Condensed consolidated financial statements of

QUEBECOR INC. AND ITS SUBSIDIARIES

Three-month and nine-month periods ended September 30, 2015 and 2014

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 September 30 2015	Three months ended September 30 2014	Nine months ended September 30 2015	Nine months ended September 30 2014
Revenues	3	**$ 971.7**	$ 887.8	**$ 2,858.7**	$ 2,654.0
Employee costs	4	**160.7**	154.0	**518.6**	478.4
Purchase of goods and services	4	**419.6**	372.0	**1,260.2**	1,118.9
Depreciation and amortization		**168.6**	165.0	**517.1**	487.9
Financial expenses	5	**80.7**	85.1	**249.3**	266.0
(Gain) loss on valuation and translation of financial instruments	6	**(53.8)**	25.2	**(94.6)**	1.5
Gain on litigation, restructuring of operations and other special items	7	**(135.0)**	2.2	**(124.9)**	5.3
Impairment of goodwill and other assets	8	**197.0**	51.0	**227.0**	81.0
Loss on debt refinancing	12	**-**	-	**12.1**	18.7
Income before income taxes		**133.9**	33.3	**293.9**	196.3
Income taxes (recovery):					
Current		**31.0**	58.5	**54.7**	90.2
Deferred		**14.1**	(32.4)	**17.8**	(17.2)
		45.1	26.1	**72.5**	73.0
Income from continuing operations		**88.8**	7.2	**221.4**	123.3
(Loss) income from discontinued operations	9	**(2.7)**	46.4	**(18.8)**	(97.4)
Net income		**$ 86.1**	$ 53.6	**$ 202.6**	$ 25.9
Income (loss) from continuing operations attributable to					
Shareholders		**$ 87.0**	$ 9.8	**$ 199.7**	$ 101.4
Non-controlling interests		**1.8**	(2.6)	**21.7**	21.9
Net income (loss) attributable to					
Shareholders		**$ 85.1**	$ 45.1	**$ 186.6**	$ 29.4
Non-controlling interests		**1.0**	8.5	**16.0**	(3.5)
Earnings per share attributable to shareholders	13				
Basic:					
From continuing operations		**$ 0.71**	$ 0.08	**$ 1.63**	$ 0.82
From discontinued operations		**(0.02)**	0.29	**(0.11)**	(0.58)
Net income		**0.69**	0.37	**1.52**	0.24
Diluted:					
From continuing operations		**0.27**	0.08	**0.83**	0.82
From discontinued operations		**(0.01)**	0.29	**(0.10)**	(0.58)
Net income		**0.26**	0.37	**0.73**	0.24
Weighted average number of shares outstanding (in millions)		**122.7**	122.9	**122.8**	123.0
Weighted average number of diluted shares (in millions)		**143.7**	122.9	**143.8**	123.0

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of Canadian dollars) (unaudited)		Three months ended September 30		Nine months ended September 30	
	Note	**2015**	2014	**2015**	2014
Income from continuing operations		**$ 88.8**	$ 7.2	**$ 221.4**	$ 123.3
Other comprehensive income (loss) from continuing operations:					
Items that may be reclassified to income:					
Cash flow hedges:					
Gain (loss) on valuation of derivative financial instruments		**70.2**	1.1	**45.3**	(7.2)
Deferred income taxes		**(20.2)**	(11.9)	**(34.3)**	(11.2)
Reclassification to income:	12				
Gain related to cash flow hedges		**-**	-	**(3.9)**	(10.8)
Deferred income taxes		**-**	-	**(0.4)**	0.4
		50.0	(10.8)	**6.7**	(28.8)
Comprehensive income (loss) from continuing operations		**138.8**	(3.6)	**228.1**	94.5
(Loss) income from discontinued operations	9	**(2.7)**	46.4	**(18.8)**	(97.4)
Other comprehensive loss from discontinued operations	9	**-**	(1.5)	**-**	(1.7)
Comprehensive income (loss)		**$ 136.1**	$ 41.3	**$ 209.3**	$ (4.6)
Comprehensive income (loss) from continuing operations attributable to					
Shareholders		**$ 127.5**	$ 1.7	**$ 207.7**	$ 79.7
Non-controlling interests		**11.3**	(5.3)	**20.4**	14.8
Comprehensive income (loss) attributable to					
Shareholders		**$ 125.6**	$ 35.9	**$ 194.6**	$ 6.4
Non-controlling interests		**10.5**	5.4	**14.7**	(11.0)

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES
SEGMENTED INFORMATION

(in millions of Canadian dollars)
(unaudited)

Three months ended September 30, 2015

		Telecommunications		Media		Sports and Entertainment		Head office and Inter-segments		Total
Revenues	**$**	**754.2**	**$**	**226.5**	**$**	**16.2**	**$**	**(25.2)**	**$**	**971.7**
Employee costs		**83.7**		**65.0**		**3.7**		**8.3**		**160.7**
Purchase of goods and services		**319.4**		**118.2**		**17.6**		**(35.6)**		**419.6**
Adjusted operating income[1]		**351.1**		**43.3**		**(5.1)**		**2.1**		**391.4**
Depreciation and amortization										**168.6**
Financial expenses										**80.7**
Gain on valuation and translation of financial instruments										**(53.8)**
Gain on litigation, restructuring of operations and other special items										**(135.0)**
Impairment of goodwill and other assets										**197.0**
Income before income taxes									**$**	**133.9**
Additions to property, plant and equipment	**$**	**177.8**	**$**	**9.1**	**$**	**4.0**	**$**	**0.2**	**$**	**191.1**
Additions to intangible assets		**22.7**		**2.4**		**34.3**		**1.2**		**60.6**

Three months ended September 30, 2014

		Telecommunications		Media		Sports and Entertainment		Head office and Inter-segments		Total
Revenues	$	711.2	$	186.8	$	12.1	$	(22.3)	$	887.8
Employee costs		82.4		58.9		2.3		10.4		154.0
Purchase of goods and services		288.9		103.6		11.0		(31.5)		372.0
Adjusted operating income[1]		339.9		24.3		(1.2)		(1.2)		361.8
Depreciation and amortization										165.0
Financial expenses										85.1
Loss on valuation and translation of financial instruments										25.2
Restructuring of operations and other special items										2.2
Impairment of goodwill and other assets										51.0
Income before income taxes									$	33.3
Additions to property, plant and equipment	$	163.2	$	8.3	$	1.1	$	-	$	172.6
Additions to intangible assets		16.0		1.8		-		0.8		18.6

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES
SEGMENTED INFORMATION (continued)

(in millions of Canadian dollars)
(unaudited)

Nine months ended September 30, 2015

		Telecommu-nications		Media		Sports and Enter-tainment		Head office and Inter-segments		Total
Revenues	$	**2,229.9**	$	**665.7**	$	**45.0**	$	**(81.9)**	$	**2,858.7**
Employee costs		**267.2**		**215.1**		**10.4**		**25.9**		**518.6**
Purchase of goods and services		**925.9**		**401.9**		**43.9**		**(111.5)**		**1,260.2**
Adjusted operating income[1]		**1,036.8**		**48.7**		**(9.3)**		**3.7**		**1,079.9**
Depreciation and amortization										**517.1**
Financial expenses										**249.3**
Gain on valuation and translation of financial instruments										**(94.6)**
Gain on litigation, restructuring of operations and other special items										**(124.9)**
Impairment of goodwill and other assets										**227.0**
Loss on debt refinancing										**12.1**
Income before income taxes									**$**	**293.9**
Additions to property, plant and equipment	$	**481.0**	$	**24.8**	$	**8.7**	$	**0.3**	$	**514.8**
Additions to intangible assets		**281.2**		**6.5**		**34.6**		**2.8**		**325.1**

Nine months ended September 30, 2014

		Telecommu-nications		Media		Sports and Enter-tainment		Head office and Inter-segments		Total
Revenues	$	2,104.1	$	574.2	$	37.7	$	(62.0)	$	2,654.0
Employee costs		255.9		190.0		7.3		25.2		478.4
Purchase of goods and services		840.4		337.4		34.4		(93.3)		1,118.9
Adjusted operating income[1]		1,007.8		46.8		(4.0)		6.1		1,056.7
Depreciation and amortization										487.9
Financial expenses										266.0
Loss on valuation and translation of financial instruments										1.5
Restructuring of operations and other special items										5.3
Impairment of goodwill and other assets										81.0
Loss on debt refinancing										18.7
Income before income taxes									$	196.3
Additions to property, plant and equipment	$	462.2	$	23.4	$	3.9	$	0.3	$	489.8
Additions to intangible assets		271.1		6.8		-		1.5		279.4

[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, (gain) loss on valuation and translation of financial instruments, gain on litigation, restructuring of operations and other special items, impairment of goodwill and other assets, loss on debt refinancing, income taxes and (loss) income 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 14)			(note 16)		
Balance as of December 31, 2013	$ 328.9	$ 2.3	$ 291.4	$ (23.1)	$ 595.9	$ 1,195.4
Net income (loss)	-	-	29.4	-	(3.5)	25.9
Other comprehensive loss	-	-	-	(23.0)	(7.5)	(30.5)
Repurchase of Class B Shares	(1.7)	-	(10.0)	-	-	(11.7)
Non-controlling interests acquisition	-	-	(0.1)	-	-	(0.1)
Dividends	-	-	(9.2)	-	(18.7)	(27.9)
Balance as of September 30, 2014	327.2	2.3	301.5	(46.1)	566.2	1,151.1
Net (loss) income	-	-	(59.5)	-	9.2	(50.3)
Other comprehensive loss	-	-	-	(18.3)	(10.0)	(28.3)
Dividends	-	-	(3.1)	-	(6.1)	(9.2)
Balance as of December 31, 2014	327.2	2.3	238.9	(64.4)	559.3	1,063.3
Net income	-	-	186.6	-	16.0	202.6
Other comprehensive income (loss)	-	-	-	8.0	(1.3)	6.7
Dividends	-	-	(11.7)	-	(18.5)	(30.2)
Repurchase of Class B Shares	(1.4)	-	(9.7)	-	-	(11.1)
Issuance of shares of a subsidiary to non-controlling interests (note 10)	-	-	-	-	12.1	12.1
Non-controlling interests acquisition (note 10)	-	-	(280.3)	(7.3)	(212.4)	(500.0)
Business acquisition	-	-	-	-	0.5	0.5
Balance as of September 30, 2015	**$ 325.8**	**$ 2.3**	**$ 123.8**	**$ (63.7)**	**$ 355.7**	**$ 743.9**

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 September 30		Nine months ended September 30	
		2015	2014	**2015**	2014
Cash flows related to operating activities					
Income from continuing operations		**$ 88.8**	$ 7.2	**$ 221.4**	$ 123.3
Adjustments for:					
Depreciation of property, plant and equipment		**146.8**	133.6	**441.1**	394.3
Amortization of intangible assets		**21.8**	31.4	**76.0**	93.6
(Gain) loss on valuation and translation of financial instruments	6	**(53.8)**	25.2	**(94.6)**	1.5
Impairment of goodwill and other assets	8	**197.0**	51.0	**227.0**	81.0
Loss on debt refinancing	12	**-**	-	**12.1**	18.7
Amortization of financing costs and long-term debt discount	5	**1.6**	1.9	**5.4**	6.8
Deferred income taxes		**14.1**	(32.4)	**17.8**	(17.2)
Other		**0.4**	0.3	**2.8**	1.5
		416.7	218.2	**909.0**	703.5
Net change in non-cash balances related to operating activities		**(94.2)**	142.4	**(260.2)**	29.5
Cash flows provided by continuing operating activities		**322.5**	360.6	**648.8**	733.0
Cash flows related to investing activities					
Non-controlling interests acquisition	10	**(500.0)**	-	**(500.0)**	-
Business acquisitions	10	**(1.2)**	(0.1)	**(92.0)**	(0.7)
Business disposals	9	**12.1**	111.6	**316.3**	185.3
Additions to property, plant and equipment		**(191.1)**	(172.6)	**(514.8)**	(489.8)
Additions to intangible assets	11	**(60.6)**	(18.6)	**(325.1)**	(279.4)
Proceeds from disposals of assets		**0.5**	0.7	**2.4**	2.6
Other		**(13.3)**	0.3	**(13.0)**	0.5
Cash flows used in continuing investing activities		**(753.6)**	(78.7)	**(1,126.2)**	(581.5)
Cash flows related to financing activities					
Net change in bank indebtedness		**45.5**	0.2	**41.6**	0.1
Net change under revolving facilities		**357.0**	(15.2)	**351.4**	(16.2)
Issuance of long-term debt, net of financing fees	12	**370.1**	-	**370.1**	654.5
Repayments of long-term debt	12	**(414.2)**	(6.4)	**(645.8)**	(734.1)
Settlement of hedging contracts		**21.2**	-	**34.3**	(64.6)
Issuance of shares of a subsidiary to non-controlling interests	10	**-**	-	**12.1**	-
Repurchase of Class B Shares	14	**(4.8)**	-	**(11.1)**	(11.7)
Dividends		**(4.3)**	(3.0)	**(11.7)**	(9.2)
Dividends paid to non-controlling interests		**(6.2)**	(6.2)	**(18.5)**	(18.7)
Cash flows provided by (used in) continuing financing activities		**364.3**	(30.6)	**122.4**	(199.9)
Net change in cash and cash equivalents from continuing operations		**(66.8)**	251.3	**(355.0)**	(48.4)
Cash flows (used in) provided by discontinued operations	9	**(1.4)**	8.4	**(21.4)**	25.2
Cash and cash equivalents at beginning of period		**87.1**	193.7	**395.3**	476.6
Cash and cash equivalents at end of period		**$ 18.9**	$ 453.4	**$ 18.9**	$ 453.4
Cash and cash equivalents consist of					
Cash		**$ 16.0**	$ 224.0	**$ 16.0**	$ 224.0
Cash equivalents		**2.9**	229.4	**2.9**	229.4
		$ 18.9	$ 453.4	**$ 18.9**	$ 453.4
Interest and taxes reflected as operating activities					
Cash interest payments		**$ 34.5**	$ 30.0	**$ 194.1**	$ 203.7
Cash income tax payments (net of refunds)		**34.4**	20.6	**134.0**	99.0

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars)
(unaudited)

	Note	September 30 2015	December 31 2014
Assets			
Current assets			
Cash and cash equivalents		**$ 18.9**	$ 395.3
Accounts receivable		**608.4**	449.4
Income taxes		**13.2**	6.7
Inventories		**224.0**	212.2
Prepaid expenses		**53.5**	38.0
Assets held for sale	9	**-**	398.1
		918.0	1,499.7
Non-current assets			
Property, plant and equipment		**3,378.6**	3,430.4
Intangible assets	11	**1,154.1**	945.8
Goodwill		**2,682.8**	2,714.6
Derivative financial instruments		**943.5**	400.9
Deferred income taxes		**25.3**	7.8
Other assets		**99.9**	79.3
		8,284.2	7,578.8
Total assets		**$ 9,202.2**	$ 9,078.5
Liabilities and equity			
Current liabilities			
Bank indebtedness		**$ 46.8**	$ 5.2
Accounts payable and accrued charges		**593.3**	650.2
Provisions		**59.5**	56.7
Deferred revenue		**313.4**	283.0
Income taxes		**11.4**	85.5
Derivative financial instruments		**-**	0.9
Current portion of long-term debt	12	**19.5**	230.1
Liabilities held for sale	9	**-**	97.9
		1,043.9	1,409.5
Non-current liabilities			
Long-term debt	12	**5,831.7**	5,048.2
Derivative financial instruments		**156.1**	101.9
Convertible debentures		**500.0**	500.0
Other liabilities		**329.2**	426.8
Deferred income taxes		**597.4**	528.8
		7,414.4	6,605.7
Equity			
Capital stock	14	**325.8**	327.2
Contributed surplus		**2.3**	2.3
Retained earnings		**123.8**	238.9
Accumulated other comprehensive loss	16	**(63.7)**	(64.4)
Equity attributable to shareholders		**388.2**	504.0
Non-controlling interests		**355.7**	559.3
		743.9	1,063.3
Total liabilities and equity		**$ 9,202.2**	$ 9,078.5

See accompanying notes to condensed consolidated financial statements.

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, business solutions, 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 printing, publishing and distribution of daily newspapers, the operation of an over-the-air television network, the operation of television specialty services, the operation of studio, soundstage and equipment leasing and post-production services for the film and television industries, the operation of Internet portals and specialized sites, the publishing of books and magazines, the distribution of books, magazines and movies 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, music production, distribution and streaming, 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 2014 annual consolidated financial statements, which contain a description of the accounting policies used in the preparation of these condensed financial statements.

These condensed consolidated financial statements were approved for issue by the Board of Directors of Quebecor on November 4, 2015.

Comparative figures for previous periods have been restated to conform to the presentation adopted for the three-month and nine-month periods ended September 30, 2015.

2. CHANGE IN ACCOUNTING ESTIMATES

In the second quarter of 2015, the Corporation changed its assessment of the useful life of its spectrum licences. In light of recent spectrum auctions and developments in the telecommunication industry, the Corporation is now of the view that its 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 Industry 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.

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

2. CHANGE IN ACCOUNTING ESTIMATES (continued)

Accordingly, the Corporation ceased to amortize spectrum licences used in its operations as of April 1, 2015 and no amortization expense was recorded after this date. The straight-line amortization expense recorded relating to these licences was $13.9 million during the three-month period ended March 31, 2015, $13.9 million during the three-month period ended September 30, 2014 and $41.7 million during the nine-month period ended September 30, 2014.

3. REVENUES

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

	Three months ended September 30		Nine months ended September 30	
	2015	2014	**2015**	2014
Services rendered	**$ 871.3**	$ 796.8	**$ 2,600.7**	$ 2,400.7
Product sales	**100.4**	91.0	**258.0**	253.3
	$ 971.7	$ 887.8	**$ 2,858.7**	$ 2,654.0

4. EMPLOYEE COSTS AND PURCHASE OF GOODS AND SERVICES

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

	Three months ended September 30		Nine months ended September 30	
	2015	2014	**2015**	2014
Employee costs	**$ 204.1**	$ 191.6	**$ 649.3**	$ 595.0
Less employee costs capitalized to property, plant and equipment and intangible assets	**(43.4)**	(37.6)	**(130.7)**	(116.6)
	160.7	154.0	**518.6**	478.4
Purchase of goods and services:				
Royalties, rights and creation costs	**153.6**	148.4	**534.5**	479.9
Cost of retail products	**80.2**	71.2	**212.3**	173.7
Service contracts	**42.4**	37.3	**120.8**	110.9
Marketing, circulation and distribution expenses	**27.8**	20.2	**71.5**	58.0
Building expenses	**19.6**	16.2	**58.7**	48.7
Other	**96.0**	78.7	**262.4**	247.7
	419.6	372.0	**1,260.2**	1,118.9
	$ 580.3	$ 526.0	**$ 1,778.8**	$ 1,597.3

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

5. FINANCIAL EXPENSES

	Three months ended September 30		Nine months ended September 30	
	2015	2014	**2015**	2014
Interest on long-term debt and on debentures	**$ 74.7**	$ 82.4	**$ 234.6**	$ 257.4
Amortization of financing costs and long-term debt discount	**1.6**	1.9	**5.4**	6.8
Interest on net defined benefit liability	**1.5**	1.3	**4.4**	3.8
Loss on foreign currency translation on short-term monetary items	**2.6**	0.8	**6.2**	2.2
Other	**0.3**	(1.3)	**(1.3)**	(4.2)
	$ 80.7	$ 85.1	**$ 249.3**	$ 266.0

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

	Three months ended September 30		Nine months ended September 30	
	2015	2014	**2015**	2014
(Gain) loss on embedded derivatives related to convertible debentures	**$ (52.0)**	$ 27.4	**$ (92.0)**	$ 3.6
(Gain) loss on embedded derivatives related to long term debt and derivative financial instruments for which hedge accounting is not used	**(0.1)**	(0.2)	**(0.2)**	2.5
Gain on reversal of embedded derivatives upon debt redemption	**–**	–	**(0.4)**	(1.1)
Loss (gain) on the ineffective portion of cash flow hedges	**0.4**	(1.6)	**1.6**	(1.4)
Gain on the ineffective portion of fair value hedges	**(2.1)**	(0.4)	**(3.6)**	(2.1)
	$ (53.8)	$ 25.2	**$ (94.6)**	$ 1.5

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

7. GAIN ON LITIGATION, RESTRUCTURING OF OPERATIONS AND OTHER SPECIAL ITEMS

	Three months ended September 30		Nine months ended September 30	
	2015	2014	**2015**	2014
Gain on litigation	**$ (139.1)**	$ –	**$ (139.1)**	$ –
Restructuring of operations	**3.6**	2.4	**12.4**	5.3
Other special items	**0.5**	(0.2)	**1.8**	–
	$ (135.0)	$ 2.2	**$ (124.9)**	$ 5.3

Gain on litigation

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

Telecommunications

During the three-month and nine-month periods ended September 30, 2015, the Telecommunications segment has recorded restructuring costs of $1.5 million and $5.8 million, respectively, mainly related to the migration of its subscribers from analog to digital services ($0.5 million and $1.0 million in 2014, respectively). The Telecommunications segment also recorded charges for other special items of $0.2 million and $0.8 million in the respective three-month and nine-month periods ended September 30, 2015 (none in 2014).

Media

During the three-month and nine-month periods ended September 30, 2015, the Media segment has recorded restructuring costs of $2.0 million and $5.6 million, respectively, mainly for the reduction of positions ($1.8 million and $3.4 million in 2014, respectively). The Media segment also recorded a gain of $0.1 million and a charge of $0.7 million for other special items in the respective three-month and nine-month periods ended September 30, 2015 (gains of $0.2 million and $0.1 million in 2014).

Other segments

During the three-month and nine-month periods ended September 30, 2015, other segments have recorded restructuring costs of $0.1 million and $1.0 million, respectively ($0.1 million and $0.9 million in 2014). Other segments also recorded charges for other special items of $0.4 million and $0.3 million in the respective three-month and nine-month periods ended September 30, 2015 (none and $0.1 million in 2014).

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

8. IMPAIRMENT OF GOODWILL AND OTHER ASSETS

	Three months ended September 30		Nine months ended September 30	
	2015	2014	**2015**	2014
Impairment of goodwill	**$ 55.0**	$ 9.3	**$ 85.0**	$ 39.3
Impairment of property, plant and equipment	**76.5**	–	**76.5**	–
Impairment of intangible assets	**65.5**	41.7	**65.5**	41.7
	$ 197.0	$ 51.0	**$ 227.0**	$ 81.0

During the second quarter of 2015, the Corporation performed its annual impairment tests on its cash generating units ("CGUs"). The Corporation concluded that the recoverable amount was less than the carrying amount of the Newspapers CGU, which is negatively affected by the digital transformation and weak market conditions in the newspaper industry. Accordingly, the Corporation recorded a goodwill impairment charge of $30.0 million (without any tax consequence) ($190.0 million in 2014, without any tax consequence, of which $160.0 million is presented as part of discontinued operations (note 9)).

During the third quarter of 2015, the Corporation completed its annual review of its three-year strategic plan. In particular, the decrease in newspaper and commercial printing volumes at the Mirabel printing plant, and the continuous pressure on advertising revenues in the newspaper and television industries, led the Corporation to perform additional impairment tests on its Newspapers and Broadcasting CGUs. The Corporation concluded that the recoverable amounts of its Newspaper and Broadcasting CGUs were less than their carrying values. Accordingly, a goodwill impairment charge of $55.0 million (without any tax consequence) and an impairment charge on other assets of $81.9 million, mainly related to Mirabel printing plant assets, were recorded in the third quarter of 2015 for the Newspapers CGU. An impairment charge of $60.1 million on the TVA Network's broadcasting licence (including $30.1 million without any tax consequence) was recorded for the Broadcasting CGU ($41.7 million in 2014, including $20.9 million without any tax consequence). A goodwill impairment charge of $9.3 million (without any tax consequence) was also recorded in 2014 for the Broadcasting CGU. The recoverable amount of the Newspapers CGU assets was based on fair value less costs of disposal. More specifically, the fair value of individual assets was estimated based on external valuation reports, comparable transaction metrics, and other financial information available. A pre-tax discount rate of 11.10% and a perpetual growth rate of 0% were used to determine the recoverable amount based on a value in use for the Broadcasting CGU.

9. DISCONTINUED OPERATIONS

2015

- 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 receivable of $3.2 million, subject to adjustments related to working capital items.

2014

- In January 2014, the Corporation ceased its door-to-door distribution of flyers and weekly newspapers in the province of Québec.
- On June 1, 2014, the Corporation sold its 74 Québec weeklies for a cash consideration of $75.0 million and a net amount of $4.0 million relating to adjustments of working capital items. The Corporation received $73.7 million in the second quarter of 2014, $4.7 million in the third quarter of 2014 and a final balance of $0.6 million in the second quarter of 2015.
- On September 2, 2014, the Corporation sold its Nurun Inc. subsidiary for a cash consideration consisting of $125.0 million, less cash disposed of $18.1 million. An amount of $8.2 million was also received relating to certain transaction adjustments in the fourth quarter of 2014.

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

9. DISCONTINUED OPERATIONS (continued)

The results of operations and cash flows related to these businesses are presented as discontinued operations in the consolidated statements of income and cash flows as follows:

Consolidated statements of income

	Three months ended September 30		Nine months ended September 30	
	2015	2014	**2015**	2014
Revenues	**$ 24.3**	$ 163.6	**$ 194.1**	$ 557.9
Employee costs	**5.4**	58.8	**54.3**	217.8
Purchase of goods and services	**20.3**	83.5	**133.2**	280.4
Depreciation and amortization	**0.2**	8.1	**2.0**	25.8
Financial expenses	**0.1**	(0.1)	**0.2**	0.8
Restructuring of operations, impairment of assets and other special items	**2.2**	3.3	**23.0**	11.6
Impairment of goodwill	**–**	–	**–**	160.0
(Loss) income before income taxes	**(3.9)**	10.0	**(18.6)**	(138.5)
Income taxes	**(0.7)**	2.1	**(3.4)**	5.3
Gain (loss) on disposal of businesses	**0.5**	38.5	**(3.6)**	46.4
(Loss) income from discontinued operations	**(2.7)**	46.4	**(18.8)**	(97.4)
Other comprehensive loss:				
Loss on translation of net investments in foreign operations	**–**	(1.5)	**–**	(1.7)
Comprehensive (loss) income from discontinued operations	**$ (2.7)**	$ 44.9	**$ (18.8)**	$ (99.1)

Consolidated statements of cash flows

	Three months ended September 30		Nine months ended September 30	
	2015	2014	**2015**	2014
Cash flows related to operating activities	**$ (1.4)**	$ 10.2	**$ (20.2)**	$ 30.4
Cash flows related to investing activities	**–**	(1.8)	**(1.2)**	(5.2)
Cash flows (used in) provided by discontinued operations	**$ (1.4)**	$ 8.4	**$ (21.4)**	$ 25.2

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

9. DISCONTINUED OPERATIONS (continued)

Components of assets and liabilities, presented as held for sale in the consolidated balance sheet as of December 31, 2014, are as follows:

Current assets	$	70.6
Property, plant and equipment		171.4
Intangible assets		26.1
Goodwill		130.0
Assets held for sale		398.1
Current liabilities		(61.0)
Long-term liabilities		(36.9)
Liabilities held for sale		(97.9)
Net assets held for sale	$	300.2

10. NON-CONTROLLING INTERESTS AND BUSINESS ACQUISITIONS

(a) Non-controlling interests acquisitions

On March 20, 2015, TVA Group completed a rights offering, whereby TVA Group received aggregate gross proceeds of approximately $110.0 million from the issuance of 19,434,629 Class B Non-Voting Shares of TVA Group. Under the rights offering, Quebecor Media has subscribed to 17,300,259 Class B Non-Voting Shares of TVA Group at a total cost of $97.9 million and accordingly, its aggregate equity interest in TVA Group increased from 51.5% to 68.4%. The increase of Quebecor Media's interest in TVA Group was accounted for as an equity transaction and resulted in an increase of retained earnings of $14.1 million and in an equivalent decrease of non-controlling interests.

On September 9, 2015, Quebecor Media repurchased 7,268,324 of its Common Shares held by CDP Capital d'Amérique Investissement inc., a subsidiary of Caisse de dépôt et placement du Québec, for an aggregate purchase price of $500.0 million paid in cash. This transaction resulted in an increase of the Corporation interest in Quebecor Media from 75.4% to 81.1% and was accounted for as an equity transaction. Accordingly, the excess of $301.4 million of the purchase price over the carrying value of non-controlling interests of $198.6 million acquired was recorded as a $294.1 million reduction of retained earnings and as a $7.3 million increase of accumulated other comprehensive loss.

Other non-controlling interest acquisitions were made in the second quarter of 2015 resulting in a decrease of retained earnings of $0.3 million.

10. NON-CONTROLLING INTERESTS AND BUSINESS ACQUISITIONS (continued)

(b) Business acquisitions

On March 11, 2015, the Telecommunications segment acquired 4Degrees Colocation Inc. ("4Degrees Colocation") and its data center, the largest in Québec city, for a purchase price of $35.5 million in cash. An amount of $0.2 million was received in June 2015 as an adjustment related to working capital items. The acquisition will enable Videotron to meet its business customers' growing technological and hosting needs. The assets acquired are mainly comprised of tangible assets of $11.2 million, intangible assets of $5.1 million and goodwill of $19.6 million. Goodwill related to this acquisition mainly reflects 4Degrees Colocation expertise and future growth.

On April 12, 2015, TVA Group acquired 14 magazines, including some magazines that will be owned and operated in partnership, for a purchase price of $55.5 million in cash. An amount payable of $2.0 million was recorded as a preliminary adjustment related to working capital items. The transaction is in line with the strategy of investing in the production and distribution of high-quality, rich, diverse entertainment and news media content. 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 intangible assets of $19.2 million and goodwill of $34.1 million. Goodwill related to this acquisition mainly reflects content quality and anticipated synergies.

During the third quarter of 2015, an amount of $1.2 million was also paid as a post-closing adjustment relating to the MELS acquisition made by TVA Group in 2014.

The pro forma revenues and net income for the nine-month period ended September 30, 2015 would not have been significantly different than actual figures, if all business acquisitions had occurred at the beginning of the year.

11. INTANGIBLE ASSETS

<u>2015</u>

On March 6, 2015, Videotron acquired four AWS-3 spectrum licences, covering the province of Québec and the Ottawa region, at a total price of $31.8 million, for which Videotron made an initial payment of $6.4 million in the first quarter of 2015 and a final payment of $25.4 million on April 21, 2015. These licences were issued to Videotron by Industry Canada on April 21, 2015.

On May 12, 2015, Videotron acquired eighteen 2500 MHz spectrum licences, covering the province of Québec, the Ottawa region, the cities of Toronto, Vancouver, Calgary and Edmonton, for a total price of $187.0 million, paid entirely during the second quarter of 2015. These licences were issued to Videotron by Industry Canada on June 24, 2015.

<u>2014</u>

On February 19, 2014, Videotron acquired seven 700 MHz spectrum licences, covering the provinces of Québec, Ontario (except Northern Ontario), Alberta and British Columbia, at a total price of $233.3 million, for which Videotron made a cash deposit of $15.9 million in 2013, a $46.7 million payment in the first quarter of 2014 and a final payment of $170.7 million on April 2, 2014. These licences were issued to Videotron on April 3, 2014 by Industry Canada.

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

12. LONG-TERM DEBT

On March 11, 2015, Videotron issued a notice for the redemption of all of its issued and outstanding 6.375% Senior Notes due December 15, 2015, in aggregate principal amount of US$175.0 million, at a redemption price of 100.000% of their principal amount. As a result, a net gain of $1.7 million was recorded in the consolidated statement of income in the first quarter of 2015, including a gain of $1.8 million previously recorded in other comprehensive income. On April 10, 2015, the Senior Notes were redeemed and the related hedging contracts were unwound for a total cash consideration of $204.5 million.

In June 2015, Videotron amended its $575.0 million secured revolving credit facility to increase the size of the credit facility to $615.0 million and to extend the maturity date to July 2020. Videotron also entered into a new unsecured revolving credit facility of $350.0 million, maturing in July 2020. The terms and conditions of this new unsecured facility are similar to the terms and conditions of Videotron’s secured revolving credit facility. As of September 30, 2015, $369.7 million was drawn on the secured revolving credit facilities.

On June 16, 2015, Videotron issued a notice for the redemption of all of its issued and outstanding 9.125% Senior Notes due April 15, 2018, in aggregate principal amount of US$75.0 million, at a redemption price of 101.521% of their principal amount. As a result, a loss of $0.2 million was recorded in the consolidated statement of income in the second quarter of 2015, net of a gain of $2.1 million previously recorded in other comprehensive income. On July 16, 2015, the Senior Notes were redeemed and the related hedging contracts were unwound for a total cash consideration of $75.9 million.

On June 16, 2015, Videotron also issued a notice for the redemption of all of its issued and outstanding 7.125% Senior Notes due January 15, 2020, in aggregate principal amount of $300.0 million, at a redemption price of 103.563% of their principal amount. As a result, a loss of $13.6 million was recorded in the consolidated statement of income in the second quarter of 2015. On July 16, 2015, the Senior Notes were redeemed for a total cash consideration of $310.7 million.

On September 15, 2015, Videotron issued $375.0 million aggregate principal amount of Senior Notes bearing interest at 5.75% and maturing in January 2026, for net proceeds of $370.1 million, net of financing fees of $4.9 million. The Senior Notes are unsecured and contain certain restrictions, including limitations on Videotron’s ability to incur additional indebtedness, pay dividends and make other distributions. The notes are guaranteed by specific subsidiaries of Videotron and are redeemable at the option of Videotron, in whole or in part, at any time prior to September 15, 2020 at a price based on a make-whole formula and at a decreasing premium from September 15, 2020 and thereafter.

Components of long-term debt are as follows:

	September 30, 2015	December 31, 2014
Long-term debt	**$ 5,891.9**	$ 5,326.7
Change in fair value related to hedged interest rate risk	**14.6**	8.2
Adjustment related to embedded derivatives	**(5.7)**	(5.2)
Financing fees, net of amortization	**(49.6)**	(51.4)
	5,851.2	5,278.3
Less current portion	**(19.5)**	(230.1)
	$ 5,831.7	$ 5,048.2

13. 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 September 30		Nine months ended September 30	
	2015	2014	**2015**	2014
Income from continuing operations attributable to shareholders	**$ 87.0**	$ 9.8	**$ 199.7**	$ 101.4
Impact of assumed conversion of stock options of subsidiaries and of convertible debentures of the Corporation	**(48.3)**	(0.1)	**(81.0)**	(0.3)
Income from continuing operations attributable to shareholders, adjusted for dilution effect	**$ 38.7**	$ 9.7	**$ 118.7**	$ 101.1
Net income attributable to shareholders	**$ 85.1**	$ 45.1	**$ 186.6**	$ 29.4
Impact of assumed conversion of stock options of subsidiaries and of convertible debentures of the Corporation	**(48.3)**	(0.2)	**(80.9)**	(0.2)
Net income attributable to shareholders, adjusted for dilution effect	**$ 36.8**	$ 44.9	**$ 105.7**	$ 29.2
Weighted average number of shares outstanding (in millions)	**122.7**	122.9	**122.8**	123.0
Potentially dilutive effect of stock options and of convertible debentures of the Corporation (in millions)	**21.0**	–	**21.0**	–
Weighted average number of diluted shares outstanding (in millions)	**143.7**	122.9	**143.8**	123.0

For the three-month and nine-month periods ended September 30, 2015 and 2014, the diluted earnings per share calculation does not take into consideration the potential dilutive effect of certain stock options of the Corporation' subsidiaries since their impact is anti-dilutive. During the three-month and nine-month periods ended September 30, 2015, 364,500 options of Quebecor Media's plan (90,000 in 2014) and 463,371 options of TVA Group's plan (495,368 in 2014) were excluded from the diluted earnings per share calculation since their impact is anti-dilutive.

During the three-month and nine-month periods ended September 30, 2014, the diluted earnings per share calculation does not take into consideration the potential dilutive effect of the convertible debentures since their impact is anti-dilutive.

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

14. 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, 2014	38,973,172	$ 8.7	83,903,292	$ 318.5
Class A Shares converted into Class B Shares	(27,200)	–	27,200	–
Shares purchased and cancelled	–	–	(368,300)	(1.4)
Balance as of September 30, 2015	**38,945,972**	**$ 8.7**	**83,562,192**	**$ 317.1**

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. All shares purchased under the bid will be cancelled.

During the nine-month period ended September 30, 2015, the Corporation purchased and cancelled 368,300 Class B Shares for a total cash consideration of $11.1 million (455,000 Class B Shares for a total cash consideration of $11.7 million in 2014). The excess of $9.7 million of the purchase price over the carrying value of Class B Shares repurchased was recorded in reduction of retained earnings ($10.0 million in 2014).

On November 4, 2015, the Board of Directors of the Corporation declared a dividend of $0.035 per share on Class A Shares and Class B Shares, or approximately $4.3 million, payable on December 15, 2015 to shareholders of record at the close of business on November 20, 2015.

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

15. STOCK-BASED COMPENSATION PLANS

Outstanding options

The following table provides details of changes to outstanding options in the principal stock-based compensation plans in which management of the Corporation and its subsidiaries participates, for the nine-month period ended September 30, 2015:

	Outstanding options	
	Number	Weighted average exercise price
Quebecor		
As of December 31, 2014 and September 30, 2015	**1,310,000**	**$ 25.36**
Vested options as of September 30, 2015	**100,000**	**$ 22.23**
Quebecor Media		
As of December 31, 2014	1,631,959	$ 55.15
Granted	369,500	70.56
Exercised	(468,507)	50.31
Cancelled	(37,600)	59.05
As of September 30, 2015	**1,495,352**	**$ 60.37**
Vested options as of September 30, 2015	**254,919**	**$ 51.44**
TVA Group		
As of December 31, 2014	525,368	$ 15.25
Granted	80,000	6.85
Cancelled	(82,366)	13.68
Expired	(59,631)	21.28
As of September 30, 2015	**463,371**	**$ 13.30**
Vested options as of September 30, 2015	**369,371**	**$ 14.81**

During the three-month period ended September 30, 2015, 225,835 stock options of Quebecor Media were exercised for a cash consideration of $3.9 million (24,500 stock options for $0.4 million in 2014). During the nine-month period ended September 30, 2015, no stock options of Quebecor were exercised (527,208 stock options for $4.2 million in 2014) and 468,507 stock options of Quebecor Media were exercised for a cash consideration of $9.3 million (210,750 stock options for $3.4 million in 2014).

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

15. STOCK-BASED COMPENSATION PLANS (continued)

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 the mid-term stock-based compensation plan, for the nine-month period ended September 30, 2015:

	Outstanding units	
	Number	Weighted average exercise price
As of December 31, 2014	803,517	$ 26.22
Granted	672,829	31.62
As of September 30, 2015	**1,476,346**	**$ 28.68**

During the first quarter of 2014, a cash consideration of $3.7 million was paid upon exercise of 480,148 units.

For the three-month period ended September 30, 2015, a consolidated charge related to all stock-based compensation plans was recorded in the amount of $0.8 million ($3.7 million in 2014). For the nine-month period ended September 30, 2015, a consolidated charge related to all stock-based compensation plans was recorded in the amount of $2.7 million (a net reversal of the charge of $1.6 million in 2014).

16. ACCUMULATED OTHER COMPREHENSIVE LOSS

	Translation of net investments in foreign operations	**Cash flow hedges**	**Defined benefit plans**	**Total**
Balance as of December 31, 2013	$ 1.2	$ (16.0)	$ (8.3)	$ (23.1)
Other comprehensive loss	(1.2)	(21.8)	–	(23.0)
Balance as of September 30, 2014	–	(37.8)	(8.3)	(46.1)
Other comprehensive income (loss)	–	8.6	(26.9)	(18.3)
Balance as of December 31, 2014	–	(29.2)	(35.2)	(64.4)
Other comprehensive income	–	8.0	–	8.0
Acquisition of non-controlling interests (note 10)	–	(5.1)	(2.2)	(7.3)
Balance as of September 30, 2015	**$ –**	**$ (26.3)**	**$ (37.4)**	**$ (63.7)**

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 3/4-year period.