Condensed consolidated financial statements of

QUEBECOR INC. AND ITS SUBSIDIARIES

Three-month and six-month periods ended June 30, 2016 and 2015

QUEBECOR INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

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

	Note	Three months ended June 30 2016	Three months ended June 30 2015	Six months ended June 30 2016	Six months ended June 30 2015
Revenues	2	**$ 992.5**	$ 963.8	**$ 1,967.9**	$ 1,892.8
Employee costs	3	**181.4**	176.4	**366.4**	357.9
Purchase of goods and services	3	**450.8**	438.1	**886.5**	846.4
Depreciation and amortization		**161.7**	167.0	**323.4**	348.5
Financial expenses	4	**80.1**	80.8	**160.9**	168.6
Loss (gain) on valuation and translation of financial instruments	5	**56.4**	(45.9)	**49.8**	(40.8)
Restructuring of operations and other items	6	**5.6**	5.7	**13.5**	10.1
Impairment of goodwill		**-**	30.0	**-**	30.0
Loss on debt refinancing		**-**	13.8	**-**	12.1
Income before income taxes		**56.5**	97.9	**167.4**	160.0
Income taxes (recovery):					
Current		**41.1**	(12.6)	**79.3**	23.7
Deferred		**(9.8)**	18.1	**(20.3)**	3.7
		31.3	5.5	**59.0**	27.4
Income from continuing operations		**25.2**	92.4	**108.4**	132.6
Loss from discontinued operations	14	**-**	(11.8)	**-**	(16.1)
Net income		**$ 25.2**	$ 80.6	**$ 108.4**	$ 116.5
Income from continuing operations attributable to					
Shareholders		**$ 9.8**	$ 81.2	**$ 79.7**	$ 112.7
Non-controlling interests		**15.4**	11.2	**28.7**	19.9
Net income attributable to					
Shareholders		**$ 9.8**	$ 72.1	**$ 79.7**	$ 101.5
Non-controlling interests		**15.4**	8.5	**28.7**	15.0
Earnings per share attributable to shareholders	9				
Basic:					
From continuing operations		**$ 0.08**	$ 0.66	**$ 0.65**	$ 0.92
From discontinued operations		**-**	(0.07)	**-**	(0.09)
Net income		**0.08**	0.59	**0.65**	0.83
Diluted:					
From continuing operations		**0.08**	0.26	**0.65**	0.56
From discontinued operations		**-**	(0.07)	**-**	(0.09)
Net income		**0.08**	0.19	**0.65**	0.47
Weighted average number of shares outstanding (in millions)		**122.4**	122.8	**122.4**	122.8
Weighted average number of diluted shares (in millions)		**122.8**	143.9	**122.8**	143.9

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of Canadian dollars)
(unaudited)

	Note	Three months ended June 30 2016	Three months ended June 30 2015	Six months ended June 30 2016	Six months ended June 30 2015
Income from continuing operations		**$ 25.2**	$ 92.4	**$ 108.4**	$ 132.6
Other comprehensive loss from continuing operations:					
Items that may be reclassified to income:					
Cash flow hedges:					
Gain (loss) on valuation of derivative financial instruments		**36.1**	(32.2)	**46.2**	(24.9)
Deferred income taxes		**3.9**	8.3	**19.2**	(14.1)
Items that will not be reclassified to income:					
Defined benefit plans:					
Re-measurement loss		**(61.0)**	-	**(139.0)**	-
Deferred income taxes		**16.1**	-	**37.1**	-
Reclassification to income:					
Gain related to cash flow hedges		**-**	(2.1)	**-**	(3.9)
Deferred income taxes		**-**	(0.8)	**-**	(0.4)
		(4.9)	(26.8)	**(36.5)**	(43.3)
Comprehensive income from continuing operations		**20.3**	65.6	**71.9**	89.3
Loss from discontinued operations	14	**-**	(11.8)	**-**	(16.1)
Comprehensive income		**$ 20.3**	$ 53.8	**$ 71.9**	$ 73.2
Comprehensive income from continuing operations attributable to					
Shareholders		**$ 7.7**	$ 61.0	**$ 54.8**	$ 80.2
Non-controlling interests		**12.6**	4.6	**17.1**	9.1
Comprehensive income attributable to					
Shareholders		**$ 7.7**	$ 51.8	**$ 54.8**	$ 69.0
Non-controlling interests		**12.6**	2.0	**17.1**	4.2

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES
SEGMENTED INFORMATION

(in millions of Canadian dollars)
(unaudited)

Three months ended June 30, 2016

	Telecommuni-cations	Media	Sports and Enter-tainment	Head office and Inter-segments	Total
Revenues	**$ 780.4**	**$ 229.2**	**$ 6.7**	**$ (23.8)**	**$ 992.5**
Employee costs	**96.0**	**68.3**	**1.3**	**15.8**	**181.4**
Purchase of goods and services	**321.9**	**154.0**	**9.5**	**(34.6)**	**450.8**
Adjusted operating income[1]	**362.5**	**6.9**	**(4.1)**	**(5.0)**	**360.3**
Depreciation and amortization					**161.7**
Financial expenses					**80.1**
Loss on valuation and translation of financial instruments					**56.4**
Restructuring of operations and other items					**5.6**
Income before income taxes					**$ 56.5**
Additions to property, plant and equipment	**$ 196.3**	**$ 5.1**	**$ 0.6**	**$ 1.3**	**$ 203.3**
Additions to intangible assets	**26.0**	**3.4**	**-**	**0.9**	**30.3**

Three months ended June 30, 2015

	Telecommuni-cations	Media	Sports and Enter-tainment	Head office and Inter-segments	Total
Revenues	$ 741.5	$ 251.6	$ 2.1	$ (31.4)	$ 963.8
Employee costs	90.6	75.2	2.3	8.3	176.4
Purchase of goods and services	308.7	165.3	3.7	(39.6)	438.1
Adjusted operating income[1]	342.2	11.1	(3.9)	(0.1)	349.3
Depreciation and amortization					167.0
Financial expenses					80.8
Gain on valuation and translation of financial instruments					(45.9)
Restructuring of operations and other items					5.7
Impairment of goodwill					30.0
Loss on debt refinancing					13.8
Income before income taxes					$ 97.9
Additions to property, plant and equipment	$ 141.6	$ 8.6	$ 3.6	$ 0.1	$ 153.9
Additions to intangible assets	233.6	2.4	0.2	1.0	237.2

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES
SEGMENTED INFORMATION (continued)

(in millions of Canadian dollars)
(unaudited)

Six months ended June 30, 2016

	Telecommunications	Media	Sports and Entertainment	Head office and Inter-segments	Total
Revenues	**$ 1,552.9**	**$ 450.3**	**$ 17.0**	**$ (52.3)**	**$ 1,967.9**
Employee costs	**195.1**	**138.0**	**5.7**	**27.6**	**366.4**
Purchase of goods and services	**636.6**	**308.1**	**16.2**	**(74.4)**	**886.5**
Adjusted operating income[1]	**721.2**	**4.2**	**(4.9)**	**(5.5)**	**715.0**
Depreciation and amortization					**323.4**
Financial expenses					**160.9**
Loss on valuation and translation of financial instruments					**49.8**
Restructuring of operations and other items					**13.5**
Income before income taxes					**$ 167.4**
Additions to property, plant and equipment	**$ 355.9**	**$ 18.8**	**$ 1.2**	**$ 1.6**	**$ 377.5**
Additions to intangible assets	**64.6**	**5.2**	**0.3**	**1.7**	**71.8**

Six months ended June 30, 2015

	Telecommunications	Media	Sports and Entertainment	Head office and Inter-segments	Total
Revenues	$ 1,475.7	$ 466.7	$ 6.9	$ (56.5)	$ 1,892.8
Employee costs	183.5	152.5	4.4	17.5	357.9
Purchase of goods and services	606.5	309.2	6.3	(75.6)	846.4
Adjusted operating income[1]	685.7	5.0	(3.8)	1.6	688.5
Depreciation and amortization					348.5
Financial expenses					168.6
Gain on valuation and translation of financial instruments					(40.8)
Restructuring of operations and other items					10.1
Impairment of goodwill					30.0
Loss on debt refinancing					12.1
Income before income taxes					$ 160.0
Additions to property, plant and equipment	$ 303.2	$ 15.7	$ 4.7	$ 0.1	$ 323.7
Additions to intangible assets	258.5	4.1	0.3	1.6	264.5

[1] The Chief Executive Officer uses adjusted operating income as the measure of profit to assess the performance of each segment. Adjusted operating income is referred as a non-IFRS measure and is defined as net income before depreciation and amortization, financial expenses, loss (gain) on valuation and translation of financial instruments, restructuring of operations and other items, impairment of goodwill, loss on debt refinancing, income taxes and loss from discontinued operations.

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY

(in millions of Canadian dollars)
(unaudited)

	Equity attributable to shareholders				Equity attributable to non-controlling interests	Total equity
	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive loss		
	(note 10)			(note 12)		
Balance as of December 31, 2014	$ 327.2	$ 2.3	$ 238.9	$ (64.4)	$ 559.3	$ 1,063.3
Net income	-	-	101.5	-	15.0	116.5
Other comprehensive loss	-	-	-	(32.5)	(10.8)	(43.3)
Dividends	-	-	(7.4)	-	(12.3)	(19.7)
Repurchase of Class B Shares	(0.8)	-	(5.5)	-	-	(6.3)
Issuance of shares of a subsidiary to non-controlling interests	-	-	-	-	12.1	12.1
Non-controlling interests and business acquisitions	-	-	13.8	-	(13.3)	0.5
Balance as of June 30, 2015	326.4	2.3	341.3	(96.9)	550.0	1,123.1
Net income	-	-	50.3	-	13.3	63.6
Other comprehensive loss	-	-	-	(7.0)	(2.3)	(9.3)
Dividends or distributions	-	-	(8.6)	-	(11.1)	(19.7)
Repurchase of Class B Shares	(0.8)	-	(5.3)	-	-	(6.1)
Non-controlling interests and business acquisitions	-	-	(295.5)	(7.3)	(196.8)	(499.6)
Balance as of December 31, 2015	325.6	2.3	82.2	(111.2)	353.1	652.0
Net income	-	-	79.7	-	28.7	108.4
Other comprehensive loss	-	-	-	(24.9)	(11.6)	(36.5)
Dividends or distributions	-	-	(9.8)	-	(9.6)	(19.4)
Repurchase of Class B Shares	(0.4)	-	(3.2)	-	-	(3.6)
Balance as of June 30, 2016	**$ 325.2**	**$ 2.3**	**$ 148.9**	**$ (136.1)**	**$ 360.6**	**$ 700.9**

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars)
(unaudited)

	Note	Three months ended June 30 2016	Three months ended June 30 2015	Six months ended June 30 2016	Six months ended June 30 2015
Cash flows related to operating activities					
Income from continuing operations		**$ 25.2**	$ 92.4	**$ 108.4**	$ 132.6
Adjustments for:					
Depreciation of property, plant and equipment		**135.5**	146.4	**275.1**	294.3
Amortization of intangible assets		**26.2**	20.6	**48.3**	54.2
Loss (gain) on valuation and translation of financial instruments	5	**56.4**	(45.9)	**49.8**	(40.8)
Impairment of goodwill		**-**	30.0	**-**	30.0
Loss on debt refinancing		**-**	13.8	**-**	12.1
Amortization of financing costs and long-term debt discount	4	**1.8**	1.8	**3.4**	3.8
Deferred income taxes		**(9.8)**	18.1	**(20.3)**	3.7
Other		**0.6**	0.4	**2.1**	2.4
		235.9	277.6	**466.8**	492.3
Net change in non-cash balances related to operating activities		**4.7**	(97.6)	**(6.7)**	(166.0)
Cash flows provided by continuing operating activities		**240.6**	180.0	**460.1**	326.3
Cash flows related to investing activities					
Business acquisitions	7	**0.2**	(55.3)	**(119.1)**	(90.8)
Business disposals	14	**-**	304.2	**3.0**	304.2
Additions to property, plant and equipment		**(203.3)**	(153.9)	**(377.5)**	(323.7)
Additions to intangible assets		**(30.3)**	(237.2)	**(71.8)**	(264.5)
Proceeds from disposals of assets		**1.4**	1.6	**1.8**	1.9
Other		**0.3**	0.1	**0.3**	0.3
Cash flows used in continuing investing activities		**(231.7)**	(140.5)	**(563.3)**	(372.6)
Cash flows related to financing activities					
Net change in bank indebtedness		**(24.1)**	-	**19.9**	(3.9)
Net change under revolving facilities		**39.0**	7.0	**104.9**	(5.6)
Repayments of long-term debt		**(7.4)**	(225.1)	**(10.0)**	(231.6)
Settlement of hedging contracts		**(2.2)**	13.2	**3.6**	13.1
Issuance of shares of a subsidiary to non-controlling interests		**-**	-	**-**	12.1
Repurchase of Class B Shares	10	**(2.3)**	(6.3)	**(3.6)**	(6.3)
Dividends		**(9.8)**	(7.4)	**(9.8)**	(7.4)
Dividends or distributions paid to non-controlling interests		**(4.9)**	(6.1)	**(9.6)**	(12.3)
Cash flows (used in) provided by continuing financing activities		**(11.7)**	(224.7)	**95.4**	(241.9)
Net change in cash and cash equivalents from continuing operations		**(2.8)**	(185.2)	**(7.8)**	(288.2)
Cash flows provided by (used in) discontinued operations	14	**-**	0.3	**-**	(20.0)
Cash and cash equivalents at beginning of period		**13.6**	272.0	**18.6**	395.3
Cash and cash equivalents at end of period		**$ 10.8**	$ 87.1	**$ 10.8**	$ 87.1
Cash and cash equivalents consist of					
Cash		**$ 9.2**	$ 64.7	**$ 9.2**	$ 64.7
Cash equivalents		**1.6**	22.4	**1.6**	22.4
		$ 10.8	$ 87.1	**$ 10.8**	$ 87.1
Interest and taxes reflected as operating activities					
Cash interest payments		**$ 112.1**	$ 128.6	**$ 154.7**	$ 159.6
Cash income tax payments (net of refunds)		**29.4**	32.8	**63.9**	99.6

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars)
(unaudited)

	Note	June 30 2016	December 31 2015
Assets			
Current assets			
Cash and cash equivalents		**$ 10.8**	$ 18.6
Accounts receivable		**468.0**	494.1
Income taxes		**13.3**	28.6
Inventories		**169.7**	215.5
Prepaid expenses		**70.3**	46.0
		732.1	802.8
Non-current assets			
Property, plant and equipment		**3,535.1**	3,424.9
Intangible assets		**1,199.6**	1,178.0
Goodwill		**2,771.8**	2,678.4
Derivative financial instruments		**785.9**	1,072.4
Deferred income taxes		**37.5**	29.5
Other assets		**100.9**	89.9
		8,430.8	8,473.1
Total assets		**$ 9,162.9**	$ 9,275.9
Liabilities and equity			
Current liabilities			
Bank indebtedness		**$ 54.2**	$ 34.3
Accounts payable and accrued charges		**586.0**	654.9
Provisions		**66.1**	67.1
Deferred revenue		**300.1**	321.5
Income taxes		**4.3**	9.1
Current portion of long-term debt	8	**20.5**	44.0
		1,031.2	1,130.9
Non-current liabilities			
Long-term debt	8	**5,714.7**	5,812.4
Derivative financial instruments		**9.1**	118.7
Convertible debentures		**500.0**	500.0
Other liabilities		**657.0**	448.2
Deferred income taxes		**550.0**	613.7
		7,430.8	7,493.0
Equity			
Capital stock	10	**325.2**	325.6
Contributed surplus		**2.3**	2.3
Retained earnings		**148.9**	82.2
Accumulated other comprehensive loss	12	**(136.1)**	(111.2)
Equity attributable to shareholders		**340.3**	298.9
Non-controlling interests		**360.6**	353.1
		700.9	652.0
Total liabilities and equity		**$ 9,162.9**	$ 9,275.9

See accompanying notes to condensed consolidated financial statements.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

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

The Corporation operates, through its subsidiaries, in the following industry segments: Telecommunications, Media, and Sports and Entertainment. The Telecommunications segment offers television distribution, Internet access, business solutions (including data centers), cable and mobile telephony and over-the-top video services in Canada and is engaged in the rental of movies, televisual products and video games through its video-on-demand service and rental stores. The operations of the Media segment in Québec include the operation of an over-the-air television network, the operation of specialty television services, the operation of studio rental, soundstage and equipment leasing and post-production services for the film and television industries, the printing, publishing and distribution of daily newspapers, the operation of Internet portals and specialized sites, the publishing of books and magazines, the distribution of books, magazines and movies, the distribution and production of music, and the operation of an out-of-home advertising business. The activities of the Sports and Entertainment segment in Québec encompass the operation and management of the Videotron Centre in Québec City, show production, sporting and cultural events management, and the operation of two Quebec Major Junior Hockey League teams.

The Media segment experiences significant seasonality due, among other factors, to seasonal advertising patterns and influences on people's viewing, reading and listening habits. Because the Media segment depends on the sale of advertising for a significant portion of its revenue, operating results are also sensitive to prevailing economic conditions, including changes in local, regional and national economic conditions, particularly as they may affect advertising expenditures. Accordingly, the results of operations for interim periods should not necessarily be considered indicative of full-year results due to the seasonality of certain operations.

1. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), except that they do not include all disclosures required under IFRS for annual consolidated financial statements. In particular, these consolidated financial statements were prepared in accordance with IAS 34, *Interim Financial Reporting*, and accordingly, they are condensed consolidated financial statements. These condensed consolidated financial statements should be read in conjunction with the Corporation's 2015 annual consolidated financial statements, which contain a description of the accounting policies used in the preparation of these condensed financial statements.

These condensed consolidated financial statements were approved for issue by the Board of Directors of Quebecor on August 3, 2016.

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

2. REVENUES

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

	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
Services rendered	**$ 910.6**	$ 881.5	**$ 1,817.1**	$ 1,735.6
Product sales	**81.9**	82.3	**150.8**	157.2
	$ 992.5	$ 963.8	**$ 1,967.9**	$ 1,892.8

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

3. EMPLOYEE COSTS AND PURCHASE OF GOODS AND SERVICES

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

	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
Employee costs	**$ 227.0**	$ 221.0	**$ 459.3**	$ 445.2
Less employee costs capitalized to property, plant and equipment and intangible assets	**(45.6)**	(44.6)	**(92.9)**	(87.3)
	181.4	176.4	**366.4**	357.9
Purchase of goods and services:				
Royalties, rights and creation costs	**179.5**	192.9	**365.7**	380.9
Cost of products sold	**81.8**	74.1	**149.1**	137.9
Service contracts	**43.2**	39.6	**83.8**	78.4
Marketing, circulation and distribution expenses	**28.1**	26.3	**54.7**	43.7
Building expenses	**24.9**	20.2	**45.6**	39.1
Other	**93.3**	85.0	**187.6**	166.4
	450.8	438.1	**886.5**	846.4
	$ 632.2	$ 614.5	**$ 1,252.9**	$ 1,204.3

4. FINANCIAL EXPENSES

	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
Interest on long-term debt and on debentures	**$ 77.5**	$ 78.3	**$ 154.9**	$ 159.9
Amortization of financing costs and long-term debt discount	**1.8**	1.8	**3.4**	3.8
Interest on net defined benefit liability	**1.8**	1.5	**3.6**	2.9
(Gain) loss on foreign currency translation on short-term monetary items	**(0.6)**	(0.2)	**(1.0)**	3.6
Other	**(0.4)**	(0.6)	**–**	(1.6)
	$ 80.1	$ 80.8	**$ 160.9**	$ 168.6

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

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

	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
Loss (gain) on embedded derivatives related to convertible debentures	**$ 57.7**	$ (47.6)	**$ 49.9**	$ (40.0)
(Gain) loss on the ineffective portion of fair value hedges	**(1.3)**	1.4	**(0.1)**	(1.5)
Loss on the ineffective portion of cash flow hedges	**–**	0.4	**0.1**	1.2
Gain on embedded derivatives related to long term debt	**–**	–	**(0.1)**	(0.1)
Gain on reversal of embedded derivatives on debt redemption	**–**	(0.1)	**–**	(0.4)
	$ 56.4	$ (45.9)	**$ 49.8**	$ (40.8)

6. RESTRUCTURING OF OPERATIONS AND OTHER ITEMS

	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
Restructuring of operations	**$ 5.4**	$ 4.9	**$ 12.1**	$ 8.8
Other items	**0.2**	0.8	**1.4**	1.3
	$ 5.6	$ 5.7	**$ 13.5**	$ 10.1

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

7. BUSINESS ACQUISITIONS

On January 7, 2016, Videotron acquired Fibrenoire inc., a company that provides businesses with fibre-optic connectivity services, for a purchase price of $125.0 million. At closing, Videotron paid an amount of $119.1 million, net of cash acquired of $1.8 million. An amount of $0.2 million was received in the second quarter of 2016 as a post-closing adjustment. The balance payable could be subject to adjustments related to certain conditions. The purchase price allocation was accounted for on a preliminary basis and will be finalized by the end of the year. The assets acquired are mainly comprised of tangible assets of $33.0 million and intangible assets, including goodwill, of $100.0 million. Goodwill arising from this acquisition reflects anticipated synergies and future growth potential.

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

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

8. LONG-TERM DEBT

Components of long-term debt are as follows:

	June 30, 2016	December 31, 2015
Long-term debt	$ 5,758.5	$ 5,892.5
Change in fair value related to hedged interest rate risk	22.4	11.4
Adjustment related to embedded derivatives	0.5	0.6
Financing fees, net of amortization	(46.2)	(48.1)
	5,735.2	5,856.4
Less current portion	(20.5)	(44.0)
	$ 5,714.7	$ 5,812.4

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

9. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

Basic earnings per share are calculated by dividing net income attributable to shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share are calculated by taking into account the potentially dilutive effect of stock options of the Corporation on the number of shares outstanding, the potentially dilutive effect of stock options of the Corporation's subsidiaries on net income attributable to shareholders, and the potentially dilutive effect of conversion of convertible debentures issued by the Corporation on the number of shares outstanding and on net income attributable to shareholders.

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

	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
Income from continuing operations attributable to shareholders	**$ 9.8**	$ 81.2	**$ 79.7**	$ 112.7
Impact of assumed conversion of stock options of subsidiaries and of convertible debentures of the Corporation	**(0.1)**	(43.9)	**(0.2)**	(32.7)
Income from continuing operations attributable to shareholders, adjusted for dilution effect	**$ 9.7**	$ 37.3	**$ 79.5**	$ 80.0
Net income attributable to shareholders	**$ 9.8**	$ 72.1	**$ 79.7**	$ 101.5
Impact of assumed conversion of stock options of subsidiaries and of convertible debentures of the Corporation	**(0.1)**	(43.9)	**(0.2)**	(32.7)
Net income attributable to shareholders, adjusted for dilution effect	**$ 9.7**	$ 28.2	**$ 79.5**	$ 68.8
Weighted average number of shares outstanding (in millions)	**122.4**	122.8	**122.4**	122.8
Potentially dilutive effect of stock options and of convertible debentures of the Corporation (in millions)	**0.4**	21.1	**0.4**	21.1
Weighted average number of diluted shares outstanding (in millions)	**122.8**	143.9	**122.8**	143.9

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

10. CAPITAL STOCK

(a) Authorized capital stock

An unlimited number of Class A Multiple Voting Shares ("Class A Shares") with voting rights of 10 votes per share convertible at any time into Class B Subordinate Voting Shares ("Class B Shares") on a one-for-one basis.

An unlimited number of Class B Shares convertible into Class A Shares on a one-for-one basis, only if a takeover bid for Class A Shares is made to holders of Class A Shares without being made concurrently and under the same terms to holders of Class B Shares, for the sole purpose of allowing the holders of Class B Shares to accept the offer and subject to certain other stated conditions provided in the articles, including acceptance of the offer by the majority holder.

Holders of Class B Shares are entitled to elect 25% of the Board of Directors of Quebecor. Holders of Class A Shares may elect the other members of the Board of Directors.

(b) Issued and outstanding capital stock

	Class A Shares		Class B Shares	
	Number	Amount	Number	Amount
Balance as of December 31, 2015	38,926,372	$ 8.7	83,536,792	$ 316.9
Class A Shares converted into Class B Shares	(31,700)	–	31,700	–
Shares purchased and cancelled	–	–	(109,600)	(0.4)
Balance as of June 30, 2016	**38,894,672**	**$ 8.7**	**83,458,892**	**$ 316.5**

On July 30, 2015, the Corporation filed a normal course issuer bid for a maximum of 500,000 Class A Shares representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 2,000,000 Class B Shares representing approximately 2.4% of issued and outstanding Class B Shares as of July 29, 2015. The purchases can be made from August 13, 2015 to August 12, 2016 at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange or other alternative trading systems. All shares purchased under the bid will be cancelled.

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

During the six-month period ended June 30, 2016, the Corporation purchased and cancelled 109,600 Class B Shares for a total cash consideration of $3.6 million. (203,300 Class B shares for a total cash consideration of $6.3 million in 2015). The excess of $3.2 million of the purchase price over the carrying value of Class B Shares repurchased was recorded in reduction of retained earnings ($5.5 million in 2015).

On August 3, 2016, the Board of Directors of the Corporation declared a dividend of $0.045 per share on Class A Shares and Class B Shares, or approximately $5.5 million, payable on September 13, 2016 to shareholders of record at the close of business on August 19, 2016.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

11. STOCK-BASED COMPENSATION PLANS

Stock option plans

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

	Outstanding options	
	Number	Weighted average exercise price
Quebecor		
As of December 31, 2015 and June 30, 2016	**1,310,000**	**$ 25.36**
Vested options as of June 30, 2016	**216,666**	**$ 22.48**
Quebecor Media		
As of December 31, 2015	1,482,494	$ 60.44
Exercised	(79,461)	51.18
Cancelled	(6,000)	70.56
As of June 30, 2016	**1,397,033**	**$ 60.93**
Vested options as of June 30, 2016	**297,528**	**$ 55.92**
TVA Group Inc.		
As of December 31, 2015	463,371	$ 13.30
Expired	(49,250)	15.99
As of June 30, 2016	**414,121**	**$ 12.98**
Vested options as of June 30, 2016	**334,121**	**$ 14.30**

During the three-month period ended June 30, 2016, 24,000 stock options of Quebecor Media were exercised for a cash consideration of $0.5 million (80,897 stock options for $1.7 million in 2015). During the six-month period ended June 30, 2016, 79,461 stock options of Quebecor Media were exercised for a cash consideration of $1.5 million (242,672 stock options for $5.4 million in 2015).

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

11. STOCK-BASED COMPENSATION PLANS (continued)

Mid-term stock-based compensation plan

Under the mid-term stock-based compensation plan, participants are entitled to receive a cash payment at the end of a three-year period based on the appreciation of the Quebecor Class B Share price, and subject to the achievement of certain non-market performance criteria. The following table provides details of changes to outstanding units in this plan, for the six-month period ended June 30, 2016:

	Outstanding units	
	Number	Weighted average exercise price
As of December 31, 2015	1,476,346	$ 28.68
Exercised	(48,722)	21.78
As of June 30, 2016	**1,427,624**	**$ 28.92**

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

Differed share unit and performance share unit plans

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

On July 13, 2016, Quebecor also established a DSU plan and a PSU plan for its employees and those of its subsidiaries. Both plans are based on Quebecor Class B Shares and, in the case of the DSU plan, also on TVA Group Class B Shares. The DSUs vest over six years and will be redeemed for cash only upon the participant's retirement or termination of employment, as the case may be. The PSUs vest over three years and will be redeemed for cash at the end of this period subject to the achievement of financial targets. DSUs and PSUs entitle the holders to receive additional units when dividends are paid on Quebecor Class B Shares or TVA Group Class B Shares. No treasury shares will be issued for the purposes of these plans. On July 13, 2016, Quebecor awarded 91,464 DSUs based on Quebecor Class B Shares, 51,312 DSUs based on TVA Group Class B Shares, and 116,588 PSUs based on Quebecor Class B Shares.

Stock-based compensation expense

For the three-month period ended June 30, 2016, a consolidated charge related to all stock-based compensation plans was recorded in the amount of $7.7 million ($1.3 million in 2015). For the six-month period ended June 30, 2016, a consolidated charge related to all stock-based compensation plans was recorded in the amount of $10.5 million (1.9 $ million in 2015).

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

12. ACCUMULATED OTHER COMPREHENSIVE LOSS

	Cash flow hedges	Defined benefit plans	Total
Balance as of December 31, 2014	$ (29.2)	$ (35.2)	$ (64.4)
Other comprehensive loss	(32.5)	–	(32.5)
Balance as of June 30, 2015	(61.7)	(35.2)	(96.9)
Other comprehensive income (loss)	9.2	(16.2)	(7.0)
Non-controlling interests acquisition	(5.1)	(2.2)	(7.3)
Balance as of December 31, 2015	(57.6)	(53.6)	(111.2)
Other comprehensive income (loss)	53.0	(77.9)	(24.9)
Balance as of June 30, 2016	**$ (4.6)**	**$ (131.5)**	**$ (136.1)**

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

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with IFRS 13, *Fair value measurement*, the Corporation considers the following fair value hierarchy which reflects the significance of the inputs used in measuring its other financial instruments accounted for at fair value in the consolidated balance sheets:

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

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

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

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

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

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

13. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

	June 30, 2016		December 31, 2015	
Asset (liability)	**Carrying value**	**Fair value**	Carrying value	Fair value
Long-term debt[1,2]	**$ (5,758.5)**	**$ (5,871.8)**	$ (5,892.5)	$ (5,894.9)
Convertible debentures[3]	**(758.9)**	**(758.9)**	(706.4)	(706.4)
Derivative financial instruments				
Early settlement options	**1.0**	**1.0**	1.0	1.0
Foreign exchange forward contracts[4]	**(6.2)**	**(6.2)**	9.3	9.3
Interest rate swaps	**(0.6)**	**(0.6)**	(0.8)	(0.8)
Cross-currency interest rate swaps[4]	**783.6**	**783.6**	945.2	945.2

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

2 The fair value of the long-term debt does not include the fair value of early settlement options, which is presented separately in the table.

3 The carrying value and fair value of convertible debentures consist of the initial capital investment and the value of the cap and floor conversion price features, recognized as embedded derivatives.

4 The value of foreign exchange forward contracts entered into to lock-in the value of existing hedging positions is netted from the value of the offset financial instruments.

14. DISCONTINUED OPERATIONS

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

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

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

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

14. DISCONTINUED OPERATIONS (continued)

For the three-month and six-month periods ended June 30, 2015, the results of operations and cash flows related to these businesses are presented as discontinued operations in the consolidated statements of income and cash flows as follows:

Consolidated statements of income

	Three months ended June 30, 2015	Six months ended June 30, 2015
Revenues	$ 41.6	$ 169.8
Expenses	52.8	184.5
Loss before income taxes	(11.2)	(14.7)
Income taxes	(3.5)	(2.7)
Loss on disposal of businesses	(4.1)	(4.1)
Loss and comprehensive loss from discontinued operations	$ (11.8)	$ (16.1)

Consolidated statements of cash flows

	Three months ended June 30, 2015	Six months ended June 30, 2015
Cash flows related to operating activities	$ (0.3)	$ (18.8)
Cash flows related to investing activities	0.6	(1.2)
Cash flows provided by (used in) discontinued operations	$ 0.3	$ (20.0)