MANAGEMENT DISCUSSION AND ANALYSIS

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CORPORATE PROFILE

Quebecor Inc. ("Quebecor" or "the Corporation") is a holding company with a 75.4% interest in Quebecor Media Inc. ("Quebecor Media"), one of Canada's largest media groups. Quebecor Media's subsidiaries operate in the following business segments: Telecommunications, Media, and Sports and Entertainment.

During the third quarter of 2014, the Corporation changed its organizational structure and its operations are now managed through the following three segments: Telecommunications, Media, and Sports and 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 and 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 Arena ("the Arena"), 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.

Through its Quebecor Media subsidiary, Quebecor is a leading Canadian media corporation engaged in cable and mobile telecommunications; newspaper publishing and distribution; Internet portals and specialized websites; broadcasting; studio, soundstage and equipment leasing, post-production, visual effects and 3D animation; retailing, publishing and distribution of books and magazines; rental and distribution of video games and game consoles; music recording, production, distribution and retailing; music streaming services; production of shows and events; video game development; out of home advertising; two Quebec Major Junior Hockey League ("QMJHL") teams and sporting and cultural events management. Through its Videotron Ltd. ("Videotron") subsidiary, Quebecor Media is a premier cable and mobile communications service provider. Quebecor Media holds leading positions in the creation, promotion and distribution of news, entertainment and Internet-related services that are designed to appeal to audiences in every demographic category. Quebecor Media is pursuing a convergence strategy to capture synergies among all its media properties.

All amounts are stated in Canadian dollars ("CAN dollars") unless otherwise indicated.

The Corporation adopted International Financial Reporting Standards ("IFRS") for the presentation of its financial statements on January 1, 2011. As explained under "Changes in Accounting Policies" below, the Corporation has adopted retrospectively a new accounting policy for the accounting of its convertible debentures. Comparative figures for prior years have been restated.

DISCONTINUED OPERATIONS

On October 6, 2014, Quebecor Media announced the sale of its English-language newspaper businesses in Canada – 175 newspapers and publications, the Canoe portal in English Canada, and 8 printing plants, including the Islington, Ontario plant – for a cash consideration of $316.0 million. The transaction will be paid in cash, subject to certain adjustments, including a $10.0 million adjustment with respect to real estate holdings disposed of by Quebecor Media after the transaction date. The transaction is subject to Competition Bureau authorization. While the sale is under review by the Bureau, Quebecor Media will continue operating the businesses in question. The operating results and cash flows related to those businesses have been reclassified as discontinued operations in the consolidated statements of income and cash flows.

On September 2, 2014, Quebecor Media closed the sale of its Nurun Inc. ("Nurun") subsidiary to the French company Publicis Groupe for a cash consideration of $125.0 million, less disposed-of cash in the amount of $18.1 million. An amount of $8.2 million was also received in connection with certain adjustments as part of the transaction. The results of operations and cash flows related to that business, as well as the $41.5 million gain on the sale, have been reclassified as discontinued operations in the consolidated statements of income and cash flows.

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

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

On June 1, 2013, Quebecor Media sold its specialized website *Jobboom* for a cash consideration of $52.1 million, net of disposed-of cash in the amount of $5.4 million, and on November 29, 2013, it sold its specialized website *Réseau Contact* for a cash consideration of $7.1 million, net of disposed-of cash in the amount of $0.4 million. The operating results and cash flows related to those businesses, as well as the $37.6 million gain on the sale of the two websites, were reclassified as discontinued operations in the consolidated statements of income and cash flows.

In this Management Discussion and Analysis, only continuing operating activities of Quebecor are included in the analysis of segmented operating results.

HIGHLIGHTS SINCE END OF 2013

- Quebecor's sales totalled $3.72 billion in 2014, an increase of $68.6 million (1.9%) compared with 2013.
- Since the end of 2013, Quebecor has announced major management changes at the Corporation and its subsidiaries.
  - On April 28, 2014, Pierre Dion was appointed President and Chief Executive Officer of Quebecor and Quebecor Media. On May 7, 2014, Manon Brouillette was named President and Chief Executive Officer of Videotron.
  - On June 19, 2014, at Quebecor's Annual Meeting of Shareholders, the Right Honourable Brian Mulroney was named Chairman of the Board of Quebecor and Quebecor Media, succeeding Pierre Karl Péladeau, who resigned all his positions on the Boards of Directors of Quebecor and its subsidiaries on March 9, 2014, following his decision to enter politics. On March 10, 2014, Sylvie Lalande was appointed Chairperson of the Board of TVA Group Inc. ("TVA Group").
  - On July 30, 2014, Benoît Robert was appointed President and Chief Executive Officer of Sports and Entertainment Group.
  - On July 31, 2014, Quebecor created Media Group, a new segment dedicated to entertainment and news media. Media Group includes the operations of TVA Group, Sun Media Corporation, QMI Agency, Quebecor Media Out of Home, Quebecor Media Sales, Messageries Dynamiques, Quebecor Media Printing Inc., Sogides Group Inc., CEC Publishing Inc. ("CEC Publishing") and Readbooks S.A.S. ("Readbooks"). Julie Tremblay was appointed President and Chief Executive Officer of the new segment. She also serves as President and Chief Executive Officer of TVA Group.

Telecommunications

- In 2014, the Telecommunications segment grew its revenues by $104.5 million (3.7%) and its adjusted operating income by $60.7 million (4.7%).
- Videotron recorded strong revenue increases at two of its services in 2014: mobile telephony ($67.0 million or 30.4%) and Internet access ($49.9 million or 6.1%).
- Net increase of 117,700 revenue-generating units[1] (2.3%) in 2014.
- Net increase of 128,500 subscriber connections for the mobile telephone service, the largest annual increase since 2011.
- On March 11, 2015, Videotron Ltd. ("Videotron") announced the acquisition of 4Degrees Colocation and its data centre, the largest in Québec City, for a cash consideration of $31.5 million, which may increase to $35.5 million if certain criteria are satisfied. The acquisition will enable Videotron to meet its business customers' growing technological and hosting needs.
- On March 6, 2015, the Québec Court of Appeal ruled in favour of Videotron and TVA Group, and ordered Bell ExpressVu Limited Partnership ("Bell ExpressVu"), a subsidiary of Bell, to pay compensation totalling $137.0 million for having deliberately neglected to implement an appropriate security system to prevent piracy of the signals broadcast by its satellite television service between 1999 and 2005. The judgment stated that Bell ExpressVu knew and must have foreseen that this practice would cause serious harm to its competitors, including Videotron, its main rival in Québec.
- On March 6, 2015, Quebecor Media announced that its Videotron subsidiary was the successful bidder for four 30 MHz licences in Industry Canada's auction for AWS-3 commercial mobile spectrum. Quebecor Media obtained the licences for Eastern Québec, Southern Québec, Northern Québec and Eastern Ontario / Outaouais, covering 100% of Québec's population and the Ottawa area, for a total price of $31.8 million.
- On September 10, 2014, Videotron launched its LTE mobile network ("LTE network"), which reaches nearly 90% of

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

Québec's population and supports speeds of up to 150 mbps, enabling Québec consumers and business people to use their mobile devices to their full potential.

- On August 27, 2014, Videotron launched the new X8 multi-room HD recorder, designed to deliver the best entertainment experience on the market. With a 2 TB storage capacity and state-of-the-art functionalities, the X8 multi-room HD recorder can record up to 8 television shows simultaneously.
- On March 28, 2014, Apple products were added to the extensive selection of mobile devices Videotron offers its customers. Subsequently, Videotron launched new illico apps for iPhone (4, 5C, 5S, 6) and iPad. The free apps, featuring customizable, intuitive user interfaces, make thousands of hours of French- and English-language programming from some 50 television channels available to subscribers to Videotron's cable television service.
- On April 3, 2014, after the final instalment was paid on the spectrum won in the auction ended February 19, 2014, Industry Canada issued seven 700 MHz licences to Videotron. The operating licences, acquired for $233.3 million, cover the entire provinces of Québec, Ontario (except Northern Ontario), Alberta and British Columbia. They make it possible to reach approximately 80% of Canada's population, more than 28 million people.

Media

- In December 2014, TVA Group closed the acquisition of substantially all of the assets of A.R. Global Vision Ltd. and its subsidiary ("Global Vision"), a Canadian provider of film- and television-related services, for a cash consideration of $116.1 million, subject to certain adjustments. Global Vision offers studio, soundstage and equipment leasing and post-production services. Its properties include the Mel's La Cité du cinéma studios in Montréal and the Melrose studio in Saint-Hubert, which are used for both local and foreign film and television productions. On December 30, 2014, TVA Group obtained Competition Bureau authorization of the transaction.
- On November 17, 2014, TVA Group reached an agreement with Transcontinental to acquire 15 magazines for a cash consideration of $55.5 million. The transaction was authorized by the Competition Bureau on March 2, 2015. Upon closing, TVA Group will become sole owner of 11 of the acquired titles: *Coup de pouce*, *Canadian Living*, *Véro Magazine*, *Décormag*, *Style at Home*, *Fleurs Plantes Jardins*, *Canadian Gardening*, *Québec Vert*, *The Hockey News*, *MaisonNeuves.com*, *Condo Maison Direct* and the *recettes.qc.ca*, *Quoi manger* and *On the table* websites. TVA Group will also hold a 51% effective interest in Les Publications Transcontinental-Hearst inc., which operates the magazines *Elle Canada* and *Elle Québec*. As well, TVA Group will hold 50% of the shares of Publications Senior inc., which publishes *Le Bel Âge* and *Good Times* magazines.
- During the September 1 to December 7, 2014 period, TVA Group and its specialty channels had a total television audience market share of 33.2% in Québec, compared with 31.6% during the previous year (source: Numeris, Fall 2014). TVA Network held its status as the market leader with a 23.9% market share, more than its main over-the-air rivals combined. Due in part to the success of TVA Sports, TVA Group's specialty channels passed the 10-million-subscriber mark in the fall of 2014.
- On October 8, 2014, TVA Sports drew an average audience of 925,000 television viewers and a 25.5% market share for the Montréal Canadiens' season opener. Since TVA Sports began carrying National Hockey League ("NHL") hockey, its subscriber base has swelled to 2.0 million. As previously reported, on July 1, 2014, TVA Sports became the NHL's official French-language broadcaster for the next 12 years. During the 2014-2015 season, TVA Sports will broadcast more than 275 NHL games, among them all Canadiens Saturday night games and all playoff games, including Canadiens games and the Stanley Cup final.
- The second season of *La Voix* achieved exceptional ratings throughout its run from January 19 to April 13, 2014. The weekly gala attracted an average audience of more than 2.6 million and an average market share of 56.9%. The creation of value-added multiplatform content around this high-quality television program illustrates Quebecor's successful convergence strategy, which benefits all its media properties.
- Since August 1, 2014, Quebecor Media has been responsible for installing, maintaining, managing and advertising on Société de transport de Laval bus shelters under a 20-year agreement. Quebecor Media made a similar agreement with the Société de transport de Montréal in 2012.

- In 2014, the Corporation performed impairment tests on its Newspapers and Broadcasting cash generating units ("CGUs"), which continue to be impacted by the shift toward digital and by challenging market conditions in the print media and television industries. Accordingly, a $199.3 million non-cash goodwill impairment charge (without any tax consequences), including $160.0 million presented under discontinued operations, and a $41.7 million non-cash impairment charge (including $20.9 million without any tax consequences) on broadcasting licences were recorded.

Sports and Entertainment

- On February 3, 2015, Quebecor Media announced a strategic partnership with Live Nation Entertainment, including an alliance with Live Nation Concerts, the global market leader in concert production, and the Ticketmaster ticketing service, which operates in Québec under the name Réseau Admission. On the same date, Quebecor Media formed a strategic partnership with Levy Restaurants for management of food service operations at the Arena.

- On November 27, 2014, Quebecor Media acquired the Remparts de Québec, a QMJHL team. The team plans to move into the Arena in September 2015.

Financing

The following financial operations were carried out in 2014 and the beginning of 2015.

- On April 9, 2014, Videotron issued US$600.0 million aggregate principal amount of 5.375% Senior Notes maturing on June 15, 2024, for net proceeds of $654.5 million, net of financing fees of $7.8 million. Strong demand enabled Videotron to upsize the offering with favorable pricing, which clearly demonstrates the strength of its business and credit profile. Videotron fully hedged the exchange risk on the new Senior Notes by means of cross-currency interest rate swaps. It also converted the fixed interest rate on a US$158.6 million tranche of its Senior Notes to a floating rate.
- Videotron used the proceeds from the April 9, 2014 issuance of Senior Notes to prepay and withdraw, on April 24, 2014, US$260 million principal amount of its outstanding 9.125% Senior Notes, issued on March 5, 2009 and maturing on April 15, 2018, to repay drawings under its revolving credit facility, to pay transaction fees and expenses, and for general corporate purposes.
- On April 25, 2014, Quebecor Media completed the redemption and early repayment of all of its outstanding 7.75% Senior Notes in the aggregate principal amount of US$380.0 million, issued on October 5, 2007 and maturing on March 15, 2016, and settled the related hedges.
- 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 maturing on November 3, 2019. TVA Group also amended some terms and conditions to increase its financial flexibility. Accordingly, TVA Group granted a security on all of its movable assets and an immovable hypothec on its Head Office building.
- On February 4, 2015, TVA Group filed a final simplified prospectus with securities regulatory authorities in each of Canada's 10 provinces regarding a proposed Rights Offering, in which all holders of outstanding Class A common shares, voting, participating, without par value of TVA Group ("Class A Shares of TVA Group") and Class B Shares, non-voting, participating, without par value of TVA Group ("Class B Non-Voting Shares of TVA Group") received on February 18, 2015 rights to subscribe for TVA Group Class B Non-Voting Shares for aggregate gross proceeds of approximately $110.0 million (the "Rights Offering"). The final simplified prospectus and relevant documents were sent on February 23, 2015 to all holders of Class A Shares of TVA Group and Class B Non-Voting Shares of TVA Group. The closing date of the Rights Offering should be on or about March 20, 2015. Pursuant to a standby commitment agreement with TVA Group, Quebecor Media has provided a standby commitment whereby it will be required to acquire all Class B Non-Voting Shares of TVA Group not subscribed for under the Rights Offering, subject to certain conditions.

TREND INFORMATION

Competition continues to be intense in the cable and alternative multichannel broadcast distribution industry and in the mobile telephony market. The significant subscriber growth recorded in the Telecommunications sector in past years is not necessarily representative of future growth, due to the penetration rates currently reached.

Moreover, the Telecommunications segment has in the past required substantial capital for the upgrade, expansion and maintenance of its cable and mobile networks, the launch and expansion of new or additional services to support growth in its customer base, and demands for increased bandwidth capacity and other services. The Corporation expects that additional capital expenditures will be required in the short and medium term in order to expand and maintain the Telecommunications segment's systems and services, including expenditures relating to the cost of its mobile services infrastructure upgrade, as well as costs relating to advancements in Internet access and high definition television. In addition, the demand for wireless data services has been growing at unprecedented rates and it is projected that this demand will further increase in the future. The anticipated levels of data traffic will represent a growing challenge to the current mobile network's ability to serve this traffic. The Telecommunications segment may have to acquire additional spectrum in the future, as available.

Some of Quebecor's lines of business are cyclical in nature. They are dependent on advertising and, in the Media segment in particular, on circulation sales. Operating results are therefore sensitive to prevailing economic conditions.

In the Media segment, newspaper circulation, measured in terms of copies sold, has been generally declining in the industry over the past several years. Also, the traditional run of press advertising for major multimarket retailers has been declining over the past few years due to consolidation in the retail industry, combined with a shift in marketing strategy toward other media. In order to respond to such competition, the Media segment's operations continue to develop their Internet presence through branded websites, including French-language portals and specialized sites.

The broadcasting industry is undergoing a period of significant change. Television audiences are fragmenting as viewing habits shift not only toward specialty channels, but also toward content delivery platforms that allow users greater control over content and timing, such as the Internet, video-on-demand and mobile devices. Audience fragmentation has prompted many advertisers to review their strategies. The Media segment is taking steps to adjust to the profound changes occurring in the broadcasting industry so as to maintain its leadership position and offer audiences and advertisers alike the best available content, when they want it and on the media platform they want.

INTEREST IN SUBSIDIARIES

As of December 31, 2014, Quebecor held a 75.4% interest in Quebecor Media. Table 1 shows Quebecor Media's equity interest in its main subsidiaries at that date.

Table 1
Quebecor Media's interest (direct and indirect) in its main subsidiaries
December 31, 2014

	Percentage of vote	Percentage of equity
Videotron Ltd.	100.0%	100.0%
TVA Group Inc.	99.9	51.5
Sun Media Corporation	100.0	100.0
Quebecor Media Printing Inc.	100.0	100.0
Archambault Group Inc.	100.0	100.0

Quebecor Media's interest in its subsidiaries has not varied significantly over the past three years.

On June 30, 2012, Sun Media Corporation bought a 2% interest in SUN News General Partnership ("SUN News") from TVA Group, bringing its interest to 51%.

NON-IFRS FINANCIAL MEASURES

The financial measures not standardized under IFRS that are used by the Corporation to assess its financial performance, such as adjusted operating income, adjusted income from continuing operations, cash flows from segment operations, free cash flows from continuing operating activities of the Quebecor Media subsidiary, and average monthly revenue per user ("ARPU"), are not calculated in accordance with, or recognized by IFRS. The Corporation's method of calculating these non-IFRS financial measures may differ from the methods used by other companies and, as a result, the non-IFRS financial measures presented in this document may not be comparable to other similarly titled measures disclosed by other companies.

Adjusted Operating Income

In its analysis of operating results, the Corporation defines adjusted operating income, as reconciled to net (loss) income under IFRS, as net (loss) income before depreciation and amortization, financial expenses, loss on valuation and translation of financial instruments, charge for restructuring of operations, impairment of assets and other special items, charge for impairment of goodwill and intangible assets, loss on debt refinancing, income taxes, and (loss) income from discontinued operations. Adjusted operating income as defined above is not a measure of results that is consistent with IFRS. It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows as a measure of liquidity. It should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The Corporation uses adjusted operating income in order to assess the performance of its investment in Quebecor Media. The Corporation's management and Board of Directors use this measure in evaluating its consolidated results as well as the results of the Corporation's operating segments. This measure eliminates the significant level of impairment and depreciation/amortization of tangible and intangible assets and is unaffected by the capital structure or investment activities of the Corporation and its segments.

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

Table 2 below provides a reconciliation of adjusted operating income to net (loss) income as disclosed in Quebecor's consolidated financial statements. The consolidated financial information for the three-month periods ended December 31, 2014 and 2013 presented in Table 2 below is drawn from the unaudited consolidated statements of income.

Table 2
Reconciliation of the adjusted operating income measure used in this report to the net (loss) income measure used in the consolidated financial statements
(in millions of CAN dollars)

	Year ended December 31		Three months ended December 31	
	2014	2013	**2014**	2013
Adjusted operating (loss) income:				
Telecommunications	**$ 1,354.9**	$ 1,294.2	**$ 348.6**	$ 328.7
Media	**46.5**	84.0	**9.1**	31.6
Sports and Entertainment	**(3.4)**	(1.1)	**0.6**	0.8
Head Office	**0.9**	(7.0)	**(5.2)**	(4.7)
	1,398.9	1,370.1	**353.1**	356.4
Depreciation and amortization	**(667.0)**	(630.7)	**(174.6)**	(163.9)
Financial expenses	**(350.7)**	(388.3)	**(84.4)**	(93.8)
Loss on valuation and translation of financial instruments	**(94.7)**	(384.4)	**(93.2)**	(70.2)
Restructuring of operations, impairment of assets and other special items	**(54.4)**	(11.6)	**(47.7)**	(2.8)
Impairment of goodwill and intangible assets	**(81.0)**	(35.3)	**–**	–
Loss on debt refinancing	**(18.7)**	(18.9)	**–**	–
Income taxes	**(91.3)**	(27.8)	**(22.9)**	(20.6)
(Loss) Income from discontinued operations	**(65.5)**	(193.8)	**19.4**	14.3
Net (loss) income	**$ (24.4)**	$ (320.7)	**$ (50.3)**	$ 19.4

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 on valuation and translation of financial instruments, charge for restructuring of operations, impairment of assets and other special items, impairment of goodwill and intangible assets, loss on debt refinancing, net of income tax related to adjustments and net loss attributable to non-controlling interests related to adjustments, before (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 uses adjusted income from continuing operations to analyze trends in the performance of its businesses. The above-listed items are excluded from the calculation of this measure because they impair the comparability of the financial results. Adjusted income from continuing operations is more representative for the purpose of forecasting income. The Corporation's definition of adjusted income from continuing operations may not be identical to similarly titled measures reported by other companies.

Table 3 provides a reconciliation of adjusted income from continuing operations to net (loss) income attributable to shareholders used in Quebecor's consolidated financial statements.

Table 3

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 consolidated financial statements

(in millions of CAN dollars)

	Year ended December 31		Three months ended December 31	
	2014	2013	**2014**	2013
Adjusted income from continuing operations	**$ 202.3**	$ 177.3	**$ 50.3**	$ 48.6
Loss on valuation and translation of financial instruments	**(94.7)**	(384.4)	**(93.2)**	(70.2)
Restructuring of operations, impairment of assets and other special items	**(54.4)**	(11.6)	**(47.7)**	(2.8)
Impairment of goodwill and intangible assets	**(81.0)**	(35.3)	**–**	–
Loss on debt refinancing	**(18.7)**	(18.9)	**–**	–
Income taxes related to adjustments[1]	**17.1**	70.0	**2.9**	6.4
Net income attributable to non-controlling interest related to adjustments	**48.6**	60.4	**13.5**	7.5
Discontinued operations	**(49.3)**	(146.1)	**14.7**	10.8
Net (loss) income attributable to shareholders	**$ (30.1)**	$ (288.6)	**$ (59.5)**	$ 0.3

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

Cash Flows from Segment Operations

Cash flows from segment operations represents adjusted operating income, less additions to property, plant and equipment and to intangible assets (excluding disbursements for licence acquisitions and renewals), plus proceeds from disposal of assets. The Corporation uses cash flows from segment operations as a measure of the liquidity generated by its segments. Cash flows from segment operations represents funds available for interest and income tax payments, expenditures related to restructuring programs, business acquisitions, licence acquisitions and renewals, the payment of dividends, and the repayment of long-term debt. Cash flows from segment operations is not a measure of liquidity that is consistent with IFRS. It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows as a measure of liquidity. Cash flows from segment operations is used by the Corporation’s management and Board of Directors to evaluate cash flows generated by its segments’ operations. Tables 8 and 9 provide a reconciliation of cash flows from segment operations to cash flows provided by continuing operating activities reported in Quebecor’s consolidated financial statements.

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

Free cash flows from continuing operating activities of the Quebecor Media subsidiary represents cash flows provided by its continuing operating activities calculated in accordance with IFRS, less additions to property, plant and equipment and to intangible assets (excluding disbursements for 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 free cash flows from continuing operating activities of Quebecor Media to cash flows provided by continuing operating activities reported in Quebecor’s consolidated financial statements.

Average Monthly Revenue per User

ARPU is an industry metric that the Corporation uses to measure its monthly cable television, Internet access, cable and mobile telephony revenues per average basic cable customer. ARPU is not a measurement that is consistent with IFRS and the Corporation's definition and calculation of ARPU may not be the same as identically titled measurements reported by other companies. The Corporation calculates ARPU by dividing its combined cable television, Internet access, and cable and mobile telephony revenues by the average number of basic customers during the applicable period, and then dividing the resulting amount by the number of months in the applicable period.

2014/2013 FINANCIAL YEAR COMPARISON

Analysis of Consolidated Results of Quebecor

Revenues: $3.72 billion, a $68.6 million (1.9%) increase.

- Revenues increased in Telecommunications ($104.5 million or 3.7% of segment revenues).
- Revenues decreased in Media ($20.6 million or -2.5%) and Sports & Entertainment ($9.3 million or -13.2%).

Adjusted operating income: $1.40 billion, a $28.8 million (2.1%) increase.

- Adjusted operating income increased in Telecommunications ($60.7 million or 4.7% of segment adjusted operating income) and Head Office ($7.9 million). The increase at Head Office was mainly due to the favourable variance in the fair value of stock options.
- Adjusted operating income decreased in Media ($37.5 million or -44.6%) and Sports and Entertainment ($2.3 million).
- The change in the fair value of Quebecor Media stock options resulted in a $2.5 million unfavourable variance in the stock-based compensation charge in 2014 compared with 2013. The change in the fair value of Quebecor stock options and the impact of various transactions on the options issued under this program resulted in a $20.8 million favourable variance in the Corporation's stock-based compensation charge in 2014.

Net loss attributable to shareholders: $30.1 million ($0.24 per basic share) in 2014, compared with $288.6 million ($2.33 per basic share) in 2013, a favourable variance of $258.5 million ($2.09 per basic share).

- The favourable variance was due primarily to:
  - $289.7 million favourable variance in gains and losses on valuation and translation of financial instruments, including a $48.4 million favourable variance in convertible debentures, without any tax consequences;
  - $128.3 million favourable variance in losses from discontinued operations;
  - $37.6 million decrease in financial expenses;
  - $28.8 million increase in adjusted operating income.

  Partially offset by:
  - $45.7 million unfavourable variance in non-cash charge for impairment of goodwill and intangible assets (including $19.5 million without any tax consequences), minus related non-controlling interest;
  - $42.8 million unfavourable variance in the charge for restructuring of operations, impairment of assets and other special items (including $34.3 million without any tax consequences);
  - $36.3 million increase in the depreciation and amortization charge.

Adjusted income from continuing operations: $202.3 million ($1.64 per basic share) in 2014, compared with $177.3 million ($1.43 per basic share) in 2013, an increase of $25.0 million ($0.21 per basic share).

Depreciation and amortization charge: $667.0 million in 2014, a $36.3 million increase essentially due to the impact of capital expenditures in the Telecommunications segment, including amortization of expenditures related to the promotional strategy focused on equipment leasing, to investments in the LTE network, and to modernization and expansion of the wired and wireless networks.

Financial expenses: $350.7 million, a $37.6 million decrease caused mainly by the impact of lower interest rates on long-term debt due to debt refinancing at lower rates and by lower indebtedness.

Loss on valuation and translation of financial instruments: $94.7 million in 2014 compared with $384.4 million in 2013. The $289.7 million favourable variance was mainly due to the variance in the fair value of early settlement options caused by fluctuations in valuation assumptions, including interest rates and credit premiums implicit in the adjusted prices of the underlying instruments, to the $48.4 million decrease (without any tax consequences) in the loss on embedded derivatives related to convertible debentures, and to losses on reversal of embedded derivatives recognized in 2013 in connection with debt redemption.

Charge for restructuring of operations, impairment of assets and other special items: $54.4 million in 2014, compared with $11.6 million in 2013, an unfavourable variance of $42.8 million.

- In 2014, the Telecommunications segment recorded a $3.3 million restructuring charge ($1.8 million in 2013) and a $3.4 million impairment charge on assets. The segment also recorded a $34.3 million charge (without any tax consequences), including interest, following a trial judgment against Videotron.
- In 2014, a $6.5 million net charge for restructuring of operations was recorded in the Media segment with respect to staff-reduction programs ($6.7 million in 2013). In connection with those initiatives, a $0.1 million loss on disposal of assets was recognized in 2014 ($0.1 million gain in 2013) and a $2.1 million impairment charge on certain assets was also recognized in 2013. In 2014, the Media segment also recognized a $3.3 million asset impairment charge on its broadcasting assets and a $2.6 million other special charge, primarily attributable to business acquisitions.
- The other segments recorded a net charge for restructuring of operations, impairment of assets and other special items of $0.9 million in 2014 ($1.1 million in 2013).

Charge for impairment of goodwill and intangible assets: $81.0 million in 2014, compared with $35.3 million in the same period of 2013, an unfavourable variance of $45.7 million.

- In the second quarter of 2014, the Corporation performed annual impairment tests on its CGUs. It concluded that the recoverable amount based on fair value less disposal costs was less than the carrying amount of its Newspapers CGU, which continues to be affected by the shift to digital and challenging market conditions in the newspaper industry. Accordingly, the Media segment recorded a $30.0 million non-cash goodwill impairment charge, without any tax consequences.
- In the third quarter of 2014, the Corporation completed its annual review of its three-year strategic plan. In view of market conditions in the television industry, the Corporation performed an impairment test on its Broadcasting CGU. The Corporation concluded that the recoverable amount, based on fair value less disposal costs, was less than the carrying amount of this CGU. Accordingly, a $41.7 million non-cash impairment charge on broadcasting licences (including $20.9 million without any tax consequences) and a $9.3 million non-cash goodwill impairment charge (including $3.9 million without any tax consequences) were recorded.
- In the third quarter of 2013, Quebecor Media performed impairment tests on the Newspapers, Books and Music CGUs. Accordingly, the following impairment charges were recorded:
  - the Media segment recognized a $14.5 million non-cash goodwill impairment charge, without any tax consequences, in its Newspapers CGU, and an $11.9 million non-cash goodwill impairment charge, without any tax consequences, in its Books CGU;
  - Quebecor Media recorded an $8.9 million non-cash goodwill impairment charges without any tax consequences in its Music CGU.

Loss on debt refinancing: $18.7 million in 2014 compared with $18.9 million in 2013.

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

Income tax expense: $91.3 million (effective tax rate of 29.2%) in 2014 compared with $27.8 million (effective tax rate of 36.5%) in 2013, a $63.5 million unfavourable variance. The effective tax rate is calculated considering only taxable and deductible items.

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

SEGMENTED ANALYSIS

Telecommunications

In Quebecor Media's Telecommunications segment, Videotron is the largest cable operator in Québec and the third-largest in Canada by customer base. Its state-of-the-art network passes 2,777,300 homes and businesses. In addition to analog cable television and digital cable television ("illico Digital TV") services, Videotron offers Internet access, cable telephony and advanced mobile telephony services, including high-speed Internet access, mobile television and many other functionalities supported by smartphones. Videotron also includes Videotron Business Solutions, a full-service business telecommunications provider that offers telephony, high-speed data transmission, Internet access, hosting, and cable television services.

The Corporation's operations in the Telecommunications segment also include retail sales of CDs, books, DVDs, Blu-ray discs, musical instruments, games and toys, video games, gift ideas and magazines through the chain of stores operated by Archambault Group Inc. ("Archambault Group") and the *archambault.ca* e-commerce site, as well as online sales of downloadable music and books.

The segment is also engaged in retail sales and rentals of DVDs, Blu-ray discs and console games through the Le SuperClub Vidéotron ltée subsidiary ("Le SuperClub Vidéotron") and its franchise network.

2014 operating results

Revenues: $2.97 billion, a $104.5 million (3.7%) increase.

- Combined revenues from all cable television services decreased $15.5 million (-1.4%) to $1.08 billion, due primarily to the impact of the net decrease in the customer base and the decrease in video-on-demand, pay-per-view and pay TV orders, partially offset by higher revenues from the leasing of digital set-top boxes and higher per-subscriber revenues.
- Revenues from Internet access services increased $49.9 million (6.1%) to $868.3 million. The favourable variance was mainly due to increased usage, higher revenues from Internet access resellers, customer base growth, and higher per-subscriber revenues.
- Revenues from the cable telephony service increased $1.3 million (0.3%) to $475.1 million, primarily as a result of increases in per-subscriber revenues and in the number of business lines, partially offset by a decrease in long-distance revenues.
- Revenues from mobile telephony service increased $67.0 million (30.4%) to $287.7 million, essentially due to customer growth.
- Revenues of Videotron Business Solutions increased $2.1 million (3.3%) to $65.6 million.
- Revenues from customer equipment sales increased $9.1 million (24.9%) to $45.6 million, mainly because of the growth in the number of subscriber connections to the mobile service and increased sales of more powerful equipment.
- Revenues from retail sales decreased by $10.8 million (-7.2%) to $138.3 million because of decreased sales at Archambault Group stores, including lower sales of videos, CDs and books, and lower revenues at Le SuperClub Vidéotron, including lower franchise fees and store closings.
- Other revenues increased $0.9 million (10.3%) to $9.6 million.

ARPU: $125.16 in 2014 compared with $118.03 in 2013, an increase of $7.13 (6.0%).

Customer statistics

Revenue-generating units – As of December 31, 2014, the total number of revenue-generating units stood at 5,301,600, a 117,700-unit (2.3%) increase in 2014, compared with a 164,800-unit increase in 2013 (Table 4). Revenue-generating units are the sum of cable television and cable Internet access subscriptions, cable telephone lines and subscriber connections to the mobile telephony service.

Cable television – The combined customer base for all of Videotron's cable television services decreased by 42,800 (-2.3%) in 2014, compared with a decrease of 29,900 in 2013 (Table 4). As of December 31, 2014, Videotron had 1,782,300 subscribers to its cable television services. The household and business penetration rate (number of subscribers as a proportion of the total 2,777,300 homes and businesses passed by Videotron's network as of the end of December 2014, up from 2,742,500 one year earlier) was 64.2% versus 66.5% a year earlier.

- As of December 31, 2014, the number of subscribers to the illico Digital TV service stood at 1,561,700, an increase of 30,300 (2.0%) in 2014, compared with a 46,800-subscriber increase in 2013. As of December 31, 2014, illico Digital TV had a household and business penetration rate of 56.2% versus 55.8% a year earlier.
- The customer base for analog cable television services decreased by 73,100 in 2014, compared with a decrease of 76,700 in 2013, partly as a result of customer migration to illico Digital TV.

Cable Internet access – The number of subscribers to cable Internet access services stood at 1,537,500 at December 31, 2014, an increase of 31,500 (2.1%) in 2014, compared with an increase of 62,000 in 2013 (Table 4). At December 31, 2014, Videotron's cable Internet access services had a household and business penetration rate of 55.4% compared with 54.9% a year earlier.

Cable telephony service – The number of cable telephone lines stood at 1,349,000 as of December 31, 2014, an increase of 500 from the end of 2013, compared with an increase of 32,200 in 2013 (Table 4). At December 31, 2014, the cable telephony service had a household and business penetration rate of 48.6% versus 49.2% a year earlier.

Mobile telephony service – As of December 31, 2014, the number of subscriber connections to the mobile telephony service stood at 632,800, an increase of 128,500 (25.5%) in 2014, compared with an increase of 100,500 in 2013 (Table 4).

Table 4
Telecommunications segment year-end customer numbers[1] (2010-2014)
(in thousands of customers)

	2014	2013	2012	2011	2010
Cable television:					
Analog	**220.6**	293.7	370.4	460.7	592.0
Digital	**1,561.7**	1,531.4	1,484.6	1,400.8	1,219.6
	1,782.3	1,825.1	1,855.0	1,861.5	1,811.6
Cable Internet	**1,537.5**	1,506.0	1,444.0	1,359.6	1,268.1
Cable telephony[2]	**1,349.0**	1,348.5	1,316.3	1,245.9	1,145.1
Mobile telephony[2]	**632.8**	504.3	403.8	290.7	136.1
Total (revenue-generating units)	**5,301.6**	5,183.9	5,019.1	4,757.7	4,360.9

1 Customer statistics have been restated for 2014 and previous years to reflect certain adjustments to product definitions.
2 Thousands of connections.

Adjusted operating income: $1.35 billion, a $60.7 million (4.7%) increase caused primarily by:

- impact of higher revenues;
- $7.2 million favourable retroactive adjustment arising from a correction to the subscription fee calculation method.

Partially offset by:

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

Cost/revenue ratio: Operating costs for all Telecommunications segment operations, expressed as a percentage of revenues, were 54.3% in 2014 compared with 54.8% in 2013. The decrease was mainly due to the impact of revenue growth (as the fixed component of operating costs does not fluctuate in proportion to revenues), partially offset by the impact of the higher number of mobile devices sold at a loss and the increase in some operating expenses, including advertising and marketing expenses.

Cash flows from operations

Cash flows from segment operations: $665.5 million in 2014 compared with $722.1 million in 2013 (Table 5).

- The $56.6 million decrease reflects a $109.9 million increase in additions to property, plant and equipment and to intangible assets, due mainly to increased capital expenditures on the LTE network and a $7.4 million decrease in proceeds from disposal of assets, partially offset by the $60.7 million increase in adjusted operating income.

Table 5: Telecommunications
Cash flows from operations
(in millions of CAN dollars)

		2014		2013
Adjusted operating income	**$**	**1,354.9**	$	1,294.2
Additions to property, plant and equipment		**(607.5)**		(532.9)
Additions to intangible assets		**(87.3)**		(52.0)
Proceeds from disposal of assets		**5.4**		12.8
Cash flows from segment operations	**$**	**665.5**	$	722.1

Media

The Media segment of Quebecor Media operates two paid-circulation daily newspapers, *Le Journal de Montréal* and *Le Journal de Québec*, and a free daily, *24 heures Montréal.* According to corporate figures, the aggregate circulation of the Media segment's paid and free newspapers was approximately 2.9 million copies per week as of December 31, 2014.

The paid-circulation newspapers disseminate information in traditional print form, as well as through two urban daily news portals, *journaldemontreal.com* and *journaldequebec.com*. The Media segment also operates a number of websites, including *canoe.ca* and *canoe.tv*, as well as the e-commerce sites *micasa.ca* (real estate) and *autonet.ca* (automobiles). The Media segment's portals log 2.9 million unique visitors per month (according to corporate figures).

Also in the Media segment, TVA Group operates the largest French-language private television network in North America. TVA Group is the sole owner of 6 of the 10 television stations in the TVA Network and the specialty channels LCN, TVA Sports, addik^{TV}, Argent, Prise 2, Yoopa, CASA and MOI&cie. TVA Group also holds interests in two other TVA Network affiliates and the Évasion specialty channel. TVA Group's TVA Accès division is engaged in commercial production and its TVA Films division in the distribution of films and television programs. Through its subsidiaries TVA Publications inc. and Les Publications Charron & Cie inc. ("Les Publications Charron & Cie"), TVA Group publishes more than 50 magazines in the general interest and entertainment categories. It is the largest publisher of French-language magazines in Québec.

Until February 13, 2015, the Media segment also operated the English-language news and opinion specialty channel SUN News, which discontinued its operations on that date. The Media segment's operating results presented in this report include SUN News' financial data.

TVA Group also closed the acquisition of substantially all of the assets of Global Vision in December 2014. Global Vision provides studio, soundstage and equipment leasing and post-production services to the film and television industries.

The Media segment is also engaged in the distribution of newspapers and magazines, commercial printing and outdoor advertising. In addition, the segment includes QMI Agency, a news agency that provides content to all Quebecor Media properties and outside customers, as well as Quebecor Media Sales, which offers its customers integrated, diversified, complete advertising services.

Finally, the Media segment is also engaged in academic publishing through CEC Publishing, general literature through 18 publishing houses, physical and digital distribution of books through Messageries ADP inc., the exclusive distributor for approximately 200 Québec and European French-language publishers, and e-books through Readbooks.

2014 operating results

Revenues: $807.7 million in 2014, a $20.6 million (-2.5%) decrease.

- Newspaper publishing revenues decreased by $16.1 million (-5.9%).
  - Advertising revenues decreased 7.3%; circulation revenues decreased 2.5%; digital revenues increased 5.1%; combined revenues from commercial printing and other sources decreased 7.0%.
  - Revenues decreased 5.4% at the urban dailies and 6.7% at the portals.
- Broadcasting revenues decreased by $4.2 million (-1.1%), mainly because of:
  - lower advertising revenues at TVA Network;
  - $6.1 million favourable adjustment in 2013 resulting from retroactive adjustment to royalties for the retransmission of the over-the-air stations' signals to markets located outside their local service areas ("retransmission royalties") for the years 2009 to 2012;
  - discontinuation of operations of TVA Boutiques in 2013.

  Partially offset by:

  - increased subscription revenues at the specialty services, including TVA Sports, mainly because of the addition of programming dedicated to NHL hockey, and SUN News, due to an adjustment to royalty rates;
  - increased advertising revenues at the specialty services, mainly TVA Sports.
- Magazine publishing revenues increased by $0.7 million (1.0%), mainly because of the favourable impact on revenues of the acquisition of Les Publications Charron & Cie in July 2013, partially offset by the decrease in advertising revenues on a same-store basis and the impact of the closing of some publications.
- Quebecor Media Out of Home's revenues increased $1.6 million (20.7%), mainly because of new digital advertising revenues.
- Book distribution and publishing revenues increased by $0.8 million (0.8%), primarily as a result of increased bookstore volume.

Adjusted operating income: $46.5 million in 2014, a $37.5 million (-44.6%) decrease.

- Adjusted operating income from newspaper publishing decreased $5.0 million (-16.9%) due to:
  - impact of decrease in revenues;
  - higher employee compensation costs;
  - $2.8 million favourable impact in 2013 of adjustments to the cost of post-retirement benefits.

  Partially offset by:

  - $7.8 million favourable impact of restructuring initiatives and other reductions in operating expenses.
- Adjusted operating income from broadcasting operations decreased by $34.2 million (-82.7%), mainly as a result of:
  - higher content costs, partially as a result of increased spending on TVA Sports and adjustments to the cost of certain prior-year broadcasting rights related to indemnification clauses;
  - impact of decrease in TVA Network's advertising revenues;
  - favourable impact of $6.1 million retroactive adjustment to retransmission royalties in 2013;
  - favourable impact on second quarter 2013 results of an adjustment to the provision for CRTC licence fees to align with the CRTC's billing period.

  Partially offset by:

  - impact of higher subscription and advertising revenues at the specialty channels.
- Adjusted operating income from magazine publishing increased by $2.2 million (28.5%), mainly as a result of:
  - impact of acquisition of Les Publications Charron & Cie;

- o reductions in some operating costs, including printing and production costs.

  Partially offset by:

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

- Adjusted operating income from book distribution and publishing decreased by $0.7 million (-7.0%), due primarily to increases in some operating expenses, partly reflecting an unfavourable adjustment to government tax credits.

Cost/revenue ratio: Employee costs and purchases of goods and services for the Media segment's operations, expressed as a percentage of revenues, were 94.2% in 2014 compared with 89.9% in 2013. The increase was mainly due to the impact of higher television content costs, the revenue decrease (as the fixed component of operating costs does not fluctuate in proportion to the decrease in revenues), and the favourable impact on the 2013 results of the retroactive adjustment to retransmission royalties.

Cash flows from operations

Cash flows from segment operations: $5.0 million in 2014, compared with $49.4 million in 2013 (Table 6). The $44.4 million decrease was mainly due to the $37.5 million decline in adjusted operating income.

Table 6: Media
Cash flows from operations
(in millions of CAN dollars)

		2014		2013
Adjusted operating income	**$**	**46.5**	$	84.0
Additions to property, plant and equipment		**(32.2)**		(26.2)
Additions to intangible assets		**(9.3)**		(8.8)
Proceeds from disposal of assets		**–**		0.4
Cash flows from segment operations	**$**	**5.0**	$	49.4

Sports and Entertainment

The Corporation's activities in the Sports and Entertainment segment include distribution of CDs and videos (Distribution Select); distribution of music to Internet download services (Select Digital); music recording and video production (Musicor); recording of live concerts, production of concert videos and television commercials (Les Productions Select TV inc.), and concert promotion (Musicor Spectacles).

The Sports and Entertainment segment also includes two QMJHL hockey teams, the Armada de Blainville-Boisbriand and the Remparts de Québec, as well as Event Management Gestev Inc. ("Gestev"), a Québec City sports and cultural events manager.

As well, the segment includes the activities of the Arena following ratification in 2011 of a 25-year agreement between Quebecor Media and Québec City with respect to usage and naming rights to the Arena.

2014 operating results

Revenues: $60.9 million, a $9.3 million (-13.2%) decrease compared with 2013, due primarily to:

- 16.3% decrease in music distribution revenues, primarily as a result of lower video and CD sales;
- 26.4% decrease in music production and promotion revenues due to the larger number of successful concerts and albums produced in 2013.

Partially offset by:

- Favourable revenue impact of the acquisition of Gestev on May 24, 2013, including its sporting events management, site management and marketing activities.

Adjusted operating loss: $3.4 million in 2014 compared with $1.1 million in 2013. The $2.3 million unfavourable variance was due to the impact of the revenue decrease and the startup of new performance hall management operations.

Cash flows from operations

Cash flows from segment operations: Negative $9.0 million in 2014 compared with negative $1.7 million in 2013 (Table 7). The $7.3 million unfavourable variance was due to the $4.9 million increase in additions to property, plant and equipment, partly reflecting the impact of new performance hall management operations, and the $2.3 million increase in the adjusted operating loss.

Table 7: Sports and Entertainment
Cash flows from operations
(in millions of CAN dollars)

	2014	2013
Adjusted operating (loss) income	**$ (3.4)**	$ (1.1)
Additions to property, plant and equipment	**(5.5)**	(0.6)
Additions to intangible assets	**(0.1)**	–
Cash flows from segment operations	**$ (9.0)**	$ (1.7)

2014/2013 FOURTH QUARTER COMPARISON

Analysis of Consolidated Results of Quebecor

Revenues: $989.4 million, a $28.1 million (2.9%) increase.

- Revenues increased in Telecommunications ($34.2 million or 4.6% of segment revenues) and in Media ($1.7 million or 0.8%).
- Revenues decreased in Sports & Entertainment ($1.3 million or -5.3%).

Adjusted operating income: $353.1 million, a $3.3 million (-0.9%) decrease.

- Adjusted operating income decreased in Media ($22.5 million or -71.2% of segment adjusted operating income).
- Adjusted operating income increased in Telecommunications ($19.9 million or 6.1%).
- The change in the fair value of Quebecor Media stock options resulted in a $0.8 million unfavourable variance in the stock-based compensation charge in the fourth quarter of 2014 compared with the same period of 2013. The change in the fair value of Quebecor stock options resulted in a $3.7 million favourable variance in the Corporation's stock-based compensation charge in the fourth quarter of 2014.

Net loss attributable to shareholders: $59.5 million ($0.48 per basic share) in the fourth quarter of 2014, compared with net income attributable to shareholders in the amount of $0.3 million in the same period of 2013, an unfavourable variance of $59.8 million ($0.48 per basic share).

- The decrease was due primarily to:
  - $44.9 million unfavourable variance in the charge for restructuring of operations, impairment of assets and other special items (including $34.3 million without any tax consequences);
  - $23.0 million unfavourable variance in gains and losses on valuation and translation of financial instruments, including a $49.9 million unfavourable variance in convertible debentures, without any tax consequences;
  - $10.7 million increase in the depreciation and amortization charge.

  Partially offset by:
  - $9.4 million decrease in financial expenses;
  - $5.1 million favourable variance in gains and losses from discontinued operations.

Adjusted income from continuing operations: $50.3 million in the fourth quarter of 2014 ($0.41 per basic share), compared with $48.6 million ($0.39 per basic share) in the same period of 2013, an increase of $1.7 million ($0.02 per basic share).

Depreciation and amortization charge: $174.6 million, a $10.7 million increase due essentially to the same factors as those noted above in the 2014/2013 financial year comparison.

Financial expenses: $84.4 million, a $9.4 million decrease due essentially to the same factors as those noted above in the 2014/2013 financial year comparison.

Loss on valuation and translation of financial instruments: $93.2 million in the fourth quarter of 2014 compared with a $70.2 million loss in the same period of 2013. The $23.0 million unfavourable variance was mainly due to the $49.9 million increase (without any tax consequences) in the loss on embedded derivatives related to convertible debentures, partially offset by the favourable variance in the fair value of early settlement options caused by fluctuations in valuation assumptions, including interest rates and credit premiums implicit in the adjusted prices of the underlying instruments.

Charge for restructuring of operations, impairment of assets and other special items: $47.7 million in the fourth quarter of 2014, compared with $2.8 million in the same period of 2013, a $44.9 million unfavourable variance.

- In the fourth quarter of 2014, the Telecommunications segment recorded a $1.0 million restructuring charge ($1.0 million in the same period of 2013) and a $3.4 million charge for impairment of assets. The segment also recorded a $34.3 million charge (without any tax consequences), including interest, following a trial judgment against Videotron.

- In the fourth quarter of 2014, a $2.3 million net charge for restructuring of operations was recorded in the Media segment in connection with staff-reduction programs ($1.5 million in the same period of 2013). In connection with these initiatives, a $0.1 million loss on disposal of assets was recognized in the fourth quarter of 2014 ($0.6 million in the same period of 2013) and a $0.2 million reversal of the impairment charge on certain assets was also recognized in fourth quarter of 2013. The Media segment also recognized a $3.3 million asset impairment charge on its broadcasting assets and a $2.6 million other special charge, primarily attributable to business acquisitions.
- The other segments recorded a $0.7 million net charge for restructuring of operations, impairment of assets and other special items in the fourth quarter of 2014 ($0.1 million reversal in the same period of 2013).

Income tax expense: $22.9 million in the fourth quarter of 2014 (effective tax rate of 30.3%) compared with $20.6 million in the same period of 2013 (effective tax rate of 32.3%), a $2.3 million unfavourable variance. The effective tax rate is calculated considering only taxable and deductible items.

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

SEGMENTED ANALYSIS

Telecommunications

Revenues: $778.2 million, a $34.2 million (4.6%) increase essentially due to the same factors as those noted above in the 2014/2013 financial year comparison.

- Combined revenues from all cable television services decreased $8.1 million (-2.9%) to $268.2 million.
- Revenues from Internet access services increased $12.3 million (5.9%) to $222.2 million.
- Revenues from cable telephony service increased $1.9 million (1.6%) to $120.6 million.
- Revenues from mobile telephony service increased $23.9 million (40.1%) to $83.5 million.
- Revenues of Videotron Business Solutions increased $1.0 million (6.3%) to $16.8 million.
- Revenues from customer equipment sales increased $5.8 million (54.2%) to $16.5 million.
- Revenues from retail sales decreased $2.8 million (-5.5%) to $48.0 million.
- Other revenues increased $0.3 million (13.6%) to $2.5 million.

ARPU: $129.36 in fourth quarter 2014, compared with $121.22 in the same period of 2013, an $8.14 (6.7%) increase.

Customer statistics

Revenue-generating units – 25,100 (0.5%) unit increase in the fourth quarter of 2014 compared with an increase of 46,700 in the same period of 2013.

Cable television – 14,000 (-0.8%) decrease in combined customer base for all of Videotron's cable television services in the fourth quarter of 2014 compared with a decrease of 5,300 in the same period of 2013.

- illico Digital TV: 12,700 (0.8%) subscriber increase in the fourth quarter of 2014 compared with an increase of 13,800 in the same period of 2013.
- Analog cable TV: 26,700 subscriber decrease in the fourth quarter of 2014 compared with a decrease of 19,100 in the same period of 2013.

Cable Internet access – 3,700 (0.2%) customer increase in the fourth quarter of 2014 compared with an increase of 19,300 in the same period of 2013.

Cable telephony – 7,000 (-0.5%) subscriber decrease in the fourth quarter of 2014 compared with an increase of 7,500 in the same period of 2013.

Mobile telephony service – 42,400 (7.2%) increase in subscriber connections in the fourth quarter of 2014 compared with an increase of 25,200 in the same period of 2013.

Adjusted operating income: $348.6 million, a $19.9 million (6.1%) increase due primarily to:

- impact of the revenue increase and the $7.2 million favourable retroactive adjustment arising from a correction to the subscription fee calculation method, partially offset by the impact of the increase in the number of mobile devices sold at a loss and the increases in some operating expenses.

Cost/revenue ratio: Employee costs and purchases of goods and services for the Telecommunications segment's operations, expressed as a percentage of revenues, were 55.2% in the fourth quarter of 2014 compared with 55.8% in the same period of 2013. The decrease was mainly due to the impact of revenue growth (as the fixed component of operating costs does not fluctuate in proportion to revenues), partially offset by the impact of the higher number of mobile devices sold at a loss.

Media

Revenues: $227.0 million in the fourth quarter of 2014, an increase of $1.7 million (0.8%).

- Newspaper publishing revenues decreased by $5.0 million (-7.0%).
  - Advertising revenues decreased 7.9%; circulation revenues decreased 4.6%; digital revenues decreased 15.0%; combined revenues from commercial printing and other sources decreased 5.5%.
  - Revenues decreased by 5.9% at the urban dailies and by 25.9% at the portals.
- Broadcasting revenues increased by $12.0 million (11.3%), mainly because of:
  - increased subscription and advertising revenues at the specialty services, including TVA Sports, mainly because of the addition of NHL hockey broadcasts.

  Partially offset by:
  - lower advertising revenues at TVA Network.
- Magazine publishing revenues decreased by $0.7 million (-4.2%), partly because of the impact of the decrease in advertising revenues and the closure of some publications.
- Revenues of Quebecor Media Out of Home increased by $0.6 million (27.0%), primarily because of higher advertising revenues, including new digital revenues.
- Book distribution and publishing revenues increased by $2.0 million mainly due to:
  - Increased distribution revenues and increased volume in general literature and academic publishing.

Adjusted operating income: $9.1 million in the fourth quarter of 2014, a $22.5 million (-71.2%) decrease.

- Adjusted operating income from newspaper publishing decreased by $9.0 million (-63.8%), primarily as a result of:
  - impact of decrease in revenues;
  - $2.8 million favourable impact in 2013 of adjustments to the cost of post-retirement benefits;
  - increased employee compensation.
- Adjusted operating income from broadcasting operations decreased by $13.5 million (-87.4%), mainly as a result of:
  - increased content costs, partly as a result of higher expenditures at TVA Sports;
  - impact of decrease in TVA Network's revenues.

  Partially offset by:
  - impact of higher subscription and advertising revenues at the specialty channels.
- Adjusted operating income from magazine publishing decreased by $0.2 million (-10.6%), mainly because of the impact of the revenue decrease, partially offset by reductions in some operating expenses, including printing and production costs.
- The operating loss of Quebecor Media Out of Home decreased by $0.4 million as a result of the increase in revenues.
- Adjusted operating income from book distribution and publishing increased by $0.9 million, primarily as a result of the increase in revenues.

Cost/revenue ratio: Employee costs and purchases of goods and services for the Media segment's operations, expressed as a percentage of revenues, were 96.0% in the fourth quarter of 2014 compared with 86.0% in the same period of 2013. The increase was mainly due to the impact of the revenue decrease (as the fixed component of operating costs does not fluctuate in proportion to the decrease in revenues), the favourable adjustment to post-retirement benefits in 2013, and higher broadcasting content costs.

Sports and Entertainment

Revenues: $23.2 million in the fourth quarter of 2014, a $1.3 million (-5.3%) decrease.

- Revenues from music production and promotion decreased by 52.4% due to the impact of the cancellation of the 2014 edition of the *Les Stars chantent Noël* concert and the larger number of successful albums released in the fourth quarter of 2013.
- 2.0% decrease in music distribution revenues, primarily as a result of lower CD sales.

Adjusted operating income: $0.6 million in the fourth quarter of 2014, a $0.2 million decrease due primarily to the impact of the revenue decrease and the startup of new performance hall management operations.

2013/2012 FINANCIAL YEAR COMPARISON

Analysis of Consolidated Results of Quebecor

Revenues: $3.65 billion, a $94.2 million (2.7%) increase.

- Revenues increased in Telecommunications ($101.7 million or 3.7% of segment revenues).
- Revenues decreased in Media ($16.5 million or -2.0%) and Sports and Entertainment ($6.7 million or -8.7%).

Adjusted operating income: $1.37 billion, a $78.4 million (6.1%) increase.

- Adjusted operating income increased in Telecommunications ($74.0 million or 6.1% of segment adjusted operating income) and Media ($21.8 million or 35.0%).
- Adjusted operating income decreased in Sports and Entertainment ($3.4 million) and at Head Office ($14.0 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 $0.2 million favourable variance in the stock-based compensation charge in 2013 compared with 2012. The change in the fair value of Quebecor stock options resulted in an $11.9 million unfavourable variance in the Corporation's stock-based compensation charge in 2013.

Net loss attributable to shareholders: $288.6 million ($2.33 per basic share) in 2013, compared with net income attributable to shareholders of $159.1 million ($1.26 per basic share) in 2012, an unfavourable variance of $447.7 million ($3.59 per basic share).

- The unfavourable variance was due primarily to:
  - $520.7 million unfavourable variance in losses and gains on valuation and translation of financial instruments, including a $145.8 million unfavourable variance in convertible debentures, without any tax consequences;
  - $76.1 million increase in the depreciation and amortization charge;
  - $64.2 million unfavourable variance in the loss related to discontinued operations;
  - $41.2 million increase in financial expenses;
  - $22.9 million unfavourable variance in the charge for restructuring of operations, impairment of assets and other special items;
  - $12.6 million unfavourable variance in losses on debt refinancing.

  Partially offset by:

  - $78.4 million increase in adjusted operating income;
  - $7.7 million favourable variance in the charge for impairment of goodwill and intangible assets.

Adjusted income from continuing operations: $177.3 million in 2013 ($1.43 per basic share), compared with $153.2 million ($1.21 per basic share) in 2012, an increase of $24.1 million ($0.22 per basic share).

Depreciation and amortization charge: $630.7 million in 2013, a $76.1 million increase essentially due to the impact of the significant capital expenditures made since 2011 in the Telecommunications segment, including depreciation of capital expenditures related to cable Internet access services and modernization of the wired network, plus the impact of promotional strategies focused on equipment leasing.

Financial expenses: $388.3 million, a $41.2 million increase 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., a subsidiary of Caisse de dépôt et placement du Québec. This factor was partially offset by the impact of lower interest rates on long-term debt as a result of debt refinancing at more advantageous rates.

Loss on valuation and translation of financial instruments: $384.4 million in 2013 compared with a $136.3 million gain in 2012. The $520.7 million unfavourable variance was mainly due to the variance in the fair value of early settlement options caused by fluctuations in valuation assumptions, including interest rates and credit premiums implicit in the adjusted prices of the underlying instruments, and the $139.4 million increase (without any tax consequences) in the loss on embedded derivatives related to convertible debentures.

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: $11.6 million in 2013, compared with an $11.3 million reversal in 2012, a $22.9 million unfavourable variance.

- In 2013, the Telecommunications segment recorded a $1.8 million restructuring charge ($1.0 million in 2012).
- In 2013, a $6.7 million net charge for restructuring of operations was recorded in the Media segment with respect to staff-reduction programs ($0.3 million in 2012). As part of those initiatives, a $0.1 million gain on disposal of assets was recorded in 2013 ($0.1 million loss in 2012), and a $2.1 million charge for impairment of assets was also recorded in 2013.
- In 2012, the Media segment recorded a $12.9 million gain on disposal of businesses as a result of the sale by TVA Group of its interest in the specialty channels mysteryTV and The Cave.
- The other segments recorded a net charge for restructuring of operations, impairment of assets and other special items of $1.1 million in 2013 ($0.2 million in 2012).

Charge for impairment of goodwill and intangible assets: $35.3 million in 2013, compared with $43.0 million in 2012, a $7.7 million favourable variance.

- In the third quarter of 2013, Quebecor Media performed impairment tests on the Newspapers, Books and Music CGUs. Accordingly, the following impairment charges were recorded:
    - the Media segment recognized a $14.5 million non-cash goodwill impairment charge, without any tax consequences, in its Newspapers CGU, and an $11.9 million non-cash goodwill impairment charge, without any tax consequences, in its Books CGU;
    - Quebecor Media recorded an $8.9 million non-cash goodwill impairment charges without any tax consequences in its Music CGU.
- In the third quarter of 2012, Quebecor Media performed impairment tests on its Newspapers, Music and Book Publishing & Distribution CGUs, in view of the difficult market conditions in those industries. Accordingly, the Media segment recorded a $16.5 million non-cash goodwill impairment charge in its Newspaper CGU (without any tax consequences), and Quebecor Media recorded a $12.0 million non-cash goodwill impairment charge (without any tax consequences) in its Music CGU.
- As well, the magazine publishing operating costs were adversely affected by new tariffs adopted in 2012 with respect to business contributions for costs related to waste recovery services provided by Québec municipalities. Accordingly, the Corporation reviewed its business plan for the segment and determined that goodwill was no longer fully recoverable. A $14.5 million non-cash goodwill impairment charge (without any tax consequences) was therefore recorded in 2012.

Loss on debt refinancing: $18.9 million in 2013, compared with $6.3 million in 2012, a $12.6 million unfavourable variance.

- On July 2, 2013, Videotron redeemed US$380.0 million principal amount of its outstanding 9.125% Senior Notes, issued on April 15, 2008 and maturing in April 2018, and settled the related hedges. On August 30, 2013, Quebecor Media redeemed US$265.0 million principal amount of its outstanding 7.75% Senior Notes, issued in January 2006 and maturing in March 2016, and settled the related hedges. As a result, a total loss of $18.9 million was recorded in the consolidated statement of income in 2013, including a $14.5 million gain previously recorded in “Other comprehensive income.”
- In 2012, Videotron redeemed all of the 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$580.0 million principal amount of its 7.75% Senior Notes, issued in January 2006 and October 2007 and maturing in March 2016, and settled some of the related hedges. Finally, Quebecor Media prepaid the outstanding balance of its term loan “B” credit facility for a cash consideration of $153.9 million and settled the related hedges in January 2013. The transactions generated a total $6.3 million loss on debt refinancing.

Income tax expense: $27.8 million in 2013 (effective tax rate of 36.5%), compared with $105.4 million (effective tax rate of 19.8%) in 2012, a $77.6 million favourable variance. The effective tax rate is calculated considering only taxable and deductible items.

- The favourable variance in the income tax expense was mainly due to the decrease in taxable income for tax purposes.
- The variance in the effective tax rate was due to:
  - impact of the $34.8 million reduction in deferred income tax expense in 2012, following the Corporation's review of the recognition of deferred income tax assets in light of jurisprudence and tax developments;
  - impact of the tax rate mix on the various components of the gain or loss on valuation and translation of financial instruments and the loss on debt refinancing.

CASH FLOWS AND FINANCIAL POSITION

This section provides an analysis of sources and uses of cash flows, as well as a financial position analysis as of the balance sheet date. This section should be read in conjunction with the discussions on trends under "Trend Information" above and on the Corporation's financial risks under "Financial Instruments and Financial Risk" below.

Operating activities

Cash flows provided by operating activities: $959.6 million in 2014 compared with $891.7 million in 2013.

- The $67.9 million favourable variance was mainly due to:
  - $77.5 million favourable net change in non-cash balances related to operations, mainly because of a favourable variance in accounts payable and accrued liabilities, and an increase in the provision for a legal dispute, partially offset by an unfavourable variance in current income taxes payable;
  - $60.7 million increase in adjusted operating income in the Telecommunications segment;
  - $34.3 million decrease in the cash portion of financial expenses.

  Partially offset by:
  - $38.9 million increase in the cash portion of the charge for restructuring of operations, impairment of assets and other special items;
  - $37.5 million decrease in adjusted operating income in the Media segment;
  - $33.8 million unfavourable variance in current income taxes.

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

Working capital: $90.2 million at December 31, 2014, compared with $75.0 million at December 31, 2013, a $15.2 million increase. The impact of the recognition of assets held for sale under current assets (mainly reflecting the sale of the English-language newspaper businesses) was offset by the matching reduction in non-cash balances related to operating activities. Similarly, recognition of long-term debt maturing in 2015 under short-term liabilities as at December 31, 2014 was offset by recognition of debt and financial instruments maturing in 2014 under short-term liabilities as at December 31, 2013.

Investing activities

Additions to property, plant and equipment: $645.7 million in 2014 compared with $562.4 million in 2013. Spending on the LTE network in the Telecommunications segment essentially accounted for the $83.3 million increase.

Additions to intangible assets: $317.3 million in 2014, compared with $77.8 million in 2013, a $239.5 million increase. The Telecommunications segment accounted for most of the increase, mainly reflecting payments totalling $217.4 million in 2014 for the acquisition of 700 MHz spectrum licences compared with $15.9 million in 2013.

Proceeds from disposal of assets: $5.4 million in 2014 compared with $13.2 million in 2013.

- The Telecommunications segment accounted for most of the proceeds from disposal of assets recorded in 2014 and 2013.

Business acquisitions: $132.3 million in 2014 compared with $7.7 million in 2013.

- Business acquisitions in 2014 reflect, among other things, acquisition of substantially all of the assets of Global Vision in the Media segment, and of the Remparts de Québec, a QMJHL hockey team, in the Sports and Entertainment segment.
- Business acquisitions in 2013 mainly reflect acquisition of Les Publications Charron & Cie and Charron Éditeur in the Media segment and acquisition of Gestev in the Sports and Entertainment segment.

Disposal of businesses: $193.5 million in 2014 compared with $59.2 million in 2013.

- Disposals of businesses in 2014 consisted of the sale of the Nurun subsidiary to the French company Publicis Groupe for $125.0 million in cash, less disposed-of cash in the amount of $18.1 million. $8.2 million was also received in connection with certain adjustments to the transaction. Also, Quebecor Media closed the sale of the 74 Québec community weeklies to Transcontinental Interactif for a total cash consideration of $78.4 million.
- Disposal of businesses: $59.2 million in 2013 from the sale of *Jobboom* and *Réseau Contact* to Mediagrif Interactive Technologies Inc.

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

Free cash flows from continuing operating activities of Quebecor Media: $250.3 million in 2014 compared with $312.5 million in 2013 (Table 8).

- The $62.2 million unfavourable variance was due to:
  - $83.3 million increase in additions to property, plant and equipment;
  - $38.0 million increase in additions to intangible assets (excluding acquisition of spectrum licences);
  - $7.8 million decrease in proceeds from disposal of assets.

  Partially offset by:
  - $66.9 million favourable variance in cash flows provided by continuing operating activities.

Table 8
Cash flows from segment operations and free cash flows from continuing operating activities of Quebecor Media
(in millions of CAN dollars)

	2014	2013
Cash flows from segment operations		
Telecommunications	**$ 665.5**	$ 722.1
Media	**5.0**	49.4
Sports and Entertainment	**(9.0)**	(1.7)
Quebecor Media Head Office	**(7.2)**	(3.5)
	654.3	766.3
Cash interest expense	**(315.6)**	(348.9)
Cash portion of charge for restructuring of operations, impairment of assets and other special items	**(47.6)**	(8.7)
Current income taxes	**(117.1)**	(83.4)
Other	**(0.6)**	(0.9)
Net change in non-cash balances related to operations	**76.9**	(11.9)
Free cash flows from continuing operating activities of Quebecor Media	**$ 250.3**	$ 312.5

Table 9
Free cash flows from continuing operating activities of Quebecor Media and cash flows provided by operating activities of Quebecor
(in millions of CAN dollars)

	2014	2013
Free cash flows from continuing operating activities of Quebecor Media presented in Table 8	**$ 250.3**	$ 312.5
Quebecor Head Office cash flow items:		
Cash flows from segment operations	**4.4**	(7.3)
Cash interest expense	**(26.4)**	(27.4)
Other	**(0.2)**	0.2
Net change in non-cash balances related to operations	**(8.7)**	2.6
	(30.9)	(31.9)
Plus additions to property, plant and equipment	**645.7**	562.4
Plus additions to intangible assets	**99.9**	61.9
Minus proceeds from disposal of assets	**(5.4)**	(13.2)
Cash flows provided by operating activities of Quebecor	**$ 959.6**	$ 891.7

Financing activities

Consolidated debt (long-term debt plus bank borrowings): $206.5 million increase in 2014. $349.5 million favourable net variance in assets and liabilities related to derivative financial instruments.

- Summary of debt increases in 2014:
  - issuance by Videotron on April 9, 2014 of US$600.0 million aggregate principal amount of Senior Notes for net proceeds of $654.5 million, net of financing fees of $7.8 million. The Notes bear interest at 5.375% and mature on June 15, 2024;
  - estimated $266.9 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”;
  - $11.9 million increase in debt due to changes in fair value related to hedged interest rate risk and the variance in the fair value of early settlement options.
- Summary of year-to-date debt reductions:
  - early redemption and withdrawal by Videotron on April 24, 2014 of US$260.0 million aggregate principal amount of 9.125% Senior Notes, issued on March 5, 2009 and maturing on April 15, 2018;
  - redemption and early repayment by Quebecor Media on April 25, 2014 of its outstanding 7.75% Senior Notes, issued on October 5, 2007 and maturing on March 15, 2016, in the aggregate principal amount of US$380.0 million;
  - current payments totalling $25.0 million on Quebecor Media’s and Videotron’s credit facilities;
  - $23.8 million reduction in Quebecor’s debt.
- Assets and liabilities related to derivative financial instruments totalled a net asset of $298.1 million at December 31, 2014, compared with a net liability of $51.4 million at December 31, 2013, a $349.5 million net favourable variance due to:
  - favourable impact of exchange rate fluctuations on the value of derivative financial instruments;
  - settlement at maturity on January 15, 2014 of liabilities related to Videotron’s hedges, which had been repurposed to cover a portion of the term of 5.0% Senior Notes in the notional amount of US$543.1 million issued on March 14, 2012 and maturing in 2022;

Partially offset by:

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

- On November 3, 2014, TVA Group modified the terms and conditions of its bank credit facilities to increase the size of its revolving credit facility from $100.0 million to $150.0 million; to extend their term by two years until February 24, 2019; and to replace the existing $75.0 million term loan maturing on December 11, 2014 by a new term loan of an equivalent amount maturing on November 3, 2019. TVA Group also amended some terms and conditions to increase its financial flexibility. Accordingly, TVA Group granted a security on all of its movable assets and an immovable hypothec on its Head Office building.
- On February 4, 2015, TVA Group filed a final simplified prospectus with securities regulatory authorities in each of Canada's 10 provinces regarding a proposed Rights Offering, in which all holders of Class A Shares of TVA Group and Class B Non-Voting Shares of TVA Group received on February 18, 2015 rights to subscribe for Class B Non-Voting Shares of TVA Group for aggregate gross proceeds of approximately $110.0 million (the Rights Offering). The final simplified prospectus and relevant documents were sent on February 23, 2015 to all holders of Class A Shares of TVA Group and Class B Non-Voting Shares of TVA Group. The closing date of the Rights Offering should be on or about March 20, 2015. Pursuant to a standby commitment agreement with TVA Group, Quebecor Media has provided a standby commitment whereby it will be required to acquire all Class B Non-Voting Shares of TVA Group not subscribed for under the Rights Offering, subject to certain conditions.

Financial Position

Net available liquidity: $1.27 billion at December 31, 2014 for Quebecor Media and its wholly owned subsidiaries, consisting of $390.3 million in cash and $874.7 million in available unused lines of credit.

Net available liquidity: $105.2 million for Quebecor at the corporate level, consisting of a $0.8 million bank overdraft and $106.0 million in available unused lines of credit.

Consolidated debt: $5.28 billion at December 31, 2014, a $206.5 million increase compared with December 31, 2013; $349.5 million favourable net variance in assets and liabilities related to derivative financial instruments (*see* "Financing Activities" above).

- Consolidated debt essentially consisted of Videotron's $2.93 billion debt ($2.40 billion at December 31, 2013); TVA Group's $78.2 million debt ($74.6 million at December 31, 2013); Quebecor Media's $2.20 billion debt ($2.50 billion at December 31, 2013); and Quebecor's $77.2 million debt ($101.0 million at December 31, 2013).

At December 31, 2014, 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 December 31
(in millions of CAN dollars)

2015	$	230.1
2016		63.4
2017		51.8
2018		105.5
2019		56.9
2020 and thereafter		4,819.0
Total	**$**	**5,326.7**

The weighted average term of Quebecor's consolidated debt was approximately 7.2 years at December 31, 2014 (6.9 years at December 31, 2013). The debt consisted of approximately 82.6% fixed-rate debt (81.6% at December 31, 2013) and 17.4% floating-rate debt (18.4% at December 31, 2013).

Management of the Corporation believes that cash flows and available sources of financing should be sufficient to cover committed cash requirements for capital investments, working capital, interest payments, debt repayments, pension plan contributions, share repurchases, and dividend payments. The Corporation believes it will be able to meet future debt maturities, which are fairly staggered over the coming years.

Pursuant to their financing agreements, the Corporation and its subsidiaries are required to maintain certain financial ratios and financial covenants. The key indicators listed in these financing agreements include debt service coverage ratio and debt ratio (long-term debt over adjusted operating income). At December 31, 2014, the Corporation and its subsidiaries were in compliance with all required financial ratios and restrictive covenants in their financing agreements.

Dividends Declared

- On March 10, 2015, the Board of Directors of Quebecor declared a quarterly dividend of $0.025 per share on its Class A Multiple Voting Shares ("Class A Shares") and Class B Subordinate Voting Shares ("Class B Shares"), payable on April 21, 2015 to shareholders of record at the close of business on March 27, 2015.

2500 MHz and AWS-3 spectrum auction

In January 2015, Videotron contracted new unsecured on-demand credit facilities, under which letters of credit were issued and filed with Industry Canada as pre-auction financial deposits in respect to its application to participate to the 2500 MHz and AWS-3 spectrum auctions. Under Industry Canada's published rules with respect to communications during the auction process, it is strictly forbidden for the Corporation to disclose the amount of the letters of credit, which may be withdrawn by Videotron at any time prior to the auction's commencement.

On March 6, 2015, Quebecor Media and its Videotron subsidiary announced that they had acquired four 30 MHz licences in the auction for AWS-3 commercial mobile spectrum at a total price of $31.8 million. The process will resume on April 14, 2015 with the auction for spectrum in the 2500 MHz band.

Analysis of consolidated balance sheet at December 31, 2014

Table 11
Consolidated balance sheet of Quebecor
Analysis of main variances between December 31, 2014 and December 31, 2013
(in millions of CAN dollars)

	December 31, 2014	December 31, 2013	Difference	Main reason for difference
Assets				
Cash and cash equivalents	**$ 395.3**	$ 476.6	$ (81.3)	Cash flows used in investing and financing activities exceeded cash flows provided by operating activities
Accounts receivable	**449.4**	566.3	(116.9)	Impact of current variances in activity and impact of recognition of net assets held for sale
Net assets held for sale[1]	**300.2**	67.9	232.3	Sale of English-language newspaper businesses, offset by sale of 74 Québec community weeklies in the Media segment
Property, plant and equipment	**3,430.4**	3,432.4	(2.0)	Additions to property, plant and equipment were offset by depreciation and reclassification of net assets held for sale
Intangible assets	**945.8**	824.8	121.0	Purchase of 700 MHz spectrum licences by Videotron, minus impairment of broadcasting licence in the Media segment
Goodwill	**2,714.6**	3,061.5	(346.9)	Impairment of goodwill in the Media segment and impact of recognition of net assets held for sale
Liabilities				
Long-term debt, including short-term portion and bank indebtedness	**5,283.5**	5,077.0	206.5	*See* “Financing activities”
Derivative financial instruments[2]	**(298.1)**	51.4	(349.5)	*See* “Financing activities”
Other liabilities	**426.8**	319.4	107.4	Increase in fair value of embedded derivatives related to convertible debentures

1 Current assets less current liabilities.

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

ADDITIONAL INFORMATION

Contractual Obligations

At December 31, 2014, material contractual obligations of operating activities included: capital repayment and interest on long-term debt; principal repayment and interest 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 December 31, 2014
(in millions of CAN dollars)

	Total	Under 1 year	1-3 years	3-5 years	5 years or more
Long-term debt[1]	**$ 5,326.7**	$ 230.1	$ 115.2	$ 162.4	$ 4,819.0
Convertible debentures[2]	**663.7**	–	–	663.7	–
Interest payments[3]	**2,274.7**	284.7	625.8	583.7	780.5
Operating leases	**263.0**	49.6	74.5	46.5	92.4
Additions to property, plant and equipment and other commitments	**1,465.4**	274.9	361.9	199.3	629.3
Derivative financial instruments[4]	**(308.9)**	4.7	51.0	(8.2)	(356.4)
Total contractual obligations	**$ 9,684.6**	**$ 844.0**	**$ 1,228.4**	**$ 1,647.4**	**$ 5,964.8**

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

2 Based on the market value at December 31, 2014 of a number of shares obtained by dividing the outstanding principal amount by the market price of a Quebecor Class B share at that date, subject to a floor price of $19.25 per share and a ceiling price of $24.0625. The Corporation may also redeem convertible debentures by issuing the corresponding number of Class B Shares.

3 Estimated interest payable on long-term debt and convertible debentures, based on interest rates, hedging of interest rates and hedging of foreign exchange rates as of December 31, 2014.

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

Significant commitments included in Table 12

Videotron leases sites for its LTE network under operating lease arrangements and has contracted long-term commitments to acquire equipment for a total future consideration of $184.3 million.

In 2011, Quebecor Media announced an agreement with Québec City for the construction and management of the Arena. As at December 31, 2014, the balance of these commitments stood at $111.8 million.

In 2012 and 2014, Quebecor Media signed 20-year agreements to install, maintain and advertise on bus shelters belonging to the Montréal and Laval transit commissions. As at December 31, 2014, the balance of these commitments stood at $110.0 million.

In May 2013, Videotron and Rogers Communications announced a 20-year agreement to build out and operate an LTE network in Québec and in the Ottawa area. As at December 31, 2014, the balance of these commitments stood at $193.3 million.

In the normal course of business, the Media segment, through TVA Group, contracts commitments regarding broadcast rights for television programs, sporting events and films, as well as distribution rights for audiovisual content. As at December 31, 2014, the balance of these commitments stood at $901.8 million.

In November 2014, the Media segment, through TVA Group, reached an agreement to acquire 15 magazines in Canada for a cash consideration of $55.5 million. The transaction was authorized by the Competition Bureau on March 2, 2015.

Pension plan contributions

The expected employer contributions to the Corporation's defined benefit pension plans and post-retirement benefit plans will be $49.2 million in 2015 (contributions of $61.5 million were paid in 2014).

Related Party Transactions

During 2014, the Corporation and its subsidiaries made purchases and incurred rent charges with affiliated corporations in the amount of $2.9 million ($3.3 million in 2013), which are included in purchase of goods and services. The Corporation and its subsidiaries made sales to affiliated corporations in the amount of $3.3 million ($3.5 million in 2013). These transactions were accounted for at the consideration agreed between the parties.

Off-Balance Sheet Arrangements

Guarantees

In the normal course of business, the Corporation enters into numerous agreements containing guarantees, including the following:

Operating leases

The Corporation has guaranteed a portion of the residual values of certain assets under operating leases for the benefit of the lessor. Should the Corporation terminate these leases prior to term (or at the end of the lease terms) and should the fair value of the assets be less than the guaranteed residual value, then the Corporation must, under certain conditions, compensate the lessor for a portion of the shortfall. In addition, the Corporation has provided guarantees to the lessor of certain premises leases with expiry dates through 2018. Should the lessee default under the agreement, the Corporation must, under certain conditions, compensate the lessor. As of December 31, 2014, the maximum exposure with respect to these guarantees was $14.5 million and no liability has been recorded in the consolidated balance sheet.

Business and asset disposals

In the sale of all or part of a business or an asset, in addition to possible indemnification relating to failure to perform covenants and breach of representations or warranties, the Corporation may agree to indemnify against claims related to the past conduct of the business. Typically, the term and amount of such indemnification will be limited by the agreement. The nature of these indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay to guaranteed parties. The Corporation has not accrued any amount in respect of these items in the consolidated balance sheet.

Outsourcing companies and suppliers

In the normal course of its operations, the Corporation enters into contractual agreements with outsourcing companies and suppliers. In some cases, the Corporation agrees to provide indemnifications in the event of legal procedures initiated against them. In other cases, the Corporation provides indemnification to counterparties for damages resulting from the outsourcing companies and suppliers. The nature of the indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay. No amount has been accrued in the consolidated balance sheet with respect to these indemnifications.

Other

One subsidiary of the Corporation, acting as a franchiser, has provided guarantees should franchisees, in their retail activities, default certain purchase agreements. The nature of the indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay. No amount has been accrued in the consolidated balance sheet with respect to these guarantees.

Capital stock

In accordance with Canadian financial reporting standards, Table 13 below presents information on the Corporation's capital stock as at February 28, 2015. In addition, 1,310,000 stock options were outstanding as of February 28, 2015.

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

	February 28, 2015	
	Issued and outstanding	Book value
Class A Shares	38,959,272	$ 8.7
Class B Shares	83,917,192	$ 318.5

On July 31, 2014, Quebecor filed its normal course issuer bid for a maximum of 500,000 Class A Shares representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 2,000,000 Class B Shares representing approximately 2.4% of issued and outstanding Class B Shares as of 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.

In 2014, the Corporation purchased and cancelled 455,000 Class B Shares for a total cash consideration of $11.7 million (1,603,700 Class B Shares for a total cash consideration of $36.4 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 in 2014 ($30.2 million in 2013).

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.

Risks and Uncertainties

The Corporation operates in the telecommunications and media industries, which entails a variety of risk factors and uncertainties. The Corporation's operating environment and financial results may be materially affected by the risks and uncertainties discussed below. Unless the context otherwise requires, in this section, Quebecor Media refers to Quebecor Media and its subsidiaries.

Competition and technological development

Quebecor Media competes against incumbent local exchange carriers (or "ILECs") the primary of which holds a regional license to provide terrestrial broadcasting distribution in Montréal and several other communities in the Québec. Such primary ILEC launched its own Internet protocol television (or "IPTV") service in Montréal (including a portion of the greater Montréal area), in Québec City and in other locations in Québec and also secured licenses to launch video distribution services using video digital subscriber line (or "VDSL") technology. Quebecor Media's cable business competes against providers of direct broadcast satellite (or "DBS", which in Canada are also referred to as "DTH" for "direct-to-home" satellite providers), multichannel multipoint distribution systems (or "MDS"), and satellite master antenna television systems. The direct access to some broadcasters' websites that provide streaming in high-definition ("HD")of video-on-demand content is also available for some of the channels that Quebecor Media offers in its television programming. In addition, third-party Internet access providers could launch IP video services in Quebecor Media's footprint.

Quebecor Media also faces competition from illegal providers of cable television services and illegal access to non-Canadian DBS (also called grey market piracy), as well as from signal theft of DBS that enables customers to access programming services from U.S. and Canadian DBS without paying any fees (also called black market piracy). Competitors in the video business also include emerging content delivery platforms. Furthermore, over-the-top ("OTT") content providers, such as Netflix and Apple TV, compete for viewership.

Due to ongoing technological developments, the distinction between traditional platforms (broadcasting, Internet and telephony) is fading rapidly. For instance, the Internet is becoming an important broadcasting and distribution platform on wired and mobile devices.. In addition, mobile operators, with the development of their respective 4G and Long Term Evolution (also known as "LTE")

networks, are now offering wireless and fixed wireless Internet services. In addition, VoIP telephony service also competes with Internet-based solutions.

In its Internet access business, Quebecor Media competes against other Internet service providers (or "ISPs") offering residential and commercial Internet access services as well as WiMax and open Wi-Fi networks in some cities. The main competitors are the ILECs that offer Internet access through digital subscriber line ("DSL"), fibre to the node and fibre to the home technologies, often offering comparable download speeds to its own. In addition, satellite operators such as Xplornet are increasing their existing high-speed Internet access ("HSIA") capabilities with the launch of high-throughput satellites, targeting households in rural and remote locations and claiming future download speeds comparable to its low and medium download speeds. The CRTC also requires cable and ILEC network providers, including Quebecor Media, to offer wholesale access to its high-speed Internet systems to third party ISP competitors for the purpose of providing retail Internet access services. These third party ISP competitors may also provide telephony and networking applications.

Quebecor Media's cable telephony business has numerous competitors, including ILECs, competitive local exchange carriers (or "CLECs"), mobile telephony service operators and other providers of telephony, VoIP and Internet communications, including competitors that are not facility-based and therefore have a much lower infrastructure cost. In addition, Internet protocol-based ("IP-based") products and services are generally subject to downward pricing pressure, lower margins and technological evolution, all of which could have an adverse effect on Quebecor Media's business, prospects and results of operation.

In its mobile telephony business, Quebecor Media competes against a mix of market participants, some of them active in some or all of the products it offers, with others offering only mobile telephony services. In addition, users of mobile voice and data systems may find their communication needs satisfied by other current or developing adjunct technologies, such as Wi-Fi, WiMax, "hotspots" or trunk radio systems, which have the technical capability to handle mobile data communication and mobile telephone calls. There can be no assurance that current or future competitors will not provide network capacity and/or services comparable or superior to those Quebecor Media provides or may in the future provide, or at lower prices, or adapt more quickly to evolving industry trends or changing market requirements, or introduce competing services. For instance, some providers of mobile telephony services (including most of the incumbent carriers as well as at least one other new entrant) have launched lower-cost mobile telephony services in order to acquire additional market share. Also, Quebecor Media may not be able to compete successfully in the future against existing or potential competitors, and increased competition could have a material adverse effect on its business, prospects, revenues, financial condition and results of operations.

In relation to the Corporation's Media segment, the media industry is experiencing rapid and significant technological changes, which have resulted in alternative means of program and content transmission. The continued growth of the Internet has presented alternative content distribution options that compete with traditional media. Furthermore, in each of its broadcasting markets, industry regulators have authorized DTH, microwave services and VDSL services and may authorize other alternative methods of transmitting television and other content with improved speed and quality. Quebecor Media may not be able to successfully compete with existing or newly developed alternative technologies, such as IPTV, or it may be required to acquire, develop or integrate new technologies. The cost of the acquisition, development or implementation of new technologies could be significant and its ability to fund such implementation may be limited, which could have a material adverse effect on its ability to successfully compete in the future. Any such difficulty or inability to compete could have a material adverse effect on its business, reputation, prospects, financial condition or results of operations.

The continuous technological improvements to the Internet, combined with higher download speeds and cost reductions for customers, may divert a portion of its Media business' existing television subscriber base from its video-on-demand services to new video-over-the-Internet model. While having a positive impact on the demand for its Internet services, video-over-the-Internet could adversely impact the demand for its video-on-demand services.

Finally, a few of its competitors are offering special discounts to customers who subscribe to two or more of their services (cable television or IPTV, Internet, residential phone and mobile telephony services). As a result, should Quebecor Media fail to keep its existing customers and lose them to such competitors, it may end up losing up to one subscriber for each of its services. This could have an adverse effect on its business, prospects, revenues, financial condition and results of operation.

Roaming agreements

Quebecor Media has entered into roaming agreements with multiple carriers around the world (including Canada, the United States and Europe) and has established worldwide coverage. Its inability to extend its worldwide coverage or to renew, or substitute for, these roaming agreements at their respective or better terms or on acceptable terms, may place Quebecor Media at a competitive disadvantage, which could adversely affect its ability to operate its mobile business successfully and profitably.

In addition, various aspects of mobile communication operations, including the ability of mobile providers to enter into interconnection agreements with traditional landline telephone companies and the ability of mobile providers to manage data traffic on their networks, are subject to regulation by the CRTC. Regulations adopted or actions taken by the government agencies having

jurisdiction over any mobile business that Quebecor Media may develop could adversely affect its mobile business and operations, including actions that could increase competition or its costs.

Reputation

Quebecor Media has generally enjoyed a good reputation among the public. Its ability to maintain its existing customer relationships and to attract new customers depends to a large extent on its reputation. While Quebecor Media has put in place certain mechanisms to mitigate the risk that its reputation may be tarnished, including good governance practices and a code of ethics, it cannot be assured that it will continue to enjoy a good reputation, nor can it be assured that events that are beyond its control will not cause its reputation to be negatively impacted. The loss or tarnishing of its reputation could have a material adverse effect on its business, prospects, financial condition and results of operations.

Limited offer of handsets

Only a limited number of devices is available for Quebecor Media's Advanced wireless services ("AWS"), which is in the 2 GHz range, a spectrum that is not broadly used for mobile telephony, and which consequently reduces the number of handsets available to its customers using AWS. Quebecor Media's LTE services offering requires devices in the high-end category, some of which LTE devices have an AWS HSPA capability. This could put pressure on Quebecor Media's acquisition costs as well as impair its ability to compete with lower-end devices. In addition, the handsets available to it are sometimes subject to an exclusivity period which varies in length when they are released to market. If manufacturers continue to offer exclusivity on future products in Canada, the number of handsets available to Quebecor Media potentially could be reduced.

Inventory obsolescence

Quebecor Media's wireless handset devices inventory generally has a relatively short product life cycles due to frequent wireless handset introductions. If it cannot effectively manage inventory levels based on product demand, this may increase the risk of inventory obsolescence.

Capital expenditures

Quebecor Media's strategy of maintaining a leadership position in the suite of products and services it offers and launching new products and services requires capital investments in its network and infrastructure to support growth in its customer base and demands for increased bandwidth capacity and other services. In this regard, Quebecor Media has in the past required substantial capital for the upgrade, expansion and maintenance of its network and the launch and deployment of new or additional services. Quebecor Media expects that additional capital expenditures will continue to be required in the short and medium term in order to expand and maintain its systems and services, including expenditures relating to advancements in Internet access and high definition television ("HDTV"), as well as the cost of its mobile services infrastructure deployment.

The demand for wireless data services has been growing at unprecedented rates and it is projected that this demand will further accelerate, driven by the following increases: levels of broadband penetration; need for personal connectivity and networking; affordability of smartphones and Internet-only devices (e.g., high-usage data devices such as mobile Internet keys, tablets and electronic book readers); multimedia-rich services and applications; wireless competition; and unlimited data plans. The anticipated levels of data traffic will represent a growing challenge to the current mobile network's ability to serve this traffic. Quebecor Media may have to acquire additional spectrum, if available and if economically reasonable, in order to address this increased demand. The ability to acquire additional spectrum (if needed) is dependent on the timing and the rules established by Industry Canada. If Quebecor Media is not successful in acquiring additional spectrum it may need on reasonable terms, it could have a material adverse effect on its business, prospects and financial condition.

The development of Quebecor Media's LTE network requires capital expenditures to remain competitive and to comply with its obligations under the agreement with its partner governing the joint built-out of its LTE network. In addition, Quebecor Media may be required to make further capital expenditures in the future for its LTE network to remain competitive and in order to comply with its obligations. A geographical expansion of its LTE network may require Quebecor Media to incur significant costs and to make significant capital expenditures.

There can be no assurance that Quebecor Media will be able to generate or otherwise obtain the funds to finance any portion of these capital improvement programs, new strategies and services or other capital expenditure requirements, whether through cash from operations, additional borrowings or other sources. If Quebecor Media is unable to generate sufficient funds or obtain additional financing on acceptable terms, it may be unable to implement its business strategies or proceed with the capital expenditures and investments required to maintain its leadership position, and its business, financial condition, results of operations, reputation, and prospects could be materially adversely affected. Even if Quebecor Media were able to obtain adequate funding, the period of time required to upgrade its network could have a material adverse effect on its ability to successfully compete in the future. Moreover, additional investments in its business may not translate into incremental revenues, cash flows or profitability.

Access to support structures

Quebecor Media requires access to the support structures of hydroelectric and telephone utilities and needs municipal rights of way to deploy its cable network. Where access to the structures of telephone utilities cannot be secured, Quebecor Media may apply to the CRTC to obtain a right of access under the *Telecommunications Act* (Canada) (the *"Telecommunications Act*"). Quebecor Media has entered into comprehensive support structure access agreements with all of the major hydroelectric companies and all of the major telecommunications companies in its service territory. In the event that Quebecor Media seeks to renew or to renegotiate these agreements, it cannot guarantee that these agreements will continue to be available on favourable terms.

Successful implementation of business and operating strategies

Quebecor Media's business strategies are based on leveraging an integrated platform of media assets. Its strategies include offering multi-platform advertising solutions, generating and distributing content across a spectrum of media properties and assets, launching and deploying additional value-added products and services, pursuing cross-promotional opportunities, maintaining its advanced broadband network, pursuing enhanced content development to reduce costs, further integrating the operations of its subsidiaries, leveraging geographic clustering, and maximizing customer satisfaction. Quebecor Media may not be able to fully implement these strategies or realize their anticipated results without incurring significant costs or not implement them at all. In addition, its ability to successfully implement these strategies could be adversely affected by a number of factors beyond its control, including operating difficulties, increased ongoing operating costs, regulatory developments, general or local economic conditions, increased competition, technological changes and other factors described in this section. While the centralization of certain business operations and processes has the advantage of standardizing practices, thereby reducing costs and increasing effectiveness, it also represents a risk in itself should a business solution implemented by a centralized office throughout the organization fail to produce the intended results. Quebecor Media may also be required to make capital expenditures or other investments that may affect its ability to implement its business strategies if it is unable to secure additional financing on acceptable terms or to generate sufficient funds internally to cover those requirements. Any material failure to implement its strategies could have a material adverse effect on its reputation, business, financial condition, prospects, and results of operations, as well as on its ability to meet its obligations, including its ability to service its indebtedness.

As part of its strategy, in recent years, Quebecor Media has entered into certain agreements with third-parties under which it is committed to making significant operating expenditures in the future. It can provide no assurance that it will be successful in developing new activities in relation to these new engagements, including the development of new revenue sources.

Consumers' trend to abandon wire and cable services

The recent trend toward mobile substitution or "cord-cutting" (when users cancel their landline telephony services and opt for mobile telephony services only) is largely the result of the increasing mobile penetration rate in Canada and the various unlimited offers launched by mobile operators. Also, there is a consumer trend, especially among younger consumers, to abandon wire and cable services which has resulted in a decline in households with a landline. Quebecor Media may not be successful in converting its existing cable telephony subscriber base to its mobile telephony services or in attracting younger customers to its services, which could have a material adverse effect on its business, its results of operation and its financial condition and which could prevent Quebecor Media from realizing the anticipated benefits of the investments made in its wire and cable technologies.

Rapid growth of traffic volumes on the Internet

Internet users are downloading an increasing amount of data each year and households are now connected to the Internet through a combination of several computers, tablets and other mobile devices, leading to simultaneous flows per home, which constitutes a departure from the past, when a majority of households were connected to the Internet through a single computer. In addition, some content on the Internet, such as videos, is now available at a higher bandwidth for which HD, as opposed to standard definition, is gradually becoming the norm. There has therefore been an increase in data consumption and an intensification of Internet traffic during peak periods, which calls for increased bandwidth capacity to address the needs of its customers.

Equipment costs are under pressure in an effort to counterbalance customers' demand for bandwidth. While Quebecor Media can relay some of this pressure on costs to its manufacturers, can adopt new technologies that allow cost reduction and implement other cost-reduction initiatives, Quebecor Media's inability to fully meet its customers' increasing need for bandwidth may result in price hikes or in reduced profitability.

Rapid growth

Quebecor Media has experienced substantial growth in its business and has significantly expanded its operations over the years. It has sought in the past, and may, in the future, seek to further expand the types of businesses in which it participates, under appropriate conditions. Quebecor Media can provide no assurance that it will be successful in either developing or fulfilling the objectives of any such business expansion.

In addition, Quebecor Media's expansion may require it to incur significant costs or divert significant resources, and may limit its ability to pursue other strategic and business initiatives, which could have an adverse effect on its business, financial condition, prospects or results of operations. Furthermore, if Quebecor Media is not successful in managing its growth, or if Quebecor Media is required to incur significant or unforeseen costs, its business, results of operations and financial condition could be adversely affected.

Success in the development of its Sports and Entertainment business

Quebecor Media has recently made and is continuing to make significant investments in an effort to develop its Sports and Entertainment business. Some of these investments require significant capital expenditures and human effort. The success of such investments involves numerous risks that could adversely affect its growth and profitability, including the following: the risk that management may not be able to successfully manage the development of its Sports and Entertainment business; the risk that the accommodation of the Sports and Entertainment Business may place significant demands on management, diverting attention from existing operations; the risk that investments may require substantial financial resources that otherwise could be used in the development of its other businesses; the risk that Quebecor Media will not be able to achieve the benefits it expects from its investments in the development of its Sports and Entertainment business; the risk associated with a failure to make continued investments in its Sports and Entertainment business to respond to consumer trends and demands which could adversely affect its ability to compete in the sports and entertainment industry.

Key personnel

Quebecor and its subsidiaries' success depends to a large extent on the continued services of its senior management and its ability to retain skilled employees. There is intense competition for qualified management and skilled employees, and Quebecor and its subsidiaries' failure to recruit, train and retain such employees could have a material adverse effect on its business, financial condition and results of operations. In addition, in order to implement and manage their businesses and operating strategies effectively, Quebecor and its subsidiaries must sustain a high level of efficiency and performance and maintain content quality; they must continually enhance their operational and management systems and continue to effectively attract, train, motivate and manage their employees. If Quebecor and its subsidiaries are not successful in these efforts, it may have a material adverse effect on their business, prospects, results of operations and financial condition.

Competition for advertising, circulation revenues/audience

Advertising revenue is the primary source of revenue for the Corporation's Media business. Quebecor Media's revenues and operating results in these businesses depend on the relative strength of the economy in its principal newspaper and television markets, as well as the strength or weakness of local, regional and national economic factors. These economic factors affect the levels of retail, national and classified newspaper advertising revenue, as well as television advertising revenue. Since a significant portion of Quebecor Media's advertising revenue is derived from retail and automotive sector advertisers, weakness in these sectors and in the real estate industry has had, and may continue to have, an adverse impact on the revenues and results of operations of the Media business. Continuing or deepening softness in the Canadian or U.S. economy could further adversely affect key national advertising revenues.

Advertising revenues for the Media business are also driven by readership and circulation levels, as well as by market demographics, price, service and advertiser results. Readership and circulation levels tend to be based on the content of the newspaper, service, availability and price. A prolonged decline in readership and circulation levels in Quebecor Media's newspaper business and lack of audience acceptance of its content would have a material effect on the rate and volume of its newspaper advertising revenues (as rates reflect circulation and readership, among other factors), and could also affect its ability to institute circulation price increases for its print products, all of which could have a material adverse effect on its business, prospects, results of operations and financial condition.

The newspaper industry is experiencing structural changes, including the growing availability of free access to media, shifting readership habits, digital transferability, the advent of real-time information and secular changes in the advertising industry as well as the declining frequency of regular newspaper buying, particularly among young people, who increasingly rely on non-traditional media as a source for news. As a result, competition for advertising spend and circulation revenues comes not only from other newspapers and traditional media, but also from digital media technologies, which have introduced a wide variety of media distribution platforms (including, most significantly, the Internet and distribution over wireless devices and tablets) to readers and advertisers.

While Quebecor Media continues to pursue initiatives to offer value-added advertising solutions to its advertisers and to maintain its circulation base, such as investments in the re-design and overhaul of its newspaper websites and the publication of e–editions of a number of its newspapers, it may not be successful in retaining its historical share of advertising revenues or in transferring its audience to its new digital products. The ability of the Media's business to grow and succeed over the long-term depends on various factors, including its ability to attract advertisers and readers (including subscribers) to its online sites. Quebecor Media's

new initiatives developed to generate additional revenues from its websites (such as digital platform advertising and/or the paywall revenue model) may not be accepted by users and, consequently, may negatively affect online traffic. In addition, Quebecor Media can provide no assurance that it will be able to recover the costs associated with the implementation of these initiatives through increased circulation, advertising and digital revenues.

In broadcasting, the proliferation of television channels, progress in mobile and wireless technology, the migration of television audiences to the Internet and the viewing public's increased control over the manner, content and timing of their media consumption through personal video recording devices, have all contributed to the fragmentation of the television viewing audience and in a more challenging advertising sales environment. For example, the increased availability of personal video recording devices and video programming on the Internet, as well as the increased access to various media through mobile devices, may all have the potential to reduce the viewing of its content through traditional distribution outlets. Some of these new technologies also give consumers greater flexibility to watch programming on a time-delayed or on-demand basis, or to fast-forward or skip advertisements within its programming, which may adversely impact the advertising revenues it receives. Delayed viewing and advertisement skipping have the potential to become more common as the penetration of personal video recording devices increases and content becomes increasingly available via Internet sources. If the broadcasting market continues to fragment, Quebecor Media's audience share levels and its advertising revenues, results of operations, financial condition, business and prospects could be materially adversely affected.

Distribution of a wide range of television programming

The financial performance of its cable and mobile services depends in large part on Quebecor Media's ability to distribute a wide range of appealing, conveniently-scheduled television programming at reasonable rates. Quebecor Media obtains television programming rights from suppliers pursuant to programming contracts. In recent years, these suppliers have become vertically integrated and are now more limited in number. The quality and amount of television programming offered by Quebecor Media affect the attractiveness of its services to customers and, accordingly, the rates Quebecor Media can charge for these services. Quebecor Media may be unable to maintain key programming contracts at commercially reasonable rates for television programming. Loss of programming contracts, Quebecor Media's inability to obtain programming at reasonable rates, or its inability to pass-through rate increases to its customers could have a material adverse effect on its business, financial condition, results of operations and prospects.

In addition, Quebecor Media's ability to attract and retain cable customers depends, to a certain extent, on its capacity to offer quality content, high-definition programming, an appealing variety of programming choices and packages, as well as multiplatform distribution and on-demand content, at competitive prices. If the number of specialty channels being offered does not increase at the level and pace comparable to its competitors, if the content offered on such channels does not receive audience acceptance, or if it is unable to offer multiplatform availability, high-definition programming and on-demand content for capacity reasons, among others, this may have a negative impact on revenues from Quebecor Media's cable operations.

The multiplication of foreign and deregulated content providers (often global players on the Internet) puts pressure on the viability of Quebecor Media's current business model for television distribution. Substantial capital expenditures on infrastructure and in research and development may be required to remain competitive.

Costs, quality, and variety of television programming

The most significant costs in television broadcasting are programming and production costs. Increased competition in the television broadcasting industry, developments affecting producers and distributors of programming content, the vertical integration of distributors and broadcasters, changes in viewer preferences and other developments could impact both the availability and the costs of programming content, as well as the costs of production. Future increases or volatility in programming and production costs could adversely affect Quebecor's operating results. Developments in cable, satellite or other forms of distribution could also affect both the availability and the cost of programming and production and increase competition for advertising expenditures. As well, the value of royalties payable pursuant to the *Copyright Act* are frequently decided by the Copyright Board of Canada during or even after the applicable period, which can cause retroactive increases in content costs.

Cost of newsprint

Newsprint, which is the basic raw material used to publish newspapers, has historically been and may continue to be subject to significant price volatility. Changes in the price of newsprint could significantly affect the Corporation's income, and volatile or increased newsprint costs have had, and may in the future have, a material adverse effect on its results of operations.

In order to obtain more favourable pricing, Quebecor Media sources substantially all of its newsprint from a single newsprint producer (the "Newsprint Supplier"). Pursuant to the terms of its agreement with its Newsprint Supplier, Quebecor Media obtains newsprint at a discount to market prices, receives additional volume rebates if certain thresholds are met, and benefits from a ceiling on the unit cost of newsprint. On the expiry of Quebecor Media's agreement with its Newsprint Supplier, there can be no

assurance that it will be able to renew this agreement or that its Newsprint Supplier will continue to supply newsprint to Quebecor Media on favourable terms, or at all, after the expiry of the agreement. If Quebecor Media is unable to continue to source newsprint from its Newsprint Supplier on favourable terms, or if Quebecor Media is unable to otherwise source sufficient newsprint on terms acceptable to the corporation, its costs could increase significantly, which could materially adversely affect the profitability of its newspaper business and its results of operations. Quebecor Media also relies on its Newsprint Supplier for deliveries of newsprint. The availability of its newsprint supply, and therefore its operations, may be adversely affected by various factors, including labour disruptions affecting its Newsprint Supplier or the cessation of operations of its Newsprint Supplier.

In addition, since newspaper operations are labour intensive and since Quebecor Media's operations are located across Canada, its newspaper business has a relatively high fixed-cost structure. During periods of economic contraction, its revenues may decrease while certain costs remain fixed, resulting in reduced earnings.

Launch of new specialty services

Quebecor Media is investing in the launch of new specialty services in its Broadcasting operations. During the period immediately following the launch of a new specialty service, subscription revenues are always relatively modest, while initial operating expenses may prove more substantial. Furthermore, although Quebecor Media believes in the potential associated with this strategy, there is a possibility that the anticipated profitability could take several years to materialize or may never materialize.

Loss of key customers

In general, Quebecor Media does not have long-term or exclusive service agreements with its customers. Business is based primarily on customer satisfaction with reliability, timeliness, quality and price. Quebecor Media is unable to predict if, or when, its customers will purchase its services. There can be no assurance that the revenues generated from key customers, individually or in the aggregate, will reach or exceed historical levels in any future period, or that it will be able to develop relationships with new customers.

Quebecor Media's customers periodically re-evaluate their decisions to outsource the services that it performs rather than perform them in-house. A decision by key customers to move in-house services they currently purchase from Quebecor Media could have a material adverse effect on its results of operations and financial condition. Quebecor Media cannot assure you that it will continue to maintain favorable relationships with these customers or that they will not be adversely affected by economic conditions.

Single-clustered network

Quebecor Media provides its digital television, Internet access and cable telephony services through a primary headend and its analog television services through 12 additional regional headends in a single clustered network. Despite available emergency backup or replacement sites, a failure in Quebecor Media's primary headend, including exogenous threats, such as natural disasters, sabotage or terrorism, or dependence on certain external infrastructure providers (such as electric utilities), could prevent it from delivering some of its products and services throughout its network until the failure has been resolved, which may result in significant customer dissatisfaction, loss of revenues and potential civil litigation.

Dependence on information technology systems

The day-to-day operation of Quebecor Media's business is highly dependent on information technology systems, including those of certain third-party suppliers. An inability to maintain and enhance its existing information technology systems or obtain new systems to accommodate additional customer growth or to support new products and services could have an adverse impact on its ability to acquire new subscribers, retain existing customers, produce accurate and timely billing, generate revenue growth and manage operating expenses, all of which could adversely impact its financial results and position. In addition, although Quebecor Media uses industry standard networks and established information technology security and survivability/disaster recovery practices, a security breach, disaster, cyber-security threat or a violation of its Internet security could have a material adverse effect on its reputation, business, prospects, financial condition and results of operations.

Protection from piracy

In Quebecor Media's cable, Internet access and telephony business, it may not be able to protect its services and data from piracy. It may be unable to prevent electronic attacks to gain unauthorized access to its network, analog and digital programming, and its Internet access services. It uses encryption technology to protect its cable signals from unauthorized access and to control programming access based on subscription packages. It may not be able to develop or acquire adequate technology to prevent unauthorized access to its network, programming and data, which may have an adverse effect on its customer base and lead to a possible decline in its revenues as well as significant remediation costs and legal claims.

Malicious and abusive Internet practices

Quebecor Media's cable data customers utilize its network to access the Internet and, as a consequence, it or they may become a victim of common malicious and abusive Internet activities, such as unsolicited mass advertising (or spam) and dissemination of viruses, worms and other destructive or disruptive software. These activities could have adverse consequences on its network and its customers, including deterioration of service, excessive call volume to call centers and damage to its customers' equipment and data or to its own. Significant incidents could lead to customer dissatisfaction and, ultimately, to loss of customers or revenues, in addition to increased costs to service its customers and protect its network. Any significant loss of cable data, customers or revenue, or a significant increase in the costs of serving those customers could adversely affect its reputation, growth, business, prospects, financial condition and results of operations.

Third-party suppliers and providers

Quebecor Media depends on third–-party suppliers and providers for certain services, hardware and equipment that are critical to its operations and network evolution. These materials and services include set-top boxes, mobile telephony handsets and network equipment, cable and telephony modems, servers and routers, fibre-optic cable, telephony switches, inter-city links, support structures, software, the "backbone" telecommunications network for its Internet access and telephony services, and construction services for expansion and upgrades of its cable and mobile networks. These services and equipment are available from a limited number of suppliers and therefore Quebecor Media faces the risks of supplier disruption, including business difficulties, restructuring or supply-chain issues. If no supplier can provide Quebecor Media with the equipment or services that it requires or that comply with evolving Internet and telecommunications standards, or that are compatible with its other equipment and software, its business, financial condition and results of operations could be materially adversely affected. In addition, if Quebecor Media is unable to obtain critical equipment, software, services or other items on a timely basis and at an acceptable cost, its ability to offer its products and services and roll out its advanced services may be delayed, and its business, financial condition and results of operations could be materially adversely affected.

In addition, Quebecor Media obtains proprietary content critical to its operations through licensing arrangements with content providers. Some providers may seek to increase fees for providing their proprietary content. If Quebecor Media is unable to renegotiate commercially acceptable arrangements with these content providers or find alternative sources of equivalent content, its Media operations may be adversely affected.

Litigation and other claims

In the normal course of business, Quebecor and its subsidiaries are involved in various legal proceedings and other claims relating to the conduct of their business. Although, in the opinion of management, the outcome of current pending claims and other litigation is not expected to have a material adverse effect on Quebecor and its subsidiaries' reputation, results of operations, liquidity or financial position, a negative outcome in respect of any such claim or litigation could have such an adverse effect. Moreover, the cost of defending against lawsuits and diversion of management's attention could be significant.

Strikes and other labour protests

At December 31, 2014, approximately 50% of Quebecor Media's employees were represented by collective bargaining agreements. Through its subsidiaries, Quebecor Media is currently party to 77 collective bargaining agreements.

While Quebecor Media currently has no labour disputes nor do it currently anticipate any such labour dispute in the near future.

Quebecor Media can neither predict the outcome of current or future negotiations relating to labour disputes, if any, union representation or renewal of collective bargaining agreements, nor guarantee that Quebecor Media will not experience future work stoppages, strikes or other forms of labour protests pending the outcome of any current or future negotiations. If its unionized workers engage in a strike or any other form of work stoppage, it could experience a significant disruption to its operations, damage to its property and/or interruption to its services, which could adversely affect its business, assets, financial position, results of operations, and reputation. Even if Quebecor Media does not experience strikes or other forms of labour protests, the outcome of labour negotiations could adversely affect its business and results of operations. Such could be the case if current or future labour

negotiations or contracts were to further restrict its ability to maximize the efficiency of its operations. In addition, its ability to make short-term adjustments to control compensation and benefits costs is limited by the terms of its collective bargaining agreements.

Pension plan liability

The economic cycle and employee demographics could have a negative impact on the funding of Quebecor Media's defined benefit pension plans and related expenditures. There is no guarantee that the expenditures and contributions required to fund these pension plans will not increase in the future and therefore negatively impact its operating results and financial position. Risks related to the funding of defined benefit plans may materialize if total obligations with respect to a pension plan exceed the total value of its trust fund. Shortfalls may arise due to lower-than-expected returns on investments, changes in the discount rate used to assess the pension plan's obligations, and actuarial losses. This risk is mitigated by policies and procedures instituted by Quebecor Media and its pension committees to monitor investment risk and pension plan funding. It is also mitigated by the fact that some of Quebecor Media's defined benefit pension plans are no longer offered to new employees.

Exchange rate fluctuations

Most of the Corporation's revenues and expenses are denominated in CAN dollars. However, certain expenditures, such as the purchase of set-top boxes and cable modems, mobile devices (handsets) and certain capital expenditures, including certain costs related to the development and maintenance of its mobile network, are paid in U.S. dollars. Also, a substantial portion of its debt is denominated in U.S. dollars, and interest, principal and premium, if any, is payable in U.S. dollars. For the purposes of financial reporting, any change in the value of the CAN dollar against the U.S. dollar during a given financial reporting period would result in a foreign exchange gain or loss on the translation of any unhedged U.S.-dollar-denominated debt into CAN dollars. Consequently, reported earnings and debt could fluctuate materially as a result of foreign-exchange gains or losses. Although the Corporation has entered into transactions to hedge the exchange rate risk with respect to its U.S.-dollar-denominated debt outstanding at December 31, 2014, and it intends in the future to enter into such transactions for new U.S.-dollar-denominated debt, these hedging transactions could, in certain circumstances, prove economically ineffective and may not be successful in protecting it against exchange rate fluctuations. The Corporation may in the future be required to provide cash and other collateral to secure its obligations with respect to such hedging transactions, or it may in the future be unable to enter into such transactions on favorable terms, or at all.

In addition, 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 fair value.

The fair value of the derivative financial instruments that the Corporation is party to is estimated using period-end market rates and reflects the amount it would receive or pay if the instruments were terminated and settled at those dates, as adjusted for counterparties' non-performance risk. At December 31, 2014, the net aggregate fair value of its cross-currency interest rate swaps and foreign-exchange forward contracts was in a net asset position of $298.1 million on a consolidated basis.

Certain of the commodities that the Corporation consumes in its daily operations are traded on commodities exchanges or are negotiated on their respective markets in U.S. dollars and, therefore, although the Corporation pays its suppliers in CAN dollars, the prices it pays for such commodities may be affected by fluctuations in the exchange rate. The Corporation may in the future enter into transactions to hedge the exchange rate risk related to the prices of some of those commodities. However, fluctuations of the exchange rate for its commodities purchases that are not hedged could affect the prices the Corporation pays for such commodities and could have an adverse effect on its results of operations.

Volatility

The capital and credit markets have experienced significant volatility and disruption over the last several years, resulting in periods of upward pressure on the cost of new debt capital and severe restrictions in credit availability for many companies. In such periods, the disruptions in the capital and credit markets have also resulted in higher interest rates or greater credit spreads on issuance of debt securities and increased costs under credit facilities. Disruptions in the capital and credit markets could increase Quebecor's and its subsidiaries' interest expense, thereby adversely affecting their results of operations and financial position.

Quebecor's and its subsidiaries' access to funds under their existing credit facilities is dependent on the ability of the financial institutions that are parties to those facilities to meet their funding commitments. Those financial institutions may not be able to meet their funding commitments if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests within a short period of time. Moreover, the obligations of the financial institutions under Quebecor's and its subsidiaries' credit facilities are several and not joint and, as a result, a funding default by one or more institutions does not need to be made up by the others.

Longer-term volatility and disruptions in the capital and credit markets as a result of uncertainty, changing or increased regulation of financial institutions, reduced alternatives or failures of significant financial institutions could adversely affect Quebecor's and its subsidiaries' access to the liquidity and affordability of funding needed for their businesses in the longer term. Such disruptions

could require Quebecor and its subsidiaries to take measures to conserve cash until the markets stabilize or until alternative credit arrangements or other funding for their business needs can be arranged. Market disruptions and broader economic challenges may lead to lower demand for certain of Quebecor's and its subsidiaries' products and increased incidences of customer inability to pay or timely pay for the services or products that it provides. Events such as these could adversely impact Quebecor's and its subsidiaries' results of operations, cash flows, financial position and prospects.

Ethical Business Conduct

Any failure to adhere to Quebecor Media's policies, the law or ethical business practices could significantly affect its reputation and brands and could therefore negatively impact its financial performance. Quebecor Media's framework for managing ethical business conduct includes the adoption of a code of ethics which its directors and employees are required to acknowledge and agree to on a regular basis, and as part of an independent audit and security function, maintenance of a whistle-blowing hotline. There can be no assurance that these measures will be effective to prevent violations of law or ethical business practices.

Asset impairment charges

In the 2014 financial year and in the past, the Corporation has recorded asset impairment charges which, in some cases, have been material. Subject to the realization of various factors, including, but not limited to, weak economic or market conditions, the Corporation may be required to record in the future, in accordance with IFRS accounting valuation principles, additional non-cash impairment charges if the carrying value of an asset in its financial statements is in excess of its recoverable value. Any such asset impairment charge could be material and may adversely affect its future reported results of operations and equity, although such charges would not affect its cash flow.

Acquisitions, dispositions, business combinations, or joint ventures

From time to time, the Corporation engages in discussions and activities with respect to possible acquisitions, dispositions, business combinations, or joint ventures intended to complement or expand its business, some of which may be significant transactions for it and involve significant risks and uncertainties. The Corporation may not realize the anticipated benefit from any of the transactions it pursues, and may have difficulty incorporating or integrating any acquired business. Regardless of whether it consummates any such transaction, the negotiation of a potential transaction (including associated litigation), as well as the integration of any acquired business, could require the Corporation to incur significant costs and cause diversion of management's time and resources and disrupt its business operations. The Corporation could face several challenges in the consolidation and integration of information technology, accounting systems, personnel and operations.

If the Corporation determines to sell individual properties or other assets or businesses, it will benefit from the net proceeds realized from such sales. However, its revenues may suffer in the long term due to the disposition of a revenue generating asset, or the timing of such dispositions may be poor, causing it to fail to realize the full value of the disposed asset, all of which may diminish its ability to repay its indebtedness at maturity.

Any of the foregoing could have a material adverse effect on its business, financial condition, operating results, liquidity and prospects.

Implementation of changes to the structure of its business

Quebecor Media has and it will continue to implement changes to the structure of its business due to many factors such as the necessity of a corporate restructuring, a system replacement and upgrade, a process redesign and the integration of business acquisitions or existing business units. These changes must be managed carefully to ensure that Quebecor Media captures the intended benefits. The implementation process may lead to greater-than-expected operational challenges and costs, expenses, customer loss and business disruption for Quebecor Media, which could adversely affect its business and its ability to gain its anticipated benefits.

Competition and consolidation of the retail locations in the Telecommunications business

In the Corporation's Telecommunications business, the competition to offer products in the best available retail commercial spaces is fierce. Some of its competitors have pursued a strategy to sell their products through independent retailers to extend their presence on the market and some of its competitors have also acquired certain independent retailers and created new distribution networks. This may result in limiting the expansion of the Corporation retail network and may contribute to isolate the Corporation from its competitors, which could have an adverse effect on its business, prospects and results of operation.

Government acts and regulations risks

Quebecor Media's operations are subject to extensive government regulation and policy-making in Canada. Laws and regulations govern the issuance, amendment, renewal, transfer, suspension, revocation and ownership of broadcast programming and distribution licenses. With respect to distribution, regulations govern, among other things, the distribution of Canadian and non-Canadian programming services and the maximum fees to be charged to the public in certain circumstances. There are significant restrictions on the ability of non-Canadian entities to own or control broadcasting licenses and telecommunications carriers in Canada, although the federal government recently eliminated the foreign ownership restrictions on telecommunications companies with less than 10% of total Canadian telecommunications market revenues. Quebecor Media's broadcasting distribution and telecommunications operations (including Internet access service) are regulated respectively by the *Broadcasting Act* (Canada) (the "*Broadcasting Act*") and the *Telecommunications Act* and regulations thereunder. The CRTC, which administers the *Broadcasting Act* and the *Telecommunications Act*, has the power to grant, amend, suspend, revoke and renew broadcasting licenses, approve certain changes in corporate ownership and control, and make regulations and policies in accordance with the *Broadcasting Act* and the *Telecommunications Act*, subject to certain directions from the federal cabinet. For instance, the CRTC recently adopted a new Wireless Code which regulates numerous aspects of the provision of retail wireless services. Quebecor Media's wireless and cable operations are also subject to technical requirements, license conditions and performance standards under the *Radiocommunication Act* (Canada) (the "*Radiocommunication Act*"), which is administered by Industry Canada.

In addition, laws relating to communications, data protection, e-commerce, direct marketing and digital advertising and the use of public records have become more prevalent in recent years. Existing and proposed legislation and regulations, including changes in the manner in which such legislation and regulations are interpreted by courts in Canada, the United States and other jurisdictions may impose limits on the collection and use of certain kinds of information. On December 17, 2014, an amendment to the *Telecommunications Act* and the *Radiocommunication Act* was adopted to give to the CRTC and Industry Canada the power to impose monetary sanctions for failure to comply with current regulations.

Changes to the laws, regulations and policies governing Quebecor Media's operations, the introduction of new laws, regulations, policies or terms of license, the issuance of new licenses, including additional spectrum licenses to its competitors, or changes in the treatment of the tax deductibility of advertising expenditures, could have a material adverse effect on its business (including how it provides products and services), financial condition, prospects, and results of operations. In addition, Quebecor Media may incur increased costs in order to comply with existing and newly adopted laws and regulations or penalties for any failure to comply. It is difficult to predict in what form laws and regulations will be adopted or how they will be construed by the relevant courts, or the extent to which any changes might adversely affect Quebecor Media.

Government programs

Quebecor Media takes advantage of several government programs designed to support production and distribution of televisual and cinematographical products and magazine publishing in Canada, including federal and provincial refundable tax credits. There can be no assurance that the local cultural incentive programs which Quebecor Media may access in Canada will continue to be available in the future or will not be reduced, amended or eliminated. Any future reductions or other changes in the policies or rules of application in Canada or in any of its provinces in connection with these government incentive programs, including any change in the Québec or the federal programs providing for refundable tax credits, could increase the cost of acquiring and producing Canadian programs which are required to be broadcasted and may have a material adverse effect on its financial condition and results of operations. Canadian content programming is also subject to certification by various agencies of the federal government. If programming fails to so qualify, the Corporation would not be able to use the programs to meet its Canadian content programming obligations and might not qualify for certain Canadian tax credits and government incentives.

To ensure that the Corporation maintains minimum levels of Canadian ownership under the *Broadcasting Act* and other legislation under which it derives the benefit of tax credits and industry incentives, it has placed constraints on the issue and transfer of the shares of certain of its subsidiaries.

In addition, the Canadian and provincial governments currently provide grants and incentives to attract foreign producers and support domestic film and television production. Many of the major studios and other key customers of the Corporation's Studios, Equipment and Post-Production Business, as well as content producers for its television broadcasting and production operations, finance a portion of their production budgets through Canadian governmental incentive programs, including federal and provincial tax credits. There can be no assurance that the government grants and incentive programs presently being offered to participants in the film and television production industry will continue at their present levels or at all. If such grants or incentives are reduced or discontinued, the level of activity in the motion picture and television industries may be reduced, as a result of which the Corporation's results of operations and financial condition might be adversely affected.

The successful tax credit model of Québec and other provinces in Canada has been copied by other jurisdictions around the world, including by many states in the United States of America. Some producers may select locations other than Québec to take advantage of tax credit programs they may conclude to be more or as attractive as those Québec offers. Other factors such as director or star preference may also have the effect of productions being shot in a location other than Québec, may have a material adverse effect on the Corporation's business, financial condition and results of operations.

Licence renewals

Videotron's AWS licenses were issued in December 2008 for a 10-year term. At least two years before the end of this term, and any subsequent term, Videotron may apply for a renewed license for a term of up to 10 years. AWS license renewal, including whether license fees should apply for a subsequent license term, will be subject to a public consultation process initiated in the eighth year of the license.

Videotron's 700 MHz licences were issued in April 2014 for a 20-year term. At the end of this term, Videotron expects that new licenses will be issued for a subsequent term through a renewal process, unless a breach of license condition by Videotron has occurred, a fundamental reallocation of spectrum to a new service is required, or in the event that an overriding policy need arises. The process for issuing or renewing licenses after this term, including the terms and conditions of the new licenses and whether license fees should apply for a subsequent license term, will be determined by Industry Canada following a public consultation.

Provision of Third-party ISPs with access to cable systems

The largest cable operators in Canada, including Videotron, have been required by the CRTC to provide third-party ISPs with access to their cable systems at mandated cost-based rates. Several third-party ISPs are interconnected to the Corporation's cable network and are thereby providing retail Internet access services.

The CRTC also requires large cable carriers, such as the Corporation, to allow third party ISPs to provide telephony and networking (LAN/VPN) applications in addition to retail Internet access services. As a result of these requirements, the Corporation may experience increased competition for retail cable Internet and residential telephony customers.

In a notice of consultation issued on October 15, 2013, the CRTC initiated a comprehensive review of wholesale services and associated policies. Among the issues considered in this proceeding are whether to extend mandatory wholesale high-speed access services to include fibre-to-the-premises (FTTP) services, or alternatively whether the Commission should forbear from regulating any existing wholesale services, as well as the approaches and principles the Commission relies on to set rates for wholesale services. A public hearing on these matters took place in November and December, 2014, and a ruling is expected by April 2015. As a result of this proceeding, the Corporation may experience increased competition for retail cable Internet and telephony customers. In addition, because its third-party Internet access rates are regulated by the CRTC, the Corporation could be limited in its ability to recover its costs associated with providing this access.

Environmental laws and regulations

Quebecor Media is subject to a variety of environmental laws and regulations. Some of its facilities are subject to federal, provincial, state and municipal laws and regulations concerning, for example, emissions to the air, water and sewer discharge, the handling and disposal of hazardous materials and waste, recycling, soil remediation of contaminated sites, or otherwise relating to the protection of the environment. In addition, laws and regulations relating to workplace safety and worker health, which, among other things, regulate employee exposure to hazardous substances in the workplace, also govern Quebecor Media's operations. Failure to comply with present or future laws or regulations could result in substantial liability for Quebecor Media.

Environmental laws and regulations and their interpretation have changed rapidly in recent years and may continue to do so in the future. For instance, most Canadian provinces have recently implemented Extended Producer Responsibility (EPR) regulations in order to encourage sustainability practices such as the "Ecological recovery and reclamation of electronic products", which sets certain recovery targets and which may require Quebecor Media to monitor and adjust its practices in the future.

Quebecor Media's properties, as well as areas surrounding those properties, particularly those in areas of long-term industrial use, may have had historic uses, or may have current uses, in the case of surrounding properties, which may affect its properties and require further study or remedial measures. Quebecor Media cannot provide assurance that all environmental liabilities have been determined, that any prior owner of its properties did not create a material environmental condition not known to Quebecor Media, that a material environmental condition does not otherwise exist on any of its properties, or that expenditure will not be required to deal with known or unknown contamination.

Quebecor Media owns, through one of its subsidiaries, certain studios and vacant lots, some of which are located on a former landfill, with the presence of gas emitting waste. As a result, the operation and ownership of these studios and vacant lots carries an inherent risk of environmental and health and safety liabilities for personal injuries, property damage, release of hazardous materials, remediation and clean-up costs and other environmental damages (including potential civil actions, compliance or

remediation orders, fines and other penalties), and may result in being involved from time to time in administrative and judicial proceedings relating to such matters, which could have a material adverse effect on its business, financial condition and results of operations.

Concerns about alleged health risks relating to radiofrequency emissions

Some studies have alleged links between radiofrequency emissions from certain wireless devices and cell sites and various health problems or possible interference with electronic medical devices, including hearing aids and pacemakers. All Quebecor Media's cell sites comply with applicable laws and it relies on its suppliers to ensure that the network equipment and customer equipment supplied to it meet all applicable safety requirements. While there is no definitive evidence of harmful effects from exposure to radiofrequency emissions when the limits imposed by applicable laws and regulations are complied with, additional studies of radiofrequency emissions are ongoing and Quebecor Media cannot be sure that the results of any such future studies will not demonstrate a link between radiofrequency emissions and health problems.

The current concerns over radiofrequency emissions or perceived health risks of exposure to radiofrequency emissions could lead to additional governmental regulation, diminished use of wireless services, including Videotron's, or expose Quebecor Media to potential litigation. Any of these could have a material adverse effect on Quebecor Media's business, prospects, revenues, financial condition and results of operations.

Indebtedness

Quebecor and its subsidiaries currently have a substantial amount of debt and significant interest payment requirements. As at December 31, 2014, they had $5.28 billion of consolidated long-term debt. Quebecor's and its subsidiaries' indebtedness could have significant consequences, including the following:

- increase their vulnerability to general adverse economic and industry conditions;
- require them to dedicate a substantial portion of their cash flow from operations to making interest and principal payments on their indebtedness, reducing the availability of their cash flow to fund capital expenditures, working capital and other general corporate purposes;
- limit their flexibility in planning for, or reacting to, changes in their businesses and the industries in which Quebecor and its subsidiaries operate;
- place them at a competitive disadvantage compared to competitors that have less debt or greater financial resources; and
- limit, along with the financial and other restrictive covenants in their indebtedness, their ability to, among other things, borrow additional funds on commercially reasonable terms, if at all.

Although Quebecor and its subsidiaries have significant indebtedness, as at December 31, 2014, they had approximately $1.37 billion available for additional borrowings under their existing credit facilities on a consolidated basis. If Quebecor or its subsidiaries incur additional debt, the risks it now faces as a result of its leverage could intensify.

Restrictive covenants

Quebecor's and its subsidiaries' debt instruments contain a number of operating and financial covenants restricting their ability to, among other things:

- incur indebtedness;
- create liens;
- pay dividends on or redeem or repurchase its stock;
- make certain types of investments;
- restrict dividends or other payments from restricted subsidiaries;
- enter into transactions with affiliates;
- issue guarantees of debt; and
- sell assets or merge with other companies.

If Quebecor or its subsidiaries are unable to comply with these covenants and are unable to obtain waivers from their creditors, then they would be unable to make additional borrowings under their credit facilities, their indebtedness under these agreements would be in default and that could, if not cured or waived, result in an acceleration of such indebtedness and cause cross-defaults under their other debt, including its Senior Notes. If Quebecor's and its subsidiaries' indebtedness is accelerated, Quebecor and its

subsidiaries may not be able to repay their indebtedness or borrow sufficient funds to refinance it, and any such prepayment or refinancing could adversely affect the Corporation's financial condition. In addition, if Quebecor and its subsidiaries incur additional debt in the future or refinance existing debt, they may be subject to additional covenants, which may be more restrictive than those to which they are currently subject. Even if Quebecor and its subsidiaries are able to comply with all applicable covenants, the restrictions on their ability to manage their business at their sole discretion could adversely affect their business by, among other things, limiting their ability to take advantage of financings, mergers, acquisitions and other corporate opportunities that Quebecor and its subsidiaries believe would be beneficial to them.

Holding corporation

Quebecor is a holding corporation and a substantial portion of its assets is the capital stock of its subsidiaries. As a holding corporation, Quebecor conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenues. Consequently, Quebecor's cash flow and ability to service its debt obligations are dependent on the cash flow of its existing and future subsidiaries and the distribution of this cash flow to Quebecor, or on loans, advances or other payments made by these entities to Quebecor. The ability of these entities to pay dividends or make loans, advances or payments to Quebecor will depend on their operating results and will be subject to applicable laws and contractual restrictions contained in the instruments governing their debt. Quebecor Media and Videotron have several series of debt securities outstanding and both Videotron and TVA Group have credit facilities that limit their ability to distribute cash. In addition, if its existing or future subsidiaries incur additional debt in the future or refinance existing debt, Quebecor may be subject to additional contractual restrictions contained in the instruments governing that debt, which may be more restrictive than those to which it is currently subject to.

The ability of its subsidiaries to generate sufficient cash flow from operations to allow Quebecor to make scheduled payments on its debt obligations will depend on their future financial performance, which will be affected by a range of economic, competitive and business factors as well as structural changes, many of which are outside of its or their control. If the cash flow and earnings of Quebecor's operating subsidiaries and the amount that they are able to distribute to Quebecor as dividends or otherwise, are not sufficient for Quebecor, it may not be able to satisfy its debt obligations. If it is unable to satisfy its debt obligations, it may have to undertake alternative financing plans, such as refinancing or restructuring its debt, selling assets, reducing or delaying capital investments, or seeking to raise additional capital. It can provide no assurance that any such alternative refinancing would be possible; that any assets could be sold, or, if sold, of the timing of the sales and the amount of proceeds realized from those sales; that additional financing could be obtained on acceptable terms, if at all; or that additional financing would be permitted under the terms of its various debt instruments then in effect. Inability to generate sufficient cash flow to satisfy Quebecor's debt obligations, or to refinance these obligations on commercially reasonable terms, could have a material adverse effect on its business, financial condition, results of operations and prospects.

Ability to refinance

Quebecor and its subsidiaries may be required from time to time to refinance certain of their existing debt at or prior to maturity. Quebecor's and its subsidiaries' ability to obtain additional financing to repay such existing debt at maturity will depend upon a number of factors, including prevailing market conditions, credit availability and operating performance. There can be no assurance that any such financing will be available to Quebecor and its subsidiaries on favorable terms, or at all.

Provisions of the Articles that could discourage or prevent a takeover

Provisions in the Corporation's articles and bylaws could make it more difficult for a third party to acquire it, even if doing so would be beneficial in the opinion of the holders of Quebecor's Class B Shares. These provisions principally include:

- the multiple voting feature of Quebecor's Class A Shares; and
- the election structure of the Board of Directors, whereby holders of Class A Shares elect 75% of the Corporation's Directors, while holders of Class B Shares elect 25%.

The existence of these provisions could have the effect of delaying, preventing or deterring a change of control of Quebecor, could deprive its shareholders of an opportunity to receive a premium for their Class B Shares as part of a sale of Quebecor, and might ultimately affect the market price of its shares.

Interests of holders of Quebecor's Class A Shares that may conflict with the interests of other shareholders

Pierre Karl Péladeau, directly and indirectly, owns substantially all of Quebecor's Class A Shares. The Class B Shares have one vote per share, while the Class A Shares have 10 votes per share on all matters to be voted on by shareholders. Therefore, approximately 73% of the combined voting power of all outstanding shares is controlled by a majority shareholder, and the exercise of the voting rights attached to those shares makes it possible to decide or significantly influence all issues submitted to a shareholder vote, including the election of directors and approval of significant corporate transactions, such as amendments to the Corporation's articles, mergers, amalgamations, or the sale of all or substantially all of its assets.

The holders of the Class A Shares may also have interests that differ from those of the other shareholders and may vote in a way with which other shareholders disagree and which may be adverse to their interests. This concentration of voting power may have the effect of delaying, preventing or deterring a change of control of Quebecor, could deprive its shareholders of an opportunity to receive a premium for their Class B Shares as part of a sale of Quebecor, and might ultimately affect the market price of its shares.

Financial Instruments and Financial Risk Management

The Corporation's financial risk management policies have been established in order to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and in the Corporation's activities.

The Corporation uses a number of financial instruments, mainly cash and cash equivalents, accounts receivable, long-term investments, bank indebtedness, trade payables, accrued liabilities, long-term debt, convertible debentures and derivative financial instruments. As a result of their use of financial instruments, the Corporation and its subsidiaries are exposed to credit risk, liquidity risk and market risks relating to foreign exchange fluctuations and interest rate fluctuations.

In order to manage its foreign exchange and interest rate risks, the Corporation and its subsidiaries use derivative financial instruments: (i) to set in CAN dollars future payments on debts denominated in U.S. dollars (interest and principal) and certain purchases of inventories and other capital expenditures denominated in a foreign currency; (ii) to achieve a targeted balance of fixed- and floating-rate debts; and (iii) to lock-in the value of certain derivative financial instruments through offsetting transactions. The Corporation and its subsidiaries do not intend to settle their derivative financial instruments prior to their maturity as none of these instruments are held or issued for speculative purposes.

Table 14
Description of derivative financial instruments
December 31, 2014
(in millions of dollars)

Foreign exchange forward contracts

Maturity	CAN dollar average exchange rate per one U.S. dollar	Notional amount sold		Notional amount bought	
Quebecor Media					
2016[1]	1.0154	US$	320.0	$	324.9
Videotron					
Less than 1 year	1.1198	$	106.3	US$	94.9
2017[2]	1.1204	US$	260.0	$	291.3

Interest rate swaps

Maturity	Notional amount		Pay/ receive	Fixed rate	Floating rate
TVA Group					
December 2017	$	44.0	Pay fixed/ Receive floating	2.03%	Bankers' acceptances 1 month

Cross-currency interest rate swaps

Hedged item	Hedging instrument			
	Period covered	Notional amount	Annual interest rate on notional amount in CAN dollars	CAN dollar exchange rate on interest and capital payments per one U.S. dollar
Quebecor Media				
5.750% Senior Notes due 2023[1]	2007 to 2016	US$ 320.0	7.69%	0.9977
5.750% Senior Notes due 2023	2016 to 2023	US$ 431.3	7.27%	0.9792
5.750% Senior Notes due 2023	2012 to 2023	US$ 418.7	6.85%	0.9759
Term loan "B"	2013 to 2020	US$ 345.6	Bankers' acceptances 3 months + 2.77%	1.0346
Videotron				
6.375% Senior Notes due 2015	2005 to 2015	US$ 175.0	5.98%	1.1781
9.125% Senior Notes due 2018	2008 to 2018	US$ 75.0	9.64%	1.0215
5.000% Senior Notes due 2022	2014 to 2022	US$ 543.1	6.01%	0.9983
5.000% Senior Notes due 2022	2012 to 2022	US$ 256.9	5.81%	1.0016
5.375% Senior Notes due 2024[2]	2008 to 2017	US$ 260.0	9.21%	1.2965
5.375% Senior Notes due 2024	2014 to 2024	US$ 158.6	Bankers' acceptances 3 months + 2.67%	1.1034
5.375% Senior Notes due 2024	2017 to 2024	US$ 441.4	5.62%	1.1039

1 The Corporation initially entered into these cross-currency interest rate swaps to hedge the foreign currency risk exposure under its 7.75% Senior Notes due 2016 redeemed in 2012. These swaps are now used to set in CAN dollars all coupon payments through 2016 on US$431.3 million of notional amount under its 5.75% Senior Notes due 2023 and issued on October 11, 2012. In conjunction with the repurposing of these swaps, the Corporation has entered into US$320.0 million offsetting foreign exchange forward contracts to lock-in the value of its hedging position related to the March 15, 2016 notional exchange.

2 Videotron initially entered into these cross-currency interest rate swaps to hedge the foreign currency risk exposure under its 9.125% Senior Notes due 2018 redeemed in 2014. These swaps are now used to set in CAN dollars all coupon payments through 2017 on US$441.4 million of notional amount under its 5.375% Senior Notes due 2024 and issued on April 9, 2014. In conjunction with the repurposing of these swaps, Videotron has entered into US$260.0 million offsetting foreign exchange forward contracts to lock-in the value of its hedging position related to the December 15, 2017 notional exchange.

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 gains on valuation and translation of financial instruments for 2014 and 2013 are summarized in Table 15.

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

	2014	2013
Loss on embedded derivatives and derivative financial instruments for which hedge accounting is not used	**$ 7.9**	$ 173.2
Loss on embedded derivatives related to convertible debentures	**91.6**	140.0
(Gain) loss on reversal of embedded derivatives upon debt redemption	**(1.1)**	72.9
Gain on ineffective portion of cash flow hedges	**(0.5)**	(1.7)
Gain on ineffective portion of fair value hedges	**(3.2)**	–
	$ 94.7	$ 384.4

A $14.2 million gain on cash flow hedges was recorded under “Other comprehensive income” in relation to cash flow hedging relationships in 2014 (loss of $45.1 million in 2013).

Fair value of financial instruments

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

The fair value of cash equivalents and bank indebtedness, classified as held for trading and accounted for at their fair value on the consolidated balance sheets, is determined using inputs that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

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 counterparty or the Corporation.

The fair value of early settlement options recognized as embedded derivatives and embedded derivative related to convertible debentures is determined by option pricing models using market inputs, including volatility, discount factors, and underlying instruments adjusted implicit interest rate and credit premium.

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

Table 16
Fair value of long-term debt, convertible debentures and derivative financial instruments
(in millions of CAN dollars)

	2014		2013	
Asset (liability)	**Carrying value**	**Fair value**	Carrying value	Fair value
Long-term debt[1 2]	**$ (5,326.7)**	**$ (5,444.7)**	$ (5,140.7)	(5,200.0)
Convertible debentures[3]	**(711.8)**	**(711.8)**	(615.1)	(615.1)
Derivative financial instruments[4]				
Early settlement options	**8.2**	**8.2**	14.5	14.5
Foreign exchange forward contracts[5]	**4.2**	**4.2**	1.8	1.8
Interest rate swaps	**(0.5)**	**(0.5)**	–	–
Cross-currency interest rate swaps[5]	**294.4**	**294.4**	(53.2)	(53.2)

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

2 The fair value of long-term debt excludes the fair value of early settlement options, which is presented separately in the table.

3 The carrying value and fair value of convertible debentures consist of the initial capital investment and the value of the cap and floor conversion price features, recognized as embedded derivatives.

4 The fair value of derivative financial instruments designated as hedges is an asset position of $298.6 million as of December 31, 2014 (an asset position of $18.6 million as of December 31, 2013).

5 The value of foreign exchange forward contracts entered into to lock-in the value of existing hedging positions is netted from the value of the offset financial instruments.

Due to the judgment used in applying a wide range of acceptable techniques and estimates in calculating fair value amounts, fair values are not necessarily comparable among financial institutions or other market participants and may not be realized in an actual sale or on the immediate settlement of the instrument.

Credit risk management

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial asset fails to meet its contractual obligations.

In the normal course of business, the Corporation continuously monitors the financial condition of its customers and reviews the credit history of each new customer. As of December 31, 2014, no customer balance represented a significant portion of the Corporation's consolidated trade receivables. The Corporation establishes an allowance for doubtful accounts based on the specific credit risk of its customers and historical trends. As of December 31, 2014, 8.5% of trade receivables were 90 days past their billing date (9.8% as of December 31, 2013) of which 57.3% had an allowance for doubtful accounts (46.5% as of December 31, 2013).

The following table shows changes to the allowance for doubtful accounts for the years ended December 31, 2014 and 2013:

	2014	2013
Balance as of beginning of year	**$ 28.4**	$ 29.6
Charged to income	**32.1**	41.3
Utilization	**(34.5)**	(42.5)
Reclassification to assets held for sale	**(4.2)**	–
Balance as of end of year	**$ 21.8**	$ 28.4

The Corporation believes that its product lines and the diversity of its customer base are instrumental in reducing its credit risk, as well as the impact of fluctuations in product-line demand. The Corporation does not believe that it is exposed to an unusual level of customer credit risk.

As a result of their use of derivative financial instruments, the Corporation and its subsidiaries are exposed to the risk of non-performance by a third party. When the Corporation and its subsidiaries enter into derivative contracts, the counterparties (either foreign or Canadian) must have credit ratings at least in accordance with the Corporation's risk management policy and are subject to concentration limits. These credit ratings and concentration limits are monitored on an ongoing basis but at least quarterly.

Liquidity risk management

Liquidity risk is the risk that the Corporation and its subsidiaries will not be able to meet their financial obligations as they fall due or the risk that those financial obligations will have to be met at excessive cost. The Corporation and its subsidiaries manage this exposure through staggered debt maturities. The weighted average term of the Corporation's consolidated debt was approximately 7.2 years as of December 31, 2014 (6.9 years as of December 31, 2013). (See also "Contractual Obligations" above.)

Market risk

Market risk is the risk that changes in market prices due to foreign exchange rates, interest rates and/or equity prices will affect the value of the Corporation's financial instruments. The objective of market risk management is to mitigate and control exposures within acceptable parameters while optimizing the return on risk.

Foreign currency risk

Most of the Corporation's consolidated revenues and expenses, other than interest expense on U.S.-dollar-denominated debt, purchases of set-top boxes, handsets and cable modems and certain capital expenditures, are received or denominated in CAN dollars. A significant portion of the interest, principal and premium, if any, payable on its debt is payable in U.S. dollars. The Corporation and its subsidiaries have entered into transactions to hedge the foreign currency risk exposure on their U.S.-dollar-denominated debt obligations outstanding as of December 31, 2014, to hedge their exposure on certain purchases of set-top boxes, handsets, cable modems and capital expenditures, and to lock-in the value of certain derivative financial instruments through offsetting transactions. Accordingly, the Corporation's sensitivity to variations in foreign exchange rates is economically limited.

The following table summarizes the estimated sensitivity on income and on Other comprehensive income, before income tax, of a variance of $0.10 in the year-end exchange rate of a CAN dollar per one U.S. dollar as of December 31, 2014:

Increase (decrease)	**Income**	**Other comprehensive income**
Increase of $0.10		
U.S.-dollar-denominated accounts payable	**$ (1.0)**	**$ –**
Gain on valuation and translation of financial instruments and derivative financial instruments	**2.7**	**49.5**
Decrease of $0.10		
U.S.-dollar-denominated accounts payable	**1.0**	**–**
Gain on valuation and translation of financial instruments and derivative financial instruments	**(2.7)**	**(49.5)**

Interest rate risk

Some of the Corporation's and its subsidiaries' bank credit facilities bear interest at floating rates based on the following reference rates: (i) Bankers' acceptance rate, (ii) LIBOR, (iii) Canadian prime rate, and (iv) U.S. prime rate. The Senior Notes issued by the Corporation and its subsidiaries bear interest at fixed rates. The Corporation and its subsidiaries have entered into cross-currency interest rate swap agreements in order to manage cash flow risk exposure. As of December 31, 2014, after taking into account the hedging instruments, long-term debt was comprised of 82.6 % fixed-rate debt (81.6% in 2013) and 17.4 % floating-rate debt (18.4% in 2013).

The estimated sensitivity on interest payments, of a 100 basis-point variance in the year-end Canadian Bankers' acceptance rate as of December 31, 2014 is $8.6 million.

The estimated sensitivity on income and Other comprehensive income, before income tax, of a 100 basis-point variance in the discount rate used to calculate the fair value of financial instruments as of December 31, 2014, as per the Corporation's valuation models, is as follows:

Increase (decrease)	Income	Other comprehensive income
Increase of 100 basis points	$ **0.8**	$ **(22.2)**
Decrease of 100 basis points	**(0.8)**	**22.2**

Capital management

The Corporation's primary objective in managing capital is to maintain an optimal capital base in order to support the capital requirements of its various businesses, including growth opportunities.

In managing its capital structure, the Corporation takes into account the asset characteristics of its subsidiaries and planned requirements for funds, leveraging their individual borrowing capacities in the most efficient manner to achieve the lowest cost of financing. Management of the capital structure involves the issuance of new debt, the repayment of existing debt using cash flows generated by operations, and the level of distributions to shareholders. The Corporation has not significantly changed its strategy regarding the management of its capital structure since the last financial year.

The Corporation's capital structure is composed of equity, bank indebtedness, long-term debt, convertible debentures, embedded derivatives related to convertible debentures, net assets and liabilities related to derivative financial instruments, less cash and cash equivalents. The capital structure as of December 31, 2014 and 2013 is as follows:

Table 17
Capital structure of Quebecor
(in millions of CAN dollars)

	2014	2013
Bank indebtedness	**$ 5.2**	$ 0.5
Long-term debt	**5,278.3**	5,076.5
Liability and derivative components of convertible debentures	**232.2**	140.6
Convertible debentures	**500.0**	500.0
Derivative financial instruments	**(298.1)**	51.4
Cash and cash equivalents	**(395.3)**	(476.6)
Net liabilities	**5,322.3**	5,292.4
Equity	**$ 1,063.3**	$ 1,195.4

The Corporation is not subject to any externally imposed capital requirements other than certain restrictions under the terms of its borrowing agreements, which relate, among other things, to permitted investments, inter-corporation transactions, the declaration and payment of dividends or other distributions.

Contingencies

A number of legal proceedings against the Corporation and its subsidiaries are pending. In the opinion of the management of the Corporation and its subsidiaries, the outcome of these proceedings is not expected to have a material adverse effect on Corporation's results or on its financial position.

Critical Accounting Policies and Estimates

Revenue recognition

The Corporation recognizes operating revenues when the following criteria are met:

- the amount of revenue can be measured reliably;
- the receipt of economic benefits associated with the transaction is probable;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably;
- the stage of completion can be measured reliably where services have been rendered; and
- significant risks and rewards of ownership, including effective control, have been transferred to the buyer where goods have been sold.

The portion of revenue that is unearned is recorded under "Deferred revenue" when customers are invoiced.

Revenue recognition policies for each of the Corporation's main activities are as follows:

Telecommunications

The Telecommunications segment provides services under arrangements with multiple deliverables, for which there are two separate accounting units: one for subscriber services (cable television, Internet, cable telephony or mobile telephony, including connection costs and rental of equipment); the other for equipment sales to subscribers. Components of multiple deliverable arrangements are separately accounted for, provided the delivered elements have stand-alone value to the customer and the fair value of any undelivered elements can be objectively and reliably determined. Arrangement consideration is allocated among the separate accounting units based on their relative fair values.

Cable connection revenues are deferred and recognized as revenues over the estimated average period that subscribers are expected to remain connected to the network. The incremental and direct costs related to cable connection costs, in an amount not exceeding the revenue, are deferred and recognized as an operating expense over the same period. The excess of those costs over the related revenues is recognized immediately in income. Operating revenues from cable and other services, such as Internet access, cable and mobile telephony, are recognized when services are rendered. Promotional offers and rebates are accounted for as a reduction in the service revenue to which they relate. Revenues from equipment sales to subscribers and their costs are recognized in income when the equipment is delivered. Promotional offers related to equipment, with the exclusion of mobile devices, are accounted for as a reduction of related equipment sales on delivery, while promotional offers related to the sale of mobile devices are accounted for as a reduction of related equipment sales on activation. Operating revenues related to service contracts are recognized in income over the life of the specific contracts on a straight-line basis over the period in which the services are provided.

Revenues from the retail activities are recognized at the time of delivery, net of provisions for estimated returns based on historical rate of returns.

Media

Advertising revenues derived from the sale of advertising airtime are recognized when the advertisement has been broadcast on television. Advertising revenues derived from newspaper and magazine publishing activities are recognized when the publication is delivered. Website advertising is recognized when advertisements are placed on websites.

Revenues derived from subscriptions to specialty television channels are recognized on a monthly basis at the time service is rendered.

Revenues from the sale or distribution of newspapers, magazines and books are recognized upon delivery, net of provisions for estimated returns based on historical rate of returns.

Revenues derived from subscription to online publications are recognized over the period of the subscription.

Sports and Entertainment

Revenues derived from entertainment product distribution are recognized on delivery of the products, net of provisions for estimated returns based on historical rate of returns.

Revenues derived from show production and sporting and cultural event management are recognized once the event or production occurs or when the services are rendered.

Impairment of assets

For the purposes of assessing impairment, assets are grouped in CGUs, which represent the lowest levels for which there are separately identifiable cash inflows generated by those assets. At each balance sheet date, the Corporation reviews whether events or circumstances have occurred to indicate that the carrying amounts of its long-lived assets with finite useful lives may be less than their recoverable amounts. Goodwill, other intangible assets having an indefinite useful life, and intangible assets not yet available for use are tested for impairment each financial year, as well as whenever there is an indication that the carrying amount of the asset, or the CGU to which an asset has been allocated, exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use of the asset or CGU. Fair value less costs to sell represents the amount an entity could obtain at the valuation date from the asset's disposal in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. The value in use represents the present value of the future cash flows expected to be derived from the asset or CGU.

The Corporation uses the discounted cash flow method to estimate the recoverable amount consisting of future cash flows derived mainly from the most recent budget and three-year strategic plan approved by the Corporation's management and presented to the Board of Directors. These forecasts consider each CGU's past operating performance and market share as well as economic trends, along with specific and market industry trends and corporate strategies. A perpetual growth rate is used for cash flows beyond this three-year period. The discount rate used by the Corporation is a pre-tax rate derived from the weighted average cost of capital pertaining to each CGU, which reflects the current market assessment of: (i) the time value of money; and (ii) the risk specific to the assets for which the future cash flow estimates have not been risk-adjusted. The perpetual growth rate has been determined with regard to the specific markets in which the CGUs participate.

An impairment loss is recognized in the amount by which the carrying amount of an asset or a CGU exceeds its recoverable amount. When the recoverable amount of a CGU to which goodwill has been allocated is lower than the CGU's carrying amount, the related goodwill is first impaired. Any excess amount of impairment is recognized and attributed to assets in the CGU, prorated to the carrying amount of each asset in the CGU.

An impairment loss recognized in prior periods for long-lived assets with finite useful lives and intangible assets having an indefinite useful life, other than goodwill, can be reversed through the consolidated statement of income to the extent that the resulting carrying value does not exceed the carrying value that would have been the result had no impairment losses been recognized previously.

The determination of CGUs requires judgment when determining the lowest level for which there are separately identifiable cash inflows generated by the asset category.

In addition, when determining the recoverable amount of an asset or CGU, assessment of the information available at the valuation date is based on management's judgment and may involve estimates and assumptions. Furthermore, the discounted cash flow method used in determining the recoverable amount of an asset or CGU relies on the use of estimates such as the amount and timing of cash flows, expected variations in the amount or timing of those cash flows, the time value of money as represented by the risk-free rate, and the risk premium associated with the asset or CGU.

Therefore, the judgment used in determining the recoverable amount of an asset or CGU may affect the amount of the impairment loss to be recorded to an asset or CGU, as well as the potential reversal of the impairment charge in the future.

Based on the data and assumptions used in its last impairment test, the Corporation believes that there are no significant amounts of long-lived assets with finite useful lives, or goodwill and intangible assets with indefinite useful lives on its books at this time that present a significant risk of impairment in the near future. However, since impairment charges were recorded in 2014 in the Newspaper and Broadcasting CGUs, any negative change in the future in the assumptions used for the purpose of realizing the impairment test in these CGUs could result in an additional impairment charge.

The net book value of goodwill as at December 31, 2014 was $2.71 billion, and the net book value of intangible assets with indefinite useful lives as at December 31, 2014 was $60.5 million.

Derivative financial instruments and hedge accounting

The Corporation uses various derivative financial instruments to manage its exposure to fluctuations in foreign currency exchange rates and interest rates. The Corporation does not hold or use any derivative financial instruments for speculative purposes. Under hedge accounting, the Corporation documents all hedging relationships between hedging items and hedged items, as well as its strategy for using hedges and its risk management objective. It also designates its derivative financial instruments as either fair value hedges or cash flow hedges when they qualify for hedge accounting. The Corporation assesses the effectiveness of derivative financial instruments when the hedge is put in place and on an ongoing basis.

The Corporation generally enters into the following types of derivative financial instruments:

- The Corporation uses foreign exchange forward contracts to hedge foreign currency rate exposure on anticipated equipment or inventory purchases in a foreign currency. The Corporation also uses offsetting foreign exchange forward contracts in combination with cross-currency interest rate swaps to hedge foreign currency rate exposure on interest and principal payments on foreign currency denominated debt. These foreign exchange forward contracts are designated as cash flow hedges.
- The Corporation uses cross-currency interest rate swaps to hedge (i) foreign currency rate exposure on interest and principal payments on foreign currency denominated debt and/or (ii) fair value exposure on certain debt resulting from changes in interest rates. The cross-currency interest rate swaps that set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting an interest rate from a floating rate to a floating rate or from a fixed rate to a fixed rate, are designated as cash flow hedges. The cross-currency interest rate swaps are designated as fair value hedges when they set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting the interest rate from a fixed rate to a floating rate.
- The Corporation uses interest rate swaps to manage fair value exposure on certain debt resulting from changes in interest rates. These swap agreements require a periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. These interest rate swaps are designated as fair value hedges when they convert the interest rate from a fixed rate to a floating rate, or as cash flow hedges when they convert the interest rate from a floating rate to a fixed rate.

Under hedge accounting, the Corporation applies the following accounting policies:

- For derivative financial instruments designated as fair value hedges, changes in the fair value of the hedging derivative recorded in income are substantially offset by changes in the fair value of the hedged item to the extent that the hedging relationship is effective. When a fair value hedge is discontinued, the carrying value of the hedged item is no longer adjusted and the cumulative fair value adjustments to the carrying value of the hedged item are amortized to income over the remaining term of the original hedging relationship.
- For derivative financial instruments designated as cash flow hedges, the effective portion of a hedge is reported in “Other comprehensive income” until it is recognized in income during the same period in which the hedged item affects income, while the ineffective portion is immediately recognized in income. When a cash flow hedge is discontinued, the amounts previously recognized in accumulated Other comprehensive income are reclassified to income when the variability in the cash flows of the hedged item affects income.

Any change in the fair value of these derivative financial instruments recorded in income is included in gain or loss on valuation and translation of financial instruments. Interest expense on hedged long-term debt is reported at the hedged interest and foreign currency rates.

Derivative financial instruments that do not qualify for hedge accounting, including derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts, such as early settlement options on long term-debt, are reported on a fair value basis in the consolidated balance sheets. Any change in the fair value of these derivative financial instruments is recorded in income as a gain or loss on valuation and translation of financial instruments.

Early settlement options are accounted for separately from the debt when the corresponding option exercise price is not approximately equal to the amortized cost of the debt.

The judgment used in determining the fair value of derivative financial instrument including embedded derivatives, using valuation and pricing models, may have a significant effect on the value of the gain or loss on valuation and translation of financial instruments recorded in the consolidated statements of income, and the value of the gain or loss on derivative financial instruments recorded in the consolidated statements of comprehensive income. Also, valuation and financial models are based on a number of assumptions including future cash flows, period-end swap rates, foreign exchange rates, credit default premium, volatility, discount factors and underlying instrument adjusted implicit interest rate and credit premium.

In addition, judgment is required to determine if an option exercise price is not approximately equal to the amortized cost of the debt. This determination may have a significant impact on the amount of gains or losses on valuation and translation of financial instruments recorded in the consolidated statements of income.

Convertible debentures

The convertible debentures are accounted for as a financial liability and the cap and floor conversion price features are accounted for separately as embedded derivatives. The embedded derivatives are measured at fair value and any subsequent change in the fair value is recorded in the consolidated statement of income as a gain or loss on valuation and translation of financial instruments.

Determination of the fair value of the embedded derivatives is based on a number of assumptions, including contractual future cash flows, volatility and discount factors. The judgment used in determining the fair value of embedded derivatives, using valuation models, may have a significant effect on the value of the gain or loss on valuation and translation of financial instruments recorded in the consolidated statements of income.

Pension and postretirement benefits

The Corporation offers defined contribution pension plans and defined benefit pension plans to some of its employees.

Quebecor Media's defined benefit obligations with respect to defined benefit pension plan and postretirement benefits plan are measured at present value and assessed on the basis of a number of economic and demographic assumptions, which are established with the assistance of Quebecor Media's actuaries. Key assumptions relate to the discount rate, the rate of increase in compensation, retirement age of employees, healthcare costs, and other actuarial factors. Defined benefit pension plan assets are measured at fair value and consist of equities and corporate and government fixed-income securities.

Re-measurements of the net defined benefit liability or asset are recognized immediately in "Other comprehensive income."

Recognition of a net benefit asset is limited under certain circumstances to the amount recoverable, which is primarily based on the present value of future contributions to the plan to the extent to which the Corporation can unilaterally reduce those future contributions. In addition, an adjustment to the net benefit asset or the net benefit liability can be recorded to reflect a minimum funding liability in a certain number of the Corporation's pension plans. The assessment of the amount recoverable in the future, for the purpose of calculating the limit on the net benefit asset, is based on a number of assumptions, including future service costs and reductions in future plan contributions.

The Corporation considers all the assumptions used to be reasonable in view of the information available at this time. However, variances from certain of these assumptions may have a significant impact on the costs and obligations of pension plans and postretirement benefits in future periods.

Stock-based compensation

Stock-based awards to employees that call for settlement in cash or other assets at the option of the employee are accounted for at fair value and classified as a liability. The compensation cost is recognized in expenses over the vesting period. Changes in the fair value of stock-based awards between the grant date and the measurement date result in a change in the liability and compensation cost.

Estimates of the fair value of stock option awards are determined by applying an option-pricing model, taking into account the terms and conditions of the grant and assumptions such as the risk-free interest rate, the dividend yield, the expected volatility, and the expected remaining life of the option.

The judgment and assumptions used in determining the fair value of liability-classified stock-based awards may have an effect on the compensation cost recorded in the statements of income.

Provisions

Provisions are recognized when (i) the Corporation has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and when (ii) the amount of the obligation can be reliably estimated. Restructuring costs, comprised primarily of termination benefits, are recognized when a detailed plan for the restructuring exists and a valid expectation has been raised in those affected that the plan will be carried out.

Provisions are reviewed at each balance sheet date and changes in estimates are reflected in the consolidated statements of income in the reporting period in which changes occur.

The amount recognized as a provision is the best estimate of the expenditures required to settle the present obligation at the balance sheet date or to transfer it to a third party at that time, and is adjusted for the effect of time value when material. The amount recognized for onerous contracts is the lower of the cost necessary to fulfill the obligations, net of expected economic benefits deriving from the contracts, and any indemnity or penalty arising from failure to fulfill those obligations.

No amounts are recognized for obligations that are possible but not probable or for those for which an amount cannot be reasonably estimated.

Allowance for doubtful accounts

The Corporation maintains an allowance for doubtful accounts to cover anticipated losses from customers who are unable to pay their debts. The allowance is reviewed periodically and is based on an analysis of specific significant accounts outstanding, the age of the receivable, customer creditworthiness, and historical collection experience.

Business combinations

A business combination is accounted for by the acquisition method. The cost of an acquisition is measured at the fair value of the consideration given in exchange for control of the business acquired at the acquisition date. This consideration can be comprised of cash, assets transferred, financial instruments issued, or future contingent payments. The identifiable assets and liabilities of the business acquired are recognized at their fair value at the acquisition date. Goodwill initially arising from a business acquisition is measured and recognized as the excess of the fair value of the consideration paid over the fair value of the recognized identifiable assets acquired and liabilities assumed. The judgments made in determining the estimated fair value and the expected useful life of each acquired asset, and the estimated fair value of each assumed liability, can significantly impact net income.

Determining the fair value of certain acquired assets, assumed liabilities and future contingent considerations requires judgment and involves complete absolute reliance on estimates and assumptions. The Corporation primarily uses the discounted future cash flows approach to estimate the value of acquired intangible assets.

The estimates and assumptions used in the allocation of the purchase price at the date of acquisition may also have an impact on the amount of an impairment charge to be recognized, if any, after the date of acquisition, as discussed above under “Impairment of assets.”

Income taxes

Deferred income taxes are accounted for using the liability method. Under this method, deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in income in the period that includes the substantive enactment date. A deferred tax asset is recognized initially when it is probable that future taxable income will be sufficient to use the related tax benefits and may be subsequently reduced, if necessary, to an amount that is more likely than not to be realized.

The assessment of deferred income taxes is judgmental in nature and is dependent on assumptions and estimates as to the availability and character of future taxable income. The ultimate amount of deferred income tax assets realized could be slightly different from that recorded, since it is influenced by the Corporation’s future operating results.

The Corporation is at all times under audit by various tax authorities in each of the jurisdictions in which it operates. A number of years may elapse before a particular matter for which management has established a reserve is audited and resolved. The number of years between each tax audit varies depending on the tax jurisdiction. Management believes that its estimates are reasonable and reflect the probable outcome of known tax contingencies, although the final outcome is difficult to predict.

Changes in Accounting Policies

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 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 retrospectively changed 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 price features are now accounted for separately as embedded derivatives at fair value, with changes in

fair value being recorded in income. The following tables summarize the impact of this change in accounting policy on previously reported financial information.

Consolidated statements of income and comprehensive income

		2013
Financial expenses	$	13.6
Loss on valuation and translation of financial instruments		145.5
Deferred income taxes		(4.4)
Net loss and comprehensive loss attributable to shareholders	$	(154.7)
Earnings per share attributable to shareholders		
Basic	$	(1.25)

Consolidated balance sheets

Increase (decrease)		**2014**		2013
Accounts payable and accrued charges	**$**	**(11.6)**	$	(10.7)
Convertible debentures		**500.0**		500.0
Other liabilities[1]		**40.7**		(119.2)
Deferred income tax liability		**25.9**		30.2
Equity component of convertible debentures		**(398.3)**		(398.3)
Retained earnings		**(156.7)**		(2.0)

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

Recent accounting pronouncements

The Corporation has not yet completed its assessment of the impact of the adoption of these pronouncements on its consolidated financial statements.

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

IFRS 9 simplifies the measurement and classification of financial assets by reducing the number of measurement categories in IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard also provides for a fair value option in the designation of a non-derivative financial liability and its related classification and measurement, as well as for a new hedge accounting model more closely aligned with risk management activities undertaken by entities.

(ii) IFRS 15 – *Revenue from Contracts with Customers* is required to be applied retrospectively 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.

Controls and Procedures

In accordance with Regulation 52-109 on Certification of Disclosure in Issuers' Annual and Interim Filings, the effectiveness of the Corporation's disclosure controls and procedures ("DCP") and "Internal control over financial reporting" ("ICFR") has been evaluated. Based on this evaluation, the President and Chief Executive Officer and the Chief Financial Officer concluded that DCP and ICFR were effective as of the end of the financial year ended December 31, 2014. The design of DCP therefore provides reasonable assurance that material information relating to the Corporation, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared, and that information required to be disclosed by the Corporation in its annual, interim and other reports, which it files or releases in accordance with securities laws, is recorded, processed, summarized and reported within the time periods specified under those laws. Moreover, the design of ICFR provides reasonable assurance of the reliability of the Corporation's financial reporting and of the preparation of its financial statements, for the purpose of financial reporting, in accordance with the Corporation's IFRS.

Finally, no change to ICFR that has had or is liable to have a material effect was identified by management during the financial period beginning October 1, 2014 and ending December 31, 2014.

Additional Information

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

Cautionary Statement Regarding Forward-Looking Statements

The statements in this report that are not historical facts are forward-looking statements and are subject to significant known and unknown risks, uncertainties and assumptions that could cause the Corporation's actual results for future periods to differ materially from those set forth in the forward-looking statements. Forward-looking statements may be identified by the use of the conditional or by forward-looking terminology such as the terms "plans," "expects," "may," "anticipates," "intends," "estimates," "projects," "seeks," "believes," or similar terms, variations of such terms or the negative of such terms. Some important factors that could cause actual results to differ materially from those expressed in these forward-looking statements include, but are not limited to:

- Quebecor Media's ability to continue developing its network and related mobile services;
- general economic, financial or market conditions and variations in the businesses of Quebecor Media's local, regional or national newspaper and broadcasting advertisers;
- the intensity of competitive activity in the industries in which Quebecor operates;
- fragmentation of the media landscape;
- new technologies that might change consumer behaviour with respect to Quebecor Media's product suites;
- unanticipated higher capital spending required for developing its network or to address the continued development of competitive alternative technologies, or the inability to obtain additional capital to continue the development of Quebecor's business;
- Quebecor's ability to implement its business and operating strategies successfully and to manage its growth and expansion;
- Quebecor Media's ability to successfully restructure its newspaper operations to optimize their efficiency in the context of the changing newspaper industry;
- disruptions to the network through which Quebecor Media provides its digital cable television, Internet access and telephony services, and its ability to protect such services from piracy;
- labour disputes or strikes;
- changes in Quebecor Media's ability to obtain services and equipment critical to its operations;
- changes in laws and regulations, or in their interpretations, which could result, among other things, in the loss (or reduction in value) of Quebecor Media's licences or markets or in an increase in competition, compliance costs or capital expenditures;
- Quebecor's substantial indebtedness, the tightening of credit markets, and the restrictions on its business imposed by the terms of its debt; and;
- interest rate fluctuations that could affect Quebecor's interest payment requirements on long-term debt.

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

The forward-looking statements in this Management Discussion and Analysis reflect the Corporation’s expectations as of March 11, 2015, and are subject to change after that 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

March 11, 2015

QUEBECOR INC. AND ITS SUBSIDIARIES

SELECTED FINANCIAL DATA

Years ended December 31, 2014, 2013 and 2012
(in millions of Canadian dollars, except per share data)

	2014	2013 (1)	2012 (1)
Operations			
Revenues	**$ 3,716.1**	$ 3,647.5	$ 3,553.3
Adjusted operating income	**1,398.9**	1,370.1	1,291.7
Contribution to net (loss) income attributable to shareholders:			
Continuing operations	**202.3**	177.3	153.2
(Loss) gain on valuation and translation of financial instruments	**(95.3)**	(279.3)	50.9
Unusual items	**(87.8)**	(40.5)	21.0
Discontinued operations	**(49.3)**	(146.1)	(66.0)
Net (loss) income attributable to shareholders	**(30.1)**	(288.6)	159.1
Cash flows provided by continuing operating activities	**959.6**	891.7	1,037.5
Basic data per share			
Contribution to net (loss) income attributable to shareholders:			
Continuing operations	**$ 1.64**	$ 1.43	$ 1.21
(Loss) gain on valuation and translation of financial instruments	**(0.77)**	(2.25)	0.40
Unusual items	**(0.71)**	(0.33)	0.17
Discontinued operations	**(0.40)**	(1.18)	(0.52)
Net (loss) income attributable to shareholders	**(0.24)**	(2.33)	1.26
Dividends	**0.10**	0.10	0.10
Equity attributable to shareholders	**4.10**	4.83	7.20
Weighted average number of shares outstanding (in millions)	**123.0**	124.0	126.4
Diluted data per share			
Contribution to net (loss) income attributable to shareholders:			
Continuing operations	**$ 1.51**	$ 1.32	$ 1.18
Dilution impact	**0.13**	0.11	-
(Loss) gain on valuation and translation of financial instruments	**(0.77)**	(2.25)	0.39
Unusual items	**(0.71)**	(0.33)	0.16
Discontinued operations	**(0.40)**	(1.18)	(0.51)
Net (loss) income attributable to shareholders	**(0.24)**	(2.33)	1.22
Diluted weighted average number of shares (in millions)	**123.0**	124.0	132.2
Financial position			
Working capital	**$ 90.2**	$ 75.0	$ (103.1)
Long-term debt	**5,048.2**	4,975.3	4,507.8
Equity attributable to shareholders	**504.0**	599.5	909.7
Equity	**1,063.3**	1,195.4	1,541.0
Total assets	**9,078.5**	9,016.4	9,007.8

(1) Comparative figures have been restated to reflect the change in the accounting policy for the convertible debentures. Refer to note 1b) to the consolidated financial statements for December 2014.

QUEBECOR INC. AND ITS SUBSIDIARIES

SELECTED QUARTERLY FINANCIAL DATA

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

				2014				2013
	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30	March 31
				(1)	(1)	(1)	(1)	(1)
Revenues	**$ 989.4**	**$ 911.3**	**$ 916.2**	**$ 899.2**	$ 961.3	$ 905.2	$ 902.1	$ 878.9
Adjusted operating income	**$ 353.1**	**$ 358.9**	**$ 355.5**	**$ 331.4**	$ 356.4	$ 359.5	$ 344.5	$ 309.7
Contribution to net (loss) income attributable to shareholders:								
Continuing operations	**50.3**	**56.2**	**53.1**	**42.7**	48.6	55.7	42.1	30.9
(Loss) gain on valuation and translation of financial instruments	**(92.5)**	**(26.9)**	**21.2**	**2.9**	(58.0)	(24.8)	(159.9)	(36.6)
Unusual items	**(32.0)**	**(22.0)**	**(24.1)**	**(9.7)**	(1.1)	(27.8)	(11.3)	(0.3)
Discontinued operations	**14.7**	**37.8**	**(105.0)**	**3.2**	10.8	(191.9)	35.5	(0.5)
Net (loss) income attributable to shareholders	**(59.5)**	**45.1**	**(54.8)**	**39.1**	0.3	(188.8)	(93.6)	(6.5)
Basic data per share								
Contribution to net (loss) income attributable to shareholders:								
Continuing operations	**0.41**	**$ 0.46**	**$ 0.43**	**$ 0.35**	$ 0.39	$ 0.45	$ 0.34	$ 0.25
(Loss) gain on valuation and translation of financial instruments	**-** **(0.75)**	**(0.22)**	**0.17**	**0.02**	(0.47)	(0.20)	(1.29)	(0.30)
Unusual items	**(0.26)**	**(0.18)**	**(0.20)**	**(0.08)**	(0.01)	(0.23)	(0.09)	-
Discontinued operations	**0.12**	**0.31**	**(0.85)**	**0.03**	0.09	(1.55)	0.29	-
Net (loss) income attributable to shareholders	**(0.48)**	**0.37**	**(0.45)**	**0.32**	-	(1.53)	(0.75)	(0.05)
Weighted average number of shares outstanding (in millions)	**122.9**	**122.9**	**123.0**	**123.1**	123.5	123.7	124.3	124.7
Diluted data per share								
Contribution to net (loss) income attributable to shareholders:								
Continuing operations	**$ 0.38**	**$ 0.42**	**$ 0.40**	**$ 0.32**	$ 0.36	$ 0.41	$ 0.31	$ 0.23
Dilution impact	**0.03**	**0.04**	**-**	**-**	0.03	0.04	0.03	0.02
(Loss) gain on valuation and translation of financial instruments	**(0.75)**	**(0.22)**	**(0.01)**	**0.02**	(0.47)	(0.20)	(1.29)	(0.30)
Unusual items	**(0.26)**	**(0.18)**	**(0.17)**	**(0.08)**	(0.01)	(0.23)	(0.09)	-
Discontinued operations	**0.12**	**0.31**	**(0.73)**	**0.03**	0.09	(1.55)	0.29	-
Net (loss) income attributable to shareholders	**(0.48)**	**0.37**	**(0.51)**	**0.29**	-	(1.53)	(0.75)	(0.05)
Weighted average number of diluted shares outstanding (in millions)	**122.9**	**122.9**	**143.8**	**144.2**	123.5	123.7	124.3	124.7

(1) Comparative figures have been restated to reflect the change in the accounting policy for the convertible debentures. Refer to note 1b) to the consolidated financial statements for December 2014.