television and Telecommunications Commission (“CRTC”) on January 14, 2019.
- On October 15, 2018, Quebecor launched QUB radio, a new online and mobile app audio platform with a live radio stream and a library of podcasts. QUB radio is an innovative audio project that positions Quebecor as a leader in digital media in Canada.
- On August 27, 2018, TVA Group acquired all the shares of Audio Zone Inc. (“Audio Zone”), a film production and audiovisual services company that provides postproduction sound services.
- On August 13, 2018, Quebecor acquired LC Media Inc. (“LC Media”), owner of *Le Guide de l’auto*, an authoritative car guide published by Quebecor’s Les Éditions de l’Homme. *Le Guide de l’auto* has also made a successful shift to digital, drawing 1.5 million unique visitors monthly to its websites, *guideautoweb.com* and *carguideweb.com*. The acquisition will enable Quebecor to enrich the automotive content on all its platforms.
- According to the fall 2018 Vividata survey, *Le Journal de Montréal*, *Le Journal de Québec* and the free daily *24 heures* remain Québec’s news leaders with nearly 4.0 million readers per week across all platforms (print, mobile and Internet). TVA Group remains a leading player in the Canadian magazine industry with 9.0 million readers per week across all platforms.
- On May 3, 2018, TVA Sports became the official French-language broadcaster of the 2020 UEFA European Football Championship (Euro 2020). TVA Sports will broadcast all 51 games of the prestigious international soccer tournament, in which Europe’s 24 best national teams will compete.
- On January 22, 2018, TVA Group acquired the assets of Mobilimage inc. (“Mobilimage”), essentially consisting of mobile units and production equipment, for \$2.7 million. The acquired mobile unit and production equipment rental business has been folded into the film production and audiovisual services segment’s operations.

Sports and Entertainment

- In September 2018, the Videotron Centre completed its third year of operations. During that year, the Videotron Centre hosted 91 sporting events and concerts, a 8.3% increase from the previous year. In April 2018, *Billboard* magazine ranked the Videotron Centre number 5 on its list of top Canadian arenas, based on concert receipts.

Financial transactions

- On February 15, 2019, Quebecor Media amended its \$300.0 million secured revolving credit facility, extending its term to July 2022. Certain conditions were also amended.
- On November 26, 2018, Videotron amended its secured revolving credit facility, increasing it from \$965.0 million to \$1.50 billion and extending its term to July 2023. Certain conditions related to the credit facility were also amended.
- On September 28, 2018, Quebecor entered into a loan agreement with the Corporation pursuant to which the Corporation makes available to Quebecor, by way of one or multiple drawdowns, a \$175.0 million non-revolving subordinated and unsecured loan, bearing interest at a rate of 5.75% and maturing in September 2021. As of December 31, 2018, Quebecor drew down \$97.0 million on the subordinated loan agreement.
- On July 23, 2018, Quebecor entered into a loan agreement with the Corporation pursuant to which the Corporation makes available to Quebecor, by way of one or multiple drawdowns, an \$87.1 million non-revolving subordinated and unsecured loan

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bearing interest at a rate of 5.50% and maturing in July 2021. As of December 31, 2018, Quebecor drew down \$87.1 million on the subordinated loan agreement.

- On June 29, 2018, Quebecor entered into a loan agreement with the Corporation pursuant to which the Corporation makes available to Quebecor, by way of one or multiple drawdowns, a \$262.0 million non-revolving subordinated and unsecured loan bearing interest at a rate of 5.50% and maturing in June 2021. As of December 31, 2018, Quebecor drew down \$262.0 million on the subordinated loan agreement.
- On April 3, 2018, Quebecor entered into loan agreements with the Corporation pursuant to which the Corporation makes available to Quebecor, by way of one or multiple drawdowns, a \$75.0 million non-revolving unsubordinated and unsecured loan and a \$75.0 million non-revolving subordinated and unsecured loan. The unsubordinated and subordinated loans bear interest at a rate of 5.25% and 5.50%, respectively, and mature in April 2021. As of December 31, 2018, Quebecor drew down \$75.0 million of the unsubordinated loan agreement and \$75.0 million of the subordinated loan agreement.
- On May 8, 2018, Quebecor and Quebecor Media entered into an agreement with CDP Capital d'Amérique Investissements inc. ("CDP Capital") to repurchase all of the share capital of Quebecor Media still held by CDP Capital, representing an 18.47% stake in Quebecor Media, for a value of \$1.69 billion. On May 11 and June 22, 2018, Quebecor Media repurchased for cancellation a total of 16,064,215 of its Common Shares held by CDP Capital, representing approximately 91.1% of CDP Capital's interest before closing, for a total aggregate purchase price of \$1.54 billion, paid in cash. All repurchased shares were cancelled. On June 22, 2018, Quebecor purchased 1,564,696 Common Shares of Quebecor Media held by CDP Capital, representing approximately 8.9% of CDP Capital's interest before closing, in consideration of the issuance of \$150.0 million aggregate principal amount of convertible debentures of Quebecor. After the completion of these transactions, Quebecor Media became a wholly owned subsidiary of Quebecor.

NON-IFRS FINANCIAL MEASURES

The non-IFRS financial measures that are used by the Corporation to assess its financial performance, such as adjusted EBITDA, cash flows from segment 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.

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

Adjusted EBITDA (formerly "Adjusted operating income")

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, litigation and other items, gain on sale of spectrum licences, impairment of goodwill and intangible assets, loss on debt refinancing, 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's parent company, Quebecor, 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 its 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 Quebecor Media 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. 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 the Corporation's consolidated financial statements. The consolidated income statement data for the three-month periods ended December 31, 2018 and 2017 presented in Table 2 is derived from the unaudited consolidated financial statements for such periods not included in this annual report.

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)

	With adoption of IFRS15 ¹					Without IFRS15 ²				
	Year ended December 31			Three months ended December 31		Year ended December 31			Three months ended December 31	
	2018	2017	2016	2018	2017	2018	2017	2016	2018	2017
Adjusted EBITDA (negative adjusted EBITDA):										
Telecommunications	\$ 1,677.0	\$ 1,557.8	\$ 1,510.9	\$ 425.9	\$ 394.9	\$ 1,654.5	\$ 1,523.0	\$ 1,445.2	\$ 409.5	\$ 386.7
Media	55.3	69.3	53.9	27.5	22.4	55.3	69.3	53.9	27.5	22.4
Sports and Entertainment	5.0	6.2	2.3	1.9	2.3	5.0	6.2	2.3	1.9	2.3
Head Office	(4.9)	(14.1)	(7.8)	(4.2)	(2.4)	(4.9)	(14.1)	(7.8)	(4.2)	(2.4)
	1,732.4	1,619.2	1,559.3	451.1	417.2	1,709.9	1,584.4	1,493.6	434.7	409.0
Depreciation and amortization	(717.9)	(705.3)	(648.5)	(181.7)	(192.3)	(717.9)	(705.3)	(648.5)	(181.7)	(192.3)
Financial expenses	(280.5)	(281.8)	(302.0)	(71.3)	(69.9)	(280.5)	(281.8)	(302.0)	(71.3)	(69.9)
Gain (Loss) on valuation and translation of financial instruments	(0.9)	(2.4)	(2.1)	0.5	(0.6)	(0.9)	(2.4)	(2.1)	0.5	(0.6)
Restructuring of operations, litigation and other items	(29.8)	(17.2)	(28.5)	(7.7)	(9.9)	(29.8)	(17.2)	(28.5)	(7.7)	(9.9)
Gain on sale of spectrum licences	—	330.9	—	—	—	—	330.9	—	—	—
Impairment of goodwill and intangible assets	—	(43.8)	(40.9)	—	—	—	(43.8)	(40.9)	—	—
Loss on debt refinancing	—	(15.6)	(7.3)	—	—	—	(15.6)	(7.3)	—	—
Income taxes	(166.6)	(141.2)	(143.3)	(30.9)	(39.9)	(166.6)	(141.2)	(143.3)	(30.9)	(39.9)
Income from discontinued operations	3.8	18.2	1.0	1.1	0.7	3.8	18.2	1.0	1.1	0.7
Impact of IFRS 15	—	—	—	—	—	22.5	34.8	65.7	16.4	8.2
Net income	\$ 540.5	\$ 761.0	\$ 387.7	\$ 161.1	\$ 105.3	\$ 540.5	\$ 761.0	\$ 387.7	\$ 161.1	\$ 105.3

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

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

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 (excluding proceeds from disposal of licences). The Corporation uses cash flows from segment operations as a measure of the liquidity generated by its segments. Cash flows from segment operations represents funds available for interest and income tax payments, expenditures related to restructuring programs, business acquisitions, licence acquisitions and renewals, payment of dividends, reduction of paid-up capital, repayment of long-term debt and repurchase of shares. 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. When cash flows from segment operations is reported, a reconciliation to adjusted EBITDA is provided in the same section of the report.

Free cash flows from continuing operating activities

Free cash flows from continuing operating activities consists of cash flows provided by 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 (excluding proceeds from disposal of licences). The Corporation uses free cash flows from continuing operating activities as a measure of total liquidity generated on a consolidated basis. Free cash flows from continuing operating activities represents funds available for business acquisitions, licence acquisitions and renewals, payment of dividends, reduction of paid-up capital, repayment of long-term debt and repurchase of shares. 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 7 provides a reconciliation of free cash flows from continuing operating activities of the Corporation to cash flows provided by continuing operating activities reported in the 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.

2018/2017 FINANCIAL YEAR COMPARISON

Analysis of consolidated results of Quebecor Media

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: \$1.73 billion, a \$113.2 million (7.0%) increase.

- Adjusted EBITDA increased in Telecommunications (\$119.2 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 (\$14.0 million or -20.2%) and in Sports and Entertainment (\$1.2 million or -19.4%).
- 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 \$0.3 million favourable variance in the Corporation's stock-based compensation charge in 2018.

Net income attributable to shareholders: \$538.1 million in 2018, compared with \$765.8 million in 2017, a \$227.7 million decrease.

- 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;
 - \$25.4 million increase in the income tax expense;
 - \$14.4 million unfavourable variance in income from discontinued operations;
 - \$12.6 million increase in the depreciation and amortization charge;
 - \$12.6 million unfavourable variance in the charge for restructuring of operations, litigation and other items;
 - \$7.2 million unfavourable variance in non-controlling interest.
- The main favourable variances were:
 - \$113.2 million increase in adjusted EBITDA;
 - There was a \$43.8 million favourable variance in the charge for impairment of goodwill and intangible assets, including \$4.6 million without any tax consequences;
 - \$15.6 million favourable variance in the loss on debt refinancing;

Depreciation and amortization charge: \$717.9 million, a \$12.6 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: \$280.5 million, a \$1.3 million decrease caused mainly by interest revenues from Quebecor under loan agreements made in 2018, higher interest revenues generated by liquidity, and lower average interest on the debt, partially offset by higher average indebtedness due to debt financing of a portion of the repurchase of the Quebecor Media shares held by CDP Capital in the second quarter of 2018.

Loss on valuation and translation of financial instruments: \$0.9 million in 2018 compared with \$2.4 million in 2017, a \$1.5 million favourable variance.

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Charge for restructuring of operations, litigation and other items: \$29.8 million in 2018, compared with \$17.2 million in 2017, a \$12.6 million unfavourable variance.

- A \$14.9 million charge was recognized in 2018 in connection with cost-reduction initiatives in the Corporation's various segments and with disposal of assets. A \$17.2 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. ("Shaw") 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: \$166.6 million (effective tax rate of 23.6%) in 2018, compared with \$141.2 million (effective tax rate of 20.0%) in 2017, a \$25.4 million unfavourable variance. The effective tax rates reflect recognition of benefits arising from prior year tax losses in 2018 and 2017. The increases in the effective rate and the income tax expense were mainly due to recognition of lower tax losses in 2018 than in 2017. 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 2,907 900 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 September 2018, Videotron launched Fizz, a brand that delivers advantageously priced mobile service featuring an empowering, fully digital experience.

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 ("Le SuperClub Vidéotron") and its franchise network.

2018 operating results

Revenues: \$3.38 billion in 2018, a \$94.2 million (2.9%) increase.

- Revenues from the mobile telephony service increased \$64.6 million (13.8%) to \$534.4 million, essentially due to an increase in the number of subscriber connections.
- Revenues from Internet access service increased \$48.4 million (4.7%) to \$1.08 billion, mainly as a result of higher per-subscriber revenues, reflecting, among other things, the favourable impact of the product mix and increases in some rates, as well as customer growth, partially offset by a decrease in overage charges.
- Combined revenues from all cable television services decreased \$12.9 million (-1.3%) to \$996.7 million, due primarily to the impact of a net decrease in the customer base, the unfavourable product mix and a decrease in video-on-demand and pay-per-view orders, partially offset by higher per-customer revenues due in part to increases in some rates, and by increased revenues from the leasing of digital set-top boxes.
- Revenues from the cable telephony service decreased \$29.2 million (-7.3%) to \$368.6 million, mainly because of the impact of the net decrease in subscriber connections and lower long-distance revenues, partially offset by higher per-connection revenues.
- Revenues from Club illico increased \$7.3 million (18.4%) to \$47.0 million, essentially because of subscriber growth.
- Revenues of Videotron Business increased \$3.4 million (3.2%) to \$108.2 million, due primarily to the impact of higher revenues at Fibrenoire inc. ("Fibrenoire").
- Revenues from customer equipment sales increased \$14.5 million (6.6%) to \$233.5 million, mainly because of higher mobile device revenues.
- Revenues of the Le SuperClub Vidéotron retail chain decreased \$0.7 million (-11.1%) to \$5.6 million, mainly because of store closures.
- Other revenues decreased \$1.3 million (-13.0%) to \$8.7 million.

ABPU: \$49.51 in 2018 compared with \$48.23 in 2017, a \$1.28 (2.7%) increase. Mobile ABPU was \$53.62 in 2018 compared with \$53.23 in 2017, a \$0.39 (0.7%) increase.

Customer statistics

RGUs — The total number of RGUs was 5,990,300 at December 31, 2018, an increase of 109,200 (1.9%) in 2018 compared with an increase of 115,700 in 2017 (Table 3).

Mobile telephony service — The number of subscriber connections to the mobile telephony service stood at 1,153,800 at December 31, 2018, an increase of 129,800 (12.7%) in 2018 compared with an increase of 130,100 in 2017 (Table 3).

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Cable Internet access — The number of subscribers to cable Internet access services stood at 1,704,500 at December 31, 2018, an increase of 38,000 (2.3%) in 2018 compared with an increase of 53,700 in 2017 (Table 3). As of December 31, 2018, Videotron’s cable Internet access services had a household and business penetration rate (number of subscribers as a proportion of the total 2,907,900 homes and businesses passed by Videotron’s network as of December 31, 2018, up from 2,873,700 one year earlier) of 58.6% compared with 58.0% a year earlier.

Cable television — The combined customer base for all of Videotron’s digital cable television services decreased by 43,200 (-2.7%) in 2018, compared with a decrease of 50,400 in 2017 (Table 3). As of December 31, 2018, Videotron had 1,597,300 subscribers to its cable television services. The household and business penetration rate was 54.9% versus 57.1% a year earlier.

Cable telephony service — The number of subscriber connections to the cable telephony service stood at 1,113,900 at December 31, 2018, a decrease of 74,600 (-6.3%) in 2018 compared with a decrease of 64,600 in 2017 (Table 3). At December 31, 2018, the cable telephony service had a household and business penetration rate of 38.3% versus 41.4% a year earlier.

Club illico — The number of subscribers to Club illico stood at 420,800 at December 31, 2018, an increase of 59,200 (16.4%) in 2018 compared with an increase of 46,900 in 2017 (Table 3).

Table 3
Telecommunications segment year-end RGUs (2014-2018)
(in thousands of customers)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Mobile telephony	1,153.8	1,024.0	893.9	768.6	632.8
Cable Internet	1,704.5	1,666.5	1,612.8	1,568.2	1,537.5
Cable television:					
Analog	—	—	103.8	166.3	228.7
Digital	1,597.3	1,640.5	1,587.1	1,570.6	1,553.6
	1,597.3	1,640.5	1,690.9	1,736.9	1,782.3
Cable telephony	1,113.9	1,188.5	1,253.1	1,316.3	1,349.0
Club illico	420.8	361.6	314.7	257.5	177.7
Total	5,990.3	5,881.1	5,765.4	5,647.5	5,479.3

Adjusted EBITDA: \$1.68 billion, a \$119.2 million (7.7%) increase due primarily to:

- Impact of the net revenue increase;
- Favourable variance related to an adjustment recorded in 2018 arising from the CRTC decision on roaming fees issued during the first quarter of 2018;
- Decreases in some operating expenses, including engineering, administrative and IT costs.

Cost/revenue ratio: Operating costs for all Telecommunications segment operations, expressed as a percentage of revenues, were 50.4% in 2018 compared with 52.6% in 2017, mainly because of the fixed component of costs, which does not fluctuate in proportion to revenue growth, the favourable adjustment related to roaming fees recorded in 2018, and decreases in some operating expenses.

Cash flows from operations

Cash flows from segment operations: \$975.8 million in 2018 compared with \$860.2 million in 2017 (Table 4).

- The \$115.6 million increase was due to the \$119.2 million increase in adjusted EBITDA and a \$54.2 million decrease in additions to property, plant and equipment because of reduced investments in wired and wireless networks, partially offset by an \$57.9 million increase in additions to intangible assets, mainly reflecting spending on the Internet Protocol television (“IPTV”) project and IT systems.

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

	With adoption of IFRS 15 ¹			Without IFRS15 ²		
	2018	2017	2016	2018	2017	2016
Adjusted EBITDA	\$ 1,677.0	\$ 1,557.8	\$ 1,510.9	\$ 1,654.5	\$ 1,523.0	\$ 1,445.2
Additions to property, plant and equipment	(516.7)	(570.9)	(613.7)	(516.7)	(570.9)	(613.7)
Additions to intangible assets	(190.2)	(132.3)	(125.6)	(190.2)	(132.3)	(125.6)
Proceeds from disposal of assets (excluding spectrum licences)	5.7	5.6	3.4	5.7	5.6	3.4
Cash flows from segment operations	\$ 975.8	\$ 860.2	\$ 775.0	\$ 953.3	\$ 825.4	\$ 709.3

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

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

Media

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 and the specialty channels TVA Sports, LCN, addik^{TV}, Prise 2, Yoopa, CASA, MOI&cie, Évasion and Zeste. TVA Group also holds interests in two other TVA Network affiliates. As well, TVA Group is engaged in commercial production and in the distribution of audiovisual products through its TVA Films division. In addition to linear television, TVA Network and the specialty channels broadcast on-demand and streaming content through their multiplatform applications. The *TVA.ca* website and the TVA mobile app provide free access to TVA Network programs and some specialty channel content in high definition, live or on demand.

TVA Group also owns Mels Studios and Postproduction G.P., a provider of soundstage, equipment and mobile unit rental, postproduction, dubbing, distribution and visual effects services to the film and television industries.

Through its subsidiaries, TVA Publications Inc. and Les Publications Charron & Cie inc., TVA Group publishes more than 50 French- and English-language titles in various categories, including show business, television, fashion and decorating, and it markets digital products associated with the various magazine brands. The Media segment’s activities also include a custom publishing business, which produces custom multiplatform content marketing for its customers; the development of audience acquisition strategies; production of advertising, videos and digital content; and management of customers’ social media accounts. 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 3.7 million visitors per month (source: ComScore, December 2018). According to corporate figures, the aggregate circulation of the Media segment’s paid and free newspapers as of December 31, 2018 was approximately 2.5 million copies per week in print and electronic formats.

The Media segment also operates a number of other digital brands, including *Le sac de chips*, *Pèse sur Start*, *Silo 57* and *Tabloid*. In addition, it includes NumériQ inc. (“NumériQ”), which brings together the digital strategy and content production assets harnessed to create digital platforms and content for the Corporation’s various platforms. Since August 2018, NumériQ has operated all the platforms of the authoritative car guide *Le Guide de l’auto*, including the *guideautoweb.com* website. In October 2018, NumériQ launched QUB radio, an online and mobile audio platform with a live radio stream and a library of podcasts.

The Media segment’s apps and websites log 6.5 million unique visitors per month in Canada (source: ComScore, December 2018).

The Media segment is also engaged in the printing of newspapers, the distribution of 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.

2018 operating results

Revenues: \$728.6 million in 2018, a \$41.3 million (-5.4%) decrease.

- Broadcasting revenues decreased by \$21.5 million (-4.9%), mainly because of lower advertising revenues at TVA Network and TVA Sports, as well as lower commercial production revenues, partially offset by higher subscription revenues at the specialty channels.
- Film production and audiovisual service revenues increased by \$1.3 million (1.9%), mainly because of:
 - higher revenues from soundstage and equipment rental and from postproduction;
 - impact of acquisition of the assets of Mobilimage in January 2018.

Partially offset by:

- lower revenues from visual effects.
- Newspaper publishing revenues decreased \$9.2 million (-5.0%).
 - Advertising revenues decreased 12.1%; circulation revenues decreased 1.5%; digital revenues decreased 8.8%; combined revenues from commercial printing and other sources increased 6.1%.
- Magazine publishing revenues decreased by \$16.9 million (-17.9%), primarily as a result of lower advertising revenues, the sale of a publication and lower newsstand and subscription revenues.
- Revenues of Quebecor Media Out of Home increased by \$1.7 million (10.9%), mainly because of higher digital and traditional advertising revenues.

Adjusted EBITDA: \$55.3 million in 2018, a \$14.0 million (-20.2%) decrease.

- Adjusted EBITDA from broadcasting decreased by \$14.6 million (-35.1%), mainly because of the impact of the revenue decrease, partially offset by the reduction in operating expenses resulting from, among other things, the favourable impact of restructuring initiatives.
- Adjusted EBITDA from film production and audiovisual services increased by \$0.4 million (2.8%), due primarily to the impact of the net revenue increase.
- Adjusted EBITDA from newspaper publishing decreased by \$0.2 million (-4.4%), mainly because of the impact of the revenue decrease and spending on digital activities, partially offset by the reduction in operating expenses, resulting from, among other things, the impact of restructuring initiatives.
- Adjusted EBITDA from magazine publishing decreased by \$1.8 million (-18.0%), mainly because of the impact of the revenue decrease, partially offset by cost reductions related to restructuring initiatives and decreases in some operating expenses, including subscription, labour, selling and production costs.
- The adjusted EBITDA of Quebecor Media Out of Home increased by \$1.3 million mainly because of the impact of the revenue increase.
- There was a \$0.9 million net favourable variance related to rebilling of common selling and digital service charges.

Cost/revenue ratio: Employee costs and purchases of goods and services for all Media segment operations, expressed as a percentage of revenues, were 92.4% in 2018 compared with 91.0% in 2017, mainly because of the large fixed component of operating costs, which does not fluctuate in proportion to the net decrease in revenues, partially offset by the impact of restructuring and cost-reduction initiatives.

Cash flows from operations

Cash flows from segment operations: \$25.5 million in 2018 compared with \$37.3 million in 2017 (Table 5). The \$11.8 million unfavourable variance was due primarily to the \$14.0 million unfavourable variance in adjusted EBITDA, partially offset by a \$3.0 million favourable variance in proceeds from disposal of assets.

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Table 5: Media

Cash flows from operations

(in millions of Canadian dollars)

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Adjusted EBITDA	\$ 55.3	\$ 69.3	\$ 53.9
Additions to property, plant and equipment	(28.7)	(29.4)	(37.2)
Additions to intangible assets	(4.8)	(3.3)	(7.5)
Proceeds from disposal of assets	3.7	0.7	0.1
Cash flows from segment operations	<u>\$ 25.5</u>	<u>\$ 37.3</u>	<u>\$ 9.3</u>

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 also 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. and Sogides Group Inc., which is engaged in general literature publishing through its 18 publishing houses, and in the physical and digital distribution of books through Messageries A.D.P. inc., the exclusive distributor for more than 210 Québec and European French-language publishers.

Lastly, 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 (Les Disques Musicor); and concert and event production (Musicor Spectacles).

2018 operating results

Revenues: \$182.1 billion, a \$0.8 million (0.4%) increase from 2017.

- Revenues from sports and concerts increased by \$0.6 million (1.6%), mainly because of increased hockey revenues, partially offset by a decrease in revenues from sporting events.
- Book distribution and publishing revenues decreased by \$1.8 million (-1.7%), primarily as a result of lower volumes in mass market distribution, combined with decreased revenues from general literature.
- Music distribution and production revenues increased by \$2.0 million (5.0%), primarily as a result of higher concert production revenues.

Adjusted EBITDA: \$5.0 million in 2018, a \$1.2 million (-19.4%) unfavourable variance.

- There was a \$0.4 million (-6.3%) unfavourable variance in negative adjusted EBITDA from sports and concerts, mainly because of higher operating expenses related to hockey and sporting events, partially offset by the impact of the revenue increase.
- Adjusted EBITDA from book distribution and publishing increased by \$1.2 million (9.6%), due mainly to the impact of decreases in some operating expenses, including selling and administrative expenses, partially offset by the impact of the revenue decrease.
- There was a \$1.9 million unfavourable variance in negative adjusted EBITDA from music production, due primarily to increases in some operating expenses, including the charge for bad debts and selling and administrative expenses.

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Cash flows from operations

Cash flows from segment operations: Nil in 2018 compared with \$0.6 million in 2017 (Table 6). The \$0.6 million unfavourable variance was due to the \$1.2 million decrease in adjusted EBITDA, partially offset by \$0.8 million decrease in additions to intangible assets.

Table 6: Sports and Entertainment

Cash flows from operations
(in millions of Canadian dollars)

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Adjusted EBITDA	\$ 5.0	\$ 6.2	\$ 2.3
Additions to property, plant and equipment	(1.5)	(1.3)	(3.5)
Additions to intangible assets	(3.5)	(4.3)	(3.5)
Cash flows from segment operations	<u>\$ —</u>	<u>\$ 0.6</u>	<u>\$ (4.7)</u>

2018/2017 FOURTH QUARTER COMPARISON

Analysis of consolidated results of Quebecor Media

Revenues: \$1.09 billion, a \$27.6 million (2.6%) increase.

- Revenues increased in Telecommunications (\$24.4 million or 2.9% of segment revenues) and in Sports and Entertainment (\$3.2 million or 6.4%).
- Revenues decreased in Media (\$1.5 million or -0.8%).

Adjusted EBITDA: \$451.1 million, a \$33.9 million (8.1%) increase.

- Adjusted EBITDA increased in Telecommunications (\$31.0 million or 7.9% of segment adjusted EBITDA) and in Media (\$5.1 million or 22.8%).
- Adjusted EBITDA decreased in Sports and Entertainment (\$0.4 million or -17.4%) and there was an unfavourable variance at Head Office (\$1.8 million).
- The change in the fair value of Quebecor Media stock options resulted in a \$2.3 million unfavourable variance in the stock-based compensation charge in the fourth quarter of 2018 compared with the same period of 2017. The change in the fair value of Quebecor stock options and in the value of Quebecor stock-price-based share units resulted in a \$0.6 million unfavourable variance in the Corporation's stock-based compensation charge in the fourth quarter of 2018.

Net income attributable to shareholders: \$158.1 million in the fourth quarter of 2018 compared with \$102.2 million in the same period of 2017, a \$55.9 million increase due mainly to:

- \$33.9 million increase in adjusted EBITDA;
- \$10.6 million decrease in the depreciation and amortization charge;
- \$9.0 million decrease in the income tax expense;
- \$2.2 million reduction in the charge for restructuring of operations, litigation and other items;
- \$1.1 million favourable variance in gains on valuation and translation of financial instruments.

Partially offset by:

- \$1.4 million increase in financial expenses.

Depreciation and amortization charge: \$181.7 million in the fourth quarter of 2018, a \$10.6 million decrease due mainly to the impact of a change in the depreciation period for some telecommunications network components in the fourth quarter of 2017.

Financial expenses: \$71.3 million in the fourth quarter of 2018, a \$1.4 million increase caused mainly by higher average indebtedness due to debt financing of 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 from Quebecor under loan agreements made in 2018 and lower average interest on the debt.

Gain on valuation and translation of financial instruments: \$0.5 million in the fourth quarter of 2018, compared with a \$0.6 million loss in the same period of 2017, a \$1.1 million favourable variance.

Restructuring of operations, litigation and other items: \$7.7 million in the fourth quarter of 2018, compared with \$9.9 million in the same period of 2017, a \$2.2 million favourable variance.

- A \$7.7 million net charge was recognized in the fourth quarter of 2018 in connection with cost-reduction initiatives in the Corporation's various segments.
- A \$9.9 million net charge was recognized in the fourth quarter of 2017 in connection with cost-reduction initiatives in the Corporation's various segments and customer migration from analog to digital service in the Telecommunications segment.

Income tax expense: \$30.9 million (effective tax rate of 16.2%) in the fourth quarter of 2018, compared with \$39.9 million (effective tax rate of 27.6%) in the same period of 2017, a \$9.0 million favourable variance. The decrease in the effective tax rates was due to recognition in the fourth quarter of 2018 of benefits arising from prior year tax losses. The impact on the income tax expense of the decrease in the effective tax rate was partially offset by the impact of the increase in taxable income for tax purposes. The effective tax rate is calculated considering only taxable and deductible items.

SEGMENTED ANALYSIS

Telecommunications

Revenues: \$866.1 million, a \$24.4 million (2.9%) increase due primarily to the same factors as those noted above in the “2018/2017 financial year comparison.”

- Revenues from mobile telephony service increased \$16.0 million (13.0%) to \$139.5 million.
- Revenues from Internet access services increased \$11.0 million (4.2%) to \$274.1 million.
- Combined revenues from all cable television services decreased \$4.4 million (-1.7%) to \$249.0 million.
- Revenues from cable telephony service decreased \$7.0 million (-7.2%) to \$89.8 million.
- Revenues from Club illico increased \$1.5 million (13.9%) to \$12.3 million.
- Revenues of Videotron Business increased \$0.6 million (2.3%) to \$26.9 million.
- Revenues from customer equipment sales increased \$7.2 million (11.3%) to \$70.9 million.
- Revenues of Le SuperClub Vidéotron retail chain decreased \$0.2 million (-12.5%) to \$1.4 million.
- Other revenues decreased \$0.5 million (-19.2%) to \$2.1 million.

Total ABPU: \$49.84 in the fourth quarter of 2018 compared with \$48.90 in the same period of 2017, a \$0.94 (1.9%) increase. Mobile ABPU was \$53.25 in the fourth quarter of 2018 compared with \$53.56 in the same period of 2017, a \$0.31 \$ (0.6%) decrease due in part to the popularity of bring your own device (“BYOD”) plans, multi-line plans and the impact of the launch of Fizz, the new advantageously priced, fully digital mobile brand.

Customer statistics

RGUs — 34,400 (0.6%) unit increase in the fourth quarter of 2018 compared with an increase of 34,900 in the same period of 2017.

Mobile telephony — 33,100 (3.0%) subscriber-connection increase in the fourth quarter of 2018 compared with an increase of 33,700 in the same period of 2017.

Cable Internet access — 7,000 (0.4%) customer increase in the fourth quarter of 2018 compared with an increase of 12,400 in the same period of 2017.

Cable television — 6,400 (-0.4%) decrease in the combined customer base for all of Videotron’s cable television services in the fourth quarter of 2018 compared with a decrease of 8,500 in the same period of 2017.

Cable telephony — 17,200 (-1.5%) subscriber decrease in the fourth quarter of 2018 compared with a decrease of 16,900 in the same period of 2017.

Club illico — 17,900 (4.4%) subscriber increase in the fourth quarter of 2018 compared with an increase of 14,200 in the same period of 2017.

Adjusted EBITDA: \$425.9 million, a \$31.0 million (7.9%) increase due primarily to:

- Impact of the net revenue increase;
- Favourable variance in some operating expenses, including taxes on the network, engineering expenses and IT expenses.

Cost/revenue ratio: Operating costs for all Telecommunications segment operations, expressed as a percentage of revenues, were 50.8% in the fourth quarter of 2018 compared with 53.1% in the same period of 2017, mainly because of the fixed component of costs, which does not fluctuate in proportion to revenue growth, and the decrease in operating expenses.

Media

Revenues: \$198.0 million in the fourth quarter of 2018, a \$1.5 million (-0.8%) decrease.

- Broadcasting revenues decreased by \$3.7 million (-3.2%), mainly because of lower advertising revenues at TVA Network and TVA Sports, as well as lower commercial production revenues, partially offset by higher subscription revenues at the specialty channels.
- Film production and audiovisual service revenues increased by \$2.3 million (13.8%), mainly because of higher revenues from soundstage and equipment rentals and from postproduction, partially offset by lower visual effects revenues.
- Newspaper publishing revenues decreased \$1.3 million (-2.8%).
 - Advertising revenues decreased 9.7%; circulation revenues decreased 1.0%; digital revenues decreased 12.5%; combined revenues from commercial printing and other sources increased 11.2%.
- Magazine publishing revenues decreased by \$3.4 million (-14.0%), primarily as a result of lower advertising revenues, the sale of a publication and lower newsstand revenues.
- Revenues of Quebecor Media Out of Home increased by \$0.6 million (16.7%), mainly because of higher digital and traditional advertising revenues.

Adjusted EBITDA: \$27.5 million in the fourth quarter of 2018, a \$5.1 million (22.8%) increase.

- Adjusted EBITDA from broadcasting increased by \$0.3 million (1.9%), mainly because of reductions in some operating expenses, including content costs, partially offset by the impact of the revenue decrease.
- Adjusted EBITDA from film production and audiovisual services increased by \$1.1 million (25.6%), essentially because of the impact of the revenue increase.
- Adjusted EBITDA from newspaper publishing increased by \$0.9 million, due primarily to the favourable impact of operating cost reductions, reflecting in part the impact of restructuring initiatives and including reductions in labour, administration and promotion costs, which outweighed the effect of the revenue decrease and the increased spending on digital activities.
- Adjusted EBITDA from magazine publishing increased by \$0.6 million (24.0%), mainly because of the impact of the reduction in operating expenses, reflecting in part the impact of restructuring initiatives and lower subscription expenses, partially offset by the impact of the revenue decrease.
- There was a \$0.8 million favourable variance in the adjusted EBITDA of Quebecor Media Out of Home, due primarily to the favourable impact of the revenue increase and decreases in some operating expenses, including advertising expenses.
- There was a \$1.5 million favourable variance related to rebilling of common selling and digital service charges.

Cost/revenue ratio: Employee costs and purchases of goods and services for the Media segment's operations, expressed as a percentage of revenues, were 86.1% in the fourth quarter of 2018 compared with 88.8% in the same period of 2017, mainly because of the impact of the reduction in operating expenses.

Sports and Entertainment

Revenues: \$53.5 million in the fourth quarter of 2018, a \$3.2 million (6.4%) increase.

- Revenues from sports and concerts decreased by \$0.2 million (-1.7%), mainly because of lower revenues from sporting events.
- Book distribution and publishing revenues increased by \$1.4 million (5.7%), primarily as a result of higher revenues from educational publishing and general literature, as well as higher distribution revenues, including bookstore distribution.
- Music distribution and production revenues increased by \$2.0 million (14.2%), primarily as a result of higher concert production revenues.

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Adjusted EBITDA: \$1.9 million in the fourth quarter of 2018, a \$0.4 million (-17.4%) decrease.

- Adjusted EBITDA from sports and concerts decreased by \$0.8 million, mainly because of the impact of increases in some operating expenses, including concert costs, and the impact of the revenue decrease.
- Adjusted EBITDA from book distribution and publishing increased by \$1.7 million, due primarily to the impact of the revenue increase and lower selling expenses.
- There was a \$1.3 million unfavourable variance in adjusted EBITDA from music production, due primarily to increased operating expenses, including the charge for bad debts and promotion costs, partially offset by the impact of the revenue increase.

2017/2016 FINANCIAL YEAR COMPARISON

Analysis of consolidated results of Quebecor Media

Revenues: \$4.13 billion, a \$68.0 million (1.7%) increase.

- Revenues increased in Telecommunications (\$95.5 million or 3.0% of segment revenues).
- Revenues decreased in Media (\$19.3 million or -2.4%) and in Sports and Entertainment (\$3.7 million or -2.0%).

Adjusted EBITDA: \$1.62 billion, a \$59.9 million (3.8%) increase.

- Adjusted EBITDA increased in Telecommunications (\$46.9 million or 3.1% of segment adjusted EBITDA), Media (\$15.4 million or 28.6%), and Sports and Entertainment (\$3.9 million).
- There was an unfavourable variance at Head Office (\$6.3 million), mainly because of higher philanthropic, IT and compensation costs.
- The change in the fair value of Quebecor Media stock options resulted in a \$0.9 million favourable variance in the stock-based compensation charge in 2017 compared with 2016.

Net income attributable to shareholders: \$765.8 million in 2017 compared with \$400.3 million in 2016, a \$365.5 million increase.

- The favourable variance was due primarily to:
 - \$330.9 million gain on the sale of spectrum licences recognized in 2017, including \$165.5 million without any tax consequences;
 - \$59.9 million increase in adjusted EBITDA;
 - \$20.2 million decrease in financial expenses;
 - \$17.2 million favourable variance in income from discontinued operations;
 - \$11.3 million favourable variance in the charge for restructuring of operations, litigation and other items.

Partially offset by:

- \$56.8 million increase in the depreciation and amortization charge;
- \$8.3 million unfavourable variance in the loss on debt refinancing;
- \$7.8 million unfavourable variance in non-controlling interest.

Depreciation and amortization charge: \$705.3 million, a \$56.8 million increase due mainly to the impact of capital expenditures in the Telecommunications segment, including depreciation of investments in wired and wireless networks and computer systems, as well as the impact of revising the depreciation period for some telecommunications network components.

Financial expenses: \$281.8 million, a \$20.2 million decrease caused mainly by lower average indebtedness, the impact of lower interest rates on long-term debt due to debt refinancing at lower rates, a favourable variance in gains and losses on foreign currency translation of short-term monetary items, and higher interest revenues generated by increased liquidity.

Loss on valuation and translation of financial instruments: \$2.4 million in 2017 compared with \$2.1 million in 2016, a \$0.3 million unfavourable variance.

Charge for restructuring of operations, litigation and other items: \$17.2 million in 2017, compared with \$28.5 million in 2016, a \$11.3 million favourable variance.

- A \$17.2 million net charge was recognized in 2017 in connection with cost-reduction initiatives in the Corporation's various segments, customer migration from analog to digital service in the Telecommunications segment, and developments in legal disputes (\$28.5 million in 2016).

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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 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 AWS-1 spectrum licence in the Toronto metropolitan area to 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.
- It should be noted that these transactions led to recognition in the second quarter of 2017 of tax benefits in the amount of \$44.4 million arising from prior year tax losses, thereby reducing the Corporation's tax expense.

Charge for impairment of goodwill and intangible assets: \$43.8 million in 2017, compared with \$40.9 million in 2016, a \$2.9 million unfavourable variance.

- In 2017 and 2016, Quebecor Media performed impairment tests on its Magazines CGU in view of the downtrend in industry 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, was recorded in 2017 (\$40.1 million without any tax consequences in 2016). As well, a charge for impairment of intangible assets totalling \$12.4 million, including \$3.1 million without any tax consequences, was recognized in 2017 (nil in 2016).
- In 2017, an additional \$1.4 million charge for impairment of intangible assets was recognized in the Corporation's other segments (\$0.8 million in 2016).

Loss on debt refinancing: \$15.6 million in 2017, compared with \$7.3 million in 2016, an \$8.3 million unfavourable variance.

- 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.
- In accordance with a notice issued on December 2, 2016, Videotron redeemed, on January 5, 2017, \$175.0 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 \$7.3 million loss was recorded in the consolidated statement of income in 2016 in connection with this redemption.

Income tax expense: \$141.2 million (effective tax rate of 20.0%) in 2017 compared with \$143.3 million (effective tax rate of 25.1%) in 2016, a \$2.1 million favourable variance. The effective tax rate is calculated considering only taxable and deductible items.

- The effective tax rates and the favourable variance in those rates mainly reflect recognition in 2017 of tax benefits arising from prior year tax losses, whereas in 2016 the deferred tax balances recorded on the balance sheet were reduced in consideration of the lowering of future tax rates in Québec.
- The impact on the income tax expense of the increase in taxable income for tax purposes in 2017 was outweighed by the impact of the decrease in effective tax rates.

SEGMENTED ANALYSIS

Telecommunications

Revenues: \$3.29 billion in 2017, a \$95.5 million (3.0%) increase.

- Revenues from the mobile telephony service increased \$60.2 million (14.7%) to \$469.8 million, essentially due to an increase in the number of subscriber connections and higher net revenue per connection.
- Revenues from Internet access services increased \$52.2 million (5.3%) to \$1.03 billion, mainly as a result of higher per-subscriber revenues, reflecting, among other things, the favourable impact of the product mix and increases in some rates, and customer growth, partially offset by increased discounts and a decrease in overage charges.
- Combined revenues from all cable television services decreased \$14.7 million (-1.4%) to \$1.01 billion, due primarily to the impact of the net decrease in the customer base, lower per-customer revenues and higher discounts, partially offset by increased revenues from the leasing of digital set-top boxes and the impact of increases in some rates.
- Revenues from the cable telephony service decreased \$27.0 million (-6.4%) to \$397.8 million, mainly because of the impact of the net decrease in subscriber connections and lower long-distance revenues, partially offset by higher per-connection revenues and lower discounts.
- Revenues from Club illico increased \$8.3 million (26.4%) to \$39.7 million, essentially because of subscriber growth.
- Revenues of Videotron Business increased \$5.6 million (5.6%) to \$104.8 million, essentially due to the impact of higher revenues at Fibrenoire.
- Revenues from customer equipment sales increased \$12.1 million (5.8%) to \$219.0 million, mainly because of an increase in the number of mobile devices sold and reduced discounts on sales of digital set-top boxes.
- Revenues of the Le SuperClub Vidéotron retail chain decreased \$1.2 million (-16.0%) to \$6.3 million, mainly because of store closures.
- Other revenues were stable compared with 2016 at \$10.0 million.

Total ABPU was \$48.23 in 2017 compared with \$46.75 in 2016, a \$1.48 (3.2%) increase. Mobile ABPU was \$53.23 in 2017 compared with \$51.23 in 2016, a \$2.00 (3.9%) increase.

Customer statistics

RGUs — The total number of RGUs was 5,881,100 at December 31, 2017, an increase of 115,700 (2.0%) in 2017 compared with an increase of 117,900 in 2016 (Table 3).

Mobile telephony — As of December 31, 2017, the number of subscriber connections to the mobile telephony service stood at 1,024,000, an increase of 130,100 (14.6%) in 2017 compared with an increase of 125,300 in 2016 (Table 3).

Cable Internet access — As of December 31, 2017, the number of subscribers to cable Internet access services stood at 1,666,500, an increase of 53,700 (3.3%) in 2017, the largest annual increase since 2013, compared with an increase of 44,600 in 2016 (Table 3). At December 31, 2017, Videotron's cable Internet access services had a household and business penetration rate (number of subscribers as a proportion of the total 2,873,700 homes and businesses passed by Videotron's network as of December 31, 2017, up from 2,839,300 one year earlier) of 58.0% compared with 56.8% a year earlier.

Cable television — The combined customer base for all Videotron cable television services decreased by 50,400 (-3.0%) in 2017 compared with a decrease of 46,000 in 2016 (Table 3). As of December 31, 2017, Videotron had 1,640,500 subscribers to its cable television services. The household and business penetration rate was 57.1% versus 59.6% a year earlier.

- As of December 31, 2017, the number of subscribers to the illico Digital TV service stood at 1,640,500, an increase of 53,400 (3.4%) in 2017 due in part to the impact of the program to migrate all analog service customers to digital service, compared with an increase of 16,500 in 2016. As of December 31, 2017, illico Digital TV had a household and business penetration rate of 57.1% versus 55.9% a year earlier.
- As of December 31, 2017, substantially all subscribers to the analog cable television service had migrated to digital service.

Cable telephony — As of December 31, 2017, the number of subscribers to the cable telephony service stood at 1,188,500, a decrease of 64,600 (-5.2%) in 2017 compared with a decrease of 63,200 in 2016 (Table 3). At December 31, 2017, the cable telephony service had a household and business penetration rate of 41.4% versus 44.1% a year earlier.

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Club illico — As of December 31, 2017, the number of subscribers to Club illico stood at 361,600, an increase of 46,900 (14.9%) in 2017 compared with an increase of 57,200 in 2016 (Table 3).

Adjusted EBITDA: \$1.56 billion, a \$46.9 million (3.1%) increase due primarily to:

- impact of the revenue increase.

Partially offset by:

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

Cost/revenue ratio: Operating costs for all Telecommunications segment operations, expressed as a percentage of revenues, were 52.6% in 2017 compared with 52.7% in 2016.

Cash flows from segment operations: \$860.2 million in 2017 compared with \$775.0 million in 2016 (Table 4).

- The \$85.2 million increase was due to the \$46.9 million increase in adjusted EBITDA and a \$36.1 million decrease in additions to property, plant and equipment and to intangible assets, reflecting in part decreased investment in the LTE network.

Media

Revenues: \$769.9 million in 2017, a \$19.3 million (-2.4%) decrease.

- Broadcasting revenues increased \$11.5 million (2.7%), essentially due to:
 - higher advertising revenues at the specialty channels and TVA Network;
 - higher subscription revenues at TVA Sports.

Partially offset by:

- decreased revenues from commercial production.
- Film production and audiovisual service revenues increased by \$7.8 million (13.2%), mainly because of higher revenues from soundstage and equipment rental due to more major productions in 2017 than in 2016, and higher revenues from dubbing and visual effects.
- Newspaper publishing revenues decreased \$17.5 million (-8.7%).
 - Advertising revenues decreased 13.5%; circulation revenues decreased 8.0%; digital revenues increased 3.0%; combined revenues from commercial printing and other sources decreased 2.7%.
- Magazine publishing revenues decreased by \$21.2 million (-18.3%), due primarily to:
 - lower advertising revenues;
 - lower subscription and newsstand revenues;
 - impact of the discontinuation of some titles;
 - decreased custom publishing revenues.
- Quebecor Media Out of Home's revenues were stable.

Adjusted EBITDA: \$69.3 million in 2017, a \$15.4 million (28.6%) increase.

- Adjusted EBITDA from broadcasting increased by \$19.5 million (87.1%), essentially because of the impact of the revenue increase, combined with cost reductions resulting from restructuring initiatives and lower content costs.
- Adjusted EBITDA from film production and audiovisual services increased by \$5.3 million (57.6%), mainly because of the impact of the revenue increase.
- Adjusted EBITDA from newspaper publishing decreased by \$6.2 million (-57.9%) due to the impact of the revenue decrease, partially offset by the favourable impact on adjusted EBITDA of reduced operating expenses, resulting from, among other things, the impact of restructuring initiatives.
- Adjusted EBITDA from magazine publishing decreased by \$3.8 million (-27.5%), mainly because of the impact of the decrease in revenues, partially offset by lower operating expenses, including printing, editorial and selling expenses, as well as cost reductions related to restructuring initiatives.

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- Adjusted EBITDA of Quebecor Media Out of Home was stable.

Cost/revenue ratio: Employee costs and purchases of goods and services for the Media segment's operations, expressed as a percentage of revenues, were 91.0% in 2017 compared with 93.2% in 2016. The decrease was mainly due to the large fixed component of operating costs, which does not fluctuate in proportion to the increase in revenues, particularly in broadcasting and in film production and audiovisual services, as well as the impact of restructuring and cost-reduction initiatives in all business units.

Cash flows from segment operations: \$37.3 million in 2017 compared with \$9.3 million in 2016 (Table 5). The \$28.0 million favourable variance was due primarily to the \$15.4 million increase in adjusted EBITDA, combined with a \$12.0 million decrease in additions to property, plant and equipment and to intangible assets.

Sports and Entertainment

Revenues: \$181.3 million, a \$3.7 million (-2.0%) decrease.

- Revenues from sports and concerts increased by \$3.8 million (11.0%), essentially because of the successful coproduction of *Saturday Night Fever* at the Capitole de Québec and sponsorship activation revenues.
- Book distribution and publishing revenues decreased by \$0.7 million (-0.7%), primarily as a result of lower revenues from general literature and lower volumes in bookstore distribution, partially offset by higher revenues from educational publishing.
- Music distribution and production revenues decreased by \$6.9 million (-14.7%), primarily as a result of lower distribution revenues.

Adjusted EBITDA: \$6.2 million in 2017, a \$3.9 million (169.6%) increase.

- There was a \$0.9 million (12.5%) favourable variance in the adjusted operating loss of sports and concerts, mainly because of the impact of the revenue increase, partially offset by the impact of the startup of new activities.
- Adjusted EBITDA from book distribution and publishing increased by \$2.3 million (22.5%), due primarily to the impact of the revenue increase and higher margins in educational publishing, as well as lower operating expenses in general literature.
- There was a \$0.8 million favourable variance in adjusted EBITDA from music distribution and production, due primarily to decreased administrative expenses, partially offset by the impact of the decrease in revenues.

Cash flows from segment operations: \$0.6 million in 2017, compared with negative \$4.7 million in 2016 (Table 6). The \$5.3 million favourable variance was due to the \$3.9 million increase in adjusted EBITDA and the \$1.4 million reduction 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. This section should be read in conjunction with the discussion of trends under “Trend Information” above, the analysis of the Corporation’s risk factors under “Item 3. Key Information — B. Risk Factors,” below, and the analysis of the Corporation’s financial risks under “Financial Instruments and Financial Risk Management” below.

Operating activities

2018 financial year

Cash flows provided by continuing operating activities: \$1.42 billion in 2018 compared with \$1.19 billion in 2017.

- The \$227.8 million increase was primarily due to:
 - \$266.8 million favourable change in non-cash operating assets and liabilities, due primarily to favourable variances in income tax receivable and payable, provisions, and accounts payable and accrued charges;
 - \$119.2 million increase in the Telecommunications segment’s adjusted EBITDA.

Partially offset by:

- \$146.1 million increase in current income taxes in 2018 compared with 2017, mainly because of the recognition of tax benefits in 2017;
- \$14.0 million unfavourable variance in the Media segment’s adjusted EBITDA.

The Telecommunications segment’s increased profitability, the favourable variance in income tax receivable and payable, and favourable variances in provisions and in accounts payable and accrued charges in the Telecommunications segment had a favourable impact on cash flows provided by continuing operating activities in 2018 compared with 2017, while the decrease in the Media segment’s profitability had an unfavourable impact.

2017 financial year

Cash flows provided by continuing operating activities: \$1.19 billion in 2017 compared with \$1.13 billion in 2016.

- The \$57.7 million increase was primarily due to:
 - \$149.2 million decrease in current income taxes, mostly because of the recognition of tax benefits;
 - \$46.9 million and \$15.4 million increases in EBITDA in the Telecommunications and Media segments, respectively;
 - \$20.1 million decrease in the cash portion of financial expenses;
 - \$11.3 million favourable variance in the cash portion of the charge for restructuring of operations, litigation and other items.

Partially offset by:

- \$183.1 million unfavourable change in non-cash operating assets and liabilities, due primarily to unfavourable variances in income tax receivable and payable, provisions, accounts payable and accrued charges, and inventory in the Telecommunications segment.

Increased profitability in the Telecommunications and Media segments, as well as the recognition of tax benefits and reduced financial expenses, had a favourable impact on cash flows provided by continuing operating activities in 2017, while decreases in provisions and in accounts payable and accrued charges, and variances in inventory in the Telecommunications segment had an unfavourable impact.

Working capital: Negative \$262.4 million at December 31, 2018 compared with positive \$747.6 million at December 31, 2017. The \$1.01 million decrease was due primarily to the use of cash and cash equivalents for the repurchase of Quebecor Media Common Shares held by CDP Capital, as well as the increase in net income tax payable and in accounts payable and accrued charges.

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Investing activities

2018 financial year

Additions to property, plant and equipment: \$552.7 million in 2018 compared with \$601.8 million in 2017. The \$49.1 million decrease was due to lower spending on wired and wireless networks in the Telecommunications segment.

Additions to intangible assets: \$197.4 million in 2018 compared with \$141.9 million in 2017. The \$55.5 million increase was due primarily to spending on the IPTV project and IT systems in the Telecommunications segment.

Proceeds from disposal of assets: \$9.4 million in 2018, compared with \$620.7 million in 2017, a \$611.3 million decrease:

- In 2017, Videotron sold its AWS-1 spectrum licence in the Metropolitan Toronto area to Rogers for a cash consideration of \$184.2 million, and its seven 2500 MHz and 700 MHz wireless spectrum licences outside Québec to Shaw for a cash consideration of \$430.0 million.

Business acquisitions: \$10.3 million in 2018 compared with \$5.8 million in 2017.

- In 2018, business acquisitions consisted mainly of the acquisition of LC Media, Audio Zone and the assets of Mobilimage by the Media segment.
- In 2017, business acquisitions consisted mainly of payment of the \$5.6 million balance payable on the acquisition of Fibrenoire by the Telecommunications segment.

Loans to the parent company: \$596.1 million in 2018.

- On September 28, 2018, Quebecor entered into a loan agreement with the Corporation pursuant to which the Corporation makes available to Quebecor, by way of one or multiple drawdowns, a \$175.0 million non-revolving subordinated and unsecured loan, bearing interest at a rate of 5.75% and maturing in September 2021. As of December 31, 2018, Quebecor drew down \$97.0 million on the subordinated loan agreement.
- On July 23, 2018, Quebecor entered into a loan agreement with the Corporation pursuant to which the Corporation makes available to Quebecor, by way of one or multiple drawdowns, an \$87.1 million non-revolving subordinated and unsecured loan, bearing interest at a rate of 5.50% and maturing in July 2021. As of December 31, 2018, Quebecor drew down \$87.1 million on the subordinated loan agreement.
- On June 29, 2018, Quebecor entered into a loan agreement with the Corporation pursuant to which the Corporation makes available to Quebecor, by way of one or multiple drawdowns, a \$262.0 million non-revolving subordinated and unsecured loan, bearing interest at a rate of 5.50% and maturing in June 2021. As of December 31, 2018, Quebecor drew down \$262.0 million on the subordinated loan agreement.
- On April 3, 2018, Quebecor entered into loan agreements with the Corporation pursuant to which the Corporation makes available to Quebecor, by way of one or multiple drawdowns, a \$75.0 million non-revolving unsubordinated and unsecured loan and a \$75.0 million non-revolving subordinated and unsecured loan. The unsubordinated and subordinated loans bear interest at a rate of 5.25% and 5.50%, respectively, and mature in April 2021. As of December 31, 2018, Quebecor drew down \$75.0 million on the unsubordinated loan agreement and \$75.0 million on the subordinated loan agreement.

2017 financial year

Additions to property, plant and equipment: \$601.8 million in 2017 compared with \$654.5 million in 2016. The \$52.7 million decrease was due to reduced investment in the LTE network.

Additions to intangible assets: \$141.9 million in 2017, compared with \$139.8 million in 2016, a \$2.1 million increase.

Proceeds from disposal of assets: \$620.7 million in 2017 compared with \$3.5 million in 2016.

- In 2017, Videotron sold its AWS-1 spectrum licence in the Metropolitan Toronto area to Rogers for a cash consideration of \$184.2 million, and its seven 2500 MHz and 700 MHz wireless spectrum licences outside Québec to Shaw for a cash consideration of \$430.0 million.

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Business acquisitions: \$5.8 million in 2017 compared with \$119.5 million in 2016.

- In 2017, business acquisitions consisted mainly of payment of the \$5.6 million balance payable on the acquisition of Fibrenoire by the Telecommunications segment.
- In 2016, business acquisitions consisted essentially of the acquisition of Fibrenoire by the Telecommunications segment.

Business disposals: \$3.0 million in 2016, consisting of the balance of the selling price of Archambault Group Inc.'s retail operations.

Free cash flows from continuing operating activities

2018 financial year

Free cash flows from continuing operating activities: \$679.3 million in 2018 compared with \$455.0 million in 2017 (Table 7). The \$224.3 million increase was primarily due to:

- \$227.8 million increase in cash flows provided by continuing operating activities;
- \$49.1 million decrease in additions to property, plant and equipment.

Partially offset by:

- \$55.5 million increase in additions to intangible assets.

2017 financial year

Free cash flows from continuing operating activities: \$455.0 million in 2017 compared with \$343.7 million in 2016 (Table 7).

- The \$111.3 million favourable variance was mainly due to:
 - \$57.7 million increase in cash flows provided by continuing operating activities;
 - \$52.7 million decrease in additions to property, plant and equipment.

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Table 7

Cash flows provided by continuing operating activities reported in the consolidated financial statements and free cash flows from continuing operating activities

(in millions of Canadian dollars)

	With adoption of IFRS15 ¹			Without IFRS15 ²		
	Year ended December 31			Year ended December 31		
	2018	2017	2016	2018	2017	2016
Adjusted EBITDA (negative adjusted EBITDA):						
Telecommunications	\$ 1,677.0	\$ 1,557.8	\$ 1,510.9	\$ 1,654.5	\$ 1,523.0	\$ 1,445.2
Media	55.3	69.3	53.9	55.3	69.3	53.9
Sports and Entertainment	5.0	6.2	2.3	5.0	6.2	2.3
Head Office	(4.9)	(14.1)	(7.8)	(4.9)	(14.1)	(7.8)
	<u>1,732.4</u>	<u>1,619.2</u>	<u>1,559.3</u>	<u>1,709.9</u>	<u>1,584.4</u>	<u>1,493.6</u>
Cash interest expense ³	(273.7)	(274.9)	(295.0)	(273.7)	(274.9)	(295.0)
Cash portion related to restructuring of operations, litigation and other items ⁴	(14.9)	(17.2)	(28.5)	(14.9)	(17.2)	(28.5)
Current income taxes	(154.9)	(8.8)	(158.0)	(154.9)	(8.8)	(158.0)
Other	(5.6)	4.0	3.7	(5.6)	4.0	3.7
Net change in non-cash balances related to operating activities	136.7	(130.1)	53.0	136.7	(130.1)	53.0
Impact of IFRS 15	—	—	—	22.5	34.8	65.7
Cash flows provided by continuing operating activities	1,420.0	1,192.2	1,134.5	1,420.0	1,192.2	1,134.5
Additions to property, plant and equipment and to intangible assets, less proceeds from disposal of assets (excluding proceeds from disposal of licences):						
Telecommunications	(701.2)	(697.6)	(735.9)	(701.2)	(697.6)	(735.9)
Media	(29.8)	(32.0)	(44.6)	(29.8)	(32.0)	(44.6)
Sports and Entertainment	(5.0)	(5.6)	(7.0)	(5.0)	(5.6)	(7.0)
Head Office	(4.7)	(2.0)	(3.3)	(4.7)	(2.0)	(3.3)
	<u>(740.7)</u>	<u>(737.2)</u>	<u>(790.8)</u>	<u>(740.7)</u>	<u>(737.2)</u>	<u>(790.8)</u>
Free cash flows from continuing operating activities	\$ 679.3	\$ 455.0	\$ 343.7	\$ 679.3	\$ 455.0	\$ 343.7

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

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

³ Interest on long-term debt, interest on net defined benefit liability, impact of foreign currency translation on short-term monetary items, interest from the parent corporation and other financial (revenues) expenses (see note 4 to the consolidated financial statements).

⁴ Restructuring of operations, litigation and other items (see note 5 to the consolidated financial statements).

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Financing activities

2018 financial year

Consolidated debt (long-term debt plus bank indebtedness): A \$1.09 billion increase in 2018. A \$329.3 million net favourable variance in assets and liabilities related to derivative financial instruments.

- Additions to debt in 2018 essentially consisted of:
 - \$738.5 million increase in Videotron’s drawings on its revolving bank credit facility;
 - \$342.0 million unfavourable impact of exchange rate fluctuations. The consolidated debt increase attributable to this item was offset by an increase in the asset (or decrease in the liability) related to cross-currency swap agreements entered under “Derivative financial instruments”;
 - \$24.3 million increase in the bank indebtedness of Videotron and Quebecor Media.
- Debt reductions in 2018 primarily consisted of:
 - current payments totalling \$19.2 million on the term loan and other facilities of Videotron, TVA Group and Quebecor Media.
- Assets and liabilities related to derivative financial instruments totalled a net asset of \$887.0 million at December 31, 2018 compared with \$557.7 million at December 31, 2017. The \$329.3 million net favourable variance was mainly due to:
 - favourable impact of exchange rate fluctuations on the value of derivative financial instruments.

Partially offset by:

- unfavourable impact of interest rate trends in Canada, compared with the United States, on the fair value of derivative financial instruments.
- On February 15, 2019, Quebecor Media amended its \$300.0 million secured revolving credit facility, extending its term to July 2022. Certain conditions were also amended.
- On November 26, 2018, Videotron amended its secured revolving credit facility, increasing it from \$965.0 million to \$1.50 billion and extending its term to July 2023. Certain conditions related to the credit facility were also amended.
- On May 8, 2018, Quebecor and Quebecor Media entered into an agreement with CDP Capital to repurchase all of the share capital of Quebecor Media still held by CDP Capital, representing an 18.47% stake in Quebecor Media, for a value of \$1.69 billion. On May 11 and June 22, 2018, Quebecor Media repurchased for cancellation a total of 16,064,215 of its Common Shares held by CDP Capital, representing approximately 91.1% of the CDP Capital interest before closing, for a total aggregate purchase price of \$1.54 billion, paid in cash. All repurchased shares were cancelled. On June 22, 2018, Quebecor purchased 1,564,696 Common Shares of Quebecor Media held by CDP Capital, representing approximately 8.9% of the CDP Capital interest before closing, in consideration of the issuance of \$150.0 million aggregate principal amount of convertible debentures of Quebecor. After the completion of these transactions, Quebecor Media became a wholly owned subsidiary of Quebecor.

2017 financial year

Consolidated debt (long-term debt plus bank indebtedness): \$345.3 million decrease in 2017; \$251.0 million net unfavourable variance in assets and liabilities related to derivative financial instruments.

- Debt reductions in 2017 primarily consisted of:
 - redemption by Quebecor Media on May 1, 2017 of the entirety of its outstanding 7.375% Senior Notes issued on January 5, 2011 and maturing on January 15, 2021, in the aggregate principal amount of \$325.0 million, at a redemption price of 102.458% of their principal amount;
 - redemption by Videotron on January 5, 2017 and May 1, 2017 of \$300.0 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;
 - \$209.3 million reduction in Videotron’s drawings on its secured revolving credit facility;

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- \$272.5 million favourable impact of exchange rate fluctuations. The consolidated debt reduction attributable to this item was offset by a decrease in the asset (or increase in the liability) related to cross-currency swap agreements entered under “Derivative financial instruments”;
- current payments totalling \$21.1 million on the term loan facilities of Videotron, TVA Group and Quebecor Media;
- total \$18.9 million reduction in bank indebtedness of Videotron and Quebecor Media.
- Additions to debt in 2017 mainly consisted of:
 - issuance by Videotron on April 13, 2017 of US\$600.0 million aggregate principal amount of 5.125% Senior Notes maturing on April 15, 2027 for net proceeds of \$794.5 million, net of financing fees of \$9.9 million.
- Assets and liabilities related to derivative financial instruments totalled a net asset of \$557.7 million at December 31, 2017 compared with \$808.7 million at December 31, 2016. The \$251.0 million net unfavourable variance was mainly due to:

- unfavourable impact of exchange rate fluctuations on the value of derivative financial instruments.

Partially offset by:

- favourable impact of interest rate trends in Canada, compared with the United States, on the fair value of derivative financial instruments.
- On July 6, 2017, Quebecor Media repurchased for cancellation 541,899 of its Common Shares held by CDP Capital for an aggregate purchase price of \$37.7 million, payable in cash. On the same date, Quebecor Media also paid off a security held by CDP Capital for \$6.2 million. The \$23.3 million excess of the purchase price over the carrying value of the Common Shares and the security was recorded as an increase in the deficit.
- On May 4, 2017, Videotron transferred all then-existing commitments under its unsecured revolving credit facility to its secured revolving credit facility, increasing its secured facility from \$630.0 million to \$965.0 million and terminating its unsecured facility.

Financial position

Net available liquidity: \$1.03 billion at December 31, 2018 for Quebecor Media and its wholly owned subsidiaries, consisting of \$1.05 billion in available unused revolving credit facilities less \$23.6 million in bank indebtedness.

Consolidated debt (long-term debt plus bank indebtedness): \$6.40 billion at December 31, 2018, a \$1.09 billion increase compared with December 31, 2017; \$329.3 million net favourable variance in assets and liabilities related to derivative financial instruments (see “Financing activities” above).

- Consolidated debt essentially consisted of Videotron’s \$4.23 billion debt (\$3.27 billion at December 31, 2017); TVA Group’s \$52.8 million debt (\$62.6 million at December 31, 2017); and Quebecor Media’s \$2.12 billion debt (\$1.98 billion at December 31, 2017).

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

Table 8
Minimum principal payments on Quebecor Media’s long-term debt
12-month periods ended December 31
(in millions of Canadian dollars)

2019	\$	56.6
2020		448.1
2021		—
2022		1,091.0
2023		2,401.2
2024 and thereafter		2,411.3
Total	\$	6,408.2

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From time to time, Quebecor Media may (but is under no obligation to) seek to retire or purchase its outstanding Senior Notes 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 Media's consolidated debt was approximately 5.1 years as of December 31, 2018 (6.1 years as of December 31, 2017). As at December 31, 2018, after taking into account hedging instruments, the debt consisted of approximately 76.2% fixed-rate debt (87.7% as of December 31, 2017) and 23.8% floating-rate debt (12.3% as of December 31, 2017).

The Corporation's management believes that cash flows and available sources of financing should be sufficient to cover committed cash requirements for capital investments, working capital, interest payments, income tax payments, debt repayments, pension plan contributions, share repurchases, and dividends or distributions to shareholders in the future. The Corporation has access to cash flows generated by its subsidiaries through dividends (or distributions) and cash advances paid by its wholly owned subsidiaries. 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. 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, 2018, the Corporation was in compliance with all required financial ratios.

Distributions paid and dividends declared and paid

- Total of \$100.0 million in dividends declared by the Board of Directors of Quebecor Media, which was paid to shareholders in 2018 (\$50.0 million in 2017).
- Total of \$50.0 million in distributions, in the form of a reduction of paid-up capital, which was paid to shareholders in 2017.

Participation in 600 MHz spectrum auction

In December 2018, Videotron qualified as a bidder in the auction for spectrum licences in the 600 MHz band announced by ISED. The auction is scheduled to commence on March 12, 2019.

In December 2018, Videotron contracted new unsecured on-demand credit facilities under which letters of credit were issued and submitted to ISED as a pre-auction deposit, with the application to bid. The submission of these letters of credit did not have the effect of reducing the Corporation's net available liquidity. In accordance with the rules of confidentially established by ISED respecting restrictions on communications during the auction process, it is strictly forbidden for the Corporation to disclose the amount of these letters of credit. Videotron may withdraw the letters of credit at any time prior to the opening of the auction.

The full licensing framework for spectrum in the 600 MHz band published by ISED, including the method used to determine the amount of the pre-auction deposit, is available on the ISED website at <www.ic.gc.ca/eic/site/smt-gst.nsf/eng/h_sf11331.html>

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Analysis of consolidated balance sheet at December 31, 2018

Table 9

Consolidated balance sheet of Quebecor Media

Analysis of main variances between December 31, 2018 and 2017

(in millions of Canadian dollars)

	<u>Dec. 31, 2018</u>	<u>Dec. 31, 2017</u>	<u>Difference</u>	<u>Main reasons for difference</u>
Assets				
Cash and cash equivalents				Use of cash and cash equivalents for the repurchase of Quebecor Media Common Shares held by CDP Capital
	\$ 21.0	\$ 864.9	\$ (843.9)	
Net assets held for resale ¹	88.4	—	88.4	Net assets of 4Degrees Colocation held for resale
Property, plant and equipment				Depreciation for the period and reclassification of net assets held for resale, less additions to
	3,413.5	3,554.3	(140.8)	property, plant and equipment on an accrual basis
Intangible assets				Investment in the IPTV project and IT systems by the Telecommunications segment on an accrual basis, less amortization for the period and the
	1,135.3	983.1	152.2	impairment charge
Loan to parent corporation	596.1	—	596.1	See “Investing activities”
Derivative financial instruments ²	887.0	557.7	329.3	See “Financing activities”
Liabilities				
Accounts payable and accrued charges	820.5	725.6	94.9	Impact of current variances in activity
Income taxes ³	114.4	(16.0)	130.4	Current income taxes for the period less current disbursements
Long term debt, including short term portion and bank indebtedness	6,399.3	5,311.7	1,087.6	See “Financing activities”

¹ Current assets less current liabilities.

² Long-term assets less long-term liabilities.

³ Current liabilities less current assets.

ADDITIONAL INFORMATION**Contractual Obligations**

At December 31, 2018, material contractual obligations of operating activities included: capital repayment and interest payments on long-term debt; operating lease arrangements; capital asset purchases and other commitments; and obligations related to derivative financial instruments, less estimated future receipts on derivative financial instruments. Table 10 below shows a summary of these contractual obligations.

Table 10
Contractual obligations of Quebecor Media as of December 31, 2018
(in millions of Canadian dollars)

	<u>Total</u>	<u>Under 1 year</u>	<u>1-3 years</u>	<u>3-5 years</u>	<u>5 years or more</u>
Long-term debt ¹	\$ 6,408.2	\$ 56.6	\$ 448.1	\$ 3,492.2	\$ 2,411.3
Interest payments ²	1,500.6	252.3	578.2	428.4	241.7
Operating leases	241.0	49.5	58.0	36.8	96.7
Additions to property, plant and equipment and other commitments	1,351.5	247.4	370.7	277.7	455.7
Derivative financial instruments ³	(892.7)	0.2	(105.1)	(618.1)	(169.7)
Total contractual obligations	<u>\$ 8,608.6</u>	<u>\$ 606.0</u>	<u>\$ 1,349.9</u>	<u>\$ 3,617.0</u>	<u>\$ 3,035.7</u>

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 rate risk and financing fees.

² Estimated interest payable on long-term debt, based on interest rates, hedging of interest rates and hedging of foreign exchange rates as of December 31, 2018.

³ Estimated future receipts, net of future disbursements, on derivative financial instruments related to foreign exchange hedging.

Significant commitments included in Table 10

Videotron leases sites for its wireless network under operating lease arrangements. It also has 20-year service sharing and exchange agreements with Rogers to build out and operate an LTE network in Québec and the Ottawa area, as well as an agreement with Comcast Corporation to develop an innovative IPTV solution. As at December 31, 2018, the balance of those commitments stood at \$608.9 million.

In 2011, Quebecor Media announced an agreement with Québec City for the leasing and management of the Videotron Centre. As at December 31, 2018, the balance of those commitments stood at \$70.5 million.

In 2012 and 2014, Quebecor Media signed 20-year agreements to install, maintain and advertise on bus shelters belonging to the Montréal and Laval transit commissions. In 2015 and 2018, similar 10-year agreements were signed with the Lévis, Sherbrooke and Longueuil transit commissions. As at December 31, 2018, the balance of those commitments stood at \$98.3 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, 2018, the balance of those commitments stood at \$589.3 million.

Pension Plan Contributions

The expected employer contributions to the Corporation's defined benefit pension plans and post-retirement benefit plans will be \$32.6 million in 2019, based on the most recent financial actuarial reports filed (contributions of \$35.7 million were paid in 2018).

Related Party Transactions

The following describes transactions in which the Corporation and its directors, executive officers and affiliates are involved. The Corporation believes that each of the transactions described below was on terms no less favourable to Quebecor Media than could have been obtained from independent third parties.

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Operating transactions

During the year ended December 31, 2018, the Corporation made purchases and incurred rent charges with the parent corporation and affiliated companies in the amount of \$10.0 million (\$9.2 million in 2017 and \$9.0 million in 2016), which are included in purchase of goods and services. The Corporation made sales to an affiliated corporation in the amount of 2.8 million (\$2.8 million in 2017 and \$3.0 million in 2016). Those transactions were accounted for at the consideration agreed between the parties.

Management arrangements

The parent corporation has entered into management arrangements with the Corporation. Under these management arrangements, the parent corporation and the Corporation provide management services to each other on a cost-reimbursement basis. The expenses subject to reimbursement include the salaries of the Corporation's executive officers, who also serve as executive officers of the parent corporation.

In 2018, the Corporation received an amount of \$2.4 million, which is included as a reduction in employee costs (\$2.2 million in 2017 and 2016), and incurred management fees of \$2.5 million (\$2.7 million in 2017 and \$2.6 million in 2016) with shareholders.

Tax transactions

In 2018, the parent corporation transferred \$54.2 million of non-capital losses (none in 2017 and \$22.1 million in 2016) to the Corporation in exchange for a cash consideration of \$13.9 million (none in 2017 and \$5.6 million in 2016). These transactions were concluded on terms equivalent to those that prevail on an arm's length basis and were accounted for at the consideration agreed between the parties.

Off-Balance Sheet Arrangements

Guarantees

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

Operating leases

The Corporation has guaranteed a portion of the residual value of certain assets under operating leases for the benefit of the lessor. Should the Corporation terminate these leases prior to term (or at the end of the lease terms) and should the fair value of the assets be less than the guaranteed residual value, then the Corporation must, under certain conditions, compensate the lessor for a portion of the shortfall. In addition, the Corporation has provided guarantees to the lessor of certain premises leases with expiry dates through 2020. Should the lessee default under the agreement, the Corporation must, under certain conditions, compensate the lessor. As of December 31, 2018, the maximum exposure with respect to these guarantees was \$19.3 million and no liability has been recorded in the consolidated balance sheets.

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 sheet.

Outsourcing companies and suppliers

In the normal course of its operations, 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 sheet with respect to these indemnifications.

Other

One of the Corporation's subsidiaries, has, as a franchiser, provided guarantees should franchisees, in their retail activities, default on certain purchase agreements. 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 sheet with respect to these guarantees.

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, 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, (ii) to achieve a targeted balance of fixed- and floating-rate debts, and (iii) to lock in the value of certain derivative financial instruments through offsetting transactions. The Corporation does not intend to settle its derivative financial instruments prior to their maturity as none of these instruments is held or issued for speculative purposes.

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Table 11
Description of derivative financial instruments
As of December 31, 2018
(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	1.3056	\$ 165.6	US\$ 126.8

Cross-currency interest rate swaps

Hedged item	Period covered	Hedging instrument		
		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
			Bankers' acceptance 3 months	
Term loan "B"	2013 to 2020	US\$ 331.6	+ 2.77%	1.0346
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
			Bankers' acceptance 3 months	
5.375% Senior Notes due 2024	2014 to 2024	US\$ 158.6	+ 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
			Bankers' acceptance 1 month + 0.42%	
US\$ drawing on revolver facility	2018 to 2019	US\$ 160.0		1.3417

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.

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(Gains) losses on valuation and translation of financial instruments for 2018, 2017 and 2016 are summarized in Table 12.

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
(Gain) loss on the ineffective portion of fair value hedges	\$ (0.8)	\$ 3.0	\$ 2.0
Loss on the ineffective portion of cash flow hedges	1.7	—	0.1
(Gain) loss on embedded derivatives related to long term debt	—	(0.6)	(0.2)
Loss (gain) on reversal of embedded derivatives on debt redemption	—	—	0.2
	<u>\$ 0.9</u>	<u>\$ 2.4</u>	<u>\$ 2.1</u>

A loss on cash flow hedges of \$10.1 million was recorded under “Other comprehensive income” in 2018 (gain of \$43.7 million and loss of \$30.9 million respectively in 2017 and in 2016).

Fair value of financial instruments

The fair value of long-term debt 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.

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The carrying value and fair value of long-term debt and derivative financial instruments as of December 31, 2018 and December 31, 2017 were as follows:

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

Asset (liability)	December 31, 2018		December 31, 2017	
	Carrying value	Fair value	Carrying value	Fair value
Long-term debt¹	\$ (6,408.2)	\$ (6,391.5)	\$ (5,346.7)	\$ (5,658.0)
Derivative financial instruments²				
Foreign exchange forward contracts	6.7	6.7	(4.5)	(4.5)
Cross-currency interest rate swaps	880.3	880.3	562.2	562.2

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

² The fair value of derivative financial instruments designated as cash flow hedges is an asset position of \$840.6 million as of December 31, 2018 (\$525.7 million as of December 31, 2017) and the fair value of derivative financial instruments designated as fair value hedges is an asset position of \$46.4 million as of December 31, 2018 (\$32.0 million as of December 31, 2017).

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, 2018, 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, 2018, the provision for expected credit losses represented 2.7% of the gross amount of accounts receivable and contract assets (2.9% as of December 31, 2017), while 11.7% of trade receivable were 90 days past their billing date (11.3% as of December 31, 2017).

The following table shows changes to the provision for expected credit losses for the years ended December 31, 2018 and 2017:

	2018	2017
Balance at beginning of year	\$ 21.1	\$ 28.1
Changes in expected credit losses charged to income	19.6	21.6
Write off	(20.2)	(28.6)
Balance at end of year	\$ 20.5	\$ 21.1

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

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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 5.1 years as of December 31, 2018 (6.1 years as of December 31, 2017) (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, handsets and cable modems 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, 2018 and to hedge its exposure on certain purchases of set-top boxes, handsets, cable modems 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, 2018 is as follows:

<u>Increase (decrease)</u>	<u>Income</u>	<u>Other comprehensive income</u>
Increase of \$0.10	\$ 1.3	\$ 34.8
Decrease of \$0.10	(1.3)	(34.8)

A variance of \$0.10 in the 2018 average exchange rate of CAN dollar per one U.S. dollar would have resulted in a variance of \$2.4 million on the value of unhedged purchase of goods and services and \$4.4 million on the value of unhedged acquisitions of tangible and intangible assets in 2018.

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, 2018, after taking into account the hedging instruments, long-term debt was comprised of 76.2% fixed-rate debt (87.7% in 2017) and 23.8 % floating-rate debt (12.3% in 2017).

The estimated sensitivity on interest payments, of a 100 basis-point variance in the year-end Canadian Bankers’ acceptance rate as of December 31, 2018 was \$13.1 million.

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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 as of December 31, 2018, as per the Corporation's valuation models, is as follows:

<u>Increase (decrease)</u>	<u>Income</u>	<u>Other comprehensive income</u>
Increase of 100 basis points	\$ (1.9)	\$ (28.1)
Decrease of 100 basis points	1.9	28.1

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, 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, derivative financial instruments, cash and cash equivalents and loans to the parent Corporation. The capital structure as of December 31, 2018 and 2017 is as follows:

Table 14
Capital structure of Quebecor Media
(in millions of Canadian dollars)

	<u>2018</u>	<u>2017</u>
Bank indebtedness	24.3	—
Long-term debt	\$ 6,375.0	\$ 5,311.7
Derivative financial instruments	(887.0)	(557.7)
Cash and cash equivalents	(21.0)	(864.9)
Loans to parent Corporation	(596.1)	—
Net liabilities	4,895.2	3,889.1
Equity	\$ 1,424.7	\$ 2,545.0

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

There are a number of legal proceedings against the Corporation and its subsidiaries that are pending. In the opinion of the management of the Corporation, the outcome of those proceedings is not expected to have a material adverse effect on Corporation's results or on its financial position.

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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.

Telecommunications

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 as revenues over the period of time the customer is expected to remain a customer of the Corporation or 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.

Media

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; and
- Revenues derived from speciality film and television services are recognized when services are provided.

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Sports and Entertainment

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 renting the arena and from tickets (including season tickets), food concession 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, 2018 was \$2.68 billion, and the net book value of intangible assets with indefinite useful lives as at December 31, 2018 was \$485.3 million.

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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. The Corporation also uses offsetting foreign exchange forward contracts in combination with cross-currency interest rate swaps to hedge foreign currency rate exposure on principal payments on foreign currency denominated debt. 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

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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.

Pension 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 options 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.

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Contract costs

Incremental costs and direct costs, such as contract acquisition costs consisting primarily in sales commissions and the cost of connecting subscribers to the Corporation's telecommunications network, are deferred as contract costs and amortized over the expected duration of the customer's service or the term of the contract. Amortized contract costs are included in purchases of goods and services on 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, and 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

Contingent considerations 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 are based will be met in the future. The assessment of these contingent potential outcomes requires judgment from management and could have an impact on the initial amount of contingent considerations recognized and any subsequent changes in fair value recorded in the consolidated statements of income.

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.

Changes in Accounting Policies

(i) IFRS 9 — *Financial Instruments*

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

Under the new rules, most of financial assets and liabilities of the Corporation are now classified as subsequently measured at amortized cost, except for derivative financial instruments, which are measured at fair value. The Corporation is also using the IFRS 9 expected credit losses method to estimate the provision for expected credit losses on its financial assets.

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

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

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

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

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

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

The adoption of IFRS 15 had no impact on cash flows from operating, investing and financing activities.

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

Consolidated statements of income and comprehensive income

Increase (decrease)	2017	2016
Revenues	\$ 22.4	\$ 52.5
Purchase of goods and services	(12.4)	(13.2)
Deferred income tax expense	9.2	17.4
Net income and comprehensive income attributable to shareholders	\$ 25.6	\$ 48.3

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Consolidated balance sheets

Increase (decrease)	December 31, 2017	December 31, 2016
Other assets:		
Contract assets ¹	\$ 183.6	\$ 155.8
Contract costs ²	92.5	85.4
Deferred income tax liability	73.2	63.9
Deficit	(202.9)	(177.3)

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

² The current portion of contract costs is \$55.9 million as of December 31, 2017 and \$49.4 million as of December 31, 2016 and is presented under “Other current assets”.

Recent accounting pronouncements

- (i) IFRS 16 — *Leases* is required to be applied retrospectively for annual periods beginning on or after January 1, 2019.

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 will be 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 will be initially measured on a present value basis.

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

Under IFRS 16, most lease charges will be expensed as a depreciation of the right-of-use asset, along with an interest on the related lease liability. Since operating lease charges are currently recognized as operating expenses as they are incurred, the adoption of IFRS 16 will change the timing of the recognition of these lease charges over the term of each lease. It will also affect the classification of expenses in the consolidated statements of income.

Under IFRS 16, principal payments of the lease liability will be presented as financing activities in the consolidated statements of cash flows, whereas under the current standard these payments are presented as operating activities.

The retroactive adoption of IFRS 16 will have the following impacts on the 2018 and 2017 consolidated financial figures:

Consolidated statements of income and comprehensive income

Increase (decrease)	2018	2017
Purchase of goods and services	\$ (52.5)	\$ (49.8)
Depreciation and amortization	38.9	37.8
Financial expenses	11.0	12.5
Restructuring of operations	(0.7)	0.3
Deferred income tax expense	0.9	(0.2)
Net income and comprehensive income attributable to shareholders	\$ 2.4	\$ (0.6)
Net income and comprehensive income attributable to:		
Shareholders	\$ 2.2	\$ (0.5)
Non-controlling interests	0.2	(0.1)

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Consolidated balance sheets

Increase (decrease)	December 31, 2018	December 31, 2017
Right-of-use assets	\$ 146.7	\$ 170.1
Provisions	(1.4)	(1.4)
Lease liabilities ¹	179.5	205.2
Other liabilities	(4.3)	(3.4)
Deferred income tax liability	(7.1)	(8.0)
Deficit	19.8	21.9
Non-controlling interests	(0.2)	(0.4)

¹ The current portion of lease liabilities is \$37.4 million as of December 31, 2018 and \$40.3 million as of December 31, 2017.

- (ii) IFRIC 23 - *Uncertainty over Income Tax Treatments* is required to be applied retrospectively for annual periods beginning on or after January 1, 2019

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 will not have a material impact on the consolidated financial statements.

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ITEM 6 — DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A - Directors and Senior Management

The following table sets forth certain information concerning our directors and executive officers at March 21, 2019:

Name and Municipality of Residence	Age	Position
THE RIGHT HONOURABLE BRIAN MULRONEY, P.C., C.C., LL.D. Montréal, Québec	80	Director and Chairman of the Board
SYLVIE LALANDE ⁽³⁾ Lachute, Québec	68	Director, Vice Chair and Lead Director
CHANTAL BÉLANGER, FCPA-FCGA ⁽¹⁾ Blainville, Québec	67	Director
ANDRÉ P. BROUSSEAU ^{(1) (2) (3)} Montréal, Québec	57	Director
ANDREA C. MARTIN ⁽³⁾ London, United Kingdom	59	Director
ROBERT PARÉ ⁽²⁾ Westmount, Québec	64	Director
ÉRIK PÉLADEAU Lorraine, Québec	63	Director
NORMAND PROVOST ⁽¹⁾⁽²⁾ Brossard, Québec	64	Director and Chair of the Audit Committee
PIERRE KARL PÉLADEAU Outremont, Québec	57	President and Chief Executive Officer
JEAN-FRANÇOIS PRUNEAU Montréal, Québec	48	President and Chief Executive Officer, Videotron Ltd.
FRANCE LAUZIÈRE Town of Mount-Royal, Québec	52	President and Chief Executive Officer, TVA Group Inc. and Chief of Content, Quebecor Content
MARC M. TREMBLAY Westmount, Québec	58	Chief Operating Officer, Chief Legal Officer and Corporate Secretary
HUGUES SIMARD Montréal, Québec	52	Chief Financial Officer
J. SERGE SASSEVILLE Montréal, Québec	60	Senior Vice President, Corporate and Institutional Affairs
CHRISTIAN JETTÉ Repentigny, Québec	58	President, Publishing, Book Group, Quebecor and CEO, CEC Publishing Inc.
JEAN-FRANÇOIS PARENT Nuns' Island, Québec	39	Vice President and Treasurer
LYNE ROBITAILLE Laval, Québec	56	Senior Vice President, Newspapers, Magazines, Distribution and Printing and President and Publisher, Journal de Montréal

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Name and Municipality of Residence	Age	Position
DENIS SABOURIN Outremont, Québec	58	Vice President and Corporate Controller
MARTIN TREMBLAY Québec, Québec	43	Chief Operating Officer, Quebecor Sport & Entertainment Group
ANNE VIVIEN Saint-Lambert, Québec	53	Executive Vice President, Development & Music

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- (1) Member of the Audit Committee
 - (2) Member of the Executive Committee
 - (3) Member of the Human Resources and Corporate Governance Committee

The Right Honourable Brian Mulroney, P.C., C.C., LL.D, Director and Chairman of the Board. Mr. Mulroney has been a Director of Quebecor Media since January 31, 2001 and director of Quebecor since 1999. He is Chairman of the Board of Quebecor and Videotron since June 19, 2014, and of Quebecor Media since May 8, 2018. He also acted as Chairman of the Board of Quebecor Media from June 2014 to February 2017. Since 1993, Mr. Mulroney has been a Senior Partner with the law firm Norton Rose Fulbright Canada LLP (formerly Ogilvy Renault LLP) in Montréal, Québec. Prior to that, Mr. Mulroney was the Prime Minister of Canada from 1984 until 1993. Mr. Mulroney practiced law in Montréal and served as President of The Iron Ore Company of Canada before entering politics in 1983. Mr. Mulroney serves as a Director of a number of public corporations, including Acreage Holdings, Inc., Wyndham Worldwide Corporation (New Jersey) and The Blackstone Group LP (New York). He is also Chairman of the International Advisory Board of Barrick Gold Corporation. He is Companion of the Order of Canada as well as *Grand Officier de l'Ordre national du Québec*.

Sylvie Lalande, Director, Vice Chair and Lead Director and Chair of the Human Resources and Corporate Governance Committee. Ms. Lalande is a Director of Videotron since July 2014 and of Quebecor Media since May 2013. She has served as a Director of Quebecor since May 2011. She was appointed as Lead Director of Quebecor and Quebecor Media on November 8, 2017 and as Vice Chair on May 8, 2018. She was appointed as Chair of the Human Resources and Corporate Governance Committee of Quebecor and Quebecor Media on May 12, 2016. She is a Director of TVA Group since December 2001, and was appointed as Chair of the Board on March 10, 2014. She has also served as Chair of the Human Resources and Corporate Governance Committee of TVA Group since May 2013. Ms. Lalande held several senior positions in the media, marketing, communication marketing and company communications sectors. Until October 2001, she was Chief Communications Officer of Bell Canada. From 1994 to 1997, she was President and Chief Executive Officer of UBI Consortium, a consortium formed to develop and manage interactive and transactional communication services. From 1987 to 1994, she occupied several senior positions within TVA Group and Le Groupe Vidéotron ltée. Ms. Lalande began her career in the radio industry, after which she founded her own consultation firm. In 2006, Ms. Lalande earned a degree in corporate governance from the Collège des administrateurs de sociétés. Ms. Lalande was, until September 2016, a Director and Chair of the Corporate Governance and Human Resources Committee and Lead Director of Ovivo Inc. From November 2013 to September 2017, Ms. Lalande was Chair of the Board of the Collège des administrateurs de sociétés of *Université Laval*. She was appointed Chair of the Board of Capital régional et coopératif Desjardins in April 2017.

Chantal Bélanger, Director and member of the Audit Committee. Ms. Bélanger is a Director and member of the Audit Committee of Quebecor, Quebecor Media and Videotron since May 8, 2018. At the Laurentian Bank, where she held various positions from 1986 to 2006, she was Senior Vice President of Personal Banking Services for Quebec, where she previously held the positions of Ombudsman and Director of Internal Audits and Information Systems. She has been a director at Capital régional et coopératif Desjardins since 2012, and at the Société de services financiers Fonds FMOQ Inc. since 2014. She is the Vice President of the Board, Chair of the Internal Audit Committee and the Portfolio Valuation Committee and serves on the Governance and Human Resources Committee at Capital régional et coopératif Desjardins. She chairs the Société de services financiers Fonds FMOQ Audit Committee. She was a director and member of various board committees at Ovivo Inc. from 2011 to 2016, the year it was privatized. She was a director and Chair of the Audit Committee at the Régie des Rentes du Québec from 2009 to 2015 and a director at the Institut des administrateurs de

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sociétés from 2009 to 2013. She was a director, Chair of the Audit Committee and a member of several committees for the Société des Alcools du Québec from 2002 to 2010. Ms. Bélanger is a fellow of the Quebec CPA Order and holds a certificate in Corporate Governance from the Collège des administrateurs de sociétés at Université Laval. Ms. Bélanger has been the Chair of the Board of the CAS since 2017 and has served on its board since 2016. Ms. Bélanger currently serves as a director, Chair of the Audit Committee and member of the Human Resources and Compensation Committee and of the Corporate Governance Committee of Lasonde Industries Inc.

André P. Brosseau, *Director, member of the Audit Committee and of the Human Resources and Corporate Governance Committee, and Chair of the Executive Committee* Mr. Brosseau is a Director and member of the Audit Committee of Quebecor, Quebecor Media and Videotron since May 12, 2016. He is also a member of the Human Resources and Corporate Governance Committee of Quebecor and Quebecor Media since May 2017. Mr. Brosseau is Chairman of the Board and Chief Executive Officer of Du Musée Investments Inc. (formerly Avenue Capital Markets BNB Inc.), a Family Office with private investments in Canada, the United States and Brazil that he founded in 2010. He currently serves as a director, Chairman of the Audit Committee and member of the Compensation Committee of DMD Digital Health Connections Group Inc. He is also a member of the Advisory Committee for the OSMO Foundation and The Notman House. Mr. Brosseau was President for Blackmont Capital Markets in Toronto until June 2009 and then served as Chairman of Quebec Capital Markets until May 2010. From 1994 to 2007, he held various executive positions with CIBC.

Andrea C. Martin, *Director and member of the Human Resources and Corporate Governance Committee*. Ms. Martin is a Director and member of the Human Resources and Corporate Governance Committee of Quebecor and Quebecor Media since September 28, 2017. Ms. Martin was President of ADT Canada from January 2015 to January 2017. She has also served as Managing Director of Data Services for Royal Mail Group in London, England. Ms. Martin worked for 27 years at Reader's Digest, where she was president of three global divisions as well as Chief Executive Officer and Executive Chair of the Board of Reader's Digest Canada for three years. She is a graduate of McGill University's Institute of Corporate Directors.

Robert Paré, *Director and member of the Executive Committee*. Mr. Paré is a Director of Quebecor and Quebecor Media since June 19, 2014. Since February 2018, he has been a Strategic Advisor for the firm Fasken Martineau DuMoulin LLP where he held a position of Senior Partner specializing in governance and corporate and commercial law from February 1987 to January 2018. Mr. Paré is a member of the Board and of the Compensation, Nominating and Corporate Governance Committee of ADF Group Inc. since 2009. He also serves on the Board of National Bank of Canada and its Conduct Review and Governance Committee since April 2018. He was a member of the Board and of the Nominating and Governance Committee and of the Human Resources and Compensation Committee of RONA Inc. from 2009 to 2016. Mr. Paré is currently member of the Boards of the Institute of Corporate Directors of Canada and the Institute for Research in Immunology and Cancer (IRIC). Mr. Paré has a Bachelor's degree in Law from Université Laval. He is a member of the Quebec Bar.

Érik Péladeau, *Director*. Mr. Péladeau has been a Director of Quebecor Media since July 2015. He also served as a Director from January 2001 to September 2009. Mr. Péladeau is also a Director of Quebecor since July 2015. He also served as a Director of Quebecor from 1988 to 2010 and as Vice Chairman of the Board for much of that period. Mr. Péladeau has been associated with different companies throughout the Quebecor group where he worked for more than 28 years. He also spearheaded the diversification of Quebecor's digital content offerings with the creation of Quebecor Multimedia. Mr. Péladeau is currently President of Groupe Lelys Inc., a company he acquired in 1984 which specializes in flexographic label printing. Mr. Péladeau is active in many charitable organizations. Érik Péladeau is the brother of Pierre Karl Péladeau.

Normand Provost, *Director, Chair of the Audit Committee and member of the Executive Committee*. Mr. Provost has been a Director of Quebecor Media since July 2004 and a Director of Quebecor since May 2013. He also serves as a member of the Audit Committee of Quebecor, Quebecor Media and Videotron since June 2014 and as Chairman since May 2018. From May 2014 to December 2015, Mr. Provost was Assistant to the President of CDPQ, one of the largest institutional fund managers in Canada and North America. Mr. Provost joined CDPQ in 1980 and has held various management positions during his time there. He served as President of CDP Capital Americas from 1995 to 2003. He has served as Executive Vice President, Private Equity, of CDPQ from October 2003 until May 2014. In addition to his responsibilities in the investment sector, Mr. Provost served as Chief Operations Officer of CDPQ from April 2009 to March 2012. Mr. Provost is a Director of the *Fondation de l'Entrepreneurship*. Since January 2018, he also serves as director of *Investissement Québec*, and is the Chair of its Risk Management Committee. In addition, he sits on the

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Supervisory Board and on the Compensation and Human Resources Committee of Groupe Kéolis S.A.S. Since March 2015, Mr. Provost also sits on the Board of Directors and Chair the Investment Committee of Desjardins Financial Security. Since January 2019, Mr. Provost also serves as Chairman of the Board of Groupe Germain.

Pierre Karl Péladeau, President and Chief Executive Officer. Mr. Péladeau was appointed President and Chief Executive Officer of Quebecor and Quebecor Media on February 15, 2017. Prior to that Mr. Péladeau entered in politics in 2014. He ran as the Parti Québécois candidate in Saint-Jérôme riding and was elected to Québec's National Assembly in April 2014. He became the party's leader on May 15, 2015 and served as Leader of the Official Opposition in the National Assembly until May 2, 2016. Mr. Péladeau joined Quebecor's communications division in 1985 as Assistant to the President. Since then, he has occupied various positions within the Quebecor group of companies. Namely, Mr. Péladeau was a Director of Quebecor Media from August 2000 to March 2014 and of Quebecor from April 1992 until March 2014. In May 2013, He was appointed Chairman of the Board of Directors of Quebecor Media, Videotron, TVA Group and Sun Media Corporation and was also appointed Vice Chairman of the Board of Directors of Quebecor. Mr. Péladeau was President and Chief Executive Officer of Quebecor Media and of Quebecor from April 2009 until May 2013. Mr. Péladeau chaired on numerous other boards of directors, namely for *La Fondation de l'entrepreneursip* (2011-2014) and Hydro-Quebec (2013-2014). Mr. Péladeau is active in many charitable and cultural organizations. Pierre Karl Péladeau is the brother of Érik Péladeau.

Jean-François Pruneau, President and Chief Executive Officer, Videotron Ltd. In January 2019, Mr. Pruneau was appointed President and Chief Executive Officer of Videotron. From 2010 to 2018, he was Senior Vice President and Chief Financial Officer of Quebecor and Quebecor Media. He joined Quebecor Media in May 2001 and served, in turn as Director of Corporate financing, Assistant Treasurer, Treasurer, and Vice President, finance of Quebecor, Quebecor Media, Videotron and Sun Media Corporation. He was Associate Director of BCE Media Inc. from 1999 to 2001 and served as Corporate Finance Officer at Canadian National Railway from 1997 to 1999. Mr. Pruneau holds an M.Sc. in Finance from HEC Montréal and has been a member of the Montréal chapter of the CFA Institute since 2000.

France Lauzière, President and Chief Executive Officer, TVA Group and Chief Content Officer of Quebecor Content. France Lauzière was appointed to her current position in October 2017. France joined TVA Group in 2001 and became head of programming for the TVA Network in 2006. Afterwards, she held the position of Senior Vice President, Content of Quebecor Content and Vice President, Programming of TVA Group from 2006 to 2013. She also serves on the board of La Factory, a school for creativity dedicated to forging creative minds equipped to find new solutions to contemporary challenges.

Marc M. Tremblay, Chief Operating Officer, Chief Legal Officer and Corporate Secretary. Mr. Tremblay was promoted Chief Operating Officer, Chief Legal Officer and Corporate Secretary of Quebecor and Quebecor Media in January 2019 from his previous position as Senior Vice President and Chief Legal Officer and Public Affairs and Corporate Secretary a position he held since September 2014. Prior to that date, he was Senior Vice President and Chief Legal Officer and Public Affairs of Quebecor Media, a position he held from October 2013. Prior to that date, Mr. Tremblay was Senior Vice President, Legal Affairs, a position he held from March 2012. Prior to that date, he was Vice President, Legal Affairs of Quebecor Media, a position he held from March 2007. Prior to that date, Mr. Tremblay practiced law at Ogilvy Renault LLP (now Norton Rose Fulbright Canada LLP) for 22 years. He has been a member of the *Barreau du Québec* since 1983.

Hugues Simard, Chief Financial Officer. Mr. Simard has been Chief Financial Officer of Quebecor and Quebecor Media since January 2019. Over a period of 20 years, from 1998 to 2017, Hugues Simard occupied a series of key positions with various Quebecor subsidiaries, including Senior Vice President and Chief Financial Officer of Videotron from 2014 to 2017, Senior Vice President, Development & Strategy of Quebecor Media, and Vice-President, Finance and Chief Financial Officer of Sun Media Corporation from 2007 to 2014. Between June 2017 and his return to Quebecor, Mr. Simard was Executive Vice President and Chief Financial Officer of Indigo Books & Music in Toronto. Mr. Simard holds an MBA from Harvard Business School and a Bachelor of Applied Science and Engineering degree from the University of Toronto.

J. Serge Sasseville, Senior Vice President, Corporate and Institutional Affairs. Mr. Sasseville was promoted Senior Vice President, Corporate and Institutional Affairs in March 2012 from his previous position as Vice President, Corporate and Institutional Affairs of Quebecor Media, a position he held since November 2008. Mr. Sasseville joined the Quebecor Group in 1987 and has served in many capacities both as a lawyer and manager, including Vice President,

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Legal Affairs and Secretary of Videotron and its subsidiaries and President, Music Sector of Archambault Group. Mr. Sasseville is a member of the Boards of Directors of Select Music and the Quebecor Fund. He is also a member of the Executive Committee and the Vice-Chair of the Board of Directors of CWTA (Canadian Wireless Telecommunications Association) and Chairman of the Board of Directors of CPAC (Cable Public Affairs Channel). He has been a member of the *Barreau du Québec* since 1981 and practiced law at the law firm Stein, Monast in Québec City from 1981 to 1987.

Christian Jetté, *President, Publishing, Book Group, Quebecor and CEO, CEC Publishing*. Mr. Jetté has been President, Publishing of Quebecor's Book Group, which includes the publishing houses Librex, Homme, Ville-Marie littérature and others, since 2013 and CEO of textbook publisher CEC Publishing since 2003. He also served as Vice President, finance of CEC Publishing from 1990 to 2003 and worked in distribution at Québec-Livres, a Quebecor subsidiary. Mr. Jetté holds a Bachelor of Business Administration degree from HEC Montréal and is a member of the *Ordre des comptables professionnels agréés du Québec*.

Jean-François Parent, *Vice President and Treasurer*. Mr. Parent was promoted Vice President and Treasurer in December 2018 from his previous position as Senior Director Financing and M&A of Quebecor Media. Mr. Parent joined Quebecor Media in 2006 and has assumed various responsibilities in treasury, corporate finance and mergers and acquisitions since then. He also serves as Vice President and Treasurer of Quebecor and Videotron since December 2018. Mr. Parent holds a M.Sc. in Finance from Université de Sherbrooke and is a member of the Montréal chapter of the CFA Institute and a member of the *Ordre des comptables professionnels agréés du Québec*.

Lyne Robitaille, *Senior Vice President, Newspapers, Magazines, Distribution and Printing, Quebecor Media and President and Publisher, Journal de Montréal*. Ms. Robitaille was appointed to her current position in November 2017. She has occupied many management positions at Quebecor's newspaper business since joining the organization in 1988. Ms. Robitaille graduated from HEC Montréal with a Bachelor's degree in accounting in 1985. She is a member of the *Ordre des comptables professionnels agréés du Québec*.

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Denis Sabourin, CPA, CA, Vice President and Corporate Controller. Mr. Sabourin was appointed Vice President and Corporate Controller of Quebecor Media in March 2004. Prior to that date, he held the position of Senior Manager, Control. Mr. Sabourin is also Vice President and Corporate Controller of Quebecor. Prior to joining Quebecor Media, Mr. Sabourin served as corporate controller of Compagnie Unimédia (previously known as Unimédia Inc.) from 1994 to 2001 and as Operating Controller for the Hotel Group Auberges des Gouverneurs Inc. from 1990 to 1994. He also spent seven years with Samson Bélair/Deloitte & Touche, Chartered Accountants. Mr. Sabourin is a Chartered Professional Accountant and is a member of the *Ordre des comptables professionnels agréés du Québec*.

Martin Tremblay, Chief Operating Officer, Quebecor Sports and Entertainment Group. Mr. Tremblay was appointed Chief Operating Officer, Quebecor Sports and Entertainment Group in August 2017. From 2012 to 2017, he held the position of Vice President, Public Affairs of Quebecor Media. He previously worked for several years in the office of the Minister of the Environment, the office of the Minister of Municipal Affairs and at Mayor's office of the City of Montréal. Mr. Martin holds a Bachelor's degree in international relations from Université du Québec à Chicoutimi.

Anne Vivien, Executive Vice President, Music Development. As Executive Vice President, Music Development since February 2017, Ms. Vivien is responsible for Musicor (Disk & shows), MP3 and Distribution Select. Ms. Vivien has held numerous management positions in Québec, which have also led to stints in New York and Europe. From 1994 to 1996, she was manager of the community radio station CIBL in Montréal. She then served as Artistic Director, Artists and Development at BMG Canada until 2004. From 2004 to 2009, she was director of the Musicor label, after which she founded her own consulting and management firm, Viktoria Music. Ms. Vivien holds a Bachelor's degree in international economics. She is a member of the society of Authors, Composers and Publishers of Music (SACEM), and sits on various committees of the Association québécoise de l'industrie du disque, du spectacle et de la vidéo (ADISQ) and is a member of the Canadian Independent Music Association (CIMA) Board of Directors. She has been a member of the Music Managers Forum Canada since 2013.

B - Compensation

Compensation of Directors

The table below indicates the compensation received by our Directors for the financial year ended December 31, 2018:

Compensation for the financial year ended December 31, 2018⁽¹⁾	\$
Chair of the Board ⁽²⁾	390,000
Vice Chair of the Board and Lead Director	20,000
Base compensation of Directors	90,000
Chair of the Audit Committee	30,000
Chair of the Human Resources and Corporate Governance Committee	26,000
Members of the Audit Committee (except Chair)	15,000
Members of the Human Resources and Corporate Governance Committee (except Chair)	17,000
Members of the Executive Committee	5,000
Attendance fees (lump sum payment)	20,000

(1) All Directors of Quebecor are also acting as Directors of Quebecor Media. Fees are borne on a pro rata basis between the two corporations.

(2) The Chair of the Board does not receive attendance fees nor any other additional compensation for acting as Director.

All of our Directors are reimbursed for travel and other reasonable expenses incurred in attending meetings of the Board of Directors or of one of its committees.

From January 1 to December 31, 2018, the amount of compensation (including benefits in kind) paid to our Directors for services in all capacities to Quebecor and Quebecor Media and its subsidiaries (other than TVA Group) was

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\$1,530,442. None of our Directors have contracts with us or any of our subsidiaries that provide for benefits upon termination of employment.

Quebecor has implemented a Directors' Deferred Stock Unit Plan (the "DSUP"). Under the DSUP, each director of Quebecor and Quebecor Media must receive a portion of his compensation in the form of units, such portion representing at least 50% of the annual base compensation, which could be less upon reaching the minimum shareholding threshold set out in the policy regarding the minimum shareholding by directors. Subject to certain conditions, each director may elect to receive up to 100% of the total fees payable for services as a director in the form of units. The value of a deferred share unit ("DSU") is based on the weighted average trading price of Quebecor's Class B shares on the Toronto Stock Exchange over the last five trading days immediately preceding the relevant date. DSUs will entitle the holders thereof to dividends, which will be paid in the form of additional units at the same rate as that applicable to dividends paid from time to time on Quebecor's Class B shares. Subject to certain limitations, the DSUs will be redeemed by Quebecor when the director ceases to serve as a director of Quebecor and/or Quebecor Media. For the purpose of redeeming units, the value of a DSU shall correspond to the fair market value of Quebecor's Class B shares on the redemption date.

Compensation of Executive Officers

Compensation of our senior executive officers is composed primarily of base salary and the payment of short-term and mid-term cash bonuses. Cash bonuses are generally tied to the achievement of financial performance indicators and strategic objectives, and they may vary from 33% to 140% of base salary depending upon the level of responsibilities of the senior executive officer. Our executive compensation package is also complemented by long-term incentives in the form of stock options.

For the financial year ended December 31, 2018, our senior executive officers, as a group, received aggregate compensation of \$13.7 million for services they rendered in all capacities during 2018, which amount includes base salary, bonuses and benefits in kind.

Quebecor Media's Stock Option Plan

Under a stock option plan established by Quebecor Media, 6,180,140 common shares of Quebecor Media (representing 7.8% of all of the outstanding common shares of Quebecor Media) have been set aside for directors, officers, senior employees, and other key employees of Quebecor Media and its subsidiaries. Our Human Resources and Corporate Governance Committee is responsible for the administration of this stock option plan and, as such, designates the participants under the stock option plan and determines the number of options granted, the vesting schedule, the expiration date and any other terms and conditions relating to the options.

Each option may be exercised within a maximum period of ten years following the date of grant at an exercise price not lower than, as the case may be, the fair market value of the common shares of Quebecor Media at the date of grant, as determined by our Board of Directors (if the common shares of Quebecor Media are not listed on a stock exchange at the time of the grant) or the 5-day weighted average closing price ending on the day preceding the date of grant of the common shares of Quebecor Media on the stock exchange(s) where such shares are listed at the time of grant, as applicable. For so long as the shares of Quebecor Media are not listed on a recognized stock exchange, optionees may exercise their vested options during one of the following annual periods: from March 1 to March 30, from June 1 to June 29, from September 1 to September 29 and from December 1 to December 30. Holders of options under the plan have the choice at the time of exercising their options to receive an amount in cash equal to the difference between the fair market value of the common shares, as determined by our Board of Directors, and the exercise price of their vested options or, subject to certain stated conditions, purchase common shares of Quebecor Media at the exercise price. Except under specific circumstances, and unless our Human Resources and Corporate Governance Committee decides otherwise, options vest over a five-year period in accordance with one of the following vesting schedules as determined by our Human Resources and Corporate Governance Committee at the time of grant: (i) equally over five years with the first 20% vesting on the first anniversary of the date of the grant; (ii) equally over four years with the first 25% vesting on the second anniversary of the date of grant; and (iii) equally over three years with the first 33 $\frac{1}{3}$ % vesting on the third anniversary of the date of grant. Pursuant to the terms of this plan, no optionee may hold options representing more than 5% of the outstanding common shares of Quebecor Media.

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During the year ended December 31, 2018, no options were granted under this plan to officers and employees of Quebecor Media and its subsidiaries. During the year ended December 31, 2018, a total of 263,227 options were exercised by officers and employees of Quebecor Media and its subsidiaries, for aggregate gross value realized of \$10.7 million. The value realized on option exercises represents the difference between the option exercise price and the fair market value of Quebecor Media common shares (as determined as set forth above) at the date of exercise. As of December 31, 2018, an aggregate total of 318,400 options were outstanding (of which 170,500 were vested at that date), with a weighted average exercise price of \$64.61 per share.

No further grant of options is being contemplated for the near future.

Quebecor's Stock Option Plan

Under a stock option plan established by Quebecor, 26,000,000 Quebecor Class B Shares have been set aside for Directors, officers, senior employees and other key employees of Quebecor and its subsidiaries, including Quebecor Media. The exercise price of each option is equal to the weighted average trading price of Quebecor Class B Shares on the Toronto Stock Exchange over the last five trading days immediately preceding the grant of the option. Each option may be exercised during a period not exceeding ten years from the date granted. As per the provisions of the plan, options usually vest as follows: $\frac{1}{3}$ after one year, $\frac{2}{3}$ after two years, and 100% three years after the original grant. The Board of Directors of Quebecor may, at its discretion, affix different vesting periods at the time of each grant. When granting options in 2018, the Board of Directors has determined that options would vest as follows: the first $\frac{1}{3}$ after three years, the second $\frac{1}{3}$ after four years and the balance five years after the original grant. Holders of options under the Quebecor stock option plan have the choice, when they want to exercise their options, to acquire Quebecor Class B Shares at the corresponding option exercise price or to receive a cash payment from Quebecor equivalent to the difference between the market value of the underlying shares and the exercise price of the option.

During the year ended December 31, 2018, 1,322,892 options to purchase Quebecor Class B Shares were granted to executive officers of Quebecor Media. As of December 31, 2018, a total of 1,982,892 options to purchase Quebecor Class B Shares, with a weighted average exercise price of \$21.60 per share, were outstanding (of which 680,000 were vested at that date). The closing sale price of the Quebecor Class B Shares on the TSX on December 31, 2018 was \$28.74.

TVA Group's stock option plan

Under a stock option plan established by TVA Group, 2,200,000 TVA Group Class B Shares have been set aside for senior executives and directors of TVA Group and its subsidiaries. The terms and conditions of options granted are determined by TVA Group's Human Resources and Corporate Governance Committee. The subscription price of an option cannot be less than the closing price of TVA Group Class B Shares on the Toronto Stock Exchange the day before the option is granted. Unless the Human Resources and Corporate Governance Committee decides otherwise, options vest over a five-year period in accordance with one of the following vesting schedules as determined by the Human Resources and Corporate Governance Committee at the time of grant: (i) equally over five years with the first 20% vesting on the first anniversary of the date of the grant; (ii) equally over four years with the first 25% vesting on the second anniversary of the date of grant; and (iii) equally over three years with the first $\frac{33}{3}$ 1/3% vesting on the third anniversary of the date of grant. The term of an option cannot exceed 10 years. Holders of options under the TVA Group's stock option plan have the choice, at the time of exercising their options, of receiving a cash payment from TVA Group equal to the number of shares corresponding to the options exercised, multiplied by the difference between the market value of the TVA Group Class B Shares and the exercise price of the option or, subject to certain conditions, exercise their options to purchase TVA Group Class B Shares at the exercise price. The market value is defined as the average closing market price of the TVA Group Class B Shares for the last five trading days preceding the date on which the option was exercised. As of December 31, 2018, a total of 340,000 options to purchase TVA Group Class B Shares, with a weighted average exercise price of \$2.99 per share, were outstanding (of which 36,000 were vested at that date). The closing sale price of the TVA Group Class B Shares on the TSX on December 31, 2018 was \$1.61.

Quebecor's DSU and PSU plans

On July 13, 2016, Quebecor established a DSU plan and a PSU plan for its employees and those of its subsidiaries. Both plans are based on Quebecor Class B shares and, in the case of the DSU plan, also on TVA Group Class B shares. The DSUs vest over six years and will be redeemed for cash only upon the participant's retirement or

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termination of employment, as the case may be. The PSUs vest over three years and will be redeemed for cash at the end of this period subject to the achievement of financial targets. DSUs and PSUs entitle the holders to receive additional units when dividends are paid on Quebecor Class B shares or TVA Group Class B shares. As of December 31, 2018, 171,551 DSUs based on Quebecor Class B shares, 58,818 DSUs based on TVA Group Class B shares and 253,421 PSUs based on Quebecor Class B Shares were outstanding.

TVA Group's DSU and PSU plans

On July 10, 2016, TVA Group established a DSU plan and a PSU plan for its employees based on TVA Group Class B shares. The DSUs vest over six years and will be redeemed for cash only upon the participant's retirement or termination of employment, as the case may be. The PSUs vest over three years and will be redeemed for cash at the end of this period subject to the achievement of financial targets. DSUs and PSUs entitle the holders to receive additional units when dividends are paid on TVA Group Class B shares. As of December 31, 2018, 203,464 DSUs and 270,637 PSUs were outstanding.

For more information on the compensation plans described above, refer to note 22 to our audited consolidated financial statements for the year ended December 31, 2018 included under "Item 18. Financial Statements" of this annual report.

Pension Benefits

Quebecor Media and its subsidiaries maintain a pension plan for their executive officers. The higher pension benefits under the Quebecor Media plan equal 2.0% of the average salary over the best five consecutive years of salary (including bonuses), multiplied by the number of years of membership in the plan as an executive officer. The pension benefits so calculated are payable at the normal retirement age, which is 65 years of age, or sooner at the election of the executive officer, and, from age 61, without early retirement reduction. In addition, the pension benefits may be deferred, but not beyond the age limit under the provisions of the *Income Tax Act* (Canada), in which case the pension benefits are adjusted to take into account the delay in payment thereof in relation to the normal retirement age. The maximum pension benefits payable under such pension plan are as prescribed by the *Income Tax Act* (Canada) and is based on a maximum salary of \$151,278. An executive officer contributes to the plan an amount equals to 5% of his or her salary up to a maximum of \$7,564 in respect of 2018. Quebecor Media closed this pension plan to all new employees hired on and after December 27, 2008. However, Quebecor Media reserves the right, in exceptional circumstances, to allow an executive officer to join the pension plan as of the date of hire or any subsequent date. New employees are eligible to enroll in a retirement savings plan.

The total amount we contributed for the year ended December 31, 2018 to provide the pension benefits to our senior executives, as a group, was \$456,900. For a description of the amount set aside or accrued for pension plans and post-retirement benefits by us to all participants, refer to Note 29 to our audited consolidated financial statements for the year ended December 31, 2018 included under "Item 18. Financial Statements" of this annual report.

The table below indicates the annual pension benefits that would be payable at the normal retirement age of 65 years:

Compensation	Years of Participation				
	10	15	20	25	30
\$151,278 or more	\$ 30,256	\$ 45,383	\$ 60,511	\$ 75,639	\$ 90,767

C - Board Practices

In accordance with our charter, our Board of Directors may consist of at least one Director and no more than 20 Directors. Our Board of Directors currently consists of eight Directors. Each Director serves a one-year term and holds office until the next annual general shareholders' meeting or until the election of his or her successor, unless he or she resigns or his or her office becomes vacant by reason of death, removal or other cause.

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Reference is made to “A. Directors and Senior Management” above for the current term of office, if applicable, and the period during which our directors and senior management have served in that office.

Executive Committee

The Executive Committee of our Board of Directors is currently composed of three members, namely Messrs. André P. Brosseau, Robert Paré and Normand Provost. Mr. Brosseau is the Chairman of our Executive Committee. The Committee has and may exercise all the powers of the Board of Directors, subject to the restrictions that shall be imposed by the Board of Directors from time to time and by the *Business Corporations Act* (Québec). However, the Committee does not have the power to grant options, DSUs or PSUs which power has already been delegated by the Board of Directors to its Human Resources and Corporate Governance Committee.

Audit Committee

Our Audit Committee is currently composed of three Directors, namely Messrs. André P. Brosseau and Normand Provost and Ms. Chantal Bélanger. Mr. Provost is the Chairman of our Audit Committee. Our Board of Directors has determined that more than one of the members of the Audit Committee is an “audit committee financial expert” as defined under SEC rules. See “Item 16A — Audit Committee Financial Expert”. Our Board of Directors has adopted the mandate of our Audit Committee in light of the *Sarbanes-Oxley Act* of 2002 and related SEC rulemaking. Our Audit Committee assists our Board of Directors in overseeing our financial controls and reporting. Our Audit Committee also oversees our compliance with financial covenants and legal and regulatory requirements governing financial disclosure matters and financial risk management.

The current mandate of our Audit Committee provides, among other things, that our Audit Committee reviews our annual and quarterly financial statements before they are submitted to our Board of Directors, as well as the financial information contained in our annual reports on Form 20-F, our management’s discussion and analysis of financial condition and results of operations, our quarterly reports furnished to the SEC under cover of Form 6-K and other documents containing similar information before their public disclosure or filing with regulatory authorities; reviews our accounting policies and practices; and discusses with our independent auditors the scope of their audit, as well as our auditors’ recommendations and observations with respect to the audit, our accounting policies and financial reporting, and the responses of our management with respect thereto. Our Audit Committee is also responsible for ensuring that we have in place adequate and effective internal control and management information systems to monitor our financial information and to ensure that our transactions with related parties are made on terms that are fair for us. Our Audit Committee pre-approves all audit services and permitted non-audit services and pre-approves all the fees pertaining to those services that are payable to our independent auditor, and submits the appropriate recommendations to our Board of Directors in connection with these services and fees. Our Audit Committee also reviews the scope of the audit and the results of the examinations conducted by our internal audit department. In addition, our Audit Committee recommends the appointment of our independent auditors, subject to our shareholders’ approval. At least every five years, our Audit Committee carries out an assessment of the external auditor. It also reviews and approves our Code of Ethics applicable to the Chief Executive Officer, Chief Financial Officer, controller, principal financial officer and other persons performing similar functions. Lastly, it also reviews and oversees risk management, particularly including operational risks related to information technology and cybersecurity.

Human Resources and Corporate Governance Committee

Our Human Resources and Corporate Governance Committee is composed of Ms. Sylvie Lalande, Ms. Andrea C. Martin and Mr. André P. Brosseau. Ms. Lalande is the Chair of our Human Resources and Corporate Governance Committee. Our Human Resources and Corporate Governance Committee was formed with the mandate to examine and decide upon our global compensation and benefits policies and those of our subsidiaries that do not have a Human Resources and Corporate Governance Committee, including certain matters relating to compensation. Our Human Resources and Corporate Governance Committee is also responsible for the review, on an annual basis, of the compensation of our Directors, and of corporate governance matters.

Liability Insurance

Quebecor Media carries liability insurance for the benefit of its Directors and officers, as well as for the Directors and officers of Quebecor and those of Quebecor Media’s subsidiaries against certain liabilities incurred by them in such capacity. These policies are subject to customary deductibles and exceptions. The premiums in respect of this insurance are entirely paid by Quebecor Media, which is then reimbursed by Quebecor and Quebecor Media’s subsidiaries for their ratable portion thereof.

D- Employees

As of December 31, 2018, we had 10,039 employees on a consolidated basis. As of December 31, 2017 and 2016, we had 10,158 and 10,144 employees on a consolidated basis, respectively. A number of our employees work part-time. The following table sets forth certain information relating to our employees in each of our operating segments as of December 31, 2018 :

Business segments	Total number of employees	Number of employees under collective bargaining agreements	Number of collective bargaining agreements
Telecommunications	6,637	3,818	5
Videotron	6,578	3,770	4
Other	59	48	1
Media	2,785	1,219	22
MediaQMI	249	163	6
TVA Group	1,862	900	9
Other	674	156	7
Sports and Entertainment	451	99	2
Corporate	166	—	—
Total	10,039	5,136	29

As of December 31, 2018, 51% of our employees were represented by collective bargaining agreements. Through our subsidiaries, we are party to 29 collective bargaining agreements:

- Videotron is party to four collective bargaining agreements representing 3,770 unionized employees. The collective bargaining agreement covering 2,914 unionized employees in the Montréal region has expired on December 31, 2018. The negotiation phase will begin soon with this unit. There are also three collective bargaining agreements covering unionized employees in the Saguenay, Gatineau and Québec regions, with terms running through December 31, 2019, August 31, 2020 and December 31, 2018 respectively.
- One other collective bargaining agreement covering 48 unionized employees of our subsidiary, SETTE inc., has expired on December 31, 2018. The negotiation phase will begin soon.
- MediaQMI is party to six collective bargaining agreements, representing 133 unionized employees. Of these six collective bargaining agreements, three expires on December 31, 2019, one on April 4, 2020, one on June 30, 2020 and the last one on December 31, 2020. TVA Group is party to nine collective bargaining agreements, representing 900 unionized employees. Negotiations related to three collective bargaining agreements, that expired in 2017, and 2018, are in progress or will be undertaken in 2019.
- Other subsidiaries of the Media segment are party to various collective agreements, representing 156 unionized employees:

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Entities	Employees	Terms	Comments
RéseauQMI Mirabel — Office	45	12/31/2021	None
Mirabel — Expedition	16	12/31/2020	None
RéseauQMI Québec — Warehouse/Office	17	09/30/2021	None
Mirabel — Printing / Maintenance	51	05/05/2019	None
RéseauQMI Mirabel — Warehouse	27	12/31/2022	None

- Our Sports and Entertainment segment is party to two collective bargaining agreements, representing 99 unionized employees:

Entities	Employees	Terms	Comments
Édition CEC	26	12/31/2018	In Progress
ADP - Sogides	73	12/31/2021	None

We currently have no labour disputes, nor do we currently anticipate any such labour dispute in the near future. We can neither predict the outcome of current or future negotiations relating to labour disputes, if any, union representation or renewal of collective bargaining agreements, nor guarantee that we will not experience further work stoppages, strikes or other forms of labour protests pending the outcome of any current or future negotiations.

If our unionized workers engage in a strike or any other form of work stoppage, we could experience a significant disruption to our operations, damage to our property and/or interruption to our services, which could adversely affect our business, assets, financial position, results of operations and reputation. Even if we do not experience strikes or other forms of labour protests, the outcome of labour negotiations could adversely affect our business and results of operations. Such could be the case if current or future labour negotiations or contracts were to further restrict our ability to maximize the efficiency of our operations. In addition, our ability to make short-term adjustments to control compensation and benefits costs is limited by the terms of our collective bargaining agreements.

D - Share Ownership

Except as disclosed under “Item 7. Major Shareholders and Related Party Transactions — Major Shareholders” of this annual report, none of our equity securities are held by any of our Directors or senior executive officers. For a description of Quebecor Media’s stock option plan, see “B. Compensation” above.

ITEM 7 — MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A - Major Shareholders

On May 8, 2018, Quebecor and Quebecor Media entered into an agreement with CDP Capital to repurchase all of the shares of Quebecor Media still held by CDP Capital, representing an 18.47% stake in Quebecor Media. On May 11 and June 22, 2018, Quebecor Media repurchased for cancellation a total of 16,064,215 of its common shares held by the CDP Capital. All repurchased shares were cancelled. On June 22, 2018, Quebecor purchased the remaining 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. After the completion of these transactions, Quebecor Media became a wholly owned subsidiary of Quebecor. The primary asset of Quebecor, a communications holding company, is its interest in us.

To the knowledge of our directors and officers and according to public information available, the only person or company which, as at March 12, 2019, beneficially owned or exercised control or direction over more than 10% of the shares of any class of voting shares of Quebecor was Pierre Karl Péladeau.

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B - The Corporation's Shareholders Agreement

We entered into a shareholders' agreement, dated October 23, 2000, with Quebecor and certain of its wholly owned subsidiaries, and Capital CDPQ, as consolidated and amended by a shareholders' agreement dated December 11, 2000, which sets forth the rights and obligations of Quebecor and Capital CDPQ as our shareholders.

In May and June 2018, CDPQ's interest in the Corporation was entirely repurchased and the Corporation's Shareholders Agreement was terminated.

C - Certain Relationships and Related Party Transactions

Related Party Transactions

The following describes transactions in which the Corporation and its directors, executive officers and affiliates are involved. The Corporation believes that each of the transactions described below was on terms no less favourable to Quebecor Media than could have been obtained from independent third parties.

Operating transactions

During the year ended December 31, 2018, the Corporation and its subsidiaries made purchases and incurred rent charges with the parent corporation and affiliated companies in the amount of \$10.0 million (\$9.2 million in 2017 and \$9.0 million in 2016), which are included in purchase of goods and services. During the year ended December 31, 2018, the Corporation and its subsidiaries made sales to an affiliated corporation in the amount of \$2.8 million (\$2.8 million in 2017 and \$3.0 million in 2016). These transactions were accounted for at the consideration agreed between parties.

Management arrangements

The parent corporation has entered into management arrangements with the Corporation. Under these management arrangements, the parent corporation and the Corporation provide management services to each other on a cost-reimbursement basis. The expenses subject to reimbursement include the salaries of the Corporation's executive officers, who also serve as executive officers of the parent corporation.

In 2018, the Corporation received an amount of \$2.4 million, which is included as a reduction in employee costs (\$2.2 million in 2017 and \$2.2 million in 2016), and incurred management fees of \$2.5 million (\$2.7 million in 2017 and \$2.6 million in 2016) with the Corporation's shareholders.

Tax transactions

In 2018, the parent corporation transferred \$54.2 million of non-capital losses (\$22.1 million in 2016) to the Corporation in exchange for a cash consideration of \$13.9 million (\$5.6 million in 2016). In 2017, no transaction occurred with the parent corporation. This transaction was concluded on terms equivalent to those that prevail on an arm's length basis and was accounted for at the consideration agreed between the parties.

D - Interests of Experts and Counsel

Not applicable.

ITEM 8 — FINANCIAL INFORMATION

A - Consolidated Statements and Other Financial Information

The consolidated balance sheets of Quebecor Media as at December 31, 2018 and 2017, and the consolidated statements of income, comprehensive income, equity and cash flows of Quebecor Media for each of the years in the three-year period ended December 31, 2018, as well as the Report of Independent Registered Public Accounting Firm thereon, are presented in "Item 18. Financial Statements" of this annual report (beginning on page F-1).

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B - Legal Proceedings

We and our subsidiaries are involved in a number of other legal proceedings against us which are pending. In the opinion of our management, the outcome of these proceedings is not expected to have a material adverse effect on our results or financial position.

C - Dividend Policy and Dividends

Dividend Policies and Payments

Our authorized share capital consists of (i) common shares, (ii) Cumulative First Preferred Shares, consisting of Series A Shares, Series B Shares, Series C Shares, Series D Shares, Series F Shares and Series G Shares, and (iii) Preferred Shares, Series E. As of December 31, 2018, our issued and outstanding share capital was as follows:

79,377,062.24 common shares outstanding, all of which were held, directly or indirectly, by Quebecor.

Holders of our common shares are entitled, subject to the rights of the holders of any Preferred Shares, to receive such dividends as our Board of Directors shall determine in its discretion. In 2018, the Board of Directors of Quebecor Media declared and paid aggregate cash dividends on our common shares of \$100 million. In 2017, the Board of Directors of Quebecor Media declared and paid aggregate cash dividends on our common shares of \$50 million and declared and made a distribution in the form of a reduction of paid-up capital of our common shares in the amount of \$50 million. In 2016, the Board of Directors of Quebecor Media declared and made a distribution in the form of a reduction of paid-up capital of our common shares in the amount of \$100 million. We currently expect, to the extent permitted by our Articles of Incorporation, the terms of our indebtedness and applicable law, to continue to pay dividends to our shareholders or reduce paid-up capital in the future.

Holders of our Series A Shares are entitled to receive fixed cumulative preferred dividends at a rate of 12.5% per share per annum. The dividends declared on the Series A Shares are payable semi-annually on a cumulative basis on January 14 and July 14 of each year. No dividends may be paid on any shares ranking junior to the Series A Shares unless all dividends which shall have become payable on the Series A Shares have been paid or set aside for payment.

Holders of our Series B Shares are entitled to receive a cumulative cash dividend, when, as and if declared by the Board of Directors. The dividend shall be payable only upon conversion of the Series B Shares into Common shares. Dividends are determined by the Board of Directors in accordance with our Articles of Incorporation.

Holders of our Series C Shares are entitled to receive fixed cumulative preferred dividends at a rate of 11.25% per share per annum. The dividends declared on the Series C Shares are payable semi-annually on a cumulative basis on June 20 and December 20 of each year. No dividends may be paid on any shares ranking junior to the Series C Shares unless all dividends which shall have become payable on the Series C Shares have been paid or set aside for payment.

Holders of our Series D Shares are entitled to receive fixed cumulative preferred dividends at a rate of 11.0% per share per annum. The dividends declared on the Series D Shares are payable semi-annually on a cumulative basis on June 20 and December 20 of each year. No dividends may be paid on any shares ranking junior to the Series D Shares unless all dividends which shall have become payable on the Series D Shares have been paid or set aside for payment.

Holders of our Series E Shares are entitled to receive a maximum non-cumulative preferred monthly dividend at a rate of 1.25% per month, calculated on the redemption price of the Series E Shares when, as and if declared by the Board of Directors. The Series E Shares rank senior to the common shares but junior to the Series A Shares, Series B Shares, Series C Shares and Series D Shares.

Holders of our Series F Shares are entitled to receive fixed cumulative preferred dividends at a rate of 10.85% per annum per share. The dividends declared on the Series F Shares are payable semi-annually on a cumulative basis on January 14 and July 14 of each year. No dividends may be paid on any shares ranking junior to the Series F Shares unless all dividends which shall have become payable on the Series F Shares have been paid or set aside for payment.

Holders of our Series G Shares are entitled to receive fixed cumulative preferred dividends at a rate of 10.85% per annum per share. The dividends declared on the Series G Shares are payable semi-annually on a cumulative basis on

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June 20 and December 20 of each year. No dividends may be paid on any shares ranking junior to the Series G Shares unless all dividends which shall have become payable on the Series G Shares have been paid or set aside for payment.

D - Significant Changes

Except as otherwise disclosed in this annual report (including under “Item 5. Operating and Financial Review and Prospects”), there has been no significant change in our financial position since December 31, 2016.

ITEM 9 — THE OFFER AND LISTING

A - Offer and Listing Details

Not applicable.

B - Plan of Distribution

Not applicable.

C - Markets

Outstanding Notes

On October 11, 2012, we issued and sold CAN\$500.0 million aggregate principal amount of our 6⁵/₈% Senior Notes due 2023 and US\$850.0 million aggregate principal amount of our 5³/₄% Senior Notes due 2023 in private placements exempt from the registration requirement of the Securities Act and prospectus requirements of applicable Canadian securities laws. Our 5³/₄% Senior Notes due 2023 and our 6⁵/₈% Senior Notes due 2023 are unsecured and are due on January 15, 2023, with cash interest payable semi-annually in arrears on June 15 and December 15 of each year. In connection with the private placement of the 5³/₄% Senior Notes due 2023, we filed a registration statement on Form F-4 with the SEC on April 10, 2013 and completed the registered exchange offer on May 21, 2013. As a result of this exchange offer, our 5³/₄% Senior Notes due 2023 issued on October 11, 2012 have been registered under the Securities Act. Our 6⁵/₈% Senior Notes due 2023 were not and will not be registered under the Securities Act or under the laws of any other jurisdiction.

There is currently no established trading market for our senior notes. There can be no assurance as to the liquidity of any market that may develop for our outstanding senior notes, the ability of the holders of any such senior notes to sell them or the prices at which any such sales may be made. We have not and do not presently intend to apply for a listing of our outstanding senior notes on any exchange or automated dealer quotation system. The record holder of our 5³/₄% Senior Notes due 2023 is Cede & Co., a nominee of The Depository Trust Company, and the record holder of our 6⁵/₈% Senior Notes due 2023 is CDS Clearing and Depository Services Inc.

D - Selling Shareholders

Not applicable.

E - Dilution

Not applicable.

F - Expenses of the Issuer

Not applicable.

ITEM 10 — ADDITIONAL INFORMATION

A - Share Capital

In addition to our common shares, our authorized share capital is comprised of (i) Cumulative First Preferred Shares, Series A, or Series A Shares; (ii) Cumulative First Preferred Shares, Series B, or Series B Shares; (iii) Cumulative First Preferred Shares, Series C, or Series C Shares; (iv) Cumulative First Preferred Shares, Series D, or Series D Shares; (v) Preferred Shares, Series E, or Series E Shares; (vi) Cumulative First Preferred Shares, Series F, or Series F Shares; and (vii) Cumulative First Preferred Shares, Series G, or Series G Shares. As of December 31, 2018, there were no issued and outstanding preferred shares.

B- Memorandum and Articles of Association

On January 17, 2013, our Articles of Incorporation and the various Articles of Amendment were consolidated, as permitted by the *Business Corporations Act* (Quebec). These Articles of Consolidation are filed as an exhibit to this annual report. In this description, we refer to our Articles of Consolidation as the “**Articles**”. The following is a summary of certain provisions of our Articles and our by-laws.

We were incorporated, in Canada, under Part IA of the *Companies Act* (Quebec) as 9093-9687 Québec Inc. on August 8, 2000 under registration number 1149501992. Since its coming into force on February 14, 2011, we are governed by the *Business Corporations Act* (Quebec). On August 18, 2000, a Certificate of Amendment was filed to change our name to Media Acquisition Inc. Our name was further changed to Quebecor Media Inc. on September 26, 2000. Our Articles do not describe our object and purpose.

1. (a) Our by-laws provide that a director must disclose the nature and value of any interest he has in a contract or transaction to which our Corporation is a party. A director must also disclose a contract or transaction to which the Corporation and any of the following are a party:
 - a) an associate of the director;
 - b) a group of which the director is a director or an officer;
 - c) a group in which the director or an associate of the director has an interest.

No director may vote on a resolution to approve, amend or terminate the contract or transaction, or be present during deliberations concerning the approval, amendment or termination of such a contract or transaction unless the contract or transaction:

- a) relates primarily to the remuneration of the director or an associate of the director as a director of the Corporation or an affiliate of the Corporation;
 - b) relates primarily to the remuneration of the director or an associate of the director as an officer, employee or mandatary of the Corporation or an affiliate of the Corporation, if the Corporation is not a reporting issuer;
 - c) is for the indemnification of the directors in certain circumstances or liability insurance taken out by the Corporation;
 - d) is with an affiliate of the Corporation, and the sole interest of the director is as a director or officer of the affiliate.
- (b) Neither the Articles nor our by-laws contain provisions with respect to directors’ power, in the absence of an independent quorum, to determine their remuneration.
 - (c) Subject to any restriction which may from time to time be included in the Articles or our by-laws, or the terms, rights or restrictions of any of our shares or securities outstanding, our directors may authorize us to borrow money and obtain advances upon the credit of our Corporation, from any bank, corporation,

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firm, association or person, upon such terms and conditions, in all respects, as they think fit. The directors may authorize the issuance of bonds or other evidences of indebtedness of our Corporation, and may authorize the pledge or sale of the same upon such terms and conditions, in all respects, as they think fit. The directors are also authorized to hypothecate the property, undertaking and assets, movable or immovable, of our Corporation to secure payment for any bonds or other evidences of indebtedness or otherwise give guarantees to secure the payment of loans.

Neither the Articles nor our by-laws contain any provision with respect to (i) the retirement or non-retirement of our directors under an age limit requirement or (ii) the number of shares, if any, required for the qualification of our directors.

2. The rights, preferences and restrictions attaching to our common shares, Cumulative First Preferred Shares (consisting of the Series A Shares, the Series B Shares, the Series C Shares, the Series D Shares, the Series F Shares and the Series G Shares) and our Preferred Shares, Series E are set forth below:

Common Shares

- (a) *Dividend rights:* Subject to the rights of the holders of our Preferred Shares, each common share shall be entitled to receive such dividends as our Board of Directors shall determine.
- (b) *Voting rights:* The holders of our common shares shall be entitled to receive notice of any meeting of our shareholders and to attend and vote on all matters to be voted on by our shareholders, except at meetings at which only the holders of another specified series or class of shares are entitled to vote. At each such meeting, each common share shall entitle the holder thereof to one vote.
- (c) *Rights to share in our profits:* Other than as provided in paragraph (a) above (the holders of our common shares are entitled to receive dividends as determined by our Board of Directors) and paragraph (d) below (the holders of our common shares are entitled to participation in our remaining property and assets available for distribution in the event of our liquidation, dissolution or reorganization), none.
- (d) *Rights upon liquidation:* In the event of our liquidation, dissolution or reorganization or any other distribution of our assets among our shareholders for the purpose of winding up our affairs, whether voluntarily or involuntarily, the holders of our common shares shall be entitled, subject to the rights of the holders of Preferred Shares, to participate equally, share for share, in our remaining property and assets available for distribution to our shareholders, without preference or distinction.
- (e) *Redemption provisions:* None
- (f) *Sinking fund provisions:* None
- (g) *Liability to capital calls by Quebecor Media:* Our by-laws and the *Business Corporations Act* (Quebec) provide that our directors may, from time to time, accept subscriptions, allot, issue, grant options in respect of or otherwise dispose of the whole or any part of the unissued shares of our share capital on such terms and conditions, for such consideration not contrary to law or to the *Business Corporations Act* (Quebec) and as determined by the Board of Directors. Our directors may, from time to time, make calls upon the shareholders in respect of any moneys unpaid upon their shares.
- (h) *Provisions discriminating against existing or prospective holders of common shares as a result of such holder owning a substantial number of shares:* None

For a description of the Corporation's Shareholders Agreement among the holders of our common stock, see "Item 7. Major Shareholders and Related Party Transactions — Major Shareholders" in this annual report.

Cumulative First Preferred Shares

Our Board of Directors may issue Cumulative First Preferred Shares at any time and from time to time in one or more series. Unless the Articles otherwise provide, the Cumulative First Preferred Shares of each series shall rank on

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parity with the Cumulative First Preferred Shares of every other series with respect to priority in the payment of dividends, return of capital and in the distribution of our assets in the event of our liquidation or dissolution. Unless the Articles otherwise provide, the Cumulative First Preferred Shares shall be entitled to priority over our common shares and any other class of our shares, with respect to priority in the payment of dividends, return of capital and in the distribution of our assets in the event of liquidation or dissolution.

As long as there are Cumulative First Preferred Shares outstanding, we shall not, unless consented to by the holders of the Cumulative First Preferred Shares and upon compliance with the provisions of the *Business Corporations Act* (Quebec), (a) create any other class of shares ranking *pari passu* or in priority to any outstanding series of the Cumulative First Preferred Shares, (b) voluntarily liquidate or dissolve our Corporation or execute any decrease of capital involving the distribution of assets on any other shares of our capital stock or (c) repeal, amend or otherwise alter any provisions of the Articles relating to any series of the Cumulative First Preferred Shares.

Cumulative First Preferred Shares, Series A (Series A Shares)

- (a) *Dividend rights:* The holders of record of the Series A Shares shall be entitled to receive in each fiscal year fixed cumulative preferred dividends at the rate of 12.5% per share per annum. No dividends may be paid on any shares ranking junior to the Series A Shares unless all dividends which shall have become payable on the Series A Shares have been paid or set aside for payment.
- (b) *Voting rights:* Holders of Series A Shares shall not, as such, be entitled to receive notice of, or attend or vote at, any meeting of our shareholders unless we shall have failed to pay certain semi-annual dividends on the Series A Shares. In that event and only for so long as the dividend remains in arrears, the holders of Series A Shares shall be entitled to receive notice of, and to attend and vote at, all shareholders' meetings, except meetings at which only holders of another specified series or class of shares are entitled to vote. At each such meeting, each Series A Share shall entitle the holder thereof to one vote.
- (c) *Rights to share in our profits:* Except as provided in paragraph (a) above (the holders of Series A Shares are entitled to receive a 12.5% cumulative preferential dividend) and paragraph (d) below (the holders of Series A Shares are entitled to receive, in preference to the holders of common shares, an amount equal to \$1,000 per Series A Share and any accumulated and unpaid dividends with respect thereto in the event of our liquidation, dissolution or reorganization), none.
- (d) *Rights upon liquidation:* In the event of our liquidation, dissolution or reorganization or any other distribution of our assets among our shareholders for the purpose of winding-up our affairs, whether voluntarily or involuntarily, the holders of Series A Shares shall be entitled to receive, in preference to the holders of common shares, an amount equal to \$1,000 per Series A Share and any accumulated and unpaid dividends with respect thereto.
- (e) *Redemption provisions:* Holders of Series A Shares may require us to redeem the Series A preferred shares at any time at a price of \$1,000 per share plus any accumulated and unpaid dividends with respect thereto. In addition, we may, at our option, redeem the Series A Shares at a price of \$1,000 per share plus any accumulated and unpaid dividends with respect thereto.
- (f) *Sinking fund provisions:* None.
- (g) *Liability to capital calls by us:* Our by-laws and the *Business Corporations Act* (Quebec) provide that our directors may, from time to time, accept subscriptions, allot, issue, grant options in respect of or otherwise dispose of the whole or any part of the unissued shares of our share capital on such terms and conditions, for such consideration not contrary to law or to the *Business Corporations Act* (Quebec) and as determined by the Board of Directors. The directors may, from time to time, make calls upon the shareholders in respect of any moneys unpaid upon their shares.
- (h) *Provisions discriminating against existing or prospective holders of Series A Shares as a result of such holders owning a substantial number of shares:* None.

Cumulative First Preferred Shares, Series B (Series B Shares)

- (a) *Dividend rights:* The holders of record of the Series B Shares shall be entitled to receive a single cumulative dividend, payable in cash, in an amount to be determined by our Board of Directors in accordance with the Articles, which dividend, once determined by our Board of Directors, shall be paid on the date of conversion of the Series B Shares into our common shares. No dividends may be paid on any shares ranking junior to the Series B Shares unless all dividends which shall have become payable on the Series B Shares have been paid or set aside for payment.
- (b) *Voting rights:* Holders of Series B Shares, as such, shall not be entitled to receive notice of, and to attend or vote at, any meeting of our shareholders, unless we shall have failed to pay the dividend due to such holders. In that event and only for so long as the said dividend remains in arrears, the holders of Series B Shares shall be entitled to receive notice of, and to attend and vote at, all shareholders' meetings, except meetings at which only holders of another specified series or class of shares are entitled to vote. At each such meeting, each Series B Share shall entitle the holder thereof to one vote.
- (c) *Rights to share in our profits:* Except as provided in paragraph (a) above (the holders of Series B Shares are entitled to receive the dividend referred to in paragraph (a) above) and paragraph (d) below (the holders of the Series B Shares are entitled to receive, in preference to the holders of common shares, an amount equal to \$1.00 per Series B Share and the dividend referred to in paragraph (a) above in the event of liquidation, dissolution or reorganization), none.
- (d) *Rights upon liquidation:* In the event of our liquidation, dissolution or reorganization or any other distribution of our assets among our shareholders for the purpose of winding-up our affairs, whether voluntarily or involuntarily, the holders of Series B Shares shall be entitled to receive, in preference to the holders of common shares, an amount equal to \$1.00 per Series B Share held and the dividend referred to in paragraph (a) above.
- (e) *Redemption provisions:* Holders of Series B Shares may require us to redeem the Series B Shares at any time at a price of \$1.00 per share plus the dividend referred to in paragraph (a) above. In addition, we may, at our option, redeem the Series B Shares at a price of \$1.00 per share plus the dividend referred to in paragraph (a) above.
- (f) *Sinking fund provisions:* None.
- (g) *Liability to capital calls by us:* Our by-laws and the *Business Corporations Act* (Quebec) provide that our directors may, from time to time, accept subscriptions, allot, issue, grant options in respect of or otherwise dispose of the whole or any part of the unissued shares of our share capital on such terms and conditions, for such consideration not contrary to law or to the *Business Corporations Act* (Quebec) and as determined by the Board of Directors. The directors may, from time to time, make calls upon the shareholders in respect of any moneys unpaid upon their shares.
- (h) *Provisions discriminating against existing or prospective holders of Series B Shares as a result of such holders owning a substantial number of shares:* None.

Cumulative First Preferred Shares, Series C (Series C Shares)

- (a) *Dividend rights:* The holders of record of the Series C Shares shall be entitled to receive in each fiscal year fixed cumulative preferred dividends at the rate of 11.25% per share per annum. No dividends may be paid on any shares ranking junior to the Series C Shares unless all dividends which shall have become payable on the Series C Shares have been paid or set aside for payment.
- (b) *Voting rights:* Holders of Series C Shares shall not, as such, be entitled to receive notice of, or attend or vote at, any meeting of our shareholders unless we shall have failed to pay certain dividends on the Series C Shares. In that event and only for so long as the dividend remains in arrears, the holders of Series C Shares shall be entitled to receive notice of, and to attend and vote at, all shareholders' meetings, except

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meetings at which only holders of another specified series or class of shares are entitled to vote. At each such meeting, each Series C Share shall entitle the holder thereof to one vote.

- (c) *Rights to share in our profits:* Except as provided in paragraph (a) above (the holders of Series C Shares are entitled to receive a 11.25% cumulative preferential dividend) and paragraph (d) below (the holders of Series C Shares are entitled to receive, in preference to the holders of common shares, an amount equal to \$1,000 per Series C Share and any accumulated and unpaid dividends with respect thereto in the event of our liquidation, dissolution or reorganization), none.
- (d) *Rights upon liquidation:* In the event of our liquidation, dissolution or reorganization or any other distribution of our assets among our shareholders for the purpose of winding-up our affairs, whether voluntarily or involuntarily, the holders of Series C Shares shall be entitled to receive, in preference to the holders of common shares, an amount equal to \$1,000 per Series C Share and any accumulated and unpaid dividends with respect thereto.
- (e) *Redemption provisions:* Holders of Series C Shares may require us to redeem the Series C preferred shares at any time at a price of \$1,000 per share plus any accumulated and unpaid dividends with respect thereto. In addition, we may, at its option, redeem the Series C Shares at a price of \$1,000 per share plus any accumulated and unpaid dividends with respect thereto.
- (f) *Sinking fund provisions:* None.
- (g) *Liability to capital calls by us:* Our by-laws and the *Business Corporations Act* (Quebec) provide that our directors may, from time to time, accept subscriptions, allot, issue, grant options in respect of or otherwise dispose of the whole or any part of the unissued shares of our share capital on such terms and conditions, for such consideration not contrary to law or to the *Business Corporations Act* (Quebec) and as determined by the Board of Directors. The directors may, from time to time, make calls upon the shareholders in respect of any moneys unpaid upon their shares.
- (h) *Provisions discriminating against existing or prospective holders of Series C Shares as a result of such holders owning a substantial number of shares:* None.

Cumulative First Preferred Shares, Series D (Series D Shares)

- (a) *Dividend rights:* The holders of record of the Series D Shares shall be entitled to receive in each fiscal year fixed cumulative preferred dividends at the rate of 11.0% per share per annum. No dividends may be paid on any shares ranking junior to the Series D Shares unless all dividends which shall have become payable on the Series D Shares have been paid or set aside for payment.
- (b) *Voting rights:* Holders of Series D Shares shall not, as such, be entitled to receive notice of, or attend or vote at, any meeting of our shareholders unless we shall have failed to pay certain dividends on the Series D Shares. In that event and only for so long as the dividend remains in arrears, the holders of Series D Shares shall be entitled to receive notice of, and to attend and vote at, all shareholders' meetings, except meetings at which only holders of another specified series or class of shares are entitled to vote. At each such meeting, each Series D Share shall entitle the holder thereof to one vote.
- (c) *Rights to share in our profits:* Except as provided in paragraph (a) above (the holders of Series D Shares are entitled to receive a 11.0% cumulative preferential dividend) and paragraph (d) below (the holders of Series D Shares are entitled to receive, in preference to the

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holders of common shares, an amount equal to \$1,000 per Series D Share and any accumulated and unpaid dividends with respect thereto in the event of our liquidation, dissolution or reorganization), none.

- (d) **Rights upon liquidation:** In the event of our liquidation, dissolution or reorganization or any other distribution of our assets among our shareholders for the purpose of winding-up our affairs, whether voluntarily or involuntarily, the holders of Series D Shares shall be entitled to receive, in preference to the holders of common shares, an amount equal to \$1,000 per Series D Share and any accumulated and unpaid dividends with respect thereto.
- (e) **Redemption provisions:** Holders of Series D Shares may require us to redeem the Series D preferred shares at any time at a price of \$1,000 per share plus any accumulated and unpaid dividends with respect thereto. In addition, we may, at its option, redeem the Series D Shares at a price of \$1,000 per share plus any accumulated and unpaid dividends with respect thereto.
- (f) **Sinking fund provisions:** None.
- (g) **Liability to capital calls by us:** Our by-laws and the *Business Corporations Act* (Quebec) provide that our directors may, from time to time, accept subscriptions, allot, issue, grant options in respect of or otherwise dispose of the whole or any part of the unissued shares of our share capital on such terms and conditions, for such consideration not contrary to law or to the *Business Corporations Act* (Quebec) and as determined by the Board of Directors. The directors may, from time to time, make calls upon the shareholders in respect of any moneys unpaid upon their shares.
- (h) **Provisions discriminating against existing or prospective holders of Series D Shares as a result of such holders owning a substantial number of shares:** None.

Cumulative First Preferred Shares, Series F (Series F Shares)

- (a) **Dividend rights:** The holders of record of the Series F Shares shall be entitled to receive in each fiscal year fixed cumulative semi-annual dividends at the rate of 10.85% per share per annum. No dividends may be paid on any shares ranking junior to the Series F Shares unless all dividends which shall have become payable on the Series F Shares have been paid or set aside for payment.
- (b) **Voting rights:** Holders of Series F Shares shall not, as such, be entitled to receive notice of, or attend or vote at, any meeting of our shareholders unless we shall have failed to pay eight semi-annual dividends on the Series F Shares. In that event and only for so long as the dividend remains in arrears, the holders of Series F Shares shall be entitled to receive notice of, and to attend and vote at, all shareholders' meetings, except meetings at which only holders of another specified series or class of shares are entitled to vote. At each such meeting, each Series F Share shall entitle the holder thereof to one vote.
- (c) **Rights to share in our profits:** Except as provided in paragraph (a) above (holders of Series F Shares are entitled to receive a 10.85% cumulative preferential semi-annual dividend) and paragraph (d) below (the holders of Series F Shares are entitled to receive, in preference to the holders of common shares, an amount equal to \$1,000 per Series F Share and any accumulated and unpaid dividends with respect thereto in the event of our liquidation, dissolution or reorganization), none.
- (d) **Rights upon liquidation:** In the event of our liquidation, dissolution or reorganization or any other distribution of our assets among our shareholders for the purpose of winding-up our affairs, whether voluntarily or involuntarily, the holders of Series F Shares shall be entitled to receive, in preference to the holders of common shares, an amount equal to \$1,000 per Series F Share and any accumulated and unpaid dividends with respect thereto.
- (e) **Redemption provisions:** Holders of Series F Shares may require us to redeem the Series F preferred shares at any time at a price of \$1,000 per share plus any accumulated and unpaid dividends with respect thereto. In addition, we may, at our option, redeem the Series F Shares at a price of \$1,000 per share plus any accumulated and unpaid dividends with respect thereto.
- (f) **Sinking fund provisions:** None.
- (g) **Liability to capital calls by Quebecor Media:** Our by-laws and the *Business Corporations Act* (Quebec) provide that our directors may, from time to time, accept subscriptions, allot, issue, grant options in respect of or otherwise dispose of the whole or any part of the unissued shares of our share capital on such

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terms and conditions, for such consideration not contrary to law or to the *Business Corporations Act* (Quebec) and as determined by the Board of Directors. The directors may, from time to time, make calls upon the shareholders in respect of any moneys unpaid upon their shares.

- (h) *Provisions discriminating against existing or prospective holders of Series F Shares as a result of such holders owning a substantial number of shares:* None.

Cumulative First Preferred Shares, Series G (Series G Shares)

- (a) *Dividend rights:* The holders of record of the Series G Shares shall be entitled to receive in each fiscal year fixed cumulative semi-annual dividends at the rate of 10.85% per share per annum. No dividends may be paid on any shares ranking junior to the Series G Shares unless all dividends which shall have become payable on the Series G Shares have been paid or set aside for payment.
- (b) *Voting rights:* Holders of Series G Shares shall not, as such, be entitled to receive notice of, or attend or vote at, any meeting of our shareholders unless we shall have failed to pay eight semi-annual dividends on the Series G Shares. In that event and only for so long as the dividend remains in arrears, the holders of Series G Shares shall be entitled to receive notice of, and to attend and vote at, all shareholders' meetings, except meetings at which only holders of another specified series or class of shares are entitled to vote. At each such meeting, each Series G Share shall entitle the holder thereof to one vote.
- (c) *Rights to share in our profits:* Except as provided in paragraph (a) above (holders of Series G Shares are entitled to receive a 10.85% cumulative preferential semi-annual dividend) and paragraph (d) below (the holders of Series G Shares are entitled to receive, in preference to the holders of common shares, an amount equal to \$1,000 per Series G Share and any accumulated and unpaid dividends with respect thereto in the event of our liquidation, dissolution or reorganization), none.
- (d) *Rights upon liquidation:* In the event of our liquidation, dissolution or reorganization or any other distribution of our assets among our shareholders for the purpose of winding-up our affairs, whether voluntarily or involuntarily, the holders of Series G Shares shall be entitled to receive, in preference to the holders of common shares, an amount equal to \$1,000 per Series G Share and any accumulated and unpaid dividends with respect thereto.
- (e) *Redemption provisions:* Holders of Series G Shares may require us to redeem the Series G preferred shares at any time at a price of \$1,000 per share plus any accumulated and unpaid dividends with respect thereto. In addition, we may, at our option, redeem the Series G Shares at a price of \$1,000 per share plus any accumulated and unpaid dividends with respect thereto.
- (f) *Sinking fund provisions:* None.
- (g) *Liability to capital calls by Quebecor Media:* Our by-laws and the *Business Corporations Act* (Quebec) provide that our directors may, from time to time, accept subscriptions, allot, issue, grant options in respect of or otherwise dispose of the whole or any part of the unissued shares of our share capital on such terms and conditions, for such consideration not contrary to law or to the *Business Corporations Act* (Quebec) and as determined by the Board of Directors. The directors may, from time to time, make calls upon the shareholders in respect of any moneys unpaid upon their shares.
- (h) *Provisions discriminating against existing or prospective holders of Series G Shares as a result of such holders owning a substantial number of shares:* None.

Preferred Shares

Preferred Shares, Series E (Series E Shares)

- (a) *Dividend rights:* The holders of record of the Series E Shares shall be entitled to receive a maximum non-cumulative preferential monthly dividend at the rate of 1.25% per share per month, which dividend shall be calculated based on the redemption price (the amount equal to the aggregate consideration for such

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share). The Series E Shares rank senior to the common shares but junior to the Series A Shares, Series B Shares, Series C Shares and Series D Shares.

- (b) *Voting rights:* Holders of Series E Shares shall not, as such, be entitled to receive notice of, or attend or vote at, any meeting of our shareholders.
 - (c) *Rights to share in our profits:* Except as provided in paragraph (a) above (the holders of Series E Shares are entitled to receive a 1.25% maximum non-cumulative preferential monthly dividend) and paragraph (d) below (the holders of Series E Shares are entitled to receive, in preference to the holders of common shares, but subsequent to the holders of Series A Shares, Series B Shares, Series C Shares and Series D Shares, an amount equal to the redemption price of the Series E Shares and the amount of any declared but unpaid dividends on the Series E Shares referred to in paragraph (a) above), none.
 - (d) *Rights upon liquidation:* In the event of our liquidation, dissolution or reorganization or any other distribution of our assets among our shareholders for the purpose of winding-up our affairs, whether voluntarily or involuntarily, the holders of Series E Shares shall be entitled to receive, in preference to the holders of common shares, but subsequent to the holders of Series A Shares, Series B Shares, Series C Shares and Series D Shares, an amount equal to the redemption price of the Series E Shares held and the amount of any declared but unpaid dividends on the Series E Shares referred to in paragraph (a) above.
 - (e) *Redemption provisions:* Holders of Series E Shares may require us to redeem the Series E preferred shares at any time at a price equal to the redemption price plus an amount equal to any dividends declared thereon but unpaid up to the date of redemption. The redemption price shall be equal to the aggregate consideration received for such share.
 - (f) *Sinking fund provisions:* None.
 - (g) *Liability to capital calls by Quebecor Media:* Our by-laws and the *Business Corporations Act* (Quebec) provide that our directors may, from time to time, accept subscriptions, allot, issue, grant options in respect of or otherwise dispose of the whole or any part of the unissued shares of our share capital on such terms and conditions, for such consideration not contrary to law or to the *Business Corporations Act* (Quebec) and as determined by the Board of Directors. The directors may, from time to time, make calls upon the shareholders in respect of any moneys unpaid upon their shares.
 - (h) *Provisions discriminating against existing or prospective holders of Series E Shares:* None.
3. **Actions necessary to change the rights of shareholders:** For a description of the action necessary to change the rights of holders of our Cumulative First Preferred Shares, see “Cumulative First Preferred Shares” in section 2 above. As regards our Preferred Shares, Series E, we will not, unless consented to by the holders of the Series E Shares and upon compliance with the provisions of the *Business Corporations Act* (Quebec), repeal, amend or otherwise alter any provisions of the Articles relating to the Series E Shares. Under the general provisions of the *Business Corporations Act* (Quebec), (i) our Articles may be amended by the affirmative vote of the holders of two-thirds ($\frac{2}{3}$) of the votes cast by the shareholders at a special meeting, and (ii) our by-laws may be amended by our Board of Directors and ratified by a majority of the votes cast by the shareholders at the next shareholders meeting. Unless they are rejected by the shareholders at the close of the meeting or not submitted to the shareholders, the amended by-laws are effective as of the date of the resolution of the Board of Directors approving them. However, by-laws amendments relating to procedural matters with respect to shareholders meetings take effect only once they have received shareholders approval.
4. **Shareholder Meetings:** Our by-laws and the *Business Corporations Act* (Québec) provide that the annual meeting of our shareholders shall be held within fifteen (15) months after the last preceding annual meeting. All shareholders meetings shall be held within the province of Québec at the place and time determined by our Board of Directors and may be called by order of our Board of Directors.

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Our by-laws provide that notice specifying the place, date, time and purpose of any meeting of our shareholders shall be sent to all the shareholders entitled to vote and to each director at least 21 days but not more than 60 days before the meeting by any means providing proof of the date of sending at the addresses indicated in our records.

Our chairman of the board or, in his absence, our vice-chair of the board, if any, or in his absence, our president and chief executive officer or any other person that may be named by the board shall preside at all meetings of our shareholders. If the person who is to chair the meeting is not present at the meeting within 15 minutes after the time appointed for the meeting, the shareholders present choose one of their own to chair of the board the meeting.

Our by-laws provide that a quorum of shareholders is present at a shareholders meeting if, at the opening of the meeting, one or several holders of 50% or more of the shares that carry the right to vote at the meeting are present in person or represented by proxy.

5. **Limitations on right to own securities:** There are regulations related to the ownership and control of Canadian broadcast undertakings as described under “Item 4 — Information on the Corporation — Regulation”. There is no limitation imposed by Canadian law or by the Articles or our other constituent documents on the right of non-residents or foreign owners to hold or vote shares, other than as provided in the *Investment Canada Act* (Canada) and the Radiocommunication Act. The *Investment Canada Act* (Canada) requires “non-Canadian” (as defined in the *Investment Canada Act* (Canada)) individuals, governments, corporations and other entities who wish to acquire control of a “Canadian business” (as defined in the *Investment Canada Act* (Canada)) to file either an application for review (when certain asset value thresholds are met) or a post closing notification with the Director of Investments appointed under the *Investment Canada Act* (Canada), unless a specific exemption applies. The *Investment Canada Act* (Canada) requires that, when an acquisition of control of a Canadian business by a “non-Canadian” is subject to review, it must be approved by the Minister responsible for the *Investment Canada Act* (Canada) on the basis that the Minister is satisfied that the acquisition is “likely to be of net benefit to Canada”, having regard to criteria set forth in the *Investment Canada Act* (Canada). Radio licenses may be issued under the Radiocommunication Act to radiocommunication service providers (“**Service Providers**”) that meet the eligibility criteria of Canadian ownership and control set forth in the *Canadian Telecommunications Common Carrier Ownership and Control Regulations* (the “**CTCCOCR**”). Under the CTCCOCR, the holding corporation of a Service Provider may refuse to accept any subscription for or register the transfer of any of its voting shares unless it receives a declaration that such subscription or transfer would not result in the percentage of the total voting shares of the holding corporation of the Service Provider that are beneficially owned and controlled by non-Canadians exceeding 33¹/₃ %.

6. **Provisions that could have the effect of delaying, deferring or preventing a change of control:** The Articles provide that none of our shares may be transferred without the consent of the directors expressed in a resolution duly adopted by them.

A register of transfers containing the date and particulars of all transfers of shares of our share capital shall be kept either at our head office or at any other place designated by the Board of Directors.

7. Not applicable.
8. Not applicable.
9. Not applicable.

C- Material Contracts

The following is a summary of each material contract, other than contracts entered into in the ordinary course of business, to which we or any of our subsidiaries is a party, for the two years preceding publication of this annual report.

- (a) **Indenture relating to \$500,000,000 of our 6⁵/₈% Senior Notes due January 15, 2023, dated as of October 11, 2012, by and between Quebecor Media, and Computershare Trust Company of Canada, as trustee.**

On October 11, 2012, we issued \$500,000,000 aggregate principal amount of our 6⁵/₈% Senior Notes due January 15, 2023 pursuant to an Indenture, dated as of October 11, 2012, by and between Quebecor Media and Computershare Trust Company of Canada, as trustee. These senior notes are unsecured and mature on January 15, 2023. Interest on these senior notes is payable in cash semi-annually in arrears on June 15 and December 15 of each year. These senior notes are not guaranteed by our subsidiaries. These senior notes are redeemable, at our option, under certain circumstances and at the “make-whole” redemption price set forth in the indenture. The indenture contains customary restrictive covenants with respect to Quebecor Media and certain of its subsidiaries and customary events of default. If an event of default occurs and is continuing, other than our bankruptcy or insolvency, the trustee or the holders of at least 25% in principal amount at maturity of the then-outstanding senior notes may declare all the senior notes to be due and payable immediately. The senior notes issued pursuant to this indenture were not and will not be registered under the Securities Act or under the laws of any other jurisdiction.

- (b) **Indenture relating to US\$850,000,000 of our 5³/₄% Senior Notes due January 15, 2023 dated as of October 11, 2012, by and between Quebecor Media, and U.S. Bank National Association, as trustee.**

On October 11, 2012, we issued US\$850,000,000 aggregate principal amount of our 5³/₄% Senior Notes due January 15, 2023 pursuant to an Indenture dated as of October 11, 2012, by and between Quebecor Media and U.S. Bank National Association, as trustee. These senior notes are unsecured and mature on January 15, 2023. Interest on these senior notes is payable in cash semi-annually in arrears on June 15 and December 15 of each year. These senior notes are not guaranteed by our subsidiaries. These senior notes are redeemable, at our option, under certain circumstances and at the “make-whole” redemption price set forth in the indenture. The indenture contains customary restrictive covenants with respect to Quebecor Media and certain of its subsidiaries and customary events of default. If an event of default occurs and is continuing, other than our bankruptcy or insolvency, the trustee or the holders of at least 25% in principal amount at maturity of the then-outstanding senior notes may declare all the senior notes to be due and payable immediately.

- (c) **Indenture relating to \$325,000,000 of our 7³/₈% Senior Notes due January 15, 2021, dated as of January 5, 2011, by and between Quebecor Media, and Computershare Trust Company of Canada, as trustee.**

On January 5, 2011, we issued \$325,000,000 aggregate principal amount of our 7³/₈% Senior Notes due January 15, 2021 pursuant to an Indenture, dated as of January 5, 2011, by and between Quebecor Media and Computershare Trust Company of Canada, as trustee. These senior notes are unsecured and mature on January 15, 2021. Interest on these senior notes is payable in cash semi-annually in arrears on June 15 and December 15 of each year. These senior notes are not guaranteed by our subsidiaries. These senior notes are redeemable, at our option, under certain circumstances and at the redemption prices set forth in this indenture. The indenture contains customary restrictive covenants with respect to Quebecor Media and certain of its subsidiaries and customary events of default. If an event of default occurs and is continuing, other than our bankruptcy or insolvency, the trustee or the holders of at least 25% in principal amount at maturity of the then-outstanding senior notes may declare all the senior notes to be due and payable immediately. The senior notes issued pursuant to this indenture were not and will not be registered under the Securities Act or under the laws of any other jurisdiction. In 2017, Quebecor Media redeemed and retired the entire principal amount outstanding of its 7³/₈% Senior Notes due January 15, 2021.

- (d) **Amended and Restated Credit Agreement, dated as of June 14, 2013, as amended, by and among Quebecor Media, as borrower, the financial institutions party thereto from time to time, as lenders, and Bank of America, N.A., as administrative agent.**

Our senior secured credit facilities are comprised of a \$300,000,000 revolving credit facility (“Revolving Facility”) that matures on July 15, 2022 and a US\$350,000,000 term credit facility (“Facility B”) that matures on August 17, 2020. Our senior secured credit facilities also provide us with the ability to borrow up to an additional amount of \$800,000,000 (minus the equivalent amount in Canadian dollars of Facility B as of August 1, 2013) under an uncommitted incremental facility (or increase to the Revolving

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Facility or Facility B), subject to absence of default and lenders being willing to fund the incremental amount. We may draw letters of credit under our Revolving Facility. The proceeds of our senior secured credit facilities may be used for our general corporate purposes.

Borrowings under the Revolving Facility bear interest at the Canadian prime rate, the U.S. prime rate, the bankers' acceptance rate or U.S. London Interbank Offered Rate ("**LIBOR**"), plus, in each case, an applicable margin. With regard to Canadian prime rate advances and U.S. prime rate advances under the Revolving Facility, the applicable margin is determined by our Leverage Ratio (as defined in our senior secured credit facilities) and ranges from 0.45% when this ratio is less than or equal to 2.25x to 1.75% when this ratio is greater than 4.5x. With regard to bankers' acceptances and letters of credit under the Revolving Facility, the applicable margin ranges from 1.45% when our Leverage Ratio is less than or equal to 2.25x to 2.75% when this ratio is greater than 4.5x. With regard to LIBOR advances under the Revolving Facility, the applicable margin ranges from 1.45% when our Leverage Ratio is less than or equal to 2.25x to 2.75% when this ratio is greater than 4.5x. Specified commitment fees or drawing fees may also be payable. Borrowings under Facility B bear interest at the U.S. prime rate or LIBOR, plus, in each case, an applicable margin. With regard to U.S. prime rate advances under Facility B, the applicable margin is 1.25% and with regard to LIBOR advances under Facility B, the applicable margin is 2.25%. Borrowings under the Revolving Facility are repayable in full on July 15, 2022 and those under Facility B are repayable in full on August 17, 2020.

Borrowings under our senior secured credit facilities and under eligible derivative instruments are secured by a first-ranking hypothec and security agreement (subject to certain permitted encumbrances) on all of our movable property and first-ranking pledges of all of the shares (subject to certain permitted encumbrances) of Videotron.

Our senior secured credit facilities contain customary covenants that restrict and limit our ability to, among other things, enter into merger or amalgamation transactions, grant encumbrances, sell assets, pay dividends or make other distributions, incur indebtedness and enter into related party transactions. In addition, our senior secured credit facilities contain customary financial covenants solely for the benefit of lenders under the Revolving Facility. Our senior secured credit facilities contain customary events of default including the non-payment of principal or interest, the breach of any financial covenant, the failure to perform or observe any other covenant, certain bankruptcy events relating to Quebecor Media and its material subsidiaries (including Videotron), and the occurrence of a change of control.

(e) **Indenture relating to US\$800,000,000 of Videotron's 5% Senior Notes due July 15, 2022, dated as of March 14, 2012, by and among Videotron, the guarantors party thereto, and Wells Fargo Bank, National Association, as trustee.**

On March 14, 2012, Videotron issued US\$800,000,000 aggregate principal amount of its 5% Senior Notes due July 15, 2022, pursuant to an Indenture, dated as of March 14, 2012, by and among Videotron, the guarantors party thereto, and Wells Fargo Bank, National Association, as trustee. These senior notes are unsecured and mature on July 15, 2022. Interest on these senior notes is payable in cash semi-annually in arrears on January 15 and July 15 of each year. These senior notes are guaranteed on a senior unsecured basis by most, but not all, of Videotron's subsidiaries. These senior notes are redeemable, at Videotron's option, under certain circumstances and at the make-whole redemption price set forth in the indenture. The indenture contains customary restrictive covenants with respect to Videotron and certain of its subsidiaries, and customary events of default. If an event of default occurs and is continuing, other than Videotron's bankruptcy or insolvency, the trustee or the holders of at least 25% in principal amount at maturity of the then-outstanding senior notes may declare all the senior notes to be due and payable immediately.

- (f) **Indenture relating to \$400,000,000 of Videotron's 5⁵/₈% Senior Notes due June 15, 2025, dated as of June 17, 2013, by and among Videotron, the guarantors party thereto, and Computershare Trust Company of Canada, as trustee.**

On June 17, 2013, Videotron issued \$400,000,000 aggregate principal amount of its 5⁵/₈% Senior Notes due June 15, 2025, pursuant to an Indenture, dated as of June 17, 2013, by and among Videotron, the guarantors party thereto, and Computershare Trust Company of Canada, as trustee. These senior notes are unsecured and mature on June 15, 2025. Interest on these senior notes is payable in cash semi-annually in arrears on April 15 and October 15 of each year. These senior notes are guaranteed on a senior unsecured basis by most, but not all, of Videotron's subsidiaries. These senior notes are redeemable, at Videotron's option, under certain circumstances and at the make-whole redemption price set forth in the indenture. The indenture contains customary restrictive covenants with respect to Videotron and certain of its subsidiaries, and customary events of default. If an event of default occurs and is continuing, other than Videotron's bankruptcy or insolvency, the trustee or the holders of at least 25% in principal amount at maturity of the then-outstanding senior notes may declare all the senior notes to be due and payable immediately. The senior notes issued pursuant to this indenture have not been and will not be registered under the Securities Act or under the laws of any other jurisdiction.

- (g) **Indenture relating to US\$600,000,000 of Videotron's 5³/₈% Senior Notes due June 15, 2024, dated as of April 9, 2014, by and among Videotron, the guarantors party thereto, and Wells Fargo Bank, National Association, as trustee.**

On April 9, 2014, Videotron issued US\$600,000,000 aggregate principal amount of its 5³/₈% Senior Notes due June 15, 2024, pursuant to an Indenture, dated as of April 9, 2014, by and among Videotron, the guarantors party thereto, and Wells Fargo Bank, National Association, as trustee. These senior notes are unsecured and mature on June 15, 2024. Interest on these senior notes is payable in cash semi-annually in arrears on June 15 and December 15 of each year. These senior notes are guaranteed on a senior unsecured basis by most, but not all, of Videotron's subsidiaries. These senior notes are redeemable, at Videotron's option, under certain circumstances and at the make-whole redemption price set forth in the indenture. The indenture contains customary restrictive covenants with respect to Videotron and certain of its subsidiaries, and customary events of default. If an event of default occurs and is continuing, other than Videotron's bankruptcy or insolvency, the trustee or the holders of at least 25% in principal amount at maturity of the then-outstanding senior notes may declare all the senior notes to be due and payable immediately. The senior notes issued pursuant to this indenture have not been and will not be registered under the Securities Act or under the laws of any other jurisdiction.

- (h) **Indenture relating to \$375,000,000 of Videotron's 5³/₄% Senior Notes due January 15, 2026, dated as of September 15, 2015, by and among Videotron, the guarantors party thereto, and Computershare Trust Company of Canada, as trustee.**

On September 15, 2015, Videotron issued \$375,000,000 aggregate principal amount of its 5³/₄% Senior Notes due January 15, 2026, pursuant to an Indenture, dated as of September 15, 2015, by and among Videotron, the guarantors party thereto, and Computershare Trust Company of Canada, as trustee. These senior notes are unsecured and mature on January 15, 2026. Interest on these senior notes is payable in cash semi-annually in arrears on March 15 and September 15 of each year. These senior notes are guaranteed on a senior unsecured basis by most, but not all, of Videotron's subsidiaries. These senior notes are redeemable, at Videotron's option, under certain circumstances and at the redemption prices set forth in the indenture. The indenture contains customary restrictive covenants with respect to Videotron and certain of its subsidiaries, and customary events of default. If an event of default occurs and is continuing, other than Videotron's bankruptcy or insolvency, the trustee or the holders of at least 25% in principal amount at maturity of the then-outstanding senior notes may declare all the senior notes to be due and payable immediately. The senior notes issued pursuant to this indenture have not been and will not be registered under the Securities Act or under the laws of any other jurisdiction.

- (i) **Indenture relating to US\$600,000,000 of Videotron's 5¹/₈% Senior Notes due April 15, 2027, dated as of April 13, 2017, by and among Videotron, the guarantors party thereto, and Wells Fargo Bank, National Association, as trustee.**

On April 13, 2017, Videotron issued US\$600,000,000 aggregate principal amount of its 5¹/₈% Senior Notes due April 15, 2027, pursuant to an Indenture, dated as of April 13, 2017, by and among Videotron,

the guarantors party thereto, and Wells Fargo Bank, National Association, as trustee. These senior notes are unsecured and mature on April 15, 2027. Interest on these senior notes is payable in cash semi-annually in arrears on April 15 and October 15 of each year. These senior notes are guaranteed on a senior unsecured basis by most, but not all, of Videotron's subsidiaries. These senior notes are redeemable, at Videotron's option, under certain circumstances and at a price based on a make-whole formula during the first five years of the term of the senior notes and at the redemption prices set forth in the indenture thereafter. The indenture contains customary restrictive covenants with respect to Videotron and certain of its subsidiaries, and customary events of default. If an event of default occurs and is continuing, other than Videotron's bankruptcy or insolvency, the trustee or the holders of at least 25% in principal amount at maturity of the then-outstanding senior notes may declare all the senior notes to be due and payable immediately. The senior notes issued pursuant to this indenture have not been and will not be registered under the Securities Act or under the laws of any other jurisdiction.

(j) **Credit Agreement originally dated as of November 28, 2000, by and among Videotron, as borrower, the guarantors party thereto, the financial institutions party thereto from time to time, as lenders, and Royal Bank of Canada, as administrative agent, as amended.**

Videotron's senior credit facilities, as amended and restated as of June 16, 2015 (and as amended thereafter), currently provide for a \$1,500,000,000 secured revolving credit facility that matures on July 20, 2023. The proceeds of the revolving credit facility can be used for general corporate purposes including, without limitation, to issue letters of credit and to pay dividends to Quebecor Media subject to certain conditions.

Advances under Videotron's secured revolving credit facility bear interest at the Canadian prime rate, the U.S. prime rate, the LIBOR or the bankers' acceptance rate plus, in each instance, an applicable margin determined by the Leverage Ratio (as defined in Videotron's credit agreement) of the Relevant Group (as defined in such credit agreement). The applicable margin for Canadian prime rate advances and U.S. prime rate advances ranges from 0.20% when this ratio is less than or equal to 2.25x, to 1.50% when this ratio is greater than 4.5x. The applicable margin for LIBOR advances, bankers' acceptance advances or letters of credit fees ranges from 1.20% when this ratio is less than or equal to 2.25x, to 2.50% when this ratio is greater than 4.5x. Videotron has also agreed to pay specified standby fees in respect of its revolving credit facility.

The revolving credit facility is repayable in full on July 20, 2023.

Borrowings under Videotron's senior credit facilities and under eligible derivative instruments are secured by a first-ranking hypothec or security interest (subject to certain permitted encumbrances) on all current and future assets of Videotron and of the guarantors under the senior credit facilities (which include most, but not all of Videotron's subsidiaries), guarantees by such guarantors, pledges of shares by Videotron and such guarantors and other security.

Videotron's senior credit facilities contain customary covenants that restrict and limit the ability of Videotron and the members of the VL Group (as defined in the credit agreement to mean Videotron and all of its wholly-owned subsidiaries) to, among other things, enter into merger or amalgamation transactions or liquidate or dissolve, grant encumbrances, sell assets, pay dividends or make other distributions, issue shares of capital stock, incur indebtedness and enter into related party transactions. In addition, Videotron's senior credit facilities contain customary financial covenants and customary events of default including the non-payment of principal or interest, the breach of any financial covenant, the failure to perform or observe any other covenant, certain bankruptcy events relating to Videotron or any member of the VL Group (other than an Immaterial Subsidiary, as defined in the credit agreement), and the occurrence of a change of control.

(k) **Share Purchase Agreement dated as of May 8, 2018 among Québec, Québec Media and CDPQ.**

On May 8, 2018, Quebecor and the Corporation entered into an agreement with CDP Capital to repurchase all of the shares of Quebecor Media still held by CDP Capital for a value of \$1.69 billion. On

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May 11 and June 22, 2018, the Corporation repurchased for cancellation a total of 16,064,215 of our Common Shares held by CDP Capital for a total aggregate purchase price of \$1.54 billion, paid in cash. All repurchased shares were cancelled. On June 22, 2018, Quebecor 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. After the completion of these transactions, Quebecor Media became a wholly owned subsidiary of Quebecor.

D- Exchange Controls

There are currently no laws, decrees, regulations or other legislation in Canada that restrict the export or import of capital, or affect the remittance of dividends, interest or other payments to non-resident holders of the Corporation's securities, other than withholding tax requirements. Canada has no system of exchange controls. See “— Taxation — Canadian Material Federal Income Tax Considerations for Residents of the United States” below.

There is no limitation imposed by Canadian law or by the Articles of Incorporation or other charter documents of the Corporation on the right of a non-resident to hold voting shares of the Corporation, other than as provided by the *Investment Canada Act* (Canada), as amended, as amended by the *North American Free Trade Agreement Implementation Act* (Canada), and the *World Trade Organization (WTO) Agreement Implementation Act*. The *Investment Canada Act* (Canada) requires notification and, in certain cases, advance review and approval by the Government of Canada of the acquisition by a “non-Canadian” of “control of a Canadian business”, all as defined in the *Investment Canada Act* (Canada). Generally, the threshold for review will be higher in monetary terms for a member of the WTO or NAFTA.

In addition, there are regulations related to the ownership and control of Canadian broadcast undertakings. See “Item 4 — Information on the Corporation — Regulation”.

E- Taxation

Certain U.S. Federal Income Tax Considerations

The following discussion is a summary of certain U.S. federal income tax consequences applicable to the purchase, ownership and disposition of our 5³/₄% Senior Notes due 2023 issued on October 11, 2012 (the “**2012 US\$ notes**”) and our 6⁵/₈% Senior Notes due 2023 issued on October 11, 2012 (the “**2012 C\$ notes**” or “**C\$ notes**”) (and collectively with our 2012 US\$ notes, the “**notes**”) by a U.S. Holder (as defined below), but does not purport to be a complete analysis of all potential U.S. federal income tax effects. This summary is based on the Internal Revenue Code of 1986, as amended (the “**Code**”), U.S. Treasury Regulations promulgated thereunder, Internal Revenue Service (“**IRS**”) rulings and judicial decisions now in effect. All of these are subject to change, possibly with retroactive effect, or different interpretations.

This summary does not address all aspects of U.S. federal income taxation that may be relevant to particular U.S. Holders in light of their specific circumstances (for example, U.S. Holders subject to the alternative minimum tax provisions of the Code or U.S. Holders subject to the 3.8% Medicare tax on net investment income) or to U.S. Holders that may be subject to special rules under U.S. federal income tax law, including:

- dealers in stocks, securities or currencies;
- persons using a mark-to-market accounting method;
- banks and financial institutions;
- insurance companies;
- regulated investment companies;
- real estate investment trusts;
- tax-exempt organizations;

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- persons holding notes as part of a hedging or conversion transaction or a straddle;
- persons deemed to sell notes under the constructive sale provisions of the Code;
- persons who or that are, or may become, subject to the expatriation provisions of the Code;
- persons whose functional currency is not the U.S. dollar;
- persons required to accelerate the recognition of any item of gross income with respect to any of the notes as a result of such income being recognized on an applicable financial statement;
- entities taxes as a partnership or the partners therein; and
- direct, indirect or constructive owners of 10% or more, of the voting power or value, of our outstanding shares.

The summary also does not discuss any aspect of state, local or non-U.S., or U.S. federal estate and gift tax law as applicable to U.S. Holders. Moreover, this discussion is limited to U.S. Holders who acquire and hold the notes as “capital assets” within the meaning of Section 1221 of the Code (generally, property held for investment). In addition, this summary assumes that the notes are properly characterized as debt that is not contingent debt for U.S. federal income tax purposes.

For purposes of this summary, “**U.S. Holder**” means the beneficial holder of a note who or that for U.S. federal income tax purposes is:

- an individual who is a citizen or resident of the United States;
- a corporation or other entity treated as a corporation, formed or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust, (i) if a court within the United States is able to exercise primary supervision over the administration of such trust and one or more “U.S. persons” (within the meaning of the Code) have the authority to control all substantial decisions of the trust, or (ii) if a valid election is in effect to treat the trust as a U.S. person.

We have not sought and will not seek any U.S. legal counsel or rulings from the IRS with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the notes or that any such position will not be sustained.

If a partnership or other entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the notes, the U.S. federal income tax treatment of a partner generally will depend on the status of the partner and the activities of the partnership. Such partner should consult its own tax advisor as to the tax consequences of the partnership purchasing, owning and disposing of the notes.

U.S. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH REGARD TO THE APPLICATION OF THE TAX CONSEQUENCES DESCRIBED BELOW TO THEIR PARTICULAR SITUATIONS AS WELL AS THE APPLICATION OF ANY STATE, LOCAL, NON-U.S. OR OTHER TAX LAWS, INCLUDING GIFT AND ESTATE TAX LAWS.

Interest on the Notes

Interest on the 2012 US\$ notes and 2012 C\$ notes

Payments of stated interest on the 2012 US\$ notes and our 2012 C\$ notes generally will be taxable to a U.S. Holder as ordinary income at the time that such payments are received or accrued, in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes. Interest on the notes will constitute income from sources outside the United States and will be "passive category income", which is treated separately from other income for purposes of computing the foreign tax credit allowable to a U.S. Holder under the U.S. federal income tax laws. Due to the complexity of the foreign tax credit rules, U.S. Holders should consult their own tax advisors with respect to the amount of foreign taxes that may be claimed as a credit.

In certain circumstances we may be obligated to pay amounts in excess of stated interest or principal on the notes or may make payments or redeem the notes in advance of their expected maturity. According to U.S. Treasury regulations, the possibility that any such payments or redemptions will be made will not affect the amount of interest income a U.S. Holder recognizes if there is only a remote chance as of the date the notes were issued that such payments will be made, or if such payments are incidental. We believe the likelihood that we will make any such payments is remote and/or that such payment will be incidental. Therefore, we do not intend to treat the potential payments or redemptions pursuant to the provisions related to changes in Canadian laws or regulations applicable to tax-related withholdings or deductions, any registration rights provisions, or the other redemption and repurchase provisions as part of the yield to maturity of the notes or as affecting the tax treatment of the notes. Our determination that these contingencies are remote and/or incidental is binding on a U.S. Holder unless such holder discloses its contrary position in the manner required by applicable U.S. Treasury regulations. Our determination is not, however, binding on the IRS, and if the IRS were to challenge this determination, a U.S. Holder may be required to accrue income on its notes in excess of stated interest and to treat as ordinary income rather than capital gain any income realized on the taxable disposition of a note before the resolution of the contingencies. In the event a contingency occurs, it would affect the amount and timing of the income recognized by a U.S. Holder. If we pay additional amounts on the notes, U.S. Holders will be required to recognize such amounts as income.

Our 2012 C\$ notes are denominated in Canadian dollars. Interest on these notes will be included in a U.S. Holder's gross income in an amount equal to the U.S. dollar value of the Canadian dollar amount, regardless of whether the Canadian dollars are converted into U.S. dollars. Generally, a U.S. Holder that uses the cash method of tax accounting will determine such U.S. dollar value using the spot rate of exchange on the date of receipt. A cash method U.S. Holder generally will not realize foreign currency gain or loss on the receipt of the interest payment but may have foreign currency gain or loss attributable to the actual disposition of the Canadian dollars received.

Generally, a U.S. Holder of C\$ notes that uses the accrual method of tax accounting will determine the U.S. dollar value of accrued interest income using the average rate of exchange for the accrual period (or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the U.S. Holder's taxable year). Alternatively, an accrual basis U.S. Holder may make an election (which must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS) to translate accrued interest income at the spot rate of exchange on the last day of the accrual period (or the last day of the taxable year in the case of a partial accrual period) or the spot rate on the date of receipt, if that date is within five business days of the last day of the accrual period. A U.S. Holder that uses the accrual method of accounting for tax purposes will recognize foreign currency gain or loss on the receipt of an interest payment if the exchange rate in effect on the date payment is received differs from the rate applicable to an accrual of that interest. The amount of foreign currency gain or loss to be recognized by such U.S. Holder will be an amount equal to the difference between the U.S. dollar value of the Canadian dollar interest payment (determined on the basis of the spot rate on the date the interest income is received) in respect of the accrual period and the U.S. dollar value of the interest income that has accrued during the accrual period (as determined above). This foreign currency gain or loss will be ordinary income or loss and generally will not be treated as an adjustment to interest income or expense.

Foreign currency gain or loss generally will be U.S. source provided that the residence of a taxpayer is considered to be the United States for purposes of the rules regarding foreign currency gain or loss.

Market Discount and Bond Premium

Market Discount

If a U.S. Holder purchases notes for an amount less than the sum of all amounts (other than qualified stated interest) payable with respect to the notes after the date of acquisition, the difference is treated as market discount. Subject to a *de minimis* exception, gain realized on the maturity, sale, exchange or retirement of a market discount note will be treated as ordinary income to the extent of any accrued market discount not previously recognized (including, in the case of a note exchanged for a registered note pursuant to a registration offer, any market discount accrued on the related outstanding note). A U.S. Holder may elect to include market discount in income currently as it accrues, on either a ratable or constant yield method. In that case, such U.S. Holder's tax basis in the notes will increase by such income inclusions. An election to include market discount in income currently, once made, will apply to all market discount obligations acquired by the U.S. Holder during the taxable year of the election and thereafter, and may not be revoked without the consent of the IRS. If a U.S. Holder does not make such an election, in general, all or a portion of the interest expense on any indebtedness incurred or continued in order to purchase or carry notes may be deferred until the maturity of the notes, or certain earlier dispositions. Unless a U.S. Holder elects to accrue market discount under a constant yield method, any market discount will accrue ratably during the period from the date of acquisition of the related outstanding note to its maturity date.

In the case of C\$ note, market discount is accrued in Canadian dollars, and the amount includible in income by a U.S. Holder upon a sale of a C\$ note in respect of accrued market discount will be the U.S. dollar value of the amount accrued. Such U.S. dollar value is generally calculated at the spot rate of exchange on the date the C\$ note is sold. Any market discount on a C\$ note that is currently includible in income under the election noted above will be translated into U.S. dollars at the average exchange rate for the accrual period or portion of such accrual period within the U.S. Holder's taxable year. In such case, a U.S. Holder generally will recognize foreign currency gain or loss with respect to accrued market discount under the rules similar to those that apply to accrued interest on a note received by an accrual basis U.S. Holder, as described above.

Bond Premium

If a U.S. Holder purchases notes for an amount greater than the sum of all amounts (other than qualified stated interest) payable with respect to the notes after the date of acquisition, the U.S. Holder is treated as having purchased the related notes with amortizable bond premium. A U.S. Holder generally may elect to amortize the premium from the purchase date to the maturity date of the notes under a constant yield method. Amortizable premium generally may be deducted against interest income on such notes and generally may not be deducted against other income. A U.S. Holder's basis in a note will be reduced by any premium amortization deductions. An election to amortize premium on a constant yield method, once made, generally applies to all debt obligations held or subsequently acquired by such U.S. Holder during the taxable year of the election and thereafter, and may not be revoked without IRS consent. For a U.S. Holder that did not elect to amortize bond premium, the amount of such premium will be included in such U.S. Holder's tax basis upon the sale of a note. In the case of a C\$ note, premium is computed in Canadian dollars. At the time amortized bond premium offsets interest income, foreign currency gain or loss (taxable as ordinary income or loss) will be realized on such amortized bond premium based on the difference between the spot rate of exchange on the date or dates such premium is recovered through interest payments on the C\$ note and the spot rate of exchange on the date on which the U.S. Holder acquired the C\$ note. For a U.S. Holder that did not elect to amortize bond premium, the amount of such premium will be included in such U.S. Holder's tax basis upon the sale of a C\$ note.

The market discount and bond premium rules are complicated, and U.S. Holders are urged to consult their own tax advisors regarding the tax consequences of owning and disposing of notes with market discount, or bond premium, including the availability of certain elections.

Sale, Exchange or Retirement of a Note

A U.S. Holder generally will recognize gain or loss upon the sale, exchange (other than in a tax-free transaction), redemption, retirement or other taxable disposition of a note, equal to the difference, if any, between:

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- the amount realized (or the U.S. dollar value thereof if received in a foreign currency) less any portion allocable to the payment of accrued interest not previously included in income, which amount will be taxable as ordinary interest income; and
- the U.S. Holder's adjusted tax basis in the note.

Except with respect to gains or losses attributable to changes in exchange rates, as described below, gain or loss so recognized generally will be capital gain or loss (except as described under “— Market Discount, and Bond Premium” above) and generally will be long-term capital gain or loss if the note has been held or deemed held for more than one year at the time of the disposition. Long-term capital gains of noncorporate U.S. Holders, including individuals, may be taxed at lower rates than items of ordinary income. The ability of a U.S. Holder to offset capital losses against ordinary income is limited. Any capital gain or loss recognized by a U.S. Holder on the sale or other disposition of a note generally will be treated as income from sources within the United States or loss allocable to income from sources within the United States. U.S. Holders should consult their own tax advisors regarding the source of gain attributable to market discount.

A U.S. Holder's adjusted tax basis in a note will generally equal the U.S. Holder's U.S. dollar cost therefor, increased by the amount of market discount, if any, previously included in income in respect of the note and decreased (but not below zero) by the amount of principal payments received by such U.S. Holder in respect of the notes, any amount treated as a return of pre-issuance accrued interest, and the amount of amortized bond premium, if any, previously taken into account with respect to the note. If a U.S. Holder purchases a C\$ note with Canadian dollars, the U.S. dollar cost of the C\$ note will generally be the U.S. dollar value of the purchase price on the date of purchase calculated at the spot rate of exchange on that date. The amount realized upon the disposition of a C\$ note will generally be the U.S. dollar value of the amount received on the date of the disposition calculated at the spot rate of exchange on that date. However, if the C\$ note is traded on an established securities market, a cash basis U.S. Holder (and, if it so elects, an accrual basis U.S. Holder) will determine the U.S. dollar value of the cost of or amount received on the C\$ note, as applicable, by translating the amount paid or received at the spot rate of exchange on the settlement date of the purchase or disposition. The election available to accrual basis U.S. Holders in respect of the purchase and disposition of C\$ notes traded on an established securities market must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS.

Gain or loss recognized by a U.S. Holder on the sale, exchange or retirement of a C\$ note that is attributable to changes in the rate of exchange between the U.S. dollar and foreign currency generally will be treated as U.S. source ordinary income or loss. Such foreign currency gain or loss will equal the difference between (i) the U.S. dollar value of the U.S. Holder's Canadian dollar purchase price for the C\$ note calculated at the spot rate of exchange on the date of the sale, exchange, retirement or other disposition and (ii) the U.S. dollar value of the U.S. Holder's Canadian dollar purchase price for the C\$ note calculated at the spot rate of exchange on the date of purchase of the C\$ note. If the C\$ note is traded on an established securities market, with respect to a cash basis U.S. Holder (and, if it so elects, an accrual basis U.S. Holder), such foreign currency gain or loss will equal the difference between (x) the U.S. dollar value of the U.S. Holder's Canadian dollar purchase price for the C\$ note calculated at the spot rate of exchange on the settlement date of the disposition and (y) the U.S. dollar value of the U.S. Holder's Canadian dollar purchase price for the C\$ note calculated at the spot rate of exchange on the settlement date of the purchase of the C\$ note. Such foreign currency gain or loss is recognized on the sale or retirement of such note only to the extent of total gain or loss recognized on the sale or retirement of such note. Prospective investors should consult their own tax advisors regarding certain foreign currency translation elections that may be available with respect to a sale, exchange, or redemption of the C\$ notes.

Transactions in Foreign Currency

Foreign currency received as a payment of interest on, or on the sale or retirement of, a C\$ note will have a tax basis equal to its U.S. dollar value at the time such interest is received or at the time the note is disposed of or payment is received in consideration of such sale or retirement (as applicable and as discussed in detail above). The amount of gain or loss recognized on a subsequent sale or other disposition of such foreign currency will be equal to the difference between (i) the amount of U.S. dollars, or the fair market value in U.S. dollars of the other currency or property received in such sale or other disposition, and (ii) the tax basis of the recipient in such foreign currency. A U.S. Holder who acquires such note with previously owned foreign currency will recognize ordinary income or loss in an amount equal to the difference, if any, between such U.S. Holder's tax basis in the foreign currency and the U.S. dollar fair market value of the note on

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the date of acquisition. Such gain or loss generally will be treated as income or loss from sources within the United States for foreign tax credit limitation purposes.

Reportable Transaction Reporting

Under certain U.S. Treasury Regulations, U.S. Holders that participate in “reportable transactions” (as defined in the U.S. Treasury Regulations) must attach to their U.S. federal income tax returns a disclosure statement on IRS Form 8886. Under the relevant rules, a U.S. Holder may be required to treat a foreign currency exchange loss from the C\$ note as a reportable transaction if this loss exceeds the relevant threshold in the U.S. Treasury Regulations. For individuals and trusts, this loss threshold is US\$50,000 in any single year. U.S. Holders should consult their own tax advisors as to the possible obligation to file IRS Form 8886 with respect to the ownership or disposition of the C\$ notes, or any related transaction, including without limitation, the disposition of any non-U.S. currency received as interest or as proceeds from the sale, exchange, retirement or other disposition of the C\$ notes.

Information Reporting and Backup Withholding

In general, information reporting requirements may apply to payments of principal and interest on a note and to the proceeds of the sale or other disposition of a note made to U.S. Holders other than certain exempt recipients (such as corporations). A U.S. Holder of the notes may be subject to “backup withholding” with respect to certain “reportable payments”, including interest payments and, under certain circumstances, principal payments on the notes or upon the receipt of proceeds upon the sale or other disposition of such notes. These backup withholding rules apply if the U.S. Holder, among other things:

- fails to furnish a social security number or other taxpayer identification number (“TIN”) certified under penalty of perjury within a reasonable time after the request for the TIN;
- furnishes an incorrect TIN;
- is notified by the IRS that it has failed to report properly interest or dividends; or
- under certain circumstances, fails to provide a certified statement, signed under penalties of perjury, that the TIN furnished is the correct number and that such holder is not subject to backup withholding.

A U.S. Holder can generally avoid the application of the backup withholding rules by properly completing and submitting the IRS Form W-9 included with the Letter of Transmittal. A U.S. Holder that does not provide us with its correct TIN also may be subject to penalties imposed by the IRS. Backup withholding is not an additional tax. Any amount withheld from a payment to a U.S. Holder under the backup withholding rules is creditable against the U.S. Holder’s U.S. federal income tax liability, and may entitle the U.S. Holder to a refund, *provided* that the required information is properly and timely furnished to the IRS. Backup withholding will not apply, however, with respect to payments made to certain exempt U.S. Holders, including corporations and tax-exempt organizations, *provided* their exemptions from backup withholding are properly established.

In addition, U.S. Holders that hold specified foreign financial assets (including stock and securities of a foreign issuer) with an aggregate value in excess of US\$50,000 on the last day of the taxable year or US\$75,000 at any time during the taxable year are required to report their holdings, along with other information, on their U.S. federal income tax returns, with certain exceptions. Regulations extend this reporting requirement to certain entities that are treated as formed or availed of to hold direct or indirect interests in specified foreign financial assets based on certain objective criteria. If you fail to report the required information, you could be subject to substantial penalties. U.S. Holders should consult their own tax advisors to determine the scope of these disclosure responsibilities.

Certain Canadian Material Federal Income Tax Considerations for Residents of the United States

The following is, at the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to a holder who acquires, as beneficial owner, the Senior Notes, including entitlement to all payments thereunder, pursuant to this offering and who, at all relevant times and for the purposes of the *Income Tax Act* (Canada) (the “**Tax Act**”) and the regulations thereunder, (i) is not, and is not deemed to be, resident in Canada (including as a

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consequence of the Canada-United States Income Tax Convention (1980), as amended), (ii) deals at arm's length with Quebecor Media and with any transferee resident or deemed resident in Canada to whom the holder disposes of Senior Notes, (iii) does not use or hold and is not deemed to use or hold the Senior Notes in or in the course of carrying on business in Canada, (iv) does not receive any payment of interest (including any amounts deemed to be interest) on the Senior Notes in respect of a debt or other obligation to pay an amount to a person with whom Quebecor Media does not deal at arm's length, (v) is not an "authorized foreign bank", as defined in the Tax Act, (vi) is not a "registered non-resident insurer", as defined in the Tax Act, (vii) is not an insurer carrying on an insurance business in Canada and elsewhere, and (viii) is not a, and deals at arm's length with any, "specified shareholder" of Quebecor Media for purposes of the thin capitalization rules in the Tax Act (a "**Non-Resident Holder**"). A "specified shareholder" for these purposes generally includes a person who (either alone or together with persons with whom that person is not dealing at arm's length for the purposes of the Tax Act) owns or has the right to acquire or control or is otherwise deemed to own 25% or more of Quebecor Media's shares determined on a votes or fair market value basis.

This summary is based on the current provisions of the Tax Act and the regulations thereunder and the current administrative and assessing practices and policies of the Canada Revenue Agency published in writing prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act and the regulations thereunder announced by or on behalf of the Minister of Finance of Canada prior to the date hereof (the "**Proposed Amendments**") and assumes that all Proposed Amendments will be enacted in the form proposed. However, no assurance can be given that the Proposed Amendments will be enacted as proposed or at all. This summary does not otherwise take into account or anticipate any changes in law or any administrative or assessing practice, whether by judicial, governmental, regulatory or legislative decision or action, nor does it take into account provincial, territorial or foreign income tax considerations which may differ from the Canadian federal income tax considerations described herein.

THIS SUMMARY IS OF A GENERAL NATURE ONLY AND IS NOT EXHAUSTIVE OF ALL CANADIAN FEDERAL INCOME TAX CONSIDERATIONS THAT MAY BE RELEVANT TO A PARTICULAR HOLDER. THIS SUMMARY IS NOT INTENDED TO BE, AND SHOULD NOT BE INTERPRETED AS, LEGAL OR TAX ADVICE TO ANY PARTICULAR HOLDER, AND NO REPRESENTATION WITH RESPECT TO THE INCOME TAX CONSEQUENCES TO ANY PARTICULAR HOLDER IS MADE. ACCORDINGLY, YOU SHOULD CONSULT YOUR OWN TAX ADVISORS WITH RESPECT TO YOUR PARTICULAR CIRCUMSTANCES.

No Canadian withholding tax will apply to interest (including any amounts deemed to be interest), principal or premium paid or credited by Quebecor Media on the Senior Notes to a Non-Resident Holder, or to the proceeds received by a Non-Resident Holder on a disposition of a Senior Note, including a redemption, payment on maturity, repurchase or purchase for cancellation.

No other taxes on income or gains will be payable under the Tax Act by a Non-Resident Holder on interest (including any amounts deemed to be interest), principal or premium or on the proceeds received by such Non-Resident Holder on the disposition of a Senior Note, including a redemption, payment on maturity, repurchase or purchase for cancellation.

F- Dividends and Paying Agents

Not applicable.

G- Statement By Experts

Not applicable.

H- Documents on Display

You may read and copy documents referred to in this annual report that have been filed with the SEC at the Public Reference Room at the SEC's Headquarters, located at 100 F Street, N.E., Room 1580, Washington, D.C. 20549, or obtain copies of this information by mail from the Public Reference Room at prescribed rates. You may call the SEC at 1-800-SEC-0330 for further information on the SEC's Public Reference Room. The SEC also maintains an Internet website that contains reports and other information that we have furnished electronically with the SEC. The URL of that website is

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http://www.sec.gov. Any documents referred to in this annual report may also be inspected without charge at our offices at 612 St. Jacques Street, Montréal, Québec, Canada, H3C 4M8.

I- Subsidiary Information

Not applicable.

ITEM 11 — QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We use certain financial instruments, such as interest rate swaps, cross-currency swaps and foreign exchange forward contracts, to manage interest rate and foreign exchange risk exposures. These instruments are used solely to manage the financial risks associated with our obligations and are not used for trading or speculation purposes.

Foreign Currency Risk and Interest Rate 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, handsets and cable modems 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, 2018 and to hedge its exposure on certain purchases of set-top boxes, handsets, cable modems and capital expenditures. Accordingly, the Corporation's sensitivity to variations in foreign exchange rates is economically limited.

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, 2018, after taking into account the hedging instruments, long-term debt was comprised of 76.2% fixed-rate debt (87.7% as of December 31, 2017) and 23.8% floating-rate debt (12.3% as of December 31, 2017).

The estimated sensitivity on interest payments of a 100 basis-point variance in the year-end Canadian Bankers' acceptance rate as of December 31, 2018 is \$13.1 million.

Credit Risk

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 accounts 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, 2018, 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, 2018, the provision for expected credit losses represented 2.7% of the gross amount of accounts receivable and contract assets (2.9% as of December 31, 2017), while 11.7% of trade receivable were 90 days past their billing date (11.3% as of December 31, 2017).

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

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to concentration limits. These credit ratings and concentration limits are monitored on an ongoing basis, but at least quarterly.

Fair Value of Financial Instruments

See “Item 5 — Operating and Financial Review and Prospects — Additional Information — Financial Instruments and Financial Risk Management — Fair Value of Financial Instruments” in this annual report.

Material Limitations

Fair value estimates are made at a specific point in time and are based on relevant market information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Principal Repayments

As of December 31, 2018, the aggregate amount of minimum principal payments on long-term debt required in each of the next five years and thereafter, based on borrowing levels as at that date, are as follows:

Twelve month period ending December 31,
(in millions)

2019	56.6
2020	448.1
2021	0.0
2022	1,091.0
2023	2,401.2
2024 and thereafter	2,411.3
Total	\$ 6,408.2

ITEM 12 — DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13 — DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

A - None.

B - Not applicable.

ITEM 14 — MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

A - Material Modifications to the Rights of Security Holders

There have been no material modifications to the rights of security holders.

B - Use of Proceeds

Not applicable.

ITEM 15 — CONTROLS AND PROCEDURES

As at the end of the period covered by this report, Quebecor Media's President and Chief Executive Officer and Quebecor Media's Senior Vice President and Chief Financial Officer, together with members of Quebecor Media's senior management, have carried out an evaluation of the effectiveness of our disclosure controls and procedures. These are defined (in Rule 13a-15(e) or 15d-15(e) under the *Securities Exchange Act* of 1934, as amended (the "**Exchange Act**") as controls and procedures designed to ensure that information required to be disclosed in reports filed under the Exchange Act is recorded, processed, summarized and reported within specified time periods. As of the date of the evaluation, Quebecor Media's President and Chief Executive Officer and Quebecor Media's Senior Vice President and Chief Financial Officer concluded that Quebecor Media's disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports that the Corporation files or submits under the Exchange Act is accumulated and communicated to management, including the Corporation's principal executive and principal financial officer, to allow timely decisions regarding disclosure.

Quebecor Media's management is responsible for establishing and maintaining adequate internal control over financial reporting of the Corporation (as defined by Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Quebecor Media's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS. Quebecor Media's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of Quebecor Media's assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with IFRS, and that receipts and expenditures of Quebecor Media are being made only in accordance with authorizations of management and directors of Quebecor Media; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of Quebecor Media's assets that could have a material effect on the consolidated financial statements. Because of its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Quebecor Media's management conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("**COSO**"). Based on this evaluation, management concluded that Quebecor Media's internal control over financial reporting was effective as of December 31, 2018.

Pursuant to the *Dodd—Frank Wall Street Reform and Consumer Protection Act of 2010* and related SEC rules, Quebecor Media is not required to include in its annual report an attestation report of Quebecor Media's independent registered public accounting firm regarding our internal control over financial reporting. Our management's report

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regarding the effectiveness of our internal control over financial reporting was therefore not subject to attestation procedures by our independent registered public accounting firm.

There have been no changes in Quebecor Media’s internal control over financial reporting (as defined in Rule 13a-15 or 15d-15 under the Exchange Act) that occurred during the period covered by this annual report that have materially affected, or are reasonably likely to materially affect, Quebecor Media’s internal control over financial reporting.

ITEM 16 — [RESERVED]

ITEM 16A — AUDIT COMMITTEE FINANCIAL EXPERT

Our Audit Committee has been structured to comply with the requirements of Canadian National Instrument 52-110 - Audit Committee (“NI 52-110”). Our Board of Directors has determined that more than one “audit committee financial expert” (as defined in Item 16A of Form 20-F) are serving on our Audit Committee and that all members of the Audit Committee are “independent” directors, as defined under SEC rules.

ITEM 16B — CODE OF ETHICS

We have a Code of Ethics that applies to all directors, officers and employees of Quebecor Media, including our Chief Executive Officer, Chief Financial Officer, principal accounting officer, controller and persons performing similar functions. Our Code of Ethics is included as an exhibit to this annual report on Form 20-F.

ITEM 16C — PRINCIPAL ACCOUNTANT FEES AND SERVICES

Ernst & Young LLP has served as our independent registered public accounting firm for the fiscal years ended December 31, 2018, 2017 and 2016. The audited consolidated financial statements for each of the fiscal years in the three-year period ended December 31, 2018 are included in this annual report on Form 20-F.

Our Audit Committee establishes the independent auditors’ compensation. The Audit Committee adopted a policy relating to the pre-approval of services to be rendered by its independent auditors. The Audit Committee pre-approves all audit services, determines which non-audit services the independent auditors are prohibited from providing, and authorizes permitted non-audit services to be performed by the independent auditors to the extent those services are permitted by the Sarbanes-Oxley Act and Canadian law. For each of the years ended December 31, 2018, 2017 and 2016, none of the non-audit services described below were approved by the Audit Committee of our Board of Directors pursuant to the “de minimis exception” to the pre-approval requirement for non-audit services. The following table presents the aggregate fees billed for professional services and other services rendered by our independent auditor, Ernst & Young LLP, for the fiscal years ended December 31, 2018, 2017 and 2016.

	2018	2017	2016
Audit Fees ⁽¹⁾	\$ 2,316,815	\$ 2,557,984	\$ 2,462,935
Audit related Fees ⁽²⁾	59,438	20,000	139,585
Tax Fees ⁽³⁾	260,027	16,989	14,500
All Other Fees ⁽⁴⁾	3,500	—	—
Total	\$ 2,639,780	\$ 2,594,973	\$ 2,617,020

(1) Audit Fees consist of fees approved for the annual audit of the Corporation’s consolidated financial statements and quarterly reviews of interim financial statements of the Corporation with the SEC, including required assistance or services that only the external auditor reasonably can provide and accounting consultations on specific issues and translation. It also includes audit and attestation services required by statute or regulation, such as comfort letters and consents, SEC prospectus and registration statements, other filings and other offerings, including annual reports and SEC forms and statutory audits.

(2) Audit related Fees consist of fees billed for assurance and related services that are traditionally performed by the external auditor, and include consultations concerning financial accounting and reporting standards on proposed transactions, due diligence or accounting work related to acquisitions; employee benefit plan audits, and audit or attestation services not required by statute or regulation.

(3) Tax Fees include fees billed for tax compliance services, including the preparation of original and amended tax returns and claims for refunds, tax consultations, such as assistance and representation in connection with tax audits and appeals, tax advice related to mergers, acquisitions and divestitures, transfer pricing, and requests for advance tax rulings or technical interpretations.

(4) All Other Fees include fees billed for forensic accounting and occasional training services, assistance with respect to internal controls over financial reporting and disclosure controls and procedures.

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ITEM 16D — EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E — PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Not applicable.

ITEM 16F — CHANGES IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G — CORPORATE GOVERNANCE

Not applicable.

PART III

ITEM 17 — FINANCIAL STATEMENTS

Not applicable.

ITEM 18 — FINANCIAL STATEMENTS

Our consolidated balance sheets as at December 31, 2018 and 2017 and the related consolidated statements of income, comprehensive income, equity and cash flows for each of the years in the three-year period ended December 31, 2018, including the notes thereto and together with the report of the Independent Registered Public Accounting Firm, are included beginning on page F-1 of this annual report.

ITEM 19 — EXHIBITS

EXHIBITS

The following documents are filed as exhibits to this annual report on Form 20-F:

<u>Exhibit Number</u>	<u>Description</u>
1.1	<u>Certificate and Articles of Incorporation of Quebecor Media as of January 17, 2013 (incorporated by reference to Exhibit 1.1 to Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2012, filed on March 21, 2013, Commission file No. 333-13792).</u>
1.2	<u>By-laws of Quebecor Media (translation) (incorporated by reference to Exhibit 1.3 to Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed on March 22, 2012, Commission file No. 333-13792).</u>
1.3	<u>By-law number 2004-1 of Quebecor Media (translation) (incorporated by reference to Exhibit 1.7 of Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2004, filed on March 31, 2005, Commission file No. 333-13792).</u>
1.4	<u>By-law number 2004-2 of Quebecor Media (translation) (incorporated by reference to Exhibit 1.8 of Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2004, filed on March 31, 2005, Commission file No. 333-13792).</u>
1.5	<u>By-law number 2005-1 of Quebecor Media (translation) (incorporated by reference to Exhibit 1.10 of Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2005, filed on March 29, 2006, Commission file No. 333-13792).</u>
1.6	<u>By-law number 2007-1 of Quebecor Media (translation) (incorporated by reference to Exhibit 1.12 of Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2006, filed on March 30, 2007, Commission file No. 333-13792).</u>
1.7	<u>By-law number 2007-2 of Quebecor Media (translation) (incorporated by reference to Exhibit 1.14 of Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2007, filed on March 27, 2008, Commission file No. 333-13792).</u>
1.8	<u>By-law number 2008-1 of Quebecor Media (translation) (incorporated by reference to Exhibit 1.15 of Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2008, filed on March 12, 2009, Commission file No. 333-13792).</u>
2.1	<u>Form of 7³/₈% Senior Notes due January 15, 2021 of Quebecor Media (incorporated by reference to Exhibit A to Exhibit 2.6 of Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2010, filed on March 21, 2011, Commission file No. 333-13792).</u>

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<u>Exhibit Number</u>	<u>Description</u>
2.2	<u>Indenture relating to Quebecor Media's 7³/₈% Senior Notes due January 15, 2021, dated as of January 5, 2011, by and between Quebecor Media and Computershare Trust Company of Canada, as trustee (incorporated by reference to Exhibit 2.6 of Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2010, filed on March 21, 2011, Commission file No. 333-13792).</u>
2.3	<u>Form of 6⁵/₈% Senior Notes due January 15, 2023 of Quebecor Media (incorporated by reference to Exhibit A to to Exhibit 2.8 to Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2012, filed on March 21, 2013, Commission file No. 333-13792).</u>
2.4	<u>Indenture, relating to Quebecor Media's 6⁵/₈% Senior Notes due January 15, 2023, dated as of October 11, 2012, by and between Quebecor Media, and Computershare Trust Company of Canada, as trustee (incorporated by reference to Exhibit 2.8 to Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2012, filed on March 21, 2013, Commission file No. 333-13792).</u>
2.5	<u>Form of 5³/₄% Senior Notes due January 15, 2023 of Quebecor Media (incorporated by reference to Exhibit A to Exhibit 2.10 to Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2012, filed on March 21, 2013, Commission file No. 333-13792).</u>
2.6	<u>Indenture, relating to Quebecor Media's 5³/₄% Senior Notes due January 15, 2023, dated as of October 11, 2012, by and between Quebecor Media, and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 2.10 to Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2012, filed on March 21, 2013, Commission file No. 333-13792).</u>
2.7	<u>Supplemental Indenture, dated as of March 14, 2014, by and among Quebecor Media, and U.S. Bank National Association, as trustee, to the Indenture dated as of October 11, 2012 (incorporated by reference to Exhibit 2.8 to Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2014, filed on March 23, 2015, Commission file No. 333-13792).</u>
2.8	<u>Form of 6 ⁷/₈% Senior Notes due July 15, 2021 of Videotron Ltd. (incorporated by reference to Exhibit A to Exhibit 2.42 to Videotron's Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed on March 21, 2012, Commission file No. 033-51000).</u>
2.9	<u>Form of Notation of Guarantee of the subsidiary guarantors of the 6 ⁷/₈% Senior Notes due July 15, 2021 of Videotron Ltd. (incorporated by reference to Exhibit E to Exhibit 2.42 to Videotron's Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed on March 21, 2012, Commission file No. 033-51000).</u>
2.10	<u>Indenture, dated as of July 5, 2011, by and among Videotron Ltd., the subsidiary guarantors signatory thereto and Computershare Trust Company of Canada, as trustee (incorporated by reference to Exhibit 2.42 to Videotron's Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed on March 21, 2012, Commission file No. 033-51000).</u>
2.11	<u>Supplemental Indenture, dated as of March 12, 2015, by and among Videotron, 4Degrees Colocation Inc., as guarantor, and Computershare Trust Company of Canada, as trustee, to the Indenture dated as of July 5, 2011 (incorporated by reference to Exhibit 2.4 to Videotron's Annual Report on Form 20-F for the fiscal year ended December 31, 2015, filed on March 18, 2016, Commission file No. 033-51000).</u>
2.12	<u>Supplemental Indenture, dated as of January 8, 2016, by and among Videotron, 9529454 Canada Inc., 8480869 Canada Inc., Fibrenoire Inc. and Canadian P2P Fibre Systems Ltd., as guarantors, and Computershare Trust Company of Canada, as trustee, to the Indenture dated as of July 5, 2011 (incorporated by reference to Exhibit 2.5 to Videotron's Annual Report on Form 20-F for the fiscal year ended December 31, 2015, filed on March 18, 2016, Commission file No. 033-51000).</u>

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<u>Exhibit Number</u>	<u>Description</u>
2.13	<u>Supplemental Indenture, dated as of June 20, 2016, by and among Videotron, 9176-6857 Québec Inc., as guarantor, and Computershare Trust Company of Canada, as trustee, to the Indenture dated as of July 5, 2011 (incorporated by reference to Exhibit 2.6 to Videotron’s Annual Report on Form 20-F for the fiscal year ended December 31, 2016, filed on March 21, 2017, Commission file No. 033-51000).</u>
2.14	<u>Form of 5% Senior Notes due July 15, 2022 of Videotron (incorporated by reference to Exhibit A to Exhibit 2.47 to Videotron’s Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed on March 21, 2012, Commission file No. 033-51000).</u>
2.15	<u>Form of Notation of Guarantee by the subsidiary guarantors of the 5% Senior Notes due July 15, 2022 of Videotron Ltd. (incorporated by reference to Exhibit E to Exhibit 2.47 to Videotron’s Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed on March 21, 2012, Commission file No. 033-51000).</u>
2.16	<u>Indenture, dated as of March 14, 2012, by and among Videotron Ltd., the subsidiary guarantors signatory thereto and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 2.47 to Videotron’s Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed on March 21, 2012, Commission file No. 033-51000).</u>
2.17	<u>Supplemental Indenture, dated as of March 12, 2015, by and among Videotron, 4Degrees Colocation Inc., as guarantor, and Wells Fargo Bank, National Association, as trustee, to the Indenture dated as of March 14, 2012 (incorporated by reference to Exhibit 2.9 to Videotron’s Annual Report on Form 20-F for the fiscal year ended December 31, 2015, filed on March 18, 2016, Commission file No. 033-51000).</u>
2.18	<u>Supplemental Indenture, dated as of January 8, 2016, by and among Videotron, 9529454 Canada Inc., 8480869 Canada Inc., Fibrenoire Inc. and Canadian P2P Fibre Systems Ltd., as guarantors, and Wells Fargo Bank, National Association, as trustee, to the Indenture dated as of March 14, 2012 (incorporated by reference to Exhibit 2.10 to Videotron’s Annual Report on Form 20-F for the fiscal year ended December 31, 2015, filed on March 18, 2016, Commission file No. 033-51000).</u>
2.19	<u>Supplemental Indenture, dated as of June 20, 2016, by and among Videotron, 9176-6857 Québec Inc., as guarantor, and Wells Fargo Bank, National Association, as trustee, to the Indenture dated as of March 14, 2012 (incorporated by reference to Exhibit 2.12 to Videotron’s Annual Report on Form 20-F for the fiscal year ended December 31, 2016, filed on March 21, 2017, Commission file No. 033-51000).</u>
2.20	<u>Form of 5 ⁵/₈% Senior Notes due June 15, 2025 of Videotron Ltd. (incorporated by reference to Exhibit A to Exhibit 2.40 to Videotron’s Annual Report on Form 20-F for the fiscal year ended December 31, 2013, filed on March 20, 2014, Commission file No. 033-51000).</u>
2.21	<u>Form of Notation of Guarantee of the subsidiary guarantors of the 5 ⁵/₈% Senior Notes due June 15, 2025 of Videotron Ltd. (incorporated by reference to Exhibit E to Exhibit 2.40 to Videotron’s Annual Report on Form 20-F for the fiscal year ended December 31, 2013, filed on March 20, 2014, Commission file No. 033-51000).</u>
2.22	<u>Indenture, dated as of June 17, 2013, by and among Videotron Ltd., the subsidiary guarantors party thereto, and Computershare Trust Company of Canada, as trustee (incorporated by reference to Exhibit 2.40 to Videotron’s Annual Report on Form 20-F for the fiscal year ended December 31, 2013, filed on March 20, 2014, Commission file No. 033-51000).</u>

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<u>Exhibit Number</u>	<u>Description</u>
2.23	<u>Supplemental Indenture, dated as of March 12, 2015, by and among Videotron, 4Degrees Colocation Inc., as guarantor, and Computershare Trust Company of Canada, as trustee, to the Indenture dated as of June 17, 2013 (incorporated by reference to Exhibit 2.14 to Videotron’s Annual Report on Form 20-F for the fiscal year ended December 31, 2015, filed on March 18, 2016, Commission file No. 033-51000).</u>
2.24	<u>Supplemental Indenture, dated as of January 8, 2016, by and among Videotron, 9529454 Canada Inc., 8480869 Canada Inc., Fibrenoire Inc. and Canadian P2P Fibre Systems Ltd., as guarantors, and Computershare Trust Company of Canada, as trustee, to the Indenture dated as of June 17, 2013 (incorporated by reference to Exhibit 2.12 above).</u>
2.25	<u>Supplemental Indenture, dated as of June 20, 2016, by and among Videotron, 9176-6857 Québec Inc., as guarantor, and Computershare Trust Company of Canada, as trustee, to the Indenture dated as of June 17, 2013 (incorporated by reference to Exhibit 2.13 above).</u>
2.26	<u>Form of 5³/₈% Senior Notes due June 15, 2024 of Videotron Ltd. (incorporated by reference to Exhibit A to Exhibit 2.32 to Videotron’s Annual Report on Form 20-F for the fiscal year ended December 31, 2014, filed on March 23, 2015, Commission file No. 033-51000).</u>
2.27	<u>Form of Notation of Guarantee of the subsidiary guarantors of the 5³/₈% Senior Notes due June 15, 2024 of Videotron Ltd. (incorporated by reference to Exhibit E to Exhibit 2.32 to Videotron’s Annual Report on Form 20-F for the fiscal year ended December 31, 2014, filed on March 23, 2015, Commission file No. 033-51000).</u>
2.28	<u>Indenture, dated as of April 9, 2014, by and among Videotron Ltd., the subsidiary guarantors party thereto, and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 2.32 to Videotron’s Annual Report on Form 20-F for the fiscal year ended December 31, 2014, filed on March 23, 2015, Commission file No. 033-51000).</u>
2.29	<u>Supplemental Indenture, dated as of March 12, 2015, by and among Videotron, 4Degrees Colocation Inc., as guarantor, and Wells Fargo Bank, National Association, as trustee, to the Indenture dated as of April 9, 2014 (incorporated by reference to Exhibit 2.19 to Videotron’s Annual Report on Form 20-F for the fiscal year ended December 31, 2015, filed on March 18, 2016, Commission file No. 033-51000).</u>
2.30	<u>Supplemental Indenture, dated as of January 8, 2016, by and among Videotron, 9529454 Canada Inc., 8480869 Canada Inc., Fibrenoire Inc. and Canadian P2P Fibre Systems Ltd., as guarantors, and Wells Fargo Bank, National Association, as trustee, to the Indenture dated as of April 9, 2014 (incorporated by reference to Exhibit 2.20 to Videotron’s Annual Report on Form 20-F for the fiscal year ended December 31, 2015, filed on March 18, 2016, Commission file No. 033-51000).</u>
2.31	<u>Supplemental Indenture, dated as of June 20, 2016, by and among Videotron, 9176-6857 Québec Inc., as guarantor, and Wells Fargo Bank, National Association, as trustee, to the Indenture dated as of April 9, 2014 (incorporated by reference to Exhibit 2.24 to Videotron’s Annual Report on Form 20-F for the fiscal year ended December 31, 2016, filed on March 21, 2017, Commission file No. 033-51000).</u>
2.32	<u>Form of 5³/₄% Senior Notes due January 15, 2026 of Videotron Ltd. (incorporated by reference to Exhibit A to Exhibit 2.23 to Videotron’s Annual Report on Form 20-F for the fiscal year ended December 31, 2015, filed on March 18, 2016, Commission file No. 033-51000).</u>
2.33	<u>Form of Notation of Guarantee of the subsidiary guarantors of the 5³/₄% Senior Notes due January 15, 2026 of Videotron Ltd. (incorporated by reference to Exhibit E to Exhibit 2.23 to Videotron’s Annual Report on Form 20-F for the fiscal year ended December 31, 2015, filed on March 18, 2016, Commission file No. 033-51000).</u>

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<u>Exhibit Number</u>	<u>Description</u>
2.34	<u>Indenture, dated as of September 15, 2015, by and among Videotron Ltd., the subsidiary guarantors party thereto, and Computershare Trust Company of Canada, as trustee (incorporated by reference to Exhibit 2.23 to Videotron's Annual Report on Form 20-F for the fiscal year ended December 31, 2015, filed on March 18, 2016, Commission file No. 033-51000).</u>
2.35	<u>Supplemental Indenture, dated as of January 8, 2016, by and among Videotron, 9529454 Canada Inc., 8480869 Canada Inc., Fibrenoire Inc. and Canadian P2P Fibre Systems Ltd., as guarantors, and Computershare Trust Company of Canada, as trustee, to the Indenture dated as of September 15, 2015 (incorporated by reference to Exhibit 2.12 above).</u>
2.36	<u>Supplemental Indenture, dated as of June 20, 2016, by and among Videotron, 9176-6857 Québec Inc., as guarantor, and Computershare Trust Company of Canada, as trustee, to the Indenture dated as of September 15, 2015 (incorporated by reference to Exhibit 2.13 above).</u>
2.37	<u>Form of 5¹/₈% Senior Notes due April 15, 2027 of Videotron Ltd. (incorporated by reference to Exhibit A to Exhibit 2.39 below).</u>
2.38	<u>Form of Notation of Guarantee of the subsidiary guarantors of the 5¹/₈% Senior Notes due April 15, 2027 of Videotron Ltd. (incorporated by reference to Exhibit E to Exhibit 2.39 below).</u>
2.39	<u>Indenture, dated as of April 13, 2017, by and among Videotron Ltd., the subsidiary guarantors signatory thereto and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 2.39 to Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2017, filed on March 27, 2018, Commission file No. 333-13792).</u>
3.1	<u>Written resolution adopted by the Shareholders of Quebecor Media on February 15, 2017 relating to the increase in the size of the Board of Directors of Quebecor Media (translation) (incorporated by reference to Exhibit 3.3 to Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2017, filed on March 27, 2018, Commission file No. 333-13792).</u>
4.1	<u>Share Purchase Agreement dated as of May 8, 2018 among Québecor, Québecor Media and CDPQ.</u>
4.2	<u>Fourth Amendment to the Amended and Restated Credit Agreement, dated as of February 15, 2019, amending the Amended and Restated Credit Agreement, dated as of June 14, 2013, by and among Quebecor Media, as Borrower, the financial institutions party thereto from time to time, as Lenders, and Bank of America, N.A., as Administrative Agent, as amended.</u>
4.3	<u>Third Amendment to the Amended and Restated Credit Agreement, dated as of May 9, 2017, amending the Amended and Restated Credit Agreement, dated as of June 14, 2013, by and among Quebecor Media, as Borrower, the financial institutions party thereto from time to time, as Lenders, and Bank of America, N.A., as Administrative Agent, as amended. (incorporated by reference to Exhibit 4.1 to Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2017, filed on March 27, 2018, Commission file No. 333-13792).</u>
4.4	<u>Second Amendment to the Amended and Restated Credit Agreement, dated as of June 24, 2016, amending the Amended and Restated Credit Agreement, dated as of June 14, 2013, by and among Quebecor Media, as Borrower, the financial institutions party thereto from time to time, as Lenders, and Bank of America, N.A., as Administrative Agent, as amended. (incorporated by reference to Exhibit 4.1 to Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2016, filed on March 23, 2017, Commission file No. 333-13792).</u>
4.5	<u>First Amendment to the Amended and Restated Credit Agreement, dated as of August 1, 2013, amending the Amended and Restated Credit Agreement, dated as of June 14, 2013, by and among Quebecor Media, as Borrower, the financial institutions party thereto from time to time, as Lenders, and Bank of America, N.A., as Administrative Agent (incorporated by reference to Exhibit 4.1 to Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2013, filed on March 20, 2014, Commission file No. 333-13792).</u>

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<u>Exhibit Number</u>	<u>Description</u>
4.6	<u>Amended and Restated Credit Agreement, dated as of June 14, 2013, by and among Quebecor Media, as Borrower, the financial institutions party thereto from time to time, as Lenders, and Bank of America, N.A., as Administrative Agent (incorporated by reference to Exhibit 4.2 to Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2013, filed on March 20, 2014, Commission file No. 333-13792).</u>
4.7	<u>First Amending Agreement, dated as of June 14, 2013, amending the Amended and Restated Credit Agreement, dated as of July 20, 2011, by and among Videotron, Royal Bank of Canada, as administrative agent, and the financial institutions signatory thereto and acknowledged by Le SuperClub Videotron, Videotron Infrastructures Inc., Videotron US Inc., 9227-2590 Québec Inc., 9230-7677 Québec Inc., Videotron G.P., Videotron L.P. and 8487782 Canada Inc. as guarantors (incorporated by reference to Exhibit 4.3 to Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2013, filed on March 20, 2014, Commission file No. 333-13792).</u>
4.8	<u>Second Amending Agreement, dated as of January 28, 2015, amending the Amended and Restated Credit Agreement, dated as of July 20, 2011, as amended, by and among Videotron, Royal Bank of Canada, as administrative agent, and the financial institutions signatory thereto and acknowledged by 9293-6707 Québec Inc., 9227-2590 Québec Inc., 9230-7677 Québec Inc., 8487782 Canada Inc., Videotron G.P., Videotron L.P. and Videotron Infrastructures Inc., as guarantors (incorporated by reference to Exhibit 4.3 to Videotron's Annual Report on Form 20-F for the fiscal year ended December 31, 2015, filed on March 18, 2016, Commission file No. 033-51000).</u>
4.9	<u>Third Amending Agreement, dated as of June 16, 2015, amending the Amended and Restated Credit Agreement, dated as of July 20, 2011, as amended, by and among Videotron, Royal Bank of Canada, as administrative agent, and the financial institutions signatory thereto and acknowledged by 9293-6707 Québec Inc., 9227-2590 Québec Inc., 9230-7677 Québec Inc., 8487782 Canada Inc., Videotron G.P., Videotron L.P., Videotron Infrastructures Inc. and 4Degrees Colocation Inc., as guarantors (incorporated by reference to Exhibit 4.4 to Videotron's Annual Report on Form 20-F for the fiscal year ended December 31, 2015, filed on March 18, 2016, Commission file No. 033-51000).</u>
4.10	<u>First Amending Agreement to the Amended and Restated Credit Agreement (made pursuant to the Third Amendment Agreement dated June 16, 2015 filed as Exhibit 4.8), dated as of June 24, 2016, amending the Amended and Restated Credit Agreement, dated as of June 16, 2015, by and among Videotron Ltd., Royal Bank of Canada, as administrative agent, and the financial institutions signatory thereto and acknowledged by 9293-6707 Québec Inc., 9227-2590 Québec Inc., 9230-7677 Québec Inc., 9176-6857 Québec Inc., Videotron G.P., Videotron L.P., Videotron Infrastructures Inc., 4Degrees Colocation Inc., 9529454 Canada Inc., 8480869 Canada Inc., Fibrenoire Inc. and Canadian P2P Fibre Systems Ltd., as guarantors. (incorporated by reference to Exhibit 4.7 to Quebecor Media's Annual Report on Form 20-F for the fiscal year ended December 31, 2016, filed on March 23, 2017, Commission file No. 333-13792).</u>
4.11	<u>Second Amending Agreement to the Amended and Restated Credit Agreement (made pursuant to the Third Amendment Agreement dated June 16, 2015 filed as Exhibit 4.8), dated as of January 3, 2018, amending the Amended and Restated Credit Agreement, dated as of June 16, 2015, by and among Videotron Ltd., Royal Bank of Canada, as administrative agent, and the financial institutions signatory thereto and acknowledged by 9293-6707 Québec Inc., 9227-2590 Québec Inc., 9230-7677 Québec Inc., 9176-6857 Québec Inc., Videotron G.P., Videotron L.P., Videotron Infrastructures Inc., 4Degrees Colocation Inc., 9529454 Canada Inc., 8480869 Canada Inc., Fibrenoire Inc. and Canadian P2P Fibre Systems Ltd., as guarantors. (incorporated by reference to Exhibit 4.6 to Videotron's Annual Report on Form 20-F for the fiscal year ended December 31, 2017, filed on March 27, 2018, Commission file No. 033-51000).</u>

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<u>Exhibit Number</u>	<u>Description</u>
4.12	<u>Third Amending Agreement to the Amended and Restated Credit Agreement (made pursuant to the Third Amendment Agreement dated June 16, 2015 filed as Exhibit 4.8), dated as of November 26, 2018, amending the Amended and Restated Credit Agreement, dated as of June 16, 2015, by and among Videotron Ltd., Royal Bank of Canada, as administrative agent, and the financial institutions signatory thereto and acknowledged by 9293-6707 Québec Inc., 9227-2590 Québec Inc., 9230-7677 Québec Inc., 9176-6857 Québec Inc., Videotron G.P., Videotron L.P., Videotron Infrastructures Inc., 4Degrees Colocation Inc., 9529454 Canada Inc., 8480869 Canada Inc., Fibrenoire Inc. and Canadian P2P Fibre Systems Ltd., as guarantors.</u>
4.13	<u>Amended and Restated Credit Agreement, dated as of July 20, 2011, by and among Videotron, Royal Bank of Canada, as administrative agent, and the financial institutions signatory thereto and acknowledged by Le SuperClub Videotron, Videotron Infrastructures Inc., Jobboom Inc., Videotron US Inc., 9227-2590 Québec Inc., 9230-7677 Québec Inc., Videotron G.P., and Videotron L.P., as guarantors (incorporated by reference to Exhibit 4.1 to Videotron's Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed on March 21, 2012, Commission file No. 033-51000).</u>
4.14	<u>Form of Guarantee of the Guarantors of the Credit Agreement (incorporated by reference to Schedule D of Exhibit 4.1 to Videotron's Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed on March 21, 2012, Commission file No. 033-51000).</u>
4.15	<u>Form of Share Pledge of the shares of Videotron Ltd. and the Guarantors of the Credit Agreement (incorporated by reference to Schedule E of Exhibit 4.1 to Videotron's Annual Report on Form 20-F for the fiscal year ended December 31, 2011, filed on March 21, 2012, Commission file No. 033-51000).</u>
7.1	<u>Statement regarding calculation of ratio of earnings to fixed charges.</u>
8.1	<u>Subsidiaries of Quebecor Media.</u>
11.1	<u>Code of Ethics.</u>
12.1	<u>Certification of Pierre Karl Péladeau, President and Chief Executive Officer of Quebecor Media, pursuant to 15 U.S.C. Section 78(m)(a), as adopted pursuant to Section 302 of the <i>Sarbanes-Oxley Act</i> of 2002.</u>
12.2	<u>Certification of Hugues Simard, Chief Financial Officer of Quebecor Media, pursuant to 15 U.S.C. Section 78(m)(a), as adopted pursuant to Section 302 of the <i>Sarbanes-Oxley Act</i> of 2002.</u>
13.1	<u>Certification of Pierre Karl Péladeau, President and Chief Executive Officer of Quebecor Media, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the <i>Sarbanes-Oxley Act</i> of 2002.</u>
13.2	<u>Certification of Hugues Simard, Chief Financial Officer of Quebecor Media, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the <i>Sarbanes-Oxley Act</i> of 2002.</u>
101	Interactive Data Files

SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

QUEBECOR MEDIA INC.

By: /s/ Hugues Simard

Name: Hugues Simard

Title: Chief Financial Officer

Dated: March 26, 2019

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Report of Independent Registered Public Accounting Firm

To the shareholders and the Board of Directors of Quebecor Media Inc.

Opinion on the consolidated financial statements

We have audited the accompanying consolidated balance sheets of Quebecor Media Inc. (the “Corporation”) as of December 31, 2018 and 2017, the related consolidated statements of income, comprehensive income, stockholders’ equity, and cash flows, for each of the years in the three-year period ended December 31, 2018, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as of December 31, 2018, 2017 and 2016 the results of its consolidated operations and its consolidated cash flows for each of the years in the three-year period ended December 31, 2018, in conformity with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board.

Adoption of IFRS 15

As discussed in Note 1 to the consolidated financial statements, January 1, 2018, the Corporation adopted, on a fully retrospective basis, IFRS 15, *Revenue from Contract with Customers*. The adoption had significant impacts the consolidated financial statements with regards to the timing of the recognition of revenues, the classification of revenues, as well as the capitalization of costs, such as the costs to obtain a contract and connection costs. The impacts of the retroactive adoption on the comparatives consolidated financial figures are disclosed in the Note 1.

Basis for Opinion

These consolidated financial statements are the responsibility of the Corporation’s management. Our responsibility is to express an opinion on the Corporation’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Corporation in accordance with the US federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Corporation is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Corporation’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Corporation’s auditor since 2008,

/s/ Ernst & Young LLP ¹

Montréal, Canada
March 12, 2019

¹ CPA auditor, CA, public accountancy permit no. A120803

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**QUEBECOR MEDIA INC.
CONSOLIDATED STATEMENTS OF INCOME**

Years ended December 31, 2018, 2017 and 2016
(in millions of Canadian dollars)

	<u>Note</u>	<u>2018</u>	<u>2017</u> (restated, note 1(b))	<u>2016</u> (restated, note 1(b))
Revenues	2	\$ 4,181.0	\$ 4,125.1	\$ 4,057.1
Employee costs	3	696.6	706.2	707.9
Purchase of goods and services	3	1,752.0	1,799.7	1,789.9
Depreciation and amortization		717.9	705.3	648.5
Financial expenses	4	280.5	281.8	302.0
Loss on valuation and translation of financial instruments		0.9	2.4	2.1
Restructuring of operations, litigation and other items	5	29.8	17.2	28.5
Gain on sale of spectrum licences	6	—	(330.9)	—
Impairment of goodwill and intangible assets	7	—	43.8	40.9
Loss on debt refinancing	8	—	15.6	7.3
Income before income taxes		703.3	884.0	530.0
Income taxes (recovery):				
Current	9	154.9	8.8	158.0
Deferred	9	11.7	132.4	(14.7)
		166.6	141.2	143.3
Income from continuing operations		536.7	742.8	386.7
Income from discontinued operations	30	3.8	18.2	1.0
Net income		\$ 540.5	\$ 761.0	\$ 387.7
Income (loss) from continuing operations attributable to				
Shareholders		\$ 534.3	\$ 747.6	\$ 399.3
Non-controlling interests		2.4	(4.8)	(12.6)
Net income (loss) attributable to				
Shareholders		\$ 538.1	\$ 765.8	\$ 400.3
Non-controlling interests		2.4	(4.8)	(12.6)

See accompanying notes to consolidated financial statements.

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QUEBECOR MEDIA INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31, 2018, 2017 and 2016
(in millions of Canadian dollars)

	<u>Note</u>	<u>2018</u>	<u>2017</u> <u>(restated,</u> <u>note 1(b))</u>	<u>2016</u> <u>(restated,</u> <u>note 1(b))</u>
Income from continuing operations		\$ 536.7	\$ 742.8	\$ 386.7
Other comprehensive income (loss) from continuing operations:				
Items that may be reclassified to income:				
Cash flows hedges:				
(Loss) gain on valuation of derivative financial instruments		(10.1)	43.7	(30.9)
Deferred income taxes		(5.7)	28.0	15.9
Items that will not be reclassified to income:				
Defined benefit plans:				
Re-measurement (loss) gain	29	(6.8)	(3.2)	33.1
Deferred income taxes		1.9	0.9	(8.9)
		<u>(20.7)</u>	<u>69.4</u>	<u>9.2</u>
Comprehensive income from continuing operations		516.0	812.2	395.9
Income from discontinued operations	30	3.8	18.2	1.0
Comprehensive income		\$ 519.8	\$ 830.4	\$ 396.9
Comprehensive income (loss) from continuing operations attributable to				
Shareholders		\$ 513.4	\$ 816.7	\$ 405.8
Non-controlling interests		2.6	(4.5)	(9.9)
Comprehensive income (loss) attributable to				
Shareholders		\$ 517.2	\$ 834.9	\$ 406.8
Non-controlling interests		2.6	(4.5)	(9.9)

See accompanying notes to consolidated financial statements.

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**QUEBECOR MEDIA INC.
CONSOLIDATED STATEMENTS OF EQUITY**

Years ended December 31, 2018, 2017 and 2016
(in millions of Canadian dollars)

	Equity attributable to shareholders				Equity attributable to non-controlling interests	Total equity
	Capital stock (note 22)	Contributed surplus	Deficit	Accumulated other comprehensive loss (note 24)		
Balance as of December 31, 2016, as previously reported	\$ 3,701.4	\$ 1.3	\$ (1,982.8)	\$ (129.5)	\$ 90.8	\$ 1,681.2
Changes in accounting policies (note 1(b))	—	—	177.3	—	—	177.3
Balance as of December 31, 2016, as restated	3,701.4	1.3	(1,805.5)	(129.5)	90.8	1,858.5
Net income (loss)	—	—	765.8	—	(4.8)	761.0
Other comprehensive income	—	—	—	69.1	0.3	69.4
Dividends	—	—	(50.0)	—	—	(50.0)
Reduction of paid-up capital	(50.0)	—	—	—	—	(50.0)
Repurchase of shares	(20.6)	—	(23.3)	—	—	(43.9)
Balance as of December 31, 2017	3,630.8	1.3	(1,113.0)	(60.4)	86.3	2,545.0
Net income	—	—	538.1	—	2.4	540.5
Other comprehensive (loss) income	—	—	—	(20.9)	0.2	(20.7)
Dividends	—	—	(100.0)	—	(0.1)	(100.1)
Repurchase of shares	(611.1)	—	(928.9)	—	—	(1,540.0)
Balance as of December 31, 2018	\$ 3,019.7	\$ 1.3	\$ (1,603.8)	\$ (81.3)	\$ 88.8	\$ 1,424.7

See accompanying notes to consolidated financial statements.

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QUEBECOR MEDIA INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2018, 2017 and 2016
(in millions of Canadian dollars)

	<u>Note</u>	<u>2018</u>	<u>2017</u> <u>(restated,</u> <u>note 1(b))</u>	<u>2016</u> <u>(restated,</u> <u>note 1(b))</u>
Cash flows related to operating activities				
Income from continuing operations		\$ 536.7	\$ 742.8	\$ 386.7
Adjustments for:				
Depreciation of property, plant and equipment	13	612.4	601.5	550.6
Amortization of intangible assets	14	105.5	103.8	97.9
Loss on valuation and translation of financial instruments		0.9	2.4	2.1
Gain on sale of spectrum licences	6	—	(330.9)	—
Restructuring of operations and impairment of goodwill and intangible assets	5,7	14.9	43.8	40.9
Loss on debt refinancing	8	—	15.6	7.3
Amortization of financing costs and long-term debt discount	4	6.8	6.9	7.0
Deferred income taxes	9	11.7	132.4	(14.7)
Other		(5.6)	4.0	3.7
		<u>1,283.3</u>	<u>1,322.3</u>	<u>1,081.5</u>
Net change in non-cash balances related to operating activities		<u>136.7</u>	<u>(130.1)</u>	<u>53.0</u>
Cash flows provided by continuing operating activities		<u>1,420.0</u>	<u>1,192.2</u>	<u>1,134.5</u>
Cash flows related to investing activities				
Business acquisitions	10	(10.3)	(5.8)	(119.5)
Business disposals		—	—	3.0
Additions to property, plant and equipment	13	(552.7)	(601.8)	(654.5)
Additions to intangible assets	14	(197.4)	(141.9)	(139.8)
Proceeds from disposals of assets	6	9.4	620.7	3.5
Loans to the parent corporation	16	(596.1)	—	—
Acquisition of tax deductions from the parent corporation	28	(13.9)	—	(14.0)
Other		(11.3)	(10.6)	12.7
Cash flows used in continuing investing activities		<u>(1,372.3)</u>	<u>(139.4)</u>	<u>(908.6)</u>
Cash flows related to financing activities				
Net change in bank indebtedness		24.3	(18.9)	(14.9)
Net change under revolving facilities		736.5	(209.3)	(40.3)
Issuance of long-term debt, net of financing fees	20	—	794.5	—
Repayment of long-term debt	8	(19.2)	(664.5)	(19.0)
Settlement of hedging contracts	8	(1.6)	16.6	0.4
Repurchase of Common Shares	22	(1,540.0)	(43.9)	—
Reduction of paid-up capital	22	—	(50.0)	(100.0)
Dividends		(100.0)	(50.0)	—
Dividends paid to non-controlling interests		(0.1)	—	(0.2)
Cash flows used in continuing financing activities		<u>(900.1)</u>	<u>(225.5)</u>	<u>(174.0)</u>
Net change in cash and cash equivalents from continuing operations		\$ (852.4)	\$ 827.3	\$ 51.9

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QUEBECOR MEDIA INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

Years ended December 31, 2018, 2017 and 2016
(in millions of Canadian dollars)

	<u>Note</u>	<u>2018</u>	<u>2017</u> (restated, note 1(b))	<u>2016</u> (restated, note 1(b))
Net change in cash and cash equivalents from continuing operations		\$ (852.4)	\$ 827.3	\$ 51.9
Cash flows provided by discontinued operations	30	8.5	16.9	(49.8)
Cash and cash equivalents at the beginning of the year		864.9	20.7	18.6
Cash and cash equivalents at the end of the year		<u>\$ 21.0</u>	<u>\$ 864.9</u>	<u>\$ 20.7</u>
<u>Additional information on the consolidated statements of cash flows</u>				
Cash and cash equivalents consist of				
Cash		\$ 20.2	\$ 863.2	\$ 19.9
Cash equivalents		0.8	1.7	0.8
		<u>\$ 21.0</u>	<u>\$ 864.9</u>	<u>\$ 20.7</u>
Changes in non-cash balances related to operating activities (excluding the effect of business acquisitions and disposals)				
Accounts receivable		\$ (17.7)	\$ (17.8)	\$ (34.5)
Contract assets		(21.3)	(27.8)	(54.1)
Inventories		1.3	(3.2)	24.7
Accounts payable, accrued charges and provisions		34.0	(26.8)	40.1
Income taxes		134.2	(44.8)	51.4
Deferred revenues		(5.7)	(1.7)	14.0
Defined benefit plans		13.0	7.2	10.4
Other		(1.1)	(15.2)	1.0
		<u>\$ 136.7</u>	<u>\$ (130.1)</u>	<u>\$ 53.0</u>
Non-cash investing activities				
Net change in additions to property, plant and equipment and intangible assets financed with accounts payable		\$ 67.8	\$ 21.8	\$ (6.2)
Interest and taxes reflected as operating activities				
Cash interest payments		\$ 289.2	\$ 269.1	\$ 286.1
Cash income tax payments (net of refunds)		18.0	58.7	104.3

See accompanying notes to consolidated financial statements.

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**QUEBECOR MEDIA INC.
CONSOLIDATED BALANCE SHEETS**

December 31, 2018, 2017 and 2016
(in millions of Canadian dollars)

	<u>Note</u>	<u>2018</u>	<u>2017</u> (restated, note 1(b))	<u>2016</u> (restated, note 1(b))
Assets				
Current assets				
Cash and cash equivalents		\$ 21.0	\$ 864.9	\$ 20.7
Accounts receivable	11	562.1	543.0	525.0
Contract assets	17	144.4	132.8	106.6
Income taxes		4.8	29.3	6.9
Inventories	12	186.3	188.1	183.3
Other current assets	17	120.4	119.7	102.3
Assets held for sale	30	95.0	—	—
		<u>1,134.0</u>	<u>1,877.8</u>	<u>944.8</u>
Non-current assets				
Property, plant and equipment	13	3,413.5	3,554.3	3,562.5
Intangible assets	14	1,135.3	983.1	1,224.0
Goodwill	15	2,678.3	2,695.8	2,725.4
Derivative financial instruments	27	887.0	591.8	809.0
Deferred income taxes	9	51.8	33.2	16.0
Loans to the parent corporation	16	596.1	—	—
Other assets	17	201.5	185.0	176.9
		<u>8,963.5</u>	<u>8,043.2</u>	<u>8,513.8</u>
Total assets		<u>\$ 10,097.5</u>	<u>\$ 9,921.0</u>	<u>\$ 9,458.6</u>

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**QUEBECOR MEDIA INC.
CONSOLIDATED BALANCE SHEETS (continued)**

December 31, 2018, 2017 and 2016
(in millions of Canadian dollars)

	<u>Note</u>	<u>2018</u>	<u>2017</u> (restated, note 1(b))	<u>2016</u> (restated, note 1(b))
Liabilities and equity				
Current liabilities				
Bank indebtedness		\$ 24.3	\$ —	\$ 18.9
Accounts payable and accrued charges	18	820.5	725.6	691.6
Provisions	19	28.5	25.4	69.3
Deferred revenues		340.7	346.8	339.7
Income taxes		119.2	13.3	35.2
Current portion of long-term debt	20	56.6	19.1	20.9
Liabilities held for sale	30	6.6	—	—
		<u>1,396.4</u>	<u>1,130.2</u>	<u>1,175.6</u>
Non-current liabilities				
Long-term debt	20	6,318.4	5,292.6	5,617.2
Derivative financial instruments	27	—	34.1	0.3
Other liabilities	19, 21	213.3	195.0	202.8
Deferred income taxes	9	744.7	724.1	604.2
		<u>7,276.4</u>	<u>6,245.8</u>	<u>6,424.5</u>
Equity				
Capital stock	22	3,019.7	3,630.8	3,701.4
Contributed surplus		1.3	1.3	1.3
Deficit		(1,603.8)	(1,113.0)	(1,805.5)
Accumulated other comprehensive loss	24	(81.3)	(60.4)	(129.5)
Equity attributable to shareholders		<u>1,335.9</u>	<u>2,458.7</u>	<u>1,767.7</u>
Non-controlling interests		88.8	86.3	90.8
		<u>1,424.7</u>	<u>2,545.0</u>	<u>1,858.5</u>
Commitments and contingencies	19, 25			
Guarantees	26			
Total liabilities and equity		<u>\$ 10,097.5</u>	<u>\$ 9,921.0</u>	<u>\$ 9,458.6</u>

See accompanying notes to consolidated financial statements.

On March 12, 2019, the Board of Directors approved the consolidated financial statements for the years ended December 31, 2018, 2017 and 2016.

On behalf of the Board of Directors,

/s/ Brian Mulroney

/s/ Normand Provost

The Right Honourable Brian Mulroney, P.C., C.C., LL.D.,
Chairman of the Board

Normand Provost,
Director

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**QUEBECOR MEDIA INC.
SEGMENTED INFORMATION**

Years ended December 31, 2018, 2017 and 2016
(in millions of Canadian dollars)

Quebecor Media Inc. (“Quebecor Media” or the “Corporation”) is incorporated under the laws of Québec and, since June 22, 2018, is a wholly owned subsidiary of Quebecor Inc. (“Quebecor” or the “parent corporation”). Unless the context otherwise requires, Quebecor Media or the Corporation refer to Quebecor Media Inc. and its subsidiaries. The Corporation’s head office and registered office is located at 612 rue Saint-Jacques, Montréal (Québec), Canada. The percentages of voting rights and equity in its major subsidiaries are as follows:

	<u>% voting</u>	<u>% equity</u>
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%

The Corporation operates, through its subsidiaries, in the following industry segments: Telecommunications, Media, and Sports and Entertainment. The Telecommunications segment offers television distribution, Internet access, business solutions, cable and mobile telephony and over-the-top video services in Canada and is engaged in the rental of movies, televisual products and video games through its video-on-demand service and video rental stores. The operations of the Media segment in Québec include the operation of an over-the-air television network and specialty television services, the operation of soundstage and equipment leasing and post-production services for the film and television industries, the printing, publishing and distribution of daily newspapers, the operation of Internet portals and specialized Web sites, the publishing and distribution of magazines, the distribution of movies, and the operation of an out-of-home advertising business. The activities of the Sports and Entertainment segment in Québec encompass the operation and management of the Videotron Centre in Québec City, show production, sporting and cultural events management, the publishing and distribution of books, the distribution and production of music, and the operation of two Quebec Major Junior Hockey League teams.

These segments are managed separately since they all require specific market strategies. The accounting policies of each segment are the same as the accounting policies used for the consolidated financial statements. Segment income includes income from sales to third parties and inter segment sales. Transactions between segments are measured at exchange amounts between the parties.

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**QUEBECOR MEDIA INC.
SEGMENTED INFORMATION (continued)**

Years ended December 31, 2018, 2017 and 2016
(in millions of Canadian dollars)

	<u>Telecommunications</u>	<u>Media</u>	<u>Sports and Entertainment</u>	<u>Head Office and Inter- segments</u>	<u>Total 2018</u>
Revenues	\$ 3,382.0	\$ 728.6	\$ 182.1	\$ (111.7)	\$ 4,181.0
Employee costs	387.1	234.4	38.8	36.3	696.6
Purchase of goods and services	1,317.9	438.9	138.3	(143.1)	1,752.0
Adjusted EBITDA ¹	1,677.0	55.3	5.0	(4.9)	1,732.4
Depreciation and amortization					717.9
Financial expenses					280.5
Loss on valuation and translation of financial instruments					0.9
Restructuring of operations, litigation and other items					29.8
Income before income taxes					\$ 703.3
Additions to property, plant and equipment	\$ 516.7	\$ 28.7	\$ 1.5	\$ 5.8	\$ 552.7
Additions to intangible assets	190.2	4.8	3.5	(1.1)	197.4

See accompanying notes to consolidated financial statements.

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QUEBECOR MEDIA INC.
SEGMENTED INFORMATION (continued)

Years ended December 31, 2018, 2017 and 2016
(in millions of Canadian dollars)

	<u>Telecommunications</u>	<u>Media</u>	<u>Sports and Entertainment</u>	<u>Head Office and Inter- segments</u>	<u>Total 2017 (restated, note 1(b))</u>
Revenues	\$ 3,287.8	\$ 769.9	\$ 181.3	\$ (113.9)	\$ 4,125.1
Employee costs	388.8	232.0	37.6	47.8	706.2
Purchase of goods and services	1,341.2	468.6	137.5	(147.6)	1,799.7
Adjusted EBITDA ¹	1,557.8	69.3	6.2	(14.1)	1,619.2
Depreciation and amortization					705.3
Financial expenses					281.8
Loss on valuation and translation of financial instruments					2.4
Restructuring of operations, litigation and other items					17.2
Gain on sale of spectrum licences					(330.9)
Impairment of goodwill and intangible assets					43.8
Loss on debt refinancing					15.6
Income before income taxes					\$ 884.0
Additions to property, plant and equipment	\$ 570.9	\$ 29.4	\$ 1.3	\$ 0.2	\$ 601.8
Additions to intangible assets	132.3	3.3	4.3	2.0	141.9

See accompanying notes to consolidated financial statements.

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**QUEBECOR MEDIA INC.
SEGMENTED INFORMATION (continued)**

Years ended December 31, 2018, 2017 and 2016
(in millions of Canadian dollars)

	<u>Telecommunications</u>	<u>Media</u>	<u>Sports and Entertainment</u>	<u>Head Office and Inter- segments</u>	<u>Total 2016 (restated, note 1(b))</u>
Revenues	\$ 3,192.3	\$ 789.2	\$ 185.0	\$ (109.4)	\$ 4,057.1
Employee costs	379.7	242.4	38.3	47.5	707.9
Purchase of goods and services	1,301.7	492.9	144.4	(149.1)	1,789.9
Adjusted EBITDA ¹	1,510.9	53.9	2.3	(7.8)	1,559.3
Depreciation and amortization					648.5
Financial expenses					302.0
Loss on valuation and translation of financial instruments					2.1
Restructuring of operations, litigation and other items					28.5
Impairment of goodwill and intangible assets					40.9
Loss on debt refinancing					7.3
Income before income taxes					<u>\$ 530.0</u>
Additions to property, plant and equipment	\$ 613.7	\$ 37.2	\$ 3.5	\$ 0.1	\$ 654.5
Additions to intangible assets	125.6	7.5	3.5	3.2	139.8

¹ The Chief Executive Officer uses adjusted EBITDA as the measure of profit to assess the performance of each segment. Adjusted EBITDA is referred to as a non-International Financial Reporting Standards (“IFRS”) measure and is defined as net income before depreciation and amortization, financial expenses, loss on valuation and translation of financial instruments, restructuring of operations, litigation and other items, gain on sale of spectrum licences, impairment of goodwill and intangible assets, loss on debt refinancing, income taxes and income from discontinued operations.

See accompanying notes to consolidated financial statements.

QUEBECOR MEDIA INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018, 2017 and 2016
(tabular amounts in millions of Canadian dollars, except for option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments (note 1(k)), the liability related to stock-based compensation (note 1(v)) and the net defined benefit liability (note 1(w)), and they are presented in Canadian dollars (“CAN dollars”), which is the currency of the primary economic environment in which the Corporation operates (“functional currency”).

Comparative figures for the years ended December 31, 2017 and 2016 have been restated to conform to the presentation adopted for the year ended December 31, 2018.

(b) Changes in accounting policies

(i) IFRS 9 — *Financial Instruments*

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

Under the new rules, most of financial assets and liabilities of the Corporation are now classified as subsequently measured at amortized cost, except for derivative financial instruments, which are measured at fair value. The Corporation is also using the IFRS 9 expected credit losses method to estimate the provision for expected credit losses on its financial assets.

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

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

On January 1, 2018, the Corporation adopted, on a fully retrospective basis, the new rules under IFRS 15, *Revenue from Contracts with Customers*, which specify how and when an entity should recognize revenue, and which also require the entity to provide users of financial statements with more informative disclosures. The standard provides a single, principles-based, five-step model to apply to each contract with a customer (note 1(f)).

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

**QUEBECOR MEDIA INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Years ended December 31, 2018, 2017 and 2016
(tabular amounts in millions of Canadian dollars, except for option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Changes in accounting policies (continued)

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

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

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

The adoption of IFRS 15 had no impact on cash flows from operating, investing and financing activities.

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

Consolidated statements of income and comprehensive income

Increase (decrease)	2017	2016
Revenues	\$ 22.4	\$ 52.5
Purchase of goods and services	(12.4)	(13.2)
Deferred income tax expense	9.2	17.4
Net income and comprehensive income attributable to shareholders	\$ 25.6	\$ 48.3

Consolidated balance sheets

Increase (decrease)	December 31, 2017	December 31, 2016
Other assets		
Contract assets ¹	\$ 183.6	\$ 155.8
Contract costs ²	92.5	85.4
Deferred income tax liability	73.2	63.9
Deficit	(202.9)	(177.3)

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

² The current portion of contract costs is \$55.9 million as of December 31, 2017 and \$49.4 million as of December 31, 2016 and is presented under “Other current assets”.

QUEBECOR MEDIA INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018, 2017 and 2016
(tabular amounts in millions of Canadian dollars, except for option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries. Intercompany transactions and balances are eliminated on consolidation.

A subsidiary is an entity controlled by the Corporation. Control is achieved when the Corporation is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Non-controlling interests in the net assets and results of consolidated subsidiaries are identified separately from the parent corporation's ownership interest. Non-controlling interests in the equity of a subsidiary consist of the amount of non-controlling interests calculated at the date of the original business combination and their share of changes in equity since that date. Changes in non-controlling interests in a subsidiary that do not result in a loss of control by the Corporation are accounted for as equity transactions.

(d) 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. Results of operations of a business acquired are included in the Corporation's consolidated financial statements from the date of the business acquisition. Business acquisition and integration costs are expensed as incurred and included as other items in the consolidated statements of income.

Non-controlling interests in an entity acquired are presented in the consolidated balance sheets within equity, separately from the equity attributable to shareholders.

(e) Foreign currency translation

Foreign currency transactions are translated to the functional currency by applying the exchange rate prevailing at the date of the transaction. Translation gains and losses on monetary assets and liabilities denominated in a foreign currency are included in financial expenses, or in gain or loss on valuation and translation of financial instruments.

(f) 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.

QUEBECOR MEDIA INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018, 2017 and 2016
(tabular amounts in millions of Canadian dollars, except for option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Revenue recognition (continued)

Telecommunications

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 over-the-top 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 as revenues over the period of time the customer is expected to remain a customer of the Corporation or 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.

Media

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; and
- Revenues derived from speciality film and television services are recognized when services are provided.

**QUEBECOR MEDIA INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Years ended December 31, 2018, 2017 and 2016
(tabular amounts in millions of Canadian dollars, except for option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Revenue recognition (continued)

Sports and Entertainment

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 renting the arena and from tickets (including season tickets), 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.

(g) Impairment of assets

For the purposes of assessing impairment, assets are grouped in cash-generating units ("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.

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.

(h) Barter transactions

In the normal course of operations, the Corporation principally offers advertising in exchange for goods and services. Revenues thus earned and expenses incurred are accounted for on the basis of the fair value of goods and services provided.

QUEBECOR MEDIA INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018, 2017 and 2016
(tabular amounts in millions of Canadian dollars, except for option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Income taxes

Current income taxes are recognized with respect to amounts expected to be paid or recovered under the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

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. A deferred tax expense or benefit is recognized either in other comprehensive income or directly in equity to the extent that it relates to items that are recognized in other comprehensive income or directly in equity in the same or a different period.

In the course of the Corporation's operations, there are a number of uncertain tax positions due to the complexity of certain transactions and to the fact that related tax interpretations and legislation are continually changing. When a tax position is uncertain, the Corporation recognizes an income tax benefit or reduces an income tax liability only when it is probable that the tax benefit will be realized in the future or that the income tax liability is no longer probable.

(j) Leases

Assets under leasing agreements are classified at the inception of the lease as (i) finance leases whenever the terms of the lease substantially transfer all the risks and rewards of ownership of the asset to the lessee, or as (ii) operating leases for all other leases.

Operating lease rentals are recognized in the consolidated statements of income on a straight-line basis over the period of the lease. Any lessee incentives are deferred and recognized evenly over the lease term.

(k) Financial instruments

Classification, recognition and measurement

Most of financial assets and liabilities are classified as subsequently measured at amortized cost, except for derivative financial instruments, which are measured at fair value through other comprehensive income or through profit or loss. Contingent consideration arising from a business acquisition or disposal are measured at fair value at the transaction date with subsequent changes in fair value recorded in the consolidated statements of income.

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.

QUEBECOR MEDIA INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018, 2017 and 2016
(tabular amounts in millions of Canadian dollars, except for option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

Derivative financial instruments and hedge accounting (continued)

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. The Corporation also uses offsetting foreign exchange forward contracts in combination with cross-currency interest rate swaps to hedge foreign currency rate exposure on principal payments on foreign currency denominated debt. 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.

QUEBECOR MEDIA INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018, 2017 and 2016
(tabular amounts in millions of Canadian dollars, except for option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

Derivative financial instruments and hedge accounting (continued)

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.

(l) Financing fees

Financing fees related to long-term debt are capitalized in reduction of long-term debt and amortized using the effective interest rate method.

(m) Tax credits and government assistance

The Corporation has access to several government programs designed to support production and distribution of televisual products and movies, as well as music products, magazine and book publishing in Canada. In addition, the Corporation receives tax credits mainly related to its research and development activities, publishing activities and digital activities. Government financial assistance is accounted for as revenue or as a reduction in related costs, whether capitalized and amortized or expensed, in the year the costs are incurred and when management has reasonable assurance that the conditions of the government programs are being met.

(n) Cash and cash equivalents

Cash and cash equivalents include highly liquid investments purchased three months or less from maturity and are recorded at fair value. These highly liquid investments consisted mainly of Bankers' acceptances and term deposits.

(o) Accounts receivable and contract assets

Accounts receivable and contract assets are presented net of a provision for expected credit losses. The Corporation is using the IFRS 9 expected credit losses method to estimate that provision, which considers the specific credit risk of its customers, the expected lifetime of its financial assets, historical trends and economic conditions. Amounts receivable are written off when deemed uncollectible.

(p) Inventories

Inventories are valued at the lower of cost, determined by the first-in, first-out method or the weighted-average cost method, and net realizable value. Net realizable value represents the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. When the circumstances that previously caused inventories to be written down below cost no longer exist, the amount of the write-down is reversed.

QUEBECOR MEDIA INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018, 2017 and 2016
(tabular amounts in millions of Canadian dollars, except for option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Inventories (continued)

In particular, inventories related to broadcasting activities, which primarily comprise programs and broadcast and distribution rights, are accounted for as follows:

(i) Programs produced and productions in progress

Programs produced and productions in progress related to broadcasting activities are accounted for at the lesser of cost and net realizable value. Cost includes direct charges for goods and services and the share of labour and general expenses related to each production. The cost of each program is charged to operating expenses when the program is broadcast.

(ii) Broadcast and distribution rights

Broadcast rights are essentially contractual rights allowing the limited or unlimited broadcast of televisual products or movies. Distribution rights include costs to acquire distribution rights for televisual products and movies and other operating costs incurred that generate future economic benefits. The Corporation records the rights acquired as inventory and the obligations incurred under a licence agreement as a liability when the broadcast or distribution period begins and all of the following conditions have been met: (a) the cost of the licence for each program, movies, series or right to broadcast a live event is known or can be reasonably determined; (b) the programs, movies or series have been accepted or the live event is broadcast in accordance with the conditions of the licence agreement; (c) the programs, movies or series are available for distribution, first showing or telecast, or when the live event is broadcast.

Amounts paid for broadcast and distribution rights before all of the above conditions are met are recorded as prepaid rights.

Broadcast and distribution rights are classified as current or long-term assets, based on management's estimate of the broadcast or distribution period. These rights are charged to operating expenses when televisual products and movies are broadcast over the contract period, using a method based on how future economic benefits from those rights will be generated. Broadcast and distribution rights payable are classified as current or long-term liabilities based on the payment terms included in the licence.

Estimates of future revenues used to determine the net realizable value of inventories related to the broadcasting or distribution of television products and movies are examined periodically by management and revised as necessary. The carrying value of programs produced and productions in progress, of broadcast and distribution rights is reduced to the net realizable value, if necessary, based on this assessment.

(q) Long-term investments

Investments in companies subject to significant influence are accounted for using the equity method. Under the equity method, the share of the results of operations of the associated corporation is recorded in the consolidated statements of income. Carrying values of investments are reduced to estimated fair values if there is objective evidence that the investment is impaired.

QUEBECOR MEDIA INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018, 2017 and 2016
(tabular amounts in millions of Canadian dollars, except for option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Property, plant and equipment

Property, plant and equipment are recorded at cost. Cost represents the acquisition costs, net of government grants and investment tax credits, or construction costs, including preparation, installation and testing costs. In the case of projects to construct cable and mobile networks, the cost includes equipment, direct labour and related overhead costs. Projects under development may also be comprised of advance payments made to suppliers for equipment under construction.

Borrowing costs are also included in the cost of property, plant and equipment during the development phase. Expenditures, such as maintenance and repairs, are expensed as incurred.

Depreciation is calculated on a straight-line basis over the following estimated useful lives:

<u>Assets</u>	<u>Estimated useful lives</u>
Buildings and leasehold improvements	10 to 40 years
Machinery and equipment	3 to 20 years
Telecommunication networks	3 to 20 years

Depreciation methods, residual values, and the useful lives of significant property, plant and equipment are reviewed at least once a year. Any change is accounted for prospectively as a change in accounting estimate.

Leasehold improvements are depreciated over the shorter of the term of the lease and their estimated useful life.

The Corporation does not record any decommissioning obligations in connection with its cable distribution networks. The Corporation expects to renew all of its agreements with utility companies to access their support structures in the future, making the retirement date so far into the future that the present value of the restoration costs is insignificant for those assets. A decommissioning obligation is however recorded for the rental of sites related to the mobile network.

Videotron Ltd. (“Videotron”) is engaged in an agreement to operate a shared LTE network in the Province of Québec and the Ottawa region.

(s) Goodwill and intangible assets

Goodwill

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.

Goodwill is allocated as at the date of a business acquisition to a CGU for purposes of impairment testing (note 1(g)). The allocation is made to the CGU or group of CGUs expected to benefit from the synergies of the business acquisition.

QUEBECOR MEDIA INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018, 2017 and 2016
(tabular amounts in millions of Canadian dollars, except for option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Goodwill and intangible assets (continued)

Intangible assets

Spectrum licences are recorded at cost. Spectrum licences have an indefinite useful life and are not amortized based on the following facts: (i) the Corporation intends to renew the spectrum licences and believes that they are likely to be renewed by Innovation, Science and Economic Development Canada (“ISED Canada”), (ii) the Corporation has the financial and operational ability to renew these spectrum licences, (iii) currently, the competitive, legal and regulatory landscape does not limit the useful lives of the spectrum licences, and (iv) the Corporation foresees no limit to the period during which these licences can be expected to generate cash flows in the future.

Broadcasting licences, trademarks and sport franchises also have an indefinite useful life and are not amortized. These intangibles assets are recorded at cost or at fair value at the acquisition date if they are acquired through a business acquisition.

Software is recorded at cost. In particular, internally generated intangible assets such as software and website development are mainly comprised of internal costs in connection with the development of assets to be used internally or to provide services to customers. These costs are capitalized when the development stage of the software application begins and costs incurred prior to that stage are recognized as expenses.

Naming rights for the Videotron Centre in Québec City are recognized at cost.

Customer relationships acquired through a business acquisition are recorded at fair value at the date of acquisition.

Borrowing costs directly attributable to the acquisition, development or production of an intangible asset are also included as part of the cost of that asset during the development phase.

Intangible assets with finite useful lives are amortized over their useful lives using the straight-line method over the following periods:

<u>Assets</u>	<u>Estimated useful lives</u>
Software	3 to 7 years
Naming rights	25 years
Customer relationships and other	3 to 10 years

Amortization methods, residual values, and the useful lives of significant intangible assets are reviewed at least once a year. Any change is accounted for prospectively as a change in accounting estimate.

(t) 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.

**QUEBECOR MEDIA INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Years ended December 31, 2018, 2017 and 2016
(tabular amounts in millions of Canadian dollars, except for option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) 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.

(v) 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 options 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. Key assumptions are described in note 23.

(w) Pension plans and postretirement benefits

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

(i) Defined contribution pension plans

Under its defined contribution pension plans, the Corporation pays fixed contributions to participating employees’ pension plans and has no legal or constructive obligation to pay any further amounts. Obligations for contributions to defined contribution pension plans are recognized as employee benefits in the consolidated statements of income when the contributions become due.

(ii) Defined benefit pension plans and postretirement plans

Defined benefit pension plan costs are determined using actuarial methods and are accounted for using the projected unit credit method, which incorporates management’s best estimates of future salary levels, other cost escalations, retirement ages of employees, and other actuarial factors. Defined benefit pension costs, recognized in the consolidated statements of income as employee costs, mainly include the following:

- service costs provided in exchange for employee services rendered during the period;
- prior service costs recognized at the earlier of (a) when the employee benefit plan is amended or (b) when restructuring costs are recognized;
- curtailment or settlement gain or loss.

Interest on net defined benefit liability or asset, recognized in the consolidated statements of income as financial expenses, is determined by multiplying the net defined benefit liability or asset by the discount rate used to determine the defined benefit obligation.

QUEBECOR MEDIA INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018, 2017 and 2016
(tabular amounts in millions of Canadian dollars, except for option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Pension plans and postretirement benefits (continued)

(ii) Defined benefit pension plans and postretirement plans (continued)

Re-measurements of the net defined benefit liability or asset are recognized immediately in other comprehensive loss and in accumulated other comprehensive loss. Re-measurements are comprised of the following:

- actuarial gains and losses arising from changes in financial and demographic actuarial assumptions used to determine the defined benefit obligation or from experience adjustments on liabilities;
- the difference between actual return on plan assets and interest income on plan assets anticipated as part of the interest on net defined benefit liability or asset calculation;
- changes in the net benefit asset limit or in the minimum funding liability.

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 Corporation also offers discounts on telecommunication services, health, life and dental insurance plans to some of its retired employees. The cost of postretirement benefits is determined using an accounting methodology similar to that for defined benefit pension plans. The benefits related to these plans are funded by the Corporation as they become due.

(x) Use of estimates and judgments

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities, related amounts of revenues and expenses, and disclosure of contingent assets and liabilities. Although these estimates are based on management's best judgment and information available at the time of the assessment date, actual results could differ from those estimates.

The following significant areas represent management's most difficult, subjective or complex estimates:

(i) Recoverable amount of an asset or a CGU

When an impairment test is performed on an asset or a CGU, management estimates the recoverable amount of the asset or CGU based on its fair value less costs of disposal or its value in use. These estimates are based on valuation models requiring the use of a number of assumptions such as forecasts of future cash flows, pre-tax discount rate (WACC) and perpetual growth rate. These assumptions have a significant impact on the results of impairment tests and on the impairment charge, as the case may be, recorded in the consolidated statements of income. A description of key assumptions used in the goodwill impairment tests and a sensitivity analysis of recoverable amounts are presented in note 15.

(ii) Costs and obligations related to pension and postretirement benefit plans

Estimates of costs and obligations related to pension and postretirement benefit obligations are based on a number of assumptions, such as the discount rate, the rate of increase in compensation, the retirement age of employees, health care costs, and other actuarial factors. Certain of these assumptions may have a significant impact on employee costs and financial expenses recorded in the consolidated statements of income, the re-measurement gain or loss on defined benefit plans recorded in the consolidated statements of comprehensive income, and on the carrying value of other assets or other liabilities in the consolidated balance sheets. Key assumptions and a sensitivity analysis on the discount rate are presented in note 29.

**QUEBECOR MEDIA INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Years ended December 31, 2018, 2017 and 2016
(tabular amounts in millions of Canadian dollars, except for option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Use of estimates and judgments (continued)

(iii) Provisions

The recognition of provisions requires management to estimate expenditures required to settle a present obligation or to transfer it to a third party at the date of assessment. More specifically, an assessment of the probable outcomes of legal proceedings or other contingencies is also required. A description of the main provisions, including management expectations on the potential effect of the possible outcomes of legal disputes on the consolidated financial statements, is presented in note 19.

(iv) Contingent considerations

Contingent considerations 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 are based will be met in the future. The assessment of these contingent potential outcomes requires judgment from management and could have an impact on the initial amount of contingent considerations recognized and any subsequent changes in fair value recorded in the consolidated statements of income.

The following areas represent management's most significant judgments, apart from those involving estimates:

(i) Useful life periods for the depreciation and amortization of assets with finite useful lives

For each class of assets with finite useful lives, management has to determine over which period the Corporation will consume the assets' future economic benefits. The determination of a useful life period involves judgment and has an impact on the depreciation and amortization charge recorded in the consolidated statements of income.

(ii) 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.

(iii) Interpretation of laws and regulations

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

**QUEBECOR MEDIA INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Years ended December 31, 2018, 2017 and 2016
(tabular amounts in millions of Canadian dollars, except for option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(y) Recent accounting pronouncements**

- (i) IFRS 16 — *Leases* is required to be applied retrospectively for annual periods beginning on or after January 1, 2019.

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 will be 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 will be initially measured on a present value basis.

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

Under IFRS 16, most lease charges will be expensed as a depreciation of the right-of-use asset, along with an interest on the related lease liability. Since operating lease charges are currently recognized as operating expenses as they are incurred, the adoption of IFRS 16 will change the timing of the recognition of these lease charges over the term of each lease. It will also affect the classification of expenses in the consolidated statements of income.

Under IFRS 16, principal payments of the lease liability will be presented as financing activities in the consolidated statements of cash flows, whereas under the current standard these payments are presented as operating activities.

The retroactive adoption of IFRS 16 will have the following impacts on the 2018 and 2017 consolidated financial figures:

Consolidated statements of income and comprehensive income

Increase (decrease)	2018	2017
Purchase of goods and services	\$ (52.5)	\$ (49.8)
Depreciation and amortization	38.9	37.8
Financial expenses	11.0	12.5
Restructuring of operations	(0.7)	0.3
Deferred income tax expense	0.9	(0.2)
Net income and comprehensive income attributable to shareholders	\$ 2.4	\$ (0.6)
Net income and comprehensive income attributable to Shareholders	2.2	(0.5)
Non-controlling interests	0.2	(0.1)

QUEBECOR MEDIA INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018, 2017 and 2016
(tabular amounts in millions of Canadian dollars, except for option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Recent accounting pronouncements (continued)

- (i) IFRS 16 — *Leases* is required to be applied retrospectively for annual periods beginning on or after January 1, 2019 (continued).

Consolidated balance sheets

Increase (decrease)	December 31, 2018	December 31, 2017
Right-of-use assets	\$ 146.7	\$ 170.1
Provisions	(1.4)	(1.4)
Lease liabilities ¹	179.5	205.2
Other liabilities	(4.3)	(3.4)
Deferred income tax liability	(7.1)	(8.0)
Deficit	19.8	21.9
Non-controlling interest	(0.2)	(0.4)

¹ The current portion of lease liabilities is \$37.4 million as of December 31, 2018 and \$40.3 million as of December 31, 2017.

- (ii) IFRIC 23 - *Uncertainty over Income Tax Treatments* is required to be applied retrospectively for annual periods beginning on or after January 1, 2019.

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 will not have a material impact on the consolidated financial statements.

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QUEBECOR MEDIA INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018, 2017 and 2016
(tabular amounts in millions of Canadian dollars, except for option data)

2. REVENUES

	<u>2018</u>	<u>2017</u> (restated, note 1(b))	<u>2016</u> (restated, note 1(b))
Internet	\$ 1,079.3	\$ 1,030.9	\$ 978.7
Cable television	996.7	1,009.6	1,024.3
Mobile telephony	534.4	469.8	409.6
Cable telephony	368.6	397.8	424.8
Telecommunication equipment sales	233.5	219.0	206.9
Connection and data services	108.2	104.8	99.2
Over-the-top video	47.0	39.7	31.4
Advertising - television	246.1	267.5	254.8
Subscription - television	126.2	125.0	119.9
Soundstage and equipment leasing and post-production services	68.4	67.1	59.3
Advertising — newspapers and magazines	106.0	125.4	148.0
Circulation and other — newspapers and magazines	146.0	152.7	168.9
Other	120.6	115.8	131.3
	<u>\$ 4,181.0</u>	<u>\$ 4,125.1</u>	<u>\$ 4,057.1</u>

3. EMPLOYEE COSTS AND PURCHASE OF GOODS AND SERVICES

The main components are as follows:

	<u>2018</u>	<u>2017</u> (restated, note 1(b))	<u>2016</u> (restated, note 1(b))
Employee costs	\$ 895.9	\$ 893.6	\$ 891.2
Less employee costs capitalized to property, plant and equipment and to intangible assets	(199.3)	(187.4)	(183.3)
	<u>696.6</u>	<u>706.2</u>	<u>707.9</u>
Purchase of goods and services:			
Royalties, rights and creation costs	681.7	677.9	701.9
Cost of products sold	380.2	360.1	338.3
Service contracts	154.3	172.3	168.7
Marketing, circulation and distribution expenses	105.9	108.9	113.8
Building expenses	97.9	99.5	92.5
Other	332.0	381.0	374.7
	<u>1,752.0</u>	<u>1,799.7</u>	<u>1,789.9</u>
	<u>\$ 2,448.6</u>	<u>\$ 2,505.9</u>	<u>\$ 2,497.8</u>

QUEBECOR MEDIA INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018, 2017 and 2016
(tabular amounts in millions of Canadian dollars, except for option data)

4. FINANCIAL EXPENSES

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Interest on long-term debt	\$ 287.8	\$ 274.7	\$ 288.0
Amortization of financing costs and long-term debt discount	6.8	6.9	7.0
Interest on net defined benefit liability	6.2	5.8	6.7
Loss (gain) on foreign currency translation on short-term monetary items	2.3	(2.0)	0.5
Interest from the parent corporation	(14.8)	—	—
Other	(7.8)	(3.6)	(0.2)
	<u>\$ 280.5</u>	<u>\$ 281.8</u>	<u>\$ 302.0</u>

5. RESTRUCTURING OF OPERATIONS, LITIGATION AND OTHER ITEMS

In 2018, a net charge of \$14.9 million was recorded relating mainly to various cost reduction initiatives across the Corporation and disposal of assets (net charges of \$17.2 million in 2017 and \$28.5 million in 2016 which were related to cost reduction initiatives, developments in certain litigations and the migration of subscribers from analog to digital services in the Telecommunications segment).

In 2018, an impairment charge on assets of \$14.9 million was also recorded mainly in the Telecommunications segment as a result of restructuring initiatives.

6. GAIN ON SALE OF SPECTRUM LICENCES

On June 20, 2017, Videotron sold its Advanced Wireless Service (“AWS”) spectrum licence in the greater Toronto region to Rogers Communications Canada Inc. for a cash consideration of \$184.2 million, pursuant to the transfer option held by Videotron since 2013. The sale resulted in a gain on disposal of \$87.8 million.

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. The sale resulted in a gain on disposal of \$243.1 million.

As a result of these transactions, tax benefits of \$44.4 million, on previous years’ capital losses, were recognized in the consolidated statement of income in 2017.

**QUEBECOR MEDIA INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Years ended December 31, 2018, 2017 and 2016
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7. IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Impairment of goodwill	\$ —	\$ 30.0	\$ 40.1
Impairment of intangible assets	—	13.8	0.8
	<u>\$ —</u>	<u>\$ 43.8</u>	<u>\$ 40.9</u>

2017

During the third quarter of 2017, the Corporation performed an impairment test of its Magazines CGU in light of the continuous downtrend in revenues in this industry. The Corporation concluded that the recoverable amount was less than the carrying amount of the Magazines CGU and recorded a goodwill impairment charge of \$30.0 million (including \$1.5 million without any tax consequence) and an impairment charge of \$12.4 million on intangible assets (including \$3.1 million without any tax consequence).

An impairment charge on intangible assets of \$1.4 million was also recorded in 2017 in other segments.

2016

During the third quarter of 2016, the Corporation performed an impairment test of its Magazines CGU in light of the continuous downtrend in advertising revenues in this industry. The Corporation concluded that the recoverable amount was less than the carrying amount of the Magazines CGU and recorded a goodwill impairment charge of \$40.1 million (without any tax consequence).

An impairment charge on intangible assets of \$0.8 million was also recorded in 2016 in other segments.

8. LOSS ON DEBT REFINANCING**2017**

- On May 1, 2017, Videotron redeemed all of its issued and outstanding 6.875% Senior Notes due July 15, 2021, in aggregate principal amount of \$125.0 million, for a cash consideration of \$129.3 million.
- On May 1, 2017, Quebecor Media redeemed all of its issued and outstanding 7.375% Senior Notes due January 15, 2021, in aggregate principal amount of \$325.0 million, for a cash consideration of \$333.0 million.

These transactions resulted in a total loss of \$15.6 million in 2017.

2016

- On December 2, 2016, Videotron issued a notice for the redemption of an aggregate principal amount of \$175.0 million of its issued and outstanding 6.875% Senior Notes due July 15, 2021. On January 5, 2017, the Senior Notes were redeemed for a cash consideration of \$181.0 million.

This transaction resulted in a loss of \$7.3 million in 2016.

QUEBECOR MEDIA INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018, 2017 and 2016
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9. INCOME TAXES

The following table reconciles income taxes at the Corporation's domestic statutory tax rate of 26.7% in 2018 (26.8% in 2017 and 26.9% in 2016) and income taxes in the consolidated statements of income:

	<u>2018</u>	<u>2017</u> (restated, note 1(b))	<u>2016</u> (restated, note 1(b))
Income taxes at domestic statutory tax rate	\$ 187.8	\$ 236.9	\$ 142.5
(Reduction) increase resulting from:			
Effect of non-deductible charges, non-taxable income and differences between current and future tax rates	(1.2)	(48.5)	1.0
Change in benefit arising from the recognition of current and prior year tax losses (notes 6 and 30)	(18.5)	(47.0)	(0.5)
Non-deductible impairment of goodwill	—	0.4	10.8
Change in deferred tax balances due to a change in substantively enacted tax rates	—	—	(6.4)
Effect of tax consolidation transactions with the parent corporation	—	—	(0.3)
Other	(1.5)	(0.6)	(3.8)
Income taxes	\$ 166.6	\$ 141.2	\$ 143.3

The significant items comprising the Corporation's net deferred income tax liability and their impact on the deferred income tax expense are as follows:

	<u>Consolidated balance sheets</u>		<u>Consolidated income statements</u>		
	<u>2018</u>	<u>2017</u> (restated, note 1(b))	<u>2018</u>	<u>2017</u> (restated, note 1(b))	<u>2016</u> (restated, note 1(b))
Loss carryforwards	\$ 22.8	\$ 0.4	\$ (8.0)	\$ 3.6	\$ 2.9
Accounts payable, accrued charges, provisions and deferred revenue	13.9	14.5	0.6	1.4	(4.0)
Defined benefit plans	40.6	35.5	(3.2)	(1.9)	(2.2)
Contract assets	(54.3)	(48.5)	5.8	7.4	14.3
Property, plant and equipment	(471.7)	(488.1)	(16.4)	84.5	12.3
Goodwill, intangible assets and other assets	(233.4)	(199.4)	34.0	43.9	25.8
Long-term debt and derivative financial instruments	(21.0)	(14.0)	1.3	(7.4)	0.3
Benefits from a general partnership	—	—	—	(0.6)	(67.0)
Other	10.2	8.7	(2.4)	1.5	2.9
	<u>\$ (692.9)</u>	<u>\$ (690.9)</u>	<u>\$ 11.7</u>	<u>\$ 132.4</u>	<u>\$ (14.7)</u>

QUEBECOR MEDIA INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

9. INCOME TAXES (continued)

Changes in the net deferred income tax liability are as follows:

	<u>Note</u>	<u>2018</u>	<u>2017</u> (restated, note 1(b))
Balance at beginning of year		\$ (690.9)	\$ (588.2)
Recognized in income as continuing operations		(11.7)	(132.4)
Recognized in other comprehensive income		(3.8)	28.9
Acquisition of tax deductions	28	14.4	—
Other		(0.9)	0.8
Balance at end of year		<u>\$ (692.9)</u>	<u>\$ (690.9)</u>
Deferred income tax asset		\$ 51.8	\$ 33.2
Deferred income tax liability		(744.7)	(724.1)
		<u>\$ (692.9)</u>	<u>\$ (690.9)</u>

As of December 31, 2018, the Corporation had loss carryforwards for income tax purposes of \$17.3 million available to reduce future taxable income, that will expire between 2035 and 2038. These losses have been recognized. The Corporation also had capital losses of \$589.8 million that can be carried forward indefinitely and applied only against future capital gains of which \$139.0 million were recognized.

There are no income tax consequences attached to the payment of dividends or distributions in 2018, 2017 or 2016 by the Corporation to its shareholders.

QUEBECOR MEDIA INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018, 2017 and 2016
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10. BUSINESS ACQUISITIONS2018

- In 2018, the Corporation acquired businesses, included in the Media segment and in the Sport and Entertainment segment, for a total cash consideration of \$10.3 million.

2017

- In 2017, the Corporation acquired a business, included in the Sports and Entertainment segment, for a cash consideration of \$0.2 million.

2016

- On January 7, 2016, Videotron acquired Fibrenoire inc., a company that provides businesses with fibre-optic connectivity services, for a purchase price of \$125.0 million. At closing, Videotron paid an amount of \$119.1 million, net of cash acquired of \$1.8 million. A post-closing adjustment of \$0.2 million was received in the second quarter of 2016. The purchase price balance was paid in February 2017 for an amount of \$5.6 million plus interests of \$0.3 million.
- An amount of \$0.6 million was also paid in 2016 relating to balances payable on prior business acquisitions.

The purchase price allocation between the fair value of identifiable assets and liabilities related to business acquisitions in 2016 is summarized as follows:

	<u>2016</u>
Assets acquired	
Non-cash current assets	\$ 5.5
Property, plant and equipment	32.7
Intangible assets	15.6
Goodwill	87.1
	<u>140.9</u>
Liabilities assumed	
Non-cash current liabilities	(3.1)
Deferred income taxes	(7.5)
Other long-term liabilities	(5.7)
	<u>(16.3)</u>
Net assets acquired at fair value	<u>\$ 124.6</u>
Consideration	
Cash, net of cash acquired	\$ 119.0
Balance payable	5.6
	<u>\$ 124.6</u>

An amount of \$0.6 million of goodwill is deductible for tax purposes in 2018 (none in 2017 and \$0.1 million in 2016).

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QUEBECOR MEDIA INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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11. ACCOUNTS RECEIVABLE

	<u>2018</u>	<u>2017</u>
Trade	\$ 468.0	\$ 486.4
Other ¹	94.1	56.6
	<u>\$ 562.1</u>	<u>\$ 543.0</u>

¹ Includes interest receivable from Quebecor of an amount of \$8.6 million as of December 31, 2018.

12. INVENTORIES

	<u>2018</u>	<u>2017</u>
Finished goods	\$ 88.8	\$ 87.6
Programs, broadcast and distribution rights	77.3	78.2
Raw materials and supplies	20.2	22.3
	<u>\$ 186.3</u>	<u>\$ 188.1</u>

Cost of inventories included in purchase of goods and services amounted to \$721.5 million in 2018 (\$721.0 million in 2017 and \$738.3 million in 2016). Write-downs of inventories totalling \$4.7 million were recognized in purchase of goods and services in 2018 (\$11.1 million in 2017 and \$6.8 million in 2016).

QUEBECOR MEDIA INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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13. PROPERTY, PLANT AND EQUIPMENT

For the years ended December 31, 2018 and 2017, changes in the net carrying amount of property, plant and equipment are as follows:

	<u>Land, buildings and leasehold improvements</u>	<u>Machinery and equipment</u>	<u>Telecommunication networks</u>	<u>Projects under development</u>	<u>Total</u>
Cost					
Balance as of December 31, 2016	\$ 573.6	\$ 1,663.6	\$ 5,549.1	\$ 92.5	\$ 7,878.8
Additions	35.9	145.5	364.4	56.0	601.8
Net change in additions financed with accounts payable	—	(2.0)	(3.4)	1.0	(4.4)
Reclassification	—	14.4	90.1	(104.5)	—
Retirement, disposals and other ¹	3.4	(70.3)	(98.4)	1.2	(164.1)
Balance as of December 31, 2017	612.9	1,751.2	5,901.8	46.2	8,312.1
Additions	20.0	151.4	297.3	84.0	552.7
Net change in additions financed with accounts payable	—	1.8	(11.9)	13.3	3.2
Reclassification	2.1	3.1	41.5	(46.7)	—
Reclassification to assets held for sale	(84.0)	—	—	—	(84.0)
Retirement, disposals and other ¹	(6.6)	(35.3)	(231.5)	(5.8)	(279.2)
Balance as of December 31, 2018	<u>\$ 544.4</u>	<u>\$ 1,872.2</u>	<u>\$ 5,997.2</u>	<u>\$ 91.0</u>	<u>\$ 8,504.8</u>

QUEBECOR MEDIA INC.
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13. PROPERTY, PLANT AND EQUIPMENT (continued)

	<u>Land, buildings and leasehold improvements</u>	<u>Machinery and equipment</u>	<u>Telecommunication networks</u>	<u>Projects under development</u>	<u>Total</u>
Accumulated depreciation and impairment losses					
Balance as of December 31, 2016	\$ 200.0	\$ 1,088.3	\$ 3,028.0	\$ —	\$ 4,316.3
Depreciation	18.4	199.1	384.0	—	601.5
Retirement, disposals and other ¹	3.3	(65.7)	(97.6)	—	(160.0)
Balance as of December 31, 2017	221.7	1,221.7	3,314.4	—	4,757.8
Depreciation	18.8	191.8	401.8	—	612.4
Reclassification to assets held for sale	(11.5)	—	—	—	(11.5)
Retirement, disposals and other ¹	(2.6)	(33.6)	(231.2)	—	(267.4)
As of December 31, 2018	\$ 226.4	\$ 1,379.9	\$ 3,485.0	\$ —	\$ 5,091.3
Net carrying amount					
As of December 31, 2017	\$ 391.2	\$ 529.5	\$ 2,587.4	\$ 46.2	\$ 3,554.3
As of December 31, 2018	\$ 318.0	\$ 492.3	\$ 2,512.2	\$ 91.0	\$ 3,413.5

¹ Includes also the net change in assets related to discontinued operations.

In 2017, the calculation of the depreciation of a component of the Corporation's telecommunication networks was changed in order to depreciate it over its useful life of 5 years, compared with 15 years previously. As a result, depreciation was increased by \$21.0 million in 2017.

QUEBECOR MEDIA INC.
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14. INTANGIBLE ASSETS

For the years ended December 31, 2018 and 2017, changes in the net carrying amount of intangible assets are as follows:

	<u>Spectrum licences</u>	<u>Software</u>	<u>Customer relationships, naming rights and other</u>	<u>Broadcasting licences, trademarks and sport franchises</u>	<u>Projects under development</u>	<u>Total</u>
Cost						
Balance as of December 31, 2016	\$ 1,006.9	\$ 811.0	\$ 121.1	\$ 120.1	\$ 25.1	\$ 2,084.2
Additions	—	77.7	2.4	—	61.8	141.9
Net change in additions financed with accounts payable	—	13.9	—	—	12.3	26.2
Reclassification	—	32.1	—	—	(32.1)	—
Retirement, disposals and other (note 6)	(283.4)	(7.6)	(2.8)	—	(2.3)	(296.1)
Balance as of December 31, 2017	723.5	927.1	120.7	120.1	64.8	1,956.2
Additions	—	100.9	2.6	—	93.9	197.4
Net change in additions financed with accounts payable	—	(3.5)	—	—	68.1	64.6
Reclassification to assets held for sale	—	—	(5.1)	—	—	(5.1)
Reclassification	—	50.4	—	—	(50.4)	—
Retirement, disposals and other	—	(7.2)	1.2	(8.0)	(9.6)	(23.6)
Balance as of December 31, 2018	\$ 723.5	\$ 1,067.7	\$ 119.4	\$ 112.1	\$ 166.8	\$ 2,189.5

QUEBECOR MEDIA INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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14. INTANGIBLE ASSETS (continued)

	Spectrum licences	Software	Customer relationships, naming rights and other	Broadcasting licences, trademarks and sport franchises	Projects under development	Total
Accumulated amortization and impairment losses						
Balance as of December 31, 2016	\$ 247.7	\$ 461.8	\$ 48.1	\$ 102.6	\$ —	\$ 860.2
Amortization	—	93.0	10.8	—	—	103.8
Impairment losses (note 7)	—	1.4	4.4	8.0	—	13.8
Retirement, disposals and other	—	(2.9)	(1.8)	—	—	(4.7)
Balance as of December 31, 2017	247.7	553.3	61.5	110.6	—	973.1
Amortization	—	96.5	9.0	—	—	105.5
Reclassification to assets held for sale	—	—	(3.5)	—	—	(3.5)
Retirement, disposals and other	—	(9.9)	(3.0)	(8.0)	—	(20.9)
Balance as of December 31, 2018	\$ 247.7	\$ 639.9	\$ 64.0	\$ 102.6	\$ —	\$ 1,054.2
Net carrying amount						
As of December 31, 2017	\$ 475.8	\$ 373.8	\$ 59.2	\$ 9.5	\$ 64.8	\$ 983.1
As of December 31, 2018	\$ 475.8	\$ 427.8	\$ 55.4	\$ 9.5	\$ 166.8	\$ 1,135.3

The cost of internally generated intangible assets, mainly composed of software, was \$593.0 million as of December 31, 2018 (\$566.5 million as of December 31, 2017). For the year ended December 31, 2018, the Corporation recorded additions of internally generated intangible assets of \$43.4 million (\$70.5 million in 2017 and \$66.0 million in 2016).

The accumulated amortization and impairment losses on internally generated intangible assets, mainly composed of software, was \$360.6 million as of December 31, 2018 (\$323.3 million as of December 31, 2017). For the year ended December 31, 2018, the Corporation recorded \$40.7 million in amortization on its internally generated intangible assets (\$44.9 million in 2017 and \$43.8 million in 2016). The net carrying value of internally generated intangible assets was \$232.4 million as of December 31, 2018 (\$243.2 million as of December 31, 2017).

Spectrum licences are allocated to the Telecommunications CGU, broadcasting licences are allocated to the Broadcasting CGU, trademarks are allocated to the Telecommunications and Magazines CGUs, while sport franchises are allocated to the Sports and Entertainment CGU.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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15. GOODWILL

For the years ended December 31, 2018 and 2017, changes in the net carrying amount of goodwill are as follows:

	<u>2018</u>	<u>2017</u>
Cost		
Balance at beginning of year	\$ 5,688.6	\$ 5,688.2
Business acquisitions	2.1	0.4
Reclassification to assets held for sale	(19.6)	—
Balance at end of year	<u>5,671.1</u>	<u>5,688.6</u>
Accumulated impairment losses		
Balance at beginning of year	2,992.8	2,962.8
Impairment losses (note 7)	—	30.0
Balance at end of year	<u>2,992.8</u>	<u>2,992.8</u>
Net carrying amount	<u>\$ 2,678.3</u>	<u>\$ 2,695.8</u>

The net carrying amount of goodwill as of December 31, 2018 and 2017 was allocated to the following significant CGU groups:

	<u>2018</u>	<u>2017</u>
CGU groups		
Telecommunications	\$ 2,656.1	\$ 2,677.0
Other ¹	22.2	18.8
Total	<u>\$ 2,678.3</u>	<u>\$ 2,695.8</u>

¹ Includes mainly the CGUs related to Speciality film and television services, Book publishing and distribution, and Sports and Entertainment.

Recoverable amounts

CGU recoverable amounts were determined based on the higher of a value in use or a fair value less costs of disposal with respect to the impairment tests performed. 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 considered each CGU's past operating performance and market share as well as economic trends, along with specific and market industry trends and corporate strategies. In particular, specific assumptions are used for each type of revenue generated by a CGU or for each nature of expenses, as well as for future capital expenditures. Such assumptions will consider, among many other factors, subscribers, readership and viewer statistics, advertising market trends, competitive landscape, evolution of products and services offerings, wireless penetration growth, proliferation of media platforms, technology evolution, broadcast programming strategy, bargaining agreements, Canadian GDP rates, and operating cost structures.

QUEBECOR MEDIA INC.
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15. GOODWILL (continued)

Recoverable amounts (continued)

A perpetual growth rate is used for cash flows beyond the three-year strategic plan 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 was determined with regard to the specific markets in which the CGUs participate. In certain circumstances, the Corporation can also estimate the fair value less cost of disposal with a market approach that consists of estimating the recoverable amount by using multiples of operating performance of comparable entities, transaction metrics and other financial information available, instead of primarily using the discounted cash flow method.

The following key assumptions were used to determine recoverable amounts in the most recent impairment tests performed on the Corporation's significant CGU groups:

CGU groups ¹	2018		2017	
	Pre-tax discount rate (WACC)	Perpetual growth rate	Pre-tax discount rate (WACC)	Perpetual growth rate
Telecommunications	9.0%	2.5%	8.5%	2.5%
Magazines	—	—	15.5	(2.0)
Other	11.5 to 16.50	0.0 to 2.0	12.0 to 16.5	0.0 to 2.0

¹ In 2018 and 2017, the recoverable amounts of all CGUs were based on value in use, using the discounted cash flow method.

Sensitivity of recoverable amounts

No reasonable changes in the discount rate or in the perpetual growth rate used in the most recent test performed would have caused the recoverable amount of the Telecommunication CGU to equal its carrying value.

16. LOANS TO THE PARENT CORPORATION

On April 3, 2018, Quebecor entered into loan agreements with the Corporation pursuant to which the Corporation makes available to Quebecor, by way of one or multiple drawdowns, a \$75.0 million non-revolving unsecured and unsecured loan and a \$75.0 million non-revolving subordinated and unsecured loan. The unsecured and subordinated loans bear interest at a rate of 5.25% and 5.50%, respectively, and mature in April 2021. As of December 31, 2018, Quebecor drew down the full amount of \$75.0 million on the unsecured loan agreement and the full amount of \$75.0 million on the subordinated loan agreement.

On June 29, 2018, Quebecor entered into a loan agreement with the Corporation pursuant to which the Corporation makes available to Quebecor, by way of one or multiple drawdowns, a \$262.0 million non-revolving subordinated and unsecured loan, bearing interest at a rate of 5.50% and maturing in June 2021. As of December 31, 2018, Quebecor drew down the full amount of \$262.0 million on the subordinated loan agreement.

On July 23, 2018, Quebecor entered into a loan agreement with the Corporation pursuant to which the Corporation makes available to Quebecor, by way of one or multiple drawdowns, a \$87.1 million non-revolving subordinated and unsecured loan, bearing interest at a rate of 5.50% and maturing in July 2021. As of December 31, 2018, Quebecor drew down the full amount of \$87.1 million on the subordinated loan agreement.

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16. LOANS TO THE PARENT CORPORATION (continued)

On September 28, 2018, Quebecor entered into a loan agreement with the Corporation pursuant to which the Corporation makes available to Quebecor, by way of one or multiple drawdowns, a \$175.0 million non-revolving subordinated and unsecured loan, bearing interest at a rate of 5.75% and maturing in September 2021. As of December 31, 2018, Quebecor drew down \$97.0 million on the subordinated loan agreement.

17. OTHER ASSETS

	<u>2018</u>	<u>2017</u> (restated, note 1(b))
Contract assets ¹	\$ 204.9	\$ 183.6
Contract costs ²	103.0	102.9
Programs, broadcast and distribution rights	120.3	121.4
Other	48.4	44.1
	<u>476.6</u>	<u>452.0</u>
Less current portion of contract assets	(144.4)	(132.8)
Less current portion of contract costs (included in "Other current assets")	(53.4)	(55.9)
Less current portion of program, broadcast and distribution rights (included in "Inventories")	(77.3)	(78.3)
	<u>\$ 201.5</u>	<u>\$ 185.0</u>

¹ Impairment loss on contract assets resulting from mobile contracts being cancelled prior their initial term amounted to \$25.8 million in 2018 (\$16.1 million in 2017 and \$12.0 million in 2016), net of the early termination penalty charged to the customer. In current and comparative periods, there were no significant cumulative catch-up adjustments to revenue that affected the corresponding contract asset, including adjustments arising from a change in an estimate of the transaction price or a contract modification. There were also no significant changes in the time frame for a performance obligation to be satisfied.

² Amortization amounted to \$63.2 million in 2018 (\$59.4 million in 2017 and \$51.0 million in 2016).

18. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	<u>2018</u>	<u>2017</u>
Trade and accruals	\$ 612.7	\$ 512.2
Salaries and employee benefits	139.0	144.0
Interest payable	49.9	49.6
Stock-based compensation	18.9	19.8
	<u>\$ 820.5</u>	<u>\$ 725.6</u>

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19. PROVISIONS AND CONTINGENCIES

	<u>Restructuring of operations</u>	<u>Contingencies, legal disputes and other</u>	<u>Total</u>
Balance as of December 31, 2017	\$ 5.9	\$ 38.8	\$ 44.7
Recognized in income	14.9	3.5	18.4
Payments	(13.8)	(1.7)	(15.5)
Other	—	0.9	0.9
Balance as of December 31, 2018	<u>\$ 7.0</u>	<u>\$ 41.5</u>	<u>\$ 48.5</u>
Current portion	\$ 4.8	\$ 23.7	\$ 28.5
Non-current portion (included in “Other liabilities”)	2.2	17.8	20.0

The recognition of provisions, in terms of both timing and amounts, requires the exercise of judgment based on relevant circumstances and events that can be subject to change over time. Provisions are primarily comprised of the following:

Restructuring of operations

Provisions for restructuring activities primarily cover severance payments related to initiatives to eliminate positions.

Contingencies and legal disputes

There are a number of legal proceedings against the Corporation that are pending. In the opinion of the management of the Corporation, the outcome of those proceedings is not expected to have a material adverse effect on the Corporation's results or on its financial position. Management of the Corporation, after taking legal advice, has established provisions for specific 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.

Other

Other provisions are principally related to decommissioning obligations.

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QUEBECOR MEDIA INC.
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20. LONG-TERM DEBT

	Effective interest rate as of December 31, 2018	2018	2017
Quebecor Media			
Bank credit facilities (i)	4.87%	\$ 451.7	\$ 420.4
Senior Notes (ii)		<u>1,659.2</u>	<u>1,568.5</u>
		2,110.9	1,988.9
Videotron (iii)			
Bank credit facilities (iv)	3.24%	742.0	5.4
Senior Notes (ii)		<u>3,502.4</u>	<u>3,289.2</u>
		4,244.4	3,294.6
TVA Group (iii)			
Bank credit facilities (v)	3.79%	52.9	62.9
Other		<u>—</u>	<u>0.3</u>
Total long-term debt		6,408.2	5,346.7
Change in fair value related to hedged interest rate risk		2.5	5.8
Financing fees, net of amortization		<u>(35.7)</u>	<u>(40.8)</u>
		(33.2)	(35.0)
		6,375.0	5,311.7
Less current portion		<u>(56.6)</u>	<u>(19.1)</u>
		\$ 6,318.4	\$ 5,292.6

**QUEBECOR MEDIA INC.
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20. LONG-TERM DEBT (continued)

- (i) The bank credit facilities of Quebecor Media are comprised of a US\$350.0 million secured term loan “B” facility that matures in August 2020 and is bearing interest at U.S. London Interbank Offered Rate (“LIBOR”) plus a premium of 2.25% and a \$300.0 million secured revolving credit facility that matures in July 2020 and is bearing interest at Bankers’ acceptance rate, LIBOR, Canadian prime rate or U.S. prime rate, plus a premium determined by a leverage ratio. The term loan “B” facility provides for quarterly amortization payments totaling 1.00% per annum of the original principal amount, with the balance payable on August 17, 2020. These credit facilities contain covenants such as maintaining certain financial ratios, limitations on the Corporation’s ability to incur additional indebtedness, pay dividends, and make other distributions. They are secured by liens on all of the movable property and assets of the Corporation (primarily shares of its subsidiaries), now owned or hereafter acquired. As of December 31, 2018, the credit facilities were secured by assets with a carrying value of \$1,707.0 million (\$3,045.4 million in 2017). As of December 31, 2018 and 2017, no amount had been drawn on the revolving credit facility, and as of December 31, 2018, \$451.7 million was outstanding on the term loan “B” (\$420.4 million in 2017).

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 conditions and terms of the facility.

- (ii) The Senior Notes are unsecured and contain certain restrictions on the respective issuers, including limitations on their ability to incur additional indebtedness, pay dividends, or make other distributions. Some Notes are redeemable at the option of the issuer, in whole or in part, at a price based on a make-whole formula during the first five years of the term of the Notes and at a decreasing premium thereafter, while the remaining Notes are redeemable at a price based on a make-whole formula at any time prior to maturity. The Senior Notes issued by Videotron are guaranteed by specific subsidiaries of Videotron. The following table summarizes the terms of the outstanding Senior Notes as of December 31, 2018:

<u>Principal amount</u>	<u>Annual nominal interest rate</u>	<u>Effective interest rate (after discount or premium at issuance)</u>	<u>Maturity date</u>	<u>Interest payable every 6 months on</u>
Quebecor Media				
US\$ 850.0	5.750%	5.750%	January 15, 2023	June and December 15
\$ 500.0	6.625%	6.625%	January 15, 2023	June and December 15
Videotron				
US\$ 800.0	5.000%	5.000%	July 15, 2022	January and July 15
US\$ 600.0	5.375%	5.375%	June 15, 2024	June and December 15
\$ 400.0	5.625%	5.625%	June 15, 2025	April and October 15
\$ 375.0	5.750%	5.750%	January 15, 2026	March and September 15
US\$ 600.0 ¹	5.125%	5.125%	April 15, 2027	April and October 15

¹ The Notes were issued in April 2017 for net proceeds of \$794.5 million, net of financing fees of \$9.9 million.

- (iii) The debts of these subsidiaries are non-recourse to Quebecor Media.

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20. LONG-TERM DEBT (continued)

- (iv) The bank credit facility provides for a \$1,500.0 million (\$965.0 million in 2017) secured revolving credit facility that matures in July 2023. The revolving credit facility bears interest at Bankers' acceptance rate, LIBOR, Canadian prime rate or U.S. prime rate, plus a margin, depending on Videotron's leverage ratio. The bank credit facility is secured by a first ranking hypothec on the universality of all tangible and intangible assets, current and future, of Videotron and most of its wholly owned subsidiaries. As of December 31, 2018, the bank credit facility was secured by assets with a carrying value of \$7,639.2 million (\$6,665.7 million in 2017). The bank credit facility contains covenants such as maintaining certain financial ratios, limitations on Videotron's ability to incur additional indebtedness, pay dividends, or make other distributions. As of December 31, 2018, \$742.0 million had been drawn on the secured revolving credit facility (no amount was drawn in 2017, while \$5.4 million was outstanding in 2017 on an export financing facility that matured in June 2018).

In December 2018, Videotron entered into new unsecured on demand credit facilities, under which letters of credit were issued and filed with ISED Canada as pre-auction financial deposits in respect to its application to participate to the 600 MHz spectrum auction. Under ISED Canada published rules respecting restrictions on communications during the auction process, it is strictly forbidden for the Corporation to disclose the amount of the letters of credit, which can be withdrawn by Videotron at anytime prior to the auction commencement.

- (v) The bank credit facilities of TVA Group comprise a secured revolving credit facility in the amount of \$150.0 million, maturing in February 2019, and a secured term loan in the amount of \$75.0 million, maturing in November 2019. TVA Group's revolving credit facility bears interest at floating rates based on Bankers' acceptance rate, LIBOR, Canadian prime rate or U.S. prime rate, plus a premium determined by a leverage ratio. The term loan bears interest at floating rates based on Bankers' acceptance rate or Canadian prime rate, plus a premium determined by a leverage ratio. The term loan provides for quarterly amortization payments commencing on December 20, 2015. The bank credit facilities contain covenants such as maintaining certain financial ratios, limitations on TVA Group's ability to incur additional indebtedness, pay dividends, or make other distributions. They are secured by liens on all of its movable assets and an immovable hypothec on its Head Office building. As of December 31, 2018 and 2017, no amount had been drawn on the revolving credit facility, and as of December 31, 2018, \$52.9 million was outstanding on the term loan (\$62.9 million in 2017).

On February 13, 2019, TVA Group amended its \$150.0 million secured revolving credit facility to extend the maturity date to February 2020 and to change certain conditions and terms of the facility.

On December 31, 2018, the Corporation was in compliance with all debt covenants.

Principal repayments of long-term debt over the coming years are as follows:

2019	\$	56.6
2020		448.1
2021		—
2022		1,091.0
2023		2,401.2
2024 and thereafter		2,411.3

**QUEBECOR MEDIA INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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21. OTHER LIABILITIES

	<u>Note</u>	<u>2018</u>	<u>2017</u>
Defined benefit plans	29	\$ 153.9	\$ 136.9
Deferred revenues		14.6	17.4
Stock-based compensation ¹	23	12.2	8.3
Other		32.6	32.4
		<u>\$ 213.3</u>	<u>\$ 195.0</u>

¹ The current \$18.9 million portion of stock-based compensation is included in accounts payable and accrued charges (\$19.8 million in 2017) (note 18).

22. CAPITAL STOCK**(a) Authorized capital stock**

An unlimited number of Common Shares, without par value;

An unlimited number of non-voting Cumulative First Preferred Shares, without par value; the number of preferred shares in each series and the related characteristics, rights and privileges are determined by the Board of Directors prior to each issue:

- An unlimited number of Cumulative First Preferred Shares, Series A (“Preferred A Shares”), carrying a 12.5% annual fixed cumulative preferential dividend, redeemable at the option of the holder and retractable at the option of the Corporation;
- An unlimited number of Cumulative First Preferred Shares, Series B (“Preferred B Shares”), carrying a fixed cumulative preferential dividend generally equivalent to the Corporation’s credit facility interest rate, redeemable at the option of the holder and retractable at the option of the Corporation;
- An unlimited number of Cumulative First Preferred Shares, Series C (“Preferred C Shares”), carrying an 11.25% annual fixed cumulative preferential dividend, redeemable at the option of the holder and retractable at the option of the Corporation;
- An unlimited number of Cumulative First Preferred Shares, Series D (“Preferred D Shares”), carrying an 11.0% annual fixed cumulative preferential dividend, redeemable at the option of the holder and retractable at the option of the Corporation;
- An unlimited number of Cumulative First Preferred Shares, Series F (“Preferred F Shares”), carrying a 10.85% annual fixed cumulative preferential dividend, redeemable at the option of the holder and retractable at the option of the Corporation;
- An unlimited number of Cumulative First Preferred Shares, Series G (“Preferred G Shares”), carrying a 10.85% annual fixed cumulative preferential dividend, redeemable at the option of the holder and retractable at the option of the Corporation;

An unlimited number of non-voting Preferred Shares, Series E (“Preferred E Shares”), carrying a non-cumulative dividend subsequent to the holders of Cumulative First Preferred Shares, redeemable at the option of the holder and retractable at the option of the Corporation.

QUEBECOR MEDIA INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018, 2017 and 2016
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22. CAPITAL STOCK (continued)**(b) Issued and outstanding capital stock**

	Common Shares	
	Number	Amount
Balance as of December 31, 2016	95,983,176	\$ 3,701.4
Reduction of paid-up capital	—	(50.0)
Redemption	(541,899)	(20.6)
Balance as of December 31, 2017	95,441,277	3,630.8
Redemption	(16,064,215)	(611.1)
Balance as of December 31, 2018	79,377,062	\$ 3,019.7

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. All repurchased shares were cancelled. The excess of \$928.9 million of the purchase price over the carrying value of Common Shares repurchased were recorded in increase of the deficit. Cash on hand and drawings under the Videotron secured revolving credit facility were used to finance the Corporation Common Shares repurchase.

On July 6, 2017, Quebecor Media repurchased and cancelled 541,899 of its Common Shares held by CDP Capital for an amount of \$37.7 million. On the same day, Quebecor Media also paid off a security held by CDP Capital for an amount of \$6.2 million. The \$23.3 million excess of the shares repurchase value and the security payment over the carrying value of Common Shares repurchased was recorded as an increase of the deficit.

In 2017, the Corporation reduced its paid-up capital for a total cash consideration of \$50.0 million

QUEBECOR MEDIA INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018, 2017 and 2016
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23. STOCK-BASED COMPENSATION PLANS

(a) Quebecor plans

(i) Stock option plan

Under a stock option plan established by the parent Corporation, 26,000,000 Quebecor Class B Shares have been set aside for directors, officers, senior employees, and other key employees of Quebecor and the Corporation. The exercise price of each option is equal to the weighted average trading price of Quebecor Class B Shares on the Toronto Stock Exchange over the last five trading days immediately preceding the granting of the option. Each option may be exercised during a period not exceeding 10 years from the date granted. As per the provisions of the plan, options usually vest as follows: 1/3 after one year, 2/3 after two years, and 100% three years after the original grant. The Board of Directors of the parent Corporation may, at its discretion, affix different vesting periods at the time of each grant. Holders of options under the stock option plan have the choice, when they exercise their options, of acquiring the Class B Shares at the corresponding option exercise price, or receiving a cash payment equivalent to the difference between the market value of the underlying shares and the exercise price of the option. Holders of options have committed to obtain the consent of the parent corporation before exercising their right to subscribe the shares for which they exercise their options.

The following table gives details on changes to outstanding options for the years ended December 31, 2018 and 2017:

	2018		2017	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Balance at beginning of year	440,000	\$ 12.31	1,360,000	\$ 12.69
Granted	1,242,892	26.52	—	—
Exercised	(100,000)	12.75	(630,000)	12.82
Cancelled	(20,000)	26.52	(290,000)	12.97
Balance at end of year	1,562,892	23.40	440,000	12.31
Vested options at end of year	340,000	\$ 12.17	376,666	\$ 12.04

During the year ended December 31, 2018, 100,000 stock options of Quebecor were exercised for a cash consideration of \$1.2 million (630,000 stock options for \$4.7 million in 2017).

The following table gives summary information on outstanding options as of December 31, 2018:

Range of exercise price	Outstanding options			Vested options	
	Number	Weighted average years to maturity	Weighted average exercise price	Number	Weighted average exercise price
\$11.11 to 15.12	340,000	4.78	\$ 12.17	340,000	\$ 12.17
\$26.52	1,222,892	9.78	26.52	—	—
\$11.11 to 26.52	1,562,892	7.28	\$ 23.40	340,000	\$ 12.17

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23. STOCK-BASED COMPENSATION PLANS (continued)

(a) Quebecor plans (continued)

(ii) Mid-term stock-based compensation plan

Under a mid-term stock-based compensation plan, participants are entitled to receive a cash payment at the end of a three-year period based on the appreciation of Quebecor Class B Share price, and subject to the achievement of certain non-market performance criteria. All the 93,610 units outstanding as of December 31, 2017 were exercised in 2018 for a cash consideration of \$0.8 million (1,140,941 units for a cash consideration of \$4.9 million in 2017).

(iii) Deferred share unit plan

The Quebecor DSU plan is for the benefit of Quebecor and the Corporation's directors. Under this plan, each director receives a portion of his/her compensation in the form of DSUs, such portion representing at least 50% of the annual retainer which could be less upon reaching the minimum shareholding threshold set out in the policy regarding the minimum shareholding by directors. Subject to certain conditions, each director may elect to receive up to 100% of the total fees payable for services as a director in the form of units. The value of a DSU is based on the weighted average trading price of Quebecor Class B Shares on the Toronto Stock Exchange over the last five trading days immediately preceding the relevant date. DSUs will entitle the holders thereof to dividends, which will be paid in the form of additional units at the same rate as that applicable to dividends paid from time to time on Quebecor Class B Shares. Subject to certain limitations, the DSUs will be redeemed by the Corporation when the director ceases to serve as a director of the Corporation. For the purpose of redeeming units, the value of a DSU shall correspond to the fair market value of Quebecor Class B Shares on the date of redemption. As of December 31, 2018 and 2017, the total number of DSUs outstanding under this plan was 108,885 and 89,397, respectively.

(b) Quebecor Media stock option plan

Under a stock option plan established by the Corporation, 6,180,140 Common Shares of Quebecor Media have been set aside for officers, senior employees, directors, and other key employees of Quebecor Media. Each option may be exercised within a maximum period of 10 years following the date of grant at an exercise price not lower than, as the case may be, the fair market value of the Common Shares of Quebecor Media at the date of grant, as determined by its Board of Directors (if the Common Shares of Quebecor Media are not listed on a stock exchange at the time of the grant), or the five-day weighted average market price ending on the day preceding the date of grant of the Common Shares of the Corporation on the stock exchange(s) where such shares are listed at the time of grant. As long as the Common Shares of Quebecor Media are not listed on a recognized stock exchange, optionees may exercise their vested options during one of the following periods: from March 1 to March 30, from June 1 to June 29, from September 1 to September 29, and from December 1 to December 30. Holders of options under the plan have the choice at the time of exercising their options of receiving an amount in cash (equal to the difference between either the five-day weighted average market price ending on the day preceding the date of exercise of the Common Shares of the Corporation on the stock exchange(s) where such shares are listed at the time of exercise, or the fair market value of the Common Shares, as determined by the Corporation's Board of Directors, and the exercise price of their vested options) or, subject to certain stated conditions, exercise their options to purchase Common Shares of Quebecor Media at the exercise price. Except under specific circumstances, and unless the Human Resources and Corporate Governance Committee decides otherwise, options vest over a five-year period in accordance with one of the following vesting schedules as determined by the Human Resources and Corporate Governance Committee at the time of grant: (i) equally over five years with the first 20% vesting on the first anniversary of the date of the grant; (ii) equally over four years with the first 25% vesting on the second anniversary of the date of grant; and (iii) equally over three years with the first 33 1/3% vesting on the third anniversary of the date of grant.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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23. STOCK-BASED COMPENSATION PLANS (continued)

(b) Quebecor Media stock option plan (continued)

The following table gives details on changes to outstanding options granted as of December 31, 2018 and 2017:

	2018		2017	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Balance at beginning of year	595,827	\$ 62.84	980,905	\$ 61.71
Exercised	(263,227)	60.31	(215,978)	59.40
Cancelled	(14,200)	70.06	(169,100)	60.65
Balance at end of year	318,400	\$ 64.61	595,827	\$ 62.84
Vested options at end of year	170,500	\$ 61.07	226,200	\$ 58.78

During the year ended December 31, 2018, 263,227 of the Corporation's stock options were exercised for a cash consideration of \$10.7 million (215,978 stock options for \$5.5 million in 2017).

The following table gives summary information on outstanding options as of December 31, 2018:

Range of exercise price	Outstanding options			Vested options	
	Number	Weighted average years to maturity	Weighted average exercise price	Number	Weighted average exercise price
\$50.10 to 57.64	103,350	5.70	\$ 56.05	40,500	\$ 55.33
\$63.50 to 70.56	215,050	5.30	67.88	130,000	68.29
\$50.10 to 70.56	318,400	5.43	\$ 64.61	170,500	\$ 61.07

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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23. STOCK-BASED COMPENSATION PLANS (continued)

(c) TVA Group stock option plan

Under this stock option plan, 2,200,000 TVA Group Class B Shares have been set aside for senior executives and directors of TVA Group and its subsidiaries. The terms and conditions of options granted are determined by TVA Group's Human Resources and Corporate Governance Committee. The subscription price of an option cannot be less than the closing price of Class B Shares on the Toronto Stock Exchange the day before the option is granted. Unless the Human Resources and Corporate Governance Committee decides otherwise, options vest over a five-year period in accordance with one of the following vesting schedules as determined by the Human Resources and Corporate Governance Committee at the time of grant: (i) equally over five years with the first 20% vesting on the first anniversary of the date of the grant; (ii) equally over four years with the first 25% vesting on the second anniversary of the date of grant; and (iii) equally over three years with the first 33 1/3% vesting on the third anniversary of the date of grant. The term of an option cannot exceed 10 years. Holders of options under the plan have the choice, at the time of exercising their options, of receiving a cash payment from TVA Group equal to the number of shares corresponding to the options exercised, multiplied by the difference between the market value of the TVA Group Class B Shares and the exercise price of the option or, subject to certain conditions, exercise their options to purchase TVA Group Class B Shares at the exercise price. The market value is defined as the average closing market price of the TVA Group Class B Shares for the last five trading days preceding the date on which the option was exercised. Holders of options have committed to obtain the consent of TVA Group before exercising their right to subscribe the shares for which they exercise their options.

The following table gives details on changes to outstanding options for the years ended December 31, 2018 and 2017:

	2018		2017	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Balance at beginning of year	60,000	\$ 6.85	357,632	\$ 12.71
Granted	280,000	2.16	—	—
Cancelled	—	—	(134,915)	12.86
Expired	—	—	(162,717)	14.75
Balance at end of year	340,000	\$ 2.99	60,000	\$ 6.85
Vested options at end of year	36,000	\$ 6.85	24,000	\$ 6.85

As of December 31, 2018, exercise prices of all outstanding options are from \$2.16 to \$6.85 and the average of years to maturity is 9.1.

**QUEBECOR MEDIA INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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23. STOCK-BASED COMPENSATION PLANS (continued)

(d) Deferred share unit and performance share unit plans

On July 10, 2016, TVA Group established a DSU plan and a PSU plan for its employees based on TVA Group Class B Shares. The DSUs vest over six years and will be redeemed for cash only upon the participant's retirement or termination of employment, as the case may be. The PSUs vest over three years and will be redeemed for cash at the end of this period subject to the achievement of financial targets. DSUs and PSUs entitle the holders to receive additional units when dividends are paid on TVA Group Class B Shares. No treasury shares will be issued for the purposes of these plans.

On July 13, 2016, Quebecor also established a DSU plan and a PSU plan for its employees and those of its subsidiaries. Both plans are based on Quebecor Class B Shares and, in the case of the DSU plan, also on TVA Group Class B Shares. The DSUs vest over six years and will be redeemed for cash only upon the participant's retirement or termination of employment, as the case may be. The PSUs vest over three years and will be redeemed for cash at the end of this period subject to the achievement of financial targets. DSUs and PSUs entitle the holders to receive additional units when dividends are paid on Quebecor Class B Shares or TVA Group Class B Shares. No treasury shares will be issued for the purposes of these plans. As of December 31, 2018, 143,860 DSUs based on Quebecor Class B Shares, 244,140 DSUs based on TVA Group Class B Shares, 215,336 PSUs based on Quebecor Class B Shares and 270,637 PSUs based on TVA Group Class B Shares were outstanding under these plans.

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23. STOCK-BASED COMPENSATION PLANS (continued)

(e) Assumptions in estimating the fair value of stock-based awards

The fair value of stock-based awards under the stock option plans of the parent corporation, Quebecor Media and TVA Group was estimated using the Black-Scholes option pricing model. The following weighted-average assumptions were used to estimate the fair value of all outstanding stock options under the stock option plans as of December 31, 2018 and 2017:

<u>December 31, 2018</u>	<u>Quebecor</u>	<u>Quebecor Media</u>	<u>TVA Group</u>
Risk-free interest rate	2.05%	1.97%	2.06%
Distribution yield	0.77%	1.13%	—%
Expected volatility	17.93%	16.11%	47.07%
Expected remaining life	4.8years	1.5years	5.2years
<u>December 31, 2017</u>	<u>Quebecor</u>	<u>Quebecor Media</u>	<u>TVA Group</u>
Risk-free interest rate	1.83%	1.80%	1.97%
Distribution yield	0.46%	1.12%	—%
Expected volatility	17.58%	16.70%	50.78%
Expected remaining life	2.4years	2.3years	3.6years

Except for Quebecor Media, the expected volatility is based on the historical volatility of the underlying share price for a period equivalent to the expected remaining life of the options. Since the Common Shares of Quebecor Media are not publicly traded on a stock exchange, expected volatility is derived from the implied volatility of Quebecor's stock. The expected remaining life of options granted represents the period of time that options granted are expected to be outstanding. The risk-free rate over the expected remaining life of the option is based on the Government of Canada yield curve in effect at the time of the valuation. Distribution yield is based on the current average yield.

(f) Liability of vested options

As of December 31, 2018, the liability for all vested options was \$14.2 million as calculated using the intrinsic value (\$12.2 million as of December 31, 2017).

(g) Consolidated stock-based compensation charge

For the year ended December 31, 2018, a consolidated charge related to all stock-based compensation plans was recorded in the amount of \$15.6 million (\$15.4 million in 2017 and \$16.3 million in 2016).

QUEBECOR MEDIA INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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24. ACCUMULATED OTHER COMPREHENSIVE LOSS

	<u>Cash flow hedges</u>	<u>Defined benefit plans</u>	<u>Total</u>
Balance as of December 31, 2015	\$ (71.1)	\$ (64.9)	\$ (136.0)
Other comprehensive (loss) income	(15.1)	21.6	6.5
Balance as of December 31, 2016	(86.2)	(43.3)	(129.5)
Other comprehensive income (loss)	71.7	(2.6)	69.1
Balance as of December 31, 2017	(14.5)	(45.9)	(60.4)
Other comprehensive loss	(15.8)	(5.1)	(20.9)
Balance as of December 31, 2018	\$ (30.3)	\$ (51.0)	\$ (81.3)

No significant amount is expected to be reclassified in income over the next 12 months in connection with derivative financial instruments designated as cash flow hedges. The balance is expected to reverse over a 8 1/4-year period.

25. COMMITMENTS

The Corporation rents premises and equipment under operating leases and has entered into long-term commitments to purchase services, tangible and intangible assets, broadcasting rights, and to pay licences and royalties. Rent payments include an amount of \$48.1 million for future payments to the parent corporation. The operating leases have various terms, escalation clauses, purchase options and renewal rights. The minimum payments for the coming years are as follows:

	<u>Leases</u>	<u>Other commitments</u>
2019	\$ 49.5	\$ 247.4
2020 to 2023	94.8	648.4
2024 and thereafter	96.7	455.7

The Corporation's operating lease expenses amounted to \$66.6 million in 2018 (\$68.1 million in 2017 and \$67.1 million in 2016).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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26. GUARANTEES

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

Operating leases

The Corporation has guaranteed a portion of the residual value of certain assets under operating leases for the benefit of the lessor. Should the Corporation terminate these leases prior to term (or at the end of the lease terms) and should the fair value of the assets be less than the guaranteed residual value, then the Corporation must, under certain conditions, compensate the lessor for a portion of the shortfall. In addition, the Corporation has provided guarantees to the lessor of certain premises leases with expiry dates through 2020. Should the lessee default under the agreement, the Corporation must, under certain conditions, compensate the lessor. As of December 31, 2018, the maximum exposure with respect to these guarantees was \$19.3 million and no liability has been recorded in the consolidated balance sheets.

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 sheet.

Outsourcing companies and suppliers

In the normal course of its operations, 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 sheet with respect to these indemnifications.

Other

One of the Corporation's subsidiaries, has, as a franchiser, provided guarantees should franchisees, in their retail activities, default certain purchase agreements. 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 sheet with respect to these guarantees.

QUEBECOR MEDIA INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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27. 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, 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, (ii) to achieve a targeted balance of fixed- and floating-rate debts, and (iii) to lock in the value of certain derivative financial instruments through offsetting transactions. The Corporation does not intend to settle its derivative financial instruments prior to their maturity as none of these instruments is held or issued for speculative purposes.

(a) Description of derivative financial instruments

- (i) Foreign exchange forward contracts

<u>Maturity</u>	<u>CAN dollar average exchange rate per one U.S. dollar</u>	<u>Notional amount sold</u>	<u>Notional amount bought</u>
Videotron			
Less than 1 year	1.3056	\$ 165.6	US\$ 126.8

**QUEBECOR MEDIA INC.
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27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(a) Description of derivative financial instruments (continued)

(ii) Cross-currency interest rate swaps

Hedged item	Period covered	Hedging instrument		
		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
Term loan "B"	2013 to 2020	US\$ 331.6	Bankers' acceptance 3 months + 2.77%	1.0346
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
US\$ drawing on revolver facility	2018 to 2019	US\$ 160.0	Bankers' acceptance 1 month + 0.42%	1.3417

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.

**QUEBECOR MEDIA INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(b) Fair value of financial instruments

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

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

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

The fair value of 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 (Level 2 inputs). An adjustment is also included to reflect non-performance risk impacted by the financial and economic environment prevailing at the date of the valuation in the recognized measure of the fair value of the derivative financial instruments by applying a credit default premium, estimated using a combination of observable and unobservable inputs in the market (Level 3 inputs), to the net exposure of the counterparty or the Corporation. Derivative financial instruments are classified as Level 2.

The carrying value and fair value of long-term debt and derivative financial instruments as of December 31, 2018 and 2017 are as follows:

Asset (liability)	2018		2017	
	Carrying value	Fair value	Carrying value	Fair value
Long-term debt¹	\$ (6,408.2)	\$ (6,391.5)	\$ (5,346.7)	\$ (5,658.0)
Derivative financial instruments²				
Foreign exchange forward contracts	6.7	6.7	(4.5)	(4.5)
Cross-currency interest rate swaps	880.3	880.3	562.2	562.2

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

² The fair value of derivative financial instruments designated as cash flow hedges is an asset position of \$840.6 million as of December 31, 2018 (\$525.7 million in 2017) and the fair value of derivative financial instruments designated as fair value hedges is an asset position of \$46.4 million as of December 31, 2018 (\$32.0 million in 2017).

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27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(c) 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, 2018, 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, 2018, the provision for expected credit losses represented 2.7% of the gross amount of accounts receivable and contract assets (2.9% as of December 31, 2017), while 11.7% of trade receivable were 90 days past their billing date (11.3% as of December 31, 2017).

The following table shows changes to the provision for expected credit losses for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Balance at beginning of year	\$ 21.1	\$ 28.1
Changes in expected credit losses charged to income	19.6	21.6
Write-off	(20.2)	(28.6)
Balance at end of year	\$ 20.5	\$ 21.1

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.

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27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(d) 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 5.1 years as of December 31, 2018 (6.1 years as of December 31, 2017).

The Corporation's management believes that cash flows and available sources of financing should be sufficient to cover committed cash requirements for capital investments, working capital, interest payments, income tax payments, debt repayments, pension plan contributions, share repurchases, dividends or distributions to shareholders. The Corporation has access to cash flows generated by its subsidiaries through dividends (or distributions) and cash advances paid by its wholly owned subsidiaries.

As of December 31, 2018, material contractual obligations related to financial instruments included capital repayment and interest on long-term debt and obligations related to derivative financial instruments, less estimated future receipts on derivative financial instruments. These obligations and their maturities are as follows:

	<u>Total</u>	<u>Less than 1 year</u>	<u>1-3 years</u>	<u>3-5 years</u>	<u>5 years or more</u>
Bank indebtedness	\$ 24.3	\$ 24.3	\$ —	\$ —	\$ —
Accounts payable and accrued charges	820.5	820.5	—	—	—
Long-term debt ¹	6,408.2	56.6	448.1	3,492.2	2,411.3
Interest payments ²	1,500.6	252.3	578.2	428.4	241.7
Derivative financial instruments ³	(892.7)	0.2	(105.1)	(618.1)	(169.7)
Total	\$ 7,860.9	\$ 1,153.9	\$ 921.2	\$ 3,302.5	\$ 2,483.3

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 rate risk and financing fees.

² Estimate of interest payable on long-term debt, based on interest rates, hedging of interest rates and hedging of foreign exchange rates as of December 31, 2018.

³ Estimated future receipts, net of future disbursements, on derivative financial instruments related to foreign exchange hedging.

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27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(e) 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, handsets and cable modems 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, 2018, and to hedge its exposure on certain purchases of set-top boxes, handsets, cable modems 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, 2018 is as follows:

Increase (decrease)	Income	Other comprehensive income
Increase of \$0.10	\$ 1.3	\$ 34.8
Decrease of \$0.10	(1.3)	(34.8)

A variance of \$0.10 in the 2018 average exchange rate of CAN dollar per one U.S. dollar would have resulted in a variance of \$2.4 million on the value of unhedged purchase of goods and services and \$4.4 million on the value of unhedged acquisitions of tangible and intangible assets in 2018.

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, 2018, after taking into account the hedging instruments, long-term debt was comprised of 76.2% fixed-rate debt (87.7% in 2017) and 23.8% floating-rate debt (12.3% in 2017).

The estimated sensitivity on interest payments, of a 100 basis-point variance in the year-end Canadian Bankers' acceptance rate as of December 31, 2018 was \$13.1 million.

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27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(e) Market risk (continued)

Interest rate risk (continued)

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 as of December 31, 2018, as per the Corporation's valuation models, is as follows:

Increase (decrease)	Income	Other comprehensive income
Increase of 100 basis points	\$ (1.9)	\$ (28.1)
Decrease of 100 basis points	1.9	28.1

(f) 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, the 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, derivative financial instruments, cash and cash equivalents and loans to the parent Corporation. The capital structure as of December 31, 2018 and 2017 is as follows:

	2018	2017
Bank indebtedness	\$ 24.3	\$ —
Long-term debt	6,375.0	5,311.7
Derivative financial instruments	(887.0)	(557.7)
Cash and cash equivalents	(21.0)	(864.9)
Loans to the parent corporation	(596.1)	—
Net liabilities	4,895.2	3,889.1
Equity	\$ 1,424.7	\$ 2,545.0

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, inter-corporation transactions, and the declaration and payment of dividends or other distributions.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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28. RELATED PARTY TRANSACTIONSCompensation of key management personnel

Key management personnel comprises members of the Board of Directors and key senior managers of the Corporation and its main subsidiaries. Their compensation is as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Salaries and short-term benefits	\$ 9.9	\$ 9.1	\$ 9.3
Share-based compensation	5.4	5.9	9.3
Other long-term benefits	1.2	8.5	1.3
	<u>\$ 16.5</u>	<u>\$ 23.5</u>	<u>\$ 19.9</u>

Operating transactions

During the year ended December 31, 2018, the Corporation made purchases and incurred rent charges with the parent corporation and affiliated companies in the amount of \$10.0 million (\$9.2 million in 2017 and \$9.0 million in 2016), which are included in purchase of goods and services. The Corporation made sales to an affiliated corporation in the amount of \$2.8 million (\$2.8 million in 2017 and \$3.0 million in 2016). These transactions were accounted for at the consideration agreed between parties.

Management arrangements

The parent corporation has entered into management arrangements with the Corporation. Under these management arrangements, the parent corporation and the Corporation provide management services to each other on a cost-reimbursement basis. The expenses subject to reimbursement include the salaries of the Corporation's executive officers, who also serve as executive officers of the parent corporation. In 2018, the Corporation received an amount of \$2.4 million, which is included as a reduction in employee costs (\$2.2 million in 2017 and 2016), and incurred management fees of \$2.5 million (\$2.7 million in 2017 and \$2.6 million in 2016) with shareholders.

Tax transactions

In 2018, the parent corporation transferred \$54.2 million of non-capital losses (none in 2017 and \$22.1 million in 2016) to the Corporation in exchange for a cash consideration of \$13.9 million (none in 2017 and \$5.6 million in 2016). These transactions were concluded on terms equivalent to those that prevail on an arm's length basis and were accounted for at the consideration agreed between the parties.

QUEBECOR MEDIA INC.
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29. PENSION PLANS AND POSTRETIREMENT BENEFITS

The Corporation maintains various flat-benefit plans, various final-pay plans with indexation features from zero to 2%, as well as defined contribution plans. The Corporation also provides postretirement benefits to eligible retired employees. The Corporation's pension plans are registered with a provincial or federal regulatory authority.

The Corporation's funding policy for its funded pension plans is to maintain its contribution at a level sufficient to cover benefits and to meet requirements of the applicable regulations and plan provisions that govern the funding of the plans. These provisions establish, among others, the future amortization payments when the funding ratio of the pension plans is insufficient as defined by the relevant provincial and federal laws. Payments are determined by an actuarial report performed by an independent company at least every three years or annually, according to the applicable laws and in accordance with plan provisions.

By their design, the defined benefit plans expose the Corporation to the typical risks faced by defined benefit plans, such as investment performance, changes to the discount rates used to value the obligation, longevity of plan participants, and future inflation. The administration of the plans is assured by pension committees composed of members of the plans, members of the Corporation's management and independent members or by the Corporation, in accordance with the provisions of each plan. Under the Corporation's rules of governance, the approval and oversight of the defined benefit plan policies are performed at different levels through the pension committees, the Corporation's management, or the Audit Committee. The risk management of pension plans is also performed under the leadership of these committees at various levels. The custody of securities and management of security transactions are assigned to trustees within a mandate given by the pension committees or the Corporation, as the case may be. Policies include those on investment objectives, risk-mitigation strategies and the mandate to hire investment fund managers and monitor their work and performance. The defined benefit pension plans are monitored on an ongoing basis to assess the benefit, funding and investment policies, financial status, and the Corporation's funding requirement.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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29. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

The following tables show a reconciliation of the changes in the plans' benefit obligations and the fair value of plan assets for the years ended December 31, 2018 and 2017:

	Pension benefits		Postretirement benefits	
	2018	2017	2018	2017
Change in benefit obligations				
Benefit obligations at the beginning of the year	\$ 1,320.4	\$ 1,274.9	\$ 60.5	\$ 73.4
Service costs	36.4	33.9	2.1	1.9
Interest costs	46.0	49.8	2.8	2.9
Plan participants' contributions	11.1	11.5	—	—
Actuarial (gain) loss arising from:				
Financial assumptions	(75.7)	82.1	20.5	5.4
Demographic assumptions	—	(8.6)	(12.3)	—
Participant experience	(1.1)	4.5	(0.5)	(21.2)
Benefits and settlements paid	(55.1)	(72.7)	(1.7)	(1.9)
Plan transfer	—	(55.4)	—	—
Other	1.2	0.4	—	—
Benefit obligations at the end of the year	\$ 1,283.2	\$ 1,320.4	\$ 71.4	\$ 60.5
Change in plan assets				
Fair value of plan assets at the beginning of the year	\$ 1,267.3	\$ 1,244.4	\$ —	\$ —
Actual return on plan assets	(37.5)	106.5	—	—
Employer contributions	34.0	35.5	1.7	1.9
Plan participants' contributions	11.1	11.5	—	—
Administrative fees	(2.5)	(2.5)	—	—
Benefits and settlements paid	(55.1)	(72.7)	(1.7)	(1.9)
Plan transfer	—	(55.4)	—	—
Fair value of plan assets at the end of the year	\$ 1,217.3	\$ 1,267.3	\$ —	\$ —

QUEBECOR MEDIA INC.
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29. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

As of December 31, 2018, the weighted average duration of defined benefit obligations was 15.6 years (16.5 years in 2017). The Corporation expects future benefit payments of \$64.0 million in 2019.

The investment strategy for plan assets takes into account a number of factors, including the time horizon of the pension plans' obligations and the investment risk. For each of the plans, an allocation range by asset class is developed, whereby a mix of equities and fixed-income investments is used to optimize the risk-return profile of plan assets and to mitigate asset-liability mismatch.

Plan assets are comprised of:

	<u>2018</u>	<u>2017</u>
Equity securities:		
Canadian	21.1%	23.6%
Foreign	31.2	32.3
Debt securities	46.6	40.8
Other	1.1	3.3
	<u>100.0%</u>	<u>100.0%</u>

The fair value of equity and debt securities is based on quoted prices in an active market, while the fair value of other investments is not based on quoted prices in an active market.

Where funded plans have a net defined benefit asset, the Corporation determines if potential reductions in future contributions are permitted by applicable regulations and by collective bargaining agreements. When a defined benefit asset is created, it cannot exceed the future economic benefit that the Corporation can expect to obtain from the asset. The future economic benefit represents the value of reductions in future contributions and expenses payable to the pension fund. It does not reflect gains that could be generated in the future that would allow reductions in contributions by the Corporation. When there is a minimum funding requirement, this could also limit the amounts recognized in the balance sheet. A minimum funding requirement represents the present value of amortization payments based on the most recent actuarial financing reports filed.

The reconciliation of funded status to the net amount recognized in the consolidated balance sheets is as follows:

	<u>Pension benefits</u>		<u>Postretirement benefits</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Benefit obligations	\$ (1,283.2)	\$ (1,320.4)	\$ (71.4)	\$ (60.5)
Fair value of plan assets	1,217.3	1,267.3	—	—
Plan deficit	(65.9)	(53.1)	(71.4)	(60.5)
Asset limit and minimum funding adjustment	(16.0)	(20.4)	—	—
Net amount recognized¹	<u>\$ (81.9)</u>	<u>\$ (73.5)</u>	<u>\$ (71.4)</u>	<u>\$ (60.5)</u>

¹ The net liability recognized for 2018 is \$153.9 million and is included in "Other Liabilities" (note 21) (an asset of \$2.9 million was included in "Other assets" in 2017 and a liability of \$136.9 million was included in "Other liabilities" in 2017).

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29. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

Components of re-measurements are as follows:

	Pension benefits			Postretirement benefits		
	2018	2017	2016	2018	2017	2016
Actuarial gain (loss) on benefit obligations	\$ 76.8	\$ (78.0)	\$ (20.1)	\$ (7.7)	\$ 15.8	\$ (1.4)
Actual return on plan assets, less interest income anticipated in the interest on the net defined benefit liability calculation	(80.9)	59.1	51.8	—	—	—
Asset limit and minimum funding adjustment	5.0	(0.1)	2.8	—	—	—
Re-measurements gain (loss) recorded in other comprehensive income	\$ 0.9	\$ (19.0)	\$ 34.5	\$ (7.7)	\$ 15.8	\$ (1.4)

Components of the net benefit costs are as follows:

	Pension benefits			Postretirement benefits		
	2018	2017	2016	2018	2017	2016
Employee costs:						
Service costs	\$ 36.4	\$ 33.9	\$ 34.9	\$ 2.1	\$ 1.9	\$ 1.8
Administrative fees and other	3.7	3.0	3.0	—	—	—
Interest on net defined benefit liability	3.4	2.9	3.9	2.8	2.9	2.8
Net benefit costs	\$ 43.5	\$ 39.8	\$ 41.8	\$ 4.9	\$ 4.8	\$ 4.6

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29. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

The expense related to defined contribution pension plans amounted to \$19.8 million in 2018 (\$17.6 million in 2017 and \$16.8 million 2016).

The expected employer contributions to the Corporation's defined benefit pension plans and post-retirement benefit plans will be \$32.6 million in 2019, based on the most recent financial actuarial reports filed (contributions of \$35.7 million were paid in 2018).

Assumptions

The Corporation determines its assumption for the discount rate to be used for purposes of computing annual service and interest costs based on an index of high-quality corporate bond-yield and matched-funding yield curve analysis as of the measurement date.

The actuarial assumptions used in measuring the Corporation's benefit obligations as of December 31, 2018, 2017 and 2016 and current periodic benefit costs are as follows:

	Pension and postretirement benefits		
	2018	2017	2016
Benefit obligations			
Rates as of year-end:			
Discount rate	3.90%	3.50%	3.90%
Rate of compensation increase	3.00	3.00	3.00
Current periodic costs			
Rates as of preceding year-end:			
Discount rate	3.50%	3.90%	4.00%
Rate of compensation increase	3.00	3.00	3.00

The assumed average retirement age of participants used was of 62 years in 2018, 2017 and 2016.

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligations was 7.9% at the end of 2018. These costs, as per the estimate, are expected to decrease gradually over the next 10 years to 5.1% and to remain at that level thereafter.

Sensitivity analysis

An increase of 10 basis points in the discount rate would have decreased the pension benefits obligation by \$17.4 million and the postretirement benefits obligation by \$1.5 million as of December 31, 2018. There are limitations to this sensitivity analysis since it only considers the impacts of an increase of 10 basis points in the discount rate assumption without changing any other assumptions. No sensitivity analysis was performed on other assumptions as a similar change to those assumptions would not have a significant impact on the consolidated financial statements.

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30. DISCONTINUED OPERATIONS

On January 24, 2019, Videotron sold its 4Degrees Inc. Colocation data centers operations for an amount of \$261.6 million which was fully paid in cash at the date of transaction. 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, an estimated gain on disposal of \$118.0 million will be accounted for in the first quarter of 2019, while an amount of \$53.0 million from the proceeds received at the date of transaction will be deferred in connection with the estimated present value of the future conditional adjustments. The amount deferred will be revaluated on a quarterly basis and any change will be recorded in income from discontinued operations.

As a result of this transaction, tax benefits of \$18.5 million, on previous years' capital losses, were recognized in the consolidated statement of income in 2018.

In 2017, a gain of \$14.6 million, was accounted for mainly for digital credits in connection with the English-language newspaper operations sold in 2015.

The results of operations and cash flows of these businesses were reclassified as discontinued operations in the consolidated statement of income and cash flows are as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Revenues	\$ 19.8	\$ 19.7	\$ 12.0
Expenses	14.6	14.8	10.6
Income taxes	1.4	1.3	0.4
Gain related to a business sold in 2015	—	(14.6)	—
Income from discontinued operations	\$ 3.8	\$ 18.2	\$ 1.0

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Cash flows related to operating activities	\$ 10.4	\$ 20.4	\$ 3.3
Cash flows related to investing activities	(1.9)	(3.5)	(53.1)
Cash flows provided by (used in) discontinued operations	\$ 8.5	\$ 16.9	\$ (49.8)

Components of assets and liabilities classified as held for sale in the consolidated balance sheet are as follows:

	<u>2018</u>
Current assets	\$ 1.3
Property, plant and equipment	72.5
Intangible assets and goodwill	21.2
Assets held for sale	95.0
Current liabilities held for sale	(6.6)
Net assets held for sale	\$ 88.4

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31. NON-CONSOLIDATED FINANCIAL STATEMENTS OF THE CORPORATION

The Corporation has access to the cash flows generated by its subsidiaries by way of distributions from its public subsidiaries and distributions and advances from its private subsidiaries. However, some of the Corporation's subsidiaries have restrictions, based on contractual debt obligations and corporate solvency tests, regarding the amounts of distributions and advances that can be paid to the Corporation.

The U.S Securities and Exchange Commission requires that the non-consolidated financial statements of the parent corporation be presented when its subsidiaries have restrictions that may limit the amount of cash that can be paid to the parent corporation. These non-consolidated and condensed financial statements, as prepared under IFRS, are shown below.

Non-consolidated condensed statements of income and comprehensive income

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Revenues:			
Distributions in excess of the investments in subsidiaries	\$ 503.3	\$ —	\$ —
Dividends	113.0	295.0	282.0
Management fees	59.2	58.8	59.9
Interest on loans to the parent corporation	14.8	—	—
Other	64.5	49.5	52.4
	<u>754.8</u>	<u>403.3</u>	<u>394.3</u>
General and administrative expenses	126.8	123.6	121.7
Depreciation and amortization	3.8	4.3	3.3
Financial expenses	106.1	130.3	138.9
Loss (gain) on valuation and translation of financial instruments	0.2	(0.7)	—
Loss on debt refinancing	—	10.4	—
Impairment and disposal of investments in subsidiaries	—	—	73.3
Loss on notes receivable from subsidiaries	—	—	14.8
Other	2.4	(10.9)	2.0
Income before income taxes	<u>515.5</u>	<u>146.3</u>	<u>40.3</u>
Income taxes (recovery)	(5.3)	0.6	1.7
Net income	<u>520.8</u>	<u>145.7</u>	<u>38.6</u>
Other comprehensive (loss) gain	(3.9)	22.8	(3.3)
Comprehensive income	<u>\$ 516.9</u>	<u>\$ 168.5</u>	<u>\$ 35.3</u>

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31. NON-CONSOLIDATED FINANCIAL STATEMENTS OF THE CORPORATION (continued)

Non-consolidated and condensed statements of cash flows

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Cash flows related to operations			
Net income	\$ 520.8	\$ 145.7	\$ 38.6
Depreciation and amortization	3.8	4.3	3.3
Loss (gain) on valuation and translation of financial instruments	0.2	(0.7)	—
Amortization of financing costs and long-term debt discount	2.3	2.4	2.8
Loss on debt refinancing	—	10.4	—
Impairment and disposal of investments in subsidiaries	—	—	73.3
Loss on notes receivable from subsidiaries	—	—	14.8
Deferred income taxes	(5.3)	2.5	1.8
Other	0.2	2.4	(0.3)
Net change in non-cash balances related to operations	<u>5.3</u>	<u>39.3</u>	<u>7.5</u>
Cash flows provided by operations	527.3	206.3	141.8
Cash flows related to investing activities			
Net change in investments in subsidiaries	2,058.6	(8.5)	(63.5)
Acquisition of tax deductions from the parent corporation	(13.9)	—	(14.0)
Other	(6.0)	(8.5)	3.9
Cash flows provided by (used in) investing activities	<u>2,038.7</u>	<u>(17.0)</u>	<u>(73.6)</u>
Cash flows related to financing activities			
Net change in bank indebtedness	5.7	(2.5)	(8.1)
Net change under revolving facilities	—	—	(2.8)
Repayment of long-term debt	(3.6)	(336.7)	(3.6)
Settlement of hedging contracts	(1.6)	(1.6)	5.2
Repurchase of Common Shares	(1,540.0)	(43.9)	—
Repurchase of redeemable preferred shares issued to subsidiaries	—	—	(430.0)
Dividends and reduction of paid-up capital	(100.0)	(100.0)	(100.0)
Net change in subordinated loans from subsidiaries	2,322.0	66.0	(2,768.0)
Net change in convertible obligations, subordinated loans and notes receivable — subsidiaries	(2,664.0)	276.0	3,199.0
Net change in loans to the parent corporation	(596.1)	—	—
Net change in advances to or from subsidiaries	(19.6)	(15.4)	40.1
Cash flows used in financing activities	<u>(2,597.2)</u>	<u>(158.1)</u>	<u>(68.2)</u>
Net change in cash and cash equivalents	(31.2)	31.2	—
Cash and cash equivalents at the beginning of the year	31.2	—	—
Cash and cash equivalents at the end of the year	<u>\$ —</u>	<u>\$ 31.2</u>	<u>\$ —</u>

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QUEBECOR MEDIA INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018, 2017 and 2016
(tabular amounts in millions of Canadian dollars, except for option data)

31. NON-CONSOLIDATED FINANCIAL STATEMENTS OF THE CORPORATION (continued)

Non-consolidated and condensed balance sheets

	<u>2018</u>	<u>2017</u>
Assets		
Current assets	\$ 144.2	\$ 161.8
Investments in subsidiaries at cost	477.8	2,536.4
Advances to subsidiaries	48.9	35.7
Convertible obligations, subordinated loans and notes receivable — subsidiaries	2,813.0	149.0
Loans to the parent corporation	596.1	—
Other assets	488.9	347.2
	<u>\$ 4,568.9</u>	<u>\$ 3,230.1</u>
Liabilities and equity		
Current liabilities	\$ 87.6	\$ 66.3
Long-term debt	2,098.9	1,974.8
Advances from subsidiaries	138.8	145.2
Other liabilities	37.6	36.7
Subordinated loan from subsidiaries	2,813.0	491.0
Equity attributable to shareholders	(607.0)	516.1
	<u>\$ 4,568.9</u>	<u>\$ 3,230.1</u>



PRESS RELEASE
For immediate release

**Quebecor and Caisse de dépôt et placement du Québec
reach an agreement on the repurchase
of the Caisse's interest in Quebecor Media**

Montreal, May 8, 2018 — Quebecor Inc. (“Quebecor”) is pleased to announce that it entered into an agreement (the “Agreement”) with Quebecor Media Inc. (“Quebecor Media”) and Caisse de dépôt et placement du Québec (the “Caisse”) to repurchase all of the share capital of Quebecor Media still held by the Caisse. The Agreement provides that Quebecor and Quebecor Media purchase 17,628,911 shares, representing a 18.47% stake in Quebecor Media, with respect to which the parties have agreed on a value of \$1.690 billion.

This Agreement completes the process announced in October 2012 (and continued in September 2015 and in July 2017), as part of the plan to purchase the shares of Quebecor Media held by the Caisse that was introduced by Quebecor, in accordance with its previously stated goal to ultimately own all the shares of Quebecor Media.

“Thanks to its currently very favourable financial profile and the substantial amount of cash it has on hand, Quebecor is now in a position to complete the repurchase of the share capital of Quebecor Media initiated in 2012. By gaining access to 100% of the cash flows that it generates, Quebecor will now be better equipped to seize business opportunities that arise. Ultimately, these transactions will allow us to have complete control over our destiny,” stated Pierre Karl Péladeau, President and Chief Executive Officer of Quebecor.

“Today, the complete repurchase of the shares reflects Quebecor’s solid financial position and allows the Caisse to reallocate this capital to new investment opportunities in Quebec. Through the convertible debentures, the Caisse is able to maintain an interest in the business, while providing Quebecor with increased financial flexibility to pursue its growth plan. Lastly, the long-standing partnership developed with Quebecor will certainly allow us, in the future, to explore new projects or investment opportunities with the company,” said Michael Sabia, president and chief executive officer of the Caisse.”

“Quebecor has always been very proud, in the wake of previous successful investments, such as the creation of Imprimeries Quebecor in 1989, to be a partner of the Caisse. By joining forces and working together on the creation of Quebecor Media, we created a major Québec group that has become a leader in the fields of telecommunications, entertainment, news media and culture. In doing so, we allowed Quebecers to retain control over their technological and cultural levers, while generating substantial benefits for our entire community,” added Pierre Karl Péladeau.

These benefits include, in particular, more than 4,000 jobs created at Videotron in the past 15 years, and some \$2 billion invested in wireless solutions in order to offer more choices and better prices to Québec consumers. Further benefits include the exceptional contribution of Quebecor and its subsidiaries to the Québec audiovisual content and local journalism, as well as its philanthropic

contribution to 400 organizations in fields as varied as culture, health, education, the environment and entrepreneurship.

Agreement Overview

- The Agreement provides for the completion of the following two transactions:
 - the repurchase for cancellation by Quebecor Media of 16,064,215 shares of Quebecor Media held by the Caisse, representing approximately 91.1% of the Caisse's interest before closing, for an aggregate purchase price of \$1.540 billion, payable in cash; and
 - the purchase by Quebecor of 1,564,696 shares of Quebecor Media held by the Caisse, representing approximately 8.9% of the Caisse's interest before closing, in consideration of the issuance of \$150-million aggregate principal amount of convertible debentures of Quebecor, which will be convertible into Quebecor Class B Subordinate Shares (the **Convertible Debentures**), the whole subject to required approvals, including that of the Toronto Stock Exchange.
- Upon completion of these transactions, Quebecor and Quebecor Media will then have acquired the 18.47% stake in Quebecor Media that Quebecor did not yet have, with Quebecor becoming the sole owner of Quebecor Media.

Issuance of Convertible Debentures by Quebecor inc.

Subject to the approval of the Toronto Stock Exchange, the Convertible Debentures will have a six-year term maturing in 2024 and will bear interest at an annual rate of 4.0%, payable in accordance with the terms of the trust indenture to be entered into at the time of their issuance. The Convertible Debentures will be convertible into Quebecor Class B Subordinate Voting Shares in accordance with the terms of the trust indenture, subject to a floor price of \$26.85 per share (that is, a maximum number of approximately 5,586,592 Quebecor Class B Subordinate Shares corresponding to a ratio of \$150 million to the floor price) and a ceiling price of \$33.5625 per share (that is, a minimum number of approximately 4,469,274 Quebecor Class B Subordinate Shares corresponding to a ratio of \$150 million to the ceiling price), subject to adjustments in accordance with the terms of the trust indenture. The other terms and conditions of the Convertible Debentures are expected to be substantially consistent with the terms of the Convertible Debentures issued under Quebecor's trust agreement dated October 11, 2012, as amended.

Exit Rights and Quebecor Media Shareholders' Agreement

As a result of the completion of the transactions contemplated in the Agreement, the exit rights granted to the Caisse under the agreement entered into at the beginning of the process introduced in 2012, including, the right to require that Quebecor Media carry out an initial public offering (IPO), or the right to sell its remaining interest in Quebecor Media to a financial third party, without providing any right of first refusal or first offer to Quebecor or Quebecor Media, will extinguish at the closing of the operation.

The parties have also agreed to terminate the shareholders' agreement between Quebecor, CDP Capital d'Amérique investissements inc. (formerly Capital Communications CDPQ inc.) and Quebecor Media dated October 23, 2000, as consolidated and amended from time to time.

Closing

The transactions contemplated in the Agreement are currently expected to be fully completed by June 22, 2018, subject to the customary closing conditions for transactions of this nature and the receipt of regulatory approvals, including that of the Toronto Stock Exchange.

TD Securities acted as financial advisor to Quebecor on the transaction.

This press release does not constitute an offer to sell or the solicitation of an offer to buy or sell securities in any jurisdiction. The securities referred to herein have not been and will not be registered under the U.S. *Securities Act of 1933* or any state securities laws and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements. The securities referred to herein have not been and will not be qualified for distribution to the public under applicable Canadian securities legislation.

The Toronto Stock Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of this release.

Cautionary statement regarding forward-looking statements

The statements in this press release that are not historical facts are forward-looking statements and are subject to significant known and unknown risks, uncertainties and assumptions which could cause Quebecor's actual results for future periods to differ materially from those set forth in the 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. This press release includes forward-looking statements on the following issues: the timing and the completion of the transactions contemplated in the Agreement; the fact that the closings of the transactions are subject to the occurrence of certain events and to the receipt of the necessary approvals, namely that of the Toronto Stock Exchange; and the anticipated benefits of the Agreement (in particular the impact of the Agreement on operations, the structure, capabilities, business and other opportunities, and Quebecor's overall strategy). Certain factors that may cause actual results to differ from current expectations include seasonality (including seasonal fluctuations in customer orders), operating risk (including fluctuations in demand for Quebecor's products and pricing actions by competitors), new competition and Quebecor's ability to retain its current customers and to attract new ones, risks associated with the fragmentation of the advertising market, insurance risk, risks associated with capital investment (including risks related to technological development and equipment availability and breakdown), environmental risks, risks associated with cybersecurity and the protection of personal information, risks associated with collective agreements, credit risk, financial risks, debt risks, risks related to interest rate fluctuations, foreign exchange risks, risks associated with government acts and regulations, risks related to changes in tax legislation, and changes in the general political and economic environment and, as they relate to the Agreement, potential risks include the following:

non-receipt of regulatory approvals (including the receipt of the approval of the Toronto Stock Exchange) or the delay in receipt thereof or the non-compliance with the conditions related to the implementation of the Agreement or the delay in the implementation thereof; or the occurrence of an event that would allow the Caisse to terminate its obligations under the Agreement. 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. The forward-looking statements described in this press release are based on the following significant assumptions regarding the Agreement: compliance with all closing conditions and the performance of the transactions covered by the Agreement according to the planned schedule, including receipt of approvals from the regulatory bodies (including the Toronto Stock Exchange). For more information on the risks, uncertainties and assumptions that could cause Quebecor's actual results to differ from current expectations, please refer to Quebecor's public filings available at <www.sedar.com> and <www.quebecor.com>, including, in particular, the "Risks and Uncertainties" section in Quebecor's Management Discussion and Analysis for the year ended December 31, 2017.

The forward-looking statements in this press release reflect Quebecor's expectations as of the date of this press release and are subject to change after that date. Quebecor 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.

About Quebecor

Quebecor, a Canadian leader in telecommunications, entertainment, news media and culture, is one of the best-performing integrated communications companies in the industry. Driven by their determination to deliver the best possible customer experience, all of Quebecor's subsidiaries and brands are differentiated by their high-quality, multiplatform, convergent products and services.

Quebecor (TSX: QBR.A, QBR.B), is headquartered in Québec, and employs more than 10,000 people in Canada.

A family business founded in 1950, Quebecor is strongly committed to the community. Every year, it actively supports more than 400 organizations in the vital fields of culture, health, education, the environment and entrepreneurship.

Visit our website: www.quebecor.com

Follow us on Twitter: twitter.com/Quebecor

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Source:

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CONVENTION DE VENTE D' ACTIONS

ENTRE

CDP CAPITAL D' AMÉRIQUE INVESTISSEMENTS INC.

ET

QUÉBECOR MÉDIA INC.

ET

QUÉBECOR INC.

Le 8 mai 2018

CONVENTION DE VENTE D' ACTIONS intervenue à Montréal, province de Québec, en date du 8 mai 2018

ENTRE : **CDP CAPITAL D'AMÉRIQUE INVESTISSEMENTS INC.**, une personne morale légalement constituée en vertu de la *Loi sur les sociétés par actions* (Québec), ayant son siège social à l'Édifice Jacques-Parizeau, 1000, place Jean-Paul Riopelle, Montréal (Québec) H2Z 2B3, représentée par Christian Dubé et Justin Méthot, dûment autorisés aux fins des présentes tel qu'ils le déclarent;

(CDP Capital d'Amérique)

ET : **QUÉBECOR MÉDIA INC.**, une personne morale légalement constituée en vertu de la *Loi sur les sociétés par actions* (Québec), ayant son siège et son principal établissement au 612, rue St-Jacques, 12e étage, Montréal (Québec) H3C 4M8, représentée par Jean-François Pruneau et Marc M. Tremblay, dûment autorisés aux fins des présentes tel qu'ils le déclarent;

(QMI)

ET : **QUÉBECOR INC.**, une personne morale légalement constituée en vertu de la *Loi sur les sociétés par actions* (Québec), ayant son siège et son principal établissement au 612, rue St-Jacques, 12e étage, Montréal (Québec) H3C 4M8, représentée par Jean-François Pruneau et Marc M. Tremblay, dûment autorisés aux fins des présentes tel qu'ils le déclarent;

(QI, et, collectivement avec QMI, les **Acheteurs**)

LESQUELS DÉCLARENT CE QUI SUIT :

ATTENDU QUE CDP Capital d'Amérique détient 17 628 911 des 95 441 277 actions ordinaires émises et en circulation de QMI, représentant approximativement 18,47 % de la totalité des actions ordinaires émises et en circulation de QMI;

ATTENDU QUE CDP Capital d'Amérique est une filiale détenue en propriété exclusive de la Caisse de dépôt et placement du Québec;

ATTENDU QUE les parties aux présentes ont la volonté de compléter la sortie globale de la participation de CDP Capital d'Amérique dans QMI entreprise en 2012;

ATTENDU QUE CDP Capital d'Amérique désire vendre à QMI, qui désire acheter, pour fins d'annulation, 16 064 214,76 actions ordinaires émises et en circulation de QMI détenues par CDP Capital d'Amérique conformément aux modalités et conditions contenues aux présentes;

ATTENDU QUE CDP Capital d'Amérique désire vendre à QI, à un prix par action identique à celui de la transaction devant intervenir entre QMI et CDP Capital d'Amérique, qui désire acheter, 1 564 696,24 actions ordinaires émises et en circulation de QMI détenues par CDP Capital d'Amérique conformément aux modalités et conditions contenues aux présentes;

EN CONSÉQUENCE, LES PARTIES CONVIENNENT DE CE QUI SUIT :

ARTICLE 1 DÉFINITIONS ET INTERPRÉTATION

1.1 Définitions

Pour les fins de la présente Convention, en plus des mots et expressions définis ailleurs aux présentes, les mots et expressions suivants ont le sens qui leur est attribué ci-dessous :

Acheteurs signifie collectivement QMI et QI et **Acheteur** signifie l'un d'eux, selon le cas;

Actions signifie collectivement les Actions QI et les Actions QMI;

Actions catégorie A a la signification qui lui est attribuée au sous-paragraphe 3.3.3 des présentes;

Actions catégorie B a la signification qui lui est attribuée au sous-paragraphe 3.3.3 des présentes;

Actions QI signifie les 1 564 696,24 actions ordinaires de QMI représentant approximativement 8,9 % des actions ordinaires émises et en circulation de QMI détenues par CDP Capital d'Amérique sur une base non-diluée, et devant être vendues à QI conformément aux modalités et conditions des présentes;

Actions QMI signifie les 16 064 214,76 actions ordinaires de QMI représentant approximativement 91,1 % des actions ordinaires émises et en circulation de QMI détenues par CDP Capital d'Amérique sur une base non-diluée, et devant être vendues à QMI conformément aux modalités et conditions des présentes;

Actions sous-jacentes signifie les Actions catégorie B pouvant être émises lors de la conversion des Débentures convertibles;

Approbations gouvernementales signifie toutes les autorisations, dispenses, ordonnances, consentements, directives, avis, licences, permis, enregistrements ou droits semblables émis ou qui doivent être émis par une Autorité gouvernementale;

Autorité gouvernementale signifie toute autorité réglementaire ou département ou agence gouvernementale, commission, ministère, bureau, tribunal, société de la couronne ou toute autre entité ayant le pouvoir d'établir des Lois ayant juridiction ou déclarant avoir juridiction pour le compte du Canada ou de toute province, municipalité ou district ou de toute autre subdivision au Canada;

CDP Capital d'Amérique signifie CDP Capital d'Amérique Investissements Inc.;

Changement défavorable important signifie tout changement résultant de tout événement qui a, ou dont on pourrait raisonnablement s'attendre à ce qu'il ait, un effet défavorable important sur l'entreprise, les affaires, le capital, les opérations, la condition financière ou les propriétés ou les biens d'une Personne et de ses filiales, dans tous les cas, considérés sur une base consolidée;

Charge signifie tout hypothèque, servitude, droit de passage, emprise, créance prioritaire, privilège, charge, droit de réclamation, droit sur une communauté de biens, intérêt en *equity*, option, gage, sûreté, droit de premier refus ou restriction de n'importe quel type, y compris une restriction d'utilisation, de vote, de transfert, d'encaissement d'un revenu ou d'exercice de tout autre attribut de la propriété;

Clôture signifie la réalisation de l'achat par QMI et de la vente par CDP Capital d'Amérique de 10 431 308,29 actions ordinaires de QMI à la Date de clôture conformément au paragraphe 6.1 des présentes;

Convention signifie la présente convention ainsi que son préambule et ses annexes, et les expressions **des présentes, aux présentes, en vertu des présentes et par les présentes** ainsi que les expressions du même genre, réfèrent à la présente Convention;

Convention d'amendement à la Convention de crédit signifie une convention d'amendement à la Convention de crédit de QI prévoyant, notamment, l'émission des Débentures convertibles, l'utilisation du produit de leur émission et d'autres opérations afférentes;

Convention de crédit de QI signifie la convention de crédit consolidée et modifiée datée du 23 novembre 2007 entre QI, Banque royale du Canada en tant qu'agent administratif, et la caution et les prêteurs nommés aux pages signatures de celle-ci, telle que modifiée;

Convention de fiducie signifie une convention de fiducie de QI relative aux Débentures convertibles, substantiellement en la forme de la convention de fiducie de QI, en date du 11 octobre 2012, telle que modifiée en date du 26 avril 2013, et reflétant les modalités relatives aux Débentures convertibles prévues à l'Annexe B de la présente Convention et telle que négociée de bonne foi par CDP Capital d'Amérique et QI, sous réserve du paragraphe 2.6 des présentes;

Convention d'inscription QI signifie une convention de droits d'inscription entre QI et CDP Capital d'Amérique, accordant des droits d'inscription sur demande à CDP Capital d'Amérique à l'égard des Débentures convertibles et des Actions sous-jacentes, et telle que négociée de bonne foi par CDP Capital d'Amérique et QI;

Convention entre actionnaires signifie la convention entre actionnaires intervenue entre QI, QMI, CDP Capital d'Amérique (auparavant Capital Communications CDPQ inc.), 4032659 Canada Inc. et 4032667 Canada Inc. (auparavant 3804020 Canada Inc. et 2745844 Canada Inc.) en date du 23 octobre 2000, telle que consolidée et modifiée par une entente entre actionnaires en date du 11 décembre 2000, et telle que modifiée par résolution écrite des actionnaires en date du 25 mai 2011, par convention d'amendement en date du 2 octobre 2012 et par résolution écrite des actionnaires en date du 29 juillet 2015;

Date de clôture signifie le 11 mai 2018;

Date de paiement du solde QMI signifie une date devant être mutuellement convenue par écrit entre QMI et CDP Capital d'Amérique, mais au plus tard le 45^e jour suivant la date de la présente Convention;

Date de paiement QI signifie une date devant être mutuellement convenue par écrit entre QI et CDP Capital d'Amérique, mais au plus tard le 45^e jour suivant la date de la présente Convention;

Débentures convertibles signifie des débentures convertibles de QI ayant les modalités prévues à l'Annexe B de la présente Convention et qui seront émises (sous réserve de l'approbation conditionnelle de la TSX et la conclusion de la Convention d'amendement à la Convention de crédit) aux termes de la Convention de fiducie, et sous réserve de la Convention d'inscription QI, à la Date de paiement QI, tel que prévu au paragraphe 2.6 des présentes;

Documents d'information continue signifie (i) la notice annuelle de QI datée du 29 mars 2018, (ii) la circulaire de sollicitation de procurations par la direction de QI datée du 29 mars 2018 et préparée dans le cadre de l'assemblée annuelle et extraordinaire des actionnaires de celle-ci devant être tenue à la date de la présente Convention, (iii) les États financiers et (iv) le rapport de

gestion de QI pour les exercices terminés les 31 décembre 2017 et 2016 et le rapport de gestion de QI pour les périodes de trois mois terminées le 31 mars 2018 et 2017;

Dommages a la signification qui lui est attribuée au sous-paragraphe 4.2.1 des présentes;

Effet défavorable important signifie l'effet résultant de tout Changement défavorable important;

États financiers a la signification qui lui est attribuée au sous-paragraphe 3.3.13 des présentes;

fait important a la signification qui lui est attribuée dans les Lois canadiennes en valeurs mobilières;

Filiale a la signification qui lui est attribuée dans le Règlement 45-106;

Filiales importantes signifie QMI, Vidéotron ltée, Groupe TVA inc., 4032659 Canada Inc. et 4032667 Canada Inc.;

information fausse ou trompeuse a la signification qui lui est attribuée dans les Lois canadiennes en valeurs mobilières;

Items de clôture des Acheteurs signifie tous les items identifiés au sous-paragraphe 6.1.3 des présentes;

Items de clôture de CDP Capital d'Amérique signifie tous les items identifiés au sous-paragraphe 6.1.1 des présentes;

Jour ouvrable signifie un jour autre que : i) un samedi; ii) un dimanche; iii) un jour férié dans la Province de Québec ou la Province de l'Ontario; ou iv) un jour au cours duquel les succursales des banques canadiennes dans la Province de Québec ou la Province de l'Ontario sont fermées;

LIR signifie la *Loi de l'impôt sur le revenu* (Canada);

Loi de 1933 signifie la loi américaine intitulée *Securities Act of 1933*, dans sa version modifiée;

Lois signifie tous les lois, règlements, règles, ordonnances, décrets, instructions, dispenses, directives, avis, instruments et politiques d'une Autorité gouvernementale, y compris notamment les Lois fiscales;

Lois canadiennes en valeurs mobilières a la signification qui lui est attribuée au paragraphe 2.7 des présentes;

Lois fiscales signifient la LIR et la *Loi sur les impôts* (Québec) ainsi que toute autre loi canadienne ou étrangère relative aux impôts ou taxes à laquelle QI ou ses Filiales importantes sont ou ont été assujetties;

LSAQ signifie la *Loi sur les sociétés par actions* (Québec);

Partie indemnistrice a la signification qui lui est attribuée au sous-paragraphe 4.2.3 des présentes;

Partie indemnisée a la signification qui lui est attribuée au sous-paragraphe 4.2.3 des présentes;

Parties signifie toutes les parties signataires de la présente Convention collectivement et **Partie** signifie l'une d'entre elles, selon le cas;

PCGR signifie les Normes internationales d'information financière (*International Financial Reporting Standards*) si et lorsque applicables à QI;

Personne signifie tout individu, corporation, compagnie, société, fiducie, organisation, association, Autorité gouvernementale ou autre entité reconnue par la Loi;

Prix de vente QI a la signification qui lui est attribuée au paragraphe 2.5 des présentes;

Prix de vente QMI a la signification qui lui est attribuée au paragraphe 2.2 des présentes;

QI signifie Québecor inc.;

QMI signifie Québecor Média inc.;

Réclamation d'un tiers a la signification qui lui est attribuée au sous-paragraphe 4.2.3 des présentes;

Règlement 45-106 a la signification qui lui est attribuée à l'article 2.9;

TSX signifie la Bourse de Toronto.

1.2 **Lois applicables**

La présente Convention sera régie et interprétée conformément aux Lois de la Province de Québec et aux Lois du Canada qui y sont applicables.

1.3 **Délais**

Les délais indiqués à la présente Convention sont de rigueur.

1.4 **Préambule et annexes**

Le préambule ainsi que les annexes à la présente Convention en font partie intégrante.

1.5 **Devises**

Sauf indication contraire, tous les montants en dollars mentionnés à la présente Convention sont en devises canadiennes.

1.6 **Titres**

Les titres des articles de la présente Convention ont été insérés uniquement pour en faciliter la lecture et ne peuvent servir à son interprétation.

1.7 **Genre et nombre**

Dans la mesure où le contexte le requiert, le genre masculin employé aux présentes comprend le féminin et *vice versa* et le singulier comprend le pluriel et *vice versa*.

1.8 **Connaissance**

Dans la présente Convention, les mentions de la connaissance de QMI ou QI font référence à la connaissance réelle de Jean-François Pruneau et Marc M. Tremblay, ainsi qu'à la connaissance que l'une ou l'autre de ces personnes aurait dû avoir après avoir effectué toute vérification diligente raisonnable sur l'objet pertinent.

1.9 **Annexes**

Les annexes à la présente Convention, telles qu'énumérées ci-dessous, forment une partie intégrale de la présente Convention :

Annexe A Projet de communiqué de presse

Annexe B Modalités des Débentures convertibles

ARTICLE 2 ACHAT ET VENTE D' ACTIONS

2.1 **Achat et vente des Actions QMI**

Sous réserve des modalités et conditions contenues dans la présente Convention et en contrepartie du Prix de vente QMI, CDP Capital d'Amérique convient de vendre à QMI les Actions QMI et QMI convient de les acheter, pour annulation, en ce qui concerne 10 431 308,29 actions ordinaires de QMI, à la Date de clôture, et en ce qui concerne 5 632 906,47 actions ordinaires de QMI, à la Date de paiement du solde QMI.

2.2 **Prix de vente des Actions QMI**

Le prix de vente total payable par QMI à CDP Capital d'Amérique pour les Actions QMI sera de 1 540 000 000 \$ (le **Prix de vente QMI**), payable selon les modalités de paiement prévues au paragraphe 2.3 des présentes.

2.3 **Modalités de paiement des Actions QMI**

2.3.1 Sous réserve des modalités et conditions contenues dans la présente Convention, QMI s'oblige à payer et acquitter le Prix de vente QMI par le biais des deux paiements suivants :

2.3.1.1 1 000 000 000 \$ en espèces par virement bancaire à CDP Capital d'Amérique (ou toute autre entité désignée par celle-ci) à la Date de clôture;

2.3.1.2 le solde du Prix de vente QMI de 540 000 000 \$ en espèces par virement bancaire à CDP Capital d'Amérique (ou toute autre entité désignée par celle-ci) à la Date de paiement du solde QMI.

2.3.2 Les Parties reconnaissent que, sous réserve du paiement à CDP Capital d'Amérique (ou toute autre entité désignée par celle-ci) de la somme globale de 1 540 000 000 \$ en espèces, QMI sera entièrement libérée et déchargée de manière absolue de son obligation de payer le Prix de vente QMI pour les Actions QMI.

2.3.3 Les Parties estiment que le Prix de vente QMI n'est pas supérieur à la juste valeur marchande des Actions QMI à la date des présentes.

2.4 **Achat et vente des Actions QI**

Sous réserve des modalités et conditions contenues dans la présente Convention et en contrepartie du Prix de vente QI, CDP Capital d'Amérique convient de vendre à QI les Actions QI et QI convient de les acheter à la Date de paiement QI.

2.5 **Prix de vente des Actions QI**

Le prix de vente total payable par QI à CDP Capital d'Amérique pour les Actions QI (le **Prix de vente QI**) sera payable selon les modalités de paiement prévues au paragraphe 2.6 des présentes.

2.6 **Modalités de paiement QI**

2.6.1 L'obligation de QI de payer le Prix de vente QI sera satisfaite par l'émission par QI de Débentures convertibles d'un montant en capital de 150 000 000 \$ qui seront, sous réserve de l'approbation conditionnelle de la TSX, émises et remises à CDP Capital d'Amérique à la Date de paiement QI. Les Débentures convertibles auront les modalités générales prévues à l'**Annexe B** de la présente Convention et le Prix de vente QI sera payable suivant les modalités prévues dans les Débentures convertibles.

2.6.2 Nonobstant le sous-paragraphe 2.6.1 des présentes, si (i) QI n'a pas reçu l'approbation conditionnelle de la TSX, (ii) les Parties ne se sont pas entendues sur les modalités des Débentures convertibles (autres que les modalités générales prévues à l'**Annexe B** de la présente Convention), de la Convention de fiducie ou de la Convention d'inscription QI, dans tous les cas, agissant de manière raisonnable, ou (iii) QI n'a pas obtenu l'approbation du syndicat de prêteurs à l'égard des opérations prévues aux présentes en vertu de la Convention de crédit de QI, le cas échéant, avant la Date de paiement QI, l'obligation de QI de payer le Prix de vente QI sera satisfaite par le paiement de 140 000 000 \$ en espèces par virement bancaire à CDP Capital d'Amérique (ou toute autre entité désignée par celle-ci) à la Date de paiement QI.

2.6.3 Les Parties reconnaissent que, sous réserve (i) de l'émission à CDP Capital d'Amérique des Débentures convertibles aux termes du sous-paragraphe 2.6.1 des présentes, ou (ii) du paiement à CDP Capital d'Amérique (ou toute autre entité désignée par celle-ci) de la somme globale de 140 000 000 \$ en espèces selon le sous-paragraphe 2.6.2 des présentes, selon le cas, QI sera entièrement libérée et déchargée de manière absolue de son obligation de payer le Prix de vente QI pour les Actions QI.

2.6.4 Les Parties estiment que le Prix de vente QI n'est pas supérieur à la juste valeur marchande des Actions QI à la date des présentes.

2.7 **Dispense des exigences de prospectus**

CDP Capital d'Amérique et QI reconnaissent et conviennent que le placement des Débentures convertibles à CDP Capital d'Amérique, le cas échéant, selon les modalités et conditions du sous-paragraphe 2.6.1 des présentes, sera effectué conformément à l'article 2.3 (investisseur qualifié) du *Règlement 45-106 sur les dispenses de prospectus* (le **Règlement 45-106**) et sera dispensé des obligations de préparation et dépôt d'un prospectus des Lois en valeurs mobilières applicables au Québec ou ailleurs au Canada (les **Lois canadiennes en valeurs mobilières**).

2.8 **Reconnaissance de CDP Capital d'Amérique**

Sous réserve des droits prévus dans la Convention d'inscription QI, CDP Capital d'Amérique reconnaît que les Débentures convertibles et les Actions sous-jacentes, selon le cas, seront

assujetties à des restrictions à la revente de ces titres en vertu des Lois canadiennes en valeurs mobilières applicables, incluant le *Règlement 45-102 sur la revente de titres*, et que les certificats émis aux termes de la présente Convention et la Convention de fiducie porteront une mention énonçant que, sauf disposition contraire des Lois canadiennes en valeurs mobilières, le détenteur des Débentures convertibles et les Actions sous-jacentes devra les conserver pour une période de quatre mois et un jour à compter de la date de l'émission des Débentures convertibles, étant entendu qu'à l'expiration de ladite période de restriction, un certificat ne portant pas de restriction de transfert sera émis sur demande.

2.9 **Résiliation de la Convention entre actionnaires**

À la dernière des dates suivantes : (i) la Date de paiement du solde QMI, et (ii) la Date de paiement QI, les Parties conviennent de résilier et de mettre fin à la Convention entre actionnaires et de signer, et de faire en sorte que leurs Filiales respectives signent, si applicable, un acte de résiliation de la Convention entre actionnaires.

ARTICLE 3 DÉCLARATIONS ET GARANTIES

3.1 **Déclarations et garanties de CDP Capital d'Amérique**

CDP Capital d'Amérique déclare et garantit à chacun des Acheteurs ce qui suit à la signature de la présente Convention, à la Date de clôture, à la Date de paiement du solde QMI, à la Date de paiement QI ou à tout autre moment indiqué expressément selon le cas, et reconnaît que toutes et chacune des déclarations et garanties données ci-après constituent pour chacun des Acheteurs un élément essentiel l'ayant incité à conclure la présente Convention et sans lequel il n'aurait pas conclu celle-ci ou n'aurait pas convenu d'acheter les Actions :

- 3.1.1 **Statut corporatif.** CDP Capital d'Amérique est une société constituée et organisée et existe valablement aux termes de la LSAQ.
- 3.1.2 **Capacité.** CDP Capital d'Amérique a le pouvoir, l'autorité et la capacité requis pour conclure la présente Convention, s'acquitter de ses obligations aux termes des présentes et exécuter les opérations qui y sont envisagées. Toutes les procédures et approbations corporatives requises ont été remplies ou obtenues afin de permettre à CDP Capital d'Amérique de signer la présente Convention et afin de permettre l'acquittement par CDP Capital d'Amérique de ses obligations qui s'y retrouvent.
- 3.1.3 **Validité de la Convention.** La présente Convention a été dûment signée et constitue une obligation exécutoire, valide et légale de CDP Capital d'Amérique qui lui est opposable conformément à ses modalités (sous réserve de la législation d'application générale applicable, notamment en matière de faillite, d'insolvabilité et de restructuration, limitant en général l'exécution des droits des créanciers et sous réserve du fait que l'exécution en nature est un recours en équité pouvant être exercé uniquement à la discrétion d'un tribunal).
- 3.1.4 **Absence de contravention.** La présente Convention et les actes de CDP Capital d'Amérique que requière sa mise à exécution ne contreviennent pas aux dispositions de la LSAQ, aux règlements de CDP Capital d'Amérique ou aux Lois de tout territoire auquel CDP Capital d'Amérique est assujettie en rapport avec la vente des Actions et les autres opérations prévues aux présentes.
- 3.1.5 **Absence de consentement.** Aucune Approbation gouvernementale ni aucun dépôt auprès de celle-ci n'est requis de la part de CDP Capital d'Amérique relativement à la signature des présentes et à l'exécution des obligations qui y sont comprises.

- 3.1.6 Résidence. CDP Capital d'Amérique n'est pas une non-résidente du Canada au sens de la LIR.
- 3.1.7 Propriété des Actions. CDP Capital d'Amérique est la propriétaire véritable, absolue et inscrite des Actions, en vertu d'un titre de propriété clair, absolu et libre de toute Charge lui permettant d'en disposer à sa guise, de les transférer et d'en effectuer la délivrance aux Acheteurs conformément aux modalités de la présente Convention, sous réserve des modalités de la Convention entre actionnaires. À la Clôture ou à la Date de paiement du solde QMI, le cas échéant et selon ce qui est prévu à l'Article 6 des présentes, CDP Capital d'Amérique transférera à QMI tous ses droits dans les Actions QMI, libres de toute Charge. À la Date de paiement QI, CDP Capital d'Amérique transférera à QI tous ses droits dans les Actions QI, libres de toute Charge.
- 3.1.8 Options. Il n'existe :
- (i) aucun contrat, autre que la présente Convention et la Convention entre actionnaires, qui accorde à une Personne le droit d'acheter ou d'acquérir de toute autre façon les Actions;
 - (ii) autre que la Convention entre actionnaires, aucune convention de vote ou de mise en commun ni aucune procuration se rapportant aux Actions.
- 3.1.9 Litiges. Il n'y a aucun litige, poursuite, action, réclamation ou autre procédure judiciaire de quelque nature en cours par CDP Capital d'Amérique, contre CDP Capital d'Amérique ou impliquant directement ou indirectement CDP Capital d'Amérique qui, suivant une résolution défavorable à celle-ci, pourrait avoir pour effet de limiter ou d'empêcher la vente des Actions par CDP Capital d'Amérique aux Acheteurs, libres de toute Charge; il n'existe aucune ordonnance, directive, décision, injonction, décret ou jugement contre CDP Capital d'Amérique pouvant avoir pour effet de limiter ou d'empêcher la vente des Actions par celle-ci aux Acheteurs, libres de toute Charge.
- 3.1.10 Documentation. CDP Capital d'Amérique signera, livrera ou aidera QI à remplir toute la documentation que les Lois canadiennes en valeurs mobilières applicables peuvent prescrire afin de permettre l'émission des Débentures convertibles aux conditions énoncées aux présentes.
- 3.1.11 Aucun démarchage. CDP Capital d'Amérique reconnaît qu'à sa connaissance, l'émission des Débentures convertibles en faveur de CDP Capital d'Amérique ne résulte pas d'un démarchage général ou d'une publicité générale, incluant des annonces, des articles, des avis ou autres communications publiés dans tout journal, magazine ou média similaire ou diffusés à la radio ou la télévision ou un séminaire ou une réunion dont les participants ont été invités par voie de démarchage général ou publicité générale.
- 3.1.12 Institution financière déterminée. CDP Capital d'Amérique n'est pas une institution financière déterminée aux fins de la LIR.
- 3.1.13 Investisseur qualifié. CDP Capital d'Amérique : i) acquiert les Débentures convertibles (incluant les Actions sous-jacentes) pour son propre compte; et ii) est un investisseur qualifié au sens du paragraphe t) de la définition d'« investisseur qualifié » de l'article 1.1 du Règlement 45-106.
- 3.1.14 Propriété de Titres. En utilisant l'information fournie au sous-paragraphe 3.3.3 de la présente Convention, CDP Capital d'Amérique n'a pas la propriété véritable de titres ni n'exerce d'emprise sur de tels titres, directement ou indirectement, lui assurant plus de 10% des droits de vote rattachés à l'ensemble des titres comportant droit de vote de QI

en circulation, en appliquant les dispositions de l'article 1.6 du *Règlement 61-101 sur les mesures de protection des porteurs minoritaires lors d'opérations particulières* et de l'article 1.8 du *Règlement 62-104 sur les offres publiques d'achat et de rachat*.

3.2 **Déclarations et garanties de QMI**

QMI déclare et garantit à CDP Capital d'Amérique ce qui suit à la signature de la présente Convention, à la Date de clôture ou à tout autre moment indiqué expressément selon le cas, et reconnaît que toutes et chacune des déclarations et garanties données ci-après constituent pour CDP Capital d'Amérique un élément essentiel l'ayant incité à conclure la présente Convention et sans lequel elle n'aurait pas conclu celle-ci ou n'aurait pas convenu de vendre les Actions :

- 3.2.1 **Statut corporatif**. QMI est une société constituée et organisée et existe valablement aux termes de la LSAQ.
- 3.2.2 **Capacité et exécution des obligations**. QMI a le pouvoir, l'autorité et la capacité requis pour conclure la présente Convention, s'acquitter de ses obligations aux termes des présentes et exécuter les opérations qui y sont envisagées. Toutes les procédures et approbations corporatives requises ont été remplies ou obtenues afin de permettre à QMI de signer la présente Convention et afin de permettre l'acquiescement par QMI de ses obligations qui s'y retrouvent.
- 3.2.3 **Validité de la Convention**. La présente Convention a été dûment signée et constitue une obligation exécutoire, valide et légale de QMI qui lui est opposable conformément à ses modalités (sous réserve de la législation d'application générale applicable, notamment en matière de faillite, d'insolvabilité et de restructuration, limitant en général l'exécution des droits des créanciers et sous réserve du fait que l'exécution en nature est un recours en équité pouvant être exercé uniquement à la discrétion d'un tribunal).
- 3.2.4 **Absence de contravention**. La présente Convention et les actes que requière sa mise à exécution ne contreviennent pas aux dispositions de la LSAQ (incluant pour plus de certitude les articles 95 et 96 de la LSAQ) et des documents constitutifs ou des règlements de QMI ou à toute convention écrite ou verbale à laquelle QMI est partie en rapport avec l'achat des Actions QMI ou aux Lois de tout territoire auquel QMI est assujettie en rapport avec l'achat des Actions QMI.
- 3.2.5 **Absence de consentement**. Aucune Approbation gouvernementale, ni aucune approbation ou consentement d'une tierce partie, ni aucun dépôt auprès de celles-ci n'est requis de la part de QMI relativement à la signature des présentes et à l'exécution des obligations qui y sont comprises ou celles qui sont comprises dans tout contrat ou document accessoire, sauf pour le dépôt de rapports sur formulaire 6 K fournis à la Securities and Exchange Commission des États-Unis et de dépôts d'avis postérieurement à la Clôture.
- 3.2.6 **Aucune poursuite judiciaire**. Il n'y a aucune poursuite judiciaire en instance ou, à la connaissance de QMI, imminente ni aucune circonstance qui pourrait vraisemblablement donner lieu à une telle poursuite, dans chaque cas de nature à entraver d'une manière quelconque l'achat des Actions QMI ou le paiement du Prix de vente QMI ou encore la conclusion de l'une des opérations prévues dans la présente Convention.
- 3.2.7 **Aucune commission**. QMI n'a convenu de payer à quiconque quelque commission, frais de courtage, honoraires de démarcheur ou tout autre paiement semblable relativement à l'achat des Actions QMI aux termes de la présente Convention ou relativement à toute autre transaction prévue aux présentes.

3.3 **Déclarations et garanties de QI**

QI déclare et garantit à CDP Capital d'Amérique ce qui suit (i) à la signature de la présente Convention, (ii) dans la mesure où le placement des Débentures convertibles à CDP Capital d'Amérique a lieu selon les modalités et conditions du sous-paragraphe 2.6.1 des présentes, à la Date de paiement QI, ou (iii) à tout autre moment indiqué expressément selon le cas, et reconnaît que toutes et chacune des déclarations et garanties données ci-après constituent pour CDP Capital d'Amérique un élément essentiel l'ayant incité à conclure la présente Convention et sans lequel elle n'aurait pas conclu celle-ci ou n'aurait pas convenu de vendre les Actions :

- 3.3.1 **Statut corporatif.** QI et chacune de ses Filiales importantes sont dûment constituées et organisées et existent valablement en vertu des Lois qui régissent leurs existences et ont le droit d'exercer leurs activités en vertu des Lois de chaque territoire dans lequel elles exercent leurs activités respectives.
- 3.3.2 **Capacité.** QI et chacune de ses Filiales importantes ont le pouvoir, l'autorité et la capacité requis pour posséder, louer et exploiter leurs biens et actifs et pour exercer leurs activités telles qu'elles l'exercent actuellement.
- 3.3.3 **Capital-actions.** Le capital-actions autorisé de QI est composé d'un nombre illimité d'actions catégorie A (droits de vote multiples) (les **Actions catégorie A**) et d'un nombre illimité d'actions catégorie B (comportant droit de vote) (les **Actions catégorie B**), et dont seulement 77 324 844 Actions catégorie A et 156 082 284 Actions catégorie B sont émises et en circulation comme entièrement libérées et non susceptibles d'appel subséquent en date du 30 avril 2018. En date du 30 avril 2018, il y avait 680 000 options d'achat d'actions de QI émises et en circulation permettant de souscrire à des Actions catégorie B ou de recevoir de QI un paiement en espèces ainsi que des débentures subordonnées non garanties convertibles 4,125 % échéant en 2018 d'un capital global de 412 500 000 \$.
- 3.3.4 **Défauts.** Ni QI ni aucune de ses Filiales importantes ne viole ses documents constitutifs ni n'est en défaut en ce qui concerne l'exécution ou le respect d'une obligation, d'une convention, d'un engagement ou d'une condition importante figurant dans un contrat, une convention, un acte de fiducie, une hypothèque, un contrat de prêt, un billet, un bail ou une autre convention ou un autre instrument auquel elle est partie ou qui la lie ou lie ses biens, sauf pour tout défaut qui n'a pas un Effet défavorable important pour QI.
- 3.3.5 **Filiales importantes.** Sauf (i) tel qu'il est divulgué dans les Documents d'information continue ou (ii) à l'égard des Charges consenties ou permises en vertu des conventions de crédit de QI et/ou de ses Filiales, la totalité des actions ou autres titres de participation que détient QI dans ses Filiales importantes sont libres et quittes de toute Charge. Aucune Personne n'a quelque entente ou option, ou droit ou privilège (de préemption ou contractuel) pouvant devenir une convention ou une option pour l'émission d'actions ou d'autres titres de QI ou de QMI, sauf dans le cadre de la Convention entre actionnaires, en vertu de la convention de fiducie de QI en date du 11 octobre 2012, tel que modifié en date du 26 avril 2013, et des régimes de rémunération ou d'autres régimes similaires visant l'achat d'actions ou d'autres titres de QI ou de QMI divulgués dans les Documents d'information continue ou les États Financiers ou tel que prévu aux présentes.
- 3.3.6 **Restrictions d'opérations.** Aucune ordonnance ni décision, ni aucun jugement portant cessation, interdiction ou restriction d'opérations sur les valeurs mobilières de QI n'a été rendu et est présentement en cours et, à la connaissance de QI, aucune procédure ni enquête en ce sens n'est en cours, envisagée ni imminente.
- 3.3.7 **Émetteur assujetti.** QI est un émetteur assujetti ou a un statut équivalent en règle dans toutes les provinces du Canada en vertu des Lois canadiennes en valeurs mobilières et

se conforme à tous égards importants à l'ensemble des obligations d'information continue applicables en vertu des Lois canadiennes en valeurs mobilières. QI n'est pas sur une liste de défaut d'une commission des valeurs mobilières ou l'équivalent d'une province du Canada.

- 3.3.8 Documents d'information continue. Les renseignements et énoncés contenus dans les Documents d'information continue étaient véridiques et exacts à tous égards importants, et ne renfermaient aucune information fautive ou trompeuse et révélaient, de façon complète, véridique et claire, tout fait important relatif à QI et à ses Filiales, aux dates auxquelles les Documents d'information continue ont été préparés. Les Documents d'information continue étaient conformes à tous égards importants aux exigences des Lois canadiennes en valeurs mobilières aux dates auxquelles les Documents d'information continue ont été préparés et déposés. À la connaissance de QI, QI n'est pas visée par un examen d'un organisme de réglementation des valeurs mobilières relativement à ses Documents d'information continue.
- 3.3.9 Aucun changement. Sauf tel qu'il est divulgué dans les Documents d'information continue, il n'est survenu aucun Changement défavorable important touchant QI depuis le 1^{er} avril 2018.
- 3.3.10 Dépôts. Aucun document déposé de façon confidentielle auprès des autorités en valeurs mobilières ne demeure confidentiel à la date des présentes.
- 3.3.11 Inscription. Les Actions catégorie A et les Actions catégorie B de QI émises et en circulation sont inscrites et affichées à des fins de négociation à la TSX et QI respecte les règles et règlements de la TSX à tous égards importants.
- 3.3.12 Livres et registres. Les livres et registres corporatifs de QI et de ses Filiales importantes reflètent, sous leurs aspects essentiels, toutes les décisions de leurs administrateurs (y compris en leur qualité de membres de tout comité du conseil d'administration de QI) et actionnaires respectifs, et ne révèlent aucune illégalité ou irrégularité ayant un Effet défavorable important pour QI.
- 3.3.13 États financiers. Les états financiers consolidés audités de QI pour les exercices terminés les 31 décembre 2017 et 2016, ainsi que les notes et les rapports d'auditeur s'y rapportant, et les états financiers consolidés intermédiaires de QI pour les périodes de trois mois terminées les 31 mars 2018 et 2017, ainsi que les notes s'y rapportant (collectivement, les **États financiers**) (i) représentent fidèlement la situation financière, les résultats d'exploitation et les flux de trésorerie de QI et ses Filiales à leurs dates respectives et pour les périodes qui y sont indiquées, et (ii) ont été préparés conformément aux PCGR.
- 3.3.14 Opérations hors bilan. Sauf tel que spécifiquement divulgué aux États financiers, il n'y a pas d'opérations, d'arrangements, d'obligations (y compris des obligations conditionnelles) hors bilan ou avec une partie reliée ni d'autres relations d'importance de QI ou d'une de ses Filiales importantes avec des entités non consolidées ou d'autres Personnes susceptibles d'avoir un effet actuel ou futur important sur la situation financière, l'évolution de la situation financière, les résultats d'exploitation, les liquidités, les dépenses en immobilisations, les ressources en capital ou les éléments importants de revenus ou de dépenses de QI et de ses Filiales importantes, dans leur ensemble; il n'y a eu aucune dévaluation importante d'actifs approuvée par le conseil d'administration de QI qui n'a pas été divulguée.
- 3.3.15 Impôts. La totalité des taxes et impôts (y compris l'impôt sur le revenu, l'impôt ou taxe sur le capital, les charges sociales, les cotisations de l'employeur à l'assurance santé, les cotisations à l'indemnisation des accidents du travail, les impôts fonciers, les droits de

douane et les droits de cession immobilière), des droits, des redevances, des prélèvements, des cotisations, des déductions, des charges ou retenues et de la totalité des obligations à cet égard, y compris toute pénalité et tout intérêt payable à cet égard exigibles et payables ou devant être perçus ou retenus et versés par QI et les Filiales importantes ont été payés, perçus ou retenus et versés, selon le cas, et la totalité des déclarations fiscales, paiements d'impôt et autres documents devant être produits par QI et les Filiales ont été produits auprès de toutes les Autorités gouvernementales compétentes, sauf dans le cas où le défaut de payer, de percevoir, de retenir, de verser ou de produire, selon le cas, n'entraînerait pas d'Effet défavorable important pour QI. *Sauf pour les cotisations ou réclamations qui font l'objet d'une contestation menée de bonne foi et pour lesquelles une provision suffisante a été prise dans les états financiers de QI ou de la Filiale dont il s'agit, il n'existe aucune cotisation ou réclamation toujours pendante des autorités fiscales contre QI ou l'une ou l'autre de ses Filiales importantes en matière de taxes ou d'impôts ou à l'égard d'un autre type de prélèvement décrit au présent paragraphe qui, si elle n'était pas acquittée, entraînerait un Effet défavorable important pour QI.*

- 3.3.16 Passif fiscal. Exception faite de ce qui est indiqué dans les Documents d'information continue, il n'y a pas de passif fiscal à l'égard des obligations de QI et de chacune de ses Filiales importantes relativement aux Lois fiscales applicables et qui a été, ou à la connaissance de QI, sera vraisemblablement réclamé à QI, à chacune de ses Filiales importantes ou à l'égard de ses biens ou actifs, exception faite des violations qui n'auraient pas d'Effet défavorable important pour QI.
- 3.3.17 Opérations sur dérivés. QI n'a connaissance d'aucun défaut ou de circonstances qui, avec la remise d'un avis ou de l'écoulement du temps (ou les deux) donneraient lieu à un défaut, par quelque contrepartie, à une opération sur dérivés conclue avec QI ou l'une de ses Filiales importantes qui pourraient raisonnablement avoir un Effet défavorable important pour QI.
- 3.3.18 Contrôles internes. QI a conçu ou fait concevoir : i) des contrôles et procédures de communication de l'information (**CPCI**) pour fournir l'assurance raisonnable que (a) l'information importante relative à QI et ses Filiales est communiquée aux dirigeants appropriés, en particulier pendant la période où les documents annuels sont établis et (b) l'information qui doit être présentée par QI dans ses documents annuels, ses documents intermédiaires ou d'autres rapports qu'elle dépose ou transmet en vertu des Lois canadiennes en valeurs mobilières est enregistrée, traitée, condensée et présentée dans les délais prescrits par ces lois et ne contient pas d'information fautive ou trompeuse ou n'omette de déclarer un fait important; et ii) le contrôle interne à l'égard de l'information financière (**CIIF**) pour fournir l'assurance raisonnable que l'information financière est fiable et que les états financiers ont été établis, aux fins de publication de l'information financière, conformément aux PCGR de QI; sous réserve que l'étendue des CPCI et du CIIF est limitée afin d'exclure des contrôles, politiques et procédures les entités et entreprises suivantes : (a) toute entité consolidée par intégration proportionnelle dans laquelle QI a une participation et (b) l'information financière sommaire concernant l'entité consolidée par intégration proportionnelle, de l'entité à détenteurs de droits variables ou de l'entreprise acquise par QI qui a été consolidée par intégration proportionnelle ou qui a été consolidée dans les états financiers de QI.
- 3.3.19 Charges hors du cours normal des activités. Sauf tel que divulgué dans les Documents d'information continue, depuis le 1^{er} avril 2018 et à l'exception des transactions prévues aux présentes, ni QI ni aucune de ses Filiales importantes n'a engagé, pris en charge ou endossé quelque responsabilité, charge ou passif (absolu, exigible, éventuel ou autre) ni n'a conclu quelque opération qui, dans un cas ou dans l'autre, est ou dont on pourrait raisonnablement s'attendre à ce qu'elle soit importante pour QI et ses Filiales importantes, dans leur ensemble, et qui n'est pas dans le cours normal de leurs activités.

- 3.3.20 Actions et poursuites. Sauf tel que divulgué dans les Documents d'information continue, il n'y a pas d'action, de poursuite ou d'instance au nom de QI ou de l'une de ses Filiales importantes ou à leur encontre qui est en cours ou, à sa connaissance, est imminente visant ou touchant QI ou l'une de ses Filiales importantes, en droit ou en équité de la part de toute Personne ou auprès ou de la part d'un ministère, d'une commission, d'un conseil, d'un bureau, d'un intermédiaire fédéral, provincial, municipal ou gouvernemental national ou étranger ou de tout autre Autorité gouvernementale, et qui pourrait avoir un Effet défavorable important pour QI. QI n'est au courant d'aucune poursuite judiciaire en instance ou imminente ni d'aucune circonstance qui pourrait vraisemblablement donner lieu à une telle poursuite de nature à entraver d'une manière quelconque l'achat des Actions QI ou le paiement du Prix de vente QI ou encore la conclusion de l'une des opérations prévues dans la présente Convention, la Convention de fiducie et la Convention d'inscription QI, incluant l'émission et la livraison des Débentures convertibles et des Actions sous-jacentes.
- 3.3.21 Approbations gouvernementales. QI et chacune de ses Filiales importantes possèdent et respectent les Approbations gouvernementales nécessaires à la conduite de l'entreprise qu'elles exploitent actuellement, sauf les Approbations gouvernementales qui, dans l'éventualité où QI et chacune de ses Filiales importantes ne les possèdent ou respectent pas, n'auraient pas d'Effet défavorable important pour QI.
- 3.3.22 Titres. QI et chacune de ses Filiales détiennent à l'égard de tous les biens qui leur appartiennent un titre valable qui est dans chaque cas libre et quitte de toute Charge, à l'exception des Charges consenties ou permises en vertu des conventions de crédit de QI et/ou ses Filiales, de celles en faveur de QI et/ou ses Filiales, ou de celles qui n'auraient pas d'Effet défavorable important pour QI. La totalité des contrats de location et de sous-location qui sont importants pour l'entreprise de QI et de chacune de ses Filiales et en vertu desquels QI ou l'une de ses Filiales détient des biens sont pleinement en vigueur, exception faite (A) de ceux décrits dans les Documents d'information continue ou (B) de ceux qui, individuellement ou collectivement, (i) ne touchent pas de façon importante la valeur de tous ces biens et (ii) ne nuisent pas à l'utilisation que QI fait et se propose de faire de tous ces biens.
- 3.3.23 Propriété intellectuelle. QI et chacune de ses Filiales importantes détiennent ou possèdent, ou ont un droit d'utilisation des brevets, droits de brevet, licences, inventions, droits d'auteur, savoir-faire (y compris les secrets commerciaux et autres renseignements, systèmes ou procédures non brevetés et/ou exclusifs ou confidentiels non brevetables), marques de commerce, marques de service, dénominations commerciales ou autre propriété intellectuelle pertinents nécessaires à la poursuite de l'entreprise telle qu'elles l'exploitent actuellement, sauf si le défaut de détenir ou de posséder ce droit n'a ou n'aurait pas d'Effet défavorable important pour QI.
- 3.3.24 Respect des Lois. QI et chaque Filiale respectent les Lois applicables à leur égard ou à l'égard de quelque partie de leurs activités ou actifs respectifs, à l'exception de la non-conformité, des violations et des défauts dont, individuellement ou collectivement, on ne s'attendrait pas à ce qu'ils aient un Effet défavorable important pour QI.
- 3.3.25 Capacité et exécution des obligations. QI a le pouvoir, l'autorité et la capacité requis pour conclure la présente Convention et, à la Date de paiement QI, aura le pouvoir, l'autorité et la capacité requis pour conclure la Convention de fiducie et la Convention d'inscription QI, s'acquitter de ses obligations aux termes de ces ententes et exécuter les opérations qui y sont envisagées, incluant l'émission et la livraison des Débentures convertibles et des Actions sous-jacentes. Toutes les procédures et approbations corporatives requises ont été remplies ou obtenues afin de permettre à QI de signer la présente Convention, la Convention de fiducie et la Convention d'inscription QI et afin de permettre l'acquittement par QI de ses obligations qui s'y retrouvent.

- 3.3.26 Validité de la Convention. La présente Convention a été dûment signée et constitue une obligation exécutoire, valide et légale de QI qui lui est opposable conformément à ses modalités (sous réserve de la législation d'application générale applicable, notamment en matière de faillite, d'insolvabilité et de restructuration, limitant en général l'exécution des droits des créanciers et sous réserve du fait que l'exécution en nature est un recours en équité pouvant être exercé uniquement à la discrétion d'un tribunal).
- 3.3.27 Validité de la Convention de fiducie et de la Convention d'inscription QI. Le cas échéant, selon les modalités du paragraphe 2.6 des présentes, à la Date de paiement QI, chacune de la Convention de fiducie et de la Convention d'inscription QI sera dûment signée et constituera une obligation exécutoire, valide et légale de QI qui lui sera opposable conformément à ses conditions (sous réserve de la législation d'application générale applicable, notamment en matière de faillite, d'insolvabilité et de restructuration, limitant en général l'exécution des droits des créanciers et sous réserve du fait que l'exécution en nature est un recours en équité pouvant être exercé uniquement à la discrétion d'un tribunal).
- 3.3.28 Aucune commission. QI n'a convenu de payer à quiconque quelque commission, frais de courtage, honoraires de démarcheur ou tout autre paiement semblable relativement à l'achat des Actions QI, ou relativement à toute autre transaction prévue aux présentes.
- 3.3.29 Débitures convertibles. Sous réserve de l'approbation conditionnelle de la TSX, l'émission des Débitures convertibles (incluant les Actions sous-jacentes) conformément aux conditions de la présente Convention et de la Convention de fiducie, et sous réserve de la Convention d'inscription QI, a été autorisée par toutes les mesures nécessaires de QI et, sous réserve de l'approbation de la TSX, lors de la conversion des Débitures convertibles en Actions sous-jacentes conformément à la présente Convention et à la Convention de fiducie, les Actions sous-jacentes seront valablement émises et en circulation en tant qu'Actions catégorie B entièrement libérées et non susceptibles d'appel subséquent et libres de tous privilèges et de toutes Charges, et aucun actionnaire de QI ni aucune autre Personne ne dispose de droits de souscription à l'égard de l'émission d'autres Actions catégorie B de QI, sauf dans le cadre des débitures convertibles émises sous la convention de fiducie de QI, en date du 11 octobre 2012, tel que modifié en date du 26 avril 2013 et des régimes de rémunération ou d'autres régimes visant l'achat d'actions ou d'autres titres de QI divulgués dans les Documents d'information continue ou tel que prévu aux présentes.
- 3.3.30 Absence de consentement, contravention et Charge. La signature de la présente Convention, de la Convention de fiducie et de la Convention d'inscription QI, le respect des conditions prévues à ces ententes et la réalisation des opérations qui y sont envisagées, incluant sans limitation l'émission et la livraison des Débitures convertibles et des Actions sous-jacentes, le cas échéant :
- (i) ne nécessitent pas ni ne nécessiteront le consentement, l'approbation, le permis, l'autorisation ou le visa de quelque Autorité gouvernementale, bourse, commission de valeurs mobilières ou autre commission ou organisme de réglementation, ni quelque inscription ou dépôt auprès de l'un d'eux, sauf l'approbation de la TSX à l'égard des opérations prévues aux présentes, le dépôt de la présente Convention et le dépôt de déclarations aux termes des Lois canadiennes en valeurs mobilières, incluant, sans limitation, conformément au Règlement 45-106;
 - (ii) n'entraînent pas ni n'entraîneront une violation ou un défaut, et ne créent pas ni ne créeront une situation de fait qui, après avis ou écoulement du temps ou les deux, entraînera une violation ou un défaut, et ne sont pas ni ne seront incompatibles quant à quelque disposition des statuts ou des règlements de QI

ou de ses Filiales importantes ou quelque résolution des administrateurs de QI ou de l'une de ses Filiales importantes ou d'un comité de celles-ci ou de quelque acte, convention ou autre instrument auquel QI est partie ou qui la lie contractuellement; ou quant à quelque Loi applicable à QI, y compris, notamment, les Lois canadiennes en valeurs mobilières ou la LSAQ, ou à quelque jugement, décision, ordonnance, loi, règle ou règlement applicable à QI ou à l'une de ses Filiales importantes, dans la mesure où la Convention d'amendement à la Convention de crédit de QI soit signée à ou avant la Date de paiement QI, et sauf en ce qui concerne les contrats, Lois, jugements, décisions et ordonnances pour une violation ou un défaut qui n'auraient pas d'Effet défavorable important pour QI;

- (iii) ne donneront pas lieu à une Charge sur les biens ou les actifs dont QI ou l'une des Filiales importantes est propriétaire à la date des présentes ou dont elle fera l'acquisition après cette date ou à une Charge y ayant trait ou encore à l'avancement de l'échéance ou à l'échéance d'une dette ou d'autres passifs ou obligations aux termes d'un acte, d'une hypothèque, d'un bail, d'une convention ou d'un instrument qui lie QI ou l'une des Filiales importantes ou qui vise celles-ci ou un de leurs biens respectifs, sauf pour toute Charge, avancement ou échéance qui n'aurait pas d'Effet défavorable important pour QI.

ARTICLE 4

SURVIE DES ENGAGEMENTS, DÉCLARATIONS ET GARANTIES; INDEMNISATION

4.1 Survie des déclarations et garanties

- 4.1.1 Toutes les déclarations et garanties énoncées aux présentes continueront d'avoir plein effet et vigueur pour une période d'un (1) an à compter de la Date de clôture, et étant entendu que, en cas de fraude, les indemnités relatives aux déclarations et garanties demeureront en vigueur pour une période illimitée.
- 4.1.2 Pour plus de certitude, les conventions et engagements respectifs de CDP Capital d'Amérique et de chacun des Acheteurs contenus dans les présentes ne sont pas limités dans le temps et survivront à la date des présentes et continueront d'avoir plein effet conformément à leurs modalités.

4.2 Indemnisation

- 4.2.1 CDP Capital d'Amérique s'engage à tenir chacun des Acheteurs indemne et à couvert de tout dommage, perte, engagement, obligations, réclamation, charge, frais, coût et dépense (incluant, entre autres choses, tous les frais raisonnables d'avocats et autres coûts et dépenses découlant de toute poursuite, action, réclamation ou autre procédure judiciaire) (collectivement, les **Dommages**) que cet Acheteur aura subi, supporté ou encouru du fait de :
- a) tout défaut à l'une quelconque des déclarations et garanties faites ou données par CDP Capital d'Amérique aux termes de la présente Convention; ou
 - b) la non-exécution de toute obligation de CDP Capital d'Amérique aux termes de la présente Convention.
- 4.2.2 Chacun des Acheteurs s'engage individuellement en son propre nom, et non collectivement ou solidairement, à tenir CDP Capital d'Amérique indemne et à couvert de tout Dommage que CDP Capital d'Amérique aura subi, supporté ou encouru du fait de :

- a) tout défaut à l'une quelconque des déclarations et garanties faites ou données par cet Acheteur aux termes de la présente Convention; ou
- b) la non-exécution de toute obligation de cet Acheteur aux termes de la présente Convention.
- 4.2.3 Dans le cas de toute poursuite, action, réclamation ou demande d'un tiers qui, si elle s'avérait fondée, donnerait droit à une Partie (la **Partie indemnisée**) d'être indemnisée en vertu du présent article (une **Réclamation d'un tiers**), celle-ci devra aviser l'autre Partie qui est tenue d'indemniser en vertu du présent article (la **Partie indemnistrice**) dans les 20 jours de la Réclamation d'un tiers et rendre dès lors disponible à la Partie indemnistrice et à ses représentants autorisés l'information sur laquelle elle se fonde afin d'appuyer sa réclamation contre la Partie indemnistrice. Si la Partie indemnisée omet d'aviser la Partie indemnistrice et de rendre disponible cette information dans les 20 jours prescrits, cette omission n'empêchera pas la Partie indemnisée d'être indemnisée, sauf dans la mesure où ce délai aura causé préjudice à la défense, ou augmenté les coûts de la défense, pourvu que l'avis de la Réclamation d'un tiers ait été donné à la Partie indemnistrice avant l'expiration de la période de survie applicable à la déclaration et garantie en cause, selon le cas.
- 4.2.4 Sauf dans la mesure où la Réclamation d'un tiers est une injonction ou autre mesure de redressement pour laquelle le délai indiqué ci-après ne permet pas d'intervenir en temps opportun, la Partie indemnistrice aura le droit de prendre en charge la défense de la Partie Indemnisée, ou de régler la Réclamation d'un tiers pourvu que cette prise en charge n'engage aucuns frais pour la Partie indemnisée et que la Partie indemnistrice reconnaisse son obligation d'indemniser la Partie indemnisée conformément aux présentes. La Partie indemnistrice avisera la Partie indemnisée dans les 30 jours de sa réception de l'avis de la Réclamation d'un tiers de sa décision de prendre en charge la défense ou de régler la Réclamation d'un tiers.
- La Partie indemnistrice préparera alors la défense ou le règlement de la Réclamation d'un tiers dans les meilleurs délais et à ses frais, y compris les honoraires payés à un conseiller juridique acceptable pour la Partie indemnisée, agissant de manière raisonnable. La Partie indemnisée fournira son entière collaboration à la Partie indemnistrice et rendra disponible à la Partie indemnistrice, tous renseignements, témoins ou documents sous son contrôle et posera tous les gestes qui seront nécessaires afin de procéder à la défense, selon l'avis des conseillers de la Partie indemnistrice, le tout aux frais de la Partie indemnistrice, sauf les frais encourus par la Partie indemnisée en relation avec le temps passé par ses employés ou ceux des personnes de son groupe (au sens de la LSAQ) à l'égard de cette collaboration. La Partie indemnistrice tiendra la Partie indemnisée informée de tout aspect important relatif à une défense contre la Réclamation d'un tiers ou à un règlement de celle-ci et aura également le droit d'être consultée à l'égard des négociations, règlement ou défense contre toute Réclamation d'un tiers.
- 4.2.5 Dans le cas où la Partie indemnistrice ne prend pas en charge la défense, dans les 30 jours de sa réception de l'avis visé à l'alinéa 4.2.4, la Partie indemnisée pourra conclure tout règlement raisonnable quant à la Réclamation d'un tiers qui lui semble opportun et ce règlement ou la décision du tribunal de dernier recours quant à la Réclamation d'un tiers, le cas échéant, liera la Partie indemnistrice.
- 4.2.6 Une demande d'indemnisation à l'égard de toute question autre que celle reliée à une poursuite, action, réclamation ou demande d'un tiers, doit être faite par avis écrit par la Partie indemnisée à la Partie indemnistrice et doit comporter les faits à la base de la demande d'indemnisation ainsi que le montant de l'indemnité réclamé. La Partie indemnisée devra rendre dès lors disponible à la Partie indemnistrice et à ses

représentants autorisés toute information sur laquelle elle se fonde afin d'appuyer sa réclamation. Dans les 30 jours suivant la réception d'une telle demande et de toute telle information, la Partie indemnisatrice est tenue de payer à la Partie indemnisée le montant de l'indemnité réclamée.

- 4.3 Le montant de toute indemnité payable à CDP Capital d'Amérique par un Acheteur en vertu de cet Article 4 en raison d'un défaut à l'égard de l'une quelconque des déclarations et garanties faites ou données par cet Acheteur aux termes de la présente Convention ou de la non-exécution de toute obligation par un Acheteur aux termes de la présente Convention sera considéré comme une augmentation du prix de vente payable par cet Acheteur à CDP Capital d'Amérique (soit le Prix de vente QI ou le Prix de vente QMI, selon le cas). Le montant de toute indemnité payable à un Acheteur par CDP Capital d'Amérique en vertu de cet Article 4 en raison d'un défaut à l'égard de l'une quelconque des déclarations et garanties faites ou données par CDP Capital d'Amérique aux termes de la présente Convention ou de la non-exécution de toute obligation par CDP Capital d'Amérique aux termes de la présente Convention sera considéré comme une diminution du prix de vente payable par cet Acheteur à CDP Capital d'Amérique (soit le Prix de vente QI ou le Prix de vente QMI, selon le cas).

ARTICLE 5 CONDITIONS DE CLÔTURE

5.1 Conditions préalables à la Clôture

- 5.1.1 Conditions aux bénéfices de QMI. Les rachats et les ventes d'Actions QMI prévus aux présentes sont assujettis aux conditions énoncées ci-dessous au seul avantage de QMI, ces conditions devant être remplies et respectées au plus tard à la Date de clôture, QMI se réservant le droit de renoncer en tout ou en partie à chacune de ces conditions :

- (i) toutes et chacune des déclarations et garanties de CDP Capital d'Amérique contenues à la présente Convention seront véridiques et exactes à la Date de clôture, si applicables, et elles auront la même valeur et le même effet que si elles étaient faites et données à cette date, et QMI devra avoir reçu à la Date de clôture un certificat de CDP Capital d'Amérique à cet effet, daté de la Date de clôture et dans une forme et teneur satisfaisantes à QMI, agissant de manière raisonnable;
- (ii) CDP Capital d'Amérique devra avoir livré à QMI à la Date de clôture tous les autres Items de clôture de CDP Capital d'Amérique dans une forme et teneur satisfaisantes à QMI, agissant de manière raisonnable.

Si l'une ou l'autre des conditions prévues au présent sous-paragraphe 5.1.1 n'est pas remplie à ou avant la Date de clôture ou à toute autre date pouvant être convenue par écrit entre CDP Capital d'Amérique et QMI à la satisfaction de QMI, QMI pourra mettre fin à la présente Convention sur avis à CDP Capital d'Amérique et à QI et les Parties aux présentes seront libérées de leurs obligations en vertu des présentes, sans droit pour les Acheteurs de réclamer des dommages-intérêts, sauf en cas de défaut de CDP Capital d'Amérique.

QMI sera réputée avoir renoncé aux conditions prévues au présent sous-paragraphe 5.1.1 qui ne sont pas remplies à la Date de clôture et dont elle a connaissance à la Date de clôture, si elle procède néanmoins à cette séance de Clôture.

- 5.1.2 Conditions au bénéfice de CDP Capital d'Amérique. Les rachats et les ventes d'Actions QMI prévus aux présentes sont assujettis aux conditions énoncées ci-dessous au seul avantage de CDP Capital d'Amérique, ces conditions devant être remplies et respectées

au plus tard à la Date de clôture, CDP Capital d'Amérique se réservant le droit de renoncer en tout ou en partie à chacune de ces conditions :

- (i) toutes et chacune des déclarations et garanties de QMI contenues à la présente Convention seront véridiques et exactes à la Date de clôture, si applicables, et elles auront la même valeur et le même effet que si elles étaient faites et données à cette date, et CDP Capital d'Amérique devra avoir reçu à la Date de clôture un certificat de QMI à cet effet, daté de la Date de clôture et dans une forme et teneur satisfaisantes à CDP Capital d'Amérique, agissant de manière raisonnable;
- (ii) QMI devra avoir livré à CDP Capital d'Amérique à la Date de clôture tous les autres Items de clôture des Acheteurs qui la concernent dans une forme et teneur satisfaisantes à CDP Capital d'Amérique, agissant de manière raisonnable.

Si l'une ou l'autre des conditions prévues au présent sous-paragraphe 5.1.2 n'est pas remplie à ou avant la Date de clôture ou à toute autre date pouvant être convenue par écrit entre CDP Capital d'Amérique et QMI à la satisfaction de CDP Capital d'Amérique, CDP Capital d'Amérique pourra mettre fin à la présente Convention sur avis aux Acheteurs et les Parties aux présentes seront libérées de leurs obligations en vertu des présentes, sans droit pour CDP Capital d'Amérique de réclamer des dommages-intérêts, sauf en cas de défaut de QMI.

CDP Capital d'Amérique est réputée avoir renoncé aux conditions prévues au présent sous-paragraphe 5.1.2 qui ne sont pas remplies à la Date de clôture et dont elle a connaissance à la Date de clôture, si elle procède néanmoins à cette séance de Clôture.

5.2 Conditions préalables à la Date de paiement du solde QMI et la Date de paiement QI

5.2.1 Le rachat et la vente des 5 632 906,47 actions ordinaires de QMI à la Date de paiement du solde QMI prévus aux présentes sont assujettis aux conditions énoncées ci-dessous au seul avantage de QMI, ces conditions devant être remplies et respectées au plus tard à la Date de paiement du solde QMI, QMI se réservant le droit de renoncer en tout ou en partie à chacune de ces conditions :

- (i) toutes et chacune des déclarations et garanties de CDP Capital d'Amérique contenues à la présente Convention seront véridiques et exactes à la Date de paiement du solde QMI, si applicables, et elles auront la même valeur et le même effet que si elles étaient faites et données à cette date, et QMI devra avoir reçu à la Date de paiement du solde QMI un certificat de CDP Capital d'Amérique à cet effet, daté de la Date de paiement du solde QMI et dans une forme et teneur satisfaisantes à QMI, agissant de manière raisonnable;
- (ii) CDP Capital d'Amérique devra avoir livré à QMI à la Date de paiement du solde QMI tous les autres Items de clôture de CDP Capital d'Amérique non préalablement livrés à la Date de clôture dans une forme et teneur satisfaisantes à QMI, agissant de manière raisonnable.

5.2.2 Le rachat et la vente des 5 632 906,47 actions ordinaires de QMI à la Date de paiement du solde QMI prévus aux présentes sont assujettis aux conditions énoncées ci-dessous au seul avantage de CDP Capital d'Amérique, ces conditions devant être remplies et respectées au plus tard à la Date de paiement du solde QMI, CDP Capital d'Amérique se réservant le droit de renoncer en tout ou en partie à chacune de ces conditions :

- (i) QMI devra avoir livré à CDP Capital d'Amérique à la Date de paiement du solde QMI tous les autres Items de clôture des Acheteurs qui la concernent non

préalablement livrés à la Date de clôture dans une forme et teneur satisfaisantes à CDP Capital d'Amérique, agissant de manière raisonnable.

- 5.2.3 L'achat et la vente des 1 564 696,24 actions ordinaires de QMI à la Date de paiement QI prévus aux présentes sont assujettis aux conditions énoncées ci-dessous au seul avantage de QI, ces conditions devant être remplies et respectées au plus tard à la Date de paiement QI, QI se réservant le droit de renoncer en tout ou en partie à chacune de ces conditions :
- (i) toutes et chacune des déclarations et garanties de CDP Capital d'Amérique contenues à la présente Convention seront véridiques et exactes à la Date de paiement QI, si applicables, et elles auront la même valeur et le même effet que si elles étaient faites et données à cette date, et QI devra avoir reçu à la Date de paiement QI un certificat de CDP Capital d'Amérique à cet effet, daté de la Date de paiement QI et dans une forme et teneur satisfaisantes à QI, agissant de manière raisonnable;
 - (ii) CDP Capital d'Amérique devra avoir livré à QI à la Date de paiement QI tous les autres Items de clôture de CDP Capital d'Amérique dans une forme et teneur satisfaisantes à QI, agissant de manière raisonnable.
- 5.2.4 L'achat et la vente des 1 564 696,24 actions ordinaires de QMI à la Date de paiement QI prévus aux présentes sont assujettis aux conditions énoncées ci-dessous au seul avantage de CDP Capital d'Amérique, ces conditions devant être remplies et respectées au plus tard à la Date de paiement QI, CDP Capital d'Amérique se réservant le droit de renoncer en tout ou en partie à chacune de ces conditions :
- (i) seulement dans la mesure où le placement des Débentures convertibles à CDP Capital d'Amérique a lieu selon les modalités et conditions du sous-paragraphe 2.6.1 des présentes, toutes et chacune des déclarations et garanties de QI contenues à la présente Convention seront véridiques et exactes à la Date de paiement QI, si applicables, et elles auront la même valeur et le même effet que si elles étaient faites et données à cette date, et CDP Capital d'Amérique devra avoir reçu à la Date de paiement QI un certificat de QI à cet effet, daté de la Date de paiement QI et dans une forme et teneur satisfaisantes à CDP Capital d'Amérique, agissant de manière raisonnable;
 - (ii) QI devra avoir livré à CDP Capital d'Amérique à la Date de paiement QI tous les autres Items de clôture des Acheteurs qui la concernent non préalablement livrés à la Date de clôture dans une forme et teneur satisfaisantes à CDP Capital d'Amérique, agissant de manière raisonnable.
- 5.2.5 Les dispositions des sous-paragraphe 5.1.1 et 5.1.2 des présentes non contenues au paragraphe 5.2 des présentes s'appliqueront à la Date de paiement du solde QMI et la Date de paiement QI, selon le cas, au bénéfice de QMI, QI et CDP Capital d'Amérique, en y faisant les adaptations nécessaires selon le contexte. Sans limiter la portée de ce qui précède, les Parties reconnaissent et acceptent d'exercer les droits conférés par le paragraphe 5.2 des présentes de manière raisonnable de manière à compléter les transactions prévues aux présentes.

ARTICLE 6 CLÔTURE

6.1 Clôture

La Clôture aura lieu à la Date de clôture, au bureau de Montréal de Norton Rose Fulbright Canada S.E.N.C.R.L., s.r.l. À cette séance de Clôture :

- 6.1.1 QMI paiera à CDP Capital d'Amérique (ou toute autre entité désignée par celle-ci) le montant de 1 000 000 000 \$ en espèces par virement bancaire selon le sous-paragraphe 2.3.1.1 des présentes;
- 6.1.2 CDP Capital d'Amérique remettra aux Acheteurs le ou les certificats d'actions représentant les Actions dûment endossés pour transfert ou annulation et tous les contrats, conventions, consentements, attestations, avis et autres documents que CDP Capital d'Amérique est tenue par les présentes de livrer aux Acheteurs, au plus tard à la Date de clôture et que les Acheteurs n'auront pas reçu auparavant (les **Items de clôture de CDP Capital d'Amérique**);
- 6.1.3 QMI remettra à CDP Capital d'Amérique deux certificats d'actions représentant 1 564 696,24 et 5 632 906,47 actions ordinaires de QMI, respectivement, pour un total de 7 197 602,71 actions ordinaires de QMI;
- 6.1.4 les Acheteurs remettront à CDP Capital d'Amérique tous les contrats, conventions, consentements, attestations, avis et autres documents que les Acheteurs sont tenus par les présentes de livrer à CDP Capital d'Amérique, au plus tard à la Date de clôture et que CDP Capital d'Amérique n'aura pas reçu auparavant (les **Items de clôture des Acheteurs**).

Au cours de cette séance de Clôture, les Parties aux présentes, de même que leurs conseillers juridiques respectifs et toutes autres personnes concernées, signeront et livreront tous les documents requis de leur part pour donner effet aux transactions prévues à la Clôture à la présente Convention.

6.2 Paiement du solde du Prix de vente QMI

Le paiement du solde du Prix de vente QMI aura lieu à la Date de paiement du solde QMI, au bureau de Montréal de Norton Rose Fulbright Canada S.E.N.C.R.L., s.r.l. À cette séance de paiement :

- 6.2.1 QMI paiera à CDP Capital d'Amérique (ou toute autre entité désignée par celle-ci) le solde du Prix de vente QMI de 540 000 000 \$ en espèces par virement bancaire selon le sous-paragraphe 2.3.1.2 des présentes;
- 6.2.2 CDP Capital d'Amérique remettra à QMI le certificat d'actions représentant 5 632 906,47 actions ordinaires de QMI, dûment endossé pour annulation;
- 6.2.3 CDP Capital d'Amérique remettra à QMI tous les contrats, conventions, consentements, attestations, avis et autres documents que CDP Capital d'Amérique est tenue par les présentes de livrer à QMI, au plus tard à la Date de paiement du solde QMI et que QMI n'aura pas reçu auparavant;
- 6.2.4 QMI remettra à CDP Capital d'Amérique tous les contrats, conventions, consentements, attestations, avis et autres documents que QMI est tenue par les présentes de livrer à

CDP Capital d'Amérique, au plus tard à la Date de paiement du solde QMI et que CDP Capital d'Amérique n'aura pas reçu auparavant.

6.3 Paiement du Prix de vente QI

Le paiement du Prix de vente QI aura lieu à la Date de paiement QI, au bureau de Montréal de Norton Rose Fulbright Canada S.E.N.C.R.L., s.r.l. À cette séance de paiement :

- 6.3.1 QI (i) remettra à CDP Capital d'Amérique le certificat représentant les Débentures convertibles selon le sous-paragraphe 2.6.1 des présentes, ou, selon le cas, (ii) paiera à CDP Capital d'Amérique (ou toute autre entité désignée par celle-ci) la somme globale de 140 000 000 \$ en espèces par virement bancaire selon le sous-paragraphe 2.6.2 des présentes;
- 6.3.2 CDP Capital d'Amérique remettra à QI le certificat d'actions représentant 1 564 696,24 actions ordinaires de QMI, dûment endossé pour transfert;
- 6.3.3 CDP Capital d'Amérique remettra à QI la Convention d'inscription QI, la Convention de fiducie et tous les contrats, conventions, consentements, attestations, avis et autres documents que CDP Capital d'Amérique est tenue par les présentes de livrer à QI, au plus tard à la Date de paiement QI et que QI n'aura pas reçu auparavant;
- 6.3.4 QI remettra à CDP Capital d'Amérique la Convention d'inscription QI, la Convention de fiducie et tous les contrats, conventions, consentements, attestations, avis et autres documents que QI est tenue par les présentes de livrer à CDP Capital d'Amérique, au plus tard à la Date de paiement QI et que CDP Capital d'Amérique n'aura pas reçu auparavant.

6.4 Acte de résiliation de la Convention entre actionnaires

À la dernière des dates suivantes : (i) la Date de paiement du solde QMI, et (ii) la Date de paiement QI :

- 6.4.1 CDP Capital d'Amérique doit livrer aux Acheteurs un acte de résiliation de la Convention entre actionnaires signé par CDP Capital d'Amérique, dans une forme et teneur satisfaisantes aux Acheteurs, agissant de manière raisonnable;
- 6.4.2 les Acheteurs doivent livrer à CDP Capital d'Amérique un acte de résiliation de la Convention entre actionnaires signé par les Acheteurs et leurs filiales pertinentes, dans une forme et teneur satisfaisantes à CDP Capital d'Amérique, agissant de manière raisonnable.

ARTICLE 7 AVIS

Tout avis requis ou permis en vertu des présentes doit être communiqué par écrit et est réputé avoir été suffisamment et valablement donné s'il est livré de main à main à son destinataire ou (s'il n'y a pas d'interruption du service postal au Canada) mis à la poste, sous pli recommandé ou certifié et affranchi adressé comme suit ou transmis par télécopieur au numéro indiqué ci-après (pourvu dans ce dernier cas que l'original soit par la suite rapidement livré à son destinataire de main à main ou par la poste) ou transmis par courrier électronique :

7.1 **à CDP Capital d'Amérique :**

CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC
a/s CDP Capital d'Amérique Investissements inc.
Édifice Jacques-Parizeau
1000, Place Jean-Paul Riopelle
Montréal (Québec) H2Z 2B3

À l'attention de Kim Thomassin, Christian Dubé et Justin Méthot
Numéro de télécopieur : (514) 281-5203

Courriers électroniques : kthomassin@cdpq.com, cdube@cdpq.com et jmethot@cdpq.com

Avec copie (laquelle ne constituera pas un avis) à :

Davies Ward Phillips & Vineberg S.E.N.C.R.L., s.r.l.
1501, avenue McGill College
26^e étage
Montréal (Québec) H3A 3N9

À l'attention d'Olivier Désilets et Nicolas Morin
Courriers électroniques : odesilets@dwpv.com et nmorin@dwpv.com
Numéro de télécopieur : (514) 841-6499

7.2 **à OMI :**

612, rue Saint-Jacques
18^e étage
Montréal (Québec) H3C 4M8

À l'attention du Vice-président principal et Chef de la direction financière et du Vice-président principal, Chef des affaires juridiques et publiques et secrétaire corporatif
Numéro de télécopieur : (514) 985-8834

Courriers électroniques : JFP@quebecor.com et Marc.tremblay@quebecor.com

Avec copie (laquelle ne constituera pas un avis) à :

Norton Rose Fulbright Canada S.E.N.C.R.L., s.r.l.
1, Place Ville Marie
Bureau 2500
Montréal (Québec) H3B 1R1

À l'attention d'Amélie Métivier
Courrier électronique : amelie.metivier@nortonrosefulbright.com
Numéro de télécopieur : (514) 286-5474

7.3 **à QI :**

612, rue Saint-Jacques
18^e étage
Montréal (Québec) H3C 4M8

À l'attention du Vice-président principal et Chef de la direction financière et du Vice-président principal, Chef des affaires juridiques et publiques et secrétaire corporatif

Numéro de télécopieur : (514) 985-8834

Courriers électroniques : JFP@quebecor.com et Marc.tremblay@quebecor.com

Avec copie (laquelle ne constituera pas un avis) à :

Norton Rose Fulbright Canada S.E.N.C.R.L., s.r.l.
1, Place Ville Marie
Bureau 2500
Montréal (Québec) H3B 1R1

À l'attention d'Amélie Métivier

Courrier électronique : amelie.metivier@nortonrosefulbright.com

Numéro de télécopieur : (514) 286-5474

ou, quant à chaque Partie, à toute autre adresse ou autre numéro de télécopieur qui peut être désigné par cette Partie dans un avis écrit remis à toutes les Parties aux présentes conformément au présent paragraphe.

Si l'avis est donné par courrier recommandé ou certifié, il sera réputé avoir été reçu trois Jours ouvrables après la date de mise à la poste. Dans le cas de livraison ou de remise en main propre, cet avis sera réputé avoir été reçu le jour même si livré avant 14h00 à défaut de quoi il sera réputé reçu le Jour ouvrable suivant. Dans le cas de la transmission par télécopieur ou courrier électronique, cet avis sera réputé avoir été reçu le premier Jour ouvrable suivant sa transmission.

ARTICLE 8 DISPOSITIONS DIVERSES

8.1 Confidentialité

Sous réserve de ce qui est prévu ci-dessous, les Parties s'engagent à garder les modalités des présentes confidentielles et aucune des Parties ne pourra divulguer ces renseignements à quiconque, à l'exception de ses représentants et conseillers qu'elle retiendra à l'occasion (qui devront être instruits de conserver la confidentialité de cette information), sans le consentement écrit préalable des autres Parties qui ne pourra être retenu sans motif raisonnable, sous réserve de l'annonce publique de la conclusion de la présente Convention en la forme prévue au projet de communiqué de presse joint à l'**Annexe A** de la présente Convention, et sous réserve des Lois applicables, de toute obligation de divulgation en vertu de toute ordonnance d'une Autorité gouvernementale canadienne ou autre et de toute divulgation devant un tribunal ou une cour dans le cadre de toute procédure visant à déterminer ou faire reconnaître les droits d'une Partie en vertu de la présente Convention. Dans l'éventualité d'une divulgation exigée par la Loi ou toute ordonnance d'une telle Autorité gouvernementale, la Partie devant compléter la divulgation avisera les autres Parties préalablement, dans la mesure où il lui est possible de le faire, afin de permettre à celles-ci de faire valoir tout droit qu'elles auraient de prévenir une telle divulgation.

8.2 Certaines questions fiscales

Les Parties conviennent de préparer et produire leurs déclarations de revenu respectives et tout autre formulaire requis par la Loi de manière à refléter les transactions intervenues entre elles conformément à la présente Convention et aux autres conventions qui s'y rapportent.

8.3 **Bénéfice**

La présente Convention lie les Parties aux présentes ainsi que leurs représentants légaux, successeurs et ayants droit.

8.4 **Effet de la Convention**

La présente Convention constitue l'entente complète entre les Parties quant aux matières qui y sont traitées et remplace toute autre convention antérieure, verbale ou écrite, entre elles relativement à l'objet de la présente Convention. Sans limiter la portée de ce qui précède, les Parties conviennent que certaines modalités et conditions de la présente Convention seront complétées par la Convention de fiducie, le ou les certificats de Débentures convertibles et la Convention d'inscription QI.

8.5 **Renonciation implicite**

Le fait qu'une Partie n'ait pas insisté sur la pleine exécution de l'un quelconque des engagements contenus dans la présente Convention ou n'ait pas exercé l'un quelconque de ses droits en vertu des présentes ne doit pas être considéré comme une renonciation pour l'avenir à la pleine exécution de cet engagement ou à l'exercice de ce droit. À l'exception de toute renonciation à toute condition de Clôture conformément aux sous-paragraphes 5.1.1 et 5.1.2 des présentes, aucune renonciation par l'une des Parties à l'un quelconque de ses droits n'est effective à moins qu'elle ne soit faite par écrit et cette renonciation n'est imputable qu'aux droits et circonstances qui y sont expressément visés.

8.6 **Cession**

Aucune Partie ne peut céder la présente Convention ni aucun avantage ou obligation découlant de celle-ci, en tout ou en partie, sans le consentement écrit préalable de toutes les Parties aux présentes. Nonobstant ce qui précède, (i) CDP Capital d'Amérique pourra céder ou autrement transférer les droits qui lui sont conférés par la présente Convention à la Caisse de dépôt et placement du Québec ou à toute Filiale détenue en propriété exclusive par celle-ci et (ii) chacun des Acheteurs pourra céder ou autrement transférer les droits qui lui sont conférés par la présente Convention à une entité survivante à la suite de la réorganisation de ses activités à l'occasion d'une vente, d'une fusion ou d'une acquisition de la totalité ou d'une partie substantielle de ses biens.

8.7 **Recours exclusifs**

CDP Capital d'Amérique reconnaît et convient qu'en cas de défaut aux termes des Débentures convertibles, le cas échéant (y compris un défaut de payer tout montant dû aux termes des Débentures convertibles), les recours prévus à la Convention de fiducie seront les seuls et exclusifs recours de CDP Capital d'Amérique à ce titre.

8.8 **Dépenses et frais**

Sauf si expressément prévu au contraire dans la présente Convention, chaque Partie assumera ses propres dépenses et frais (y compris, sans restriction, les honoraires et déboursés des conseillers juridiques, comptables, financiers et autres conseillers retenus par chaque telle Partie) se rapportant aux transactions prévues dans la présente Convention et à l'exécution de ce qui y est prévu.

8.9 **Coopération**

CDP Capital d'Amérique s'engage à remettre aux Acheteurs, dans un délai raisonnable de la demande d'un Acheteur à cet effet, agissant de manière raisonnable, tout document relatif aux Actions, aux biens et aux affaires de QMI ou de ses Filiales qui n'aurait pas été remis à la date des présentes. De plus, de temps à autre et sans autre formalité, à la demande et aux frais de l'autre, chacun de CDP Capital d'Amérique et des Acheteurs signera et remettra tout autre document et prendra toute autre mesure qu'une autre Partie pourra raisonnablement requérir afin d'exécuter ou compléter les opérations et de mieux régler toutes questions prévues aux présentes.

8.10 **Exemplaires**

La présente Convention peut être signée par les Parties aux présentes en plusieurs exemplaires dont chacun, lorsqu'il est ainsi signé et livré, est un original; toutefois, tous ces exemplaires ne constituent qu'un seul et unique instrument.

(La page de signatures suit.)

EN FOI DE QUOI, les Parties ont signé à la date et lieu indiqués au début des présentes.

**CDP CAPITAL D'AMÉRIQUE INVESTISSEMENTS
INC.**

par : /s/ Christian Dubé
Christian Dubé
Premier vice-président, Québec

par : /s/ Justin Méthot
Justin Méthot
Vice-président, Grandes entreprises, Québec

QUÉBECOR MÉDIA INC.

par : /s/ Jean-François Pruneau
Jean-François Pruneau
Vice-président principal et Chef de la direction financière

par : /s/ Marc M. Tremblay
Marc M. Tremblay
Vice-président principal, Chef des affaires juridiques et
publiques et secrétaire corporatif

QUÉBECOR INC.

par : /s/ Jean-François Pruneau
Jean-François Pruneau
Vice-président principal et Chef de la direction financière

par : /s/ Marc M. Tremblay
Marc M. Tremblay
Vice-président principal, Chef des affaires juridiques et
publiques et secrétaire corporatif

ANNEXE A
PROJET DE COMMUNIQUÉ DE PRESSE

Voir ci-joint.



COMMUNIQUÉ DE PRESSE
Pour diffusion immédiate

**Québecor et la Caisse de dépôt et placement du Québec
s'entendent sur le rachat de la participation de la Caisse dans Québecor Média**

Montréal, le 8 mai 2018 — Québecor inc. (« Québecor ») est heureuse d'annoncer qu'elle a conclu une entente (l'« Entente ») avec Québecor Média inc. (« Québecor Média ») et la Caisse de dépôt et placement du Québec (la « Caisse ») en vue de racheter la totalité du capital-actions de Québecor Média encore détenu par la Caisse. L'Entente prévoit que Québecor et Québecor Média achètent ainsi 17 628 911 actions représentant une participation de 18,47 % dans Québecor Média, dont la valeur convenue entre les parties est de 1,690 milliard de dollars.

Cette Entente complète le processus annoncé en octobre 2012 (et poursuivi en septembre 2015 et en juillet 2017), dans le cadre du plan d'achat des actions de Québecor Média détenues par la Caisse introduit par Québecor, conformément à son objectif précédemment communiqué de détenir à terme toutes les actions de Québecor Média.

« Grâce à son profil financier actuellement très favorable et aux liquidités importantes en sa possession, Québecor est aujourd'hui en mesure de s'engager à compléter le rachat du capital-actions de Québecor Média amorcé en 2012. En gagnant accès à 100 % des flux monétaires qu'elle génère, Québecor sera désormais mieux outillée pour saisir les opportunités d'affaires qui se présenteront. Ultimement, ces transactions nous permettront de contrôler entièrement notre destinée », a affirmé Pierre Karl Péladeau, président et chef de la direction de Québecor.

« Aujourd'hui, le rachat complet des actions reflète bien la solidité financière de Québecor et permet à la Caisse de réallouer ce capital dans de nouvelles occasions d'investissement dans des entreprises québécoises. La débenture convertible permet à la Caisse de maintenir une participation dans l'entreprise, tout en procurant à Québecor une flexibilité financière accrue pour poursuivre son plan de croissance. Enfin, le partenariat de longue date développé avec Québecor nous permettra certainement, à l'avenir, d'explorer avec l'entreprise de nouveaux projets ou occasions d'investissement », a pour sa part déclaré Michael Sabia, président et chef de la direction de la Caisse.

« Québecor a toujours été très fière, dans la foulée d'investissements précédents couronnés de succès comme la création d'Imprimeries Québecor en 1989, d'être un partenaire de la Caisse. En s'accompagnant mutuellement dans la création de Québecor Média, nous avons créé un groupe québécois d'envergure devenu un leader dans les domaines des télécommunications, du divertissement, des médias d'information et de la culture. Ce faisant, nous avons permis aux Québécois de garder la mainmise sur leurs leviers technologiques et culturels, tout en créant d'importantes retombées pour l'ensemble de notre collectivité », a ajouté Pierre Karl Péladeau.

Au nombre de ces retombées, il faut notamment retenir les plus de 4 000 emplois créés chez Vidéotron depuis 15 ans, ainsi que les quelque 2 milliards investis dans le sans-fil afin d'offrir davantage de choix et de meilleurs prix aux consommateurs québécois. À cela, s'ajoutent également la contribution exceptionnelle de Québecor et ses filiales au contenu audiovisuel et au journalisme

d'ici, de même que son apport philanthropique auprès de 400 organismes dans des domaines aussi variés que la culture, la santé, l'éducation, l'environnement et l'entrepreneuriat.

L'Entente en bref

- L'Entente prévoit la conclusion des deux opérations suivantes :
 - le rachat pour fins d'annulation par Québec Média de 16 064 215 actions de Québec Média détenues par la Caisse, représentant environ 91,1 % de la participation de la Caisse avant la clôture, pour un prix d'achat global de 1,540 milliard de dollars, payable en espèces; et
 - l'achat par Québec de 1 564 696 actions de Québec Média détenues par la Caisse, représentant environ 8,9 % de la participation de la Caisse avant la clôture, en contrepartie de l'émission de débetures convertibles de Québec d'un montant en capital global de 150 millions de dollars qui seront convertibles en actions subalternes catégorie B de Québec (les **débetures convertibles**), le tout sujet aux approbations requises, incluant celle de la Bourse de Toronto.
- À la conclusion de ces transactions, Québec et Québec Média auront ainsi acquis la participation de 18,47 % dans Québec Média que Québec ne possédait pas encore, Québec devenant l'entière et unique propriétaire de Québec Média.

Émission de débetures convertibles par Québec inc.

Sujet à l'approbation de la Bourse de Toronto, les débetures convertibles auront une durée de six ans échéant en 2024 et porteront intérêt au taux annuel de 4,0 %, payable conformément aux modalités de l'acte de fiducie devant être conclu lors de leur émission. Les débetures convertibles seront convertibles en actions subalternes catégorie B de Québec conformément aux modalités de l'acte de fiducie, sous réserve d'un prix plancher de 26,85 \$ par action (soit un nombre maximal d'approximativement 5 586 592 actions subalternes catégorie B de Québec correspondant au ratio de 150 millions de dollars sur le prix plancher) et d'un prix plafond de 33,5625 \$ par action (soit un nombre minimal d'approximativement 4 469 274 actions subalternes catégorie B de Québec correspondant au ratio de 150 millions de dollars sur le prix plafond), sujet à ajustement conformément aux modalités de l'acte de fiducie. Il est prévu que les autres modalités et conditions des débetures convertibles seront substantiellement en ligne avec les modalités des débetures convertibles émises en vertu de la convention de fiducie de Québec datée du 11 octobre 2012, telle que modifiée.

Droits de sortie et convention entre actionnaires de Québec Média

En conséquence de la réalisation des transactions prévues par l'Entente, les droits de sortie accordés à la Caisse en vertu de l'entente intervenue au début du processus introduit en 2012, incluant le droit de requérir que Québec Média procède à un premier appel public à l'épargne, ou le droit de vendre sa participation restante dans Québec Média à un tiers financier, sans avoir à accorder un droit de premier refus ou de première offre à Québec ou à Québec Média, vont s'éteindre à la clôture de la transaction.

Également, les parties ont convenu de résilier et de mettre fin à la convention entre actionnaires intervenue entre Québecor, CDP Capital d'Amérique investissements inc. (auparavant Capital Communications CDPQ inc.) et Québecor Média en date du 23 octobre 2000, telle que consolidée et modifiée de temps à autre.

Clôture

On prévoit actuellement que les opérations envisagées dans l'Entente devraient être entièrement réalisées au plus tard le 22 juin 2018, sous réserve des conditions de clôture habituelles applicables à des opérations de cette nature et à la réception des approbations réglementaires, y compris celle de la Bourse de Toronto.

Valeurs mobilières TD a agi à titre d'aviseur financier de Québecor pour cette transaction.

Le présent communiqué de presse ne constitue ni une offre de vente ou d'achat ni la sollicitation d'une offre d'achat ou de vente de titres dans un territoire donné. Les titres mentionnés aux présentes n'ont pas été et ne seront pas inscrits en vertu de la loi des États-Unis intitulée *Securities Act of 1933* ou des lois sur les valeurs mobilières applicables d'un État, et ne peuvent être offerts ni vendus aux États-Unis en l'absence d'une inscription ou d'une dispense applicable des exigences d'inscription. Les titres mentionnés aux présentes n'ont pas été et ne seront pas admissibles aux fins de vente au public en vertu des lois sur les valeurs mobilières canadiennes applicables.

La Bourse de Toronto n'a pas examiné le présent communiqué de presse et dénie toute responsabilité quant à la pertinence ou à l'exactitude de celui-ci.

Mise en garde concernant l'information prospective

Les énoncés figurant dans le présent communiqué de presse qui ne sont pas des faits historiques constituent des énoncés prospectifs assujettis à des risques, à des incertitudes et à des hypothèses importants connus et inconnus qui sont susceptibles d'entraîner un écart important entre les résultats réels de Québecor dans des périodes futures et ceux qui figurent dans les énoncés prospectifs. Les énoncés prospectifs sont généralement reconnaissables à l'utilisation du conditionnel, d'expressions prospectives comme « proposer », « s'attendre », « pouvoir », « anticiper », « avoir l'intention de », « estimer que », « prévoir », « désirer », ou « croire » ou de la tournure négative de ces expressions ou de leurs variantes ou toute terminologie similaire. Ce communiqué de presse renferme notamment des énoncés prospectifs portant sur ce qui suit : le moment et la réalisation prévus des transactions visées par l'Entente; le fait que les clôtures des transactions sont subordonnées à la survenance de certains événements et à l'obtention des approbations nécessaires, à savoir celle de la Bourse de Toronto; et les avantages attendus de l'Entente (notamment l'incidence de l'Entente sur les activités, la structure, les capacités, les occasions d'affaires et autres, et la stratégie globale de Québecor). Au nombre des facteurs pouvant entraîner un écart entre les résultats réels et les attentes actuelles figurent la saisonnalité (y compris les fluctuations saisonnières des commandes de clients), les risques d'exploitation (y compris la variation de la demande des clients pour les produits de Québecor et les mesures relatives à

l'établissement des prix instaurés par des concurrents), les nouveaux concurrents et la capacité à conserver les clients actuels de Québecor et à en attirer de nouveaux, les risques liés à la fragmentation du marché de la publicité, les risques liés aux couvertures d'assurances, les risques associés à l'investissement en capital (y compris les risques liés au développement technologique, à la disponibilité et aux bris des équipements), les risques environnementaux, les risques liés à la cybersécurité et au maintien de la protection des renseignements personnels, les risques associés aux conventions collectives, le risque de crédit, les risques financiers, les risques liés à l'endettement, les risques de fluctuation de taux d'intérêt, les risques de change, les risques associés aux lois et à la réglementation gouvernementale, les risques liés aux changements dans la législation fiscale et la fluctuation générale de la conjoncture politique et économique et, en ce qui a trait à l'Entente, les risques éventuels comprennent les risques suivants : la non-réception des approbations réglementaires (dont celle de la Bourse de Toronto) ou le retard dans la réception de celles-ci ou le non-respect des conditions relatives à la réalisation de l'Entente ou le retard dans la réalisation de celles-ci; ou la survenance d'un événement qui permettrait à la Caisse de mettre un terme à ses obligations aux termes de l'Entente. Les investisseurs et autres personnes devraient noter que la liste des facteurs mentionnés ci-dessus qui sont susceptibles d'influer sur les résultats futurs n'est pas exhaustive et éviter de se fier indûment à tout énoncé prospectif. Les énoncés prospectifs décrits dans ce communiqué de presse se fondent sur les hypothèses importantes suivantes en ce qui a trait à l'Entente: le respect de toutes les conditions de clôture et la réalisation des transactions visées par l'Entente selon l'échéancier prévu, y compris l'obtention des approbations des organismes de réglementation (y compris de la Bourse de Toronto). Pour de plus amples renseignements sur les risques, incertitudes et hypothèses susceptibles d'entraîner un écart entre les résultats réels de Québecor et les attentes actuelles, veuillez vous reporter aux documents publics déposés par Québecor et qui sont disponibles à <www.sedar.com> et à <www.quebecor.com>, y compris, en particulier, la rubrique « Risques et incertitudes » du rapport de gestion de Québecor pour l'exercice terminé le 31 décembre 2017.

Les énoncés prospectifs figurant dans le présent communiqué de presse reflètent les projections de Québecor en date du présent communiqué et sont sous réserve des changements pouvant se produire après cette date. Québecor décline expressément toute obligation ou tout engagement de mettre à jour ces énoncés prospectifs, que ce soit en raison de nouveaux renseignements ou d'événements futurs ou pour quelque autre motif que ce soit, à moins que les lois sur les valeurs mobilières applicables l'exigent.

À propos de Québecor

Chef de file canadien des télécommunications, du divertissement, des médias d'information et de la culture, Québecor est l'une des entreprises de communication intégrées les plus performantes de l'industrie. Portées par la volonté de faire vivre la meilleure expérience qui soit à ses clients, toutes les filiales et marques de Québecor se distinguent par une offre de produits et services de qualité, multiplateformes et convergents.

Québecor (TSX : QBR.A, QBR.B), dont le siège social est solidement implanté au Québec, emploie plus de 10 000 personnes au Canada.

Entreprise familiale fondée en 1950, Québecor a à cœur de s'impliquer activement dans sa communauté. Chaque année, elle s'investit auprès de plus de 400 organismes dans les domaines aussi essentiels que sont la culture, la santé, l'éducation, l'environnement et l'entrepreneuriat.

Visitez notre site Internet : www.quebecor.com

Suivez-nous sur Twitter : twitter.com/Quebecor

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Source :

Jean-François Pruneau
Vice-président principal et chef de la direction financière
Québecor inc. et Québecor Média inc.
jean-francois.pruneau@quebecor.com
514 380-4144

Renseignements :

Direction des communications
Québecor inc. et Québecor Média inc.
medias@quebecor.com
514 380-4572

ANNEXE B
MODALITÉS DES DÉBENTURES CONVERTIBLES

**Modalités des
Débentures
convertibles**

Émetteur : Québecor Inc.

Montant en Capital : 150 millions de dollars

Durée : 6 ans.

Intérêt : taux de 4,00 % par année

« prix plancher » de 26,85 \$ par action QBR.B (pour un nombre maximal d'approximativement 5 586 592,18 actions QBR.B)

« prix plafond » de 33,5625 \$ par action QBR.B (pour un nombre minimal d'approximativement 4 469 273,74 actions QBR.B).

Ajustement/seuil de dividendes : 0,22 \$

Dispositions Générales : L'intention de QI et de CDP Capital d'Amérique est que les autres modalités et conditions des Débentures convertibles seront substantiellement en ligne avec les modalités des débentures convertibles émises sous la convention de fiducie de QI, en date du 11 octobre 2012, telle que modifiée en date du 26 avril 2013, hormis des changements requis pour moderniser la Convention de fiducie et préciser certaines procédures administratives.

QUEBECOR MEDIA INC.

as Borrower

- and —

**THE FINANCIAL INSTITUTIONS PARTY TO THE AMENDED AND RESTATED CREDIT AGREEMENT AS
LENDERS**

as Lenders

- and -

MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED

- and -

TD SECURITIES

- and -

THE BANK OF NOVA SCOTIA
as Joint Lead Arrangers and Joint Bookmanagers

- and -

BANK OF AMERICA, N.A.
as Administrative Agent

- and -

THE TORONTO-DOMINION BANK

- and -

THE BANK OF NOVA SCOTIA
as Syndication Agent

- and -

ROYAL BANK OF CANADA

- and -

FÉDÉRATION DES CAISSES DESJARDINS DU QUÉBEC
as Documentation Agent

Revolving Facility — C\$300,000,000

Facility B-1 Tranche — US\$350,000,000

**FOURTH AMENDMENT TO THE AMENDED AND RESTATED CREDIT AGREEMENT
DATED JUNE 14, 2013**

February 15, 2019

STIKEMAN ELLIOTT

FOURTH AMENDMENT TO THE AMENDED AND RESTATED CREDIT AGREEMENT DATED JUNE 14, 2013 entered into in Montréal, Province of Quebec, as of February 15, 2019.

Fourth Amendment to that certain amended and restated credit agreement dated as of June 14, 2013 between Quebecor Media Inc., as Borrower, Bank of America, N.A., as Administrative Agent, and the several financial institutions from time to time party thereto, as Lenders (as amended, restated, amended and restated, supplemented, replaced or otherwise modified at any time and from time to time, including by way of that certain First Amendment to the Amended and Restated Credit Agreement dated August 1, 2013, that certain Second Amendment to the Amended and Restated Credit Agreement dated June 24, 2016 and that certain Third Amendment to the Amended and Restated Credit Agreement dated May 9, 2017, the “**Amended and Restated Credit Agreement**”);

WHEREAS the parties hereto wish to amend the Amended and Restated Credit Agreement in accordance with the terms and conditions below, without novation; and

WHEREAS, in satisfaction of the requirements under the Amended and Restated Credit Agreement, all of the Revolving Lenders have provided their written consent to the Administrative Agent in connection with the amendments provided herein.

NOW THEREFORE, for good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties hereto agree as follows:

1. Interpretation.

- 1.1 The preamble forms an integral part hereof as if recited herein at length.
 - 1.2 Capitalized terms used and not otherwise defined herein have the meanings ascribed thereto in the Amended and Restated Credit Agreement.
 - 1.3 This Fourth Amendment to the Amended and Restated Credit Agreement is declared to amend and be supplemental to the Amended and Restated Credit Agreement, to form part thereof and to have the same effect as if it were incorporated therein on the date hereof. Except to the extent that it is amended and supplemented by this Fourth Amendment to the Amended and Restated Credit Agreement, the Amended and Restated Credit Agreement forms part hereof and is included by reference herein with the same effect as if it were recited herein at length. All the other provisions of the Amended and Restated Credit Agreement which are unmodified hereby remain unchanged.
 - 1.4 The expressions “hereto”, “hereof”, “herein”, “hereunder”, “this Amendment”, “this Fourth Amendment” or “this Agreement” refer to this Fourth Amendment to the Amended and Restated Credit Agreement. On and after this date, each reference in the Amended and Restated Credit Agreement to “this Agreement” or “this Amended and Restated Credit Agreement” and each reference to the “Amended and Restated Credit Agreement” in any of the other Credit Documents and any other agreements, documents, certificates and instruments delivered by any Lender, the Borrower, or any other Person in connection herewith or therewith shall mean and be a reference to the Amended and Restated Credit Agreement as amended by this Amendment. Except as specifically amended by this Amendment, the Amended and Restated Credit Agreement shall remain in full force and effect and is hereby ratified and confirmed.
 - 1.5 Unless otherwise expressly provided herein or unless there be something inconsistent therewith, all references to Articles, Sections, subsections, Exhibits or Schedules shall mean and be a reference to such Articles, Sections, subsections, Exhibits or Schedules of the Amended and Restated Credit Agreement.
-

1.6 This Amendment shall constitute a Credit Document.

2. Amendments to the Amended and Restated Credit Agreement.

2.1 Section 1.01 (*Defined Terms*) is hereby amended by deleting the defined term “Non-Consenting Lender” and replacing it with the following:

““**Non-Consenting Lender**” means any Lender that does not approve any consent, waiver or amendment that (a) requires the approval of all Lenders or all affected Lenders in accordance with the terms of Section 12.01 and (b) that has been approved by the Majority Lenders.”.

2.2 Section 1.01 (*Defined Terms*) is hereby amended by deleting the defined term “Tax Benefit Transaction” and replacing it with the following:

““**Tax Benefit Transaction**” means any Existing Tax Benefit Transaction and, for so long as the Borrower is a direct or indirect subsidiary of Quebecor, any transaction between a QMI Entity and Quebecor or any of its Affiliates, the primary purpose of which is to create tax benefits for any QMI Entity or for Quebecor or any of its Affiliates; provided, however, that (1) the QMI Entity involved in the transaction obtains, or has obtained in respect of a similar previous transaction to the extent same remains applicable as certified by the Vice President, Taxation of the Borrower (or any officer having similar functions), a favorable tax ruling from a competent tax authority or a favorable tax opinion from a nationally recognized Canadian law or accounting firm having a tax practice of national standing as to the tax efficiency of the transaction for such QMI Entity; (2) the Borrower delivers to the Administrative Agent (a) a resolution of the board of directors of the Borrower to the effect the transaction will not prejudice the Lenders and certifying that such transaction has been approved by a majority of the disinterested members of such board of directors and (b) for purposes of Facility B and any determination relating to Facility B only, an opinion as to the fairness to the Borrower of such transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of national standing in the United States of America or Canada; (3) such transaction is set forth in writing; and (4) the Consolidated EBITDA of the Borrower is not reduced after giving pro forma effect to the transaction as if the same had occurred at the beginning of the most recently ended four fiscal quarter period of the Borrower for which internal financial statements are available; provided, however, that if such transaction shall thereafter cease to satisfy the preceding requirements as a Tax Benefit Transaction, it shall thereafter cease to be a Tax Benefit Transaction for purposes of this Agreement and shall be deemed to have been effected as of such date and, if the transaction is not otherwise permitted by this Agreement as of such date, the Borrower will be in Default hereunder if such transaction does not comply with the preceding requirements or is not otherwise unwound within 30 days of that date. Notwithstanding the foregoing, it is agreed and understood that (i) the abovementioned tax ruling or tax opinion, resolution and, as the case may be, fairness opinion, shall not be required for any Tax Benefit Transaction in respect of which the net consideration payable to or by a QMI Entity does not exceed, singly, C\$10,000,000 and, in the aggregate C\$25,000,000 for the preceding twelve month period and (ii) the abovementioned resolution and, as the case may be, fairness opinion, shall not be required for any Tax Benefit Transaction conducted among QMI Entities.”.

2.3 Section 1.01 (*Defined Terms*) is hereby amended by deleting the defined term “Term” and replacing it with the following:

““**Term**” means the period commencing on the Closing Date and terminating with respect to (i) the Revolving Facility, on July 15, 2022 and (ii) Facility B-1 Tranche, on August 17, 2020.”

2.4 Article 1 (*Interpretation*) is hereby amended by inserting the following new Section 1.15 in the appropriate numerical order:

“**Section 1.15 Termination of LIBOR.** Notwithstanding anything to the contrary in this Agreement or any other Credit Documents, if the Administrative Agent determines (which determination shall be conclusive absent manifest error), or the Borrower or Majority Lenders under the Revolving Facility notify the Administrative Agent (with, in the case of the Majority Lenders under the Revolving Facility, a copy to the Borrower) that the Borrower or Majority Lenders under the Revolving Facility (as applicable) have determined, that:

(i) adequate and reasonable means do not exist for ascertaining LIBOR for any Designated Period, including, without limitation, because the LIBOR Screen Rate (as defined below) is not available or published on a current basis and such circumstances are unlikely to be temporary; or

(ii) the administrator of the Libor Screen Rate (as defined below) or a Governmental Entity having jurisdiction over the Administrative Agent has made a public statement identifying a specific date after which LIBOR or the LIBOR Screen Rate (as defined below) shall no longer be made available, or used for determining the interest rate of loans (such specific date, the “**Scheduled Unavailability Date**”), or

(iii) syndicated loans currently being executed, or that include language similar to that contained in this Section 1.15, are being executed or amended (as applicable) to incorporate or adopt a new benchmark interest rate to replace LIBOR,

then, reasonably promptly after such determination by the Administrative Agent or receipt by the Administrative Agent of such notice, as applicable, the Administrative Agent and the Borrower may, jointly, amend this Agreement, for the purposes of the Revolving Facility only, to replace LIBOR with an alternate benchmark rate (including any mathematical or other adjustments to the benchmark (if any) incorporated therein), giving due consideration to any evolving or then existing convention for similar U.S. dollar denominated syndicated credit facilities for such alternative benchmarks (any such proposed rate, a “**LIBOR Successor Rate**”), together with any proposed LIBOR Successor Rate Conforming Changes (as defined below) and, notwithstanding anything contrary set forth in Section 12.01, any such amendment to this Agreement (as agreed to between the Borrower and the Administrative Agent, the “**Proposed Amendments**”) shall become effective at 5:00 p.m. on the fifth Business Day after the Administrative Agent shall have posted such Proposed Amendments to all Revolving Lenders unless, prior to such time, Majority Lenders under the Revolving Facility have delivered to the Administrative Agent written notice that such Majority Lenders under the Revolving Facility do not accept such Proposed Amendments. Such LIBOR Successor Rate shall be applied in a manner consistent with market practice; provided that to the extent such market practice is not administratively feasible for the Administrative Agent, such LIBOR

Successor Rate shall be applied in a manner as otherwise reasonably determined by the Administrative Agent in consultation with the Borrower.

If no LIBOR Successor Rate has been determined and the circumstances under clause (i) above exist or the Scheduled Unavailability Date has occurred (as applicable), the Administrative Agent will promptly so notify the Borrower and each Revolving Lender. Thereafter, (x) the obligation of the Revolving Lenders to make, convert or continue any Advance as a Libor Advance shall be suspended (to the extent of the affected Designated Periods), and (y) the LIBOR component shall no longer be utilized in determining the applicable interest rate pursuant to Section 3.10. Upon receipt of such notice, the Borrower may revoke any pending Notice of Borrowing under the Revolving Facility or notice under the Revolving Facility requesting to convert or continue any Advance as a Libor Advance (to the extent of the affected Designated Periods) or, failing that, will be deemed to have chosen to have the interest on the amount of such Advance calculated on the basis of a US Prime Rate Advance.

Notwithstanding anything else herein any definition of LIBOR Successor Rate in the Proposed Amendments shall provide that in no event shall such LIBOR Successor Rate be less than zero for purposes of this Agreement.

For purposes hereof, “**LIBOR Successor Rate Conforming Changes**” means, with respect to any proposed LIBOR Successor Rate, any conforming changes to the definition of Applicable Margins, Designated Period, Libor Advance, Libor Basis, Selected Amount, timing and frequency of determining rates and making payments of interest and other administrative matters as may be appropriate, in respect of the Revolving Facility, in the discretion of the Administrative Agent in consultation with the Borrower, to reflect the adoption of such LIBOR Successor Rate and to permit the administration thereof by the Administrative Agent in a manner substantially consistent with market practice (or, if the Administrative Agent determines that adoption of any portion of such market practice is not administratively feasible or that no market practice for the administration of such LIBOR Successor Rate exists, in such other manner of administration as the Administrative Agent determines in consultation with the Borrower is reasonably necessary in connection with the administration of this Agreement).

For purposes hereof, “**LIBOR Screen Rate**” means the offered rate that appears on the applicable screen page referred to in paragraphs (a) and (b) of the definition of “LIBOR” in Section 1.01.

- 2.5 Schedule 4 (*Applicable Margins; per annum*) of the Amended and Restated Credit Agreement is hereby amended by deleting the table appearing immediately under “Revolving Facility” and by replacing the same with the following table:

[Redacted.]

3. Conditions Precedent.

This Amendment shall not be in force or effect until the following conditions precedent are met to the satisfaction of the Administrative Agent and the Revolving Lenders:

- 3.1 no Default or Event of Default shall have occurred or be continuing or would arise immediately after giving effect to or as a result of this Amendment, and the Administrative Agent shall have received a certificate of an acceptable officer of the Borrower confirming the absence of any such Default or Event of Default;
- 3.2 all of the representations and warranties contained in the Amended and Restated Credit Agreement and the other Credit Documents shall continue to be true and correct in all material respects on the date hereof (other than representations and warranties made as of a certain date) as if such representations and warranties were made on the date of this Amendment, and the Administrative Agent shall have received a certificate of an acceptable officer of the Borrower confirming the same;
- 3.3 satisfactory confirmation that no Material Adverse Effect shall have occurred since December 31, 2017, and the Administrative Agent shall have received a certificate of an acceptable officer of the Borrower confirming the same;
- 3.4 the Administrative Agent and the Revolving Lenders shall have received, in form and substance satisfactory to them and their counsel:
 - 3.4.1 duly executed counterparts of this Amendment;
 - 3.4.2 results of Lien searches from May 9, 2017 to a date reasonably close to the date of this Amendment, of all filings, registrations or recordings of or with respect to all the movable assets of the Borrower and its predecessors in each jurisdiction in which its assets are located or have an office, together with such other documents that the Administrative Agent shall require evidencing, to the entire satisfaction of the Administrative Agent and its counsel, that all such movable assets continue to remain free and clear of all Liens, other than Permitted Liens;
 - 3.4.3 a duly certified copy of the constating documents, by-laws, resolutions and incumbency of the Borrower, certified by an acceptable officer of the Borrower (or to the extent all amendments or additions to such constating documents, by-laws, resolutions and incumbency, if any, have heretofore been delivered to the Administrative Agent, a certificate by an acceptable officer of the Borrower attesting to same);
 - 3.4.4 a certificate of status, compliance, good standing or like certificate issued by the appropriate governmental body of the Borrower's jurisdiction of incorporation and jurisdiction where it owns any material assets or carries any material business;
 - 3.4.5 the favourable opinions of legal counsel to the Borrower addressed to the Administrative Agent, the Revolving Lenders and their legal counsel covering, *inter alia*, (i) the corporate status, power and capacity of the Borrower, (ii) the authority and legal right of the Borrower to execute this Amendment and to perform its obligations contained therein or incidental thereto, (iii) the due execution and delivery by the Borrower of the Amendment, (iv) the compliance of the Amendment with the constating documents and by-laws of the Borrower and with the laws of the jurisdiction of organisation of the Borrower and with those

indicated as governing each such document; (v) the legality, validity, binding effect and enforceability against the Borrower of the Amendment; (vi) the continued legality, validity, binding effect and enforceability of the Security Documents against the Borrower as continuing to secure the obligations of the Borrower under this Amendment and the other Credit Documents; (vii) the continued opposability and perfection of the security created under the relevant Security Documents; and as to such other matters as the Administrative Agent may reasonably require;

- 3.4.6 satisfactory evidence that all necessary third party consents and authorisations required in connection with the execution, delivery and performance of this Amendment, if any, have been obtained, and that all debentures, hypothecs, deeds, instruments, forms, financing statements or equivalent documents required under all applicable Laws to preserve the Security, if any, have been executed, delivered and duly registered, recorded, published and/or filed; and
 - 3.4.7 all other documents, declarations, certificates, agreements, notices and information that the Administrative Agent or its counsel may reasonably require; and
- 3.5 the entire amount of all fees, costs, charges and expenses contemplated herein or in any other Credit Document, to the extent then owing, shall have been paid.

4. No Waiver.

The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided otherwise, operate as a waiver of any of the rights and powers of or remedies available to the Administrative Agent (in such capacity or in its capacity as collateral agent or *fondé de pouvoir*, as applicable) or the Lenders under the Amended and Restated Credit Agreement or any of the other Credit Documents nor constitute a waiver of any provision of the Amended and Restated Credit Agreement or such other Credit Documents.

5. No Novation.

Nothing in this Agreement shall constitute, evidence or result in repayment, readvance, accord or satisfaction, release or novation of all or any part of the Accommodations, the Debt relating to the Accommodations, or any other obligation or liability of the Borrower under, in respect of or in connection with the Accommodations, the Debt relating to the Accommodations, the Amended and Restated Credit Agreement and any other Credit Documents. However, should this Agreement be construed as constituting, evidencing or resulting in repayment, readvance, accord or satisfaction, release or novation of all or any part of the Accommodations, the Debt relating to the Accommodations, or any other obligation or liability of the Borrower under, in respect of or in connection with the Accommodations, the Debt relating to the Accommodations, the Amended and Restated Credit Agreement and any other Credit Documents, the Administrative Agent and the Lenders hereby expressly reserve all of the Security granted in their favour by the Borrower under the Security Documents, the whole in accordance with the provisions of Article 1662 of the *Civil Code of Québec*.

6. Governing Law.

This Amendment shall be governed by and interpreted and enforced in accordance with the laws of the Province of Quebec and the federal laws of Canada applicable therein.

7. Successors and Assigns.

The provisions of this Amendment shall be binding on and enure to the benefit of the undersigned and their respective successors and permitted assigns.

8. Counterparts.

This Amendment may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

9. Patriot Act.

The Administrative Agent (for and on behalf of each Lender) hereby notifies the Borrower that pursuant to the requirements of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "**PATRIOT Act**"), each Lender and the Administrative Agent may be required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender or the Administrative Agent, as applicable, to identify the Borrower in accordance with the PATRIOT Act. This notice is given in accordance with the requirements of the PATRIOT Act and is effective for each Revolving Lender and the Administrative Agent.

[Signature pages follow]

IN WITNESS WHEREOF the parties hereto have executed this Fourth Amendment to Amended and Restated Credit Agreement as of the date hereinabove mentioned.

QUEBECOR MEDIA INC., as Borrower

Per: /s/ Hugues Simard
Name: Hugues Simard
Title: Chief Financial Officer

Per: /s/ Jean-François Parent
Name: Jean-François Parent
Title: Vice President and Treasurer

BANK OF AMERICA, N.A., as Administrative Agent

Per: /s/ Henry Pennell
Name: Henry Pennell
Title: Vice President

QMI — Fourth Amendment to Amended and Restated Credit Agreement

VIDÉOTRON LTÉE, as Borrower

-and-

RBC DOMINION SECURITIES INC., as Co-Lead Arranger and Joint Bookrunner
NATIONAL BANK OF CANADA, as Co-Lead Arranger and Joint Bookrunner
TD SECURITIES, as Co-Lead Arranger and Joint Bookrunner

-and-

BANK OF AMERICA, N.A., CANADA BRANCH
BMO CAPITAL MARKETS
CIBC WORLD MARKETS
FÉDÉRATION DES CAISSES DESJARDINS DU QUÉBEC
THE BANK OF NOVA SCOTIA
as Co-Arrangers

-and-

NATIONAL BANK OF CANADA
THE TORONTO-DOMINION BANK
as Syndication Agents

-and-

THE BANK OF NOVA SCOTIA
as Documentation Agent

-and-

THE FINANCIAL INSTITUTIONS NAMED
ON THE SIGNATURE PAGES HERETO
as Lenders

-and-

ROYAL BANK OF CANADA
as Administrative Agent

THIRD AMENDING AGREEMENT to the Amended and Restated Credit Agreement dated as of June 16, 2015, as amended by a First Amending Agreement dated as of June 24, 2016 and a Second Amending Agreement dated as of January 3, 2018

BORDEN LADNER GERVAIS LLP

THIRD AMENDING AGREEMENT to the Amended and Restated Credit Agreement dated as of June 16, 2015, as amended by a First Amending Agreement dated as of June 24, 2016 and a Second Amending Agreement dated as of January 3, 2018, entered into in the City of Montreal, Province of Quebec, as of November 26, 2018,

AMONG: **VIDÉOTRON LTÉE**, a company constituted in accordance with the laws of Quebec, having its registered office at 612 St. Jacques Street, 18th floor, in the City of Montreal, Province of Quebec (hereinafter called the “**Borrower**”)

AND: **THE LENDERS, AS DEFINED IN THE CREDIT AGREEMENT** (the “**Lenders**”)

AND: **ROYAL BANK OF CANADA, AS ADMINISTRATIVE AGENT FOR THE LENDERS**, a Canadian bank, having a place of business at 200 Bay Street, 12th floor, South Tower, Royal Bank Plaza, in the City of Toronto, Province of Ontario (hereinafter called the “**Agent**”)

WHEREAS the parties hereto are parties to a credit agreement originally dated as of November 28, 2000, as amended and restated as of July 20, 2011, as amended by a First Amending Agreement dated as of June 14, 2013, a Second Amending Agreement dated as of January 28, 2015, a Third Amending Agreement creating an Amended and Restated Credit Agreement dated as of June 16, 2015, a First Amending Agreement dated as of June 24, 2016 and a Second Amending Agreement dated as of January 3, 2018 (the “**Original Credit Agreement**”, and as amended pursuant to this Agreement, the “**Credit Agreement**”);

WHEREAS on May 4, 2017 the full amount of the Credit available under the Unsecured Facility has been reduced to zero, the Commitment of each Unsecured Facility Lender has been converted into an additional Commitment of the same Lender under the Revolving Facility and the Unsecured Facility has been terminated;

WHEREAS on October 22, 2018 the Finnvera Term Facility has been terminated;

WHEREAS the Borrower has requested certain amendments to the Original Credit Agreement; and

WHEREAS the Lenders have unanimously agreed with the Borrower to the amendment contemplated hereby, and as such, the Lenders have complied with the provisions of Section 18.14 and 18.15 of the Original Credit Agreement, as evidenced by the signature of each party hereto on this Agreement;

NOW THEREFORE, THE PARTIES HERETO AGREE AS FOLLOWS:

I. INTERPRETATION

All of the words and expressions which are capitalized herein, including in the preamble hereto, shall have the meanings ascribed to them in the Original Credit Agreement unless otherwise indicated herein.

II. AMENDMENTS

1. Subsection 1.1.60 of the Original Credit Agreement is hereby deleted and replaced by the following (new text double-underlined and old text stricken off):

“1.1.60 “**EBITDA**” means, with respect to any Person or the Relevant Group during a financial period, earnings before non-controlling interests, earnings from equity-accounted investments, extraordinary items, non-recurring gains or losses on debt extinguishment and asset sales and restructuring, Interest Expense, Taxes (to the extent taken into account for the purposes of determining net income), depreciation and amortization, foreign exchange translation gains or losses not involving the payment of cash, other non-cash financial charges, reconnection costs, subscribers’ subsidies revenues net of related costs, deferred installation revenues net of related costs without taking into account any goodwill adjustments, **and amortization of contract assets and contract acquisition costs**, calculated in accordance with GAAP; for greater certainty, there shall be excluded from the calculation of EBITDA, to the extent included in such calculation, (a) the amount of any income or expense relating to Back-to-Back Securities, and (b) the EBITDA from any Subsidiary that is not a member of the Relevant Group except to the extent of the cash dividends or other distributions received from such Subsidiary that is not a member of the Relevant Group, net of any reinvestments by the Relevant Group in such Subsidiary.”

2. The pricing table under Revolving Facility in Subsection 1.1.101 of the Original Credit Agreement is hereby deleted and replaced by the following:

Revolving Facility

[Redacted.]

3. Subsection 1.1.108 of the Original Credit Agreement is hereby deleted and replaced by the following (new text double-underlined and old text stricken off):

“1.1.108 **“New Facility”** means one or more credit facilities created from time to time as permitted under Section 2.4 and benefitting from the Security.”

4. Subsections 1.1.114.6 and 1.1.114.8 of the Original Credit Agreement are hereby deleted and replaced by the following (new text double-underlined and old text stricken off):

“1.1.114.6 Charges (i) under any Capital Lease or Synthetic Lease, and (ii) to secure the payment of the purchase price incurred in connection with the acquisition of assets, in each case to be used in carrying on the Core Business, including Charges existing on such assets at the time of the acquisition thereof or at the time of the acquisition by a member of the VL Group of any business entity then owning such assets, whether or not such existing Charges were given to secure the payment of the purchase price of the assets to which they attach, provided that such Charges are limited to the assets purchased and that the amount guaranteed by such Charges does not exceed 100% of the acquisition price of the assets so acquired, and, in the aggregate for (i) and (ii) above, shall not exceed, at the time of incurrence, the greater of (a) 7.5% of Shareholders Equity and (b) \$75,000,000, outstanding at any time;

1.1.114.8 other Charges, not ranking in priority to the Security, incurred in the ordinary course of the Core Business, in an aggregate amount not at any time exceeding, the greater of (a) 7.5% of Shareholders Equity and (b) \$75,000,000.”

5. Subsection 1.1.145 of the Original Credit Agreement is hereby deleted and replaced by the following:

“1.1.145 **“Swing Line Commitment”** means \$55,000,000.”.

6. Subsection 1.1.152 of the Original Credit Agreement is hereby amended by deleting the words “means, with respect to the Revolving Facility, the period commencing on the Closing Date and terminating on July 20, 2021” appearing at the beginning of such Subsection and replacing same with “means, with respect to the Revolving Facility, the period commencing on the Closing Date and terminating on July 20, 2023”.

7. A new Section 1.6 is added to the Original Credit Agreement to deal with the replacement of LIBOR. The new Section 1.6 provides as follows:

“1.6 **Termination of LIBOR**

In the event that the LIBOR ceases to be made available or the supervisor for the administrator of the LIBOR or a Governmental Authority having jurisdiction over the Agent has made a public statement identifying a specific date after which the LIBOR shall no longer be used for determining interest rates for loans, then the Borrower and the Agent shall enter into discussions with a view to determining a comparable successor or alternative interbank rate for deposits in US Dollars that is, at such time, broadly accepted

as the prevailing market practice for syndicated leveraged loans of this type; provided that, if such alternative rate of interest shall be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement. Upon the Borrower and the Agent agreeing on such a rate, the Borrower and the Lenders party hereto shall enter into documentation to amend the provisions of this Agreement to refer to such rate and make all other adjustments incidental thereto, provided that no fee shall then be payable by the Borrower to the Agent and the Lenders in connection with such amendment. The parties hereto agree that such amendment shall require the consent of the Majority Lenders, notwithstanding anything contrary set forth in Sections 18.14 and 18.15.

Until an alternative rate of interest shall be determined in accordance with this Section 1.6, any Notice of Borrowing or notice of conversion requesting to convert or continue any Advance as a Libor Advance shall be ineffective and the Borrower shall be deemed to have chosen to have the interest on the amount of such Advance calculated on the US Base Rate Basis.”

8. Subsection 2.1.1 of the Original Credit Agreement is hereby deleted and replaced by the following (new text double-underlined and old text stricken off):

“2.1.1 the Revolving Facility, in a maximum amount equal to \$1,500,000,000 (subject to increases in accordance with Sections 2.3 and 2.4), including the Swing Line Commitment which forms part of the Revolving Facility;”

9. Subsection 2.4.1 of the Original Credit Agreement is hereby deleted and replaced by the following (new text double-underlined and old text stricken off):

“2.4.1 The aggregate amount of any such New Commitments and available commitments under any New Facility shall not exceed an amount equal to **\$500,000,000** minus the amount of any previous New Commitments and New Facility (in each case, drawn and undrawn) that remain in effect. The notice shall specify the date (the “**Increased Amount Date**”) on which the Borrower proposes that the New Commitments or New Facility shall be effective, which shall be a date not less than 15 Business Days after the date on which such notice is delivered to the Agent. The notice in respect of New Commitments shall provide that the Borrower is first offering the opportunity to provide each New Commitment to the then-existing Revolving Facility Lenders, who may accept same on a pro rata basis or as they may otherwise agree. Any Revolving Facility Lender approached to provide all or a portion of the New Commitments may elect or decline, in its sole discretion, to provide a New Commitment.”

10. Section 13.7 of the Original Credit Agreement is hereby deleted and replaced by the following (new text double-underlined and old text stricken off):

“13.7 Debt and Guarantees

Incur or assume Debt, provide Guarantees or render itself liable in any manner whatsoever, directly or indirectly, for any Indebtedness or obligation whatsoever of another Person, except (a) hereunder for the purposes set forth in Section 3.1; (b) that a member of the VL Group may provide financial assistance to another member of the VL Group to the extent that the Borrower complies with the provisions of Section 12.12; (c) unsecured Debt not exceeding \$75,000,000 under the Tranche B Finnvera credit agreement entered into among the Borrower, HSBC Bank plc, The Toronto-Dominion Bank and Sumitomo Banking Corporation of Canada dated as of November 13, 2009; (d) in connection with Debt incurred or assumed that is secured by Permitted Charges, and within the limits applicable thereto; (e) in connection with Back-to-Back Transactions and Tax Benefit Transactions including by way of unsecured daylight loans; (f) that the Borrower may incur or assume unsecured Debt by way of Additional Offerings, and that a member of the VL Group may provide unsecured Guarantees in respect of obligations of the Borrower under any such Debt outstanding at any time, to the extent that the Borrower complies with the applicable Leverage Ratio calculated on a pro forma basis and, subject to the provisions of Section 9.3, such member has provided a Guarantee under subsection 9.1.1 or provides such a Guarantee contemporaneously with its Guarantee in relation to the Additional Offering; (g) unsecured Debt by way of Additional Offerings incurred by the Borrower before the Closing Date and listed in Schedule “H” and including, subject to Section 9.3, unsecured Guarantees by members of the VL Group in respect of obligations of the Borrower under such Debt outstanding at any time; (h) the Borrower may borrow Subordinated Debt from Quebecor Media Inc. in a principal amount outstanding from time to time of up to \$500,000,000, with interest at a rate not exceeding the greater of (y) the three month bankers’ acceptance rate quoted on Reuter’s Services, page CDOR, as at approximately 10:00 a.m. on such day plus 3.0% per annum, or (z) 7% per annum (together with interest accrued thereon or paid in kind, the “**QMI Subordinated Debt**”); (i) additional unsecured Debt of up to \$250,000,000; (j) in connection with other Subordinated Debt; (k) unsecured daylight loans incurred in connection with Tax Consolidation Transactions, provided that prior to incurring the daylight loan made at the initiation of any Tax Consolidation Transaction in a minimum amount of \$75,000,000, the Agent shall have been informed by the Borrower of the incurrence of such daylight loan; (l) unsecured Debt in respect of daylight loans in the ordinary course of business for cash management purposes, and (m) unsecured Debt facilities, each with a maximum maturity of 2 years, in connection with and to support the issuance of letters of credit required under any Spectrum Auction and Purchase process; provided that, with respect to any of the matters described in paragraphs (c) to (i) inclusive and (m) above, (A) no Default or Event of Default exists at the time, (B) incurring or assuming such Debt (including by way of providing such Guarantee) will not cause a Default or Event of Default, and (C) on a pro forma basis, the incurrence or assumption of such Debt would not reasonably be expected to cause the Borrower to breach any of its covenants under Section 12.11 hereof.”

11. Section 18.15 of the Original Credit Agreement is amended by adding the following at the end of Section 18.15:

“If any Lender is a Non-Consenting Lender, then the Borrower may, at its sole cost and expense, upon 10 days’ notice to such Non-Consenting Lender and the Agent, on the condition that at such time, no Default exists and is continuing, require such Non-Consenting Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Article 16), all of its interests, rights and obligations under this Agreement and the other Loan Documents to an Eligible Assignee that shall assume such obligations (which Eligible Assignee may be another Lender, if a Lender accepts such Assignment), provided that:

- (i) the Borrower pays the Agent the assignment fee specified in Section 16.2.2(f); and
- (ii) the assigning Non-Consenting Lender receives payment of an amount equal to the outstanding principal of its outstanding Advances, accrued interest thereon, accrued fees and all other amounts payable to it hereunder (including any breakage costs and amounts required to be paid under this Agreement as a result of prepayment of a Lender) from the Assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts).

A Non-Consenting Lender shall not be required to make any such assignment or delegation if, prior thereto, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

“**Non-Consenting Lender**” means any Lender that does not approve any consent, waiver or amendment that (a) requires the approval of all Lenders or all Affected Lenders in accordance with the terms of Section 18.15 and (b) that has been approved by the Majority Lenders.”

12. Schedule “A” to the Original Credit Agreement is amended to increase the aggregate Commitment of all Revolving Facility Lenders under the Revolving Facility from \$965,000,000 to \$1,500,000,000. The new Schedule “A” is annexed to this Agreement.

III. REPRESENTATIONS AND WARRANTIES

1. The Borrower and Guarantors hereby represent and warrant to the Lenders and the Agent as follows:

- 1.1 the execution, delivery and performance by the Borrower and the Guarantors of this Agreement have been duly authorized by all necessary corporate and other action and do not and will not require any registration with, consent or approval of, or notice to or action by, any Person (including any Governmental Authority) in order to be effective and enforceable;
- 1.2 this Agreement constitutes a legal, valid and binding obligation of the Borrower and each Guarantor, enforceable against each such Person in accordance with its

terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity;

- 1.3 the representations and warranties of the Borrower and each Guarantor set forth in the Credit Agreement shall be true and correct in all respects on and as of the Effective Date (except that where such representations and warranties are qualified by reference to a date, they shall be true and correct as at such date); and
- 1.4 at the time of and immediately after giving effect to this Agreement, no Default or Event of Default shall have occurred or be continuing.

IV. CONDITIONS PRECEDENT

1. This Agreement shall be effective as of November 26, 2018 (the "**Effective Date**"), subject to the fulfillment of each of the conditions set out in this Article IV to the entire satisfaction of the Agent and the Lenders:

- 1.1 certified copies of all of the constating documents, borrowing by-laws and resolutions of the Borrower and of each Guarantor shall have been provided to the Agent;
- 1.2 this Agreement shall have been executed and delivered;
- 1.3 the Borrower and each Guarantor which currently has in place a hypothec on all its movable and immovable property (including hypothecs with delivery on securities) pursuant to the Security Documents shall have executed new hypothecs for a principal amount of \$2,500,000,000 (plus an additional amount equal to 20% thereof) and such new hypothecs shall have been published wherever required;
- 1.4 the Borrower shall have delivered to the Agent the favourable legal opinion(s) of the counsel to the Borrower and each Guarantor, addressed to the Lenders, the Agent and its counsel, in form and substance acceptable to the Agent and its counsel, acting reasonably, including with regard to the continuing validity of all relevant Guarantees and Security;
- 1.5 the Borrower shall have paid to each of the Revolving Facility Lenders an upfront fee in the amount and payable as set forth in the letter sent to the Agent by the Borrower dated November 9, 2018;
- 1.6 the Borrower shall pay all fees and costs, including all legal fees associated with this Agreement incurred by the Agent as contemplated and restricted by the provisions of Section 12.14 of the Credit Agreement;
- 1.7 the representations and warranties in Article III of this Agreement shall be true and correct in all material respects as of the date hereof.

V. MISCELLANEOUS

1. On the Effective Date, the Original Credit Agreement shall be modified by the foregoing amendment. The parties hereto agree that the changes to the Original Credit Agreement set out herein and the execution hereof shall not constitute novation and all the Security shall continue to apply to the Original Credit Agreement, as amended hereby, and all other obligations secured thereby. Without limiting the generality of the foregoing and to the extent necessary, (i) the Lenders and the Agent reserve all of their rights under each of the Security Documents, and (ii) each of the Borrower and the Guarantors obligates itself again in respect of all present and future obligations under, *inter alia*, the Credit Agreement.
2. The Borrower shall cause its counsel to provide to the Agent, no later than January 26, 2019, Quebec land registry sub-search reports covering the immovable hypothecs referred to in Section IV.1.3 above in form and substance agreed with Agent's counsel.
3. All of the provisions of the Original Credit Agreement that are not amended hereby shall remain in full force and effect.
4. This Agreement may be signed in any number of counterparts, each of which shall be deemed to constitute an original, but all of the separate counterparts shall constitute one single document.
5. This Agreement shall be governed by and construed in accordance with the Laws of the Province of Quebec.
6. The parties acknowledge that they have required that the present agreement, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto be drawn up in English. *Les parties reconnaissent avoir exigé la rédaction en anglais de la présente convention ainsi que de tous documents exécutés, avis donnés et procédures judiciaires intentées, directement ou indirectement, relativement ou à la suite de la présente convention.*

[Signature pages follow]

IN WITNESS WHEREOF THE PARTIES HERETO HAVE SIGNED THIS AGREEMENT ON THE DATE AND AT THE PLACE FIRST HEREINABOVE MENTIONED.

VIDÉOTRON LTÉE

Per: /s/ Chloé Poirier
Chloé Poirier
Vice President and Treasurer

Signature Page — Vidéotron Ltée
Third Amending Agreement

ROYAL BANK OF CANADA, as Agent

Per: /s/ Rodica Dutka

Rodica Dutka
Manager, Agency

THE REVOLVING FACILITY LENDERS:

ROYAL BANK OF CANADA

Per: /s/ Pierre Bouffard

Pierre Bouffard
Authorized Signatory

NATIONAL BANK OF CANADA

Per: /s/ Luc Bernier

Luc Bernier
Managing Director

Per: /s/ Jonathan Campbell

Jonathan Campbell
Director

BANK OF AMERICA, N.A., Canada Branch

Per: /s/ Adrian Plummer

Adrian Plummer
Associate

THE BANK OF NOVA SCOTIA

Per: /s/ François De Broux

François De Broux
Managing Director

Per: /s/ Denis Lapalme

Denis Lapalme
Director

THE TORONTO-DOMINION BANK

Per: /s/ Serge Cloutier

Serge Cloutier
Premier directeur / Director

BANK OF MONTREAL

Per: /s/ Deep Gill

Deep Gill
Vice President

Per: /s/ Mel Saklatvala

Mel Saklatvala
Premier directeur / Director

FÉDÉRATION DES CAISSES DESJARDINS DU QUÉBEC

Per: /s/ Catherine McCarthy
Catherine McCarthy
Directeur, Financement corporatif Director, Corporate
Banking

Per: /s/ André Roy
André Roy
Directeur, Financement corporatif Director, Corporate
Banking

HSBC BANK CANADA

Per: /s/ (signature)

Per: /s/ (signature)

MUFG Bank, LTD., CANADA BRANCH

Per: /s/ (signature)

LAURENTIAN BANK OF CANADA

Per: /s/ Sylvain Couture
Sylvain Couture
Director

Per: /s/ Michelle Colivas
Michelle Colivas
Senior Portfolio Manager

CANADIAN IMPERIAL BANK OF COMMERCE

Per: /s/ Philippe Boivin
Philippe Boivin
Executive Director

Per: /s/ Anissa Rabia-Zeribi
Anissa Rabia-Zeribi
Executive Director

JPMORGAN CHASE BANK, N.A.

Per: /s/ Jeffrey Coleman
Jeffrey Coleman
Executive Director

CITIBANK, N.A., Canadian Branch

Per: /s/ (signature)

The undersigned acknowledge having taken cognizance of the provisions of the foregoing Third Amending Agreement and consent thereto, and agree that the Guarantees and Security executed by them (A) remain enforceable against them in accordance with their terms, and (B) continue to guarantee or secure, as applicable, all of the obligations of the Persons specified in such Guarantees and Security Documents in connection with the Credit Agreement as defined above, and as amended hereby:

9293-6707 QUÉBEC INC.

Per: /s/ Chloé Poirier
Chloé Poirier
Vice President and Treasurer

VIDÉOTRON INFRASTRUCTURES INC.

Per: /s/ Chloé Poirier
Chloé Poirier
Vice President and Treasurer

9529454 CANADA INC.

Per: /s/ Chloé Poirier
Chloé Poirier
Vice President and Treasurer

FIBRENOIRE INC.

Per: /s/ Chloé Poirier
Chloé Poirier
Vice President and Treasurer

9176-6857 QUÉBEC INC.

Per: /s/ Chloé Poirier
Chloé Poirier
Vice President and Treasurer

**4DEGRÉS COLOCATION INC. / 4DEGREES
COLOCATION INC.**

Per: /s/ Chloé Poirier
Chloé Poirier
Vice President and Treasurer

8480869 CANADA INC.

Per: /s/ Chloé Poirier
Chloé Poirier
Vice President and Treasurer

**SYSTEMES DE FIBRES P2P DU CANADA LTÉE/
CANADIAN P2P FIBRE SYSTEMS LTD.**

Per: /s/ Chloé Poirier
Chloé Poirier
Vice President and Treasurer

SCHEDULE "A" - LIST OF LENDERS AND COMMITMENTS

[Redacted.]

Quebecor Media Inc.

**Statement Regarding Calculation of Ratio of Earnings to Fixed Charges as Disclosed in
Quebecor Media Inc.'s Annual Report on Form 20-F for the Year Ended December 31, 2018**

For the purpose of calculating the ratio of earnings to fixed charges disclosed in Quebecor Media Inc.'s Annual Report on Form 20-F for the year ended December 31, 2018 under IFRS, (i) earnings consist of net income (loss), plus income taxes, fixed charges, amortized capitalized interest, less interest capitalized and (ii) fixed charges consist of interest expensed and capitalized, plus premiums and discounts amortization, financing fees amortization and an estimate of the interest within rental expense.

Main Subsidiaries of Quebecor Media Inc.

Name of Subsidiary	Jurisdiction of Incorporation or Organization	Equity Interest/Voting Interest
Videotron Ltd.	Québec	100% / 100%
Fibrenoire Inc.	Canada	100% / 100% ⁽¹⁾
Le SuperClub Vidéotron ltée	Québec	100% / 100%
MediaQMI Inc.	Canada	100% / 100%
Quebecor Media Printing (2015) Inc.	Canada	100% / 100%
Quebecor Media Network Inc.	Canada	100% / 100%
CEC Publishing inc.	Québec	100% / 100%
Sogides Group Inc.	Canada	100% / 100%
Groupe TVA inc.	Québec	68.37% / 99.97%
TVA Publications Inc.	Canada	100% / 100% ⁽²⁾
Les Publications Charron & Cie Inc.	Canada	100% / 100% ⁽²⁾
Mels Studios and Postproduction G.P.	Québec	100% / 100% ⁽²⁾
Event Management Gestev Inc.	Canada	100% / 100%
Québecor Sports et divertissement Inc.	Canada	100% / 100%
QMI Spectacles inc.	Québec	100% / 100%

(1) Fibrenoire Inc. is a wholly-owned subsidiary of Videotron Ltd.

(2) TVA Publications Inc., Les Publications Charron & Cie Inc. and Mels Studios and Postproduction G.P. are wholly-owned subsidiaries of TVA Group inc.



CODE OF ETHICS

(Revised in September 2018)

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I. SCOPE

This Code of Ethics (the “**Code**”) applies to all directors, members of the management committee and employees of Quebecor Inc. (“**QI**”) and Quebecor Media Inc. (“**QMI**”), as well as to those of their subsidiaries (with the exception of TVA Group Inc. and Videotron Ltd. which have adopted their own codes, similar to this one), their divisions and business units. All the entities concerned by the Code are designated herein as the “**Corporation**”.

To facilitate the reading of this Code, the use of the singular shall include the plural and the use of the masculine shall include the feminine, and vice versa.

II. PURPOSE

The Corporation’s reputation and the trust and confidence of those with whom it deals, are an integral part of its success. The Corporation is committed to managing its business in accordance with a set of values that adhere to the highest standards of integrity and excellence.

Now, more than ever, corporations must adopt certain guidelines to ensure that all employees behave in accordance with these values.

III. RESPONSIBILITY

Every employee is responsible for becoming generally familiar with and for following this Code, other Corporation policies, guidelines and practices (the “**Policies**”) as well as all laws, rules and regulations that apply to their position with the Corporation and their level of responsibility.

This Code does not describe all of the Corporation Policies. Needless to say, each employee must also comply without restriction with all other existing Corporation Policies.

The QI Board of Directors, through its Human Resource and Corporate Governance Committee (the “**Committee**”), is responsible for ensuring that a procedure is in place to denounce any violation to this Code.

The Human Resources manager of QMI, along with the Vice President, Internal Audit of QMI and the Senior Vice President, Chief Legal Officer and Public Affairs and Corporate Secretary of QI revise the Code when deemed appropriate and recommend any amendment to the Committee. Following the approval by the said Committee, the revised Code is distributed to all employees.

IV. WORK ENVIRONMENT

All employees must follow the Corporation’s management principles and adopt behaviours that allow for the application of Policies in relation to, among other things, diversity and inclusion, discrimination, health, safety and well-being at work, drug and/or alcohol use and harassment, as summarized below.

Diversity and inclusion

The Corporation recognizes and respects diversity in the work environment. The Corporation is committed to maintaining an inclusive, respectful, equitable work environment that is accessible to all (employees, clients, suppliers, visitors, volunteers). The Corporation is committed to promoting access to employment equality and to taking reasonable measures in order to represent the society in which it is evolving.

Hiring processes at the Corporation are carried out in a manner that is respectful of differences. Decisions made in relation to recruiting, assignments and promotions are based solely on skills, qualifications, abilities and individual performance.

Discrimination

The Corporation is committed to equal employment opportunity without regard to race, colour, religion, gender, pregnancy, civil status, ethnic or national origin, age (except as provided by law), political convictions, language, social condition, a handicap or the use of any means to palliate a handicap, sexual orientation and gender diversity, provided that the person is able to perform the functions that are incumbent to his position.

The Corporation considers that all human beings are equal and, as such, they must be treated and treat each other with mutual respect. The Corporation is committed to fight against prejudice and discrimination in all forms within its organization. Consequently, discriminating against any employee, applicant or person with whom the Corporation does business on the basis of personal characteristics is prohibited.

Health, safety and well-being at work

The Corporation is committed to making health, safety and well-being at work a common objective. It recognizes its employees' value and the important part they play in reaching its business goals. The Corporation confirms its commitment to promoting their health, safety and well-being.

The Corporation commits to taking the necessary measures to protect the health and safety of its employees, and, when applicable, its clients, suppliers, visitors and volunteers. Each employee is responsible for actively participating in identifying workplace risks and must take all necessary precautions to prevent workplace accidents and work-related injuries.

Use of drugs and/or alcohol

The Corporation wishes to offer all its employees a safe, healthy and productive work environment. The workplace must be maintained as an alcohol- and drug-free environment to protect the health and safety of all its employees. The possession, consumption, distribution, sharing, purchase or sale of legal and illegal drugs and alcohol when an employee is fulfilling his work duties, when he is on the Corporation premises or when he is called upon to return to the Corporation premises is prohibited. Employees may consult the *Corporate Policy on the Consumption of Drugs and Alcohol*.

Each employee bears sole responsibility not only for being capable and able to do his work, but also for doing his work in a manner that is safe for himself and his colleagues and the general public. No employee who has consumed a substance that alters his physical and/or psychological ability to work safely and professionally will be tolerated at the workplace.

Any exceptions in regard to the consumption of alcohol must be approved in advance by the Vice President of the department in question.

Harassment

Workplace harassment is any vexatious behaviour that takes the form of repeated and hostile or unwanted conduct, verbal comments or gestures, that affect an employee's dignity or psychological or physical integrity and that results in a harmful work environment. Psychological harassment takes the form of speech, acts or gestures of a sexual nature. A single serious incidence of such behaviour that has a lasting harmful effect on an employee may also constitute harassment.

Harassment may be considered to have occurred when a person: makes inappropriate comments about race, religion, gender, age, a disability or any other subject that is a motive for discrimination; threatens or intimidates another person; makes unnecessary physical contact, for example by touching, patting, pinching or punching another person, which can also be considered as a form of aggression.

The Corporation does not tolerate any form of harassment or violence in its workplace.

V. RELATIONS WITH CUSTOMERS AND SUPPLIERS

The Corporation is a customer-driven company committed to optimizing the contribution of its employees, technology and other resources in order to meet or exceed customer expectations.

Employees should always act in a professional and courteous manner in their dealings with customers and suppliers. They must maintain an honest and loyal relationship with them, in full compliance with the Corporation's contractual obligations and the applicable laws and regulations.

No employee must ever make false representations, and any misunderstanding should be clarified as soon as possible.

Each employee has a duty to keep confidential any personal or business information about customers and suppliers to which the employee gains or has access to in the course of his work or otherwise in the Corporation, whether be it verbal, written or electronic information. Examples are customer documentation, specifications, the content of their publications or information on the customer's company obtained in the course of doing business. In all cases, this information is strictly confidential and is of a proprietary nature belonging to the customer and can only be used to provide the services requested by the customer.

VI. CONFLICT OF INTEREST

The Corporation expects and requires its employees to always act in its best interest. It also expects and requires its employees to be and to remain, at all times, free of any conflicting interests or relationships

and to refrain from acting or being in a situation of conflict of interests, or in situations that have the appearance of a conflict of interest.

Directors

Directors are required to notify the Chair of the Committee or the Senior Vice President, Chief Legal Officer and Public Affairs and Corporate Secretary of any interest they have in a contract or operation that the Corporation is involved in during their mandate.

A director who finds himself in a conflict of interest during any Board or Committee meeting of the Corporation must immediately disclose the nature and value of his interest and, within the limits of the applicable laws, refrain from participating in any discussion about the conflicting issue or from voting thereon.

Members of the management committee and other employees

A conflict of interest arises whenever the private interest of an employee interferes (or seems to interfere) or conflicts (or seems to conflict) with that of the Corporation. In any decision taken in the course of his job, the employee must always act in an objective manner, in the best interest of the Corporation and unaffected by any consideration of personal gain for the employee or any legal or physical person associated with him, including friends or relatives. An employee must always refrain from helping any other business or person in securing any contract with the Corporation from which he can derive a personal benefit.

It is impossible to provide an exhaustive list of all situations that could give rise to real or potential conflicts of interest. For instance, a conflict of interest would exist when an employee:

1. either for his benefit or that of any person, association or company, conducts activities during working hours that are neither directly related to, nor required, for his functions (except with the management's specific request or permission) and which deprive the Corporation from the employee's services or prevent that employee from devoting all efforts and attention to the Corporation's affairs;
2. as a result of an outside third party relationship, is in a position that could:
 - a) make personal gain for the benefit of that employee or any relative or friend;
 - b) render the employee partial towards the third party contrary to the best interest of the Corporation;
 - c) place the employee in an equivocal, embarrassing or ethically questionable position towards that third party; or
 - d) reflect unfavourably on the integrity and honesty of the employee;

3. takes on for himself or takes advantage of business opportunities that belong to the Corporation or are discovered through the use of the Corporation's resources, property, information or the employee's position with the Corporation;
4. uses the Corporation's property or information, or his position held within the Corporation, for personal gain, including to further his interest or that of relatives or friends;
5. accepts gifts (other than of a nominal, symbolic or promotional nature) from a supplier, client or any other person which has, or may have dealings with the Corporation;
6. directly or indirectly competes with the Corporation or has a relationship that is harmful or detrimental to the Corporation's best interest;
7. engages in business or gainful activities that might be detrimental to the best interest of the Corporation. The term "business or gainful activities" includes any professional activity, supervision or training of other persons, or consultation or advice, for any form of remuneration.

Every employee who may find himself in or be brought into a situation of conflict of interest or the appearance thereof, should make a full written disclosure of the circumstances to his immediate supervisor, the Human Resources manager and, when this situation arises with a member of the management committee, to the Senior Vice President, Chief Legal Officer and Public Affairs and Corporate Secretary.

VII. CORPORATION PROPERTY

The employees have a responsibility to protect the Corporation's property and to ensure their use in accordance with their intended use.

Such property includes, and is not limited to, offices and office equipment, supplies, computers, art works, telephone and video equipment, vehicles, tools, equipment, buildings, real property, information, databases, files, funds, communication networks, information and intellectual property.

Intellectual property such as patents, authors' rights, trademarks, domain names, industrial designs and business secrets are the property of the Corporation.

The Corporation is committed to maintaining information security (whatever form information takes and whatever media it is kept on). The physical location of information assets such as documents produced or received in a work context, computer equipment, software applications and manuals, software programs and packages, electronic data processing and computer-processed data must also be kept secure. Employees take part in maintaining this security by apprising themselves of and following Policies that are implemented by the Corporation that affect any aspect of information security. Any disrespect of these regulations could expose the Corporation to significant financial and legal consequences.

All possible safeguards must be taken to prevent theft, misuse or illegitimate use, unauthorized disclosure, damage, loss, sabotage, carelessness and waste of the Corporation's property.

Corporation property is to be used by employees for work and legitimate business purposes only and not for personal use.

Computer, telephone and internet networks

The Corporation may monitor the use of its property at all times including the computer and telecommunication networks and the data and communication transiting through them. Although a minimal occasional personal use of the telephone and the Internet is allowed (including social media), as long as it does not hinder work performance, no confidentiality exists for the employees. Messages, communications and the use of the Internet may be monitored by the Corporation.

Internet use for illegal purposes is strictly forbidden. For this reason, unless an employee's work requires it, no employee may access content involving games, pornography, content related to terrorism, racism and/or offensive content, or social encounters or any other form of access that provides content of that nature.

Electronic mail

The use of electronic mail requires the same level of attention and reserve than any other written communication. Language must be appropriate, and the addressees must be only those to whom the message is relevant. Confidential information must not circulate electronically without appropriate measures being taken to protect them and prevent them from losing the protection that they would otherwise have. Electronic mail favours direct communication without nuance and reserve; consequently, it must not be used to discuss matters that could lead to contentious issues or to exchange comments related to such matters. It is obviously possible to communicate electronically with the Legal Affairs Department as long as the communications addressed to this department bear the mention "Confidential and privileged, covered by professional confidentiality" when the purpose of this communication is to obtain a legal opinion or is being sent in the context of current or future litigation.

VIII. CORPORATION FUNDS

When an employee's position involves the use of Corporation funds, it is the responsibility of the employee to exercise his good judgment, on the Corporation's behalf, to ensure that the Corporation gets the best commercial value for every dollar spent.

Employees who incur expenses while on company business can only seek reimbursement for expenses that were actually paid for goods and services and that are reasonable and pre-authorized. They are required to provide all supporting documentation and appropriate receipts with their reimbursement request.

Employees who have access to Corporation funds in any form are expected to be familiar with the Corporation's prescribed practices and procedures pertaining thereto. Corporation funds are any monies or documents that have or represent financial value. Corporation funds include, but are not

limited to, currency, cheques, vouchers, credit, receivables, payables, money orders, expenses, reimbursements and pay cheques.

It is clearly understood that Corporation funds are not for personal use or for business use without pre-approval.

No expenditure of Corporation funds will be approved unless the manager responsible for approving the expenditure is satisfied with the justification for and the amount of such expenditure. Whenever this is the case, such approval shall be granted in accordance with the Corporation's and its subsidiaries' *Policy on Limits of Authority*.

IX. CONFIDENTIAL INFORMATION

In the course of their employment, employees may have access to confidential information about the Corporation, as well as its customers and suppliers, and about other employees of the Corporation. "**Confidential information**" is any information, either verbal or written, regardless of which medium it is communicated through, that is not generally known by the public. This includes, but is not limited to, information on technology, business data such as order backlog, customer specific billing rates and financial data.

Measures must be taken to limit access to such Confidential information to only those persons who "need to know" it in the performance of their duties and those privies thereto must be advised that they have the obligation to keep it confidential.

Outside parties privy to Confidential information concerning the Corporation must be advised that they cannot divulge such information to anyone without the Corporation's consent. The Corporation may request such outside parties to sign a confidentiality and non-disclosure agreement. Outside parties must also be advised not to trade the Corporation's securities as long as the Confidential information has not been made public.

It is the responsibility of each employee to act in good faith and to treat any Confidential information with the utmost care. If necessary, the employees are to refer to the *Disclosure Policy* of their respective corporation.

In order to prevent the misuse or inadvertent disclosure of Confidential information, the procedures set forth below should be observed at all times:

- documents and files containing Confidential information must be kept in a safe place to which access is restricted to only those employees who "need to know" such information in the performance of their duties;
- confidential matters should not be discussed in public places (elevators, hallways, restaurants, airplanes, taxis, or elsewhere);
- confidential documents should not be read or remain visible in public places and should not be discarded where third parties can retrieve them;

- employees must ensure that they maintain the confidentiality of information in their possession inside or outside the workplace;
- transmission of documents containing Confidential information by electronic means or by fax should be made and received under secure conditions; and
- unnecessary copying of confidential documents should be avoided and documents containing Confidential information should be promptly removed from conference rooms and work areas after the meetings; extra copies should be shredded or otherwise destroyed in a safe manner.

The rules set out above apply not only to the Corporation's information, but also to information that belongs to a third party, such as a supplier, customer or competitor.

Moreover, a new employee may not disclose any Confidential information about his previous employer. Likewise, an employee leaving the Corporation remains bound by the obligation to safeguard its Confidential information, even after he has left.

X. INSIDER TRADING

The Stock Exchange and Securities laws and regulations contain provisions governing the use and disclosure of non-public information that may have a significant effect on the market price of a public corporation's shares. Any person that contravenes those provisions may be subject to heavy fines and damages.

Since QI and TVA Group Inc. ("TVA") are corporations with shares listed on the Toronto Stock Exchange, it is illegal for anyone to trade in securities of QI and of TVA, if that person is aware of important information about any of these corporations that has not been publicly disclosed. It is also illegal for anyone to inform any person about important non-public information, other than in the normal course of business.

Therefore, the Corporation's directors, officers and employees who are aware of Confidential information that could have an effect on the market price of the securities of QI, TVA or those of other related parties with whom there are ongoing important negotiations, are prohibited from trading in shares of these corporations or that third party, until the information has been fully publicly disclosed for a period of 24 hours and they are aware of any other Confidential information. Advising anyone to buy, sell, or in any other way trade in securities of these corporations or those of other related parties is also forbidden.

In addition, all the insiders of QI and of TVA are prohibited from trading in the securities of these corporations during certain trading blackout periods stipulated under their respective *Policy relating to the use of privileged information and insider trading transactions*.

When an employee is uncertain whether he may trade the securities of QI or of TVA, he must refer to the *Disclosure Policy* and the *Policy relating to the use of privileged information and insider trading transactions* currently in effect and contact the Senior Vice President, Chief Legal Officer and Public Affairs and Corporate Secretary of the Corporation.

XI. BUSINESS RECORDS

The Corporation follows extremely high standards with regards to the accuracy and integrity in which its business records are maintained. These serve as a base for the management of its business, the assessment and carrying out of its obligations towards its shareholders, employees, clients and suppliers, as well as for assuring compliance with legal, fiscal and financial requirements. Consequently, employees must record information with precision and integrity, so that all business records of the Corporation are reliable and accurate.

Employees must maintain the Corporation's business records, including its books, accounts, financial statements, transaction files and litigation files with integrity and precision, in a manner that accurately reflects its commercial activities and in compliance with the legal and regulatory requirements and with other Policies of the Corporation.

All the financial activities must be properly recorded in the accounting records and the accounting procedures must be supported by the appropriate internal controls.

Work orders, supporting documents, invoices, time sheets, pay slips, contracts and other similar data must be factually accurate, true, complete and maintained according to the Corporation's current practices. Employees must not remove or destroy any file or record without the authorization of their immediate supervisor. Such authorization will only be granted in accordance with the applicable laws and relevant Corporation Policies.

Deliberate recording of wrong data on any report, record or memorandum constitutes a dishonest act that may have a serious impact on the Corporation's operations and is therefore unacceptable.

XII. INTERACTIONS WITH THE PUBLIC

The Corporation wishes to maintain open and honest communication with the public, the investment community, the media and the securities regulatory authorities. To ensure that the Corporation complies with the law while protecting its interest and confidential issues, only the Corporation's designated spokespersons are authorized to represent and deal on its behalf with the public, the investment community, the securities regulatory authorities and the media, the whole in conformity with the *Disclosure Policy* in force.

Thus, employees who are not designated spokespersons must not respond, under any circumstances, to inquiries from the public, the investment community, the media, the securities regulatory authorities or others, unless specifically asked to do so by a designated spokesperson. If an employee receives such a request, whether verbal or written, the employee must forthwith direct it to one of the Corporation's designated spokespersons.

An employee may not represent the Corporation in public, in any manner whatsoever, unless specifically requested to do so by the management, the Board of Directors, or a designated spokesperson. When an employee expresses a personal view in a public forum, he may not use the Corporation's letterhead or its e-mail or any reference to his business address or title.

When an employee is asked to make a public presentation about his job within the Corporation, that employee must obtain his immediate supervisor's approval. In case of doubt, the immediate supervisor must seek advice from the Communication Department.

XIII. POLITICAL ACTIVITIES

Employees are authorized to carry out political activities, when these activities take place outside working hours, do not conflict with their work and when none of the Corporation's assets are involved in these activities. An employee may stand as a candidate during elections or for any political position. However, as soon as possible before confirming his commitment, he must inform in writing his immediate supervisor, the Human Resources manager of QMI, the Vice President, Internal Audit of QMI and the Senior Vice President, Chief Legal Officer and Public Affairs and Corporate Secretary of QI to discuss how this commitment might affect his responsibilities at the Corporation and the measures that can be taken to manage any potential conflicts of interest.

Once officially elected, an employee must inform the Senior Vice President, Chief Legal Officer and Public Affairs and Corporate Secretary and avoid any conflict of interest that comes up in relation to his elected position and his job.

Subject to applicable laws, time off will not be offered to an employee who intends to use this time to i) campaign for another individual, run as a candidate, act as an official agent for a candidate or ii) work for a political organization.

Finally, employees may freely express their points of view on social issues or matters of public interest, but they must at all times be clear that the opinions they express are theirs and not the Corporation's.

The Corporation and its employees follow all applicable laws regulating contributions to parties wherever the Corporation operates.

XIV. SOCIAL MEDIA

As a communications company, the Corporation recognizes the importance of social media (Facebook, YouTube, Twitter, Instagram, LinkedIn, apps, blogs, etc.) as tools which facilitate communication, exchanges and transmission of information in a fast and efficient manner. However, the use of social media, even for personal use, comprises certain risks that could tarnish the Corporation's reputation. The speed of social media communications, the level of interactivity of its users, as well as the limitless access they provide, justify the need for higher vigilance.

As the use of social media is making it increasingly difficult to make a distinction between personal and professional life, when an employee uses social media for personal purposes or collaborates on an external website, he must use his personal email address, communicate under his own name and never identify himself as an authorized spokesperson of the Corporation. The employee may however note in his profile that he works for the Corporation, but he must not make any declaration that might harm the image of the Corporation. Obligations of confidentiality and loyalty to the Corporation apply at all times and in all environments. Employees are expected to be vigilant in their communications and act respectfully towards the Corporation, its products and services, its competitors and their colleagues, past and present.

XV. RESPECT FOR THE ENVIRONMENT

The Corporation is concerned about the health and well-being of its employees and of the communities surrounding its installations. Therefore, it is committed to respect the laws and regulations in force in matters of environment and will favour any procedure or initiative from its employees aiming at reducing any negative impact on the quality of air, ground or water that could result from its activities.

XVI. COMPETITION BEHAVIOUR

The Corporation seeks to outperform its competitors fairly and honestly and to achieve competitive advantages through superior performance. Employees should always strive to deal honestly with the Corporation's customers, suppliers, competitors and other employees. No one should benefit from an undue commercial advantage of anyone through manipulation, concealment, abuse of privileged information, false representation, or any other unfair dealing practice.

The employees must also respect all laws pertaining to competition. In addition, no employee may participate in discussions, agreements, projects, arrangements, whether formal or informal, with competitors or potential competitors, on issues dealing with prices, pricing rates, territories or customers to be served.

Penalties imposed for non-compliance with the laws pertaining to competition are severe. They entail heavy fines, prison sentences and damages. The penalties are equally applicable to the employees and the employer. Also, an investigation resulting from an alleged violation of the competition laws could seriously prejudice the Corporation.

Due to the complexity of the laws pertaining to competition, the Corporation recommends that its employees consult, as needed, the Corporation's Legal Affairs Department on such matters.

XVII. LEGAL COMPLIANCE

As a general rule of conduct, all employees of the Corporation must, at all times, comply with all laws and regulations applicable to the Corporation and to the citizens in general.

In order to become familiar with and comply with the laws and regulations that affect or govern their area of responsibility, employees can consult with and be guided by their immediate supervisor or the Corporation's Legal Affairs Department. Decisions regarding the application of such laws and regulations should not be made without the advice of the Corporation's Legal Affairs Department. Similarly, an employee should avoid proceeding in a manner which, in the opinion of such Department, would be in violation of the law.

XVIII. QUESTIONS AND REPORTING VIOLATIONS

If, at any time, an employee is unsure about whether an act may contravene this Code or if he has any question in connection therewith, he should seek advice from the Human Resources manager of QMI. Equally, any question regarding ways to address ethical matters should be brought to the attention of his immediate supervisor or the Human Resources manager of QMI or the Vice President, Internal Audit of QMI.

Employees who become aware of any behaviour in violation of this Code, other Corporation Policies or any law, rule or regulation applicable to the Corporation, must promptly report such violation to their immediate supervisor. If this procedure is not appropriate under the circumstances or if no satisfactory answer is obtained, employees should contact their manager, the Legal Affairs manager or the Internal Audit manager.

No employee should accept any instruction from their immediate supervisor that contravenes this Code, other Corporation Policies or any applicable law, rule or regulation of which they are aware and employees should immediately report any instruction that contravenes this Code to one of the managers identified in the preceding paragraph.

All reporting of a violation will be dealt with confidentially, within the limits imposed by law and the Corporation will not tolerate any kind of reprisal against any person who, in good faith, reports to the Corporation real or potential issues relating to violations of this Code, other Corporation Policies or any applicable law, rule or regulation.

The Corporation recognizes that employees may be reluctant to report certain types of violations or infractions. It is for that reason that the Corporation offers a confidential toll-free telephone line and Web site operated by an independent third party. This will allow employees to anonymously report any questionable actions that contravene the Code. In such cases, the Corporation hopes that its employees will report any type of violations or infractions. For more information concerning this toll-free confidential and anonymous telephone line and Web site, the employees are invited to refer to Appendix 1 of this Code, which is entitled "*Ethics whistle-blowing line - Questions and Answers*".

XIX. VIOLATION

Any violation of this Code or other Corporation Policies or applicable rules or regulations, may result in disciplinary measures, ranging from a simple warning or reprimand, to termination of employment and/or administrative measures.

Disciplinary measures may be taken against any employee, for directly violating or enticing others to violate this Code, other Corporation Policies or applicable laws or regulations. An employee can also be subject to disciplinary action if he fails to cooperate with an investigation relating to any such violation of the Code, knowingly falsely accuses another employee of a violation or retaliates against a person who reports a violation or suspects a violation.

Disciplinary measures will also be taken against any manager who is aware that one of his staff members is about to engage in a prohibited conduct and who fails to take preventive action. Managers may also be subject to disciplinary action if they fail to effectively supervise their staff.

Furthermore, non-compliance to laws and regulations could entail civil or criminal lawsuits resulting in potential fines and prison sentences.

XX. COMMUNICATION OF THE CODE

QMI's Human Resources manager is responsible for ensuring that the Code is available to each employee and that each new employee confirms, by his signature, that he has taken note of it.

QMI's Human Resources manager in conjunction with the Vice President, Internal Audit of QMI are responsible for sending the Code to all employees of the Corporation every year and for obtaining their confirmation that they have taken note of it. Every two years, the Corporation completely revises the Code to ensure that it reflects the evolution of the Corporation's industry. A new edition of the Code will be made available to employees whenever any changes have been made to it.

APPENDIX 1
“ETHICS WHISTLE-BLOWING LINE – QUESTIONS AND ANSWERS”

Who provides the service

The ethics whistle-blowing line is a telephone service and a website operated by ClearView Strategic Partners Inc. (“**ClearView**”), an independent third party. Employees may access their website at **www.clearviewconnects.com** or dial 1-877-821-5801.

Why use this service?

The Corporation attaches a great deal of importance to the values of honesty and integrity. All employees are encouraged to report all complaints or all forms of suspicious acts that might contravene the Code. If an employee is uncomfortable reporting this type of information through the normal chain of command, then he is able to report it anonymously, without fear of reprisal through the toll-free confidential telephone line or secure website.

Who can use this service?

All employees without distinction and any third parties.

When to use this service?

You should use the ClearView telephone service or website as soon as you notice a suspicious behaviour.

For example:

- Accounting irregularities;
- Falsification of the Corporation’s records;
- Fraud;
- Misuse of confidential information (Insider Trading);
- Irregularity in the handling or reporting of financial transactions;
- Significant breach of internal controls;
- Theft;
- Harassment;
- Discrimination;
- Conflict of interest.

You must keep in mind that if you wait too long before reporting the incident, it becomes more difficult to investigate the matter.

How is anonymity preserved?

You will never be asked to provide your name when you call ClearView. If you identify yourself, there can be no retaliation or reprisal. The service is offered to resolve situations of wrongdoing and not for the purpose of identifying the employee who reported it.

When you use the ClearView website, your e-mail address is automatically encrypted to preserve your identity. ClearView has formally undertaken not to divulge any confidential information received from an employee (including his name) without that employee's specific consent. Also, the Corporation has unconditionally undertaken to preserve the anonymity and confidentiality.

What happens when you use the toll-free telephone line?

When you call, a ClearView Agent with the necessary skills is automatically assigned to take the call in your language. You will have to provide forthwith the following information: the circumstances of the incident, the persons involved, and any other information (i.e. dates, time, names, places, and credible witnesses, if possible).

The ClearView Agent will ask you to identify the name of the Corporation, subsidiary or division where the incident you wish to report took place. In some cases, he may have to ask you to disclose the exact address. After gathering all the information pertaining to the incident, he will ask you to categorize the incident according to a pre-established list and will ask you specific questions relating to that particular category. The ClearView Agent will then provide you with a user code and login, which will be valid for as long as the complaint is under investigation. You will have to write down that information, since ClearView will not keep any trace of it, so as to preserve your identity. If you lose that information, you will not be able to consult your incident report. The user code and login will enable you to call back ClearView and to verify the status of your report. If you call back, it is possible that the ClearView Agent will ask you to answer additional questions received from the Corporation's representatives who are responsible for reviewing and analyzing the incident reports.

What happens when you use the ClearView website?

The procedure used to report an incident on the website is similar to the telephone reporting procedure.

When you access the ClearView website, please follow the instructions.

To begin, you will have to first enter the name of the Corporation, subsidiary or division where the incident you wish to report took place. You may then access the Web page dedicated to the Corporation. You will be able to read the Corporation's welcome message and you will be invited to consult its Code of Ethics, which is posted on that Web page. You will have to describe the incident and provide the following information: the circumstances of the incident, the persons involved, and any other information (i.e. dates, time, names, places, and credible witnesses, if possible). You will then have to categorize the incident according to a pre-established list by checking the appropriate box and answer specific questions relating to that particular category. Once you have replied to all the questions, you will be assigned a user code and a login, which will be valid for as long as the complaint is under

investigation. You will have to write down that information, since ClearView will not keep any trace of it, so as to preserve your identity. If you lose that information, you will not be able to consult your incident report. You will be able to verify the status of your incident report on the ClearView website by using your user code and login. After a preliminary review of the incident report, the Corporation's representatives (who are responsible for reviewing and analyzing the incident report) will be able to add additional questions in the report, if deemed necessary.

Who may investigate?

A representative of the Internal Audit, or a representative of Human Resources or a representative of Legal Affairs and Corporate Secretary of the Corporation are the only ones who are authorized to make investigations.

When is the service available?

It is available 24 hours a day, 7 days a week.

Will the employees filing a complaint be informed of the results of any investigation?

No, they will not be informed of the results of the investigation.

EMPLOYEE DECLARATION

I, the undersigned, hereby acknowledge that I have received a copy of the Code of Ethics of Quebecor Inc. and that I agree to comply with its provisions.

NAME (IN CAPITAL LETTERS)

DEPARTMENT / ADDRESS

SIGNATURE

DATE

The sections related to the reporting of violations apply only to those areas where it is permitted by laws and regulations.

**Certification of the Principal Executive Officer of
Quebecor Media Inc.
pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Pierre Karl Péladeau, President and Chief Executive Officer of Quebecor Media Inc. (the “Company”), certify that:

1. I have reviewed this annual report on Form 20-F of the Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
5. The Company’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: March 26, 2019

/s/ Pierre Karl Péladeau

Name: Pierre Karl Péladeau

Title: President and Chief Executive Officer

**Certification of the Principal Financial Officer of
Quebecor Media Inc.
pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Hugues Simard, Chief Financial Officer of Quebecor Media Inc. (the "Company"), certify that:

1. I have reviewed this annual report on Form 20-F of the Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: March 26, 2019

/s/ Hugues Simard

Name: Hugues Simard

Title: Chief Financial Officer

**Certification of the Principal Executive Officer of
Quebecor Media Inc.
pursuant to 18 U.S.C. Section 1350,
as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Quebecor Media Inc. (the "Company") on Form 20-F for the year ending December 31, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Pierre Karl Péladeau, President and Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 26, 2019

/s/ Pierre Karl Péladeau

Name: Pierre Karl Péladeau

Title: President and Chief Executive Officer

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.

**Certification of the Principal Financial Officer of
Quebecor Media Inc.
pursuant to 18 U.S.C. Section 1350,
as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Quebecor Media Inc. (the "Company") on Form 20-F for the year ending December 31, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Hugues Simard, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 26, 2019

/s/ Hugues Simard

Name: Hugues Simard

Title: Chief Financial Officer

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.

qbmi-20181231.xml

qbmi-20181231.xsd

qbmi-20181231_cal.xml

qbmi-20181231_def.xml

qbmi-20181231_lab.xml

qbmi-20181231_pre.xml