

Condensed consolidated financial statements of

QUEBECOR INC. AND ITS SUBSIDIARIES

Three-month periods ended March 31, 2014 and 2013

QUEBECOR INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

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

Three months ended March 31

	Note	2014	2013
Revenues	3	\$ 1,038.1	\$ 1,026.7
Employee costs	4	239.9	262.0
Purchase of goods and services	4	451.7	439.7
Amortization		169.6	162.0
Financial expenses	5	90.8	97.2
Gain on valuation and translation of financial instruments	6	(2.0)	(7.7)
Restructuring of operations, impairment of assets and other special items		1.5	1.6
Loss on debt refinancing	9	18.7	-
Income before income taxes		67.9	71.9
Income taxes:			
Current		6.4	24.2
Deferred		12.1	(1.9)
		18.5	22.3
Income from continuing operations		49.4	49.6
Loss from discontinued operations	7	(0.7)	(3.9)
Net income		\$ 48.7	\$ 45.7
Income from continuing operations attributable to			
Shareholders		\$ 41.2	\$ 38.5
Non-controlling interests		8.2	11.1
Net income attributable to			
Shareholders		\$ 40.7	\$ 35.6
Non-controlling interests		8.0	10.1
Earnings per share attributable to shareholders	10		
Basic:			
From continuing operations		\$ 0.33	\$ 0.31
From discontinued operations		-	(0.02)
Net income		0.33	0.29
Diluted:			
From continuing operations		0.29	0.26
From discontinued operations		-	(0.02)
Net income		0.29	0.24
Weighted average number of shares outstanding (in millions)		123.1	124.7
Weighted average number of diluted shares (in millions)		144.2	150.8

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 March 31	
	Note	2014	2013
Net income		\$ 48.7	\$ 45.7
Other comprehensive loss:			
Items that may be reclassified to income:			
Gain on translation of net investments in foreign operations		1.9	1.1
Cash flow hedges:			
Loss on valuation of derivative financial instruments		(11.6)	(25.9)
Deferred income taxes		(7.7)	0.8
Reclassification to income:			
Gain related to cash flow hedges	9	(10.8)	-
Deferred income taxes		0.4	-
		(27.8)	(24.0)
Comprehensive income		\$ 20.9	\$ 21.7
Comprehensive income attributable to			
Shareholders		\$ 19.7	\$ 17.5
Non-controlling interests		1.2	4.2

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES

SEGMENTED INFORMATION

(in millions of Canadian dollars)
(unaudited)

Three months ended March 31, 2014

	Telecommu- nications	News Media	Broad- casting	Leisure and Enter- tainment	Interactive Techno- logies and Communi- cations	Head office and Inter- segments	Total
Revenues	\$ 692.7	\$ 169.2	\$ 108.9	\$ 61.6	\$ 35.1	\$ (29.4)	\$ 1,038.1
Employee costs	92.2	61.9	35.8	14.6	24.4	11.0	239.9
Purchase of goods and services	265.9	91.9	83.9	49.0	8.1	(47.1)	451.7
Adjusted operating income ¹	334.6	15.4	(10.8)	(2.0)	2.6	6.7	346.5
Amortization							169.6
Financial expenses							90.8
Gain on valuation and translation of financial instruments							(2.0)
Restructuring of operations, impairment of assets and other special items							1.5
Loss on debt refinancing							18.7
Income before income taxes							\$ 67.9
Additions to property, plant and equipment	\$ 143.0	\$ 1.8	\$ 8.7	\$ 2.3	\$ 0.5	\$ -	\$ 156.3
Additions to intangible assets	68.9	1.4	0.8	0.9	-	(0.2)	71.8

Three months ended March 31, 2013

	Telecommu- nications	News Media	Broad- casting	Leisure and Enter- tainment	Interactive Techno- logies and Communi- cations	Head office and Inter- segments	Total
Revenues	\$ 660.9	\$ 185.2	\$ 113.7	\$ 64.3	\$ 35.2	\$ (32.6)	\$ 1,026.7
Employee costs	94.3	72.1	37.8	14.8	25.0	18.0	262.0
Purchase of goods and services	253.9	98.0	79.7	49.4	8.9	(50.2)	439.7
Adjusted operating income ¹	312.7	15.1	(3.8)	0.1	1.3	(0.4)	325.0
Amortization							162.0
Financial expenses							97.2
Gain on valuation and translation of financial instruments							(7.7)
Restructuring of operations, impairment of assets and other special items							1.6
Income before income taxes							\$ 71.9
Additions to property, plant and equipment	\$ 145.6	\$ 2.2	\$ 5.4	\$ 0.5	\$ 0.8	\$ 0.2	\$ 154.7
Additions to intangible assets	13.0	1.0	0.6	0.7	-	0.1	15.4

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 amortization, financial expenses, gain on valuation and translation of financial instruments, restructuring of operations, impairment of assets and other special items, loss on debt refinancing, income taxes and loss from discontinued operations.

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY

(in millions of Canadian dollars)
(unaudited)

	Equity attributable to shareholders					Accumulated other com- prehensive loss	Equity attributable to non- controlling interests	Total equity
	Capital stock	Contributed surplus	Equity component of convertible debentures	Retained earnings				
	(note 11)					(note 13)		
Balance as of December 31, 2012	\$ 335.1	\$ 2.3	\$ 398.3	\$ 624.6	\$ (50.3)	\$ 631.3	\$ 1,941.3	
Net income	-	-	-	35.6	-	10.1	45.7	
Other comprehensive loss	-	-	-	-	(18.1)	(5.9)	(24.0)	
Repurchase of Class B Shares	(1.2)	-	-	(5.0)	-	-	(6.2)	
Dividends	-	-	-	(3.1)	-	(6.2)	(9.3)	
Balance as of March 31, 2013	333.9	2.3	398.3	652.1	(68.4)	629.3	1,947.5	
Net loss	-	-	-	(169.5)	-	(42.2)	(211.7)	
Other comprehensive income	-	-	-	-	45.3	27.3	72.6	
Repurchase of Class B Shares	(5.0)	-	-	(25.2)	-	-	(30.2)	
Dividends	-	-	-	(9.3)	-	(18.8)	(28.1)	
Business acquisition	-	-	-	-	-	0.3	0.3	
Balance as of December 31, 2013	328.9	2.3	398.3	448.1	(23.1)	595.9	1,750.4	
Net income	-	-	-	40.7	-	8.0	48.7	
Other comprehensive loss	-	-	-	-	(21.0)	(6.8)	(27.8)	
Repurchase of Class B Shares	(1.1)	-	-	(6.1)	-	-	(7.2)	
Acquisition of non-controlling interests	-	-	-	(0.1)	-	0.1	-	
Dividends	-	-	-	(3.1)	-	(6.3)	(9.4)	
Balance as of March 31, 2014	\$ 327.8	\$ 2.3	\$ 398.3	\$ 479.5	\$ (44.1)	\$ 590.9	\$ 1,754.7	

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars)
(unaudited)

Three months ended March 31

	Note	2014	2013
Cash flows related to operating activities			
Income from continuing operations		\$ 49.4	\$ 49.6
Adjustments for:			
Amortization of property, plant and equipment		135.6	126.2
Amortization of intangible assets		34.0	35.8
Gain on valuation and translation of financial instruments	6	(2.0)	(7.7)
Loss on debt refinancing	9	18.7	-
Amortization of financing costs and long-term debt discount	5	3.0	3.1
Deferred income taxes		12.1	(1.9)
Other		2.4	2.2
		<u>253.2</u>	<u>207.3</u>
Net change in non-cash balances related to operating activities		<u>(76.0)</u>	<u>(77.9)</u>
Cash flows provided by continuing operating activities		<u>177.2</u>	<u>129.4</u>
Cash flows related to investing activities			
Additions to property, plant and equipment		(156.3)	(154.7)
Additions to intangible assets		(71.8)	(15.4)
Proceeds from disposals of assets		0.8	1.2
Other		(0.6)	0.4
Cash flows used in continuing investing activities		<u>(227.9)</u>	<u>(168.5)</u>
Cash flows related to financing activities			
Net change in bank indebtedness		36.7	(0.3)
Net change under revolving facilities		77.9	(5.7)
Repayments of long-term debt		(6.4)	(5.5)
Settlement of hedging contracts		(116.0)	(24.8)
Repurchase of Class B Shares		(7.2)	(6.2)
Dividends paid to non-controlling shareholders		(6.3)	(6.2)
Cash flows used in continuing financing activities		<u>(21.3)</u>	<u>(48.7)</u>
Net change in cash and cash equivalents from continuing operations		<u>(72.0)</u>	<u>(87.8)</u>
Cash flows used in discontinued operations	7	(0.4)	(6.1)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies		1.3	-
Cash and cash equivalents at beginning of period		476.6	228.7
Cash and cash equivalents at end of period		<u>\$ 405.5</u>	<u>\$ 134.8</u>
Cash and cash equivalents consist of			
Cash		\$ 139.9	\$ 11.5
Cash equivalents		265.6	123.3
		<u>\$ 405.5</u>	<u>\$ 134.8</u>
Interest and taxes reflected as operating activities			
Cash interest payments		\$ 29.6	\$ 24.6
Cash income tax payments (net of refunds)		67.5	36.3

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars)
(unaudited)

		March 31	December 31
	Note	2014	2013
Assets			
Current assets			
Cash and cash equivalents		\$ 405.5	\$ 476.6
Accounts receivable		506.5	566.3
Income taxes		25.3	18.0
Inventories		222.3	239.4
Prepaid expenses		60.9	48.2
Assets held for sale	7	75.8	76.9
		<u>1,296.3</u>	<u>1,425.4</u>
Non-current assets			
Property, plant and equipment		3,413.9	3,432.4
Intangible assets	8	856.1	824.8
Goodwill		3,062.2	3,061.5
Derivative financial instruments		224.3	142.1
Deferred income taxes		18.4	28.1
Other assets		114.1	102.1
		<u>7,689.0</u>	<u>7,591.0</u>
Total assets		<u>\$ 8,985.3</u>	<u>\$ 9,016.4</u>
Liabilities and equity			
Current liabilities			
Bank indebtedness		\$ 37.2	\$ 0.5
Accounts payable and accrued charges		638.3	717.7
Provisions		25.4	39.4
Deferred revenue		294.9	288.8
Income taxes		33.5	89.2
Derivative financial instruments		-	116.2
Current portion of long-term debt	9	101.3	101.2
Liabilities held for sale	7	8.5	9.0
		<u>1,139.1</u>	<u>1,362.0</u>
Non-current liabilities			
Long-term debt	9	5,174.2	4,975.3
Derivative financial instruments		65.8	77.3
Other liabilities		269.6	278.7
Deferred income taxes		581.9	572.7
		<u>6,091.5</u>	<u>5,904.0</u>
Equity			
Capital stock	11	327.8	328.9
Contributed surplus		2.3	2.3
Equity component of convertible debentures		398.3	398.3
Retained earnings		479.5	448.1
Accumulated other comprehensive loss	13	(44.1)	(23.1)
Equity attributable to shareholders		<u>1,163.8</u>	<u>1,154.5</u>
Non-controlling interests		590.9	595.9
		<u>1,754.7</u>	<u>1,750.4</u>
Total liabilities and equity		<u>\$ 8,985.3</u>	<u>\$ 9,016.4</u>

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month periods ended March 31, 2014 and 2013
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

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 is operating, through its subsidiaries, in the following industry segments: Telecommunications, News Media, Broadcasting, Leisure and Entertainment, and Interactive Technologies and Communications. The Telecommunications segment offers television distribution, Internet, business solutions, cable and mobile telephony services in Canada and operates in the rental of movies and televisual products through its video-on-demand service. The News Media segment produces proprietary news content in Canada for all of Quebecor Media's platforms. Its operations include the printing, publishing and distribution of daily newspapers, weekly newspapers and commercial inserts in Canada, and the operation of Internet sites in Canada, including French- and English-language portals and specialized sites. The Broadcasting segment operates general-interest television networks, specialized television networks, magazine publishing, movie distribution businesses in Canada and out-of-home advertising. The Leisure and Entertainment segment combines book publishing and distribution, retail sales of CDs, books, DVDs, Blu-ray discs, console games, musical instruments and magazines in Canada, movie and console game rentals in Canada, online sales of downloadable music and books, music streaming service, music production and distribution in Canada, video game development, operation of a Quebec Major Junior Hockey League team, and sporting and cultural events management. The Interactive Technologies and Communications segment offers e-commerce solutions through a combination of strategies, technology integration, IP solutions and creativity on the Internet and is active in Canada, the United States, Europe and Asia.

Some of the Corporation's segments experience significant seasonality due, among other factors, to seasonal advertising patterns and influences on people's viewing, reading and listening habits. Because the Corporation 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. In addition, in some of the Corporation's segments, a component of sales is based on one-time retail transactions rather than subscriptions or long-term agreements, and therefore is influenced by vulnerability to seasonal weather changes. 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 2013 annual consolidated financial statements, which contain a description of the accounting policies used in the preparation of these financial statements.

These condensed consolidated financial statements were approved for issue by the Board of Directors of Quebecor on May 7, 2014.

Comparative figures for the three-month period ended March 31, 2013 have been restated to conform to the presentation adopted for the three-month period ended March 31, 2014.

2. 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.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2014 and 2013
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

3. REVENUES

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

	Three months ended March 31	
	2014	2013
Services rendered	\$ 903.7	\$ 888.1
Product sales	134.4	138.6
	\$ 1,038.1	\$ 1,026.7

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 March 31	
	2014	2013
Employee costs	\$ 272.1	\$ 291.2
Less employee costs capitalized to property, plant and equipment and intangible assets	(32.2)	(29.2)
	239.9	262.0
Purchase of goods and services:		
Royalties, rights and creation costs	180.0	174.7
Cost of retail products	69.5	62.5
Marketing, circulation and distribution expenses	43.0	45.4
Service and printing contracts	39.0	38.0
Paper, ink and printing supplies	19.1	23.5
Other	101.1	95.6
	451.7	439.7
	\$ 691.6	\$ 701.7

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2014 and 2013
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

5. FINANCIAL EXPENSES

	Three months ended March 31	
	2014	2013
Interest on long-term debt and exchangeable debentures	\$ 84.5	\$ 88.4
Amortization of financing costs and long-term debt discount	3.0	3.1
Interest on net defined benefit liability	1.2	3.4
Interest on liability component of convertible debentures	1.6	1.8
Loss on foreign currency translation on short-term monetary items	1.7	0.6
Other	(1.2)	(0.1)
	\$ 90.8	\$ 97.2

6. GAIN ON VALUATION AND TRANSLATION OF FINANCIAL INSTRUMENTS

	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 the ineffective portion of cash flow hedges	–	(0.2)
Gain on the fair value of derivative component of convertible debentures	(0.5)	(0.3)
	\$ (2.0)	\$ (7.7)

7. DISCONTINUED OPERATIONS

In January 2014, Quebecor Media ceased its door-to-door distribution of flyers and weekly newspapers in the province of Québec.

In 2013, Quebecor Media carried out the following transactions:

- On June 1, 2013, Quebecor Media sold its specialized Web site *Jobboom* for a cash consideration of \$52.1 million, net of cash disposed of \$5.4 million.
- On November 29, 2013, Quebecor Media also sold its specialized Web site *Réseau Contact* for a cash consideration of \$7.1 million, net of cash disposed of \$0.4 million.
- On December 5, 2013, Quebecor Media announced the closing of a transaction whereby it will sell its 74 Québec weeklies for a cash consideration of \$75.0 million. This transaction is subject to approval by regulatory authorities, specifically the Competition Bureau. While the transaction is under review, Quebecor Media will continue publishing the weeklies.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2014 and 2013
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

7. DISCONTINUED OPERATIONS (continued)

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

Consolidated statements of income

	Three months ended March 31	
	2014	2013
Revenues	\$ 16.1	\$ 27.8
Employee costs	7.4	9.9
Purchase of goods and services	9.0	22.5
Amortization	0.6	0.7
Loss before income taxes	(0.9)	(5.3)
Income taxes	(0.2)	(1.4)
Loss from discontinued operations	\$ (0.7)	\$ (3.9)

Consolidated statements of cash flows

	Three months ended March 31	
	2014	2013
Cash flows related to operating activities	\$ (0.4)	\$ (5.8)
Cash flows related to investing activities	–	(0.3)
Cash flows used in discontinued operations	\$ (0.4)	\$ (6.1)

Components of assets and liabilities held for sale in the consolidated balance sheets are as follows:

	March 31, 2014	December 31, 2013
Current assets	\$ 8.5	\$ 9.0
Property, plant and equipment	1.5	1.7
Intangible assets	17.2	17.6
Goodwill	48.6	48.6
Assets held for sale	75.8	76.9
Liabilities held for sale	(8.5)	(9.0)
Net assets held for sale	\$ 67.3	\$ 67.9

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2014 and 2013

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

(unaudited)

8. INTANGIBLE ASSETS

As a result of the Industry Canada 700 MHz spectrum auction that ended in the first quarter of 2014, Videotron Ltd. ("Videotron") acquired seven operating licences, covering the entirety of the provinces of Québec, Ontario (except Northern Ontario), Alberta and British Columbia, for 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.

9. LONG-TERM DEBT

On March 26, 2014, Quebecor Media issued a notice for the redemption of all of its issued and outstanding 7.75% Senior Notes due March 15, 2016 in aggregate principal amount of US\$380.0 million at a redemption price of 100.00% of their principal amount. As a result, a net gain of \$2.7 million was recorded in the consolidated statement of income in the first quarter of 2014, including a gain of \$12.5 million previously recorded in other comprehensive income. In April 2014, the Senior Notes were redeemed and the related hedging contracts were unwound, for a total cash consideration of \$367.8 million.

On March 26, 2014, Videotron issued a notice for the redemption of US\$260.0 million in aggregate principal amount of its issued and outstanding 9.125% Senior Notes due April 15, 2018 at a redemption price of 103.042% of their principal amount. As a result, a net loss of \$21.4 million was recorded in the consolidated statement of income in the first quarter of 2014, including a loss of \$1.7 million previously recorded in other comprehensive income. In April 2014, the Senior Notes were redeemed for a total cash consideration of \$295.4 million.

On April 9, 2014, Videotron issued US\$600.0 million aggregate principal amount of Senior Notes bearing interest at 5.375% and maturing on June 15, 2024, for net proceeds of \$646.4 million, net of financing fees of \$7.8 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 before their maturity at a price based on a make-whole formula and at par beginning March 15, 2024. Videotron has fully hedged the foreign currency risk associated with the new Senior Notes by using cross-currency swaps, while converting the interest rate from a fixed rate to a floating rate on US\$158.6 million principal amount of the Senior Notes.

Components of long-term debt are as follows:

	March 31, 2014	December 31, 2013
Long-term debt	\$ 5,334.2	\$ 5,140.7
Adjustment related to embedded derivatives	(10.1)	(8.9)
Financing fees, net of amortization	(48.6)	(55.3)
	5,275.5	5,076.5
Less current portion	(101.3)	(101.2)
	\$ 5,174.2	\$ 4,975.3

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2014 and 2013
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10. 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 March 31	
	2014	2013
Income from continuing operations attributable to shareholders	\$ 41.2	\$ 38.5
Impact of assumed conversion of stock options of subsidiaries and of convertible debentures of the Corporation	0.6	1.0
Income from continuing operations attributable to shareholders, adjusted for dilution effect	\$ 41.8	\$ 39.5
Net income attributable to shareholders	\$ 40.7	\$ 35.6
Impact of assumed conversion of stock options of subsidiaries and of convertible debentures of the Corporation	0.6	1.0
Net income attributable to shareholders, adjusted for dilution effect	\$ 41.3	\$ 36.6
Weighted average number of shares outstanding (in millions)	123.1	124.7
Potentially dilutive effect of stock options and of convertible debentures of the Corporation (in millions)	21.1	26.1
Weighted average number of diluted shares outstanding (in millions)	144.2	150.8

The diluted earnings per share calculation does not take into consideration the potential dilutive effect of certain stock options of the Corporation and its subsidiaries since their impact is anti-dilutive. During the three-month periods ended March 31, 2014 and March 31, 2013, 691,076 options of TVA Group Inc.'s ("TVA Group") plan were excluded from the diluted earnings per share calculation.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2014 and 2013
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11. 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, 2013	39,024,672	\$ 8.7	84,306,792	\$ 320.2
Shares converted	(21,000)	–	21,000	–
Shares purchased and cancelled	–	–	(285,000)	(1.1)
Balance as of March 31, 2014	39,003,672	\$ 8.7	84,042,792	\$ 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 the Class B Shares as of July 31, 2013. 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 have been or 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 2013). The excess of \$6.1 million of the purchase price over the carrying value of Class B Shares repurchased was recorded in reduction of retained earnings (\$5.0 million in 2013).

On May 7, 2014, the Board of Directors of the Corporation declared a dividend of \$0.025 per share on Class A Shares and Class B Shares, or approximately \$3.1 million, payable on June 17, 2014 to shareholders of record at the close of business on May 23, 2014.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2014 and 2013
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

12. 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 three-month period ended March 31, 2014:

	Outstanding options	
	Number	Weighted average exercise price
Quebecor		
As of December 31, 2013	2,369,182	\$ 21.13
Granted	50,000	25.49
Cancelled	(341,974)	19.88
As of March 31, 2014	2,077,208	\$ 21.44
Vested options as of March 31, 2014	527,208	\$ 18.83
Quebecor Media		
As of December 31, 2013	1,647,309	\$ 52.67
Exercised	(169,050)	45.56
Cancelled	(7,000)	57.64
As of March 31, 2014	1,471,259	\$ 53.47
Vested options as of March 31, 2014	233,323	\$ 45.27
TVA Group		
As of December 31, 2013 and March 31, 2014	691,076	\$ 16.54
Vested options as of March 31, 2014	691,076	\$ 16.54

During the three-month period ended March 31, 2014, 169,050 stock options of Quebecor Media were exercised for a cash consideration of \$2.8 million (238,116 stock options for \$2.9 million in 2013).

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2014 and 2013
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

12. 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 three-month period ended March 31, 2014:

	Number	Outstanding units Weighted average exercise price
As of December 31, 2013	2,263,516	\$ 19.92
Granted	688,487	26.43
Exercised	(480,148)	18.76
Cancelled	(1,101,272)	19.28
As of March 31, 2014	1,370,583	\$ 24.12

For the three-month period ended March 31, 2014, a cash consideration of \$3.7 million was paid upon exercise of 480,148 units (\$3.9 million for 674,448 units in 2013).

For the three-month period ended March 31, 2014, a net reversal of the consolidated charge related to all stock-based compensation plans was recorded in the amount of \$3.5 million (a charge of \$3.0 million in 2013).

13. ACCUMULATED OTHER COMPREHENSIVE LOSS

	Translation of net investments in foreign operations	Cash flow hedges	Defined benefit plans	Total
Balance as of December 31, 2012	\$ (2.1)	\$ 29.0	\$ (77.2)	\$ (50.3)
Other comprehensive income (loss)	0.8	(18.9)	–	(18.1)
Balance as of March 31, 2013	(1.3)	10.1	(77.2)	(68.4)
Other comprehensive income (loss)	2.5	(26.1)	68.9	45.3
Balance as of December 31, 2013	1.2	(16.0)	(8.3)	(23.1)
Other comprehensive income (loss)	1.4	(22.4)	–	(21.0)
Balance as of March 31, 2014	\$ 2.6	\$ (38.4)	\$ (8.3)	\$ (44.1)

No significant amount is expected to be reclassified in income over the next 12 months in connection with derivatives designated as cash flow hedges. The balance is expected to reverse over a 8 3/4-year period.