Condensed consolidated financial statements of

QUEBECOR INC. AND ITS SUBSIDIARIES

Three-month and nine-month periods ended September 30, 2014 and 2013

QUEBECOR INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

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

	Note	Three months ended September 30 2014	Three months ended September 30 2013 (restated, note 2)	Nine months ended September 30 2014	Nine months ended September 30 2013 (restated, note 2)
Revenues	3	**$ 1,020.0**	$ 1,021.9	**$ 3,058.9**	$ 3,047.0
Employee costs	4	**199.3**	212.6	**620.0**	672.1
Purchase of goods and services	4	**440.5**	427.8	**1,332.8**	1,301.6
Amortization		**172.0**	167.3	**510.2**	491.2
Financial expenses	5	**85.3**	93.6	**266.8**	296.1
Loss on valuation and translation of financial instruments	6	**25.2**	33.2	**1.5**	314.2
Restructuring of operations, impairment of assets and other special items	7	**3.8**	2.7	**13.4**	9.4
Impairment of goodwill and intangible assets	8	**51.0**	281.3	**241.0**	281.3
Loss on debt refinancing	11	**-**	-	**18.7**	18.9
Income (loss) before income taxes		**42.9**	(196.6)	**54.5**	(337.8)
Income taxes (recovery):					
Current		**60.3**	30.1	**93.3**	85.0
Deferred		**(32.0)**	(16.8)	**(16.1)**	(80.2)
		28.3	13.3	**77.2**	4.8
Income (loss) from continuing operations		**14.6**	(209.9)	**(22.7)**	(342.6)
Income (loss) from discontinued operations	9	**39.0**	(29.4)	**48.6**	2.5
Net income (loss)		**$ 53.6**	$ (239.3)	**$ 25.9**	$ (340.1)
Income (loss) from continuing operations attributable to					
Shareholders		**$ 15.8**	$ (166.7)	**$ (7.2)**	$ (290.8)
Non-controlling interests		**(1.2)**	(43.2)	**(15.5)**	(51.8)
Net income (loss) attributable to					
Shareholders		**$ 45.1**	$ (188.8)	**$ 29.4**	$ (288.9)
Non-controlling interests		**8.5**	(50.5)	**(3.5)**	(51.2)
Earnings per share attributable to shareholders	12				
Basic and diluted:					
From continuing operations		**$ 0.13**	$ (1.35)	**$ (0.06)**	$ (2.34)
From discontinued operations		**0.24**	(0.18)	**0.30**	0.01
Net income (loss)		**0.37**	(1.53)	**0.24**	(2.33)
Weighted average number of shares outstanding (in millions)		**122.9**	123.7	**123.0**	124.2
Weighted average number of diluted shares (in millions)		**122.9**	123.7	**123.0**	124.2

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of Canadian dollars)
(unaudited)

	Note	Three months ended September 30 2014	Three months ended September 30 2013 (restated, note 2)	Nine months ended September 30 2014	Nine months ended September 30 2013 (restated, note 2)
Net income (loss)		**$ 53.6**	$ (239.3)	**$ 25.9**	$ (340.1)
Other comprehensive income (loss):					
Items that may be reclassified to income:					
(Loss) gain on translation of net investments in foreign operations		**(0.1)**	(2.9)	**(0.3)**	2.3
Cash flow hedges:					
Gain (loss) on valuation of derivative financial instruments		**1.1**	(10.8)	**(7.2)**	(39.3)
Deferred income taxes		**(11.9)**	4.7	**(11.2)**	1.3
Items that will not be reclassified to income:					
Defined benefit plans:					
Actuarial gain		**-**	119.0	**-**	119.0
Deferred income taxes		**-**	(32.0)	**-**	(32.0)
Reclassification to income:					
Gain on translation of net investments in foreign operations		**(1.4)**	-	**(1.4)**	-
Gain related to cash flow hedges	11	**-**	(8.0)	**(10.8)**	(14.5)
Deferred income taxes		**-**	0.9	**0.4**	1.1
		(12.3)	70.9	**(30.5)**	37.9
Comprehensive income (loss)		**$ 41.3**	$ (168.4)	**$ (4.6)**	$ (302.2)
Comprehensive income (loss) attributable to					
Shareholders		**$ 35.9**	$ (141.8)	**$ 6.4**	$ (266.8)
Non-controlling interests		**5.4**	(26.6)	**(11.0)**	(35.4)

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES
SEGMENTED INFORMATION

(in millions of Canadian dollars)
(unaudited)

Three months ended September 30, 2014

	Telecommu-nications	Media	Sports and Enter-tainment	Head office and Inter-segments	Total
Revenues	**$ 738.2**	**$ 298.8**	**$ 12.4**	**$ (29.4)**	**$ 1,020.0**
Employee costs	**87.6**	**97.2**	**4.1**	**10.4**	**199.3**
Purchase of goods and services	**311.2**	**158.4**	**9.5**	**(38.6)**	**440.5**
Adjusted operating income[1]	**339.4**	**43.2**	**(1.2)**	**(1.2)**	**380.2**
Amortization					**172.0**
Financial expenses					**85.3**
Loss on valuation and translation of financial instruments					**25.2**
Restructuring of operations, impairment of assets and other special items					**3.8**
Impairment of goodwill and intangible assets					**51.0**
Income before income taxes					**$ 42.9**
Additions to property, plant and equipment	**$ 163.5**	**$ 9.0**	**$ 1.1**	**$ 0.2**	**$ 173.8**
Additions to intangible assets	**16.0**	**2.2**	**-**	**0.8**	**19.0**

Three months ended September 30, 2013
(restated, note 2)

	Telecommu-nications	Media	Sports and Enter-tainment	Head office and Inter-segments	Total
Revenues	$ 714.7	$ 318.7	$ 16.0	$ (27.5)	$ 1,021.9
Employee costs	88.2	109.4	1.9	13.1	212.6
Purchase of goods and services	296.7	154.2	15.5	(38.6)	427.8
Adjusted operating income[1]	329.8	55.1	(1.4)	(2.0)	381.5
Amortization					167.3
Financial expenses					93.6
Loss on valuation and translation of financial instruments					33.2
Restructuring of operations, impairment of assets and other special items					2.7
Impairment of goodwill and intangible assets					281.3
Loss before income taxes					$ (196.6)
Additions to property, plant and equipment	$ 124.8	$ 11.5	$ 0.1	$ 0.6	$ 137.0
Additions to intangible assets	29.2	3.5	-	0.1	32.8

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES
SEGMENTED INFORMATION (continued)

(in millions of Canadian dollars)
(unaudited)

Nine months ended September 30,2014

	Telecommu-nications	Media	Sports and Enter-tainment	Head office and Inter-segments	Total
Revenues	**$ 2,186.8**	**$ 911.3**	**$ 41.1**	**$ (80.3)**	**$ 3,058.9**
Employee costs	**271.7**	**314.8**	**8.3**	**25.2**	**620.0**
Purchase of goods and services	**908.8**	**498.8**	**36.8**	**(111.6)**	**1,332.8**
Adjusted operating income[1]	**1,006.3**	**97.7**	**(4.0)**	**6.1**	**1,106.1**
Amortization					**510.2**
Financial expenses					**266.8**
Loss on valuation and translation of financial instruments					**1.5**
Restructuring of operations, impairment of assets and other special items					**13.4**
Impairment of goodwill and intangible assets					**241.0**
Loss on debt refinancing					**18.7**
Income before income taxes					**$ 54.5**
Additions to property, plant and equipment	**$ 463.2**	**$ 26.1**	**$ 3.9**	**$ 0.4**	**$ 493.6**
Additions to intangible assets	**271.1**	**8.4**	**-**	**1.5**	**281.0**

Nine months ended September 30, 2013
(restated, note 2)

	Telecommu-nications	Media	Sports and Enter-tainment	Head office and Inter-segments	Total
Revenues	$ 2,116.5	$ 965.3	$ 46.1	$ (80.9)	$ 3,047.0
Employee costs	277.2	353.7	5.9	35.3	672.1
Purchase of goods and services	873.8	499.7	42.1	(114.0)	1,301.6
Adjusted operating income[1]	965.5	111.9	(1.9)	(2.2)	1,073.3
Amortization					491.2
Financial expenses					296.1
Loss on valuation and translation of financial instruments					314.2
Restructuring of operations, impairment of assets and other special items					9.4
Impairment of goodwill and intangible assets					281.3
Loss on debt refinancing					18.9
Loss before income taxes					$ (337.8)
Additions to property, plant and equipment	$ 397.7	$ 25.9	$ 0.3	$ 1.6	$ 425.5
Additions to intangible assets	53.0	10.5	-	0.7	64.2

[1] The Chief Executive Officer uses adjusted operating income as the measure of profit to assess the performance of each segment. Adjusted operating is referred as a non-IFRS measure and is defined as net income (loss) before amortization, financial expenses, loss on valuation and translation of financial instruments, restructuring of operations, impairment of assets and other special items, impairment of goodwill and intangible assets, loss on debt refinancing, income taxes and income (loss) from discontinued operations.

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY

(in millions of Canadian dollars)
(unaudited)

	Equity attributable to shareholders					Equity attributable to non-controlling interests	Total equity
	Capital stock	Contributed surplus	Equity component of convertible debentures	Retained earnings	Accumulated other comprehensive income (loss)		
	(note 13)				(note 15)		
Balance as of December 31, 2012, as previously reported	$ 335.1	$ 2.3	$ 398.3	$ 624.6	$ (50.3)	$ 631.3	$ 1,941.3
Changes in accounting policies (note 2)	-	-	(398.3)	(2.0)	-	-	(400.3)
Balance as of December 31, 2012, as restated	335.1	2.3	-	622.6	(50.3)	631.3	1,541.0
Net loss	-	-	-	(288.9)	-	(51.2)	(340.1)
Other comprehensive income	-	-	-	-	22.1	15.8	37.9
Repurchase of Class B Shares	(5.4)	-	-	(26.1)	-	-	(31.5)
Dividends	-	-	-	(9.3)	-	(18.6)	(27.9)
Business acquisition	-	-	-	-	-	0.3	0.3
Balance as of September 30, 2013	329.7	2.3	-	298.3	(28.2)	577.6	1,179.7
Net income	-	-	-	0.3	-	19.1	19.4
Other comprehensive income	-	-	-	-	5.1	5.6	10.7
Repurchase of Class B Shares	(0.8)	-	-	(4.1)	-	-	(4.9)
Dividends	-	-	-	(3.1)	-	(6.4)	(9.5)
Balance as of December 31, 2013	328.9	2.3	-	291.4	(23.1)	595.9	1,195.4
Net income (loss)	-	-	-	29.4	-	(3.5)	25.9
Other comprehensive loss	-	-	-	-	(23.0)	(7.5)	(30.5)
Repurchase of Class B Shares	(1.7)	-	-	(10.0)	-	-	(11.7)
Acquisition of non-controlling interests	-	-	-	(0.1)	-	-	(0.1)
Dividends	-	-	-	(9.2)	-	(18.7)	(27.9)
Balance as of September 30, 2014	**$ 327.2**	**$ 2.3**	**$ -**	**$ 301.5**	**$ (46.1)**	**$ 566.2**	**$ 1,151.1**

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars)
(unaudited)

		Three months ended September 30		Nine months ended September 30	
	Note	**2014**	2013	**2014**	2013
			(restated, note 2)		(restated, note 2)
Cash flows related to operating activities					
Income (loss) from continuing operations		**$ 14.6**	$ (209.9)	**$ (22.7)**	$ (342.6)
Adjustments for:					
Amortization of property, plant and equipment		**138.8**	131.6	**409.8**	384.8
Amortization of intangible assets		**33.2**	35.7	**100.4**	106.4
Loss on valuation and translation of financial instruments	6	**25.2**	33.2	**1.5**	314.2
Impairment of assets	7	**-**	0.6	**-**	2.3
Impairment of goodwill and intangible assets	8	**51.0**	281.3	**241.0**	281.3
Loss on debt refinancing		**-**	-	**18.7**	18.9
Amortization of financing costs and long-term debt discount	5	**1.9**	2.8	**6.8**	9.1
Deferred income taxes		**(32.0)**	(16.8)	**(16.1)**	(80.2)
Other		**0.4**	-	**1.1**	(1.0)
		233.1	258.5	**740.5**	693.2
Net change in non-cash balances related to operating activities		**134.5**	78.5	**9.0**	(76.9)
Cash flows provided by continuing operating activities		**367.6**	337.0	**749.5**	616.3
Cash flows related to investing activities					
Business acquisitions		**(0.1)**	(6.9)	**(0.7)**	(7.7)
Business disposals	9	**111.6**	(0.7)	**185.3**	52.1
Additions to property, plant and equipment		**(173.8)**	(137.0)	**(493.6)**	(425.5)
Additions to intangible assets	10	**(19.0)**	(32.8)	**(281.0)**	(64.2)
Proceeds from disposals of assets		**0.7**	3.5	**3.4**	14.4
Net change in cash held in trust		**-**	5.8	**-**	-
Other		**0.3**	0.6	**0.5**	0.6
Cash flows used in continuing investing activities		**(80.3)**	(167.5)	**(586.1)**	(430.3)
Cash flows related to financing activities					
Net change in bank indebtedness		**0.2**	(0.5)	**0.1**	(0.1)
Net change under revolving facilities		**(15.2)**	(3.1)	**(16.2)**	6.9
Issuance of long-term debt, net of financing fees	11	**-**	358.4	**654.5**	753.2
Repayments of long-term debt	11	**(6.4)**	(706.1)	**(734.1)**	(717.2)
Settlement of hedging contracts		**-**	(19.2)	**(64.6)**	(27.7)
Repurchase of Class B Shares		**-**	(9.9)	**(11.7)**	(31.5)
Dividends		**(3.0)**	(3.1)	**(9.2)**	(9.3)
Dividends paid to non-controlling shareholders		**(6.2)**	(6.1)	**(18.7)**	(18.6)
Cash flows used in continuing financing activities		**(30.6)**	(389.6)	**(199.9)**	(44.3)
Net change in cash and cash equivalents from continuing operations		**256.7**	(220.1)	**(36.5)**	141.7
Cash flows provided by (used in) discontinued operations	9	**3.0**	0.7	**13.3**	(16.8)
Cash and cash equivalents at beginning of period		**193.7**	573.0	**476.6**	228.7
Cash and cash equivalents at end of period		**$ 453.4**	$ 353.6	**$ 453.4**	$ 353.6
Cash and cash equivalents consist of					
Cash		**$ 224.0**	$ 129.8	**$ 224.0**	$ 129.8
Cash equivalents		**229.4**	223.8	**229.4**	223.8
		$ 453.4	$ 353.6	**$ 453.4**	$ 353.6
Interest and taxes reflected as operating activities					
Cash interest payments		**$ 30.0**	$ 36.0	**$ 203.7**	$ 221.6
Cash income tax payments (net of refunds)		**20.1**	2.1	**99.0**	46.8

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars)
(unaudited)

	Note	September 30 2014	December 31 2013 (restated, note 2)	December 31 2012 (restated, note 2)
Assets				
Current assets				
Cash and cash equivalents		**$ 453.4**	$ 476.6	$ 228.7
Accounts receivable		**484.8**	566.3	578.7
Income taxes		**10.5**	18.0	10.6
Inventories		**204.5**	239.4	255.5
Prepaid expenses		**52.0**	48.2	38.0
Assets held for sale	9	**-**	76.9	-
		1,205.2	1,425.4	1,111.5
Non-current assets				
Property, plant and equipment		**3,459.0**	3,432.4	3,405.8
Intangible assets	10	**948.2**	824.8	956.7
Goodwill		**2,826.6**	3,061.5	3,371.6
Derivative financial instruments		**247.7**	142.1	35.7
Deferred income taxes		**12.2**	28.1	23.9
Other assets		**99.8**	102.1	102.6
		7,593.5	7,591.0	7,896.3
Total assets		**$ 8,798.7**	$ 9,016.4	$ 9,007.8
Liabilities and equity				
Current liabilities				
Bank indebtedness		**$ 0.6**	$ 0.5	$ 1.3
Accounts payable and accrued charges		**609.0**	706.1	793.8
Provisions		**24.4**	39.4	45.9
Deferred revenue		**301.7**	288.8	289.0
Income taxes		**75.4**	89.2	33.9
Derivative financial instruments		**-**	116.2	28.5
Current portion of long-term debt	11	**101.4**	101.2	22.2
Liabilities held for sale	9	**-**	9.0	-
		1,112.5	1,350.4	1,214.6
Non-current liabilities				
Long-term debt	11	**5,056.6**	4,975.3	4,507.8
Derivative financial instruments		**98.8**	77.3	270.1
Convertible debentures		**500.0**	500.0	500.0
Other liabilities		**298.6**	319.4	350.0
Deferred income taxes		**581.1**	598.6	624.3
		6,535.1	6,470.6	6,252.2
Equity				
Capital stock	13	**327.2**	328.9	335.1
Contributed surplus		**2.3**	2.3	2.3
Retained earnings		**301.5**	291.4	622.6
Accumulated other comprehensive loss	15	**(46.1)**	(23.1)	(50.3)
Equity attributable to shareholders		**584.9**	599.5	909.7
Non-controlling interests		**566.2**	595.9	631.3
		1,151.1	1,195.4	1,541.0
Subsequent events	16			
Total liabilities and equity		**$ 8,798.7**	$ 9,016.4	$ 9,007.8

See accompanying notes to condensed consolidated financial statements.

Quebecor Inc. ("Quebecor" or the "Corporation") is incorporated under the laws of Québec. The Corporation's head office and registered office is located at 612 rue Saint-Jacques, Montréal (Québec), Canada. Quebecor is a holding corporation with interests in Quebecor Media Inc. ("Quebecor Media") and in subsidiaries controlled by Quebecor Media.

The Corporation operates, through its subsidiaries, in the following industry segments: Telecommunications, Media, and Sports & Entertainment. The Telecommunications segment offers television distribution, Internet, business solutions, cable and mobile telephony services in Canada and is engaged in the rental of movies, televisual products and console games through its video-on-demand service and its distribution and rentals stores. This segment also operates retail stores specialized in the sale of cultural and entertainment products, and offers online sales of downloadable music and books in Canada. The operations of the Media segment in Canada include the printing, publishing and distribution of daily newspapers, weekly newspapers, and commercial inserts, the operation of an over-the-air television network and television specialty services, the operation of French- and English-language Internet portals and specialized sites, the publishing of books and magazines, the distribution of books, magazines and movies and the operation of an out-of-home advertising business. The activities of the Sports & Entertainment segment in Canada encompass show production, sporting and cultural events management, music production, distribution and streaming, the operation of a Quebec Major Junior Hockey League team, and the operation and management of the future Québec City Amphitheatre.

Some of the Corporation's segments experience significant seasonality due, among other factors, to seasonal advertising patterns and influences on people's viewing, reading and listening habits. Because the Corporation depends on the sale of advertising for a significant portion of its revenue, operating results are also sensitive to prevailing economic conditions, including changes in local, regional and national economic conditions, particularly as they may affect advertising expenditures. In addition, in some of the Corporation's segments, a component of sales is based on one-time retail transactions rather than subscriptions or long-term agreements, and therefore is influenced by vulnerability to seasonal weather changes. Accordingly, the results of operations for interim periods should not necessarily be considered indicative of full-year results due to the seasonality of certain operations.

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

1. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), except that they do not include all disclosures required under IFRS for annual consolidated financial statements. In particular, these consolidated financial statements were prepared in accordance with IAS 34, *Interim Financial Reporting*, and accordingly, they are condensed consolidated financial statements. These condensed consolidated financial statements should be read in conjunction with the Corporation's 2013 annual consolidated financial statements, which contain a description of the accounting policies used in the preparation of these financial statements.

These condensed consolidated financial statements were approved for issue by the Board of Directors of Quebecor on November 5, 2014.

Comparative figures for previous periods have been restated to conform to the presentation adopted for the three-month and nine-month periods ended September 30, 2014.

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

2. CHANGES IN ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

Change in accounting policy

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

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

Consolidated statements of income and comprehensive income

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

Consolidated balance sheets

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

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

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

2. CHANGES IN ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS (continued)

Recent accounting pronouncements

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

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

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

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

3. REVENUES

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

	Three months ended September 30		Nine months ended September 30	
	2014	2013	**2014**	2013
Services rendered	**$ 872.2**	$ 867.4	**$ 2,638.9**	$ 2,611.7
Product sales	**147.8**	154.5	**420.0**	435.3
	$ 1,020.0	$ 1,021.9	**$ 3,058.9**	$ 3,047.0

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

4. EMPLOYEE COSTS AND PURCHASE OF GOODS AND SERVICES

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

	Three months ended September 30		Nine months ended September 30	
	2014	2013	**2014**	2013
Employee costs	**$ 237.3**	$ 246.7	**$ 737.1**	$ 778.4
Less employee costs capitalized to property, plant and equipment and intangible assets	**(38.0)**	(34.1)	**(117.1)**	(106.3)
	199.3	212.6	**620.0**	672.1
Purchase of goods and services:				
Royalties, rights and creation costs	**151.1**	149.3	**487.5**	475.3
Cost of retail products	**93.5**	82.8	**241.7**	226.8
Marketing, circulation and distribution expenses	**39.5**	37.8	**121.2**	121.9
Service and printing contracts	**43.1**	43.4	**125.7**	127.5
Paper, ink and printing supplies	**19.0**	21.1	**59.3**	69.4
Other	**94.3**	93.4	**297.4**	280.7
	440.5	427.8	**1,332.8**	1,301.6
	$ 639.8	$ 640.4	**$ 1,952.8**	$ 1,973.7

5. FINANCIAL EXPENSES

	Three months ended September 30		Nine months ended September 30	
	2014	2013	**2014**	2013
		(restated, note 2)		(restated, note 2)
Interest on long-term debt and convertible debentures	**$ 82.4**	$ 89.8	**$ 257.4**	$ 277.9
Amortization of financing costs and long-term debt discount	**1.9**	2.8	**6.8**	9.1
Interest on net defined benefit liability	**1.3**	3.2	**3.8**	9.8
Loss (gain) on foreign currency translation on short-term monetary items	**0.8**	(0.2)	**2.2**	1.5
Other	**(1.1)**	(2.0)	**(3.4)**	(2.2)
	$ 85.3	$ 93.6	**$ 266.8**	$ 296.1

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

6. LOSS ON VALUATION AND TRANSLATION OF FINANCIAL INSTRUMENTS

	Three months ended September 30		Nine months ended September 30	
	2014	2013	**2014**	2013
		(restated, note 2)		(restated, note 2)
(Gain) loss on embedded derivatives related to long term debt and derivative financial instruments for which hedge accounting is not used	**$ (0.2)**	$ 8.5	**$ 2.5**	$ 141.1
Loss on embedded derivatives related to convertible debentures	**27.4**	18.2	**3.6**	101.9
Loss (gain) on reversal of embedded derivatives upon debt redemption	**–**	5.9	**(1.1)**	72.9
(Gain) loss on the ineffective portion of cash flow hedges	**(1.6)**	0.6	**(1.4)**	(1.7)
Gain on the ineffective portion of fair value hedges	**(0.4)**	–	**(2.1)**	–
	$ 25.2	$ 33.2	**$ 1.5**	$ 314.2

7. RESTRUCTURING OF OPERATIONS, IMPAIRMENT OF ASSETS AND OTHER SPECIAL ITEMS

	Three months ended September 30		Nine months ended September 30	
	2014	2013	**2014**	2013
Restructuring of operations	**$ 3.9**	$ 2.3	**$ 13.8**	$ 6.4
Impairment of assets	**–**	0.6	**–**	2.3
(Gain) loss on disposal of assets	**(0.1)**	(0.2)	**(0.5)**	0.6
Other	**–**	–	**0.1**	0.1
	$ 3.8	$ 2.7	**$ 13.4**	$ 9.4

Media

In recent years, the Media segment has implemented various restructuring initiatives to reduce operating costs. As a result of these initiatives, restructuring costs of $3.2 million, mainly for the reduction of positions, were recorded in the three-month period ended September 30, 2014 ($2.9 million in 2013). Restructuring costs of $11.3 million were recorded for the nine-month period ended September 30, 2014 ($5.3 million in 2013).

As part of these restructuring initiatives, gains on disposal of assets of $0.1 million and $0.5 million were recorded in the respective three-month and nine-month periods ended September 30, 2014 (gains of $0.2 million and $0.2 million in 2013, respectively). Charges for impairment of assets of $0.6 million and $2.3 million were recorded in the respective three-month and nine-month periods ended September 30, 2013.

7. RESTRUCTURING OF OPERATIONS, IMPAIRMENT OF ASSETS AND OTHER SPECIAL ITEMS (continued)

Other segments

Other segments recorded charges for restructuring costs, impairment of assets and other special items of $0.7 million and $2.6 million in the respective three-month and nine-month periods ended September 30, 2014 (a gain of $0.6 million and a charge of $2.0 million in 2013, respectively).

8. IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS

2014

During the second quarter of 2014, the Corporation performed its annual impairment tests on its cash generating units ("CGU"). The Corporation concluded that the recoverable amount based on fair value less costs of disposal was less than the carrying amount of its Newspapers CGU, which revenues continue to be negatively affected by the digital transformation and weak market conditions in the newspaper industry. Accordingly, the Media segment recorded a non-cash goodwill impairment charge of $190.0 million (without any tax consequence). The Corporation used pre-tax discount rate of 11.40% and perpetual growth rate of 0% to calculate the recoverable amount of the Newspapers CGU.

During the third quarter of 2014, the Corporation completed its annual review of its three-year strategic plan. Market conditions in the television industry led the Corporation to perform an impairment test on its Broadcasting CGU. The Corporation concluded that the recoverable amount based on fair value less costs of disposal was less than the carrying amount of the CGU. Accordingly, a non-cash impairment charge of $41.7 million on broadcasting licenses (including $20.9 million without any tax consequence) and a non-cash goodwill impairment charge of $9.3 million (without any tax consequence) were recorded in the Media segment. The Corporation used pre-tax discount rate of 11.1% and perpetual growth rate of 1.0% to calculate the recoverable amount of the Broadcasting CGU.

2013

During the third quarter of 2013, the Corporation performed impairment tests on its Newspapers, Music and Book CGUs due to weak market conditions in their respective industries. Accordingly, the Media segment recorded a non-cash goodwill impairment charges of $229.0 million for its Newspaper CGU (without any tax consequence), of which $24.5 million is presented as part of discontinued operations, and $11.9 million for its Book CGU (without any tax consequence), and a non-cash impairment charge of $56.0 million on its mastheads and customer relationships assets (including $14.0 million without any tax consequence). A non-cash goodwill impairment charge of $8.9 million for the Music CGU (without any tax consequence) was also recorded by the Corporation.

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

9. DISCONTINUED OPERATIONS

2014

- In January 2014, the Corporation ceased its door-to-door distribution of flyers and weekly newspapers in the province of Québec.
- On June 1, 2014, the Corporation sold its 74 Québec weeklies for a cash consideration of $75.0 million, of which $1.3 million is receivable as of September 30, 2014. An amount of $4.7 million was also received during the third quarter of 2014 relating to adjustments of working capital items transferred.
- On September 2, 2014, the Corporation sold its Nurun Inc. subsidiary for a consideration consisting of $125.0 million in cash and an estimated balance receivable of $5.3 million relating to certain transaction adjustments, less cash disposed of $18.1 million.

2013

- On June 1, 2013, the Corporation sold its specialized Web site *Jobboom* for a cash consideration of $52.1 million, net of cash disposed of $5.4 million.
- On November 29, 2013, the Corporation also sold its specialized Web site *Réseau Contact* for a cash consideration of $7.1 million, net of cash disposed of $0.4 million.

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

Consolidated statements of income

	Three months ended September 30		Nine months ended September 30	
	2014	2013	**2014**	2013
Revenues	**$ 22.3**	$ 58.6	**$ 124.2**	$ 188.3
Employee costs	**15.3**	30.3	**77.2**	98.8
Purchase of goods and services	**4.2**	29.0	**36.7**	91.8
Amortization	**1.0**	1.9	**3.5**	5.7
Financial expenses	**(0.3)**	0.2	**–**	–
Restructuring of operations and other items	**1.7**	3.0	**3.5**	6.2
Impairment of goodwill	**–**	24.5	**–**	24.5
Income (loss) before income taxes	**0.4**	(30.3)	**3.3**	(38.7)
Income taxes	**(0.1)**	(1.6)	**1.1**	(4.5)
Gain on disposal of businesses	**38.5**	(0.7)	**46.4**	36.7
Income (loss) from discontinued operations	**$ 39.0**	$ (29.4)	**$ 48.6**	$ 2.5

The cash flows attributable to discontinued operations mainly relates to operating activities.

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

10. INTANGIBLE ASSETS

As a result of the Industry Canada 700 MHz spectrum auction that ended in the first quarter of 2014, Videotron Ltd. (“Videotron”) acquired seven operating licences, covering the entirety of the provinces of Québec, Ontario (except Northern Ontario), Alberta and British Columbia, for a total price of $233.3 million, for which Videotron made a cash deposit of $15.9 million in 2013, a $46.7 million payment in the first quarter of 2014 and a final payment of $170.7 million on April 2, 2014. These licences were issued to Videotron on April 3, 2014 by Industry Canada.

11. LONG-TERM DEBT

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

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

On April 9, 2014, Videotron issued US$600.0 million aggregate principal amount of Senior Notes bearing interest at 5.375% and maturing on June 15, 2024, for net proceeds of $654.5 million, net of financing fees of $7.8 million. The Senior Notes are unsecured and contain certain restrictions, including limitations on Videotron’s ability to incur additional indebtedness, pay dividends and make other distributions. The notes are guaranteed by specific subsidiaries of Videotron and are redeemable at the option of Videotron, in whole or in part, at any time before their maturity at a price based on a make-whole formula and at par beginning March 15, 2024. Videotron has fully hedged the foreign currency risk associated with the new Senior Notes by using cross-currency swaps, while converting the interest rate from a fixed rate to a floating rate on US$158.6 million principal amount of the Senior Notes.

Components of long-term debt are as follows:

	September 30, 2014	December 31, 2013
Long-term debt	**$ 5,218.4**	$ 5,140.7
Change in fair value related to hedged interest rate risk	**2.9**	–
Adjustment related to embedded derivatives	**(10.5)**	(8.9)
Financing fees, net of amortization	**(52.8)**	(55.3)
	5,158.0	5,076.5
Less current portion	**(101.4)**	(101.2)
	$ 5,056.6	$ 4,975.3

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

12. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

Basic earnings per share are calculated by dividing net income (loss) attributable to shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share are calculated by taking into account the potentially dilutive effect of stock options of the Corporation on the number of shares outstanding, the potentially dilutive effect of stock options of the Corporation's subsidiaries on net income (loss) attributable to shareholders, and the potentially dilutive effect of conversion of convertible debentures issued by the Corporation on the number of shares outstanding and on net income (loss) attributable to shareholders.

For the three-month and nine-month periods ended September 30, 2014 and September 30, 2013, the diluted earnings per share calculation does not take into consideration the potential dilutive effect of all stock options of the Corporation and its subsidiaries and of the convertible debentures since their impact is anti-dilutive.

13. CAPITAL STOCK

(a) Authorized capital stock

An unlimited number of Class A Shares ("Class A Shares") with voting rights of 10 votes per share convertible at any time into Class B Subordinate Voting Shares ("Class B Shares") on a one-for-one basis.

An unlimited number of Class B Shares convertible into Class A Shares on a one-for-one basis, only if a takeover bid for Class A Shares is made to holders of Class A Shares without being made concurrently and under the same terms to holders of Class B Shares, for the sole purpose of allowing the holders of Class B Shares to accept the offer and subject to certain other stated conditions provided in the articles, including acceptance of the offer by the majority holder.

Holders of Class B Shares are entitled to elect 25% of the Board of Directors of Quebecor. Holders of Class A Shares may elect the other members of the Board of Directors.

(b) Issued and outstanding capital stock

	Class A Shares		**Class B Shares**	
	Number	Amount	Number	Amount
Balance as of December 31, 2013	39,024,672	$ 8.7	84,306,792	$ 320.2
Shares converted	(48,600)	–	48,600	–
Shares purchased and cancelled	–	–	(455,000)	(1.7)
Balance as of September 30, 2014	**38,976,072**	**$ 8.7**	**83,900,392**	**$ 318.5**

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

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

13. CAPITAL STOCK (continued)

(b) Issued and outstanding capital stock (continued)

During the nine-month period ended September 30, 2014, the Corporation purchased and cancelled 455,000 Class B Shares for a total cash consideration of $11.7 million (1,423,700 Class B Shares for a total cash consideration of $31.5 million in 2013). The excess of $10.0 million of the purchase price over the carrying value of Class B Shares repurchased was recorded in reduction of retained earnings ($26.1 million in 2013).

14. STOCK-BASED COMPENSATION PLANS

Outstanding options

The following table provides details of changes to outstanding options in the principal stock-based compensation plans in which management of the Corporation and its subsidiaries participates, for the nine-month period ended September 30, 2014:

	Outstanding options	
	Number	Weighted average exercise price
Quebecor		
As of December 31, 2013	2,369,182	$ 21.13
Granted	920,000	25.91
Exercised	(527,208)	18.83
Cancelled	(1,541,974)	21.71
As of September 30, 2014	**1,220,000**	**$ 25.00**
Vested options as of September 30, 2014	**–**	**$ –**
Quebecor Media		
As of December 31, 2013	1,647,309	$ 52.67
Granted	271,000	63.96
Exercised	(210,750)	46.47
Cancelled	(37,600)	55.13
As of September 30, 2014	**1,669,959**	**$ 55.23**
Vested options as of September 30, 2014	**262,823**	**$ 46.71**
TVA Group Inc. (“TVA Group”)		
As of December 31, 2013	691,076	$ 16.54
Granted	30,000	8.90
Cancelled	(69,208)	15.32
Expired	(126,500)	20.75
As of September 30, 2014	**525,368**	**$ 15.25**
Vested options as of September 30, 2014	**495,368**	**$ 15.63**

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

14. STOCK-BASED COMPENSATION PLANS (continued)

Outstanding options (continued)

During the three-month period ended September 30, 2014, 24,500 stock options of Quebecor Media were exercised for a cash consideration of $0.4 million (10,666 stock options for $0.1 million in 2013). During the nine-month period ended September 30, 2014, 527,208 stock options of Quebecor were exercised for a cash consideration of $4.2 million (none in 2013) and 210,750 stock options of Quebecor Media were exercised for a cash consideration of $3.4 million (336,909 stock options for $3.9 million in 2013).

Under the mid-term stock-based compensation plan, participants are entitled to receive a cash payment at the end of a three-year period based on the appreciation of the Quebecor Class B share price, and subject to the achievement of certain non-market performance criteria. The following table provides details of changes to outstanding units in the mid-term stock-based compensation plan, for the nine-month period ended September 30, 2014:

	Outstanding units	
	Number	Weighted average exercise price
As of December 31, 2013	2,263,516	$ 19.92
Granted	1,388,447	26.47
Exercised	(480,148)	18.76
Cancelled	(2,368,298)	21.86
As of September 30, 2014	**803,517**	**$ 26.22**

During the first quarter of 2014, a cash consideration of $3.7 million was paid upon exercise of 480,148 units ($3.9 million upon expiration of 674,448 units in 2013).

For the three-month period ended September 30, 2014, a consolidated charge related to all stock-based compensation plans was recorded in the amount of $3.9 million ($6.6 million in 2013). For the nine-month period ended September 30, 2014, a net reversal of the consolidated charge related to all stock-based compensation plans was recorded in the amount of $1.0 million (a charge of $14.1 million in 2013).

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

15. ACCUMULATED OTHER COMPREHENSIVE LOSS

	Translation of net investments in foreign operations	Cash flow hedges	Defined benefit plans	Total
Balance as of December 31, 2012	$ (2.1)	$ 29.0	$ (77.2)	$ (50.3)
Other comprehensive income (loss)	1.7	(38.7)	59.1	22.1
Balance as of September 30, 2013	(0.4)	(9.7)	(18.1)	(28.2)
Other comprehensive (loss) income	1.6	(6.3)	9.8	5.1
Balance as of December 31, 2013	1.2	(16.0)	(8.3)	(23.1)
Other comprehensive loss	(1.2)	(21.8)	–	(23.0)
Balance as of September 30, 2014	**$ –**	**$ (37.8)**	**$ (8.3)**	**$ (46.1)**

No significant amount is expected to be reclassified in income over the next 12 months in connection with derivatives designated as cash flow hedges. The balance is expected to reverse over a 9 3/4-year period.

16. SUBSEQUENT EVENTS

On October 6, 2014, the Corporation announced the closing of a transaction whereby it will sell all of Sun Media Corporation's English-language newspaper operations in Canada, consisting of 175 newspapers and publications, the *Canoe* English portal and 8 printing plants, including the Islington, Ontario plant, for a cash consideration of $316.0 million. The purchase price will be payable in cash, subject to the customary adjustments and to a $10.0 million adjustment, related primarily to real estate properties to be disposed of by the Corporation prior to closing. The transaction is subject to approval by the Competition Bureau. While the transaction is under review, Quebecor Media will continue to operate all the businesses involved in the transaction.

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