MANAGEMENT DISCUSSION AND ANALYSIS

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CORPORATE PROFILE

This Management Discussion and Analysis covers the main activities of Quebecor Inc. in the first quarter of 2017 and the major changes from the previous financial year. Quebecor Inc. is a holding company with an 81.07% interest in Quebecor Media Inc., one of Canada's largest telecommunications and media groups. Quebecor Media Inc. operates in the following business segments: Telecommunications, Media, and Sports and Entertainment. Quebecor Media Inc. is pursuing a convergence strategy that captures synergies among its properties and leverages the value of content to the benefit of multiple distribution platforms. Unless the context otherwise requires, "Quebecor" or "the Corporation" refer to Quebecor Inc. and its subsidiaries, and "Quebecor Media" refers to Quebecor Media Inc. and its subsidiaries.

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

HIGHLIGHTS SINCE END OF 2016

- Quebecor's revenues totalled $996.4 million in the first quarter of 2017, a $21.0 million (2.2%) increase from the same period of 2016.

- On February 16, 2017, Quebecor announced major corporate management changes. Pierre Karl Péladeau returned to the position of President and Chief Executive Officer of Quebecor and Quebecor Media, replacing Pierre Dion, who was appointed Chair of the Board of Quebecor Media and a director of Quebecor.

Telecommunications

- The Telecommunications segment's revenues increased by $27.4 million (3.5%) and its adjusted operating income by $18.4 million (5.1%) in the first quarter of 2017.
- In the first quarter of 2017, Videotron Ltd. ("Videotron") significantly increased its revenues from mobile telephony ($26.5 million or 22.8%), Internet access ($8.8 million or 3.6%), business solutions ($5.8 million or 22.7%) and the Club illico over-the-top video service ("Club illico") ($1.3 million or 16.9%).
- Net increase of 30,000 revenue-generating units[1] (0.5%) in the first quarter of 2017, including 27,000 connections to the mobile telephony service, 15,300 subscriptions to the cable Internet access service and 9,800 memberships in Club illico.
- Average monthly revenue per user ("ARPU"): $149.48 in the first quarter of 2017 compared with $141.37 in the same period of 2016, an $8.11 (5.7%) increase.
- On January 12, 2017, 4Degrees Colocation Inc. ("4Degrees Colocation"), a subsidiary of Videotron, announced an agreement with Megaport (USA), Inc., a global leader in secure interconnectivity, which will allow business customers to link directly to the world's largest providers of public cloud services. Customers will enjoy fast, secure, redundant access to business applications from three leading information and communications technology providers: Microsoft Corporation (Azure, Office 365, Exchange), Amazon Web Services Inc. and Google.

Media

- On March 1, 2017, Quebecor's Media Group announced a partnership agreement with Tuango Inc. ("Tuango"), Québec's largest online promotional network. Businesses will now be able to barter their goods and services for advertising space on Quebecor's media properties instead of making monetary payment. Quebecor's Media Group will therefore be able to sell advertising space on its television channels and digital sites, in its newspapers and magazines, and on its out-of-home networks in exchange for goods and services, from which it will be able to derive revenues by reselling them on Tuango.
- On January 10, 2017, the Montréal Impact, a Major League Soccer ("MLS") team, and Quebecor announced an agreement making TVA Sports the exclusive French-language broadcaster of the Montréal Impact and an official MLS broadcaster for the next five years. TVA Sports will broadcast all Montréal Impact regular season and playoff games, the All-Star Game and the MLS Cup playoffs, including the final. The agreement will enrich TVA Sports' programming with coverage of a sport that is growing fast in Québec and make it possible to disseminate that content on all of Quebecor's media platforms.

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

<u>**Sports and Entertainment**</u>

- On April 4, 2017, Event Management Gestev inc. (“Gestev”) announced the acquisition of Montréal-based marketing agency Wasabi atelier expérientiel. The transaction will expand Gestev’s experiential marketing and sponsorship activation capabilities and extend its reach in the Montréal market.

<u>**Financial transactions**</u>

- On May 4, 2017, Videotron transferred all then existing commitments under its unsecured revolving credit facility to its secured revolving credit facility, hence increasing its secured facility from $630.0 million to $965.0 million and terminating its unsecured facility.
- On May 1, 2017, Quebecor Media redeemed the entirety of its outstanding 7.375% Senior Notes issued on January 5, 2011 and maturing on January 15, 2021, in the aggregate principal amount of $325.0 million, at a redemption price of 102.458% of their principal amount, in accordance with a notice issued on March 31, 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, in accordance with a notice issued on March 31, 2017. The repurchase followed the redemption on January 5, 2017 of a first $175.0 million tranche of the Notes, in accordance with a notice issued on December 2, 2016.
- On April 13, 2017, Videotron issued US$600.0 million aggregate principal amount of 5.125% Senior Notes maturing on April 15, 2027, for net proceeds of $794.5 million, net of financing fees of $9.9 million.

NON-IFRS FINANCIAL MEASURES

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

Adjusted Operating Income

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

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

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

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

	Three months ended March 31	
	2017	2016
Adjusted operating income (loss):		
Telecommunications	**$ 377.1**	$ 358.7
Media	**(2.9)**	(2.7)
Sports and Entertainment	**(0.1)**	(0.8)
Head Office	**(9.0)**	(0.5)
	365.1	354.7
Depreciation and amortization	**(169.8)**	(161.7)
Financial expenses	**(77.1)**	(80.8)
(Loss) gain on valuation and translation of financial instruments	**(72.4)**	6.6
Restructuring of operations, litigation and other items	**10.9**	(7.9)
Loss on debt refinancing	**(15.6)**	–
Income taxes	**(25.4)**	(27.7)
Net income	**$ 15.7**	$ 83.2

Adjusted income from continuing operating activities

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

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

Table 2

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

(in millions of Canadian dollars)

	Three months ended March 31	
	2017	2016
Adjusted income from continuing operating activities	**$ 70.9**	$ 67.7
(Loss) gain on valuation and translation of financial instruments	**(72.4)**	6.6
Restructuring of operations, litigation and other items	**10.9**	(7.9)
Loss on debt refinancing	**(15.6)**	–
Income taxes related to adjustments[1]	**6.0**	2.1
Net income attributable to non-controlling interest related to adjustments	**–**	1.4
Net income (loss) attributable to shareholders	**$ (0.2)**	$ 69.9

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

Cash flows from segment operations

Cash flows from segment operations represents adjusted operating income, less additions to property, plant and equipment and to intangible assets (excluding disbursements for licence acquisitions and renewals), plus proceeds from disposal of assets. 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 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. 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 operating activities reported in Quebecor's condensed consolidated financial statements.

KEY PERFORMANCE INDICATOR

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

ANALYSIS OF CONSOLIDATED RESULTS OF QUEBECOR

2017/2016 first quarter comparison

Revenues: $996.4 million, a $21.0 million (2.2%) increase.

- Revenues increased in Telecommunications ($27.4 million or 3.5% of segment revenues) and in Sports and Entertainment ($1.1 million or 10.7%).
- Revenues decreased in Media ($10.3 million or -4.7%).

Adjusted operating income: $365.1 million, a $10.4 million (2.9%) increase.

- Adjusted operating income increased in Telecommunications ($18.4 million or 5.1% of segment adjusted operating income). There was a favourable variance in Sports and Entertainment ($0.7 million).
- There were unfavourable variances in Media ($0.2 million or -7.4%) and at Head Office ($8.5 million). The change at Head Office was essentially due to higher compensation costs, including the stock-based compensation charge.
- The change in the fair value of Quebecor Media stock options resulted in a $0.7 million favourable variance in the stock-based compensation charge in the first quarter of 2017 compared with the same period of 2016. The change in the fair value of Quebecor stock options and in the value of Quebecor stock-price-based share units resulted in a $4.6 million unfavourable variance in the Corporation's stock-based compensation charge in the first quarter of 2017.

Net loss attributable to shareholders: $0.2 million in the first quarter of 2017, compared with net income attributable to shareholders in the amount of $69.9 million ($0.57 per basic share) in the same period of 2016, an unfavourable variance of $70.1 million ($0.57 per basic share).

- The unfavourable variance was mainly due to:
  - $79.0 million unfavourable variance in losses and gains on valuation and translation of financial instruments, including $80.5 million without any tax consequences;
  - $15.6 million unfavourable variance in loss on debt refinancing in the first quarter of 2017;
  - $8.1 million increase in the depreciation and amortization charge.

  Partially offset by:

  - $18.8 million favourable variance in restructuring of operations, litigation and other items;
  - $10.4 million increase in adjusted operating income;
  - $3.7 million decrease in financial expenses.

Adjusted income from continuing operating activities: $70.9 million ($0.58 per basic share) in the first quarter of 2017, compared with $67.7 million ($0.55 per basic share) in the same period of 2016, an increase of $3.2 million ($0.03 per basic share).

Depreciation and amortization charge: $169.8 million in the first quarter of 2017, an $8.1 million increase due mainly to the impact of capital expenditures in the Telecommunications segment, including depreciation of investments in the wired and wireless networks and in computer systems.

Financial expenses: $77.1 million in the first quarter of 2017, a $3.7 million decrease caused mainly by lower average indebtedness and the impact of lower interest rates on long-term debt due to debt refinancing at lower rates.

Loss on valuation and translation of financial instruments: $72.4 million in the first quarter of 2017 compared with a $6.6 million gain in the same period of 2016. The $79.0 million unfavourable variance was essentially due to the $80.5 million unfavourable variance, without any tax consequences, in losses and gains on embedded derivatives related to convertible debentures.

Restructuring of operations, litigation and other items: $10.9 million gain in the first quarter of 2017, compared with a $7.9 million charge in the same period of 2016, an $18.8 million favourable variance.

- A $10.9 million net gain was recognized in the first quarter of 2017 in connection with developments in legal disputes, labour-cost-reduction initiatives in the Corporation's various segments, and customer migration from analog to digital service in the Telecommunications segment.
- In the first quarter of 2016, a $7.9 million charge was recognized in connection with cost-reduction programs in the Corporation's businesses.

Loss on debt refinancing: $15.6 million in the first quarter 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, in accordance with a notice issued on March 31, 2017. A $5.2 million loss was recorded in the consolidated statement of income in the first quarter of 2017 in connection with this redemption.
- On May 1, 2017, Quebecor Media redeemed the entirety of its outstanding 7.375% Senior Notes issued on January 5, 2011 and maturing on January 15, 2021, in the aggregate principal amount of $325.0 million, at a redemption price of 102.458% of their principal amount, in accordance with a notice issued on March 31, 2017. A $10.4 million loss was recorded in the consolidated statement of income in the first quarter of 2017 in connection with this redemption.

Income tax expense: $25.4 million in the first quarter of 2017 (effective tax rate of 26.3%), compared with $27.7 million in the same period of 2016 (effective tax rate of 26.9%), a $2.3 million favourable variance caused mainly by the decrease in taxable income.

SEGMENTED ANALYSIS

Telecommunications

First quarter 2017 operating results

Revenues: $799.9 million in the first quarter of 2017, a $27.4 million (3.5%) increase.

- Revenues from the mobile telephony service increased $26.5 million (22.8%) to $142.9 million, essentially due to the increase in the number of subscriber connections and higher net revenue per connection.
- Revenues from Internet access services increased $8.8 million (3.6%) to $250.5 million as a result of higher per-subscriber revenues, partly because of the favourable impact of the product mix, and customer growth, including customers of Internet resellers, partially offset by the impact of lower rates for Internet resellers and a decrease in usage.
- Combined revenues from all cable television services decreased $9.1 million (-3.5%) to $251.3 million, due primarily to the impact of the net decrease in the customer base, the impact of fewer video-on-demand and pay TV orders and higher discounts, partially offset by increased revenues from the leasing of digital set-top boxes.
- Revenues from the cable telephone service decreased $4.9 million (-4.6%) to $102.6 million, mainly because of the impact of the net decrease in subscriber connections and lower long-distance revenues.
- Revenues from Club illico increased $1.3 million (16.9%) to $9.0 million, essentially because of subscriber growth.
- Revenues of Videotron Business Solutions increased $5.8 million (22.7%) to $31.4 million, due primarily to the impact of higher revenues at 4Degrees Colocation and Fibrenoire Inc. (“Fibrenoire”).
- Revenues from customer equipment sales decreased $0.2 million (-2.4%) to $8.3 million.
- Revenues of the Le SuperClub Vidéotron ltée (“Le SuperClub Vidéotron”) retail chain decreased $0.3 million (-15.8%) to $1.6 million, mainly because of the impact of store closings.
- Other revenues decreased $0.5 million (-17.2%) to $2.4 million.

ARPU: $149.48 in the first quarter of 2017, compared with $141.37 in the same period of 2016, an $8.11 (5.7%) increase.

Customer statistics

Revenue generating units – As of March 31, 2017, the total number of revenue generating units stood at 5,795,400, an increase of 30,000 (0.5%) from the end of 2016, compared with an increase of 17,800 in the first quarter of 2016 (Table 3). In the 12-month period ended March 31, 2017, the number of revenue-generating units increased by 130,100 (2.3%). Revenue-generating units are the sum of subscriptions to the cable television, cable Internet access and Club illico services, plus subscriber connections to the cable and mobile telephony services.

Mobile telephony service – As of March 31, 2017, the number of subscriber connections to the mobile telephony service stood at 920,900, an increase of 27,000 (3.0%) in the first quarter of 2017 (compared with an increase of 27,100 in the first quarter of 2016), and a 12-month increase of 125,200 (15.7%) (Table 3).

Cable Internet access – The number of subscribers to cable Internet access services stood at 1,628,100 at March 31, 2017, an increase of 15,300 (0.9%) in the first quarter of 2017 (compared with an increase of 9,900 in the same period of 2016), and a 12-month increase of 50,000 (3.2%) (Table 3). As of March 31, 2017, Videotron’s cable Internet access services had a household and business penetration rate (number of subscribers as a proportion of the total 2,845,700 homes and businesses passed by Videotron’s network as of March 31, 2017, up from 2,812,900 one year earlier) of 57.2% compared with 56.1% a year earlier.

Cable television – The combined customer base for all of Videotron’s cable television services decreased by 10,300 (-0.6%) in the first quarter of 2017 (compared with a decrease of 14,900 in the same period of 2016) and by 41,400 (-2.4%) in the 12-month period ended March 31, 2017 (Table 3). At the end of the first quarter of 2017, Videotron had 1,680,600 subscribers to its cable television services. The household and business penetration rate was 59.1% versus 61.2% a year earlier.

- As of March 31, 2017, the number of subscribers to the illico Digital TV service stood at 1,595,100, an increase of 8,000 (0.5%) in the first quarter of 2017 (compared with a decrease of 1,700 in the same quarter of 2016) and a 12-month increase of 26,200 (1.7%). As of March 31, 2017, illico Digital TV had a household and business penetration rate of 56.1% versus 55.8% a year earlier.

- The customer base for analog cable television services decreased by 18,300 (-17.6%) in the first quarter of 2017 (compared with a decrease of 13,200 in the same period of 2016) and by 67,600 over a 12-month period.

Cable telephony service – The number of subscriber connections to cable telephony service stood at 1,241,300 as of March 31, 2017, a quarterly decrease of 11,800 (-0.9%) (compared with a decrease of 12,000 in the same period of 2016), and a 12-month decrease of 63,000 (-4.8%) (Table 3). At March 31, 2017, the cable telephony service had a household and business penetration rate of 43.6% versus 46.4% a year earlier.

Club illico – As of March 31, 2017, the number of subscribers to Club illico stood at 324,500, an increase of 9,800 (3.1%) in the first quarter of 2017 (compared with an increase of 7,700 in the same period of 2016) and a 12-month increase of 59,300 (22.4%) (Table 3).

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

	March 2017	Dec. 2016	Sept. 2016	June 2016	March 2016	Dec. 2015	Sept. 2015	June 2015
Mobile telephony[1]	**920.9**	893.9	867.7	828.9	795.7	768.6	742.5	702.9
Cable Internet	**1,628.1**	1,612.8	1,596.1	1,571.7	1,578.1	1,568.2	1,559.5	1,539.1
Cable television:								
Analog	**85.5**	103.8	124.9	137.7	153.1	166.3	181.3	194.8
Digital	**1,595.1**	1,587.1	1,570.8	1,559.8	1,568.9	1,570.6	1,564.6	1,552.8
	1,680.6	1,690.9	1,695.7	1,697.5	1,722.0	1,736.9	1,745.9	1,747.6
Cable telephony[1]	**1,241.3**	1,253.1	1,265.1	1,284.0	1,304.3	1,316.3	1,329.5	1,337.7
Club illico	**324.5**	314.7	278.5	266.3	265.2	257.5	228.5	192.8
Total (revenue-generating units)	**5,795.4**	5,765.4	5,703.1	5,648.4	5,665.3	5,647.5	5,605.9	5,520.1

[1] In thousands of connections

Adjusted operating income: $377.1 million, an $18.4 million (5.1%) increase due primarily to:

- impact of the revenue increase.

Partially offset by:

- impact of the increased loss incurred on mobile device sales, partially offset by the favourable impact of “bring your own device” plans.

Cost/revenue ratio: Operating costs for all Telecommunications segment operations, expressed as a percentage of revenues, were 52.9% in the first quarter of 2017 compared with 53.6% in the same period of 2016, mainly because of the fixed component of costs, which does not fluctuate in proportion to revenue growth.

Cash flows from segment operations: $182.1 million in the first quarter of 2017, compared with $160.9 million in the same period of 2016 (Table 4).

- The $21.2 million increase was due to the $18.4 million increase in adjusted operating income and a $2.8 million decrease in additions to property, plant and equipment and to intangible assets.

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

	Three months ended March 31	
	2017	2016
Adjusted operating income	**$ 377.1**	$ 358.7
Additions to property, plant and equipment	**(161.8)**	(159.6)
Additions to intangible assets	**(33.6)**	(38.6)
Proceeds from disposal of assets	**0.4**	0.4
Cash flows from segment operations	**$ 182.1**	$ 160.9

Media

First quarter 2017 operating results

Revenues: $210.8 million in the first quarter of 2017, a $10.3 million (-4.7%) decrease.

- Broadcasting revenues increased $4.8 million (4.5%), mainly due to:
  - o increased subscription revenues at TVA Sports;
  - o higher advertising revenues at TVA Network and TVA Sports.

  Partially offset by:
  - o decreased revenues from commercial production.
- Film production and audiovisual service revenues decreased by $3.9 million (-25.2%), mainly because of lower revenues from soundstage and equipment leasing due to fewer major productions in the first quarter of 2017 than in the same period of 2016, partially offset by higher revenues from visual effects and postproduction.
- Newspaper publishing revenues decreased $4.6 million (-9.2%).
  - o Advertising revenues decreased 17.4%; circulation revenues decreased 5.8%; digital revenues decreased 6.5%; combined revenues from commercial printing and other sources increased 5.4%.
- Magazine publishing revenues decreased by $6.1 million (-22.2%) in the first quarter of 2017, mainly because of decreased advertising revenues, the discontinuance of some titles, lower newsstand and subscription revenues, and lower custom publishing revenues.
- Quebecor Media Out of Home's revenues increased $0.1 million (4.3%).
- Book distribution and publishing revenues decreased by $0.7 million (-3.6%), primarily as a result of lower general literature sales and lower volumes in mass market distribution, partially offset by higher revenues from scholastic publishing.
- Music distribution and production revenues decreased by $1.8 million (-17.5%), mainly because of lower CD sales in the first quarter of 2017 than in the same period of 2016, due primarily to the release of singer-songwriter Adele's hit album at the end of 2015.

Adjusted operating loss: $2.9 million in the first quarter of 2017, compared with $2.7 million in the same period of 2016, a $0.2 million (-7.4%) unfavourable variance.

- The $4.6 million favourable variance in adjusted operating income from broadcasting operations was due to:
  - o impact of higher subscription revenues at TVA Sports;
  - o impact of higher advertising revenues at TVA Network and TVA Sports;
  - o cost savings yielded by restructuring initiatives.

Partially offset by:

- o higher content costs at TVA Sports.

- The $3.7 million unfavourable variance in adjusted operating income from film production and audiovisual services was mainly due to the impact of the revenue decrease.
- Adjusted operating income from newspaper publishing increased by $0.3 million due to:
  - o favourable impact on adjusted operating income of reduced operating expenses, including the impact of restructuring initiatives, partially offset by the impact of the revenue decrease.
- Adjusted operating income from magazine publishing decreased by $1.7 million (-81.0%) mainly because of the impact of the decrease in revenues, partially offset by lower operating expenses, including printing, production and marketing expenses, as well as cost reductions related to restructuring initiatives.
- There was a $0.1 million (-8.3%) unfavourable variance in the adjusted operating loss of Quebecor Media Out of Home.
- There was a $0.3 million (33.3%) favourable variance in the adjusted operating loss of book distribution and publishing operations. The impact of increased revenues and margins in scholastic publishing and lower operating expenses in general literature outweighed the impact of decreased revenues from general literature and distribution.
- There was a $0.2 million unfavourable variance in the adjusted operating loss of the music distribution and production business, due primarily to the impact of the revenue decrease.

Cost/revenue ratio: Employee costs and purchases of goods and services for all Media segment operations, expressed as a percentage of revenues, were 101.4% in the first quarter of 2017 compared with 101.2% in the same period of 2016.

Cash flows from segment operations: Negative $10.0 million in the first quarter of 2017 compared with negative $18.2 million in the same period of 2016 (Table 5). The $8.2 million favourable variance was mainly due to the $8.4 million decrease in additions to property, plant and equipment and to intangible assets.

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

	Three months ended March 31	
	2017	2016
Adjusted operating loss	**$ (2.9)**	$ (2.7)
Additions to property, plant and equipment	**(6.0)**	(13.7)
Additions to intangible assets	**(1.1)**	(1.8)
Cash flows from segment operations	**$ (10.0)**	$ (18.2)

Sports and Entertainment

First quarter 2017 operating results

Revenues: $11.4 million in the first quarter of 2017, a $1.1 million (10.7%) increase due primarily to:

- higher revenues from concerts and events at the Videotron Centre;
- higher revenues from Gestev sporting events.

Adjusted operating loss: $0.1 million in the first quarter of 2017 compared with $0.8 million in the same period of 2016. The $0.7 million favourable variance was due mainly to the impact of the revenue increase.

Cash flows from segment operations: Negative $0.2 million in the first quarter of 2017 compared with negative $1.7 million in the same period of 2016 (Table 6). The $1.5 million favourable variance was due to the $0.8 million decrease in additions to property, plant and equipment and to intangible assets, and the $0.7 million decrease in the adjusted operating loss.

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

	Three months ended March 31	
	2017	2016
Adjusted operating loss	**$ (0.1)**	$ (0.8)
Additions to property, plant and equipment	**(0.1)**	(0.6)
Additions to intangible assets	**–**	(0.3)
Cash flows from segment operations	**$ (0.2)**	$ (1.7)

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

Cash flows provided by operating activities: $147.3 million in the first quarter of 2017, compared with $219.5 million in the same period of 2016.

- The $72.2 million decrease was mainly due to:
  - $139.9 million unfavourable change in non-cash operating assets and liabilities, due primarily to unfavourable variances in inventory, income tax and accounts payable in the Telecommunications segment.

  Partially offset by:
  - $34.8 million decrease in current income taxes;
  - $18.8 million favourable variance in the cash portion of restructuring of operations, litigation and other items;
  - $18.4 million increase in adjusted operating income in the Telecommunications segment.

Increased inventory and decreased accounts payable in the Telecommunications segment had a negative impact on cash flows provided by continuing operating activities in the first quarter of 2017, while higher profitability in the segment had a positive impact.

Working capital: Negative $305.9 million at March 31, 2017 compared with negative $429.9 million at December 31, 2016. The $124.0 million favourable variance was mainly due to investments in inventory and decreases in income tax payable and in accounts payable.

Investing activities

Additions to property, plant and equipment: $168.3 million in the first quarter of 2017, compared with $174.2 million in the same period of 2016, a $5.9 million decrease.

Additions to intangible assets: $35.1 million in the first quarter of 2017, compared with $41.5 million in the same period of 2016. The Telecommunications segment accounted for the largest part of the $6.4 million decrease.

Proceeds from disposal of assets: $0.4 million in the first quarter of 2017, comparable to the same period of 2016.

Business acquisitions: $5.6 million in the first quarter of 2017 compared with $119.3 million in the same period of 2016.

- In the first quarter of 2017, business acquisitions consisted of payments on the balance payable on the acquisition of Fibrenoire by the Telecommunications segment.
- In the first quarter of 2016, business acquisitions included, among others, the acquisition of Fibrenoire by the Telecommunications segment.

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

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

Free cash flows from continuing operating activities of Quebecor Media: Negative $47.1 million in the first quarter of 2017 compared with positive $4.4 million in the same period of 2016 (Table 7).

- The $51.5 million unfavourable variance was due to:
  - $63.8 million decrease in cash flows provided by operating activities.

  Partially offset by:
  - $12.3 million decrease in additions to property, plant and equipment and 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)

	Three months ended March 31	
	2017	2016
Cash flows from segment operations		
Telecommunications	**$ 182.1**	$ 160.9
Media	**(10.0)**	(18.2)
Sports and Entertainment	**(0.2)**	(1.7)
Quebecor Media Head Office	**(7.6)**	(1.6)
	164.3	139.4
Cash interest expense	**(69.4)**	(73.1)
Cash portion of restructuring of operations, litigation and other items	**10.9**	(7.9)
Current income taxes	**(3.4)**	(38.2)
Other	**1.3**	1.5
Net change in operating assets and liabilities	**(150.8)**	(17.3)
Free cash flows from continuing operating activities of Quebecor Media	**$ (47.1)**	$ 4.4

Table 8

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

(in millions of Canadian dollars)

	Three months ended March 31	
	2017	2016
Free cash flows from continuing operating activities of Quebecor Media presented in Table 7	**$ (47.1)**	$ 4.4
Quebecor Head Office cash flow items:		
Cash flows from segment operations	**(2.2)**	–
Cash interest expense	**(5.9)**	(6.1)
Net change in operating assets and liabilities	**(0.5)**	5.9
	(8.6)	(0.2)
Plus additions to property, plant and equipment	**168.3**	174.2
Plus additions to intangible assets	**35.1**	41.5
Minus proceeds from disposal of assets	**(0.4)**	(0.4)
Cash flows provided by operating activities of Quebecor	**$ 147.3**	$ 219.5

Financing activities

Consolidated debt (long-term debt plus bank indebtedness): $37.4 million increase in the first quarter of 2017; $48.0 million net unfavourable variance in assets and liabilities related to derivative financial instruments.

- Summary of first quarter 2017 debt increases:
  - Increased use by Videotron and TVA Group Inc. ("TVA Group") of their secured revolving credit facilities in the amounts of $190.7 million and $6.7 million respectively;
  - $48.6 million increase in bank indebtedness of Videotron, TVA Group and Quebecor Media.
- Summary of first quarter 2017 debt reductions:
  - redemption by Videotron on January 5, 2017 of $175.0 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, in accordance with a notice issued on December 2, 2016;
  - $34.7 million favourable impact of exchange rate fluctuations. The consolidated debt reduction attributable to this item was offset by a decrease in the asset (or increase in the liability) related to cross-currency swap agreements entered under "Derivative financial instruments."
- Assets and liabilities related to derivative financial instruments totalled a net asset of $760.7 million at March 31, 2017 compared with $808.7 million at December 31, 2016. The $48.0 million net unfavourable variance was mainly due to the unfavourable impact of exchange rate fluctuations on the value of derivative financial instruments.
- On May 4, 2017, Videotron transferred all then existing commitments under its unsecured revolving credit facility to its secured revolving credit facility, hence increasing its secured facility from $630.0 million to $965.0 million and terminating its unsecured facility.
- On May 1, 2017, Quebecor Media redeemed the entirety of its outstanding 7.375% Senior Notes issued on January 5, 2011 and maturing on January 15, 2021, in the aggregate principal amount of $325.0 million, at a redemption price of 102.458% of their principal amount, in accordance with a notice issued on March 31, 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, in accordance with a notice issued on March 31, 2017.
- On April 13, 2017, Videotron issued US$600.0 million aggregate principal amount of 5.125% Senior Notes maturing on April 15, 2027, for net proceeds of $794.5 million, net of financing fees of $9.9 million.

Financial Position

Net available liquidity: $1.16 billion at March 31, 2017 for Quebecor Media and its wholly owned subsidiaries, consisting of $1.22 billion in available unused revolving credit facilities, less $59.3 million in bank indebtedness, pro forma the issuance in April 2017 of US$600 million of Senior Notes bearing interest at 5.125% and maturing on April 15, 2027, the redemption in May 2017 of aggregate principal amount $450.0 million of Senior Notes bearing interest at 7.375% and 6.875% and maturing on January 15, 2021 and July 15, 2021 respectively, and reduced drawings on Videotron's secured revolving credit facility following the above financial transactions ("financial transactions completed since the end of the first quarter of 2017").

Net available liquidity: $150.2 million as at March 31, 2017 for Quebecor at the corporate level, consisting of $0.2 million in cash and cash equivalents and $150.0 million in available unused revolving credit facilities.

Consolidated debt (long-term debt plus bank indebtedness): $5.73 billion at March 31, 2017, a $37.4 million increase compared with December 31, 2016; $48.0 million net unfavourable variance in assets and liabilities related to derivative financial instruments (see "Financing activities" above).

- Consolidated debt essentially consisted of Videotron's $3.21 billion debt ($3.17 billion at December 31, 2016); TVA Group's $81.7 million debt ($69.1 million at December 31, 2016); Quebecor Media's $2.41 billion debt ($2.41 billion at December 31, 2016); and Quebecor's $30.3 million debt ($30.6 million at December 31, 2016).

As at March 31, 2017, minimum principal payments on long-term debt in the coming years were as follows:

Table 9
Minimum principal payments on Quebecor's long-term debt
12 months ending March 31
(in millions of Canadian dollars)

2018	$	52.5
2019		26.3
2020		54.0
2021		762.2
2022		523.8
2023 and thereafter		4,267.3
Total	**$**	**5,686.1**

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.

Pro forma the financial transactions completed since the end of the first quarter of 2017, the weighted average term of Quebecor's consolidated debt was approximately 6.8 years as of March 31, 2017 (6.1 years as of December 31, 2016). After taking into account hedging instruments, the debt consisted of approximately 86.5% fixed-rate debt (83.2% at December 31, 2016) and 13.5% floating-rate debt (16.8% at December 31, 2016).

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

Pursuant to its financing agreements, the Corporation is required to maintain certain financial ratios and comply with certain financial covenants. The key indicators listed in those financing agreements include debt service coverage ratio and debt ratio (long-term debt over adjusted operating income). At March 31, 2017, the Corporation was in compliance with all required financial ratios and restrictive covenants in its financing agreements.

Dividends declared

- On May 10, 2017, the Board of Directors of Quebecor declared a quarterly dividend of $0.055 per share on its Class A Multiple Voting Shares ("Class A Shares") and Class B Subordinate Voting Shares ("Class B Shares"), payable on June 20, 2017 to shareholders of record at the close of business on May 26, 2017.

Analysis of consolidated balance sheet as at March 31, 2017

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

	March 31, 2017	Dec. 31, 2016	Difference	Main reasons for difference
Assets				
Accounts receivable	**$ 500.8**	$ 525.4	$ (24.6)	Impact of current variances in activity
Income taxes[1]	**17.7**	(28.3)	46.0	Increased depreciation and amortization for tax purposes and recognition of related tax benefits
Inventories	**207.9**	183.3	24.6	Impact of current variances in activity
Property, plant and equipment	**3,586.9**	3,605.1	(18.2)	Depreciation for the period less additions to property, plant and equipment on an accrual basis
Derivative financial instruments[2]	**760.7**	808.7	(48.0)	See "Financing Activities"
Liabilities				
Accounts payable and accrued charges	**598.0**	705.9	(107.9)	Impact of current variances in activity and reduction in accounts payable on capital purchases
Long-term debt, including short-term portion and bank indebtedness	**5,725.0**	5,687.6	37.4	See "Financing Activities"
Other liabilities	**574.6**	516.2	58.4	Losses on embedded derivatives related to convertible debentures
Deferred income tax[3]	**563.0**	544.9	18.1	Net deferred income tax expense

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

ADDITIONAL INFORMATION

Contractual Obligations

At March 31, 2017, material contractual obligations of operating activities included: capital repayment and interest payments 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 March 31, 2017
(in millions of Canadian dollars)

	Total	Under 1 year	1-3 years	3-5 years	5 years or more
Long-term debt[1]	**$ 5,686.1**	$ 52.5	$ 80.3	$ 1,286.0	$ 4,267.3
Convertible debentures[2]	**852.2**	–	852.2	–	–
Interest payments[3]	**1,655.2**	216.8	570.2	493.7	374.5
Operating leases	**223.2**	48.7	66.9	28.7	78.9
Additions to property, plant and equipment and other commitments	**1,162.1**	192.1	256.9	221.7	491.4
Derivative financial instruments[4]	**(808.1)**	(17.8)	1.1	(93.5)	(697.9)
Total contractual obligations	**$ 8,770.7**	**$ 492.3**	**$ 1,827.6**	**$ 1,936.6**	**$ 4,514.2**

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, embedded derivatives and financing fees.
2 Based on the market value at March 31, 2017 of a number of shares obtained by dividing the outstanding principal amount by the market price of a Quebecor Class B share at that date, subject to a floor price of $19.25 per share and a ceiling price of $24.0625. The Corporation may also redeem convertible debentures by issuing the corresponding number of Class B Shares.
3 Estimated interest payable on long-term debt and convertible debentures, based on interest rates, hedging of interest rates and hedging of foreign exchange rates as of March 31, 2017.
4 Estimated future receipts, net of disbursements, related to foreign exchange hedging using derivative financial instruments.

Related party transactions

In the first quarter of 2017, the Corporation made sales to affiliated corporations in the amount of $0.7 million ($1.0 million in the same period of 2016).

Capital stock

In accordance with Canadian financial reporting standards, Table 12 below presents information on the Corporation's capital stock as at April 30, 2017. In addition, 440,000 stock options were outstanding as of April 30, 2017.

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

	April 30, 2017	
	Issued and outstanding	Book value
Class A Shares	**38,753,772**	**$ 8.6**
Class B Shares	**82,651,692**	**313.0**

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

In the first quarter of 2017, the Corporation purchased and cancelled 329,600 Class B Shares for a total cash consideration of $12.8 million (39,600 Class B Shares for a total cash consideration of $1.3 million in the first quarter of 2016). The $11.6 million excess of the purchase price over the carrying value of the repurchased Class B Shares was recorded as a reduction in retained earnings ($1.2 million in the first quarter of 2016).

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 Canadian dollars future payments on debts denominated in U.S. dollars (interest and principal) and certain purchases of inventories and other capital expenditures denominated in a foreign currency, (ii) to achieve a targeted balance of fixed- and floating-rate debt, and (iii) to lock-in the value of certain derivative financial instruments through offsetting transactions. The Corporation does not intend to settle its derivative financial instruments prior to their maturity as none of these instruments is held or issued for speculative purposes.

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

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

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

	March 31, 2017		December 31, 2016	
Asset (liability)	**Carrying value**	**Fair value**	Carrying value	Fair value
Long-term debt[1,2]	**$ (5,686.1)**	**$ (5,908.6)**	$ (5,700.8)	$ (5,866.6)
Convertible debentures[3]	**(854.1)**	**(854.1)**	(780.0)	(780.0)
Derivative financial instruments				
Early settlement options	**–**	**–**	0.4	0.4
Foreign exchange forward contracts[4]	**1.5**	**1.5**	2.5	2.5
Interest rate swaps	**(0.2)**	**(0.2)**	(0.3)	(0.3)
Cross-currency interest rate swaps[4]	**759.4**	**759.4**	806.5	806.5

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

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

3 The carrying value and fair value of convertible debentures consist of the initial capital investment and the value of the cap and floor conversion price features, recognized as embedded derivatives.

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

The fair value of long-term debt and convertible debentures is estimated based on quoted market prices when available or on valuation models. When the Corporation uses valuation models, the fair value is estimated using discounted cash flows using yea--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 of the Corporation.

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

Losses and gains on valuation and translation of financial instruments in the first quarters of 2017 and 2016 are summarized in Table 14.

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

	Three months ended March 31	
	2017	2016
Loss (gain) on embedded derivatives related to convertible debentures	**$ 72.7**	$ (7.8)
Loss on the ineffective portion of fair value hedges	**0.3**	1.2
Loss on the ineffective portion of cash flow hedges	**–**	0.1
Gain on embedded derivatives related to long term debt	**(0.6)**	(0.1)
	$ 72.4	$ (6.6)

A $12.3 million loss was recorded under "Other comprehensive income" in the first quarter of 2017 in relation to cash flow hedging relationships ($10.1 million gain in the first quarter of 2016).

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 March 31, 2017 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

Additional Information

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

Cautionary statement regarding forward-looking statements

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

- Quebecor Media's ability to continue successfully developing its network and the facilities that support its mobile services;

- general economic, financial or market conditions and variations in the businesses of local, regional and national advertisers in Quebecor Media's newspapers, television outlets and other media properties;
- the intensity of competitive activity in the industries in which Quebecor operates;
- fragmentation of the media landscape;
- new technologies that might change consumer behaviour with respect to Quebecor Media's product suites;
- unanticipated higher capital spending required for developing Quebecor Media's network or to address the continued development of competitive alternative technologies, or the inability to obtain additional capital to continue the development of Quebecor's business;
- Quebecor's ability to implement its business and operating strategies successfully and to manage its growth and expansion;
- disruptions to the network through which Quebecor Media provides its digital cable television, Internet access, telephony and Club illico services, and its ability to protect such services against piracy, unauthorized access and other security breaches;
- labour disputes or strikes;
- changes in Quebecor Media's ability to obtain services and equipment critical to its operations;
- changes in laws and regulations, or in their interpretations, which could result, among other things, in the loss (or reduction in value) of Quebecor Media's licences or markets, or in an increase in competition, compliance costs or capital expenditures;
- Quebecor Media's ability to successfully develop its Sports and Entertainment segment and other expanding lines of business in its other segments;
- Quebecor's substantial indebtedness, the tightening of credit markets, and the restrictions on its business imposed by the terms of its debt; and
- interest rate fluctuations that could affect Quebecor's interest payment requirements on long-term debt.

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

The forward-looking statements in this Management Discussion and Analysis reflect the Corporation's expectations as of May 11, 2017, and are subject to change after that 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

May 11, 2017

QUEBECOR INC.

SELECTED QUARTERLY FINANCIAL DATA

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

	2017				2016			2015
	March 31	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30
Revenues	**$ 996.4**	$ 1,050.4	$ 998.3	$ 992.5	$ 975.4	$ 1,023.5	$ 974.5	$ 963.8
Adjusted operating income	**365.1**	389.3	389.8	360.3	354.7	360.8	391.4	349.3
Contribution to net (loss) income attributable to shareholders:								
Continuing operating activities	**70.9**	84.7	83.2	69.9	67.7	58.0	74.0	66.5
(Loss) gain on valuation and translation of financial instruments	**(72.5)**	50.0	(68.2)	(57.0)	6.8	(85.5)	51.1	47.7
Unusual items	**1.4**	(11.4)	(23.3)	(3.1)	(4.6)	(6.6)	(38.1)	(33.0)
Discontinued operations	**-**	-	-	-	-	(0.7)	(1.9)	(9.1)
Net (loss) income attributable to shareholders	**(0.2)**	123.3	(8.3)	9.8	69.9	(34.8)	85.1	72.1
Basic data per share								
Contribution to net (loss) income attributable to shareholders:								
Continuing operating activities	**$ 0.58**	$ 0.69	$ 0.68	$ 0.57	$ 0.55	$ 0.47	$ 0.60	$ 0.54
(Loss) gain on valuation and translation of financial instruments	**(0.59)**	0.41	(0.56)	(0.47)	0.06	(0.70)	0.42	0.39
Unusual items	**0.01**	(0.09)	(0.19)	(0.02)	(0.04)	(0.05)	(0.31)	(0.27)
Discontinued operations	**-**	-	-	-	-	-	(0.02)	(0.07)
Net (loss) income attributable to shareholders	**-**	1.01	(0.07)	0.08	0.57	(0.28)	0.69	0.59
Weighted average number of shares outstanding (in millions)	**121.6**	122.1	122.3	122.4	122.5	122.5	122.7	122.8
Diluted data per share								
Contribution to net (loss) income attributable to shareholders:								
Continuing operating activities	**$ 0.52**	$ 0.62	$ 0.61	$ 0.51	$ 0.50	$ 0.43	$ 0.54	$ 0.49
Dilution impact	**0.06**	-	0.07	0.06	-	0.04	-	-
(Loss) gain on valuation and translation of financial instruments	**(0.59)**	-	(0.56)	(0.47)	(0.01)	(0.70)	-	-
Unusual items	**0.01**	(0.08)	(0.19)	(0.02)	(0.03)	(0.05)	(0.27)	(0.23)
Discontinued operations	**-**	-	-	-	-	-	(0.01)	(0.07)
Net (loss) income attributable to shareholders	**-**	0.54	(0.07)	0.08	0.46	(0.28)	0.26	0.19
Weighted average number of diluted shares outstanding (in millions)	**121.6**	143.3	122.3	122.8	143.6	122.5	143.7	143.9