

Condensed consolidated financial statements of

QUEBECOR INC. AND ITS SUBSIDIARIES

Three-month periods ended March 31, 2016 and 2015

QUEBECOR INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

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

Three months ended
March 31

	Note	2016	2015
Revenues	2	\$ 975.4	\$ 929.0
Employee costs	3	185.0	181.5
Purchase of goods and services	3	435.7	408.3
Depreciation and amortization		161.7	181.5
Financial expenses	4	80.8	87.8
(Gain) loss on valuation and translation of financial instruments	5	(6.6)	5.1
Restructuring of operations and other items	6	7.9	4.4
Gain on debt refinancing		-	(1.7)
Income before income taxes		110.9	62.1
Income taxes (recovery):			
Current		38.2	36.3
Deferred		(10.5)	(14.4)
		27.7	21.9
Income from continuing operations		83.2	40.2
Loss from discontinued operations	14	-	(4.3)
Net income		\$ 83.2	\$ 35.9
Income from continuing operations attributable to			
Shareholders		\$ 69.9	\$ 31.5
Non-controlling interests		13.3	8.7
Net income attributable to			
Shareholders		\$ 69.9	\$ 29.4
Non-controlling interests		13.3	6.5
Earnings per share attributable to shareholders	9		
Basic:			
From continuing operations		\$ 0.57	\$ 0.26
From discontinued operations		-	(0.02)
Net income		0.57	0.24
Diluted:			
From continuing operations		0.46	0.26
From discontinued operations		-	(0.02)
Net income		0.46	0.24
Weighted average number of shares outstanding (in millions)		122.5	122.9
Weighted average number of diluted shares (in millions)		143.6	123.2

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of Canadian dollars)
(unaudited)

Three months ended
March 31

	Note	2016	2015
Income from continuing operations		\$ 83.2	\$ 40.2
Other comprehensive loss from continuing operations:			
Items that may be reclassified to income:			
Cash flow hedges:			
Gain on valuation of derivative financial instruments		10.1	7.3
Deferred income taxes		15.3	(22.4)
Items that will not be reclassified to income:			
Defined benefit plans:			
Re-measurement loss		(78.0)	-
Deferred income taxes		21.0	-
Reclassification to income:			
Gain related to cash flow hedges		-	(1.8)
Deferred income taxes		-	0.4
		(31.6)	(16.5)
Comprehensive income from continuing operations		51.6	23.7
Loss from discontinued operations	14	-	(4.3)
Comprehensive income		\$ 51.6	\$ 19.4
Comprehensive income from continuing operations attributable to			
Shareholders		\$ 47.1	\$ 19.2
Non-controlling interests		4.5	4.5
Comprehensive income attributable to			
Shareholders		\$ 47.1	\$ 17.2
Non-controlling interests		4.5	2.2

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES

SEGMENTED INFORMATION

(in millions of Canadian dollars)
(unaudited)

Three months ended March 31, 2016

	Telecommuni- cations	Media	Sports and Enter- tainment	Head office and Inter- segments	Total
Revenues	\$ 772.5	\$ 221.1	\$ 10.3	\$ (28.5)	\$ 975.4
Employee costs	99.1	69.7	4.4	11.8	185.0
Purchase of goods and services	314.7	154.1	6.7	(39.8)	435.7
Adjusted operating income ¹	358.7	(2.7)	(0.8)	(0.5)	354.7
Depreciation and amortization					161.7
Financial expenses					80.8
Gain on valuation and translation of financial instruments					(6.6)
Restructuring of operations and other items					7.9
Income before income taxes					\$ 110.9
Additions to property, plant and equipment	\$ 159.6	\$ 13.7	\$ 0.6	\$ 0.3	\$ 174.2
Additions to intangible assets	38.6	1.8	0.3	0.8	41.5

Three months ended March 31, 2015

	Telecommuni- cations	Media	Sports and Enter- tainment	Head office and Inter- segments	Total
Revenues	\$ 734.3	\$ 215.1	\$ 4.8	\$ (25.2)	\$ 929.0
Employee costs	92.9	77.3	2.1	9.2	181.5
Purchase of goods and services	297.8	143.9	2.6	(36.0)	408.3
Adjusted operating income ¹	343.6	(6.1)	0.1	1.6	339.2
Depreciation and amortization					181.5
Financial expenses					87.8
Loss on valuation and translation of financial instruments					5.1
Restructuring of operations and other items					4.4
Gain on debt refinancing					(1.7)
Income before income taxes					\$ 62.1
Additions to property, plant and equipment	\$ 161.6	\$ 7.1	\$ 1.1	\$ -	\$ 169.8
Additions to intangible assets	24.9	1.7	0.1	0.6	27.3

¹ The Chief Executive Officer uses adjusted operating income as the measure of profit to assess the performance of each segment. Adjusted operating income is referred to 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 and other items, gain on debt refinancing, income taxes and loss from discontinued operations.

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY

(in millions of Canadian dollars)
(unaudited)

	Equity attributable to shareholders				Equity attributable to non-controlling interests	Total equity
	Capital stock (note 10)	Contributed surplus	Retained earnings	Accumulated other comprehensive loss (note 12)		
Balance as of December 31, 2014	\$ 327.2	\$ 2.3	\$ 238.9	\$ (64.4)	\$ 559.3	\$ 1,063.3
Net income	-	-	29.4	-	6.5	35.9
Other comprehensive loss	-	-	-	(12.2)	(4.3)	(16.5)
Dividends	-	-	(3.1)	-	(6.2)	(9.3)
Issuance of shares of a subsidiary to non-controlling interests	-	-	-	-	12.1	12.1
Non-controlling interests acquisition	-	-	14.1	-	(14.1)	-
Balance as of March 31, 2015	327.2	2.3	279.3	(76.6)	553.3	1,085.5
Net income	-	-	122.4	-	21.8	144.2
Other comprehensive loss	-	-	-	(27.3)	(8.8)	(36.1)
Dividends or distributions	-	-	(12.9)	-	(17.2)	(30.1)
Repurchase of Class B Shares	(1.6)	-	(10.8)	-	-	(12.4)
Non-controlling interests and business acquisitions	-	-	(295.8)	(7.3)	(196.0)	(499.1)
Balance as of December 31, 2015	325.6	2.3	82.2	(111.2)	353.1	652.0
Net income	-	-	69.9	-	13.3	83.2
Other comprehensive loss	-	-	-	(22.8)	(8.8)	(31.6)
Dividends or distributions	-	-	(4.3)	-	(4.7)	(9.0)
Repurchase of Class B Shares	(0.1)	-	(1.2)	-	-	(1.3)
Balance as of March 31, 2016	\$ 325.5	\$ 2.3	\$ 146.6	\$ (134.0)	\$ 352.9	\$ 693.3

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars)
(unaudited)

Three months ended
March 31

	Note	2016	2015
Cash flows related to operating activities			
Income from continuing operations		\$ 83.2	\$ 40.2
Adjustments for:			
Depreciation of property, plant and equipment		139.6	147.9
Amortization of intangible assets		22.1	33.6
(Gain) loss on valuation and translation of financial instruments	5	(6.6)	5.1
Gain on debt refinancing		-	(1.7)
Amortization of financing costs and long-term debt discount	4	1.6	2.0
Deferred income taxes		(10.5)	(14.4)
Other		1.5	2.0
		<u>230.9</u>	<u>214.7</u>
Net change in non-cash balances related to operating activities		(11.4)	(68.4)
Cash flows provided by continuing operating activities		<u>219.5</u>	<u>146.3</u>
Cash flows related to investing activities			
Business acquisitions	7	(119.3)	(35.5)
Business disposals	14	3.0	-
Additions to property, plant and equipment		(174.2)	(169.8)
Additions to intangible assets		(41.5)	(27.3)
Proceeds from disposals of assets		0.4	0.3
Other		-	0.2
Cash flows used in continuing investing activities		<u>(331.6)</u>	<u>(232.1)</u>
Cash flows related to financing activities			
Net change in bank indebtedness		44.0	(3.9)
Net change under revolving facilities		65.9	(12.6)
Repayments of long-term debt	8	(2.6)	(6.5)
Settlement of hedging contracts		5.8	(0.1)
Issuance of shares of a subsidiary to non-controlling interests		-	12.1
Repurchase of Class B Shares	10	(1.3)	-
Dividends or distributions paid to non-controlling interests		(4.7)	(6.2)
Cash flows provided by (used in) continuing financing activities		<u>107.1</u>	<u>(17.2)</u>
Net change in cash and cash equivalents from continuing operations		(5.0)	(103.0)
Cash flows used in discontinued operations	14	-	(20.3)
Cash and cash equivalents at beginning of period		18.6	395.3
Cash and cash equivalents at end of period		<u>\$ 13.6</u>	<u>\$ 272.0</u>
Cash and cash equivalents consist of			
Cash		\$ 11.8	\$ 166.8
Cash equivalents		1.8	105.2
		<u>\$ 13.6</u>	<u>\$ 272.0</u>
Interest and taxes reflected as operating activities			
Cash interest payments		\$ 42.6	\$ 31.0
Cash income tax payments (net of refunds)		34.5	66.8

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars)
(unaudited)

	Note	March 31 2016	December 31 2015
Assets			
Current assets			
Cash and cash equivalents		\$ 13.6	\$ 18.6
Accounts receivable		460.0	494.1
Income taxes		22.0	28.6
Inventories		194.1	215.5
Prepaid expenses		73.2	46.0
		<u>762.9</u>	<u>802.8</u>
Non-current assets			
Property, plant and equipment		3,474.3	3,424.9
Intangible assets		1,191.5	1,178.0
Goodwill		2,770.4	2,678.4
Derivative financial instruments		780.4	1,072.4
Deferred income taxes		34.3	29.5
Other assets		99.2	89.9
		<u>8,350.1</u>	<u>8,473.1</u>
Total assets		<u>\$ 9,113.0</u>	<u>\$ 9,275.9</u>
Liabilities and equity			
Current liabilities			
Bank indebtedness		\$ 78.3	\$ 34.3
Accounts payable and accrued charges		609.5	654.9
Provisions		65.9	67.1
Deferred revenue		314.0	321.5
Income taxes		2.6	9.1
Current portion of long-term debt	8	20.1	44.0
		<u>1,090.4</u>	<u>1,130.9</u>
Non-current liabilities			
Long-term debt	8	5,717.2	5,812.4
Derivative financial instruments		7.9	118.7
Convertible debentures		500.0	500.0
Other liabilities		527.5	448.2
Deferred income taxes		576.7	613.7
		<u>7,329.3</u>	<u>7,493.0</u>
Equity			
Capital stock	10	325.5	325.6
Contributed surplus		2.3	2.3
Retained earnings		146.6	82.2
Accumulated other comprehensive loss	12	(134.0)	(111.2)
Equity attributable to shareholders		<u>340.4</u>	<u>298.9</u>
Non-controlling interests		352.9	353.1
		<u>693.3</u>	<u>652.0</u>
Total liabilities and equity		<u>\$ 9,113.0</u>	<u>\$ 9,275.9</u>

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month periods ended March 31, 2016 and 2015
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

Quebecor Inc. ("Quebecor" or the "Corporation") is incorporated under the laws of Québec. The Corporation's head office and registered office is located at 612 rue Saint-Jacques, Montréal (Québec), Canada. Quebecor is a holding corporation with interests in Quebecor Media Inc. ("Quebecor Media") and in subsidiaries controlled by Quebecor Media.

The Corporation operates, through its subsidiaries, in the following industry segments: Telecommunications, Media, and Sports and Entertainment. The Telecommunications segment offers television distribution, Internet access, business solutions (including data centers), cable and mobile telephony and over-the-top video services in Canada and is engaged in the rental of movies, televisual products and video games through its video-on-demand service and rental stores. The operations of the Media segment in Québec include the operation of an over-the-air television network, the operation of specialty television services, the operation of studio rental, 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 sites, the publishing of books and magazines, the distribution of books, magazines and movies, the distribution and production of music, 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, 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 2015 annual consolidated financial statements, which contain a description of the accounting policies used in the preparation of these condensed financial statements.

These condensed consolidated financial statements were approved for issue by the Board of Directors of Quebecor on May 11, 2016.

Comparative figures for the three-month period ended March 31, 2015 have been restated to conform to the presentation adopted for the three-month period ended March 31, 2016.

2. REVENUES

The breakdown of revenues between services rendered and product sales is as follows:

	Three months ended March 31	
	2016	2015
Services rendered	\$ 906.5	\$ 851.0
Product sales	68.9	78.0
	\$ 975.4	\$ 929.0

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2016 and 2015
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

3. EMPLOYEE COSTS AND PURCHASE OF GOODS AND SERVICES

The main components of employee costs and purchase of goods and services are as follows:

	Three months ended March 31	
	2016	2015
Employee costs	\$ 232.3	\$ 224.2
Less employee costs capitalized to property, plant and equipment and intangible assets	(47.3)	(42.7)
	185.0	181.5
Purchase of goods and services:		
Royalties, rights and creation costs	186.2	188.0
Cost of products sold	67.3	63.8
Service contracts	40.6	38.8
Marketing, circulation and distribution expenses	26.6	17.4
Building expenses	20.7	18.9
Other	94.3	81.4
	435.7	408.3
	\$ 620.7	\$ 589.8

4. FINANCIAL EXPENSES

	Three months ended March 31	
	2016	2015
Interest on long-term debt and on debentures	\$ 77.4	\$ 81.6
Amortization of financing costs and long-term debt discount	1.6	2.0
Interest on net defined benefit liability	1.8	1.3
(Gain) loss on foreign currency translation on short-term monetary items	(0.4)	3.8
Other	0.4	(0.9)
	\$ 80.8	\$ 87.8

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2016 and 2015
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

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

	Three months ended March 31	
	2016	2015
Gain on embedded derivatives related to long term	\$ (0.1)	\$ (0.1)
(Gain) loss on embedded derivatives related to convertible debentures	(7.8)	7.6
Gain on reversal of embedded derivatives on debt redemption	–	(0.3)
Loss on the ineffective portion of cash flow hedges	0.1	0.8
Loss (gain) on the ineffective portion of fair value hedges	1.2	(2.9)
	\$ (6.6)	\$ 5.1

6. RESTRUCTURING OF OPERATIONS AND OTHER ITEMS

	Three months ended March 31	
	2016	2015
Restructuring of operations	\$ 6.7	\$ 4.0
Other items	1.2	0.4
	\$ 7.9	\$ 4.4

Restructuring costs in 2016 and 2015 are related to various cost reduction initiatives across the organization.

7. BUSINESS ACQUISITIONS

On January 7, 2016, Videotron Ltd. (“Videotron”) acquired Fibrenoire inc. (“Fibrenoire”), a company that provides businesses with fibre-optic connectivity services, for a purchase price of \$125.0 million. At closing, Videotron paid an amount of \$119.1 million, net of cash acquired of \$1.8 million. The balance payable of \$4.1 million could be subject to certain adjustments related to working capital items and other conditions. The transaction will enable Videotron Business Solutions and Fibrenoire to join forces to meet the growing demand from business customers for fibre-optic connectivity. The purchase price allocation was accounted for on a preliminary basis and will be finalized by the end of the year. The assets acquired are mainly comprised of tangible assets of \$33.0 million and intangible assets, including goodwill, of \$98.0 million. Goodwill arising from this acquisition reflects anticipated synergies and future growth potential.

An amount of \$0.2 million was also paid in the first quarter of 2016 on a 2015 business acquisition.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2016 and 2015
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

8. LONG-TERM DEBT

Components of long-term debt are as follows:

	March 31, 2016	December 31, 2015
Long-term debt	\$ 5,764.3	\$ 5,892.5
Change in fair value related to hedged interest rate risk	19.0	11.4
Adjustment related to embedded derivatives	0.5	0.6
Financing fees, net of amortization	(46.5)	(48.1)
	5,737.3	5,856.4
Less current portion	(20.1)	(44.0)
	\$ 5,717.2	\$ 5,812.4

9. 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 March 31	
	2016	2015
Income from continuing operations attributable to shareholders	\$ 69.9	\$ 31.5
Impact of assumed conversion of stock options of subsidiaries and of convertible debentures of the Corporation	(4.2)	(0.1)
Income from continuing operations attributable to shareholders, adjusted for dilution effect	\$ 65.7	\$ 31.4
Net income attributable to shareholders	\$ 69.9	\$ 29.4
Impact of assumed conversion of stock options of subsidiaries and of convertible debentures of the Corporation	(4.2)	(0.1)
Net income attributable to shareholders, adjusted for dilution effect	\$ 65.7	\$ 29.3
Weighted average number of shares outstanding (in millions)	122.5	122.9
Potentially dilutive effect of stock options and of convertible debentures of the Corporation (in millions)	21.1	0.3
Weighted average number of diluted shares outstanding (in millions)	143.6	123.2

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2016 and 2015
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

10. 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 Subordinate Voting Shares ("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, 2015	38,926,372	\$ 8.7	83,536,792	\$ 316.9
Class A Shares converted into Class B Shares	(23,200)	–	23,200	–
Shares purchased and cancelled	–	–	(39,600)	(0.1)
Balance as of March 31, 2016	38,903,172	\$ 8.7	83,520,392	\$ 316.8

On July 30, 2015, the Corporation filed a 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 July 29, 2015. The purchases can be made from August 13, 2015 to August 12, 2016 at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange. All shares purchased under the bid will be cancelled.

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

On May 11, 2016, the Board of Directors of the Corporation declared a dividend of \$0.045 per share on Class A Shares and Class B Shares, or approximately \$5.5 million, payable on June 21, 2016 to shareholders of record at the close of business on May 27, 2016.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2016 and 2015
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11. STOCK-BASED COMPENSATION PLANS

Outstanding options

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 three-month period ended March 31, 2016:

	Outstanding options	
	Number	Weighted average exercise price
Quebecor		
As of December 31, 2015 and March 31, 2016	1,310,000	\$ 25.36
Vested options as of March 31, 2016	116,666	\$ 22.69
Quebecor Media		
As of December 31, 2015	1,482,494	\$ 60.44
Exercised	(55,461)	50.75
As of March 31, 2016	1,427,033	\$ 60.82
Vested options as of March 31, 2016	229,100	\$ 54.82
TVA Group Inc.		
As of December 31, 2015	463,371	\$ 13.30
Expired	(49,250)	15.99
As of March 31, 2016	414,121	\$ 12.98
Vested options as of March 31, 2016	334,121	\$ 14.30

During the three-month period ended March 31, 2016, 55,461 stock options of Quebecor Media were exercised for a cash consideration of \$1.0 million (161,775 stock options for \$3.7 million in 2015).

Under the mid-term stock-based compensation plan, participants are entitled to receive a cash payment at the end of a three-year period based on the appreciation of the Quebecor Class B Share price, and subject to the achievement of certain non-market performance criteria. As of March 31, 2016 and December 31, 2015, 1,476,346 units were outstanding under this plan at a weighted average exercise price of \$28.68.

For the three-month period ended March 31, 2016, a consolidated charge related to all stock-based compensation plans was recorded in the amount of \$2.8 million (\$0.6 million in 2015).

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2016 and 2015
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
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12. ACCUMULATED OTHER COMPREHENSIVE LOSS

	Cash flow hedges	Defined benefit plans	Total
Balance as of December 31, 2014	\$ (29.2)	\$ (35.2)	\$ (64.4)
Other comprehensive loss	(12.2)	–	(12.2)
Balance as of March 31, 2015	(41.4)	(35.2)	(76.6)
Other comprehensive loss	(11.1)	(16.2)	(27.3)
Non-controlling interests acquisition	(5.1)	(2.2)	(7.3)
Balance as of December 31, 2015	(57.6)	(53.6)	(111.2)
Other comprehensive gain (loss)	20.6	(43.4)	(22.8)
Balance as of March 31, 2016	\$ (37.0)	\$ (97.0)	\$ (134.0)

No significant amount is expected to be reclassified in income over the next 12 months in connection with derivatives designated as cash flow hedges. The balance is expected to reverse over a 8 1/4-year period.

13. 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 other financial instruments accounted for at fair value in the consolidated balance sheets:

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

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

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

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

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

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2016 and 2015
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

13. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The carrying value and fair value of long-term debt, convertible debentures and derivative financial instruments as of March 31, 2016 and December 31, 2015 are as follows:

Asset (liability)	March 31, 2016		December 31, 2015	
	Carrying value	Fair value	Carrying value	Fair value
Long-term debt^{1,2}	\$ (5,764.3)	\$ (5,904.7)	\$ (5,892.5)	\$ (5,894.9)
Convertible debentures³	(699.9)	(699.9)	(706.4)	(706.4)
Derivative financial instruments				
Early settlement options	1.0	1.0	1.0	1.0
Foreign exchange forward contracts ⁴	(5.1)	(5.1)	9.3	9.3
Interest rate swaps	(0.7)	(0.7)	(0.8)	(0.8)
Cross-currency interest rate swaps ⁴	778.3	778.3	945.2	945.2

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 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.

14. DISCONTINUED OPERATIONS

In February 2015, the Corporation closed its specialty channel, SUN News.

On April 13, 2015, the Corporation completed the sale of all of its English-language newspaper operations in Canada, consisting of more than 170 newspapers and publications, the Canoe English-language portal and 8 printing plants, including the Islington, Ontario plant, for a cash consideration consisting of \$305.5 million, less cash disposed of \$1.9 million. An amount of \$1.3 million was paid in the third quarter of 2015 as an adjustment related to working capital items.

On September 27, 2015, the Corporation completed the sale of Archambault Group Inc.'s retail operations, consisting of the 14 Archambault stores, the *archambault.ca* website, and the English-language Paragraphe Bookstore, for a cash consideration consisting of \$14.5 million, less cash disposed of \$1.1 million, and a balance of \$3.0 million received in the first quarter of 2016.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2016 and 2015
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

14. DISCONTINUED OPERATIONS (continued)

For the three-month period ended March 31, 2015, the results of operations and cash flows related to these businesses are presented as discontinued operations in the consolidated statements of income and cash flows as follows:

Consolidated statement of income

Revenues	\$	128.2
Expenses		131.7
Loss before income taxes		(3.5)
Income taxes		0.8
Loss and comprehensive loss from discontinued operations	\$	(4.3)

Consolidated statement of cash flows

Cash flows related to operating activities	\$	(18.5)
Cash flows related to investing activities		(1.8)
Cash flows used in discontinued operations	\$	(20.3)
