Condensed consolidated financial statements of

QUEBECOR INC.

Three-month and nine-month periods ended September 30, 2019 and 2018

QUEBECOR INC.
CONSOLIDATED STATEMENTS OF INCOME

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

	Note	Three months ended September 30 2019	Three months ended September 30 2018 (restated, note 2)	Nine months ended September 30 2019	Nine months ended September 30 2018 (restated, note 2)
Revenues	3	**$ 1,073.4**	$ 1,053.2	**$ 3,157.6**	$ 3,093.9
Employee costs	4	**162.6**	163.7	**516.6**	526.1
Purchase of goods and services	4	**401.5**	415.5	**1,256.0**	1,252.0
Depreciation and amortization		**187.0**	188.8	**564.1**	562.7
Financial expenses	5	**81.2**	86.8	**246.1**	245.6
(Gain) loss on valuation and translation of financial instruments	6	**(6.0)**	(54.5)	**(8.1)**	50.7
Restructuring of operations, litigation and other items	7	**1.2**	13.6	**27.0**	22.1
Income before income taxes		**245.9**	239.3	**555.9**	434.7
Income taxes (recovery):					
Current		**29.7**	50.5	**115.1**	153.2
Deferred		**33.5**	(1.7)	**30.3**	(37.0)
		63.2	48.8	**145.4**	116.2
Income from continuing operations		**182.7**	190.5	**410.5**	318.5
Income from discontinued operations	18	**-**	0.9	**97.5**	2.7
Net income		**$ 182.7**	$ 191.4	**$ 508.0**	$ 321.2
Income from continuing operations attributable to					
Shareholders		**$ 178.5**	$ 186.2	**$ 410.2**	$ 283.8
Non-controlling interests		**4.2**	4.3	**0.3**	34.7
Net income attributable to					
Shareholders		**$ 178.5**	$ 187.1	**$ 507.7**	$ 286.2
Non-controlling interests		**4.2**	4.3	**0.3**	35.0
Earnings per share attributable to shareholders	13				
Basic:					
From continuing operations		**$ 0.70**	$ 0.80	**$ 1.60**	$ 1.21
From discontinued operations		**-**	-	**0.38**	0.01
Net income		**0.70**	0.80	**1.98**	1.22
Diluted:					
From continuing operations		**$ 0.67**	$ 0.51	**$ 1.57**	$ 1.18
From discontinued operations		**-**	-	**0.37**	0.01
Net income		**0.67**	0.51	**1.94**	1.19
Weighted average number of shares outstanding (in millions)		**255.6**	232.8	**255.8**	234.1
Weighted average number of diluted shares (in millions)		**261.7**	268.8	**261.9**	240.0

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of Canadian dollars) (unaudited)	Three months ended September 30		Nine months ended September 30	
	2019	2018 (restated, note 2)	**2019**	2018 (restated, note 2)
Income from continuing operations	**$ 182.7**	$ 190.5	**$ 410.5**	$ 318.5
Other comprehensive income (loss) from continuing operations:				
Items that may be reclassified to income:				
Cash flow hedges:				
Gain (loss) on valuation of derivative financial instruments	**41.4**	(0.4)	**71.6**	(44.8)
Deferred income taxes	**(6.5)**	3.0	**(4.7)**	5.1
Reclassification to income:				
Gain related to cash flow hedges	**(1.1)**	-	**(1.1)**	-
Deferred income taxes	**0.7**	-	**0.7**	-
	34.5	2.6	**66.5**	(39.7)
Comprehensive income from continuing operations	**217.2**	193.1	**477.0**	278.8
Income from discontinued operations	**-**	0.9	**97.5**	2.7
Comprehensive income	**$ 217.2**	$ 194.0	**$ 574.5**	$ 281.5
Comprehensive income from continuing operations attributable to				
Shareholders	**$ 213.0**	$ 188.8	**$ 476.7**	$ 251.7
Non-controlling interests	**4.2**	4.3	**0.3**	27.1
Comprehensive income attributable to				
Shareholders	**$ 213.0**	$ 189.7	**$ 574.2**	$ 254.1
Non-controlling interests	**4.2**	4.3	**0.3**	27.4

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.
SEGMENTED INFORMATION

(in millions of Canadian dollars)
(unaudited)

Three months ended September 30, 2019

	Telecommuni-cations	Media	Sports and Enter-tainment	Head office and Inter-segments	Total
Revenues	**$ 876.7**	**$ 167.2**	**$ 55.8**	**$ (26.3)**	**$ 1,073.4**
Employee costs	**92.2**	**53.4**	**9.5**	**7.5**	**162.6**
Purchase of goods and services	**316.8**	**81.2**	**39.4**	**(35.9)**	**401.5**
Adjusted EBITDA[1]	**467.7**	**32.6**	**6.9**	**2.1**	**509.3**
Depreciation and amortization					**187.0**
Financial expenses					**81.2**
Gain on valuation and translation of financial instruments					**(6.0)**
Restructuring of operations, litigation and other items					**1.2**
Income before income taxes					**$ 245.9**
Additions to property, plant and equipment	**$ 117.4**	**$ 5.0**	**$ 0.1**	**$ 0.1**	**$ 122.6**
Additions to intangible assets	**57.2**	**8.5**	**0.8**	**(0.1)**	**66.4**

Three months ended September 30, 2018
(restated, note 2)

	Telecommuni-cations	Media	Sports and Enter-tainment	Head office and Inter-segments	Total
Revenues	$ 854.8	$ 170.9	$ 54.5	$ (27.0)	$ 1,053.2
Employee costs	91.9	54.7	10.0	7.1	163.7
Purchase of goods and services	329.7	85.3	36.0	(35.5)	415.5
Adjusted EBITDA[1]	433.2	30.9	8.5	1.4	474.0
Depreciation and amortization					188.8
Financial expenses					86.8
Gain on valuation and translation of financial instruments					(54.5)
Restructuring of operations, litigation and other items					13.6
Income before income taxes					$ 239.3
Additions to property, plant and equipment	$ 128.8	$ 8.2	$ 0.2	$ 0.7	$ 137.9
Additions to intangible assets	29.1	1.1	0.9	0.7	31.8

QUEBECOR INC.
SEGMENTED INFORMATION (continued)

(in millions of Canadian dollars)
(unaudited)

Nine months ended September 30, 2019

		Telecommuni-cations		Media		Sports and Enter-tainment		Head office and Inter-segments		Total
Revenues	**$**	**2,571.8**	**$**	**530.0**	**$**	**137.5**	**$**	**(81.7)**	**$**	**3,157.6**
Employee costs		**291.8**		**170.8**		**29.1**		**24.9**		**516.6**
Purchase of goods and services		**939.3**		**319.7**		**103.7**		**(106.7)**		**1,256.0**
Adjusted EBITDA[1]		**1,340.7**		**39.5**		**4.7**		**0.1**		**1,385.0**
Depreciation and amortization										**564.1**
Financial expenses										**246.1**
Gain on valuation and translation of financial instruments										**(8.1)**
Restructuring of operations, litigation and other items										**27.0**
Income before income taxes									**$**	**555.9**
Additions to property, plant and equipment	**$**	**361.2**	**$**	**13.7**	**$**	**1.1**	**$**	**1.3**	**$**	**377.3**
Additions to intangible assets		**402.3**		**19.1**		**2.9**		**0.2**		**424.5**

Nine months ended September 30, 2018
(restated, note 2)

		Telecommuni-cations		Media		Sports and Enter-tainment		Head office and Inter-segments		Total
Revenues	$	2,515.9	$	530.6	$	128.6	$	(81.2)	$	3,093.9
Employee costs		291.7		176.9		29.5		28.0		526.1
Purchase of goods and services		944.0		322.2		91.9		(106.1)		1,252.0
Adjusted EBITDA[1]		1,280.2		31.5		7.2		(3.1)		1,315.8
Depreciation and amortization										562.7
Financial expenses										245.6
Loss on valuation and translation of financial instruments										50.7
Restructuring of operations, litigation and other items										22.1
Income before income taxes									$	434.7
Additions to property, plant and equipment	$	389.3	$	18.8	$	0.7	$	6.1	$	414.9
Additions to intangible assets		120.7		3.6		2.7		0.3		127.3

[1] The Chief Executive Officer uses adjusted EBITDA as the measure of profit to assess the performance of each segment. Adjusted EBITDA is referred as a non-IFRS measure and is defined as net income before depreciation and amortization, financial expenses, (gain) loss on valuation and translation of financial instruments, restructuring of operations, litigation and other items, income taxes and income from discontinued operations.

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.
CONSOLIDATED STATEMENTS OF EQUITY

(in millions of Canadian dollars)
(unaudited)

	Equity attributable to shareholders				Equity attributable to non-controlling interests	Total equity
	Capital stock	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive loss		
	(note 14)	(note 14)		(note 16)		
Balance as of December 31, 2017, as previously reported	$ 313.9	$ 3.5	$ 601.9	$ (50.7)	$ 540.4	$ 1,409.0
Changes in accounting policies (note 2)	-	-	(7.2)	-	(4.8)	(12.0)
Balance as of December 31, 2017, as restated	313.9	3.5	594.7	(50.7)	535.6	1,397.0
Net income	-	-	286.2	-	35.0	321.2
Other comprehensive loss	-	-	-	(32.1)	(7.6)	(39.7)
Issuance of Class B Shares	1.3	1.2	-	-	-	2.5
Dividends or distributions	-	-	(32.1)	-	(9.4)	(41.5)
Repurchase of Class B Shares	(14.4)	-	(171.9)	-	-	(186.3)
Non-controlling interests acquisition (note 9)	-	-	(1,202.4)	(19.2)	(468.4)	(1,690.0)
Balance as of September 30, 2018	300.8	4.7	(525.5)	(102.0)	85.2	(236.8)
Net income	-	-	117.5	-	3.1	120.6
Other comprehensive income	-	-	-	19.3	0.2	19.5
Issuance of Class B Shares	784.8	-	-	-	-	784.8
Dividends	-	-	(14.2)	-	-	(14.2)
Repurchase of Class B Shares	(19.7)	-	(85.7)	-	-	(105.4)
Balance as of December 31, 2018	1,065.9	4.7	(507.9)	(82.7)	88.5	568.5
Net income	-	-	507.7	-	0.3	508.0
Other comprehensive income	-	-	-	66.5	-	66.5
Issuance of Class B Shares	2.7	3.0	-	-	-	5.7
Dividends	-	-	(71.6)	-	-	(71.6)
Repurchase of Class B Shares	(15.7)	-	(64.8)	-	-	(80.5)
Balance as of September 30, 2019	**$ 1,052.9**	**$ 7.7**	**$ (136.6)**	**$ (16.2)**	**$ 88.8**	**$ 996.6**

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars) (unaudited)	Note	Three months ended September 30 2019	2018 (restated, note 2)	Nine months ended September 30 2019	2018 (restated, note 2)
Cash flows related to operating activities					
Income from continuing operations		**$ 182.7**	$ 190.5	**$ 410.5**	$ 318.5
Adjustments for:					
Depreciation of property, plant and equipment		**148.4**	153.3	**450.2**	457.7
Amortization of intangible assets		**29.7**	26.3	**87.1**	77.7
Amortization of right-of-use assets		**8.9**	9.2	**26.8**	27.3
(Gain) loss on valuation and translation of financial instruments	6	**(6.0)**	(54.5)	**(8.1)**	50.7
Impairment of assets	7	**-**	14.9	**18.8**	14.9
Amortization of financing costs and long-term debt discount	5	**2.1**	1.8	**6.1**	5.3
Deferred income taxes		**33.5**	(1.7)	**30.3**	(37.0)
Other		**0.2**	(2.7)	**(1.9)**	(4.8)
		399.5	337.1	**1,019.8**	910.3
Net change in non-cash balances related to operating activities		**(20.5)**	127.2	**(171.1)**	189.3
Cash flows provided by continuing operating activities		**379.0**	464.3	**848.7**	1,099.6
Cash flows related to investing activities					
Business acquisitions	10	**(1.0)**	(5.8)	**(35.6)**	(7.2)
Business disposals	18	**-**	-	**260.7**	-
Additions to property, plant and equipment		**(122.6)**	(137.9)	**(377.3)**	(414.9)
Additions to intangible assets	8	**(66.4)**	(31.8)	**(424.5)**	(127.3)
Proceeds from disposals of assets		**0.5**	4.7	**3.2**	6.4
Non-controlling interests acquisition	9	**-**	-	**-**	(1,540.0)
Other		**(17.8)**	(0.2)	**(25.0)**	(1.2)
Cash flows used in continuing investing activities		**(207.3)**	(171.0)	**(598.5)**	(2,084.2)
Cash flows related to financing activities					
Net change in bank indebtedness		**6.9**	(5.6)	**4.0**	20.9
Net change under revolving facilities		**251.3**	(94.2)	**281.3**	546.3
Repayment of long-term debt		**(435.4)**	(3.6)	**(443.4)**	(16.4)
Repayment of lease liabilities		**(9.4)**	(9.8)	**(29.9)**	(29.6)
Repayment of convertible debentures	11	**-**	(86.5)	**-**	(158.4)
Settlement of hedging contracts		**91.6**	-	**90.8**	(0.8)
Issuance of Class B Shares		**-**	-	**2.7**	1.3
Repurchase of Class B Shares	14	**(41.0)**	(68.3)	**(80.5)**	(186.3)
Dividends		**(28.7)**	(12.8)	**(71.6)**	(32.1)
Dividends or distributions paid to non-controlling interests		**-**	-	**-**	(9.4)
Cash flows (used in) provided by continuing financing activities		**(164.7)**	(280.8)	**(246.6)**	135.5
Net change in cash and cash equivalents from continuing operations		**7.0**	12.5	**3.6**	(849.1)
Cash flows provided by (used in) discontinued operations	18	**-**	2.2	**(0.7)**	7.1
Cash and cash equivalents at beginning of period		**17.2**	8.2	**21.3**	864.9
Cash and cash equivalents at end of period		**$ 24.2**	$ 22.9	**$ 24.2**	$ 22.9
Cash and cash equivalents consist of					
Cash		**$ 15.7**	$ 22.0	**$ 15.7**	$ 22.0
Cash equivalents		**8.5**	0.9	**8.5**	0.9
		$ 24.2	$ 22.9	**$ 24.2**	$ 22.9
Interest and taxes reflected as operating activities					
Cash interest payments		**$ 45.5**	$ 49.1	**$ 203.3**	$ 206.1
Cash income tax payments (net of refunds)		**54.2**	(4.6)	**235.0**	12.4

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.
CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars)
(unaudited)

	Note	September 30 2019	December 31 2018 (restated, note 2)	December 31 2017 (restated, note 2)
Assets				
Current assets				
Cash and cash equivalents		**$ 24.2**	$ 21.3	$ 864.9
Accounts receivable		**515.9**	553.5	543.4
Contract assets		**153.8**	144.4	132.8
Income taxes		**11.5**	4.8	29.3
Inventories		**211.4**	186.3	188.1
Other current assets		**137.2**	118.3	117.6
Assets held for sale	18	**-**	95.0	-
		1,054.0	1,123.6	1,876.1
Non-current assets				
Property, plant and equipment		**3,351.0**	3,467.3	3,610.1
Intangible assets	8	**1,459.7**	1,135.3	983.1
Goodwill		**2,692.3**	2,678.3	2,695.8
Right-of-use assets		**108.4**	112.6	133.5
Derivative financial instruments		**746.3**	887.0	591.8
Deferred income taxes		**31.2**	51.8	33.2
Other assets		**231.4**	201.6	185.1
		8,620.3	8,533.9	8,232.6
Total assets		**$ 9,674.3**	$ 9,657.5	$ 10,108.7
Liabilities and equity				
Current liabilities				
Bank indebtedness		**$ 28.3**	$ 24.3	$ 0.8
Accounts payable and accrued charges		**742.0**	832.0	738.7
Provisions		**22.4**	32.0	24.0
Deferred revenue		**351.6**	340.7	346.8
Income taxes		**6.0**	119.2	13.3
Convertible debentures		**-**	-	450.0
Embedded derivatives related to convertible debentures		**-**	-	442.2
Current portion of long-term debt	12	**60.1**	57.9	20.4
Current portion of lease liabilities		**31.8**	36.0	39.8
Liabilities held for sale	18	**-**	6.6	-
		1,242.2	1,448.7	2,076.0
Non-current liabilities				
Long-term debt	12	**6,090.1**	6,370.3	5,516.2
Derivative financial instruments		**0.3**	-	34.1
Convertible debentures		**150.0**	150.0	-
Lease liabilities		**105.0**	108.4	128.1
Deferred income taxes		**811.6**	775.9	744.9
Other liabilities		**278.5**	235.7	212.4
		7,435.5	7,640.3	6,635.7
Equity				
Capital stock	14	**1,052.9**	1,065.9	313.9
Contributed surplus		**7.7**	4.7	3.5
(Deficit) retained earnings		**(136.6)**	(507.9)	594.7
Accumulated other comprehensive loss	16	**(16.2)**	(82.7)	(50.7)
Equity attributable to shareholders		**907.8**	480.0	861.4
Non-controlling interests		**88.8**	88.5	535.6
		996.6	568.5	1,397.0
Contingencies	19			
Subsequent event	20			
Total liabilities and equity		**$ 9,674.3**	$ 9,657.5	$ 10,108.7

See accompanying notes to condensed consolidated financial

Quebecor Inc. (“Quebecor” or the “Corporation”) is incorporated under the laws of Québec. The Corporation’s head office and registered office is located at 612 rue Saint-Jacques, Montréal (Québec), Canada. Quebecor is a holding corporation with a 100% interest in Quebecor Media Inc. (“Quebecor Media”) since June 22, 2018. Unless the context otherwise requires, Quebecor or the Corporation refer to Quebecor Inc. and its subsidiaries and Quebecor Media refers to Quebecor Media Inc. and its subsidiaries.

The Corporation operates, through its subsidiaries, in the following industry segments: Telecommunications, Media, and Sports and Entertainment. The Telecommunications segment offers television distribution, Internet access, business solutions, cable and mobile telephony and over-the-top video services in Canada and is engaged in the rental of movies and televisual products through its video-on-demand service and video rental stores. The operations of the Media segment in Québec include the operation of an over-the-air television network and specialty television services, the operation of soundstage and equipment leasing and post-production services for the film and television industries, the printing, publishing and distribution of daily newspapers, the operation of Internet portals and specialized Web sites, the publishing and distribution of magazines, the production and distribution of audiovisual content and the operation of an out-of-home advertising business. The activities of the Sports and Entertainment segment in Québec encompass the operation and management of the Videotron Centre in Québec City, show production, sporting and cultural events management, the publishing and distribution of books, the distribution and production of music, and the operation of two Quebec Major Junior Hockey League teams.

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

1. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), except that they do not include all disclosures required under IFRS for annual consolidated financial statements. In particular, these consolidated financial statements were prepared in accordance with IAS 34, *Interim Financial Reporting*, and accordingly, they are condensed consolidated financial statements. These condensed consolidated financial statements should be read in conjunction with the Corporation’s 2018 annual consolidated financial statements, which contain a description of the accounting policies used in the preparation of these condensed consolidated financial statements.

These condensed consolidated financial statements were approved for issue by the Board of Directors of Quebecor on November 6, 2019.

Comparative figures for previous periods have been restated to conform to the presentation adopted for the three-month and nine-month periods ended September 30, 2019.

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

2. CHANGES IN ACCOUNTING POLICIES

(i) IFRS 16 – *Leases*

On January 1, 2019, the Corporation adopted on a fully retrospective basis the new rules under IFRS 16 which set out new principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The standard provides lessees with a single accounting model for all leases, with certain exemptions. In particular, lessees are required to report most leases on their balance sheets by recognizing right-of-use assets and related financial liabilities. Assets and liabilities arising from a lease are initially measured on a present value basis.

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

Under IFRS 16, most lease charges are now expensed as a depreciation of the right-of-use asset, along with an interest on the related lease liability. Since operating lease charges were recognized as operating expenses as they were incurred under previous standard, the adoption of IFRS 16 has changed the timing of the recognition of these lease charges over the term of each lease. It has also affected the classification of expenses in the consolidated statements of income.

Principal payments of the lease liability are now presented as financing activities in the consolidated statements of cash flows, whereas under the previous standard these payments were presented as operating activities.

The retrospective adoption of IFRS 16 had the following impacts on the comparative consolidated financial figures:

Consolidated statements of income and comprehensive income

Increase (decrease)	Three months ended September 30, 2018	Nine months ended September 30, 2018
Purchase of goods and services	$ (10.9)	$ (33.7)
Depreciation and amortization	8.3	24.7
Financial expenses	2.0	6.5
Deferred income tax expense	0.2	0.7
Net income and comprehensive income	$ 0.4	$ 1.8
Net income and comprehensive income attributable to:		
Shareholders	$ 0.4	$ 1.5
Non-controlling interests	–	0.3
Earnings per share attributable to shareholders	$ –	$ –

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

2. CHANGES IN ACCOUNTING POLICIES (continued)

(i) IFRS 16 – *Leases* (continued)

Consolidated balance sheets

Increase (decrease)	December 31, 2018	December 31, 2017
Other current assets	$ (2.2)	$ (2.2)
Property, plant and equipment	15.5	15.5
Right-of-use assets	112.6	133.5
Provisions	(1.5)	(1.4)
Lease liabilities[1]	144.4	167.9
Other liabilities	(4.3)	(3.4)
Deferred income tax liability	(3.3)	(4.3)
Deficit	9.2	7.2
Non-controlling interests	(0.2)	(4.8)

[1] The current portion of lease liabilities is $36.0 million as of December 31, 2018 and $39.8 million as of December 31, 2017.

(ii) IFRIC 23 – *Uncertainty over Income Tax Treatments*

IFRIC 23 provides guidance on how to value uncertain income tax positions based on the probability of whether or not the relevant tax authorities will accept the Corporation's tax treatments.

The adoption of IFRIC 23 had no impact on the consolidated financial statements.

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

3. REVENUES

	Three months ended September 30		Nine months ended September 30	
	2019	2018	**2019**	2018
Telecommunications:				
Internet	**$ 279.3**	$ 272.0	**$ 831.6**	$ 805.2
Cable television	**242.2**	247.6	**734.9**	747.7
Mobile telephony	**155.7**	138.3	**443.5**	394.9
Cable telephony	**84.4**	91.0	**257.4**	278.8
Equipment sales	**69.6**	63.1	**170.2**	162.6
Other	**45.5**	42.8	**134.2**	126.7
Media:				
Advertising	**67.9**	72.0	**244.4**	253.7
Subscription	**52.0**	50.5	**155.8**	151.0
Other	**47.3**	48.4	**129.8**	125.9
Sports and Entertainment	**55.8**	54.5	**137.5**	128.6
Inter-segments	**(26.3)**	(27.0)	**(81.7)**	(81.2)
	$ 1,073.4	$ 1,053.2	**$ 3,157.6**	$ 3,093.9

4. EMPLOYEE COSTS AND PURCHASE OF GOODS AND SERVICES

	Three months ended September 30		Nine months ended September 30	
	2019	2018	**2019**	2018
		(restated, note 2)		(restated, note 2)
Employee costs	**$ 214.4**	$ 210.0	**$ 676.5**	$ 670.7
Less employee costs capitalized to property, plant and equipment and intangible assets	**(51.8)**	(46.3)	**(159.9)**	(144.6)
	162.6	163.7	**516.6**	526.1
Purchase of goods and services:				
Royalties, rights and creation costs	**143.4**	149.1	**496.2**	504.9
Cost of products sold	**105.5**	102.5	**285.9**	267.7
Service contracts	**40.3**	38.4	**114.2**	116.5
Marketing, circulation and distribution expenses	**27.8**	24.9	**74.0**	73.9
Other	**84.5**	100.6	**285.7**	289.0
	401.5	415.5	**1,256.0**	1,252.0
	$ 564.1	$ 579.2	**$ 1,772.6**	$ 1,778.1

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

5. FINANCIAL EXPENSES

	Three months ended September 30		Nine months ended September 30	
	2019	2018	**2019**	2018
		(restated, note 2)		(restated, note 2)
Interest on long-term debt and on debentures	**$ 74.6**	$ 81.1	**$ 229.2**	$ 234.9
Amortization of financing costs and long-term debt discount	**2.1**	1.8	**6.1**	5.3
Interest on lease liabilities	**2.0**	2.0	**6.0**	6.5
Interest on net defined benefit liability	**1.8**	1.5	**5.4**	4.5
(Gain) loss on foreign currency translation on short-term monetary items	**(0.1)**	–	**(1.5)**	0.7
Other	**0.8**	0.4	**0.9**	(6.3)
	$ 81.2	$ 86.8	**$ 246.1**	$ 245.6

6. (GAIN) LOSS ON VALUATION AND TRANSLATION OF FINANCIAL INSTRUMENTS

	Three months ended September 30		Nine months ended September 30	
	2019	2018	**2019**	2018
(Gain) loss on embedded derivatives related to convertible debentures	**$ (4.2)**	$ (55.2)	**$ (7.0)**	$ 49.3
Other	**(1.8)**	0.7	**(1.1)**	1.4
	$ (6.0)	$ (54.5)	**$ (8.1)**	$ 50.7

7. RESTRUCTURING OF OPERATIONS AND OTHER ITEMS

During the respective three-month and nine-month periods ended September 30, 2019, net charges of $1.2 million and $8.2 million were recorded relating mainly to various cost reduction initiatives across the Corporation (a net gain of $1.3 million and a net charge of $7.2 million in 2018). An impairment charge on assets of $18.8 million was also recorded as a result of restructuring initiatives during the nine-month period ended September 30, 2019 ($14.9 million during the three-month and nine-month periods ended September 30, 2018).

8. SPECTRUM LICENCES

On April 10, 2019, Videotron Ltd. (“Videotron”) acquired 10 spectrum licences in the 600 MHz band covering Eastern, Southern and Northern Québec, as well as Outaouais and Eastern Ontario regions for a total price of $255.8 million.

9. NON-CONTROLLING INTERESTS ACQUISITIONS

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

- On May 11 and June 22, 2018, Quebecor Media repurchased a total of 16,064,215 of its Common Shares held by CDP Capital d'Amérique Investissements inc. ("CDP Capital"), for a total aggregate purchase price of $1.54 billion, paid in cash. Cash on hand and drawings under the Videotron secured revolving credit facility were used to finance this transaction.
- On June 22, 2018, the Corporation purchased 1,564,696 Common Shares of Quebecor Media held by CDP Capital, in consideration of the issuance by the Corporation to CDP Capital of $150.0 million aggregate principal amount of convertible debentures (note 11).

The purchase of CDP Capital's minority interest in Quebecor Media was accounted for as an equity transaction. The excess of $1,221.6 million of the purchase price over the carrying value of non-controlling interests of $468.4 million acquired was recorded as a $1,202.4 million decrease of retained earnings and as a $19.2 million increase of accumulated other comprehensive loss.

10. BUSINESS ACQUISITIONS

On February 13, 2019, TVA Group Inc. ("TVA Group") acquired the companies in the Serdy Média inc. and Serdy Video Inc. groups, including the Évasion and Zeste specialty channels, for a total cash consideration of $23.5 million, net of cash acquired of $0.5 million. An amount of $1.6 million relating to certain post-closing adjustments was also paid during the third quarter of 2019. The acquired assets consist mainly of intangible assets and goodwill.

On April 1, 2019, TVA Group acquired the Incendo Media inc. group, a Montréal-based producer and distributor of television programs for international markets, for a cash consideration of $11.1 million (net of cash acquired of $0.9 million) and a balance payable at fair value of $6.8 million. An amount of $0.6 million relating to certain post-closing adjustment was also received during the third quarter of 2019. The purchase price is subject to adjustments relating to the achievement of future conditions. The acquired assets consist mainly of intangible assets and goodwill.

11. CONVERTIBLE DEBENTURES

In February and May 2018, the Corporation issued notices of redemption of convertible debentures for a total aggregate principal amount of $87.5 million. Redemption prices were paid upon redemption of these debentures.

On June 22, 2018, the Corporation issued $150.0 million aggregate principal amount of new convertible debentures, bearing interest at an annual rate of 4.00% and maturing in June 2024. The convertible debentures are convertible into Quebecor Class B Subordinate Voting Shares ("Class B Shares") in accordance with the terms of the trust indenture, subject to a floor price of $26.85 per share (that is, a maximum number of approximately 5,586,592 Class B Shares corresponding to a ratio of $150.0 million to the floor price) and a ceiling price of $33.5625 per share (that is, a minimum number of approximately 4,469,274 Class B Shares corresponding to a ratio of $150.0 million to the ceiling price), subject to adjustments in accordance with the terms of the trust indenture.

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.

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

12. LONG TERM DEBT

Components of long-term debt are as follows:

	September 30, 2019	December 31, 2018
Long-term debt	**$ 6,169.2**	$ 6,461.7
Change in fair value related to hedged interest rate risk	**11.6**	2.5
Financing fees, net of amortization	**(30.6)**	(36.0)
	6,150.2	6,428.2
Less current portion	**(60.1)**	(57.9)
	$ 6,090.1	$ 6,370.3

On February 13, 2019, TVA Group amended its $150.0 million secured revolving credit facility to extend the maturity date to February 2020 and to change certain conditions and terms of the facility.

On February 15, 2019, Quebecor Media amended its $300.0 million secured revolving credit facility to extend the maturity date to July 2022 and to change certain conditions and terms of the facility.

On July 15, 2019, Quebecor Media prepaid the balance outstanding under its term loan “B” credit facility and the related hedging contracts were unwound for a total cash consideration of $340.9 million.

13. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

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

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

	Three months ended September 30		Nine months ended September 30	
	2019	2018	**2019**	2018
		(restated, note 2)		(restated, note 2)
Income from continuing operations attributable to shareholders	**$ 178.5**	$ 186.2	**$ 410.2**	$ 283.8
Impact of assumed conversion of stock options of subsidiaries and of convertible debentures of the Corporation	**(3.3)**	(51.3)	**1.0**	(1.8)
Income from continuing operations attributable to shareholders, adjusted for dilution effect	**$ 175.2**	$ 134.9	**$ 411.2**	$ 282.0
Net income attributable to shareholders	**$ 178.5**	$ 187.1	**$ 507.7**	$ 286.2
Impact of assumed conversion of stock options of subsidiaries and of convertible debentures of the Corporation	**(3.3)**	(51.3)	**1.0**	(1.8)
Net income attributable to shareholders, adjusted for dilution effect	**$ 175.2**	$ 135.8	**$ 508.7**	$ 284.4
Weighted average number of shares outstanding (in millions)	**255.6**	232.8	**255.8**	234.1
Potentially dilutive effect of stock options and of convertible debentures of the Corporation (in millions)	**6.1**	36.0	**6.1**	5.9
Weighted average number of diluted shares outstanding (in millions)	**261.7**	268.8	**261.9**	240.0

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

14. CAPITAL STOCK

(a) Authorized capital stock

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

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

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

(b) Issued and outstanding capital stock

	Class A Shares		Class B Shares	
	Number	Amount	Number	Amount
Balance as of December 31, 2018	77,249,244	$ 8.6	179,807,353	$ 1,057.3
Class A Shares converted into Class B Shares	(18,600)	–	18,600	–
Shares purchased and cancelled	–	–	(2,672,056)	(15.7)
Shares issued upon exercise of stock options	–	–	180,000	2.7
Balance as of September 30, 2019	**77,230,644**	**$ 8.6**	**177,333,897**	**$ 1,044.3**

On August 7, 2019, the Corporation filed a normal course issuer bid for a maximum of 1,000,000 Class A Shares representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 4,000,000 Class B Shares representing approximately 2.2% of issued and outstanding Class B Shares as of August 1, 2019. The purchases can be made from August 15, 2019 to August 14, 2020, at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange or other alternative trading systems. All shares purchased under the bid will be cancelled.

During the nine-month period ended September 30, 2019, the Corporation purchased and cancelled 2,672,056 Class B Shares for a total cash consideration of $80.5 million (7,535,300 Class B Shares for a total cash consideration of $186.3 million in 2018). The excess of $64.8 million of the purchase price over the carrying value of Class B Shares repurchased was recorded in increase of the deficit ($171.9 million in 2018).

During the nine-month period ended September 30, 2019, 180,000 Class B Shares were issued upon exercise of stock options for a cash consideration of $2.7 million (100,000 Class B shares for a cash consideration of $1.3 million in 2018). As a result of this transaction, contributed surplus was increased by $3.0 million ($1.2 million in 2018) and stock-based compensation liability was reduced by the same amount.

On November 6, 2019, the Board of Directors of the Corporation declared a dividend of $0.1125 per share on Class A Shares and Class B Shares, or approximately $28.6 million, payable on December 17, 2019, to shareholders of record at the close of business on November 22, 2019.

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

15. STOCK-BASED COMPENSATION PLANS

Stock option plans

The following table provides details of changes to outstanding options in the principal stock-based compensation plans in which management of the Corporation and its subsidiaries participates, for the nine-month period ended September 30, 2019:

	Outstanding options	
	Number	Weighted average exercise price
Quebecor		
As of December 31, 2018	1,982,892	$ 21.60
Granted	1,403,250	31.61
Exercised	(180,000)	15.12
Cancelled	(96,500)	27.39
As of September 30, 2019	**3,109,642**	**$ 26.32**
Vested options as of September 30, 2019	**500,000**	**$ 11.11**
Quebecor Media		
As of December 31, 2018	318,400	$ 64.61
Exercised	(147,400)	62.41
Cancelled	(39,000)	69.87
As of September 30, 2019	**132,000**	**$ 65.52**
Vested options as of September 30, 2019	**97,550**	**$ 63.74**
TVA Group		
As of December 31, 2018	340,000	$ 2.99
Granted	290,000	2.05
Cancelled	(65,000)	3.93
As of September 30, 2019	**565,000**	**$ 2.40**
Vested options as of September 30, 2019	**28,000**	**$ 6.85**

During the three-month period ended September 30, 2019, 38,950 stock options of Quebecor Media were exercised for a cash consideration of $1.9 million (54,300 stock options for $2.2 million in 2018). During the nine-month period ended September 30, 2019, 180,000 Class B Shares of the Corporation were issued upon exercise of stock options (note 14) (100,000 Class B Shares in 2018) and 147,400 stock options of Quebecor Media were exercised for a cash consideration of $7.4 million (157,277 stock options for $5.6 million in 2018).

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

15. STOCK-BASED COMPENSATION PLANS (continued)

Deferred share unit and performance share unit plans

The deferred share unit ("DSU") and performance share unit ("PSU") plans are based either on Quebecor Class B Shares and on TVA Group Class B Non-Voting Shares ("TVA Group Class B Shares"). The DSUs vest over six years and will be redeemed for cash only upon the participant's retirement or termination of employment, as the case may be, and the PSUs vest over three years and will be redeemed for cash at the end of this period subject to the achievement of financial targets. DSUs and PSUs entitle the holders to receive additional units when dividends are paid on Quebecor Class B Shares or TVA Group Class B Shares. As of September 30, 2019, 159,757 DSUs based on Quebecor Class B Shares, 238,565 DSUs based on TVA Group Class B Shares, 118,279 PSUs based on Quebecor Class B Shares and 135,935 PSUs based on TVA Group Class B Shares were outstanding under these plans. During the first quarter of 2019, a cash consideration of $5.4 million was paid upon PSUs redemption.

Stock-based compensation expense

For the three-month period ended September 30, 2019, a consolidated charge related to all stock-based compensation plans was recorded in the amount of $1.2 million ($2.3 million in 2018). For the nine-month period ended September 30, 2019, a consolidated charge related to all stock-based compensation plans was recorded in the amount of $7.9 million ($13.4 million in 2018).

16. ACCUMULATED OTHER COMPREHENSIVE LOSS

	Cash flow hedges	Defined benefit plans	Total
Balance as of December 31, 2017	$ (11.7)	$ (39.0)	$ (50.7)
Other comprehensive loss	(32.1)	–	(32.1)
Non-controlling interest acquisition (note 9)	(10.4)	(8.8)	(19.2)
Balance as of September 30, 2018	(54.2)	(47.8)	(102.0)
Other comprehensive income (loss)	23.5	(4.2)	19.3
Balance as of December 31, 2018	(30.7)	(52.0)	(82.7)
Other comprehensive income	66.5	–	66.5
Balance as of September 30, 2019	**$ 35.8**	**$ (52.0)**	**$ (16.2)**

No significant amount is expected to be reclassified in income over the next 12 months in connection with derivatives designated as cash flow hedges. The balance is expected to reverse over a 7 1/2-year period.

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

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with IFRS 13, *Fair Value Measurement*, the Corporation considers the following fair value hierarchy which reflects the significance of the inputs used in measuring its financial instruments:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs that are not based on observable market data (unobservable inputs).

The fair value of long-term debt and convertible debentures is estimated based on quoted market prices when available or on valuation models using Level 1 and Level 2 inputs. When the Corporation uses valuation models, the fair value is estimated using discounted cash flows using year-end market yields or the market value of similar instruments with the same maturity.

The fair value of derivative financial instruments recognized in the consolidated balance sheets is estimated as per the Corporation's valuation models. These models project future cash flows and discount the future amounts to a present value using the contractual terms of the derivative financial instruments and factors observable in external market data, such as period-end swap rates and foreign exchange rates (Level 2 inputs). An adjustment is also included to reflect non-performance risk impacted by the financial and economic environment prevailing at the date of the valuation in the recognized measure of the fair value of the derivative financial instruments by applying a credit default premium, estimated using a combination of observable and unobservable inputs in the market (Level 3 inputs), to the net exposure of the counterparty or the Corporation. Derivative financial instruments are classified as Level 2.

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

The carrying value and fair value of long-term debt, convertible debentures and derivative financial instruments as of September 30, 2019 and December 31, 2018 are as follows:

	September 30, 2019		December 31, 2018	
Asset (liability)	**Carrying value**	**Fair value**	Carrying value	Fair value
Long-term debt[1]	**$ (6,169.2)**	**$ (6,536.5)**	$ (6,461.7)	$ (6,444.9)
Convertible debentures[2]	**(149.2)**	**(149.2)**	(150.6)	(150.6)
Derivative financial instruments				
Foreign exchange forward contracts	**(0.3)**	**(0.3)**	6.7	6.7
Cross-currency interest rate swaps	**746.3**	**746.3**	880.3	880.3

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

[2] 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.

18. DISCONTINUED OPERATIONS

On January 24, 2019, Videotron sold its 4Degrees Colocation Inc. data centers operations for an amount of $261.6 million, which was fully paid in cash at the date of transaction. An amount of $0.9 million relating to a working capital adjustment was also paid by Videotron in the second quarter of 2019. The determination of the final proceeds from the sale is however subject to certain adjustments based on the realization of future conditions over a period of up to 10 years. Accordingly, a gain on disposal of $97.2 million, net of income taxes of $18.5 million, was accounted for in the first quarter of 2019, while an amount of $53.1 million from the proceeds received at the date of transaction was deferred in connection with the estimated present value of the future conditional adjustments.

19. CONTINGENCIES

In the context of commercial disputes between the Corporation and a competitor, legal proceedings have been initiated by the Corporation and against the Corporation. At this stage of these proceedings, management of the Corporation is in the opinion that the outcome should not have a material adverse effect on the Corporation's results or on its financial position.

On August 15, 2019, the Canadian Radio-television and Telecommunications Commission (“CRTC”) issued an order finalizing the rates, retroactively to March 31, 2016, by which the large cable and telephone companies provide aggregated wholesale access to their high-speed internet networks. The interim rates in effect since 2016 have been invoiced to resellers and accounted for in the Corporation consolidated financial statements. The new proposed rates are substantially lower than interim rates and could represent a reduction in earnings of approximately $22.0 million (before income taxes) in 2019 and approximately $30.0 million (before income taxes) from March 31, 2016 to December 31, 2018. On September 13, 2019, a coalition of cable companies (including Videotron) and Bell Canada filed separate appeals of the CRTC’s order with the Federal Court of Appeal arguing, among other things, that the order is marked by numerous errors of law and jurisdiction resulting in wholesale rates that are unreasonably low. The cable companies and Bell Canada also filed separate requests to stay the implementation of the order pending disposition of their appeals. On September 27, 2019, the Federal Court of Appeal granted an interim stay of the CRTC’s order. Accordingly, at this stage of these proceedings, the Corporation still estimates that the interim rates are the appropriate basis to account for its wholesale Internet access revenues.

20. SUBSEQUENT EVENT

On October 8, 2019, Videotron issued $800.0 million aggregate principal amount of Senior Notes bearing interest at 4.50% and maturing on January 15, 2030, for net proceeds of $790.7 million, net of financing fees of approximately $9.3 million. The Senior Notes are unsecured and contain certain restrictions, including limitations on Videotron’s ability to incur additional indebtedness, pay dividends and make other distributions. The Notes are guaranteed by specific subsidiaries of Videotron and are redeemable at the option of Videotron, in whole or in part, at a price based on a make-whole formula during the first five years of the term of the Notes and at a decreasing premium thereafter.