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 2016 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 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 to capture synergies among all its properties. 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.

On September 9, 2015, Quebecor Media purchased part of the interest in Quebecor Media held by CDP Capital d'Amérique Investissement inc. ("CDP Capital"), a subsidiary of the Caisse de dépôt et placement du Québec. All the repurchased shares were cancelled. Upon completion of the transaction, the Corporation's interest in Quebecor Media increased from 75.36% to 81.07%.

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, 2015. All amounts are stated in Canadian dollars unless otherwise indicated.

During the fourth quarter of 2015, the Corporation changed its organizational structure and transferred its music distribution and production operations from the Sports and Entertainment segment to the Media segment. Accordingly, prior-period figures in the Corporation's segmented reporting have been reclassified to reflect those changes.

DISCONTINUED OPERATIONS

On September 27, 2015, Quebecor Media closed the sale of the retail business of Archambault Group Inc. ("Archambault Group"), including the 14 Archambault stores, the *archambault.ca* portal and the English-language Paragraphe Bookstore, to Groupe Renaud-Bray inc. for a cash consideration of $14.5 million, less disposed-of cash in the amount of $1.1 million, and a $3.0 million balance received in the first quarter of 2016. The transaction was approved by the Competition Bureau on September 4, 2015. The operating results and cash flows related to those businesses have been reclassified as discontinued operations in the consolidated statements of income and cash flows.

On April 13, 2015, Quebecor Media closed the sale, announced on October 6, 2014, of its English-language newspaper businesses in Canada – more than 170 newspapers and publications, the Canoe portal in English Canada, and 8 printing plants, including the Islington, Ontario plant – for a total cash consideration of $305.5 million, less disposed-of cash in the amount of $1.9 million. The payment consisted of the selling price of $316.0 million less $10.5 million for customary adjustments and adjustments related to real estate properties sold by Sun Media Corporation prior to closing. A $1.3 million working capital adjustment was also paid. The transaction was approved by the Competition Bureau on March 25, 2015. The operating results and cash flows related to those businesses have been reclassified as discontinued operations in the consolidated statements of income and cash flows.

On February 13, 2015, Quebecor Media announced the discontinuation of the operations of the English-language news and opinion specialty channel SUN News. The operating results and cash flows related to those businesses have been reclassified as discontinued operations in the consolidated statements of income and cash flows.

In this Management Discussion and Analysis, only continuing operating activities of Quebecor are included in the analysis of segmented operating results.

HIGHLIGHTS SINCE END OF 2015

- Quebecor's revenues totalled $975.4 million in the first quarter of 2016, a $46.4 million (5.0%) increase from the same period of 2015.

Telecommunications

- The Telecommunications segment's revenues increased by $38.2 million (5.2%) and its adjusted operating income by $15.1 million (4.4%) in the first quarter of 2016.
- The revenues of Videotron Ltd. ("Videotron") increased significantly in the first quarter of 2016, led by mobile telephony ($27.0 million or 30.2%), Internet access ($18.1 million or 8.1%), business solutions ($9.0 million or 54.2%) and the Club illico over-the-top video service ("Club illico") ($2.3 million or 42.6%).

- Net increase of 17,800 revenue-generating units[1] (0.3%) in the first quarter of 2016, including 27,100 connections to the mobile telephony service, 9,900 subscriptions to the cable Internet access service and 7,700 memberships in Club illico.
- Videotron's average monthly revenue per user ("ARPU") increased by $9.41 (7.1%) from $131.96 in the first quarter of 2015 to $141.37 in the first quarter of 2016.
- On January 7, 2016, Videotron announced the acquisition of Fibrenoire inc. ("Fibrenoire"), which provides fibre-optic connectivity services to businesses, for a cash consideration of $125.0 million, of which a net amount of $119.1 million was paid at closing (after deducting $1.8 million in acquired cash). The $4.1 million balance is subject to certain working capital adjustments and other conditions. Combining the capabilities of Videotron Business Solutions and Fibrenoire will help meet the growing demand from business customers for fibre-optic connectivity and strengthen Videotron's leadership in business telecommunications services.

Media

- According to Vividata survey data for the full year of 2015, released on April 14, 2016, *Le Journal de Montréal*, *Le Journal de Québec* and the free daily *24 heures* remain Québec's news leaders with more than 4.0 million readers per week across all platforms (print, mobile and Web). The print version of *Le Journal de Montréal* maintained its popularity with nearly 2.5 million weekly readers. TVA Group Inc. ("TVA Group") strengthened its leading position in the Canadian magazine industry with 9.0 million readers per issue for all its magazines combined, across all platforms.
- On April 12, 2016, TVA Group released the Molto app, a new digital newsstand that allows users unlimited access to the full content of all its magazines on their tablet or smartphone.
- The ratings were excellent for season 4 of *La Voix*. The weekly gala attracted an average audience of 2.6 million (source: Numeris, French Québec, January 17 to April 10, 2016, T2+) and an average market share of 58%. Traffic on the *lavoix.ca* increased significantly; the number of viewings totalled 6.6 million, a 54% increase. The show registered 1.8 million downloads on illico Digital TV. It is a compelling example of the effectiveness of Quebecor Media's convergence strategy, designed to capture and maximize synergies in its portfolio of media properties.
- In the first quarter 2016, Quebecor Media launched, in partnership with digital marketing agency Dialekta, a service that gives advertisers the ability to display automated contextual advertising in real time across its entire digital network. The Media segment is the first French media group to offer a service of this type, providing advertisers with unprecedented targeting capabilities.

Sports and Entertainment

- On April 7, 2016, Event Management Gestev Inc. ("Gestev") announced the creation of Gestev Spectacles, which leverages Gestev's 25 years of experience in event organization and powerful brand to establish itself as a major player in showbiz and entertainment. All shows and events produced by Quebecor will now bear the Gestev logo.

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, gain (loss) on valuation and translation of financial instruments, charge for restructuring of operations and other items, gain on debt refinancing, income tax, and the loss on discontinued operations. 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

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

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	
	2016	2015
Adjusted operating (loss) income:		
Telecommunications	**$ 358.7**	$ 343.6
Media	**(2.7)**	(6.1)
Sports and Entertainment	**(0.8)**	0.1
Head Office	**(0.5)**	1.6
	354.7	339.2
Depreciation and amortization	**(161.7)**	(181.5)
Financial expenses	**(80.8)**	(87.8)
Gain (loss) on valuation and translation of financial instruments	**6.6**	(5.1)
Restructuring of operations and other items	**(7.9)**	(4.4)
Gain on debt refinancing	**–**	1.7
Income taxes	**(27.7)**	(21.9)
Loss from discontinued operations	**–**	(4.3)
Net income	**$ 83.2**	$ 35.9

Adjusted Income from Continuing Operating Activities

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

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

Table 2
Reconciliation of the adjusted income from continuing operating activities measure used in this report to the net income attributable to shareholders measure used in the condensed consolidated financial statements
(in millions of Canadian dollars)

	Three months ended March 31	
	2016	2015
Adjusted income from continuing operating activities	**$ 67.7**	$ 41.4
Gain (loss) on valuation and translation of financial instruments	**6.6**	(5.1)
Restructuring of operations and other items	**(7.9)**	(4.4)
Gain on debt refinancing	**–**	1.7
Income taxes related to adjustments[1]	**2.1**	(2.9)
Net income attributable to non-controlling interest related to adjustments	**1.4**	0.8
Discontinued operations	**–**	(2.1)
Net income attributable to shareholders	**$ 69.9**	$ 29.4

[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. Tables 7 and 8 provide a reconciliation of cash flows from segment operations to cash flows provided by continuing operating activities reported in Quebecor's condensed consolidated financial statements.

Free Cash Flows from Continuing Operating Activities of the Quebecor Media Subsidiary

Free cash flows from continuing operating activities of the Quebecor Media subsidiary represents cash flows provided by its continuing operating activities calculated in accordance with IFRS, less additions to property, plant and equipment and to intangible assets (excluding disbursements for licence acquisitions and renewals), plus proceeds from disposal of assets. Free cash flows from continuing operating activities is used by the Corporation's management and Board of Directors to evaluate cash flows generated by the operations of the Quebecor Media subsidiary. Free cash flows from continuing operating activities represents Quebecor Media's available funds for business acquisitions, licence acquisitions and renewals, payment of dividends, reduction of paid-up capital, repayment of long-term debt and share repurchases. Free cash flows from continuing operating activities is not a measure of liquidity that is consistent with IFRS. It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows as a measure of liquidity. The Corporation's definition of free cash flows from continuing operating activities may not be identical to similarly titled measures reported by other companies.

Table 8 provides a reconciliation of free cash flows from continuing operating activities of Quebecor Media to cash flows provided by continuing operating activities reported in Quebecor's condensed consolidated financial statements.

KEY PERFORMANCE INDICATOR

The Corporation uses ARPU, an industry metric, as a key performance indicator. This indicator is used to measure monthly revenues from its cable television, Internet access, cable and mobile telephony services and Club illico, per average basic customer. 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 its 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

2016/2015 first quarter comparison

Revenues: $975.4 million, a $46.4 million (5.0%) increase.

- Revenues increased in Telecommunications ($38.2 million or 5.2% of segment revenues), Media ($6.0 million or 2.8%) and Sports and Entertainment ($5.5 million or 114.6%).

Adjusted operating income: $354.7 million, a $15.5 million (4.6%) increase.

- Adjusted operating income increased in Telecommunications ($15.1 million or 4.4% of segment adjusted operating income) and there was a favourable variance in the Media segment ($3.4 million or 55.7%).
- Unfavourable variance in Sports and Entertainment ($0.9 million) and at Head Office ($2.1 million). The change at Head Office was due primarily to the unfavourable variance in the stock-based compensation charge.
- The change in the fair value of Quebecor Media stock options resulted in a $1.2 million unfavourable variance in the stock-based compensation charge in the first quarter of 2016 compared with the same period of 2015. The change in the fair value of Quebecor stock options resulted in a $1.0 million unfavourable variance in the Corporation's stock-based compensation charge in the first quarter of 2016.

Net income attributable to shareholders: $69.9 million ($0.57 per basic share) in the first quarter of 2016, compared with $29.4 million ($0.24 per basic share) in the same period of 2015, an increase of $40.5 million ($0.33 per basic share).

- The favourable variance was essentially due to:
  - $19.8 million decrease in the depreciation and amortization charge;
  - $15.5 million increase in adjusted operating income;
  - $11.7 million favourable variance in gains and losses on valuation and translation of financial instruments, including a $15.4 million gain without any tax consequences;
  - $7.0 million decrease in financial expenses;
  - $4.3 million favourable variance in the loss related to discontinued operations.

  Partially offset by:

  - $6.8 million unfavourable variance in non-controlling interest;
  - $3.5 million increase in the charge for restructuring of operations and other items;
  - $1.7 million unfavourable variance related to a gain on debt refinancing recorded in first quarter of 2015.

Adjusted income from continuing operating activities: $67.7 million ($0.55 per basic share) in the first quarter of 2016, compared with $41.4 million ($0.34 per basic share) in the same period of 2015, an increase of $26.3 million ($0.21 per basic share).

Depreciation and amortization: $161.7 million in the first quarter of 2016, a $19.8 million decrease due primarily to the impact of the cessation of amortization of spectrum licences in the Telecommunications segment, in accordance with a change in the estimate of the useful lives of the licences in the second quarter of 2015.

Financial expenses: $80.8 million, a $7.0 million decrease caused mainly by the impact of lower interest rates on long-term debt due to debt refinancing at lower rates, partially offset by higher average indebtedness.

Gain on valuation and translation of financial instruments: $6.6 million in the first quarter of 2016 compared with a $5.1 million loss in the first quarter of 2015. The $11.7 million favourable variance was mainly due to a $15.4 million favourable variance (without any tax consequences) in the gain (loss) on embedded derivatives related to convertible debentures, partially offset by the unfavourable variance in the loss (gain) on the ineffective portion of fair value hedges.

Charge for restructuring of operations and other items: $7.9 million in the first quarter of 2016, compared with $4.4 million in the same period of 2015, a $3.5 million unfavourable variance. In both 2016 and 2015, the charges were attributable to workforce-reduction programs in the Corporation's business segments.

Gain on debt refinancing: $1.7 million in first quarter of 2015.

- In accordance with a notice issued on March 11, 2015, Videotron redeemed, on April 10, 2015, the entirety of its 6.375% Senior Notes maturing on December 15, 2015, in the aggregate principal amount of US$175.0 million, at a redemption price of 100% of their principal amount, and unwound the related hedges in an asset position. A $1.7 million net gain was recorded in the consolidated statement of income in the first quarter of 2015 in connection with this redemption, including a $1.8 million gain previously recorded in “Other comprehensive income.”

Income tax expense: $27.7 million in the first quarter of 2016 (effective tax rate of 26.9%) compared with $21.9 million in the same period of 2015 (effective tax rate of 31.4%), a $5.8 million unfavourable variance. The effective tax rate is calculated considering only taxable and deductible items.

- The unfavourable variance in the income tax expense was mainly due to the increase in taxable income. The impact of that increase was partially offset by the impact of the decrease in the effective tax rate.
- The decrease in the effective tax rates was due to the impact of the tax rate mix on the various components of the gain or loss on valuation and translation of financial instruments, and to the gain on debt refinancing recorded in 2015.

SEGMENTED ANALYSIS

Telecommunications

First quarter 2016 operating results

Revenues: $772.5 million in the first quarter of 2016, a $38.2 million (5.2%) increase.

- Revenues from the mobile telephony service increased $27.0 million (30.2%) to $116.4 million, essentially due to the increase in the number of subscriber connections and higher net revenue per connection.
- Revenues from Internet access services increased $18.1 million (8.1%) to $241.7 million. The favourable variance was mainly due to increases in some rates, higher per-subscriber revenues, increased usage, customer base growth and higher revenues from Internet access resellers.
- Combined revenues from all cable television services decreased $6.9 million (-2.6%) to $260.4 million, due primarily to higher discounts, a decrease in pay TV and video-on-demand orders, and the impact of the net decrease in the customer base, partially offset by increases in some rates and increased revenues from the leasing of digital set-top boxes.
- Revenues from the cable telephony service decreased $10.4 million (-8.8%) to $107.5 million, mainly because of higher discounts, the impact of the net decrease in subscribers and lower long-distance revenues.
- Revenues from Club illico increased $2.3 million (42.6%) to $7.7 million, mainly because of subscriber growth.
- Revenues of Videotron Business Solutions increased $9.0 million (54.2%) to $25.6 million, due primarily to the acquisition of Fibrenoire on January 7, 2016 and of 4Degrees Colocation Inc. ("4Degrees Colocation") on March 11, 2015.
- Revenues from customer equipment sales decreased $0.3 million (-3.4%) to $8.5 million.
- Revenues of the Le SuperClub Vidéotron ltée retail chain decreased $0.6 million (-24.0%) to $1.9 million, mainly because of the impact of a decrease in miscellaneous revenues and of store closings.
- Other revenues were flat at $2.9 million.

ARPU: $141.37 in the first quarter of 2016, compared with $131.96 in the same period of 2015, a $9.41 (7.1%) increase.

Customer statistics

Revenue generating units – As of March 31, 2016, the total number of revenue generating units stood at 5,665,300, an increase of 17,800 (0.3%) from the end of 2015, compared with an increase of 27,900 in the first quarter of 2015 (Table 3). In the 12-month period ended March 31, 2016, the number of revenue-generating units increased by 158,100 (2.9%). 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, 2016, the number of subscriber connections to the mobile telephony service stood at 795,700, an increase of 27,100 (3.5%) in the first quarter of 2016 (compared with an increase of 29,300 in the first quarter of 2015), and a 12-month increase of 133,600 (20.2%) (Table 3).

Cable Internet access – The number of subscribers to cable Internet access services stood at 1,578,100 at March 31, 2016, an increase of 9,900 (0.6%) in the first quarter of 2016 (compared with an increase of 5,600 in the same period of 2015), and a 12-month increase of 35,000 (2.3%) (Table 3). At the end of the first quarter of 2016, Videotron's cable Internet access services had a household and business penetration rate (number of subscribers as a proportion of the total 2,812,900 homes and businesses passed by Videotron's network as of March 31, 2016, up from 2,783,800 one year earlier) of 56.1% compared with 55.4% a year earlier.

Cable television – The combined customer base for all of Videotron's cable television services decreased by 14,900 (-0.9%) in the first quarter of 2016 (compared with an 11,700 decrease in the same period of 2015) and by 48,600 (-2.7%) in the 12-month period ended March 31, 2016 (Table 3). At the end of the first quarter of 2016, Videotron had 1,722,000 subscribers to its cable television services. The household and business penetration rate was 61.2% versus 63.6% a year earlier.

- As of March 31, 2016, the number of subscribers to the illico Digital TV service stood at 1,568,900, a decrease of 1,700 (-0.1%) in the first quarter of 2016 (compared with an increase of 1,900 in the same quarter of 2015) and a 12-month increase of 13,400 (0.9%). As of March 31, 2016, illico Digital TV had a household and business penetration rate of 55.8% versus 55.9% a year earlier.

- The customer base for analog cable television services decreased by 13,200 (-7.9%) in the first quarter of 2016 (compared with a decrease of 13,600 in the same period of 2015) and by 62,000 over a 12-month period.

Cable telephony service – The number of subscribers to cable telephony service stood at 1,304,300 as of March 31, 2016, a quarterly decrease of 12,000 (-0.9%) (compared with a decrease of 4,400 in the same period of 2015), and a 12-month decrease of 40,300 (-3.0%) (Table 3). At March 31, 2016, the cable telephony service had a household and business penetration rate of 46.4% versus 48.3% a year earlier.

Club illico – As of March 31, 2016, the number of subscribers to Club illico stood at 265,200, an increase of 7,700 (3.0%) in the first quarter of 2016 (compared with an increase of 9,100 in the first quarter of 2015) and a 12-month increase of 78,400 (Table 3).

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

	Mar. 2016	Dec. 2015	Sept. 2015	June 2015	Mar. 2015	Dec. 2014	Sept. 2014	June 2014
Mobile telephony[1]	**795.7**	768.6	742.5	702.9	662.1	632.8	590.4	552.3
Cable Internet	**1,578.1**	1,568.2	1,559.5	1,539.1	1,543.1	1,537.5	1,533.8	1,510.4
Cable television:								
Analog	**153.1**	166.3	181.3	194.8	215.1	228.7	251.4	268.3
Digital	**1,568.9**	1,570.6	1,564.6	1,552.8	1,555.5	1,553.6	1,544.9	1,525.7
	1,722.0	1,736.9	1,745.9	1,747.6	1,770.6	1,782.3	1,796.3	1,794.0
Cable telephony[1]	**1,304.3**	1,316.3	1,329.5	1,337.7	1,344.6	1,349.0	1,356.0	1,344.0
Club illico	**265.2**	257.5	228.5	192.8	186.8	177.7	143.7	94.2
Total (revenue-generating units)	**5,665.3**	5,647.5	5,605.9	5,520.1	5,507.2	5,479.3	5,420.2	5,294.9

[1] In thousands of connections

Adjusted operating income: $358.7 million in the first quarter of 2016, a $15.1 million (4.4%) increase caused mainly by:

- impact of higher revenues.

Partially offset by:

- increases in some operating expenses, primarily advertising expenses, professional fees, engineering expenses, and operating expenses related to Fibrenoire and 4Degrees Colocation, partially offset by the favourable impact of recognition of one-time items in the first quarter of 2015;
- impact of the increased loss incurred on mobile device sales, partially offset by lower customer acquisition costs due to the growing popularity of “bring your own device” plans.

Cost/revenue ratio: Operating costs for the Telecommunications segment’s operations, expressed as a percentage of revenues, were 53.6% in the first quarter of 2016 compared with 53.2% in the same period of 2015. The increase was due primarily to the increase in some operating expenses and the impact of the increased loss incurred on mobile device sales.

Cash flows from segment operations: $160.9 million in the first quarter of 2016, compared with $163.8 million in the same period of 2015, a $2.9 million decrease (Table 4).

- The decrease was due primarily to the $20.1 million increase in additions to intangible assets, including increased investment in the LTE network and IT projects, partially offset by the $15.1 million increase in adjusted operating income.

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

	Three months ended March 31	
	2016	2015
Adjusted operating income	**$ 358.7**	$ 343.6
Additions to property, plant and equipment	**(159.6)**	(161.6)
Additions to intangible assets (excluding spectrum licences acquisition)	**(38.6)**	(18.5)
Proceeds from disposal of assets	**0.4**	0.3
Cash flows from segment operations	**$ 160.9**	$ 163.8

Media

First quarter 2016 operating results

Revenues: $221.1 million in the first quarter of 2016, a $6.0 million (2.8%) increase.

- Broadcasting revenues increased $2.5 million (2.4%), mainly due to:
  - higher revenues from commercial production at TVA Network;
  - increased subscription revenues at the specialty channels, including TVA Sports, LCN and addik^{TV}.

  Partially offset by:
  - lower advertising revenues at TVA Network and the specialty channels.
- Film production and audiovisual service revenues increased by $5.3 million (52.0%), mainly because of higher soundstage and equipment leasing revenues.
- Newspaper publishing revenues decreased $8.5 million (-14.6%).
  - Advertising revenues decreased 13.4%; circulation revenues increased 2.0%; digital revenues increased 14.8%; combined revenues from commercial printing and other sources decreased 31.9%.
- Magazine publishing revenues increased by $12.6 million (84.6%) in the first quarter of 2016, mainly because of the impact of the acquisition of magazines from Transcontinental Inc. ("Transcontinental") on April 12, 2015, which was partially offset by the impact of the discontinuation of some titles at the end of 2015.
- Quebecor Media Out of Home's revenues increased $0.2 million (9.5%).
- Book distribution and publishing revenues decreased by $3.1 million (-13.9%), primarily as a result of decreased bookstore and mass market distribution volumes.
- Music distribution and production revenues decreased $2.6 million (-20.2%), primarily as a result of lower retail distribution revenues and the impact of the reorganization of business units.

Adjusted operating loss: $2.7 million in the first quarter of 2016, compared with $6.1 million in the same period of 2015, a $3.4 million favourable variance.

- Adjusted operating loss of broadcasting operations decreased $4.8 million due to:
  - lower operating expenses at TVA Sports and TVA Network, including content costs and labour costs;
  - impact of higher subscription revenues at the specialty services.
- There was a $2.1 million favourable variance in adjusted operating income from film production and audiovisual services, mainly because of the impact of the revenue increase.
- There was a $4.0 million unfavourable variance in adjusted operating income from newspaper publishing due to:
  - impact of the revenue decrease.

Partially offset by:

- o decreases in some operating expenses, including labour costs.

- Adjusted operating income from magazine publishing operations more than doubled to $2.1 million. The increase was due mainly to:
  - o impact of decreased operating expenses;
  - o impact of acquisition of magazines from Transcontinental.
- The adjusted operating loss of Quebecor Media Out of Home decreased by $0.4 million.
- Adjusted operating loss of book distribution and publishing operations increased by $0.6 million, primarily because of the impact of the decrease in revenues.
- $0.2 million favourable variance in adjusted operating income from music distribution and production operations.

Cost/revenue ratio: Employee costs and purchases of goods and services for the Media segment's operations, expressed as a percentage of revenues, were 101.2% in the first quarter of 2016 compared with 102.8% in the same period of 2015. The favourable variance was mainly due to the impact of lower operating expenses at TVA Network, newspaper publishing and magazine publishing.

Cash flows from segment operations: Negative $18.2 million in the first quarter of 2016 compared with negative $14.9 million in the same period of 2015 (Table 5). The $3.3 million unfavourable variance was due primarily to the $6.6 million increase in additions to property, plant and equipment, caused mainly by the timing of expenditures related to certain investments in broadcasting, partially offset by the $3.4 million decrease in the adjusted operating loss.

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

	Three months ended March 31	
	2016	2015
Adjusted operating loss	**$ (2.7)**	$ (6.1)
Additions to property, plant and equipment	**(13.7)**	(7.1)
Additions to intangible assets	**(1.8)**	(1.7)
Cash flows from segment operations	**$ (18.2)**	$ (14.9)

Sports and Entertainment

First quarter 2016 operating results

Revenues: $10.3 million in the first quarter of 2016, a $5.5 million increase due primarily to:

- addition of revenues from events at the Videotron Centre;
- reorganization of business units;
- increased naming rights revenues;
- increase in the revenues of the Remparts de Québec of the Quebec Major Junior Hockey League;
- increased revenues from sporting event management at Gestev.

Adjusted operating loss: $0.8 million in the first quarter of 2016 compared with adjusted operating income of $0.1 million in the same period of 2015. The $0.9 million unfavourable variance was due primarily to the startup of Videotron Centre management operations, partially offset by the impact of the revenue increase.

Cash flows from segment operations: Negative $1.7 million in the first quarter of 2016 compared with negative $1.1 million in the same period of 2015 (Table 6).

- The $0.6 million unfavourable variance was mainly due to the $0.9 million unfavourable variance in the adjusted operating loss.

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

	Three months ended March 31	
	2016	2015
Adjusted operating (loss) income	**$ (0.8)**	$ 0.1
Additions to property, plant and equipment	**(0.6)**	(1.1)
Additions to intangible assets	**(0.3)**	(0.1)
Cash flows from segment operations	**$ (1.7)**	$ (1.1)

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 continuing operating activities: $219.5 million in the first quarter of 2016 compared with $146.3 million in the same period of 2015.

- The $73.2 million increase was due primarily to:
  - $57.0 million favourable change in non-cash balances related to operations, due primarily to favourable variances in inventory and income tax in the Telecommunications segment;
  - $15.1 million increase in adjusted operating income in the Telecommunications segment;
  - $6.6 million decrease in the cash portion of financial expenses.

  Partially offset by:
  - $3.5 million unfavourable variance in the cash portion of the charge for restructuring of operations and other items.

In the first quarter of 2016, the favourable impact of the timing of transactions on non-cash items related to operating activities, increased profitability in the Telecommunications segment, and debt refinancing at lower interest rates had a favourable impact on cash flows provided by continuing operating activities.

Working capital: Negative $327.5 million at March 31, 2016 compared with negative $328.1 million at December 31, 2015. The $0.6 million favourable variance was mainly due to current variances in activity.

Investing activities

Additions to property, plant and equipment: $174.2 million in the first quarter of 2016 compared with $169.8 million in the same period of 2015. The Media segment accounted for most of the $4.4 million increase.

Additions to intangible assets: $41.5 million in the first quarter of 2016 compared with $27.3 million in the same period of 2015. The $14.2 million increase was due primarily to increased investment in the LTE network and IT projects in the Telecommunications segment**.** Additions to intangible assets included payments totalling $6.4 million in the first quarter of 2015 for the acquisition of spectrum licences.

Proceeds from disposal of assets: $0.4 million in the first quarter of 2016 compared with $0.3 million in the same period of 2015.

Business acquisitions: $119.3 million in the first quarter of 2016 compared with $35.5 million in the same period of 2015, an $83.8 million increase.

- In the first quarter of 2016, business acquisitions included, among others, the acquisition of Fibrenoire by the Telecommunications segment.
- In the first quarter of 2015, business acquisitions included the acquisition of 4Degrees Colocation in Québec City 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’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: $4.4 million in the first quarter of 2016 compared with negative $37.9 million in the same period of 2015 (Table 7).

- The $42.3 million favourable variance was due to:
  - $67.1 million increase in cash flows provided by continuing operating activities.

  Partially offset by:
  - $20.6 million increase in additions to intangible assets (excluding spectrum licences acquisition);
  - $4.3 million increase in additions to property, plant and equipment.

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	
	2016	2015
Cash flows from segment operations		
Telecommunications	**$ 160.9**	$ 163.8
Media	**(18.2)**	(14.9)
Sports and Entertainment	**(1.7)**	(1.1)
Quebecor Media Head Office	**(1.6)**	0.6
	139.4	148.4
Cash interest expense	**(73.1)**	(79.4)
Cash portion of charge for restructuring of operations and other items	**(7.9)**	(4.4)
Current income taxes	**(38.2)**	(36.3)
Other	**1.5**	2.0
Net change in non-cash balances related to operations	**(17.3)**	(68.2)
Free cash flows from continuing operating activities of Quebecor Media	**$ 4.4**	$ (37.9)

Table 8
Free cash flows from continuing operating activities of Quebecor Media and cash flows provided by continuing operating activities of Quebecor
(in millions of Canadian dollars)

	Three months ended March 31	
	2016	2015
Free cash flows from continuing operating activities of Quebecor Media presented in Table 7	**$ 4.4**	$ (37.9)
Quebecor Head Office cash flow items:		
Cash flows from segment operations	**–**	0.4
Cash interest expense	**(6.1)**	(6.4)
Net change in non-cash balances related to operations	**5.9**	(0.2)
	(0.2)	(6.2)
Plus additions to property, plant and equipment	**174.2**	169.8
Plus additions to intangible assets (excluding expenditures for spectrum licences acquisition)	**41.5**	20.9
Minus proceeds from disposal of assets	**(0.4)**	(0.3)
Cash flows provided by continuing operating activities of Quebecor	**$ 219.5**	$ 146.3

Financing activities

Consolidated debt (long-term debt plus bank indebtedness): $75.1 million reduction in the first quarter of 2016; $181.2 million unfavourable net variance in assets and liabilities related to derivative financial instruments.

- Summary of first quarter 2016 debt reductions:
    - $191.7 million favourable impact of exchange rate fluctuations. The decrease in 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”;
    - $24.7 million reduction in Quebecor’s debt.
- Summary of first quarter 2016 debt increases:
    - $91.9 million increase in Videotron’s total drawings on its secured revolving credit facility;
    - $44.5 million increase in the bank indebtedness of Videotron, TVA Group and Quebecor Media;
    - $7.6 million increase in debt attributable to changes in fair value related to hedged interest rate risk.
- Assets and liabilities related to derivative financial instruments totalled a net asset of $772.5 million at March 31, 2016, compared with $953.7 million at December 31, 2015. The $181.2 million net unfavourable variance was due to:
    - unfavourable impact of exchange rate fluctuations on the value of derivative financial instruments;
    - unwinding of Quebecor Media’s hedging contracts in an asset position at maturity on March 15, 2016; the contracts had been repurposed to cover a portion of the term of 5.75% Senior Notes in the notional amount of US$431.3 million issued in 2012 and maturing in 2023.

  Partially offset by:

    - favourable impact of interest rate trends in Canada, compared with the United States, on the fair value of derivative financial instruments.

Financial position

Net available liquidity: $861.9 million at March 31, 2016 for Quebecor Media and its wholly owned subsidiaries, consisting of $926.0 million in available unused revolving credit facilities less $64.1 million in bank indebtedness.

Net available liquidity: $152.4 million as at March 31, 2016 for Quebecor at the corporate level, consisting of $2.4 million in cash and cash equivalents and $150.0 million in available unused revolving credit facilities.

Consolidated debt (long-term debt plus bank indebtedness): $5.82 billion at March 31, 2016, a $75.1 million decrease compared with December 31, 2015; $181.2 million net unfavourable variance in assets and liabilities related to derivative financial instruments (*see* "Financing activities" above).

- Consolidated debt essentially consisted of Videotron's $3.29 billion debt ($3.28 billion at December 31, 2015); TVA Group's $84.0 million debt ($73.0 million at December 31, 2015); Quebecor Media's $2.41 billion debt ($2.48 billion at December 31, 2015); and Quebecor's $31.6 million debt ($56.3 million at December 31, 2015).

As at March 31, 2016, minimum principal payments on long-term debt in the coming years are as follows:

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

2017	$	20.1
2018		52.5
2019		19.6
2020		54.0
2021		1,099.5
2022 and thereafter		4,518.6
Total	**$**	**5,764.3**

The weighted average term of Quebecor's consolidated debt was approximately 6.7 years as of March 31, 2016 (7.0 years as of December 31, 2015). At March 31, 2016, taking into account interest rate swaps, the debt consisted of approximately 81.5% fixed-rate debt (82.5% at December 31, 2015) and 18.5% floating-rate debt (17.5% at December 31, 2015).

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 quite 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, 2016, the Corporation was in compliance with all required financial ratios and restrictive covenants in its financing agreements.

Dividends declared

On May 11, 2016, the Board of Directors of Quebecor declared a quarterly dividend of $0.045 per share on its Class A Multiple Voting Shares ("Class A Shares") and Class B Subordinate Voting Shares ("Class B Shares"), payable on June 21, 2016 to shareholders of record at the close of business on May 27, 2016.

Analysis of consolidated balance sheet as at March 31, 2016

Table 10
Consolidated balance sheet of Quebecor
Analysis of main differences between March 31, 2016 and December 31, 2015
(in millions of Canadian dollars)

	Mar. 31, 2016	Dec. 31, 2015	Difference	Main reason for difference
Assets				
Accounts receivable	**$ 460.0**	$ 494.1	$ (34.1)	Impact of current variances in activity
Property, plant and equipment	**3,474.3**	3,424.9	49.4	Additions to property, plant and equipment (*see* "Investing activities" above) and acquisition of Fibrenoire, less depreciation for the period
Goodwill	**2,770.4**	2,678.4	92.0	Impact of acquisition of Fibrenoire
Derivative financial instruments[1]	**772.5**	953.7	(181.2)	*See* "Financing activities"
Liabilities				
Accounts payable and accrued charges	**609.5**	654.9	(45.4)	Impact of current variances in activity
Long-term debt, including short-term portion and bank indebtedness	**5,815.6**	5,890.7	(75.1)	*See* "Financing activities"
Other liabilities	**527.5**	448.2	79.3	Loss on re-measurement of defined benefit plans

1 Long-term assets less current and long-term liabilities.

ADDITIONAL INFORMATION

Contractual Obligations

At March 31, 2016, material contractual obligations of operating activities included: capital repayment and interest on long-term debt; principal repayment and interest on convertible debentures; operating lease arrangements; capital asset purchases and other commitments; and obligations related to derivative financial instruments, less estimated future receipts on derivative financial instruments. Table 11 below shows a summary of these contractual obligations.

Table 11
Contractual obligations of Quebecor as of March 31, 2016
(in millions of Canadian dollars)

	Total	Under 1 year	1-3 years	3-5 years	5 years or more
Long-term debt[1]	**$ 5,764.3**	$ 20.1	$ 72.1	$ 1,153.5	$ 4,518.6
Convertible debentures[2]	**708.6**	–	708.6	–	–
Interest payments[3]	**2,003.2**	228.6	613.2	558.8	602.6
Operating leases	**238.3**	47.3	71.6	37.7	81.7
Additions to property, plant and equipment and other commitments	**1,282.1**	247.2	271.1	209.2	554.6
Derivative financial instruments[4]	**(753.2)**	4.2	(17.2)	(92.6)	(647.6)
Total contractual obligations	**$ 9,243.3**	**$ 547.4**	**$ 1,719.4**	**$ 1,866.6**	**$ 5,109.9**

[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, 2016 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, 2016.

[4] Estimated future receipts, net of disbursements, related to foreign exchange hedging using derivative financial instruments.

Related Party Transactions

In the first quarter of 2016, the Corporation made sales to affiliated corporations in the amount of $1.0 million ($0.8 million in the same period of 2015). During the first quarter of 2015, the Corporation made purchases and incurred rent charges with affiliated corporations in the amount of $0.8 million, which is included in purchase of goods and services. These transactions were accounted for at the consideration agreed between the parties.

Capital Stock

In accordance with Canadian financial reporting standards, Table 12 below presents information on the Corporation's capital stock as at April 30, 2016. In addition, 1,310,000 share options were outstanding as of April 30, 2016.

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

	April 30, 2016	
	Issued and outstanding	**Book value**
Class A Shares	**38,903,172**	**$ 8.7**
Class B Shares	**83,450,392**	**$ 316.6**

On July 29, 2015, 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 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.

During 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 $1.2 million excess of the purchase price over the carrying value of the repurchased Class B Shares was recorded in reduction of retained earnings.

Financial instruments

The Corporation uses a number of financial instruments, mainly cash and cash equivalents, accounts receivable, long-term investments, bank indebtedness, accounts payable and 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 debts; 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, 2016 and December 31, 2015 are as follows:

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

	March 31, 2016		December 31, 2015	
Asset (liability)	**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 debentures[3]	**(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.

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

The fair value of derivative financial instruments recognized in the consolidated balance sheets is estimated as per the Corporation's valuation models. These models project future cash flows and discount the future amounts to a present value using the contractual terms of the derivative instrument and factors observable in external market data, such as period-end swap rates

and foreign exchange rates. An adjustment is also included to reflect non-performance risk impacted by the financial and economic environment prevailing at the date of the valuation in the recognized measure of the fair value of the derivative financial instruments by applying a credit default premium estimated using a combination of observable and unobservable inputs in the market to the net exposure of the counterparty or the Corporation.

The fair value of 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.

The (gains) losses on valuation and translation of financial instruments in the first quarters of 2016 and 2015 are summarized in Table 14.

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

	Three months ended March 31	
	2016	2015
Gain on embedded derivatives related to long-term debt	**$ (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

A $10.1 million gain was recorded under "Other comprehensive income" in the first quarter of 2016 in relation to cash flow hedging relationships ($7.3 million in the first quarter of 2015).

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.

No changes to internal controls over financial reporting have come to the attention of the Corporation's management during the three months ended March 31, 2016 that have materially adversely affected, or are reasonably likely to materially adversely 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 its 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, 2015.

The forward-looking statements in this Management Discussion and Analysis reflect the Corporation's expectations as of May 12, 2016, 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 12, 2016

QUEBECOR INC. AND ITS SUBSIDIARIES

SELECTED QUARTERLY FINANCIAL DATA

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

	2016			2015			2014
	March 31	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30
Revenues	**$ 975.4**	$ 1,023.5	$ 974.5	$ 963.8	$ 929.0	$ 956.7	$ 890.9	$ 896.1
Adjusted operating income	**354.7**	360.8	391.4	349.3	339.2	353.1	361.8	359.9
Contribution to net income (loss) attributable to shareholders:								
Continuing operations	**67.7**	58.0	74.0	66.5	41.4	50.6	58.1	55.9
Gain (loss) on valuation and translation of financial instruments	**6.8**	(85.5)	51.1	47.7	(8.6)	(92.5)	(26.9)	21.2
Unusual items	**(4.6)**	(6.6)	(38.1)	(33.0)	(1.3)	(30.5)	(21.4)	(24.1)
Discontinued operations	**-**	(0.7)	(1.9)	(9.1)	(2.1)	12.9	35.3	(107.8)
Net income (loss) attributable to shareholders	**69.9**	(34.8)	85.1	72.1	29.4	(59.5)	45.1	(54.8)
Basic data per share								
Contribution to net income (loss) attributable to shareholders:								
Continuing operations	**$ 0.55**	$ 0.47	$ 0.60	$ 0.54	$ 0.34	$ 0.41	$ 0.47	$ 0.45
Gain (loss) on valuation and translation of financial instruments	**0.06**	(0.70)	0.42	0.39	(0.07)	(0.75)	(0.22)	0.17
Unusual items	**(0.04)**	(0.05)	(0.31)	(0.27)	(0.01)	(0.25)	(0.17)	(0.20)
Discontinued operations	**-**	-	(0.02)	(0.07)	(0.02)	0.11	0.29	(0.87)
Net income (loss) attributable to shareholders	**0.57**	(0.28)	0.69	0.59	0.24	(0.48)	0.37	(0.45)
Weighted average number of shares outstanding (in millions)	**122.5**	122.5	122.7	122.8	122.9	122.9	122.9	123.0
Diluted data per share								
Contribution to net income (loss) attributable to shareholders:								
Continuing operations	**$ 0.50**	$ 0.43	$ 0.54	$ 0.49	$ 0.32	$ 0.38	$ 0.43	$ 0.41
Dilution impact	**-**	0.04	-	-	0.02	0.03	0.04	-
Loss on valuation and translation of financial instruments	**(0.01)**	(0.70)	-	-	(0.07)	(0.75)	(0.22)	(0.01)
Unusual items	**(0.03)**	(0.05)	(0.27)	(0.23)	(0.01)	(0.25)	(0.17)	(0.17)
Discontinued operations	**-**	-	(0.01)	(0.07)	(0.02)	0.11	0.29	(0.74)
Net income (loss) attributable to shareholders	**0.46**	(0.28)	0.26	0.19	0.24	(0.48)	0.37	(0.51)
Weighted average number of diluted shares outstanding (in millions)	**143.6**	122.5	143.7	143.9	123.2	122.9	122.9	143.8