MANAGEMENT DISCUSSION AND ANALYSIS

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CORPORATE PROFILE

This Management Discussion and Analysis covers the main activities of Quebecor Inc. in the third quarter of 2017 and the major changes from the previous financial year. Quebecor Inc. is a holding company with an interest in Quebecor Media Inc., one of Canada's largest telecommunications and media groups.

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

On July 6, 2017, Quebecor Media repurchased for cancellation 541,899 of its Common Shares held by CDP Capital d'Amérique Investissement inc. ("CDP Capital"), a subsidiary of the Caisse de dépôt et placement du Québec, for an aggregate purchase price of $37.7 million, payable in cash. On the same date, Quebecor Media also paid off a security held by CDP Capital for $6.2 million. Upon completion of those transactions, the Corporation's interest in Quebecor Media increased from 81.07% to 81.53%.

This report should be read in conjunction with the information in the consolidated financial statements and Management Discussion and Analysis for the financial year ended December 31, 2016. All amounts are stated in Canadian dollars unless otherwise indicated.

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

HIGHLIGHTS SINCE END OF SECOND QUARTER 2017

- Quebecor's revenues totalled $1.03 billion in the third quarter of 2017, a $36.4 million (3.6%) increase from the same period of 2016.
- On October 13, 2017, Quebecor announced major corporate management changes:
  - Julie Tremblay resigned as President and CEO of TVA Group Inc. ("TVA Group") and President and Chief Executive Officer of Quebecor's Media Group, to retire. In her career with the Corporation, Julie Tremblay tackled major challenges with determination, drawing on her motivational abilities. The Corporation's management is deeply grateful for her immense contribution over the past 25 years.
  - France Lauzière was named President and Chief Executive Officer of TVA Group. She also retains her responsibilities as Chief Content Officer of Quebecor Content. France Lauzière has been with TVA Group since 2001. She was previously Vice President, Programming of TVA Group.
  - Music, newspapers, book publishing, out of home and printing operations will now report to Pierre Karl Péladeau, President and Chief Executive Officer of Quebecor and Quebecor Media.

<u>Telecommunications</u>

- The Telecommunications segment grew its revenues by $30.0 million (3.8%) in the third quarter of 2017. Its adjusted operating income increased by $15.7 million (4.3%) despite a $5.6 million unfavourable variance related to one-time items.
- In the third quarter of 2017, Videotron Ltd. ("Videotron") significantly increased its revenues from mobile telephony ($21.4 million or 16.0%), Internet access ($15.0 million or 6.1%), business solutions ($2.5 million or 8.8%) and the *club illico* over-the-top video service ("*club illico*") ($2.3 million or 29.5%).
- Videotron's average monthly revenue per user ("ARPU") increased by $9.88 (6.7%) from $146.58 in the third quarter of 2016 to $156.46 in the third quarter of 2017.
- There was a net increase of 50,400 revenue-generating units[1] (0.9%) in the third quarter of 2017, including 37,000 connections to the mobile telephony service, 26,900 subscriptions to the cable Internet access service and 9,800 memberships in *club illico*.

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[1] The sum of subscriptions to the cable television, cable Internet access and *club illico* services, plus subscriber connections to the cable and mobile telephony services.

- On August 29, 2017, Videotron announced an agreement with Comcast Corporation, a multinational telecommunications, media and technology company. The strategic partnership is aimed at developing an innovative IPTV solution based on Comcast Corporation's XFINITY X1 platform to provide Videotron customers with a superior television experience. They will be able to navigate a diverse selection of on-demand television shows, movies and concerts, as well as Web videos, apps and other content, more simply, quickly and intuitively.
- On July 24, 2017, Videotron sold its seven 2500 MHz and 700 MHZ wireless spectrum licences outside Québec to Shaw Communications Inc. ("Shaw") for a cash consideration of $430.0 million. The sale included three 700 MHz licences covering southern Ontario and the entirety of the provinces of Alberta and British Columbia, and four 2500 MHz licences covering the major urban centres in those provinces, namely Toronto, Edmonton, Calgary and Vancouver.

Media

- In the third quarter of 2017, the Media segment increased its revenues by $9.9 million (4.5%) and its adjusted operating income by $11.3 million (32.8%). The increase in adjusted operating income was due primarily to higher advertising and subscription revenues at its broadcasting business, lower content costs and the impact of higher revenues from film production and audiovisual services.
- According to the second quarter 2017 Vividata survey, *Le Journal de Montréal*, *Le Journal de Québec* and the free daily *24 heures Montréal* remain Québec's news leaders with more than 4.0 million readers per week across all platforms (print, mobile and Web). TVA Group remains a leading player in the Canadian magazine industry with nearly 10.3 million readers per week across all platforms.

Sports and Entertainment

- On August 11, 2017, Martin Tremblay was named Chief Operating Officer of Quebecor Sports and Entertainment Group. He joined Quebecor in 2010 and had been Vice President, Public Affairs of Quebecor since 2012.

Financial transactions

- On November 8, 2017, the Board of Directors of the Corporation approved, subject to approval of regulatory filings with the Toronto Stock Exchange ("TSX"), a two-for-one split of the Corporation's outstanding Class A Multiple Voting Shares ("Class A Shares") and Class B Subordinate Voting Shares ("Class B Shares"). Accordingly, holders of the Corporation's shares will receive an additional share for each share owned on the record date of November 15, 2017. Trading in the shares on a split basis will commence at the opening of business on November 17, 2017. From Tuesday, November 14, 2017 through Thursday, November 16, 2017, the "due bill" trading procedures of the TSX will apply to the Corporation's shares.
- On October 12, 2017, the Corporation increased its secured revolving credit facility from $150.0 million to $300.0 million.
- On September 29, 2017, the Corporation paid down its existing $30.1 million mortgage loan. On the same day, the Corporation contracted a new $50.0 million mortgage loan at a fixed interest rate of 3.757%, maturing in October 2022.
- On July 6, 2017, Quebecor Media repurchased for cancellation 541,899 of its Common Shares held by CDP Capital for an aggregate purchase price of $37.7 million, payable in cash. On the same date, Quebecor Media also paid off a security held by CDP Capital for $6.2 million. Upon completion of these transactions, the Corporation's interest in Quebecor Media increased from 81.07% to 81.53%, while CDP Capital's interest decreased from 18.93% to 18.47%.

NON-IFRS FINANCIAL MEASURES

The financial measures not standardized under International Financial Reporting Standards ("IFRS") that are used by the Corporation to assess its financial performance, such as adjusted operating income, adjusted income from continuing operating activities, cash flows from segment operations and free cash flows from continuing operating activities of the Quebecor Media subsidiary, are not calculated in accordance with, or recognized by IFRS. The Corporation's method of calculating these non-IFRS financial measures may differ from the methods used by other companies and, as a result, the non-IFRS financial measures presented in this document may not be comparable to other similarly titled measures disclosed by other companies.

Adjusted Operating Income

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

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

Table 1 below provides a reconciliation of adjusted operating income to net income (loss) as disclosed in Quebecor's condensed consolidated financial statements.

Table 1
Reconciliation of the adjusted operating income measure used in this report to the net income (loss) measure used in the condensed consolidated financial statements
(in millions of Canadian dollars)

	Three months ended September 30		Nine months ended September 30	
	2017	2016	**2017**	2016
Adjusted operating income (loss):				
Telecommunications	**$ 379.3**	$ 363.6	**$ 1,145.2**	$ 1,084.8
Media	**45.8**	34.5	**58.2**	38.7
Sports and Entertainment	**(1.8)**	(1.3)	**(7.4)**	(6.2)
Head Office	**(2.2)**	(7.0)	**(14.5)**	(12.5)
	421.1	389.8	**1,181.5**	1,104.8
Depreciation and amortization	**(175.2)**	(162.3)	**(518.3)**	(485.7)
Financial expenses	**(75.5)**	(82.7)	**(231.5)**	(243.6)
Loss on valuation and translation of financial instruments	**(80.2)**	(68.3)	**(191.7)**	(118.1)
Restructuring of operations, litigation and other items	**(6.7)**	(1.2)	**(7.3)**	(14.7)
Gain on sale of spectrum licences	**243.1**	–	**330.9**	–
Impairment of goodwill and other assets	**(43.5)**	(40.9)	**(43.8)**	(40.9)
Loss on debt refinancing	**–**	–	**(15.6)**	–
Income taxes	**(63.7)**	(37.4)	**(101.8)**	(96.4)
Income from discontinued operations	**5.9**	–	**14.3**	–
Net income (loss)	**$ 225.3**	$ (3.0)	**$ 416.7**	$ 105.4

Adjusted income from continuing operating activities

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

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

Table 2
Reconciliation of the adjusted income from continuing operating activities measure used in this report to the net income (loss) attributable to shareholders measure used in the condensed consolidated financial statements
(in millions of Canadian dollars)

	Three months ended September 30		Nine months ended September 30	
	2017	2016	**2017**	2016
Adjusted income from continuing operating activities	**$ 97.2**	$ 83.2	**$ 251.3**	$ 220.8
Loss on valuation and translation of financial instruments	**(80.2)**	(68.3)	**(191.7)**	(118.1)
Restructuring of operations, litigation and other items	**(6.7)**	(1.2)	**(7.3)**	(14.7)
Gain on sale of spectrum licences	**243.1**	–	**330.9**	–
Impairment of goodwill and other items	**(43.5)**	(40.9)	**(43.8)**	(40.9)
Loss on debt refinancing	**–**	–	**(15.6)**	–
Income taxes related to adjustments[1]	**(19.3)**	0.5	**13.1**	3.7
Net income attributable to non-controlling interest related to adjustments	**(23.5)**	18.4	**(44.4)**	20.6
Discontinued operations	**4.8**	–	**11.6**	–
Net income (loss) attributable to shareholders	**$ 171.9**	$ (8.3)	**$ 304.1**	$ 71.4

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

Cash flows from segment operations

Cash flows from segment operations represents adjusted operating income, less additions to property, plant and equipment and to intangible assets (excluding disbursements for licence acquisitions and renewals), plus proceeds from disposal of assets (excluding proceeds from disposal of spectrum licences). The Corporation uses cash flows from segment operations as a measure of the liquidity generated by its segments. Cash flows from segment operations represents funds available for interest and income tax payments, expenditures related to restructuring programs, business acquisitions, licence acquisitions and renewals, payment of dividends, reduction of paid-up capital by Quebecor Media, repayment of long-term debt and purchase of non-controlling interest. Cash flows from segment operations is not a measure of liquidity that is consistent with IFRS. It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows as a measure of liquidity. Cash flows from segment operations is used by the Corporation's management and Board of Directors to evaluate cash flows generated by its segments' operations. The Corporation's definition of cash flows from segment operations may not be identical to similarly titled measures reported by other companies. Tables 7 and 8 provide a reconciliation of cash flows from segment operations to cash flows provided by continuing operating activities reported in Quebecor's condensed consolidated financial statements.

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

Free cash flows from continuing operating activities of the Quebecor Media subsidiary represents cash flows provided by its continuing operating activities calculated in accordance with IFRS, less additions to property, plant and equipment and to intangible assets (excluding disbursements for licence acquisitions and renewals), plus proceeds from disposal of assets (excluding proceeds from disposal of spectrum licences). Free cash flows from continuing operating activities is used by the Corporation's management and Board of Directors to evaluate cash flows generated by the operations of the Quebecor Media subsidiary. Free cash flows from continuing operating activities represents Quebecor Media's available funds for business acquisitions, licence acquisitions and renewals, payment of dividends, reduction of paid-up capital, repayment of long-term debt and share repurchases. Free cash flows from continuing operating activities is not a measure of liquidity that is consistent with IFRS. It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows as a measure of liquidity. The Corporation's definition of free cash flows from continuing operating activities may not be identical to similarly titled measures reported by other companies.

Table 8 provides a reconciliation of free cash flows from continuing operating activities of Quebecor Media to cash flows provided by continuing operating activities reported in Quebecor's condensed consolidated financial statements.

KEY PERFORMANCE INDICATOR

The Corporation uses ARPU, an industry metric, as a key performance indicator. This indicator is used to measure monthly revenues per average basic customer, from its cable television, Internet access, cable and mobile telephony services and *club illico*. ARPU is not a measurement that is consistent with IFRS and the Corporation's definition and calculation of ARPU may not be the same as identically titled measurements reported by other companies. The Corporation calculates ARPU by dividing the combined revenues from its cable television, Internet access, cable and mobile telephony services and *club illico* by the average number of basic customers during the applicable period, and then dividing the resulting amount by the number of months in the applicable period.

ANALYSIS OF CONSOLIDATED RESULTS OF QUEBECOR

2017/2016 third quarter comparison

Revenues: $1.03 billion, a $36.4 million (3.6%) increase.

- Revenues increased in Telecommunications ($30.0 million or 3.8% of segment revenues), Media ($9.9 million or 4.5%), and Sports and Entertainment ($3.7 million or 47.4%).

Adjusted operating income: $421.1 million, a $31.3 million (8.0%) increase.

- Adjusted operating income increased in Telecommunications ($15.7 million or 4.3% of segment adjusted operating income) despite a $5.6 million unfavourable variance related to one-time items, and in Media ($11.3 million or 32.8%). There was a favourable variance at Head Office ($4.8 million) due in part to a favourable variance in the stock-based compensation charge.
- The adjusted operating loss increased in the Sports and Entertainment segment ($0.5 million or 38.5%).
- The change in the fair value of Quebecor Media stock options resulted in a $0.9 million favourable variance in the stock-based compensation charge in the third quarter of 2017 compared with the same period of 2016. The change in the fair value of Quebecor stock options and in the value of Quebecor stock-price-based share units resulted in a $4.3 million favourable variance in the Corporation's stock-based compensation charge in the third quarter of 2017.

Net income attributable to shareholders: $171.9 million ($1.42 per basic share) in the third quarter of 2017, compared with a net loss attributable to shareholders of $8.3 million ($0.07 per basic share) in the same period of 2016, a favourable variance of $180.2 million ($1.49 per basic share).

- The favourable variance was due primarily to:
  - $243.1 million gain on the sale of spectrum licences recognized in the third quarter of 2017, including $121.6 million without any tax consequences;
  - $31.3 million increase in adjusted operating income;
  - $7.2 million decrease in financial expenses;
  - $5.9 million favourable variance in income from discontinued operations.

  Partially offset by:
  - $48.1 million unfavourable variance in non-controlling interest;
  - $26.3 million increase in the income tax expense;
  - $12.9 million increase in the depreciation and amortization charge;
  - $11.9 million unfavourable variance in the loss on valuation and translation of financial instruments, including $11.7 million without any tax consequences;
  - $5.5 million unfavourable variance in the charge for restructuring of operations, litigation and other items.

Adjusted income from continuing operating activities: $97.2 million ($0.81 per basic share) in the third quarter of 2017, compared with $83.2 million ($0.68 per basic share) in the same period of 2016, an increase of $14.0 million ($0.13 per basic share).

Depreciation and amortization charge: $175.2 million in the third quarter of 2017, a $12.9 million increase due mainly to the impact of capital expenditures in the Telecommunications segment, including depreciation of investments in wired and wireless networks and computer systems.

Financial expenses: $75.5 million in the third quarter of 2017, a $7.2 million decrease caused mainly by lower average indebtedness, the impact of lower interest rates on long-term debt due to debt refinancing at lower rates, a favourable variance in gains and losses on foreign currency translation of short-term monetary items, and higher interest revenues generated by increased liquidity.

Loss on valuation and translation of financial instruments: $80.2 million in the third quarter of 2017 compared with $68.3 million in the same period of 2016. The $11.9 million unfavourable variance was essentially due to the $11.7 million unfavourable variance, without any tax consequences, in the loss on embedded derivatives related to convertible debentures.

Charge for restructuring of operations, litigation and other items: $6.7 million in the third quarter of 2017 compared with $1.2 million in the same period of 2016, a $5.5 million unfavourable variance.

- A $6.7 million net charge was recognized in the third quarter of 2017 in connection with cost-reduction initiatives in the Corporation's various segments and customer migration from analog to digital service in the Telecommunications segment ($1.2 million in the third quarter of 2016).

Gain on sale of spectrum licences: $243.1 million in the third quarter of 2017.

- On July 24, 2017, Videotron sold its seven 2500 MHz and 700 MHZ wireless spectrum licences outside Québec to Shaw for a cash consideration of $430.0 million. The sale included three 700 MHz licences covering southern Ontario and the entirety of the provinces of Alberta and British Columbia, and four 2500 MHz licences covering the major urban centres in those provinces, namely Toronto, Edmonton, Calgary and Vancouver. A $243.1 million gain was recognized on the sale of the licences, including $121.6 million without any tax consequences; It should be noted that the transaction led to recognition in the second quarter of 2017 of tax benefits in the amount of $20.0 million arising from prior year tax losses, thereby reducing the Corporation's tax disbursments.

Charge for impairment of goodwill and other assets: $43.5 million in the third quarter of 2017, compared with $40.9 million in the same period of 2016, a $2.6 million unfavourable variance.

- In the third quarters of 2017 and 2016, Quebecor Media performed impairment tests on its Magazines cash-generating unit ("CGU") in view of the downtrend in the industry's advertising revenues. Quebecor Media concluded that the recoverable amount of its Magazines CGU was less than its carrying amount. Accordingly, a $30.0 million non-cash goodwill impairment charge, including $1.5 million without any tax consequences, was recorded in the third quarter of 2017 ($40.1 million without any tax consequences in the third quarter of 2016). As well, a charge for impairment of intangible assets totalling $12.4 million, including $3.1 million without any tax consequences, was recognized in the third quarter of 2017 (nil in the third quarter of 2016).
- In the third quarter of 2017, an additional $1.1 million charge for impairment of intangible assets was recognized in the Corporation's other segments ($0.8 million in the third quarter of 2016).

Income tax expense: $63.7 million in the third quarter of 2017 (effective tax rate of 26.0%), compared with $37.4 million in the same period of 2016 (effective tax rate of 26.3%), a $26.3 million unfavourable variance caused essentially by the impact of the increase in taxable income.

2017/2016 year-to-date comparison

Revenues: $3.06 billion, a $97.0 million (3.3%) increase.

- Revenues increased in Telecommunications ($97.1 million or 4.1% of segment revenues), Sports and Entertainment ($2.1 million or 8.5%) and Media ($1.4 million or 0.2%).

Adjusted operating income: $1.18 billion, a $76.7 million (6.9%) increase.

- Adjusted operating income increased in Telecommunications ($60.4 million or 5.6% of segment adjusted operating income) and in Media ($19.5 million or 50.4%).
- There was an unfavourable variance in Sports and Entertainment ($1.2 million or -19.4%).
- The change in the fair value of Quebecor Media stock options resulted in a $1.4 million unfavourable variance in the stock-based compensation charge in the first nine months of 2017 compared with the same period of 2016. The change in the fair value of Quebecor stock options and the value of Quebecor stock-price-based share units resulted in a $3.9 million favourable variance in the Corporation's stock-based compensation charge in the first nine months of 2017.

Net income attributable to shareholders: $304.1 million ($2.51 per basic share) in the first nine months of 2017, compared with $71.4 million ($0.58 per basic share) in the same period of 2016, an increase of $232.7 million ($1.93 per basic share).

- The favourable variance was due primarily to:
  - $330.9 million gain on the sale of spectrum licences recognized in the first nine months of 2017, including $165.5 million without any tax consequences;

- o $76.7 million increase in adjusted operating income;
- o $14.3 million favourable variance in income from discontinued operations;
- o $12.1 million decrease in financial expenses;
- o $7.4 million favourable variance in the charge for restructuring of operations, litigation and other items.

Partially offset by:

- o $78.6 million unfavourable variance in non-controlling interest;
- o $73.6 million unfavourable variance in the loss on valuation and translation of financial instruments, including $72.4 million without any tax consequences;
- o $32.6 million increase in the depreciation and amortization charge;
- o $15.6 million unfavourable variance in the loss on debt refinancing;
- o $5.4 million increase in the income tax expense.

Adjusted income from continuing operating activities: $251.3 million ($2.08 per basic share) in the first nine months of 2017, compared with $220.8 million ($1.80 per basic share) in the same period of 2016, an increase of $30.5 million ($0.28 per basic share).

Depreciation and amortization charge: $518.3 million, a $32.6 million increase due essentially to the same factors as those noted above in the 2017/2016 third quarter comparison.

Financial expenses: $231.5 million, a $12.1 million decrease due mainly to the same factors as those noted above in the 2017/2016 third quarter comparison.

Loss on valuation and translation of financial instruments: $191.7 million in the first nine months of 2017 compared with $118.1 million in the same period of 2016. The $73.6 million unfavourable variance was essentially due to the $72.4 million unfavourable variance, without any tax consequences, in losses and gains on embedded derivatives related to convertible debentures.

Charge for restructuring of operations, litigation and other items: $7.3 million in the first nine months of 2017, compared with $14.7 million in the same period of 2016, a $7.4 million favourable variance.

- A $7.3 million net charge was recognized in the first nine months of 2017 in connection with cost-reduction initiatives in the Corporation's various segments, customer migration from analog to digital service in the Telecommunications segment, and developments in legal disputes ($14.7 million in the first nine months of 2016).

Gain on the sale of spectrum licences: $330.9 million in the first nine months of 2017.

- On July 24, 2017, Videotron sold its seven 2500 MHz and 700 MHZ wireless spectrum licences outside Québec to Shaw for a cash consideration of $430.0 million. A $243.1 million gain was recognized on the sale of the licences, including $121.6 million without any tax consequences.
- On June 20, 2017, Videotron sold its AWS-1 spectrum licence in the Metropolitan Toronto area to Rogers Communication Inc. ("Rogers") for a cash consideration of $184.2 million, pursuant to the transfer option held by Videotron since 2013. An $87.8 million gain was recognized on the sale of the licence, including $43.9 million without any tax consequences.
- It should be noted that these transactions led to recognition in the second quarter of 2017 of tax benefits in the amount of $31.8 million arising from prior year tax losses, thereby reducing the Corporation's tax expense.

Charge for impairment of goodwill and other assets: $43.8 million in the first nine months of 2017, compared with $40.9 million in the same period of 2016, a $2.9 million unfavourable variance as explained in the 2017/2016 third quarter comparison above.

Loss on debt refinancing: $15.6 million in the first nine months of 2017.

- On May 1, 2017, Videotron redeemed $125.0 million aggregate principal amount of its outstanding 6.875% Senior Notes issued on July 5, 2011 and maturing on July 15, 2021 at a redemption price of 103.438% of their principal amount. A $5.2 million loss was recorded in the consolidated statement of income in the first nine months of 2017 in connection with this redemption.
- On May 1, 2017, Quebecor Media redeemed the entirety of its outstanding 7.375% Senior Notes issued on January 5, 2011 and maturing on January 15, 2021, in the aggregate principal amount of $325.0 million, at a redemption price of 102.458% of their principal amount. A $10.4 million loss was recorded in the consolidated statement of income in the first nine months of 2017 in connection with this redemption.

Income tax expense: $101.8 million in the first nine months of 2017 (effective tax rate of 19.7%), compared with $96.4 million in the same period of 2016 (effective tax rate of 26.8%), a $5.4 million unfavourable variance caused mainly by the impact of the increase in taxable income, partially offset by recognition of benefits arising from prior year tax losses.

SEGMENTED ANALYSIS

Telecommunications

Third quarter 2017 operating results

Revenues: $823.7 million in the third quarter of 2017, a $30.0 million (3.8%) increase.

- Revenues from the mobile telephony service increased $21.4 million (16.0%) to $155.5 million, essentially due to an increase in the number of subscriber connections and higher net revenue per connection.
- Revenues from Internet access services increased $15.0 million (6.1%) to $260.7 million, mainly as a result of higher per-subscriber revenues, reflecting, among other things, the favourable impact of the product mix and increases in some rates, and as a result of customer growth, partially offset by increased discounts and a decrease in overage charges.
- Combined revenues from all cable television services decreased $0.7 million (-0.3%) to $252.0 million, due primarily to the impact of the net decrease in the customer base, partially offset by increased revenues from the leasing of digital set-top boxes.
- Revenues from the cable telephony service decreased $7.7 million (-7.3%) to $98.2 million, mainly because of the impact of the net decrease in subscriber connections and lower long-distance revenues, partially offset by higher per-connection revenues and lower discounts.
- Revenues from *club illico* increased $2.3 million (29.5%) to $10.1 million, essentially because of subscriber growth.
- Revenues of Videotron Business Solutions increased $2.5 million (8.8%) to $30.9 million, due primarily to the impact of higher revenues at 4Degrees Colocation Inc. ("4Degrees Colocation") and Fibrenoire inc. ("Fibrenoire").
- Revenues from customer equipment sales decreased $2.8 million (-18.4%) to $12.4 million, mainly because of lower revenues per mobile device and decreased sales of digital set-top boxes.
- Revenues of the Le SuperClub Vidéotron ltée ("Le SuperClub Vidéotron") retail chain decreased $0.4 million (-22.2%) to $1.4 million, mainly because of store closings.
- Other revenues increased $0.5 million (23.8%) to $2.6 million.

ARPU: $156.46 in the third quarter of 2017 compared with $146.58 in the same period of 2016, a $9.88 (6.7%) increase.

Customer statistics

Revenue generating units – As of September 30, 2017, the total number of revenue-generating units stood at 5,846,200, an increase of 50,400 (0.9%) in the third quarter of 2017 (compared with an increase of 54,700 in the third quarter of 2016) and a 12-month increase of 143,100 (2.5%) (Table 3). Revenue-generating units are the sum of subscriptions to the cable television, cable Internet access and *club illico* services, plus subscriber connections to the cable and mobile telephony services.

Mobile telephony service – As of September 30, 2017, the number of subscriber connections to the mobile telephony service stood at 990,300, an increase of 37,000 (3.9%) in the third quarter of 2017 (compared with an increase of 38,800 in the third quarter of 2016) and a 12-month increase of 122,600 (14.1%) (Table 3).

Cable Internet access – As of September 30, 2017, the number of subscribers to cable Internet access services stood at 1,654,100, an increase of 26,900 (1.7%) in the third quarter of 2017 (compared with an increase of 24,400 in the same period of 2016) and a 12-month increase of 58,000 (3.6%) (Table 3). As of September 30, 2017, Videotron's cable Internet access services had a household and business penetration rate (number of subscribers as a proportion of the total 2,867,400 homes and businesses passed by Videotron's network as of September 30, 2017, up from 2,833,000 one year earlier) of 57.7% compared with 56.3% a year earlier.

Cable television – The combined customer base for all of Videotron's cable television services decreased by 7,700 (-0.5%) in the third quarter of 2017 (compared with a decrease of 1,800 in the same period of 2016) and by 46,700 (-2.8%) in the 12-month period ended September 30, 2017 (Table 3). At the end of the third quarter of 2017, Videotron had 1,649,000 subscribers to its cable television services. The household and business penetration rate was 57.5% versus 59.9% a year earlier.

- As of September 30, 2017, the number of subscribers to the illico Digital TV service stood at 1,603,900, an increase of 7,100 (0.4%) in the third quarter of 2017 (compared with an increase of 11,000 in the same period of 2016) and a 12-month increase of 33,100 (2.1%). As of September 30, 2017, illico Digital TV had a household and business penetration rate of 55.9% versus 55.4% a year earlier.

- The customer base for analog cable television services decreased by 14,800 (-24.7%) in the third quarter of 2017 (compared with a decrease of 12,800 in the same period of 2016) and by 79,800 over a 12-month period. The steeper decline was caused by the program to promote accelerated customer migration from analog to digital service with the aim of completing the transition by the end of 2017.

Cable telephony service – As of September 30, 2017, the number of subscriber connections to the cable telephony service stood at 1,205,400, a decrease of 15,600 (-1.3%) in the third quarter of 2017 (compared with a decrease of 18,900 in the same period of 2016) and a 12-month decrease of 59,700 (-4.7%) (Table 3). At September 30, 2017, the cable telephony service had a household and business penetration rate of 42.0% versus 44.7% a year earlier.

club illico – As of September 30, 2017, the number of subscribers to *club illico* stood at 347,400, an increase of 9,800 (2.9%) in the third quarter of 2017 (compared with an increase of 12,200 in the same period of 2016) and a 12-month increase of 68,900 (24.7%) (Table 3).

Table 3
Telecommunications segment quarter-end customer numbers for the last eight quarters
(in thousands of customers)

	Sept. 2017	June 2017	March 2017	Dec. 2016	Sept. 2016	June 2016	March 2016	Dec. 2015
Mobile telephony[1]	**990.3**	953.3	920.9	893.9	867.7	828.9	795.7	768.6
Cable Internet	**1,654.1**	1,627.2	1,628.1	1,612.8	1,596.1	1,571.7	1,578.1	1,568.2
Cable television:								
Analog	**45.1**	59.9	85.5	103.8	124.9	137.7	153.1	166.3
Digital	**1,603.9**	1,596.8	1,595.1	1,587.1	1,570.8	1,559.8	1,568.9	1,570.6
	1,649.0	1,656.7	1,680.6	1,690.9	1,695.7	1,697.5	1,722.0	1,736.9
Cable telephony[1]	**1,205.4**	1,221.0	1,241.3	1,253.1	1,265.1	1,284.0	1,304.3	1,316.3
club illico	**347.4**	337.6	324.5	314.7	278.5	266.3	265.2	257.5
Total (revenue-generating units)	**5,846.2**	5,795.8	5,795.4	5,765.4	5,703.1	5,648.4	5,665.3	5,647.5

1 In thousands of connections

Adjusted operating income: $379.3 million, a $15.7 million (4.3%) increase due primarily to:

- impact of the revenue increase.

Partially offset by:

- increases in some operating expenses, including engineering costs;
- impact of recognition of one-time items in the third quarters of 2016 and 2017, a net unfavourable variance of $5.6 million.

Cost/revenue ratio: Operating costs for all Telecommunications segment operations, expressed as a percentage of revenues, were 54.0% in the third quarter of 2017 compared with 54.2% in the same period of 2016, due mainly to the fixed component of costs, which does not fluctuate in proportion to revenue growth.

Year-to-date operating results

Revenues: $2.44 billion, a $97.1 million (4.1%) increase due mainly to the same factors as those noted above in the discussion of third quarter 2017 results.

- Revenues from mobile telephony service increased $74.6 million (20.0%) to $447.9 million.
- Revenues from Internet access service increased $37.6 million (5.1%) to $767.8 million.
- Combined revenues from all cable television services decreased $12.0 million (-1.6%) to $756.1 million.
- Revenues from cable telephony service decreased $19.0 million (-5.9%) to $301.0 million.
- Revenues from *club illico* increased $6.1 million (26.8%) to $28.9 million.
- Revenues of Videotron Business Solutions increased $12.8 million (15.8%) to $93.8 million.
- Revenues from customer equipment sales decreased $2.4 million (-6.2%) to $36.1 million.
- Revenues of the Le SuperClub Vidéotron retail chain decreased $0.6 million (-11.3%) to $4.7 million.
- Other revenues were stable at $7.4 million.

ARPU: $153.05 in the first nine months of 2017, compared with $143.64 in the same period of 2016, a $9.41 (6.6%) increase.

Customer statistics

Revenue-generating units – 80,800 (1.4%) unit increase in the first nine months of 2017 compared with an increase of 55,600 in the same period of 2016.

Mobile telephony service – 96,400 (10.8%) subscriber-connection increase in the first nine months of 2017 compared with an increase of 99,100 in the same period of 2016.

Cable Internet access – 41,300 (2.6%) customer increase in the first nine months of 2017 compared with an increase of 27,900 in the same period of 2016.

Cable television – 41,900 (-2.5%) decrease in the combined customer base for all of Videotron's cable television services in the first nine months of 2017 compared with a decrease of 41,200 in the same period of 2016.

- Subscriptions to illico Digital TV service increased by 16,800 (1.1%) in the first nine months of 2017 compared with an increase of 200 in the same period of 2016.
- Subscriptions to analog cable television services decreased by 58,700 (-56.6%) in the first nine months of 2017 compared with a decrease of 41,400 in the same period of 2016. The steeper decline was caused by accelerated customer migration from analog to digital service.

Cable telephony service – 47,700 (-3.8%) subscriber-connection decrease in the first nine months of 2017 compared with a decrease of 51,200 in the same period of 2016.

club illico – 32,700 (10.4%) subscriber increase in the first nine months of 2017 compared with an increase of 21,000 in the same period of 2016.

Adjusted operating income: $1.15 billion, a $60.4 million (5.6%) increase caused primarily by:

- impact of the revenue increase.

Partially offset by:

- impact of the increased loss incurred on mobile device sales, partially offset by the favourable impact of "bring your own device" plans;
- increases in some operating expenses, including engineering and IT costs.

Cost/revenue ratio: Operating costs for all Telecommunications segment operations, expressed as a percentage of revenues, were 53.1% in the first nine months of 2017 compared with 53.8% in the same period of 2016, due mainly to the fixed component of costs, which does not fluctuate in proportion to revenue growth.

Cash flows from operations

Quarterly cash flows from segment operations: $220.4 million compared with $184.1 million in the third quarter of 2016 (Table 4).

- The $36.3 million increase was due primarily to a $19.1 million decrease in additions to property, plant and equipment, reflecting in part decreased investment in 4Degrees Colocation and in the LTE network, and to the $15.7 million increase in adjusted operating income.

Year-to-date cash flows from segment operations: $620.0 million compared with $485.8 million in the first nine months of 2016 (Table 4).

- The $134.2 million increase was due primarily to a $72.3 million decrease in additions to property, plant and equipment and to intangible assets, reflecting in part decreased investment in 4Degrees Colocation and in the LTE network, and to the $60.4 million increase in adjusted operating income.

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

	Three months ended Sept. 30		Nine months ended Sept. 30	
	2017	2016	**2017**	2016
Adjusted operating income	**$ 379.3**	$ 363.6	**$ 1,145.2**	$ 1,084.8
Additions to property, plant and equipment	**(132.9)**	(152.0)	**(441.9)**	(507.9)
Additions to intangible assets	**(28.6)**	(28.7)	**(87.0)**	(93.3)
Proceeds from disposal of assets (excluding proceeds from disposal of spectrum licences)	**2.6**	1.2	**3.7**	2.2
Cash flows from segment operations	**$ 220.4**	$ 184.1	**$ 620.0**	$ 485.8

Media

Third quarter 2017 operating results

Revenues: $231.6 million in the third quarter of 2017, a $9.9 million (4.5%) increase.

- Broadcasting revenues increased $5.7 million (6.4%), mainly due to:
  - higher advertising revenues at TVA Network;
  - higher subscription revenues at TVA Sports.

  Partially offset by:
  - decreased revenues from commercial production.
- Film production and audiovisual service revenues increased by $8.6 million (53.8%), mainly because of higher revenues from soundstage and equipment leasing due to a larger number of productions in the third quarter of 2017 than in the same period of 2016.
- Newspaper publishing revenues decreased $2.0 million (-4.2%).
  - Advertising revenues decreased 5.5%; circulation revenues decreased 6.7%; digital revenues increased 9.7%; combined revenues from commercial printing and other sources decreased 3.4%.
- Magazine publishing revenues decreased by $4.8 million (-16.0%), due primarily to:
  - lower advertising revenues;
  - lower subscription and newsstand revenues;
  - impact of discontinuation of some titles;
  - decreased custom publishing revenues.

- Revenues of Quebecor Media Out of Home increased by $0.7 million (16.7%), mainly because of higher advertising revenues.
- Book distribution and publishing revenues increased by $3.0 million (9.0%), primarily as a result of higher volume in mass market and bookstore distribution, partially offset by lower revenues from educational publishing.
- Music distribution and production revenues decreased by $1.1 million (-11.2%), primarily as a result of lower distribution revenues.

Adjusted operating income: $45.8 million in the third quarter of 2017, an $11.3 million (32.8%) increase.

- Adjusted operating income from broadcasting operations increased by $8.7 million (77.7%) because of the impact of the revenue increase combined with lower content costs at TVA Sports.
- Adjusted operating income from film production and audiovisual services increased by $6.1 million (164.9%), mainly because of the impact of the revenue increase.
- Adjusted operating income from newspaper publishing decreased by $1.9 million (-43.2%) due to the impact of the revenue decrease and the recognition of favourable one-time items in the third quarter of 2016.
- Adjusted operating income from magazine publishing decreased by $2.5 million (--43.9%). The impact of the decrease in revenues was partially offset by lower operating expenses, including printing and production costs, as well as cost reductions related to restructuring initiatives.
- The adjusted operating income of Quebecor Media Out of Home increased by $0.7 million (140.0%), mainly because of the impact of the revenue increase.
- Adjusted operating income from book distribution and publishing increased by $0.4 million (4.0%), due primarily to the impact of the revenue increase and higher margins in distribution and general literature, partially offset by the impact of decreased revenues from educational publishing.
- There was a $0.4 million unfavourable variance in the adjusted operating loss of the music distribution and production business due primarily to the impact of the revenue decrease.

Cost/revenue ratio: Employee costs and purchases of goods and services in the Media segment's operations, expressed as a percentage of revenues, were 80.2% in the third quarter of 2017 compared with 84.4% in the same period of 2016. The decrease was mainly due to the large fixed component of operating costs, which does not fluctuate in proportion to the increase in revenues, particularly in broadcasting and in film production and audiovisual services, as well as the impact of restructuring and cost-reduction initiatives.

Year-to-date operating results

Revenues: $673.4 million in the first nine months of 2017, a $1.4 million (0.2%) increase.

- Broadcasting revenues increased $22.7 million (7.6%), essentially due to:
    - o higher advertising revenues at TVA Network and TVA Sports;
    - o higher subscription revenues at TVA Sports.

  Partially offset by:
    - o decreased revenues from commercial production.
- Film production and audiovisual service revenues increased by $6.3 million (14.3%), mainly because of higher revenues from soundstage and equipment leasing, as well as in increase in visual effects revenues.
- Newspaper publishing revenues decreased $11.0 million (-7.4%).
    - o Advertising revenues decreased 12.6%; circulation revenues decreased 6.6%; digital revenues were flat; combined revenues from commercial printing and other sources increased 0.9%.
- Magazine publishing revenues decreased by $16.3 million (-18.8%) in the first nine months of 2017, due to essentially the same factors as those noted above in the discussion of third quarter 2017 operating results.
- Revenues of Quebecor Media Out of Home increased by $1.2 million (11.1%), mainly because of higher advertising revenues.

- Book distribution and publishing revenues increased by $2.3 million (3.0%), primarily as a result of higher revenues from educational publishing and higher volume in mass market and bookstore distribution.
- Music distribution and production revenues decreased by $4.2 million (-14.0%), primarily as a result of lower distribution revenues.

Adjusted operating income: $58.2 million for the first nine months of 2017, a $19.5 million (50.4%) increase.

- There was a $20.7 million favourable variance in adjusted operating income from broadcasting operations, essentially due to the impact of the revenue increase.
- Adjusted operating income from film production and audiovisual services increased by $3.4 million (50.0%), mainly because of the impact of the revenue increase.
- Adjusted operating income from newspaper publishing decreased by $4.3 million (-52.4%) due to the impact of the revenue decrease, partially offset by the favourable impact on adjusted operating income of reduced operating expenses, resulting from, among other things, the impact of restructuring initiatives and decreased distribution costs.
- Adjusted operating income from magazine publishing decreased by $4.2 million (-35.9%), mainly because of the impact of the decrease in revenues, partially offset by lower operating expenses, including printing, editorial and selling expenses, as well as cost reductions related to restructuring initiatives.
- There was a $1.1 million favourable variance in the adjusted operating income of Quebecor Media Out of Home due to the impact of the revenue increase.
- Adjusted operating income from book distribution and publishing increased by $2.3 million (23.7%), due primarily to the impact of the revenue increase and higher margins in educational publishing, as well as lower operating expenses in general literature.
- There was a $0.8 million unfavourable variance in the adjusted operating loss of the music distribution and production business, due primarily to the impact of the revenue decrease.

Cost/revenue ratio: Employee costs and purchases of goods and services in the Media segment's operations, expressed as a percentage of revenues, were 91.4% in the first nine months of 2017 compared with 94.2% in the same period of 2016. The decrease was mainly due to the large fixed component of operating costs, which does not fluctuate in proportion to the increase in revenues, particularly in broadcasting and in film production and audiovisual services, as well as the impact of restructuring and cost-reduction initiatives.

Cash flows from operations

Quarterly cash flows from segment operations: $35.0 million compared with $22.1 million in the third quarter of 2016 (Table 5). The $12.9 million favourable variance was due to the $11.3 million increase in adjusted operating income and a $1.7 million decrease in additions to property, plant and equipment and to intangible assets.

Year-to-date cash flows from segment operations: $30.9 million compared with $2.3 million in the first nine months of 2016 (Table 5). The $28.6 million favourable variance was due to the $19.5 million increase in adjusted operating income, combined with a $9.2 million decrease in additions to property, plant and equipment and to intangible assets.

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

	Three months ended Sept. 30		Nine months ended Sept. 30	
	2017	2016	**2017**	2016
Adjusted operating income	**$ 45.8**	$ 34.5	**$ 58.2**	$ 38.7
Additions to property, plant and equipment	**(9.4)**	(10.1)	**(22.2)**	(28.9)
Additions to intangible assets	**(1.4)**	(2.4)	**(5.1)**	(7.6)
Proceeds from disposal of assets	**–**	0.1	**–**	0.1
Cash flows from segment operations	**$ 35.0**	$ 22.1	**$ 30.9**	$ 2.3

Sports and Entertainment

Third quarter 2017 operating results

Revenues: $11.5 million in the third quarter of 2017, a $3.7 million (47.4%) increase due primarily to:

- higher revenues from concerts and distribution, essentially due to the success of the *Saturday Night Fever* show at the Capitole de Québec;
- higher activation revenues at Event Management Gestev inc. ("Gestev").

Partially offset by:

- decreased revenues from Gestev sporting events.

Adjusted operating loss: $1.8 million in the third quarter of 2017 compared with $1.3 million in the same period of 2016. The $0.5 million unfavourable variance was due mainly to the impact of the startup of new activities, partially offset by the impact of the revenue increase.

Year-to-date operating results

Revenues: $26.9 million, a $2.1 million (8.5%) increase from the same period of 2016 due primarily to:

- net increase in revenues from concerts and distribution;
- higher activation revenues at Gestev.

Partially offset by:

- lower revenues from hockey.

Adjusted operating loss: $7.4 million in the first nine months of 2017 compared with $6.2 million in the same period of 2016. The $1.2 million unfavourable variance was due mainly to the impact of the startup of new activities, partially offset by the impact of the revenue increase.

Cash flows from operations

Quarterly cash flows from segment operations: Negative $2.0 million compared with negative $2.8 million in the third quarter of 2016 (Table 6). The $0.8 million favourable variance was due to the $1.3 million decrease in additions to property, plant and equipment and to intangible assets, partially offset by the $0.5 million increase in the adjusted operating loss.

Year-to-date cash flows from segment operations: Negative $8.1 million compared with negative $9.2 million in the first nine months of 2016 (Table 6), a $1.1 million favourable variance. A $2.3 million decrease in additions to property, plant and equipment and to intangible assets was partially offset by the $1.2 million increase in the adjusted operating loss.

Table 6: Sports and Entertainment
Cash flows from operations
(in millions of Canadian dollars)

	Three months ended Sept. 30		Nine months ended Sept. 30	
	2017	2016	**2017**	2016
Adjusted operating loss	**$ (1.8)**	$ (1.3)	**$ (7.4)**	$ (6.2)
Additions to property, plant and equipment	**(0.2)**	(0.7)	**(0.7)**	(1.9)
Additions to intangible assets	**–**	(0.8)	**–**	(1.1)
Cash flows from segment operations	**$ (2.0)**	$ (2.8)	**$ (8.1)**	$ (9.2)

CASH FLOWS AND FINANCIAL POSITION

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

Operating activities

Third quarter 2017

Cash flows provided by continuing operating activities: $382.5 million in the third quarter of 2017 compared with $342.1 million in the same period of 2016.

- The $40.4 million increase was primarily due to:
  - $48.8 million decrease in current income taxes;
  - $15.7 million and $11.3 million increases in adjusted operating income in the Telecommunications and Media segments respectively;
  - $7.2 million decrease in the cash portion of financial expenses.

  Partially offset by:
  - $41.2 million unfavourable change in non-cash operating assets and liabilities, including the unfavourable variance in income tax payable;
  - $5.5 million unfavourable variance in the cash portion of restructuring of operations, litigation and other items.

Year to date

Cash flows provided by continuing operating activities: $862.7 million in the first nine months of 2017 compared with $802.2 million in the same period of 2016.

- The $60.5 million increase was primarily due to:
  - $116.0 million decrease in current income taxes due primarily to recognition of tax benefits;
  - $60.4 million and $19.5 million increases in adjusted operating income in the Telecommunications and Media segments respectively;
  - $12.2 million decrease in the cash portion of financial expenses;
  - $7.4 million favourable variance in the cash portion of restructuring of operations, litigation and other items.

  Partially offset by:
  - $152.4 million unfavourable change in non-cash operating assets and liabilities, due primarily to unfavourable variances in income tax payable, provisions and inventory in the Telecommunications segment.

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

Working capital: $465.6 million at September 30, 2017 compared with negative $429.9 million at December 31, 2016. The $895.5 million favourable variance was mainly due to the impact of receipt of the proceeds from disposal of spectrum licences in the total amount of $614.2 million, as well as an increase in cash and cash equivalents and a decrease in accounts payable, accrued charges, provisions and income tax payable, from cash flows provided by continuing operating activities.

Investing activities

Third quarter 2017

Additions to property, plant and equipment: $142.5 million in the third quarter of 2017 compared with $163.8 million in the same period of 2016. The $21.3 million decrease was due to reduced investment in 4Degrees Colocation and in the LTE network.

Additions to intangible assets: $30.5 million in the third quarter of 2017 compared with $32.4 million in the same period of 2016, a $1.9 million decrease.

Proceeds from disposal of assets: $432.7 million in the third quarter of 2017 compared with $1.3 million in the same period of 2016.

- In the third quarter of 2017, Videotron sold its seven 2500 MHz and 700 MHZ wireless spectrum licences outside Québec to Shaw for a cash consideration of $430.0 million.

Non-controlling interests acquisition: $43.9 million in the third quarter of 2017.

- On July 6, 2017, Quebecor Media repurchased for cancellation 541,899 of its Common Shares held by CDP Capital for an aggregate purchase price of $37.7 million, payable in cash, and paid off a security held by CDP Capital for $6.2 million. Upon completion of these transactions, the Corporation's interest in Quebecor Media increased from 81.07% to 81.53%.

Year to date

Additions to property, plant and equipment: $465.2 million in the first nine months of 2017 compared with $541.3 million in the same period of 2016. The $76.1 million decrease was due to the same factors as those noted above in the discussion of third quarter 2017 results.

Additions to intangible assets: $93.6 million in the first nine months of 2017 compared with $104.2 million in the same period of 2016. The Telecommunications segment accounted for the largest part of the $10.6 million decrease.

Proceeds from disposal of assets: $618.0 million in the first nine months of 2017 compared with $3.1 million in the same period of 2016.

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

Business acquisitions: $5.8 million in the first nine months of 2017 compared with $119.1 million in the same period of 2016.

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

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

Non-controlling interests acquisition: $43.9 million in the first nine months of 2017, as explained above in the discussion of third quarter 2017 results.

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

Third quarter 2017

Free cash flows from continuing operating activities of Quebecor Media: $213.7 million in the third quarter of 2017 compared with $147.0 million in the same period of 2016 (Table 7).

- The $66.7 million favourable variance was mainly due to:
  - $41.9 million increase in cash flows provided by continuing operating activities;
  - $23.4 million decrease in additions to property, plant and equipment and to intangible assets.

Year to date

Free cash flows from continuing operating activities of Quebecor Media: $328.1 million in the first nine months of 2017 compared with $171.2 million in the same period of 2016 (Table 7).

- The $156.9 million favourable variance was mainly due to:
  - $86.7 million decrease in additions to property, plant and equipment and to intangible assets;
  - $68.7 million increase in cash flows provided by continuing operating activities.

Table 7
Cash flows from segment operations and free cash flows from continuing operating activities of Quebecor Media
(in millions of Canadian dollars)

	Three months ended September 30		Nine months ended September 30	
	2017	2016	**2017**	2016
Cash flows from segment operations				
Telecommunications	**$ 220.4**	$ 184.1	**$ 620.0**	$ 485.8
Media	**35.0**	22.1	**30.9**	2.3
Sports and Entertainment	**(2.0)**	(2.8)	**(8.1)**	(9.2)
Quebecor Media Head Office	**(1.7)**	(5.0)	**(13.3)**	(11.3)
	251.7	198.4	**629.5**	467.6
Cash interest expense	**(67.4)**	(74.9)	**(208.0)**	(220.2)
Cash portion related to restructuring of operations, litigation and other items	**(6.7)**	(1.2)	**(7.3)**	(15.2)
Current income taxes	**(2.4)**	(51.2)	**(14.5)**	(130.5)
Other	**(0.4)**	(0.4)	**2.5**	2.3
Net change in operating assets and liabilities	**38.9**	76.3	**(74.1)**	67.2
Free cash flows from continuing operating activities of Quebecor Media	**$ 213.7**	$ 147.0	**$ 328.1**	$ 171.2

Table 8

Free cash flows from continuing operating activities of Quebecor Media and cash flows provided by continuing operating activities of Quebecor

(in millions of Canadian dollars)

	Three months ended September 30		Nine months ended September 30	
	2017	2016	**2017**	2016
Free cash flows from continuing operating activities of Quebecor Media presented in Table 7	**$ 213.7**	$ 147.0	**$ 328.1**	$ 171.2
Quebecor Head Office cash flow items:				
Cash flows from segment operations	**(0.9)**	(3.5)	**(3.0)**	(5.2)
Cash interest expense	**(6.3)**	(6.0)	**(18.2)**	(18.2)
Cash portion related to restructuring of operations, litigation and other items	**–**	–	**–**	0.5
Other	**–**	0.2	**–**	(0.4)
Net change in operating assets and liabilities	**5.7**	9.5	**0.8**	11.9
	(1.5)	0.2	**(20.4)**	(11.4)
Plus additions to property, plant and equipment	**142.5**	163.8	**465.2**	541.3
Plus additions to intangible assets	**30.5**	32.4	**93.6**	104.2
Minus proceeds from disposal of assets (excluding proceeds from disposal of licences)	**(2.7)**	(1.3)	**(3.8)**	(3.1)
Cash flows provided by continuing operating activities of Quebecor	**$ 382.5**	$ 342.1	**$ 862.7**	$ 802.2

Financing activities

Consolidated debt (long-term debt plus bank indebtedness): $229.6 million decrease in the first nine months of 2017. $239.8 million net unfavourable variance in assets and liabilities related to derivative financial instruments.

- Debt was reduced in the first nine months of 2017, primarily for the following reasons:
  - Redemption by Quebecor Media on May 1, 2017 of the entirety of its outstanding 7.375% Senior Notes issued on January 5, 2011 and maturing on January 15, 2021, in the aggregate principal amount of $325.0 million, at a redemption price of 102.458% of their principal amount;
  - Redemption by Videotron on January 5, 2017 and May 1, 2017 of $300.0 million aggregate principal amount of its outstanding 6.875% Senior Notes issued on July 5, 2011 and maturing on July 15, 2021 at a redemption price of 103.438% of their principal amount;
  - $209.3 million reduction in Videotron's drawings on its secured revolving credit facility;
  - $303.9 million favourable impact of exchange rate fluctuations. The consolidated debt reduction attributable to this item was offset by a decrease in the asset (or increase in the liability) related to cross-currency swap agreements entered under "Derivative financial instruments";
  - Total $18.9 million reduction in bank indebtedness of Videotron and Quebecor Media;
  - Current payments totalling $12.3 million on the term loan facilities of Videotron, TVA Group and Quebecor Media.
- Additions to debt during the same period essentially consisted of:
  - Issuance by Videotron on April 13, 2017 of US$600.0 million aggregate principal amount of 5.125% Senior Notes maturing on April 15, 2027 for net proceeds of $794.5 million, net of financing fees of $9.9 million;
  - $118.8 million increase in Quebecor's drawings on its secured revolving credit facility;

- New $50.0 million mortgage loan at a fixed interest rate of 3.757%, maturing in October 2022, contracted by Quebecor on September 29, 2017. On the same day, Quebecor paid down its existing $30.1 million mortgage loan.

- Assets and liabilities related to derivative financial instruments totalled a net asset of $568.9 million at September 30, 2017 compared with $808.7 million at December 31, 2016. The $239.8 million net unfavourable variance was mainly due to:

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

  Partially offset by:

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

- On October 12, 2017, the Corporation increased its secured revolving credit facility from $150.0 million to $300.0 million.

- On July 14, 2017, Quebecor received a notice regarding the conversion of convertible debentures in the principal amount of $50.0 million for 2,077,922 Class B Shares of Quebecor. The Corporation exercised its cash payment option and paid $95.2 million on September 6, 2017.

- On July 6, 2017, Quebecor Media repurchased for cancellation 541,899 of its Common Shares held by CDP Capital for an aggregate purchase price of $37.7 million, payable in cash. On the same date, Quebecor Media also paid off a security held by CDP Capital for $6.2 million. Upon completion of these transactions, the Corporation's interest in Quebecor Media increased from 81.07% to 81.53%, while CDP Capital's interest decreased from 18.93% to 18.47%.

- On May 4, 2017, Videotron transferred all then-existing commitments under its unsecured revolving credit facility to its secured revolving credit facility, thereby increasing its secured facility from $630.0 million to $965.0 million and terminating its unsecured facility.

Financial Position

Net available liquidity: $1.98 billion at September 30, 2017 for Quebecor Media and its wholly owned subsidiaries, consisting of $712.6 million in cash and cash equivalents and $1.27 billion in available unused revolving credit facilities.

Net available liquidity: $181.0 million as at September 30, 2017 for Quebecor at the corporate level, consisting of $181.0 million in available unused revolving credit facilities, pro forma the increased in its secured revolving credit facility from $150.0 million to $300.0 million.

Consolidated debt (long-term debt plus bank indebtedness): $5.46 billion at September 30, 2017, a $229.6 million decrease compared with December 31, 2016; $239.8 million net unfavourable variance in assets and liabilities related to derivative financial instruments (see "Financing activities" above).

- Consolidated debt essentially consisted of Videotron's $3.26 billion debt ($3.17 billion at December 31, 2016); TVA Group's $65.0 million debt ($69.1 million at December 31, 2016); Quebecor Media's $1.97 billion debt ($2.41 billion at December 31, 2016); and Quebecor's $168.6 million debt ($30.6 million at December 31, 2016).

As at September 30, 2017, minimum principal payments on long-term debt in the coming years are as follows:

Table 9
Minimum principal payments on Quebecor's long-term debt
12-month periods ended September 30
(in millions of Canadian dollars)

2018	$	25.2
2019		134.9
2020		457.0
2021		1.4
2022		999.2
2023 and thereafter		3,875.2
Total	**$**	**5,492.9**

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

The weighted average term of Quebecor's consolidated debt was approximately 6.3 years as of September 30, 2017 (6.1 years as of December 31, 2016). As at September 30, 2017, after taking into account hedging instruments, the debt consisted of approximately 85.1% fixed-rate debt (83.2% at December 31, 2016) and 14.9% floating-rate debt (16.8% at December 31, 2016).

Management of the Corporation believes that cash flows and available sources of financing should be sufficient to cover committed cash requirements for capital investments, working capital, interest payments, debt repayments, pension plan contributions, share repurchases and dividend payments (or reduction of paid-up capital by Quebecor Media). The Corporation believes it will be able to meet future debt maturities, which are staggered over the coming years.

Pursuant to its financing agreements, the Corporation is required to maintain certain financial ratios and comply with certain financial covenants. The key indicators listed in those financing agreements include debt service coverage ratio and debt ratio (long-term debt over adjusted operating income). At September 30, 2017, the Corporation was in compliance with all required financial ratios and restrictive covenants in its financing agreements.

Dividends declared

On November 8, 2017, the Board of Directors of Quebecor declared a quarterly dividend of $0.055 per share on Class A Shares and Class B Shares (or $0.0275 per share after the two-for-one stock split of Class A Shares and Class B Shares, effective November 15, 2017), payable on December 19, 2017 to shareholders of record at the close of business on November 24, 2017.

Board of Directors

On August 7, 2017, the Board of Directors received the resignation of Geneviève Marcon, a Director of the Corporation since 2012, a Director of Quebecor Media since 2013, and a member of the Human Resources and Corporate Governance Committee of the two corporations.

On September 28, 2017, Andrea C. Martin was named a Director of Quebecor and Quebecor Media, and a member of the Human Resources and Corporate Governance Committee of the two corporations.

Analysis of consolidated balance sheet at September 30, 2017

Table 10
Consolidated balance sheet of Quebecor
Analysis of main differences between September 30, 2017 and December 31, 2016
(in millions of Canadian dollars)

	Sept. 30, 2017	Dec. 31, 2016	Difference	Main reasons for difference
Assets				
Cash and cash equivalents	**$ 740.4**	$ 22.3	$ 718.1	Receipt of proceeds from the disposal of spectrum licences and cash flows generated by continuing operating activities
Income taxes[1]	**12.2**	(28.3)	40.5	Recognition of tax benefits
Property, plant and equipment	**3,589.5**	3,605.1	(15.6)	Depreciation for the period net of additions to property, plant and equipment on an accrual basis
Intangible assets	**933.9**	1,224.0	(290.1)	Sale of spectrum licences and impairment of intangible assets
Goodwill	**2,695.8**	2,725.4	(29.6)	Goodwill impairment in the Media segment
Derivative financial instruments[2]	**568.9**	808.7	(239.8)	See “Financing activities”
Liabilities				
Accounts payable and accrued charges	**687.4**	705.9	(18.5)	Impact of current variances in activity
Provisions	**24.1**	69.3	(45.2)	Settlement of disputes
Long-term debt, including short-term portion and bank indebtedness	**5,458.0**	5,687.6	(229.6)	See “Financing activities”
Other liabilities	**645.9**	516.2	129.7	Losses on embedded derivatives related to convertible debentures and redemption of convertible debentures
Deferred income tax[3]	**604.6**	544.9	59.7	Net deferred income tax expenses reported under income and “Other comprehensive income”

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

ADDITIONAL INFORMATION

Contractual Obligations

At September 30, 2017, material contractual obligations of operating activities included: capital repayment and interest on long-term debt; principal repayment and interest on convertible debentures; operating lease arrangements; capital asset purchases and other commitments; and obligations related to derivative financial instruments, less estimated future receipts on derivative financial instruments. Table 11 below shows a summary of these contractual obligations.

Table 11
Contractual obligations of Quebecor as of September 30, 2017
(in millions of Canadian dollars)

	Total	Under 1 year	1-3 years	3-5 years	5 years or more
Long-term debt[1]	**$ 5,492.9**	$ 25.2	$ 591.9	$ 1,000.6	$ 3,875.2
Convertible debentures[2]	**876.9**	–	876.9	–	–
Interest payments[3]	**1,762.3**	214.3	567.4	518.4	462.2
Operating leases	**206.7**	46.4	59.9	23.8	76.6
Additions to property, plant and equipment and other commitments	**1,394.0**	223.0	307.4	275.7	587.9
Derivative financial instruments[4]	**(541.3)**	(20.0)	(67.9)	(195.1)	(258.3)
Total contractual obligations	**$ 9,191.5**	**$ 488.9**	**$ 2,335.6**	**$ 1,623.4**	**$ 4,743.6**

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

2 Based on the market value at September 30, 2017 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 $19.25 per share and a ceiling price of $24.0625. The Corporation may also redeem convertible debentures by issuing the corresponding number of Class B Shares.

3 Estimated interest payable on long-term debt and convertible debentures, based on interest rates, hedging of interest rates and hedging of foreign exchange rates as of September 30, 2017.

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

Related party transactions

In the third quarter of 2017, the Corporation made sales to affiliated corporations in the amount of $1.0 million ($0.5 million in the same period of 2016).

In the first nine months of 2017, the Corporation made sales to affiliated corporations in the amount of $2.0 million ($2.1 million in the same period of 2016).

Capital stock

In accordance with Canadian financial reporting standards, Table 12 below presents information on the Corporation's capital stock as at October 25, 2017. In addition, 390,000 share options were outstanding as of October 25, 2017.

Table 12
Capital stock
(in shares and millions of Canadian dollars)

	October 25, 2017	
	Issued and outstanding	**Book value**
Class A Shares	**38,709,344**	**$ 8.6**
Class B Shares	**81,440,920**	**309.2**

On August 3, 2016, the Board of Directors of Quebecor authorized the renewal of its normal course issuer bid for a maximum of 500,000 Class A Shares, representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 2,000,000 Class B Shares, representing approximately 2.4% of issued and outstanding Class B Shares as of August 3, 2016. The purchases could be made from August 15, 2016 to August 14, 2017 at prevailing market prices on the open market through the facilities of the TSX or other alternative trading systems. All the repurchased shares were cancelled.

On August 9, 2017, the Board of Directors of Quebecor authorized the renewal of its normal course issuer bid for a maximum of 500,000 Class A Shares, representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 2,000,000 Class B Shares, representing approximately 2.4% of issued and outstanding Class B Shares as of August 1, 2017. The purchases can be made from August 15, 2017 to August 14, 2018 at prevailing market prices on the open market through the facilities of the TSX or other alternative trading systems. All shares purchased under the bid will be cancelled.

In the first nine months of 2017, the Corporation purchased and cancelled 1,541,500 Class B Shares for a total cash consideration of $66.9 million (233,200 Class B Shares for a total cash consideration of $8.6 million in the first nine months of 2016). The $61.1 million excess of the purchase price over the carrying value of the repurchased Class B Shares was recorded as a reduction in retained earnings ($7.8 million in the first nine months of 2016).

On November 9, 2017, the Corporation announced that, on or around November 10, 2017, it will enter into an automatic securities purchase plan ("the plan") with a designated broker under its normal course issuer bid, whereby shares may be repurchased under the plan at times when such purchases would otherwise be prohibited pursuant to regulatory restrictions or self-imposed blackout periods.

Under the plan, before entering a self-imposed blackout period, the Corporation may, but is not required to, ask the designated broker to make purchases under the normal course issuer bid. Such purchases shall be made at the discretion of the designated broker, within parameters established by the Corporation prior to the blackout periods. Outside the blackout periods, purchases will be made at the discretion of the Corporation's management.

The plan received prior approval from the TSX. It will come into effect on November 13, 2017 and terminate on the same date as the normal course issuer bid.

During the third quarter of 2017, 50,000 Class B Shares were issued upon exercise of stock options for a cash consideration of $1.1 million. Following this transaction, the contributed surplus was increased by $1.2 million and the stock-based compensation liability was reduced by the same amount.

On November 8, 2017, the Board of Directors of the Corporation approved, subject to approval of regulatory filings with the TSX, a two-for-one split of the Corporation's outstanding Class A Shares and Class B Shares. Accordingly, holders of the Corporation's shares will receive an additional share for each share owned on the record date of November 15, 2017. Trading in the shares on a split basis will commence at the opening of business on November 17, 2017. From Tuesday, November 14, 2017 through Thursday, November 16, 2017, the "due bill" trading procedures of the TSX will apply to the Corporation's shares.

Financial instruments

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

In order to manage its foreign exchange and interest rate risks, the Corporation uses derivative financial instruments: (i) to set in Canadian 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 debt, and (iii) to lock-in the value of certain derivative financial instruments through offsetting transactions. The Corporation does not intend to settle its derivative financial instruments prior to their maturity as none of these instruments is held or issued for speculative purposes.

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

The carrying value and fair value of long-term debt, convertible debentures and derivative financial instruments as of September 30, 2017 and December 31, 2016 are as follows:

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

	September 30, 2017		December 31, 2016	
Asset (liability)	**Carrying value**	**Fair value**	Carrying value	Fair value
Long-term debt[1, 2]	**$ (5,492.9)**	**$ (5,854.3)**	$ (5,700.8)	$ (5,866.6)
Convertible debentures[3]	**(879.4)**	**(879.4)**	(780.0)	(780.0)
Derivative financial instruments				
Early settlement options	**–**	–	0.4	0.4
Foreign exchange forward contracts[4]	**(7.9)**	**(7.9)**	2.5	2.5
Interest rate swaps	**–**	–	(0.3)	(0.3)
Cross-currency interest rate swaps[4]	**576.8**	**576.8**	806.5	806.5

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, embedded derivatives and financing fees.

2 The fair value of the long-term debt does not include the fair value of early settlement options, which is presented separately in the table.

3 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.

4 The value of foreign exchange forward contracts entered into to lock in the value of existing hedging positions is netted from the value of the offset financial instruments.

The fair value of long-term debt and convertible debentures is estimated based on quoted market prices when available or on valuation models. When the Corporation uses valuation models, the fair value is estimated using discounted cash flows using year-end market yields or the market value of similar instruments with the same maturity.

The fair value of derivative financial instruments recognized in the consolidated balance sheets is estimated as per the Corporation's valuation models. These models project future cash flows and discount the future amounts to a present value using the contractual terms of the derivative financial instrument and factors observable in external market data, such as period-end swap rates and foreign exchange rates. An adjustment is also included to reflect non-performance risk impacted by the financial and economic environment prevailing at the date of the valuation in the recognized measure of the fair value of the derivative financial instruments by applying a credit default premium, estimated using a combination of observable and unobservable inputs in the market, to the net exposure of the counterparty or the Corporation.

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

Losses on valuation and translation of financial instruments for the third quarters and first nine months of 2017 and 2016 are summarized in Table 14.

Table 14
Loss on valuation and translation of financial instruments
(in millions of Canadian dollars)

	Three months ended September 30		Nine months ended September 30	
	2017	2016	**2017**	2016
Loss on embedded derivatives related to convertible debentures	**$ 79.3**	$ 67.6	**$ 189.9**	$ 117.5
Loss on the ineffective portion of fair value hedges	**0.9**	0.7	**2.4**	0.6
Loss on the ineffective portion of cash flow hedges	**–**	0.1	**–**	0.2
Gain on embedded derivatives related to long term debt	**–**	(0.1)	**(0.6)**	(0.2)
	$ 80.2	$ 68.3	**$ 191.7**	$ 118.1

Gains on cash flow hedges of $35.8 million and $63.8 million were recorded under “Other comprehensive income” in the third quarter and first nine months of 2017 respectively ($20.7 million loss and $25.5 million gain in the third quarter and first nine months of 2016 respectively).

Controls and procedures

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

There have not been any changes in internal controls over financial reporting during the three months ended September 30, 2017 that have materially affected, or are reasonably likely to materially affect, the Corporation’s internal controls over financial reporting.

Additional information

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

Cautionary statement regarding forward-looking statements

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

- Quebecor Media’s ability to continue successfully developing its network and the facilities that support its mobile services;
- general economic, financial or market conditions and variations in the businesses of local, regional and national advertisers in Quebecor Media’s newspapers, television outlets and other media properties;
- the intensity of competitive activity in the industries in which Quebecor operates;
- fragmentation of the media landscape;
- new technologies that might change consumer behaviour with respect to Quebecor Media’s product suites;
- unanticipated higher capital spending required for developing Quebecor Media’s network or to address the continued development of competitive alternative technologies, or the inability to obtain additional capital to continue the development of Quebecor’s business;
- Quebecor’s ability to implement its business and operating strategies successfully and to manage its growth and expansion;
- disruptions to the network through which Quebecor Media provides its digital cable television, Internet access, telephony and *club illico* services, and its ability to protect such services against piracy, unauthorized access and other security breaches;

- labour disputes or strikes;
- changes in Quebecor Media's ability to obtain services and equipment critical to its operations;
- changes in laws and regulations, or in their interpretations, which could result, among other things, in the loss (or reduction in value) of Quebecor Media's licences or markets, or in an increase in competition, compliance costs or capital expenditures;
- Quebecor Media's ability to successfully develop its Sports and Entertainment segment and other expanding lines of business in its other segments;
- Quebecor's substantial indebtedness, the tightening of credit markets, and the restrictions on its business imposed by the terms of its debt; and
- interest rate fluctuations that could affect Quebecor's interest payment requirements on long-term debt.

The forward-looking statements in this document are made to provide investors and the public with a better understanding of the Corporation's circumstances and are based on assumptions it believes to be reasonable as of the day on which they are made. Investors and others are cautioned that the foregoing list of factors that may affect future results is not exhaustive and that undue reliance should not be placed on any forward-looking statements. For more information on the risks, uncertainties and assumptions that could cause the Corporation's actual results to differ from current expectations, please refer to the Corporation's public filings, available at <www.sedar.com> and <www.quebecor.com>, including, in particular, the "Risks and Uncertainties" section of the Corporation's Management Discussion and Analysis for the year ended December 31, 2016.

The forward-looking statements in this Management Discussion and Analysis reflect the Corporation's expectations as of November 9, 2017, and are subject to change after this date. The Corporation expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.

Montréal, Québec

November 9, 2017

QUEBECOR INC.

SELECTED QUARTERLY FINANCIAL DATA

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

			2017				2016	
	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30	March 31	Dec. 31
Revenues	**$ 1,034.7**	$ 1,032.1	$ 996.4	$ 1,050.4	$ 998.3	$ 992.5	$ 975.4	$ 1,023.5
Adjusted operating income	**421.1**	395.3	365.1	389.3	389.8	360.3	354.7	360.8
Contribution to net income (loss) attributable to shareholders:								
Continuing operating activities	**97.2**	83.2	70.9	84.7	83.2	69.9	67.7	58.0
(Loss) gain on valuation and translation of financial instruments	**(79.1)**	(36.2)	(72.5)	50.0	(68.2)	(57.0)	6.8	(85.5)
Unusual items	**149.0**	78.6	1.4	(11.4)	(23.3)	(3.1)	(4.6)	(6.6)
Discontinued operations	**4.8**	6.8	-	-	-	-	-	(0.7)
Net income (loss) attributable to shareholders	**171.9**	132.4	(0.2)	123.3	(8.3)	9.8	69.9	(34.8)
Basic data per share								
Contribution to net income (loss) attributable to shareholders:								
Continuing operating activities	**$ 0.81**	$ 0.69	$ 0.58	$ 0.69	$ 0.68	$ 0.57	$ 0.55	$ 0.47
(Loss) gain on valuation and translation of financial instruments	**(0.66)**	(0.30)	(0.59)	0.41	(0.56)	(0.47)	0.06	(0.70)
Unusual items	**1.23**	0.64	0.01	(0.09)	(0.19)	(0.02)	(0.04)	(0.05)
Discontinued operations	**0.04**	0.06	-	-	-	-	-	-
Net income (loss) attributable to shareholders	**1.42**	1.09	-	1.01	(0.07)	0.08	0.57	(0.28)
Weighted average number of shares outstanding (in millions)	**120.7**	121.4	121.6	122.1	122.3	122.4	122.5	122.5
Diluted data per share								
Contribution to net income (loss) attributable to shareholders:								
Continuing operating activities	**$ 0.72**	$ 0.62	$ 0.52	$ 0.62	$ 0.61	$ 0.51	$ 0.50	$ 0.43
Dilution impact	**0.09**	0.07	0.06	-	0.07	0.06	-	0.04
(Loss) gain on valuation and translation of financial instruments	**(0.66)**	(0.30)	(0.59)	-	(0.56)	(0.47)	(0.01)	(0.70)
Unusual items	**1.23**	0.64	0.01	(0.08)	(0.19)	(0.02)	(0.03)	(0.05)
Discontinued operations	**0.04**	0.06	-	-	-	-	-	-
Net income (loss) attributable to shareholders	**1.42**	1.09	-	0.54	(0.07)	0.08	0.46	(0.28)
Weighted average number of diluted shares outstanding (in millions)	**120.9**	121.6	121.6	143.3	122.3	122.8	143.6	122.5