MANAGEMENT DISCUSSION AND ANALYSIS

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CORPORATE PROFILE

Quebecor Inc. is a holding company with an 81.07% interest in Quebecor Media Inc., one of Canada's largest media groups. Quebecor Media's subsidiaries operate in the following business segments: Telecommunications, Media, and Sports and Entertainment. 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 its equity held by CDP Capital d'Amérique Investissements inc. ("CDP Capital"), a subsidiary of the Caisse de dépôt et placement du Québec. All the repurchased shares were cancelled. Upon completion of the transaction, the Corporation's interest in Quebecor Media increased from 75.36% to 81.07%.

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.

Through its Quebecor Media subsidiary, Quebecor is a leading Canadian telecommunications and media company engaged in the following lines of business: cable services; Internet access; mobile and cable telecommunications; over-the-top video service; business solutions (including data hosting centres); broadcasting; soundstage and equipment leasing and post-production services for the film and television industries; newspaper publishing and distribution; Internet portals and specialized websites; book and magazine publishing and distribution; rental and distribution of video games and game consoles; music recording, production and distribution; out-of-home advertising; operation and management of a world-class entertainment venue; ownership and management of Quebec Major Junior Hockey League ("QMJHL") teams; concert production and management and promotion of sporting and cultural events. Through its Videotron Ltd. ("Videotron") subsidiary, Quebecor Media is a premier mobile communications and cable service provider. Through its Media segment, Quebecor Media holds leading positions in the creation, promotion and distribution of entertainment, news and Internet-related services designed to appeal to audiences in every demographic. Quebecor Media is pursuing a convergence strategy to capture synergies among all its media properties.

All amounts are stated in Canadian dollars ("CAN dollars") unless otherwise indicated.

The Corporation's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

DISCONTINUED OPERATIONS

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

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

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

On September 2, 2014, Quebecor Media closed the sale of its Nurun Inc. ("Nurun") subsidiary to the French company Publicis Groupe for a cash consideration of $125.0 million, less disposed-of cash in the amount of $18.1 million. An $8.2 million amount was also received in connection with certain adjustments as part of the transaction. The results of operations and cash flows related to that business, as well as the $41.5 million gain on the sale, have been reclassified as discontinued operations in the consolidated statements of income and cash flows.

On June 1, 2014, Quebecor Media closed the sale of 74 Québec weeklies to Transcontinental Interactive Inc. ("Transcontinental Interactive"), a subsidiary of Transcontinental Inc. ("Transcontinental"), for a cash consideration of $75.0 million. A $4.0 million working capital adjustment was also received ($3.4 million in 2014 and $0.6 million in 2015). The transaction was approved by the competent regulatory authorities, specifically the Competition Bureau. The results of operations and cash flows related to those businesses, as well as the $7.9 million gain on the sale, have been reclassified as discontinued operations in the consolidated statements of income and cash flows.

Quebecor Media announced that it was abandoning door-to-door distribution of community newspapers and flyers in Québec and discontinuing distribution of the Le Sac Plus doorknob bag as of January 2014. The operating results and cash flows related to those businesses have been reclassified as discontinued operations in the consolidated statements of income and cash flows.

On June 1, 2013, Quebecor Media sold its specialized website *Jobboom* for a cash consideration of $52.1 million, net of disposed-of cash in the amount of $5.4 million, and on November 29, 2013, it sold its specialized website *Réseau Contact* for a cash consideration of $7.1 million, net of disposed-of cash in the amount of $0.4 million. The operating results and cash flows related to those businesses, as well as the $37.6 million gain on the sale of the two websites, have been reclassified as discontinued operations in the consolidated statements of income and cash flows.

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

HIGHLIGHTS SINCE END OF 2014

- Quebecor's sales totalled $3.88 billion in 2015, a $271.8 million (7.5%) increase compared with 2014.

Telecommunications

- In 2015, the Telecommunications segment grew its revenues by $169.7 million (6.0%) to break through the $3.00 billion mark. Adjusted operating income increased by $32.6 million (2.4%), despite a $21.1 million unfavourable variance in one-time items.
- Videotron recorded strong revenue increases for three of its services in 2015: mobile telephony ($116.0 million or 40.3%), Internet access ($64.6 million or 7.5%), and over-the-top video ($11.4 million or 93.4%).
- Net increase of 168,200 revenue-generating units[1] (3.1%), including increases of 135,800 subscriber connections to the mobile telephone service, the largest 12-month increase since 2011, 79,800 customers for the over-the-top video service, and 30,700 customers for the cable Internet access service.
- Videotron's average monthly revenue per user ("ARPU") increased by $10.52 (8.4%) from $125.16 in 2014 to $135.68 in 2015, including a $5.03 (11.7%) increase in revenues per user from the mobile telephony service.
- On January 7, 2016, Videotron announced the acquisition of Fibrenoire inc. ("Fibrenoire"), which provides fibre-optic connectivity services to businesses, for a cash consideration of $125.0 million, including $120.6 million paid at closing, subject to certain adjustments. Combining the capabilities of Videotron Business Solutions and Fibrenoire will help continue meeting the growing demand from business customers for fibre-optic connectivity, and will strengthen Videotron's leadership in business telecommunications services.
- On October 27, 2015, Videotron announced a multi-year $35.0 million expansion of the 4Degrees Colocation Inc. ("4Degrees Colocation") data hosting centre in Québec City, which was acquired on March 11, 2015 for a $35.5 million consideration. A $0.2 million working capital adjustment was received in June 2015. The project will add two new server rooms to the facility. On September 16, 2015, Videotron announced construction of a 4,000-m^2 data centre in Montréal to provide business customers with the colocation solutions they need for hosting and processing the increasing quantities of data. The $40.0 million investment will be spread over several years.
- On October 15, 2015, the Supreme Court of Canada refused a motion from Bell ExpressVu Limited Partnership ("Bell ExpressVu"), a subsidiary of Bell Canada, to appeal a Québec Court of Appeal judgment ordering it to pay Videotron $135.3 million and TVA Group Inc. ("TVA Group") $0.6 million, including interest, as compensation for having failed to implement an appropriate security system in a timely manner to prevent piracy of its satellite television service's signals between 1999 and 2005, harming its competitors and broadcasters. The $139.1 million gain related to this settlement was recognized in the third quarter of 2015.
- On October 2, 2015, Quebecor Content, a division of Quebecor Media, announced a strategic partnership with NBCUniversal International Studios to develop new entertainment and studio-based formats suitable for global audiences.

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[1] The sum of subscriptions to the cable television, cable Internet access and over-the-top video services, plus subscriber connections to the cable and mobile telephony services.

On July 15, 2015, Quebecor Content announced a long-term, multiplatform agreement with Sony Pictures Television Canada ("Sony Canada"), one of the world's largest producers and distributors of entertainment content. The partnership will allow Videotron to offer a vast selection of movies and television series on its over-the-top video service, and will give TVA Group's television channels exclusive French-language broadcast rights to productions in Sony Canada's catalogue.

- On August 27, 2015, Videotron launched Unlimited Music, a service that allows some subscribers to its LTE mobile network to stream music without restriction via the most popular platforms, such as Stingray, Rdio, Google Play, Deezer and Spotify, without using their mobile data plan.
- On August 11, 2015, Videotron released the illico 4K Ultra-HD PVR, thereby becoming the first Canadian telecommunications provider to offer customers throughout its service area an ultra-high-definition ("UHD") set-top box. UHD is a digital video format that supports 3840 x 2160 pixel resolution, four times as many pixels as high definition ("HD"), delivering superior image quality.
- On May 12, 2015, after the closing of the Innovation, Science and Economic Development ("ISED") Canada auction for 2500 MHz commercial mobile spectrum, Quebecor Media announced that its Videotron subsidiary was the successful bidder for 18 licences covering all of the Province of Québec, as well as the major urban centres in the rest of Canada, including Toronto, Ottawa, Calgary, Edmonton, and Vancouver. The licences make it possible to reach approximately 65% of Canada's population, more than 21 million people. They were acquired at a total cost of $187.0 million.
- On March 6, 2015, Quebecor Media announced that its Videotron subsidiary was the successful bidder for four 30 MHz licences in ISED Canada's auction for commercial mobile spectrum in the AWS-3 band. The licences for Eastern Québec, Southern Québec, Northern Québec and Eastern Ontario/Outaouais, covering 100% of Québec's population plus the Ottawa area, were obtained at a total price of $31.8 million.

<u>Media</u>

- The Media segment's revenues grew by $112.8 million (13.2%) and its adjusted operating income by $11.8 million (20.2%) in 2015.
- According to the fall 2015 Vividata survey, *Le Journal de Montréal*, *Le Journal de Québec* and the free daily *24 heures Montréal* remain Québec's news leaders with more than 3.8 million readers per week across all platforms (print, mobile and Web). TVA Publications Inc. ("TVA Publications") is now Canada's largest magazine publisher with 10.8 million readers per week across all platforms.
- On August 26, 2015, to support the promotion of its film production and audiovisual services in Québec and on the international scene, and to modernize their brand image, TVA Group brought all its teams' strengths and creative talents together behind a brand that already enjoys a firmly established reputation in the industry: MELS.
- During its first season as the exclusive French-language broadcaster of the National Hockey League ("NHL") playoffs, TVA Sports became the most-watched sports channel in Québec. The audience for the 12 playoff games involving the Montréal Canadiens in the spring of 2015 averaged 1,577,000 and peaked at 2.5 million, for a 49.1% market share. Since the addition of NHL games to its schedule, TVA Sports has significantly increased its subscriber base. At the end of 2015, it stood at more than 2.0 million.
- On April 12, 2015, TVA Group reached an agreement with Transcontinental to acquire 14 magazines, including 4 magazines owned and operated in partnership, as well as 3 websites and custom publishing contracts, for a cash consideration of $55.5 million. A $0.8 million preliminary working capital adjustment was paid in the fourth quarter of 2015. The transaction was announced on November 17, 2014 and approved by the Competition Bureau on March 2, 2015.
- Season 3 of *La Voix* achieved record ratings during its run from January 18 to April 12, 2015. The weekly gala attracted an average audience of 2,787,000 (source: Numeris, French Québec, January 18 to March 29, 2015, T2+) and an average market share of 59%. The creation of value-added multiplatform content around this high-quality television program illustrates Quebecor's successful convergence strategy, which benefits all its media properties.
- In 2015, the Corporation performed impairment tests on its cash generating units ("CGUs") and concluded that the recoverable amounts of its Newspapers and Broadcasting CGUs were less than their carrying amount. The recoverable amounts of those CGUs were adversely affected by declining newspaper and commercial printing volumes at the Mirabel printing plant and continuing pressure on advertising revenues in the newspaper and television businesses. Accordingly, an $85.0 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 in the Newspapers CGU. A $60.1 million impairment charge on TVA Network's broadcasting licences (including $30.1 million without any tax consequences) was recognized for the Broadcasting CGU.

Sports and Entertainment

- On December 21, 2015, Event Management Gestev Inc. ("Gestev") and Groupe Boucher Sports announced the acquisition of the assets of Marathon de Québec inc. ("Marathon de Québec"). Under the partnership, Gestev will become the producer of major Québec City-area events for runners and walkers at all levels, starting in 2016.
- On September 29, 2015, Quebecor senior management presented the Corporation's bid for a professional hockey franchise in Québec City to the NHL Executive Committee meeting in New York City. Quebecor had officially filed an application under the NHL expansion process on July 20, 2015.
- The Videotron Centre officially opened on September 8, 2015. The opening ceremonies, held September 12, 2015 before the season opener of the Remparts de Québec of the QMJHL, were broadcast on TVA Sports. On September 16, 2015, the rock band Metallica performed at the Videotron Centre in the first major international event at the multifunctional venue. On September 28, 2015, the Montréal Canadiens and the Pittsburgh Penguins, two NHL teams, played a preseason game at the Videotron Centre before a sell-out crowd of 18,250.
- On April 2, 2015, Quebecor Media announced an eight-year strategic partnership with AEG Facilities, the world leader in sports and entertainment venue management. The AEG Live division will support the Sports and Entertainment segment in booking events, shows and tours for the Videotron Centre.
- On February 3, 2015, Quebecor Media announced a strategic partnership with Live Nation Entertainment, including an alliance with Live Nation Concerts, the global market leader in concert production, and the Ticketmaster ticketing service, which operates in Québec under the name Réseau Admission. On the same date, Quebecor Media formed a strategic partnership with Levy Restaurants for the operation of food concessions at the Videotron Centre.

Financial transactions

- On September 15, 2015, Videotron issued $375.0 million aggregate principal amount of 5.75% Senior Notes maturing on January 15, 2026, for net proceeds of $370.1 million, net of financing fees of $4.9 million. Videotron used the proceeds to repay a portion of the amounts due under its credit facilities.
- 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 for an aggregate purchase price of $500.0 million, payable in cash. All of the purchased shares were cancelled. As a result, CDP Capital's interest in Quebecor Media was reduced from 24.64% to 18.93%.
- On July 16, 2015, Videotron prepaid and withdrew 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, and unwound the hedges in an asset position. On the same date, Videotron prepaid and withdrew 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.
- On June 16, 2015, Videotron amended its $575.0 million secured revolving bank credit facility to increase it to $615.0 million and extend its term by two years to July 20, 2020. Videotron also entered into a new $350.0 million unsecured revolving credit facility expiring on July 20, 2020. The terms and conditions of the new unsecured credit facility are similar to those of Videotron's secured revolving credit facility.
- On April 10, 2015, Videotron completed the redemption of the entirety of its 6.375% Senior Notes maturing on December 15, 2015, in the aggregate principal amount of US$175.0 million, and unwound the hedges in an asset position.
- On March 20, 2015, TVA Group completed a rights offering whereby it received net proceeds totalling $110.0 million from the issuance of 19,434,629 Class B Shares, non-voting, participating, without par value, of TVA Group ("TVA Group Class B Non-Voting Shares"). Under the rights offering, Quebecor Media subscribed for 17,300,259 TVA Group Class B Non-Voting Shares at a total cost of $97.9 million. As a result, its total interest in TVA Group's equity increased from 51.5% to 68.4%.

TREND INFORMATION

Competition continues to be intense in the cable and alternative multichannel broadcast distribution industry and in the mobile telephony market. The significant subscriber growth recorded in the Telecommunications sector in past years is not necessarily representative of future growth, due to the penetration rates currently reached.

Moreover, the Telecommunications segment has in the past required substantial capital for the upgrade, expansion and maintenance of its cable and mobile networks, the launch and expansion of new or additional services to support growth in its customer base, and demands for increased bandwidth capacity and other services. The Corporation expects that additional capital expenditures will be required in the short and medium term in order to expand and maintain the Telecommunications segment's systems and services, including expenditures relating to the cost of upgrading its mobile services infrastructure and costs relating to advancements in Internet access, UHD television and TV everywhere/every platform requiring IP technology. In addition, the demand for wireless data services has been growing at unprecedented rates and it is projected that this demand will further increase in the future. The anticipated levels of data traffic will represent a growing challenge to the current mobile network's ability to serve this traffic. The Telecommunications segment may have to acquire additional spectrum in the future, as available.

Some of Quebecor's lines of business are cyclical in nature. They are dependent on advertising and, in the Media segment in particular, on circulation sales. Operating results are therefore sensitive to prevailing economic conditions.

In the Media segment, the broadcasting industry is in a period of significant change. Television audiences are fragmenting as viewing habits shift not only toward specialty channels, but also toward content delivery platforms that allow users greater control over content and timing, such as the Internet, video on demand and mobile devices. Audience fragmentation has prompted many advertisers to review their media placement strategies. The Media segment is taking steps to adjust to the profound changes occurring in the broadcasting industry so as to maintain its leadership position and offer audiences and advertisers alike the best available content, when they want it and on the media platform they want. As well, newspaper circulation, measured by copies sold, has been declining in the entire newspaper industry for several years. Also, the traditional run of press advertising for major multimarket retailers has been declining over the past few years due to consolidation in the retail industry, combined with a shift in marketing strategies toward other media. In order to respond to such competition, the Media segment's operations continue to develop their Internet presence through branded websites, including French-language portals and specialized sites.

The Sports and Entertainment segment has recently made and continues to make significant investments in its efforts to develop the business. The Corporation expects that additional capital expenditures will be required in order to expand the Sports and Entertainment segment.

INTEREST IN SUBSIDIARIES

As of December 31, 2015, Quebecor held an 81.07% interest in Quebecor Media. On September 9, 2015, the Corporation's interest in Quebecor Media increased from 75.36% to 81.07% following the partial repurchase by Quebecor Media of CDP Capital's interest in its capital stock. Table 1 shows Quebecor Media's equity interest in its main subsidiaries at that date.

Table 1
Quebecor Media's interest (direct and indirect) in its main subsidiaries
December 31, 2015

	Percentage of vote	Percentage of equity
Videotron Ltd.	100.0%	100.0%
TVA Group Inc.	99.9	68.4
MediaQMI Inc.	100.0	100.0
QMI Spectacles inc.	100.0	100.0

Quebecor Media's interest in its subsidiaries has not varied significantly over the past three years, with the exception of the changes described under "Discontinued Activities" above and the following change:

On March 20, 2015, TVA Group completed a rights offering whereby it received net proceeds totalling $110.0 million from the issuance of 19,434,629 TVA Group Class B Non-Voting Shares. Under the rights offering, Quebecor Media subscribed for 17,300,259 TVA Group Class B Non-Voting Shares at a total cost of $97.9 million. As a result, its total interest in TVA Group's equity increased from 51.5% to 68.4%.

NON-IFRS FINANCIAL MEASURES

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

Adjusted Operating Income

In its analysis of operating results, the Corporation defines adjusted operating income, as reconciled to net income (loss) under IFRS, as net income (loss) before depreciation and amortization, financial expenses, gain (loss) on valuation and translation of financial instruments, gain (loss) on litigation, charge for restructuring of operations and other items, impairment of goodwill and other assets, loss on debt refinancing, income taxes, and (loss) gain on discontinued operations. Adjusted operating income as defined above is not a measure of results that is consistent with IFRS. It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows 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 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 2 below provides a reconciliation of adjusted operating income to net income (loss) as disclosed in Quebecor's consolidated financial statements. The consolidated financial information for the three-month periods ended December 31, 2015 and 2014 presented in Table 2 below is drawn from the unaudited consolidated statements of income.

Table 2
Reconciliation of the adjusted operating income measure used in this report to the net income (loss) measure used in the consolidated financial statements
(in millions of CAN dollars)

	Year ended December 31		Three months ended December 31	
	2015	2014	**2015**	2014
Adjusted operating income (loss):				
Telecommunications	**$ 1,385.8**	$ 1,353.2	**$ 349.0**	$ 345.4
Media	**70.2**	58.4	**22.3**	13.8
Sports and Entertainment	**(11.7)**	(2.8)	**(3.1)**	(1.0)
Head Office	**(3.6)**	1.0	**(7.4)**	(5.1)
	1,440.7	1,409.8	**360.8**	353.1
Depreciation and amortization	**(693.6)**	(661.1)	**(176.5)**	(173.2)
Financial expenses	**(335.0)**	(350.3)	**(85.7)**	(84.3)
Gain (loss) on valuation and translation of financial instruments	**6.7**	(94.7)	**(87.9)**	(93.2)
Gain (loss) on litigation, charge for restructuring of operations and other items	**116.9**	(49.6)	**(8.0)**	(44.3)
Impairment of goodwill and other assets	**(230.7)**	(81.0)	**(3.7)**	–
Loss on debt refinancing	**(12.1)**	(18.7)	**–**	–
Income taxes	**(93.1)**	(97.2)	**(20.6)**	(24.2)
(Loss) income from discontinued operations	**(19.7)**	(81.6)	**(0.9)**	15.8
Net income (loss)	**$ 180.1**	$ (24.4)	**$ (22.5)**	$ (50.3)

Adjusted Income from Continuing Operations

The Corporation defines adjusted income from continuing operations, as reconciled to net income (loss) attributable to shareholders under IFRS, as net income (loss) attributable to shareholders before gain (loss) on valuation and translation of financial instruments, gain (loss) on litigation, charge for restructuring of operations and other items, impairment of goodwill and other assets, loss on debt refinancing, net of income tax related to adjustments and net income (loss) attributable to non-controlling interests related to adjustments, and before (loss) income from discontinued operations attributable to shareholders. Adjusted income from continuing operations, 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 operations 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 operations is more representative for the purpose of forecasting income. The Corporation's definition of adjusted income from continuing operations may not be identical to similarly titled measures reported by other companies.

Table 3 provides a reconciliation of adjusted income from continuing operations to the net income (loss) attributable to shareholders measure used in Quebecor's consolidated financial statements. The consolidated financial information for the three-month periods ended December 31, 2015 and 2014 presented in Table 3 below is drawn from the unaudited consolidated statements of income.

Table 3

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

(in millions of CAN dollars)

	Year ended December 31		Three months ended December 31	
	2015	2014	**2015**	2014
Adjusted income from continuing operations	**$ 239.9**	$ 209.7	**$ 58.0**	$ 50.6
Gain (loss) on valuation and translation of financial instruments	**6.7**	(94.7)	**(87.9)**	(93.2)
Gain (loss) on litigation, charge for restructuring of operations and other items	**116.9**	(49.6)	**(8.0)**	(44.3)
Impairment of goodwill and other assets	**(230.7)**	(81.0)	**(3.7)**	–
Loss on debt refinancing	**(12.1)**	(18.7)	**–**	–
Income taxes related to adjustments[1]	**2.8**	15.5	**4.0**	1.7
Net income attributable to non-controlling interest related to adjustments	**42.1**	47.8	**3.5**	12.8
Discontinued operations	**(13.8)**	(59.1)	**(0.7)**	12.9
Net income (loss) attributable to shareholders	**$ 151.8**	$ (30.1)	**$ (34.8)**	$ (59.5)

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

Cash Flows from Segment Operations

Cash flows from segment operations represents adjusted operating income, less additions to property, plant and equipment and to intangible assets (excluding disbursements for licence acquisitions and renewals), plus proceeds from disposal of assets. The Corporation uses cash flows from segment operations as a measure of the liquidity generated by its segments. Cash flows from segment operations represents funds available for interest and income tax payments, expenditures related to restructuring programs, business acquisitions, licence acquisitions and renewals, payment of dividends, reduction of paid-up capital by Quebecor Media, repayment of long-term debt and purchase of non-controlling interest. Cash flows from segment operations is not a measure of liquidity that is consistent with IFRS. It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows as a measure of liquidity. Cash flows from segment operations is used by the Corporation’s management and Board of Directors to evaluate cash flows generated by its segments’ operations. Tables 8 and 9 provide a reconciliation of cash flows from segment operations to cash flows provided by continuing operating activities reported in Quebecor’s 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 9 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 consolidated financial statements.

KEY PERFORMANCE INDICATOR

The Corporation uses ARPU, an industry metric, as a key performance indicator. This indicator is used to measure monthly revenues from its cable television, Internet access, cable and mobile telephony and over-the-top video services, per average basic customer. ARPU is not a measurement that is consistent with IFRS and the Corporation's definition and calculation of ARPU may not be the same as identically titled measurements reported by other companies. The Corporation calculates ARPU by dividing its combined revenues from its cable television, Internet access, cable and mobile telephony and over-the-top video services 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.

2015/2014 FINANCIAL YEAR COMPARISON

Analysis of Consolidated Results of Quebecor

Revenues: $3.88 billion, a $271.8 million (7.5%) increase.

- Revenues increased in Telecommunications ($169.7 million or 6.0% of segment revenues), Media ($112.8 million or 13.2%), and Sports and Entertainment ($16.1 million).

Adjusted operating income: $1.44 billion, a $30.9 million (2.2%) increase.

- Adjusted operating income increased in Telecommunications ($32.6 million or 2.4% of segment adjusted operating income), despite a $21.1 million unfavourable variance in one-time items, and in Media ($11.8 million or 20.2%).
- Unfavourable variance in Sports and Entertainment ($8.9 million) and at Head Office ($4.6 million). The decrease at Head Office was due primarily to the unfavourable variance in the fair value of stock options.
- The change in the fair value of Quebecor Media stock options resulted in a $4.9 million favourable variance in the stock-based compensation charge in 2015 compared with 2014. The change in the fair value of Quebecor stock options and the impact of various transactions on the options issued under this program resulted in a $9.6 million unfavourable variance in the Corporation's stock-based compensation charge in 2015.

Net income attributable to shareholders: $151.8 million ($1.24 per basic share) in 2015, compared with a net loss attributable to shareholders of $30.1 million ($0.24 per basic share) in the same period of 2014, a favourable variance of $181.9 million ($1.48 per basic share).

- The favourable variance was due primarily to:
  - $166.5 million favourable variance in the gain (loss) on litigation, charge for restructuring of operations and other items, including $34.3 million without any tax consequences;
  - $101.4 million favourable variance in gains and losses on valuation and translation of financial instruments, including $102.1 million without any tax consequences;
  - $61.9 million favourable variance in the loss related to discontinued operations;
  - $30.9 million increase in adjusted operating income;
  - $15.3 million decrease in financial expenses;
  - $6.6 million favourable variance in losses on debt refinancing.

  Partially offset by:

  - $149.7 million increase in non-cash charge for impairment of goodwill and other assets, including $60.3 million without any tax consequences;
  - $32.5 million increase in the depreciation and amortization charge;
  - $22.6 million unfavourable variance in non-controlling interest.

Adjusted income from continuing operations: $239.9 million ($1.95 per basic share) in 2015, compared with $209.7 million ($1.70 per basic share) in 2014, an increase of $30.2 million ($0.25 per basic share).

Depreciation and amortization: $693.6 million in 2015, a $32.5 million increase essentially due to the impact of capital expenditures in the Telecommunications segment, including depreciation of investments in the LTE network and expenditures resulting from the promotional strategy focused on equipment leasing, partially offset by the cessation of amortization of spectrum licences in accordance with a change in the estimate of their useful life (*see* "Change in Accounting Estimates" below).

Financial expenses: $335.0 million, a $15.3 million decrease caused mainly by the impact of lower interest rates on long-term debt due to debt refinancing at lower rates and by lower average indebtedness.

Gain on valuation and translation of financial instruments: $6.7 million in 2015 compared with a $94.7 million loss in 2014. The $101.4 million favourable variance was essentially due to the favourable variance (without any tax consequences) in the gain (loss) on embedded derivatives related to convertible debentures.

Gain on litigation, charge for restructuring of operations and other items: $116.9 million in 2015, compared with a $49.6 million loss in 2014, a $166.5 million favourable variance.

- 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 neglected 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 dismissed Bell ExpressVu's motion to appeal the decision. A $139.1 million gain on litigation was recorded in the statement of income in 2015. In 2014, the Telecommunications segment recorded a $34.3 million charge (without any tax consequences), including interest, following a trial judgment against Videotron. Videotron has applied for leave to appeal. A $1.0 million interest expense was recorded in 2015 in connection with this ruling.
- In 2015, the Telecommunications segment recognized an $8.8 million charge for restructuring of operations ($1.8 million in 2014), mainly because of migration from analog to digital cable television service. The segment also recognized a $0.3 million charge for other items in 2015 ($3.4 million in 2014).
- A $9.8 million charge for restructuring of operations was recorded in the Media segment in connection with staff-reduction programs in 2015 ($6.5 million in 2014). The segment also recognized a $0.7 million charge for other items in 2015 ($2.7 million in 2014).
- The other segments recorded charges for restructuring of operations and other items of $1.6 million in 2015 ($0.9 million in 2014).

Charge for impairment of goodwill and other assets: $230.7 million in 2015, compared with $81.0 million in 2014, a $149.7 million unfavourable variance.

- In 2015, Quebecor Media performed impairment tests on its CGUs and concluded that the recoverable amount of its Newspapers and Broadcasting CGUs was less than their carrying amount. The recoverable amount of those CGUs was adversely affected by declining newspaper and commercial printing volumes, and by continuing pressure on advertising revenues in the newspaper and television businesses. Accordingly, an $85.0 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 in the Newspapers CGU in 2015. A $60.1 million impairment charge on TVA Network's broadcasting licences (including $30.1 million without any tax consequences) was recognized for the Broadcasting CGU in 2015. A $3.7 million impairment charge on intangible assets was also recognized in 2015 in other segments.
- In 2014, Quebecor Media performed impairment tests on its Newspapers and Broadcasting CGUs. Accordingly, a $30.0 million non-cash impairment charge (without any tax consequences) was recorded in the Newspapers CGU, as well as a $41.7 million non-cash impairment charge on broadcasting licences (including $20.9 million without any tax consequences), and a $9.3 million non-cash goodwill impairment charge (including $3.9 million without any tax consequences) in the Broadcasting CGU.

Loss on debt refinancing: $12.1 million in 2015, compared with $18.7 million in 2014, a $6.6 million favourable variance.

- 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 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."

- In accordance with a notice issued on March 26, 2014, Videotron redeemed, on April 24, 2014, US$260.0 million aggregate principal amount of its outstanding 9.125% Senior Notes issued on March 5, 2009 and maturing on April 15, 2018, at a redemption price of 103.042% of their principal amount. A $21.4 million net loss was recorded in the consolidated statement of income in the first quarter of 2014 in connection with this redemption, including a $1.7 million loss previously recorded in “Other comprehensive income.”
- In accordance with a notice issued on March 26, 2014, Quebecor Media redeemed, on April 25, 2014, the entirety of its outstanding 7.75% Senior Notes issued on October 5, 2007 and maturing on March 15, 2016, in the aggregate principal amount of US$380.0 million, at a redemption price of 100.00% of their principal amount, and settled the related hedges. A $2.7 million net gain was recorded in the consolidated statement of income in the first quarter of 2014 in connection with this redemption, including a $12.5 million gain previously recorded in “Other comprehensive income.”

Income tax expense: $93.1 million in 2015 (effective tax rate of 23.4%), compared with $97.2 million (effective tax rate of 29.0%) in 2014, a $4.1 million favourable variance. The effective tax rate is calculated considering only taxable and deductible items.

- The impact of the increase in taxable income was outweighed by the impact of the decrease in the effective tax rate.
- The favourable variance in the effective tax rate was mainly due to the impact of a decrease in deferred income tax liabilities in light of developments in tax audits, jurisprudence and tax legislation.

SEGMENTED ANALYSIS

Telecommunications

In Quebecor Media's Telecommunications segment, Videotron is the largest cable operator in Québec and the third-largest in Canada by customer base. Its state-of-the-art network passes 2,806,000 homes and businesses. It offers advanced mobile telephony services, including high-speed Internet access, mobile television and many other functionalities supported by smartphones, Internet access service, analog cable television and digital cable television ("illico Digital TV") services, including video on demand, pay-per-view and pay TV, as well as cable telephony and over-the-top video. Videotron also includes Videotron Business Solutions, a full-service business telecommunications provider that offers telephony, high-speed data transmission, Internet access, hosting, and cable television services.

The segment is also engaged in retail sales and rentals of DVDs, Blu-ray discs and console games through the Le SuperClub Vidéotron ltée subsidiary ("Le SuperClub Vidéotron") and its franchise network.

2015 operating results

Revenues: $3.00 billion in 2015, a $169.7 million (6.0%) increase.

- Revenues from the mobile telephony service increased $116.0 million (40.3%) to $403.7 million, essentially due to the increase in the number of subscriber connections and higher net revenue per connection.
- Revenues from Internet access services increased $64.6 million (7.5%) to $920.7 million. The favourable variance was mainly due to higher per-subscriber revenues, increased usage, higher revenues from Internet access resellers, and customer base growth.
- Combined revenues from all cable television services decreased $21.0 million (-2.0%) to $1.05 billion, due primarily to the impact of the net decrease in the customer base, higher discounts and the decrease in pay TV and video-on-demand orders, partially offset by higher per-subscriber revenues and increased revenues from the leasing of digital set-top boxes.
- Revenues from the cable telephone service decreased $17.1 million (-3.6%) to $458.0 million, mainly because of higher discounts, lower long-distance revenues and the impact of the net decrease in subscribers.
- Revenues from the over-the-top video service increased $11.4 million (93.4%) to $23.6 million, mainly because of subscriber growth.
- Revenues of Videotron Business Solutions increased $3.5 million (5.3%) to $69.1 million.
- Revenues from customer equipment sales increased $12.0 million (26.3%) to $57.6 million, mainly because of the growth in the number of subscriber connections to the mobile service and increased sales of more powerful equipment.
- Revenues of the Le SuperClub Vidéotron retail chain decreased $1.5 million (-14.2%) to $9.1 million, mainly because of the impact of store closings and lower franchise fee revenues.
- Other revenues increased $1.8 million (18.7%) to $11.4 million.

ARPU: $135.68 in 2015 compared with $125.16 in 2014, a $10.52 (8.4%) increase, including a $5.03 (11.7%) increase in revenues per user from the mobile telephony service.

Customer statistics

Revenue-generating units – As of December 31, 2015, the total number of revenue-generating units stood at 5,647,500, an increase of 168,200 (3.1%) in 2015, compared with an increase of 237,200 in 2014 (Table 4). Revenue-generating units are the sum of subscriptions to the cable television, cable Internet access and over-the-top video services, plus subscriber connections to the cable and mobile telephony services.

Mobile telephony – As of December 31, 2015, the number of subscriber connections to the mobile telephony service stood at 768,600, an increase of 135,800 (21.5%) in 2015, compared with an increase of 128,500 in 2014 (Table 4).

Cable Internet access – As of December 31, 2015, the number of subscribers to cable Internet access services stood at 1,568,200, an increase of 30,700 (2.0%) in 2015, compared with an increase of 31,500 in 2014 (Table 4). At December 31, 2015, Videotron's cable Internet access services had a household and business penetration rate (number of subscribers as a proportion of the total 2,806,000 homes and businesses passed by Videotron's network as of the end of December 2015, up from 2,777,300 at the end of 2014) of 55.9% compared with 55.4% a year earlier.

Cable television – The combined customer base for all Videotron cable television services decreased by 45,400 (-2.5%) in 2015, compared with a decrease of 42,800 in 2014 (Table 4). At the end of 2015, Videotron had 1,736,900 subscribers to its cable television services. The household and business penetration rate was 61.9% versus 64.2% a year earlier.

- As of December 31, 2015, the number of subscribers to the illico Digital TV service stood at 1,570,600, an increase of 17,000 (1.1%) in 2015, compared with an increase of 26,200 in 2014. As of December 31, 2015, illico Digital TV had a household and business penetration rate of 56.0% versus 55.9% a year earlier.
- The customer base for analog cable television services decreased by 62,400 (-27.3%) in 2015, compared with a decrease of 69,000 in 2014, partly as a result of customer migration from analog to digital TV.

Cable telephony – As of December 31, 2015, the number of subscribers to the cable telephony service stood at 1,316,300, a decrease of 32,700 (-2.4%) in 2015, compared with an increase of 500 in 2014 (Table 4). At December 31, 2015, the cable telephony service had a household and business penetration rate of 46.9% versus 48.6% a year earlier.

Over-the-top video – As of December 31, 2015, the number of subscribers to the over-the-top video service stood at 257,500, an increase of 79,800 (44.9%) in 2015, compared with an increase of 119,500 in 2014 (Table 4).

Table 4
Telecommunications segment year-end customer numbers (2011-2015)
(in thousands of customers)

	2015	2014	2013	2012	2011
Mobile telephony[1]	**768.6**	632.8	504.3	403.8	290.7
Cable Internet	**1,568.2**	1,537.5	1,506.0	1,444.0	1,359.6
Cable television:					
Analog[2]	**166.3**	228.7	297.7	374.1	463.9
Digital[2]	**1,570.6**	1,553.6	1,527.4	1,480.9	1,397.6
	1,736.9	1,782.3	1,825.1	1,855.0	1,861.5
Cable telephony[1]	**1,316.3**	1,349.0	1,348.5	1,316.3	1,245.9
Over-the-top video[2]	**257.5**	177.7	58.2	–	–
Total (revenue-generating units)	**5,647.5**	5,479.3	5,242.1	5,019.1	4,757.7

1 In thousands of connections.
2 Customer statistics have been restated for the years 2011-2014 to reflect certain reclassifications in cable television and the addition of the over-the-top video service.

Adjusted operating income: $1.39 billion, a $32.6 million (2.4%) increase caused primarily by:

- impact of revenue increase.

Partially offset by:

- increases in some operating expenses, including professional fees, engineering, customer service, advertising, and administration;
- impact of the increased loss incurred on mobile device sales;
- higher royalty costs at the cable television service, partly reflecting the unfavourable impact of a one-time retroactive adjustment of $7.2 million recorded in 2014;
- $13.9 million unfavourable impact of recognition of other one-time items, including $10.6 million in provisions for legal disputes;
- $3.8 million increase in stock-based compensation charge.

Cost/revenue ratio: Operating costs for all Telecommunications segment operations, expressed as a percentage of revenues, were 53.9% in 2015 compared with 52.3% in 2014. The increase was due primarily to the increase in some operating expenses, the impact of the increased loss incurred on mobile device sales, higher royalty costs at the cable television service, the impact of recognition of other one-time items, and an increase in the stock-based compensation charge.

Cash flows from operations

Cash flows from segment operations: $666.5 million in 2015 compared with $665.3 million in 2014 (Table 5).

- The $32.6 million increase in adjusted operating income was offset by a $30.3 million increase in additions to property, plant and equipment and to intangible assets, caused primarily by the impact of the promotional strategy focused on equipment leasing, spending on the construction and enlargement of data centres, and spending on the LTE network.

Table 5: Telecommunications
Cash flows from operations
(in millions of CAN dollars)

		2015		2014
Adjusted operating income	**$**	**1,385.8**	$	1,353.2
Additions to property, plant and equipment		**(630.2)**		(606.1)
Additions to intangible assets (excluding spectrum acquisitions)		**(93.5)**		(87.3)
Proceeds from disposal of assets		**4.4**		5.5
Cash flows from segment operations	**$**	**666.5**	$	665.3

Media

In the Media segment, TVA Group operates the largest French-language private television network in North America. TVA Group is the sole owner of 6 of the 10 television stations in the TVA Network and the specialty channels LCN, TVA Sports, addik^{TV}, Argent, Prise 2, Yoopa, CASA and MOI&cie. TVA Group also holds interests in two other TVA Network affiliates and the Évasion specialty channel. As well, TVA Group is engaged in commercial production, dubbing, custom publishing and premedia services through TVA Accès inc., and in the distribution of audiovisual products through its TVA Films division.

Through its subsidiaries TVA Publications Inc. and Les Publications Charron & Cie inc., TVA Group publishes more than 50 French- and English-language magazines in various categories, including show business, television, fashion, sports, and decorating. It is the largest magazine publisher in Canada.

TVA Group also operates a number of websites. Its leading sites by traffic are *tvanouvelles.ca*, *tvasports.ca*, *canadianliving.com*, and *recettes.qc.ca*.

TVA Group owns substantially all the assets of A.R. Global Vision Ltd. – now operated by Mels Studios and Postproduction G.P. (“MELS”) – which provides soundstage and equipment leasing, post-production and visual effects services to the film and television industries.

The Media segment of Quebecor Media also operates two paid-circulation daily newspapers, *Le Journal de Montréal* and *Le Journal de Québec*, and a free daily, *24 heures Montréal*. According to corporate figures, the aggregate circulation of the Media segment’s paid and free newspapers as of December 31, 2015 was approximately 2.6 million copies per week in print and 0.8 million copies in electronic formats.

The paid-circulation newspapers disseminate information in traditional print form, as well as through two urban daily news portals, *journaldemontreal.com* and *journaldequebec.com*. The Media segment also operates *canoe.ca,* a French-language portal that provides news and services for the general public, and the e-commerce sites *micasa.ca* (real estate) and *autonet.ca* (automobiles).

The Media segment’s portals log 6.5 million unique visitors per month in Canada (source: ComScore – December 2015).

The Media segment is engaged in the printing of newspapers, the distribution of newspapers and magazines, and in out-of-home advertising. It also operates Studios Goji inc., a talent collective that serves creators of online video content by providing personalized assistance in the development of new multiplatform business opportunities and by supporting creation. In addition, the segment includes QMI Agency, a news agency that provides content to all Quebecor Media properties and to outside customers, as well as Quebecor Media Sales, which offers customers integrated, diversified, complete advertising services.

The Media segment owns CEC Publishing Inc., a publisher of school books, and Sogides Inc., which is engaged in general literature publishing through its 18 publishing houses, and in the physical and digital distribution of books through Messageries A.D.P. inc., the exclusive distributor for approximately 200 Québec and European French-language publishers.

Finally, the Media segment is engaged in the distribution of CDs and videos (Distribution Select); distribution of music to Internet download services (Select Digital); music recording and video production (Musicor); and in recording live concerts.

2015 operating results

Revenues: $964.5 million in 2015, a $112.8 million (13.2%) increase.

- Broadcasting revenues increased $48.3 million (12.7%), mainly due to:
  - increased advertising and subscription revenues at the specialty services, mainly TVA Sports, due primarily to the addition of NHL hockey broadcasts.

  Partially offset by:
  - lower advertising revenues at TVA Network.
- The acquisition of substantially all of the assets of MELS in December 2014 had a favourable impact, generating film production and audiovisual revenues in the amount of $60.1 million in 2015.
- Newspaper publishing revenues decreased by $37.1 million (-14.5%).
  - Advertising revenues decreased 14.4%; circulation revenues decreased 2.8%; digital revenues increased 7.3%; combined revenues from commercial printing and other sources decreased 26.2%.
- Magazine publishing revenues increased by $43.9 million (70.1%) in 2015, mainly because of the impact of the acquisition of magazines from Transcontinental on April 12, 2015, partially offset by the decrease in same-store revenues.
- Quebecor Media Out of Home's revenues increased by $2.5 million (26.0%), mainly because of new digital advertising revenues.
- Book distribution and publishing revenues were flat.
- Music distribution and production revenues increased by $3.5 million (6.5%) mainly because of higher CD sales, due primarily to the release of singer-songwriter Adele's hit album in 2015.

Adjusted operating income: $70.2 million in 2015, an $11.8 million (20.2%) increase.

- Adjusted income from broadcasting operations increased $5.9 million (29.9%) to $25.6 million in 2015 due to:
  - impact of higher subscription and advertising revenues at TVA Sports;
  - lower operating expenses at TVA Network, including content costs and production expenses. The decrease in content costs also reflects the impact of adjustments made in 2014 to the cost of certain prior-year broadcasting rights related to indemnification clauses.

  Partially offset by:
  - spending on content at TVA Sports;
  - impact of decrease in TVA Network's advertising revenues.
- The acquisition of substantially all of the assets of MELS, which generated adjusted operating income in the amount of $14.1 million in 2015, had a favourable impact.
- Adjusted operating income from newspaper publishing decreased $9.7 million (-39.3%) due to:
  - impact of revenue decrease.

  Partially offset by:
  - favourable impact on adjusted operating income of reduced operating expenses, including a $6.3 million favourable impact related to restructuring initiatives.
- Adjusted operating income from magazine publishing operations decreased by $2.0 million (-20.6%), mainly as a result of:
  - impact of decrease in same-store revenues.

  Partially offset by:
  - impact of acquisition of magazines from Transcontinental;

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

- The adjusted operating loss of Quebecor Media Out of Home decreased by $1.2 million as a result of the impact of the increase in revenues.
- Adjusted operating income from book distribution and publishing decreased by $0.3 million (-3.4%).
- Adjusted operating income from music distribution and production increased by $2.4 million, mainly because of the impact of higher revenues and lower 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 92.7% in 2015 compared with 93.1% in 2014. The favourable impact of the acquisition of substantially all of the assets of MELS and the impact of decreased operating expenses at TVA Network and newspaper publishing were largely offset by spending on content at TVA Sports and the impact of the decrease in newspaper revenues on a same-store basis (as the fixed component of operating costs does not fluctuate in proportion to the decrease in revenues).

Cash flows from operations

Cash flows from segment operations: $24.9 million in 2015 compared with $16.9 million in 2014 (Table 6). The $8.0 million favourable variance was due primarily to the $11.8 million increase in adjusted operating income, partially offset by the $3.9 million increase in additions to property, plant and equipment.

Table 6: Media
Cash flows from operations
(in millions of CAN dollars)

		2015		2014
Adjusted operating income	**$**	**70.2**	$	58.4
Additions to property, plant and equipment		**(36.0)**		(32.1)
Additions to intangible assets		**(9.3)**		(9.3)
Proceeds from disposal of assets		**–**		(0.1)
Cash flows from segment operations	**$**	**24.9**	$	16.9

Sports and Entertainment

The Sports and Entertainment segment includes the operations of the Videotron Centre following ratification in 2011 of an agreement between Quebecor Media and Québec City for usage and naming rights to the arena through 2040. The segment's activities include production and coproduction of shows presented at the Videotron Centre and rental of the arena.

The Sports and Entertainment segment also includes the activities of the QMJHL hockey teams Armada de Blainville-Boisbriand and Remparts de Québec, the operations of Québec City sports and cultural events manager Gestev, concert production by Musicor Spectacles, and production of concert videos and television commercials by Les Productions Select TV inc.

On July 20, 2015, Quebecor officially filed an application for a professional hockey franchise in Québec City under the NHL expansion process.

2015 operating results

Revenues: $23.2 million in 2015 compared with $7.1 million in 2014. The $16.1 million increase was mainly due to the favourable impact on revenues of the acquisition of the Remparts de Québec of the QMJHL in November 2014 and the addition of revenues from events at the Videotron Centre.

Adjusted operating loss: $11.7 million in 2015 compared with $2.8 million in 2014. The $8.9 million unfavourable variance was due primarily to the startup of Videotron Centre management operations.

Cash flows from operations

Cash flows from segment operations: Negative $58.3 million in 2015 compared with negative $8.2 million in 2014 (Table 7).

- The $50.1 million unfavourable variance was due primarily to the payment of $33.0 million to Québec City for 25-year naming rights to the new Videotron Centre, plus spending on leasehold improvements and startup of the arena, combined with an $8.9 million increase in the adjusted operating loss.

Table 7: Sports and Entertainment
Cash flows from operations
(in millions of CAN dollars)

		2015		2014
Adjusted operating loss	**$**	**(11.7)**	$	(2.8)
Additions to property, plant and equipment		**(12.0)**		(5.3)
Additions to intangible assets		**(34.6)**		(0.1)
Cash flows from segment operations	**$**	**(58.3)**	$	(8.2)

2015/2014 FOURTH QUARTER COMPARISON

Analysis of Consolidated Results of Quebecor

Revenues: $1.02 billion, a $67.1 million (7.0%) increase.

- Revenues increased in all segments: Telecommunications ($43.9 million or 6.0% of segment revenues), Media ($21.6 million or 8.8%), and Sports and Entertainment ($8.2 million).

Adjusted operating income: $360.8 million, a $7.7 million (2.2%) increase.

- Adjusted operating income increased in Media ($8.5 million or 61.6% of segment adjusted operating income) and in Telecommunications ($3.6 million or 1.0%), despite an $11.9 million unfavourable variance in one-time items in the latter segment.
- There were unfavourable variances in adjusted operating income in Sports and Entertainment ($2.1 million) and at Head Office ($2.3 million).
- The change in the fair value of Quebecor Media stock options resulted in a $2.5 million favourable variance in the stock-based compensation charge in the fourth quarter of 2015 compared with the same period of 2014. The change in the fair value of Quebecor stock options resulted in a $2.9 million unfavourable variance in the Corporation's stock-based compensation charge in the fourth quarter of 2015.

Net loss attributable to shareholders: $34.8 million ($0.28 per basic share) in the fourth quarter of 2015, compared with $59.5 million ($0.48 per basic share) in the same period of 2014, a favourable variance of $24.7 million ($0.20 per basic share).

- The favourable variance was due primarily to:
  - o $36.3 million favourable variance in the loss on litigation, charge for restructuring of operations and other items, including $34.3 million without any tax consequences;
  - o $7.7 million increase in adjusted operating income;
  - o $5.3 million favourable variance in the loss on valuation and translation of financial instruments.

  Partially offset by:
  - o $16.7 million unfavourable variance in losses and gains on discontinued operations;
  - o $3.7 million increase in non-cash charge for impairment of goodwill and other assets;
  - o $3.3 million increase in the depreciation and amortization charge;
  - o $3.1 million unfavourable variance in non-controlling interest.

Adjusted income from continuing operations: $58.0 million ($0.47 per basic share) in the fourth quarter of 2015, compared with $50.6 million ($0.41 per basic share) in the same period of 2014, an increase of $7.4 million ($0.06 per basic share).

Depreciation and amortization charge: $176.5 million, a $3.3 million increase due essentially to the same factors as those noted above in the 2015/2014 financial year comparison.

Financial expenses: $85.7 million, a $1.4 million increase caused mainly by lower interest revenues on cash and cash equivalent balances, partially offset by the impact of lower interest rates on long-term debt due to debt refinancing at lower interest rates.

Loss on valuation and translation of financial instruments: $87.9 million in the fourth quarter of 2015 compared with $93.2 million in the fourth quarter of 2014. The $5.3 million favourable variance was due primarily to the decrease (without any tax consequences) in the loss on embedded derivatives related to convertible debentures.

Loss on litigation, charge for restructuring of operations and other items: $8.0 million in the fourth quarter of 2015, compared with $44.3 million in the same period of 2014, a $36.3 million favourable variance.

- In the fourth quarter of 2015, the Telecommunications segment recognized a $3.0 million charge for restructuring of operations ($0.8 million in the same period of 2014), mainly because of migration from analog to digital cable television service. The segment also recorded a $0.5 million reversal of the charge for other items in the fourth quarter of 2015 ($3.4 million expense in the fourth quarter of 2014).

- In the fourth quarter of 2014, the Telecommunications segment recorded a $34.3 million charge (without any tax consequences), including interest, following a trial judgment against Videotron. Videotron has applied for leave to appeal. A $1.0 million interest expense was recorded in 2015 in connection with this ruling.
- A $4.2 million charge for restructuring of operations was recorded in the Media segment in connection with staff-reduction programs in the fourth quarter of 2015 ($3.1 million in the same period of 2014). The segment also recorded a $2.8 million charge for other items in the fourth quarter of 2014.
- The other segments recorded charges for restructuring and other items in the amount of $0.3 million in the fourth quarter of 2015 ($0.1 million gain in the same period of 2014).

Charge for impairment of goodwill and other assets: $3.7 million in the fourth quarter of 2015, reflecting impairment of intangible assets in some segments.

Income tax expense: $20.6 million in the fourth quarter of 2015 (effective tax rate of 25.6%) compared with $24.2 million in the same period of 2014 (effective tax rate of 30.1%), a $3.6 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 lower effective tax rate.
- The favourable variance in the effective tax rate was mainly due to the impact of a decrease in deferred income tax liabilities in light of developments in tax audits, jurisprudence and tax legislation.

SEGMENTED ANALYSIS

Telecommunications

Revenues: $777.1 million, a $43.9 million (6.0%) increase essentially due to the same factors as those noted above in the 2015/2014 financial year comparison.

- Revenues from mobile telephony service increased $28.0 million (33.5%) to $111.5 million.
- Revenues from Internet access services increased $22.0 million (10.1%) to $239.5 million.
- Combined revenues from all cable television services decreased $4.7 million (-1.8%) to $263.5 million.
- Revenues from cable telephony service decreased $9.1 million (-7.5%) to $111.5 million.
- Revenues from the over-the-top video service increased $2.2 million (45.8%) to $7.0 million.
- Revenues of Videotron Business Solutions increased $1.3 million (7.7%) to $18.1 million.
- Revenues from customer equipment sales increased $4.0 million (24.2%) to $20.5 million.
- Revenues of the Le SuperClub Vidéotron retail chain decreased $0.6 million (-20.0%) to $2.4 million.
- Other revenues increased $0.6 million (24.0%) to $3.1 million.

ARPU: $140.19 in fourth quarter 2015, compared with $129.36 in the same period of 2014, a $10.83 (8.4%) increase.

Customer statistics

Revenue-generating units – 41,600-unit increase (0.7%) in the fourth quarter of 2015, compared with an increase of 59,100 in the same period of 2014.

Mobile telephony – 26,100 (3.5%) increase in subscriber connections in the fourth quarter of 2015, compared with an increase of 42,400 in the same period of 2014.

Cable Internet access – 8,700-customer increase (0.6%) in the fourth quarter of 2015, compared with an increase of 3,700 in the same period of 2014.

Cable television – 9,000 (-0.5%) decrease in the combined customer base for all Videotron's cable television services in the fourth quarter of 2015, compared with a decrease of 14,000 in the same period of 2014.

- illico Digital TV: 6,000 subscriber increase (0.4%) in the fourth quarter of 2015, compared with an increase of 8,700 in the same period of 2014.
- Analog cable TV: 15,000-subscriber decrease (-8.3%) in the fourth quarter of 2015, compared with a decrease of 22,700 in the same period of 2014.

Cable telephony – 13,200-customer decrease (-1.0%) in the fourth quarter of 2015, compared with a decrease of 7,000 in the same period of 2014.

Over-the-top video – 29,000-subscriber increase (12.7%) in the fourth quarter of 2015, compared with an increase of 34,000 in the same period of 2014.

Adjusted operating income: $349.0 million, a $3.6 million (1.0%) increase due primarily to:

- impact of revenue increase.

Partially offset by:

- higher royalty costs at the cable television service, partly reflecting the unfavourable impact of a one-time retroactive adjustment of $7.2 million recorded in the same period of 2014;
- $4.6 million unfavourable impact of recognition of other one-time items;
- increases in some operating expenses, primarily professional fees, advertising, marketing, and engineering;
- higher costs for illico set-top boxes and impact of the increased loss incurred on mobile device sales.

Cost/revenue ratio: Operating costs for all Telecommunications segment operations, expressed as a percentage of revenues, were 55.1% in the fourth quarter of 2015, compared with 52.9% in the same period of 2014. The increase was due primarily to higher royalty costs at the cable television service, the impact of recognition of other one-time items, increases in some operating expenses, the impact of higher costs for illico set-top boxes, and the increased loss incurred on mobile device sales.

Media

Revenues: $267.4 million in the fourth quarter of 2015, a $21.6 million (8.8%) increase.

- Broadcasting revenues increased $6.8 million (5.9%), mainly due to:
    - increased subscription and advertising revenues at the specialty services, including TVA Sports and LCN;
    - higher revenues from commercial production and TVA Films.

    Partially offset by:
    - decrease in TVA Network's advertising revenues.
- The acquisition of substantially all of the assets of MELS generated revenues in the amount of $11.8 million.
- Newspaper publishing revenues decreased by $15.0 million (-22.5%).
    - Advertising revenues decreased 16.0%; circulation revenues were flat; digital revenues increased 11.8%; combined revenues from commercial printing and other sources decreased 52.6%.
- Magazine publishing revenues more than doubled to $32.5 million in the fourth quarter of 2015, mainly because of the impact of the acquisition of magazines from Transcontinental.
- Quebecor Media Out of Home's revenues increased $0.8 million (27.6%), mainly because of new digital advertising revenues.
- Book distribution and publishing revenues decreased by $2.5 million (-8.3%), primarily as a result of decreased bookstore and mass market distribution volumes.
- Music distribution and production revenues increased by $4.0 million (18.7%) mainly because of higher CD sales, due primarily to the release of singer-songwriter Adele's hit album.

Adjusted operating income: $22.3 million in the fourth quarter of 2015, an $8.5 million (61.6%) increase.

- Adjusted income from broadcasting operations increased by $8.9 million to $14.0 million in the fourth quarter of 2015 due primarily to:
    - impact of increased subscription and advertising revenues at the specialty services, including TVA Sports and LCN;
    - lower operating expenses at TVA Sports and TVA Network.
- Favourable impact of the acquisition of substantially all of the assets of MELS, which generated adjusted operating income in the amount of $1.0 million in the fourth quarter of 2015.
- Adjusted operating income from newspaper publishing decreased $2.9 million (-56.9%) due to:
    - impact of revenue decrease.

    Partially offset by:
    - favourable impact on adjusted operating income of reduced operating expenses, including a $1.2 million favourable impact related to restructuring initiatives.
- Adjusted operating income from magazine publishing increased by $0.1 million (5.9%).
- The adjusted operating loss of Quebecor Media Out of Home decreased by $0.1 million.
- Adjusted operating income from book distribution and publishing decreased by $0.9 million (-60.0%) because of the impact of the decrease in revenues and lower margins.
- Adjusted operating income from music distribution and production increased by $0.8 million (50.0%), mainly because of the impact of higher revenues.

Cost/revenue ratio: Employee costs and purchases of goods and services for the Media segment's operations, expressed as a percentage of revenues, were 91.7% in the fourth quarter of 2015 compared with 94.4% in the same period of 2014. The decrease was due primarily to the favourable impact of the acquisition of substantially all of the assets of MELS, higher subscription revenues at TVA Sports and LCN, and the impact of decreased operating expenses at TVA Sports and TVA Network.

Sports and Entertainment

Revenues: \$10.1 million, an \$8.2 million increase from the fourth quarter of 2014, mainly due to the favourable impact on revenues of the acquisition of the Remparts de Québec of the QMJHL in November 2014, and the addition of revenues from events at the Videotron Centre.

Adjusted operating loss: \$3.1 million in the fourth quarter of 2015 compared with \$1.0 million in the same period of 2014. The \$2.1 million unfavourable variance was due primarily to the startup of Videotron Centre management operations, partially offset by the impact of the revenue increase.

2014/2013 FINANCIAL YEAR COMPARISON

Analysis of Consolidated Results of Quebecor

Revenues: $3.61 billion, a $68.9 million (1.9%) increase.

- Revenues increased in Telecommunications ($111.3 million or 4.1% of segment revenues) and Sports and Entertainment ($2.1 million or 42.0%).
- Revenues decreased in Media ($34.5 million or -3.9%).

Adjusted operating income: $1.41 billion, a $29.4 million (2.1%) increase.

- Adjusted operating income increased in Telecommunications ($60.4 million or 4.7% of segment adjusted operating income) and Head Office ($8.1 million). The increase at Head Office was mainly due to the favourable variance in the fair value of stock options.
- Adjusted operating income decreased in Media ($36.8 million or -38.7%) and Sports and Entertainment ($2.3 million).
- The change in the fair value of Quebecor Media stock options resulted in a $2.4 million unfavourable variance in the stock-based compensation charge in 2014 compared with 2013. The change in the fair value of Quebecor stock options and the impact of various transactions on the options issued under this program resulted in a $20.8 million favourable variance in the Corporation's stock-based compensation charge in 2014.

Net loss attributable to shareholders: $30.1 million ($0.24 per basic share) in 2014, compared with $288.6 million ($2.33 per basic share) in 2013, a favourable variance of $258.5 million ($2.09 per basic share).

- The favourable variance was due primarily to:
  - $289.7 million favourable variance in gains and losses on valuation and translation of financial instruments, including a $48.4 million favourable variance in convertible debentures, without any tax consequences;
  - $135.0 million favourable variance in losses from discontinued operations;
  - $37.3 million decrease in financial expenses;
  - $29.4 million increase in adjusted operating income.

  Partially offset by:
  - $54.6 million unfavourable variance in non-cash charge for impairment of goodwill and other assets (including $28.4 million without any tax consequences), minus related non-controlling interest;
  - $39.1 million unfavourable variance in the loss on litigation, charge for restructuring of operations and other items (including $34.3 million without any tax consequences);
  - $37.2 million increase in the depreciation and amortization charge.

Adjusted income from continuing operations: $209.7 million ($1.70 per basic share) in 2014, compared with $185.3 million ($1.49 per basic share) in 2013, an increase of $24.4 million ($0.21 per basic share).

Depreciation and amortization charge: $661.1 million in 2014, a $37.2 million increase essentially due to the impact of capital expenditures in the Telecommunications segment, including amortization of expenditures related to the promotional strategy focused on equipment leasing, to investments in the LTE network, and to modernization and expansion of the wired and wireless networks.

Financial expenses: $350.3 million, a $37.3 million decrease caused mainly by the impact of lower interest rates on long-term debt due to debt refinancing at lower rates and by lower indebtedness.

Loss on valuation and translation of financial instruments: $94.7 million in 2014 compared with $384.4 million in 2013. The $289.7 million favourable variance was mainly due to the variance in the fair value of early settlement options caused by fluctuations in valuation assumptions, including interest rates and credit premiums implicit in the adjusted prices of the underlying instruments, to the $48.4 million decrease (without any tax consequences) in the loss on embedded derivatives related to convertible debentures, and to losses on reversal of embedded derivatives recognized in 2013 in connection with debt redemption.

Loss on litigation, charge for restructuring of operations and other items: $49.6 million in 2014, compared with a $10.5 million loss in 2013, a $39.1 million unfavourable variance.

- In 2014, the Telecommunications segment recorded a $1.8 million restructuring charge ($0.7 million in 2013) and a $3.4 million asset impairment charge. The segment also recorded a $34.3 million charge (without any tax consequences), including interest, following a trial judgment against Videotron.
- In 2014, a $6.5 million net charge for restructuring of operations was recorded in the Media segment with respect to staff-reduction programs ($6.7 million in 2013). In 2014, the Media segment also recognized a $2.7 million special charge, primarily attributable to business acquisitions ($2.0 million in 2013).
- The other segments recorded a net charge for restructuring of operations and charges for other items of $0.9 million in 2014 ($1.1 million in 2013).

Charge for impairment of goodwill and other assets: $81.0 million in 2014, compared with $26.4 million in 2013, a $54.6 million unfavourable variance.

- In 2014, Quebecor Media performed impairment tests on its Newspapers and Broadcasting CGUs. Accordingly, a $30.0 million non-cash goodwill impairment charge (without any tax consequences) was recorded in the Newspapers CGU, as well as a $41.7 million non-cash impairment charge on broadcasting licences (including $20.9 million without any tax consequences), and a $9.3 million non-cash goodwill impairment charge (including $3.9 million without any tax consequences) in the Broadcasting CGU.
- In the third quarter of 2013, Quebecor Media performed impairment tests on the Newspapers and Books CGUs. Accordingly, the Media segment recognized a $14.5 million non-cash goodwill impairment charge (without any tax consequences) in its Newspapers CGU, and an $11.9 million non-cash goodwill impairment charge (without any tax consequences) in its Book CGU.

Loss on debt refinancing: $18.7 million in 2014 compared with $18.9 million in 2013.

- In accordance with a notice issued on March 26, 2014, Videotron redeemed, on April 24, 2014, US$260.0 million aggregate principal amount of its outstanding 9.125% Senior Notes issued on March 5, 2009 and maturing on April 15, 2018, at a redemption price of 103.042% of their principal amount. A $21.4 million net loss was recorded in the consolidated statement of income in the first quarter of 2014 in connection with this redemption, including a $1.7 million loss previously recorded in "Other comprehensive income."
- In accordance with a notice issued on March 26, 2014, Quebecor Media redeemed, on April 25, 2014, the entirety of its outstanding 7.75% Senior Notes issued on October 5, 2007 and maturing on March 15, 2016, in the aggregate principal amount of US$380.0 million, at a redemption price of 100.00% of their principal amount, and settled the related hedges. A $2.7 million net gain was recorded in the consolidated statement of income in the first quarter of 2014 in connection with this redemption, including a $12.5 million gain previously recorded in "Other comprehensive income."
- On June 3, 2013, Videotron issued a notice for the redemption, on July 2, 2013, of US$380.0 million aggregate principal amount of its issued and outstanding 9.125% Senior Notes due in April 2018 at a redemption price of 104.563% of their principal amount, and settled the related hedges. As a result, a total $18.9 million loss was recorded in the consolidated statement of income in the second quarter of 2013, including a $6.5 million gain previously recorded in "Other comprehensive income."

Income tax expense: $97.2 million (effective tax rate of 29.0%) in 2014, compared with $32.8 million (effective tax rate of 34.5%) in 2013, a $64.4 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 impact of the increase in taxable income.
- The variance in the effective tax rates was due to the impact of the tax rate mix on the various components of the gain or loss on valuation and translation of financial instruments, and to losses on debt refinancing.

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. This section should be read in conjunction with the discussions on trends under "Trend Information" above and on the Corporation's financial risks under "Financial Instruments and Financial Risk" below.

Operating activities

Cash flows provided by operating activities: $1.07 billion in 2015 compared with $960.7 million in 2014.

- The $111.5 million increase was due primarily to:
  - $166.5 million favourable variance in the cash portion of the gain on litigation, charge for restructuring of operations and other items;
  - $58.5 million decrease in current income taxes;
  - $32.6 million and $11.8 million increases in adjusted operating income in the Telecommunications and Media segments respectively;
  - $13.7 million decrease in the cash portion of financial expenses.

  Partially offset by:
  - $161.3 million unfavourable change in non-cash balances related to operations, due primarily to the increase in inventory and accounts receivable in the Telecommunications segment, payment of outstanding income tax balances and a decrease in current income taxes.

Receipt of a gain on litigation, increased profitability in the Telecommunications and Media segments, and debt refinancing at lower interest rates had a favourable impact on cash flows provided by operating activities, while the payment of outstanding income tax balances and increased inventory and accounts receivable balances in the Telecommunications segment in 2015 had a negative impact.

Working capital: Negative $328.1 million at December 31, 2015, compared with positive $90.2 million at December 31, 2014. The $418.3 million unfavourable variance was mainly due to payment for the spectrum acquired at a total cost of $218.8 million and debt repayment out of working capital.

Investing activities

Additions to property, plant and equipment: $678.6 million in 2015 compared with $644.0 million in 2014. The $34.6 million increase was mainly due to the impact of the promotional strategy focused on equipment leasing, spending on the construction and expansion of data centres, and spending on the LTE network in the Telecommunications segment.

Additions to intangible assets: $360.6 million in 2015 compared with $317.3 million in 2014. The $43.3 million increase mainly reflects payment of $33.0 million to Québec City for 25-year naming rights to the new Videotron Centre in the Sports and Entertainment segment. Additions to intangible assets in 2015 included payments totalling $218.8 million for the acquisition of spectrum, compared with $217.4 million in 2014.

Proceeds from disposal of assets: $4.6 million in 2015 compared with $5.4 million in 2014.

Business acquisitions: $94.5 million in 2015 compared with $132.3 million in 2014, a $37.8 million decrease.

- In 2015, business acquisitions consisted primarily in the acquisition of 4Degrees Colocation by the Telecommunications segment, of Transcontinental magazines by the Media segment, and of the assets of Marathon de Québec by the Sports and Entertainment segment.
- Business acquisitions in 2014 reflected, among other things, acquisition of substantially all of the assets of MELS in the Media segment, and of the Remparts de Québec of the QMJHL in the Sports and Entertainment segment.

Business disposals: $316.3 million in 2015, compared with $193.5 million in 2014, a $122.8 million increase.

- Business disposals in 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.
- Business disposals in 2014 consisted mainly of the sale of the Nurun subsidiary to Publicis Groupe, and the sale of 74 Québec weeklies to Transcontinental Interactive.

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

Free cash flows from continuing operating activities of Quebecor Media: $284.1 million in 2015 compared with $253.1 million in 2014 (Table 8).

- The $31.0 million favourable variance was due to:
  - $108.3 million increase in cash flows provided by continuing operating activities.

  Partially offset by:
  - $41.9 million increase in additions to intangible assets (excluding spectrum acquisition);
  - $34.6 million increase in additions to property, plant and equipment.

Table 8
Cash flows from segment operations and free cash flows from continuing operating activities of Quebecor Media
(in millions of CAN dollars)

	2015	2014
Cash flows from segment operations		
Telecommunications	**$ 666.5**	$ 665.3
Media	**24.9**	16.9
Sports and Entertainment	**(58.3)**	(8.2)
Quebecor Media Head Office	**(7.9)**	(7.1)
	625.2	666.9
Cash interest expense	**(302.1)**	(315.2)
Cash portion of gain (loss) on litigation, charge for restructuring of operations and other items	**117.2**	(49.6)
Current income taxes	**(63.4)**	(121.9)
Other	**5.9**	2.9
Net change in non-cash balances related to operations	**(98.7)**	70.0
Free cash flows from continuing operating activities of Quebecor Media	**$ 284.1**	$ 253.1

Table 9
Free cash flows from continuing operating activities of Quebecor Media and cash flows provided by continuing operating activities of Quebecor
(in millions of CAN dollars)

	2015	2014
Free cash flows from continuing operating activities of Quebecor Media presented in Table 8	**$ 284.1**	$ 253.1
Quebecor Head Office cash flow items:		
Cash flows from segment operations	**(0.3)**	4.4
Cash interest expense	**(25.8)**	(26.4)
Other	**(0.3)**	(0.2)
Net change in non-cash balances related to operations	**(1.3)**	(8.7)
	(27.7)	(30.9)
Plus additions to property, plant and equipment	**678.6**	644.0
Plus additions to intangible assets (excluding expenditures for licence acquisitions)	**141.8**	99.9
Minus proceeds from disposal of assets	**(4.6)**	(5.4)
Cash flows provided by continuing operating activities of Quebecor	**$ 1,072.2**	$ 960.7

Financing activities

Consolidated debt (long-term debt plus bank borrowings)**:** $607.2 million increase in 2015; $655.6 million net favourable variance in assets and liabilities related to derivative financial instruments.

- Summary of debt increases in 2015:
  - estimated $602.0 million unfavourable impact of exchange rate fluctuations. The increase in this item was offset by an increase in the asset (or decrease in the liability) related to cross-currency swap agreements entered under “Derivative financial instruments”;
  - issuance by Videotron on September 15, 2015 of $375.0 million aggregate principal amount of 5.75% Senior Notes maturing on January 15, 2026, for net proceeds of $370.1 million, net of financing fees of $4.9 million;
  - use by Videotron of its secured revolving credit facility in the aggregate amount of $246.7 million;
  - $33.8 million increase in the bank borrowings of Videotron and Quebecor Media.
- Summary of debt reductions in 2015:
  - early redemption and withdrawal by Videotron on July 16, 2015 of 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;
  - early redemption and withdrawal by Videotron on July 16, 2015 of 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;
  - early redemption and withdrawal by Videotron on April 10, 2015 of the entirety of its outstanding 6.375% Senior Notes issued on September 16, 2005 and maturing on December 15, 2015, in the aggregate principal amount of US$175.0 million;
  - current payments, totalling $25.0 million, on the credit facilities and other debt of Videotron and Quebecor Media;
  - $20.9 million reduction in Quebecor’s debt.
- Assets and liabilities related to derivative financial instruments totalled a net asset of $953.7 million at December 31, 2015 compared with $298.1 million at December 31, 2014. The $655.6 million net favourable variance was due to:
  - favourable impact of exchange rate fluctuations on the value of derivative financial instruments;
  - early settlement of an offsetting foreign exchange forward contract used in conjunction with cross-currency interest rate swaps to hedge the foreign exchange risk exposure on US$441.4 million of notional amount on Videotron’s

5.375% Senior Notes maturing on June 15, 2024.

Partially offset by:

- o unfavourable impact of interest rate trends in Canada, compared with the United States, on the fair value of derivative financial instruments;
- o unwinding of Videotron's hedging contracts in an asset position in connection with the redemption and early withdrawal on July 16, 2015 of US$75.0 million aggregate principal amount of 9.125% Senior Notes;
- o unwinding of Videotron's hedging contracts in an asset position in connection with the redemption and early withdrawal on April 10, 2015 of US$175.0 million aggregate principal amount of its 6.375% Senior Notes.

- 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 for an aggregate purchase price of $500.0 million, payable in cash. All of the purchased shares were cancelled. As a result, CDP Capital's interest in Quebecor Media was reduced from 24.64% to 18.93%.
- On June 16, 2015, Videotron amended its $575.0 million secured revolving bank credit facility to increase it to $615.0 million and extend its term by two years to July 20, 2020. Videotron also entered into a new $350.0 million unsecured revolving credit facility expiring on July 20, 2020. The terms and conditions of the new unsecured credit facility are similar to those of Videotron's existing secured revolving credit facility.
- On March 20, 2015, TVA Group completed a rights offering whereby it received net proceeds totalling $110.0 million from the issuance of 19,434,629 TVA Group Class B Non-Voting Shares. Under the rights offering, Quebecor Media subscribed for 17,300,259 TVA Group Class B Non-Voting Shares at a total cost of $97.9 million. As a result, its total interest in TVA Group's equity increased from 51.5% to 68.4%.

Financial position

Net available liquidity: $987 million at December 31, 2015 for Quebecor Media and its wholly owned subsidiaries, consisting of $30.9 million in bank indebtedness and $1.02 billion in available unused revolving credit facilities.

Net available liquidity: $125.5 million for Quebecor at the corporate level, consisting of $0.5 million in bank indebtedness and $126.0 million in available unused revolving credit facilities.

Consolidated debt (long-term debt plus bank borrowings): $5.89 billion at December 31, 2015, a $607.2 million increase compared with December 31, 2014; $655.6 million net favourable variance in assets and liabilities related to derivative financial instruments (*see* "Financing activities" above).

- Consolidated debt essentially consisted of Videotron's $3.28 billion debt ($2.93 billion at December 31, 2014); TVA Group's $73.0 million debt ($78.2 million at December 31, 2014); Quebecor Media's $2.48 billion debt ($2.20 billion at December 31, 2014); and Quebecor's $56.3 million debt ($77.2 million at December 31, 2014).

At December 31, 2015, minimum principal payments on long-term debt in the coming years are as follows:

Table 10
Minimum principal payments on Quebecor's long-term debt
12 months ending December 31
(in millions of CAN dollars)

2016	$	44.0
2017		53.9
2018		19.2
2019		56.8
2020		704.2
2021 and thereafter		5,014.4
Total	**$**	**5,892.5**

The weighted average term of Quebecor's consolidated debt was approximately 7.0 years as of December 31, 2015 (7.2 years as of December 31, 2014). At December 31, 2015, taking into account interest rate swaps, the debt consisted of approximately 82.5% fixed-rate debt (82.6% at December 31, 2014) and 17.5% floating-rate debt (17.4% at December 31, 2014).

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

Pursuant to their financing agreements, the Corporation and its subsidiaries are required to maintain certain financial ratios and 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 December 31, 2015, the Corporation and its subsidiaries were in compliance with all required financial ratios and restrictive covenants in their financing agreements.

Dividends declared

- On March 8, 2016, the Board of Directors of Quebecor declared a quarterly dividend of $0.035 per share on its Class A Multiple Voting Shares ("Class A Shares") and Class B Subordinate Voting Shares ("Class B Shares"), payable on April 19, 2016 to shareholders of record at the close of business on March 25, 2016.

2500 MHz and AWS-3 spectrum auction

On March 6, 2015, Quebecor Media and its Videotron subsidiary announced that they had acquired four AWS-3 licences in the auction for commercial mobile spectrum for a total price of $31.8 million. The licences cover Eastern Québec, Southern Québec, Northern Québec and Eastern Ontario/Outaouais. They were issued to Videotron by ISED Canada on April 21, 2015.

On May 12, 2015, Quebecor Media and its Videotron subsidiary announced the acquisition of 18 licences in four Canadian provinces in the auction for 2500 MHz commercial mobile spectrum. The licences, which cover all of the Province of Québec, as well as the major urban centres in the rest of Canada, including Toronto, Ottawa, Calgary, Edmonton, and Vancouver, were acquired for $187.0 million. They were issued to Videotron by ISED Canada on June 24, 2015.

Analysis of consolidated balance sheet at December 31, 2015

Table 11
Consolidated balance sheet of Quebecor
Analysis of main variances between December 31, 2015 and 2014
(in millions of CAN dollars)

	December 31, 2015	December 31, 2014	Difference	Main reason for difference
Assets				
Cash and cash equivalents	**$ 18.6**	$ 395.3	$ (376.7)	Cash flows used in investing and financing activities exceeded cash flows provided by operating activities
Accounts receivable	**494.1**	449.4	44.7	Impact of current variances in activity
Net assets held for sale[1]	**–**	300.2	(300.2)	Sale of English-language newspaper businesses
Property, plant and equipment	**3,424.9**	3,430.4	(5.5)	Impairment of assets in the Media segment and depreciation for the period, partially offset by additions to property, plant and equipment (*see* "Investing activities") and acquisition of 4Degrees Colocation and Transcontinental magazines
Intangible assets	**1,178.0**	945.8	232.2	Purchase of 2500 MHz spectrum licences and AWS-3 licences and acquisition of 4Degrees Colocation and Transcontinental magazines, partially offset by asset impairment in the Media segment
Goodwill	**2,678.4**	2,714.6	(36.2)	Goodwill impairment in the Media segment, partially offset by impact of acquisition of 4Degrees Colocation and Transcontinental magazines
Derivative financial instruments[2]	**953.7**	298.1	655.6	*See* "Financing activities"
Liabilities				
Deferred revenues	**321.5**	283.0	38.5	Impact of current variances, business acquisitions and volume growth
Income taxes[3]	**(19.5)**	78.8	(98.3)	Payment of outstanding income tax balances
Long-term debt, including short-term portion and bank indebtedness	**5,890.7**	5,283.5	607.2	*See* "Financing activities"
Deferred income taxes[4]	**584.2**	521.0	63.2	Tax deductions for property, plant and equipment and for intangible assets in excess of book depreciation and amortization

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

ADDITIONAL INFORMATION

Contractual Obligations

At December 31, 2015, 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 12 below shows a summary of these contractual obligations.

Table 12
Contractual obligations of Quebecor as of December 31, 2015
(in millions of CAN dollars)

	Total	Under 1 year	1-3 years	3-5 years	5 years or more
Long-term debt[1]	**$ 5,892.5**	$ 44.0	$ 73.1	$ 761.0	$ 5,014.4
Convertible debentures[2]	**704.0**	–	704.0	–	–
Interest payments[3]	**2,076.9**	263.9	612.3	561.4	639.3
Operating leases	**253.8**	51.3	75.7	42.1	84.7
Additions to property, plant and equipment and other commitments	**1,340.0**	253.6	285.7	207.9	592.8
Derivative financial instruments[4]	**(950.9)**	(1.8)	(17.7)	(112.9)	(818.5)
Total contractual obligations	**$ 9,316.3**	**$ 611.0**	**$ 1,733.1**	**$ 1,459.5**	**$ 5,512.7**

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 December 31, 2015 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 December 31, 2015.

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

Significant commitments included in Table 12

Videotron leases sites for its LTE network under operating lease arrangements and has contracted long-term commitments to acquire equipment for a total future consideration of $155.2 million.

In 2011, Quebecor Media announced an agreement with Québec City for management of the Videotron Centre. As at December 31, 2015, the balance of those commitments stood at $78.0 million.

In 2012 and 2014, Quebecor Media signed 20-year agreements to install, maintain and advertise on bus shelters belonging to the Montréal and Laval transit commissions. In 2015, a similar 10-year agreement was signed with the Lévis transit commission. As at December 31, 2015, the balance of these commitments stood at $107.0 million.

In May 2013, Videotron and Rogers Communications announced a 20-year agreement to build out and operate an LTE network in the Province of Québec and in the Ottawa area. As at December 31, 2015, the balance of those commitments stood at $260.0 million.

In the normal course of business, the Media segment, through TVA Group, contracts commitments regarding broadcast rights for television programs, sporting events and films, as well as distribution rights for audiovisual content. As at December 31, 2015, the balance of those commitments stood at $817.1 million.

Pension Plan Contributions

The expected employer contributions to the Corporation's defined benefit pension plans and post-retirement benefit plans will be $42.0 million in 2016 (contributions of $45.0 million were paid in 2015).

Related Party Transactions

During the year ended December 31, 2015, the Corporation and its subsidiaries made purchases and incurred rent charges with affiliated corporations in the amount of $3.4 million ($2.9 million in 2014), which are included in purchase of goods and services. The Corporation and its subsidiaries made sales to affiliated corporations in the amount of $3.3 million ($3.3 million in 2014). These transactions were accounted for at the consideration agreed between the parties.

Off-Balance Sheet Arrangements

Guarantees

In the normal course of business, the Corporation enters into numerous agreements containing guarantees, including the following:

Operating leases

The Corporation has guaranteed a portion of the residual value of certain assets under operating leases for the benefit of the lessor. Should the Corporation terminate these leases prior to term (or at the end of the lease term), and should the fair value of the assets be less than the guaranteed residual value, then the Corporation must, under certain conditions, compensate the lessor for a portion of the shortfall. In addition, the Corporation has provided guarantees to the lessor of certain premises leases with expiry dates through 2020. Should the lessee default under the agreement, the Corporation must, under certain conditions, compensate the lessor. As of December 31, 2015, the maximum exposure with respect to these guarantees was $28.4 million and no liability has been recorded in the consolidated balance sheet.

Business and asset disposals

In the sale of all or part of a business or an asset, in addition to possible indemnification relating to failure to perform covenants and breach of representations or warranties, the Corporation may agree to indemnify against claims related to the past conduct of the business. Typically, the term and amount of such indemnification will be limited by the agreement. The nature of these indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay to guaranteed parties. The Corporation has not accrued any amount in respect of these items in the consolidated balance sheet.

Outsourcing companies and suppliers

In the normal course of its operations, the Corporation enters into contractual agreements with outsourcing companies and suppliers. In some cases, the Corporation agrees to provide indemnifications in the event of legal procedures initiated against them. In other cases, the Corporation provides indemnification to counterparties for damages resulting from the outsourcing companies and suppliers. The nature of the indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay. No amount has been accrued in the consolidated balance sheet with respect to these indemnifications.

Other

One of the Corporation’s subsidiaries has, as a franchiser, provided guarantees should franchisees, in their retail activities, default on certain purchase agreements. The nature of the indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay. No amount has been accrued in the consolidated balance sheet with respect to these guarantees.

Capital Stock

In accordance with Canadian financial reporting standards, Table 13 below presents information on the Corporation's capital stock as at February 29, 2016. In addition, 1,310,000 stock options were outstanding as of February 29, 2016.

Table 13
Capital stock
(in shares and millions of CAN dollars)

	February 29, 2016	
	Issued and outstanding	Book value
Class A Shares	38,906,172	$ 8.6
Class B Shares	83,556,992	$ 317.0

On July 31, 2014, Quebecor filed a normal course issuer bid for a maximum of 500,000 Class A Shares, representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 2,000,000 Class B Shares, representing approximately 2.4% of issued and outstanding Class B Shares as of July 29, 2014. The purchases could be made from August 13, 2014 to August 12, 2015 at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange. All of the purchased shares were cancelled.

On July 29, 2015, the Board of Directors of Quebecor authorized the renewal of its normal course issuer bid for a maximum of 500,000 Class A Shares, representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 2,000,000 Class B Shares, representing approximately 2.4% of issued and outstanding Class B Shares as of July 29, 2015. The purchases can be made from August 13, 2015 to August 12, 2016 at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange. All shares purchased under the bid will be cancelled.

In 2015, the Corporation purchased and cancelled 413,300 Class B Shares for a total cash consideration of $12.4 million (455,000 Class B Shares for a total cash consideration of $11.7 million in 2014). The $10.8 million excess of the purchase price over the carrying value of the repurchased Class B Shares was recorded in reduction of retained earnings ($10.0 million in 2014).

Risks and Uncertainties

The Corporation operates in the telecommunications, media, and sports and entertainment industries, which entails a variety of risk factors and uncertainties. The Corporation's operating environment and financial results may be materially affected by the risks and uncertainties discussed below.

Competition and technological development

In its cable business, Quebecor Media competes against incumbent local exchange carriers (or "ILECs"). The primary one in Quebecor Media's market holds a regional licence to provide terrestrial broadcasting distribution in Montréal and in several other communities in the Province of Québec. That primary ILEC is rolling out its own Internet protocol television (or "IPTV") service throughout the country and, more specifically, in Montréal (including a portion of the greater Montréal area), Québec City, and in other locations in the Province of Québec. It has also secured licences to launch video distribution services using video digital subscriber line (or "VDSL") technology. Quebecor Media's cable business competes against providers of direct broadcast satellite (or "DBS", which in Canada are also referred to as "DTH" for "direct-to-home" satellite providers), multichannel multipoint distribution systems, and satellite master antenna television systems. The direct access to some broadcasters' websites that provide streaming in HD of video-on-demand content is also available for some of the channels that Quebecor Media offers in its television programming. In addition, some third-party Internet service providers ("ISPs") have launched Internet Protocol video services ("IP video services") in territories where Quebecor Media provides services.

Quebecor Media also faces competition from illegal providers of cable television services and illegal access to non-Canadian DBS (also called grey market piracy), as well as from signal theft of DBS that enables customers to access programming services from U.S. and Canadian DBS without paying any fees (also called black market piracy). Competitors in the video business also include emerging content delivery platforms. Furthermore, over-the-top ("OTT") content providers, such as Netflix and Apple TV, as well as Canadian services such as Crave TV and shomi, compete for viewership and for a share of the monthly entertainment spending currently allocated to traditional cable television.

Unlike Quebecor Media, OTT service providers are also not subject to Canadian Radio-television and Telecommunications Commission's ("CRTC") regulations and do not have to contribute financially to the Canadian traditional television business model. Consequently, this could place Quebecor Media at a competitive disadvantage, lead to increased operational costs and have an adverse effect on its business, prospects, revenues, financial conditions, and results of operations.

In its Internet access business, Quebecor Media competes against other ISPs offering residential and commercial Internet access services as well as WiMAX and open Wi-Fi networks in some cities. The main competitors are the ILECs that offer Internet access through digital subscriber line ("DSL"), fibre to the node and fibre to the home technologies, often offering comparable download speeds to Quebecor Media's. In addition, satellite operators such as Xplornet are increasing their existing high-speed Internet access capabilities with the launch of high-throughput satellites, targeting households in rural and remote locations and claiming future download speeds comparable to Quebecor Media's low and medium download speeds. The CRTC also requires cable and ILEC network providers, including Quebecor Media, to offer wholesale access to their high-speed Internet systems to third-party ISP competitors for them to provide retail Internet access services. Those third-party ISP competitors may also provide telephony, IP video services and networking applications.

Quebecor Media's cable telephony business has numerous competitors, including ILECs, competitive local exchange carriers, mobile telephony service operators, and other providers of telephony, voice over Internet Protocol (or "VoIP") and Internet communications, including competitors that are not facility-based and therefore have a much lower infrastructure cost. In addition, Internet protocol-based products and services are generally subject to downward pricing pressure, lower margins and technological evolution, all of which could have an adverse effect on Quebecor Media's business, prospects and results of operation.

In its mobile telephony business, Quebecor Media competes against a mix of market participants, some of them active in some or all of the products it offers, with others offering only mobile telephony services. In addition, users of mobile voice and data systems may find their communication needs satisfied by other current or developing adjunct technologies, such as Wi-Fi, "hotspots" or trunk radio systems, which have the technical capability to handle mobile data communication and mobile telephone calls. There can be no assurance that current or future competitors will not provide network capacity and/or services comparable or superior to those Quebecor Media provides, or may in the future provide, or at lower prices, or adapt more quickly to evolving industry trends or changing market requirements, or introduce competing services. For instance, some providers of mobile telephony services (including incumbent carriers) have deployed and for many years operated lower-cost mobile telephony brands in order to acquire additional market share. In the near future, depending on new regulations, Quebecor Media could see the emergence of non-facility-based operators in the wireless space. Also, Quebecor Media may not be able to compete successfully in the future against existing or potential competitors, and increased competition could have a material adverse effect on its business, prospects, revenues, financial condition, and results of operations.

Due to ongoing technological developments, the distinction between traditional platforms (broadcasting, Internet and telephony) is fading rapidly. For instance, emerging Go Platforms such as HBO Go, allow customers to view their traditional television content directly on their mobile devices or computers via Internet connection (although authentication as a broadcasting distribution undertaking's subscriber is still required in Canada). Also, the Internet, through wired and mobile devices, is becoming an important broadcasting and distribution platform. In addition, mobile operators, with the development of their respective 4G and Long Term Evolution (also known as "LTE") networks, are now offering wireless and fixed wireless Internet services. In addition, Quebecor Media's VoIP telephony service also competes with Internet-based solutions.

Moreover, a few of its competitors are offering special discounts to customers who subscribe to two or more of their services (cable television or IPTV, Internet, residential phone and mobile telephony services). As a result, should Quebecor Media fail to keep its existing customers and lose them to such competitors, it may end up losing up to one subscriber for each of its services. This could have an adverse effect on its business, prospects, revenues, financial condition, and results of operation.

Fierce price competition in all Quebecor Media's businesses and across the industries in which it operates may affect Quebecor Media's ability to raise the price of its products and services in line with increases in its operating costs, as it has done in the past. This could have an adverse effect on its business, revenues, financial condition, and results of operation.

Roaming agreements

Quebecor Media has entered into roaming agreements with multiple carriers around the world (including Canada, the United States and Europe), and has established worldwide coverage. Should it be unable to extend its worldwide coverage, or to renew or substitute for those roaming agreements at their respective or better terms or on acceptable terms, Quebecor Media may be placed at a competitive disadvantage, which could adversely affect its ability to operate its mobile business successfully and profitably.

In addition, various aspects of mobile communication operations, including the ability of mobile providers to enter into interconnection agreements with traditional landline telephone companies and to manage data traffic on their networks, are subject to regulation by the CRTC. Regulations adopted or actions taken by government agencies with jurisdiction over any mobile business that Quebecor Media may operate or develop could adversely affect its mobile business and operations, including actions that could either increase competition or its costs.

Reputation

Quebecor Media has generally enjoyed a good reputation among the public. Its ability to maintain its existing customer relationships and to attract new customers depends to a large extent on its reputation. While Quebecor Media has put in place certain mechanisms to mitigate the risk that its reputation may be tarnished, including good governance practices and a Code of Ethics, it cannot be assured that it will continue to enjoy a good reputation, nor can it be assured that events that are beyond its control will not cause its reputation to be negatively impacted. The loss or tarnishing of its reputation could have a material adverse effect on its business, prospects, financial condition, and results of operations.

Higher handset subsidies and increase in bring-your-own-device ("BYOD") customers

Quebecor Media's mobile telephony business model is based substantially on subsidizing the cost of subscriber handsets, similar to other North American wireless carriers. This model attracts customers and in exchange they commit to a term contract. Quebecor Media also commits to a minimum subsidy per unit with the supplier of certain smartphone devices. If Quebecor Media is unable to recover the costs of the subsidies over the term of the customer contract, this could negatively impact its business, financial condition and results of operations.

Also, with the CRTC's Wireless Code introduced in 2013 limiting wireless term contracts to two from three years, the number of BYOD customers with no-term contracts could increase. Such customers are under no contractual obligation to remain with Quebecor Media, which could have a material adverse effect on its churn rate and, consequently, on its business, financial condition and results of operations.

Inventory obsolescence

Quebecor Media's various products in inventory generally have a relatively short lifecycle due to frequent technological changes. If it cannot effectively manage inventory levels based on product demand, this could increase the risk of inventory obsolescence and could have an adverse effect on its business, financial condition and results of operations.

Capital expenditures

Quebecor Media's strategy of maintaining a leadership position in the suite of products and services it offers and of launching new products and services requires capital investments in its network and infrastructure to support growth in its customer base and its demands for increased bandwidth capacity and other services. In the past, Quebecor Media has required substantial capital for the upgrade, expansion and maintenance of its network and the launch and deployment of new or additional services. Quebecor Media expects that additional capital expenditures will continue to be required in the short and medium term in order to expand and maintain its systems and services, including expenditures relating to advancements in Internet access, HD, UHD television and TV everywhere/every platform requiring IP delivery technology, plus the cost of its mobile services infrastructure deployment, maintenance and enhancement.

The demand for wireless data services has been growing at unprecedented rates and it is projected that this demand will further accelerate, driven by increases in the following: levels of broadband penetration; need for personal connectivity and networking; affordability of smartphones and Internet-only devices (e.g., high-usage data devices such as mobile Internet keys, tablets and electronic book readers); multimedia-rich services and applications; and unlimited data plans. The anticipated levels of data traffic will represent a growing challenge to the current mobile network's ability to serve this traffic. Quebecor Media may have to acquire additional spectrum, if available and if economically reasonable, in order to address this increased demand. The ability to acquire additional spectrum (if needed) is dependent on the timing and the rules established by ISED Canada. If Quebecor Media is not successful in acquiring additional spectrum it may need on reasonable terms, that could have a material adverse effect on its business, prospects and financial condition.

The development, maintenance and enhancement of Quebecor Media's LTE network requires capital expenditures to remain competitive and to comply with its obligations under the agreement with its partner governing the joint build-out of its LTE network. A geographical expansion or densification of its LTE network may require Quebecor Media to incur significant costs and make significant capital expenditures.

There can be no assurance that Quebecor Media will be able to generate or otherwise obtain the funds to finance any portion of these capital improvement programs, new strategies and services, or other capital expenditure requirements, whether through cash from operations, additional borrowings or other sources. If Quebecor Media is unable to generate sufficient funds or obtain additional financing on acceptable terms, it may be unable to implement its business strategies or proceed with the capital expenditures and investments required to maintain its leadership position, and its business, financial condition, results of operations, reputation, and prospects could be materially adversely affected. Even if Quebecor Media were able to obtain adequate funding, the period of time required to upgrade its network could have a material adverse effect on its ability to successfully compete in the future. Moreover, additional investments in its business may not translate into incremental revenues, cash flows or profitability.

Access to support structures

Quebecor Media requires access to the support structures of hydroelectric and telephone utilities and it needs municipal rights of way to deploy its cable network. Where access to the structures of telephone utilities cannot be secured, Quebecor Media may apply to the CRTC to obtain a right of access under the *Telecommunications Act* (Canada) (the *"Telecommunications Act*"). Quebecor Media has entered into comprehensive support structure access agreements with all the major hydroelectric companies and all the major telecommunications companies on its service territory. Should Quebecor Media seek to renew or renegotiate those agreements, it cannot guarantee that they will continue to be available on their respective terms, or on acceptable terms, or at all, which may place Quebecor Media at a competitive disadvantage.

Successful implementation of business and operating strategies

Quebecor Media's business strategies are based on leveraging an integrated platform of media assets. Its strategies include offering multiplatform advertising solutions, generating and distributing content across a spectrum of media properties and assets, launching and deploying additional value-added products and services, pursuing cross-promotional opportunities, maintaining its advanced broadband network, pursuing enhanced content development to reduce costs, further integrating the operations of its subsidiaries, leveraging geographic clustering, and maximizing customer satisfaction across its business. Quebecor Media may not be able to implement those strategies successfully or realize their anticipated results fully or at all, and their implementation may be more costly or challenging than initially planned. In addition, its ability to successfully implement those strategies could be adversely affected by a number of factors beyond its control, including operating difficulties, increased ongoing operating costs, regulatory developments, general or local economic conditions, increased competition, technological changes, and other factors described in this section. While the centralization of certain business operations and processes has the advantage of standardizing practices, thereby reducing costs and increasing effectiveness, it also represents a risk in itself should a business solution implemented throughout the organization by a centralized office fail to produce the intended results. Quebecor Media may also be required to make capital expenditures or other investments that may affect its ability to implement its business strategies if it is unable to secure additional financing on acceptable terms or to generate sufficient funds internally to cover those requirements. Any material failure to implement its strategies could have a material adverse effect on its reputation, business, financial condition, prospects, and results of operations, as well as on its ability to meet its obligations, including its ability to service its indebtedness.

As part of its strategy, in recent years, Quebecor Media has entered into certain agreements with third parties under which it is committed to making significant operating expenditures in the future. It can provide no assurance that it will be successful in developing new activities in relation to those engagements, including the development of new revenue sources.

Consumers' trend to abandon cable telephony and television services

The recent trend toward mobile substitution or "cord-cutting" (when users cancel their landline telephony services and opt for mobile telephony services only) is largely the result of the increasing mobile penetration rate in Canada and the various unlimited offers launched by mobile operators. In addition, there is also a consumer trend to abandon and substitute wire and cable television for Internet access service in order to stream directly from broadcasters and OTT content providers. Quebecor Media may not be successful in converting its existing cable telephony subscriber base to its mobile telephony services or in attracting customers to its OTT entertainment platforms, which could have a material adverse effect on its business, results of operation and financial condition.

Rapid growth of traffic volumes on the Internet

Internet users are downloading an increasing amount of data each year and households are now connected to the Internet through a combination of several computers, tablets and other mobile devices, leading to simultaneous flows per home, which constitutes a departure from the past, when a majority of households were connected to the Internet through a single computer. In addition, some content on the Internet, such as videos, is now available at a higher bandwidth for which HD, as opposed to standard definition, has become the norm. OTT service providers have recently started streaming UHD content, which uses even more bandwidth than HD services. There has therefore been an increase in data consumption and an intensification of Internet traffic during peak periods, which calls for increased bandwidth capacity to address customer needs.

Equipment costs are under pressure in an effort to counterbalance customer demand for bandwidth. While Quebecor Media can relay some of this pressure on costs to its manufacturers, can adopt new technologies that reduce costs or implement other cost-reduction initiatives, Quebecor Media's inability to fully meet its customers' increasing need for bandwidth may result in price increases or in reduced profitability.

Significant and rapid technological changes in Media segment

In relation to the Corporation's Media segment, the media industry is experiencing rapid and significant technological changes, which have resulted in alternative means of program and content transmission. The continued growth of the Internet has presented alternative content distribution options that compete with traditional media. Furthermore, in its video distribution markets, industry regulators have authorized DTH, microwave services and VDSL services, and may authorize other alternative methods of transmitting television and other content with improved speed and quality. Quebecor Media may not be able to successfully compete with existing or newly developed alternative technologies, such as IPTV, or it may be required to acquire, develop or integrate new technologies. The cost of the acquisition, development or implementation of new technologies could be significant and its ability to fund such implementation may be limited, which could have a material adverse effect on its ability to successfully compete in the future. Any such difficulty or inability to compete could have a material adverse effect on its business, reputation, prospects, financial condition, and results of operations.

The continuous technological improvements to the Internet, combined with higher download speeds and cost reductions for customers, may divert a portion of its Media business' existing television subscriber base from its services to new video-over-the-Internet model. While having a positive impact on the demand for its Internet services, video-over-the-Internet could adversely impact the demand for its other services.

Rapid growth

Quebecor Media has experienced substantial growth in its business and has significantly expanded its operations over the years. It has sought in the past, and may, in the future, seek to further expand the types of businesses in which it participates, under appropriate conditions. Quebecor Media can provide no assurance that it will be successful in either developing or fulfilling the objectives of any such business expansion.

In addition, Quebecor Media's expansion may require it to incur significant costs or divert significant resources and may limit its ability to pursue other strategic and business initiatives, which could have an adverse effect on its business, financial condition, prospects, or results of operations. Furthermore, if Quebecor Media is not successful in managing its growth, or if Quebecor Media is required to incur significant or unforeseen costs, its business, results of operations and financial condition could be adversely affected.

Success in the development of its Sports and Entertainment business

Quebecor Media has recently made, and is continuing to make significant investments in an effort to develop its Sports and Entertainment business. Some of these investments require significant capital expenditures and management attention. The success of such investments involves numerous risks that could adversely affect its growth and profitability, including the following risks: that management may not be able to successfully manage the development of its Sports and Entertainment business; that the development of the Sports and Entertainment business may place significant demands on management, diverting attention from existing operations; that investments may require substantial financial resources that otherwise could be used in the development of its other businesses; that Quebecor Media will not be able to achieve the benefits it expects from its investments in the development of its Sports and Entertainment business; and the risk associated with a failure to make continued investments in its Sports and Entertainment business in order to respond to consumer trends and demands, which could adversely affect its ability to compete in the sports and entertainment industry.

Implementation of changes to the structure of its business

Quebecor Media has and it will continue to implement changes to the structure of its business due to many factors, such as the necessity of a corporate restructuring, a system replacement and upgrade, a process redesign, the integration of business acquisitions or existing business units. These changes must be managed carefully to ensure that Quebecor Media captures the intended benefits. The implementation process may lead to greater-than-expected operational challenges and costs, expenses, customer loss, and business disruption for Quebecor Media, which could adversely affect its business and its ability to gain the anticipated benefits.

Key personnel

Quebecor's success depends to a large extent on the continued services of its senior managers and its ability to retain skilled employees. There is intense competition for qualified managers and skilled employees, and Quebecor's failure to recruit, train and retain such employees could have a material adverse effect on its business, financial condition and results of operations. In addition, in order to implement and manage its businesses and operating strategies effectively, Quebecor must sustain a high level of efficiency and performance and maintain content quality; it must continually enhance its operational and management systems, and continue to effectively attract, train, motivate and manage its employees. If Quebecor is not successful in these efforts, it may have a material adverse effect on its business, prospects, results of operations, and financial condition.

Competition for advertising, circulation revenues/audience

Advertising revenue is the primary source of revenue for the Corporation's Media segment. Quebecor Media's revenues and operating results in those businesses depend on the relative strength of the economy in Quebecor Media's principal markets, as well as the strength or weakness of local, regional and national economic factors. Those economic factors affect the levels of retail and national advertising revenue of the media properties of Quebecor Media. Since a significant portion of Quebecor Media's advertising revenue is derived from retail and automotive sector advertisers, weakness in those sectors and in the real estate industry has had, and may continue to have an adverse impact on the revenues and results of operations of the Media segment. Continuing or deepening softness in the Canadian or U.S. economy could further adversely affect key national advertising revenues.

Advertising revenues for the Media segment are also driven by readership and circulation levels, as well as by market demographics, price, service, and advertiser results. Readership and circulation levels tend to be based on the content of the newspaper or magazine, service, availability and price. A prolonged decline in readership and circulation levels in Quebecor Media's newspaper and magazine businesses and lack of audience acceptance of its content would have a material effect on the rate and volume of its newspaper and magazine advertising revenues (as rates reflect circulation and readership, among other factors), and could also affect its ability to institute circulation price increases for its print products, all of which could have a material adverse effect on its business, prospects, results of operations, and financial condition.

The newspaper and magazine industry is experiencing structural changes, including the growing availability of free access to media, shifting readership habits, digital transferability, the advent of real-time information and secular changes in the advertising industry, as well as the declining frequency of regular newspaper and magazine buying, particularly among young people, who increasingly rely on non-traditional media as a source for news and information. As a result, competition for advertising spend and circulation revenues comes not only from other newspapers and traditional media, but also from digital media technologies, which have introduced a wide variety of media distribution platforms (including, most significantly, the Internet and distribution over wireless devices and e-readers) for readers and advertisers.

While Quebecor Media continues to pursue initiatives to offer value-added advertising solutions to its advertisers and to maintain its circulation base, such as investments in the re-design and overhaul of its newspaper and magazine websites and the publication of e–editions of a number of its newspapers and magazines, it may not be successful in retaining its historical share of advertising revenues or in transferring its audience to its new digital products. The ability of the Media segment to grow and succeed over the long-term depends on various factors, including its ability to attract advertisers and readers (including subscribers) to its online sites. Quebecor Media's new initiatives, developed to generate additional revenues from its websites (such as digital platform advertising and/or the paywall revenue model), may not be accepted by users and consequently may negatively affect online traffic. In addition, Quebecor Media can provide no assurance that it will be able to recover the costs associated with the implementation of those initiatives through increased circulation, advertising and digital revenues.

In broadcasting, the proliferation of television channels, progress in mobile and wireless technology, the migration of television audiences to the Internet and the viewing public's increased control over the manner, content and timing of their media consumption through personal video recording devices, have all contributed to the fragmentation of the television viewing audience and to a more challenging advertising sales environment. For example, the increased availability of personal video recording devices and video programming on the Internet, as well as the increased access to various media through mobile devices, may each have the potential to reduce the viewing of its content through traditional distribution outlets. Some of these new technologies also give consumers greater flexibility to watch programming on a time-delayed or on-demand basis, or to fast-forward or skip advertisements within its programming, which may adversely impact the advertising revenues it receives. Delayed viewing and advertisement skipping have the potential to become more common as the penetration of personal video recording devices increases and content becomes increasingly available via Internet sources. If the broadcasting market continues to fragment, Quebecor Media's audience share levels and its advertising revenues, results of operations, financial condition, business and prospects could be materially adversely affected.

Distribution of a wide range of television programming

The financial performance of its cable and mobile services depends in large part on Quebecor Media's ability to distribute a wide range of appealing, conveniently scheduled television programming at reasonable rates on its platforms. Quebecor Media obtains television programming rights from suppliers pursuant to programming contracts. In recent years, those suppliers have become vertically integrated and are now more limited in number. The quality and amount of television programming offered by Quebecor Media affect the attractiveness of its services to customers and, accordingly, the rates Quebecor Media can charge for such services. Quebecor Media may be unable to maintain key programming contracts at commercially reasonable rates for television programming. Loss of programming contracts, Quebecor Media's inability to obtain programming at reasonable rates, or its inability to pass-through rate increases to its customers could have a material adverse effect on its business, financial condition, results of operations, and prospects.

In addition, Quebecor Media's ability to attract and retain cable customers depends, to a certain extent, on its capacity to offer quality content, HD and UHD programming, an appealing variety of programming choices and packages, as well as multiplatform distribution and on-demand content at competitive prices. If the number of specialty channels being offered does not increase at the level and pace comparable to its competitors, if the content offered on such channels does not receive audience acceptance, or if it is unable to offer multiplatform availability, HD and UHD programming and on-demand content for capacity reasons, among others, this may have a negative impact on revenues from Quebecor Media's cable operations.

The multiplicity of foreign and deregulated content providers (often global players on the Internet) puts pressure on the viability of Quebecor Media's current business model for television distribution. Substantial capital expenditures on infrastructure and in research and development may be required to remain competitive.

Costs, quality, and variety of television programming

The most significant expenses in television broadcasting are programming and production costs. Increased competition in the television broadcasting industry, developments affecting producers and distributors of programming content, the vertical integration of distributors and broadcasters, introduction from various OTT providers of original and exclusive programming, changes in viewer preferences and other developments could impact both the availability and the costs of programming content, as well as production costs. Future increases or volatility in programming and production costs could adversely affect Quebecor's operating results. Developments in cable, satellite or other forms of distribution could also affect both the availability and cost of programming and production and increase competition for advertising expenditures. As well, the value of royalties payable pursuant to the *Copyright Act* are frequently decided by the Copyright Board of Canada during or even after the applicable period, which can cause retroactive increases in content costs.

Launch of new specialty services

Quebecor Media is investing in the launch of new specialty services in its Broadcasting operations. During the period immediately following the launch of a new specialty service, subscription revenues are always relatively modest, while initial operating expenses may prove more substantial. Furthermore, although Quebecor Media believes in the potential associated with this strategy, there is a possibility that the anticipated profitability could take several years to materialize, or may never materialize.

Loss of key customers

The Corporation's businesses are based primarily on customer satisfaction with reliability, timeliness, quality, and price. In general, Quebecor Media does not have long-term or exclusive service agreements with its customers. Quebecor Media is unable to predict if, or when, its customers will purchase its services. There can be no assurance that the revenues generated from key customers, individually or in the aggregate, will reach or exceed historical levels in any future period, or that it will be able to develop relationships with new customers. Quebecor Media cannot assure that it will continue to maintain favourable relationships with its customers or that they will not be adversely affected by economic conditions.

Single-clustered network

Quebecor Media provides its digital television, Internet access, cable telephony and mobile telephony services through a primary headend and its analog television services through 12 additional regional headends in a single clustered network. Despite available emergency backup or replacement sites, a failure in Quebecor Media's primary headend, including exogenous threats, such as natural disasters, sabotage or terrorism, or dependence on certain external infrastructure providers (such as electric utilities), could prevent it from delivering some of its products and services throughout its network until the failure has been resolved, which may result in significant customer dissatisfaction, loss of revenues and potential civil litigation.

Cybersecurity

The ordinary course of Quebecor Media's telecommunications and data-storage businesses involves the receipt, collection, storage and transmission of sensitive data, including its proprietary business information and that of its customers, as well as personally identifiable information om its customers and employees, whether in its data centres, systems, infrastructure, networks, or processes. The secure processing, maintenance and transmission of this information is critical to its operations and business strategy.

Although Quebecor Media has implemented and regularly reviews and updates processes and procedures to protect against unauthorized access to, or use of sensitive data, including data on its customers, and although ever-evolving cyberthreats require Quebecor Media to continually evaluate and adapt its data centres, systems, infrastructure, networks and processes to prevent data loss, Quebecor Media cannot assure that its data centres, systems, infrastructure, networks and processes will be adequate to safeguard against all information security access by third parties or employees or errors by third-party suppliers. If Quebecor Media is subject to a significant cyberattack or breach, unauthorized access, errors of third-party suppliers or other security breaches, Quebecor Media may incur significant costs, be subject to investigations, sanctions and litigation, including under laws that protect the privacy of personal information, and Quebecor Media may suffer damage to its business, competitive position and reputation.

Quebecor Media has not to its knowledge been subject to cyberattacks or breaches which, individually or in the aggregate, have had a material impact on its operations (including the integrity of customer data) or financial condition. However, the preventive actions Quebecor Media takes to reduce the risks associated with cyberattacks, including protection of its data centres, systems, infrastructure, networks and processes, may be insufficient to repel or mitigate the effects of a major cyberattack in the future.

Protection of personal data

Quebecor Media stores and processes increasingly large amounts of personally identifiable information on its clients, employees, and/or business partners. Quebecor Media faces risks inherent in protecting the security of such personal data. In particular, Quebecor Media faces a number of challenges in protecting the data in, and hosted on its systems, including from advertent or inadvertent actions or inactions by its employees, as well as in relation to compliance with applicable laws, rules and regulations relating to the collection, use, disclosure or security of personal information, including any requests from regulatory and government authorities relating to such data. Although Quebecor Media has developed systems, processes and security controls that are designed to protect the personally identifiable information on its clients, employees and business partners, Quebecor Media may be unable to prevent the improper disclosure, loss, misappropriation of, unauthorized access to, or other security breach relating to such data that Quebecor Media stores or processes. As a result, Quebecor Media may incur significant costs, be subject to investigations, sanctions and litigation, including under laws that protect the privacy of personal information, and Quebecor Media may suffer damage to its business, competitive position and reputation.

Dependence on information technology systems

The day-to-day operation of Quebecor Media's business is highly dependent on information technology systems, including those of certain third-party suppliers. An inability to maintain and enhance its existing information technology systems, or to obtain new systems to accommodate additional customer growth or support new products and services, could have an adverse impact on its ability to acquire new subscribers, retain existing customers, produce accurate and timely billing, generate revenue growth, and manage operating expenses, all of which could adversely impact its financial results and position.

Malicious and abusive Internet practices

Quebecor Media's cable data, mobile data and fibre-optic connectivity business customers utilize its network to access the Internet and, as a consequence, they may become a victim of common malicious and abusive Internet activities, such as unsolicited mass advertising (or spam) and dissemination of viruses, worms, and other destructive or disruptive software. Such activities could have adverse consequences on its network and its customers, including deterioration of service, excessive call volumes to call centres and damage to its customers' or its own equipment and data. Significant incidents could lead to customer dissatisfaction and, ultimately, to a loss of customers or revenues, in addition to increased costs to service customers and protect its network. Any significant loss of cable data, mobile data or fibre-optic connectivity business customers, or a significant increase in the costs of serving those customers, could adversely affect its reputation, business, prospects, financial condition, and results of operations.

Protection from piracy

In Quebecor Media's cable, Internet access, OTT and telephony business, it may not be able to protect its services and data from piracy. It may be unable to prevent electronic attacks to gain unauthorized access to its network, analog and digital programming, and Internet access services. It uses encryption technology to protect its cable signals and OTT from unauthorized access and to control programming access based on subscription packages. It may not be able to develop or acquire adequate technology to prevent unauthorized access to its network, programming and data, which may have an adverse effect on its customer base and lead to a possible decline in revenues, as well as to significant remediation costs and legal claims.

Third party suppliers and providers

Quebecor Media depends on third party suppliers and providers for certain services, hardware and equipment that are critical to its operations and network evolution. These materials and services include set-top boxes, mobile telephony handsets and network equipment, cable and telephony modems, servers and routers, fibre-optic cable, telephony switches, inter-city links, support structures, software, the "backbone" telecommunications network for Internet access and telephony services, and construction services for the expansion of and upgrades to its cable and mobile networks. These services and equipment are available from a limited number of suppliers and Quebecor Media therefore faces the risks of supplier disruption, including business difficulties, restructuring, or supply-chain issues. If no supplier can provide Quebecor Media with the equipment or services it requires, or that comply with evolving Internet and telecommunications standards, or that are compatible with its other equipment and software, its business, financial condition and results of operations could be materially adversely affected. In addition, if Quebecor Media is unable to obtain critical equipment, software, services and other items on a timely basis and at an acceptable cost, its ability to offer its products and services and roll out advanced services may be delayed, and its business, financial condition and results of operations could be materially adversely affected.

In addition, Quebecor Media obtains proprietary content critical to its operations through licensing arrangements with content providers. Some providers may seek to increase fees or impose technological requirements to protect their proprietary content. If Quebecor Media is unable to renegotiate commercially acceptable arrangements with content providers, comply with their technological requirements, or find alternative sources of equivalent content, its Media operations may be adversely affected.

Litigation and other claims

In the normal course of business, Quebecor is involved in various legal proceedings and other claims relating to the conduct of its business. Although, in the opinion of management, the outcome of current pending claims and other litigation is not expected to have a material adverse effect on Quebecor's reputation, results of operations, liquidity or financial position, a negative outcome in respect of any such claim or litigation could have a said adverse effect. Moreover, the cost of defending against lawsuits and the diversion of management's attention could be significant.

Strikes and other labour protests

At December 31, 2015, approximately 53% of Quebecor Media's employees were represented by collective bargaining agreements. Through its subsidiaries, Quebecor Media is currently party to 31 collective bargaining agreements.

Quebecor Media is not currently subject to a labour dispute. Nevertheless, it can neither predict the outcome of current or future negotiations relating to labour disputes, union representation or renewal of collective bargaining agreements, nor guarantee that Quebecor Media will not experience future work stoppages, strikes or other forms of labour protests pending the outcome of any current or future negotiations. If its unionized workers engage in a strike or any other form of work stoppage, it could experience a significant disruption to its operations, damage to its property and/or interruption to its services, which could adversely affect its business, assets, financial position, results of operations, and reputation. Even should Quebecor Media not experience strikes or other forms of labour protests, the outcome of labour negotiations could adversely affect its business and results of operations. Such could be the case if current or future labour negotiations or contracts were to further restrict its ability to maximize the efficiency of its operations. In addition, its ability to make short-term adjustments to control compensation and benefits costs is limited by the terms of its collective bargaining agreements.

Pension plan liability

The economic cycles, employee demographics and changes in regulations could have a negative impact on the funding of Quebecor Media's defined benefit pension plans and related expenditures. There is no guarantee that the expenditures and contributions required to fund those pension plans will not increase in the future and therefore negatively impact its operating results and financial position. Risks related to the funding of defined benefit plans may materialize if total obligations with respect to a pension plan exceed the total value of its trust assets. Shortfalls may arise due to lower-than-expected returns on investments, changes in the assumptions used to assess the pension plan's obligations, and actuarial losses.

Exchange rate fluctuations

Most of the Corporation's revenues and expenses are denominated in CAN dollars. However, certain expenditures, such as the purchase of set-top boxes and cable modems, certain mobile devices and certain capital expenditures, including certain costs related to the development and maintenance of its mobile network, are paid in U.S. dollars. Those costs are partially hedged, so a significant increase in the U.S. dollar could have an adverse effect on its results of operations.

Also, a substantial portion of its debt is denominated in U.S. dollars, and interest, principal and premium, if any, is payable in U.S. dollars. For the purposes of financial reporting, any change in the value of the CAN dollar against the U.S. dollar during a given financial reporting period would result in a foreign exchange gain or loss on the translation of any unhedged U.S.-dollar-denominated debt into CAN dollars. Consequently, reported earnings and debt could fluctuate materially as a result of foreign exchange gains or losses. The Corporation has entered into transactions to hedge the exchange rate risk with respect to its U.S.-dollar-denominated debt outstanding at December 31, 2015, and it intends to enter into such transactions for new U.S.-dollar-denominated debt in the future. These hedging transactions could, in certain circumstances, prove economically ineffective and may not be successful in protecting it against exchange rate fluctuations, or it may be required to provide cash and other collateral in the future in order to secure its obligations with respect to such hedging transactions, or it may be unable to enter into such transactions on favorable terms, or at all, in the future.

In addition, 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 fair value of the derivative financial instruments that the Corporation is party to is estimated using period-end market rates and it reflects the amount it would receive or pay if the instruments were terminated and settled at those dates, as adjusted for counterparties' non-performance risk. At December 31, 2015, the net aggregate fair value of its cross-currency interest rate swaps and foreign exchange forward contracts was in a net asset position of $953.7 million on a consolidated basis.

Certain of the commodities that the Corporation consumes in its daily operations are traded on commodities exchanges or are negotiated on their respective markets in U.S. dollars and some of its suppliers source their products out of the U.S., therefore, although the Corporation pays these suppliers in CAN dollars, the prices it pays for such commodities or products may be affected by fluctuations in the exchange rate. The Corporation may in the future enter into transactions to hedge its exposure to the exchange rate risk related to the prices of some of those commodities or products. However, fluctuations to the exchange rate for purchases that are not hedged could affect the prices the Corporation pays for such purchases and could have an adverse effect on its results of operations.

Volatility

The capital and credit markets have experienced significant volatility and disruption over the last several years, resulting in periods of upward pressure on the cost of new debt capital and severe restrictions in credit availability for many companies. In such periods, the disruptions in the capital and credit markets have also resulted in higher interest rates or greater credit spreads on the issuance of debt securities and increased costs under credit facilities. Disruptions in the capital and credit markets could increase Quebecor's interest expense, thereby adversely affecting its results of operations and financial position.

Quebecor's access to funds under its existing credit facilities is dependent on the ability of the financial institutions that are parties to those facilities to meet their funding commitments. Those financial institutions may not be able to meet their funding commitments if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests within a short period of time. Moreover, the obligations of the financial institutions under Quebecor's credit facilities are several and not joint and, as a result, a funding default by one or more institutions does not need to be made up by the others.

Extended periods of volatility and disruptions in the capital and credit markets as a result of uncertainty, changing or increased regulation of financial institutions, reduced financing alternatives or failures of significant financial institutions, could adversely affect Quebecor's access to the liquidity and affordability of funding needed for its businesses in the longer term. Such disruptions could require Quebecor to take measures to conserve cash until the markets stabilize or until alternative credit arrangements or other funding for its business needs can be arranged. Market disruptions and broader economic challenges may lead to lower demand for certain of Quebecor's products and increased incidences of customer inability to pay or to timely pay for the services or products it provides. Events such as those could adversely impact Quebecor's results of operations, cash flows, financial position and prospects.

Ethical business conduct

Any failure or perceived failure to adhere to Quebecor's policies, the law or ethical business practices could significantly affect its reputation and brands and could therefore negatively impact its financial performance. Quebecor's framework for managing ethical business conduct includes the adoption of a Code of Ethics, which its directors and employees are required to acknowledge and agree to on a regular basis, and, as part of an independent audit and security function, maintain a whistle-blowing hotline. There can be no assurance that these measures will be effective enough to prevent violations or perceived violations of law or ethical business practices.

Asset impairment charges

In the past, the Corporation has recorded, asset impairment charges which have been material in some cases. Subject to the realization of various factors, including, but not limited to, weak economic or market conditions, the Corporation may be required to record in the future, in accordance with IFRS accounting valuation principles, additional non-cash impairment charges if the carrying value of an asset in its financial statements is in excess of its recoverable value. Any such asset impairment charge could be material and may adversely affect its future reported results of operations and equity, although such charges would not affect its cash flow.

Acquisitions, dispositions, business combinations, or joint ventures

From time to time, the Corporation engages in discussions and activities with respect to possible acquisitions, dispositions, business combinations, or joint ventures intended to complement or expand its business, some of which may be significant transactions and involve significant risks and uncertainties. The Corporation may not realize the anticipated benefit from any of the transactions it pursues, and may have difficulty incorporating or integrating any acquired business. Regardless of whether it consummates any such transaction, the negotiation of a potential transaction (including associated litigation), as well as the integration of any acquired business, could require the Corporation to incur significant costs and cause a diversion of management's time and resources and disrupt its business operations. The Corporation could face several challenges in the consolidation and integration of information technology, accounting systems, personnel, and operations.

If the Corporation decides to sell individual properties or other assets or businesses, it will benefit from the net proceeds realized from such sales. However, its revenues may suffer in the long term due to the disposition of a revenue-generating asset, or the timing of such dispositions may be poor, causing it to fail to realize the full value of the disposed asset, all of which may diminish its ability to repay its indebtedness at maturity.

Any of the foregoing could have a material adverse effect on its business, financial condition, operating results, liquidity, and prospects.

Competition and consolidation of retail locations in the Telecommunications business

In the Corporation's Telecommunications business, the competition to offer products in the best available retail commercial spaces is fierce. Some of its competitors have pursued a strategy of selling their products through independent retailers to extend their presence on the market, while some have also acquired certain independent retailers and created new distribution networks. This could result in limiting the expansion of the Corporation's retail network and may contribute to isolating the Corporation from its competitors, which could have an adverse effect on its business, prospects and results of operation.

Government acts and regulations risks

Quebecor Media's operations are subject to extensive government regulation and policy-making in Canada. Laws and regulations govern the issuance, amendment, renewal, transfer, suspension, revocation and ownership of broadcast programming and distribution licences. With respect to distribution, regulations govern, among other things, the distribution of Canadian and non-Canadian programming services and the maximum fees to be charged to the public in certain circumstances. There are significant restrictions on the ability of non-Canadian entities to own or control broadcasting licences and telecommunications carriers in Canada, although the federal government recently eliminated the foreign ownership restrictions on telecommunications companies with less than 10% of total Canadian telecommunications market revenues. Quebecor Media's broadcasting distribution and telecommunications operations (including Internet access service) are regulated respectively by the *Broadcasting Act* (Canada) (the "*Broadcasting Act*") and the *Telecommunications Act* and regulations thereunder. The CRTC, which administers the *Broadcasting Act* and the *Telecommunications Act*, has the power to grant, amend, suspend, revoke and renew broadcasting licences, approve certain changes in corporate ownership and control, and make regulations and policies in accordance with the *Broadcasting Act* and the *Telecommunications Act*, subject to certain directions from the federal cabinet. For instance, the CRTC recently adopted a new Wireless Code which regulates numerous aspects of the provision of retail wireless services and a new Television Service Provider Code which regulates numerous aspects of the provisions of retail television services. Quebecor Media's wireless and cable operations are also subject to technical requirements, licence conditions and performance standards under the *Radiocommunication Act* (Canada) (the "*Radiocommunication Act*"), which is administered by ISED Canada.

In addition, laws relating to communications, data protection, e-commerce, direct marketing, and digital advertising and the use of public records have become more prevalent in recent years. Existing and proposed legislation and regulations, including changes to the manner in which such legislation and regulations are interpreted by courts in Canada, the United States and other jurisdictions, may impose limits on the collection and use of certain kinds of information. On December 17, 2014, an amendment to the *Telecommunications Act* and the *Radiocommunication Act* was adopted to give the CRTC and ISED Canada the power to impose monetary sanctions for failure to comply with current regulations.

Changes to the laws, regulations and policies governing Quebecor Media's operations, the introduction of new laws, regulations, policies or terms of licence, the issuance of new licences, including additional spectrum licences to its competitors, or changes to the treatment of the tax deductibility of advertising expenditures, could have a material adverse effect on its business (including how it provides products and services), financial condition, prospects, and results of operations. In addition, Quebecor Media may incur increased costs in order to comply with existing and newly adopted laws and regulations or penalties for any failure to comply. It is difficult to predict in what form laws and regulations will be adopted or how they will be construed by the relevant courts or the extent to which any changes might adversely affect Quebecor Media.

Government programs

Quebecor Media takes advantage of several government programs designed to support production and distribution of televisual and cinematographical products and magazine publishing in Canada, including federal and provincial refundable tax credits. There can be no assurance that the local cultural incentive programs that Quebecor Media may access in Canada will continue to be available in the future or will not be reduced, amended or eliminated. Any future reductions or other changes to the policies or rules of application in Canada or in any of its provinces in connection with government incentive programs, including any change in the Québec or federal programs providing for refundable tax credits, could increase the cost of acquiring and producing Canadian programs which are required to be broadcast and which could have a material adverse effect on its financial condition and results of operations. Canadian content programming is also subject to certification by various federal government agencies. If programs fail to so qualify, the Corporation would not be able to use the programs to meet its Canadian content programming obligations and might not qualify for certain Canadian tax credits and government incentives.

To ensure that the Corporation maintains minimum levels of Canadian ownership under the *Broadcasting Act* and other legislation under which it derives the benefit of tax credits and industry incentives, it has placed constraints on the issuance and transfer of shares of certain of its subsidiaries.

In addition, the Canadian and provincial governments currently provide grants and incentives to attract foreign producers and support domestic film and television production. Many of the major studios and other key customers of the Corporation’s Studios, Equipment and Post-Production Business, as well as content producers for its television broadcasting and production operations, finance a portion of their production budgets through Canadian governmental incentive programs, including federal and provincial tax credits. There can be no assurance that the government grants and incentive programs presently being offered to participants in the film and television production industry will continue at their present levels or at all. If such grants or incentives are reduced or discontinued, the level of activity in the motion picture and television industries may be reduced and, as a result, the Corporation’s results of operations and financial condition might be adversely affected.

The successful tax credit model of Québec and other provinces in Canada has been copied by other jurisdictions around the world, including by many states in the U.S. Some producers may select locations other than Québec to take advantage of tax credit programs that they conclude to be more or as attractive as those Québec offers. Other factors such as director or star preference may also have the effect of productions being shot elsewhere, which could have a material adverse effect on the Corporation’s business, financial condition and results of operations.

Licence renewals

Videotron’s AWS-1 licences were issued in December 2008 for a 10-year term. Beginning two years before the end of this term, and any subsequent term, Videotron may apply for renewed licences for a term of up to 10 years. AWS-1 licence renewals, including whether licence fees should apply for a subsequent licence term, will be subject to a public consultation process initiated in the eighth year of the applicable licences, meaning in 2016 in respect of Videotron’s current AWS-1 licences.

Videotron’s other spectrum licenses, including in the AWS-3, 700 MHz and 2500 MHz bands, are issued for 20-year terms from their respective dates of issuance. At the end of these respective terms, applications may be made for new licences for a subsequent term through a renewal process, unless a breach of licence conditions by Videotron has occurred, a fundamental reallocation of spectrum to a new service is required, or in the event that an overriding policy need arises. The process for issuing or renewing licences, including the terms and conditions of the new licences and whether licence fees should apply for a subsequent licence term, are expected to be determined by ISED Canada following public consultations.

Provision of third-party ISPs with access to cable systems

The largest cable operators in Canada, including Videotron, have been required by the CRTC to provide third-party ISPs with access to their cable systems at mandated cost-based rates. Several third-party ISPs are interconnected to the Corporation’s cable network and are thereby providing retail Internet access services.

In a decision issued on July 22, 2015, the CRTC ordered substantial changes to the framework for the provision of wholesale services to third-party ISPs. The provision of aggregated services will no longer be mandated and will be phased out in conjunction with the implementation of a new mandatory disaggregated service which will involve third-party ISPs provisioning their own regional transport services. This disaggregated service will also include, for the first time, mandated access to high-speed services provided over fibre-access facilities, including the fibre-access facilities of the large incumbent telephone companies. As a result of this decision, Quebecor Media may experience increased competition for retail cable Internet and telephony customers. In addition, because its third-party Internet access rates are regulated by the CRTC, the Corporation could be limited in its ability to recover its costs associated with providing this access.

Environmental laws and regulations

Quebecor Media is subject to a variety of environmental laws and regulations. Some of its facilities are subject to federal, provincial, state and municipal laws and regulations concerning, for example, emissions to the air, water and sewer discharge, the handling and disposal of hazardous materials and waste, recycling, soil remediation of contaminated sites, or otherwise relating to the protection of the environment. In addition, laws and regulations relating to workplace safety and worker health, which, among other things, regulate employee exposure to hazardous substances in the workplace, also govern Quebecor Media's operations. Failure to comply with present or future laws or regulations could result in substantial liability for Quebecor Media.

Environmental laws and regulations and their interpretation have changed rapidly in recent years and may continue to do so in the future. For instance, most Canadian provinces have recently implemented Extended Producer Responsibility (EPR) regulations in order to encourage sustainability practices such as the "Ecological recovery and reclamation of electronic products," which sets certain recovery targets and which may require Quebecor Media to monitor and adjust its practices in the future.

Quebecor Media's properties, as well as areas surrounding those properties, particularly those in areas of long-term industrial use, may have had historic uses, or may have current uses, in the case of surrounding properties, which may affect its properties and require further study or remedial measures. Quebecor Media cannot provide assurance that all environmental liabilities have been determined, that any prior owner of its properties did not create a material environmental condition not known to Quebecor Media, that a material environmental condition does not otherwise exist on any of its properties, or that expenditure will not be required to deal with known or unknown contamination.

Quebecor Media owns, through one of its subsidiaries, certain studios and vacant lots, some of which are located on a former landfill with the gas-emitting waste. As a result, the operation and ownership of these studios and vacant lots carries an inherent risk of environmental and health and safety liabilities for personal injuries, property damage, release of hazardous materials, remediation and clean-up costs, and other environmental damages (including potential civil actions, compliance or remediation orders, fines and other penalties), and may result in being involved from time to time in administrative and judicial proceedings relating to such matters, which could have a material adverse effect on its business, financial condition and results of operations.

Concerns about alleged health risks relating to radiofrequency emissions

Some studies have alleged links between radiofrequency emissions from certain wireless devices and cell sites and various health problems, or possible interference with electronic medical devices, including hearing aids and pacemakers. All Quebecor Media's cell sites comply with applicable laws and it relies on its suppliers to ensure that the network equipment and customer equipment they supply meet all applicable regulatory and safety requirements. While there is no definitive evidence of harmful effects from exposure to radiofrequency emissions when the limits imposed by applicable laws and regulations are complied with, additional studies of radiofrequency emissions are ongoing and Quebecor Media cannot be sure that the results of any such future studies will not demonstrate a link between radiofrequency emissions and health problems.

The current concerns over radiofrequency emissions or perceived health risks of exposure to radiofrequency emissions could lead to additional governmental regulation, diminished use of wireless services, including Videotron's, or expose Quebecor Media to potential litigation. Any of those could have a material adverse effect on Quebecor Media's business, prospects, revenues, financial condition and results of operations.

Indebtedness

Quebecor currently has a substantial amount of debt and significant interest payment requirements. As at December 31, 2015, it had $5.89 billion of consolidated long-term debt (long-term debt plus bank borrowings). Quebecor's indebtedness could have significant consequences, including the following:

- increase its vulnerability to general adverse economic and industry conditions;
- require it to dedicate a substantial portion of its cash flow from operations to making interest and principal payments on its indebtedness, reducing the availability of its cash flow to fund capital expenditures, working capital and other general corporate purposes;
- limit its flexibility in planning for, or reacting to, changes in its businesses and the industries in which Quebecor operate;
- place it at a competitive disadvantage compared to competitors with less debt or greater financial resources; and
- limit, along with the financial and other restrictive covenants in its indebtedness, its ability to, among other things, borrow additional funds on commercially reasonable terms, if at all.

Although Quebecor has significant indebtedness, as at December 31, 2015, it had approximately $1.29 billion available for additional borrowings under its existing credit facilities on a consolidated basis and under the indentures governing its outstanding

Senior Notes, which permit it to incur substantial additional indebtedness in the future. If Quebecor incurs additional debt, the risks it now faces as a result of its leverage could intensify.

Restrictive covenants

Quebecor's debt instruments contain a number of operating and financial covenants, which may vary depending on their respective governing terms, restricting its ability to, among other things:

- borrow money or sell preferred stock;
- create liens;
- pay dividends on or redeem or repurchase stock;
- make certain types of investments;
- restrict dividends or other payments;
- enter into transactions with affiliates;
- issue guarantees of debt; and
- sell assets or merge with other companies.

If Quebecor is unable to comply with these covenants and is unable to obtain waivers from its creditors, then it would be unable to make additional borrowings under its credit facilities, its indebtedness under these agreements would be in default and that could, if not cured or waived, result in an acceleration of such indebtedness and cause cross-defaults under its other debt, including its Senior Notes. If Quebecor's indebtedness is accelerated, Quebecor may not be able to repay its indebtedness or borrow sufficient funds to refinance it, and any such prepayment or refinancing could adversely affect the Corporation's financial condition. In addition, if Quebecor incurs additional debt in the future or refinances existing debt, it may be subject to additional covenants, which may be more restrictive than those to which it is currently subject. Even if Quebecor is able to comply with all applicable covenants, the restrictions on its ability to manage its business at its sole discretion could adversely affect its business by, among other things, limiting its ability to take advantage of financings, mergers, acquisitions and other corporate opportunities that Quebecor believes would be beneficial.

Holding corporation

Quebecor is a holding corporation and a substantial portion of its assets is the capital stock of its subsidiaries. As a holding corporation, Quebecor conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenues. Consequently, Quebecor's cash flow and ability to service its debt obligations are dependent on the cash flow of its existing and future subsidiaries and the distribution of this cash flow to Quebecor, or on loans, advances or other payments made by those entities to Quebecor. The ability of those entities to pay dividends or make loans, advances or payments to Quebecor will depend on their operating results and will be subject to applicable laws and contractual restrictions contained in the instruments governing their debt. Quebecor Media and Videotron have several series of debt securities outstanding and both Videotron and TVA Group have credit facilities that limit their ability to distribute cash. In addition, if its existing or future subsidiaries incur additional debt in the future or refinance existing debt, Quebecor may be subject to additional contractual restrictions contained in the instruments governing that debt, which may be more restrictive than those to which it is currently subject.

The ability of its subsidiaries to generate sufficient cash flow from operations to allow Quebecor to make scheduled payments on its debt obligations will depend on their future financial performance, which will be affected by a range of economic, competitive and business factors as well as by structural changes, many of which are outside its or their control. If the cash flow and earnings of Quebecor's operating subsidiaries and the amount that they are able to distribute to Quebecor as dividends or otherwise are not sufficient for Quebecor, it may not be able to satisfy its debt obligations. If it is unable to satisfy its debt obligations, it may have to undertake alternative financing plans, such as refinancing or restructuring its debt, selling assets, reducing or delaying capital investments, or seeking to raise additional capital. It can provide no assurance that any such alternative refinancing would be possible; that any assets could be sold, or, if sold, of the timing of the sales and the amount of proceeds realized from those sales; that additional financing could be obtained on acceptable terms, if at all; or that additional financing would be permitted under the terms of its various debt instruments then in effect. Inability to generate sufficient cash flow to satisfy Quebecor's debt obligations, or to refinance those obligations on commercially reasonable terms, could have a material adverse effect on its business, financial condition, results of operations and prospects.

Ability to refinance

Quebecor may be required from time to time to refinance some of its existing debt at or prior to maturity. Quebecor's ability to obtain additional financing to repay such existing debt at maturity will depend on a number of factors, including prevailing market conditions, credit availability and operating performance. There can be no assurance that any such financing will be available to Quebecor on favorable terms, or at all.

Provisions of the Articles that could discourage or prevent a takeover

Provisions in the Corporation's Articles and Bylaws could make it more difficult for a third party to acquire it, even if doing so would be beneficial in the opinion of the holders of Quebecor's Class B Shares. Those provisions principally include:

- the multiple voting feature of Quebecor's Class A Shares; and
- the election structure of the Board of Directors, whereby holders of Class A Shares elect 75% of the Corporation's Directors, while holders of Class B Shares elect 25%.

The existence of these provisions could have the effect of delaying, preventing or deterring a change in control of Quebecor, could deprive its shareholders of an opportunity to receive a premium for their Class B Shares as part of a sale of Quebecor, and might ultimately affect the market price of its shares.

Interests of holders of Quebecor's Class A Shares that may conflict with the interests of other shareholders

The Class B Shares have one vote per share, while the Class A Shares have 10 votes per share on all matters to be voted on by shareholders. As of December 31, 2015, approximately 73.98% of the combined voting power of all outstanding shares is controlled by a majority shareholder, and the exercise of the voting rights attached to those shares makes it possible to decide or significantly influence all issues submitted to a shareholder vote, including the election of directors and approval of significant corporate transactions, such as amendments to the Corporation's Articles, mergers, amalgamations, or the sale of all or substantially all of its assets.

The holders of the Class A Shares may also have interests that differ from those of the other shareholders and may vote in a way with which other shareholders disagree and which may be adverse to their interests. This concentration of voting power may have the effect of delaying, preventing or deterring a change in control of Quebecor, could deprive its shareholders of an opportunity to receive a premium for their Class B Shares as part of a sale of Quebecor, and might ultimately affect the market price of its shares.

Financial Instruments and Financial Risk Management

The Corporation's financial risk-management policies have been established in order to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk−management policies are reviewed regularly to reflect changes in market conditions and in the Corporation's activities.

The Corporation uses a number of financial instruments, mainly cash and cash equivalents, accounts receivable, long-term investments, bank indebtedness, trade payables, accrued liabilities, long-term debt, convertible debentures, and derivative financial instruments. As a result of their use of financial instruments, the Corporation and its subsidiaries are exposed to credit risk, liquidity risk and market risks relating to foreign exchange fluctuations and interest rate fluctuations.

In order to manage its foreign exchange and interest rate risks, the Corporation and its subsidiaries use derivative financial instruments (i) to set in CAN 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 and its subsidiaries do not intend to settle their derivative financial instruments prior to their maturity as none of these instruments is held or issued for speculative purposes.

Table 14
Description of derivative financial instruments
December 31, 2015
(in millions of dollars)

Foreign exchange forward contracts

Maturity	CAN dollar average exchange rate per one U.S. dollar	Notional amount sold		Notional amount bought	
Quebecor Media					
2016[1]	1.0154	US$	320.0	$	324.9
Videotron					
Less than 1 year	1.3105	$	168.7	US$	128.7
2017[2]	1.3849	US$	260.0	$	360.1

[1] *See* footnote 1 below “Cross-currency interest rate swaps” table.
[2] *See* footnote 2 below “Cross-currency interest rate swaps” table.

Interest rate swaps

Maturity	Notional amount		Pay/ receive	Fixed rate	Floating rate
TVA Group					
2017	$	38.5	Pay fixed/ Receive floating	2.03%	Bankers' acceptances 1 month

Cross-currency interest rate swaps

Hedged item	Hedging instrument				
	Period covered	Notional amount		Annual interest rate on notional amount in CAN dollars	CAN dollar exchange rate on interest and capital payments per one U.S. dollar
Quebecor Media					
5.750% Senior Notes due 2023[1]	2007 to 2016	US$	320.0	7.69%	0.9977
5.750% Senior Notes due 2023	2016 to 2023	US$	431.3	7.27%	0.9792
5.750% Senior Notes due 2023	2012 to 2023	US$	418.7	6.85%	0.9759
Term loan “B”	2013 to 2020	US$	342.1	Bankers' acceptance 3 months + 2.77%	1.0346

Cross-currency interest rate swaps (continued)

Hedged item	Period covered	Notional amount	Annual interest rate on notional amount in CAN dollars	CAN dollar exchange rate on interest and capital payments per one U.S. dollar
	Hedging instrument			
Videotron				
5.000% Senior Notes due 2022	2014 to 2022	US$ 543.1	6.01%	0.9983
5.000% Senior Notes due 2022	2012 to 2022	US$ 256.9	5.81%	1.0016
5.375% Senior Notes due 2024[2]	2008 to 2017	US$ 260.0	9.21%	1.2965
5.375% Senior Notes due 2024	2014 to 2024	US$ 158.6	Bankers' acceptance 3 months + 2.67%	1.1034
5.375% Senior Notes due 2024	2017 to 2024	US$ 441.4	5.62%	1.1039

[1] Quebecor Media initially entered into these cross-currency interest rate swaps to hedge the foreign currency risk exposure under its 7.75% Senior Notes due 2016 redeemed in 2012. These swaps are now used to set in CAN dollars all coupon payments through 2016 on US$431.3 million of notional amount under its 5.75% Senior Notes due 2023 and issued in 2012. In conjunction with the repurposing of these swaps, Quebecor Media has entered into US$320.0 million offsetting foreign exchange forward contracts to lock-in the value of its hedging position related to the March 15, 2016 notional exchange.

[2] Videotron initially entered into these cross-currency interest rate swaps to hedge the foreign currency risk exposure under its 9.125% Senior Notes due 2018 redeemed in 2014. These swaps are now used to set in CAN dollars all coupon payments through 2017 on US$441.4 million of notional amount under its 5.375% Senior Notes due 2024 and issued in 2014. In conjunction with the repurposing of these swaps, Videotron has entered into US$260.0 million offsetting foreign exchange forward contracts to lock-in the value of its hedging position related to the December 15, 2017 notional exchange.

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

The losses on valuation and translation of financial instruments for 2015 and 2014 are summarized in Table 15.

Table 15
(Gain) loss on valuation and translation of financial instruments
(in millions of CAN dollars)

	2015	2014
Loss on embedded derivatives related to long term debt and derivative financial instruments for which hedge accounting is not used	**$ 6.2**	$ 7.9
(Gain) loss on embedded derivatives related to convertible debentures	**(10.5)**	91.6
Gain on reversal of embedded derivatives on debt redemption	**(0.4)**	(1.1)
Loss (gain) on the ineffective portion of cash flow hedges	**1.6**	(0.5)
Gain on the ineffective portion of fair value hedges	**(3.6)**	(3.2)
	$ (6.7)	$ 94.7

A $14.0 million gain on cash flow hedges was recorded under "Other comprehensive income" in 2015 (gain of $14.2 million in 2014).

Fair Value of 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 instruments by applying a credit default premium estimated using a combination of observable and unobservable inputs in the market to the net exposure of the counterparty or the Corporation.

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

The carrying value and fair value of long term debt and derivative financial instruments as of December 31, 2015 and December 31, 2014 are as follows:

Table 16
Fair value of long-term debt, convertible debentures and derivative financial instruments
(in millions of CAN dollars)

		2015		2014
Asset (liability)	**Carrying value**	**Fair value**	Carrying value	Fair value
Long-term debt[1,2]	**$ (5 892.5)**	**$ (5 894.9)**	$ (5 326.7)	$ (5 444.7)
Convertible debentures[3]	**(706.4)**	**(706.4)**	(711.8)	(711.8)
Derivative financial instruments[4]				
Early settlement options	**1.0**	**1.0**	8.2	8.2
Foreign exchange forward contracts[5]	**9.3**	**9.3**	4.2	4.2
Interest rate swaps	**(0.8)**	**(0.8)**	(0.5)	(0.5)
Cross-currency interest rate swaps[5]	**945.2**	**945.2**	294.4	294.4

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 fair value of derivative financial instruments designated as hedges is an asset position of $953.7 million as of December 31, 2015 ($298.6 million as of December 31, 2014).

5 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.

Due to the judgment used in applying a wide range of acceptable techniques and estimates in calculating fair value amounts, fair values are not necessarily comparable among financial institutions or other market participants and may not be realized in an actual sale or on the immediate settlement of the instrument.

Credit risk management

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial asset fails to meet its contractual obligations.

In the normal course of business, the Corporation continuously monitors the financial condition of its customers and reviews the credit history of each new customer. As of December 31, 2015, no customer balance represented a significant portion of the Corporation's consolidated trade receivables. The Corporation establishes an allowance for doubtful accounts based on the specific credit risk of its customers and historical trends. As of December 31, 2015, 10.4% of trade receivables were 90 days past their billing date (8.5% as of December 31, 2014) of which 40.4 % had an allowance for doubtful accounts (52.3% as of December 31, 2014).

The following table shows changes to the allowance for doubtful accounts for the years ended December 31, 2015 and 2014:

		2015		2014
Balance at beginning of year	**$**	**21.8**	$	28.4
Charged to income		**32.1**		32.1
Utilization		**(30.9)**		(34.5)
Reclassification to assets held for sale		**–**		(4.2)
Balance at end of year	**$**	**23.0**	$	21.8

The Corporation believes that its product lines and the diversity of its customer base are instrumental in reducing its credit risk, as well as the impact of fluctuations in product-line demand. The Corporation does not believe that it is exposed to an unusual level of customer credit risk.

As a result of their use of derivative financial instruments, the Corporation and its subsidiaries are exposed to the risk of non-performance by a third party. When the Corporation and its subsidiaries enter into derivative contracts, the counterparties (either foreign or Canadian) must have credit ratings at least in accordance with the Corporation's risk-management policy and are subject to concentration limits. These credit ratings and concentration limits are monitored on an ongoing basis, but at least quarterly.

Liquidity risk management

Liquidity risk is the risk that the Corporation and its subsidiaries will not be able to meet their financial obligations as they fall due or the risk that those financial obligations will have to be met at excessive cost. The Corporation and its subsidiaries manage this exposure through staggered debt maturities. The weighted average term of the Corporation's consolidated debt was approximately 7.0 years as of December 31, 2015 (7.2 years as of December 31, 2014) (*See* also "Contractual Obligations" above).

Market Risk

Market risk is the risk that changes in market prices due to foreign exchange rates, interest rates and/or equity prices will affect the value of the Corporation's financial instruments. The objective of market risk management is to mitigate and control exposures within acceptable parameters while optimizing the return on risk.

Foreign currency risk

Most of the Corporation's consolidated revenues and expenses, other than interest expense on U.S.-dollar-denominated debt, purchases of set-top boxes, handsets and cable modems and certain capital expenditures, are received or denominated in CAN dollars. A significant portion of the interest, principal and premium, if any, payable on its debt is payable in U.S. dollars. The Corporation has entered into transactions to hedge the foreign currency risk exposure on its U.S.-dollar-denominated debt obligations outstanding as of December 31, 2015 in order to hedge its exposure on certain purchases of set-top boxes, handsets, cable modems and capital expenditures, and to lock-in the value of certain derivative financial instruments through offsetting transactions. Accordingly, the Corporation's sensitivity to variations in foreign exchange rates is economically limited.

The estimated sensitivity on income and on Other comprehensive income, before income tax, of a variance of $0.10 in the year-end exchange rate of a CAN dollar per one U.S. dollar used to calculate the fair value of financial instruments as of December 31, 2015 is as follows:

Increase (decrease)		**Income**		**Other comprehensive income**
Increase of $0.10		**2.2**	**$**	**50.2**
Decrease of $0.10		**(2.2)**		**(50.2)**

Interest rate risk

Some of the Corporation’s bank credit facilities bear interest at floating rates based on the following reference rates: (i) Bankers’ acceptance rate, (ii) LIBOR, (iii) Canadian prime rate, and (iv) U.S. prime rate. The Senior Notes issued by the Corporation and its subsidiaries bear interest at fixed rates. The Corporation and its subsidiaries have entered into cross-currency interest rate swap agreements in order to manage cash flow risk exposure. As of December 31, 2015, after taking into account the hedging instruments, long-term debt was comprised of 82.5% fixed-rate debt (82.6% in 2014) and 17.5% floating-rate debt (17.4% in 2014).

The estimated sensitivity on interest payments of a 100 basis-point variance in the year-end Canadian Bankers’ acceptance rate as of December 31, 2015 was $8.6 million.

The estimated sensitivity on income and on Other comprehensive income, before income tax, of a 100 basis-point variance in the discount rate used to calculate the fair value of financial instruments as of December 31, 2015, as per the Corporation’s valuation models, is as follows:

Increase (decrease)		**Income**		**Other comprehensive income**
Increase of 100 basis points	**$**	**(3.2)**	**$**	**(50.5)**
Decrease of 100 basis points		**3.2**		**50.5**

Capital Management

The Corporation’s primary objective in managing capital is to maintain an optimal capital base in order to support the capital requirements of its various businesses, including growth opportunities.

In managing its capital structure, the Corporation takes into account the asset characteristics of its subsidiaries and planned requirements for funds, leveraging their individual borrowing capacities in the most efficient manner to achieve the lowest cost of financing. Management of the capital structure involves the issuance of new debt, the repayment of existing debt using cash flows generated by operations, and the level of distributions to shareholders. The Corporation has not significantly changed its strategy regarding the management of its capital structure since the last financial year.

The Corporation’s capital structure is composed of equity, bank indebtedness, long-term debt, convertible debentures, embedded derivative related to convertible debentures, net assets and liabilities related to derivative financial instruments, less cash and cash equivalents. The capital structure as of December 31, 2015 and 2014 was as follows:

Table 17
Capital structure of Quebecor
(in millions of CAN dollars)

	2015	2014
Bank indebtedness	**$ 34.3**	$ 5.2
Long-term debt	**5 856.4**	5 278.3
Embedded derivatives related to convertible debentures	**221.7**	232.2
Convertible debentures	**500.0**	500.0
Derivative financial instruments	**(953.7)**	(298.1)
Cash and cash equivalents	**(18.6)**	(395.3)
Net liabilities	**5 640.1**	5 322.3
Equity	**$ 652.0**	$ 1 063.3

The Corporation is not subject to any externally imposed capital requirements other than certain restrictions under the terms of its borrowing agreements, which relate, among other things, to permitted investments, inter-corporation transactions, the declaration and payment of dividends or other distributions.

Contingencies

There are a number of legal proceedings against the Corporation that are pending. In the opinion of the management of the Corporation, the outcome of those proceedings is not expected to have a material adverse effect on Corporation's results or on its financial position.

Critical Accounting Policies and Estimates

Revenue recognition

The Corporation recognizes operating revenues when the following criteria are met:

- the amount of revenue can be measured reliably;
- the receipt of economic benefits associated with the transaction is probable;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably;
- the stage of completion can be measured reliably where services have been rendered; and
- significant risks and rewards of ownership, including effective control, have been transferred to the buyer where goods have been sold.

The portion of revenue that is unearned is recorded under "Deferred revenue" when customers are invoiced.

<u>Telecommunications</u>

The Telecommunications segment provides services under arrangements with multiple deliverables, for which there are two separate accounting units: one for subscriber services (cable television, Internet access, cable or mobile telephony, over-the-top video, including connection costs and rental of equipment); the other for equipment sales to subscribers. Components of multiple deliverable arrangements are separately accounted for, provided the delivered elements have stand-alone value to the customer and the fair value of any undelivered elements can be objectively and reliably determined. Arrangement consideration is allocated among the separate accounting units based on their relative fair values.

The Telecommunications segment recognizes each of its main activities' revenues as follows:

- Operating revenues from cable and other services, such as cable television, Internet access, cable and mobile telephony, and over-the-top video are recognized when services are provided. Promotional offers and rebates are accounted for as a reduction in the service revenue to which they relate;
- Revenues from equipment sales to subscribers and their costs are recognized in income when the equipment is delivered. Promotional offers related to equipment, with the exclusion of mobile devices, are accounted for as a reduction in related

equipment sales on delivery, while promotional offers related to the sale of mobile devices are accounted for as a reduction in related equipment sales on activation;

- Operating revenues related to service contracts are recognized in income over the life of the specific contracts on a straight-line basis over the period in which the services are provided;
- Cable connection revenues are deferred and recognized as revenues over the estimated average period that subscribers are expected to remain connected to the network. The incremental and direct costs related to cable connection costs, in an amount not exceeding the revenue, are deferred and recognized as an operating expense over the same period. The excess of those costs over the related revenues is recognized immediately in income.

Media

The Media segment recognizes each of its main activities' revenues as follows:

- Advertising revenues are recognized when the advertising is aired on television, is featured in newspapers or magazines, or is displayed on digital properties or on transit shelters;
- Revenues from subscriptions to specialty television channels or to online publications are recognized on a monthly basis at the time service is provided or over the period of the subscription;
- Revenues from the sale or distribution of newspapers, magazines, books and entertainment products are recognized on delivery, net of provisions for estimated returns based on historical rate of returns;
- Studio, soundstage and equipment leasing revenues are recognized over the rental period;
- Revenues derived from speciality film and television services are recognized when services are provided.

Sports and Entertainment

The Sports and Entertainment segment recognizes each of its main activities' revenues as follows:

- Revenues from leasing, and from ticket, food and beverage sales at the Videotron Centre are recognized when the events take place and/or goods are sold, as the case may be;
- Revenues derived from sporting and cultural event management are recognized when services are provided.

Impairment of assets

For the purposes of assessing impairment, assets are grouped in CGUs, which represent the lowest levels for which there are separately identifiable cash inflows generated by those assets. The Corporation reviews, at each balance sheet date, whether events or circumstances have occurred to indicate that the carrying amounts of its long-lived assets with finite useful lives may be less than their recoverable amounts. Goodwill, other intangible assets having an indefinite useful life, and intangible assets not yet available for use are tested for impairment each financial year, as well as whenever there is an indication that the carrying amount of the asset, or the CGU to which an asset has been allocated, exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs of disposal and the value in use of the asset or the CGU. Fair value less costs of disposal represents the amount an entity could obtain at the valuation date from the asset's disposal in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. The value in use represents the present value of the future cash flows expected to be derived from the asset or CGU.

The Corporation uses the discounted cash flow method to estimate the recoverable amount consisting of future cash flows derived primarily from the most recent budget and three-year strategic plan approved by the Corporation's management and presented to the Board of Directors. These forecasts consider each CGU's past operating performance and market share as well as economic trends, along with specific and market industry trends and corporate strategies. A perpetual growth rate is used for cash flows beyond this three-year period. The discount rate used by the Corporation is a pre-tax rate derived from the weighted average cost of capital pertaining to each CGU, which reflects the current market assessment of: (i) the time value of money; and (ii) the risk specific to the assets for which the future cash flow estimates have not been risk-adjusted. The perpetual growth rate has been determined with regard to the specific markets in which the CGUs participate.

An impairment loss is recognized in the amount by which the carrying amount of an asset or a CGU exceeds its recoverable amount. When the recoverable amount of a CGU to which goodwill has been allocated is lower than the CGU's carrying amount, the related goodwill is first impaired. Any excess amount of impairment is recognized and attributed to assets in the CGU, prorated to the carrying amount of each asset in the CGU.

An impairment loss recognized in prior periods for long-lived assets with finite useful lives and intangible assets having an indefinite useful life, other than goodwill, can be reversed through the consolidated statement of income to the extent that the resulting carrying value does not exceed the carrying value that would have been the result if no impairment loss had previously been recognized.

The determination of CGUs requires judgment when determining the lowest level for which there are separately identifiable cash inflows generated by the group of assets.

In addition, when determining the recoverable amount of an asset or CGU, assessment of the information available at the valuation date is based on management's judgment and may involve estimates and assumptions. Furthermore, the discounted cash flow method used in determining the recoverable amount of an asset or CGU relies on the use of estimates such as the amount and timing of cash flows, expected variations in the amount or timing of those cash flows, the time value of money as represented by the risk-free rate, and the risk premium associated with the asset or CGU.

Therefore, the judgment used in determining the recoverable amount of an asset or CGU may affect the amount of the impairment loss to be recorded to an asset or CGU, as well as the potential reversal of the impairment charge in the future.

Based on the data and assumptions used in its last impairment test, the Corporation believes that there are no significant amounts of long-lived assets with finite useful lives, or goodwill and intangible assets with indefinite useful lives on its books at this time that present a significant risk of impairment in the near future.

The net book value of goodwill as at December 31, 2015 was $2.68 billion, and the net book value of intangible assets with indefinite useful lives as at December 31, 2015 was $776.7 million.

Useful life of spectrum licences

Management has concluded that spectrum licences have an indefinite useful life. This conclusion was based on an analysis of factors, such as the Corporation's financial ability to renew the spectrum licences, the competitive, legal and regulatory landscape, and future expectation regarding the use of the spectrum licences. Therefore, the determination that spectrum licences have an indefinite useful life involves judgment, which could have an impact on the amortization charge recorded in the consolidated statements of income if management changes its conclusion in the future, as it did in 2015.

Derivative financial instruments and hedge accounting

The Corporation uses various derivative financial instruments to manage its exposure to fluctuations in foreign currency exchange rates and interest rates. The Corporation does not hold or use any derivative financial instruments for speculative purposes. Under hedge accounting, the Corporation documents all hedging relationships between hedging items and hedged items, as well as its strategy for using hedges and its risk-management objective. It also designates its derivative financial instruments as either fair value hedges or cash flow hedges when they qualify for hedge accounting. The Corporation assesses the effectiveness of derivative financial instruments when the hedge is put in place and on an ongoing basis.

The Corporation generally enters into the following types of derivative financial instruments:

- The Corporation uses foreign exchange forward contracts to hedge foreign currency rate exposure on anticipated equipment or inventory purchases in a foreign currency. The Corporation also uses offsetting foreign exchange forward contracts in combination with cross-currency interest rate swaps to hedge foreign currency rate exposure on interest and principal payments on foreign currency denominated debt. These foreign exchange forward contracts are designated as cash flow hedges.
- The Corporation uses cross-currency interest rate swaps to hedge (i) foreign currency rate exposure on interest and principal payments on foreign currency denominated debt and/or (ii) fair value exposure on certain debt resulting from changes in interest rates. The cross-currency interest rate swaps that set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting an interest rate from a floating rate to a floating rate or from a fixed rate to a fixed rate, are designated as cash flow hedges. The cross-currency interest rate swaps are designated as fair value hedges when they set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting the interest rate from a fixed rate to a floating rate.
- The Corporation uses interest rate swaps to manage fair value exposure on certain debts resulting from changes in interest rates. These swap agreements require a periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. These interest rate swaps are designated as fair value hedges when they convert the interest rate from a fixed rate to a floating rate, or as cash flow hedges when they convert the interest rate from a floating rate to a fixed rate.

Under hedge accounting, the Corporation applies the following accounting policies:

- For derivative financial instruments designated as fair value hedges, changes in the fair value of the hedging derivative recorded in income are substantially offset by changes in the fair value of the hedged item to the extent that the hedging relationship is effective. When a fair value hedge is discontinued, the carrying value of the hedged item is no longer adjusted and the cumulative fair value adjustments to the carrying value of the hedged item are amortized to income over the remaining term of the original hedging relationship.
- For derivative financial instruments designated as cash flow hedges, the effective portion of a hedge is reported in "Other comprehensive income" until it is recognized in income during the same period in which the hedged item affects income, while the ineffective portion is immediately recognized in income. When a cash flow hedge is discontinued, the amounts previously recognized in accumulated other comprehensive income are reclassified to income when the variability in the cash flows of the hedged item affects income.

Any change in the fair value of the derivative financial instruments recorded in income is included in gain or loss on valuation and translation of financial instruments. Interest expense on hedged long-term debt is reported at the hedged interest and foreign currency rates.

Derivative financial instruments that do not qualify for hedge accounting, including derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts, such as early settlement options on long term-debt, are reported on a fair value basis in the consolidated balance sheets. Any change in the fair value of these derivative financial instruments is recorded in the consolidated statements of income as a gain or loss on valuation and translation of financial instruments.

Early settlement options are accounted for separately from the debt when the corresponding option exercise price is not approximately equal to the amortized cost of the debt.

The judgment used in determining the fair value of derivative financial instrument including embedded derivatives, using valuation and pricing models, may have a significant effect on the value of the gain or loss on valuation and translation of financial instruments recorded in the consolidated statements of income, and the value of the gain or loss on derivative financial instruments recorded in the consolidated statements of comprehensive income. Also, valuation and financial models are based on a number of assumptions including future cash flows, period-end swap rates, foreign exchange rates, credit default premium, volatility, discount factors and underlying instrument adjusted implicit interest rate and credit premium.

In addition, judgment is required to determine if an option exercise price is not approximately equal to the amortized cost of the debt. This determination may have a significant impact on the amount of gains or losses on valuation and translation of financial instruments recorded in the consolidated statements of income.

Convertible debentures

The convertible debentures are accounted for as a financial liability and the cap and floor conversion prices features are accounted for separately as embedded derivatives. The embedded derivatives are measured at fair value and any subsequent change in the fair value is recorded in the consolidated statements of income as a gain or loss on valuation and translation of financial instruments.

Determination of the fair value of the embedded derivatives is based on a number of assumptions, including contractual future cash flows, volatility and discount factors. The judgment used in determining the fair value of embedded derivatives, using valuation models, may have a significant effect on the value of the gain or loss on valuation and translation of financial instruments recorded in the consolidated statements of income.

Pension and postretirement benefits

The Corporation offers defined contribution pension plans and defined benefit pension plans to some of its employees.

Quebecor Media's defined benefit obligations with respect to defined benefit pension plans and postretirement benefits are measured at present value and assessed on the basis of a number of economic and demographic assumptions, which are established with the assistance of Quebecor Media's actuaries. Key assumptions relate to the discount rate, the rate of increase in compensation, retirement age of employees, healthcare costs, and other actuarial factors. Defined benefit pension plan assets are measured at fair value and consist of equities and corporate and government fixed-income securities.

Re-measurements of the net defined benefit liability or asset are recognized immediately in "Other comprehensive income."

Recognition of a net benefit asset is limited under certain circumstances to the amount recoverable, which is primarily based on the present value of future contributions to the plan to the extent that the Corporation can unilaterally reduce those future contributions.

In addition, an adjustment to the net benefit asset or the net benefit liability can be recorded to reflect a minimum funding liability in a certain number of the Corporation's pension plans. The assessment of the amount recoverable in the future, for the purpose of calculating the limit on the net benefit asset, is based on a number of assumptions, including future service costs and reductions in future plan contributions.

The Corporation considers all the assumptions used to be reasonable in view of the information available at this time. However, variances from certain of these assumptions may have a significant impact on the costs and obligations of pension plans and postretirement benefits in future periods.

Stock-based compensation

Stock-based awards to employees that call for settlement in cash or other assets at the option of the employee are accounted for at fair value and classified as a liability. The compensation cost is recognized in expenses over the vesting period. Changes in the fair value of stock-based awards between the grant date and the measurement date result in a change in the liability and compensation cost.

Estimates of the fair value of stock option awards are determined by applying an option-pricing model, taking into account the terms and conditions of the grant and assumptions such as the risk-free interest rate, distribution yield, expected volatility, and the expected remaining life of the option.

The judgment and assumptions used in determining the fair value of liability-classified stock-based awards may have an effect on the compensation cost recorded in the statements of income.

Provisions

Provisions are recognized when (i) the Corporation has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and when (ii) the amount of the obligation can be reliably estimated. Restructuring costs, comprised primarily of termination benefits, are recognized when a detailed plan for the restructuring exists and a valid expectation has been raised in those affected that the plan will be carried out.

Provisions are reviewed at each balance sheet date and changes in estimates are reflected in the consolidated statement of income in the reporting period in which changes occur.

The amount recognized as a provision is the best estimate of the expenditures required to settle the present obligation at the balance sheet date, or to transfer it to a third party at that time, and is adjusted for the effect of time value when material. The amount recognized for onerous contracts is the lower of the cost necessary to fulfill the obligations, net of expected economic benefits deriving from the contracts and any indemnity or penalty arising from failure to fulfill those obligations.

No amounts are recognized for obligations that are possible but not probable or for those for which an amount cannot be reasonably estimated.

Allowance for doubtful accounts

The Corporation maintains an allowance for doubtful accounts to cover anticipated losses from customers who are unable to pay their debts. The allowance is reviewed periodically and is based on an analysis of specific significant accounts outstanding, the age of the receivable, customer creditworthiness, and historical collection experience.

Business combinations

A business combination is accounted for by the acquisition method. The cost of an acquisition is measured at the fair value of the consideration given in exchange for control of the business acquired at the acquisition date. This consideration can be comprised of cash, assets transferred, financial instruments issued, or future contingent payments. The identifiable assets and liabilities of the business acquired are recognized at their fair value at the acquisition date. Goodwill initially arising from a business acquisition is measured and recognized as the excess of the fair value of the consideration paid over the fair value of the recognized identifiable assets acquired and liabilities assumed. The judgments made in determining the estimated fair value and the expected useful life of each acquired asset, and the estimated fair value of each assumed liability, can significantly impact net income.

Determining the fair value of certain acquired assets, assumed liabilities and future contingent considerations requires judgment and involves complete and absolute reliance on estimates and assumptions. The Corporation primarily uses the discounted future cash flows approach to estimate the value of acquired intangible assets.

The estimates and assumptions used in the allocation of the purchase price at the date of acquisition may also have an impact on the amount of an impairment charge to be recognized, if any, after the date of acquisition, as discussed above under “Impairment of assets.”

Income taxes

Deferred income taxes are accounted for using the liability method. Under this method, deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in income in the period that includes the substantive enactment date. A deferred tax asset is recognized initially when it is probable that future taxable income will be sufficient to use the related tax benefits and may be subsequently reduced, if necessary, to an amount that is more likely than not to be realized.

The assessment of deferred income taxes is judgmental in nature and is dependent on assumptions and estimates as to the availability and character of future taxable income. The ultimate amount of deferred income tax assets realized could be slightly different from that recorded, since it is influenced by the Corporation’s future operating results.

The Corporation is at all times under audit by various tax authorities in each of the jurisdictions in which it operates. A number of years may elapse before a particular matter for which management has established a reserve is audited and resolved. The number of years between each tax audit varies depending on the tax jurisdiction. Management believes that its estimates are reasonable and reflect the probable outcome of known tax contingencies, although the final outcome is difficult to predict.

Change in Accounting Estimates

In the second quarter of 2015, the Corporation changed its assessment of the useful life of its spectrum licences used in the operation of its Telecommunications segment. In light of recent spectrum auctions and developments in the telecommunications industry, the Corporation is now of the view that these spectrum licences have an indefinite useful life based on the following facts:

- The Corporation intends to renew the spectrum licences and believes that they are likely to be renewed by ISED Canada;
- The Corporation has the financial and operational ability to renew these spectrum licences;
- Currently, the competitive, legal and regulatory landscape does not limit the useful lives of the spectrum licences;
- The Corporation foresees no limit to the period during which these licences can be expected to generate cash flows in the future.

Accordingly, the Corporation ceased to amortize spectrum licences used in its operations as of April 1, 2015, and no amortization expense has been recorded after this date. The straight-line amortization expense recorded relating to these licences was $13.9 million in 2015 ($55.4 million in 2014).

Recent Accounting Pronouncements

The Corporation has not yet completed its assessment of the impact of the adoption of these pronouncements on its consolidated financial statements.

(i) IFRS 9 – *Financial Instruments* is required to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 9 simplifies the measurement and classification of financial assets by reducing the number of measurement categories in IAS 39, Financial Instruments: Recognition and Measurement. The new standard also provides for a fair value option in the designation of a non-derivative financial liability and its related classification and measurement, as well as for a new hedge accounting model more closely aligned with risk-management activities undertaken by entities

(ii) IFRS 15 – *Revenue from Contracts with Customers* is required to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 15 specifies how and when an entity will recognize revenue as well as requiring such entities to provide users of financial statements with more informative disclosures. The standard provides a single, principles based, five-step model to be applied to all contracts with customers.

(iii) IFRS 16 – *Leases* is required to be applied retrospectively for annual periods beginning on or after January 1, 2019, with early adoption permitted provided that the IFRS 15 has been applied or is applied at the same time as IFRS 16.

IFRS 16 sets out the new principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The standard provides lessees with a single accounting model for all leases, with certain exemptions. In particular, lessees will be required to report most leases on their balance sheets by recognizing right-of-use assets and related financial liabilities.

Controls and Procedures

In accordance with Regulation 52-109 on Certification of Disclosure in Issuers' Annual and Interim Filings, the effectiveness of the Corporation's disclosure controls and procedures ("DCP") and "Internal control over financial reporting" ("ICFR") has been evaluated. Based on this evaluation, the President and Chief Executive Officer and the Senior Vice-President and Chief Financial Officer concluded that DCP and ICFR were effective as of the end of the financial year ended December 31, 2015. The design of DCP therefore provides reasonable assurance that material information relating to the Corporation, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared, and that information required to be disclosed by the Corporation in its annual, interim and other reports, which it files or releases in accordance with securities laws, is recorded, processed, summarized and reported within the time periods specified under those laws. Moreover, the design of ICFR provides reasonable assurance of the reliability of the Corporation's financial reporting and of the preparation of its financial statements, for the purpose of financial reporting, in accordance with the Corporation's IFRS.

Finally, no change to ICFR that has had or is liable to have a material effect was identified by management during the financial period beginning October 1, 2015 and ending December 31, 2015.

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 over-the-top video 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 this Management Discussion and Analysis.

The forward-looking statements in this Management Discussion and Analysis reflect the Corporation's expectations as of March 9, 2016, and are subject to change after that date. The Corporation expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.

Montréal, Québec

March 9, 2016

QUEBECOR INC. AND ITS SUBSIDIARIES
SELECTED FINANCIAL DATA

Years ended December 31, 2015, 2014 and 2013
(in millions of Canadian dollars, except per share data)

	2015	2014	2013
Operations			
Revenues	**$ 3,879.5**	$ 3,607.7	$ 3,538.8
Adjusted operating income	**1,440.7**	1,409.8	1,380.4
Contribution to net income (loss) attributable to shareholders:			
Continuing operations	**239.9**	209.7	185.3
Gain (loss) on valuation and translation of financial instruments	**4.7**	(95.3)	(279.3)
Unusual items	**(79.0)**	(85.4)	(33.2)
Discontinued operations	**(13.8)**	(59.1)	(161.4)
Net income (loss) attributable to shareholders	**151.8**	(30.1)	(288.6)
Cash flows provided by continuing operating activities	**1,072.2**	960.7	898.2
Basic data per share			
Contribution to net income (loss) attributable to shareholders:			
Continuing operations	**$ 1.95**	$ 1.70	$ 1.49
Gain (loss) on valuation and translation of financial instruments	**0.04**	(0.77)	(2.25)
Unusual items	**(0.64)**	(0.69)	(0.27)
Discontinued operations	**(0.11)**	(0.48)	(1.30)
Net income (loss) attributable to shareholders	**1.24**	(0.24)	(2.33)
Dividends	**0.13**	0.10	0.10
Equity attributable to shareholders	**2.44**	4.10	4.83
Weighted average number of shares outstanding (in millions)	**122.7**	123.0	124.0
Diluted data per share			
Contribution to net income (loss) attributable to shareholders:			
Continuing operations	**$ 1.77**	$ 1.57	$ 1.38
Dilution impact	**-**	0.13	0.11
Loss on valuation and translation of financial instruments	**(0.04)**	(0.78)	(2.25)
Unusual items	**(0.55)**	(0.69)	(0.27)
Discontinued operations	**(0.09)**	(0.47)	(1.30)
Net income (loss) attributable to shareholders	**1.09**	(0.24)	(2.33)
Diluted weighted average number of shares (in millions)	**143.7**	123.0	124.0
Financial position			
Working capital	**$ (328.1)**	$ 90.2	$ 75.0
Long-term debt	**5,812.4**	5,048.2	4,975.3
Equity attributable to shareholders	**298.9**	504.0	599.5
Equity	**652.0**	1,063.3	1,195.4
Total assets	**9,275.9**	9,078.5	9,016.4

QUEBECOR INC. AND ITS SUBSIDIARIES

SELECTED QUARTERLY FINANCIAL DATA

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

				2015				2014
	Dec. 31	**Sept. 30**	**June 30**	**March 31**	Dec. 31	Sept. 30	June 30	March 31
Revenues	**$ 1,020.8**	**$ 971.7**	**$ 960.9**	**$ 926.1**	$ 953.7	$ 887.8	$ 893.0	$ 873.2
Adjusted operating income	**360.8**	**391.4**	**349.3**	**339.2**	353.1	361.8	359.9	335.0
Contribution to net (loss) income attributable to shareholders:								
Continuing operations	**58.0**	**74.0**	**66.5**	**41.4**	50.6	58.1	55.9	45.1
(Loss) gain on valuation and translation of financial instruments	**(85.5)**	**51.1**	**47.7**	**(8.6)**	(92.5)	(26.9)	21.2	2.9
Unusual items	**(6.6)**	**(38.1)**	**(33.0)**	**(1.3)**	(30.5)	(21.4)	(24.1)	(9.4)
Discontinued operations	**(0.7)**	**(1.9)**	**(9.1)**	**(2.1)**	12.9	35.3	(107.8)	0.5
Net (loss) income attributable to shareholders	**(34.8)**	**85.1**	**72.1**	**29.4**	(59.5)	45.1	(54.8)	39.1
Basic data per share								
Contribution to net (loss) income attributable to shareholders:								
Continuing operations	**$ 0.47**	**$ 0.60**	**$ 0.54**	**$ 0.34**	$ 0.41	$ 0.47	$ 0.45	$ 0.37
(Loss) gain on valuation and translation of financial instruments	**(0.70)**	**0.42**	**0.39**	**(0.07)**	(0.75)	(0.22)	0.17	0.02
Unusual items	**(0.05)**	**(0.31)**	**(0.27)**	**(0.01)**	(0.25)	(0.17)	(0.20)	(0.07)
Discontinued operations	**-**	**(0.02)**	**(0.07)**	**(0.02)**	0.11	0.29	(0.87)	-
Net (loss) income attributable to shareholders	**(0.28)**	**0.69**	**0.59**	**0.24**	(0.48)	0.37	(0.45)	0.32
Weighted average number of shares outstanding (in millions)	**122.5**	**122.7**	**122.8**	**122.9**	122.9	122.9	123.0	123.1
Diluted data per share								
Contribution to net (loss) income attributable to shareholders:								
Continuing operations	**$ 0.43**	**$ 0.54**	**$ 0.49**	**$ 0.32**	$ 0.38	$ 0.43	$ 0.41	$ 0.34
Dilution impact	**0.04**	**-**	**-**	**0.02**	0.03	0.04	-	-
(Loss) gain on valuation and translation of financial instruments	**(0.70)**	**-**	**-**	**(0.07)**	(0.75)	(0.22)	(0.01)	0.02
Unusual items	**(0.05)**	**(0.27)**	**(0.23)**	**(0.01)**	(0.25)	(0.17)	(0.17)	(0.07)
Discontinued operations	**-**	**(0.01)**	**(0.07)**	**(0.02)**	0.11	0.29	(0.74)	-
Net (loss) income attributable to shareholders	**(0.28)**	**0.26**	**0.19**	**0.24**	(0.48)	0.37	(0.51)	0.29
Weighted average number of diluted shares outstanding (in millions)	**122.5**	**143.7**	**143.9**	**123.2**	122.9	122.9	143.8	144.2