MANAGEMENT DISCUSSION AND ANALYSIS

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CORPORATE PROFILE

This Management Discussion and Analysis covers the main activities of Quebecor Inc. in the third 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 d'Amérique Investissement"), 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.

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 SECOND QUARTER 2016

- Quebecor's revenues totalled $998.3 million in the third quarter of 2016, a $23.8 million (2.4%) increase from the same period of 2015.

Telecommunications

- The Telecommunications segment grew its revenues by $39.5 million (5.2%) and its adjusted operating income by $12.5 million (3.6%) in the third quarter of 2016.
- In the third quarter of 2016, Videotron Ltd. ("Videotron") significantly increased its revenues from mobile telephony ($27.6 million or 25.9%), Internet access ($14.3 million or 6.2%), business solutions ($10.6 million or 59.6%) and the Club illico over-the-top video service ("Club illico") ($1.9 million or 32.2%).
- Net increase of 54,700 revenue-generating units[1] (1.0%) the third quarter of 2016, including 38,800 connections to the mobile telephony service, 24,400 subscriptions to the cable Internet access service and 12,200 memberships in Club illico.
- Videotron's average monthly revenue per user ("ARPU") increased by $9.64 (7.0%) from $136.94 in the third quarter of 2015 to $146.58 in the third quarter of 2016.
- On September 20, 2016, Ericsson Canada Inc., École de technologie supérieure, Quartier de l'innovation de Montréal and Videotron announced a partnership to create the first open-air smart living laboratory in order to test all aspects of new, fifth-generation telecommunications technologies.
- On September 13, 2016, 4Degrees Colocation Inc. ("4Degrees Colocation"), a subsidiary of Videotron, officially opened its Montréal data centre. The $40 million, 4,000-square-metre facility boasts one of the largest server rooms in Québec and is purpose-designed for data hosting.
- On July 13, 2016, Videotron launched its Giga Fibre Hybrid Internet access service, which offers residential and business customers connection speeds of up to 940 Mbps. The product confirms Videotron's status as the leader in high-speed Internet, an area in which it has been a trailblazer for more than 20 years.

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

Media

- On October 24, 2016, TVA Group Inc. ("TVA Group") announced the launch of the new *TVA.CA* website and the TVA mobile app, which give users free access to TVA programs in high definition, live or on demand. The site and app also support a series of other functionalities: users can catch up on shows from the previous seven days, watch exclusive original content, pause and resume play on a different screen, receive customized suggestions.
- The first episode of *La Voix Junior,* which aired on TVA Network on October 2, 2016, drew an average audience of 2,060,000 (source: Numeris, French Quebec, preliminary results, Sunday, October 2, 2016, T2+). As of October 3, 2016, video content on the *lavoixjunior.ca* website, including contestants' performances, had been viewed more than 126,000 times.
- According to the spring 2016 Vividata survey, *Le Journal de Montréal*, *Le Journal de Québec* and the free daily *24 heures Montréal* remain Québec's news leaders with nearly 4.0 million readers per week across all platforms (print, mobile and Web). TVA Group's Magazines business unit remains a Canadian industry leader with nearly 9.0 million readers per week across all platforms.

Sports and Entertainment

- On September 12, 2016, the Videotron Centre completed its first full year of operation. During that period, the Videotron Centre hosted 93 sporting events and concerts, as well as 30 corporate events. In all, more than 1.1 million people passed through the turnstiles. The Videotron Centre's diverse programming included prominent artists such as Metallica, Madonna, Muse, Rihanna, Justin Bieber, Pearl Jam and Bryan Adams. In August 2016, the Videotron Centre also presented a sold-out series of five concerts by Céline Dion, which were attended by more than 66,000 people. Finally, the Remparts de Québec of the Quebec Major Junior Hockey League drew more than 470,000 spectators during the 2015-2016 season, a record for a junior hockey team in Canada.

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 (loss) income under IFRS, as net (loss) income before depreciation and amortization, financial expenses, (loss) gain on valuation and translation of financial instruments, charge for restructuring of operations, gain on litigation and other items, charge for impairment of goodwill and other assets, loss on debt refinancing, income taxes, and loss from 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 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 (loss) 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 (loss) income measure used in the condensed consolidated financial statements
(in millions of Canadian dollars)

	Three months ended September 30		Nine months ended September 30	
	2016	2015	**2016**	2015
Adjusted operating income (loss):				
Telecommunications	**$ 363.6**	$ 351.1	**$ 1,084.8**	$ 1,036.8
Media	**34.5**	42.9	**38.7**	47.9
Sports and Entertainment	**(1.3)**	(4.8)	**(6.2)**	(8.6)
Head Office	**(7.0)**	2.2	**(12.5)**	3.8
	389.8	391.4	**1,104.8**	1,079.9
Depreciation and amortization	**(162.3)**	(168.6)	**(485.7)**	(517.1)
Financial expenses	**(82.7)**	(80.7)	**(243.6)**	(249.3)
(Loss) gain on valuation and translation of financial instruments	**(68.3)**	53.8	**(118.1)**	94.6
Restructuring of operations, gain on litigation and other items	**(1.2)**	135.0	**(14.7)**	124.9
Impairment of goodwill and other assets	**(40.9)**	(197.0)	**(40.9)**	(227.0)
Loss on debt refinancing	**–**	–	**–**	(12.1)
Income taxes	**(37.4)**	(45.1)	**(96.4)**	(72.5)
Loss from discontinued operations	**–**	(2.7)	**–**	(18.8)
Net (loss) income	**$ (3.0)**	$ 86.1	**$ 105.4**	$ 202.6

Adjusted Income from Continuing Operating Activities

The Corporation defines adjusted income from continuing operating activities, as reconciled to net (loss) income attributable to shareholders under IFRS, as net (loss) income attributable to shareholders before (loss) gain on valuation and translation of financial instruments, charge for restructuring of operations, gain on litigation and other items, charge for impairment of goodwill and other assets, loss on debt refinancing, net of income tax related to adjustments and of net income attributable to non-controlling interest related to adjustments, and before the loss from 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 (loss) 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 (loss) income attributable to shareholders' measure used in the condensed consolidated financial statements
(in millions of Canadian dollars)

	Three months ended September 30		Nine months ended September 30	
	2016	2015	**2016**	2015
Adjusted income from continuing operating activities	**$ 83.2**	$ 74.0	**$ 220.8**	$ 181.9
(Loss) gain on valuation and translation of financial instruments	**(68.3)**	53.8	**(118.1)**	94.6
Restructuring of operations, gain on litigation and other items	**(1.2)**	135.0	**(14.7)**	124.9
Impairment of goodwill and other assets	**(40.9)**	(197.0)	**(40.9)**	(227.0)
Loss on debt refinancing	**–**	–	**–**	(12.1)
Income taxes related to adjustments[1]	**0.5**	(5.1)	**3.7**	(1.2)
Net income attributable to non-controlling interest related to adjustments	**18.4**	26.3	**20.6**	38.6
Discontinued operations	**–**	(1.9)	**–**	(13.1)
Net (loss) income attributable to shareholders	**$ (8.3)**	$ 85.1	**$ 71.4**	$ 186.6

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 intangible assets (excluding disbursements for licence acquisitions and renewals), plus proceeds from disposal of assets. The Corporation uses cash flows from segment operations as a measure of the liquidity generated by its segments. Cash flows from segment operations represents funds available for interest and income tax payments, expenditures related to restructuring programs, business acquisitions, licence acquisitions and renewals, payment of dividends, reduction of paid-up capital by Quebecor Media, repayment of long-term debt and purchase of non-controlling interest. Cash flows from segment operations is not a measure of liquidity that is consistent with IFRS. It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows as a measure of liquidity. Cash flows from segment operations is used by the Corporation's management and Board of Directors to evaluate cash flows generated by its segments' operations. The Corporation's definition of cash flows from segment operations may not be identical to similarly titled measures reported by other companies. Tables 7 and 8 provide a reconciliation of cash flows from segment operations to cash flows provided by 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 per average basic customer from its cable television, Internet access, cable and mobile telephony services and Club illico. ARPU is not a measurement that is consistent with IFRS and the Corporation's definition and calculation of ARPU may not be the same as identically titled measurements reported by other companies. The Corporation calculates ARPU by dividing the combined revenues from its cable television, Internet access, cable and mobile telephony services and Club illico by the average number of basic customers during the applicable period, and then dividing the resulting amount by the number of months in the applicable period.

ANALYSIS OF CONSOLIDATED RESULTS OF QUEBECOR

2016/2015 third quarter comparison

Revenues: $998.3 million, a $23.8 million (2.4%) increase.

- Revenues increased in Telecommunications ($39.5 million or 5.2% of segment revenues) and in Sports and Entertainment ($1.6 million or 25.8%).
- Revenues decreased in Media ($17.3 million or -7.2%).

Adjusted operating income: $389.8 million, a $1.6 million (-0.4%) decrease.

- Adjusted operating income decreased in Media ($8.4 million or -19.6% of segment adjusted operating income). There was an unfavourable variance at Head Office ($9.2 million), essentially due to an unfavourable variance in the stock-based compensation charge.
- Adjusted operating income increased in Telecommunications ($12.5 million or 3.6%). There was a favourable variance in Sports and Entertainment ($3.5 million).
- The change in the fair value of Quebecor Media stock options resulted in a $1.9 million unfavourable variance in the stock-based compensation charge in the third quarter of 2016 compared with the same period of 2015. The change in the fair value of Quebecor stock options and of Quebecor stock-price-based share units resulted in an $8.8 million unfavourable variance in the Corporation's stock-based compensation charge in the third quarter of 2016.

Net loss attributable to shareholders: $8.3 million ($0.07 per basic share) in the third quarter of 2016, compared with net income attributable to shareholders in the amount of $85.1 million ($0.69 per basic share) in the same period of 2015, an unfavourable variance of $93.4 million ($0.76 per basic share).

- The unfavourable variance was mainly due to:
  - $136.2 million unfavourable variance in the charge for restructuring of operations, gain on litigation and other items;
  - $122.1 million unfavourable variance in losses and gains on valuation and translation of financial instruments, including $119.6 million without any tax consequences.

  Partially offset by:

  - $156.1 million decrease in non-cash charge for impairment of goodwill and other assets, including $45.0 million without any tax consequences;
  - $6.3 million decrease in the depreciation and amortization charge.

Adjusted income from continuing operating activities: $83.2 million ($0.68 per basic share) in the third quarter of 2016, compared with $74.0 million ($0.60 per basic share) in the same period of 2015, an increase of $9.2 million ($0.08 per basic share).

Depreciation and amortization charge: $162.3 million in the third quarter of 2016, a $6.3 million decrease due primarily to the end of the accounting useful lives of some assets acquired as part of the acquisition of Videotron in October 2000.

Financial expenses: $82.7 million, a $2.0 million increase caused mainly by higher average indebtedness, partially offset by the impact of lower interest rates on long-term debt due to debt refinancing at lower rates and a favourable variance in gains and losses on foreign currency translation of short-term monetary items.

Loss on valuation and translation of financial instruments: $68.3 million in the third quarter of 2016 compared with a $53.8 million gain in the third quarter of 2015. The $122.1 million unfavourable variance was essentially due to the $119.6 million unfavourable variance, without any tax consequences, in losses and gains on embedded derivatives related to convertible debentures.

Charge for restructuring of operations, gain on litigation and other items: $1.2 million in the third quarter of 2016, compared with a $135.0 million gain in the same period of 2015, a $136.2 million unfavourable variance.

- In the third quarter of 2016, Quebecor's segments recorded charges for restructuring of operations and other items totalling $1.2 million ($4.1 million in the same period of 2015). The recorded charges were essentially attributable to various workforce-reduction programs in the Corporation's business segments and to customer migration from analog to digital services at Videotron.
- On March 6, 2015, the Québec Court of Appeal ruled in favour of Videotron and TVA Group and ordered Bell ExpressVu Limited Partnership (Bell ExpressVu") to pay Videotron compensation in the amount of $135.3 million and TVA Group compensation in the amount of $0.6 million, including interest, for having failed to implement an appropriate security system in a timely manner 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 denied Bell ExpressVu leave to appeal the decision. A $139.1 million gain on litigation was recorded in the statement of income in the third quarter of 2015.

Charge for impairment of goodwill and other assets: $40.9 million in the third quarter of 2016, compared with $197.0 million in the third quarter of 2015, a favourable variance of $156.1 million.

- In the third quarter of 2016, Quebecor Media performed impairment tests on its Magazines cash-generating unit ("CGU") in view of the downtrend in the industry's advertising revenues. Quebecor Media concluded that the recoverable amount of its Magazines CGU was less than its carrying amount. Accordingly, a $40.1 million non-cash goodwill impairment charge (without any tax consequences) was recorded in the third quarter of 2016. As well, a charge for impairment of intangible assets totalling $0.8 million was recorded in the Media segment in the third quarter of 2016.
- In the third quarter of 2015, Quebecor Media completed its annual review of its three-year strategic plan. Declining newspaper and commercial printing volumes and continuing pressure on advertising revenues in the newspapers and television businesses led Quebecor Media to perform additional impairment tests on its Newspapers and Broadcasting CGUs. Quebecor Media concluded that the recoverable amount of its Newspapers and Broadcasting CGUs was less than their carrying amount. Accordingly, a $55.0 million non-cash goodwill impairment charge (without any tax consequences) and an $81.9 million non-cash impairment charge on other assets, relating mainly to the assets of the Mirabel printing plant, were recorded for the Newspapers CGU in the third quarter of 2015. A $60.1 million impairment charge on TVA Network's broadcasting licences (including $30.1 million without any tax consequences) was recorded for the Broadcasting CGU in the third quarter of 2015.

Income tax expense: $37.4 million in the third quarter of 2016 (effective tax rate of 26.3%), compared with $45.1 million in the same period of 2015 (effective tax rate of 27.0%), a $7.7 million favourable variance. The effective tax rate is calculated considering only taxable and deductible items.

- The favourable variance in the income tax expense was due to the decrease in taxable income for tax purposes and the reduction in the effective tax rate.
- The favourable variance in the effective tax rate 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.

2016/2015 year-to-date comparison

Revenues: $2.97 billion, a $98.9 million (3.4%) increase.

- Revenues increased in Telecommunications ($116.7 million or 5.2% of segment revenues) and in Sports and Entertainment ($11.7 million or 89.3%).
- Revenues decreased in Media ($33.7 million or -4.8%).

Adjusted operating income: $1.10 billion, a $24.9 million (2.3%) increase.

- Adjusted operating income increased in Telecommunications ($48.0 million or 4.6% of segment adjusted operating income). There was a favourable variance in Sports and Entertainment ($2.4 million or 27.9%).
- Adjusted operating income decreased in Media ($9.2 million or -19.2%). There was an unfavourable variance at Head Office ($16.3 million), essentially due to an unfavourable variance in the stock-based compensation charge.

- The change in the fair value of Quebecor Media stock options resulted in a $2.7 million unfavourable variance in the stock-based compensation charge in the first nine months of 2016 compared with the same period of 2015. The change in the fair value of Quebecor stock options and Quebecor stock-price-based share units resulted in a $16.6 million unfavourable variance in the Corporation's stock-based compensation charge in the first nine months of 2016.

Net income attributable to shareholders: $71.4 million ($0.58 per basic share) in the first nine months of 2016, compared with $186.6 million ($1.52 per basic share) in the same period of 2015, a decrease of $115.2 million ($0.94 per basic share).

- The unfavourable variance was mainly due to:
  - $212.7 million unfavourable variance in losses and gains on valuation and translation of financial instruments, including $209.5 million without any tax consequences;
  - $139.6 million unfavourable variance in the charge for restructuring of operations, gain on litigation and other items;
  - $23.9 million unfavourable variance in the income tax expense.

  Partially offset by:
  - $186.1 million decrease in non-cash charge for impairment of goodwill and other assets, including $75.0 million without any tax consequences;
  - $31.4 million decrease in the depreciation and amortization charge;
  - $24.9 million increase in adjusted operating income;
  - $18.8 million favourable variance in the loss related to discontinued operations;
  - $18.0 million favourable variance in non-controlling interest;
  - $12.1 million favourable variance due to recognition of a loss on debt refinancing in the second quarter of 2015;
  - $5.7 million decrease in financial expenses.

Adjusted income from continuing operating activities: $220.8 million in the first nine months of 2016 ($1.80 per basic share), compared with $181.9 million ($1.48 per basic share) in the same period of 2015, an increase of $38.9 million ($0.32 per basic share).

Depreciation and amortization charge: $485.7 million, a $31.4 million decrease due primarily to the impact of the end of amortization of spectrum in the Telecommunications segment in the second quarter of 2015, in accordance with a change in the estimated useful lives of the licences, and the end of the accounting useful lives of some assets acquired as part of the acquisition of Videotron in October 2000.

Financial expenses: $243.6 million, a $5.7 million decrease caused mainly by the impact of lower interest rates on long-term debt due to debt refinancing at lower rates and a favourable variance in gains and losses on foreign currency translation of short-term monetary items, partially offset by higher average indebtedness.

Loss on valuation and translation of financial instruments: $118.1 million in the first nine months of 2016 compared with a $94.6 million gain in the same period of 2015. The $212.7 million unfavourable variance was essentially due to the $209.5 million unfavourable variance, without any tax consequences, in losses and gains on embedded derivatives related to convertible debentures.

Charge for restructuring of operations, gain on litigation and other items: $14.7 million in the first nine months of 2016, compared with a $124.9 million gain in the same period of 2015, a $139.6 million unfavourable variance.

- In the first nine months of 2016, Quebecor's segments recorded charges for restructuring of operations and other items totalling $14.7 million ($14.2 million in the same period of 2015). The recorded charges were essentially attributable to various workforce-reduction programs in the Corporation's business segments and to customer migration from analog to digital services at Videotron.
- On March 6, 2015, the Québec Court of Appeal ruled in favour of Videotron and TVA Group and ordered Bell ExpressVu to pay Videotron compensation in the amount of $135.3 million and TVA Group compensation in the amount of $0.6 million, including interest, for having failed to implement an appropriate security system in a timely manner 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 denied Bell ExpressVu leave to appeal the decision. A $139.1 million gain on litigation was recorded in the statement of income in the third quarter of 2015.

Charge for impairment of goodwill and other assets: $40.9 million in the first nine months of 2016, compared with $227.0 million in the same period of 2015, a $186.1 million favourable variance.

- In the third quarter of 2016, Quebecor Media performed impairment tests on its Magazines CGU in view of the downtrend in the industry's advertising revenues. Quebecor Media concluded that the recoverable amount of its Magazines CGU was less than its carrying amount. Accordingly, a $40.1 million non-cash goodwill impairment charge (without any tax consequences) was recorded in the third quarter of 2016. As well, a charge for impairment of intangible assets totalling $0.8 million was recorded in the Media segment in the third quarter of 2016.
- In the third quarter of 2015, Quebecor Media completed its annual review of its three-year strategic plan. Declining newspaper and commercial printing volumes and continuing pressure on advertising revenues in the newspapers and television businesses led Quebecor Media to perform additional impairment tests on its Newspapers and Broadcasting CGUs. Quebecor Media concluded that the recoverable amount of its Newspapers and Broadcasting CGUs was less than their carrying amount. Accordingly, a $55.0 million non-cash goodwill impairment charge (without any tax consequences) and an $81.9 million non-cash impairment charge on other assets, relating mainly to the assets of the Mirabel printing plant, were recorded for the Newspapers CGU in the third quarter of 2015. A $60.1 million impairment charge on TVA Network's broadcasting licences (including $30.1 million without any tax consequences) was recorded for the Broadcasting CGU in the third quarter of 2015.
- In the second quarter of 2015, Quebecor Media performed an annual impairment test on the Newspapers CGU, which continued to be affected by the shift to digital and by challenging market conditions. Quebecor Media concluded that the recoverable amount based on fair value less disposal costs was less than the carrying amount of this CGU. Accordingly, the Media segment recorded a $30.0 million non-cash goodwill impairment charge, without any tax consequences.

Loss on debt refinancing: $12.1 million in the first nine months of 2015.

- In accordance with a notice issued on June 16, 2015, Videotron redeemed, on July 16, 2015, the entirety of its outstanding 9.125% Senior Notes issued on April 15, 2008 and maturing on April 15, 2018, in the aggregate principal amount of US$75.0 million, at a redemption price of 101.521% of their principal amount, and unwound the related hedges in an asset position. A $0.2 million loss was recorded in the consolidated statement of income in the second quarter of 2015 in connection with this redemption, including a $2.1 million net gain previously recorded in "Other comprehensive income."
- In accordance with a notice issued on June 16, 2015, Videotron redeemed, on July 16, 2015, the entirety of its outstanding 7.125% Senior Notes issued on January 13, 2010 and maturing on January 15, 2020, in the aggregate principal amount of $300.0 million, at a redemption price of 103.563% of their principal amount. A $13.6 million loss was recorded in the consolidated statement of income in the second quarter of 2015 in connection with this redemption.
- 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: $96.4 million in the first nine months of 2016 (effective tax rate of 26.8%), compared with $72.5 million in the same period of 2015 (effective tax rate of 22.9%), a $23.9 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 for tax purposes and the increase in the effective tax rate.
- The unfavourable variance in the effective tax rate was mainly due to the impact of a decrease in deferred income tax liabilities in the second quarter of 2015, in light of developments in tax audits, jurisprudence and tax legislation.

SEGMENTED ANALYSIS

Telecommunications

Third quarter 2016 operating results

Revenues: $793.7 million in the third quarter of 2016, a $39.5 million (5.2%) increase.

- Revenues from the mobile telephony service increased $27.6 million (25.9%) to $134.1 million, essentially due to the increase in the number of subscriber connections and higher net revenue per connection.
- Revenues from Internet access services increased $14.3 million (6.2%) to $245.7 million, mainly because of higher per-subscriber revenues, increases in some rates, increased usage and customer base growth.
- Combined revenues from all cable television services decreased $7.5 million (-2.9%) to $252.7 million, due primarily to the impact of the net decrease in the customer base, higher discounts, and a decrease in video-on-demand and pay TV orders, partially offset by increases in some rates and increased revenues from the leasing of digital set-top boxes.
- Revenues from the cable telephone service decreased $7.5 million (-6.6%) to $105.9 million, mainly because of the impact of the net decrease in subscribers, lower per-subscriber revenues and higher discounts.
- Revenues from Club illico increased $1.9 million (32.2%) to $7.8 million, essentially because of subscriber growth.
- Revenues of Videotron Business Solutions increased $10.6 million (59.6%) to $28.4 million, due primarily to the impact of the acquisition of Fibrenoire Inc. (”Fibrenoire”) on January 7, 2016, and higher revenues at 4Degrees Colocation, acquired on March 11, 2015.
- Revenues from customer equipment sales increased $0.8 million (5.6%) to $15.2 million.
- Revenues of the Le SuperClub Vidéotron ltée (“Le SuperClub Vidéotron”) retail chain decreased $0.3 million (-14.3%) to $1.8 million, mainly because of the impact of store closings.
- Other revenues decreased $0.5 million (-19.2%) to $2.1 million.

ARPU: $146.58 in the third quarter of 2016 compared with $136.94 in the same period of 2015, an increase of $9.64 (7.0%).

Customer statistics

Revenue generating units – As of September 30, 2016, the total number of revenue generating units stood at 5,703,100, an increase of 54,700 (1.0%) in the third quarter of 2016 (compared with an increase of 85,800 in the third quarter of 2015) and a 12-month increase of 97,200 (1.7%) (Table 3). Revenue-generating units are the sum of subscriptions to the cable television, cable Internet access and Club illico services, plus subscriber connections to the cable and mobile telephony services.

Mobile telephony service – As of September 30, 2016, the number of subscriber connections to the mobile telephony service stood at 867,700, an increase of 38,800 (4.7%) in the third quarter of 2016 (compared with an increase of 39,600 in the third quarter of 2015) and a 12-month increase of 125,200 (16.9%) (Table 3).

Cable Internet access – As of September 30, 2016, the number of subscribers to cable Internet access services stood at 1,596,100, an increase of 24,400 (1.6%) in the third quarter of 2016 (compared with an increase of 20,400 in the same period of 2015) and a 12-month increase of 36,600 (2.3%) (Table 3). At the end of the third 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 2,833,000 homes and businesses passed by Videotron’s network as of September 30, 2016, up from 2,799,800 one year earlier) of 56.3% compared with 55.7% a year earlier.

Cable television – The combined customer base for all of Videotron’s cable television services decreased by 1,800 (-0.1%) in the third quarter of 2016 (compared with a decrease of 1,700 in the second quarter of 2015) and by 50,200 (-2.9%) in the 12-month period ended September 30, 2016 (Table 3). At the end of the third quarter of 2016, Videotron had 1,695,700 subscribers to its cable television services. The household and business penetration rate was 59.9% versus 62.4% a year earlier.

- As of September 30, 2016, the number of subscribers to the illico Digital TV service stood at 1,570,800, an increase of 11,000 (0.7%) in the third quarter of 2016 (compared with an increase of 11,800 in the second quarter of 2015) and a 12-month increase of 6,200 (0.4%). As of September 30, 2016, illico Digital TV had a household and business penetration rate of 55.4% versus 55.9% a year earlier.

- The customer base for analog cable television services decreased by 12,800 (-9.3%) in the third quarter of 2016 (compared with a decrease of 13,500 in the same period of 2015) and by 56,400 over a 12-month period.

Cable telephony service – As of September 30, 2016, the number of subscriber connections to the cable telephony service stood at 1,265,100, a decrease of 18,900 (-1.5%) in the third quarter of 2016 (compared with a decrease of 8,200 in the third quarter of 2015) and a 12-month decrease of 64,400 (-4.8%) (Table 3). At September 30, 2016, the cable telephony service had a household and business penetration rate of 44.7% versus 47.5% a year earlier.

Club illico – As of September 30, 2016, the number of subscribers to Club illico stood at 278,500, an increase of 12,200 (4.6%) in the third quarter of 2016 (compared with an increase of 35,700 in the third quarter of 2015) and a 12-month increase of 50,000 (21.9%) (Table 3).

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

	Sept. 2016	**June 2016**	March 2016	Dec. 2015	Sept. 2015	June 2015	March 2015	Dec. 2014
Mobile telephony[1]	**867.7**	828.9	795.7	768.6	742.5	702.9	662.1	632.8
Cable Internet	**1,596.1**	1,571.7	1,578.1	1,568.2	1,559.5	1,539.1	1,543.1	1,537.5
Cable television:								
Analog	**124.9**	137.7	153.1	166.3	181.3	194.8	215.1	228.7
Digital	**1,570.8**	1,559.8	1,568.9	1,570.6	1,564.6	1,552.8	1,555.5	1,553.6
	1,695.7	1,697.5	1,722.0	1,736.9	1,745.9	1,747.6	1,770.6	1,782.3
Cable telephony[1]	**1,265.1**	1,284.0	1,304.3	1,316.3	1,329.5	1,337.7	1,344.6	1,349.0
Club illico	**278.5**	266.3	265.2	257.5	228.5	192.8	186.8	177.7
Total (revenue-generating units)	**5,703.1**	5,648.4	5,665.3	5,647.5	5,605.9	5,520.1	5,507.2	5,479.3

[1] In thousands of connections

Adjusted operating income: $363.6 million in the third quarter of 2016, a $12.5 million (3.6%) increase caused mainly by:

- impact of the revenue increase.

Partially offset by:

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

Cost/revenue ratio: Operating costs for all Telecommunications segment operations, expressed as a percentage of revenues, rose to 54.2% in the third quarter of 2016 compared with 53.4% in the same period of 2015, mainly because of the increased loss incurred on mobile device sales.

Year-to-date operating results

Revenues: $2.35 billion, a $116.7 million (5.2%) increase essentially due to the same factors as those noted above in the discussion of third quarter 2016 results.

- Revenues from mobile telephony service increased $81.2 million (27.8%) to $373.3 million.
- Revenues from Internet access services increased $49.0 million (7.2%) to $730.2 million.
- Combined revenues from all cable television services decreased $22.2 million (-2.8%) to $768.1 million.
- Revenues from cable telephony service decreased $26.5 million (-7.6%) to $320.0 million.
- Revenues from Club illico increased $6.2 million (37.3%) to $22.8 million.
- Revenues of Videotron Business Solutions increased $30.0 million (58.8%) to $81.0 million.
- Revenues from customer equipment sales increased $1.4 million (3.8%) to $38.5 million.

- Revenues of Le SuperClub Vidéotron retail chain decreased $1.4 million (-20.9%) to $5.3 million.
- Other revenues decreased $0.9 million (-10.8%) to $7.4 million.

ARPU: $143.64 in the first nine months of 2016, compared with $134.19 in the same period of 2015, a $9.45 (7.0%) increase.

Customer statistics

Revenue-generating units – 55,600-unit increase in the first nine months of 2016 compared with an increase of 126,600 in the same period of 2015.

Mobile telephony service – 99,100 (12.9%) subscriber-connection increase in the first nine months of 2016 compared with an increase of 109,700 in the same period of 2015.

Cable Internet access – 27,900 (1.8%) customer increase in the first nine months of 2016 compared with an increase of 22,000 in the same period of 2015.

Cable television – 41,200 (-2.4%) decrease in the combined customer base for all of Videotron's cable television services in the first nine months of 2016 compared with a decrease of 36,400 in the same period of 2015.

- Subscriptions to illico Digital TV service increased by 200 in the first nine months of 2016 compared with an increase of 11,000 in the same period of 2015.
- Subscriptions to analog cable television services decreased by 41,400 (-24.9%) in the first nine months of 2016 compared with a decrease of 47,400 in the same period of 2015.

Cable telephony service – 51,200 (-3.9%) customer decrease in the first nine months of 2016 compared with a decrease of 19,500 in the same period of 2015.

Club illico – 21,000 (8.2%) subscriber increase in the first nine months of 2016 compared with an increase of 50,800 in the same period of 2015.

Adjusted operating income: $1.08 billion, a $48.0 million (4.6%) increase caused primarily by:

- impact of the revenue increase.

Partially offset by:

- impact of the increased loss incurred on mobile device sales, partially offset by the favourable impact of "bring your own device" plans;
- increases in some operating expenses, primarily administrative expenses, customer service, technical and quality assurance services, and marketing.

Cost/revenue ratio: Operating costs for all Telecommunications segment operations, expressed as a percentage of revenues, were 53.8% in the first nine months of 2016 compared with 53.5% in the same period of 2015.

Cash flows from operations

Quarterly cash flows from segment operations: $184.1 million compared with $150.9 million in the third quarter of 2015, an increase of $33.2 million (Table 4).

- The increase was due primarily to a $19.8 million decrease in additions to property, plant and equipment and to intangible assets, mainly reflecting the decrease in spending on the LTE network, and to the $12.5 million increase in adjusted operating income.

Year-to-date cash flows from segment operations: $485.8 million compared with $495.6 million in the same period of 2015 (Table 4).

- The $9.8 million decrease was due primarily to a $57.8 million increase in additions to property, plant and equipment and to intangible assets, reflecting in part investment in the data centres and in expanding the capacity of the LTE network, partially offset by the $48.0 million increase in adjusted operating income.

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

	Three months ended September 30		Nine months ended September 30	
	2016	2015	**2016**	2015
Adjusted operating income	**$ 363.6**	$ 351.1	**$ 1,084.8**	$ 1,036.8
Additions to property, plant and equipment	**(152.0)**	(177.8)	**(507.9)**	(481.0)
Additions to intangible assets (excluding spectrum)	**(28.7)**	(22.7)	**(93.3)**	(62.4)
Proceeds from disposal of assets	**1.2**	0.3	**2.2**	2.2
Cash flows from segment operations	**$ 184.1**	$ 150.9	**$ 485.8**	$ 495.6

Media

Third quarter 2016 operating results

Revenues: $221.7 million in the third quarter of 2016, a $17.3 million (-7.2%) decrease.

- Broadcasting revenues increased $4.1 million (4.9%), mainly due to:
  - o higher commercial production revenues at TVA Network;
  - o higher advertising and subscription revenues at the TVA Sports specialty channel.

  Partially offset by:
  - o lower advertising revenues at the TVA Network.
- Film production and audiovisual service revenues decreased by $5.5 million (-25.6%), mainly because of lower revenues from soundstage and equipment leasing due to fewer productions in the third quarter of 2016 than in the same period of 2015. Revenues from visual effects and post-production increased.
- Newspaper publishing revenues decreased $8.2 million (-14.8%).
  - o Advertising revenues decreased 16.7%; circulation revenues increased 1.0%; digital revenues increased 3.3%; combined revenues from commercial printing and other sources decreased 25.6%.
- Magazine publishing revenues decreased by $5.0 million (-14.3%) in the third quarter of 2016, mainly because of the impact of the discontinuation of some titles, combined with a decrease in newsstand sales and in advertising revenues.
- Revenues of Quebecor Media Out of Home increased by $1.2 million (40.0%), essentially because of higher advertising revenues, including digital revenues.
- Book distribution and publishing revenues decreased by $2.0 million (-5.6%), primarily as a result of lower volume in bookstore and mass market distribution and decreased sales of general literature, partially offset by higher scholastic sales.
- Music distribution and production revenues decreased $0.1 million (-1.0%).

Adjusted operating income: $34.5 million in the third quarter of 2016, an $8.4 million (-19.6%) decrease compared with the same period of 2015.

- Adjusted operating income from broadcasting operations decreased by $8.0 million (-41.7%) due to:
  - o higher operating expenses at TVA Sports and TVA Network, including content costs;
  - o lower advertising revenues at TVA Network.

  Partially offset by:
  - o favourable impact of higher advertising and subscription revenues at TVA Sports.

- Adjusted operating income from film production and audiovisual services decreased by $4.1 million (-52.6%), mainly because of the impact of decreased soundstage and equipment leasing revenues.
- Adjusted operating income from newspaper publishing increased by $0.6 million (15.8%) due to:
  - o favourable impact on adjusted operating income of reduced operating expenses, including the impact of restructuring initiatives.

  Partially offset by:
  - o impact of the revenue decrease.
- Adjusted operating income from magazine publishing increased by $1.9 million (50.0%), mainly because of the impact of the decrease in operating expenses, including administrative, selling and production expenses, partially offset by the impact of the revenue decrease.
- The adjusted operating income of Quebecor Media Out of Home showed a $0.9 million favourable variance, mainly because of the impact of the revenue increase.
- Adjusted operating income from book distribution and publishing increased by $0.4 million (4.2%), primarily as a result of the impact of reductions in some operating expenses.
- Adjusted operating income from music distribution and production showed a $0.5 million favourable variance, mainly because of higher profit margins and decreases in some operating expenses.

Cost/revenue ratio: Employee costs and purchases of goods and services for the Media segment's operations, expressed as a percentage of revenues, were 84.4% in the third quarter of 2016 compared with 82.1% in the same period of 2015. The increase was mainly due to the large fixed component of operating costs, which does not fluctuate in proportion to the decrease in revenues, partially offset by the impact of decreases in some operating expenses, mainly at TVA Network, in newspaper and magazine publishing, and in book distribution and publishing.

Year-to-date operating results

Revenues: $672.0 million in the first nine months of 2016, a $33.7 million (-4.8%) decrease.

- Broadcasting revenues increased $1.0 million (0.3%), mainly due to:
  - o increased subscription revenues at the specialty channels, including TVA Sports, addik^TV, MOI&cie and Casa;
  - o higher commercial production revenues at TVA Network.

  Partially offset by:
  - o lower advertising revenues at TVA Sports, mainly because the Montréal Canadiens failed to qualify for the National Hockey League playoffs in Spring 2016, and at LCN.
- Film production and audiovisual service revenues decreased by $7.5 million (-14.5%), mainly because of lower revenues from soundstage and equipment leasing due to fewer productions in the first nine months of 2016 than in the same period of 2015 and to lower revenues from visual effects. Post-production revenues increased.
- Newspaper publishing revenues decreased $27.5 million (-15.6%).
  - o Advertising revenues decreased 15.9%; circulation revenues increased 2.3%; digital revenues increased 3.2%; combined revenues from commercial printing and other sources decreased 30.1%.
- Magazine publishing revenues increased by $5.5 million (6.8%), mainly because of the favourable impact on revenues of the acquisition of magazines from Transcontinental Inc. ("Transcontinental") on April 12, 2015, partially offset by the impact of the discontinuation of some titles and the decrease in advertising and newsstand revenues.
- Revenues of Quebecor Media Out of Home increased by $2.3 million (27.1%), mainly because of higher advertising revenues, including digital revenues.
- Book distribution and publishing revenues decreased by $3.3 million (-4.2%), primarily as a result of lower volume in mass market and bookstore distribution, partially offset by higher scholastic sales.
- Music distribution and production revenues decreased $1.9 million (-6.0%) as a result of the impact of the reorganization of some business units and lower album production revenues.

Adjusted operating income: $38.7 million for the first nine months of 2016, a $9.2 million (-19.2%) decrease.

- Adjusted income from broadcasting operations decreased $6.5 million (-57.0%) due to:
  - impact of lower advertising revenues at TVA Sports;
  - increases in operating expenses, including administrative and selling expenses.

  Partially offset by:
  - favourable impact of higher subscription revenues at the specialty services.
- Adjusted operating income from film production and audiovisual services decreased by $6.3 million (-48.1%), mainly because of the impact of lower soundstage and equipment leasing revenues.
- Adjusted operating income from newspaper publishing decreased by $4.6 million (-35.9%) due to:
  - impact of the revenue decrease.

  Partially offset by:
  - favourable impact on adjusted operating income of reduced operating expenses, including the impact of restructuring initiatives.
- Adjusted operating income from magazine publishing increased by $5.7 million (95.0%). The increase was mainly due to the impact of a decrease in operating expenses, including selling, administrative and production expenses, and the inclusion of the income of the magazines acquired from Transcontinental on April 12, 2015, partially offset by the impact of the decrease in revenues on a same-store basis.
- The adjusted operating loss of Quebecor Media Out of Home decreased by $1.7 million (85.0%) as a result of the impact of the increase in revenues.
- Adjusted operating income from book distribution and publishing increased by $2.0 million (26.0%), due primarily to the reduction in some operating expenses, including selling and administrative expenses for distribution and general literature, and the impact of increased revenues from scholastic publishing.
- Adjusted operating income from music distribution and production showed a $0.8 million favourable variance, in part because of improved profit margins and decreases in some operating expenses, including administrative expenses.

Cost/revenue ratio: Employee costs and purchases of goods and services for the Media segment's operations, expressed as a percentage of revenues, were 94.2% in the first nine months of 2016, compared with 93.2% in the same period of 2015. The increase was mainly due to the large fixed component of operating costs, which does not fluctuate in proportion to the decrease in revenues, partially offset by the impact of decreases in some operating expenses, mainly in newspaper and magazine publishing, book distribution and publishing, and in music distribution and production.

Cash flows from operations

Quarterly cash flows from segment operations: $22.1 million compared with $31.4 million in the third quarter of 2015 (Table 5). The $9.3 million unfavourable variance was primarily due to the $8.4 million decrease in adjusted operating income.

Year-to-date cash flows from segment operations: $2.3 million compared with $16.6 million in the same period of 2015 (Table 5). The $14.3 million unfavourable variance was mainly due to the $9.2 million decrease in adjusted operating income and the $5.2 million increase in additions to property, plant and equipment and to intangible assets.

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

	Three months ended September 30		Nine months ended September 30	
	2016	2015	**2016**	2015
Adjusted operating income	**$ 34.5**	$ 42.9	**$ 38.7**	$ 47.9
Additions to property, plant and equipment	**(10.1)**	(9.1)	**(28.9)**	(24.8)
Additions to intangible assets	**(2.4)**	(2.4)	**(7.6)**	(6.5)
Proceeds from disposal of assets	**0.1**	–	**0.1**	–
Cash flows from segment operations	**$ 22.1**	$ 31.4	**$ 2.3**	$ 16.6

Sports and Entertainment

Third quarter 2016 operating results

Revenues: $7.8 million in the third quarter of 2016, a $1.6 million (25.8%) increase due primarily to:

- addition of revenues from events at the Videotron Centre;
- higher revenues from sporting events at Event Management Gestev Inc.;
- naming rights revenues.

Adjusted operating loss: $1.3 million in the third quarter of 2016 compared with $4.8 million in the same period of 2015. The $3.5 million favourable variance was due primarily to startup costs for Videotron Centre management operations recognized in the third quarter of 2015 and the impact of the revenue increase.

Year-to-date operating results

Revenues: $24.8 million, an $11.7 million increase from the same period of 2015, due primarily to the same factors as those noted above in the discussion of third quarter 2016 operating results, as well as the reorganization of some business units.

Adjusted operating loss: $6.2 million in the first nine months of 2016 compared with $8.6 million in the same period of 2015. The $2.4 million (27.9%) favourable variance was due primarily to the impact of the revenue increase.

Cash flows from operations

Quarterly cash flows from segment operations: Negative $2.8 million compared with negative $43.1 million in the third quarter of 2015 (Table 6).

- The $40.3 million favourable variance was due primarily to recognition in the third quarter of 2015 of a $33.0 million payment to Québec City for 25-year naming rights to the new Videotron Centre, plus spending on leasehold improvements and startup of the arena in the same period, combined with a $3.5 million decrease in the adjusted operating loss.

Year-to-date cash flows from segment operations: Negative $9.2 million compared with negative $51.9 million in the same period of 2015 (Table 6). The $42.7 million favourable variance was mainly due to the same factors as those noted above in the discussion of third quarter 2016 results.

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

	Three months ended September 30		Nine months ended September 30	
	2016	2015	**2016**	2015
Adjusted operating loss	**$ (1.3)**	$ (4.8)	**$ (6.2)**	$ (8.6)
Additions to property, plant and equipment	**(0.7)**	(4.0)	**(1.9)**	(8.7)
Additions to intangible assets	**(0.8)**	(34.3)	**(1.1)**	(34.6)
Cash flows from segment operations	**$ (2.8)**	$ (43.1)	**$ (9.2)**	$ (51.9)

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

Third quarter 2016

Cash flows provided by continuing operating activities: $342.1 million in the third quarter of 2016 compared with $322.5 million in the same period of 2015.

- The $19.6 million increase was due primarily to:
  - $180.0 million favourable change in non-cash operating assets and liabilities due primarily to favourable variances in accounts receivable, including the favourable impact on the 2016 comparative analysis of recognition in the third quarter of 2015 of a $139.1 million receivable in respect of a gain on litigation, deferred revenues, and income tax payments in the Telecommunications segment;
  - $12.5 million increase in adjusted operating income in the Telecommunications segment.

  Partially offset by:
  - $136.2 million unfavourable variance in the cash portion of the charge for restructuring of operations, gain on litigation and other items;
  - $20.2 million unfavourable variance in current income taxes;
  - $8.4 million decrease in adjusted operating income in the Media segment.

Year to date

Cash flows provided by operating activities: $802.2 million in the first nine months of 2016 compared with $648.8 million in the same period of 2015.

- The $153.4 million increase was essentially due to:
  - $339.3 million favourable change in non-cash operating assets and liabilities due primarily to favourable variances in accounts receivable, including the favourable impact on the 2016 comparative analysis of recognition in the third quarter of 2015 of a $139.1 million receivable in respect of a gain on litigation, the provision for current income taxes, income tax payments, and inventory in the Telecommunications segment;
  - $48.0 million increase in adjusted operating income in the Telecommunications segment;
  - $5.5 million decrease in the cash portion of financial expenses.

  Partially offset by:
  - $139.6 million unfavourable variance in the cash portion of the charge for restructuring of operations, gain on litigation and other items;
  - $75.8 million increase in current income taxes;
  - unfavourable variance in adjusted operating income at Head Office, essentially due to an unfavourable variance in the stock-based compensation charge;
  - $9.2 million decrease in adjusted operating income in the Media segment.

In the first nine months of 2016, reduced inventory in the Telecommunications segment, decreased income tax payments, higher profits in the Telecommunications segment and debt refinancing at lower interest rates had a positive impact on cash flows provided by continuing operating activities, while reduced profitability in the Media segment had an unfavourable impact.

Working capital: Negative $369.3 million at September 30, 2016 compared with negative $328.1 million at December 31, 2015. The $41.2 million unfavourable variance was mainly due to current variances in activity.

Investing activities

Third quarter 2016

Additions to property, plant and equipment: $163.8 million in the third quarter of 2016 compared with $191.1 million in the same period of 2015. The $27.3 million decrease, primarily in the Telecommunications segment, was mainly due to a lower level of spending on the LTE network.

Additions to intangible assets: $32.4 million in the third quarter of 2016 compared with $60.6 million in the same period of 2015. The $28.2 million decrease mainly reflects payment of $33.0 million to Québec City in the third quarter of 2015 for 25-year naming rights to the new Videotron Centre in the Sports and Entertainment segment.

Proceeds from disposal of assets: $1.3 million in the third quarter of 2016 compared with $0.5 million in the same period of 2015.

Acquisition of non-controlling interest: $500.0 million in the third quarter of 2015. On September 9, 2015, the Corporation's interest in Quebecor Media increased from 75.36% to 81.07% following the repurchase by Quebecor Media of 7,268,324 Common Shares of its capital stock held by CDP Capital d'Amérique Investissement for an aggregate purchase price of $500.0 million, payable in cash.

Business acquisitions: $1.2 million in the third quarter of 2015.

Business disposals: $12.1 million in the third quarter of 2015 consisting mainly of the sale of the retail operations of Archambault Group Inc. ("Archambault Group") in the Telecommunications segment.

Year to date

Additions to property, plant and equipment: $541.3 million in the first nine months of 2016 compared with $514.8 million in the same period of 2015. The $26.5 million increase, primarily in the Telecommunications segment, was mainly due to investment in the data centres and in expanding the capacity of the LTE network.

Acquisitions of intangible assets: $104.2 million in the first nine months of 2016 compared with $325.1 million in the same period of 2015. The $220.9 million decrease was mainly due to:

- payments totalling $218.8 million in the first nine months of 2015 for the acquisition of spectrum;
- payment of $33.0 million to Québec City in the first nine months of 2015 for 25-year naming rights to the new Videotron Centre in the Sports and Entertainment segment.

Partially offset by:

- increased spending on computer hardware and software in the Telecommunications segment in the first nine months of 2016.

Proceeds from disposal of assets: $3.1 million in the first nine months of 2016 compared with $2.4 million in the same period of 2015, a $0.7 million increase.

Acquisition of non-controlling interest: $500 million in the third quarter of 2015, due to the same factor as that noted above in the discussion of third quarter 2016 results.

Business acquisitions: $119.1 million in the first nine months of 2016 compared with $92.0 million in the same period of 2015, a $27.1 million increase.

- In the first nine months of 2016, business acquisitions consisted primarily in the acquisition of Fibrenoire by the Telecommunications segment.
- In the first nine months of 2015, business acquisitions consisted primarily in the acquisition of 4Degrees Colocation by the Telecommunications segment and of Transcontinental magazines by the Media segment.

Business disposals: $3.0 million in the first nine months of 2016 compared with $316.3 million in the same period of 2015.

- Business disposals in the first nine months of 2016 consisted of the balance of the selling price of Archambault Group's retail operations.
- Business disposals in the first nine months of 2015 consisted mainly of the sale of English-language newspaper businesses in Canada in the Media segment and the sale of Archambault Group's retail operations in the Telecommunications segment.

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

Third quarter 2016

Free cash flows from continuing operating activities of Quebecor Media: $147.0 million in the third quarter of 2016 compared with $70.0 million in the same period of 2015 (Table 7).

- The $77.0 million favourable variance was mainly due to:
  - $27.1 million decrease in additions to property, plant and equipment;
  - $20.9 million increase in cash flows provided by continuing operating activities;
  - $28.2 million decrease in additions to intangible assets.

Year to date

Free cash flows from continuing operating activities of Quebecor Media: $171.2 million in the first nine months of 2016 compared with $45.9 million in the same period of 2015 (Table 7).

- The $125.3 million favourable variance was mainly due to:
  - $149.8 million increase in cash flows provided by continuing operating activities.

  Partially offset by:
  - $26.5 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 September 30		Nine months ended September 30	
	2016	2015	**2016**	2015
Cash flows from segment operations				
Telecommunications	**$ 184.1**	$ 150.9	**$ 485.8**	$ 495.6
Media	**22.1**	31.4	**2.3**	16.6
Sports and Entertainment	**(2.8)**	(43.1)	**(9.2)**	(51.9)
Quebecor Media Head Office	**(5.0)**	0.2	**(11.3)**	(1.2)
	198.4	139.4	**467.6**	459.1
Cash interest expense	**(74.9)**	(72.9)	**(220.2)**	(225.1)
Cash portion of charge for restructuring of operations, gain on litigation and other items	**(1.2)**	135.2	**(15.2)**	125.1
Current income taxes	**(51.2)**	(31.0)	**(130.5)**	(54.7)
Other	**(0.4)**	0.4	**2.3**	2.8
Net change in operating assets and liabilities	**76.3**	(101.1)	**67.2**	(261.3)
Free cash flows from continuing operating activities of Quebecor Media	**$ 147.0**	$ 70.0	**$ 171.2**	$ 45.9

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

	Three months ended September 30		Nine months ended September 30	
	2016	2015	**2016**	2015
Free cash flows from continuing operating activities of Quebecor Media presented in Table 7	**$ 147.0**	$ 70.0	**$ 171.2**	$ 45.9
Quebecor Head Office cash flow items:				
Cash flows from segment operations	**(3.5)**	0.8	**(5.2)**	2.1
Cash portion of charge for restructuring of operations, gain on litigation and other items	**–**	(0.2)	**0.5**	(0.2)
Cash interest expense	**(6.0)**	(6.2)	**(18.2)**	(18.8)
Other	**0.2**	–	**(0.4)**	–
Net change in operating assets and liabilities	**9.5**	6.9	**11.9**	1.1
	0.2	1.3	**(11.4)**	(15.8)
Plus additions to property, plant and equipment	**163.8**	191.1	**541.3**	514.8
Plus additions to intangible assets (excluding expenditures for spectrum acquisition)	**32.4**	60.6	**104.2**	106.3
Minus proceeds from disposal of assets	**(1.3)**	(0.5)	**(3.1)**	(2.4)
Cash flows provided by continuing operating activities of Quebecor	**$ 342.1**	$ 322.5	**$ 802.2**	$ 648.8

Financing activities

Consolidated debt (long-term debt plus bank indebtedness): $176.2 million decrease in the first nine months of 2016. $152.1 million net unfavourable variance in assets and liabilities related to derivative financial instruments.

- Summary of year-to-date debt reductions:
  - $182.2 million favourable impact of exchange rate fluctuations. The debt reduction attributable to this item was offset by a decrease in the asset (or increase in the liability) related to cross-currency swap agreements entered under "Derivative financial instruments";
  - $25.2 million reduction in Quebecor's debt;
  - current payments, totalling $10.9 million, on the term loan facilities of Videotron, TVA Group and Quebecor Media.
- Summary of year-to-date debt increases:
  - $33.0 million increase in Videotron's total drawings on its secured revolving credit facility;
  - $9.0 million increase in debt attributable to changes in the fair value related to hedged interest rate risk.
- Assets and liabilities related to derivative financial instruments totalled a net asset of $801.6 million at September 30, 2016 compared with $953.7 million at December 31, 2015. The $152.1 million net unfavourable variance was mainly 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.

  Offset by:
  - favourable impact of interest rate trends in Canada, compared with the United States, on the fair value of derivative financial instruments.
- In June 2016, Quebecor amended its revolving credit facility to extend its term to July 2019, Quebecor Media amended its secured revolving credit facility to extend its term to July 2020, and Videotron amended its secured revolving credit facility and its unsecured revolving credit facility to extend their terms to July 2021. Some of the terms and conditions of the credit facilities were also amended.

Financial Position

Net available liquidity: $954.7 million at September 30, 2016 for Quebecor Media and its wholly owned subsidiaries, consisting of $985.1 million in available unused revolving credit facilities, less $30.4 million in bank indebtedness.

Net available liquidity: $158.6 million as at September 30, 2016 for Quebecor at the corporate level, consisting of $8.6 million in cash and cash equivalents and $150.0 million in available unused revolving credit facilities.

Consolidated debt (long-term debt plus bank indebtedness): $5.71 billion at September 30, 2016, a $176.2 million decrease compared with December 31, 2015; $152.1 million net unfavourable variance in assets and liabilities related to derivative financial instruments (*see* "Financing activities" above).

- Consolidated debt essentially consisted of Videotron's $3.24 billion debt ($3.28 billion at December 31, 2015); TVA Group's $70.4 million debt ($73.0 million at December 31, 2015); Quebecor Media's $2.38 billion debt ($2.48 billion at December 31, 2015); and Quebecor's $31.1 million debt ($56.3 million at December 31, 2015).

As at September 30, 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-month periods ended September 30
(in millions of Canadian dollars)

2017	$	51.1
2018		24.0
2019		14.9
2020		479.7
2021		904.7
2022 and thereafter		4,231.1
Total	**$**	**5,705.5**

The weighted average term of Quebecor's consolidated debt was approximately 6.3 years as of September 30, 2016 (7.0 years as of December 31, 2015). At September 30, 2016, taking into account interest rate swaps, the debt consisted of approximately 81.9% fixed-rate debt (82.5% at December 31, 2015) and 18.1% 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 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 September 30, 2016, the Corporation was in compliance with all required financial ratios and restrictive covenants in its financing agreements.

Dividends declared

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

Analysis of consolidated balance sheet at September 30, 2016

Table 10
Consolidated balance sheet of Quebecor
Analysis of main differences between September 30, 2016 and December 31, 2015
(in millions of Canadian dollars)

	Sept. 30, 2016	Dec. 31, 2015	Difference	Main reason for difference
Assets				
Inventories	**$ 189.9**	$ 215.5	$ (25.6)	Impact of current variances in activity
Property, plant and equipment	**3,555.3**	3,424.9	130.4	Additions to property, plant and equipment (*see* "Investing activities" above) and impact of acquisition of Fibrenoire, less depreciation for the period
Intangible assets	**1,205.0**	1,178.0	27.0	Additions to intangible assets (*see* "Investing activities" above) and impact of acquisition of Fibrenoire, less amortization for the period
Goodwill	**2,731.8**	2,678.4	53.4	Impact of acquisition of Fibrenoire less goodwill impairment in Media segment
Derivative financial instruments[1]	**801.6**	953.7	(152.1)	*See* "Financing activities"
Liabilities				
Accounts payable and accrued charges	**630.6**	654.9	(24.3)	Impact of current variances in activity
Deferred revenues	**350.1**	321.5	28.6	Impact of current variances in activity
Income tax[2]	**25.1**	(19.5)	44.6	Increase in current income taxes
Long-term debt, including short-term portion and bank indebtedness	**5,714.5**	5,890.7	(176.2)	*See* "Financing activities"
Other liabilities	**705.6**	448.2	257.4	Loss on re-measurement of defined benefit plans and losses on embedded derivatives related to convertible debentures
Deferred income tax[3]	**505.5**	584.2	(78.7)	Recovery of deferred income tax and tax benefits upon re-measurement of defined benefit plans and derivative financial instruments

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

ADDITIONAL INFORMATION

Contractual Obligations

At September 30, 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 September 30, 2016
(in millions of Canadian dollars)

	Total	Under 1 year	1-3 years	3-5 years	5 years or more
Long-term debt[1]	**$ 5,705.5**	$ 51.1	$ 38.9	$ 1,384.4	$ 4,231.1
Convertible debentures[2]	**828.5**	–	828.5	–	–
Interest payments[3]	**1,857.9**	227.0	603.2	545.2	482.5
Operating leases	**236.0**	47.8	71.1	34.1	83.0
Additions to property, plant and equipment and other commitments	**1,188.8**	202.0	251.8	206.6	528.4
Derivative financial instruments[4]	**(764.8)**	5.2	(19.5)	(89.8)	(660.7)
Total contractual obligations	**$ 9,051.9**	**$ 533.1**	**$ 1,774.0**	**$ 2,080.5**	**$ 4,664.3**

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

2 Based on the market value at September 30, 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 September 30, 2016.

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

Related party transactions

In the third quarter of 2016, the Corporation made sales to affiliated corporations in the amount of $0.5 million ($0.5 million in the same period of 2015). The Corporation made no purchases and incurred no rental expenses with related parties during the quarter ($0.4 million in the third quarter of 2015). The sales were accounted for at the consideration agreed between the parties.

In the first nine months of 2016, the Corporation made sales to affiliated corporations in the amount of $2.1 million ($2.3 million in the same period of 2015). The Corporation made no purchases and incurred no rental expenses with related parties during the period ($3.0 million in the first nine months of 2015). The sales 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 October 20, 2016. In addition, 1,310,000 share options were outstanding as of October 20, 2016.

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

	October 20, 2016	
	Issued and outstanding	**Book value**
Class A Shares	**38,840,872**	$ **8.7**
Class B Shares	**83,389,092**	$ **316.1**

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 were made between August 13, 2015 and August 12, 2016 at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange or other alternative trading systems. All the repurchased shares were cancelled.

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

In the first nine months of 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 the first nine months of 2015). The excess of $7.8 million in the purchase price over the carrying value of Class B Shares repurchased was recorded as a reduction in retained earnings ($9.7 million in the first nine months of 2015).

Regulatory changes

On October 6, 2016, the Canadian Radio-television and Telecommunications Commission (“CRTC”) ordered a significant reduction to existing interim rates for the capacity charge tariff component of wholesale high-speed access service pending approval of final rates. The interim rate reductions took effect immediately. The CRTC will assess the extent to which, if at all, retroactivity will apply when wholesale high-speed access service rates are set on a final basis. On September 20, 2016, the CRTC released a decision addressing the technical implementation of a new, disaggregated, wholesale high-speed access service, a service that will also provide access to fibre-to-the-home facilities. This decision, while requiring adjustments to Videotron’s proposed disaggregated architecture, is generally consistent with the positions submitted in Videotron’s filings. Proposed tariffs and supporting cost studies for the new service are to be filed on November 21, 2016. For additional information on regulation risks, 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.

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 those 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 September 30, 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)

	September 30, 2016		December 31, 2015	
Asset (liability)	**Carrying value**	**Fair value**	Carrying value	Fair value
Long-term debt[1,2]	**$ (5,705.5)**	**$ (5,908.0)**	$ (5,892.5)	$ (5,894.9)
Convertible debentures[3]	**(827.9)**	**(827.9)**	(706.4)	(706.4)
Derivative financial instruments				
Early settlement options	**1.0**	**1.0**	1.0	1.0
Foreign exchange forward contracts[4]	**(2.9)**	**(2.9)**	9.3	9.3
Interest rate swaps	**(0.5)**	**(0.5)**	(0.8)	(0.8)
Cross-currency interest rate swaps[4]	**805.0**	**805.0**	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 of the Corporation.

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

Losses (gains) on valuation and translation of financial instruments for the third quarters and first nine months of 2016 and 2015 are summarized in Table 14.

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

	Three months ended Sept. 30		Nine months ended Sept. 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 ineffective portion of fair value hedges	**0.7**	(2.1)	**0.6**	(3.6)
Loss on 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 upon debt redemption	**–**	–	**–**	(0.4)
	$ 68.3	$ (53.8)	**$ 118.1**	$ (94.6)

A $20.7 million loss and $25.5 million gain on cash flow hedges were recorded under "Other comprehensive income" in the third quarter and first nine months of 2016 respectively ($70.2 million and $45.3 million gains in the third quarter and first nine months of 2015 respectively).

Controls and procedures

The purpose of internal controls over financial reporting is to provide reasonable assurance as to the reliability of the Corporation's financial reporting and the preparation of its consolidated financial statements in accordance with IFRS.

There have not been any changes in internal controls over financial reporting during the three months ended September 30, 2016 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

Additional Information

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

Cautionary Statement Regarding Forward-Looking Statements

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

- Quebecor Media's ability to continue successfully developing its network and the facilities that support its mobile services;
- general economic, financial or market conditions and variations in the businesses of local, regional and national advertisers in Quebecor Media's newspapers, television outlets and other media properties;
- the intensity of competitive activity in the industries in which Quebecor operates;
- fragmentation of the media landscape;
- new technologies that might change consumer behaviour with respect to Quebecor Media's product suites;
- unanticipated higher capital spending required for developing 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 November 3, 2016, and are subject to change after this 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

November 3, 2016

QUEBECOR INC. AND ITS SUBSIDIARIES

SELECTED QUARTERLY FINANCIAL DATA

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

	2016			2015				2014
	Sept. 30	**June 30**	**March 31**	Dec. 31	Sept. 30	June 30	March 31	Dec. 31
Revenues	**$ 998.3**	**$ 992.5**	**$ 975.4**	$ 1,023.5	$ 974.5	$ 963.8	$ 929.0	$ 956.7
Adjusted operating income	**389.8**	**360.3**	**354.7**	360.8	391.4	349.3	339.2	353.1
Contribution to net (loss) income attributable to shareholders:								
Continuing operating activities	**83.2**	**69.9**	**67.7**	58.0	74.0	66.5	41.4	50.6
(Loss) gain on valuation and translation of financial instruments	**(68.2)**	**(57.0)**	**6.8**	(85.5)	51.1	47.7	(8.6)	(92.5)
Unusual items	**(23.3)**	**(3.1)**	**(4.6)**	(6.6)	(38.1)	(33.0)	(1.3)	(30.5)
Discontinued operations	**-**	**-**	**-**	(0.7)	(1.9)	(9.1)	(2.1)	12.9
Net (loss) income attributable to shareholders	**(8.3)**	**9.8**	**69.9**	(34.8)	85.1	72.1	29.4	(59.5)
Basic data per share								
Contribution to net (loss) income attributable to shareholders:								
Continuing operating activities	**$ 0.68**	**$ 0.57**	**$ 0.55**	$ 0.47	$ 0.60	$ 0.54	$ 0.34	$ 0.41
(Loss) gain on valuation and translation of financial instruments	**(0.56)**	**(0.47)**	**0.06**	(0.70)	0.42	0.39	(0.07)	(0.75)
Unusual items	**(0.19)**	**(0.02)**	**(0.04)**	(0.05)	(0.31)	(0.27)	(0.01)	(0.25)
Discontinued operations	**-**	**-**	**-**	-	(0.02)	(0.07)	(0.02)	0.11
Net (loss) income attributable to shareholders	**(0.07)**	**0.08**	**0.57**	(0.28)	0.69	0.59	0.24	(0.48)
Weighted average number of shares outstanding (in millions)	**122.3**	**122.4**	**122.5**	122.5	122.7	122.8	122.9	122.9
Diluted data per share								
Contribution to net (loss) income attributable to shareholders:								
Continuing operating activities	**$ 0.61**	**$ 0.51**	**$ 0.50**	$ 0.43	$ 0.54	$ 0.49	$ 0.32	$ 0.38
Dilution impact	**0.07**	**0.06**	**-**	0.04	-	-	0.02	0.03
Loss on valuation and translation of financial instruments	**(0.56)**	**(0.47)**	**(0.01)**	(0.70)	-	-	(0.07)	(0.75)
Unusual items	**(0.19)**	**(0.02)**	**(0.03)**	(0.05)	(0.27)	(0.23)	(0.01)	(0.25)
Discontinued operations	**-**	**-**	**-**	-	(0.01)	(0.07)	(0.02)	0.11
Net (loss) income attributable to shareholders	**(0.07)**	**0.08**	**0.46**	(0.28)	0.26	0.19	0.24	(0.48)
Weighted average number of diluted shares outstanding (in millions)	**122.3**	**122.8**	**143.6**	122.5	143.7	143.9	123.2	122.9