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 2013 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, 2012.

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

Quebecor Media sold its specialized Web site *Jobboom* on June 1, 2013 for a cash consideration of $52.1 million, net of disposed-of cash in the amount of $5.4 million. Quebecor Media also agreed to sell its specialized Web site *Réseau Contact* by the end of 2013 for a cash consideration of $7.5 million, subject to technology transfer conditions which should be fulfilled by year's end. The results of operations and cash flows related to those businesses, as well as the $36.6 million gain on the sale of *Jobboom*, 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.

As of the third quarter of 2013, financial data for the Le SuperClub Vidéotron ltée subsidiary ("Le SuperClub Vidéotron") is presented in the Leisure and Entertainment segment instead of the Telecommunications segment. Accordingly, the Corporation's segmented financial data for prior periods have been restated to reflect the change.

HIGHLIGHTS SINCE END OF SECOND QUARTER 2013

- Quebecor's sales totalled $1.08 billion in the third quarter of 2013, an increase of $20.4 million (1.9%) compared with the third quarter of 2012.
- On July 8, 2013, Aldo Giampaolo was appointed President and Chief Executive Officer of Quebecor Media Entertainment & Sports Group. Mr. Giampaolo has extensive expertise in the management of large-scale events and major venues for sporting and cultural events.
- On August 26, 2013, Caroline Roy became Vice President, Development and Strategy, of QMI Digital, a new business unit that serves as a digital technology centre of expertise with a strong focus on research and development.
- In the third quarter of 2013, the Corporation performed impairment tests on the News Media, Music and Books cash generating units ("CGUs"), which continue to be negatively impacted by the shift toward digital, as well as by challenging market conditions in their respective industries. Accordingly, the Corporation recognized a $305.8 million total non-cash impairment charge with respect to goodwill, mastheads and customer relationships.

<u>Telecommunications</u>

- In the third quarter of 2013, the Telecommunications segment grew its revenues by $33.1 million (5.1%) and its operating income by $24.9 million (8.2%).
- In the third quarter of 2013, revenue increases were recorded in all of the main services of Videotron Ltd. ("Videotron"): mobile telephony ($13.0 million or 28.9%), Internet access ($12.0 million or 6.2%), cable telephony ($6.0 million or 5.3%), and cable television ($1.5 million or 0.6%).
- Videotron reported a net increase of 43,500 revenue-generating units[1] in the third quarter of 2013 compared with an increase of 101,100 in the same quarter of 2012. In the 12-month period ended September 30, 2013, the number of revenue-generating units increased by 147,000 (3.0%). Videotron passed the 5 million revenue-generating unit mark during the third quarter of 2013.

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

- On September 24, 2013, Videotron announced the expansion of its multiplatform offering with the addition of Super Channel to its illico Digital TV service. Super Channel carries blockbuster films, popular television series and Showtime-exclusive boxing matches. Its vast selection of content will be available on illico.tv, illico.tv for tablets (Android and iPad) and illico mobile.
- On September 5, 2013, Videotron announced plans to launch a new English-language community television channel, MYtv, to serve as a voice and mirror for the Anglophone community in the greater Montréal area. An official application has been filed with the Canadian Radio-television and Telecommunications Commission ("CRTC").
- On August 8, 2013, Videotron's illico Club Unlimited service, a subscription video on demand service that carries the largest selection of unlimited on-demand French-language titles in Canada, passed the 50,000-subscriber mark. The service was launched in late February 2013.

News Media

- The News Media segment's operating income increased by 14.7% in the third quarter of 2013, reflecting the impact of significant cost-containment and repositioning efforts undertaken in recent years.
- The restructuring initiatives implemented in the third quarter of 2013 involved the elimination of 360 positions, the closing of 8 publications and 3 free urban newspapers – the *24 Hours* papers in Ottawa, Calgary and Edmonton – and a series of efforts to enhance operational efficiencies. The initiatives are expected to yield total annual savings of approximately $55.0 million. Sun Media Corporation intends to continue making investments and expanding its high-growth-potential newspapers and publications across all platforms, print and digital.
- On September 24, 2013, Quebecor Media and Le Sac Plus, in partnership with the Novus agency, announced an exclusive agreement to distribute the Target retail chain's weekly flyer in the Le Sac Plus doorknob bag in Québec. Starting in fall 2013, Le Sac Plus will distribute nearly 100 million promotional flyers per year for Target through its vast, Québec-wide network.

Broadcasting

- The Broadcasting segment's operating income more than doubled in the third quarter of 2013 to $15.2 million, an $8.4 million increase that reflects the favourable impact of a retroactive adjustment to the share of royalties for distant signal retransmission received by TVA Group Inc. ("TVA Group") for the years 2009 to 2013. The growth in operating income was also due to the positive impact of restructuring initiatives implemented in the second quarter of 2013.
- On July 18, 2013, TVA Group announced the acquisition of Les Publications Charron & Cie inc. ("Les Publications Charron & Cie"), publisher of *La Semaine* magazine, and of Charron Éditeur inc. ("Charron Éditeur"). The acquisition was part of TVA Group's strategy to remain the Québec market leader in magazine publishing.

Financing

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

- On July 2, 2013, Videotron used the proceeds from its June 17, 2013 placement of Senior Notes in the aggregate principal amount of $400.0 million, bearing interest at 5.625% and maturing on June 15, 2025, to finance the early redemption and withdrawal of US$380.0 million aggregate principal amount of its outstanding 9.125% Senior Notes, issued on April 15, 2008 and maturing in April 2018.
- On August 14, 2013, the Corporation carried out a two-for-one split of its outstanding Class A Multiple Voting Shares ("Class A Shares") and Class B Subordinate Voting Shares ("Class B Shares"). Accordingly, shareholders received one additional share for each share owned on the record date. Trading on the shares on a split basis commenced at the opening of business on August 16, 2013.
- On August 29, 2013, Quebecor Media issued a US$350 million senior secured term loan "B" at a price of 99.50% for net proceeds of $358.4 million, net of financing fees of $1.9 million. This term loan bears interest at the U.S. London Interbank Offered Rate ("LIBOR"), subject to a LIBOR floor of 0.75%, plus a premium of 2.50%. It provides for quarterly amortization payments totalling 1.00% per annum of the original principal amount, with the balance payable on August 17, 2020.
- On August 30, 2013, Quebecor Media redeemed US$265.0 million in aggregate principal amount of its outstanding 7.75% Senior Notes issued on January 17, 2006 and due in March 2016, and settled the related hedging contracts.

- In October 2013, the Corporation amended its $150.0 million revolving credit facility to extend the maturity date to November 2016 and amend certain terms and conditions.

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 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.

Operating Income

In its analysis of operating results, the Corporation defines operating income, as reconciled to net (loss) income under IFRS, as net (loss) income before amortization, financial expenses, (loss) gain 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) gain on debt refinancing, income tax, and (loss) income from discontinued operations. 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 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.

Operating income is also relevant because it is a significant component of the Corporation's annual incentive compensation programs. A limitation of this measure, however, is that it does not reflect the periodic costs of tangible and intangible assets used in generating revenues in the Corporation's segments. The Corporation also uses other measures that do reflect such costs, such as cash flows from segment operations and free cash flows from continuing operating activities of the Quebecor Media subsidiary. In addition, measures like operating income are commonly used by the investment community to analyze and compare the performance of companies in the industries in which the Corporation is engaged. The Corporation's definition of operating income may not be the same as similarly titled measures reported by other companies.

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

Table 1

Reconciliation of the operating income measure used in this report to the net (loss) income measure used in the condensed consolidated financial statements

(in millions of Canadian dollars)

	Three months ended September 30		Nine months ended September 30	
	2013	2012	**2013**	2012
Operating (loss) income:				
Telecommunications	**$ 329.3**	$ 304.4	**$ 962.4**	$ 898.9
News Media	**25.8**	22.5	**55.4**	73.8
Broadcasting	**15.2**	6.8	**31.4**	18.3
Leisure and Entertainment	**7.9**	11.8	**9.1**	16.5
Interactive Technologies and Communications	**3.9**	0.4	**9.6**	6.4
Head Office	**(1.8)**	3.4	**(2.3)**	7.2
	380.3	349.3	**1,065.6**	1,021.1
Amortization	**(169.2)**	(146.4)	**(496.6)**	(432.4)
Financial expenses	**(90.3)**	(80.1)	**(285.9)**	(247.5)
(Loss) gain on valuation and translation of financial instruments	**(14.6)**	117.7	**(209.6)**	231.8
Restructuring of operations, impairment of assets and other special items	**(5.7)**	(39.7)	**(14.9)**	(28.8)
Impairment of goodwill and intangible assets	**(305.8)**	(187.0)	**(305.8)**	(201.5)
(Loss) gain on debt refinancing	**–**	–	**(18.9)**	2.4
Income taxes	**(12.6)**	(13.2)	**(2.1)**	(102.9)
(Loss) income from discontinued operations	**(0.4)**	2.0	**39.7**	6.9
Net (loss) income	**$ (218.3)**	$ 2.6	**$ (228.5)**	$ 249.1

Adjusted Income from Continuing Operations

The Corporation defines adjusted income from continuing operations, as reconciled to net (loss) income attributable to shareholders under IFRS, as net (loss) income attributable to shareholders before (loss) gain 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) gain on debt refinancing, net of income tax related to adjustments, net (loss) income attributable to non-controlling interests related to adjustments, and (loss) income 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'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 (loss) income 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 (loss) income 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	
	2013	2012	**2013**	2012
Adjusted income from continuing operations	**$ 63.7**	$ 49.5	**$ 148.2**	$ 131.8
(Loss) gain on valuation and translation of financial instruments	**(14.6)**	117.7	**(209.6)**	231.8
Restructuring of operations, impairment of assets and other special items	**(5.7)**	(39.7)	**(14.9)**	(28.8)
Impairment of goodwill and intangible assets	**(305.8)**	(187.0)	**(305.8)**	(201.5)
(Loss) gain on debt refinancing	**–**	–	**(18.9)**	2.4
Income taxes related to adjustments[1]	**19.1**	19.7	**75.7**	(6.8)
Net income attributable to non-controlling interest related to adjustments	**75.8**	55.8	**118.1**	21.3
Discontinued operations	**(0.3)**	1.1	**29.9**	3.8
Net (loss) income attributable to shareholders	**$ (167.8)**	$ 17.1	**$ (177.3)**	$ 154.0

[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 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. When cash flows from segment operations is reported, a reconciliation to operating income is provided in the same section of the report.

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 continuing operating activities calculated in accordance with IFRS, less additions to property, plant and equipment and to intangible assets (excluding disbursements for license 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 9 provides a reconciliation of cash flows from continuing operating activities of Quebecor Media to free cash flows provided by its continuing operating activities.

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

2013/2012 third quarter comparison

Revenues: $1.08 billion, an increase of $20.4 million (1.9%).

- Revenues increased in Telecommunications ($33.1 million or 5.1% of segment revenues) and Broadcasting ($5.1 million or 5.2%).
- Revenues were flat in Interactive Technologies and Communications.
- Revenues decreased in News Media ($19.8 million or -8.7%) and Leisure and Entertainment ($2.9 million or -3.7%).

Operating income: $380.3 million, an increase of $31.0 million (8.9%).

- Operating income increased in Telecommunications ($24.9 million or 8.2% of segment operating income), Broadcasting ($8.4 million), Interactive Technologies and Communications ($3.5 million), and News Media ($3.3 million or 14.7%).
- Operating income decreased in Leisure and Entertainment ($3.9 million or -33.1%) and at Head Office ($5.2 million). The decrease at Head Office was due primarily to the unfavourable variance in the fair value of stock options.
- The change in the fair value of Quebecor Media stock options resulted in a $3.5 million unfavourable variance in the consolidated stock-based compensation charge in the third quarter of 2013 compared with the same period of 2012. The change in the fair value of Quebecor stock options resulted in a $6.7 million unfavourable variance in the Corporation's consolidated stock-based compensation charge in the third quarter of 2013.

Net loss attributable to shareholders: $167.8 million ($1.36 per basic share) in the third quarter of 2013, compared with net income attributable to shareholders in the amount of $17.1 million ($0.14 per basic share) in the same period of 2012, an unfavourable variance of $184.9 million ($1.50 per basic share).

- The unfavourable variance was due primarily to:
  - $132.3 million unfavourable variance in losses and gains on valuation and translation of financial instruments;
  - $118.8 million unfavourable variance in charge for impairment of goodwill and intangible assets;
  - $22.8 million increase in amortization charge;
  - $10.2 million increase in financial expenses.

  Partially offset by:
  - $31.0 million increase in operating income;
  - $34.0 million favourable variance in the charge for restructuring of operations, impairment of assets and other special items.

Adjusted income from continuing operations: $63.7 million in the third quarter of 2013 ($0.51 per basic share) compared with $49.5 million ($0.39 per basic share) in the third quarter of 2012, an increase of $14.2 million ($0.12 per basic share).

Amortization charge: $169.2 million in the third quarter of 2013, a $22.8 million increase essentially due to the impact of the significant capital expenditures made since 2011 in the Telecommunications segment, including amortization of capital expenditures related to cable Internet access services and modernization of the wired network, and to the impact of the emphasis on equipment leasing in the promotional strategy.

Financial expenses: $90.3 million, an increase of $10.2 million due mainly to higher indebtedness resulting from the leveraged repurchase in October 2012 of Quebecor Media shares held by CDP Capital d'Amérique Investissement inc. ("CDP Capital"), a subsidiary of Caisse de dépôt et placement du Québec ("the Caisse"). This factor was partially offset 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: $14.6 million in the third quarter of 2013 compared with a $117.7 million gain in the same period of 2012. The $132.3 million unfavourable variance was mainly due to the change in the fair value of early settlement options due to fluctuations in the valuation assumptions, including interest rates and credit premiums

implicit in the prices of the underlying instruments, and anticipated exercise dates of these options. The variance was also due to the reversal of the fair value of early settlement options on the Quebecor Media Senior Notes redeemed on August 30, 2013.

Charge for restructuring of operations, impairment of assets and other special items: $5.7 million in the third quarter of 2013 compared with $39.7 million in the third quarter of 2012, a favourable variance of $34.0 million.

- In the third quarter of 2013, a $3.8 million net charge for restructuring of operations was recorded in the News Media segment in connection with staff-reduction programs ($31.8 million in the same period of 2012). In connection with these restructuring initiatives, a $7.5 million charge for impairment of certain assets was also recorded in the third quarter of 2012.
- In the third quarter of 2013, the Broadcasting segment recorded a $0.2 million restructuring charge related primarily to staff-reduction programs and a $0.6 million impairment charge on certain assets.
- The other segments recorded a net charge for restructuring of operations, impairment of assets and other special items of $1.1 million in the third quarter of 2013 ($0.4 million in the third quarter of 2012).

Charge for impairment of goodwill and intangible assets: $305.8 million in the third quarter of 2013 compared with $187.0 million in the same period of 2012, an unfavourable variance of $118.8 million.

- In the third quarter of 2013, Quebecor Media performed impairment tests on the News Media, Music and Books CGUs, which continue to be affected by the shift toward digital, as well as by challenging market conditions in their respective industries. Quebecor Media concluded that the recoverable amount based on value in use, or on fair value less disposal costs, was less than the carrying amount of these CGUs. Accordingly, the following goodwill impairment charges were recorded:
  - the News Media segment recorded a non-cash goodwill impairment charge of $229.0 million without any tax consequences ($145.0 million in the third quarter of 2012) and a non-cash impairment charge of $56.0 million on mastheads and customer relationships ($30.0.million in the third quarter of 2012);
  - the Leisure and Entertainment segment recorded non-cash goodwill impairment charges of $8.9 million without any tax consequences in its Music CGU ($12.0 million in the third quarter of 2012), and $11.9 million in its Books CGU (nil in the third quarter of 2012).

Income tax expense: $12.6 million (effective tax rate of 28.3%) in the third quarter of 2013 compared with $13.2 million (effective tax rate of 7.7%) in the same period of 2012. The effective tax rate is calculated considering only taxable and deductible items.

- The income tax expense decreased due to the impact of the decrease in taxable income for tax purposes.
- This decrease was offset by the impact on the 2013/2012 third quarter comparison of the recognition in the third quarter of 2012 of a $34.8 million reduction in deferred income tax expense, following the Corporation's review of the recognition of deferred income tax assets in light of jurisprudence and tax developments. This factor also explains the effective tax rate in the third quarter of 2012.

2013/2012 year-to-date comparison

Revenues: $3.21 billion, an increase of $19.5 million (0.6%).

- Revenues increased in Telecommunications ($89.4 million or 4.6% of segment revenues) and Broadcasting ($2.7 million or 0.8%).
- Revenues decreased in News Media ($70.9 million or -9.9%), Leisure and Entertainment ($11.9 million or -5.5%) and Interactive Technologies and Communications ($4.8 million or -4.4%).

Operating income: $1.07 billion, an increase of $44.5 million (4.4%).

- Operating income increased in Telecommunications ($63.5 million or 7.1% of segment operating income), Broadcasting ($13.1 million or 71.6%) and Interactive Technologies and Communications ($3.2 million or 50.0%).
- Operating income decreased in News Media ($18.4 million or -24.9%), Leisure and Entertainment ($7.4 million or -44.8%) and at Head Office ($9.5 million). The decrease at Head Office was due primarily to the unfavourable variance in the fair value of stock options.
- The change in the fair value of Quebecor Media stock options resulted in a $0.3 million favourable variance in the consolidated stock-based compensation charge in the first nine months of 2013 compared with the same period of 2012.

The change in the fair value of Quebecor stock options resulted in an $11.5 million unfavourable variance in the Corporation's consolidated stock-based compensation charge in the first nine months of 2013.

Net loss attributable to shareholders: $177.3 million ($1.43 per basic share) in the first nine months of 2013, compared with net income attributable to shareholders in the amount of $154.0 million ($1.22 per basic share) in the same period of 2012, an unfavourable variance of $331.3 million ($2.65 per basic share).

- The unfavourable variance was due primarily to:
  - $441.4 million unfavourable variance in losses and gains on valuation and translation of financial instruments;
  - $104.3 million unfavourable variance in charge for impairment of goodwill and intangible assets;
  - $64.2 million increase in amortization charge;
  - $38.4 million increase in financial expenses;
  - $21.3 million unfavourable variance in losses and gains on debt refinancing.

  Partially offset by:
  - $44.5 million increase in operating income;
  - $32.8 million favourable variance in income from discontinued operations, resulting mainly from the gain on disposal of *Jobboom*;
  - $13.9 million favourable variance in charge for restructuring of operations, impairment of assets and other special items.

Adjusted income from continuing operations: $148.2 million in the first nine months of 2013 ($1.19 per basic share), compared with $131.8 million ($1.04 per basic share) in the same period of 2012, an increase of $16.4 million ($0.15 per basic share).

Amortization charge: $496.6 million, a $64.2 million increase essentially due to the same factors as those noted in the 2013/2012 third quarter comparison above.

Financial expenses: $285.9 million, an increase of $38.4 million essentially due to the same factors as those noted in the 2013/2012 third quarter comparison above.

Loss on valuation and translation of financial instruments: $209.6 million in the first nine months of 2013 compared with a $231.8 million gain in the same period of 2012. The unfavourable variance of $441.4 million was mainly due to the variance in the fair value of early settlement options due to fluctuations in the valuation assumptions, including interest rates and credit premiums implicit in the prices of the underlying instruments, and anticipated exercise dates of these options. The variance was also due to the reversal of the fair value of early settlement options on the Videotron Senior Notes redeemed on July 2, 2013 and the Quebecor Media Senior Notes redeemed on August 30, 2013.

Charge for restructuring of operations, impairment of assets and other special items: $14.9 million in the first nine months of 2013 compared with $28.8 million in the same period of 2012, a favourable variance of $13.9 million.

- In the first nine months of 2013, a $4.1 million net charge for restructuring of operations was recorded in the News Media segment, mainly in connection with staff-reduction programs ($32.1 million in the same period of 2012). As part of these initiatives, a $7.5 million charge for impairment of certain assets was also recorded in the first nine months of 2012.
- The Broadcasting segment recorded a $2.3 million restructuring charge in the first nine months of 2013 ($0.1 million in the same period of 2012) in connection with staff reductions and a $1.6 million asset impairment charge. A $12.9 million gain on disposal of businesses was recorded in the first nine months of 2012 in the Broadcasting segment as a result of the sale of TVA Group's interest in the mysteryTV and The Cave specialty channels.
- The other segments recorded a $6.9 million net charge for restructuring of operations, impairment of assets and other special items in the first nine months of 2013 ($2.0 million in the same period of 2012).

Charge for impairment of goodwill and intangible assets: $305.8 million in the first nine months of 2013, compared with $201.5 million in the same period of 2012, an unfavourable variance of $104.3 million.

- A non-cash goodwill impairment charge totalling $249.8 million (without any tax consequences) was recorded in the third quarter of 2013 in the News Media and Leisure and Entertainment segments ($157.0 million in the same period of 2012). A $56.0 million non-cash charge for impairment of mastheads and customer relationships was also recognized during the period in the News Media segment ($30.0 million in the same period of 2012). These charges are explained in greater detail in the discussion of the third quarter 2013 consolidated results.
- As a result of new tariffs adopted in 2012 with respect to business contributions for costs related to waste recovery services provided by Québec municipalities, the Corporation reviewed its business plan for the Broadcasting segment's magazine publishing operations in the first quarter of 2012 and concluded that goodwill was no longer fully recoverable. A $14.5 million non-cash goodwill impairment charge (without any tax consequences) was recorded.

Loss on debt refinancing: $18.9 million in the first nine months of 2013 compared with a $2.4 million gain in the same period of 2012, a $21.3 million unfavourable variance.

- On July 2, 2013, Videotron redeemed its outstanding 9.125% Senior Notes in the aggregate principal amount of US$380.0 million, issued on April 15, 2008 and maturing in April 2018. As a result, a total loss of $18.9 million was recorded in the consolidated statement of income in the first nine months of 2013, including a $6.5 million gain previously recorded in "Other comprehensive income."
- In the first nine months of 2012, Videotron redeemed all of its 6.875% Senior Notes issued in October 2003 and November 2004 and maturing in January 2014, in the aggregate principal amount of US$395.0 million. During the same period, Quebecor Media redeemed US$260.0 million principal amount of its 7.75% Senior Notes, issued on January 17, 2006 and maturing in March 2016, and settled the hedging contracts. These transactions generated a total $2.4 million gain on debt refinancing.

Income tax expense: $2.1 million in the first nine months of 2013 compared with $102.9 million (effective tax rate of 19.9%, considering only taxable and deductible items) in the same period of 2012.

- The $100.8 million favourable variance in income tax expense was mainly due to the decrease in taxable income for tax purposes, which was partially offset by the impact of the $34.8 million reduction in deferred income tax expense recorded in the third quarter of 2012, following the Corporation's review of the recognition of deferred income tax assets in light of jurisprudence and tax developments.

SEGMENTED ANALYSIS

Telecommunications

Third quarter 2013 operating results

Revenues: $683.2 million, an increase of $33.1 million (5.1%).

- Combined revenues from all cable television services increased $1.5 million (0.6%) to $270.6 million, due primarily to higher revenues from the leasing of digital set-top boxes, increased subscriptions to the high-definition service and increased pay-per-view orders, partially offset by the impact of the customer base decrease.
- Revenues from Internet access services increased $12.0 million (6.2%) to $206.1 million. The favourable variance was mainly due to customer growth, increases in some rates and higher revenues from Internet access resellers.
- Revenues from cable telephony service increased $6.0 million (5.3%) to $119.8 million, primarily as a result of increases in some rates, customer base growth and more business lines.
- Revenues from mobile telephony service increased $13.0 million (28.9%) to $58.0 million, essentially due to customer growth.
- Revenues from Videotron Business Solutions decreased $0.2 million (-1.2%) to $15.9 million.
- Revenues from customer equipment sales increased $1.3 million (14.1%) to $10.5 million, mainly because of increased sales of more powerful equipment and growth in the number of subscriber connections to the mobile service.
- Other revenues: $2.3 million, a decrease of $0.5 million (-17.9%).

ARPU: $119.24 in the third quarter of 2013 compared with $112.32 in the same period of 2012, an increase of $6.92 (6.2%).

Customer statistics

Revenue-generating units – As of September 30, 2013, the total number of revenue-generating units stood at 5,004,900, an increase of 43,500 (0.9%) from the end of the second quarter of 2013, compared with an increase of 101,100 in the third quarter of 2012 (Table 3). In the 12-month period ended September 30, 2013, the number of revenue-generating units increased by 147,000 (3.0%). Revenue-generating units are the sum of cable television, cable and mobile Internet access, and cable telephony service subscriptions and subscriber connections to the mobile telephony service.

Cable television – The combined customer base for all of Videotron's cable television services decreased by 2,000 (-0.1%) in the third quarter of 2013 (compared with an increase of 15,000 in the same quarter of 2012) and decreased by 22,500 (-1.2%) during the 12-month period ended September 30, 2013 (Table 3). At the end of the third quarter of 2013, Videotron had 1,830,400 subscribers to its cable television services. The household and business penetration rate (number of subscribers as a proportion of the total 2,733,400 homes and businesses passed by Videotron's network as of the end of September 2013, up from 2,690,600 one year earlier) was 67.0% versus 68.9% a year earlier.

- As of September 30, 2013, the number of subscribers to the illico Digital TV service stood at 1,517,600, a quarterly increase of 15,600 or 1.0% (compared with a 32,800-subscriber increase in the third quarter of 2012), and a 12-month increase of 59,800 (4.1%). As of September 30, 2013, illico Digital TV had a household and business penetration rate of 55.5% versus 54.2% a year earlier.
- The customer base for analog cable television services decreased by 17,600 (-5.3%) in the third quarter of 2013 (compared with a decrease of 17,800 customers in the same quarter of 2012), largely as a result of customer migration to illico Digital TV. The decrease was 82,300 (-20.8%) over a 12-month period,.

Cable Internet access – The number of subscribers to cable Internet access services stood at 1,408,200 at September 30, 2013, a quarterly increase of 12,800 (0.9%) (compared with an increase of 28,500 in the third quarter of 2012), and a 12-month increase of 38,600 (2.8%) (Table 3). At September 30, 2013, Videotron's cable Internet access services had a household and business penetration rate of 51.5%, compared with 50.9% a year earlier.

Cable telephony service – The number of subscribers to cable telephony service stood at 1,281,200 as of September 30, 2013, a quarterly increase of 6,500 (0.5%) (compared with a 26,300-customer increase in the third quarter of 2012), and a 12-month increase of 31,500 (2.5%) (Table 3). At September 30, 2013, the cable telephony service had a household and business penetration rate of 46.9% versus 46.4% a year earlier.

Mobile telephony service – As of September 30, 2013, the number of subscriber connections to the mobile telephony service stood at 478,000, an increase of 26,900 (6.0%) from the end of the previous quarter (compared with an increase of 30,700 connections in the third quarter of 2012), and a 12-month increase of 99,700 (26.4%) (Table 3).

Table 3

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

	Sept. 2013	June 2013	Mar. 2013	Dec. 2012	Sept. 2012	June 2012	Mar. 2012	Dec. 2011
Cable television:								
Analog	**312.8**	330.4	348.9	370.4	395.1	412.9	436.5	460.7
Digital	**1,517.6**	1,502.0	1,500.3	1,484.6	1,457.8	1,425.0	1,417.5	1,400.8
	1,830.4	1,832.4	1,849.2	1,855.0	1,852.9	1,837.9	1,854.0	1,861.5
Cable Internet	**1,408.2**	1,395.4	1,397.3	1,387.7	1,369.6	1,341.1	1,340.5	1,332.5
Cable telephony	**1,281.2**	1,274.7	1,274.0	1,264.9	1,249.7	1,223.4	1,212.5	1,205.3
Mobile telephony[1]	**478.0**	451.1	420.9	402.6	378.3	347.6	312.8	290.6
Internet over wireless	**7.1**	7.8	7.0	7.1	7.4	6.8	5.9	5.6
Total (revenue-generating units)	**5,004.9**	4,961.4	4,948.4	4,917.3	4,857.9	4,756.8	4,725.7	4,695.5

[1] In thousands of subscriber connections

Operating income: $329.3 million, an increase of $24.9 million (8.2%).

- The increase in operating income was mainly due to:
  - impact of revenue increase.

  Partially offset by:
  - increases in some operating expenses, including engineering costs.

Cost/revenue ratio: Operating costs for all Telecommunications segment operations, expressed as a percentage of revenues, were 51.8% in the third quarter of 2013 compared with 53.2% in the same period of 2012.

- 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).

Year-to-date operating results

Revenues: $2.02 billion, an increase of $89.4 million (4.6%), essentially due to the same factors as those noted above in the discussion of third quarter 2013 results.

- Combined revenues from all cable television services increased $9.0 million (1.1%) to $814.0 million.
- Revenues from Internet access services increased $31.6 million (5.5%) to $608.5 million.
- Revenues from cable telephony service increased $16.5 million (4.9%) to $355.1 million.
- Revenues from mobile telephony service increased $37.6 million (30.4%) to $161.1 million.
- Revenues from Videotron Business Solutions decreased $1.1 million (-2.3%) to $47.7 million.
- Revenues from equipment sales to customers decreased $2.6 million (-9.2%) to $25.8 million, mainly because of campaigns promoting cable television equipment leasing, partially offset by increased revenues from mobile telephony equipment.
- Other revenues decreased $1.6 million (-20.0%) to $6.4 million.

ARPU: $116.98 in the first nine months of 2013 compared with $110.76 in the same period of 2012, an increase of $6.22 (5.6%).

Customer statistics

Revenue generating units – 87,600-unit (1.8%) increase in the first nine months of 2013 compared with a 162,400-unit increase in the same period of 2012.

Cable television – 24,600 (-1.3%) decrease in the combined customer base for all of Videotron's cable television services in the first nine months of 2013 compared with an 8,600-customer decrease in the same period of 2012.

- Subscriptions to illico Digital TV service increased by 33,000 (2.2%) compared with an increase of 57,000 in the same period of 2012.
- Subscriptions to analog cable television services decreased by 57,600 (-15.6%) compared with a decrease of 65,600 in the first nine months of 2012.

Cable Internet access – 20,500 (1.5%) customer increase in the first nine months of 2013 compared with 37,100 in the same period of 2012.

Cable telephony service – 16,300 (1.3%) customer increase in the first nine months of 2013 compared with 44,400 in the same period of 2012.

Mobile telephony service – 75,400 (18.7%) increase in subscriber connections in the first nine months of 2013 compared with 87,700 in the same period of 2012.

Operating income: $962.4 million, an increase of $63.5 million (7.1%).

- The increase in operating income was mainly due to:
  - impact of revenue increase;
  - adjustment to provision for CRTC licence fees to align with the CRTC's billing period;

  Partially offset by:
  - increases in some operating expenses, mainly related to engineering costs and customer service costs.

Cost/revenue ratio: Operating costs for all Telecommunications segment operations, expressed as a percentage of revenues, were 52.3% in the first nine months of 2013 compared with 53.4% in the same period of 2012.

- 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) and the impact of the adjustment to CRTC licence fees.

Cash flows from operations

Quarterly cash flows from segment operations: $176.6 million in the third quarter of 2013 compared with $120.9 million in the same period of 2012, an increase of $55.7 million (Table 4).

- The increase was primarily due to a $32.9 million decrease in additions to property, plant and equipment and in intangible assets, mainly reflecting lower investment in the 4G network and in cable network modernization, and the $24.9 million increase in operating income.

Year-to-date cash flows from segment operations: $524.3 million compared with $340.5 million in the same period of 2012 (Table 4).

- The $183.8 million increase was primarily due to a $114.2 million decrease in additions to property, plant and equipment and additions to intangible assets, mainly reflecting lower investment in the 4G network and in cable network modernization, and the $63.5 million increase in operating income.

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

	Three months ended September 30		Nine months ended September 30	
	2013	2012	**2013**	2012
Operating income	**$ 329.3**	$ 304.4	**$ 962.4**	$ 898.9
Additions to property, plant and equipment	**(140.0)**	(174.5)	**(412.4)**	(519.4)
Additions to intangible assets	**(13.1)**	(11.5)	**(36.7)**	(43.9)
Proceeds from disposal of assets	**0.4**	2.5	**11.0**	4.9
Cash flows from segment operations	**$ 176.6**	$ 120.9	**$ 524.3**	$ 340.5

News Media

Third quarter 2013 operating results

Revenues: $207.8 million, a decrease of $19.8 million (-8.7%).

- Revenues decreased by $4.3 million due to the closure of some publications since the end of the second quarter of 2012 under restructuring initiatives.
- On a same-store basis, advertising revenues decreased 8.6%; circulation revenues decreased 3.1%; digital revenues decreased 19.2%; combined revenues from commercial printing and other sources increased 2.0%.
- On a same-store basis, revenues decreased 9.0% at the urban dailies, 7.7% at the community weeklies and 40.8% at the portals; the decline at the portals was caused mainly by lower advertising revenues.

Operating income: $25.8 million, an increase of $3.3 million (14.7%).

- The increase was due primarily to:
  - $13.4 million favourable impact of restructuring initiatives and other reductions in operating expenses;
  - $1.3 million impact of decrease in newsprint prices.

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

Cost/revenue ratio: Operating costs for all News Media segment operations, expressed as a percentage of revenues, were 87.6% in the third quarter of 2013 compared with 90.1% in the same period of 2012. The decrease was due primarily to the favourable impact of the reduction in operating costs in the third quarter of 2013.

Year-to-date operating results

Revenues: $644.6 million, a decrease of $70.9 million (-9.9%).

- Revenues decreased by $11.1 million due to the closure of some publications since the end of the second quarter of 2012.
- On a same-store basis, advertising revenues decreased 11.3%; circulation revenues decreased 4.0%; digital revenues decreased 11.5%; combined revenues from commercial printing and other sources increased 2.1%.
- On a same-store basis, revenues decreased 10.1% at the urban dailies, 9.4% at the community weeklies and 32.1% at the portals; the decline at the portals was caused mainly by lower advertising revenues.

Operating income: $55.4 million, a decrease of $18.4 million (-24.9%).

- The decrease was due primarily to:
  - impact of decrease in revenues on a same-store basis;
  - $1.7 million unfavourable variance in multimedia employment tax credits.

  Partially offset by:
  - $30.9 million favourable impact on operating income related to restructuring initiatives and other reductions in operating expenses;
  - $2.6 million impact of decrease in newsprint prices.

Cost/revenue ratio: Operating costs for all News Media segment operations, expressed as a percentage of revenues, were 91.4% in the first nine months of 2013 compared with 89.7% in the same period of 2012. The increase was due to the fixed component of operating costs, which does not fluctuate in proportion to revenue decreases, partially offset by the favourable impact of the reduction in operating costs on the 2013 year-to-date results.

Cash flows from operations

Quarterly cash flows from segment operations: $19.5 million compared with $18.6 million in the third quarter of 2012 (Table 5). The $0.9 million increase was due to the $3.3 million increase in operating income and to proceeds from the disposal of assets, partially offset by the $3.9 million increase in additions to property, plant and equipment and in additions to intangible assets.

Year-to-date cash flows from segment operations: $40.8 million compared with $60.3 million in the same period of 2012 (Table 5). The $19.5 million decrease was mainly due to the $18.4 million decrease in operating income.

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

	Three months ended September 30		Nine months ended September 30	
	2013	2012	**2013**	2012
Operating income	**$ 25.8**	$ 22.5	**$ 55.4**	$ 73.8
Additions to property, plant and equipment	**(6.9)**	(2.0)	**(11.6)**	(5.5)
Additions to intangible assets	**(2.1)**	(3.1)	**(6.0)**	(9.2)
Proceeds from disposal of assets	**2.7**	1.2	**3.0**	1.2
Cash flows from segment operations	**$ 19.5**	$ 18.6	**$ 40.8**	$ 60.3

Broadcasting

Third quarter 2013 operating results

Revenues: $104.1 million, an increase of $5.1 million (5.2%).

- Revenues from television operations increased $2.2 million, mainly due to:
  - $7.2 million adjustment resulting from the favourable impact of a retroactive adjustment to TVA Group's share of royalties for the retransmission of its signal in markets located 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 six months of 2013;
  - increased subscription revenues at the specialty channels, attributable largely to the LCN, TVA Sports, MOI&cie and addik^{TV} channels;
  - increased advertising revenues at the specialty channels, including addik^{TV} and Prise 2.

Offset by:

- o lower advertising revenues at TVA Network;
- o discontinuation of operations of TVA Boutiques in the third quarter of 2013.

- Total revenues from publishing operations increased by $2.4 million, mainly because of impact of acquisition in July 2013 of Les Publications Charron & Cie, publisher of *La Semaine* magazine.

Operating income: $15.2 million in the third quarter of 2013, an increase of $8.4 million (123.5%).

- Operating income from television operations increased by $7.1 million, mainly as a result of:
  - o favourable impact on operating income of the retroactive adjustment of retransmission royalties;
  - o decrease in SUN News' operating loss due to lower labour and content costs and higher revenues;
  - o decrease in TVA Network's operating costs due to containment of content, production and other costs.

  Partially offset by:

  - o impact of revenue decrease;
  - o increases in some operating costs at the LCN and MOI&cie specialty channels, including advertising and content expenses.
- Operating income from publishing operations increased by $1.5 million as a result of the impact of revenues related to the acquisition of Les Publications Charron & Cie and reductions in some operating costs, including printing costs.

Cost/revenue ratio: Operating costs for all Broadcasting segment operations, expressed as a percentage of revenues, were 85.4% in the third quarter of 2013 compared with 93.1% in the same period of 2012. The decrease in costs as a proportion of revenues was mainly due to the favourable impact of the retroactive adjustment of retransmission royalties and decreases in operating costs.

Year-to-date operating results

Revenues: $330.7 million, an increase of $2.7 million (0.8%).

- Revenues from television operations increased $2.1 million, mainly due to:
  - o $7.2 million adjustment due to favourable impact of the retroactive adjustment of retransmission royalties, including $6.1 million applied retroactively to the years 2009 to 2012;
  - o increased subscription revenues at the specialty channels, attributable largely to the LCN, TVA Sports, SUN News, MOI&cie and addik^{TV} channels;
  - o increased advertising revenues at the specialty channels, including addik^{TV} and Prise 2.

  Partially offset by:

  - o lower advertising revenues at TVA Network;
  - o discontinuation of operations of TVA Boutiques in the third quarter of 2013.
- Total publishing revenues were flat. The decrease in newsstand and advertising revenues was offset by the favourable impact on revenues of the acquisition of Les Publications Charron & Cie in July 2013.

Operating income: $31.4 million, an increase of $13.1 million (71.6%).

- Operating income from television operations increased by $10.1 million, mainly as a result of:
  - o favourable impact of the retroactive adjustment of retransmission royalties;
  - o decrease in SUN News' operating loss due primarily to reduced labour and content costs;
  - o decrease in TVA Network's operating costs due to containment of content, production and other costs, and an adjustment to provision for CRTC licence fees to align with the CRTC's billing period.

Partially offset by:

- o increases in some operating costs at the LCN, MOI&cie, TVA Sports and addik^{TV} specialty channels;
- o impact of revenue decrease at TVA Network.

- Operating income from publishing operations increased by $3.1 million, mainly as a result of:
  - o favourable impact on year-to-date results of recognition in the first quarter of 2012 of a $2.3 million charge for the years 2010 and 2011 related to adoption of new tariffs with respect to business contributions for costs related to waste recovery services provided by Québec municipalities;
  - o impact of acquisition of Les Publications Charron & Cie.

Cost/revenue ratio: Operating costs for all Broadcasting segment operations, expressed as a percentage of revenues, were 90.5% in the first nine months of 2013 compared with 94.4% in the same period of 2012. The decrease in costs as a proportion of revenues was mainly due to decreased operating costs, the favourable impact of the retroactive adjustment of retransmission royalties and recognition in the first nine months of 2012 of retroactive costs related to waste-recovery services.

Cash flows from operations

Quarterly cash flows from segment operations: $9.7 million in the third quarter of 2013 compared with $0.1 million in the same period of 2012 (Table 6). The $9.6 million increase was due to the $8.4 million increase in operating income and a $1.2 million decrease in additions to property, plant and equipment and in additions to intangible assets.

Year-to-date cash flows from segment operations: $15.4 million compared with $19.2 million in the same period of 2012 (Table 6). The $3.8 million decrease mainly reflects proceeds from the disposal of assets in the amount of $21.0 million, recognized in the first nine months of 2012 in connection with the disposal of interests in the mysteryTV and The Cave specialty channels, partially offset by a $13.1 million increase in operating income and a $4.1 million decrease in additions to property, plant and equipment and in additions to intangible assets.

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

	Three months ended September 30		Nine months ended September 30	
	2013	2012	**2013**	2012
Operating income	**$ 15.2**	$ 6.8	**$ 31.4**	$ 18.3
Additions to property, plant and equipment	**(4.7)**	(5.8)	**(14.3)**	(17.9)
Additions to intangible assets	**(0.8)**	(0.9)	**(1.7)**	(2.2)
Proceeds from disposal of assets	**–**	–	**–**	21.0
Cash flows from segment operations	**$ 9.7**	$ 0.1	**$ 15.4**	$ 19.2

Leisure and Entertainment

Third quarter 2013 operating results

Revenues: $74.8 million, a decrease of $2.9 million (-3.7%) compared with the third quarter of 2012.

- The revenues of Archambault Group Inc. ("Archambault Group") decreased 0.9%, mainly because of:
  - o 7.1% decrease in retail sales due primarily to lower sales of CDs, DVDs and musical instruments;
  - o 40.3% decrease in production revenues due primarily to the impact on the 2012 results of the release of a successful album by Québec singer Marie-Mai and to the larger number of shows produced in the third quarter of 2012, including *Le retour de nos idoles*.

Partially offset by:

  - o 19.3% increase in distribution revenues, mainly reflecting the addition of DVDs from a new label in the first quarter of 2013.

- The Book division's revenues decreased by 6.6%, mainly because of lower revenues from distribution to mass retailers and bookstores.
- The revenues of the Le SuperClub Vidéotron retail chain decreased by 27.1%, mainly because of lower franchise fee revenues.
- Revenues were favourably impacted by the acquisition on May 24, 2013 of Gestev Inc. ("Gestev"), a Québec City sporting and cultural event manager.

Operating income: $7.9 million in the third quarter of 2013, a decrease of $3.9 million (-33.1%). The unfavourable variance was due primarily to impact of revenue decrease.

Year-to-date operating results

Revenues: $205.2 million, a decrease of $11.9 million (-5.5%).

- Archambault Group's revenues decreased 5.7%, mainly because of:
  - o 4.0% decrease in retail sales due primarily to lower sales of CDs and DVDs;
  - o 10.0% decrease in distribution revenues, mainly reflecting the larger number of successful album releases in the first nine months of 2012;
  - o 33.3% decrease in production revenues, mainly because of the larger number of concerts produced in the first nine months of 2012.
- The Book division's revenues decreased by 3.7%, mainly because of lower distribution revenues.
- The revenues of the Le SuperClub Vidéotron retail chain decreased by 26.8%, mainly because of lower franchise fee revenues and store closures.

Partially offset by:

- Favourable impact on revenues of acquisition of Gestev in May 2013.

Operating income: $9.1 million for the first nine months of 2013, a decrease of $7.4 million (-44.8%). The unfavourable variance was mainly a result of the impact of lower revenues at Archambault Group and Le Super Club Vidéotron stores.

Cash flows from operations

Quarterly cash flows from segment operations: $6.0 million compared with $9.3 million in the third quarter of 2012 (Table 7).

- The $3.3 million unfavourable variance was primarily due to the $3.9 million decrease in operating income.

Year-to-date cash flows from segment operations: $3.3 million compared with $8.6 million in the same period of 2012 (Table 7).

- The $5.3 million unfavourable variance was due to the $7.4 million decrease in operating income, partially offset by a $2.1 million decrease in additions to property, plant and equipment and in additions to intangible assets.

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

	Three months ended September 30		Nine months ended September 30	
	2013	2012	**2013**	2012
Operating income	**$ 7.9**	$ 11.8	**$ 9.1**	$ 16.5
Additions to property, plant and equipment	**(1.0)**	(1.8)	**(2.0)**	(3.7)
Additions to intangible assets	**(0.9)**	(0.7)	**(3.8)**	(4.2)
Cash flows from segment operations	**$ 6.0**	$ 9.3	**$ 3.3**	$ 8.6

Interactive Technologies and Communications

Third quarter 2013 operating results

Revenues: $33.9 million, an increase of $0.2 million (0.6%).

- The increase was due mainly to:
  - higher revenues at the San Francisco, United States office.

  Partially offset by:
  - lower volume from Canadian customers, due in part to a decrease in intersegment revenues from other segments of Quebecor Media;
  - lower volume in Europe, particularly in France and Spain, mitigated by favourable impact of exchange rate fluctuations.

Operating income: $3.9 million, an increase of $3.5 million. The favourable variance was due primarily to decreases in some operating costs, including labour costs.

Year-to-date operating results

Revenues: $104.9 million, a decrease of $4.8 million (-4.4%).

- The decrease was mainly due to:
  - lower volume from Canadian customers, due in part to a decrease in intersegment revenues from other segments of Quebecor Media;
  - lower volume in Europe, particularly in Spain and France.

  Partially offset by:
  - higher revenues at the San Francisco, United States office;
  - higher volume from government customers.

Operating income: $9.6 million, an increase of $3.2 million (50.0%). The favourable variance was due primarily to decreases in some operating costs, including labour costs, partially offset by impact of revenue decrease.

Cash flows from operations

Quarterly cash flows from segment operations: $3.7 million, compared with negative $0.4 million in the same period of 2012 (Table 8).

- The $4.1 million favourable variance was mainly due to the $3.5 million increase in operating income.

Year-to-date cash flows from segment operations: $8.2 million compared with $3.4 million in the same period of 2012 (Table 8).

- The $4.8 million favourable variance was mainly due to the $3.2 million increase in operating income, combined with the $1.6 million decrease in additions to property, plant and equipment and in additions to intangible assets.

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

	Three months ended September 30		Nine months ended September 30	
	2013	2012	**2013**	2012
Operating income	**$ 3.9**	$ 0.4	**$ 9.6**	$ 6.4
Additions to property, plant and equipment	**(0.1)**	(0.8)	**(1.3)**	(3.0)
Additions to intangible assets	**(0.1)**	–	**(0.1)**	–
Cash flows from segment operations	**$ 3.7**	$ (0.4)	**$ 8.2**	$ 3.4

CASH FLOWS AND FINANCIAL POSITION

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

Operating activities

Third quarter 2013

Cash flows provided by operating activities: $338.8 million in the third quarter of 2013 compared with $376.6 million in the same period of 2012.

- The $37.8 million unfavourable variance was mainly due to:
  - $65.4 million unfavourable net change in non-cash balances related to operations, mainly because of unfavourable variances in accounts payable and accrued charges at Videotron and provision for restructuring expenses in the News Media segment;
  - $20.3 million unfavourable variance in current income taxes;
  - $11.0 million increase in cash portion of financial expenses.

  Partially offset by:
  - $24.9 million increase in operating income in the Telecommunications segment;
  - $27.1 million decrease in cash portion of charge for restructuring of operations, impairment of assets and other special items.

Year to date

Cash flows provided by operating activities: $604.9 million in the first nine months of 2013 compared with $834.0 million in the same period of 2012.

- The $229.1 million unfavourable variance was mainly due to:
  - $206.5 million unfavourable net change in non-cash balances related to operations, mainly because of unfavourable variances in inventory at Videotron and in accounts payable and accrued charges at Videotron and Nurun Inc.;
  - $49.1 million unfavourable variance in current income taxes;
  - $40.2 million increase in cash portion of financial expenses;
  - $18.4 million decrease in operating income in the News Media segment.

  Partially offset by:
  - $63.5 million increase in operating income in the Telecommunications segment;
  - $21.6 million decrease in cash portion of charge for restructuring of operations, impairment of assets and other special items.

In the first nine months of 2013, the unfavourable impact of the timing of transactions and investments in inventory in the Telecommunications segment on non-cash items related to operating activities, combined with a reduction in tax benefits available for the deferral of income tax disbursements, negatively affected cash flows provided by operating activities. Interest disbursements on higher indebtedness resulting from the repurchase of Quebecor Media shares in the fourth quarter of 2012 also had a negative impact. As well, the impact of competition and challenging market conditions in the News Media segment had an unfavourable impact on cash flows provided by operating activities. However, profit growth in the Telecommunications segment and the refinancing of some debt at lower rates had a favourable impact on cash flows.

Working capital: $38.4 million at September 30, 2013 compared with negative $113.8 million at December 31, 2012. The $152.2 million favourable variance was mainly due to the decrease in accounts payable and accrued charges, primarily at Videotron, and the increase in cash and cash equivalents, partially offset by the impact of the recognition of liabilities related to derivative financial instruments maturing in January 2014 under current liabilities.

Investing activities

Third quarter 2013

Additions to property, plant and equipment: $153.2 million in the third quarter of 2013 compared with $185.8 million in the same period of 2012. The $32.6 million decrease was due primarily to:

- $34.5 million decrease in additions to property, plant and equipment in the Telecommunications segment, mainly related to lower spending on the 4G network and cable network modernization.

Additions to intangible assets: $16.7 million in the third quarter of 2013 compared with $15.8 million in the same period of 2012.

Business acquisitions: $6.9 million in the third quarter of 2013, due to the acquisition of Les Publications Charron & Cie and Charron Éditeur in the Broadcasting segment, compared with nil in the same period of 2012.

Disposal of businesses: Negative $0.7 million in the third quarter of 2013, as a result of certain contractual adjustments to the selling price of *Jobboom*, compared with $0.8 million in the same period of 2012.

Proceeds from disposal of assets: $3.5 million in the third quarter of 2013 compared with $3.7 million in the third quarter of 2012.

Year to date

Additions to property, plant and equipment: $443.1 million in the first nine months of 2013 compared with $551.6 million in the same period of 2012. The $108.5 million variance was mainly due to a $107.0 million decrease in additions to property, plant and equipment in the Telecommunications segment, due to the same factors as those noted above in the discussion of third quarter 2013 results.

Additions to intangible assets: $47.9 million in the first nine months of 2013 compared with $58.1 million in the same period of 2012. The Telecommunications segment accounted for the largest part of the $10.2 million decrease.

Business acquisitions: $8.5 million in the first nine months of 2013, mainly because of the acquisition of Les Publications Charron & Cie and Charron Éditeur in the Broadcasting segment, compared with $0.8 million in the same period of 2012.

Disposal of businesses: $52.1 million in the first nine months of 2013, reflecting the sale of *Jobboom* to Mediagrif Interactive Technologies Inc., compared with $0.8 million in the same period of 2012.

Proceeds from disposal of assets: $14.4 million in the first nine months of 2013, primarily in the Telecommunications segment, compared with $27.1 million in the same period of 2012, a $12.7 million decrease.

- The figure for the first nine months of 2012 included $21.0 million recorded in the Broadcasting segment in connection with the sale of TVA Group's interest in the mysteryTV and The Cave specialty channels.

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

Third quarter 2013

Free cash flows from continuing operating activities of Quebecor Media: $173.5 million in the third quarter of 2013 compared with $181.0 million in the same period of 2012 (Table 9).

- The $7.5 million decrease was essentially due to:
  - $38.9 million unfavourable variance in cash flows provided by operating activities.

  Partially offset by:
  - $32.5 million decrease in additions to property, plant and equipment.

Year to date

Free cash flows from continuing operating activities of Quebecor Media: $143.4 million in the first nine months of 2013 compared with $269.6 million in the same period of 2012 (Table 9).

- The $126.2 million unfavourable variance was mainly due to:
  - $232.1 million unfavourable variance in cash flows provided by operating activities;
  - $12.7 million decrease in proceeds from disposal of assets.

  Partially offset by:
  - $108.4 million decrease in additions to property, plant and equipment;
  - $10.2 million decrease in additions to intangible assets.

Table 9

Cash flows provided by operating activities of the Quebecor Media subsidiary and its free cash flows from continuing operating activities
(in millions of Canadian dollars)

	Three months ended September 30		Nine months ended September 30	
	2013	2012	**2013**	2012
Operating (loss) income:				
Telecommunications	**$ 329.3**	$ 304.4	**$ 962.4**	$ 898.9
News Media	**25.8**	22.5	**55.4**	73.8
Broadcasting	**15.2**	6.8	**31.4**	18.3
Leisure and Entertainment	**7.9**	11.8	**9.1**	16.5
Interactive Technologies and Communications	**3.9**	0.4	**9.6**	6.4
Head Office	**(0.4)**	1.2	**1.9**	4.7
	381.7	347.1	**1,069.8**	1,018.6
Cash portion of financial expenses	**(84.2)**	(75.1)	**(266.7)**	(231.8)
Cash portion of charge for restructuring of operations, impairment of assets and other special items	**(5.1)**	(32.2)	**(12.6)**	(34.2)
Current income taxes	**(30.7)**	(10.4)	**(85.3)**	(36.2)
Other	**0.4**	(0.3)	**–**	(0.5)
Net change in non-cash balances related to operations	**77.8**	149.7	**(85.2)**	136.2
Cash flows provided by continuing operating activities	**339.9**	378.8	**620.0**	852.1
Additions to property, plant and equipment and additions to intangible assets, less proceeds from disposal of assets:				
Telecommunications	**(152.7)**	(183.5)	**(438.1)**	(558.4)
News Media	**(6.3)**	(3.9)	**(14.6)**	(13.5)
Broadcasting	**(5.5)**	(6.7)	**(16.0)**	0.9
Leisure and Entertainment	**(1.9)**	(2.5)	**(5.8)**	(7.9)
Interactive Technologies and Communications	**(0.2)**	(0.8)	**(1.4)**	(3.0)
Head Office	**0.2**	(0.4)	**(0.7)**	(0.6)
	(166.4)	(197.8)	**(476.6)**	(582.5)
Free cash flows from continuing operating activities	**173.5**	181.0	**143.4**	269.6

Financing activities

Consolidated debt (long-term debt plus bank borrowings): $419.0 million increase in the first nine months of 2013; $108.7 million favourable net variance in assets and liabilities related to derivative financial instruments.

- Summary of debt increases during the first nine months of 2013:
  - $400.0 million aggregate principal amount of Senior Notes issued by Videotron on June 17, 2013 for net proceeds of $394.8 million, net of financing fees of $5.2 million. The Notes bear 5.625% interest and mature on June 15, 2025.
  - US$350 million senior secured term loan "B" entered into by Quebecor Media on August 1, 2013 and issued at a price of 99.50% on August 29, 2013, for net proceeds of $358.4 million, net of financing fees of $1.9 million. The term loan bears interest at LIBOR, subject to a LIBOR floor of 0.75%, plus a 2.50% premium. It provides for quarterly amortization payments totalling 1.00% per annum of the original principal amount, with the balance payable on August 17, 2020.
  - $213.6 million increase in debt due to the reduction in the fair value of early settlement options, which are presented on the balance sheet as a reduction of debt. The reduction in fair value was due to fluctuations in the valuation assumptions, including interest rates and credit premiums implicit in the prices of the underlying instruments, and anticipated exercise dates of these options, as well as to the reversal of the fair value of early settlement options on the Videotron Senior Notes redeemed on July 2, 2013, and on the Quebecor Media Senior Notes redeemed on August 30, 2013.
  - Estimated $122.3 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."
  - $6.3 million increase in Quebecor's debt.
- Summary of debt reductions during the same period:
  - Early redemption and withdrawal by Videotron on July 2, 2013 of US$380.0 million aggregate principal amount of its 9.125% Senior Notes issued on April 15, 2008 and maturing in April 2018.
  - Early redemption by Quebecor Media on August 30, 2013 of US$265.0 million in aggregate principal amount of its outstanding 7.75% Senior Notes issued on January 17, 2006 and due in March 2016.
  - Current payments totalling $16.0 million on Quebecor Media's and Videotron's credit facilities.
- Assets and liabilities related to derivative financial instruments totalled a net liability of $154.2 million at September 30, 2013 compared with a net liability of $262.9 million at December 31, 2012. The $108.7 million net favourable variance was due to:
  - Favourable impact of exchange rate fluctuations on the value of derivative financial instruments;
  - Settlement at maturity of liabilities related to Quebecor Media's foreign currency exposure hedges on its term loan "B" credit facility, which was prepaid in full in December 2012;
  - Settlement of liability related to Quebecor Media's hedging contracts in connection with the redemption on August 30, 2013 of US$265.0 million aggregate principal amount of Quebecor Media's 7.75% Senior Notes.

  Partially offset by:
  - Unfavourable impact of interest rate trends in Canada, compared with the United States, on the fair value of derivative financial instruments;
  - Unwinding of Videotron's hedging contracts in an asset position in connection with the redemption on July 2, 2013 of US$380.0 million aggregate principal amount of Videotron's 9.125% Senior Notes.
- On April 16, 2013, Quebecor Media announced a public exchange offer for the exchange of the entirety of its outstanding 5.75% Senior Notes maturing on January 15, 2023 for an equivalent principal amount of Notes registered pursuant to the *Securities Act of 1933*. The exchange of almost all the Notes (99.9%) was completed by May 14, 2013.
- In June 2013, Quebecor Media amended its $300.0 million revolving credit facility to extend the maturity date to January 2017 and amend certain terms and conditions.
- In June 2013, Videotron also amended its $575.0 million revolving credit facility to extend the maturity date to July 2018 and amend certain terms and conditions.

- On June 17, 2013, Quebecor and the Caisse announced the closing of the secondary private placement by CDP Capital, a subsidiary of the Caisse, of $305.0 million aggregate principal amount of Quebecor's 4.125% convertible unsecured subordinated debentures, due 2018. Quebecor did not receive any proceeds from the sale of the debentures by CDP Capital in this secondary private placement, which is part of the transaction announced on October 3, 2012 allowing the Caisse to rebalance its portfolio by disposing of part of this significant position in the media and telecommunications industry.
- In October 2013, the Corporation amended its $150.0 million revolving credit facility to extend the maturity date to November 2016 and amend certain terms and conditions.

Financial Position

Net available liquidity: $1.22 billion at September 30, 2013 for Quebecor Media and its wholly owned subsidiaries, consisting of $342.8 million in cash and $874.9 million in available unused lines of credit.

Net available liquidity: $74.8 million for Quebecor at the corporate level, consisting of a $1.2 million bank overdraft and $76.0 million in available unused lines of credit.

Consolidated debt: $4.95 billion at September 30, 2013, an increase of $419.0 million compared with December 31, 2012; $108.7 million favourable net variance in assets and liabilities related to derivative financial instruments (*see* "Financing activities" above).

- Consolidated debt essentially consisted of Videotron's $2.34 billion debt ($2.13 billion at December 31, 2012), TVA Group's $74.6 million debt ($74.4 million at December 31, 2012), Quebecor Media's $2.42 billion debt ($2.23 billion at December 31, 2012), and Quebecor's $108.9 million debt ($102.6 million at December 31, 2012).

As at September 30, 2013, minimum principal payments on long-term debt in the coming years were as follows:

Table 10
Minimum principal payments on Quebecor's long-term debt
12 months ending September 30
(in millions of Canadian dollars)

2014	$ 26.0
2015	100.9
2016	651.8
2017	45.5
2018	356.9
2019 and thereafter	3,865.7
Total	**$ 5,046.8**

The weighted average term of Quebecor's consolidated debt was approximately 7.1 years as of September 30, 2013 (7.1 years as of December 31, 2012). The debt consists of approximately 82.9% fixed-rate debt (89.7% at December 31, 2012) and 17.1% floating-rate debt (10.3% at December 31, 2012).

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 operating income). At September 30, 2013, the Corporation and its subsidiaries were in compliance with all required financial ratios and restrictive covenants in their financing agreements.

Dividends Declared

- On November 6, 2013, the Board of Directors of Quebecor declared a quarterly dividend of $0.025 per share on Class A shares and Class B shares, payable on December 17, 2013 to shareholders of record at the close of business on November 22, 2013.

Participation in 700 MHz spectrum auction

On October 22, 2013, Videotron qualified on a provisional basis to participate in the 700 MHz spectrum auction announced by Industry Canada, which is scheduled to commence on January 14, 2014.

On October 29, 2013, Videotron filed a letter of credit with Industry Canada as a pre‑auction financial deposit in respect to its application to participate. The submission of this letter of credit had the effect of reducing the Corporation’s net available liquidity. Under Industry Canada’s published rules respecting restrictions on communications during the auction process, it is strictly forbidden for the Corporation to disclose the amount of this letter of credit, which can be withdrawn by Videotron at any time prior to the auction’s commencement.

The complete licensing framework for the 700 MHz spectrum auction as published by Industry Canada – including the method of determination of pre-auction financial deposits – can be found on the Industry Canada Web site at <http://www.ic.gc.ca/eic/site/smt-gst.nsf/eng/h_sf10598.html>.

Analysis of consolidated balance sheet at September 30, 2013

Table 11
Consolidated balance sheet of Quebecor
Analysis of main differences between September 30, 2013 and December 31, 2012
(in millions of Canadian dollars)

	Sept. 30, 2013	Dec. 31, 2012	Difference	Main reason for difference
Assets				
Cash and cash equivalents	**$ 353.6**	$ 228.7	$ 124.9	Cash flows from operations exceeded cash flows used in investing and financing activities
Accounts receivable	**541.3**	578.7	(37.4)	Impact of current variances in activity
Intangible assets	**834.8**	956.7	(121.9)	Amortization of Videotron's spectrum licences and impairment of mastheads and customer relationships in the News Media segment
Goodwill	**3,109.5**	3,371.6	(262.1)	Goodwill impairment in the News Media and Leisure and Entertainment segments, and disposal of *Jobboom*
Liabilities				
Accounts payable and accrued charges	**646.7**	804.5	(157.8)	Impact of current variances in activity
Income taxes[1]	**64.6**	23.3	41.3	Reduction in previously available tax benefits
Long-term debt, including short-term portion and bank indebtedness	**4,950.3**	4,531.3	419.0	*See* "Financing activities"
Derivative financial instruments[2]	**154.2**	262.9	(108.7)	*See* "Financing activities"
Net future tax liabilities[3]	**520.9**	570.2	(49.3)	Reduced deferred income taxes mainly because of fluctuations in the fair value of early settlement options

1 Current liabilities less current assets
2 Current and long-term liabilities less long-term assets
3 Long-term liabilities less long-term assets

ADDITIONAL INFORMATION

Contractual Obligations

At September 30, 2013, material contractual obligations of operating activities included: capital repayment and interest payments on long-term debt; coupon payments on convertible debentures; operating lease arrangements; capital asset purchases and other commitments; and obligations related to derivative financial instruments, less estimated future receipts on derivative financial instruments. Table 12 below shows a summary of these contractual obligations.

Table 12
Contractual obligations of Quebecor as of September 30, 2013
(in millions of Canadian dollars)

	Total	Less than 1 year	1-3 years	3-5 years	5 years or more
Long-term debt[1]	**$ 5,046.8**	$ 26.0	$ 752.7	$ 402.4	$ 3,865.7
Interest payments[2]	**2,410.9**	239.5	647.7	561.7	962.0
Coupon payments on convertible debentures	**113.5**	20.6	41.3	41.3	10.3
Operating leases	**295.4**	57.2	77.5	50.0	110.7
Additions to property, plant and equipment and other commitments	**577.4**	131.4	160.5	78.7	206.8
Derivative financial instruments[3]	**131.8**	117.1	4.0	71.7	(61.0)
Total contractual obligations	**$ 8,575.8**	**$** 591.8	**$** 1,683.7	**$** 1,205.8	**$** 5,094.5

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

2 Estimated interest payable on long-term debt, based on interest rates, hedging of interest rates and hedging of foreign exchange rates as of September 30, 2013.

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

Related-Party Transactions

During the third quarter of 2013, the Corporation and its subsidiaries made purchases and incurred rent charges with affiliated corporations in the amount of $0.6 million ($0.7 million in the same period of 2012), which are included in purchase of goods and services. The Corporation and its subsidiaries made sales to affiliated corporations in the amount of $0.9 million ($0.7 million in the same period of 2012). These transactions were concluded on terms equivalent to those that prevail on an arm's length basis and were accounted for at the consideration agreed between parties.

During the first nine months of 2013, the Corporation and its subsidiaries made purchases and incurred rent charges with affiliated corporations in the amount of $1.5 million ($3.8 million in the same period of 2012), which are included in purchase of goods and services. The Corporation and its subsidiaries made sales to affiliated corporations in the amount of $2.3 million ($2.7 million in the first nine months of 2012). These transactions were concluded on terms equivalent to those that prevail on an arm's length basis and were accounted for at the consideration agreed between parties.

Capital Stock

In accordance with Canadian financial reporting standards, Table 13 below presents information on the Corporation's capital stock as at October 31, 2013. In addition, 2,369,182 share options were outstanding as of October 31, 2013.

Table 13
Capital stock
(in shares and millions of Canadian dollars)

	October 31, 2013	
	Issued and outstanding	Book value
Class A Shares	39,119,772	$ 8.7
Class B Shares	84,391,692	$ 321.0

On August 8, 2013, the Corporation filed a normal course issuer bid for a maximum of 1,956,068 Class A shares, representing approximately 5% of issued and outstanding Class A shares, and for a maximum of 8,429,248 Class B shares, representing approximately 10% of the public float of Class B shares as of July 31, 2013. The purchases can be made from August 13, 2013 to August 12, 2014 at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange. All shares purchased under the bid will be cancelled.

In the first nine months of 2013, the Corporation purchased and cancelled 1,423,700 Class B shares for a total cash consideration of $31.5 million (1,457,000 Class B shares for a total cash consideration of $25.8 million in the first nine months of 2012). The excess of $26.1 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 2013 ($20.3 million in the first nine months of 2012).

On August 14, 2013, the Corporation carried out a two-for-one split of its outstanding Class A Shares and Class B Shares. Accordingly, shareholders received one additional share for each share owned on the record date. Trading on the shares on a split basis commenced at the opening of business on August 16, 2013.

Financial Instruments

Quebecor and its subsidiaries use a number of financial instruments, mainly cash and cash equivalents, trade receivables, long-term investments, bank indebtedness, trade payables, accrued charges, long-term debt, and derivative financial instruments.

In order to manage its foreign exchange and interest rate risks, the Corporation and its subsidiaries use derivative financial instruments: (i) to set in 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 variable-rate debts; and (iii) to reverse existing hedging positions through offsetting transactions. The Corporation and its subsidiaries do not intend to settle their derivative financial instruments prior to their maturity as none of these instruments is held or issued for speculative purposes.

Certain cross-currency interest rate swaps entered into by the Corporation and its subsidiaries include an option that allows each party to unwind the transaction on a specific date at the then settlement amount.

The carrying value and fair value of long-term debt, derivative financial instruments and liability and derivative components of convertible debentures as of September 30, 2013 and December 31, 2012 are as follows:

Table 14
Fair value of long-term debt and derivative financial instruments
(in millions of Canadian dollars)

Asset (liability)	September 30, 2013 Carrying value	September 30, 2013 Fair value	December 31, 2012 Carrying value	December 31, 2012 Fair value
Long-term debt[1]	**$ (5,046.8)**	**$ (5,038.1)**	$ (4,845.1)	$ (5,109.1)
Derivative financial instruments:				
Early settlement options	**46.8**	**46.8**	264.9	264.9
Foreign exchange forward contracts[2]	**0.1**	**0.1**	0.1	0.1
Cross-currency interest rate swaps[2]	**(154.3)**	**(154.3)**	(263.0)	(263.0)
Liability and derivative components of convertible debentures	**(123.3)**	**(123.3)**	(132.7)	(132.7)

1 The carrying value of long-term debt excludes adjustments related to embedded derivatives and financing fees.
2 The value of foreign exchange forward contracts entered into to reverse existing hedging positions is netted from the value of the offset financial instruments.

Losses (gains) on valuation and translation of financial instruments in the third quarter and first nine months of 2013 are summarized in Table 15.

Table 15
Loss (gain) on valuation and translation of financial instruments
(in millions of Canadian dollars)

	Three months ended September 30 2013	Three months ended September 30 2012	Nine months ended September 30 2013	Nine months ended September 30 2012
Loss (gain) on embedded derivatives and derivative financial instruments for which hedge accounting is not used	**$ 8.5**	$ (117.7)	**$ 141.1**	$ (241.5)
Loss on reversal of embedded derivatives upon debt redemption	**5.9**	—	**72.9**	9.7
Loss (gain) on the ineffective portion of cash flow hedges	**0.6**	—	**(1.7)**	—
Gain on the fair value of derivative component of convertible debentures	**(0.4)**	—	**(2.7)**	—
	$ 14.6	$ (117.7)	**$ 209.6**	$ (231.8)

Losses of $10.8 million and $39.3 million were recorded under Other comprehensive income in the third quarter and first nine months of 2013 respectively in relation to cash flow hedging relationships ($5.8 million and $31.2 million gains in the third quarter and first nine months of 2012 respectively).

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

The fair value of derivative financial instruments recognized on the consolidated balance sheets is estimated as per the Corporation's valuation models. These models project future cash flows and discount the future amounts to a present value using the contractual terms of the derivative instrument and factors observable in external market 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 other party to the contract or the Corporation.

The fair value of early settlement options recognized as embedded derivatives and the derivative component of convertible debentures are determined by option pricing models using market inputs, including volatility and discount factors.

Changes in Accounting Policies

On January 1, 2013, the Corporation adopted retrospectively the following standards. Unless otherwise indicated, the adoption of these new standards did not have a material impact on prior period comparative figures.

(i) IFRS 10 *Consolidated Financial Statements* replaces SIC 12 *Consolidation – Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements* and provides additional guidance regarding the concept of control as the determining factor in whether an entity should be included in the consolidated financial statements of the parent corporation.

(ii) IFRS 11 *Joint Arrangements* replaces IAS 31 *Interests in Joint Ventures* with guidance that focuses on the rights and obligations of the arrangement, rather than its legal form. It also withdraws the option to proportionately consolidate an entity's interest in joint ventures. The new standard requires that such interests be recognized using the equity method. The following table summarizes the adjustments that were recorded in the consolidated statements of income for the prior period comparative figures:

Increase (decrease)	Three months ended September 30, 2012	Nine months ended September 30, 2012
Revenues	$ –	$ (4.2)
Purchase of goods and services	–	(2.5)
Financial expenses	–	(1.7)
Income from continuing operations	$ –	$ –

(iii) IFRS 12 *Disclosure of Interests in Other Entities* is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose entities and other off-balance sheet vehicles.

(iv) IFRS 13 *Fair Value Measurement* is a new and comprehensive standard that sets out a framework for measuring at fair value and that provides guidance on required disclosures about fair value measurements.

(v) IAS 1 *Presentation of Financial Statements* was amended and the principal change resulting from amendments to this standard is the requirement to present separately other comprehensive items that may be reclassified to income and other comprehensive items that will not be reclassified to income.

(vi) IAS 19 *Employee Benefits (Amended)* involves, among other changes, the immediate recognition of the re-measurement component in Other comprehensive income, thereby removing the accounting option previously available in IAS 19 to recognize or to defer recognition of changes in defined benefit obligations and in the fair value of plan assets directly in the consolidated statement of income. IAS 19 also introduces a net interest approach that replaces the expected return on assets and interest costs on the defined benefit obligation with a single net interest component determined by multiplying the net defined benefit liability or asset by the discount rate used to determine the defined benefit obligation. In addition, all past service costs are required to be recognized in profit or loss when the employee benefit plan is amended and no longer spread over any future service period. IAS 19 also allows amounts recorded in Other comprehensive income to be recognized either immediately in retained earnings or as a separate category within equity. The Corporation chose to recognize amounts recorded in Other comprehensive income in accumulated Other comprehensive income.

The adoption of the amended standard had the following impacts on prior period figures:

Consolidated statements of income

Increase (decrease)	Three months ended September 30, 2012	Nine months ended September 30, 2012
Employee costs	$ 0.9	$ 2.8
Financial expenses	3.2	9.6
Deferred income tax	(1.1)	(3.3)
Income from continuing operations	$ (3.0)	$ (9.1)
Income from continuing operations attributable to:		
Shareholders	$ (1.5)	$ (4.5)
Non-controlling interests	(1.5)	(4.6)

Consolidated balance sheets

Increase (decrease)	December 31, 2012	December 31, 2011
Other liabilities	$ 2.1	$ 3.7
Deferred income taxes liability	(0.6)	(1.0)
Retained earnings	75.4	48.4
Accumulated other comprehensive loss	(77.2)	(49.6)
Non-controlling interests	0.3	(1.5)

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, 2013 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 newspapers 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 newspapers' operations to optimize their efficiency in the context of the changing newspaper industry;
- disruptions to the network through which Quebecor Media provides its digital cable television, Internet access and telephony services, and its ability to protect such services from piracy;
- labour disputes or strikes;
- changes in Quebecor Media's ability to obtain services and equipment critical to its operations;
- changes in laws and regulations, or in their interpretations, which could result, among other things, in the loss (or reduction in value) of Quebecor Media's licences or markets or in an increase in competition, compliance costs or capital expenditures;
- Quebecor's substantial indebtedness, the tightening of credit markets, and the restrictions on its business imposed by the terms of its debt; and
- interest rate fluctuations that could affect Quebecor's interest payment requirements on long-term debt.

The forward-looking statements in this document are made to provide investors and the public with a better understanding of the Corporation's circumstances and are based on assumptions it believes to be reasonable as of the day on which they are made. Investors and others are cautioned that the foregoing list of factors that may affect future results is not exhaustive and that undue reliance should not be placed on any forward-looking statements. For more information on the risks, uncertainties and assumptions that could cause the Corporation's actual results to differ from current expectations, please refer to the Corporation's public filings, available at <www.sedar.com> and <www.quebecor.com>, including, in particular, the "Risks and Uncertainties" section of the Corporation's Management Discussion and Analysis for the year ended December 31, 2012.

The forward-looking statements in this Management Discussion and Analysis reflect the Corporation's expectations as of November 7, 2013, 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 7, 2013

QUEBECOR INC. AND ITS SUBSIDIARIES

SELECTED QUARTERLY FINANCIAL DATA

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

			2013				2012	2011
	Sept. 30	**June 30**	**March 31**	Dec. 31	Sept. 30	June 30	March 31	Dec. 31
Operations								
Revenues	**$ 1,075.1**	**$ 1,088.4**	**$ 1,047.8**	$ 1,137.8	$ 1,054.7	$ 1,079.8	$ 1,057.3	$ 1,140.1
Operating income	**380.3**	**367.8**	**317.5**	368.0	349.3	353.6	318.2	364.9
Contribution to net (loss) income attributable to shareholders:								
Continuing operations	**63.7**	**52.9**	**31.6**	52.9	49.5	46.1	36.2	52.0
(Loss) gain on valuation and translation of financial instruments	**(6.3)**	**(113.9)**	**3.1**	(50.8)	47.5	16.1	30.2	34.0
Unusual items	**(224.9)**	**(12.8)**	**(0.6)**	4.0	(81.0)	2.2	3.4	(4.2)
Discontinued operations	**(0.3)**	**28.7**	**1.5**	1.0	1.1	1.1	1.6	2.5
Net (loss) income attributable to shareholders	**(167.8)**	**(45.1)**	**35.6**	7.1	17.1	65.5	71.4	84.3
Basic data per share								
Contribution to net (loss) income attributable to shareholders:								
Continuing operations	**$ 0.51**	**$ 0.43**	**$ 0.25**	$ 0.42	$ 0.39	$ 0.36	$ 0.29	$ 0.41
(Loss) gain on valuation and translation of financial instruments	**(0.05)**	**(0.92)**	**0.03**	(0.40)	0.38	0.13	0.23	0.27
Unusual items	**(1.82)**	**(0.10)**	**-**	0.03	(0.64)	0.02	0.03	(0.04)
Discontinued operations	**-**	**0.23**	**0.01**	0.01	0.01	0.01	0.01	0.02
Net (loss) income attributable to shareholders	**(1.36)**	**(0.36)**	**0.29**	0.06	0.14	0.52	0.56	0.66
Weighted average number of shares outstanding (in millions)	**123.7**	**124.3**	**124.7**	125.4	126.3	126.9	127.0	126.9
Diluted data per share								
Contribution to net (loss) income attributable to shareholders:								
Continuing operations	**$ 0.51**	**$ 0.43**	**$ 0.21**	$ 0.35	$ 0.39	$ 0.35	$ 0.29	$ 0.41
(Loss) gain on valuation and translation of financial instruments	**(0.05)**	**(0.92)**	**0.02**	(0.34)	0.38	0.13	0.23	0.27
Unusual items	**(1.82)**	**(0.10)**	**-**	0.03	(0.64)	0.02	0.03	(0.04)
Discontinued operations	**-**	**0.23**	**0.01**	0.01	0.01	0.01	0.01	0.02
Net (loss) income attributable to shareholders	**(1.36)**	**(0.36)**	**0.24**	0.05	0.14	0.51	0.56	0.66
Weighted average number of diluted shares outstanding (in millions)	**123.7**	**124.3**	**150.8**	148.6	126.5	127.3	127.3	127.5