MANAGEMENT DISCUSSION AND ANALYSIS

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CORPORATE PROFILE

This Management Discussion and Analysis covers the main activities of Quebecor Inc. ("Quebecor" or "the Corporation") in the first quarter of 2015 and the major changes from the previous financial year.

All amounts are stated in Canadian dollars unless otherwise indicated. This report should be read in conjunction with the information in the consolidated financial statements and Management Discussion and Analysis for the financial year ended December 31, 2014.

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

During the third quarter of 2014, the Corporation changed its organizational structure and its operations are now managed through the following three segments: Telecommunications, Media, and Sports 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 Videotron Centre in Québec City, 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.

DISCONTINUED OPERATIONS

On April 13, 2015, Quebecor Media closed the sale, announced on October 6, 2014, of its English-language newspaper businesses in Canada – more than 170 newspapers and publications, the Canoe portal in English Canada, and 8 printing plants, including the Islington, Ontario plant – for a total cash consideration of $305.5 million, consisting of the selling price of $316.0 million less $10.5 million for the customary adjustments and adjustments related to real estate properties sold by Sun Media Corporation prior to closing. The transaction was approved by the Competition Bureau on March 25, 2015. 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 February 13, 2015, Quebecor Media announced the discontinuation of the operations of the English-language news and opinion specialty channel SUN News General Partnership. 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. 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.

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 2014

- Quebecor's sales totalled $948.6 million in the first quarter of 2015, a $50.8 million (5.7%) increase from the same period of the previous year.

- The quarterly dividend on the Corporation's Class A Multiple Voting Shares ("Class A Shares") and Class B Subordinate Voting Shares ("Class B Shares") was increased by 40% from $0.025 to $0.035 per share.

Telecommunications

- The Telecommunications segment's revenues increased by $38.4 million (5.3%) and its adjusted operating income by $7.7 million (2.3%) in the first quarter of 2015.
- Videotron Ltd. ("Videotron") recorded significant revenue increases from two of its services in the first quarter of 2015: mobile telephony ($27.7 million or 44.9%) and Internet access ($13.4 million or 6.4%).

- A net increase of 28,000 revenue-generating units[1] was recorded in the first quarter of 2015, compared with 17,700 in the same period of 2014. During the 12-month period ended March 31, 2015, the total number of revenue-generating units increased by 247,400 (4.7%), including increases of 139,600 subscriber connections to the mobile telephone service and 117,000 subscriptions to the over-the-top video service.

- Videotron's average monthly revenue per user ("ARPU") increased by $10.24 (8.4%) from $121.72 in the first quarter of 2014 to $131.96 in the first quarter of 2015, including an increase of $6.01 (15.0%) for the mobile telephony service, a record since the service was launched in 2010.

- On March 6, 2015**,** the Québec Court of Appeal ruled in favour of Videotron and TVA Group Inc. ("TVA Group"), and ordered Bell ExpressVu Limited Partnership ("Bell ExpressVu"), a subsidiary of Bell Canada, to pay Videotron compensation totalling $135.3 million and TVA Group compensation in the amount of $0.6 million for having neglected to implement an appropriate security system to prevent piracy of the signals broadcast by its satellite television service between 1999 and 2005, thereby harming its competitors and broadcasters. Early in May 2015, Bell ExpressVu applied for leave to appeal the judgment to the Supreme Court of Canada. A decision on its application is pending.

- On March 11, 2015, Videotron closed the acquisition of 4Degrees Colocation Inc. and its data centre ("4Degrees Colocation"), the largest in Québec City, for a cash consideration of $35.5 million. The acquisition will enable Videotron to meet its business customers' growing technological and hosting needs.

- 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.

<u>Media</u>

- On April 26, 2015, TVA Sports' broadcast of the sixth game in the playoff series between the Montréal Canadiens and the Ottawa Senators was watched by a record 1,725,000 viewers, a 40.3% market share. Since TVA Sports began carrying National Hockey League ("NHL") hockey, its subscriber base has swelled to more than 2.0 million.

- On April 12, 2015, TVA Group closed the acquisition of of 14 magazines, 3 websites and custom publishing contracts from Transcontinental Inc. for a cash consideration of $55.5 million. The transaction had been announced on November 17, 2014. Upon closing, TVA Group became sole owner of the magazines *Coup de pouce*, *Canadian Living*, *Décormag*, *Style at Home*, *Fleurs Plantes Jardins*, *Canadian Gardening*, *Québec Vert*, *The Hockey News*, *Condo Maison Direct* and *Maisons Neuves Rive-Sud et Condos*, and the *recettes.qc.ca*, *Quoi manger* and *On the table* websites. TVA Group also holds an effective 51% interest in TVA Group-Hearst Publications Inc., which publishes *Elle Canada* and *Elle Québec* magazines, and 50% of the shares of Publications Senior inc., which publishes *Le Bel Âge* and *Good Times* magazines. The transaction was approved by the Competition Bureau on March 2, 2015.

- According to the 2014 PMB and NADbank surveys, which measure the readership of Canada's major daily newspapers, *Le Journal de Montréal*, *Le Journal de Québec* and *24 heures* are very strongly positioned in their respective markets and are read by nearly one out of two adults in the Montréal and Québec City metropolitan areas.
    - With a weekly readership of 1.8 million, *Le Journal de Montréal* has 51% more readers of its print version than its nearest rival (source: PMB Spring 2015, province of Québec, 12+, cumulative 7 days, print edition only).
    - Since July 2014, the *journaldemontreal.com* site has logged a 72% increase in traffic on all platforms, compared with a 2% decrease for its nearest rival (source: comScore Media Metrix® Multi-Platform, Canada, February 2015 *vs* July 2014). The heavier traffic on the *Journal de Montréal* site was due in large part to its excellent performance on mobile devices. During the last seven months analyzed (July 2014 to February 2015), visits to the *journaldemontreal.com* site from cell phones and tablets increased by 142%.
    - *Le Journal de Québec* reached a total weekly readership of 369,800 on all platforms, 67,400 more than its main rival (source: NADbank 2015, Québec City CMA, Adults 18+, cumulative 7 days, print, PDF, Web and mobile).
    - Finally, the free daily *24 heures* reached 622,000 readers per week (source: NADbank 2015, Montréal CMA, Adults 18+, cumulative 5 days, print, PDF, Web and mobile).

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[1] The sum of subscriptions to the cable television, cable Internet access and over-the-top video services, plus subscriber connections to the cable and mobile telephony services.

- The third season of *La Voix* achieved record ratings throughout its run from January 18 to April 12, 2015. The weekly gala attracted an average audience of 2,787,000 (source: Numeris, French Québec, January 18 to March 29, 2015, All 2+) and its average market share was 59%. 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.

Sports and Entertainment

- On April 7, 2015, the Québec City arena officially became the Videotron Centre. The facility is scheduled to open on September 11, 2015.
- In April 2015, the Videotron Centre's program for the month of September 2015 was announced. It includes an opening gala, two home games of the Remparts de Québec of the Québec Major Junior Hockey League ("QMJHL"), performances by the rock band Metallica, the comedy group Rock et Belles Oreilles, and Madonna, a boxing card and a preseason hockey game between the Montréal Canadiens and the Pittsburgh Penguins.
- On April 2, 2015, Quebecor Media announced an 8-year strategic partnership with AEG Facilities, the world leader in sports and entertainment venue management. The AEG Live division will support the Sports and Entertainment segment in booking events, shows and tours for the 18,400-seat Videotron Centre.
- 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 Videotron Centre.

Financial transactions

- On April 10, 2015, Videotron completed the redemption of all the 6.375% Senior Notes maturing on December 15, 2015, in the aggregate principal amount of US$175.0 million, at a redemption price equal to 100% of the principal amount, and unwound the related hedges in an asset position. The redemption notice was issued on March 11, 2015.
- On March 20, 2015, TVA Group completed a rights offering whereby it received net proceeds totalling approximately $110.0 million from the issuance of 19,434,629 Class B Shares, non-voting, participating, without par value of TVA Group ("Class B Non-Voting Shares of TVA Group"). Under the rights offering, Quebecor Media subscribed for 17,300,259 Class B Non-Voting Shares of TVA Group at a total cost of $97.9 million. As a result, its total interest in TVA Group's equity increased from 51.5% to 68.4%.

NON-IFRS FINANCIAL MEASURES

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

Adjusted Operating Income

In its analysis of operating results, the Corporation defines adjusted operating income, as reconciled to net income under IFRS, as net income before depreciation and amortization, financial expenses, (loss) gain on valuation and translation of financial instruments, charge for restructuring of operations, impairment of assets and other special items, gain (loss) on debt refinancing, income tax, and 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 1 below provides a reconciliation of adjusted operating income to net income as disclosed in Quebecor's condensed consolidated financial statements.

Table 1
Reconciliation of the adjusted operating income measure used in this report to the net income measure used in the condensed consolidated financial statements
(in millions of Canadian dollars)

	Three months ended March 31	
	2015	2014
Adjusted operating income (loss):		
Telecommunications	**$ 343.3**	$ 335.6
Media	**(5.9)**	(6.2)
Sports and Entertainment	**(0.1)**	(0.7)
Head Office	**1.7**	6.0
	339.0	334.7
Depreciation and amortization	**(182.4)**	(161.7)
Financial expenses	**(87.8)**	(94.1)
(Loss) gain on valuation and translation of financial Instruments	**(5.1)**	2.9
Restructuring of operations, impairment of assets and other special items	**(11.4)**	(1.1)
Gain (loss) on debt refinancing	**1.7**	(18.7)
Income taxes	**(19.7)**	(16.3)
Income from discontinued operations	**1.6**	1.4
Net income	**$ 35.9**	$ 47.1

Adjusted Income from Continuing Operations

The Corporation defines adjusted income from continuing operations, as reconciled to net income attributable to shareholders under IFRS, as net income attributable to shareholders before (loss) gain on valuation and translation of financial instruments, charge for restructuring of operations, impairment of assets and other special items, gain (loss) on debt refinancing, net of income tax related to adjustments and net income attributable to non-controlling interests related to adjustments, and before 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 2 provides a reconciliation of adjusted income from continuing operations to the net income attributable to shareholders measure used in Quebecor's condensed consolidated financial statements.

Table 2

Reconciliation of the adjusted income from continuing operations measure used in this report to the net income attributable to shareholders measure used in the condensed consolidated financial statements

	Three months ended March 31	
	2015	2014
Adjusted income from continuing operations	**$ 40.8**	$ 44.3
(Loss) gain on valuation and translation of financial instruments	**(5.1)**	2.9
Restructuring of operations, impairment of assets and other special items	**(11.4)**	(1.1)
Gain (loss) on debt refinancing	**1.7**	(18.7)
Income taxes related to adjustments[1]	**(1.0)**	7.3
Net income attributable to non-controlling interest related to adjustments	**2.1**	2.8
Discontinued operations	**2.3**	1.6
Net income attributable to shareholders	**$ 29.4**	$ 39.1

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

Cash Flows from Segment Operations

Cash flows from segment operations represents adjusted operating income, less additions to property, plant and equipment and to intangible assets (excluding disbursements for licence acquisitions and renewals), plus proceeds from disposal of assets. The Corporation uses cash flows from segment operations as a measure of the liquidity generated by its segments. Cash flows from segment operations represents funds available for interest and income tax payments, expenditures related to restructuring programs, business acquisitions, licence acquisitions and renewals, the payment of dividends, and the repayment of long-term debt. Cash flows from segment operations is not a measure of liquidity that is consistent with IFRS. It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows as a measure of liquidity. Cash flows from segment operations is used by the Corporation's management and Board of Directors to evaluate cash flows generated by its segments' operations. Tables 7 and 8 provide a reconciliation of cash flows from segment operations to cash flows provided by continuing operating activities reported in Quebecor's consolidated financial statements.

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

Free cash flows from continuing operating activities of the Quebecor Media subsidiary represents cash flows provided by its continuing operating activities calculated in accordance with IFRS, less additions to property, plant and equipment and to intangible assets (excluding disbursements for licence acquisitions and renewals), plus proceeds from disposal of assets. Free cash flows from continuing operating activities is used by the Corporation's management and Board of Directors to evaluate cash flows generated by the operations of the Quebecor Media subsidiary. Free cash flows from continuing operating activities represents Quebecor Media's available funds for business acquisitions, licence acquisitions and renewals, the payment of dividends, and the repayment of long-term debt. Free cash flows from continuing operating activities is not a measure of liquidity that is consistent with IFRS. It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows as a measure of liquidity. The Corporation's definition of free cash flows from continuing operating activities may not be identical to similarly titled measures reported by other companies.

Table 8 provides a reconciliation of free cash flows from continuing operating activities of Quebecor Media to cash flows provided by continuing operating activities reported in Quebecor's condensed consolidated financial statements.

Average Monthly Revenue per User

ARPU is an industry metric that the Corporation uses to measure monthly revenues from its cable television, Internet access, cable and mobile telephony and over-the-top video services, per average basic 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 revenues from its cable television, Internet access, cable and mobile telephony and over-the-top video services by the average number of basic customers during the applicable period, and then dividing the resulting amount by the number of months in the applicable period.

ANALYSIS OF CONSOLIDATED RESULTS OF QUEBECOR

2015/2014 first quarter comparison

Revenues: $948.6 million, an increase of $50.8 million (5.7%).

- Revenues increased in Telecommunications ($38.4 million or 5.3% of segment revenues), Media ($15.4 million or 8.4%) and Sports and Entertainment ($3.7 million or 26.4%).

Adjusted operating income: $339.0 million, a $4.3 million (1.3%) increase.

- Adjusted operating income increased in Telecommunications ($7.7 million or 2.3% of segment adjusted operating income). Favourable variances were recorded in Sports and Entertainment ($0.6 million) and Media ($0.3 million).
- There was an unfavourable variance at Head Office (-$4.3 million) resulting mainly from the unfavourable variance in the stock option expense.
- The change in the fair value of Quebecor Media stock options resulted in a $1.9 million favourable variance in the stock-based compensation charge in the first quarter of 2015 compared with the same period of 2014. 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 $6.0 million unfavourable variance in the Corporation's stock-based compensation charge in the first quarter of 2015.

Net income attributable to shareholders: $29.4 million ($0.24 per basic share) in the first quarter of 2015, compared with $39.1 million ($0.32 per basic share) in the same period of 2014, an unfavourable variance of $9.7 million ($0.08 per basic share).

- The unfavourable variance was due primarily to:
  - $20.7 million increase in amortization charge;
  - $10.3 million unfavourable variance in the charge for restructuring of operations, impairment of assets and other special items;
  - $8.0 million unfavourable variance in losses and gains on valuation and translation of financial instruments, including the impact of a $9.0 million unfavourable variance in convertible debentures (without any tax consequences).

  Partially offset by:
  - $20.4 million favourable variance in gains and losses on debt refinancing;
  - $6.3 million decrease in financial expenses;
  - $4.3 million increase in adjusted operating income.

Adjusted income from continuing operations: $40.8 million ($0.33 per basic share) in the first quarter of 2015, compared with $44.3 million ($0.36 per basic share) in the same period of 2014, a decrease of $3.5 million ($0.03 per basic share).

Depreciation and amortization charge: $182.4 million in the first quarter of 2015, a $20.7 million increase essentially due to the impact of capital expenditures in the Telecommunications segment, including amortization of expenditures related to the promotional strategy focused on equipment leasing, to investments in the LTE network, and to modernization and expansion of the wired and wireless networks.

Financial expenses: $87.8 million, a $6.3 million decrease caused mainly by the impact of lower interest rates on long-term debt due to debt refinancing at lower rates and by lower indebtedness.

Loss on valuation and translation of financial instruments: $5.1 million in the first quarter of 2015 compared with a $2.9 million gain in the first quarter of 2014. The $8.0 million unfavourable variance was mainly due to the $9.0 million unfavourable variance (without any tax consequences) in the loss or gain on embedded derivatives related to convertible debentures.

Charge for restructuring of operations, impairment of assets and other special items: $11.4 million in the first quarter of 2015, compared with $1.1 million in the same period of 2014, an unfavourable variance of $10.3 million.

- In the first quarter of 2015, Quebecor Media's segments recognized a total $4.0 million restructuring expense ($1.0 million in the same period of 2014) in connection with various cost-cutting initiatives.

- In the Telecommunications segment, a $7.0 million asset impairment expense and a $0.4 million other special charge were recognized in the first quarter of 2015 ($0.1 million in the same period of 2014).

Gain on debt refinancing: $1.7 million in first quarter of 2015, compared with an $18.7 million loss in the same period of 2014, a $20.4 million favourable variance.

- In accordance with a notice issued on March 11, 2015, Videotron redeemed, on April 10, 2015, US$175.0 million aggregate principal amount of its 6.375% Senior Notes maturing on December 15, 2015 at 100.00% of the principal amount. A $1.7 million net gain was recorded in the consolidated statement of income in the first quarter of 2015 in connection with this redemption, including a $1.8 million gain previously recorded in "Other comprehensive income."
- 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% 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."

Income tax expense: $19.7 million in the first quarter of 2015 (effective tax rate of 32.0%) compared with $16.3 million in the same period of 2014 (effective tax rate of 26.9%), a $3.4 million unfavourable variance. The effective tax rate is calculated considering only taxable and deductible items.

- The unfavourable variance in the income tax expense and the unfavourable variance in the effective tax rate were essentially 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 the losses on debt refinancing.

SEGMENTED ANALYSIS

Telecommunications

First quarter 2015 operating results

Revenues: $762.5 million in the first quarter of 2015, a $38.4 million (5.3%) increase.

- Combined revenues from all cable television services decreased $5.5 million (-2.0%) to $267.3 million, 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 $13.4 million (6.4%) to $223.6 million. The favourable variance was mainly due to higher per-subscriber revenues, higher revenues from Internet access resellers, increased usage and customer base growth.
- Revenues from cable telephone service were flat at $117.9 million. The increase in per-subscriber revenues was partially offset by a decrease in long-distance revenues.
- Revenues from mobile telephony service increased $27.7 million (44.9%) to $89.4 million, essentially due to customer growth and higher net revenue per subscriber connection.
- Revenues of Videotron Business Solutions were flat at $16.6 million.
- Revenues from customer equipment sales were flat at $8.8 million.
- Revenues from the over-the-top video service tripled to $5.4 million in the first quarter of 2015, compared with $1.8 million in the same period of 2014, mainly because of the significant increase in the subscriber base.
- Revenues from retail sales decreased by $0.7 million (-2.2%) to $30.8 million, mainly because of decreased sales of CDs and videos, lower franchise fees and the impact of store closings.
- Other revenues increased $0.1 million (3.6%) to $2.9 million.

ARPU: $131.96 in the first quarter of 2015, compared with $121.72 in the same period of 2014, a $10.24 (8.4%) increase.

Customer statistics

Revenue generating units – As of March 31, 2015, the total number of revenue generating units stood at 5,507,200, a 28,000 (0.5%) unit increase from the end of 2014, compared with a 17,700 increase in the first quarter of 2014 (Table 3). In the 12-month period ended March 31, 2015, the number of revenue-generating units increased by 247,400 (4.7%). Revenue-generating units are the sum of subscriptions to the cable television, cable Internet access and over-the-top video services, plus subscriber connections to the cable and mobile telephony services.

Cable television – The combined customer base for all of Videotron's cable television services decreased by 11,600 (-0.7%) in the first quarter of 2015 (compared with a 13,900 decrease in the first quarter of 2014) and by 40,600 (-2.2%) in the 12-month period ended March 31, 2015 (Table 3). At the end of the first quarter of 2015, Videotron had 1,770,600 subscribers to its cable television services. The household and business penetration rate (number of subscribers as a proportion of the total 2,783,800 homes and businesses passed by Videotron's network as of the end of March 2015, up from 2,750,200 one year earlier) was 63.6% versus 65.9% a year earlier.

- As of March 31, 2015, the number of subscribers to the illico Digital TV service stood at 1,555,500, a 1,900 (0.1%) customer increase in the first quarter of 2015 (compared with an increase of 1,300 in the same quarter of 2014) and a 12-month increase of 26,800 (1.8%). As of March 31, 2015, illico Digital TV had a household and business penetration rate of 55.9% versus 55.6% a year earlier.
- The customer base for analog cable television services decreased by 13,500 in the first quarter of 2015 (compared with a decrease of 15,200 in the same period of 2014), and by 67,400 over a 12-month period, 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 1,543,100 at March 31, 2015, an increase of 5,600 (0.4%) in the first quarter of 2015 (compared with an increase of 4,200 in the same period of 2014), and an increase of 32,900 (2.2%) in the 12-month period ended March 31, 2015 (Table 3). At March 31, 2015, 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 subscribers to cable telephony service stood at 1,344,600 as of March 31, 2015, a quarterly decrease of 4,400 (-0.3%) (compared with a 2,400-customer decrease in the first quarter of 2014), and a 12-month decrease of 1,500 (-0.1%) (Table 3). At March 31, 2015, the cable telephony service had a household and business penetration rate of 48.3% versus 48.9% a year earlier.

Mobile telephony service – As of March 31, 2015, the number of subscriber connections to the mobile telephony service stood at 662,100, an increase of 29,300 (4.6%) in the first quarter of 2015 (compared with an increase of 18,200 in the first quarter of 2014), and a 12-month increase of 139,600 (26.7%) (Table 3).

Over-the-top video service – As of March 31, 2015, the number of subscribers to the over-the-top video service stood at 186,800, an increase of 9,100 (5.1%) in the first quarter of 2015 (compared with an increase of 11,600 in the first quarter of 2014) and a 12-month increase of 117,000 (Table 3).

Table 3
Telecommunications segment quarter-end customer numbers[1] for the last eight quarters
(in thousands of customers)

	Mar. 2015	Dec. 2014	Sept. 2014	June 2014	Mar. 2014	Dec. 2013	Sept. 2013	June 2013
Cable television:								
Analog	**215.1**	228.6	251.4	268.3	282.5	297.7	316.7	334.3
Digital	**1,555.5**	1,553.6	1,544.9	1,525.7	1,528.7	1,527.4	1,513.7	1,498.1
	1,770.6	1,782.2	1,796.3	1,794.0	1,811.2	1,825.1	1,830.4	1,832.4
Cable Internet	**1,543.1**	1,537.5	1,533.8	1,510.4	1,510.2	1,506.0	1,486.7	1,466.8
Cable telephony[2]	**1,344.6**	1,349.0	1,356.0	1,344.0	1,346.1	1,348.5	1,341.0	1,332.2
Mobile telephony[2]	**662.1**	632.8	590.4	552.3	522.5	504.3	479.1	452.2
Over-the-top video	**186.8**	177.7	143.7	94.2	69.8	58.2	48.6	48.1
Total (revenue-generating units)	**5,507.2**	5,479.2	5,420.2	5,294.9	5,259.8	5,242.1	5,185.8	5,131.7

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

Adjusted operating income: $343.3 million, a $7.7 million (2.3%) increase caused primarily by:

- impact of higher revenues.

Partially offset by:

- aggregate $4.6 million unfavourable impact of recognition of one-time items;
- increases in some operating expenses, including administrative, IT, customer service and engineering expenses;
- impact of higher cost per mobile device sold at a loss.

Cost/revenue ratio: Operating costs for the Telecommunications segment's operations, expressed as a percentage of revenues, were 55.0% in the first quarter of 2015 compared with 53.7% in the same period of 2014. The increase was mainly due to increases in some operating expenses and the impact of the higher cost per mobile device sold at a loss.

Cash flows from segment operations: $163.5 million in the first quarter of 2015, compared with $170.8 million in the same period of 2014 (Table 4).

- The $7.3 million decrease was due primarily to the $14.6 million increase in additions to property, plant and equipment and in additions to intangible assets, mainly reflecting the impact of promotional strategies focused on equipment leasing, partially offset by the $7.7 million increase in adjusted operating income.

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

	Three months ended March 31	
	2015	2014
Adjusted operating income	**$ 343.3**	$ 335.6
Additions to property, plant and equipment	**(161.6)**	(143.3)
Additions to intangible assets (excluding spectrum licence acquisitions)	**(18.5)**	(22.2)
Proceeds from disposal of assets	**0.3**	0.7
Cash flows from segment operations	**$ 163.5**	$ 170.8

Media

First quarter 2015 operating results

Revenues: $199.5 million in the first quarter of 2015, a $15.4 million (8.4%) increase.

- Newspaper publishing revenues decreased by $6.5 million (-10.5%).
  - Advertising revenues decreased 9.3%; circulation revenues decreased 2.9%; digital revenues decreased 12.9%; combined revenues from commercial printing and other sources decreased 17.3%.
  - Revenues decreased by 7.0% at the urban dailies and by 38.9% at the portals.
- Broadcasting revenues increased by $14.1 million (15.5%), mainly because of:
  - increased subscription revenues at the specialty services, primarily TVA Sports, mainly because of the addition of NHL hockey broadcasts;
  - increased advertising revenues at the specialty services, primarily TVA Sports.

  Partially offset by:
  - lower advertising revenues at TVA Network.
- The acquisition of substantially all of the assets of A.R. Global Vision Ltd. and its subsidiary in December 2014 had a favourable impact, generating film production and audiovisual revenues in the amount of $9.1 million in the first quarter of 2015.
- Magazine publishing revenues decreased $1.6 million (-10.6%) mainly because of lower newsstand and advertising revenues.
- Quebecor Media Out of Home's revenues increased $0.3 million (16.7%), mainly because of new digital advertising revenues.
- Book distribution and publishing revenues increased by $3.5 million (18.6%), primarily as a result of increased mass market and bookstore volume.

Adjusted operating loss: $5.9 million in the first quarter of 2015, a $0.3 million decrease.

- Adjusted operating income from newspaper publishing increased $1.1 million (40.7%) due to:
  - the favourable impact on adjusted operating income of the reduction in operating expenses, including the $2 million favourable impact of restructuring initiatives;

  Partially offset by:
  - impact of the revenue decrease.
- Adjusted operating loss from broadcasting operations increased by $0.3 million. The impact of:

- o higher subscription and advertising revenues at TVA Sports;
- o lower content costs at TVA Network, partially as a result of recognition in the first quarter of 2014 of adjustments to the cost of certain prior-year broadcasting rights related to indemnification clauses;

was outweighed by:

- o spending on content at TVA Sports;
- o impact of decrease in TVA Network's advertising revenues.

- Adjusted operating income from magazine publishing operations decreased by $1.3 million (-59.1%), mainly as a result of the impact of the revenue decrease.
- The operating loss from book distribution and publishing decreased by $1.5 million, mainly because of the favourable impact of an 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 103.0% in the first quarter of 2015 compared with 103.4% in the same period of 2014.

Cash flows from segment operations: Negative $14.7 million in the first quarter of 2015 compared with negative $17.2 million in the same period of 2014 (Table 5). The $2.5 million favourable variance was mainly due to the $2.3 million net decrease in additions to property, plant and equipment and in additions to intangible assets.

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

	Three months ended March 31	
	2015	2014
Adjusted operating loss	**$ (5.9)**	$ (6.2)
Additions to property, plant and equipment	**(7.1)**	(9.2)
Additions to intangible assets	**(1.7)**	(1.9)
Proceeds from disposal of assets	**–**	0.1
Cash flows from segment operations	**$ (14.7)**	$ (17.2)

Sports and Entertainment

First quarter 2015 operating results

Revenues: $17.7 million in the first quarter of 2015, a $3.7 million (26.4%) increase due primarily to:

- Favourable impact on revenues of the acquisition in December 2014 of the Remparts de Québec, a QMJHL hockey team;
- 19.1% increase in music distribution revenues, primarily as a result of higher video sales.

Partially offset by:

- 36.7% decrease in music production and promotion revenues due to the larger number of concerts and galas produced in the first quarter of 2014.

Adjusted operating loss: $0.1 million in the first quarter of 2015 compared with $0.7 million in the same period of 2014. The $0.6 million favourable variance was due to the impact of the revenue increase, partially offset by the impact of the startup of management operations for the Videotron Centre in Québec City.

Cash flows from segment operations: Negative $1.3 million in the first quarter of 2015 compared with negative $2.6 million in the same period of 2014 (Table 6). The $1.3 million favourable variance was due primarily to the $0.8 million decrease in additions to property, plant and equipment and the $0.6 million reduction in adjusted operating loss.

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

	Three months ended March 31	
	2015	2014
Adjusted operating loss	**$ (0.1)**	$ (0.7)
Additions to property, plant and equipment	**(1.1)**	(1.9)
Additions to intangible assets	**(0.1)**	–
Cash flows from segment operations	**$ (1.3)**	$ (2.6)

CASH FLOWS AND FINANCIAL POSITION

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

Operating activities

Cash flows provided by operating activities: $131.6 million in the first quarter of 2015 compared with $154.6 million in the same period of 2014.

- The $23.0 million decrease was essentially due to:
  - $30.1 million unfavourable variance in current income taxes;
  - $4.3 million unfavourable variance in Head Office operating income, mainly because of the stock option expense;
  - $3.3 million increase in the cash portion of the charge for restructuring of operations, impairment of assets and other special items.

  Partially offset by:
  - $7.7 million increase in adjusted operating income in the Telecommunications segment;
  - $5.3 million decrease in the cash portion of financial expenses.

Payment of income tax balances payable in the first quarter of 2015 had a negative impact on cash flows, while increased profitability in the Telecommunications segment and the refinancing of some debt at lower interest rates had a favourable impact.

Working capital: $92.8 million at March 31, 2015, compared with $90.2 million at December 31, 2014, a $2.6 million increase. The reduction in accounts payable and current income taxes was partially offset by a reduction in cash and cash equivalents.

Investing activities

Additions to property, plant and equipment: $169.8 million in the first quarter of 2015, compared with $154.4 million in the same period of 2014, a $15.4 million increase. The Telecommunications segment accounted for the bulk of the increase, which was mainly due to the impact of the promotional strategy focused on equipment leasing.

Additions to intangible assets: $27.3 million in the first quarter of 2015, compared with $71.1 million in the same period of 2014, a $43.8 million decrease. The Telecommunications segment accounted for most of the decrease, mainly reflecting payments totalling $46.7 million in the first quarter of 2014 for the acquisition of spectrum licences, compared with $6.4 million in the first quarter of 2015.

Proceeds from disposal of assets: $0.3 million in the first quarter of 2015 compared with $0.8 million in the same period of 2014.

Business acquisitions: $35.5 million in the first quarter of 2015 compared with $0.6 million in the same period of 2014.

- In the first quarter of 2015, business acquisitions included, among others, 4Degrees Colocation in Québec City.

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

Free cash flows from continuing operating activities of Quebecor Media: Negative $52.6 million in the first quarter of 2015 compared with negative $23.0 million in the same period of 2014 (Table 7).

- The $29.6 million unfavourable variance was due to:
  - $17.2 million decrease in cash flows provided by continuing operating activities;
  - $15.4 million increase in additions to property, plant and equipment.

  Partially offset by:
  - $3.5 million decrease in additions to intangible assets (excluding acquisition of spectrum licences).

Table 7

Cash flows from segment operations and free cash flows from continuing operating activities of Quebecor Media

(in millions of Canadian dollars)

	Three months ended March 31	
	2015	2014
Cash flows from segment operations		
Telecommunications	**$ 163.5**	$ 170.8
Media	**(14.7)**	(17.2)
Sports and Entertainment	**(1.3)**	(2.6)
Quebecor Media Head Office	**0.7**	2.4
	148.2	153.4
Cash interest expense	**(79.4)**	(84.6)
Cash portion of charge for restructuring of operations, impairment of assets and other special items	**(4.4)**	(1.1)
Current income taxes	**(36.3)**	(6.2)
Other	**2.0**	2.0
Net change in non-cash balances related to operations	**(82.7)**	(86.5)
Free cash flows from continuing operating activities of Quebecor Media	**$ (52.6)**	$ (23.0)

Table 8

Free cash flows from continuing operating activities of Quebecor Media and cash flows provided by operating activities of Quebecor

(in millions of Canadian dollars)

	Three months ended March 31	
	2015	2014
Free cash flows from continuing operating activities of Quebecor Media presented in Table 7	**$ (52.6)**	**$** (23.0)
Quebecor Head Office cash flow items:		
Cash flows from segment operations	**0.4**	3.3
Cash interest expense	**(6.4)**	(6.5)
Net change in non-cash balances related to operations	**(0.2)**	2.8
	(6.2)	(0.4)
Plus additions to property, plant and equipment	**169.8**	154.4
Plus additions to intangible assets (excluding expenditures for licence acquisitions)	**20.9**	24.4
Minus proceeds from disposal of assets	**(0.3)**	(0.8)
Cash flows provided by continuing operating activities of Quebecor	**$ 131.6**	$ 154.6

Financing activities

Consolidated debt (long-term debt plus bank borrowings): $275.9 million increase in the first quarter of 2015; $306.4 million favourable net variance in assets and liabilities related to derivative financial instruments.

- Summary of first quarter 2015 debt increases:
  - estimated $292.2 million unfavourable impact of exchange rate fluctuations. The increase in this item was offset by an increase in the asset (or decrease in the liability) related to cross-currency swap agreements entered under "Derivative financial instruments";
  - $4.8 million increase in debt due to changes in fair value related to hedged interest rate risk.
- Summary of first quarter 2015 debt reductions:
  - current payments totalling $10.7 million on the credit facilities and other debt of Quebecor Media and TVA Group;
  - $12.5 million reduction in Quebecor's debt.
- Assets and liabilities related to derivative financial instruments totalled a net asset of $604.5 million at March 31, 2015, compared with $298.1 million at December 31, 2014. The $306.4 million net favourable variance was due to:
  - favourable impact of exchange rate fluctuations on the value of derivative financial instruments.

  Partially offset by:
  - unfavourable impact of interest rate trends in Canada, compared with the United States, on the fair value of derivative financial instruments.
- On April 10, 2015, Videotron completed the redemption of all the 6.375% Senior Notes maturing on December 15, 2015, in the aggregate principal amount of US$175.0 million, at a redemption price equal to 100% of the principal amount, and unwound the related hedges in an asset position. The redemption notice was issued on March 11, 2015.
- On March 20, 2015, TVA Group completed a rights offering whereby it received net proceeds totalling approximately $110.0 million from the issuance of 19,434,629 Class B Non-Voting Shares of TVA Group. Under the rights offering, Quebecor Media subscribed for 17,300,259 Class B Non-Voting Shares of TVA Group at a total cost of $97.9 million. As a result, its total interest in TVA Group's equity increased from 51.5% to 68.4%.

Financial Position

Net available liquidity: $1.12 billion at March 31, 2015 for Quebecor Media and its wholly owned subsidiaries, consisting of $246.9 million in cash and $874.7 million in available unused lines of credit, before the impact of the redemption, on April 10, 2015, of Videotron's 6.375% Senior Notes maturing on December 15, 2015, in the aggregate principal amount of US$175.0 million, and of the unwinding of related hedges in an asset position, and the impact of the cash consideration received in respect of the sale by Quebecor Media of its English-language newspaper businesses in Canada, which closed on April 13, 2015.

Net available liquidity: $117.7 million for Quebecor at the corporate level, consisting of a $1.3 million bank overdraft and $119.0 million in available unused lines of credit.

Consolidated debt: $5.56 billion as at March 31, 2015, a $275.9 million increase compared with December 31, 2014; $306.4 million favourable net variance in assets and liabilities related to derivative financial instruments (*see* "Financing activities" above).

- Consolidated debt essentially consisted of Videotron's $3.11 billion debt ($2.93 billion at December 31, 2014); TVA Group's $74.0 million debt ($78.2 million at December 31, 2014); Quebecor Media's $2.31 billion debt ($2.20 billion at December 31, 2014); and Quebecor's $64.7 million debt ($77.2 million at December 31, 2014).

As at March 31, 2015, minimum principal payments on long-term debt in the coming years are as follows:

Table 9
Minimum principal payments on Quebecor's long-term debt
12 months ending March 31
(in millions of Canadian dollars)

2016	$	244.5
2017		51.0
2018		52.5
2019		114.2
2020		354.0
2021 and thereafter		4,783.9
Total	**$**	**5,600.1**

Pro forma for the redemption of the 6.375% Videotron Senior Notes on April 10, 2015, the weighted average term of Quebecor's consolidated debt was approximately 7.2 years as of March 31, 2015 (7.2 years as of December 31, 2014). The debt consists of approximately 86.5% fixed-rate debt (82.6% at December 31, 2014) and 13.5% floating-rate debt (17.4% at December 31, 2014).

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 March 31, 2015, the Corporation and its subsidiaries were in compliance with all required financial ratios and restrictive covenants in their financing agreements.

Dividends Declared

- On May 6, 2015, the Board of Directors of Quebecor declared a quarterly dividend of $0.035 per share on its Class A Shares and Class B Shares, payable on June 16, 2015 to shareholders of record at the close of business on May 22, 2015.

2500 MHz and AWS-3 spectrum auctions

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 in 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.

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 for a total price of $31.8 million. The licences were issued to Videotron by Industry Canada on April 21, 2015. The 2500 MHz spectrum auction began on April 14, 2015.

Analysis of consolidated balance sheet as at March 31, 2015

Table 10
Consolidated balance sheet of Quebecor
Analysis of main differences between March 31, 2015 and December 31, 2014
(in millions of Canadian dollars)

	Mar. 31, 2015	Dec. 31, 2014	Difference	Main reason for difference
Assets				
Cash and cash equivalents	**$ 272.0**	$ 395.3	$ (123.3)	Cash flows used in investing and financing activities exceeded cash flows provided by operating activities
Accounts receivable	**424.0**	449.4	(25.4)	Impact of current variances in activity
Property, plant and equipment	**3,407.4**	3,430.4	(23.0)	Additions to property, plant and equipment (*see* “Investing activities” above) and acquisition of 4Degrees Colocation, less amortization for the period
Goodwill	**2,737.4**	2,714.6	22.8	Impact of acquisition of 4Degrees Colocation
Derivative financial instruments[1]	**604.5**	298.1	306.4	*See* “Financing activities”
Liabilities				
Accounts payable and accrued charges	**573.8**	650.2	(76.4)	Impact of current variances in activity
Income taxes[2]	**44.8**	78.8	(34.0)	Payment of outstanding income tax balances
Long-term debt, including short-term portion and bank indebtedness	**5,559.4**	5,283.5	275.9	*See* “Financing activities”

1 Current and long-term assets less current and long-term liabilities.

2 Current liabilities less current assets.

ADDITIONAL INFORMATION

Contractual Obligations

At March 31, 2015, 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 11 below shows a summary of these contractual obligations.

Table 11
Contractual obligations of Quebecor as of March 31, 2015
(in millions of Canadian dollars)

	Total	Under 1 year	1-3 years	3-5 years	5 years or more
Long-term debt[1]	**$ 5,600.1**	$ 244.5	$ 103.5	$ 468.2	$ 4,783.9
Convertible debentures[2]	**704.0**	–	–	704.0	–
Interest payments[3]	**2,169.8**	222.7	619.2	580.0	747.9
Operating leases	**262.1**	51.8	75.2	46.1	89.0
Additions to property, plant and equipment and other commitments	**1,416.4**	281.2	346.4	196.6	592.2
Derivative financial instruments[4]	**(602.0)**	(20.4)	55.7	(16.8)	(620.5)
Total contractual obligations	**$ 9,550.4**	**$ 779.8**	**$ 1,200.0**	**$ 1,978.1**	**$ 5,592.5**

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 March 31, 2015 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 March 31, 2015.

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

Related Party Transactions

During the first quarter of 2015, the Corporation and its subsidiaries made purchases and incurred rent charges with affiliated corporations in the amount of $0.8 million ($0.1 million in the same period of 2014), which is included in purchase of goods and services. The Corporation and its subsidiaries made sales to affiliated corporations in the amount of $0.8 million ($0.8 million in 2014). These transactions were accounted for at the consideration agreed between the parties.

Capital stock

In accordance with Canadian financial reporting standards, Table 12 below presents information on the Corporation's capital stock as at April 30, 2015. In addition, 1,310,000 share options were outstanding as of April 30, 2015.

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

	April 30, 2015	
	Issued and outstanding	Book value
Class A Shares	38,953,572	$ 8.7
Class B Shares	83,922,892	$ 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.

During the first quarter of 2014, the Corporation purchased and cancelled 285,000 Class B shares for a total cash consideration of $7.2 million. The excess of $6.1 million of the purchase price over the carrying value of Class B shares repurchased was recorded in reduction of retained earnings.

Financial instruments

The Corporation uses a number of financial instruments, mainly cash and cash equivalents, accounts receivable, long-term investments, bank indebtedness, accounts payable and accrued liabilities, long-term debt, convertible debentures and derivative financial instruments.

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

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

The carrying value and fair value of long-term debt, convertible debentures and derivative financial instruments as of March 31, 2015 and December 31, 2014 are as follows:

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

	March 31, 2015		December 31, 2014	
Asset (liability)	**Carrying value**	**Fair value**	Carrying value	Fair value
Long-term debt[1,2]	**$ (5,600.1)**	**$ (5,794.5)**	$ (5,326.7)	$ (5,444.7)
Convertible debentures[3]	**(720.6)**	**(720.6)**	(711.8)	(711.8)
Derivative financial instruments[4]				
Early settlement options	**8.1**	**8.1**	8.2	8.2
Foreign exchange forward contracts[5]	**10.1**	**10.1**	4.2	4.2
Interest rate swaps	**(1.0)**	**(1.0)**	(0.5)	(0.5)
Cross-currency interest rate swaps[5]	**595.4**	**595.4**	294.4	294.4

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 was an asset position of $604.5 million as of March 31, 2015 (an asset position of $298.6 million as of December 31, 2014).

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.

Gains on valuation and translation of financial instruments for the first quarters of 2015 and 2014 are summarized in Table 14.

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

	Three months ended March 31	
	2015	2014
Gain on embedded derivatives and derivative financial instruments for which hedge accounting is not used	**$ (0.1)**	$ (0.4)
Loss (gain) on embedded derivatives related to convertible debentures	**7.6**	(1.4)
Gain on reversal of embedded derivatives upon debt redemption	**(0.3)**	(1.1)
Loss on the ineffective portion of cash flow hedges	**0.8**	–
Gain on the ineffective portion of fair value hedges	**(2.9)**	–
	$ 5.1	$ (2.9)

A $7.3 million gain was recorded under "Other comprehensive income" in the first quarter of 2015 in relation to cash flow hedging relationships ($11.6 million loss in the first quarter of 2014).

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 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 derivatives 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.

Controls and Procedures

The purpose of internal controls over financial reporting is to provide reasonable assurance as to the reliability of the Corporation's financial reporting and the preparation of its consolidated financial statements in accordance with IFRS.

No changes to internal controls over financial reporting have come to the attention of the Corporation's management during the three months ended March 31, 2015 that have materially adversely affected, or are reasonably likely to materially adversely affect, the Corporation's internal controls over financial reporting.

Additional Information

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

Cautionary Statement Regarding Forward-Looking Statements

The statements in this report that are not historical facts are forward-looking statements and are subject to significant known and unknown risks, uncertainties and assumptions that could cause the Corporation's actual results for future periods to differ materially from those set forth in 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 the Corporation's Management Discussion and Analysis for the year ended December 31, 2014.

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

May 7, 2015

QUEBECOR INC. AND ITS SUBSIDIARIES

SELECTED QUARTERLY FINANCIAL DATA

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

	2015				2014			2013
	March 31	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30
Revenues	**$ 948.6**	$ 987.4	$ 908.5	$ 914.6	$ 897.8	$ 960.3	$ 903.7	$ 900.3
Adjusted operating income	**339.0**	356.3	361.3	359.1	334.7	359.3	362.8	347.2
Contribution to net income (loss) attributable to shareholders:								
Continuing operations	**40.8**	51.9	57.4	54.9	44.3	50.1	57.2	43.5
(Loss) gain on valuation and translation of financial instruments	**(8.6)**	(92.5)	(26.9)	21.2	2.9	(58.0)	(24.8)	(159.9)
Unusual items	**(5.1)**	(30.6)	(22.0)	(24.1)	(9.7)	(1.1)	(27.8)	(11.3)
Discontinued operations	**2.3**	11.7	36.6	(106.8)	1.6	9.3	(193.4)	34.1
Net income (loss) attributable to shareholders	**29.4**	(59.5)	45.1	(54.8)	39.1	0.3	(188.8)	(93.6)
Basic data per share								
Contribution to net income (loss) attributable to shareholders:								
Continuing operations	**$ 0.33**	$ 0.42	$ 0.47	$ 0.45	$ 0.36	$ 0.41	$ 0.46	$ 0.35
(Loss) gain on valuation and translation of financial instruments	**(0.07)**	(0.75)	(0.22)	0.17	0.02	(0.47)	(0.20)	(1.29)
Unusual items	**(0.04)**	(0.25)	(0.18)	(0.20)	(0.07)	(0.01)	(0.23)	(0.09)
Discontinued operations	**0.02**	0.10	0.30	(0.87)	0.01	0.07	(1.56)	0.28
Net income (loss) attributable to shareholders	**0.24**	(0.48)	0.37	(0.45)	0.32	-	(1.53)	(0.75)
Weighted average number of shares outstanding (in millions)	**122.9**	122.9	122.9	123.0	123.1	123.5	123.7	124.3
Diluted data per share								
Contribution to net income (loss) attributable to shareholders:								
Continuing operations	**$ 0.31**	$ 0.39	$ 0.43	$ 0.41	$ 0.33	$ 0.38	$ 0.42	$ 0.32
Dilution impact	**0.02**	0.03	0.04	-	-	0.03	0.04	0.03
(Loss) gain on valuation and translation of financial instruments	**(0.07)**	(0.75)	(0.22)	(0.01)	0.02	(0.47)	(0.20)	(1.29)
Unusual items	**(0.04)**	(0.25)	(0.18)	(0.17)	(0.07)	(0.01)	(0.23)	(0.09)
Discontinued operations	**0.02**	0.10	0.30	(0.74)	0.01	0.07	(1.56)	0.28
Net income (loss) attributable to shareholders	**0.24**	(0.48)	0.37	(0.51)	0.29	-	(1.53)	(0.75)
Weighted average number of diluted shares outstanding (in millions)	**123.2**	122.9	122.9	143.8	144.2	123.5	123.7	124.3