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 2018 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 for the benefit of multiple distribution platforms. Unless the context otherwise requires, "Quebecor" or the "Corporation" refers 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 Investissements inc. ("CDP Capital") for an aggregate purchase price of $37.7 million, paid in cash. On the same date, Quebecor Media also paid off a security held by 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%.

On May 11 and June 22, 2018, Quebecor Media repurchased a total of 16,064,215 of its Common Shares held by CDP Capital for a total aggregate purchase price of $1.54 billion, paid in cash. On June 22, 2018, Quebecor purchased 1,564,696 Common Shares of Quebecor Media held by CDP Capital in consideration of the issuance of convertible debentures in the aggregate principal amount of $150.0 million, convertible into Class B Subordinate Voting Shares ("Class B Shares") of Quebecor. Upon completion of these transactions, the Corporation's interest in Quebecor Media increased from 81.53% to 100.0%.

On November 15, 2017, the Corporation carried out a two-for-one split of its outstanding Class A Multiple Voting Shares ("Class A Shares") and Class B Shares. Accordingly, holders of the Corporation's shares received an additional share for each share owned on the record date of November 15, 2017. As a result, all references to numbers of shares, per-share amounts and stock-based compensation have been restated retroactively to reflect the split.

During the fourth quarter of 2017, the Corporation changed its organizational structure and transferred its book publishing and distribution operations and music distribution and production operations from the Media segment to the Sports and Entertainment segment. Accordingly, prior-period figures in the Corporation's segmented reporting have been reclassified to reflect those changes.

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

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

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, 2017. All amounts are stated in Canadian dollars ("CAN") unless otherwise indicated.

HIGHLIGHTS SINCE END OF SECOND QUARTER 2018

- Quebecor's revenues totalled $1.06 billion in the third quarter of 2018, a $17.6 million (1.7%) increase from the same period of 2017.

- On October 16, 2018, Quebecor announced that Manon Brouillette will step down as President and Chief Executive Officer of Videotron Ltd. ("Videotron") on December 31, 2018 for personal reasons. The Corporation thanks Ms. Brouillette for her major role in Videotron's success over the past 14 years and her contribution to Quebecor's business plan. Ms. Brouillette's name will be submitted to the Corporation's Human Resources Committee and Corporate Governance Committee in 2019 for appointment to Quebecor's Board of Directors.

Telecommunications

- The Telecommunications segment grew its revenues by $30.2 million (3.6%) and its adjusted EBITDA by $35.6 million (9.1%) in the third quarter of 2018.
- Videotron significantly increased its revenues from mobile telephony ($18.8 million or 15.7%), Internet access ($11.3 million or 4.3%), customer equipment sales ($8.8 million or 16.2%) and the Club illico over-the-top video service ("Club illico") ($1.8 million or 17.8%) in the third quarter of 2018.
- Videotron's total ABPU was $49.70 in the third quarter of 2018, compared with $48.50 in the same period of 2017, a $1.20 (2.5%) increase. Mobile ABPU was $54.28 in the third quarter of 2018, compared with $53.34 in the same period of 2017, a $0.94 (1.8%) increase.
- There was a net increase of 56,500 RGUs (0.9%) in the third quarter of 2018, including 41,500 connections to the mobile telephony service, 23,400 subscriptions to the cable Internet access service and 11,000 memberships in Club illico.
- On September 13, 2018, Videotron announced the launch of Fizz, a dynamic and competitive new brand that delivers cellphone service featuring advantageous pricing, a fully digital experience and user autonomy. Videotron, the Corporation's flagship brand, will continue focusing on premium wireless plans and the business segment, while Fizz will aim to increase market penetration among digital natives and new mobile users.

Media

- On October 15, 2018, Quebecor launched QUB radio, a new online and mobile app platform with a live radio stream and a library of podcasts. QUB radio is an innovative audio project that positions Quebecor among the leaders in digital media in Canada.
- On August 27, 2018, TVA Group Inc. ("TVA Group") acquired all the shares of Audio Zone Inc. ("Audio Zone"), a film production and audiovisual services company that provides postproduction sound services.
- On August 13, 2018, Quebecor acquired LC Media Inc. ("LC Media"), owner of *Le Guide de l'auto,* an authoritative car guide published by Quebecor's Les Éditions de l'Homme. *Le Guide de l'auto* has also made a successful shift to digital, drawing 1.5 million unique visitors monthly to its websites, *guideautoweb.com* and *carguideweb.com*. The acquisition will enable Quebecor to enrich the automotive content on all its platforms.
- According to the fall 2018 Vividata survey, *Le Journal de Montréal, Le Journal de Québec* and the free daily *24 heures* remain Québec's news leaders with nearly 4.0 million readers per week across all platforms (print, mobile and Internet). TVA Group remains a leading player in the Canadian magazine industry with 9.0 million readers per week across all platforms.

Financial transactions

- On August 21, 2018, the Corporation issued a notice of redemption on October 12, 2018, of all its remaining outstanding 4.125% convertible debentures due October 15, 2018, for a total aggregate principal amount of $362.5 million. Pursuant to the terms of the convertible debentures, the Corporation elected to exercise its share redemption payment right with respect to the entire outstanding debentures. Consequently, Quebecor issued and delivered 30,129,869 Class B Shares to the holders on October 12, 2018.

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 EBITDA, 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.

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

Adjusted EBITDA (formerly "Adjusted operating income")

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

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

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

Table 1

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

(in millions of Canadian dollars)

	With adoption of IFRS15[1]				Without IFRS15[2]			
	Three months ended September 30		Nine months ended September 30		Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
Adjusted EBITDA (negative adjusted EBITDA):								
Telecommunications	**$ 425.8**	$ 390.2	**$ 1,258.9**	$ 1,171.9	**$ 415.1**	$ 379.3	**$ 1,252.8**	$ 1,145.2
Media	**29.6**	35.7	**27.8**	46.9	**29.6**	35.7	**27.8**	46.9
Sports and Entertainment	**7.2**	8.3	**3.1**	3.9	**7.2**	8.3	**3.1**	3.9
Head Office	**2.8**	(2.2)	**0.1**	(14.5)	**2.8**	(2.2)	**0.1**	(14.5)
	465.4	432.0	**1,289.9**	1,208.2	**454.7**	421.1	**1,283.8**	1,181.5
Depreciation and amortization	**(181.8)**	(175.2)	**(541.9)**	(518.3)	**(181.8)**	(175.2)	**(541.9)**	(518.3)
Financial expenses	**(84.7)**	(75.5)	**(239.4)**	(231.5)	**(84.7)**	(75.5)	**(239.4)**	(231.5)
Gain (loss) on valuation and translation of financial instruments	**54.5**	(80.2)	**(50.7)**	(191.7)	**54.5**	(80.2)	**(50.7)**	(191.7)
Restructuring of operations, litigation and other items	**(13.6)**	(6.7)	**(22.1)**	(7.3)	**(13.6)**	(6.7)	**(22.1)**	(7.3)
Gain on sale of spectrum licences	**–**	243.1	**–**	330.9	**–**	243.1	**–**	330.9
Impairment of goodwill and other assets	**–**	(43.5)	**–**	(43.8)	**–**	(43.5)	**–**	(43.8)
Loss on debt refinancing	**–**	–	**–**	(15.6)	**–**	–	**–**	(15.6)
Income taxes	**(48.8)**	(66.6)	**(116.4)**	(108.9)	**(48.8)**	(66.6)	**(116.4)**	(108.9)
Income from discontinued operations	**–**	5.9	**–**	14.3	**–**	5.9	**–**	14.3
Impact of IFRS 15	**–**	–	**–**	–	**10.7**	10.9	**6.1**	26.7
Net income	**$ 191.0**	$ 233.3	**$ 319.4**	$ 436.3	**$ 191.0**	$ 233.3	**$ 319.4**	$ 436.3

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

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

Adjusted income from continuing operating activities

The Corporation defines adjusted income from continuing operating activities, as reconciled to net income attributable to shareholders under IFRS, as net income attributable to shareholders before gains and losses 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 financial results. Adjusted income from continuing operating activities is more representative for forecasting income. The Corporation's definition of adjusted income from continuing operating activities may not be identical to similarly titled measures reported by other companies.

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

Table 2

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

(in millions of Canadian dollars)

	With adoption of IFRS 15[1]				Without IFRS 15[2]			
	Three months ended September 30		Nine months ended September 30		Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
Adjusted income from continuing operating activities	**$ 142.0**	$ 103.7	**$ 337.8**	$ 267.2	**$ 134.2**	$ 97.2	**$ 332.5**	$ 251.2
Gain (loss) on valuation and translation of financial instruments	**54.5**	(80.2)	**(50.7)**	(191.7)	**54.5**	(80.2)	**(50.7)**	(191.7)
Restructuring of operations, litigation and other items	**(13.6)**	(6.7)	**(22.1)**	(7.3)	**(13.6)**	(6.7)	**(22.1)**	(7.3)
Gain on sale of spectrum licences	**–**	243.1	**–**	330.9	**–**	243.1	**–**	330.9
Impairment of goodwill and other assets	**–**	(43.5)	**–**	(43.8)	**–**	(43.5)	**–**	(43.8)
Loss on debt refinancing	**–**	–	**–**	(15.6)	**–**	–	**–**	(15.6)
Income taxes related to adjustments[3]	**3.4**	(19.3)	**17.9**	13.1	**3.4**	(19.3)	**17.9**	13.1
Net income attributable to non-controlling interest related to adjustments	**0.4**	(23.5)	**1.8**	(44.3)	**0.4**	(23.5)	**1.8**	(44.3)
Discontinued operations	**–**	4.8	**–**	11.6	**–**	4.8	**–**	11.6
Impact of IFRS 15	**–**	–	**–**	–	**7.8**	6.5	**5.3**	16.0
Net income attributable to shareholders	**$ 186.7**	$ 178.4	**$ 284.7**	$ 320.1	**$ 186.7**	$ 178.4	**$ 284.7**	$ 320.1

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

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

3 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 EBITDA, less additions to property, plant and equipment and to intangible assets (excluding disbursements for licence acquisitions and renewals), plus proceeds from disposal of assets (excluding proceeds from disposal of licences). The Corporation uses cash flows from segment operations as a measure of the liquidity generated by its segments. Cash flows from segment operations represents funds available for interest and income tax payments, expenditures related to restructuring programs, business acquisitions, licence acquisitions and renewals, payment of dividends, reduction of paid-up capital 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 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 INDICATORS

Revenue-generating unit

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

Average billing per unit

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

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

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

ANALYSIS OF CONSOLIDATED RESULTS OF QUEBECOR

2018/2017 third quarter comparison

Revenues: $1.06 billion, an $17.6 million (1.7%) increase.

- Revenues increased in Telecommunications ($30.2 million or 3.6% of segment revenues).
- Revenues decreased in Media ($15.9 million or -8.5%) and in Sports and Entertainment ($2.2 million or -3.9%).

Adjusted EBITDA: $465.4 million, a $33.4 million (7.7%) increase.

- Adjusted EBITDA increased in Telecommunications ($35.6 million or 9.1% of segment adjusted EBITDA) and there was a favourable variance at Head Office ($5.0 million) due to lower compensation costs, including the stock-based compensation charge.
- There was an unfavourable variance in Media ($6.1 million or -17.1%) and in Sports and Entertainment ($1.1 million or -13.3%).
- The change in the fair value of Quebecor Media stock options resulted in a $1.0 million favourable variance in the stock-based compensation charge in the third quarter of 2018 compared with the same period of 2017. The change in the fair value of Quebecor stock options and in the value of Quebecor stock-price-based share units resulted in a $3.0 million favourable variance in the Corporation's stock-based compensation charge in the third quarter of 2018.

Net income attributable to shareholders: $186.7 million ($0.80 per basic share) in the third quarter of 2018, compared with $178.4 million ($0.74 per basic share) in the same period of 2017, a favourable variance of $8.3 million ($0.06 per basic share).

- The main favourable variances were:
  - $134.7 million favourable variance in gains and losses on valuation and translation of financial instruments, including $134.5 million without any tax consequences;
  - $50.6 million favourable variance in non-controlling interest;
  - $43.5 million favourable variance related to impairment of goodwill and other assets;
  - $33.4 million increase in adjusted EBITDA;
  - $17.8 million decrease in the income tax expense.
- The main unfavourable variances were:
  - $243.1 million gain on the sale of a spectrum licence recognized in the third quarter of 2017, including $121.6 million without any tax consequences;
  - $9.2 million increase in financial expenses;
  - $6.9 million unfavourable variance in the charge for restructuring of operations, litigation and other items;
  - $6.6 million increase in the depreciation and amortization charge;
  - $5.9 million unfavourable variance in income from discontinued operations.

Adjusted income from continuing operating activities: $142.0 million ($0.61 per basic share) in the third quarter of 2018, compared with $103.7 million ($0.43 per basic share) in the same period of 2017, an increase of $38.3 million ($0.18 per basic share) or 36.9%.

Depreciation and amortization charge: $181.8 million in the third quarter of 2018, a $6.6 million increase due mainly to the impact of capital expenditures in the Telecommunications segment, including depreciation of investments in wired and wireless networks and computer systems, as well as the impact of changes to the depreciation period for some telecommunication network components.

Financial expenses: $84.7 million in the third quarter of 2018, a $9.2 million increase caused mainly by higher average indebtedness as a result of debt financing of a portion of the repurchase of Quebecor Media shares held by CDP Capital in the second quarter of 2018, partially offset by a lower average interest rate on the debt.

Gain on valuation and translation of financial instruments: $54.5 million in the third quarter of 2018 compared with an $80.2 million loss in the same period of 2017. The $134.7 million favourable variance was essentially due to a $134.5 million favourable 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: $13.6 million in the third quarter of 2018 compared with $6.7 million in the same period of 2017, a $6.9 million unfavourable variance.

- A $14.9 million charge for impairment of assets was recognized in the third quarter of 2018, primarily in the Telecommunications segment. A $1.3 million net gain was also recorded in the third quarter of 2018 in connection with disposal of assets and cost-reduction initiatives in the Corporation's various segments.

- 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.

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 Communications Inc. ("Shaw") for a cash consideration of $430.0 million. A $243.1 million gain was recognized on the sale of the licences, including $121.6 million without any tax consequences.

Charge for impairment of goodwill and other assets: $43.5 million in the third quarter of 2017.

- In the third quarter of 2017, 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, and a charge for impairment of intangible assets totalling $12.4 million, including $3.1 million without any tax consequences, were recorded in the third quarter of 2017. An additional $1.1 million charge for impairment of intangible assets was also recognized in various segments of the Corporation in the third quarter of 2017.

Income tax expense: $48.8 million in the third quarter of 2018 (effective tax rate of 26.2%), compared with $66.6 million in the same period of 2017 (effective tax rate of 26.0%), a $17.8 million favourable variance caused essentially by the impact of the decrease in taxable income. The effective tax rate is calculated considering only taxable and deductible items.

2018/2017 year-to-date comparison

Revenues: $3.11 billion, a $27.7 million (0.9%) increase.

- Revenues increased in Telecommunications ($69.2 million or 2.8% of segment revenues).
- Revenues decreased in Media ($39.8 million or -7.0%) and in Sports and Entertainment ($2.4 million or -1.8%).

Adjusted EBITDA: $1.29 billion, an $81.7 million (6.8%) increase.

- Adjusted EBITDA increased in Telecommunications ($87.0 million or 7.4% of segment adjusted EBITDA). There was a favourable variance at Head Office ($14.6 million), mainly due to lower compensation costs.
- There was an unfavourable variance in Media ($19.1 million or -40.7%) and in Sports and Entertainment ($0.8 million or -20.5%).
- The change in the fair value of Quebecor Media stock options resulted in a $2.0 million favourable variance in the stock-based compensation charge in the first nine months of 2018 compared with the same period of 2017. The change in the fair value of Quebecor stock options and the value of Quebecor stock-price-based share units resulted in a $4.1 million favourable variance in the Corporation's stock-based compensation charge in the first nine months of 2018.

Net income attributable to shareholders: $284.7 million ($1.22 per basic share) in the first nine months of 2018, compared with $320.1 million ($1.32 per basic share) in the same period of 2017, a decrease of $35.4 million ($0.10 per basic share).

- The main unfavourable variances were:
  - $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;
  - $23.6 million increase in the depreciation and amortization charge;
  - $14.8 million unfavourable variance in the charge for restructuring of operations, litigation and other items;
  - $14.3 million unfavourable variance in income from discontinued operations;
  - $7.9 million increase in financial expenses;
  - $7.5 million increase in the income tax expense.
- The main favourable variances were:
  - $141.0 million favourable variance in gains on valuation and translation of financial instruments, including $140.6 million without any tax consequences;
  - $81.7 million increase in adjusted EBITDA;
  - $81.5 million favourable variance in non-controlling interest;
  - $43.8 million favourable variance in impairment of goodwill and other assets;
  - $15.6 million favourable variance in the loss on debt refinancing.

Adjusted income from continuing operating activities: $337.8 million ($1.44 per basic share) in the first nine months of 2018, compared with $267.2 million ($1.10 per basic share) in the same period of 2017, an increase of $70.6 million ($0.34 per basic share) or 26.4%.

Depreciation and amortization charge: $541.9 million, a $23.6 million increase due essentially to the same factors as those noted under "2018/2017 third quarter comparison."

Financial expenses: $239.4 million in the first nine months of 2018, a $7.9 million increase caused mainly by higher average indebtedness as a result of debt financing of a portion of the repurchase of the Quebecor Media shares held by CDP Capital in the second quarter of 2018, partially offset by higher interest revenues generated by liquidity and a lower average interest rate on the debt.

Loss on valuation and translation of financial instruments: $50.7 million in the first nine months of 2018 compared with $191.7 million in the same period of 2017. The $141.0 million favourable variance was essentially due to a $140.6 million favourable 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: $22.1 million in the first nine months of 2018, compared with $7.3 million in the same period of 2017, a $14.8 million unfavourable variance.

- A $14.9 million charge for impairment of assets was recognized in the first nine months of 2018, primarily in the Telecommunications segment. A $7.2 million net charge was also recorded in the first nine months of 2018 in connection with cost-reduction initiatives in the Corporation's various segments, and disposal of assets.
- A $7.3 million net charge was recognized in the same period of 2017 in connection with cost-reduction initiatives in various segments of the Corporation, customer migration from analog to digital service in the Telecommunications segment, and developments in legal disputes.

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 Communications 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.

Charge for impairment of goodwill and other assets: $43.8 million in the first nine months of 2017 due to essentially the same factors as those noted under “2018/2017 third quarter comparison.”

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 fully redeemed its outstanding 7.375% Senior Notes issued on January 5, 2011 and maturing on January 15, 2021, in the aggregate principal amount of $325.0 million, at a redemption price of 102.458% of their principal amount. A $10.4 million loss was recorded in the consolidated statement of income in the first nine months of 2017 in connection with this redemption.

Income tax expense: $116.4 million (effective tax rate of 23.9%) in the first nine months of 2018, compared with $108.9 million (effective tax rate of 20.1%) in the same period of 2017, a $7.5 million unfavourable variance. The effective tax rates mainly reflect recognition of benefits arising from prior year tax losses in the first nine months of 2017 and 2018. The increase in the effective tax rate and the income tax expense was due to the fact that the tax benefits recognized were greater in the first nine months of 2017. The unfavourable variance was partially offset by the impact on the income tax expense of the decrease in taxable income for tax purposes. The effective tax rate is calculated considering only taxable and deductible items.

SEGMENTED ANALYSIS

Telecommunications

Third quarter 2018 operating results

Revenues: $859.8 million in the third quarter of 2018, a $30.2 million (3.6%) increase.

- Revenues from the mobile telephony service increased $18.8 million (15.7%) to $138.3 million, essentially due to an increase in the number of subscriber connections.
- Revenues from Internet access services increased $11.3 million (4.3%) to $272.0 million, mainly as a result of higher per-subscriber revenues, reflecting, among other things, the favourable impact of increases in some rates and the product mix, as well as customer growth, partially offset by a decrease in overage charges.
- Combined revenues from all cable television services decreased $4.4 million (-1.7%) to $247.6 million, due primarily to the impact of a net decrease in the customer base, the unfavourable product mix and a decrease in video-on-demand and pay-per-view orders, partially offset by higher per-customer revenues due in part to increases in some rates, and by increased revenues from the leasing of digital set-top boxes.
- Revenues from the cable telephony service decreased $7.2 million (-7.3%) to $91.0 million, mainly because of the impact of the net decrease in subscriber connections and lower long-distance revenues, partially offset by higher per-connection revenues.
- Revenues from Club illico increased $1.8 million (17.8%) to $11.9 million, essentially because of subscriber growth.
- Revenues of Videotron Business increased $1.5 million (4.9%) to $32.4 million, due primarily to the impact of higher revenues at Fibrenoire inc. ("Fibrenoire").
- Revenues from customer equipment sales increased $8.8 million (16.2%) to $63.1 million, mainly because of higher revenues per mobile device.
- Revenues of the Le SuperClub Vidéotron ltée ("Le SuperClub Vidéotron") retail chain decreased $0.1 million (-7.1%) to $1.3 million, mainly because of store closings.
- Other revenues decreased $0.4 million (-15.4%) to $2.2 million.

Videotron's total ABPU was $49.70 in the third quarter of 2018, compared with $48.50 in the same period of 2017, a $1.20 (2.5%) increase. Mobile ABPU was $54.28 in the third quarter of 2018, compared with $53.34 in the same period of 2017, a $0.94 (1.8%) increase.

Customer statistics

RGUs – The total number of RGUs was 5,955,900 at September 30, 2018, an increase of 56,500 (0.9%) from the end of the second quarter of 2018 (compared with an increase of 50,400 in the same period of 2017), and a 12-month increase of 109,700 (1.9%) (Table 3).

Mobile telephony service – The number of subscriber connections to the mobile telephony service stood at 1,120,700 at September 30, 2018, an increase of 41,500 (3.8%) from the end of the second quarter of 2018 (compared with an increase of 37,000 in the same period of 2017), and a 12-month increase of 130,400 (13.2%) (Table 3).

Cable Internet access – The number of subscribers to cable Internet access services stood at 1,697,500 at September 30, 2018, an increase of 23,400 (1.4%) from the end of the second quarter of 2018 (compared with an increase of 26,900 in the same period of 2017), and a 12-month increase of 43,400 (2.6%) (Table 3). As of September 30, 2018, Videotron's cable Internet access services had a household and business penetration rate (number of subscribers as a proportion of the total 2,900,200 homes and businesses passed by Videotron's network as of September 30, 2018, up from 2,867,400 one year earlier) of 58.5% compared with 57.7% a year earlier.

Cable television – The combined customer base for all of Videotron's cable television services decreased by 2,300 (-0.1%) from the end of the second quarter of 2018 (compared with a decrease of 7,700 in the same period of 2017), and by 45,300 (-2.7%) in the 12-month period ended September 30, 2018 (Table 3). At the end of the third quarter of 2018, Videotron had 1,603,700 subscribers to its cable television services. The household and business penetration rate was 55.3% versus 57.5% a year earlier.

- As of September 30, 2018, the number of subscribers to the illico Digital TV service stood at 1,603,700, a decrease of 2,300 (-0.1%) from the end of the second quarter of 2018 (compared with an increase of 7,100 in the same quarter of 2017), and a 12-month decrease of 200. As of September 30, 2018, illico Digital TV had a household and business penetration rate of 55.3% versus 55.9% a year earlier.
- As of September 30, 2018, substantially all subscribers to the analog cable television service had migrated to digital service.

Cable telephony service – The number of subscriber connections to the cable telephony service stood at 1,131,100 at September 30, 2018, a decrease of 17,100 (-1.5%) from the end of the second quarter of 2018 (compared with a decrease of 15,600 in the same period of 2017), and a 12-month decrease of 74,300 (-6.2%) (Table 3). At September 30, 2018, the cable telephony service had a household and business penetration rate of 39.0% versus 42.0% a year earlier.

Club illico – The number of subscribers to Club illico stood at 402,900 at September 30, 2018, an increase of 11,000 (2.8%) from the end of the second quarter of 2018 (compared with an increase of 9,800 in the same period of 2017), and a 12-month increase of 55,500 (16.0%) (Table 3).

Table 3
Telecommunications segment quarter-end RGUs for the last eight quarters
(in thousands of units)

	Sept. 2018	June 2018	March 2018	Dec. 2017	Sept. 2017	June 2017	March 2017	Dec. 2016
Mobile telephony	**1,120.7**	1,079.2	1,047.3	1,024.0	990.3	953.3	920.9	893.9
Cable Internet	**1,697.5**	1,674.1	1,674.6	1,666.5	1,654.1	1,627.2	1,628.1	1,612.8
Cable television:								
Analog	**–**	–	–	–	45.1	59.9	85.5	103.8
Digital	**1,603.7**	1,606.0	1,625.5	1,640.5	1,603.9	1,596.8	1,595.1	1,587.1
	1,603.7	1,606.0	1,625.5	1,640.5	1,649.0	1,656.7	1,680.6	1,690.9
Cable telephony	**1,131.1**	1,148.2	1,169.6	1,188.5	1,205.4	1,221.0	1,241.3	1,253.1
Club illico	**402.9**	391.9	383.4	361.6	347.4	337.6	324.5	314.7
Total	**5,955.9**	5,899.4	5,900.4	5,881.1	5,846.2	5,795.8	5,795.4	5,765.4

Adjusted EBITDA: $425.8 million, a $35.6 million (9.1%) increase due primarily to:

- impact of the net revenue increase;
- decreases in operating expenses, including engineering and advertising.

Cost/revenue ratio: Operating costs for all Telecommunications segment operations, expressed as a percentage of revenues, were 50.5% in the third quarter of 2018 compared with 53.0% in the same period of 2017, mainly because of the fixed component of costs, which does not fluctuate in proportion to revenue growth, and the decrease in operating expenses.

Year-to-date operating results

Revenues: $2.53 billion, a $69.2 million (2.8%) increase due mainly to the same factors as those noted above in the discussion of third quarter 2018 results.

- Revenues from mobile telephony service increased $48.6 million (14.0%) to $394.9 million.
- Revenues from Internet access services increased $37.4 million (4.9%) to $805.2 million.
- Combined revenues from all cable television services decreased $8.4 million (-1.1%) to $747.7 million.
- Revenues from cable telephony service decreased $22.2 million (-7.4%) to $278.9 million.
- Revenues from Club illico increased $5.7 million (19.7%) to $34.6 million.
- Revenues of Videotron Business increased $2.0 million (2.1%) to $95.8 million.
- Revenues from customer equipment sales increased $7.3 million (4.7%) to $162.6 million.
- Revenues of the Le SuperClub Vidéotron retail chain decreased $0.6 million --12.8%) to $4.1 million.
- Other revenues decreased $0.8 million (-10.8%) to $6.6 million.

Videotron's total ABPU was $49.40 in the first nine months of 2018, compared with $48.01 in the same period of 2017, a $1.39 (2.9%) increase. Mobile ABPU was $53.75 in the first nine months of 2018, compared with $53.11 in the same period of 2017, a $0.64 (1.2%) increase.

Customer statistics

RGUs – 74,800 (1.3%) unit increase in the first nine months of 2018 compared with an increase of 80,800 in the same period of 2017.

Mobile telephony service – 96,700 (9.4%) subscriber-connection increase in the first nine months of 2018 compared with an increase of 96,400 in the same period of 2017.

Cable Internet access – 31,000 (1.9%) customer increase in the first nine months of 2018 compared with an increase of 41,300 in the same period of 2017.

Cable television – 36,800 (-2.2%) decrease in the combined customer base for all of Videotron's cable television services in the first nine months of 2018 compared with a decrease of 41,900 in the same period of 2017.

- Subscriptions to illico Digital TV service decreased by 36,800 (-2.2%) in the first nine months of 2018 compared with an increase of 16,800 in the same period of 2017.
- Subscriptions to analog cable television services decreased by 58,700 in the first nine months of 2017.

Cable telephony service – 57,400 (-4.8%) subscriber-connection decrease in the first nine months of 2018 compared with a decrease of 47,700 in the same period of 2017.

Club illico – 41,300 (11.4%) subscriber increase in the first nine months of 2018 compared with an increase of 32,700 in the same period of 2017.

Adjusted EBITDA: $1.26 billion, an $87.0 million (7.4%) increase due primarily to:

- impact of the net revenue increase;
- favourable variance related to an adjustment recorded in the first nine months of 2018 arising from the Canadian Radio-television and Telecommunications Commission decision on roaming fees issued during the first quarter of 2018.

Cost/revenue ratio: Operating costs for all Telecommunications segment operations, expressed as a percentage of revenues, were 50.2% in the first nine months of 2018 compared with 52.4% in the same period of 2017, mainly because of the fixed component of costs, which does not fluctuate in proportion to revenue growth, and the favourable retroactive adjustment related to roaming fees recorded in the first nine months of 2018.

Cash flows from operations

Quarterly cash flows from segment operations: $267.8 million compared with $231.3 million in the third quarter of 2017 (Table 4). The $36.5 million increase was due primarily to the $35.6 million increase in adjusted EBITDA.

Year-to-date cash flows from segment operations: $748.5 million compared with $646.7 million in the first nine months of 2017 (Table 4). The $101.8 million increase was due to the $87.0 million increase in adjusted EBITDA and a $49.6 million decrease in additions to property, plant and equipment because of reduced investment in wired and wireless networks, partially offset by a $33.7 million increase in additions to intangible assets, mainly reflecting spending on the Internet Protocol Television ("IPTV") project and IT systems.

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

	With adoption of IFRS 15[1]				Without IFRS 15[2]			
	Three months ended September 30		Nine months ended September 30		Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
Adjusted EBITDA	**$ 425.8**	$ 390.2	**$ 1,258.9**	$ 1,171.9	**$ 415.1**	$ 379.3	**$ 1,252.8**	$ 1,145.2
Additions to property, plant and equipment	**(129.8)**	(132.9)	**(392.3)**	(441.9)	**(129.8)**	(132.9)	**(392.3)**	(441.9)
Additions to intangible assets	**(29.1)**	(28.6)	**(120.7)**	(87.0)	**(29.1)**	(28.6)	**(120.7)**	(87.0)
Proceeds from disposal of assets (excluding proceeds from disposal of licences)	**0.9**	2.6	**2.6**	3.7	**0.9**	2.6	**2.6**	3.7
Cash flows from segment operations	**$ 267.8**	$ 231.3	**$ 748.5**	$ 646.7	**$ 257.1**	$ 220.4	**$ 742.4**	$ 620.0

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

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

Media

Third quarter 2018 operating results

Revenues: $170.9 million in the third quarter of 2018, a $15.9 million (-8.5%) decrease.

- Broadcasting revenues decreased by $5.4 million (-5.7%), mainly because of lower advertising revenues at TVA Network and lower subscription revenues at TVA Sports.
- Film production and audiovisual service revenues decreased by $1.2 million (-4.9%), mainly because of lower revenues from soundstage and equipment rental and from visual effects, partially offset by higher postproduction revenues.
- Newspaper publishing revenues decreased $3.4 million (-7.5%).
    - Advertising revenues decreased 18.1%; circulation revenues decreased 2.0%; digital revenues decreased 6.5%; combined revenues from commercial printing and other sources increased 7.1%.
- Magazine publishing revenues decreased by $6.9 million (-27.4%), primarily as a result of lower advertising revenues, the sale of a publication, lower brand licencing revenues and lower newsstand revenues.
- Revenues of Quebecor Media Out of Home decreased by $0.3 million (-6.1%), essentially because of lower conventional advertising revenues.

Adjusted EBITDA: $29.6 million in the third quarter of 2018, a $6.1 million (-17.1%) decrease.

- Adjusted EBITDA from broadcasting decreased by $3.2 million (-16.1%), mainly because of the impact of the revenue decrease, partially offset by the reduction in operating expenses resulting from, among other things, the favourable impact of restructuring initiatives.
- Adjusted EBITDA from film production and audiovisual services decreased by $1.3 million (-13.3%), essentially because of the impact of the revenue decrease.
- Adjusted EBITDA from newspaper publishing increased by $0.4 million (16.0%), due primarily to the favourable impact of cost reductions generated by restructuring initiatives and decreased editorial, administration and promotion costs, which outweighed the effect of the revenue decrease and increased spending on digital activities.
- Adjusted EBITDA from magazine publishing decreased by $1.4 million (-43.8%), mainly because of the impact of the revenue decrease, partially offset by cost reductions related to restructuring initiatives and decreases in some operating expenses, including selling, subscription and printing expenses.
- Adjusted EBITDA of Quebecor Media Out of Home decreased by $0.7 million (-58.3%), due to the unfavourable impact of the revenue decrease combined with increases in some operating expenses, including maintenance.

Cost/revenue ratio: Employee costs and purchases of goods and services for the Media segment's operations, expressed as a percentage of revenues, were 82.7% in the third quarter of 2018 compared with 80.9% in the same period of 2017, mainly because of the large fixed component of operating costs, which does not fluctuate in proportion to the decrease in revenues, particularly in broadcasting and in film production and audiovisual services, partially offset by the impact of restructuring and cost-reduction initiatives and decreases in some operating expenses.

Year-to-date operating results

Revenues: $530.6 million in the first nine months of 2018, a $39.8 million (-7.0%) decrease.

- Broadcasting revenues decreased by $17.8 million (-5.5%), mainly because of lower advertising revenues at TVA Network and TVA Sports, as well as lower subscription revenues at TVA Sports.
- Film production and audiovisual service revenues decreased by $1.0 million (-2.0%), mainly because of:
  - lower revenues from visual effects and dubbing.

  Partially offset by:
  - impact of acquisition of the assets of Mobilimage inc. ("Mobilimage") in January 2018;
  - higher postproduction revenues.
- Newspaper publishing revenues decreased $8.0 million (-5.8%).
  - Advertising revenues decreased 12.9%; circulation revenues decreased 1.7%; digital revenues decreased 7.2%; combined revenues from commercial printing and other sources increased 4.1%.
- Magazine publishing revenues decreased by $13.5 million (-19.2%), due essentially to the same factors as those noted above in the discussion of third quarter 2018 operating results.
- Revenues of Quebecor Media Out of Home increased by $1.1 million (9.2%), mainly because of higher advertising revenues.

Adjusted EBITDA: $27.8 million in the first nine months of 2018, a $19.1 million (-40.7%) decrease.

- Adjusted EBITDA from broadcasting decreased by $14.8 million (-57.8%), mainly because of the impact of the revenue decrease and increases in some content costs, partially offset by the reduction in operating expenses resulting from, among other things, the favourable impact of restructuring initiatives.
- Adjusted EBITDA from film production and audiovisual services decreased by $0.7 million (-6.9%), due primarily to the impact of the revenue decrease.
- Adjusted EBITDA from newspaper publishing decreased by $1.1 million (-28.2%), mainly because of the impact of the revenue decrease and spending on digital activities, partially offset by the reduction in operating expenses, resulting from, among other things, the impact of restructuring initiatives.

- Adjusted EBITDA from magazine publishing decreased by $2.4 million (-32.0%), mainly because of the same factors as those noted above in the discussion of third quarter 2018 adjusted EBITDA.
- The adjusted EBITDA of Quebecor Media Out of Home increased by $0.6 million (85.7%), mainly because of the impact of the revenue increase.

Cost/revenue ratio: Employee costs and purchases of goods and services for the Media segment's operations, expressed as a percentage of revenues, were 94.8% in the first nine months of 2018, compared with 91.8% in the same period of 2017, mainly because of the large fixed component of operating costs, which does not fluctuate in proportion to the decrease in revenues, partially offset by the impact of restructuring and cost reduction initiatives.

Cash flows from operations

Quarterly cash flows from segment operations: $24.1 million compared with $25.9 million in the third quarter of 2017 (Table 5). The $1.8 million unfavourable variance was due primarily to the $6.1 million unfavourable variance in adjusted EBITDA, partially offset by a $3.8 million favourable variance in proceeds from disposal of assets.

Year-to-date cash flows from segment operations: $9.2 million compared with $22.3 million in the first nine months of 2017 (Table 5). The $13.1 million unfavourable variance was due primarily to the $19.1 million unfavourable variance in adjusted EBITDA, partially offset by a $3.8 million favourable variance in proceeds from disposal of assets and a $3.2 million decrease in additions to property, plant and equipment.

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

	Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
Adjusted EBITDA	**$ 29.6**	$ 35.7	**$ 27.8**	$ 46.9
Additions to property, plant and equipment	**(8.2)**	(9.3)	**(18.8)**	(22.0)
Additions to intangible assets	**(1.1)**	(0.5)	**(3.6)**	(2.6)
Proceeds from disposal of assets	**3.8**	–	**3.8**	–
Cash flows from segment operations	**$ 24.1**	$ 25.9	**$ 9.2**	$ 22.3

Sports and Entertainment

Third quarter 2018 operating results

Revenues: $54.5 million in the third quarter of 2018, a $2.2 million (-3.9%) decrease.

- Revenues from sports and concerts decreased by $0.7 million (-6.1%), mainly because of fewer performances of the coproduction *Saturday Night Fever* in the third quarter of 2018 than in the same period of 2017, partially offset by an increase in revenues from sporting events.
- Book distribution and publishing revenues decreased by $1.1 million (-3.0%), primarily as a result of lower volume in mass market distribution and lower revenues from general literature, partially offset by higher revenues from educational publishing.
- Music distribution and production revenues decreased by $0.2 million (-2.3%), primarily as a result of lower distribution revenues.

Adjusted EBITDA: $7.2 million in the third quarter of 2018, a $1.1 million (-13.3%) decrease.

- There was a $0.6 million unfavourable variance in adjusted EBITDA from sports and concerts, mainly because of the impact of the revenue decrease.
- Adjusted EBITDA from book distribution and publishing was stable.
- There was a $0.5 million unfavourable variance in negative adjusted EBITDA from music production, due primarily to increases in some operating expenses, including the charge for bad debts, and the impact of the revenue decrease.

Year-to-date operating results

Revenues: $128.6 million, a $2.4 million (-1.8%) decrease from the same period of 2017.

- Revenues from sports and concerts increased by $0.8 million (3.0%), mainly because of higher hockey revenues.
- Book distribution and publishing revenues decreased by $3.2 million (-4.0%), primarily as a result of lower volumes in mass market and bookstore distribution, combined with decreased revenues from general literature.
- Music distribution and production revenues were stable.

Adjusted EBITDA: $3.1 million in the first nine months of 2018, a $0.8 million (-20.5%) decrease.

- There was a $0.4 million favourable variance in negative adjusted EBITDA from sports and concerts, mainly because of the impact of the revenue increase, partially offset by higher operating expenses related to hockey and sporting events.
- Adjusted EBITDA from book distribution and publishing decreased by $0.5 million --4.2%), due mainly to the impact of the revenue decrease, partially offset by decreases in some operating expenses, including selling and administrative expenses.
- There was a $0.7 million unfavourable variance in negative adjusted EBITDA from music production, due primarily to increases in some operating expenses, including selling and administrative expenses.

Cash flows from operations

Quarterly cash flows from segment operations: $6.1 million compared with $7.1 million in the third quarter of 2017 (Table 6). The $1.0 million unfavourable variance was mainly due to the $1.1 million decrease in adjusted EBITDA.

Year-to-date cash flows from segment operations: Negative $0.3 million compared with positive $0.5 million in the first nine months of 2017 (Table 6). The $0.8 million unfavourable variance was due primarily to the $0.8 million decrease in adjusted EBITDA.

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

	Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
Adjusted EBITDA	**$ 7.2**	$ 8.3	**$ 3.1**	$ 3.9
Additions to property, plant and equipment	**(0.2)**	(0.3)	**(0.7)**	(0.9)
Additions to intangible assets	**(0.9)**	(0.9)	**(2.7)**	(2.5)
Cash flows from segment operations (Negative cash flows from segment operations)	**$ 6.1**	$ 7.1	**$ (0.3)**	$ 0.5

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 2018

Cash flows provided by continuing operating activities: $457.7 million in the third quarter of 2018 compared with $382.5 million in the same period of 2017.

- The $75.2 million increase was due primarily to:
  - $93.3 million favourable change in non-cash operating assets and liabilities, due primarily to favourable variances in income tax receivable and payable, accounts payable and accrued charges, accounts receivable and provisions;
  - $35.6 million increase in the Telecommunications segment's adjusted EBITDA;
  - $8.0 million favourable variance in the cash portion of the charge for restructuring of operations, litigation and other items.
- Partially offset by:
  - $48.1 million increase in current income taxes;
  - $9.2 million increase in the cash portion of financial expenses;
  - $6.1 million unfavourable variance in the Media segment's adjusted EBITDA.

Year to date

Cash flows provided by continuing operating activities: $1.08 billion in the first nine months of 2018 compared with $862.7 million in the same period of 2017.

- The $217.4 million increase was primarily due to:
  - $288.9 million favourable change in non-cash operating assets and liabilities, due primarily to favourable variances in income tax receivable and payable, inventory and provisions, partially offset by unfavourable variances in accounts payable and accrued charges;
  - $87.0 million increase in the Telecommunications segment's adjusted EBITDA;
  - $14.6 million favourable variance in negative adjusted EBITDA at Head Office.

  Partially offset by:
  - $138.7 million increase in current income taxes in the first nine months of 2018, compared with the same period of 2017, mainly due to tax benefits recognized in the first nine months of 2017;
  - $19.1 million unfavourable variance in the Media segment's adjusted EBITDA;
  - $7.9 million increase in the cash portion of financial expenses.

The Telecommunications segment's increased profitability, the favourable variance in income tax receivable and payable, and favourable variances in inventory and provisions in the Telecommunications segment had a favourable impact on cash flows provided by continuing operating activities in the first nine months of 2018 compared with the same period of 2017, while the unfavourable variance in accounts payable and accrued charges, and the decrease in the Media segment's adjusted EBITDA, had an unfavourable impact.

Working capital: Negative $1.08 billion at September 30, 2018 compared with negative $159.3 million at December 31, 2017. The $922.0 million decrease was due primarily to the use of cash and cash equivalents for the repurchase of Quebecor Media Common Shares held by CDP Capital, as well as the increase in net income tax payable, partially offset by the impact of the redemption of convertible debentures entered under current liabilities.

Investing activities

Third quarter 2018

Additions to property, plant and equipment: $138.9 million in the third quarter of 2018 compared with $142.5 million in the same period of 2017, a $3.6 million decrease.

Additions to intangible assets: $31.8 million in the third quarter of 2018 compared with $30.5 million in the same period of 2017, a $1.3 million increase.

Proceeds from disposal of assets: $4.7 million in the third quarter of 2018, compared with $432.7 million in the same period of 2017, a $428.0 million unfavourable variance.

- 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.

Business acquisitions: $5.8 million in the third quarter of 2018.

- In the third quarter of 2018, business acquisitions consisted of the acquisition of LC Media and Audio Zone by the Media segment.

Acquisition of non-controlling interest: $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, paid in cash, and paid off a security held by CDP Capital for $6.2 million.

Year to date

Additions to property, plant and equipment: $417.9 million in the first nine months of 2018 compared with $465.2 million in the same period of 2017. The $47.3 million decrease was due to lower spending on wired and wireless networks in the Telecommunications segment.

Additions to intangible assets: $127.3 million in the first nine months of 2018 compared with $93.6 million in the same period of 2017. The $33.7 million increase was due primarily to spending on the IPTV project and IT systems in the Telecommunications segment.

Proceeds from disposal of assets: $6.4 million in the first nine months of 2018 compared with $618.0 million in the same period of 2017, a $611.6 million decrease.

- In the second quarter of 2017, Videotron sold its AWS-1 spectrum licence in the metropolitan Toronto area to Rogers for a cash consideration of $184.2 million.
- 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.

Business acquisitions: $7.2 million in the first nine months of 2018 compared with $5.8 million in the same period of 2017.

- In the first nine months of 2018, business acquisitions consisted of the acquisition of Mobilimage, LC Media and Audio Zone by the Media segment.
- 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.

Acquisition of non-controlling interest: $1.54 billion in the first nine months of 2018 compared with $43.9 million in the same period of 2017.

- On May 11 and June 22, 2018, Quebecor Media repurchased a total of 16,064,215 of its Common Shares held by CDP Capital for a total aggregate purchase price of $1.54 billion, paid in cash. Available cash and drawings on Videotron's revolving credit facility were used to finance the 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 of $150.0 million aggregate principal amount of convertible debentures of Quebecor to CDP Capital.

- 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, paid in cash, and paid off a security held by CDP Capital for $6.2 million.

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

Third quarter 2018

Free cash flows from continuing operating activities of Quebecor Media: $296.1 million in the third quarter of 2018 compared with $213.7 million in the same period of 2017 (Table 7). The $82.4 million increase was due primarily to the $78.3 million increase in cash flows provided by continuing operating activities.

Year to date

Free cash flows from continuing operating activities of Quebecor Media: $563.4 million in the first nine months of 2018 compared with $328.1 million in the same period of 2017 (Table 7). The $235.3 million increase was primarily due to:

- $218.9 million increase in cash flows provided by continuing operating activities;
- $47.5 million decrease in additions to property, plant and equipment.

Partially offset by:

- $33.7 million increase in additions to intangible assets.

Table 7

Cash flows from segment operations and free cash flows from continuing operating activities of Quebecor Media

(in millions of Canadian dollars)

	With adoption of IFRS 15[1]				Without IFRS 15[2]			
	Three months ended September 30		Nine months ended September 30		Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
Cash flows from segment operations (negative cash flows from segment operations)								
Telecommunications	**$ 267.8**	$ 231.3	**$ 748.5**	$ 646.7	**$ 257.1**	$ 220.4	**$ 742.4**	$ 620.0
Media	**24.1**	25.9	**9.2**	22.3	**24.1**	25.9	**9.2**	22.3
Sports and Entertainment	**6.1**	7.1	**(0.3)**	0.5	**6.1**	7.1	**(0.3)**	0.5
Head Office	**–**	(1.7)	**(6.7)**	(13.3)	**–**	(1.7)	**(6.7)**	(13.3)
	298.0	262.6	**750.7**	656.2	**287.3**	251.7	**744.6**	629.5
Cash interest expense	**(70.4)**	(67.4)	**(204.4)**	(208.0)	**(70.4)**	(67.4)	**(204.4)**	(208.0)
Cash portion related to restructuring of operations, litigation and other items	**1.3**	(6.7)	**(7.2)**	(7.3)	**1.3**	(6.7)	**(7.2)**	(7.3)
Current income taxes	**(50.5)**	(2.4)	**(153.2)**	(14.5)	**(50.5)**	(2.4)	**(153.2)**	(14.5)
Other	**(2.6)**	(0.4)	**(4.2)**	2.5	**(2.6)**	(0.4)	**(4.2)**	2.5
Net change in operating assets and liabilities	**120.3**	28.0	**181.7**	(100.8)	**120.3**	28.0	**181.7**	(100.8)
Impact of IFRS 15	**–**	–	**–**	–	**10.7**	10.9	**6.1**	26.7
Free cash flows from continuing operating activities of Quebecor Media	**$ 296.1**	$ 213.7	**$ 563.4**	$ 328.1	**$ 296.1**	$ 213.7	**$ 563.4**	$ 328.1

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

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

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	
	2018	2017	**2018**	2017
Free cash flows from continuing operating activities of Quebecor Media presented in Table 7	**$ 296.1**	$ 213.7	**$ 563.4**	$ 328.1
Quebecor Head Office cash flow items:				
Cash flows from segment operations	**1.4**	(0.9)	**0.4**	(3.0)
Cash interest expense	**(12.5)**	(6.3)	**(29.7)**	(18.2)
Net change in operating assets and liabilities	**6.7**	5.7	**7.2**	0.8
	(4.4)	(1.5)	**(22.1)**	(20.4)
Plus additions to property, plant and equipment	**138.9**	142.5	**417.9**	465.2
Plus additions to intangible assets	**31.8**	30.5	**127.3**	93.6
Minus proceeds from disposal of assets (excluding proceeds from disposal of licences)	**(4.7)**	(2.7)	**(6.4)**	(3.8)
Cash flows provided by continuing operating activities of Quebecor	**$ 457.7**	$ 382.5	**$ 1,080.1**	$ 862.7

Financing activities

Consolidated debt (long-term debt plus bank indebtedness): $652.9 million increase in the first nine months of 2018. $50.8 million net favourable variance in assets and liabilities related to derivative financial instruments.

- Additions to debt in the first nine months of 2018 essentially consisted of:
  - $721.9 million increase in Videotron's drawings on its revolving bank credit facility;
  - $104.7 million unfavourable impact of exchange rate fluctuations. The consolidated debt increase attributable to this item was offset by an increase in the asset (or decrease in the liability) related to cross-currency swap agreements entered under "Derivative financial instruments";
  - $21.6 million increase in the bank indebtedness of Videotron and Quebecor Media.
- Debt was reduced in the first nine months of 2018 primarily for the following reasons:
  - $177.1 million decrease in Quebecor's drawings on its revolving bank credit facility and other facilities;
  - current payments totalling $15.5 million on the term loan and other facilities of Videotron, TVA Group and Quebecor Media.
- Assets and liabilities related to derivative financial instruments totalled a net asset of $608.5 million at September 30, 2018 compared with $557.7 million at December 31, 2017. The $50.8 million net favourable variance was mainly due to:
  - favourable impact of exchange rate fluctuations on the value of derivative financial instruments.

  Partially offset by:
  - unfavourable impact of interest rate trends in Canada, compared with the United States, on the fair value of derivative financial instruments.

- On August 21, 2018, the Corporation issued a notice of redemption on October 12, 2018, of all its remaining outstanding 4.125% convertible debentures due October 15, 2018, for a total aggregate principal amount of $362.5 million. Pursuant to the terms of the convertible debentures, the Corporation elected to exercise its share redemption payment right with respect to the entire outstanding debentures. Consequently, Quebecor issued and delivered 30,129,869 Class B Shares to the holders on October 12, 2018.
- In February and May 2018, the Corporation issued notices of redemption on April 4 and July 24, 2018, of its 4.125% convertible debentures due October 15, 2018, for a total aggregate principal amount of $87.5 million. Redemption prices were paid in cash upon redemption of these debentures.
- On June 22, 2018, the Corporation issued new convertible debentures in the aggregate principal amount of $150.0 million. The debentures bear interest at an annual rate of 4.00% and mature in June 2024. The convertible debentures are convertible into 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 of Quebecor 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 of Quebecor 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.

Financial position

Net available liquidity: $524.2 million at September 30, 2018 for Quebecor Media and its wholly owned subsidiaries, consisting of $544.8 million in available unused revolving credit facilities less $20.6 million in bank indebtedness.

Net available liquidity: $299.9 million as at September 30, 2018 for Quebecor at the corporate level, consisting of $300 million in available unused revolving credit facilities less $0.1 million in bank indebtedness.

Consolidated debt (long-term debt plus bank indebtedness): $6.19 billion at September 30, 2018, a $652.9 million increase compared with December 31, 2017; $50.8 million net favourable variance in assets and liabilities related to derivative financial instruments (see "Financing activities" above).

- Consolidated debt essentially consisted of Videotron's $4.06 billion debt ($3.27 billion at December 31, 2017); TVA Group's $55.6 million debt ($62.6 million at December 31, 2017); Quebecor Media's $2.03 billion debt ($1.98 billion at December 31, 2017); and Quebecor's $48.6 million debt ($225.7 million at December 31, 2017).

As at September 30, 2018, 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)

2019	$	16.1
2020		470.8
2021		721.2
2022		1,034.1
2023		1,640.6
2024 and thereafter		2,324.0
Total	**$**	**6,206.8**

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

The weighted average term of Quebecor's consolidated debt was approximately 5.0 years as of September 30, 2018 (5.9 years as of December 31, 2017). After taking into account hedging instruments, the debt consisted of approximately 76.6% fixed-rate debt (84.7% at December 31, 2017) and 23.4% floating-rate debt (15.3% at December 31, 2017).

Management of the Corporation believes that cash flows and available sources of financing should be sufficient to cover committed cash requirements for capital investments, working capital, interest payments, income tax payments, debt repayments, pension plan contributions, share repurchases, dividend payments to shareholders, and payment of dividends (or distributions) to non-controlling interest. The Corporation believes it will be able to meet future debt maturities, which are staggered over the coming years.

Pursuant to its financing agreements, the Corporation is required to maintain certain financial ratios and comply with certain financial covenants. The key indicators listed in those financing agreements include debt service coverage ratio and debt ratio (long-term debt over adjusted EBITDA). At September 30, 2018, the Corporation was in compliance with all required financial ratios and restrictive covenants in its financing agreements.

Dividends declared

On November 7, 2018, the Board of Directors of Quebecor declared a quarterly dividend of $0.055 per share on Class A Shares and Class B Shares payable on December 18, 2018 to shareholders of record as of the record date of November 23, 2018.

Analysis of consolidated balance sheet at September 30, 2018

Table 10
Consolidated balance sheet of Quebecor
Analysis of main differences between September 30, 2018 and December 31, 2017
(in millions of Canadian dollars)

	Sept. 30, 2018	Dec. 31, 2017	Difference	Main reasons for difference
Assets				
Cash and cash equivalents	**$ 22.9**	$ 864.9	$ (842.0)	Use of cash and cash equivalents for the repurchase of Quebecor Media Common Shares held by CDP Capital
Inventory	**157.6**	188.1	(30.5)	Impact of current variances in activity
Property, plant and equipment	**3,514.1**	3,594.6	(80.5)	Depreciation for the period, less additions to property, plant and equipment on an accrual basis
Intangible assets	**1,046.5**	983.1	63.4	Investment in the IPTV project and IT systems by the Telecommunications segment on an accrual basis, less amortization for the period and the impairment charge
Derivative financial instruments[1]	**608.5**	557.7	50.8	See “Financing activities”
Liabilities				
Income taxes[2]	**118.5**	(16.0)	134.5	Current income taxes for the period
Long-term debt, including short-term portion and bank indebtedness	**6,190.3**	5,537.4	652.9	See “Financing activities”
Convertible debentures and embedded derivatives related to convertible debentures[3]	**930.4**	892.2	38.2	Issuance of debentures in the amount of $150.0 million and loss on embedded derivatives, partially offset by redemption of convertible debentures in the principal amount of $87.5 million
Deferred income tax[4]	**674.6**	716.0	(41.4)	Income tax recovery reported under income and “Other comprehensive income”

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

ADDITIONAL INFORMATION

Contractual Obligations

At September 30, 2018, 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, 2018
(in millions of Canadian dollars)

	Total	Under 1 year	1-3 years	3-5 years	5 years or more
Long-term debt[1]	**$ 6,206.8**	$ 16.1	$ 1,192.0	$ 2,674.7	$ 2,324.0
Convertible debentures[2]	**925.1**	780.4	–	–	144.7
Interest payments[3]	**1,558.8**	227.1	590.7	442.7	298.3
Operating leases	**191.4**	45.0	47.8	23.3	75.3
Additions to property, plant and equipment and other commitments	**1,358.2**	252.8	355.7	279.6	470.1
Derivative financial instruments[4]	**(660.1)**	0.5	(81.4)	(496.9)	(82.3)
Total contractual obligations	**$ 9,580.2**	**$ 1,321.9**	**$ 2,104.8**	**$ 2,923.4**	**$ 3,230.1**

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 Based on the market value at September 30, 2018 of a number of shares obtained by dividing the outstanding principal amount by the market price of a Quebecor Class B share at that date, subject to a floor price and a ceiling price. 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, 2018.
4 Estimated future receipts, net of disbursements, related to foreign exchange hedging using derivative financial instruments.

Related party transactions

In the third quarter of 2018, the Corporation made sales to affiliated corporations in the amount of $0.6 million ($1.0 million in the same period of 2017).

In the first nine months of 2018, the Corporation made sales to affiliated corporations in the amount of $1.9 million ($2.0 million in the same period of 2017).

Capital stock

In accordance with Canadian financial reporting standards, Table 12 below presents information on the Corporation’s capital stock as at October 25, 2018. In addition, 2,002,892 stock options were outstanding as of October 25, 2018.

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

	October 25, 2018	
	Issued and outstanding	Book value
Class A Shares	**77,289,044,**	**$ 8.6**
Class B Shares	**182,327,653**	**1,072.3**

On November 15, 2017, the Corporation carried out a two-for-one split of its outstanding Class A Shares and Class B Shares. Accordingly, holders of the Corporation's shares received an additional share for each share owned on the record date of November 15, 2017.

On August 8, 2018, the Board of Directors of Quebecor authorized the renewal of its 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 5.0% 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 ("TSX") or other alternative trading systems. All repurchased shares will be cancelled.

On August 9, 2018, the Corporation announced that it had entered into an automatic securities purchase plan ("the plan"), as of August 10, 2018, 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 are made at the discretion of the designated broker, within parameters established by the Corporation prior to the blackout periods. Outside the blackout periods, purchases are made at the discretion of the Corporation's management. The plan received prior approval from the TSX. It came into effect on August 15 2018 and terminates on the same date as the normal course issuer bid.

In the first nine months of 2018, the Corporation purchased and cancelled 7,535,300 Class B Shares for a total cash consideration of $186.3 million (3,083,000 Class B Shares for a total cash consideration of $66.9 million in the first nine months of 2017). The $171.9 million excess of the purchase price over the carrying value of the repurchased Class B Shares was recorded as a reduction in retained earnings ($61.1 million in the first nine months of 2017).

During the first nine months of 2018, 100,000 Class B Shares were issued upon exercise of stock options for a cash consideration of $1.3 million. Following this transaction, the contributed surplus was increased by $1.2 million and the stock option plan liability was reduced by the same amount.

On August 21, 2018, the Corporation issued a notice of redemption on October 12, 2018, of all its remaining outstanding 4.125% convertible debentures due October 15, 2018, for a total aggregate principal amount of $362.5 million. Pursuant to the terms of the convertible debentures, the Corporation elected to exercise its share redemption payment right with respect to the entire outstanding debentures. Consequently, Quebecor issued and delivered 30,129,869 Class B Shares to the holders on October 12, 2018.

Financial instruments

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

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

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

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

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

	September 30, 2018		December 31, 2017	
Asset (liability)	**Carrying value**	**Fair value**	Carrying value	Fair value
Long-term debt[1]	**$ (6,206.8)**	**$ (6,336.6)**	$ (5,572.1)	$ (5,883.3)
Convertible debentures[2]	**(923.3)**	**(923.3)**	(888.5)	(888.5)
Derivative financial instruments				
Foreign exchange forward contracts	**0.4**	**0.4**	(4.5)	(4.5)
Cross-currency interest rate swaps	**608.1**	**608.1**	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.

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

(Gains) losses on valuation and translation of financial instruments for the third quarters and first nine months of 2018 and 2017 are summarized in Table 14.

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

	Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
(Gain) loss on embedded derivatives related to convertible debentures	**$ (55.2)**	$ 79.3	**$ 49.3**	$ 189.9
Other	**0.7**	0.9	**1.4**	1.8
	$ (54.5)	$ 80.2	**$ 50.7**	$ 191.7

Losses of $0.4 million and $44.8 million were recorded under "Other comprehensive income" in the third quarter and first nine months of 2018 respectively (gains of $35.8 million and $63.8 million in the third quarter and first nine months of 2017 respectively).

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 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 regard to the timing of the recognition of its revenues, the classification of its revenues, as well as the capitalization of costs, such as the costs to obtain a contract and connection costs.

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

In addition, under IFRS 15, certain costs to obtain a contract, mainly sales commissions, are capitalized and amortized as operating expenses over the 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 comparative consolidated financial figures:

Consolidated statements of income and comprehensive income

Increase (decrease)	Three months ended September 30, 2017	Nine months ended September 30, 2017
Revenues	$ 5.9	$ 17.5
Purchase of goods and services	(5.0)	(9.2)
Deferred income tax expenses	2.9	7.1
Net income and comprehensive income	$ 8.0	$ 19.6
Net income and comprehensive income attributable to:		
Shareholders	$ 6.5	$ 16.0
Non-controlling interest	1.5	3.6
Earnings per share attributable to shareholders	$ 0.03	$ 0.07

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 interest	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 and financing activities.

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, 2018 that have materially affected, or are reasonably likely to materially affect, the Corporation’s internal controls over financial reporting.

Additional information

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

Cautionary statement regarding forward-looking statements

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

- Quebecor Media’s ability to continue successfully developing its network and the facilities that support its mobile services;
- general economic, financial or market conditions and variations in the businesses of local, regional and national advertisers in Quebecor Media’s newspapers, television outlets and other media properties;
- the intensity of competitive activity in the industries in which Quebecor operates;
- fragmentation of the media landscape;
- new technologies that might change consumer behaviour with respect to Quebecor Media’s product suites;
- unanticipated higher capital spending required for developing Quebecor Media’s network or to address the continued development of competitive alternative technologies, or the inability to obtain additional capital to continue the development of Quebecor’s business;
- Quebecor’s ability to implement its business and operating strategies successfully and to manage its growth and expansion;
- disruptions to the network through which Quebecor Media provides its digital cable television, Internet access, mobile and cable telephony, and Club illico services, and its ability to protect such services against piracy, unauthorized access and other security breaches;
- labour disputes or strikes;
- 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, 2017.

The forward-looking statements in this Management Discussion and Analysis reflect the Corporation’s expectations as of November 7, 2018 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 7, 2018

QUEBECOR INC.

SELECTED QUARTERLY FINANCIAL DATA

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

			2018				2017	2016
	Sept. 30	June 30	March 31	Dec. 31[1]	Sept. 30[1]	June 30[1]	March 31[1]	Dec. 31[1]
Revenues	**$ 1,058.2**	$ 1,043.5	$ 1,006.7	$ 1,064.1	$ 1,040.6	$ 1,038.6	$ 1,001.5	$ 1,067.6
Adjusted EBITDA	**465.4**	417.1	407.4	420.0	432.0	404.3	371.9	410.6
Contribution to net income attributable to shareholders:								
Continuing operating activities	**142.0**	106.2	89.6	83.6	103.7	88.6	74.9	97.4
Gain (loss) on valuation and translation of financial instruments	**54.9**	(75.7)	(29.1)	(7.8)	(79.1)	(36.2)	(72.4)	50.0
Unusual items	**(10.2)**	10.8	(3.8)	(5.6)	149.0	78.6	1.4	(11.4)
Discontinued operations	**-**	-	-	0.3	4.8	6.8	-	-
Net income attributable to shareholders	**186.7**	41.3	56.7	70.5	178.4	137.8	3.9	136.0
Basic data per share								
Contribution to net income attributable to shareholders:								
Continuing operating activities	**$ 0.61**	$ 0.45	$ 0.38	$ 0.35	$ 0.43	$ 0.37	$ 0.31	$ 0.40
Gain (loss) on valuation and translation of financial instruments	**0.24**	(0.32)	(0.12)	(0.03)	(0.33)	(0.15)	(0.30)	0.20
Unusual items	**(0.05)**	0.05	(0.02)	(0.03)	0.62	0.32	-	(0.05)
Discontinued operations	**-**	-	-	-	0.02	0.03	-	-
Net income attributable to shareholders	**0.80**	0.18	0.24	0.29	0.74	0.57	0.01	0.55
Weighted average number of shares outstanding (in millions)	**232.8**	233.5	235.9	239.7	241.4	242.8	243.2	244.2
Diluted data per share								
Contribution to net income attributable to shareholders:								
Continuing operating activities	**$ 0.54**	$ 0.40	$ 0.34	$ 0.32	$ 0.39	$ 0.33	$ 0.28	$ 0.36
Dilution impact	**-**	0.05	0.04	0.03	0.04	0.04	0.03	-
Gain (loss) on valuation and translation of financial instruments	**-**	(0.32)	(0.12)	(0.03)	(0.33)	(0.15)	(0.30)	-
Unusual items	**(0.04)**	0.05	(0.02)	(0.03)	0.62	0.32	-	(0.04)
Discontinued operations	**-**	-	-	-	0.02	0.03	-	-
Net income attributable to shareholders	**0.50**	0.18	0.24	0.29	0.74	0.57	0.01	0.32
Weighted average number of diluted shares outstanding (in millions)	**268.8**	239.4	236.3	240.0	241.8	243.2	243.6	286.6

[1] Comparative numbers have been restated to reflect the adoption of IFRS 15, *Revenue from Contracts with Customers.*