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 third 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, Media, and Sports & Entertainment. Quebecor Media is pursuing a convergence strategy to capture synergies among all its properties.

During the third quarter of 2014, the Corporation changed its organizational structure and its operations are now managed through the following three segments: Telecommunications, Media, and Sports & Entertainment. The reorganization consisted in (a) the creation of the new Media segment, which includes all activities of the previous News Media and Broadcasting segments, as well as the book publishing and distribution activities previously included in the Leisure and Entertainment segment, (b) the creation of the new Sports & Entertainment segment, which includes all operating, production, distribution and management activities of the previous Leisure and Entertainment segment relating to music, entertainment, sports and the future Québec City Amphitheatre, and (c) the transfer of the retail businesses from the previous Leisure and Entertainment segment to the Telecommunications segment. Accordingly, prior period figures in the Corporation's segmented information have been reclassified to reflect these changes.

As explained under "Changes in Accounting Policies" below, the Corporation has adopted retrospectively a new accounting policy for the accounting of its convertible debentures. Comparative figures for prior years have been restated.

DISCONTINUED OPERATIONS

On September 2, 2014, Quebecor Media closed the sale of its Nurun Inc. ("Nurun") subsidiary to the French company Publicis Groupe for a cash consideration of $125.0 million plus an estimated $5.3 million receivable in connection with certain adjustments to the transaction, less disposed-of cash. The results of operations and cash flows related to those businesses, as well as the $38.5 million gain on the sale, have been reclassified as discontinued operations in the consolidated statements of income and cash flows.

On June 1, 2014, Quebecor Media finalized the sale of 74 Québec weeklies to Transcontinental Interactive Inc., ("Transcontinental Interactive"), a subsidiary of Transcontinental Inc. ("Transcontinental"), for a cash consideration of $75.0 million. $4.7 million was also received in the third quarter of 2014 in connection with certain adjustments to transferred working capital items. The transaction has been approved by the competent regulatory authorities, specifically the Competition Bureau. The results of operations and cash flows related to those businesses, as well as the $7.9 million gain on the sale, have been reclassified as discontinued operations in the consolidated statements of income and cash flows.

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

On June 1, 2013, Quebecor Media sold its specialized website *Jobboom* for a cash consideration of $52.1 million, net of disposed-of cash in the amount of $5.4 million, and on November 29, 2013, 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 SECOND QUARTER 2014

- Quebecor's sales totalled $1.02 billion in the third quarter of 2014, flat in comparison with the same period last year.

Telecommunications

- The Telecommunications segment's revenues were up $23.5 million (3.3%) and its adjusted operating income was up $9.6 million (2.9%) in the third quarter of 2014.
- Videotron Ltd. ("Videotron") recorded strong revenue increases at two of its services in the third quarter of 2014: mobile telephony ($17.7 million or 30.5%) and Internet access ($13.5 million or 6.6%).
- Videotron recorded a net increase of 66,900 revenue-generating units[1] in the third quarter of 2014, compared with 43,500 in the same period of 2013. In the 12-month period ended September 30, 2014, the number of revenue-generating units increased by 106,700 (2.1%).
- On September 10, 2014, Videotron launched its LTE mobile network ("LTE network"), which reaches nearly 90% of Québec's population and supports speeds of up to 150 mbps, enabling Québec consumers and business people to use their mobile devices to their full potential.
- On August 27, 2014, Videotron launched the new X8 multi-room HD recorder, designed to deliver the best entertainment experience on the market. With a 2 TB storage capacity and state-of-the-art functionalities, the X8 multi-room HD recorder can record up to 8 television shows simultaneously.

Media

- On October 6, 2014, Quebecor Media announced the sale of 175 English-language newspapers and publications by Sun Media Corporation to Postmedia Network Canada Corporation ("Postmedia") for a cash consideration of $316.0 million, subject to certain adjustments. The transaction includes the Sun newspapers – *The Ottawa Sun*, *The Toronto Sun*, *The Winnipeg Sun*, *The Edmonton Sun* and *The Calgary Sun* – as well as the daily *The London Free Press*, the *24 Hours* dailies in Toronto and Vancouver, and community weeklies, buyers' guides and specialty publications. The transaction also includes the *Canoe* portal's English-Canadian operations and eight printing plants, including the Islington, Ontario plant. The transaction is subject to Competition Bureau approval. While the sale is under review by the Bureau, Quebecor Media will continue operating the businesses in question.
- On October 8, 2014, TVA Sports drew an average audience of 925,000 television viewers and a 25.5% market share for the season opener of the Montréal Canadiens. Since TVA Sports began carrying National Hockey League ("NHL") hockey, its subscriber base has swelled to more than 1.8 million. As previously reported, on July 1, 2014, TVA Sports became the official French-language broadcaster of the NHL for the next 12 years. During the 2014-2015 season, TVA Sports will broadcast more than 275 NHL games, among them all Canadiens Saturday night games and all playoff games, including Canadiens games and the Stanley Cup final.
- Quebecor Media was chosen to install, maintain, manage and advertise on Société de transport de Laval bus shelters; the 20-year agreement began on August 1, 2014. Quebecor Media made a similar agreement with the Société de transport de Montréal in 2012.
- In the third quarter of 2014, the Corporation completed its annual review of its three-year strategic plan. In view of market conditions in the television industry, the Corporation performed impairment tests on its Broadcasting cash generating unit ("CGU"). The Corporation concluded that the recoverable amount, based on fair value less disposal costs, was less than the carrying amount of this CGU. Accordingly, a $41.7 million non-cash impairment charge on broadcasting licences (including $20.9 million without any tax consequences) and a $9.3 million non-cash goodwill impairment charge (without any tax consequences) were recorded.

Sports & Entertainment

- On July 30, 2014, Benoît Robert was appointed President and CEO of the Sports & Entertainment Group, replacing Aldo Giampaolo. Benoît Robert has more than 30 years of experience in management, marketing and business development. He has worked for, among others, the Los Angeles Kings of the NHL, owned by AEG, one of the world's largest managers of sports and entertainment venues.

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[1] The sum of cable television, cable and mobile Internet access, and cable telephony service subscriptions and subscriber connections to the mobile telephony service.

Financing

- On November 3, 2014, TVA Group Inc. (“TVA Group”) modified the terms and conditions of its bank credit facilities to increase the size of its revolving credit facility from $100.0 million to $150.0 million, to extend their term by two years until February 24, 2019, and to replace the existing $75.0 million term loan maturing on December 11, 2014 by a new term loan of an equivalent amount to be put in place by December 31, 2014 and maturing on November 3, 2019. TVA Group also granted a security on all of its movable assets and an immovable hypothec on its Head Office building as part of the modification of the terms and conditions of its bank credit facilities.

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 (loss) under IFRS, as net income (loss) before amortization, financial expenses, loss on valuation and translation of financial instruments, charge for restructuring of operations, impairment of assets and other special items, charge for impairment of goodwill and intangible assets, loss on debt refinancing, income taxes, and income (loss) from 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. 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 (loss) 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 (loss) measure used in the condensed consolidated financial statements
(in millions of Canadian dollars)

	Three months ended September 30		Nine months ended September 30	
	2014	2013	**2014**	2013
Adjusted operating income (loss):				
Telecommunications	**$ 339.4**	$ 329.8	**$ 1,006.3**	$ 965.5
Media	**43.2**	55.1	**97.7**	111.9
Sports & Entertainment	**(1.2)**	(1.4)	**(4.0)**	(1.9)
Head Office	**(1.2)**	(2.0)	**6.1**	(2.2)
	380.2	381.5	**1,106.1**	1,073.3
Amortization	**(172.0)**	(167.3)	**(510.2)**	(491.2)
Financial expenses	**(85.3)**	(93.6)	**(266.8)**	(296.1)
Loss on valuation and translation of financial instruments	**(25.2)**	(33.2)	**(1.5)**	(314.2)
Restructuring of operations, impairment of assets and other special items	**(3.8)**	(2.7)	**(13.4)**	(9.4)
Impairment of goodwill and intangible assets	**(51.0)**	(281.3)	**(241.0)**	(281.3)
Loss on debt refinancing	**–**	–	**(18.7)**	(18.9)
Income tax	**(28.3)**	(13.3)	**(77.2)**	(4.8)
Income (loss) from discontinued operations	**39.0**	(29.4)	**48.6**	2.5
Net income (loss)	**$ 53.6**	$ (239.3)	**$ 25.9**	$ (340.1)

Adjusted income from continuing operations

The Corporation defines adjusted income from continuing operations, as reconciled to net income (loss) attributable to shareholders under IFRS, as net income (loss) attributable to shareholders before loss on valuation and translation of financial instruments, charge for restructuring of operations, impairment of assets and other special items, impairment of goodwill and intangible assets, loss on debt refinancing, net of income tax related to adjustments and net loss attributable to non-controlling interests related to adjustments, before income (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. 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 net income (loss) attributable to shareholders 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 (loss) attributable to shareholders measure used in the condensed consolidated financial statements
(in millions of Canadian dollars)

	Three months ended September 30		Nine months ended September 30	
	2014	2013	**2014**	2013
Adjusted income from continuing operations	**$ 65.6**	$ 63.1	**$ 176.2**	$ 147.5
Loss on valuation and translation of financial instruments	**(25.2)**	(33.2)	**(1.5)**	(314.2)
Restructuring of operations, impairment of assets and other special items	**(3.8)**	(2.7)	**(13.4)**	(9.4)
Impairment of goodwill and intangible assets	**(51.0)**	(281.3)	**(241.0)**	(281.3)
Loss on debt refinancing	**–**	–	**(18.7)**	(18.9)
Income taxes related to adjustments[1]	**5.0**	18.3	**14.6**	74.6
Net loss attributable to non-controlling interest related to adjustments	**25.2**	69.1	**76.6**	110.9
Discontinued operations	**29.3**	(22.1)	**36.6**	1.9
Net income (loss) attributable to shareholders	**$ 45.1**	$ (188.8)	**$ 29.4**	$ (288.9)

[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 7 and 8 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 8 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 third quarter comparison

Revenues: $1.02 billion, a $1.9 million (-0.2%) decrease.

- Revenues decreased in Media ($19.9 million or -6.2% of segment revenues) and Sports & Entertainment ($3.6 million or -22.5%).
- Revenues increased in Telecommunications ($23.5 million or 3.3%).

Adjusted operating income: $380.2 million, a $1.3 million (-0.3%) decrease.

- Adjusted operating income decreased in Media ($11.9 million or -21.6% of segment adjusted operating income).
- Adjusted operating income increased in Telecommunications ($9.6 million or 2.9%) and Sports & Entertainment ($0.2 million).
- The change in the fair value of Quebecor Media stock options resulted in a $0.9 million favourable variance in the stock-based compensation charge in the third quarter of 2014 compared with the same period of 2013. The change in the fair value of Quebecor stock options resulted in a $1.8 million favourable variance in the Corporation's stock-based compensation charge in the third quarter of 2014.

Net income attributable to shareholders: $45.1 million ($0.37 per basic share) in the third quarter of 2014, compared with a net loss attributable to shareholders in the amount of $188.8 million ($1.53 per basic share) in the same period of 2013, a favourable variance of $233.9 million ($1.90 per basic share).

- The favourable variance was due primarily to:
  - $230.3 million favourable variance in non-cash charge for impairment of goodwill and intangible assets, including $209.1 million without any tax consequences;
  - $68.4 million favourable variance in gains and losses from discontinued operations;
  - $8.3 million decrease in financial expenses;
  - $8.0 million favourable variance in losses on valuation and translation of financial instruments.

  Partially offset by:

  - $4.7 million increase in the amortization charge.

Adjusted income from continuing operations: $65.6 million ($0.53 per basic share) in the third quarter of 2014, compared with $63.1 million ($0.51 per basic share) in the same period of 2013, an increase of $2.5 million ($0.02 per basic share).

Amortization charge: $172.0 million in the third quarter of 2014, a $4.7 million increase essentially due to the impact of capital expenditures in the Telecommunications segment, including amortization of expenditures related to the promotional strategy focused on equipment leasing, as well as modernization and expansion of the wired and wireless networks.

Financial expenses: $85.3 million, an $8.3 million decrease caused mainly by the impact of lower interest rates on long-term debt due to debt refinancing at lower rates and by lower indebtedness.

Loss on valuation and translation of financial instruments: $25.2 million in the third quarter of 2014 compared with $33.2 million in the same period of 2013. The $8.0 million favourable variance was mainly due to the variance in the fair value of early settlement options caused by fluctuations in valuation assumptions, including interest rates and credit premiums implicit in the prices of the underlying instruments, and to the loss on reversal of embedded derivatives recognized in the third quarter of 2013 in connection with debt redemption, partially offset by the increase in the loss on embedded derivatives related to convertible debentures.

Charge for restructuring of operations, impairment of assets and other special items: $3.8 million in the third quarter of 2014 compared with $2.7 million in the same period of 2013.

- In the third quarter of 2014, a $3.1 million net charge for restructuring of operations was recorded in the Media segment with respect to staff-reduction programs ($2.7 million in the third quarter of 2013). In connection with those restructuring initiatives, a $0.6 million charge for impairment of certain assets was also recorded in the third quarter of 2013.
- The other segments recorded a net charge for restructuring of operations, impairment of assets and other special items of $0.7 million in the third quarter of 2014 ($0.6 million reversal in the third quarter of 2013).

Charge for impairment of goodwill and intangible assets: $51.0 million in the third quarter of 2014 compared with $281.3 million in the same period of 2014.

- In the third quarter of 2014, the Corporation completed its annual review of its three-year strategic plan. In view of market conditions in the television industry, the Corporation performed impairment tests on its Broadcasting CGU. The Corporation concluded that the recoverable amount, based on fair value less disposal costs, was less than the carrying amount of this CGU. Accordingly, a $41.7 million non-cash impairment charge on broadcasting licences (including $20.9 million without any tax consequences) and a $9.3 million non-cash goodwill impairment charge (without any tax consequences) were recorded.
- In the third quarter of 2013, Quebecor Media performed impairment tests on the Newspapers, Books and Music CGUs. Accordingly, the following impairment charges were recorded:
  - the Media segment recorded a $204.5 million non-cash goodwill impairment charge, without any tax consequences, in its Newspapers CGU; an $11.9 million non-cash impairment charge, without any tax consequences, in its Books CGU; and a $56.0 million non-cash impairment charge on mastheads and customer relationships (including $14.0 million without any tax consequences) in its Newspapers CGU;
  - Quebecor Media recorded an $8.9 million non-cash goodwill impairment charges without any tax consequences in its Music CGU.

Income tax expense: $28.3 million in the third quarter of 2014 (effective tax rate of 28.2%) compared with $13.3 million in the same period of 2013 (effective tax rate of 21.8%), a $15.0 million unfavourable variance. The effective tax rate is calculated considering only taxable and deductible items.

- The unfavourable variance in the income tax expense was mainly due to the impact of the increase in taxable income.
- The variance in the effective tax rate was due to the impact of the tax rate mix on the various components of the gain or loss on valuation and translation of financial instruments.

2014/2013 year-to-date comparison

Revenues: $3.06 billion, an $11.9 million (0.4%) increase.

- Revenues increased in Telecommunications ($70.3 million or 3.3% of segment revenues).
- Revenues decreased in Media ($54.0 million or -5.6%) and Sports & Entertainment ($5.0 million or -10.8%).

Adjusted operating income: $1.11 billion, a $32.8 million (3.1%) increase.

- Adjusted operating income increased in Telecommunications ($40.8 million or 4.2% of segment adjusted operating income) and Head Office ($8.3 million). The increase at Head Office was caused mainly by the favourable variance in the fair value of stock options.
- Adjusted operating income decreased in Media ($14.2 million or -12.7%) and Sports & 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 nine months 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 a $17.0 million favourable variance in the Corporation's stock-based compensation charge in the first nine months of 2014.

Net income attributable to shareholders: $29.4 million ($0.24 per basic share) in the first nine months of 2014, compared with a net loss attributable to shareholders in the amount of $288.9 million ($2.33 per basic share) in the same period of 2013, a favourable variance of $318.3 million ($2.57 per basic share).

- The favourable variance was due primarily to:
  - $312.7 million favourable variance in losses on valuation and translation of financial instruments, including a $98.3 million favourable variance in convertible debentures, without any tax consequences;
  - $46.1 million favourable variance in gains and losses from discontinued operations;
  - $40.3 million favourable variance related to recognition of a non-cash charge for impairment of goodwill and intangible assets, including $19.1 million without any tax consequences;
  - $32.8 million increase in adjusted operating income;
  - $29.3 million decrease in financial expenses.

  Partially offset by:
  - $19.0 million increase in the amortization charge.

Adjusted income from continuing operations: $176.2 million in the first nine months of 2014 ($1.43 per basic share) compared with $147.5 million ($1.19 per basic share) in the same period of 2013, an increase of $28.7 million ($0.24 per basic share).

Amortization charge: $510.2 million, a $19.0 million increase essentially due to the same factors as those noted in the 2014/2013 third quarter comparison above.

Financial expenses: $266.8 million, a $29.3 million decrease caused mainly by the impact of lower interest rates on long-term debt due to debt refinancing at lower rates.

Loss on valuation and translation of financial instruments: $1.5 million in the first nine months of 2014 compared with a $314.2 million loss in the same period of 2013. The $312.7 million favourable variance was mainly due to the variance in the fair value of early settlement options caused by fluctuations in valuation assumptions, including interest rates and credit premiums implicit in the adjusted prices of the underlying instruments, to the decrease in the loss on embedded derivatives related to convertible debentures, and to losses on reversal of embedded derivatives recognized in the first nine months of 2013 in connection with debt redemption.

Charge for restructuring of operations, impairment of assets and other special items: $13.4 million in the first nine months of 2014 compared with $9.4 million in the same period of 2013, a $4.0 million unfavourable variance.

- In the first nine months of 2014, a $10.8 million net charge for restructuring of operations was recorded in the Media segment in connection with staff-reduction programs ($5.1 million in the same period of 2013). As part of those initiatives, a $2.3 million charge for impairment of certain assets was also recorded in the first nine months of 2013.
- The other segments recorded a $2.6 million net charge for restructuring of operations, impairment of assets and other special items in the first nine months of 2014 ($2.0 million in the same period of 2013).

Charge for impairment of goodwill and intangible assets: $241.0 million in the first nine months of 2014, compared with $281.3 million in the same period of 2013, a $40.3 million favourable variance.

- In the second quarter of 2014, the Corporation performed annual impairment tests on its CGUs. It concluded that the recoverable amount based on fair value less disposal costs was less than the carrying amount of its Newspapers CGU, which continues to be affected by the shift to digital and the challenging market conditions in the newspaper industry. Accordingly, the Media segment recorded a $190.0 million non-cash goodwill impairment charge, without any tax consequences.
- In the third quarter of 2014, the Corporation completed its annual review of its three-year strategic plan. In view of market conditions in the television industry, the Corporation performed impairment tests on its Broadcasting CGU. The Corporation concluded that the recoverable amount, based on fair value less disposal costs, was less than the carrying amount of this CGU. Accordingly, a $41.7 million non-cash impairment charge on broadcasting licences (including $20.9 million without any tax consequences) and a $9.3 million non-cash goodwill impairment charge (without any tax consequences) were recorded.

- A non-cash goodwill impairment charge totalling $225.3 million, without any tax consequences, was recorded in the third quarter of 2013 in the Media and Telecommunications segments. A $56.0 million non-cash charge for impairment of mastheads and customer relationships (including $14.0 million without any tax consequences) was also recognized during the period in the Media segment. These charges are explained in greater detail in the 2014/2013 third quarter comparison.

Loss on debt refinancing: $18.7 million in the first nine months of 2014 compared with $18.9 million in the same period of 2013.

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

Income tax expense: $77.2 million in the first nine months of 2014 (effective tax rate of 27.7% considering only taxable and deductible items) compared with $4.8 million in the same period of 2013, a $72.4 million unfavourable variance.

- The increase in the income tax expense was mainly due to the impact of the increase in taxable income.

SEGMENTED ANALYSIS

Telecommunications

Third quarter 2014 operating results

Revenues: $738.2 million, a $23.5 million (3.3%) increase.

- Combined revenues from all cable television services decreased $5.8 million (-2.1%) to $264.8 million, due primarily to the impact of the net decrease in the customer base and the decrease in video-on-demand, pay TV and pay-per-view orders, partially offset by higher revenues from the leasing of digital set-top boxes.
- Revenues from Internet access services increased $13.5 million (6.6%) to $219.6 million. The favourable variance was mainly due to increased usage, higher revenues from Internet access resellers, customer base growth, and higher revenues per customer.
- Revenues from the cable telephony service decreased $1.3 million (-1.1%) to $118.5 million, primarily as a result of lower long-distance revenues, partially offset by increases in the number of business lines.
- Revenues from the mobile telephony service increased $17.7 million (30.5%) to $75.7 million, essentially due to customer growth.
- Revenues of Videotron Business Solutions increased $0.3 million (1.9%) to $16.2 million.
- Revenues from customer equipment sales increased $0.8 million (7.6%) to $11.3 million, mainly because of increased sales of more powerful equipment and the growth in the number of subscriber connections to the mobile service.
- Revenues from retail sales decreased by $2.1 million (-6.6%) to $29.6 million because of decreased sales at Archambault Group Inc. ("Archambault Group") stores, including lower sales of CDs, videos and musical instruments, and at Le SuperClub Vidéotron ltée ("Le SuperClub Vidéotron"), including lower fees from Le SuperClub Vidéotron franchises.
- Other revenues increased $0.5 million (23.8%) to $2.6 million.

ARPU: $126.02 in the third quarter of 2014 compared with $119.24 in the same period of 2013, an increase of $6.78 (5.7%).

Customer statistics

Revenue-generating units – As of September 30, 2014, the total number of revenue-generating units stood at 5,111,600, a 66,900-unit increase since the end of the second quarter of 2014 (compared with a 43,500-unit increase in the third quarter of 2013) and a 12-month increase of 106,700 (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 increased by 2,300 (0.1%) in the third quarter of 2014 (compared with a decrease of 2,000 in the third quarter of 2013) and decreased by 34,100 (-1.9%) in the 12-month period ended September 30, 2014 (Table 3). At the end of the third quarter of 2014, Videotron had 1,796,300 subscribers to its cable television services. The household and business penetration rate (number of subscribers as a proportion of the total 2,767,100 homes and businesses passed by Videotron's network as of the end of September 2014, up from 2,733,400 one year earlier) was 64.9% versus 67.0% a year earlier.

- As of September 30, 2014, the number of subscribers to the illico Digital TV service stood at 1,549,000, a quarterly increase of 19,300 or 1.3% (compared with a 15,600-subscriber increase in the third quarter of 2013), and a 12-month increase of 31,400 (2.1%). As of September 30, 2014, illico Digital TV had a household and business penetration rate of 56.0% versus 55.5% a year earlier.
- The customer base for analog cable television services decreased by 17,000 in the third quarter of 2014 (compared with a decrease of 17,600 in the third quarter of 2013), and by 65,500 over a 12-month period.

Cable Internet access – The number of subscribers to cable Internet access services stood at 1,432,300 at September 30, 2014, an increase of 16,700 (1.2%) in the third quarter of 2014 (compared with an increase of 12,800 in the same period of 2013), and an increase of 24,100 (1.7%) in the 12-month period ended September 30, 2014 (Table 3). At September 30, 2014, Videotron's cable Internet access services had a household and business penetration rate of 51.8% compared with 51.5% a year earlier.

Cable telephony service – The number of subscribers to cable telephony service stood at 1,286,200 as of September 30, 2014, a quarterly increase of 10,000 (0.8%) (compared with a 6,500-customer increase in the third quarter of 2013), and a 12-month increase of 5,000 (0.4%) (Table 3). At September 30, 2014, the cable telephony service had a household and business penetration rate of 46.5% versus 46.9% a year earlier.

Mobile telephony service – As of September 30, 2014, the number of subscriber connections to the mobile telephony service stood at 589,400, an increase of 38,100 (6.9%) in the third quarter of 2014 (compared with an increase of 26,900 in the third quarter of 2013), and an increase of 111,400 (23.3%) in the 12-month period ended September 30, 2014 (Table 3).

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

	Sept. 2014	June 2014	Mar. 2014	Dec. 2013	Sept. 2013	June 2013	Mar. 2013	Dec. 2012
Cable television:								
Analog	**247.3**	264.3	278.4	293.7	312.8	330.4	348.9	370.4
Digital	**1,549.0**	1,529.7	1,532.7	1,531.4	1,517.6	1,502.0	1,500.3	1,484.6
	1,796.3	1,794.0	1,811.1	1,825.1	1,830.4	1,832.4	1,849.2	1,855.0
Cable Internet	**1,432.3**	1,415.6	1,419.2	1,418.3	1,408.2	1,395.4	1,397.3	1,387.7
Cable telephony	**1,286.2**	1,276.2	1,280.4	1,286.1	1,281.2	1,274.7	1,274.0	1,264.9
Mobile telephony[1]	**589.4**	551.3	521.6	503.3	478.0	451.1	420.9	402.6
Internet over wireless	**7.4**	7.6	7.1	7.2	7.1	7.8	7.0	7.1
Total (revenue-generating units)	**5,111.6**	5,044.7	5,039.4	5,040.0	5,004.9	4,961.4	4,948.4	4,917.3

[1] In thousands of subscriber connections.

Adjusted operating income: $339.4 million, a $9.6 million (2.9%) increase due primarily to:

- impact of the revenue increase, partially offset by the impact of the higher number of mobile devices sold at a loss.

Cost/revenue ratio: Employee costs and purchases of goods and services for the Telecommunications segment’s operations, expressed as a percentage of revenues, were 54.0% in the third quarter of 2014 compared with 53.9% in the same period of 2013. The increase was mainly due to the impact of higher numbers of mobile devices sold at a loss.

Year-to-date operating results

Revenues: $2.19 billion, a $70.3 million (3.3%) increase essentially due to the same factors as those noted above in the discussion of third quarter 2014 results.

- Combined revenues from all cable television services decreased $7.3 million (-0.9%) to $806.7 million.
- Revenues from Internet access services increased $37.5 million (6.2%) to $646.0 million.
- Revenues from cable telephony service decreased $0.5 million (-0.1%) to $354.6 million.
- Revenues from mobile telephony service increased $43.1 million (26.8%) to $204.2 million.
- Revenues of Videotron Business Solutions increased $1.2 million (2.5%) to $48.9 million.
- Revenues from customer equipment sales increased $3.3 million (12.8%) to $29.1 million.
- Revenues from retail sales decreased $8.0 million (-8.1%) to $90.3 million.
- Other revenues increased $0.6 million (9.2%) to $7.1 million.

ARPU: $123.77 in the first nine months of 2014 compared with $116.98 in the same period of 2013, an increase of $6.79 (5.8%).

Customer statistics

Revenue-generating units – 71,600-unit (1.4%) increase in the first nine months of 2014 compared with an 87,600-unit increase in the same period of 2013.

Cable television – 28,800 (-1.6%) decrease in the combined customer base for all of Videotron's cable television services in the first nine months of 2014, compared with a 24,600-customer decrease in the same period of 2013.

- Subscriptions to illico Digital TV service increased by 17,600 (1.1%) in the first nine months of 2014 compared with an increase of 33,000 in the same period of 2013.
- Subscriptions to analog cable television services decreased by 46,400 compared with a 57,600 decrease in the first nine months of 2013.

Cable Internet access – 14,000-customer increase (1.0%) in the first nine months of 2014 compared with an increase of 20,500 in the same period of 2013.

Cable telephony service – 100-customer increase in the first nine months of 2014 compared with an increase of 16,300 in the same period of 2013.

Mobile telephony service – 86,100 (17.1%) increase in subscriber connections in the first nine months of 2014 compared with an increase of 75,400 in the same period of 2013**.**

Adjusted operating income: $1.01 billion, a $40.8 million (4.2%) increase caused primarily by:

- impact of the revenue increase.

Partially offset by:

- impact of the higher number of mobile devices sold at a loss;
- favourable impact on the 2013 year-to-date results of one-time adjustments, including a provision for Canadian Radio-television and Telecommunications Commission ("CRTC") licence fees in order to align with the CRTC's billing period.

Cost/revenue ratio: Operating costs for all Telecommunications segment operations, expressed as a percentage of revenues, were 54.0% in the first nine months of 2014 compared with 54.4% 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), partially offset by the impact of the higher number of mobile devices sold at a loss and the favourable impact on the 2013 year-to-date results of one-time adjustments.

Cash flows from operations

Quarterly cash flows from segment operations: $160.5 million compared with $192.2 million in the third quarter of 2013 (Table 4).

- The $31.7 million decrease reflects a $41.4 million increase in additions to property, plant and equipment and to intangible assets, due mainly to increased capital expenditures on the LTE network partially offset by the $9.6 million increase in adjusted operating income.

Year-to-date cash flows from segment operations: $491.9 million compared with $541.7 million in the same period of 2013 (Table 4).

- The $49.8 million decrease reflects an $82.1 million increase in additions to property, plant and equipment and to intangible assets, due mainly to increased capital expenditures on the LTE network and an $8.5 million decrease in proceeds from disposal of assets, partially offset by the $40.8 million increase in adjusted operating income.

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

	Three months ended September 30		Nine months ended September 30	
	2014	2013	**2014**	2013
Adjusted operating income	**$ 339.4**	$ 329.8	**$ 1,006.3**	$ 965.5
Additions to property, plant and equipment	**(163.5)**	(124.8)	**(463.2)**	(397.7)
Additions to intangible assets (excluding spectrum licences)	**(16.0)**	(13.3)	**(53.7)**	(37.1)
Proceeds from disposal of assets	**0.6**	0.5	**2.5**	11.0
Cash flows from segment operations	**$ 160.5**	$ 192.2	**$ 491.9**	$ 541.7

Media

Third quarter 2014 operating results

Revenues: $298.8 million in the third quarter of 2014, a $19.9 million (-6.2%) decrease.

- Newspaper publishing revenues decreased by $12.2 million (-6.7%).
  - Revenues decreased by $0.9 million because of the closure of newspapers and specialty publications under restructuring initiatives.
  - On a same-store basis, advertising revenues decreased 10.3%; circulation revenues decreased 7.4%; digital revenues increased 16.0%; combined revenues from commercial printing and other sources increased 8.7%.
  - On a same-store basis, revenues decreased 7.8% at the urban dailies and 9.3% at the community weeklies; portal revenues increased 5.7%.
- Broadcasting and production revenues decreased by $5.1 million (-5.9%), mainly because of:
  - $7.2 million favourable retroactive adjustment in third quarter 2013 to TVA Group's share of royalties for the retransmission of its signal in markets outside its over-the-air stations' local service areas ("retransmission royalties") for the years 2009 to 2013, including $6.8 million applied retroactively to the years 2009 to 2012 and to the first half of 2013;
  - lower advertising revenues at TVA Network.

  Partially offset by:
  - increased subscription revenues at the specialty services, including TVA Sports, mainly because of the addition of programming dedicated to hockey; and Sun TV News General Partnership ("SUN News"), due to a retroactive adjustment to royalty rates;
  - increased revenues from commercial production.
- Magazine publishing revenues decreased by $1.5 million, including impact of closure of some publications.
- Book distribution and publishing revenues and other revenues decreased by $0.9 million mainly due to
  - decrease in book distribution revenues because of lower mass market and bookstore volumes;
  - decrease in the revenues of Quebecor Media Out of Home mainly because of lower advertising revenues.

  Partially offset by:
  - higher book publishing revenues due to increased volume in textbook publishing.

Adjusted operating income: $43.2 million in the third quarter of 2014, a $11.9 million (-21.6%) decrease.

- Adjusted operating income from newspaper publishing decreased by $1.7 million (-5.6%), primarily as a result of:
    - impact of decrease in revenues on a same-store basis.

  Partially offset by:
    - $7.3 million favourable impact of restructuring initiatives and other reductions in operating expenses;
    - $2.9 million favourable variance in multimedia employment tax credits.
- Adjusted operating income from broadcasting and production operations decreased by $9.2 million (-79.8%), mainly as a result of:
    - favourable impact on third quarter 2013 figures of the $7.2 million retroactive adjustment of retransmission royalties;
    - impact of decrease in TVA Network's revenues.

  Partially offset by:
    - impact of increased subscription revenues at the specialty channels.
- Adjusted operating income from magazine publishing operations decreased by $0.8 million, mainly as a result of the impact of the revenue decrease.
- Adjusted operating income from book distribution and publishing and other sources decreased by $0.2 million.

Cost/revenue ratio: Employee costs and purchases of goods and services for the Media segment's operations, expressed as a percentage of revenues, were 85.5% in the third quarter of 2014 compared with 82.7% 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 to the favourable impact on the third quarter 2013 results of the retroactive adjustment to retransmission royalties, partially offset by the favourable impact of operating cost-reduction initiatives on the third quarter 2014 results and the favourable variance in multimedia employment tax credits.

Year-to-date operating results

Revenues: $911.3 million for the first nine months of 2014, a $54.0 million (-5.6%) decrease.

- Newspaper publishing revenues decreased by $42.8 million (-7.5%).
    - Revenues decreased by $6.3 million because of the closure of newspapers and specialty publications under restructuring initiatives.
    - On a same-store basis, advertising revenues decreased 10.0%; circulation revenues decreased 5.7%; digital revenues increased 13.0%; combined revenues from commercial printing and other sources increased 3.0%.
    - On a same-store basis, revenues decreased 7.8% at the urban dailies and 8.3% at the community weeklies; portal revenues increased 1.0%.
- Broadcasting and production revenues decreased by $16.2 million (-5.6%), mainly because of:
    - lower advertising revenues;
    - favourable impact in the 2013 third quarter of the $7.2 million retroactive adjustment to retransmission royalties, including $6.1 million applied to the years 2009 to 2012;
    - discontinuation of operations of TVA Boutiques in the third quarter of 2013.

  Partially offset by:
    - increased subscription revenues at the specialty services, including TVA Sports, mainly because of the addition of programming dedicated to hockey, and SUN News, due to an adjustment to royalty rates.
- Revenues from magazine publishing increased by $1.3 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 on a same-store basis.

- Revenues from book distribution and publishing and other sources were flat on a year-to-date basis.
    - The decrease in book publishing and distribution revenues was offset by higher revenues at Quebecor Media Out of Home.

Adjusted operating income: $97.7 million for the first nine months of 2014, a $14.2 million (-12.7%) decrease.

- Adjusted operating income from newspaper publishing increased $4.8 million (6.4%) due to:
    - $31.7 million favourable impact of restructuring initiatives and other reductions in operating expenses;
    - $5.8 million favourable variance in multimedia employment tax credits.

  Partially offset by:
    - impact of decrease in revenues on a same-store basis.

- Adjusted operating income from broadcasting and production operations decreased by $20.7 million (-79.8%), mainly as a result of:
    - impact of decrease in advertising revenues;
    - favourable impact on third quarter 2013 figures of the $7.2 million retroactive adjustment to retransmission royalties;
    - higher content costs, including adjustments to the cost of certain prior-year broadcasting rights related to indemnification clauses;
    - favourable impact on second quarter 2013 results of an adjustment to the provision for CRTC licence fees to align with the CRTC's billing period.

  Partially offset by:
    - impact of increased subscription revenues at the specialty channels.
- Adjusted operating income from magazine publishing increased by $2.4 million (42.0%), mainly as a result of:
    - impact of acquisition of Les Publications Charron & Cie;
    - reductions in some operating costs, including printing and production costs.

  Partially offset by:
    - impact of decrease in advertising revenues on a same-store basis.
- Operating income from book distribution and publishing and other sources decreased by $0.7 million, mainly because of the impact of the decrease in revenues from book distribution and publishing.

Cost/revenue ratio: Employee costs and purchases of goods and services for the Media segment's operations, expressed as a percentage of revenues, were 89.3% in the first nine months of 2014, compared with 88.4% 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), the favourable impact on the 2013 results of the retroactive adjustment to retransmission royalties in the third quarter of 2013 and higher television content costs, partially offset by the favourable impact of operating cost-reduction initiatives on the 2014 year-to-date results and the favourable variance in multimedia employment tax credits.

Cash flows from operations

Quarterly cash flows from segment operations: $32.1 million compared with $43.2 million in the same quarter of 2013 (Table 5).

- The $11.1 million decrease mainly reflects the $11.9 million decrease in adjusted operating income and the $3.0 million decrease in proceeds from disposal of assets, partially offset by a $3.8 million decrease in additions to property, plant and equipment and to intangible assets.

Year-to-date cash flows from segment operations: $64.1 million compared with $78.9 million in the same period of 2013 (Table 5).

- The $14.8 million decrease mainly reflects the $14.2 million decrease in adjusted operating income and the $2.5 million decrease in proceeds from disposal of assets, partially offset by a $1.9 million decrease in additions to property, plant and equipment and to intangible assets.

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

	Three months ended September 30		Nine months ended September 30	
	2014	2013	**2014**	2013
Adjusted operating income	**$ 43.2**	$ 55.1	**$ 97.7**	$ 111.9
Additions to property, plant and equipment	**(9.0)**	(11.5)	**(26.1)**	(25.9)
Additions to intangible assets	**(2.2)**	(3.5)	**(8.4)**	(10.5)
Proceeds from disposal of assets	**0.1**	3.1	**0.9**	3.4
Cash flows from segment operations	**$ 32.1**	$ 43.2	**$ 64.1**	$ 78.9

Sports & Entertainment

Third quarter 2014 operating results

Revenues: $12.4 million, a $3.6 million (-22.5%) decrease compared with the third quarter of 2013.

- 27.9% decrease in revenues in the music division caused mainly by a 29.1% decrease in music distribution revenues as a result of lower sales of videos and CDs.

Adjusted operating loss: $1.2 million in the third quarter of 2014 compared with $1.4 million in the third quarter of 2013, a $0.2 million favourable variance.

Year-to-date operating results

Revenues: $41.1 million, a $5.0 million (-10.8%) decrease compared with the first nine months of 2013.

- 23.6% decrease in the Music division mainly because of:
  - 24.1% decrease in music distribution revenues, primarily as a result of lower video and CD sales;
  - 9.5% decrease in music production revenues due to impact of cancellation of 2014 edition of *Le retour de nos idoles* show.

Partially offset by:

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

Adjusted operating loss: $4.0 million in the first nine months of 2014 compared with $1.9 million in the same period of 2013. The $2.1 million unfavourable variance was due to the impact of the revenue decrease and the startup of new performance hall management operations.

Cash flows from operations

Quarterly cash flows from segment operations: Negative $2.3 million compared with negative $1.5 million in the third quarter of 2013 (Table 6). The $0.8 million unfavourable variance was due primarily to the $1.0 million increase in additions to property, plant and equipment.

Year-to-date cash flows from segment operations: Negative $7.9 million compared with negative $2.2 million in the same period of 2013 (Table 6). The $5.7 million unfavourable variance was due to the $3.6 million increase in additions to property, plant and equipment, partly reflecting the impact of new performance hall management operations, and the $2.1 million increase in the adjusted operating loss.

Table 6: Sports & Entertainment
Cash flows from operations
(in millions of Canadian dollars)

	Three months ended September 30		Nine months ended September 30	
	2014	2013	**2014**	2013
Adjusted operating loss	**$ (1.2)**	$ (1.4)	**$ (4.0)**	$ (1.9)
Additions to property, plant and equipment	**(1.1)**	(0.1)	**(3.9)**	(0.3)
Cash flows from segment operations	**$ (2.3)**	$ (1.5)	**$ (7.9)**	$ (2.2)

CASH FLOWS AND FINANCIAL POSITION

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

Operating activities

Third quarter of 2014

Cash flows provided by operating activities: $367.6 million in the third quarter of 2014 compared with $337.0 million in the same period of 2013.

- The $30.6 million favourable variance was mainly due to:
  - $56.0 million favourable net change in non-cash balances related to operations, mainly because of a favourable variance in accounts payable and accrued liabilities in the Telecommunications segment;
  - $9.6 million increase in adjusted operating income in the Telecommunications segment;
  - $7.4 million decrease in the cash portion of financial expenses.

  Partially offset by:
  - $30.2 million unfavourable variance in current income taxes;
  - $11.9 million decrease in adjusted operating income in the Media segment.

Year to date

Cash flows provided by operating activities: $749.5 million in the first nine months of 2014 compared with $616.3 million in the same period of 2013.

- The $133.2 million favourable variance was mainly due to:
  - $85.9 million favourable net change in non-cash balances related to operations, mainly because of a smaller decrease in accounts payable and accrued liabilities and a more favourable variance in inventories, partially offset by higher current income tax payments;
  - $40.8 million increase in adjusted operating income in the Telecommunications segment;
  - $27.0 million decrease in the cash portion of financial expenses.

  Partially offset by:
  - $14.2 million decrease in adjusted operating income in the Media segment;
  - $8.3 million unfavourable variance in current income taxes.

In the first nine months of 2014, the favourable impact of the timing of transactions on non-cash items related to operating activities, increased profitability in the Telecommunications segment and the refinancing of some debt at lower interest rates had a favourable impact on cash flows. Cash flows provided by the Media segment continued to be affected by the impact of the shift to digital and the challenging market conditions. Reduced tax benefits available for the deferral of income tax disbursements also had a negative impact on cash flows.

Working capital: $92.7 million at September 30, 2014, compared with $75.0 million at December 31, 2013. The $17.7 million favourable variance was mainly due to the impact of the settlement of hedges presented under current assets, partially offset by the impact of the disposal of assets held for sale (following the sale of the Québec community weeklies to Transcontinental Interactive) and by the sale of the Nurun subsidiary to the French company Publicis Groupe.

Investing activities

Third quarter of 2014

Additions to property, plant and equipment: $173.8 million in the third quarter of 2014 compared with $137.0 million in the same period of 2013. Spending on the LTE network in the Telecommunications segment essentially accounted for the $36.8 million increase.

Additions to intangible assets: $19.0 million in the third quarter of 2014 compared with $32.8 million in the same period of 2013. The $13.8 million decrease was mainly due to the $15.9 million initial deposit made by Videotron in connection with its acquisition in February 2014 of seven 700 MHz spectrum licences covering Canada's four most populous provinces.

Proceeds from disposal of assets: $0.7 million in the third quarter of 2014 compared with $3.5 million in the same period of 2013, a $2.8 million decrease.

Disposal of businesses: $111.6 million in the third quarter of 2014 compared with a $0.7 million disbursement in the same period of 2013.

- The $111.6 million from business disposals consisted of:
    - sale of the Nurun subsidiary to the French company Publicis Groupe for a cash consideration of $125.0 million, plus an estimated $5.3 million receivable in connection with certain adjustments to the transaction, less disposed-of cash in the amount of $18.1 million;
    - $4.7 million received following an adjustment to operating assets and liabilities in connection with the sale of 74 Québec weeklies to Transcontinental Interactive in the second quarter of 2014.

Year to date

Additions to property, plant and equipment: $493.6 million in the first nine months of 2014 compared with $425.5 million in the same period of 2013. The $68.1 million increase was due to the same factors as those noted above in the discussion of third quarter 2014 results.

Additions to intangible assets: $281.0 million in the first nine months of 2014, compared with $64.2 million in the same period of 2013, a $216.8 million increase. The Telecommunications segment accounted for most of the increase, reflecting payments totalling $217.4 million in the first nine months of 2014 for the acquisition of 700 MHz spectrum licences, compared with $15.9 million in the same period of 2013.

Proceeds from disposal of assets: $3.4 million in the first nine months of 2014 compared with $14.4 million in the same period of 2013.

- The Telecommunications segment accounted for most of the $14.4 million in proceeds from disposal of assets recorded in the first nine months of 2013.

Disposal of businesses: $185.3 million in the first nine months of 2014 compared with $52.1 million in the same period of 2013.

- Year-to-date disposals of businesses consisted of the sale of the Nurun subsidiary to the French company Publicis Groupe for $125.0 million in cash, less disposed-of cash in the amount of $18.1 million, and the sale of 74 Québec weeklies to Transcontinental Interactive for $78.4 million in cash.
- The $52.1 million from disposal of businesses in the first nine months of 2013 reflects the sale of *Jobboom* to Mediagrif Interactive Technologies Inc.

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

Third quarter of 2014

Free cash flows from continuing operating activities of Quebecor Media: $176.1 million in the third quarter of 2014 compared with $187.8 million in the same period of 2013 (Table 7).

- The $11.7 million unfavourable variance was due primarily to the $36.8 million increase in additions to property, plant and equipment, partially offset by the $30.1 million favourable variance in cash flows provided by continuing operating activities.

Year to date

Free cash flows from continuing operating activities of Quebecor Media: $214.5 million in the first nine months of 2014 compared with $178.7 million in the same period of 2013 (Table 7).

- The $35.8 million favourable variance was due to:
  - $130.1 million favourable variance in cash flows provided by operating activities.

  Partially offset by:
  - $68.0 million increase in additions to property, plant and equipment;
  - $15.3 million increase in additions to intangible assets (excluding acquisition of spectrum licences);
  - $11.0 million decrease in proceeds from disposal of assets.

Table 7
Cash flows from segment operations and free cash flows from continuing operating activities of Quebecor Media
(in millions of Canadian dollars)

	Three months ended September 30		Nine months ended September 30	
	2014	2013	**2014**	2013
Cash flows from segment operations				
Telecommunications	**$ 160.5**	$ 192.2	**$ 491.9**	$ 541.7
Media	**32.1**	43.2	**64.1**	78.9
Sports & Entertainment	**(2.3)**	(1.5)	**(7.9)**	(2.2)
Quebecor Media Head Office	**(2.2)**	(1.3)	**(1.3)**	(0.4)
	188.1	232.6	**546.8**	618.0
Cash interest expense	**(76.7)**	(84.0)	**(240.2)**	(266.7)
Cash portion of charge for restructuring of operations, impairment of assets and other special items	**(3.9)**	(2.3)	**(13.9)**	(6.5)
Current income taxes	**(60.3)**	(30.1)	**(93.3)**	(85.0)
Other	**0.3**	0.2	**1.4**	(1.7)
Net change in non-cash balances related to operations	**128.6**	71.4	**13.7**	(79.4)
Free cash flows from continuing operating activities of Quebecor Media	**$ 176.1**	$ 187.8	**$ 214.5**	$ 178.7

Table 8
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 September 30		Nine months ended September 30	
	2014	2013	**2014**	2013
Free cash flows from continuing operating activities of Quebecor Media presented in Table 7	**$ 176.1**	$ 187.8	**$ 214.5**	$ 178.7
Quebecor Head Office cash flow items:				
Cash flows from segment operations	**–**	(1.4)	**5.5**	(4.1)
Cash interest expense	**(6.7)**	(6.8)	**(19.8)**	(20.3)
Other	**0.2**	(0.1)	**0.2**	0.1
Net change in non-cash balances related to operations	**5.9**	7.1	**(4.7)**	2.5
	(0.6)	(1.2)	**(18.8)**	(21.8)
Plus additions to property, plant and equipment	**173.8**	137.0	**493.6**	425.5
Plus additions to intangible assets (excluding expenditures for licence acquisitions)	**19.0**	16.9	**63.6**	48.3
Minus proceeds from disposal of assets	**(0.7)**	(3.5)	**(3.4)**	(14.4)
Cash flows provided by continuing operating activities of Quebecor	**$ 367.6**	$ 337.0	**$ 749.5**	$ 616.3

Financing activities

Consolidated debt (long-term debt plus bank borrowings): an increase of $81.6 million for the first nine months of 2014. $200.3 million favourable net variance in assets and liabilities related to derivative financial instruments.

- Summary of year-to-date debt increases:
  - issuance by Videotron on April 9, 2014 of US$600.0 million aggregate principal amount of Senior Notes for net proceeds of $654.5 million, net of financing fees of $7.8 million. The Notes bear 5.375% interest and mature on June 15, 2024;
  - estimated $145.0 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."
- Summary of year-to-date debt reductions:
  - early redemption and withdrawal by Videotron on April 24, 2014 of US$260.0 million aggregate principal amount of 9.125% Senior Notes issued on March 5, 2009 and maturing on April 15, 2018;
  - redemption and early repayment by Quebecor Media on April 25, 2014 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;
  - current payments totalling $18.7 million on Quebecor Media's and Videotron's credit facilities;
  - $16.6 million reduction in Quebecor's debt.
- Assets and liabilities related to derivative financial instruments totalled a net asset of $148.9 million at September 30, 2014, compared with a net liability of $51.4 million at December 31, 2013. The $200.3 million 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.

Partially offset by:

- o unwinding of Quebecor Media's hedging contracts in an asset position in connection with the redemption and early withdrawal on April 25, 2014 of US$380.0 million aggregate principal amount of 7.75% Senior Notes;
- o unfavourable impact of interest rate trends in Canada, compared with the United States, on the fair value of derivative financial instruments.

- On November 3, 2014, TVA Group modified the terms and conditions of its bank credit facilities to increase the size of its revolving credit facility from $100.0 million to $150.0 million, to extend their term by two years until February 24, 2019, and to replace the existing $75.0 million term loan maturing on December 11, 2014 by a new term loan of an equivalent amount to be put in place by December 31, 2014 and maturing on November 3, 2019. TVA Group also granted a security on all of its movable assets and an immovable hypothec on its Head Office building as part of the modification of the terms and conditions of its bank credit facilities.

Financial position

Net available liquidity: $1.31 billion at September 30, 2014 for Quebecor Media and its wholly owned subsidiaries, consisting of $439.1 million in cash and $874.7 million in available unused lines of credit.

Net available liquidity: $98.4 million for Quebecor at the corporate level, consisting of a $0.6 million bank overdraft and $99.0 million in available unused lines of credit.

Consolidated debt: $5.16 billion at September 30, 2014, an $81.6 million increase compared with December 31, 2013; $200.3 million favourable net variance in assets and liabilities related to derivative financial instruments (*see* "Financing activities" above).

- Consolidated debt essentially consisted of Videotron's $2.85 billion debt ($2.40 billion at December 31, 2013); TVA Group's $74.8 million debt ($74.6 million at December 31, 2013); Quebecor Media's $2.15 billion debt ($2.50 billion at December 31, 2013); and Quebecor's $84.4 million debt ($101.0 million at December 31, 2013).

As at September 30, 2014, minimum principal payments on long-term debt in the coming years are as follows:

Table 9
Minimum principal payments on Quebecor long-term debt
12-month periods ended September 30
(in millions of Canadian dollars)

2015	$ 101.4
2016	211.6
2017	96.6
2018	98.3
2019	3.9
2020 and thereafter	4,706.6
Total	**$ 5,218.4**

The weighted average term of Quebecor's consolidated debt was approximately 7.3 years at September 30, 2014 (6.9 years at December 31, 2013). The debt consisted of approximately 85.7% fixed-rate debt (81.6% at December 31, 2013) and 14.3% 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 September 30, 2014, the Corporation and its subsidiaries were in compliance with all required financial ratios and restrictive covenants in their financing agreements.

Dividends declared

- On November 5, 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 December 16, 2014 to shareholders of record at the close of business on November 21, 2014.

Analysis of consolidated balance sheet at September 30, 2014

Table 10
Consolidated balance sheet of Quebecor
Analysis of main differences between September 30, 2014 and December 31, 2013
(in millions of Canadian dollars)

	Sept. 30, 2014	Dec. 31, 2013	Difference	Main reason for difference
Assets				
Accounts receivable	**$ 484.8**	$ 566.3	$ (81.5)	Impact of current variances in activity
Assets held for sale	**–**	76.9	(76.9)	Sale of 74 Québec community weeklies in the Media segment
Intangible assets	**948.2**	824.8	123.4	Purchase of 700 MHz spectrum licences by Videotron, minus impairment of broadcasting licence in the Media segment
Goodwill	**2,826.6**	3,061.5	(234.9)	Goodwill impairment in the Media segment
Liabilities				
Accounts payable and accrued liabilities	**609.0**	706.1	(97.1)	Impact of current variances in activity
Long-term debt, including short-term portion and bank indebtedness	**5,158.6**	5,077.0	81.6	*See* "Financing activities"
Derivative financial instruments[1]	**(148.9)**	51.4	(200.3)	*See* "Financing activities"

[1] Current and long-term liabilities less long-term assets.

ADDITIONAL INFORMATION

Contractual Obligations

At September 30, 2014, material contractual obligations of operating activities included: capital repayment and interest on long-term debt; principal repayment of 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 11 below shows a summary of these contractual obligations.

Table 11
Contractual obligations of Quebecor as of September 30, 2014
(in millions of Canadian dollars)

	Total	Under 1 year	1-3 years	3-5 years	5 years or more
Long-term debt[1]	**$ 5,218.4**	$ 101.4	$ 308.2	$ 102.2	$ 4,706.6
Convertible debentures[2]	**584.7**	—	—	584.7	—
Interest payments[3]	**2,342.4**	231.8	626.7	592.9	891.0
Operating leases	**273.7**	52.0	76.8	48.3	96.6
Additions to property, plant and equipment and other commitments	**1,419.3**	200.4	307.5	211.3	700.1
Derivative financial instruments[4]	**(186.8)**	1.4	13.0	43.3	(244.5)
Total contractual obligations	**$ 9,651.7**	**$ 587.0**	**$ 1,332.2**	**$ 1,582.7**	**$ 6,149.8**

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

2 Based on the market value at September 30, 2014 of a number of shares obtained by dividing the outstanding principal amount by the market price of a Quebecor Class B Share at that date, subject to a floor price of $19.25 per share and a ceiling price of $24.0625. The Corporation may also redeem convertible debentures by issuing the corresponding number of Class B Shares.

3 Estimated interest payable on long-term debt and convertible debentures, based on interest rates, hedging of interest rates and hedging of foreign exchange rates as of September 30, 2014.

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

Related Party Transactions

During the third quarter of 2014, the Corporation and its subsidiaries made purchases and incurred rent charges with affiliated corporations in the amount of $0.5 million ($0.6 million 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 $0.6 million ($0.9 million in the same period of 2013). These transactions were accounted for at the consideration agreed between the parties.

During the first nine months of 2014, the Corporation and its subsidiaries made purchases and incurred rent charges with affiliated corporations in the amount of $1.9 million ($1.5 million 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 $2.3 million ($2.3 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 12 below presents information on the Corporation's capital stock as at October 31, 2014. In addition, 1,220,000 share options were outstanding as of October 31, 2014.

Table 12
Capital Stock
(in shares and millions of Canadian dollars)

	October 31, 2014	
	Issued and outstanding	Book value
Class A Shares	38,974,572	$ 8.7
Class B Shares	83,901,892	$ 318.5

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 were 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 were cancelled.

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

In the first nine months of 2014, the Corporation purchased and cancelled 455,000 Class B Shares for a total cash consideration of $11.7 million (1,423,700 Class B Shares for a total cash consideration of $31.5 million in the first nine months of 2013). The excess of $10.0 million in the purchase price over the carrying value of Class B Shares repurchased was recorded as a reduction in retained earnings in the first nine months of 2014 ($26.1 million in the first nine months 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, convertible debentures, 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 Canadian 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, convertible debentures and derivative financial instruments as of September 30, 2014 and December 31, 2013 are as follows:

Table 13
Fair value of long-term debt, convertible debentures and derivative financial instruments
(in millions of Canadian dollars)

Asset (liability)	September 30, 2014 Carrying value	September 30, 2014 Fair value	December 31, 2013 Carrying value	December 31, 2013 Fair value
Long-term debt[1,2]	**$ (5,218.4)**	**$ (5,301.6)**	$ (5,140.7)	(5,200.0)
Convertible debentures[3]	**(622.4)**	**(622.4)**	(615.1)	(615.1)
Derivative financial instruments				
Early settlement options	**13.7**	**13.7**	14.5	14.5
Foreign exchange forward contracts[4]	**2.5**	**2.5**	1.8	1.8
Cross-currency interest rate swaps[4]	**146.4**	**146.4**	(53.2)	(53.2)

1 The carrying value of long-term debt excludes changes in fair value related to hedged interest risk, embedded derivatives and financing fees.
2 The fair value of long-term debt does not include the fair value of early settlement options, which is presented separately in the table.
3 The carrying value and fair value of convertible debentures consist of the initial capital investment and the value of the cap and floor conversion price features, recognized as embedded derivatives.
4 The value of foreign exchange forward contracts entered into to lock-in the value of existing hedging positions is netted from the value of the offset financial instruments.

Losses on valuation and translation of financial instruments in the third quarter and first nine months of 2014 and 2013 are summarized in Table 14.

Table 14
Loss on valuation and translation of financial instruments
(in millions of Canadian dollars)

	Three months ended September 30 2014	Three months ended September 30 2013	Nine months ended September 30 2014	Nine months ended September 30 2013
(Gain) loss on embedded derivatives related to long term debt and loss on derivative financial instruments for which hedge accounting is not used	**$ (0.2)**	$ 8.5	**$ 2.5**	$ 141.1
Loss on embedded derivatives related to convertible debentures	**27.4**	18.2	**3.6**	101.9
Loss (gain) on reversal of embedded derivatives on debt redemption	**–**	5.9	**(1.1)**	72.9
(Gain) loss on ineffective portion of cash flow hedges	**(1.6)**	0.6	**(1.4)**	(1.7)
Gain on ineffective portion of fair value hedges	**(0.4)**	–	**(2.1)**	–
	$ 25.2	$ 33.2	**$ 1.5**	$ 314.2

$1.1 million gain and $7.2 million loss on cash flow hedges were recorded under “Other comprehensive income” in the third quarter and first nine months of 2014 respectively ($10.8 million and $39.3 million losses in the third quarter and first nine months of 2013 respectively).

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

The fair value of derivative financial instruments recognized 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 and of cap and floor conversion price features, recognized as embedded derivatives, is determined by option pricing models using market inputs, including volatility, discount factors, interest rates and, as the case may be, credit premiums implicit in the adjusted prices of 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.

In May 2014, the IFRS Interpretations Committee ("the Committee") published a summary of its meetings and discussions on the accounting for a financial instrument that is convertible into a variable number of shares subject to a cap or a floor. The Committee noted that different accounting treatments had been used by issuers in the past for this type of instrument. Although interpretation analyses of alternative treatments were expressed and provided by some market participants to the Committee, the Committee decided not to add this issue to its agenda and noted that this instrument should be accounted for as a liability in its entirety. As such, the Corporation changed retrospectively its accounting policy for the accounting of its convertible debentures to be in line with the Committee's discussions. Accordingly, the Corporation's convertible debentures are now accounted for as a financial liability and the cap and floor conversion price features are now accounted for separately as embedded derivatives at fair value, with changes in fair value being recorded in income. The following tables summarize the impact of this change of accounting policy on previously reported financial information.

Consolidated statements of loss and comprehensive loss

	Three months ended September 30	Nine months ended September 30
	2013	2013
Financial expenses	$ 3.4	$ 10.1
Loss on valuation and translation of financial instruments	18.6	104.6
Deferred income tax expense	(1.0)	(3.1)
Net income (loss) and comprehensive loss attributable to shareholders	$ (21.0)	$ (111.6)
Earnings per share attributable to shareholders		
Basic	$ (0.17)	$ (0.90)

Consolidated balance sheets

Increase (decrease)	December 31. 2013	December 31. 2012
Accounts payable and accrued charges	$ (11.6)	$ (10.7)
Convertible debentures	500.0	500.0
Other liabilities [1]	40.7	(119.2)
Deferred income tax liability	25.9	30.2
Equity component of convertible debentures	(398.3)	(398.3)
Retained earnings	(156.7)	(2.0)

[1] Embedded derivatives related to the convertible debentures are presented with other liabilities.

Recent accounting pronouncements

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

IFRS 9 simplifies the measurement and classification of financial assets by reducing the number of measurement categories in IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard also provides for a fair value option in the designation of a non-derivative financial liability and its related classification and measurement, as well as for a new hedge accounting model more closely aligned with risk management activities undertaken by entities. The Corporation has not yet completed its assessment of the impact of the adoption of this standard on its consolidated financial statements.

(ii) IFRS 15 – *Revenue from Contracts with Customers* is required to be applied for annual periods beginning on or after January 1, 2017, with early adoption permitted.

IFRS 15 specifies how and when an entity will recognize revenue as well as requiring such entities to provide users of financial statements with more informative disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The Corporation has not yet completed its assessment of the impact of the adoption of this standard on its 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 September 30, 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 interpretation, 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 November 6, 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

November 6, 2014

QUEBECOR INC. AND ITS SUBSIDIARIES

SELECTED QUARTERLY FINANCIAL DATA

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

			2014				2013	2012
	Sept. 30	**June 30**	**March 31**	Dec. 31	Sept. 30	June 30	March 31	Dec. 31
			(1)	(1)	(1)	(1)	(1)	(1)
Operations								
Revenues	**$ 1,020.0**	**$ 1,033.9**	**$ 1,005.0**	$ 1,087.5	$ 1,021.9	$ 1,030.3	$ 994.8	$ 1,081.9
Adjusted operating income	**380.2**	**381.8**	**344.1**	393.4	381.5	368.2	323.6	371.0
Contribution to net income (loss) attributable to shareholders:								
Continuing operations	**65.6**	**64.5**	**46.1**	66.7	63.1	50.7	33.7	48.1
Gain (loss) on valuation and translation of financial instruments	**(26.9)**	**21.2**	**2.9**	(58.0)	(24.8)	(159.9)	(36.6)	(42.9)
Unusual items	**(22.9)**	**(147.9)**	**(9.8)**	(3.7)	(205.0)	(11.7)	(0.3)	(3.5)
Discontinued operations	**29.3**	**7.4**	**(0.1)**	(4.7)	(22.1)	27.3	(3.3)	3.4
Net income (loss) attributable to shareholders	**45.1**	**(54.8)**	**39.1**	0.3	(188.8)	(93.6)	(6.5)	5.1
Basic data per share								
Contribution to net income (loss) attributable to shareholders:								
Continuing operations	**$ 0.53**	**$ 0.52**	**$ 0.38**	$ 0.54	$ 0.51	$ 0.41	$ 0.27	$ 0.38
Gain (loss) on valuation and translation of financial instruments	**(0.22)**	**0.17**	**0.02**	(0.47)	(0.20)	(1.29)	(0.30)	(0.34)
Unusual items	**(0.18)**	**(1.20)**	**(0.08)**	(0.03)	(1.66)	(0.09)	-	(0.03)
Discontinued operations	**0.24**	**0.06**	**-**	(0.04)	(0.18)	0.22	(0.02)	0.03
Net income (loss) attributable to shareholders	**0.37**	**(0.45)**	**0.32**	-	(1.53)	(0.75)	(0.05)	0.04
Weighted average number of shares outstanding (in millions)	**122.9**	**123.0**	**123.1**	123.5	123.7	124.3	124.7	125.4
Diluted data per share								
Contribution to net income (loss) attributable to shareholders:								
Continuing operations	**$ 0.53**	**$ 0.47**	**$ 0.35**	$ 0.47	$ 0.46	$ 0.37	$ 0.24	$ 0.33
Dilution impact	**-**	**-**	**-**	0.07	0.05	0.04	0.03	-
Gain (loss) on valuation and translation of financial instruments	**(0.22)**	**(0.01)**	**0.02**	(0.47)	(0.20)	(1.29)	(0.30)	(0.29)
Unusual items	**(0.18)**	**(1.03)**	**(0.08)**	(0.03)	(1.66)	(0.09)	-	(0.03)
Discontinued operations	**0.24**	**0.06**	**-**	(0.04)	(0.18)	0.22	(0.02)	0.03
Net income (loss) attributable to shareholders	**0.37**	**(0.51)**	**0.29**	-	(1.53)	(0.75)	(0.05)	0.04
Weighted average number of diluted shares outstanding (in millions)	**122.9**	**143.8**	**144.2**	123.5	123.7	124.3	124.7	148.6

(1) Comparative figures have been restated to reflect the change in the accounting policy for the convertible debentures. Refer to note 2 to the condensed consolidated financial statements for the third quarter of 2014.