Condensed consolidated financial statements of

QUEBECOR INC.

Three-month and six-month periods ended June 30, 2018 and 2017

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF INCOME

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

	Note	Three months ended June 30 2018	Three months ended June 30 2017 (restated, note 2)	Six months ended June 30 2018	Six months ended June 30 2017 (restated, note 2)
Revenues	3	**$ 1,043.5**	$ 1,038.6	**$ 2,050.2**	$ 2,040.1
Employee costs	4	**182.4**	182.0	**362.4**	369.1
Purchase of goods and services	4	**444.0**	452.3	**863.3**	894.8
Depreciation and amortization		**180.2**	173.3	**360.1**	343.1
Financial expenses	5	**78.1**	78.9	**154.7**	156.0
Loss on valuation and translation of financial instruments	6	**75.6**	39.1	**105.2**	111.5
Restructuring of operations, litigation and other items	7	**2.0**	11.8	**8.5**	0.9
Gain on sale of spectrum licences	8	**-**	(87.8)	**-**	(87.8)
Loss on debt refinancing		**-**	-	**-**	15.6
Income before income taxes		**81.2**	189.0	**196.0**	236.9
Income taxes (recovery):					
Current		**42.9**	8.7	**102.7**	12.1
Deferred		**(14.5)**	6.4	**(35.1)**	30.2
		28.4	15.1	**67.6**	42.3
Income from continuing operations		**52.8**	173.9	**128.4**	194.6
Income from discontinued operations		**-**	8.4	**-**	8.4
Net income		**$ 52.8**	$ 182.3	**$ 128.4**	$ 203.0
Income from continuing operations attributable to					
Shareholders		**$ 41.3**	$ 131.0	**$ 98.0**	$ 134.9
Non-controlling interests		**11.5**	42.9	**30.4**	59.7
Net income attributable to					
Shareholders		**$ 41.3**	$ 137.8	**$ 98.0**	$ 141.7
Non-controlling interests		**11.5**	44.5	**30.4**	61.3
Earnings per share attributable to shareholders	12				
Basic:					
From continuing operations		**$ 0.18**	$ 0.54	**$ 0.42**	$ 0.55
From discontinued operations		**-**	0.03	**-**	0.03
Net income		**0.18**	0.57	**0.42**	0.58
Diluted:					
From continuing operations		**$ 0.18**	$ 0.54	**$ 0.41**	$ 0.55
From discontinued operations		**-**	0.03	**-**	0.03
Net income		**0.18**	0.57	**0.41**	0.58
Weighted average number of shares outstanding (in millions)		**233.5**	242.8	**234.7**	243.0
Weighted average number of diluted shares (in millions)		**239.4**	243.2	**240.6**	243.4

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of Canadian dollars) (unaudited)	Three months ended June 30		Six months ended June 30	
	2018	2017	**2018**	2017
		(restated, note 2)		(restated, note 2)
Income from continuing operations	**$ 52.8**	$ 173.9	**$ 128.4**	$ 194.6
Other comprehensive (loss) income from continuing operations:				
Items that may be reclassified to income:				
Cash flow hedges:				
(Loss) gain on valuation of derivative financial instruments	**(1.3)**	40.3	**(44.4)**	28.0
Deferred income taxes	**(1.7)**	21.2	**2.1**	25.0
	(3.0)	61.5	**(42.3)**	53.0
Comprehensive income from continuing operations	**49.8**	235.4	**86.1**	247.6
Income from discontinued operations	**-**	8.4	**-**	8.4
Comprehensive income	**$ 49.8**	$ 243.8	**$ 86.1**	$ 256.0
Comprehensive income from continuing operations attributable to				
Shareholders	**$ 38.6**	$ 181.0	**$ 63.3**	$ 178.0
Non-controlling interests	**11.2**	54.4	**22.8**	69.6
Comprehensive income attributable to				
Shareholders	**$ 38.6**	$ 187.8	**$ 63.3**	$ 184.8
Non-controlling interests	**11.2**	56.0	**22.8**	71.2

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.
SEGMENTED INFORMATION

(in millions of Canadian dollars)
(unaudited)

Three months ended June 30, 2018

	Telecommunications	**Media**	**Sports and Entertainment**	**Head office and Inter-segments**	**Total**
Revenues	**$ 847.2**	**$ 186.5**	**$ 36.9**	**$ (27.1)**	**$ 1,043.5**
Employee costs	**97.6**	**62.9**	**9.7**	**12.2**	**182.4**
Purchase of goods and services	**327.0**	**124.3**	**29.2**	**(36.5)**	**444.0**
Adjusted EBITDA[1]	**422.6**	**(0.7)**	**(2.0)**	**(2.8)**	**417.1**
Depreciation and amortization					**180.2**
Financial expenses					**78.1**
Loss on valuation and translation of financial instruments					**75.6**
Restructuring of operations, litigation and other items					**2.0**
Income before income taxes					**$ 81.2**
Additions to property, plant and equipment	**$ 122.7**	**$ 5.6**	**$ 0.3**	**$ 5.0**	**$ 133.6**
Additions to intangible assets	**36.6**	**1.0**	**0.8**	**0.2**	**38.6**

Three months ended June 30, 2017
(restated, note 2)

	Telecommunications	Media	Sports and Entertainment	Head office and Inter-segments	Total
Revenues	$ 826.6	$ 199.5	$ 36.0	$ (23.5)	$ 1,038.6
Employee costs	98.3	63.0	9.5	11.2	182.0
Purchase of goods and services	330.5	123.1	30.1	(31.4)	452.3
Adjusted EBITDA[1]	397.8	13.4	(3.6)	(3.3)	404.3
Depreciation and amortization					173.3
Financial expenses					78.9
Loss on valuation and translation of financial instruments					39.1
Restructuring of operations, litigation and other items					11.8
Gain on sale of spectrum licences					(87.8)
Income before income taxes					$ 189.0
Additions to property, plant and equipment	$ 147.2	$ 6.7	$ 0.5	$ -	$ 154.4
Additions to intangible assets	24.8	1.4	1.2	0.6	28.0

QUEBECOR INC.
SEGMENTED INFORMATION (continued)

(in millions of Canadian dollars)
(unaudited)

Six months ended June 30, 2018

	Telecommuni-cations	Media	Sports and Enter-tainment	Head office and Inter-segments	Total
Revenues	**$ 1,670.6**	**$ 359.7**	**$ 74.1**	**$ (54.2)**	**$ 2,050.2**
Employee costs	**199.8**	**122.2**	**19.4**	**21.0**	**362.4**
Purchase of goods and services	**637.7**	**239.3**	**58.8**	**(72.5)**	**863.3**
Adjusted EBITDA[1]	**833.1**	**(1.8)**	**(4.1)**	**(2.7)**	**824.5**
Depreciation and amortization					**360.1**
Financial expenses					**154.7**
Loss on valuation and translation of financial instruments					**105.2**
Restructuring of operations, litigation and other items					**8.5**
Income before income taxes					**$ 196.0**
Additions to property, plant and equipment	**$ 262.5**	**$ 10.6**	**$ 0.5**	**$ 5.4**	**$ 279.0**
Additions to intangible assets	**91.6**	**2.5**	**1.8**	**(0.4)**	**95.5**

Six months ended June 30, 2017
(restated, note 2)

	Telecommuni-cations	Media	Sports and Enter-tainment	Head office and Inter-segments	Total
Revenues	$ 1,631.6	$ 383.6	$ 74.3	$ (49.4)	$ 2,040.1
Employee costs	198.9	120.8	18.7	30.7	369.1
Purchase of goods and services	651.0	251.6	60.0	(67.8)	894.8
Adjusted EBITDA[1]	781.7	11.2	(4.4)	(12.3)	776.2
Depreciation and amortization					343.1
Financial expenses					156.0
Loss on valuation and translation of financial instruments					111.5
Restructuring of operations, litigation and other items					0.9
Gain on sale of spectrum licences					(87.8)
Loss on debt refinancing					15.6
Income before income taxes					$ 236.9
Additions to property, plant and equipment	$ 309.0	$ 12.7	$ 0.6	$ 0.4	$ 322.7
Additions to intangible assets	58.4	2.1	1.6	1.0	63.1

[1] The Chief Executive Officer uses adjusted EBITDA as the measure of profit to assess the performance of each segment. Adjusted EBITDA is referred as a non-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, loss on debt refinancing, income taxes and income fror discontinued operations.

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.
CONSOLIDATED STATEMENTS OF EQUITY

(in millions of Canadian dollars)
(unaudited)

	Equity attributable to shareholders				Equity attributable to non-controlling interests	Total equity
	Capital stock	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive loss		
	(note 13)			(note 15)		
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 2)	-	-	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	-	-	141.7	-	61.3	203.0
Other comprehensive income	-	-	-	43.1	9.9	53.0
Dividends or distributions	-	-	(12.1)	-	(9.5)	(21.6)
Repurchase of Class B Shares	(2.7)	-	(26.6)	-	-	(29.3)
Non-controlling interests acquisition	-	-	(25.7)	(0.4)	(17.8)	(43.9)
Balance as of June 30, 2017	320.6	2.3	456.7	(63.4)	469.5	1,185.7
Net income	-	-	248.8	-	76.9	325.7
Other comprehensive income	-	-	-	12.7	3.2	15.9
Issuance of Class B Shares	1.1	1.2	-	-	-	2.3
Dividends or distributions	-	-	(13.2)	-	(9.2)	(22.4)
Repurchase of Class B Shares	(7.8)	-	(90.4)	-	-	(98.2)
Balance as of December 31, 2017	313.9	3.5	601.9	(50.7)	540.4	1,409.0
Net income	-	-	98.0	-	30.4	128.4
Other comprehensive loss	-	-	-	(34.7)	(7.6)	(42.3)
Issuance of Class B Shares	1.3	1.2	-	-	-	2.5
Dividends or distributions	-	-	(19.3)	-	(9.4)	(28.7)
Repurchase of Class B Shares	(9.4)	-	(108.6)	-	-	(118.0)
Non-controlling interests acquisition (note 9)	-	-	(1,198.2)	(19.2)	(472.6)	(1,690.0)
Balance as of June 30, 2018	**$ 305.8**	**$ 4.7**	**$ (626.2)**	**$ (104.6)**	**$ 81.2**	**$ (339.1)**

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars)
(unaudited)

	Note	Three months ended June 30 2018	Three months ended June 30 2017	Six months ended June 30 2018	Six months ended June 30 2017
			(restated, note 2)		(restated, note 2)
Cash flows related to operating activities					
Income from continuing operations		**$ 52.8**	$ 173.9	**$ 128.4**	$ 194.6
Adjustments for:					
Depreciation of property, plant and equipment		**154.7**	147.4	**308.2**	292.0
Amortization of intangible assets		**25.5**	25.9	**51.9**	51.1
Loss on valuation and translation of financial instruments	6	**75.6**	39.1	**105.2**	111.5
Gain on sale of spectrum licences	8	**-**	(87.8)	**-**	(87.8)
Loss on debt refinancing		**-**	-	**-**	15.6
Amortization of financing costs and long-term debt discount	5	**1.7**	1.7	**3.5**	3.5
Deferred income taxes		**(14.5)**	6.4	**(35.1)**	30.2
Other		**(1.1)**	1.9	**(1.6)**	3.2
		294.7	308.5	**560.5**	613.9
Net change in non-cash balances related to operating activities		**33.0**	24.4	**61.9**	(133.7)
Cash flows provided by continuing operating activities		**327.7**	332.9	**622.4**	480.2
Cash flows related to investing activities					
Non-controlling interests acquisition	9	**(1,540.0)**	-	**(1,540.0)**	-
Business acquisitions		**1.3**	(0.2)	**(1.4)**	(5.8)
Additions to property, plant and equipment		**(133.6)**	(154.4)	**(279.0)**	(322.7)
Additions to intangible assets		**(38.6)**	(28.0)	**(95.5)**	(63.1)
Proceeds from disposals of assets		**1.3**	184.9	**1.7**	185.3
Other		**(0.4)**	(0.2)	**(1.0)**	(0.2)
Cash flows (used in) provided by continuing investing activities		**(1,710.0)**	2.1	**(1,915.2)**	(206.5)
Cash flows related to financing activities					
Net change in bank indebtedness		**27.3**	(60.0)	**26.5**	(11.4)
Net change under revolving facilities		**557.7**	(380.9)	**640.5**	(183.5)
Issuance of long-term debt, net of financing fees		**-**	794.5	**-**	794.5
Repayment of long-term debt		**(9.1)**	(470.1)	**(12.8)**	(653.8)
Repayment of convertible debentures	10	**(71.9)**	-	**(71.9)**	-
Settlement of hedging contracts		**(0.8)**	(3.1)	**(0.8)**	(3.2)
Issuance of Class B Shares		**1.3**	-	**1.3**	-
Repurchase of Class B Shares	13	**(19.3)**	(16.5)	**(118.0)**	(29.3)
Dividends		**(19.3)**	(12.1)	**(19.3)**	(12.1)
Dividends or distributions paid to non-controlling interests		**(4.7)**	(4.8)	**(9.4)**	(9.5)
Cash flows provided by (used in) continuing financing activities		**461.2**	(153.0)	**436.1**	(108.3)
Net change in cash and cash equivalents from continuing operations		**(921.1)**	182.0	**(856.7)**	165.4
Cash flows used in discontinued operations		**-**	(0.3)	**-**	(0.3)
Cash and cash equivalents at beginning of period		**929.3**	5.7	**864.9**	22.3
Cash and cash equivalents at end of period		**$ 8.2**	$ 187.4	**$ 8.2**	$ 187.4
Cash and cash equivalents consist of					
Cash		**$ 7.8**	$ 186.0	**$ 7.8**	$ 186.0
Cash equivalents		**0.4**	1.4	**0.4**	1.4
		$ 8.2	$ 187.4	**$ 8.2**	$ 187.4
Interest and taxes reflected as operating activities					
Cash interest payments		**$ 110.4**	$ 100.9	**$ 152.5**	$ 143.2
Cash income tax payments (net of refunds)		**2.8**	5.2	**17.0**	56.4

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars)
(unaudited)

	Note	June 30 2018	December 31 2017 (restated, note 2)	December 31 2016 (restated, note 2)
Assets				
Current assets				
Cash and cash equivalents		**$ 8.2**	$ 864.9	$ 22.3
Accounts receivable		**536.2**	543.4	525.4
Contract assets		**131.8**	132.8	106.6
Income taxes		**10.8**	29.3	6.9
Inventories		**160.2**	188.1	183.3
Other current assets		**136.4**	119.8	102.4
		983.6	1,878.3	946.9
Non-current assets				
Property, plant and equipment		**3,530.6**	3,594.6	3,605.1
Intangible assets		**1,012.4**	983.1	1,224.0
Goodwill		**2,695.1**	2,695.8	2,725.4
Derivative financial instruments		**698.6**	591.8	809.0
Deferred income taxes		**37.1**	33.2	16.0
Other assets		**185.1**	185.1	177.1
		8,158.9	8,083.6	8,556.6
Total assets		**$ 9,142.5**	$ 9,961.9	$ 9,503.5
Liabilities and equity				
Current liabilities				
Bank indebtedness		**$ 27.3**	$ 0.8	$ 18.9
Accounts payable and accrued charges		**627.0**	738.7	705.9
Provisions		**27.8**	25.4	69.3
Deferred revenue		**354.3**	346.8	339.7
Income taxes		**83.8**	13.3	35.2
Convertible debentures	10	**412.5**	450.0	-
Embedded derivatives related to convertible debentures	10	**511.5**	442.2	-
Current portion of long-term debt	11	**15.7**	20.4	51.8
		2,059.9	2,037.6	1,220.8
Non-current liabilities				
Long-term debt	11	**6,320.8**	5,516.2	5,616.9
Derivative financial instruments		**17.1**	34.1	0.3
Convertible debentures	10	**150.0**	-	500.0
Other liabilities		**217.9**	215.8	516.2
Deferred income taxes		**715.9**	749.2	624.8
		7,421.7	6,515.3	7,258.2
Equity				
Capital stock	13	**305.8**	313.9	323.3
Contributed surplus	13	**4.7**	3.5	2.3
Retained earnings		**(626.2)**	601.9	379.4
Accumulated other comprehensive loss	15	**(104.6)**	(50.7)	(106.1)
Equity attributable to shareholders		**(420.3)**	868.6	598.9
Non-controlling interests		**81.2**	540.4	425.6
		(339.1)	1,409.0	1,024.5
Total liabilities and equity		**$ 9,142.5**	$ 9,961.9	$ 9,503.5

See accompanying notes to condensed consolidated financial statements.

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 refers to Quebecor Media Inc. and its subsidiaries.

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 (including data centers), 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.

The Media segment experiences significant seasonality due, among other factors, to seasonal advertising patterns and influences on people's viewing, reading and listening habits. Because the Media segment depends on the sale of advertising for a significant portion of its revenue, operating results are also sensitive to prevailing economic conditions, including changes in local, regional and national economic conditions, particularly as they may affect advertising expenditures. Accordingly, the results of operations for interim periods should not necessarily be considered indicative of full-year results due to the seasonality of certain operations.

1. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), except that they do not include all disclosures required under IFRS for annual consolidated financial statements. In particular, these consolidated financial statements were prepared in accordance with IAS 34, *Interim Financial Reporting*, and accordingly, they are condensed consolidated financial statements. These condensed consolidated financial statements should be read in conjunction with the Corporation's 2017 annual consolidated financial statements, which contain a description of the accounting policies used in the preparation of these condensed financial statements.

These condensed consolidated financial statements were approved for issue by the Board of Directors of Quebecor on August 8, 2018.

Comparative figures for previous periods have been restated to conform to the presentation adopted for the three-month and six-month periods ended June 30, 2018.

2. 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, all financial assets and liabilities of the Corporation are now classified as subsequently measured at amortized cost. 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, under which the Corporation now only accounts for a contract with a customer 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 performing 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 adoption of IFRS 15 had significant impacts on the consolidated financial statements, mainly in the Telecommunications segment, with regards to the timing of the recognition of its revenues, the classification of its revenues, as well as the capitalization of costs, such as the costs to obtain a contract and connection costs.

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

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

2. CHANGES IN ACCOUNTING POLICIES (continued)

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

In addition, under IFRS 15, certain costs to obtain a contract, mainly sales commissions, are capitalized and amortized as operating expenses over the contract term or over the period of time the customer is expected to maintain its service. 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 retroactive adoption of IFRS 15 had the following impacts on the comparatives consolidated financial figures:

Consolidated statements of income and comprehensive income

Increase (decrease)	Three months ended June 30, 2017	Six months ended June 30, 2017
Revenues	$ 6.5	$ 11.6
Purchase of goods and services	(2.5)	(4.2)
Deferred income tax expenses	2.4	4.2
Net income and comprehensive income	$ 6.6	$ 11.6
Net income and comprehensive income attributable to:		
Shareholders	$ 5.4	$ 9.5
Non-controlling interests	1.2	2.1
Earnings per share attributable to shareholders	$ 0.02	$ 0.04

Consolidated balance sheets

Increase (decrease)	December 31, 2017	December 31, 2016
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.

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

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

3. REVENUES

	Three months ended June 30		Six months ended June 30	
	2018	2017	**2018**	2017
		(restated, note 2)		(restated, note 2)
Internet	**$ 271.6**	$ 256.6	**$ 533.2**	$ 507.1
Cable television	**251.4**	252.8	**500.1**	504.1
Mobile telephony	**130.8**	115.7	**256.6**	226.8
Cable telephony	**92.6**	100.2	**187.8**	202.8
Telecommunication equipment sales	**54.0**	55.9	**99.5**	101.0
Connection and data services	**31.6**	31.5	**63.4**	62.9
Over-the-top video	**11.6**	9.8	**22.7**	18.8
Advertising – television	**65.6**	74.1	**130.3**	141.3
Subscription – television	**31.4**	32.2	**63.0**	64.4
Film production and audiovisual	**14.5**	14.2	**26.0**	25.8
Advertising – newspapers and magazines	**28.3**	32.8	**54.2**	62.4
Circulation and other – newspapers and magazines	**36.6**	38.1	**72.2**	75.2
Other	**23.5**	24.7	**41.2**	47.5
	$ 1,043.5	$ 1,038.6	**$ 2,050.2**	$ 2,040.1

4. EMPLOYEE COSTS AND PURCHASE OF GOODS AND SERVICES

	Three months ended June 30		Six months ended June 30	
	2018	2017	**2018**	2017
		(restated, note 2)		(restated, note 2)
Employee costs	**$ 233.2**	$ 232.1	**$ 460.7**	$ 467.0
Less employee costs capitalized to property, plant and equipment and intangible assets	**(50.8)**	(50.1)	**(98.3)**	(97.9)
	182.4	182.0	**362.4**	369.1
Purchase of goods and services:				
Royalties, rights and creation costs	**183.1**	176.3	**355.8**	355.9
Cost of products sold	**87.7**	87.0	**165.2**	163.8
Service contracts	**38.8**	42.1	**78.1**	85.0
Marketing, circulation and distribution expenses	**26.4**	27.6	**49.0**	51.9
Building expenses	**22.3**	23.0	**45.4**	46.1
Other	**85.7**	96.3	**169.8**	192.1
	444.0	452.3	**863.3**	894.8
	$ 626.4	$ 634.3	**$ 1,225.7**	$ 1,263.9

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

5. FINANCIAL EXPENSES

	Three months ended June 30		Six months ended June 30	
	2018	2017	**2018**	2017
Interest on long-term debt and on debentures	**$ 77.4**	$ 75.8	**$ 153.8**	$ 149.4
Amortization of financing costs and long-term debt discount	**1.7**	1.7	**3.5**	3.5
Interest on net defined benefit liability	**1.5**	1.5	**3.0**	3.1
Loss (gain) on foreign currency translation on short-term monetary items	**0.3**	(0.3)	**0.7**	(0.7)
Other	**(2.8)**	0.2	**(6.3)**	0.7
	$ 78.1	$ 78.9	**$ 154.7**	$ 156.0

6. LOSS ON VALUATION AND TRANSLATION OF FINANCIAL INSTRUMENTS

	Three months ended June 30		Six months ended June 30	
	2018	2017	**2018**	2017
Loss on embedded derivatives related to convertible debentures	**$ 76.3**	$ 37.9	**$ 104.5**	$ 110.6
Other	**(0.7)**	1.2	**0.7**	0.9
	$ 75.6	$ 39.1	**$ 105.2**	$ 111.5

7. RESTRUCTURING OF OPERATIONS, LITIGATION AND OTHER ITEMS

During the respective three-month and six-month periods ended June 30, 2018, net charges of $2.0 million and $8.5 million were recorded relating mainly to various cost reduction initiatives across the Corporation (net charges of $11.8 million and $0.9 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).

8. GAIN ON SALE OF SPECTRUM LICENCES

On June 20, 2017, Videotron Ltd. ("Videotron") sold its AWS spectrum licence in the greater Toronto region to Rogers Communications Canada Inc. for a cash consideration of $184.2 million, pursuant to the transfer option held by Videotron since 2013. The sale resulted in a gain on disposal of $87.8 million.

On July 24, 2017, Videotron sold its seven 2500 MHz and 700 MHz wireless spectrum licences outside Québec to Shaw Communications Inc. for a cash consideration of $430.0 million. The sale resulted in a gain on disposal of $243.0 million in the third quarter of 2017.

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 the second quarter of 2017.

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

9. NON-CONTROLLING INTERESTS ACQUISITION

During the second quarter of 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, 2018 and June 22, 2018, Quebecor Media repurchased a total of 16,064,215 of its Common Shares held by CDP Capital d'Amérique Investissement 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 10).

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.

10. CONVERTIBLE DEBENTURES

During the six-month period ended June 30, 2018, the Corporation sent notices of redemption of convertible debentures for a total aggregate principal amount of $87.5 million. Redemption prices were paid upon redemption of these debentures.

On June 22, 2018, the Corporation issued $150.0 million aggregate principal amount of new 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 Subordinate Voting shares ("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. The other terms and conditions of the convertible debentures are substantially consistent with the terms of the convertible debentures issued under the Corporation's trust agreement dated October 11, 2012, as amended.

11. LONG TERM DEBT

Components of long-term debt are as follows:

	June 30, 2018	December 31, 2017
Long-term debt	**$ 6,374.7**	$ 5,572.1
Change in fair value related to hedged interest rate risk	**(0.9)**	5.8
Financing fees, net of amortization	**(37.3)**	(41.3)
	6,336.5	5,536.6
Less current portion	**(15.7)**	(20.4)
	$ 6,320.8	$ 5,516.2

12. 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 period. 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 the number of shares outstanding and on net income attributable to shareholders.

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

	Three months ended June 30		Six months ended June 30	
	2018	2017	**2018**	2017
		(restated, note 2)		(restated, note 2)
Income from continuing operations attributable to shareholders	**$ 41.3**	$ 131.0	**$ 98.0**	$ 134.9
Impact of assumed conversion of stock options of subsidiaries and of convertible debentures of the Corporation	**0.7**	(0.4)	**0.5**	(0.6)
Income from continuing operations attributable to shareholders, adjusted for dilution effect	**$ 42.0**	$ 130.6	**$ 98.5**	$ 134.3
Net income attributable to shareholders	**$ 41.3**	$ 137.8	**$ 98.0**	$ 141.7
Impact of assumed conversion of stock options of subsidiaries and of convertible debentures of the Corporation	**0.7**	(0.4)	**0.5**	(0.6)
Net income attributable to shareholders, adjusted for dilution effect	**$ 42.0**	$ 137.4	**$ 98.5**	$ 141.1
Weighted average number of shares outstanding (in millions)	**233.5**	242.8	**234.7**	243.0
Potentially dilutive effect of stock options and of convertible debentures of the Corporation (in millions)	**5.9**	0.4	**5.9**	0.4
Weighted average number of diluted shares outstanding (in millions)	**239.4**	243.2	**240.6**	243.4

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

13. 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 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, 2017	77,379,944	$ 8.6	160,837,084	$ 305.3
Class A Shares converted into Class B Shares	(70,300)	–	70,300	–
Shares purchased and cancelled	–	–	(4,909,900)	(9.4)
Shares issued upon exercise of stock options	–	–	100,000	1.3
Balance as of June 30, 2018	**77,309,644**	**$ 8.6**	**156,097,484**	**$ 297.2**

On August 9, 2017, 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 4,000,000 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 Toronto Stock Exchange or other alternative trading systems. All shares purchased under the bid will be cancelled.

On December 15, 2017, the maximum number of Class B Shares that may be repurchased under the Corporation's normal course issuer bid program was increased to 8,400,000, representing approximately 9.9% of the Class B Shares public float as of August 1, 2017.

On August 8, 2018, the Corporation authorized a normal course issuer bid for a maximum of 1,000,000 Class A Shares representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 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.

During the six-month period ended June 30, 2018, the Corporation purchased and cancelled 4,909,900 Class B Shares for a total cash consideration of $118.0 million (1,441,600 Class B Shares for a total cash consideration of $29.3 million in 2017). The excess of $108.6 million of the purchase price over the carrying value of Class B Shares repurchased was recorded in reduction of retained earnings ($26.6 million in 2017).

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

On August 8, 2018, 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 $12.8 million, payable on September 18, 2018 to shareholders of record at the close of business on August 24, 2018.

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

14. STOCK-BASED COMPENSATION PLANS

Stock option plans

The following table provides details of changes to outstanding options in the principal stock-based compensation plans in which management of the Corporation and its subsidiaries participates, for the six-month period ended June 30, 2018:

	Outstanding options	
	Number	Weighted average exercise price
Quebecor		
As of December 31, 2017	780,000	$ 12.25
Exercised	(100,000)	12.75
As of June 30, 2018	**680,000**	**$ 12.17**
Vested options as of June 30, 2018	**620,000**	**$ 11.89**
Quebecor Media		
As of December 31, 2017	595,827	$ 62.84
Exercised	(102,977)	62.26
As of June 30, 2018	**492,850**	**$ 62.97**
Vested options as of June 30, 2018	**246,100**	**$ 60.53**
TVA Group Inc.		
As of December 31, 2017 and June 30, 2018	**60,000**	**$ 6.85**
Vested options as of June 30, 2018	**36,000**	**$ 6.85**

During the three-month period ended June 30, 2018, 100,000 Class B Shares of the Corporation were issued upon exercise of stock options (note 13) (none in 2017) and 64,477 stock options of Quebecor Media were exercised for a cash consideration of $2.2 million (43,800 stock options for $1.1 million in 2017). During the six-month period ended June 30, 2018, 100,000 Class B Shares of the Corporation were issued upon exercise of stock options (note 13) (1,160,000 stock options were exercised for a cash consideration of $8.2 million in 2017) and 102,977 stock options of Quebecor Media were exercised for a cash consideration of $3.3 million (58,650 stock options for $1.3 million in 2017).

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 during the first quarter of 2018 for a cash consideration of $1.6 million (2,281,882 units for a cash consideration of $9.8 million in the first quarter and the six-month period of 2017).

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

14. STOCK-BASED COMPENSATION PLANS (continued)

Deferred share unit and performance share unit plans

The deferred share unit ("DSU") and performance share unit ("PSU") plans are based either on Quebecor Class B Shares and on TVA Group Inc. Class B Non-Voting Shares ("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, and the PSUs vest over three years and will be redeemed for cash at the end of this period subject to the achievement of financial targets. DSUs and PSUs entitle the holders to receive additional units when dividends are paid on Quebecor Class B Shares or TVA Group Class B Shares. As of June 30, 2018, 239,875 DSUs based on Quebecor Class B Shares, 266,389 DSUs based on TVA Group Class B Shares, 306,908 PSUs based on Quebecor Class B Shares and 270,637 PSUs based on TVA Group Class B Shares were outstanding under these plans.

Stock-based compensation expense

For the three-month period ended June 30, 2018, a consolidated charge related to all stock-based compensation plans was recorded in the amount of $6.9 million ($6.5 million in 2017). For the six-month period ended June 30, 2018, a consolidated charge related to all stock-based compensation plans was recorded in the amount of $11.1 million ($13.2 million in 2017).

15. 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 loss	43.1	–	43.1
Non-controlling interests acquisition	(0.2)	(0.2)	(0.4)
Balance as of June 30, 2017	(26.9)	(36.5)	(63.4)
Other comprehensive income (loss)	15.2	(2.5)	12.7
Balance as of December 31, 2017	(11.7)	(39.0)	(50.7)
Other comprehensive loss	(34.7)	–	(34.7)
Non-controlling interests acquisition	(10.4)	(8.8)	(19.2)
Balance as of June 30, 2018	**$ (56.8)**	**$ (47.8)**	**$ (104.6)**

No significant amount is expected to be reclassified in income over the next 12 months in connection with derivatives designated as cash flow hedges. The balance is expected to reverse over a 8 3/4-year period.

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

16. 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 cash equivalents and bank indebtedness, classified as held for trading and accounted for at their fair value in the consolidated balance sheets, is determined using Level 2 inputs.

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 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 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 adjusted implicit interest rate and credit premium.

The carrying value and fair value of long-term debt, convertible debentures and derivative financial instruments as of June 30, 2018 and December 31, 2017 are as follows:

	June 30, 2018		December 31, 2017	
Asset (liability)	**Carrying value**	**Fair value**	Carrying value	Fair value
Long-term debt[1]	**$ (6,374.7)**	**$ (6,479.9)**	$ (5,572.1)	$ (5,883.3)
Convertible debentures[2]	**(1,068.7)**	**(1,068.7)**	(888.5)	(888.5)
Derivative financial instruments				
Foreign exchange forward contracts	**4.3**	**4.3**	(4.5)	(4.5)
Cross-currency interest rate swaps	**677.2**	**677.2**	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.