Consolidated financial statements of

QUEBECOR INC.

Years ended December 31, 2018 and 2017

QUEBECOR INC.
CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Quebecor Inc. are the responsibility of management and have been approved by the Board of Directors of Quebecor Inc.

These consolidated financial statements have been prepared by management in conformity with International Financial Reporting Standards and include amounts that are based on best estimates and judgments.

The management of the Corporation and of its subsidiaries, in furtherance of the integrity and objectivity of the data in the consolidated financial statements, has developed and maintains internal accounting control systems and supports a program of internal audit. Management believes that these internal accounting control systems provide reasonable assurance that financial records are reliable and form a proper basis for the preparation of the consolidated financial statements and that assets are properly accounted for and safeguarded, and that the preparation and presentation of other financial information are consistent with the consolidated financial statements.

The Board of Directors carries out its responsibility for the financial statements principally through its Audit Committee, consisting solely of outside directors. The Audit Committee reviews the Corporation's annual consolidated financial statements and recommends their approval to the Board of Directors. The Audit Committee meets with the Corporation's management, internal auditors and external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and formulates the appropriate recommendations to the Board of Directors. The auditor appointed by the shareholders has full access to the Audit Committee, with or without management being present.

These consolidated financial statements have been audited by the auditor appointed by the shareholders and its report is presented hereafter.

Pierre Karl Péladeau
President and Chief Executive Officer

Hugues Simard
Chief Financial Officer

Montréal, Canada

March 12, 2019

INDEPENDENT AUDITORS' REPORT

To the shareholders of
Quebecor Inc.

Opinion

We have audited the consolidated financial statements of Quebecor Inc. and its subsidiaries (the "Corporation"), which comprise the consolidated balance sheets as at December 31, 2018 and 2017, and the consolidated statements of income, comprehensive income, equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis of opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises

- Management's Discussion and Analysis.
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If based on the work we will perform on this other information, we conclude there is a material misstatement of other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

INDEPENDENT AUDITORS' REPORT

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Corporation audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Lily Adam.

Ernst & Young LLP [1]

Montréal, Canada
March 12, 2019

[1] CPA auditor, CA. Public accountancy permit no. A120803

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF INCOME

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

	Note	2018	2017
			(restated, note 1(b))
Revenues	2	**$ 4,181.0**	$ 4,125.1
Employee costs	3	**700.5**	712.1
Purchase of goods and services	3	**1,748.4**	1,795.8
Depreciation and amortization		**720.2**	707.9
Financial expenses	4	**323.5**	307.4
Loss on valuation and translation of financial instruments	5	**61.3**	199.8
Restructuring of operations, litigation, and other items	6	**29.8**	17.2
Gain on sale of spectrum licences	7	**–**	(330.9)
Impairment of goodwill and intangible assets	8	**–**	43.8
Loss on debt refinancing	9	**–**	15.6
Income before income taxes		**597.3**	656.4
Income taxes:			
Current	10	**154.9**	8.8
Deferred	10	**7.0**	137.1
		161.9	145.9
Income from continuing operations		**435.4**	510.5
Income from discontinued operations	32	**3.8**	18.2
Net income		**$ 439.2**	$ 528.7
Income from continuing operations attributable to			
Shareholders		**$ 398.0**	$ 375.7
Non-controlling interests		**37.4**	134.8
Net income attributable to			
Shareholders		**$ 401.5**	$ 390.5
Non-controlling interests		**37.7**	138.2
Earnings per share attributable to shareholders	11		
Basic:			
From continuing operations		**$ 1.66**	$ 1.55
From discontinued operations		**0.02**	0.06
Net income		**1.68**	1.61
Diluted:			
From continuing operations		**1.65**	1.55
From discontinued operations		**0.02**	0.06
Net income		**1.67**	1.61
Weighted average number of shares outstanding (in millions)		**239.3**	241.8
Weighted average number of diluted shares (in millions)		**239.8**	242.1

See accompanying notes to consolidated financial statements.

QUEBECOR INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31, 2018 and 2017
(in millions of Canadian dollars)

	Note	2018	2017 (restated, note 1(b))
Income from continuing operations		**$ 435.4**	$ 510.5
Other comprehensive income 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
Deferred income taxes		**(5.7)**	28.0
Items that will not be reclassified to income:			
Defined benefit plans:			
Re-measurement loss	31	**(6.1)**	(3.8)
Deferred income taxes		**1.7**	1.0
		(20.2)	68.9
Comprehensive income from continuing operations		**415.2**	579.4
Income from discontinued operations	32	**3.8**	18.2
Comprehensive income		**$ 419.0**	$ 597.6
Comprehensive income from continuing operations attributable to			
Shareholders		**$ 385.2**	$ 431.5
Non-controlling interests		**30.0**	147.9
Comprehensive income attributable to			
Shareholders		**$ 388.7**	$ 446.3
Non-controlling interests		**30.3**	151.3

See accompanying notes to consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF EQUITY

Years ended December 31, 2018 and 2017
(in millions of Canadian dollars)

	Equity attributable to shareholders					
	Capital stock	**Contributed surplus**	**Retained earnings (deficit)**	**Accumulated other comprehensive loss**	**Equity attributable to non-controlling interests**	**Total equity**
	(note 24)			(note 26)		
Balance as of December 31, 2016, as previously reported	$ 323.3	$ 2.3	$ 235.7	$ (106.1)	$ 392.0	$ 847.2
Changes in accounting policies (note 1(b))	–	–	143.7	–	33.6	177.3
Balance as of December 31, 2016, as restated	323.3	2.3	379.4	(106.1)	425.6	1,024.5
Net income	–	–	390.5	–	138.2	528.7
Other comprehensive income	–	–	–	55.8	13.1	68.9
Issuance of Class B Shares	1.1	1.2	–	–	–	2.3
Dividends or distributions	–	–	(25.3)	–	(18.7)	(44.0)
Repurchase of Class B Shares	(10.5)	–	(117.0)	–	–	(127.5)
Non-controlling interests acquisition (note 12)	–	–	(25.7)	(0.4)	(17.8)	(43.9)
Balance as of December 31, 2017	313.9	3.5	601.9	(50.7)	540.4	1,409.0
Net income	–	–	401.5	–	37.7	439.2
Other comprehensive loss	–	–	–	(12.8)	(7.4)	(20.2)
Issuance of Class B Shares	786.1	1.2	–	–	–	787.3
Dividends or distributions	–	–	(46.3)	–	(9.4)	(55.7)
Repurchase of Class B Shares	(34.1)	–	(257.6)	–	–	(291.7)
Non-controlling interests acquisition (note 12)	–	–	(1,198.2)	(19.2)	(472.6)	(1,690.0)
Balance as of December 31, 2018	**$ 1,065.9**	**$ 4.7**	**$ (498.7)**	**$ (82.7)**	**$ 88.7**	**$ 577.9**

See accompanying notes to consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2018 and 2017
(in millions of Canadian dollars)

	Note	2018	2017
			(restated, note 1(b))
Cash flows related to operating activities			
Income from continuing operations		**$ 435.4**	$ 510.5
Adjustments for:			
Depreciation of property, plant and equipment	15	**614.7**	604.1
Amortization of intangible assets	16	**105.5**	103.8
Loss on valuation and translation of financial instruments	5	**61.3**	199.8
Gain on sale of spectrum licences	7	**–**	(330.9)
Restructuring of operations and impairment of goodwill and intangible assets	6,8	**14.9**	43.8
Loss on debt refinancing	9	**–**	15.6
Amortization of financing costs and long-term debt discount	4	**7.1**	7.1
Deferred income taxes	10	**7.0**	137.1
Other		**(5.7)**	4.1
		1,240.2	1,295.0
Net change in non-cash balances related to operating activities		**147.3**	(133.3)
Cash flows provided by continuing operating activities		**1,387.5**	1,161.7
Cash flows related to investing activities			
Non-controlling interests acquisitions	12	**(1,540.0)**	(43.9)
Business acquisitions	12	**(10.3)**	(5.8)
Additions to property, plant and equipment	15	**(553.0)**	(602.1)
Additions to intangible assets	16	**(197.4)**	(141.9)
Proceeds from disposals of assets	7	**9.4**	620.7
Other		**(11.3)**	(10.6)
Cash flows used in continuing investing activities		**(2,302.6)**	(183.6)
Cash flows related to financing activities			
Net change in bank indebtedness		**23.5**	(18.1)
Net change under revolving facilities		**565.8**	(33.7)
Issuance of long-term debt, net of financing fees	21	**–**	844.0
Repayment of long-term debt	9	**(20.5)**	(695.6)
Repayment of convertible debentures	22	**(158.4)**	(95.2)
Settlement of hedging contracts		**(1.6)**	16.6
Issuance of Class B Shares	24	**1.3**	1.1
Repurchase of Class B Shares	24	**(291.7)**	(127.5)
Dividends		**(46.3)**	(25.3)
Dividends or distributions paid to non-controlling interests		**(9.4)**	(18.7)
Cash flows provided (used in) by continuing financing activities		**62.7**	(152.4)
Net change in cash and cash equivalents from continuing operations		**$ (852.4)**	$ 825.7

QUEBECOR INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

Years ended December 31, 2018 and 2017
(in millions of Canadian dollars)

	Note		2018		2017
					(restated, note 1(b))
Net change in cash and cash equivalents from continuing operations		**$**	**(852.4)**	$	825.7
Cash flows provided by discontinued operations	32		**8.5**		16.9
Cash and cash equivalents at the beginning of the year			**864.9**		22.3
Cash and cash equivalents at the end of the year		**$**	**21.0**	$	864.9
Additional information on the consolidated statements of cash flows					
Cash and cash equivalents consist of					
Cash		**$**	**20.2**	$	863.2
Cash equivalents			**0.8**		1.7
		$	**21.0**	$	864.9
Changes in non-cash balances related to operating activities (excluding the effect of business acquisitions and disposals)					
Accounts receivable		**$**	**(9.4)**	$	(17.9)
Contract assets			**(21.3)**		(27.8)
Inventories			**1.3**		(3.2)
Accounts payable, accrued charges and provisions			**33.0**		(25.7)
Income taxes			**134.2**		(44.8)
Deferred revenues			**(5.7)**		(1.7)
Defined benefit plans			**9.5**		6.8
Other			**5.7**		(19.0)
		$	**147.3**	$	(133.3)
Non-cash investing activities					
Net change in additions to property, plant and equipment and intangible assets financed with accounts payable		**$**	**67.8**	$	21.8
Interest and taxes reflected as operating activities					
Cash interest payments		**$**	**316.3**	$	292.9
Cash income tax payments (net of refunds)			**18.0**		58.7

See accompanying notes to consolidated financial statements.

QUEBECOR INC.
CONSOLIDATED BALANCE SHEETS

December 31, 2018, 2017 and 2016
(in millions of Canadian dollars)

	Note	**2018**	2017	2016
			(restated, note 1(b))	(restated, note 1(b))
Assets				
Current assets				
Cash and cash equivalents		**$ 21.0**	$ 864.9	$ 22.3
Accounts receivable	13	**553.8**	543.4	525.4
Contract assets	18	**144.4**	132.8	106.6
Income taxes		**4.8**	29.3	6.9
Inventories	14	**186.3**	188.1	183.3
Other current assets	18	**120.5**	119.8	102.4
Assets held for sale	32	**95.0**	–	–
		1,125.8	1,878.3	946.9
Non-current assets				
Property, plant and equipment	15	**3,451.8**	3,594.6	3,605.1
Intangible assets	16	**1,135.3**	983.1	1,224.0
Goodwill	17	**2,678.3**	2,695.8	2,725.4
Derivative financial instruments	29	**887.0**	591.8	809.0
Deferred income taxes	10	**51.8**	33.2	16.0
Other assets	18	**201.6**	185.1	177.1
		8,405.8	8,083.6	8,556.6
Total assets		**$ 9,531.6**	$ 9,961.9	$ 9,503.5

QUEBECOR INC.

CONSOLIDATED BALANCE SHEETS (continued)

December 31, 2018, 2017 and 2016
(in millions of Canadian dollars)

	Note	**2018**	2017	2016
			(restated, note 1(b))	(restated, note 1(b))
Liabilities and equity				
Current liabilities				
Bank indebtedness		**$ 24.3**	$ 0.8	$ 18.9
Accounts payable and accrued charges	19	**832.0**	738.7	705.9
Provisions	20	**33.5**	25.4	69.3
Deferred revenues		**340.7**	346.8	339.7
Income taxes		**119.2**	13.3	35.2
Convertible debentures	22	**–**	450.0	–
Embedded derivatives related to convertible debentures	22	**–**	442.2	–
Current portion of long-term debt	21	**57.9**	20.4	51.8
Liabilities held for sale	32	**6.6**	–	–
		1,414.2	2,037.6	1,220.8
Non-current liabilities				
Long-term debt	21	**6,370.3**	5,516.2	5,616.9
Derivative financial instruments	29	**–**	34.1	0.3
Convertible debentures	22	**150.0**	–	500.0
Other liabilities	20, 23	**240.0**	215.8	516.2
Deferred income taxes	10	**779.2**	749.2	624.8
		7,539.5	6,515.3	7,258.2
Equity				
Capital stock	24	**1,065.9**	313.9	323.3
Contributed surplus		**4.7**	3.5	2.3
(Deficit) retained earnings		**(498.7)**	601.9	379.4
Accumulated other comprehensive loss	26	**(82.7)**	(50.7)	(106.1)
Equity attributable to shareholders		**489.2**	868.6	598.9
Non-controlling interests		**88.7**	540.4	425.6
		577.9	1,409.0	1,024.5
Commitments and contingencies	20, 27			
Guarantees	28			
Total liabilities and equity		**$ 9,531.6**	$ 9,961.9	$ 9,503.5

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,

The Right Honourable Brian Mulroney, P.C., C.C., LL.D.
Chairman of the Board

Normand Provost
Director

(in millions of Canadian dollars)

Quebecor Inc. ("Quebecor" or the "Corporation") is incorporated under the laws of Québec. The Corporation's head office and registered office is located at 612 rue Saint-Jacques, Montréal (Québec), Canada. Quebecor is a holding corporation with interests in Quebecor Media Inc. ("Quebecor Media") and in subsidiaries controlled by Quebecor Media. On June 22, 2018, Quebecor Media became a wholly owned subsidiary of the Corporation. Unless the context otherwise requires, Quebecor or the Corporation refer to Quebecor Inc. and its subsidiaries and Quebecor Media Inc. refers to Quebecor Media Inc. and its subsidiaries. The percentages of voting rights and equity in Quebecor Media and in its major subsidiaries are as follows:

	% voting	% equity
Quebecor Media Inc.	100.0 %	100.0 %
Quebecor Media Inc. interest in its major subsidiaries		
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.

QUEBECOR INC.

SEGMENTED INFORMATION (continued)

Years ended December 31, 2018 and 2017
(in millions of Canadian dollars)

	Telecommuni-cations	Media	Sports and Entertainment	Head Office and Inter-segments	Total
					2018
Revenues	$ **3.382.0**	$ **728.6**	$ **182.1**	$ **(111.7)**	$ **4,181.0**
Employee costs	**387.1**	**234.4**	**38.8**	**40.0**	**700.5**
Purchase of goods and services	**1,317.9**	**438.9**	**138.3**	**(146.7)**	**1,748.4**
Adjusted EBITDA[1]	**1,677.0**	**55.3**	**5.0**	**(5.2)**	**1,732.1**
Depreciation and amortization					**720.2**
Financial expenses					**323.5**
Loss on valuation and translation of financial instruments					**61.3**
Restructuring of operations, litigation and other items					**29.8**
Income before income taxes					$ **597.3**
Additions to property, plant and equipment	$ **516.7**	$ **28.7**	$ **1.5**	$ **6.1**	$ **553.0**
Additions to intangible assets	**190.2**	**4.8**	**3.5**	**(1.1)**	**197.4**

See accompanying notes to consolidated financial statements.

QUEBECOR INC.
SEGMENTED INFORMATION (continued)

Years ended December 31, 2018 and 2017
(in millions of Canadian dollars)

	Telecommuni-cations	Media	Sports and Entertainment	Head Office and Inter-segments	Total
					2017
					(restated, note 1(b))
Revenues	$ 3,287.8	$ 769.9	$ 181.3	$ (113.9)	$ 4,125.1
Employee costs	388.8	232.0	37.6	53.7	712.1
Purchase of goods and services	1,341.2	468.6	137.5	(151.5)	1,795.8
Adjusted EBITDA[1]	1,557.8	69.3	6.2	(16.1)	1,617.2
Depreciation and amortization					707.9
Financial expenses					307.4
Loss on valuation and translation of financial instruments					199.8
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					$ 656.4
Additions to property, plant and equipment	$ 570.9	$ 29.4	$ 1.3	$ 0.5	$ 602.1
Additions to intangible assets	132.3	3.3	4.3	2.0	141.9

[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.

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 (notes 1(k) and 1(x)), 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 year ended December 31, 2017 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.

(tabular amounts in millions of Canadian dollars, except for per share data and 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	$ 25.6	$ 48.3
Net income and comprehensive income attributable to:		
Shareholders	$ 20.8	$ 39.2
Non-controlling interests	4.8	9.1
Earnings per share attributable to shareholders	$ 0.09	$ 0.16

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Changes in accounting policies (continued)

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

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
Retained earnings	165.4	143.7
Non-controlling interests	37.5	33.6

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

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

(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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

<u>Telecommunications</u>

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

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

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

- Operating revenues from subscriber services, such as cable television, Internet access, cable and mobile telephony, and 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Revenue recognition (continued)

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.

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.

(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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Impairment of assets (continued)

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.

(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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

Derivative financial instruments and hedge accounting (continued)

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

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:

Assets	Estimated useful lives
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

<u>Goodwill</u>

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.

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:

Assets	Estimated useful lives
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.

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 25.

(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; and
- 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.

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) Convertible debentures

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

(y) 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 17.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Use of estimates and judgments (continued)

(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 31.

(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 20.

(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.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) 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	**$**	**(47.7)**	$	(45.5)
Depreciation and amortization		**36.4**		35.3
Financial expenses		**8.5**		9.9
Restructuring of operations		**(0.7)**		0.3
Deferred income tax expense		**0.9**		–
Net income and comprehensive income	**$**	**2.6**	$	–
Net income and comprehensive income attributable to:				
Shareholders	**$**	**2.1**	$	0.2
Non-controlling interests		**0.4**		(0.2)
Earnings per share attributable to shareholders	**$**	**0.01**	$	–

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) 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	**$ 123.7**	$ 144.6
Provisions	**(1.4)**	(1.4)
Lease liabilities[1]	**144.4**	167.9
Other liabilities	**(4.3)**	(3.4)
Deferred income tax liability	**(3.9)**	(4.9)
Deficit	**10.9**	9.1
Non-controlling interests	**(0.2)**	(4.5)

[1] The current portion of lease liabilities is $36.0 million as of December 31, 2018 and $39.4 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.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

2. REVENUES

	2018	2017 (restated, note 1(b))
Internet	**$ 1,079.3**	$ 1,030.9
Cable television	**996.7**	1,009.6
Mobile telephony	**534.4**	469.8
Cable telephony	**368.6**	397.8
Telecommunication equipment sales	**233.5**	219.0
Connection and data services	**108.2**	104.8
Over-the-top video	**47.0**	39.7
Advertising - television	**246.1**	267.5
Subscription - television	**126.2**	125.0
Soundstage and equipment leasing and post-production services	**68.4**	67.1
Advertising – newspapers and magazines	**106.0**	125.4
Circulation and other – newspapers and magazines	**146.0**	152.7
Other	**120.6**	115.8
	$ 4,181.0	$ 4,125.1

3. EMPLOYEE COSTS AND PURCHASE OF GOODS AND SERVICES

The main components are as follows:

	2018	2017 (restated, note 1(b))
Employee costs	**$ 899.8**	$ 899.5
Less employee costs capitalized to property, plant and equipment and to intangible assets	**(199.3)**	(187.4)
	700.5	712.1
Purchase of goods and services:		
Royalties, rights and creation costs	**681.7**	677.9
Cost of products sold	**380.2**	360.1
Service contracts	**154.3**	172.3
Marketing, circulation and distribution expenses	**105.9**	108.9
Building expenses	**91.8**	93.8
Other	**334.5**	382.8
	1,748.4	1,795.8
	$ 2,448.9	$ 2,507.9

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

4. FINANCIAL EXPENSES

	2018	2017
Interest on long-term debt and on debentures	**$ 312.9**	$ 299.4
Amortization of financing costs and long-term debt discount	**7.1**	7.1
Interest on net defined benefit liability	**6.7**	6.3
Loss (gain) on foreign currency translation on short-term monetary items	**2.3**	(2.0)
Other	**(5.5)**	(3.4)
	$ 323.5	$ 307.4

5. LOSS ON VALUATION AND TRANSLATION OF FINANCIAL INSTRUMENTS

	2018	2017
Loss on embedded derivatives related to convertible debentures	**$ 60.4**	$ 197.4
Other	**0.9**	2.4
	$ 61.3	$ 199.8

6. 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 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.

7. GAIN ON SALE OF SPECTRUM LICENCES

On June 20, 2017, Videotron sold its Advanced Wireless Service (“AWS-1”) 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 $31.8 million, on previous years’ capital losses, were recognized in the consolidated statement of income in 2017.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

8. IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS

	2018	2017
Impairment of goodwill	**$ –**	$ 30.0
Impairment of intangible assets	**–**	13.8
	$ –	$ 43.8

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.

9. 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.

10. 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 income taxes in the consolidated statements of income:

	2018	2017 (restated, note 1(b))
Income taxes at domestic statutory tax rate	**$ 159.5**	$ 175.9
Increase (reduction) resulting from:		
Effect of non-deductible charges, non-taxable income and differences between current and future tax rates	**14.9**	4.4
Change in benefit arising from the recognition of current and prior year tax losses (note 7)	**(12.0)**	(34.4)
Non-deductible impairment of goodwill	**–**	0.4
Other	**(0.5)**	(0.4)
Income taxes	**$ 161.9**	$ 145.9

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

10. INCOME TAXES (continued)

The significant items comprising the Corporation's net deferred income tax liability and their impact on the deferred income tax expense are as follows:

	Consolidated balance sheets		Consolidated income statements	
	2018	2017 (restated, note 1(b))	**2018**	2017 (restated, note 1(b))
Loss carryforwards	**$ 102.6**	$ 90.4	**$ (12.2)**	$ 13.4
Accounts payable, accrued charges, provisions and deferred revenue	**17.6**	17.7	**0.1**	2.9
Defined benefit plans	**43.6**	38.8	**(3.1)**	(1.9)
Contract assets	**(54.3)**	(48.5)	**5.8**	7.4
Property, plant and equipment	**(481.0)**	(498.0)	**(17.0)**	83.8
Goodwill, intangible assets and other assets	**(233.4)**	(199.4)	**34.0**	43.9
Long-term debt, derivative financial instruments and exchangeable debentures	**(132.7)**	(125.7)	**1.3**	(7.4)
Other	**10.2**	8.7	**(1.9)**	(5.0)
	$ (727.4)	$ (716.0)	**$ 7.0**	$ 137.1

Changes in the net deferred income tax liability are as follows:

	2018	2017 (restated, note 1(b))
Balance at beginning of year	**$ (716.0)**	$ (608.8)
Recognized in income as continuing operations	**(7.0)**	(137.1)
Recognized in other comprehensive income	**(4.0)**	29.0
Other	**(0.4)**	0.9
Balance at end of year	**$ (727.4)**	$ (716.0)
Deferred income tax asset	**$ 51.8**	$ 33.2
Deferred income tax liability	**(779.2)**	(749.2)
	$ (727.4)	$ (716.0)

As of December 31, 2018, the Corporation had loss carryforwards for income tax purposes of $19.4 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 $782.5 million that can be carried forward indefinitely and applied only against future capital gains. All capital losses have been recognized.

10. INCOME TAXES (continued)

There are no income tax consequences attached to the payment of dividends in 2018 or 2017 by the Corporation to its shareholders.

11. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

Basic earnings per share are calculated by dividing net income attributable to shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share are calculated by taking into account the potentially dilutive effect of stock options of the Corporation on the number of shares outstanding, the potentially dilutive effect of stock options of the Corporation's subsidiaries on net income attributable to shareholders, and the potentially dilutive effect of conversion of convertible debentures issued by the Corporation on net income attributable to shareholders and on the number of shares outstanding.

The following table sets forth the computation of basic and diluted earnings per share attributable to shareholders:

	2018	2017 (restated, note 1(b))
Income from continuing operations attributable to shareholders	**$ 398.0**	$ 375.7
Impact of assumed conversion of stock options of subsidiaries	**(0.8)**	(1.1)
Income from continuing operations attributable to shareholders, adjusted for dilution effect	**$ 397.2**	$ 374.6
Net income attributable to shareholders	**$ 401.5**	$ 390.5
Impact of assumed conversion of stock options of subsidiaries	**(0.8)**	(1.1)
Net income attributable to shareholders, adjusted for dilution effect	**$ 400.7**	$ 389.4
Weighted average number of shares outstanding (in millions)	**239.3**	241.8
Potentially dilutive effect of stock options of the Corporation	**0.5**	0.3
Weighted average number of diluted shares outstanding (in millions)	**239.8**	242.1

During the year ended December 31, 2018, 340,000 options of TVA Group Inc.'s ("TVA Group") plan were excluded from the diluted earnings per share calculation since their impact is anti-dilutive (60,000 options of TVA Group's plan were excluded in 2017).

The diluted earnings per share calculation also does not take into consideration the potential dilutive effect of convertible debentures of the Corporation in 2018 and 2017 since their impact is anti-dilutive.

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(tabular amounts in millions of Canadian dollars, except for per share data and option data)

12. NON-CONTROLLING INTERESTS AND BUSINESS ACQUISITIONS

(a) Non-controlling interests acquisitions

2018

In 2018, the Corporation increased its interest in Quebecor Media from 81.5% to 100.0% as a result of the following transactions:

- 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. Cash on hand and drawings under the Videotron secured revolving credit facility were used to finance this transaction.
- On June 22, 2018, the Corporation purchased 1,564,696 Common Shares of Quebecor Media held by CDP Capital, in consideration of the issuance by the Corporation to CDP Capital of $150.0 million aggregate principal amount of convertible debentures (note 22).

The purchase of CDP Capital's minority interest in Quebecor Media was accounted for as an equity transaction. The excess of $1,217.4 million of the purchase price over the carrying value of non-controlling interests of $472.6 million acquired was recorded as a $1,198.2 million decrease of retained earnings and as a $19.2 million increase of accumulated other comprehensive loss.

2017

- 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. This transaction resulted in an increase in the Corporation's interest in Quebecor Media from 81.1% to 81.5% and was accounted for as an equity transaction. Accordingly, the $27.0 million excess of the shares repurchase value and the security payment over the carrying value of non-controlling interests acquired, in the amount of $17.8 million, was recorded as a $25.7 million reduction in retained earnings and as a $0.4 million increase in accumulated other comprehensive loss.

(b) Business acquisitions

2018

- 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.
- In 2017, a purchase price balance of $5.6 million was paid relating to a prior year business acquisition.

An amount of $0.6 million of goodwill is deductible for tax purposes in 2018 (none in 2017).

13. ACCOUNTS RECEIVABLE

	2018	2017
Trade	**$ 468.0**	$ 486.4
Other	**85.8**	57.0
	$ 553.8	$ 543.4

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

14. INVENTORIES

	2018	2017
Finished goods	$ 88.8	$ 87.6
Programs, broadcast and distribution rights	77.3	78.2
Raw materials and supplies	20.2	22.3
	$ 186.3	$ 188.1

Cost of inventories included in purchase of goods and services amounted to $721.5 million in 2018 ($721.0 million in 2017). Write-downs of inventories totalling $4.7 million were recognized in purchase of goods and services in 2018 ($11.1 million in 2017).

15. 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:

	Land, buildings and leasehold improvements	Machinery and equipment	Telecommuni-cation networks	Projects under development	Total
Cost					
Balance as of December 31, 2016	$ 641.8	$ 1,663.6	$ 5,549.1	$ 92.5	$ 7,947.0
Additions	36.2	145.5	364.4	56.0	602.1
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	681.4	1,751.2	5,901.8	46.2	8,380.6
Additions	20.3	151.4	297.3	84.0	553.0
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	**$ 613.2**	**$ 1,872.2**	**$ 5,997.2**	**$ 91.0**	**$ 8,573.6**

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

15. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land, buildings and leasehold improvements	Machinery and equipment	Telecommuni-cation networks	Projects under development	Total
Accumulated depreciation and impairment losses					
Balance as of December 31, 2016	$ 225.6	$ 1,088.3	$ 3,028.0	$ –	$ 4,341.9
Depreciation	21.0	199.1	384.0	–	604.1
Retirement, disposals and other[1]	3.3	(65.7)	(97.6)	–	(160.0)
Balance as of December 31, 2017	249.9	1,221.7	3,314.4	–	4,786.0
Depreciation	21.1	191.8	401.8	–	614.7
Reclassification to assets held for sale	(11.5)	–	–	–	(11.5)
Retirement, disposals and other[1]	(2.9)	(33.6)	(231.2)	–	(267.7)
As of December 31, 2018	**$ 256.9**	**$ 1,379.9**	**$ 3,485.0**	**$ –**	**$ 5,121.8**
Net carrying amount					
As of December 31, 2017	$ 431.5	$ 529.5	$ 2,587.4	$ 46.2	$ 3,594.6
As of December 31, 2018	**$ 356.3**	**$ 492.3**	**$ 2,512.2**	**$ 91.0**	**$ 3,451.8**

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.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

16. INTANGIBLE ASSETS

For the years ended December 31, 2018 and 2017, changes in the net carrying amount of intangible assets are as follows:

	Spectrum licences	Software	Customer relationships, naming rights and other	Broadcasting licences, trademarks and sport franchises	Projects under development	Total
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 7)	(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**

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

16. 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 8)	–	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).

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). 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.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

17. GOODWILL

For the years ended December 31, 2018 and 2017, changes in the net carrying amount of goodwill are as follows:

	2018	2017
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	**5,671.1**	5,688.6
Accumulated impairment losses		
Balance at beginning of year	**2,992.8**	2,962.8
Impairment losses (note 8)	**–**	30.0
Balance at end of year	**2,992.8**	2,992.8
Net carrying amount	**$ 2,678.3**	$ 2,695.8

The net carrying amount of goodwill as of December 31, 2018 and 2017 was allocated to the following significant CGU groups:

	2018	2017
CGU groups		
Telecommunications	**$ 2,656.1**	$ 2,677.0
Other[1]	**22.2**	18.8
Total	**$ 2,678.3**	$ 2,695.8

1 Includes mainly the CGUs related to Speciality film and television services, Book publishing and distribution, and Sports and Entertainment.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

17. GOODWILL (continued)

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.

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:

		2018		2017
CGU groups[1]	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.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

18. OTHER ASSETS

	2018	2017 (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	48.5	44.2
	476.7	452.1
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)
	$ 201.6	$ 185.1

[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), 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).

19. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	2018	2017
Trade and accruals	$ 619.5	$ 516.3
Salaries and employee benefits	140.6	144.0
Interest payable	50.5	53.8
Stock-based compensation	21.4	24.6
	$ 832.0	$ 738.7

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

20. PROVISIONS AND CONTINGENCIES

	Restructuring of operations	Contingencies, legal disputes and other	Total
Balance as of December 31, 2017	$ 5.9	$ 38.8	$ 44.7
Recognized in income	14.9	8.5	23.4
Payments	(13.8)	(1.7)	(15.5)
Other	–	0.9	0.9
Balance as of December 31, 2018	**$ 7.0**	**$ 46.5**	**$ 53.5**
Current portion	**$ 4.8**	**$ 28.7**	**$ 33.5**
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.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

21. LONG-TERM DEBT

	Effective interest rate as of December 31, 2018		**2018**	2017
Quebecor				
Bank credit facility (i)	4.80	%	**$ 5.0**	$ 175.6
Other loan (ii)	3.76	%	**48.5**	49.8
			53.5	225.4
Quebecor Media (iii)				
Bank credit facilities (iv)	4.87	%	**451.7**	420.4
Senior Notes (v)			**1,659.2**	1,568.5
			2,110.9	1,988.9
Videotron (iii)				
Bank credit facilities (vii)	3.24	%	**742.0**	5.4
Senior Notes (v)			**3,502.4**	3,289.2
			4,244.4	3,294.6
TVA Group (iii)				
Bank credit facilities (vi), (viii)	3.79	%	**52.9**	62.9
Other			**–**	0.3
Total long-term debt			**6,461.7**	5,572.1
Change in fair value related to hedged interest rate risk			**2.5**	5.8
Financing fees, net of amortization			**(36.0)**	(41.3)
			(33.5)	(35.5)
			6,428.2	5,536.6
Less current portion			**(57.9)**	(20.4)
			$ 6,370.3	$ 5,516.2

21. LONG-TERM DEBT (continued)

(i) The bank credit facility of Quebecor is a revolving credit facility maturing in 2020 in an amount of $50.0 million ($300.0 million in 2017). The availability under this facility is dependent on the market value of a portion of the Corporation's interest in Quebecor Media. The credit agreement governing this credit facility contains covenants such as limiting its ability to incur additional indebtedness. The borrowed amounts bear interest at floating rates based on Bankers' acceptance rate, U.S. London Interbank Offered Rate ("LIBOR"), Canadian prime rate or U.S. prime rate, plus a premium determined by a leverage ratio. The credit facility is secured by a limited number of shares owned of Quebecor Media. As of December 31, 2018, $5.0 million had been drawn on the secured revolving credit facility ($175.6 million in 2017).

(ii) This mortgage loan bears interest at a fixed rate, payable every month, and matures in October 2022. The Corporation shall repay the principal amount in monthly repayments and the balance at the end of the term. The loan is secured by a first ranking hypothec on the head office building.

(iii) The debts of these subsidiaries are non-recourse to Quebecor.

(iv) 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 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 Quebecor Media 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 Quebecor Media (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.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

21. LONG-TERM DEBT (continued)

(v) 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:

Principal amount	Annual nominal interest rate	Effective interest rate (after discount or premium at issuance)	Maturity date	Interest payable every 6 months on
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.

(vi) The debts of these subsidiaries are non-recourse to Quebecor Media.

(vii) 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.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

21. LONG-TERM DEBT (continued)

(viii) 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	$ 57.9
2020	454.4
2021	1.4
2022	1,135.5
2023	2,401.2
2024 and thereafter	2,411.3

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

22. CONVERTIBLE DEBENTURES

	Interest rate			2018		2017
Convertible Debentures maturing June 2024 (i), (ii)	4.00	%	**$**	**150.0**	$	–
Convertible Debentures maturing October 2018 (i), (iii)	4.125	%		**–**		450.0
			$	**150.0**	$	450.0

(i) Interest on the convertible debentures is payable semi-annually in cash, in Quebecor Class B Subordinate Voting Shares ("Quebecor Class B Shares") or with the proceeds from the sale of Quebecor Class B Shares. At maturity, the convertible debentures will be payable in cash by the Corporation at the outstanding principal amount, plus accrued and unpaid interest, subject to redemption, conversion, purchase or previous repayment. One day prior to maturity, the Corporation may redeem the outstanding convertible debentures by issuing that number of Quebecor Class B Shares obtained by dividing the outstanding principal amount by the then current market price of a Quebecor Class B share, subject to a floor price per share and a ceiling price per share. At any time prior to the day prior to maturity, the Corporation may redeem or convert, in whole or in part, the outstanding convertible debentures, subject to the terms of the trust indenture. The convertible debentures are convertible at all times prior to the maturity date into Quebecor Class B Shares by the holders, in accordance with the terms of the trust indenture. In all cases, the Corporation has the option to pay an amount in cash equal to the market value of shares that would otherwise have been issued, being the product of (i) the number of those Quebecor Class B Shares and (ii) the then current market price of a Quebecor Class B share.

(ii) On June 22, 2018, the Corporation issued $150.0 million aggregate principal amount of convertible debentures, bearing interest at an annual rate of 4.00% and maturing in June 2024. The convertible debentures are convertible into Quebecor Class B 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 Class B Shares corresponding to a ratio of $150.0 million to the floor price) and a ceiling price of $33.5625 per share (that is, a minimum number of approximately 4,469,274 Class B Shares corresponding to a ratio of $150.0 million to the ceiling price), subject to adjustments in accordance with the terms of the trust indenture.

(iii) The outstanding 4.125% convertible debentures due October 15, 2018 for an aggregate principal amount of $450.0 million as of December 31, 2017 were redeemed in 2018 as a result of the following transactions:

- In February and May 2018, the Corporation issued notices of redemption of its 4.125% convertible debentures for a total aggregate principal amount of $87.5 million. Redemption prices were paid in cash upon redemption of these debentures.
- On August 21, 2018, the Corporation issued a notice of redemption on October 12, 2018 of all its remaining outstanding 4.125% convertible debentures for a total aggregate principal amount of $362.5 million. Pursuant to the terms of the convertible debentures, the Corporation elected to exercise its share redemption payment right with respect to the entire outstanding debentures. Consequently, Quebecor issued and delivered 30,129,869 Class B Shares to the holders on October 12, 2018 (note 24).

On July 14, 2017, Quebecor received a notice of conversion of an aggregate principal amount of $50.0 million of convertible debentures due October 15, 2018. The Corporation exercised its option to pay in cash.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

22. CONVERTIBLE DEBENTURES (continued)

The convertible debentures are presented separately as a financial liability and the cap and floor feature are presented as embedded derivatives. The fair value of these embedded derivatives as of December 31, 2018 was estimated using the Black-Scholes option pricing model, considering a risk-free rate of 2.07% (1.51% in 2017), a dividend yield of 0.77% (0.46% in 2017), and an expected volatility of 18.25% (13.80% in 2017). A one dollar increase in the market price of a Quebecor Class B share as of December 31, 2018 would have increased the loss on embedded derivatives related to convertible debentures by $3.9 million, while a one dollar decrease in the market price of a Quebecor Class B share would have decreased the loss by $3.9 million.

23. OTHER LIABILITIES

	Note		2018		2017
Defined benefit plans	31	$	**164.6**	$	149.4
Embedded derivatives related to convertible debentures	22		**5.2**		–
Deferred revenues			**14.6**		17.4
Stock-based compensation[1]	25		**20.5**		15.3
Other[2]			**35.1**		33.7
		$	**240.0**	$	215.8

1 The current $21.4 million portion of stock-based compensation is included in accounts payable and accrued charges ($24.6 million in 2017) (note 19).

2 Including exchangeable debentures, Series 2001 and Series Abitibi that mature in 2026, having a combined principal nominal amount outstanding of $844.9 million as of December 31, 2018 and 2017 and a combined carrying value of $2.1 million as of December 31, 2018 and 2017. Exchangeable debentures bear interest at a rate of 0.10% on the debentures' principal amount. Prior to maturity, the Corporation may, at its option, satisfy its obligation without any consideration.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

24. CAPITAL STOCK

(a) Authorized capital stock

An unlimited number of Class A Multiple Voting Shares ("Class A Shares") with voting rights of 10 votes per share convertible at any time into Class B Shares on a one-for-one basis.

An unlimited number of Class B Shares convertible into Class A Shares on a one-for-one basis, only if a takeover bid for Class A Shares is made to holders of Class A Shares without being made concurrently and under the same terms to holders of Class B Shares, for the sole purpose of allowing the holders of Class B Shares to accept the offer and subject to certain other stated conditions provided in the articles including the acceptance of the offer by the majority holder.

Holders of Class B Shares are entitled to elect 25% of the Board of Directors of Quebecor. Holders of Class A Shares may elect the other members of the Board of Directors.

(b) Issued and outstanding capital stock

	Class A Shares		Class B Shares	
	Number	Amount	Number	Amount
Balance as of December 31, 2016	77,596,544	$ 8.6	166,111,184	$ 314.7
Class A Shares converted into Class B Shares	(216,600)	–	216,600	–
Shares purchased and cancelled	–	–	(5,590,700)	(10.5)
Shares issued upon exercise of stock options	–	–	100,000	1.1
Balance as of December 31, 2017	77,379,944	8.6	160,837,084	305.3
Class A Shares converted into Class B Shares	(130,700)	–	130,700	–
Shares purchased and cancelled	–	–	(11,390,300)	(34.1)
Shares issued upon exercise of stock option	–	–	100,000	1.3
Shares issued upon redemption of convertible debentures (note 22 (iii))	–	–	30,129,869	784.8
Balance as of December 31, 2018	**77,249,244**	**$ 8.6**	**179,807,353**	**$ 1,057.3**

On August 8, 2018, the Corporation filed normal course issuer bid for a maximum of 1,000,000 Class A Shares representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 7,800,000 Class B Shares representing approximately 5% of issued and outstanding Class B Shares as of August 1, 2018. The purchases can be made from August 15, 2018 to August 14, 2019 at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange or other alternative trading systems. All shares purchased under the bid will be cancelled.

In 2018, the Corporation purchased and cancelled 11,390,300 Class B Shares for a total cash consideration of $291.7 million (5,590,700 Class B Shares for a total cash consideration of $127.5 million in 2017). The excess of $257.6 million of the purchase price over the carrying value of Class B Shares repurchased was recorded in reduction of retained earnings in 2018 ($117.0 million in 2017).

In 2018, 100,000 Class B Shares were issued upon exercise of stock options for a cash consideration of $1.3 million (100,000 Class B Shares for a cash consideration of $1.1 million in 2017). As a result of this transaction, contributed surplus was increased by $1.2 million ($1.2 million in 2017) and stock-based compensation liability was reduced by the same amount.

On March 12, 2019, the Board of Directors of the Corporation declared a dividend of $0.055 per share on Class A Shares and Class B Shares, or approximately $14.1 million, payable on April 23, 2019 to shareholders of record at the close of business on March 29, 2019.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

25. STOCK-BASED COMPENSATION PLANS

(a) Quebecor plans

(i) Stock option plan

Under a stock option plan established by the Corporation, 26,000,000 Class B Shares of the Corporation have been set aside for directors, officers, senior employees, and other key employees of Quebecor. 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 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 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	**780,000**	**$ 12.25**	2,620,000	$ 12.68
Granted	**1,322,892**	**26.52**	–	–
Exercised	**(100,000)**	**12.75**	(1,260,000)	12.82
Cancelled	**(20,000)**	**26.52**	(580,000)	12.97
Balance at end of year	**1,982,892**	**$ 21.60**	780,000	$ 12.25
Vested options at end of year	**680,000**	**$ 12.17**	686,666	$ 11.97

During the year ended December 31, 2018, 100,000 Class B Shares of the Corporation were issued upon exercise of stock options (100,000 Class B Shares issued in 2017) (note 24). In 2017, 1,160,000 of the Corporation's stock options were exercised for a cash consideration of $8.2 million.

The following table gives summary information on outstanding options as of December 31, 2018:

			Outstanding options		**Vested options**
Range of exercise price	**Number**	**Weighted average years to maturity**	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
$11.11 to 15.12	680,000	4.78	$ 12.17	680,000	$ 12.17
$26.52	1,302,892	9.78	26.52	–	–
$11.11 to 26.52	**1,982,892**	**7.28**	**$ 21.60**	**680,000**	**$ 12.17**

25. 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 the Quebecor Class B share price, and subject to the achievement of certain non-market performance criteria. All the 187,220 units outstanding as of December 31, 2017 were exercised in 2018 for a cash consideration of $1.6 million (2,281,882 units for a cash consideration of $9.8 million in 2017).

(iii) Deferred share unit plan

The Quebecor DSU plan is for the benefit of 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 351,861 and 341,750, respectively.

(b) Quebecor Media stock option plan

Under a stock option plan established by the Quebecor Media 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 Quebecor Media 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.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

25. STOCK-BASED COMPENSATION PLANS (continued)

(b) Quebecor Media stock option plan (continued)

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 Quebecor Media 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 Quebecor Media'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.

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 Quebecor Media'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:

	Outstanding options			**Vested options**	
Range of exercise price	**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**

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

25. 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.

25. 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, 171,551 DSUs based on Quebecor Class B Shares, 262,282 DSUs based on TVA Group Class B Shares, 253,421 PSUs based on Quebecor Class B Shares and 270,637 PSUs based on TVA Group Class B Shares were outstanding under these plans.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

25. 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 Quebecor, 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:

December 31, 2018	**Quebecor**	**Quebecor Media**	**TVA Group**
Risk-free interest rate	**2.04 %**	**1.97 %**	**2.06 %**
Distribution yield	**0.77 %**	**1.13 %**	**– %**
Expected volatility	**17.79 %**	**16.11 %**	**47.07 %**
Expected remaining life	**4.3 years**	**1.5 years**	**5.2 years**

December 31, 2017	Quebecor	Quebecor Media	TVA Group
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	2.4 years	2.3 years	3.6 years

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 $16.4 million as calculated using the intrinsic value ($15.9 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 $19.4 million ($21.0 million in 2017).

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

26. ACCUMULATED OTHER COMPREHENSIVE LOSS

	Cash flow hedges	Defined benefit plans	Total
Balance as of December 31, 2016	$ (69.8)	$ (36.3)	$ (106.1)
Other comprehensive income (loss)	58.3	(2.5)	55.8
Non-controlling interests acquisition	(0.2)	(0.2)	(0.4)
Balance as of December 31, 2017	(11.7)	(39.0)	(50.7)
Other comprehensive loss	(8.6)	(4.2)	(12.8)
Non-controlling interests acquisition (note 12)	(10.4)	(8.8)	(19.2)
Balance as of December 31, 2018	**$ (30.7)**	**$ (52.0)**	**$ (82.7)**

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 an 8 1/4-year period.

27. 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. The operating leases have various terms, escalation clauses, purchase options and renewal rights. The minimum payments for the coming years are as follows:

	Leases	Other commitments
2019	$ 44,5	$ 247.4
2020 to 2023	74,7	648.4
2024 and thereafter	73,7	455.7

The Corporation’s operating lease expenses amounted to $61.6 million in 2018 ($63.8 million in 2017).

28. 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.

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

The Corporation uses a number of financial instruments, mainly cash and cash equivalents, accounts receivable, contract assets, long-term investments, bank indebtedness, trade payables, accrued liabilities, long-term debt, convertible debentures, and derivative financial instruments. As a result of its use of financial instruments, the Corporation is exposed to credit risk, liquidity risk and market risks relating to foreign exchange fluctuations and interest rate fluctuations.

In order to manage its foreign exchange and interest rate risks, the Corporation uses derivative financial instruments (i) to set in CAN dollars future payments on debts denominated in U.S. dollars (interest and principal) and certain purchases of inventories and other capital expenditures denominated in a foreign currency, (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

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

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(a) Description of derivative financial instruments (continued)

(ii) Cross-currency interest rate swaps

Hedged item	Hedging instrument			
	Period covered	Notional amount	Annual interest rate on notional amount in CAN dollars	CAN dollar exchange rate on interest and capital payments per one U.S. dollar
Quebecor Media				
5.750% Senior Notes due 2023	2016 to 2023	US$ 431.3	7.27%	0.9792
5.750% Senior Notes due 2023	2012 to 2023	US$ 418.7	6.85%	0.9759
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.

29. 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 and convertible debentures 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 fair value of embedded derivatives related to convertible debentures is determined by option pricing models using Level 2 market inputs, including volatility, discount factors, and the underlying instrument's implicit interest rate and credit premium.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(b) Fair value of financial instruments (continued)

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

		2018		2017
Asset (liability)	**Carrying value**	**Fair value**	Carrying value	Fair value
Long-term debt[1]	**$ (6,461.7)**	**$ (6,444.9)**	$ (5,572.1)	$ (5,883.3)
Convertible debentures[2]	**(150.6)**	**(150.6)**	(888.5)	(888.5)
Derivative financial instruments[3]				
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 carrying value and fair value of convertible debentures consist of the initial capital investment and the value of the cap and floor conversion price features, recognized as embedded derivatives.

3 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).

(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).

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk management (continued)

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 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.

(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 (5.9 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 to shareholders and dividends or distributions to non-controlling interests. The Corporation has access to cash flows generated by its subsidiaries through dividends (or distributions) paid by Quebecor Media.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(d) Liquidity risk management (continued)

As of December 31, 2018, material contractual obligations related to financial instruments included capital repayment and interest on long-term debt and on convertible debentures, and obligations related to derivative financial instruments, less estimated future receipts on derivative financial instruments. These obligations and their maturities are as follows:

	Total	Less than 1 year	1-3 years	3-5 years	5 years or more
Bank indebtedness	**$ 24.3**	$ 24.3	$ –	$ –	$ –
Accounts payable and accrued charges	**832.0**	832.0	–	–	–
Long-term debt[1]	**6,461.7**	57.9	455.8	3,536.7	2,411.3
Convertible debentures[2]	**150.0**	–	–	–	150.0
Interest payments[3]	**1,546.9**	260.8	595.7	443.4	247.0
Derivative financial instruments[4]	**(892.7)**	0.2	(105.1)	(618.1)	(169.7)
Total	**$ 8,122.2**	**$ 1,175.2**	**$ 946.4**	**$ 3,362.0**	**$ 2,638.6**

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

[2] Based on the market value at December 31, 2018 of a number of shares obtained by dividing the outstanding principal amount by the market price of a Quebecor Class B share at that date, subject to a floor price of $26.85 per share and a ceiling price of $33.5625. The Corporation may also redeem convertible debentures by issuing the corresponding number of Class B Shares.

[3] Estimate of interest payable on long-term debt and convertible debentures, based on interest rates, hedging of interest rates and hedging of foreign exchange rates as of December 31, 2018.

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

(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.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(e) Market risk (continued)

Foreign currency risk (continued)

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 76.3% fixed-rate debt (84.7% in 2017) and 23.7% floating-rate debt (15.3% 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 $13.2 million.

The estimated sensitivity on income and on other comprehensive income, before income taxes, of a 100 basis-point variance in the discount rate used to calculate the fair value of financial instruments, other than convertible debentures (note 22), 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

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(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 and convertible debentures, the issuance and repurchase of shares, the use of cash flows generated by operations, and the level of distributions to shareholders. The Corporation has not significantly changed its strategy regarding the management of its capital structure since the last financial year.

The Corporation's capital structure is composed of equity, bank indebtedness, long-term debt, convertible debentures, embedded derivatives related to convertible debentures, derivative financial instruments and cash and cash equivalents. The capital structure as of December 31, 2018 and 2017 is as follows:

	2018	2017
Bank indebtedness	**$ 24.3**	$ 0.8
Long-term debt	**6,428.2**	5,536.6
Embedded derivatives related to convertible debentures	**5.2**	442.2
Convertible debentures	**150.0**	450.0
Derivative financial instruments	**(887.0)**	(557.7)
Cash and cash equivalents	**(21.0)**	(864.9)
Net liabilities	**5,699.7**	5,007.0
Equity	**$ 577.9**	$ 1,409.0

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.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

30. RELATED PARTY TRANSACTIONS

Compensation 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:

	2018	2017
Salaries and short-term benefits	**$ 10.6**	$ 9.7
Share-based compensation	**8.1**	10.0
Other long-term benefits	**2.5**	10.1
	$ 21.2	$ 29.8

Operating transactions

The Corporation made sales to affiliated corporations in the amount of $2.8 million in 2018 and 2017. These transactions were accounted for at the consideration agreed between parties.

31. 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.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

31. 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	**$ 1,332.9**	$ 1,287.2	**$ 60.5**	$ 73.4
Service costs	**36.4**	33.9	**2.1**	1.9
Interest costs	**46.4**	50.3	**2.8**	2.9
Plan participants' contributions	**11.1**	11.5	**–**	–
Actuarial (gain) loss arising from:				
Financial assumptions	**(76.2)**	82.6	**20.5**	5.4
Demographic assumptions	**–**	(8.6)	**(12.3)**	–
Participant experience	**(1.3)**	4.6	**(0.5)**	(21.2)
Benefits and settlements paid	**(56.0)**	(73.6)	**(1.7)**	(1.9)
Plan transfer	**–**	(55.4)	**–**	–
Other	**1.2**	0.4	**–**	–
Benefit obligations at the end of the year	**$ 1,294.5**	$ 1,332.9	**$ 71.4**	$ 60.5

	Pension benefits		Postretirement benefits	
	2018	2017	**2018**	2017
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	**34.9**	36.4	**1.7**	1.9
Plan participants' contributions	**11.1**	11.5	**–**	–
Administrative fees	**(2.5)**	(2.5)	**–**	–
Benefits and settlements paid	**(56.0)**	(73.6)	**(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	**$ –**	$ –

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

31. 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 $64.8 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:

	2018	2017
Equity securities:		
Canadian	**21.1 %**	23.6 %
Foreign	**31.2**	32.3
Debt securities	**46.6**	40.8
Other	**1.1**	3.3
	100.0 %	100.0 %

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:

	Pension benefits		Postretirement benefits	
	2018	2017	**2018**	2017
Benefit obligations	**$ (1,294.5)**	$ (1,332.9)	**$ (71.4)**	$ (60.5)
Fair value of plan assets	**1,217.3**	1,267.3	**–**	–
Plan deficit	**(77.2)**	(65.6)	**(71.4)**	(60.5)
Asset limit and minimum funding adjustment	**(16.0)**	(20.4)	**–**	–
Net amount recognized[1]	**$ (93.2)**	$ (86.0)	**$ (71.4)**	$ (60.5)

[1] The net liability recognized for 2018 is $164.6 million and is included in "Other liabilities" (note 23) (an asset of $2.9 million was included in "Other assets" in 2017 and a liability of $149.4 million was included in "Other liabilities" in 2017).

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

31. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

Components of re-measurements are as follows:

	Pension benefits		Postretirement benefits	
	2018	2017	**2018**	2017
Actuarial gain (loss) on benefit obligations	**$ 77.5**	$ (78.6)	**$ (7.7)**	$ 15.8
Actual return on plan assets, less interest income anticipated in the interest on the net defined benefit liability calculation	**(80.9)**	59.1	**–**	–
Asset limit and minimum funding adjustment	**5.0**	(0.1)	**–**	–
Re-measurements gain (loss) recorded in other comprehensive income	**$ 1.6**	$ (19.6)	**$ (7.7)**	$ 15.8

Components of the net benefit costs are as follows:

	Pension benefits		Postretirement benefits	
	2018	2017	**2018**	2017
Employee costs:				
Service costs	**$ 36.4**	$ 33.9	**$ 2.1**	$ 1.9
Administrative fees and other	**3.7**	3.0	**–**	–
Interest on net defined benefit liability	**3.9**	3.4	**2.8**	2.9
Net benefit costs	**$ 44.0**	$ 40.3	**$ 4.9**	$ 4.8

The expense related to defined contribution pension plans amounted to $19.8 million in 2018 ($17.6 million in 2017).

The expected employer contributions to the Corporation's defined benefit pension plans and post-retirement benefit plans will be $33.4 million in 2019, based on the most recent financial actuarial reports filed (contributions of $36.6 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.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

31. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

Assumptions (continued)

The actuarial assumptions used in measuring the Corporation's benefit obligations as of December 31, 2018 and 2017 and current periodic benefit costs are as follows:

	Pension and postretirement benefits	
	2018	2017
Benefit obligations		
Rates as of year-end:		
Discount rate	**3.90 %**	3.50 %
Rate of compensation increase	**3.00**	3.00
Current periodic costs		
Rates as of preceding year-end:		
Discount rate	**3.50 %**	3.90 %
Rate of compensation increase	**3.00**	3.00

The assumed average retirement age of participants used was of 62 years in 2018 and 2017.

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 $17.5 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.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

32. DISCONTINUED OPERATIONS

On January 24, 2019, Videotron sold its 4Degrees Colocation Inc. 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.

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:

		2018		2017
Revenues	**$**	**19.8**	$	19.7
Expenses		**14.6**		14.8
Income taxes		**1.4**		1.3
Gain related to a business sold in 2015		**–**		(14.6)
Income from discontinued operations	**$**	**3.8**	$	18.2

		2018		2017
Cash flows related to operating activities	**$**	**10.4**	$	20.4
Cash flows related to investing activities		**(1.9)**		(3.5)
Cash flows provided by (used in) discontinued operations	**$**	**8.5**	$	16.9

Components of assets and liabilities classified as held for sale in the consolidated balance sheet are as follows:

		2018
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**