

Condensed consolidated financial statements of

**QUEBECOR INC. AND ITS SUBSIDIARIES**

Three-month and nine-month periods ended September 30, 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 September 30		Nine months ended September 30	
	Note	2016	2015	2016	2015
<b>Revenues</b>	2	\$ 998.3	\$ 974.5	\$ 2,966.2	\$ 2,867.3
Employee costs	3	169.8	160.7	536.2	518.6
Purchase of goods and services	3	438.7	422.4	1,325.2	1,268.8
Depreciation and amortization		162.3	168.6	485.7	517.1
Financial expenses	4	82.7	80.7	243.6	249.3
Loss (gain) on valuation and translation of financial instruments	5	68.3	(53.8)	118.1	(94.6)
Restructuring of operations, gain on litigation and other items	6	1.2	(135.0)	14.7	(124.9)
Impairment of goodwill and other assets	7	40.9	197.0	40.9	227.0
Loss on debt refinancing		-	-	-	12.1
<b>Income before income taxes</b>		<b>34.4</b>	<b>133.9</b>	<b>201.8</b>	<b>293.9</b>
Income taxes (recovery):					
Current		51.2	31.0	130.5	54.7
Deferred		(13.8)	14.1	(34.1)	17.8
		<b>37.4</b>	<b>45.1</b>	<b>96.4</b>	<b>72.5</b>
<b>(Loss) income from continuing operations</b>		<b>(3.0)</b>	<b>88.8</b>	<b>105.4</b>	<b>221.4</b>
Loss from discontinued operations	15	-	(2.7)	-	(18.8)
<b>Net (loss) income</b>		<b>\$ (3.0)</b>	<b>\$ 86.1</b>	<b>\$ 105.4</b>	<b>\$ 202.6</b>
<b>(Loss) income from continuing operations attributable to</b>					
Shareholders		\$ (8.3)	\$ 87.0	\$ 71.4	\$ 199.7
Non-controlling interests		5.3	1.8	34.0	21.7
<b>Net (loss) income attributable to</b>					
Shareholders		\$ (8.3)	\$ 85.1	\$ 71.4	\$ 186.6
Non-controlling interests		5.3	1.0	34.0	16.0
<b>Earnings per share attributable to shareholders</b>	10				
Basic:					
From continuing operations		\$ (0.07)	\$ 0.71	\$ 0.58	\$ 1.63
From discontinued operations		-	(0.02)	-	(0.11)
Net (loss) income		(0.07)	0.69	0.58	1.52
Diluted:					
From continuing operations		(0.07)	0.27	0.58	0.83
From discontinued operations		-	(0.01)	-	(0.10)
Net (loss) income		(0.07)	0.26	0.58	0.73
<b>Weighted average number of shares outstanding (in millions)</b>		<b>122.3</b>	<b>122.7</b>	<b>122.4</b>	<b>122.8</b>
<b>Weighted average number of diluted shares (in millions)</b>		<b>122.3</b>	<b>143.7</b>	<b>122.8</b>	<b>143.8</b>

See accompanying notes to condensed consolidated financial statements.

**QUEBECOR INC. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(in millions of Canadian dollars)  
(unaudited)

	Note	Three months ended September 30		Nine months ended September 30	
		2016	2015	2016	2015
<b>(Loss) income from continuing operations</b>		\$ (3.0)	\$ 88.8	\$ 105.4	\$ 221.4
Other comprehensive loss (income) from continuing operations:					
Items that may be reclassified to income:					
Cash flow hedges:					
(Loss) gain on valuation of derivative financial instruments		(20.7)	70.2	25.5	45.3
Deferred income taxes		(1.6)	(20.2)	17.6	(34.3)
Items that will not be reclassified to income:					
Defined benefit plans:					
Re-measurement gain (loss)		18.0	-	(121.0)	-
Deferred income taxes		(4.8)	-	32.3	-
Reclassification to income:					
Gain related to cash flow hedges		-	-	-	(3.9)
Deferred income taxes		-	-	-	(0.4)
		(9.1)	50.0	(45.6)	6.7
<b>Comprehensive (loss) income from continuing operations</b>		(12.1)	138.8	59.8	228.1
Loss from discontinued operations	15	-	(2.7)	-	(18.8)
<b>Comprehensive (loss) income</b>		\$ (12.1)	\$ 136.1	\$ 59.8	\$ 209.3
<b>Comprehensive (loss) income from continuing operations attributable to</b>					
Shareholders		\$ (16.7)	\$ 127.5	\$ 38.1	\$ 207.7
Non-controlling interests		4.6	11.3	21.7	20.4
<b>Comprehensive (loss) income attributable to</b>					
Shareholders		\$ (16.7)	\$ 125.6	\$ 38.1	\$ 194.6
Non-controlling interests		4.6	10.5	21.7	14.7

See accompanying notes to condensed consolidated financial statements.

# QUEBECOR INC. AND ITS SUBSIDIARIES

## SEGMENTED INFORMATION

(in millions of Canadian dollars)  
(unaudited)

Three months ended September 30, 2016

	Telecommuni- cations	Media	Sports and Enter- tainment	Head office and Inter- segments	Total
Revenues	\$ 793.7	\$ 221.7	\$ 7.8	\$ (24.9)	\$ 998.3
Employee costs	88.6	60.6	2.4	18.2	169.8
Purchase of goods and services	341.5	126.6	6.7	(36.1)	438.7
Adjusted operating income <sup>1</sup>	363.6	34.5	(1.3)	(7.0)	389.8
Depreciation and amortization					162.3
Financial expenses					82.7
Loss on valuation and translation of financial instruments					68.3
Restructuring of operations and other items					1.2
Impairment of goodwill and other assets					40.9
<b>Income before income taxes</b>					<b>\$ 34.4</b>
Additions to property, plant and equipment	\$ 152.0	\$ 10.1	\$ 0.7	\$ 1.0	\$ 163.8
Additions to intangible assets	28.7	2.4	0.8	0.5	32.4

Three months ended September 30, 2015

	Telecommuni- cations	Media	Sports and Enter- tainment	Head office and Inter- segments	Total
Revenues	\$ 754.2	\$ 239.0	\$ 6.2	\$ (24.9)	\$ 974.5
Employee costs	83.7	65.9	2.7	8.4	160.7
Purchase of goods and services	319.4	130.2	8.3	(35.5)	422.4
Adjusted operating income <sup>1</sup>	351.1	42.9	(4.8)	2.2	391.4
Depreciation and amortization					168.6
Financial expenses					80.7
Gain on valuation and translation of financial instruments					(53.8)
Restructuring of operations, gain on litigation and other items					(135.0)
Impairment of goodwill and other assets					197.0
<b>Income before income taxes</b>					<b>\$ 133.9</b>
Additions to property, plant and equipment	\$ 177.8	\$ 9.1	\$ 4.0	\$ 0.2	\$ 191.1
Additions to intangible assets	22.7	2.4	34.3	1.2	60.6

See accompanying notes to condensed consolidated financial statements.

# QUEBECOR INC. AND ITS SUBSIDIARIES

## SEGMENTED INFORMATION (continued)

(in millions of Canadian dollars)  
(unaudited)

Nine months ended September 30, 2016

	Telecommuni- cations	Media	Sports and Enter- tainment	Head office and Inter- segments	Total
Revenues	\$ 2,346.6	\$ 672.0	\$ 24.8	\$ (77.2)	\$ 2,966.2
Employee costs	283.7	198.6	8.1	45.8	536.2
Purchase of goods and services	978.1	434.7	22.9	(110.5)	1,325.2
Adjusted operating income <sup>1</sup>	1,084.8	38.7	(6.2)	(12.5)	1,104.8
Depreciation and amortization					485.7
Financial expenses					243.6
Loss on valuation and translation of financial instruments					118.1
Restructuring of operations and other items					14.7
Impairment of goodwill and other assets					40.9
<b>Income before income taxes</b>					<b>\$ 201.8</b>
Additions to property, plant and equipment	\$ 507.9	\$ 28.9	\$ 1.9	\$ 2.6	\$ 541.3
Additions to intangible assets	93.3	7.6	1.1	2.2	104.2

Nine months ended September 30, 2015

	Telecommuni- cations	Media	Sports and Enter- tainment	Head office and Inter- segments	Total
Revenues	\$ 2,229.9	\$ 705.7	\$ 13.1	\$ (81.4)	\$ 2,867.3
Employee costs	267.2	218.4	7.1	25.9	518.6
Purchase of goods and services	925.9	439.4	14.6	(111.1)	1,268.8
Adjusted operating income <sup>1</sup>	1,036.8	47.9	(8.6)	3.8	1,079.9
Depreciation and amortization					517.1
Financial expenses					249.3
Gain on valuation and translation of financial instruments					(94.6)
Restructuring of operations, gain on litigation and other items					(124.9)
Impairment of goodwill and other assets					227.0
Loss on debt refinancing					12.1
<b>Income before income taxes</b>					<b>\$ 293.9</b>
Additions to property, plant and equipment	\$ 481.0	\$ 24.8	\$ 8.7	\$ 0.3	\$ 514.8
Additions to intangible assets	281.2	6.5	34.6	2.8	325.1

<sup>1</sup> 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 as a non-IFRS measure and is defined as net (loss) income before depreciation and amortization, financial expenses, loss (gain) on valuation and translation of financial instruments, restructuring of operations, gain on litigation and other items, impairment of goodwill and other assets, loss 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	Contributed surplus	Retained earnings	Accumulated other comprehensive loss		
	(note 11)			(note 13)		
<b>Balance as of December 31, 2014</b>	\$ 327.2	\$ 2.3	\$ 238.9	\$ (64.4)	\$ 559.3	\$ 1,063.3
Net income	-	-	186.6	-	16.0	202.6
Other comprehensive income (loss)	-	-	-	8.0	(1.3)	6.7
Dividends	-	-	(11.7)	-	(18.5)	(30.2)
Repurchase of Class B Shares	(1.4)	-	(9.7)	-	-	(11.1)
Issuance of shares of a subsidiary to non-controlling interests	-	-	-	-	12.1	12.1
Non-controlling interests and business acquisitions	-	-	(280.3)	(7.3)	(211.9)	(499.5)
<b>Balance as of September 30, 2015</b>	325.8	2.3	123.8	(63.7)	355.7	743.9
Net (loss) income	-	-	(34.8)	-	12.3	(22.5)
Other comprehensive loss	-	-	-	(47.5)	(11.8)	(59.3)
Dividends or distributions	-	-	(4.3)	-	(4.9)	(9.2)
Repurchase of Class B Shares	(0.2)	-	(1.1)	-	-	(1.3)
Non-controlling interests and business acquisitions	-	-	(1.4)	-	1.8	0.4
<b>Balance as of December 31, 2015</b>	325.6	2.3	82.2	(111.2)	353.1	652.0
Net income	-	-	71.4	-	34.0	105.4
Other comprehensive loss	-	-	-	(33.3)	(12.3)	(45.6)
Dividends or distributions	-	-	(15.3)	-	(14.3)	(29.6)
Repurchase of Class B Shares	(0.8)	-	(7.8)	-	-	(8.6)
<b>Balance as of September 30, 2016</b>	\$ 324.8	\$ 2.3	\$ 130.5	\$ (144.5)	\$ 360.5	\$ 673.6

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 September 30		Nine months ended September 30	
	Note	2016	2015	2016	2015
<b>Cash flows related to operating activities</b>					
(Loss) income from continuing operations		\$ (3.0)	\$ 88.8	\$ 105.4	\$ 221.4
Adjustments for:					
Depreciation of property, plant and equipment		138.5	146.8	413.6	441.1
Amortization of intangible assets		23.8	21.8	72.1	76.0
Loss (gain) on valuation and translation of financial instruments	5	68.3	(53.8)	118.1	(94.6)
Impairment of goodwill and other assets	7	40.9	197.0	40.9	227.0
Loss on debt refinancing		-	-	-	12.1
Amortization of financing costs and long-term debt discount	4	1.8	1.6	5.2	5.4
Deferred income taxes		(13.8)	14.1	(34.1)	17.8
Other		(0.2)	0.4	1.9	2.8
		<u>256.3</u>	<u>416.7</u>	<u>723.1</u>	<u>909.0</u>
Net change in non-cash balances related to operating activities		85.8	(94.2)	79.1	(260.2)
Cash flows provided by continuing operating activities		<u>342.1</u>	<u>322.5</u>	<u>802.2</u>	<u>648.8</u>
<b>Cash flows related to investing activities</b>					
Non-controlling interests acquisition		-	(500.0)	-	(500.0)
Business acquisitions	8	-	(1.2)	(119.1)	(92.0)
Business disposals	15	-	12.1	3.0	316.3
Additions to property, plant and equipment		(163.8)	(191.1)	(541.3)	(514.8)
Additions to intangible assets		(32.4)	(60.6)	(104.2)	(325.1)
Proceeds from disposals of assets		1.3	0.5	3.1	2.4
Other		13.0	(13.3)	13.3	(13.0)
		<u>(181.9)</u>	<u>(753.6)</u>	<u>(745.2)</u>	<u>(1,126.2)</u>
Cash flows used in continuing investing activities					
<b>Cash flows related to financing activities</b>					
Net change in bank indebtedness		(21.5)	45.5	(1.6)	41.6
Net change under revolving facilities		(99.3)	357.0	5.6	351.4
Issuance of long-term debt, net of financing fees		-	370.1	-	370.1
Repayments of long-term debt		(2.2)	(414.2)	(12.2)	(645.8)
Settlement of hedging contracts		-	21.2	3.6	34.3
Issuance of shares of a subsidiary to non-controlling interests		-	-	-	12.1
Repurchase of Class B Shares	11	(5.0)	(4.8)	(8.6)	(11.1)
Dividends		(5.5)	(4.3)	(15.3)	(11.7)
Dividends or distributions paid to non-controlling interests		(4.7)	(6.2)	(14.3)	(18.5)
		<u>(138.2)</u>	<u>364.3</u>	<u>(42.8)</u>	<u>122.4</u>
Cash flows (used in) provided by continuing financing activities					
Net change in cash and cash equivalents from continuing operations		22.0	(66.8)	14.2	(355.0)
Cash flows used in discontinued operations	15	-	(1.4)	-	(21.4)
Cash and cash equivalents at beginning of period		10.8	87.1	18.6	395.3
<b>Cash and cash equivalents at end of period</b>		<u>\$ 32.8</u>	<u>\$ 18.9</u>	<u>\$ 32.8</u>	<u>\$ 18.9</u>
<b>Cash and cash equivalents consist of</b>					
Cash		\$ 31.3	\$ 16.0	\$ 31.3	\$ 16.0
Cash equivalents		1.5	2.9	1.5	2.9
		<u>\$ 32.8</u>	<u>\$ 18.9</u>	<u>\$ 32.8</u>	<u>\$ 18.9</u>
<b>Interest and taxes reflected as operating activities</b>					
Cash interest payments		\$ 42.3	\$ 34.5	\$ 197.0	\$ 194.1
Cash income tax payments (net of refunds)		14.1	34.4	78.0	134.0

See accompanying notes to condensed consolidated financial statements.

# QUEBECOR INC. AND ITS SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars)  
(unaudited)

	September 30	December 31
	2016	2015
	Note	
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 32.8	\$ 18.6
Accounts receivable	505.1	494.1
Income taxes	7.1	28.6
Inventories	189.9	215.5
Prepaid expenses	56.6	46.0
	<u>791.5</u>	<u>802.8</u>
<b>Non-current assets</b>		
Property, plant and equipment	3,555.3	3,424.9
Intangible assets	1,205.0	1,178.0
Goodwill	2,731.8	2,678.4
Derivative financial instruments	805.0	1,072.4
Deferred income taxes	42.6	29.5
Other assets	91.0	89.9
	<u>8,430.7</u>	<u>8,473.1</u>
<b>Total assets</b>	<b>\$ 9,222.2</b>	<b>\$ 9,275.9</b>
<b>Liabilities and equity</b>		
<b>Current liabilities</b>		
Bank indebtedness	\$ 32.7	\$ 34.3
Accounts payable and accrued charges	630.6	654.9
Provisions	64.1	67.1
Deferred revenue	350.1	321.5
Income taxes	32.2	9.1
Current portion of long-term debt	9 51.1	44.0
	<u>1,160.8</u>	<u>1,130.9</u>
<b>Non-current liabilities</b>		
Long-term debt	9 5,630.7	5,812.4
Derivative financial instruments	3.4	118.7
Convertible debentures	500.0	500.0
Other liabilities	705.6	448.2
Deferred income taxes	548.1	613.7
	<u>7,387.8</u>	<u>7,493.0</u>
<b>Equity</b>		
Capital stock	11 324.8	325.6
Contributed surplus	2.3	2.3
Retained earnings	130.5	82.2
Accumulated other comprehensive loss	13 (144.5)	(111.2)
<b>Equity attributable to shareholders</b>	<u>313.1</u>	<u>298.9</u>
Non-controlling interests	360.5	353.1
	<u>673.6</u>	<u>652.0</u>
<b>Total liabilities and equity</b>	<b>\$ 9,222.2</b>	<b>\$ 9,275.9</b>

See accompanying notes to condensed consolidated financial statements.

# QUEBECOR INC. AND ITS SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month and nine-month periods ended September 30, 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 November 2, 2016.

Comparative figures for previous periods have been restated to conform to the presentation adopted for the three-month and nine-month periods ended September 30, 2016.

### 2. REVENUES

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

	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Services rendered	\$ 896.5	\$ 874.5	\$ 2,713.6	\$ 2,610.1
Product sales	101.8	100.0	252.6	257.2
	\$ 998.3	\$ 974.5	\$ 2,966.2	\$ 2,867.3

# QUEBECOR INC. AND ITS SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 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 September 30		Nine months ended September 30	
	2016	2015	2016	2015
Employee costs	\$ 213.2	\$ 204.1	\$ 672.5	\$ 649.3
Less employee costs capitalized to property, plant and equipment and intangible assets	(43.4)	(43.4)	(136.3)	(130.7)
	169.8	160.7	536.2	518.6
Purchase of goods and services:				
Royalties, rights and creation costs	154.3	153.6	520.0	534.5
Cost of products sold	99.8	83.0	248.9	220.9
Service contracts	42.9	42.4	126.7	120.8
Marketing, circulation and distribution expenses	29.5	27.8	84.2	71.5
Building expenses	19.2	19.6	64.8	58.7
Other	93.0	96.0	280.6	262.4
	438.7	422.4	1,325.2	1,268.8
	\$ 608.5	\$ 583.1	\$ 1,861.4	\$ 1,787.4

### 4. FINANCIAL EXPENSES

	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Interest on long-term debt and on debentures	\$ 77.7	\$ 74.7	\$ 232.6	\$ 234.6
Amortization of financing costs and long-term debt discount	1.8	1.6	5.2	5.4
Interest on net defined benefit liability	1.8	1.5	5.4	4.4
Loss (gain) on foreign currency translation on short-term monetary items	0.5	2.6	(0.5)	6.2
Other	0.9	0.3	0.9	(1.3)
	\$ 82.7	\$ 80.7	\$ 243.6	\$ 249.3

# QUEBECOR INC. AND ITS SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2016 and 2015  
(tabular amounts in millions of Canadian dollars, except for per share data and option data)  
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### 5. LOSS (GAIN) ON VALUATION AND TRANSLATION OF FINANCIAL INSTRUMENTS

	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Loss (gain) on embedded derivatives related to convertible debentures	\$ 67.6	\$ (52.0)	\$ 117.5	\$ (92.0)
Loss (gain) on the ineffective portion of fair value hedges	0.7	(2.1)	0.6	(3.6)
Loss on the ineffective portion of cash flow hedges	0.1	0.4	0.2	1.6
Gain on embedded derivatives related to long term debt	(0.1)	(0.1)	(0.2)	(0.2)
Gain on reversal of embedded derivatives on debt redemption	–	–	–	(0.4)
	\$ 68.3	\$ (53.8)	\$ 118.1	\$ (94.6)

### 6. RESTRUCTURING OF OPERATIONS, GAIN ON LITIGATION AND OTHER ITEMS

	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Restructuring of operations	\$ 1.1	\$ 3.6	\$ 13.2	\$ 12.4
Gain on litigation	–	(139.1)	–	(139.1)
Other items	0.1	0.5	1.5	1.8
	\$ 1.2	\$ (135.0)	\$ 14.7	\$ (124.9)

#### Restructuring of operations

Restructuring costs in 2016 and 2015 related to various cost reduction initiatives across the organization, mainly elimination of positions, and the migration of Videotron Ltd. (“Videotron”) subscribers from analog to digital services.

#### Gain on litigation

On March 6, 2015, the Court of Appeal of Quebec ruled in favour of Videotron and TVA Group Inc. (“TVA Group”), and ordered Bell ExpressVu Limited Partnership (“Bell ExpressVu”), a subsidiary of Bell Canada, to pay Videotron \$135.3 million and TVA Group \$0.6 million, including interest, for negligence in failing to implement an appropriate security system to prevent piracy of the signals broadcast by its satellite television service between 1999 and 2005, thereby harming its competitors and broadcasters. On October 15, 2015, the Supreme Court of Canada rejected Bell ExpressVu’s application for leave to appeal the judgment. The related \$139.1 million gain was recorded in the third quarter of 2015.

# QUEBECOR INC. AND ITS SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2016 and 2015  
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### 7. IMPAIRMENT OF GOODWILL AND OTHER ASSETS

	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Impairment of goodwill	\$ 40.1	\$ 55.0	\$ 40.1	\$ 85.0
Impairment of property, plant and equipment	–	76.5	–	76.5
Impairment of intangible assets	0.8	65.5	0.8	65.5
	\$ 40.9	\$ 197.0	\$ 40.9	\$ 227.0

#### 2016

During the third quarter of 2016, the Corporation performed an impairment test of its Magazines cash generating unit (“CGU”) in light of the continuous downtrend in advertising revenues in this industry. The Corporation concluded that the recoverable amount based on a value in use was less than the carrying amount of the Magazines CGU and recorded a goodwill impairment charge of \$40.1 million (without any tax consequence). A pre-tax discount rate of 15.6% and a perpetual decline rate of 1.0% were used to estimate the recoverable amount.

An impairment charge on intangible assets of \$0.8 million was also recorded in the Media segment.

#### 2015

During the second quarter of 2015, the Corporation concluded that the recoverable amount was less than the carrying amount of the Newspapers CGU, which was negatively affected by the digital transformation and weak market conditions in the newspaper industry. Accordingly, the Corporation recorded a goodwill impairment charge of \$30.0 million (without any tax consequence).

During the third quarter of 2015, the decrease in newspaper and commercial printing volumes at the Mirabel printing plant, and the continuous pressure on advertising revenues in the newspaper and television industries led the Corporation to perform impairment tests on its Newspapers and Broadcasting CGUs. The Corporation concluded that the recoverable amounts of its Newspaper and Broadcasting CGUs were less than their carrying values. Accordingly, a goodwill impairment charge of \$55.0 million (without any tax consequence) and an impairment charge on other assets of \$81.9 million, mainly related to Mirabel printing plant assets, were recorded for the Newspapers CGU. An impairment charge of \$60.1 million on the TVA Network’s broadcasting licence (including \$30.1 million without any tax consequence) was recorded for the Broadcasting.

### 8. BUSINESS ACQUISITIONS

On January 7, 2016, Videotron acquired Fibrenoire inc., 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. An amount of \$0.2 million was received in the second quarter of 2016 as a post-closing adjustment. The balance payable could be subject to adjustments related to certain conditions. 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 \$100.0 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)

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### 9. LONG-TERM DEBT

Components of long-term debt are as follows:

	September 30, 2016	December 31, 2015
Long-term debt	\$ 5,705.5	\$ 5,892.5
Change in fair value related to hedged interest rate risk	20.4	11.4
Adjustment related to embedded derivatives	0.4	0.6
Financing fees, net of amortization	(44.5)	(48.1)
	5,681.8	5,856.4
Less current portion	(51.1)	(44.0)
	\$ 5,630.7	\$ 5,812.4

In June 2016, Quebecor amended its revolving credit facility to extend the maturity to July 2019, Quebecor Media amended its secured revolving credit facility to extend the maturity to July 2020 and Videotron amended its secured revolving credit facility and unsecured revolving credit facility to extend their maturity to July 2021. Some of the terms and conditions related to these credit facilities were also amended.

# QUEBECOR INC. AND ITS SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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### 10. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

Basic earnings per share are calculated by dividing net (loss) 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 (loss) 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 (loss) income attributable to shareholders.

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

	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
(Loss) income from continuing operations attributable to shareholders	\$ (8.3)	\$ 87.0	\$ 71.4	\$ 199.7
Impact of assumed conversion of stock options of subsidiaries and of convertible debentures of the Corporation	(0.1)	(48.3)	(0.3)	(81.0)
<b>(Loss) income from continuing operations attributable to shareholders, adjusted for dilution effect</b>	<b>\$ (8.4)</b>	<b>\$ 38.7</b>	<b>\$ 71.1</b>	<b>\$ 118.7</b>
Net (loss) income attributable to shareholders	\$ (8.3)	\$ 85.1	\$ 71.4	\$ 186.6
Impact of assumed conversion of stock options of subsidiaries and of convertible debentures of the Corporation	(0.1)	(48.3)	(0.3)	(80.9)
<b>Net (loss) income attributable to shareholders, adjusted for dilution effect</b>	<b>\$ (8.4)</b>	<b>\$ 36.8</b>	<b>\$ 71.1</b>	<b>\$ 105.7</b>
Weighted average number of shares outstanding (in millions)	122.3	122.7	122.4	122.8
Potentially dilutive effect of stock options and of convertible debentures of the Corporation (in millions)	–	21.0	0.4	21.0
<b>Weighted average number of diluted shares outstanding (in millions)</b>	<b>122.3</b>	<b>143.7</b>	<b>122.8</b>	<b>143.8</b>

# QUEBECOR INC. AND ITS SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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### 11. 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	(80,700)	–	80,700	–
Shares purchased and cancelled	–	–	(233,200)	(0.8)
<b>Balance as of September 30, 2016</b>	<b>38,845,672</b>	<b>\$ 8.7</b>	<b>83,384,292</b>	<b>\$ 316.1</b>

On August 3, 2016, 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 August 3, 2016. The purchases can be made from August 15, 2016 to August 14, 2017 at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange or other alternative trading systems. All shares purchased under the bid will be cancelled.

During the nine-month period ended September 30, 2016, the Corporation purchased and cancelled 233,200 Class B Shares for a total cash consideration of \$8.6 million. (368,300 Class B Shares for a total cash consideration of \$11.1 million in 2015). The excess of \$7.8 million of the purchase price over the carrying value of Class B Shares repurchased was recorded in reduction of retained earnings (\$9.7 million in 2015).

On November 2, 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 December 13, 2016 to shareholders of record at the close of business on November 18, 2016.

# QUEBECOR INC. AND ITS SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2016 and 2015  
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### 12. STOCK-BASED COMPENSATION PLANS

#### Stock option plans

The following table provides details of changes to outstanding options in the stock option plans in which management of the Corporation and its subsidiaries participates, for the nine-month period ended September 30, 2016:

	Outstanding options	
	Number	Weighted average exercise price
<b>Quebecor</b>		
<b>As of December 31, 2015 and September 30, 2016</b>	<b>1,310,000</b>	<b>\$ 25.36</b>
<b>Vested options as of September 30, 2016</b>	<b>246,666</b>	<b>\$ 23.42</b>
<b>Quebecor Media</b>		
As of December 31, 2015	1,482,494	\$ 60.44
Exercised	(246,461)	55.71
Cancelled	(79,700)	65.16
<b>As of September 30, 2016</b>	<b>1,156,333</b>	<b>\$ 61.12</b>
<b>Vested options as of September 30, 2016</b>	<b>315,778</b>	<b>\$ 56.27</b>
<b>TVA Group</b>		
As of December 31, 2015	463,371	\$ 13.30
Expired	(105,739)	15.29
<b>As of September 30, 2016</b>	<b>357,632</b>	<b>\$ 12.71</b>
<b>Vested options as of September 30, 2016</b>	<b>283,632</b>	<b>\$ 14.11</b>

During the three-month period ended September 30, 2016, 167,000 stock options of Quebecor Media were exercised for a cash consideration of \$2.2 million (225,835 stock options for \$3.9 million in 2015). During the nine-month period ended September 30, 2016, 246,461 stock options of Quebecor Media were exercised for a cash consideration of \$3.6 million (468,507 stock options for \$9.3 million in 2015).

# QUEBECOR INC. AND ITS SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2016 and 2015  
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### 12. STOCK-BASED COMPENSATION PLANS (continued)

#### Mid-term stock-based compensation plan

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. The following table provides details of changes to outstanding units in this plan, for the nine-month period ended September 30, 2016:

	Number	Weighted average exercise price
As of December 31, 2015	1,476,346	\$ 28.68
Exercised	(48,722)	21.78
<b>As of September 30, 2016</b>	<b>1,427,624</b>	<b>\$ 28.92</b>

During the second quarter of 2016, a cash consideration of \$0.6 million was paid upon the exercise of 48,722 units (none in 2015).

#### Differed share unit and performance share unit plans

On July 10, 2016, TVA Group established a differed share unit ("DSU") plan and a performance share unit ("PSU") plan for its employees based on TVA Group Class B Non-voting Shares ("TVA Group Class B Shares"). The DSUs vest over six years and will be redeemed for cash only upon the participant's retirement or termination of employment, as the case may be. The PSUs vest over three years and will be redeemed for cash at the end of this period subject to the achievement of financial targets. DSUs and PSUs entitle the holders to receive additional units when dividends are paid on TVA Group Class B Shares. No treasury shares will be issued for the purposes of these plans. As of September 30, 2016, 159,499 DSUs and 212,671 PSUs were outstanding under these plans.

On July 13, 2016, Quebecor also established a DSU plan and a PSU plan for its employees and those of its subsidiaries. Both plans are based on Quebecor Class B Shares and, in the case of the DSU plan, also on TVA Group Class B Shares. The DSUs vest over six years and will be redeemed for cash only upon the participant's retirement or termination of employment, as the case may be. The PSUs vest over three years and will be redeemed for cash at the end of this period subject to the achievement of financial targets. DSUs and PSUs entitle the holders to receive additional units when dividends are paid on Quebecor Class B Shares or TVA Group Class B Shares. No treasury shares will be issued for the purposes of these plans. As of September 30, 2016, 81,028 DSUs based on Quebecor Class B Shares, 51,312 DSUs based on TVA Group Class B Shares and 103,846 PSUs based on Quebecor Class B Shares were outstanding under these plans.

#### Stock-based compensation expense

For the three-month period ended September 30, 2016, a consolidated charge related to all stock-based compensation plans was recorded in the amount of \$11.5 million (\$0.8 million in 2015). For the nine-month period ended September 30, 2016, a consolidated charge related to all stock-based compensation plans was recorded in the amount of \$22.0 million (\$2.7 million in 2015).

# QUEBECOR INC. AND ITS SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2016 and 2015  
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### 13. 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 income	8.0	–	8.0
Non-controlling interests acquisition	(5.1)	(2.2)	(7.3)
Balance as of September 30, 2015	(26.3)	(37.4)	(63.7)
Other comprehensive loss	(31.3)	(16.2)	(47.5)
Balance as of December 31, 2015	(57.6)	(53.6)	(111.2)
Other comprehensive income (loss)	34.9	(68.2)	(33.3)
<b>Balance as of September 30, 2016</b>	<b>\$ (22.7)</b>	<b>\$ (121.8)</b>	<b>\$ (144.5)</b>

No significant amount is expected to be reclassified in income over the next 12 months in connection with derivatives designated as cash flow hedges. The balance is expected to reverse over a 7 3/4-year period.

### 14. 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)

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### 14. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The carrying value and fair value of long-term debt, convertible debentures and derivative financial instruments as of September 30, 2016 and December 31, 2015 are as follows:

Asset (liability)	September 30, 2016		December 31, 2015	
	Carrying value	Fair value	Carrying value	Fair value
<b>Long-term debt<sup>1,2</sup></b>	\$ (5,705.5)	\$ (5,908.0)	\$ (5,892.5)	\$ (5,894.9)
<b>Convertible debentures<sup>3</sup></b>	(827.9)	(827.9)	(706.4)	(706.4)
<b>Derivative financial instruments</b>				
Early settlement options	1.0	1.0	1.0	1.0
Foreign exchange forward contracts <sup>4</sup>	(2.9)	(2.9)	9.3	9.3
Interest rate swaps	(0.5)	(0.5)	(0.8)	(0.8)
Cross-currency interest rate swaps <sup>4</sup>	805.0	805.0	945.2	945.2

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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.

### 15. 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)

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### 15. DISCONTINUED OPERATIONS (continued)

For the three-month and nine-month periods ended September 30, 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 statements of income

	Three months ended September 30, 2015	Nine months ended September 30, 2015
Revenues	\$ 24.3	\$ 194.1
Expenses	28.2	212.7
Loss before income taxes	(3.9)	(18.6)
Income taxes	(0.7)	(3.4)
Gain (loss) on disposal of businesses	0.5	(3.6)
Loss and comprehensive loss from discontinued operations	\$ (2.7)	\$ (18.8)

#### Consolidated statements of cash flows

	Three months ended September 30, 2015	Nine months ended September 30, 2015
Cash flows related to operating activities	\$ (1.4)	\$ (20.2)
Cash flows related to investing activities	–	(1.2)
Cash flows used in discontinued operations	\$ (1.4)	\$ (21.4)