MANAGEMENT DISCUSSION AND ANALYSIS

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CORPORATE PROFILE

This Management Discussion and Analysis covers the main activities of Quebecor Inc. (“Quebecor” or “the Corporation”) in the first quarter of 2014 and the major changes from the previous financial year.

All amounts are stated in Canadian dollars unless otherwise indicated. This report should be read in conjunction with the information in the consolidated financial statements and Management Discussion and Analysis for the financial year ended December 31, 2013.

Quebecor is a holding company with a 75.4% interest in Quebecor Media Inc. (“Quebecor Media”), one of Canada’s largest media groups. Quebecor Media’s subsidiaries operate in the following business segments: Telecommunications, News Media, Broadcasting, Leisure and Entertainment, and Interactive Technologies and Communications. Quebecor Media is pursuing a convergence strategy to capture synergies among all its media properties.

Since the third quarter of 2013, financial data for the Le SuperClub Vidéotron ltée subsidiary (“Le SuperClub Vidéotron”) has been presented in the Leisure and Entertainment segment instead of the Telecommunications segment. Since the fourth quarter of 2013, financial data for the Quebecor Media Out of Home division has been presented in the Broadcasting segment instead of the News Media segment. Accordingly, the Corporation’s segmented financial data for prior periods have been restated to reflect those changes.

DISCONTINUED OPERATIONS

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 December 5, 2013, Quebecor Media announced the sale of 74 Québec weeklies to Transcontinental Interactive Inc., a subsidiary of Transcontinental Inc., for a cash consideration of $75.0 million. The transaction is subject to approval by regulatory authorities, specifically the Competition Bureau. While it is under review, Sun Media Corporation continues publishing the weeklies in question. 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.

Quebecor Media sold its specialized website *Jobboom* on June 1, 2013 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, Quebecor Media 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, were 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 segment operating results.

HIGHLIGHTS SINCE END OF 2013

- Quebecor’s sales increased by $11.4 million (1.1%) to $1.04 billion in the first quarter of 2014, mainly because of the 4.8% revenue growth in the Telecommunications segment.
- On April 28, 2014, Quebecor announced major management changes at the Corporation and its subsidiaries. Pierre Dion, President and Chief Executive Officer of TVA Group Inc. (“TVA Group”), was appointed President and Chief Executive Officer of Quebecor and Quebecor Media, replacing Robert Dépatie who resigned as President and Chief Executive Officer of Quebecor, Quebecor Media and Videotron Ltd. (“Videotron”) for health reasons. Pierre Dion will continue to serve as President and Chief Executive Officer of TVA Group until his successor is named. Manon Brouillette was named President and Chief Executive Officer of Videotron on May 7, 2014.
- On March 9, 2014, Pierre Karl Péladeau resigned all his positions on the Boards of Directors of Quebecor and its subsidiaries following his decision to enter politics. Subsequently, Sylvie Lalande was appointed Chairperson of the Board of TVA Group on March 10,2014 and Françoise Bertrand was appointed Chairperson of the Board of Quebecor Media on March 12, 2014.

Telecommunications

- The Telecommunications segment's revenues were up $31.8 million (4.8%) and its adjusted operating income was up $21.9 million (7.0%) in the first quarter of 2014.
- All of Videotron's main services posted revenue increases in the first quarter of 2014: Internet access ($13.6 million or 6.9%), mobile telephony ($11.7 million or 23.4%), cable telephony ($2.2 million or 1.9%), and cable television ($0.8 million or 0.3%).
- On March 28, 2014, Apple products were added to the extensive selection of mobile devices Videotron offers to its customers. On the same day, Videotron released its new illico app for the iPhone 4 and 5 (5C and 5S). The illico iPhone app makes thousands of hours of French- and English-language programming from some 50 television channels available free of charge to subscribers to Videotron's cable television service.
- On February 19, 2014, Industry Canada announced that Videotron was the successful bidder for seven 700 MHz spectrum licences in Canada's four most populous provinces. The operating licences, acquired for $233.3 million, cover the entirety of the provinces of Québec, Ontario (except Northern Ontario), Alberta and British Columbia. They make it possible to reach approximately 80% of Canada's population, more than 28 million people. The licences were issued to Videotron on April 3, 2014 after final payment was made to Industry Canada.

News Media

- The News Media segment's revenues were down $16.0 million (-8.6%) and its adjusted operating income was up $0.3 million (2.0%) in the first quarter of 2014.
- According to the NADbank 2013 survey of the readership of major Canadian dailies, *Le Journal de Montréal* has a weekly readership of 1,157,100, which is 314,000 or 37.2% more than its closest competitor. It had the largest readership of any Montréal daily for the 28th consecutive year. *Le Journal de Québec* reaches 355,300 readers per week, which is 88,000 or 32.9% more than its nearest rival. The free daily *24 heures* increased its weekly readership by 14,800 from the previous year to a new high of 742,900 (source: NADbank 2013, Montréal CMA, Québec City CMA).

Broadcasting

- The second season of the television program *La Voix* achieved exceptional ratings throughout its run from January 19 to April 13, 2014. The weekly gala attracted an average audience of more than 2.6 million and an average market share of 56.9%. The average audience for the grand finale on April 13, 2014 was 2.7 million, for a 61.9% market share. 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.

Financing activities

The following financial transactions have been concluded since the end of 2013.

- On April 9, 2014, Videotron issued US$600.0 million aggregate principal amount of 5.375% Senior Notes maturing on June 15, 2024, for net proceeds of $646.4 million, net of financing fees of $7.8 million. Videotron fully hedged the exchange risk on the new Senior Notes by means of cross-currency interest rate swaps. It also converted the fixed interest rate on a US$158.6 million tranche of the Senior Notes to a floating rate.
- Videotron used the proceeds from the April 9, 2014 issuance of Senior Notes to prepay and withdraw, on April 24, 2014, US$260 million principal amount of its outstanding 9.125% Senior Notes, issued on March 5, 2009 and due April 15, 2018, to repay drawings under its revolving credit facility, pay transaction fees and expenses, and for general corporate purposes. Strong demand enabled Videotron to upsize the offering with favorable pricing, which clearly demonstrates the strength of the subsidiary's business and credit profile.
- On April 25, 2014, Quebecor Media completed the redemption and early repayment of all of its outstanding 7.75% Senior Notes in the aggregate principal amount of US$380.0 million, issued on October 5, 2007 and maturing on March 15, 2016, and unwound the hedges in an asset position.

NON-IFRS FINANCIAL MEASURES

The financial measures not standardized under International Financial Reporting Standards ("IFRS") that are used by the Corporation to assess its financial performance, such as adjusted operating income, adjusted income from continuing operations, cash flows from segment operations, free cash flows from continuing operating activities of the Quebecor Media subsidiary, and average monthly revenue per user ("ARPU"), 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 under IFRS, as net income before amortization, financial expenses, gain on valuation and translation of financial instruments, charge for restructuring of operations, impairment of assets and other special items, loss on debt refinancing, income taxes, and loss related to 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 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. In addition, measures like adjusted operating income are commonly used by the investment community to analyze and compare the performance of companies in the industries in which the Corporation is engaged. The Corporation's definition of adjusted operating income may not be the same as similarly titled measures reported by other companies.

Table 1 below provides a reconciliation of adjusted operating income to net income as disclosed in Quebecor's condensed consolidated financial statements.

Table 1
Reconciliation of the adjusted operating income measure used in this report to the net income measure used in the condensed consolidated financial statements
(in millions of Canadian dollars)

	Three months ended March 31	
	2014	2013
Adjusted operating (loss) income:		
Telecommunications	**$ 334.6**	$ 312.7
News Media	**15.4**	15.1
Broadcasting	**(10.8)**	(3.8)
Leisure and Entertainment	**(2.0)**	0.1
Interactive Technologies and Communications	**2.6**	1.3
Head Office	**6.7**	(0.4)
	346.5	325.0
Amortization	**(169.6)**	(162.0)
Financial expenses	**(90.8)**	(97.2)
Gain on valuation and translation of financial instruments	**2.0**	7.7
Restructuring of operations, impairment of assets and other special items	**(1.5)**	(1.6)
Loss on debt refinancing	**(18.7)**	–
Income taxes	**(18.5)**	(22.3)
Loss from discontinued operations	**(0.7)**	(3.9)
Net income	**$ 48.7**	$ 45.7

Adjusted Income from Continuing Operations

The Corporation defines adjusted income from continuing operations, as reconciled to net income attributable to shareholders under IFRS, as net income attributable to shareholders before gain on valuation and translation of financial instruments, charge for restructuring of operations, impairment of assets and other special items, loss on debt refinancing, net of income tax related to adjustments, net income attributable to non-controlling interests related to adjustments, and loss 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. In addition, this measure is commonly used by the investment community to analyze and compare corporate performance. The Corporation's definition of adjusted income from continuing operations may not be identical to similarly titled measures reported by other companies.

Table 2 provides a reconciliation of adjusted income from continuing operations to the net income attributable to shareholders measure used in Quebecor's condensed consolidated financial statements.

Table 2
Reconciliation of the adjusted income from continuing operations measure used in this report to the net income attributable to shareholders measure used in the condensed consolidated financial statements
(in millions of Canadian dollars)

	Three months ended March 31	
	2014	2013
Adjusted income from continuing operations	**$ 49.3**	$ 36.0
Gain on valuation and translation of financial instruments	**2.0**	7.7
Restructuring of operations, impairment of assets and other special items	**(1.5)**	(1.6)
Loss on debt refinancing	**(18.7)**	–
Income taxes related to adjustments[1]	**7.3**	(3.3)
Net income attributable to non-controlling interest related to adjustments	**2.8**	(0.3)
Discontinued operations	**(0.5)**	(2.9)
Net income attributable to shareholders	**$ 40.7**	$ 35.6

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

Cash Flows from Segment Operations

Cash flows from segment operations represents adjusted operating income, less additions to property, plant and equipment and 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, the payment of dividends, and the repayment of long-term debt. 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 9 and 10 provide a reconciliation of cash flows from segment operations to cash flows provided by continuing operating activities reported in Quebecor's condensed consolidated financial statements.

Free Cash Flows from Continuing Operating Activities of the Quebecor Media Subsidiary

Free cash flows from continuing operating activities of the Quebecor Media subsidiary represents cash flows provided by its continuing operating activities calculated in accordance with IFRS, less additions to property, plant and equipment and to intangible assets (excluding disbursements for licence acquisitions and renewals), plus proceeds from disposal of assets. Free cash flows from continuing operating activities is used by the Corporation's management and Board of Directors to evaluate cash flows generated by the operations of the Quebecor Media subsidiary. Free cash flows from continuing operating activities represents Quebecor Media's available funds for business acquisitions, licence acquisitions and renewals, the payment of dividends, and the repayment of long-term debt. 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 10 provides a reconciliation of free cash flows from continuing operating activities of Quebecor Media to cash flows provided by continuing operating activities reported in Quebecor's condensed consolidated financial statements.

Average Monthly Revenue per User

ARPU is an industry metric that the Corporation uses to measure its monthly cable television, Internet access, cable and mobile telephony revenues per average basic cable 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 cable television, Internet access, and cable and mobile telephony revenues by the average number of basic customers during the applicable period, and then dividing the resulting amount by the number of months in the applicable period.

ANALYSIS OF CONSOLIDATED RESULTS OF QUEBECOR

2014/2013 first quarter comparison

Revenues: $1.04 billion, an $11.4 million (1.1%) increase.

- Revenues increased in Telecommunications ($31.8 million or 4.8% of segment revenues).
- Revenues were flat in Interactive Technologies and Communications.
- Revenues decreased in News Media ($16.0 million or -8.6%), Broadcasting ($4.8 million or -4.2%), and Leisure and Entertainment ($2.7 million or -4.2%).

Adjusted operating income: $346.5 million, a $21.5 million (6.6%) increase.

- Adjusted operating income increased in Telecommunications ($21.9 million or 7.0% of segment adjusted operating income), Interactive Technologies and Communications ($1.3 million), News Media ($0.3 million or 2.0%), and Head Office ($7.1 million). The increase at Head Office was due to the change in the stock option expense.
- Adjusted operating income decreased in Broadcasting ($7.0 million) and Leisure and Entertainment ($2.1 million).
- The change in the fair value of Quebecor Media stock options resulted in a $1.9 million unfavourable variance in the stock-based compensation charge in the first quarter of 2014 compared with the same period of 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 an $8.4 million favourable variance in the Corporation's stock-based compensation charge in the first quarter of 2014.

Net income attributable to shareholders: $40.7 million ($0.33 per basic share) in the first quarter of 2014 compared with $35.6 million ($0.29 per basic share) in the same period of 2013, a favourable variance of $5.1 million ($0.04 per basic share).

- The favourable variance was due primarily to:
  - $21.5 million increase in adjusted operating income;
  - $6.4 million decrease in financial expenses;
  - $3.8 million decrease in tax on income from continuing operations;
  - $3.2 million favourable variance in the loss related to discontinued operations;
  - $2.1 million decrease in income attributable to non-controlling interest.

  Partially offset by:
  - $18.7 million loss on debt refinancing recorded in the first quarter of 2014;
  - $7.6 million increase in the amortization charge;
  - $5.7 million unfavourable variance in gains on valuation and translation of financial instruments.

Adjusted income from continuing operations: $49.3 million ($0.40 per basic share) in the first quarter of 2014, compared with $36.0 million ($0.29 per basic share) in the same period of 2013, an increase of $13.3 million ($0.11 per basic share).

Amortization charge: $169.6 million in the first quarter of 2014, a $7.6 million increase essentially due to the impact of the significant capital expenditures made since 2012 in the Telecommunications segment, including amortization of capital expenditures related to modernization of the wired network and expansion of the wireless network, plus the impact of the promotional strategy focused on equipment leasing.

Financial expenses: $90.8 million, a $6.4 million decrease caused mainly by the impact of lower interest rates on long-term debt due to debt refinancing at lower rates.

Gain on valuation and translation of financial instruments: $2.0 million in the first quarter of 2014, compared with $7.7 million in the first quarter of 2013. The change 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, and to the gain on reversal of embedded derivatives upon debt redemption in the first quarter of 2014.

Charge for restructuring of operations, impairment of assets and other special items: $1.5 million in the first quarter of 2014, compared with $1.6 million in the same period of 2013.

Loss on debt refinancing: $18.7 million in the first quarter of 2014 compared with nil in the same period of 2013.

- On March 26, 2014, Videotron issued a notice for the redemption on April 24, 2014 of 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 redemption price of 103.042% of their principal amount. A net loss of $21.4 million 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."
- On March 26, 2014, Quebecor Media issued a notice for the redemption on April 25, 2014 of 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. 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: $18.5 million (effective tax rate of 27.2%) in the first quarter of 2014 compared with $22.3 million (effective tax rate of 31.0%) in the same period of 2013.

- The decrease in the income tax expense was mainly due to the decrease in pre-tax income and the decrease in the tax rate, which was due to the impact of the tax rate mix on the various components of the gain on valuation and translation of financial instruments and the loss on debt refinancing.

SEGMENTED ANALYSIS

Telecommunications

First quarter 2014 operating results

Revenues: $692.7 million, a $31.8 million (4.8%) increase.

- Combined revenues from all cable television services increased $0.8 million (0.3%) to $272.8 million, due primarily to higher revenues from the leasing of digital set-top boxes and increased pay-per-view orders, partially offset by the impact of the net decrease in the customer base.
- Revenues from Internet access services increased $13.6 million (6.9%) to $212.0 million. The favourable variance was mainly due to increased usage, higher revenues from Internet access resellers, customer base growth, and increases in other related revenues.
- Revenues from the cable telephony service increased $2.2 million (1.9%) to $117.9 million, primarily as a result of increases in some rates and in the number of business lines, partially offset by a decrease in long-distance revenues.
- Revenues from the mobile telephony service increased $11.7 million (23.4%) to $61.7 million, essentially due to customer growth.
- Revenues of Videotron Business Solutions increased $0.9 million (5.7%) to $16.7 million.
- Revenues from customer equipment sales increased $1.9 million (27.5%) to $8.8 million, mainly because of increased sales of more powerful equipment and the growth in the number of subscriber connections to the mobile service.
- Other revenues increased $0.7 million (33.3%) to $2.8 million.

ARPU: $121.72 in the first quarter of 2014, compared with $114.49 in the same period of 2013, a $7.23 (6.3%) increase.

Customer statistics

Revenue-generating units – As of March 31, 2014, the total number of revenue-generating units stood at 5,039,400, a 600-unit decrease since the end of 2013 (compared with a 31,100-unit increase in the first quarter of 2013) and a 91,000-unit increase in the 12-month period ended March 31, 2014 (Table 3). Revenue-generating units are the sum of cable television, cable and mobile Internet access, and cable telephony service subscriptions and subscriber connections to the mobile telephony service.

Cable television – The combined customer base for all of Videotron’s cable television services decreased by 14,000 (-0.8%) in the first quarter of 2014 (compared with a decrease of 5,800 in the first quarter of 2013) and by 38,100 (-2.1%) in the 12-month period ended March 31, 2014 (Table 3). At the end of the first quarter of 2014, Videotron had 1,811,100 subscribers to its cable television services. The household and business penetration rate (number of subscribers as a proportion of the total 2,750,200 homes and businesses passed by Videotron’s network as of the end of March 2014, up from 2,710,000 one year earlier) was 65.9% versus 68.2% a year earlier.

- As of March 31, 2014, the number of subscribers to the illico Digital TV service stood at 1,532,700, an increase of 1,300 or 0.1% in the first quarter of 2014 (compared with an increase of 15,700 in the first quarter of 2013) and a 12-month increase of 32,400 (2.2%). As of March 31, 2014, illico Digital TV had a household and business penetration rate of 55.7% versus 55.4% a year earlier.
- The customer base for analog cable television services decreased by 15,300 (-5.2%) in the first quarter of 2014 (compared with a decrease of 21,500 in the first quarter of 2013) and by 70,500 (-20.2%) over a 12-month period.

Cable Internet access – The number of subscribers to cable Internet access services stood at 1,419,200 at March 31, 2014, an increase of 900 (0.1%) in the first quarter of 2014 (compared with an increase of 9,600 in the same period of 2013) and an increase of 21,900 (1.6%) in the 12-month period ended March 31, 2014 (Table 3). At March 31, 2014, Videotron’s cable Internet access services had a household and business penetration rate of 51.6%, unchanged from a year earlier.

Cable telephony service – The number of subscribers to the cable telephony service stood at 1,280,400 at March 31, 2014, a decrease of 5,700 (-0.4%) in the first quarter of 2014 (compared with an increase of 9,100 in the first quarter of 2013) and a 12-month increase of 6,400 (0.5%) (Table 3). At March 31, 2014, the cable telephony service had a household and business penetration rate of 46.6% versus 47.0% a year earlier.

Mobile telephony service – As of March 31, 2014, the number of subscriber connections to the mobile telephony service stood at 521,600, an increase of 18,300 (3.6%) in the first quarter of 2014 (compared with an increase of 18,300 in the first quarter of 2013) and an increase of 100,700 (23.9%) in the 12-month period ended March 31, 2014 (Table 3).

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

	Mar. 2014	Dec. 2013	Sept. 2013	June 2013	Mar. 2013	Dec. 2012	Sept. 2012	June 2012
Cable television:								
Analog	**278.4**	293.7	312.8	330.4	348.9	370.4	395.1	412.9
Digital	**1,532.7**	1,531.4	1,517.6	1,502.0	1,500.3	1,484.6	1,457.8	1,425.0
	1,811.1	1,825.1	1,830.4	1,832.4	1,849.2	1,855.0	1,852.9	1,837.9
Cable Internet	**1,419.2**	1,418.3	1,408.2	1,395.4	1,397.3	1,387.7	1,369.6	1,341.1
Cable telephony	**1,280.4**	1,286.1	1,281.2	1,274.7	1,274.0	1,264.9	1,249.7	1,223.4
Mobile telephony[1]	**521.6**	503.3	478.0	451.1	420.9	402.6	378.3	347.6
Internet over wireless	**7.1**	7.2	7.1	7.8	7.0	7.1	7.4	6.8
Total (revenue-generating units)	**5,039.4**	5,040.0	5,004.9	4,961.4	4,948.4	4,917.3	4,857.9	4,756.8

[1] Thousands of connections

Adjusted operating income: $334.6 million, a $21.9 million (7.0%) increase due primarily to impact of revenue increase.

Cost/revenue ratio: Employee costs and purchases of goods and services for the Telecommunications segment's operations, expressed as a percentage of revenues, were 51.7% in the first quarter of 2014 compared with 52.7% in the same period of 2013. The decrease was mainly due to the impact of revenue growth (as the fixed component of operating costs does not fluctuate in proportion to revenues).

Cash flows from segment operations: $170.1 million in the first quarter of 2014, compared with $155.0 million in the same period of 2013 (Table 4).

- The $15.1 million increase was due primarily to the $21.9 million increase in adjusted operating income.

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

	Three months ended March 31	
	2014	2013
Adjusted operating income	**$ 334.6**	$ 312.7
Additions to property, plant and equipment	**(143.0)**	(145.6)
Additions to intangible assets (excluding spectrum licence acquisitions)	**(22.2)**	(13.0)
Proceeds from disposal of assets	**0.7**	0.9
Cash flows from segment operations	**$ 170.1**	$ 155.0

News Media

First quarter 2014 operating results

Revenues: $169.2 million in the first quarter of 2014, a $16.0 million (-8.6%) decrease.

- Revenues decreased by $2.4 million because of the closure of newspapers and specialty publications since the end of 2012 under restructuring initiatives.
- On a same-store basis, advertising revenues decreased 11.9%; circulation revenues decreased 3.7%, combined revenues from commercial printing and other sources were flat, and digital revenues increased 16.3%.
- On a same-store basis, revenues decreased 8.7% at the urban dailies and 9.0% at the community weeklies; portal revenues increased 10.9%, mainly because of the increase in advertising revenues.

Adjusted operating income: $15.4 million in the first quarter of 2014, a $0.3 million (2.0%) increase.

- The increase was mainly due to:
  - o $12.0 million favourable impact of restructuring initiatives and other reductions in operating expenses.

  Partially offset by:

  - o impact of decrease in revenues on a same-store basis.

Cost/revenue ratio: Employee costs and purchases of goods and services for the News Media segment's operations, expressed as a percentage of revenues, were 90.9% in the first quarter of 2014 compared with 91.8% in the same period of 2013. The decrease was due to the favourable impact of operating cost-reduction initiatives on first quarter 2014 results, partially offset by the impact of the fixed component of operating costs, which does not fluctuate in proportion to revenue decreases.

Cash flows from segment operations: $12.3 million in the first quarter of 2014 compared with $12.2 million in the same period of 2013 (Table 5).

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

	Three months ended March 31	
	2014	2013
Adjusted operating income	**$ 15.4**	$ 15.1
Additions to property, plant and equipment	**(1.8)**	(2.2)
Additions to intangible assets	**(1.4)**	(1.0)
Proceeds from disposal of assets	**0.1**	0.3
Cash flows from segment operations	**$ 12.3**	$ 12.2

Broadcasting

First quarter 2014 operating results

Revenues: $108.9 million in the first quarter of 2014, a $4.8 million (-4.2%) decrease.

- Revenues from television operations decreased $7.1 million, mainly due to:
  - lower advertising revenues at TVA Network;
  - discontinuation of operations of TVA Boutiques in the third quarter of 2013.

  Partially offset by:
  - increased subscription revenues at the specialty channels, attributable largely to the TVA Sports, LCN, MOI&cie, addik^{TV} and SUN News channels.
- Total revenues from publishing operations increased by $1.2 million, mainly because of the favourable impact on revenues of the acquisition of Les Publications Charron & Cie inc. (“Les Publications Charron & Cie”) in July 2013, partially offset by the decrease in advertising revenues.
- Revenues of Quebecor Media Out of Home increased by $1.1 million in the first quarter of 2014 compared with the same period of 2013, primarily because of higher advertising revenues.

Adjusted operating loss: $10.8 million in the first quarter of 2014, a $7.0 million increase compared with the first quarter of 2013.

- The adjusted operating loss of television operations increased by $9.5 million, mainly because of the impact of the revenue decrease at TVA Network and higher content costs, including additional costs generated by the Québec provincial election campaign, as well as adjustments to the cost of certain prior-year broadcast rights related to indemnification clauses.
- Adjusted operating income from publishing operations increased by $2.0 million, mainly as a result of:
  - reductions in some operating costs, including printing and production costs;
  - impact of acquisition of Les Publications Charron & Cie.

  Partially offset by:
  - impact of decrease in advertising revenues.
- The adjusted operating loss of Quebecor Media Out of Home decreased by $0.4 million, mainly as a result of increased revenues.

Cost/revenue ratio: Employee costs and purchases of goods and services for the Broadcasting segment’s operations, expressed as a percentage of revenues, were 109.9% in the first quarter of 2014 compared with 103.3% in the same period of 2013. The increase was mainly due to the impact of the revenue decrease (as the fixed component of operating costs does not fluctuate in proportion to the decrease in revenues) and higher content costs.

Cash flows from segment operations: Negative $20.3 million in the first quarter of 2014 compared with negative $9.8 million in the same period of 2013 (Table 6). The $10.5 million negative variance was mainly due to the $7.0 million increase in the adjusted operating loss and a $3.3 million increase in additions to property, plant and equipment.

Table 6: Broadcasting
Cash flows from operations
(in millions of Canadian dollars)

	Three months ended March 31	
	2014	2013
Adjusted operating loss	**$ (10.8)**	$ (3.8)
Additions to property, plant and equipment	**(8.7)**	(5.4)
Additions to intangible assets	**(0.8)**	(0.6)
Cash flows from segment operations	**$ (20.3)**	$ (9.8)

Leisure and Entertainment

First quarter 2014 operating results

Revenues: $61.6 million, a $2.7 million (-4.2%) decrease compared with the first quarter of 2013.

- The revenues of Archambault Group Inc. ("Archambault Group") decreased 6.2%, mainly because of:
  - 9.2% decrease in retail sales due primarily to lower sales of DVDs, books and CDs;
  - 14.6% decrease in distribution revenues, mainly because of lower video sales.

  Partially offset by:
  - Increase in production revenues, attributable primarily to production of the Loto-Québec televised draw and show *Célébration 2014,* and production of shows featuring successful performers including Véronique Dicaire and Nanette Workman.
- Revenues of the Le SuperClub Vidéotron retail chain decreased by 24.4%, mainly because of lower franchise fee revenues and store closures.
- The Book division's revenues decreased by 8.6%, mainly because of lower revenues from distribution to mass retailers and bookstores, and from general literature.

Partially offset by:

- Favourable impact of revenues from the acquisition of Event Management Gestev inc. on May 24, 2013.

Adjusted operating loss: $2.0 million in the first quarter of 2014, a $2.1 million unfavourable variance due primarily to:

- impact of revenue decrease.

Partially offset by:

- lower operating expenses at Archambault Group and the Book Division.

Cash flows from segment operations: Negative $5.2 million in the first quarter of 2014 compared with negative $1.1 million in the same period of 2013 (Table 7).

- The $4.1 million unfavourable variance was due to the $2.1 million unfavourable variance in adjusted operating income and a $2.0 million increase in additions to property, plant and equipment and to intangible assets.

Table 7: Leisure and Entertainment
Cash flows from operations
(in millions of Canadian dollars)

	Three months ended March 31	
	2014	2013
Adjusted operating (loss) income	**$ (2.0)**	$ 0.1
Additions to property, plant and equipment	**(2.3)**	(0.5)
Additions to intangible assets	**(0.9)**	(0.7)
Cash flows from segment operations	**$ (5.2)**	$ (1.1)

Interactive Technologies and Communications

First quarter 2014 operating results

Revenues: Stable at $35.1 million.

- Lower volume from Canadian customers, due in part to a decrease in intersegment revenues from other segments of Quebecor Media;
- lower volume in France.

Partially offset by:

- higher revenues at the San Francisco office in the United States;
- favourable impact of the exchange rate in Europe and the United States.

Adjusted operating income: $2.6 million in the first quarter of 2014, a $1.3 million increase caused mainly by the decrease in some operating costs, including labour costs.

Cash flows from segment operations: $2.1 million in the first quarter of 2014, compared with $0.5 million in the same period of 2013 (Table 8).

- The $1.6 million favourable variance was mainly due to the $1.3 million increase in adjusted operating income.

Table 8: Interactive Technologies and Communications
Cash flows from operations
(in millions of Canadian dollars)

	Three months ended March 31	
	2014	2013
Adjusted operating income	**$ 2.6**	$ 1.3
Additions to property, plant and equipment	**(0.5)**	(0.8)
Cash flows from segment operations	**$ 2.1**	$ 0.5

CASH FLOWS AND FINANCIAL POSITION

This section provides an analysis of sources and uses of cash flows, as well as an analysis of financial position as of the balance sheet date.

Operating activities

Cash flows provided by operating activities: $177.2 million in the first quarter of 2014, compared with $129.4 million in the same period of 2013.

- The $47.8 million favourable variance was mainly due to:
  - $21.9 million increase in adjusted operating income in the Telecommunications segment;
  - $17.8 million decrease in current income taxes;
  - $6.3 million decrease in the cash portion of financial expenses.

The increase in the Telecommunications segment's profitability, the decrease in current income taxes (due primarily to the tax loss generated by settlement of Videotron's hedges in January 2014) and the refinancing of some debt at lower rates had a favourable impact on cash flows.

Working capital: $157.2 million at March 31, 2014, compared with $63.4 million at December 31, 2013. The $93.8 million favourable variance was mainly due to settlement of Videotron's hedges and payment of current income taxes payable.

Investing activities

Additions to property, plant and equipment: $156.3 million in the first quarter of 2014 compared with $154.7 million in the same period of 2013, a $1.6 million increase.

Additions to intangible assets: $71.8 million in the first quarter of 2014, compared with $15.4 million in the same period of 2013. The Telecommunications segment accounted for the largest part of the $56.4 million increase, reflecting partial payment for the seven 700 MHz spectrum licences acquired by Videotron in February 2014.

Proceeds from disposal of assets: $0.8 million in the first half of 2014 compared with $1.2 million in the same period of 2013.

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

Free cash flows from continuing operating activities of Quebecor Media: Negative $3.0 million in the first quarter of 2014 compared with negative $33.3 million in the same period of 2013 (Table 9).

- The $30.3 million favourable variance was due to:
  - $42.0 million favourable variance in cash flows provided by continuing operating activities.

  Offset by:
  - $9.7 million increase in additions to intangible assets, excluding acquisition of spectrum licences.

Table 9
Cash flows from segment operations and free cash flows from continuing operating activities of Quebecor Media
(in millions of Canadian dollars)

	Three months ended March 31	
	2014	2013
Cash flows from segment operations		
Telecommunications	**$ 170.1**	$ 155.0
News Media	**12.3**	12.2
Broadcasting	**(20.3)**	(9.8)
Leisure and Entertainment	**(5.2)**	(1.1)
Interactive Technologies and Communications	**2.1**	0.5
Quebecor Media Head Office	**3.6**	0.7
	162.6	157.5
Cash interest expense	**(84.8)**	(90.6)
Cash portion of charge for restructuring of operations, impairment of assets and other special items	**(1.0)**	(0.8)
Current income taxes	**(6.4)**	(24.3)
Other	**1.8**	1.2
Net change in non-cash balances related to operations	**(75.2)**	(76.3)
Free cash flows from continuing operating activities of Quebecor Media	**$ (3.0)**	$ (33.3)

Table 10
Free cash flows from continuing operating activities of Quebecor Media and cash flows provided by operating activities of Quebecor
(in millions of Canadian dollars)

	Three months ended March 31	
	2014	2013
Free cash flows from continuing operating activities of Quebecor Media presented in Table 9	**$ (3.0)**	$ (33.3)
Quebecor Head Office cash flow items:		
Cash flows from segment operations	**3.3**	(1.4)
Cash interest expense	**(3.0)**	(3.5)
Other	**0.1**	0.3
Net change in non-cash balances related to operations	**(0.8)**	(1.6)
	(0.4)	(6.2)
Plus additions to property, plant and equipment	**156.3**	154.7
Plus additions to intangible assets (excluding expenditures for licence acquisitions)	**25.1**	15.4
Minus proceeds from disposal of assets	**(0.8)**	(1.2)
Cash flows provided by continuing operating activities of Quebecor	**$ 177.2**	$ 129.4

Financing activities

Consolidated debt (long-term debt plus bank indebtedness): $235.7 million increase in the first quarter of 2014; $209.9 million favourable net variance in assets and liabilities related to derivative financial instruments.

- Summary of debt increases during the first quarter of 2014:
  - $125.8 million net increase in drawings on Videotron's revolving bank credit facilities and bank loan;
  - Estimated $110.7 million unfavourable impact of exchange rate fluctuations. The increase in this item is offset by a decrease in the liability (or increase in the asset) related to cross-currency swap agreements entered under "Derivative financial instruments";
  - $15.1 million net increase in debt due to write-down of discounts and financing fees in connection with the redemption in April 2014 of Quebecor Media and Videotron Senior Notes in accordance with the notices issued on March 26, 2014.
- Summary of debt reductions during the first quarter of 2014:
  - $11.4 million reduction in Quebecor's debt;
  - current payments totalling $6.2 million on Quebecor Media's credit facilities.
- Assets and liabilities related to derivative financial instruments totalled a net asset of $158.5 million at March 31, 2014, compared with a net liability of $51.4 million at December 31, 2013. The $209.9 net favourable variance was due to:
  - settlement at maturity on January 15, 2014 of liabilities related to Videotron's hedges, which had been repurposed to cover a portion of the term of 5.0% Senior Notes in the notional amount of US$543.1 million issued on March 14, 2012 and maturing in 2022;
  - favourable impact of exchange rate fluctuations on the value of derivative financial instruments.

  Offset by:

  - unfavourable impact of interest rate trends in Canada, compared with the United States, on the fair value of derivative financial instruments.

- On April 9, 2014, Videotron issued US$600.0 million aggregate principal amount of 5.375% Senior Notes maturing on June 15, 2024, for net proceeds of $646.4 million, net of financing fees of $7.8 million. Videotron fully hedged the exchange risk on the new Senior Notes by means of cross-currency interest rate swaps. It also converted the fixed interest rate on a US$158.6 million tranche of the Senior Notes to a floating rate.
- Videotron used the proceeds from the April 9, 2014 issuance of Senior Notes to prepay and withdraw on April 24, 2014 US$260 million principal amount of its outstanding 9.125% Senior Notes, issued on March 5, 2009 and due April 15, 2018, to repay drawings under its revolving credit facility, pay transaction fees and expenses, and for general corporate purposes. Strong demand enabled Videotron to upsize the offering with favorable pricing, which clearly demonstrates the strength of the subsidiary's business and credit profile.
- On April 25, 2014, Quebecor Media completed the redemption and early repayment of all of its outstanding 7.75% Senior Notes in the aggregate principal amount of US$380.0 million, issued on October 5, 2007 and maturing on March 15, 2016, and unwound the hedges in an asset position.

Financial Position

Net available liquidity: $977.2 million at March 31, 2014 for Quebecor Media and its wholly owned subsidiaries, consisting of $363.2 million in cash and $614.0 million in available unused lines of credit.

Net available liquidity: $93.6 million for Quebecor at the corporate level, consisting of $1.4 million in bank indebtedness and $95.0 million in available unused lines of credit.

Consolidated debt: $5.31 billion as at March 31, 2014, a $235.7 million increase compared with December 31, 2013; $209.9 million favourable net variance in assets and liabilities related to derivative financial instruments (see "Financing activities" above).

- Consolidated debt essentially consisted of Videotron's $2.59 billion debt ($2.40 billion at December 31, 2013), TVA Group's $74.7 million debt ($74.6 million at December 31, 2013), Quebecor Media's $2.56 billion debt ($2.50 billion at December 31, 2013), and Quebecor's $89.6 million debt ($101.0 million at December 31, 2013).

As at March 31, 2014, minimum principal payments on long-term debt in the coming years are as follows:

Table 11
Minimum principal payments on Quebecor long-term debt
12 months ending March 31
(in millions of Canadian dollars)

2015	$	101.3
2016		634.5
2017		70.5
2018		45.3
2019		469.1
2020 and thereafter		4,013.5
Total	**$**	**5,334.2**

Pro forma the issuance in April 2014 of US$600 million of Senior Notes bearing interest at 5.375% and maturing on June 15, 2024 and the redemption in April 2014 of 9.125% and 7.75% Senior Notes maturing on April 15, 2018 and on March 15, 2016, respectively (including the impact of related swaps transactions), the weighted average term of Quebecor's consolidated debt was approximately 7.8 years at March 31, 2014 (6.9 years at December 31, 2013) and the debt consists of approximately 85.4% fixed-rate debt (81.6% at December 31, 2013) and 14.6% floating-rate debt (18.4% at December 31, 2013).

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. The Corporation believes it will be able to meet future debt maturities, which are fairly 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 these financing agreements include debt service coverage ratio and debt ratio (long-term debt over adjusted operating income). At March 31, 2014, the Corporation and its subsidiaries were in compliance with all required financial ratios and restrictive covenants in their financing agreements.

Dividends Declared

- On May 7, 2014, the Board of Directors of Quebecor declared a quarterly dividend of $0.025 per share on its Class A Multiple Voting Shares ("Class A Shares") and Class B Subordinate Voting Shares ("Class B Shares"), payable on June 17, 2014 to shareholders of record at the close of business on May 23, 2014.

Results of 700 MHz spectrum auction

On February 19, 2014, Industry Canada announced that Videotron was the successful bidder for seven 700 MHz spectrum licences in Canada's four most populous provinces. The operating licences, acquired for $233.3 million, cover the entirety of the provinces of Québec, Ontario (except Northern Ontario), Alberta and British Columbia. They make it possible to reach approximately 80% of Canada's population, more than 28 million people. The 700 MHz band is distinguished by its ability to penetrate walls, an important advantage in urban areas, and its long range in remote regions, making it the ideal band for the development of next-generation networks, including LTE. The licences were issued to Videotron on April 3, 2014 after final payment was made to Industry Canada.

Analysis of consolidated balance sheet as at March 31, 2014

Table 12
Consolidated balance sheet of Quebecor
Analysis of main differences between March 31, 2014 and December 31, 2013
(in millions of Canadian dollars)

	March 31, 2014	December 31, 2013	Difference	Main reason for difference
Assets				
Cash and cash equivalents	**$ 405.5**	$ 476.6	$ (71.1)	Cash flows used in investing and financing activities exceeded cash flows provided by operating activities
Accounts receivable	**506.5**	566.3	(59.8)	Impact of current variances in activity
Intangible assets	**856.1**	824.8	31.3	Partial payment for Videotron's purchase of 700 MHz spectrum licences
Liabilities				
Accounts payable and accrued liabilities	**638.3**	717.7	(79.4)	Impact of current variances in activity
Income taxes[1]	**8.2**	71.2	(63.0)	Payment in first quarter 2014 of outstanding balance of 2013 income tax
Long-term debt, including short-term portion and bank indebtedness	**5,312.7**	5,077.0	235.7	See "Financing activities"
Derivative financial instruments[2]	**(158.5)**	51.4	(209.9)	See "Financing activities"

1 Current liabilities less current assets.

2 Current and long-term liabilities less long-term assets.

ADDITIONAL INFORMATION

Contractual Obligations

At March 31, 2014, material contractual obligations of operating activities included: capital repayment and interest on long-term debt; coupon payments 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 13 below shows a summary of these contractual obligations.

Table 13
Contractual obligations of Quebecor as of March 31, 2014
(in millions of Canadian dollars)

	Total	Under 1 year	1-3 years	3-5 years	5 years or more
Long-term debt[1]	**$ 5,334.2**	$ 101.3	$ 705.0	$ 514.4	$ 4,013.5
Interest payments[2]	**2,256.5**	242.0	630.2	543.3	841.0
Coupon payments on convertible debentures	**103.2**	20.6	41.3	41.3	–
Operating leases	**296.2**	57.3	81.6	52.7	104.6
Additions to property, plant and equipment and other commitments	**1,538.0**	329.6	296.0	213.6	698.8
Derivative financial instruments[3]	**(149.2)**	(3.2)	(36.2)	46.0	(155.8)
Total contractual obligations	**$ 9,378.9**	**$ 747.6**	**$ 1,717.9**	**$ 1,411.3**	**$ 5,502.1**

1 The carrying value of long-term debt excludes adjustments related to embedded derivatives and financing fees.
2 Estimated interest payable on long-term debt, based on interest rates, hedging of interest rates and hedging of foreign exchange rates as of March 31, 2014.
3 Estimated future receipts, net of disbursements, related to foreign exchange hedging using derivative financial instruments.

Related Party Transactions

During the first quarter of 2014, the Corporation and its subsidiaries made purchases and incurred rent charges with affiliated corporations in the amount of $0.1 million (nil in the same period of 2013), which is included in purchase of goods and services. The Corporation and its subsidiaries made sales to affiliated corporations in the amount of $0.8 million ($0.6 million in 2013). These transactions were accounted for at the consideration agreed between the parties.

Capital stock

In accordance with Canadian financial reporting standards, Table 14 below presents information on the Corporation's capital stock as at April 30, 2014. In addition, 350,000 share options were outstanding as of April 30, 2014.

Table 14
Capital stock
(in shares and millions of Canadian dollars)

	April 30, 2014	
	Issued and outstanding	Book value
Class A Shares	39,003,172	$ 8.7
Class B Shares	84,043,292	$ 319.1

On August 8, 2013, the Corporation filed a normal course issuer bid for a maximum of 1,956,068 Class A Shares, representing approximately 5% of issued and outstanding Class A Shares, and for a maximum of 8,429,248 Class B Shares, representing approximately 10% of the public float of Class B Shares as of July 31, 2013. The purchases can be made from August 13, 2013 to August 12, 2014 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 the first quarter of 2014, the Corporation purchased and cancelled 285,000 Class B shares for a total cash consideration of $7.2 million (305,000 Class B shares for a total cash consideration of $6.2 million in the first quarter of 2013). The excess of $6.1 million of the purchase price over the carrying value of the repurchased Class B Shares was recorded in reduction of retained earnings in the first quarter of 2014 ($5.0 million in the first quarter of 2013).

Financial instruments

The Corporation uses a number of financial instruments, mainly cash and cash equivalents, trade receivables, long-term investments, bank indebtedness, trade payables, accrued liabilities, long-term debt, and derivative financial instruments.

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.

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 carrying value and fair value of long-term debt, derivative financial instruments and liability and derivative components of convertible debentures as of March 31, 2014 and December 31, 2013 are as follows:

Table 15
Fair value of long-term debt and derivative financial instruments
(in millions of Canadian dollars)

	March 31, 2014		December 31, 2013	
Asset (liability)	**Carrying value**	**Fair value**	Carrying value	Fair value
Long-term debt[1]	**$ (5,334.2)**	**$ (5,436.5)**	$ (5,140.7)	(5,185.5)
Derivative financial instruments				
Early settlement options	**13.7**	**13.7**	14.5	14.5
Foreign exchange forward contracts[2]	**3.5**	**3.5**	1.8	1.8
Cross-currency interest rate swaps[2]	**155.0**	**155.0**	(53.2)	(53.2)
Liability and derivative components of convertible debentures	**(113.2)**	**(113.2)**	(113.6)	(113.6)

1 The carrying value of long-term debt excludes embedded derivatives and financing fees.

2 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.

Gains on valuation and translation of financial instruments for the first quarters of 2014 and 2013 are summarized in Table 16.

Table 16
Gain on valuation and translation of financial instruments
(in millions of Canadian dollars)

	Three months ended March 31	
	2014	2013
Gain on embedded derivatives and derivative financial instruments for which hedge accounting is not used	**$ (0.4)**	$ (7.2)
Gain on reversal of embedded derivatives upon debt redemption	**(1.1)**	–
Gain on ineffective portion of cash flow hedges	**–**	(0.2)
Gain on fair value of derivative component of convertible debentures	**(0.5)**	(0.3)
	$ (2.0)	$ (7.7)

An $11.6 million loss was recorded under Other comprehensive income in the first quarter of 2014 in relation to cash flow hedging relationships ($25.9 million in the first quarter of 2013).

The fair value of long-term debt and the liability component of convertible debentures are 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 on 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 markets 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 the derivative component of convertible debentures are determined by option pricing models using market inputs, including volatility, discount factors, and adjusted implicit interest rates and credit premiums for the underlying instruments.

Changes in Accounting Policies

On January 1, 2014, the Corporation adopted retrospectively IFRIC 21 – *Levies*, which clarifies the timing of accounting for a liability for outflow of resources that is imposed by governments in accordance with legislation, based on the activity that triggers the payment. The adoption of this interpretation did not have a material impact on the consolidated financial statements.

Controls and Procedures

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

No changes to internal controls over financial reporting have come to the attention of the Corporation's management during the three months ended March 31, 2014 that have materially adversely affected, or are reasonably likely to materially adversely affect, the Corporation's internal controls over financial reporting.

Additional Information

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

Cautionary Statement Regarding Forward-Looking Statements

The statements in this report that are not historical facts are forward-looking statements and are subject to significant known and unknown risks, uncertainties and assumptions that could cause the Corporation's actual results for future periods to differ materially from those set forth in the 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 developing its network and related mobile services;
- general economic, financial or market conditions and variations in the businesses of Quebecor Media's local, regional or national newspaper and broadcasting advertisers;
- 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;
- Quebecor Media's ability to successfully restructure its newspaper operations to optimize their efficiency in the context of the changing newspaper industry;
- disruptions to the network through which Quebecor Media provides its digital cable television, Internet access and telephony services, and its ability to protect such services from piracy;
- 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's substantial indebtedness, the tightening of credit markets, and the restrictions on its business imposed by the terms of its debt; and
- interest rate fluctuations that could affect Quebecor's interest payment requirements on long-term debt.

The forward-looking statements in this document are made to provide investors and the public with a better understanding of the Corporation's circumstances and are based on assumptions it believes to be reasonable as of the day on which they are made. Investors and others are cautioned that the foregoing list of factors that may affect future results is not exhaustive and that undue reliance should not be placed on any forward-looking statements. For more information on the risks, uncertainties and assumptions that could cause the Corporation's actual results to differ from current expectations, please refer to the Corporation's public filings, available at <www.sedar.com> and <www.quebecor.com>, including, in particular, the "Risks and Uncertainties" section of the Corporation's Management Discussion and Analysis for the year ended December 31, 2013.

The forward-looking statements in this Management Discussion and Analysis reflect the Corporation's expectations as of May 8, 2014, and are subject to change after this date. The Corporation expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.

Montréal, Québec

May 8, 2014

QUEBECOR INC. AND ITS SUBSIDIARIES

SELECTED QUARTERLY FINANCIAL DATA

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

	2014				2013			2012
	March 31	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30
Operations								
Revenues	**$ 1,038.1**	$ 1,119.2	$ 1,053.6	$ 1,063.1	$ 1,026.7	$ 1,114.0	$ 1,032.5	$ 1,053.8
Adjusted operating income	**346.5**	397.9	385.3	372.2	325.0	373.6	355.8	358.1
Contribution to net income (loss) attributable to shareholders:								
Continuing operations	**49.3**	71.4	67.0	55.5	36.0	56.5	52.3	48.2
Gain (loss) on valuation and translation of financial instruments	**1.9**	(17.5)	(6.3)	(113.9)	3.1	(43.0)	47.5	16.1
Unusual items	**(10.0)**	(3.4)	(205.8)	(12.8)	(0.6)	(3.8)	(72.1)	2.2
Discontinued operations	**(0.5)**	(7.1)	(22.7)	26.1	(2.9)	(2.6)	(10.6)	(1.0)
Net income (loss) attributable to shareholders	**40.7**	43.4	(167.8)	(45.1)	35.6	7.1	17.1	65.5
Basic data per share								
Contribution to net income (loss) attributable to shareholders:								
Continuing operations	**$ 0.40**	$ 0.58	$ 0.54	$ 0.45	$ 0.29	$ 0.45	$ 0.41	$ 0.38
Gain (loss) on valuation and translation of financial instruments	**0.01**	(0.14)	(0.05)	(0.92)	0.02	(0.34)	0.38	0.13
Unusual items	**(0.08)**	(0.03)	(1.67)	(0.10)	-	(0.03)	(0.57)	0.02
Discontinued operations	**-**	(0.06)	(0.18)	0.21	(0.02)	(0.02)	(0.08)	(0.01)
Net income (loss) attributable to shareholders	**0.33**	0.35	(1.36)	(0.36)	0.29	0.06	0.14	0.52
Weighted average number of shares outstanding (in millions)	**123.1**	123.5	123.7	124.3	124.7	125.4	126.3	126.9
Diluted data per share								
Contribution to net income (loss) attributable to shareholders:								
Continuing operations	**$ 0.35**	$ 0.49	$ 0.47	$ 0.39	$ 0.24	$ 0.38	$ 0.41	$ 0.37
Dilution impact	**-**	-	0.07	0.06	-	-	-	-
Gain (loss) on valuation and translation of financial instruments	**0.01**	(0.12)	(0.05)	(0.92)	0.02	(0.28)	0.38	0.13
Unusual items	**(0.07)**	(0.02)	(1.67)	(0.10)	-	(0.03)	(0.57)	0.02
Discontinued operations	**-**	(0.06)	(0.18)	0.21	(0.02)	(0.02)	(0.08)	(0.01)
Net income (loss) attributable to shareholders	**0.29**	0.29	(1.36)	(0.36)	0.24	0.05	0.14	0.51
Weighted average number of diluted shares outstanding (in millions)	**144.2**	144.7	123.7	124.3	150.8	148.6	126.5	127.3