MANAGEMENT DISCUSSION AND ANALYSIS

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CORPORATE PROFILE

Quebecor Inc. (“Quebecor” or the “Corporation”) is a holding corporation with a 75.4% interest in Quebecor Media Inc. (“Quebecor Media”), one of Canada’s largest media groups. Quebecor Media’s subsidiaries operate in the following business segments: Telecommunications, News Media, Broadcasting, Leisure and Entertainment, and Interactive Technologies and Communications.

Since the third quarter of 2013, financial data for the Le SuperClub Vidéotron ltée subsidiary (“Le SuperClub Vidéotron”) has been presented in the Leisure and Entertainment segment instead of the Telecommunications segment. Since the fourth quarter of 2013, financial data for the Quebecor Media Out of Home division has been presented in the Broadcasting segment instead of the News Media segment. Accordingly, the Corporation’s segmented financial data for prior periods have been restated to reflect those changes.

Through its Quebecor Media subsidiary, Quebecor is a leading Canadian media corporation engaged in cable and mobile telecommunications; newspaper publishing; production and distribution of print media products; broadcasting; retailing, publishing and distribution of books, magazines, DVDs, Blu-ray discs and video games; music recording, production, distribution and streaming; production of shows and events, new media services, video game development, out of home advertising, a Quebec Major Junior Hockey League (“QMJHL”) team and sporting and cultural events management. Through its Videotron Ltd. (“Videotron”) subsidiary, Quebecor Media is a premier cable and mobile communications service provider. Through its activities, 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.

DISCONTINUED OPERATIONS

On December 5, 2013, Quebecor Media announced the sale of 74 Québec weeklies to Transcontinental Interactive Inc., a subsidiary of Transcontinental Inc., for a cash consideration of $75.0 million. The transaction is subject to approval by regulatory authorities, specifically the Competition Bureau. While it is under review, Sun Media Corporation continues publishing the weeklies 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.

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

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

HIGHLIGHTS SINCE END OF 2012

- Quebecor’s sales increased by $28.3 million (0.7%) to $4.28 billion in 2013, mainly because of 4.4% revenue growth in the Telecommunications segment.
- On May 8, 2013, Robert Dépatie, President and Chief Executive Officer of Videotron Ltd. (“Videotron”) since 2003, took the reins from Pierre Karl Péladeau as President and Chief Executive Officer of Quebecor and of Quebecor Media. Manon Brouillette was named President and Chief Operating Officer of Videotron. On the same date, Pierre Karl Péladeau became Chairman of the Board of Quebecor Media and of TVA Group, replacing Serge Gouin, who retired, and Vice Chairman of the Board of Quebecor.
- Following his decision to enter politics and run as a candidate, Pierre Karl Péladeau resigned from all his positions with Quebecor and its subsidiaries on March 9, 2014. Subsequently, Sylvie Lalande was appointed Chairperson of the Board of TVA Group on March 10, 2014 and Françoise Bertrand was appointed Chairperson of the Board of Quebecor Media on March 12, 2014. Robert Dépatie became a director of Quebecor, Quebecor Media and TVA Group on March 12, 2014.

- On July 8, 2013, Aldo Giampaolo was appointed President and Chief Executive Officer of Quebecor Media Entertainment & Sports Group. Mr. Giampaolo has extensive expertise in the management of large-scale events and major venues for sporting and cultural events.
- On August 26, 2013, Caroline Roy became Vice President, Development and Strategy, of QMI Digital, a division that serves as a digital technology centre of expertise with a strong focus on research and development.
- In 2013, the Corporation performed impairment tests on the News Media, Music and Books cash generating units ("CGUs"), which continue to be negatively impacted by the shift toward digital, as well as by challenging market conditions in their respective industries. Accordingly, the Corporation recognized a $281.3 million total non-cash impairment charge with respect to goodwill, mastheads and customer relationships.

Telecommunications

- In 2013, the Telecommunications segment grew its revenues by $114.0 million (4.4%) and its adjusted operating income by $81.1 million (6.7%).
- In 2013, revenue increases were recorded in all of Videotron's main services: mobile telephony ($49.1 million or 28.6%), Internet access ($45.9 million or 5.9%), cable telephony ($18.9 million or 4.2%), and cable television ($11.0 million or 1.0%).
- The net increase in revenue-generating units[1] was 122,700 in 2013, compared with 221,800 in 2012. Videotron passed the 5-million revenue-generating unit mark in 2013.
- On February 19, 2014, Industry Canada announced that Videotron was the successful bidder for seven 700 MHz spectrum licences in Canada's four most populous provinces. The operating licences, acquired for $233.3 million, cover the entirety of the 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.
- At the end of 2013, Videotron's Club illico subscription video on demand service, which carries the largest selection of unlimited on-demand French-language titles in Canada, had more than 58,000 subscribers. The service was launched in late February 2013.
- On May 29, 2013, Videotron and Rogers Communications Partnership ("Rogers") announced a 20-year agreement to build out and operate a shared LTE mobile network in the Province of Québec and in the Ottawa region. Under this agreement, Videotron and Rogers will share the deployment and operating costs. Videotron will maintain its business independence, including its product and service lines, billing systems and customer databases. As well, the parties to the transactions will provide each other with services over a 10-year period, for which Videotron will receive $93.0 million in total and Rogers $200.0 million in total. In addition to the network sharing agreement, and subject to regulatory approvals, Videotron has had the option, since January 1, 2014, to sell its unused advanced wireless services ("AWS") spectrum licence in the Toronto region for a price of $180.0 million.

News Media

- The News Media segment's adjusted operating income decreased by 7.4% (-7.0%) in 2013.
- On December 19, 2013, Quebecor Media announced that it was abandoning door-to-door distribution of community newspapers and flyers in Québec and was discontinuing distribution of the Le Sac Plus doorknob bag as of January 2014.
- In 2013, Sun Media Corporation announced a number of restructuring initiatives to secure its news properties' long-term positioning on all distribution platforms, including digital. These initiatives entailed the elimination of 560 positions, the closing of 8 publications and 3 free urban newspapers – the *24 Hours* papers in Ottawa, Calgary and Edmonton – along with a series of efforts to enhance operational efficiencies. The total cost of these measures is estimated at $9.0 million. The initiatives are expected to yield total annual savings of approximately $67.0 million. Sun Media Corporation intends to continue making investments and expanding its value-added content offerings on print and digital platforms.

Broadcasting

- The Broadcasting segment's adjusted operating income increased by $12.0 million (35.9%) in 2013 to $45.4 million, reflecting the favourable impact of a retroactive adjustment to royalties for distant signal retransmission for the years 2009

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

to 2013, the decrease in the adjusted operating loss of Sun TV News General Partnership (“SUN News”), as well as the positive impact of restructuring initiatives introduced in the second quarter of 2013.

- On November 26, 2013, Quebecor announced an agreement with Rogers Communications Inc. and the National Hockey League (“NHL”) whereby TVA Sports will become the NHL’s official French-language broadcaster in Canada. The 12-year agreement will begin with the 2014-15 season. Among other things, TVA Sports obtains broadcast rights to 22 Montréal Canadiens regular season games, exclusive French-language broadcast rights to all playoff games (including those involving the Montréal Canadiens) and the Stanley Cup final, broadcast rights to all national games involving Canadian teams and up to 160 games between American NHL teams, and a number of NHL special events. TVA Sports thereby becomes a major player in sports broadcasting in Québec.
- On July 18, 2013, TVA Group announced the acquisition of Les Publications Charron & Cie inc. (“Les Publications Charron & Cie”), publisher of *La Semaine* magazine, and of Charron Éditeur inc. (“Charron Éditeur”), which was subsequently sold to Sogides Group Inc. (“Sogides”), a subsidiary in the Leisure and Entertainment segment. The acquisition was part of TVA Group’s strategy to remain the Québec market leader in magazine publishing.
- On June 5, 2013, TVA Group announced a restructuring plan designed to maintain its leadership position in Québec, safeguard the quality of its content and support future investments in view of the challenging business environment for media advertising revenues. The plan, which affected all segments of TVA Group, included the elimination of approximately 90 positions, or 4.5% of its total workforce.
- The television show *La Voix* posted excellent ratings throughout its run from January 20 to April 14, 2013. The weekly gala attracted an average audience of more than 2.6 million and an average audience share of more than 57%. 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.

Other segments

- On May 24, 2013, Quebecor announced the acquisition of Event Management Gestev inc. (“Gestev”), a Québec City sports and cultural events manager. Gestev was founded in 1992 and has produced numerous high-profile events such as the Red Bull Crashed Ice extreme race, the Vélirium (International Mountain Bike Festival and World Cup), the Transat Québec Saint-Malo sailing race, Sprint Québec (FIS Cross-Country World Cup), and the Snowboard Jamboree (including the FIS Snowboard World Championships).

Financing activities

The following financial operations were carried out in 2013.

- On June 17, 2013, Videotron announced the closing of the offering and sale of 5.625% Senior Notes, maturing on June 15, 2025, in the aggregate principal amount of $400.0 million, for net proceeds of $394.8 million. It was the first issue of high-yield 12-year Notes on the Canadian market. Strong demand enabled Videotron to increase the size of the placement on favourable terms.
- On July 2, 2013, Videotron used the proceeds from its placement of 5.625% Senior Notes maturing on June 15, 2025 to finance the early redemption and withdrawal of US$380.0 million aggregate principal amount of its outstanding 9.125% Senior Notes, issued on April 15, 2008 and maturing in April 2018, and to settle the related hedges.
- On August 14, 2013, the Corporation carried out a two-for-one split of its outstanding Class A Multiple Voting Shares (“Class A Shares”) and Class B Subordinate Voting Shares (“Class B Shares”). Accordingly, shareholders received one additional share for each share owned on the record date. Trading on the shares on a split basis commenced at the opening of business on August 16, 2013.
- On August 29, 2013, Quebecor Media issued a US$350 million senior secured term loan “B” at a price of 99.50% for net proceeds of $358.4 million. This term loan bears interest at the U.S. London Interbank Offered Rate (“LIBOR”), subject to a LIBOR floor of 0.75%, plus a premium of 2.50%. It provides for quarterly amortization payments totalling 1.00% per annum of the original principal amount, with the balance payable on August 17, 2020.
- On August 30, 2013, Quebecor Media redeemed US$265.0 million in aggregate principal amount of its outstanding 7.75% Senior Notes issued on January 17, 2006 and maturing in March 2016, and settled the related hedges.
- In October 2013, the Corporation amended its $150.0 million revolving credit facility to extend the maturity date to November 2016 and amend certain terms and conditions.

TREND INFORMATION

Competition continues to be intense in the cable and alternative multichannel broadcast distribution industry and in the mobile telephony market. Moreover, 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.

The Telecommunications segment has in the past required substantial capital for the upgrade, expansion and maintenance of its network, 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 ("HDTV"). Moreover, 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, as available, in order to address this increased demand.

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

In the News Media segment, 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 News Media operations continue to develop their Internet presence through branded websites, including French- and English-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 Broadcasting segment is taking steps to adjust to the profound changes occurring in its 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, 2013, 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, 2013

	Percentage of equity	**Percentage of vote**
Videotron Ltd.	100.0%	100.0%
Sun Media Corporation	100.0	100.0
Quebecor Media Printing Inc.	100.0	100.0
TVA Group Inc.	51.4	99.9
Archambault Group Inc.	100.0	100.0
Nurun 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 from TVA Group, bringing its interest to 51%.

On May 1, 2011, Canoe Inc. ("Canoe") was wound up and its operations integrated into Sun Media Corporation.

On January 1, 2011, Osprey Media Publishing Inc. was wound up and its operations integrated into Sun Media Corporation.

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

Adjusted operating income is also relevant because it is a significant component of the Corporation's annual incentive compensation programs. A limitation of this measure, however, is that it does not reflect the periodic costs of tangible and intangible assets used in generating revenues in the Corporation's segments. The Corporation also uses other measures that do reflect such costs, such as cash flows from segment operations and free cash flows from continuing operating activities of the Quebecor Media subsidiary. In addition, measures like adjusted operating income are commonly used by the investment community to analyze and compare the performance of companies in the industries in which the Corporation is engaged. The Corporation's definition of 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, 2013 and 2012 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 Canadian dollars)

	Year ended December 31			Three months ended December 31	
	2013	2012	2011	**2013**	2012
Adjusted operating (loss) income:					
Telecommunications	**$ 1,284.8**	$ 1,203.7	$ 1,073.6	**$ 322.4**	$ 304.8
News Media	**97.7**	105.1	142.5	**44.6**	37.4
Broadcasting	**45.4**	33.4	47.3	**16.7**	15.1
Leisure and Entertainment	**16.6**	25.1	38.3	**7.5**	8.6
Interactive Technologies and Communications	**14.4**	9.8	7.9	**4.8**	3.4
Head Office	**(7.1)**	3.9	9.2	**(4.7)**	(3.2)
	1,451.8	1,381.0	1,318.8	**391.3**	366.1
Amortization	**(664.8)**	(597.5)	(510.4)	**(169.9)**	(166.7)
Financial expenses	**(376.7)**	(346.3)	(331.7)	**(90.9)**	(98.9)
(Loss) gain on valuation and translation of financial instruments	**(238.8)**	136.1	52.0	**(29.2)**	(95.7)
Restructuring of operations, impairment of assets and other special items	**(29.9)**	(28.5)	(29.3)	**(16.0)**	(0.7)
Impairment of goodwill and intangible assets	**(281.3)**	(186.0)	–	**–**	–
Loss on debt refinancing	**(18.9)**	(6.3)	(4.0)	**–**	(8.7)
Income taxes	**(26.7)**	(93.5)	(136.4)	**(25.2)**	8.4
Income (loss) from discontinued operations	**19.3**	(3.7)	14.8	**2.4**	2.4
Net (loss) income	**$ (166.0)**	$ 255.3	$ 373.8	**$ 62.5**	$ 6.2

Adjusted Income from Continuing Operations

The Corporation defines adjusted income from continuing operations, as reconciled to net (loss) income attributable to shareholders under IFRS, as net (loss) income attributable to shareholders before (loss) gain on valuation and translation of financial instruments, charge for restructuring of operations, impairment of assets and other special items, charge for impairment of goodwill and intangible assets, loss on debt refinancing, net of income tax related to adjustments, net (loss) income attributable to non-controlling interests related to adjustments, and (loss) income from discontinued operations attributable to shareholders. Adjusted income from continuing operations, as defined above, is not a measure of results that is consistent with IFRS. It should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The Corporation 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. In addition, this measure is commonly used by the investment community to analyze and compare corporate performance. 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 Canadian dollars)

	Year ended December 31			Three months ended December 31	
	2013	2012	2011	**2013**	2012
Adjusted income from continuing operations	**$ 214.1**	$ 182.3	$ 178.4	**$ 68.0**	$ 52.3
(Loss) gain on valuation and translation of financial instruments	**(238.8)**	136.1	52.0	**(29.2)**	(95.7)
Restructuring of operations, impairment of assets and other special items	**(29.9)**	(28.5)	(29.3)	**(16.0)**	(0.7)
Impairment of goodwill and intangible assets	**(281.3)**	(186.0)	–	**–**	–
Loss on debt refinancing	**(18.9)**	(6.3)	(4.0)	**–**	(8.7)
Income taxes related to adjustments[1]	**84.9**	24.1	(4.0)	**9.5**	31.2
Net income (loss) attributable to non-controlling interest related to adjustments	**121.5**	41.1	(4.8)	**9.6**	27.1
Discontinued operations	**14.5**	(1.7)	8.1	**1.5**	1.6
Net (loss) income attributable to shareholders	**$ (133.9)**	$ 161.1	$ 196.4	**$ 43.4**	$ 7.1

[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 10 and 11 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 11 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.

2013/2012 FINANCIAL YEAR COMPARISON

Analysis of Consolidated Results of Quebecor

Revenues: $4.28 billion, a $28.3 million (0.7%) increase.

- Revenues increased in Telecommunications ($114.0 million or 4.4% of segment revenues) and Broadcasting ($1.3 million or 0.3%).
- Revenues decreased in News Media ($91.3 million or -10.4%), Leisure and Entertainment ($12.7 million or -4.1%) and Interactive Technologies and Communications ($6.3 million or -4.3%).

Adjusted operating income: $1.45 billion, a $70.8 million (5.1%) increase.

- Adjusted operating income increased in Telecommunications ($81.1 million or 6.7% of segment adjusted operating income), Broadcasting ($12.0 million or 35.9%) and Interactive Technologies and Communications ($4.6 million or 46.9%).
- Adjusted operating income decreased in Leisure and Entertainment ($8.5 million or -33.9%), News Media ($7.4 million or -7.0%), and at Head Office ($11.0 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 $0.4 million unfavourable variance in the consolidated 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: $133.9 million ($1.08 per basic share) in 2013, compared with net income attributable to shareholders of $161.1 million ($1.27 per basic share) in 2012, an unfavourable variance of $295.0 million ($2.35 per basic share).

- The unfavourable variance was due primarily to:
  - $374.9 million unfavourable variance in losses and gains on valuation and translation of financial instruments;
  - $95.3 million unfavourable variance related to the charge for impairment of goodwill and intangible assets;
  - $67.3 million increase in amortization charge;
  - $30.4 million increase in financial expenses;
  - $12.6 million unfavourable variance in losses on debt refinancing.

  Partially offset by:
  - $70.8 million increase in adjusted operating income;
  - $23.0 million favourable variance in income from discontinued operations, resulting mainly from the gains on disposal of *Jobboom* and *Réseau Contact.*

Adjusted income from continuing operations: $214.1 million in 2013 ($1.73 per basic share) compared with $182.3 million ($1.44 per basic share) in 2012, an increase of $31.8 million ($0.29 per basic share).

Amortization charge: $664.8 million in 2013, a $67.3 million increase essentially due to the impact of the significant capital expenditures made since 2011 in the Telecommunications segment, including amortization of capital expenditures related to cable Internet access services and modernization of the wired network, plus the impact of promotional strategies focused on equipment leasing.

Financial expenses: $376.7 million, a $30.4 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. ("CDP Capital"), a subsidiary of Caisse de dépôt et placement du Québec ("the Caisse"). This factor was partially offset by the impact of lower interest rates on long-term debt as a result of debt refinancing at more advantageous rates.

Loss on valuation and translation of financial instruments: $238.8 million in 2013 compared with a $136.1 million gain in 2012. The $374.9 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. 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: $29.9 million in 2013 compared with $28.5 million in 2012.

- In 2013, a $9.2 million net charge for restructuring of operations was recorded in the News Media segment, mainly related to staff-reduction programs ($30.9 million in 2012). A $7.5 million charge for impairment of certain assets was also recorded in 2012 in connection with those restructuring initiatives.
- In December 2013, the Corporation announced its decision to discontinue door-to-door distribution of weekly newspapers and flyers in Québec as of January 2014. Accordingly, the News Media segment recorded an $8.3 million restructuring charge.
- The Broadcasting segment recorded a $2.9 million restructuring charge in 2013 ($0.1 million in 2012) in connection with staff reductions and a $2.1 million asset impairment charge. A $12.9 million gain on disposal of businesses was recorded in 2012 in the Broadcasting segment 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 $7.4 million in 2013 ($2.9 million in 2012).

Charge for impairment of goodwill and intangible assets: $281.3 million in 2013 compared with $186.0 million in 2012, a $95.3 million unfavourable variance.

- In the third quarter of 2013, Quebecor Media performed impairment tests on the News Media, Books and Music CGUs, which continue to be affected by the migration toward digital distribution platforms and by challenging market conditions in their respective industries. Quebecor Media concluded that the recoverable amount based on value in use or on fair value less disposal costs was less than the carrying amount of these CGUs. Accordingly, the following goodwill impairment charges were recorded:
    - the News Media segment recorded a $204.5 million non-cash goodwill impairment charge without any tax consequences ($129.5 million in 2012) and a $56.0 million non-cash impairment charge on mastheads and customer relationships, including $14.0 million without any tax consequences ($30.0.million in 2012, including $7.0 million without any tax consequences);
    - the Leisure and Entertainment segment recorded non-cash goodwill impairment charges without any tax consequences in the amount of $8.9 million in its Music CGU ($12.0 million in 2012) and $11.9 million in its Books CGU (nil in 2012).
- As well, the costs of magazine publishing operations 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 its outstanding 9.125% Senior Notes in the aggregate principal amount of US$380.0 million, issued on April 15, 2008 and maturing in April 2018, and settled the related hedges. On August 30, 2013, Quebecor Media redeemed US$265.0 million in aggregate 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: $26.7 million (effective tax rate of 33.1%) in 2013, compared with $93.5 million (effective tax rate of 18.1%) in 2012. The effective tax rate is calculated considering only taxable and deductible items.

- The decrease in the income tax expense was due to:
  - impact of 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 tax rate mix on the various components of the gain or loss on valuation and translation of financial instruments and loss 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 2,742,500 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.

2013 operating results

Revenues: $2.71 billion, a $114.0 million (4.4%) increase.

- Combined revenues from all cable television services increased $11.0 million (1.0%) to $1.09 billion, due primarily to higher revenues from the leasing of digital set-top boxes, increased subscriptions to the HDTV service and increased pay-per-view orders, partially offset by the impact of the net decrease in the customer base.
- Revenues from Internet access services increased $45.9 million (5.9%) to $818.4 million. The favourable variance was mainly due to customer growth, higher revenues from Internet access resellers, increased usage and other related revenues.
- Revenues from cable telephony service increased $18.9 million (4.2%) to $473.8 million, primarily as a result of customer growth, increases in some rates and growth in the number of business lines.
- Revenues from mobile telephony service increased $49.1 million (28.6%) to $220.7 million, essentially due to customer growth.
- Revenues from Videotron Business Solutions decreased $1.4 million (-2.2%) to $63.5 million.
- Revenues from equipment sales to customers decreased $6.9 million (-15.9%) to $36.5 million, mainly because of campaigns promoting cable television equipment leasing, partially offset by increased revenues from mobile telephony equipment.
- Other revenues were down $2.5 million (-22.3%) to $8.7 million.

ARPU: $118.03 in 2013 compared with $111.57 in 2012, a $6.46 (5.8%) increase.

Customer statistics

Revenue-generating units – As of December 31, 2013, the total number of revenue-generating units stood at 5,040,000, an increase of 122,700 (2.5%) in 2013 compared with an increase of 221,800 in 2012 (Table 4). Revenue-generating units are the sum of cable television, cable and mobile Internet access, and cable telephony service subscriptions and subscriber connections to the mobile telephony service.

Cable television – The combined customer base for all of Videotron's cable television services decreased by 29,900 (-1.6%) in 2013 (compared with a decrease of 6,500 in 2012) (Table 4). As of December 31, 2013, Videotron had 1,825,100 subscribers to its cable television services. The household and business penetration rate (number of subscribers as a proportion of the total 2,742,500 homes and businesses passed by Videotron's network as of the end of December 2013, up from 2,701,200 one year earlier) was 66.5% versus 68.7% a year earlier.

- As of December 31, 2013, the number of subscribers to the illico Digital TV service stood at 1,531,400, an increase of 46,800 or 3.2% in 2013, compared with an increase of 83,800 in 2012. As of December 31, 2013, illico Digital TV had a household and business penetration rate of 55.8% versus 55.0% a year earlier.
- The customer base for analog cable television services decreased by 76,700 (-20.7%) in 2013 (compared with a decrease of 90,300 in 2012), 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 1,418,300 at December 31, 2013, an increase of 30,600 (2.2%) in 2013, compared with an increase of 55,200 in 2012 (Table 4). At December 31, 2013, Videotron's cable Internet access services had a household and business penetration rate of 51.7%, compared with 51.4% a year earlier.

Cable telephony service – The number of subscribers to cable telephony service stood at 1,286,100 at December 31, 2013, an increase of 21,200 (1.7%) in 2013, compared with an increase of 59,600 in 2012 (Table 4). At December 31, 2013, the cable telephony service had a household and business penetration rate of 46.9% versus 46.8% a year earlier.

Mobile telephony service – As of December 31, 2013, the number of subscriber connections to the mobile telephony service stood at 503,300, an increase of 100,700 (25.0%) in 2013, compared with an increase of 112,000 in 2012 (Table 4).

Table 4
Telecommunications segment year-end customer numbers (2009-2013)
(in thousands of customers)

	2013	2012	2011	2010	2009
Cable television:					
Analog	**293.7**	370.4	460.7	592.0	692.9
Digital	**1,531.4**	1,484.6	1,400.8	1,219.6	1,084.1
	1,825.1	1,855.0	1,861.5	1,811.6	1,777.0
Cable Internet	**1,418.3**	1,387.7	1,332.5	1,252.1	1,170.6
Cable telephony	**1,286.1**	1,264.9	1,205.3	1,114.3	1,014.0
Mobile telephony[1]	**503.3**	402.6	290.6	136.1	82.8
Internet over wireless	**7.2**	7.1	5.6	2.3	–
Total (revenue-generating units)	**5,040.0**	4,917.3	4,695.5	4,316.4	4,044.4

[1] Thousands of connections

Adjusted operating income: $1.28 billion, an $81.1 million (6.7%) increase.

- The increase in adjusted operating income was mainly due to:
  - impact of higher revenues;
  - adjustment to provision for Canadian Radio-television and Telecommunications Commission (“CRTC”) licence fees to align with the CRTC’s billing period.

  Partially offset by:
  - increases in some operating expenses, mainly related to engineering costs and customer support costs;
  - $4.0 million increase in stock-based compensation charge.

Cost/revenue ratio: Employee costs and purchases of goods and services for the Telecommunications segment’s operations, expressed as a percentage of revenues, were 52.6% in 2013 compared with 53.7% in 2012.

- The decrease was mainly due to the impact of revenue growth (as the fixed component of operating costs does not fluctuate in proportion to revenues) and impact of adjustment to CRTC licence fees.

Cash flows from operations

Cash flows from segment operations: $699.2 million in 2013, compared with $465.5 million in 2012 (Table 5).

- The $233.7 million increase was primarily due to a $147.0 million decrease in additions to property, plant and equipment and in additions to intangible assets, mainly reflecting lower investment in the 4G network and in cable network modernization, as well as the $81.1 million increase in adjusted operating income.

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

		2013		2012
Adjusted operating income	**$**	**1,284.8**	$	1,203.7
Additions to property, plant and equipment		**(546.8)**		(669.5)
Additions to intangible assets		**(51.6)**		(75.9)
Proceeds from disposal of assets		**12.8**		7.2
Cash flows from segment operations	**$**	**699.2**	$	465.5

News Media

In Quebecor Media's News Media segment, Sun Media Corporation operates Canada's largest newspaper chain, counting both paid and free circulation, according to corporate figures. As of December 31, 2013, Sun Media Corporation was publishing 36 paid-circulation dailies and 3 free dailies, including newspapers in 8 of the 10 largest urban markets in the country. It also publishes 141 community weeklies, magazines, weekly buyers' guides, farm publications, and other specialty publications. According to corporate figures, the aggregate circulation of the News Media segment's paid and free newspapers was approximately 10.5 million copies per week as of December 31, 2013. Sun Media Corporation holds a 51% interest in the English-language news and opinion specialty channel SUN News, launched in April 2011 in partnership with TVA Group, which holds 49%.

Sun Media Corporation's newspapers disseminate information in traditional print form as well as through 8 urban daily newspaper portals (*journaldemontreal.com*, *journaldequebec.com*, *ottawasun.com*, *torontosun.com*, *lfpress.com*, *winnipegsun.com*, *edmontonsun.com* and *calgarysun.com*) and more than 150 portals for community newspapers, free dailies, magazines and specialty information. The Canoe network also operates a number of sites, including *canoe.ca, canoe.tv* and *yourlifemoments.ca*, as well as the e-commerce sites *micasa.ca* (real estate) and *autonet.ca* (automobiles). The News Media segment's portals log over 9.6 million unique visitors per month in Canada, including 5.1 million in Québec (according to comScore Media Metrix® figures for December 2013).

The News Media segment also includes the QMI Agency, a news agency that provides content to all Quebecor Media properties and external customers. The segment is also engaged in the distribution of newspapers and magazines. In addition, the News Media segment offers commercial printing and related services to other publishers through its national printing and production platform.

2013 operating results

Revenues: $784.2 million, a $91.3 million (-10.4%) decrease.

- Revenues decreased by $19.8 million because of the closure of newspapers and specialty publications since the end of 2012 under restructuring initiatives.
- On a same-store basis, advertising revenues decreased 12.6%; circulation revenues decreased 3.9%; digital revenues decreased 3.9%; combined revenues from commercial printing and other sources increased 4.7%.
- On a same-store basis, revenues decreased 9.8% at the urban dailies, 11.0% at the community weeklies and 26.9% at the portals; the decline at the portals was caused mainly by lower advertising revenues.

Adjusted operating income: $97.7 million, a $7.4 million (-7.0%) decrease.

- The decrease was due primarily to:
  - impact of decrease in revenues on a same-store basis;
  - $2.7 million unfavourable variance in multimedia employment tax credits.

  Partially offset by:
  - $49.9 million favourable impact of restructuring initiatives and other reductions in operating expenses;

- $5.2 million reversal of a litigation reserve;
- $3.0 million decrease in adjusted operating loss of Quebecor Media Network Inc.;
- $3.2 million impact of decrease in newsprint prices.

Cost/revenue ratio: Employee costs and purchases of goods and services for the News Media segment's operations, expressed as a percentage of revenues, were 87.5% in 2013 compared with 88.0% in 2012. The decrease was due to the favourable impact of operating cost-reduction initiatives on the 2013 results and the reversal of a litigation reserve, partially offset by the impact of the fixed component of operating costs, which does not fluctuate in proportion to revenue decreases.

Cash flows from operations

Cash flows from segment operations: $86.9 million in 2013, compared with $89.0 million in 2012 (Table 6). The $2.1 million decrease was due to a $7.4 million decrease in adjusted operating income, partially offset by a $5.4 million increase in proceeds from disposal of assets.

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

	2013	2012
Adjusted operating income	**$ 97.7**	$ 105.1
Additions to property, plant and equipment	**(10.0)**	(5.7)
Additions to intangible assets	**(7.4)**	(11.6)
Proceeds from disposal of assets	**6.6**	1.2
Cash flows from segment operations	**$ 86.9**	$ 89.0

Broadcasting

In the Broadcasting 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. As well, TVA Group holds a 49% interest in the English-language news and opinion specialty channel SUN News in partnership with Sun Media Corporation, which holds 51%. SUN News is part of the Broadcasting segment. TVA Group's TVA Accès division is engaged in commercial production and its TVA Films division in the distribution of films and television programs. The TVA Publications Inc. subsidiary publishes more than 50 general-interest and entertainment magazines. It is the largest publisher of French-language magazines in Québec. The Broadcasting segment is also engaged in outdoor advertising through Quebecor Media Out of Home.

2013 operating results

Revenues: $458.9 million, a $1.3 million (0.3%) increase.

- Revenues from television operations decreased $5.7 million, mainly due to:
  - lower advertising revenues at TVA Network;
  - discontinuation of operations of TVA Boutiques in the third quarter of 2013.

  Offset by:
  - $7.5 million adjustment resulting from the favourable impact of a retroactive adjustment to TVA Group's share of royalties for the retransmission of its signal in markets located outside its over-the-air stations' local service areas ("retransmission royalties") for the years 2009 to 2013, including $6.1 million applied retroactively to the years 2009 to 2012;
  - increased subscription revenues at the specialty channels, attributable largely to the LCN, TVA Sports, MOI&cie, SUN News, addik^TV and Prise 2 channels;

- increased advertising revenues at the specialty channels, including addik^{TV}, Prise 2 and CASA.

- Total revenues from publishing operations increased by $0.5 million. The decrease in newsstand and advertising revenues was offset by the favourable impact on revenues of the acquisition of Les Publications Charron & Cie in July 2013.
- Revenues of Quebecor Media Out of Home, which began operations in August 2012, increased by $7.2 million in 2013.

Adjusted operating income: $45.4 million, a $12.0 million (35.9%) increase.

- Adjusted operating income from television operations increased by $10.4 million, mainly as a result of:
  - favourable impact of retroactive adjustment of retransmission royalties;
  - decrease in SUN News' adjusted operating loss due primarily to reduced labour and content costs;
  - decrease in TVA Network's operating costs due to containment of content, production and other costs, and an adjustment to provision for CRTC licence fees to align with the CRTC's billing period.

  Partially offset by:
  - impact of revenue decrease at TVA Network.
- Adjusted operating income from publishing operations increased by $3.6 million, mainly as a result of:
  - favourable impact on 2013 comparative analysis of recognition in the first quarter of 2012 of a $2.3 million charge for the years 2010 and 2011 related to adoption of new tariffs with respect to business contributions for costs related to waste recovery services provided by Québec municipalities;
  - impact of acquisition of Les Publications Charron & Cie.
- Activities of Quebecor Media Out of Home, which began operations in August 2012, generated a $1.9 million increase in adjusted operating loss due to start-up costs.

Cost/revenue ratio: Employee costs and purchases of goods and services for the Broadcasting segment's operations, expressed as a percentage of revenues, were 90.1% in 2013 compared with 92.7% in 2012. The decrease in costs as a proportion of revenues was mainly due to decreased operating costs, the favourable impact of retroactive adjustment of retransmission royalties, and the recognition in 2012 of retroactive costs related to waste-recovery services.

Cash flows from operations

Cash flows from segment operations: $20.6 million in 2013 compared with $28.6 million in 2012 (Table 7). The $8.0 million decrease mainly reflects proceeds of $21.0 million from the disposal of assets recognized in 2012 in connection with the disposal of interests in the mysteryTV and The Cave specialty channels, partially offset by a $12.0 million increase in adjusted operating income.

Table 7: Broadcasting
Cash flows from operations
(in millions of Canadian dollars)

		2013		2012
Adjusted operating income	**$**	**45.4**	$	33.4
Additions to property, plant and equipment		**(21.7)**		(22.2)
Additions to intangible assets		**(3.1)**		(3.6)
Proceeds from disposal of assets		**–**		21.0
Cash flows from segment operations	**$**	**20.6**	$	28.6

Leisure and Entertainment

The operations of the Leisure and Entertainment segment consist primarily of 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. They also include online sales of downloadable music and e-books; distribution of CDs and videos (Distribution Select); the ZIK music streaming service; 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). Archambault Group is a fully integrated Canadian music corporation, a producer offering a complete range of media solutions and an increasingly active player in the concerts and cultural events industry.

The Leisure and Entertainment segment is also engaged in academic publishing through CEC Publishing Inc., general literature through 18 publishing houses, and physical and digital distribution through Messageries ADP inc. ("Messageries ADP"), the exclusive distributor for approximately 200 Québec and European French-language publishers. The general literature publishing houses and Messageries ADP are operated under the Sogides umbrella.

The Leisure and Entertainment segment is also engaged in retail and rental of DVDs, Blu-ray discs and console games through the Le SuperClub Vidéotron subsidiary and its franchise network. The segment also includes the QMJHL hockey team Armada de Blainville-Boisbriand, Québec video game developer BlooBuzz Studios Inc., established in February 2012, and e-book solutions provider Readbooks SAS. Finally, since May 2013, it includes the activities of Gestev, a Québec City sports and cultural events manager.

2013 operating results

Revenues: $298.9 million, a $12.7 million (-4.1%) decrease compared with 2012.

- Archambault Group's revenues decreased 5.7%, mainly because of:
  - 5.1% decrease in retail sales due primarily to lower sales of CDs and DVDs;
  - 7.4% decrease in distribution revenues, mainly because of lower CD sales;
  - 22.2% decrease in production revenues, mainly reflecting the greater number of concerts produced in 2012.
- Revenues of the Le SuperClub Vidéotron retail chain decreased by 26.5%, mainly because of lower franchise fee revenues and store closures.
- Book division revenues were flat. The addition of Charron Éditeur sales and increase in academic sales were offset by lower revenues from distribution to mass retailers and bookstores.

Partially offset by:

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

Adjusted operating income: $16.6 million in 2013, an $8.5 million (-33.9%) decrease. The unfavourable variance was mainly a result of the impact of lower revenues at Archambault Group and Le Super Club Vidéotron stores, partially offset by the impact of lower operating expenses in the Book division.

Cash flows from operations

Cash flows from segment operations: $9.2 million in 2013 compared with $13.7 million in 2012 (Table 8).

- The $4.5 million unfavourable variance was due to the $8.5 million decrease in adjusted operating income, partially offset by a $4.0 million decrease in additions to property, plant and equipment and in additions to intangible assets.

Table 8: Leisure and Entertainment
Cash flows from operations
(in millions of Canadian dollars)

		2013		2012
Adjusted operating income	**$**	**16.6**	$	25.1
Additions to property, plant and equipment		**(3.0)**		(6.4)
Additions to intangible assets		**(4.4)**		(5.0)
Cash flows from segment operations	**$**	**9.2**	$	13.7

Interactive Technologies and Communications

The Interactive Technologies and Communications segment consists of Nurun Inc. (“Nurun”), which is engaged in Internet, intranet and extranet development, technological platforms, e-commerce, interactive television, automated publishing solutions, and e-marketing and online customer relationship management strategies and programs. Nurun has offices in North America, Europe and China.

2013 operating results

Revenues: $139.2 million, a $6.3 million (-4.3%) decrease.

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

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

Adjusted operating income: $14.4 million, a $4.6 million (46.9%) increase. The favourable variance was due primarily to decreases in some operating costs, including labour costs, partially offset by the impact of the revenue decrease.

Cash flows from operations

Cash flows from segment operations: $12.5 million in 2013 compared with $5.6 million in 2012 (Table 9).

- The $6.9 million favourable variance was mainly due to the $4.6 million increase in adjusted operating income, combined with the $2.3 million decrease in additions to property, plant and equipment and in additions to intangible assets.

Table 9: Interactive Technologies and Communications
Cash flows from operations
(in millions of Canadian dollars)

		2013		2012
Adjusted operating income	**$**	**14.4**	$	9.8
Additions to property, plant and equipment		**(1.7)**		(4.2)
Additions to intangible assets		**(0.2)**		–
Cash flows from segment operations	**$**	**12.5**	$	5.6

2013/2012 FOURTH QUARTER COMPARISON

Analysis of Consolidated Results of Quebecor

Revenues: $1.12 billion, a $5.7 million (0.5%) increase.

- Revenues increased in Telecommunications ($24.6 million or 3.7% of segment revenues).
- Revenues decreased in News Media ($18.2 million or -8.2%), Broadcasting ($5.9 million or -4.6%), Interactive Technologies and Communications ($1.5 million or -4.2%), and Leisure and Entertainment ($0.8 million or -0.8%).

Adjusted operating income: $391.3 million, a $25.2 million (6.9%) increase.

- Adjusted operating income increased in Telecommunications ($17.6 million or 5.8% of segment adjusted operating income), News Media ($7.2 million or 19.3%), Broadcasting ($1.6 million or 10.6%), and Interactive Technologies and Communications ($1.4 million or 41.2%).
- Adjusted operating income decreased in Leisure and Entertainment ($1.1 million or -12.8%).
- 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 2013 compared with the same period of 2012. The change in the fair value of Quebecor stock options resulted in a $0.3 million unfavourable variance in the Corporation's stock-based compensation charge in the fourth quarter of 2013.

Net income attributable to shareholders: $43.4 million ($0.35 per basic share) in the fourth quarter of 2013 compared with $7.1 million ($0.06 per basic share) in the same period of 2012, a favourable variance of $36.3 million ($0.29 per basic share).

- The favourable variance was due primarily to:
    - $66.5 million favourable variance in losses and gains on valuation and translation of financial instruments;
    - $25.2 million increase in adjusted operating income;
    - $8.7 million favourable variance in losses on debt refinancing;
    - $8.0 million decrease in financial expenses.

  Partially offset by:

    - $15.3 million unfavourable variance in charge for restructuring of operations, impairment of assets and other special items;
    - $3.2 million increase in amortization charge.

Adjusted income from continuing operations: $68.0 million in the fourth quarter of 2013 ($0.55 per basic share), compared with $52.3 million ($0.42 per basic share) in the same period of 2012, an increase of $15.7 million ($0.13 per basic share).

Amortization charge: $169.9 million, a $3.2 million increase due essentially to the same factors as those noted above in the 2013/2012 financial year comparison.

Financial expenses: $90.9 million, an $8.0 million decrease caused mainly by the impact of lower interest rates on long-term debt due to debt refinancing at lower rates, partially offset by higher average debt levels.

Loss on valuation and translation of financial instruments: $29.2 million in the fourth quarter of 2013 compared with $95.7 million in the same period of 2012. The $66.5 million favourable variance was mainly due to the variance in the fair value of early settlement options due to 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: $16.0 million in the fourth quarter of 2013, compared with $0.7 million in the same period of 2012, a $15.3 million unfavourable variance.

- In the fourth quarter of 2013, a $6.1 million net charge for restructuring of operations was recorded in the News Media segment, mainly in connection with staff-reduction programs ($0.2 million reversal in the same period of 2012).

- In December 2013, the Corporation announced its decision to discontinue door-to-door distribution of weekly newspapers and flyers in Québec as of January 2014. Accordingly, the News Media segment recorded an $8.3 million restructuring charge.
- The other segments recorded a net charge for restructuring of operations, impairment of assets and other special items of $1.6 million in the fourth quarter of 2013 ($0.9 million in the same period of 2012).

Loss on debt refinancing: $8.7 million in the fourth quarter of 2012 compared with nil in the same period of 2013.

- In the fourth quarter of 2012, Quebecor Media redeemed US$320.0 million principal amount of its 7.75% Senior Notes maturing in March 2016. The transaction generated an $8.7 million loss on debt refinancing.

Income tax expense: $25.2 million (effective tax rate of 29.5%) in the fourth quarter of 2013 compared with an $8.4 million reversal in the same period of 2012.

- The $33.6 million unfavourable variance in income tax expense was mainly due to increase in pre-tax income.

SEGMENTED ANALYSIS

Telecommunications

Revenues: $693.2 million, a $24.6 million (3.7%) increase essentially due to the same factors as those noted above in the 2013/2012 financial year comparison.

- Combined revenues from all cable television services increased $2.0 million (0.7%) to $276.3 million.
- Revenues from Internet access services increased $14.3 million (7.3%) to $209.9 million.
- Revenues from cable telephony service increased $2.4 million (2.1%) to $118.7 million.
- Revenues from mobile telephony service increased $11.5 million (23.9%) to $59.6 million.
- Revenues from Videotron Business Solutions decreased $0.4 million (-2.5%) to $15.8 million.
- Revenues from customer equipment sales decreased $4.3 million (-28.7%) to $10.7.
- Other revenues decreased $1.0 million (-31.3%) to $2.2 million.

ARPU: $121.22 in fourth quarter 2013, compared with $114.02 in the same period of 2012, a $7.20 (6.3%) increase.

Customer statistics

Revenue-generating units – 35,100 (0.7%) unit increase in the fourth quarter of 2013, compared with an increase of 59,400 in the same period of 2012.

Cable television – 5,300 (-0.3%) decrease in combined customer base for all of Videotron's cable television services in the fourth quarter of 2013, compared with an increase of 2,100 in the same period of 2012.

- illico Digital TV: 13,800 (0.9%) subscriber increase in the fourth quarter of 2013, compared with an increase of 26,800 in the same period of 2012.
- Analog cable TV: 19,100 (-6.1%) subscriber decrease in the fourth quarter of 2013, compared with a decrease of 24,700 in the same period of 2012.

Cable Internet access – 10,100 (0.7%) customer increase in the fourth quarter of 2013, compared with an increase of 18,100 in the same period of 2012.

Cable telephony – 4,900 (0.4%) subscriber increase in the fourth quarter of 2013, compared with an increase of 15,200 in the same period of 2012.

Mobile telephony service – 25,300 (5.3%) increase in subscriber connections in the fourth quarter of 2013, compared with an increase of 24,300 in the same period of 2012.

Adjusted operating income: $322.4 million, a $17.6 million (5.8%) increase.

- The increase in adjusted operating income was mainly due to:
  - impact of higher revenues.

  Partially offset by:
  - increases in some operating expenses;
  - $2.3 million increase in stock-based compensation charge.

Cost/revenue ratio: Employee costs and purchases of goods and services for the Telecommunications segment's operations, expressed as a percentage of revenues, were 53.5% in the fourth quarter of 2013 compared with 54.4% in the same period of 2012.

- The decrease was mainly due to the impact of revenue growth (as the fixed component of operating costs does not fluctuate in proportion to revenues).

News Media

Revenues: $204.5 million, an $18.2 million (-8.2%) decrease.

- $5.3 million decrease in revenues due to closure of newspapers and specialty publications since the third quarter of 2012.
- On a same-store basis, advertising revenues decreased 10.8%; circulation revenues decreased 4.0%; digital revenues increased 2.4%; combined revenues from commercial printing and other sources increased 11.4%.
- On a same-store basis, revenues decreased 8.9% at the urban dailies, 8.8% at the community weeklies and 11.6% at the portals; the decline at the portals was caused mainly by lower advertising revenues.

Adjusted operating income: $44.6 million, a $7.2 million (19.3%) increase.

- The increase was due primarily to:
    - $15.1 million favourable impact of restructuring initiatives and other reductions in operating expenses;
    - $5.2 million reversal of a litigation reserve.

  Partially offset by:
    - impact of decrease in revenues on a same-store basis;
    - $1.0 million unfavourable variance in multimedia employment tax credits.

Cost/revenue ratio: Employee costs and purchases of goods and services for the News Media segment's operations, expressed as a percentage of revenues, were 78.2% in the fourth quarter of 2013 compared with 83.2% in the same period of 2012. The decrease was due to the favourable impact of operating expense-reduction initiatives on fourth quarter 2013 results and reversal of a litigation reserve, partially offset by the fixed component of operating costs, which does not fluctuate in proportion to revenue decreases.

Broadcasting

Revenues: $123.7 million, a $5.9 million (-4.6%) decrease.

- Revenues from television operations decreased $7.8 million, mainly due to:
    - lower advertising revenues at TVA Network;
    - discontinuation of operations of TVA Boutiques in the third quarter of 2013;
    - lower volume at TVA Accès and in commercial production.

  Partially offset by:
    - increased subscription and advertising revenues at the specialty channels.
- Total revenues from publishing operations increased by $0.5 million. The favourable impact on revenues of the acquisition of Les Publications Charron & Cie in July 2013 outweighed the decrease in newsstand and advertising revenues.
- Revenues of Quebecor Media Out of Home increased by $1.6 million in the fourth quarter of 2013, primarily because of higher advertising revenues.

Adjusted operating income: $16.7 million, a $1.6 million (10.6%) increase.

- Adjusted operating income from television operations increased by $0.2 million, mainly as a result of:
    - decrease in SUN News' adjusted operating loss due primarily to reduced labour and content costs;
    - decrease in TVA Network's operating costs due to containment of content, production and other costs.

  Partially offset by:
    - impact of revenue decrease at TVA Network.
- Adjusted operating income from publishing operations increased by $0.5 million, mainly as a result of the impact of the acquisition of Les Publications Charron & Cie.

- The adjusted operating loss of Quebecor Media Out of Home decreased by $0.9 million.

Cost/revenue ratio: Employee costs and purchases of goods and services for the Broadcasting segment's operations, expressed as a percentage of revenues, were 86.5% in the fourth quarter of 2013 compared with 88.3% in the same period of 2012. The decrease in costs as a proportion of revenues was mainly due to the reduction in operating costs.

Leisure and Entertainment

Revenues: $93.7 million, a $0.8 million (-0.8%) decrease due to:

- 5.7% decrease in Archambault Group's revenues, mainly because of a 7.2% decrease in retail sales, due in part to lower sales of DVDs and CDs;
- 25.8% decrease in revenues of the Le SuperClub Vidéotron retail chain due to lower franchise fee revenues and store closures.

Partially offset by:

- 12.2% increase in the Book division's revenues, mainly because of higher revenues from distribution to mass retailers and bookstores and the addition of Charron Éditeur sales.
- Favourable impact on revenues of acquisition of Gestev in May 2013.

Adjusted operating income: $7.5 million in the fourth quarter of 2013, a $1.1 million (-12.8%) decrease. The decrease was mainly a result of the impact of lower revenues at Archambault Group and Le Super Club Vidéotron stores, partially offset by the impact of higher revenues and profitability in the Book division.

Interactive Technologies and Communications

Revenues: $34.3 million, a $1.5 million (-4.2%) decrease.

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

  Partially offset by:

  - higher revenues at the San Francisco office in the United States;
  - higher volume from government customers.

Adjusted operating income: $4.8 million, a $1.4 million (41.2%) increase. The favourable variance was due primarily to decreases in some operating costs, including labour costs, partially offset by the impact of the revenue decrease.

2012/2011 FINANCIAL YEAR COMPARISON

The 2011 financial year contained an additional week in the News Media, Broadcasting, Leisure and Entertainment, and Interactive Technologies and Communications segments.

Analysis of Consolidated Results of Quebecor

Revenues: $4.25 billion, a $154.2million (3.8%) increase.

- Revenues increased in Telecommunications ($208.5 million or 8.7% of segment revenues), Interactive Technologies and Communications ($24.6 million or 20.3%) and Broadcasting ($21.3 million or 4.9%).
- Revenues decreased in News Media ($58.4 million or -6.3%) and Leisure and Entertainment ($22.9 million or -6.8%).

Adjusted operating income: $1.38 billion, a $62.2 million (4.7%) increase.

- Adjusted operating income increased in Telecommunications ($130.1 million or 12.1% of segment adjusted operating income) and Interactive Technologies and Communications ($1.9 million or 24.1%).
- Adjusted operating income decreased in News Media ($37.4 million or -26.2%), Broadcasting ($13.9 million or -29.4%), Leisure and Entertainment ($13.2 million or -34.5%), and at Head Office ($5.3 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 $10.4 million unfavourable variance in the consolidated stock-based compensation charge in 2012 compared with 2011. The fair value of the options increased in 2012, whereas it decreased in 2011. The change in the fair value of Quebecor stock options resulted in an $11.3 million unfavourable variance in the Corporation’s consolidated stock-based compensation charge in 2012.

Net income attributable to shareholders: $161.1 million ($1.27 per basic share) in 2012, compared with $196.4 million ($1.53 per basic share) in 2011, a decrease of $35.3 million ($0.26 per basic share).

- The decrease was mainly due to:
  - $186.0 million charge for impairment of goodwill and intangible assets recorded in 2012;
  - $87.1 million increase in amortization charge;
  - $14.6 million increase in financial expenses.

  Partially offset by:
  - $84.1 million favourable variance in gain on valuation and translation of financial instruments;
  - $62.2 million increase in adjusted operating income.

Adjusted income from continuing operations: $182.3 million in 2012 ($1.44 per basic share), compared with $178.4 million ($1.39 per basic share) in 2011, an increase of $3.9 million ($0.05 per basic share).

Amortization charge: $597.5 million, an $87.1 million increase due essentially to the impact of significant capital expenditures since 2010 in the Telecommunications segment, including amortization of 4G network equipment, plus the impact of promotional strategies focused on equipment leasing.

Financial expenses: $346.3 million, a $14.6 million increase due mainly to higher indebtedness.

Gain on valuation and translation of financial instruments: $136.1 million in 2012 compared with $52.0 million in 2011. The $84.1 million favourable variance was mainly due to the variance in the fair value of early settlement options due to 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: $28.5 million in 2012 compared with $29.3 million in 2011, a favourable variance of $0.8 million.

- In 2012, a $30.9 million charge for restructuring of operations was recorded in the News Media segment, mainly related to staff-reduction programs implemented in the third quarter of 2012, compared with a $10.1 million net charge in 2011 for restructuring initiatives implemented during that year. Also in connection with those initiatives, a $7.5 million charge for impairment of certain assets was recorded in 2012, compared with a $0.8 million charge for impairment of intangible assets recorded in 2011.
- A $12.9 million gain on disposal of businesses was recorded in 2012 in the Broadcasting segment as a result of the sale by TVA Group of its interest in the specialty channels mysteryTV and The Cave. A $0.1 million restructuring charge was also recorded in the Broadcasting segment in 2012 ($0.8 million in 2011). In 2011, the Broadcasting segment also recognized a $0.7 million charge for impairment of intangible assets and a $0.2 million charge for other special items.
- In connection with the start-up of its 4G network, the Telecommunications segment recorded a $0.5 million charge for migration costs in 2012 compared with $14.8 million in 2011. In addition, a $0.6 million charge for restructuring of other operations was recorded in the segment in 2011.
- In 2012, other special items in the amount of $2.4 million were recorded in other segments, compared with $1.3 million in 2011.

Charge for impairment of goodwill and intangible assets: $186.0 million in 2012.

- In 2012, the Corporation performed impairment tests on the News Media and Music CGUs and concluded that the recoverable amount based on value in use was less than their carrying amount. Accordingly, a $129.5 million non-cash goodwill impairment charge (without any tax consequences) and a $30.0 million non-cash impairment charge on mastheads and customer relationships (including $7.0 million without any tax consequences) were recorded in the News Media segment and a $12.0 million goodwill impairment charge (without any tax consequences) was recorded in the Leisure and Entertainment segment.
- As a result of new tariffs adopted in 2012 with respect to business contributions for costs related to waste recovery services provided by Québec municipalities, the costs of the magazine publishing operations were adversely affected. 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: $6.3 million in 2012 compared with $4.0 million in 2011, a $2.3 million unfavourable variance.

- In 2012, Videotron redeemed all of its 6.875% Senior Notes 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 outstanding 7.75% Senior Notes maturing in March 2016 and settled some of the related hedges. Finally, Quebecor Media prepaid the outstanding balance of its term loan "B" for a cash consideration of $153.9 million. The transactions generated a total $6.3 million loss on debt refinancing.
- On July 18, 2011, Videotron redeemed and withdrew US$255.0 million principal amount of its issued and outstanding 6.875% Senior Notes maturing in 2014 and settled the related hedges. On February 15, 2011, Sun Media Corporation redeemed and withdrew the entirety of its 7.625% Senior Notes in the aggregate principal amount of US$205.0 million and settled the related hedges. The transactions generated a $4.0 million loss on debt refinancing.

Income tax expense: $93.5 million (effective tax rate of 18.1%, considering only taxable and deductible items) in 2012 compared with $136.4 million (effective tax rate of 27.5%) in 2011.

- The decrease in income tax expense and in the effective tax rate were due to the following factors:
  - in the third quarter of 2012, the Corporation reviewed the recognition of deferred income tax assets in light of jurisprudence and tax developments, and consequently reduced the deferred income tax expense by $34.8 million;
  - impact of lowering of statutory tax rate.

CASH FLOWS AND FINANCIAL POSITION

This section provides an analysis of sources and uses of cash flows, as well as an analysis of the financial position 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: $914.2 million in 2013 compared with $1.10 billion in 2012.

- The $189.2 million unfavourable variance was mainly due to:
  - $191.6 million unfavourable net change in non-cash balances related to operations, mainly because of unfavourable variances in accounts payable and accrued charges at Videotron and Nurun, as well as provisions for restructuring of operations;
  - $38.4 million unfavourable variance in current income taxes;
  - $32.9 million increase in cash portion of financial expenses.

  Partially offset by:
  - $81.1 million increase in adjusted operating income in the Telecommunications segment.

The unfavourable impact of the timing of transactions on non-cash items related to operating activities, combined with a reduction in tax benefits available for the deferral of income tax disbursements, negatively affected cash flows provided by operating activities. Interest disbursements on higher indebtedness resulting from the repurchase of Quebecor Media shares in the fourth quarter of 2012 also had a negative impact. However, profit growth in the Telecommunications segment and the refinancing of some debt at lower rates had a favourable impact on cash flows.

Working capital: $63.4 million at December 31, 2013 compared with negative $113.8 million at December 31, 2012. The $177.2 million favourable variance was mainly due to the increase in cash and cash equivalents, the decrease in accounts payable and accrued charges, primarily at Videotron, and the recognition of assets held for sale under current assets (in connection with the sale of Québec community newspapers in the News Media segment), partially offset by impact of recognition of liabilities related to derivative financial instruments and long-term debt maturing in 2014 under current liabilities.

Investing activities

Additions to property, plant and equipment: $585.9 million in 2013 compared with $709.9 million in 2012. The $124.0 million decrease was due primarily to:

- $122.7 million decrease in additions to property, plant and equipment in the Telecommunications segment, mainly related to lower spending on the 4G network and cable network modernization.

Additions to intangible assets: $66.1 million in 2013 compared with $93.9 million in 2012. The Telecommunications segment accounted for the largest part of the $27.8 million decrease.

Proceeds from disposal of assets: $19.5 million in 2013, primarily in the Telecommunications segment, compared with $29.4 million in 2012, a $9.9 million decrease.

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

Business acquisitions: $15.0 million in 2013, consisting mainly of the acquisition of Les Publications Charron & Cie and Charron Éditeur in the Broadcasting segment and the payment of an earnout related to the acquisition of a digital agency in the United States in the Interactive Technologies and Communications segment, compared with $2.0 million in 2012.

Disposal of businesses: $59.2 million in 2013, reflecting the sale of *Jobboom* and *Réseau Contact* to Mediagrif Interactive Technologies Inc., compared with $0.8 million in 2012.

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

Free cash flows from continuing operating activities of Quebecor Media: $300.1 million in 2013 compared with $348.7 million in 2012 (Table 10).

- The $48.6 million unfavourable variance was mainly due to:
  - $190.7 million unfavourable variance in cash flows provided by operating activities;
  - $9.9 million decrease in proceeds from disposal of assets.

  Offset by:
  - $124.2 million decrease in additions to property, plant and equipment;
  - $27.8 million decrease in additions to intangible assets.

Table 10
Cash flows from segment operations and free cash flows from continuing operating activities of Quebecor Media
(in millions of Canadian dollars)

	2013	2012
Cash flows from segment operations		
Telecommunications	**$ 699.2**	$ 465.5
News Media	**86.9**	89.0
Broadcasting	**20.6**	28.6
Leisure and Entertainment	**9.2**	13.7
Interactive Technologies and Communications	**12.5**	5.6
Quebecor Media Head Office	**(1.8)**	5.3
	826.6	607.7
Cash interest expense	**(350.9)**	(323.2)
Cash portion of charge for restructuring of operations, impairment of assets and other special items	**(26.7)**	(33.9)
Current income taxes	**(95.4)**	(57.0)
Other	**(0.6)**	4.5
Net change in non-cash balances related to operations	**(52.9)**	150.6
Free cash flows from continuing operating activities of Quebecor Media	**$ 300.1**	$ 348.7

Table 11
Free cash flows from continuing operating activities of Quebecor Media and cash flows provided by operating activities of Quebecor
(in millions of Canadian dollars)

	2013	2012
Free cash flows from continuing operating activities of Quebecor Media presented in Table 10	**$ 300.1**	$ 348.7
Quebecor Head Office cash flow items:		
Cash flows from segment operations	**(7.3)**	(1.1)
Cash interest expense	**(13.8)**	(8.6)
Other	**0.2**	(0.6)
Net change in non-cash balances related to operations	**2.5**	(9.4)
	(18.4)	(19.7)
Plus additions to property, plant and equipment	**585.9**	709.9
Plus additions to intangible assets	**66.1**	93.9
Minus proceeds from disposal of assets	**(19.5)**	(29.4)
Cash flows provided by operating activities of Quebecor	**$ 914.2**	$ 1,103.4

Financing activities

Consolidated debt (long-term debt plus bank borrowings): $545.7 million increase in 2013; $211.5 million favourable net variance in assets and liabilities related to derivative financial instruments.

- Summary of debt increases in 2013:
  - $400.0 million aggregate principal amount of Senior Notes issued by Videotron on June 17, 2013 for net proceeds of $394.8 million, net of financing fees of $5.2 million. The Notes bear 5.625% interest and mature on June 15, 2025;
  - US$350 million senior secured term loan "B" entered into by Quebecor Media on August 1, 2013 and issued at a price of 99.50% on August 29, 2013 for net proceeds of $358.4 million, net of financing fees of $1.9 million. The term loan bears interest at LIBOR, subject to a LIBOR floor of 0.75%, plus a 2.50% premium. It provides for quarterly amortization payments totalling 1.00% per annum of the original principal amount, with the balance payable on August 17, 2020;
  - $245.6 million increase in debt due to the reduction in the fair value of early settlement options, which are presented on the balance sheet as a reduction of debt. The reduction in fair value was due to fluctuations in valuation assumptions, including interest rates and credit premiums implicit in the adjusted prices of the underlying instruments, as well as to the reversal of the fair value of early settlement options on the Videotron Senior Notes redeemed on July 2, 2013, and on the Quebecor Media Senior Notes redeemed on August 30, 2013;
  - Estimated $228.8 million unfavourable impact of exchange rate fluctuations. The increase in this item is offset by a decrease in the liability (or increase in the asset) related to cross-currency swap agreements entered under "Derivative financial instruments."
- Summary of main debt reductions in 2013:
  - Early redemption and withdrawal by Videotron on July 2, 2013 of US$380.0 million principal amount of 9.125% Senior Notes issued on April 15, 2008 and maturing in April 2018;
  - Early redemption by Quebecor Media on August 30, 2013 of US$265.0 million aggregate principal amount of its outstanding 7.75% Senior Notes issued on January 17, 2006 and maturing in March 2016;
  - Current payments totalling $22.2 million on Quebecor Media's and Videotron's credit facilities.
- Assets and liabilities related to derivative financial instruments totalled a net liability of $262.9 million at December 31, 2012, compared with a net liability of $51.4 million at December 31, 2013. The $211.5 million net favourable variance was due to:
  - Favourable impact of exchange rate fluctuations on the value of derivative financial instruments;

- Settlement at maturity of liabilities related to Quebecor Media's foreign currency exposure hedges on its term loan "B" credit facility, which was prepaid in full in December 2012;
- Settlement of liability related to Quebecor Media's hedging contracts in connection with the redemption on August 30, 2013 of US$265.0 million aggregate principal amount of Quebecor Media's 7.75% Senior Notes.

Offset by:

- Unfavourable impact of interest rate trends in Canada, compared with the United States, on the fair value of derivative financial instruments;
- Unwinding of Videotron's hedging contracts in an asset position in connection with the redemption on July 2, 2013 of US$380.0 million principal amount of 9.125% Senior Notes.

- On April 16, 2013, Quebecor Media announced a public exchange offer for the exchange of the entirety of its outstanding 5.75% Senior Notes maturing on January 15, 2023 for an equivalent principal amount of Notes registered pursuant to the *Securities Act of 1933*. The exchange of almost all the Notes (99.9%) was completed by May 14, 2013.
- In June 2013, Quebecor Media amended its $300.0 million revolving credit facility to extend the maturity date to January 2017 and amend certain terms and conditions.
- In June 2013, Videotron also amended its $575.0 million revolving credit facility to extend the maturity date to July 2018 and amend certain terms and conditions.
- On June 17, 2013, Quebecor and the Caisse announced the closing of the secondary private placement by CDP Capital, a subsidiary of the Caisse, of $305.0 million aggregate principal amount of Quebecor's 4.125% convertible unsecured subordinated debentures, due 2018. Quebecor did not receive any proceeds from the sale of the debentures by CDP Capital in this secondary private placement, which is part of the transaction announced on October 3, 2012 allowing the Caisse to rebalance its portfolio by disposing of part of its significant position in the media and telecommunications industry.
- In October 2013, the Corporation amended its $150.0 million revolving credit facility to extend the maturity date to November 2016 and amend certain terms and conditions.

Financial Position

Net available liquidity: $1.34 billion at December 31, 2013 for the Corporation and its wholly owned subsidiaries, consisting of $464.7 million in cash and $874.3 million in available unused lines of credit. *See* "Results of 700 MHz spectrum auction" below for information about the filing of a letter of credit with Industry Canada, which has not been considered in the calculation of Quebecor Media's net available liquidity.

Net available liquidity: $82.5 million for Quebecor at the corporate level, consisting of a $0.5 million bank overdraft and $83.0 million in available unused lines of credit.

Consolidated debt: $5.08 billion at December 31, 2013, a $545.7 million increase compared with December 31, 2012; $211.5 million favourable net variance in assets and liabilities related to derivative financial instruments (*see* "Financing Activities" above).

- Consolidated debt essentially consisted of Videotron's $2.40 billion debt ($2.13 billion at December 31, 2012), TVA Group's $74.6 million debt ($74.4 million at December 31, 2012), Quebecor Media's $2.50 billion debt ($2.23 billion at December 31, 2012), and Quebecor's $101.0 million debt ($102.6 million at December 31, 2012).

At December 31, 2013, minimum principal payments on long-term debt in the coming years were as follows:

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

2014	$ 101.2
2015	212.0
2016	480.4
2017	45.4
2018	362.8
2019 and thereafter	3,938.9
Total	**$ 5,140.7**

The weighted average term of Quebecor's consolidated debt was approximately 6.9 years as of December 31, 2013 (7.1 years as of December 31, 2012). The debt consists of approximately 81.6% fixed-rate debt (89.7% at December 31, 2012) and 18.4% floating-rate debt (10.3% at December 31, 2012).

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

Pursuant to their financing agreements, the Corporation and its subsidiaries are required to maintain certain financial ratios and financial covenants. The key indicators listed in these financing agreements include debt service coverage ratio and debt ratio (long-term debt over adjusted operating income). At December 31, 2013, the Corporation and its subsidiaries were in compliance with all required financial ratios and restrictive covenants in their financing agreements.

Dividends Declared

- On March 12, 2014, the Board of Directors of Quebecor declared a quarterly dividend of $0.025 per share on its Class A Shares and Class B Shares, payable on April 22, 2014 to shareholders of record at the close of business on March 28, 2014.

Results of 700 MHz spectrum auction

On February 19, 2014, Industry Canada announced that Videotron was the successful bidder for seven 700 MHz spectrum licences in Canada's four most populous provinces. The operating licences, acquired for $233.3 million, cover the entirety of the 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. The 700 MHz band is distinguished by its ability to penetrate walls, an important advantage in urban areas, and its long range in remote regions, making it the ideal band for the development of next-generation networks, including LTE.

In November 2013, prior to the commencement of the spectrum auction on January 14, 2014, Videotron filed a letter of credit with Industry Canada. Under Industry Canada's published rules respecting disclosure, it is strictly forbidden for Quebecor Media to reveal the amount of this letter of credit. Accordingly, Quebecor Media's net available liquidity as reported under "Financial Position" above has not been reduced by the amount of this letter of credit.

Analysis of consolidated balance sheet at December 31, 2013

Table 13
Consolidated balance sheet of Quebecor
Analysis of main variances between December 31, 2012 and December 31, 2013
(in millions of Canadian dollars)

	December 31, 2013	December 31, 2012	Difference	Main reason for difference
Assets				
Cash and cash equivalents	**$ 476.6**	$ 228.7	$ 247.9	Cash flows from operations exceeded cash flows used in investing and financing activities
Net assets held for sale[1]	**67.9**	–	67.9	Agreement to sell 74 Québec community weeklies in the News Media segment
Property, plant and equipment	**3,448.4**	3,405.8	42.6	Additions to property, plant and equipment (*see* "Investing activities" above), less amortization for the period
Intangible assets	**808.8**	956.7	(147.9)	Amortization of Videotron's spectrum licences and impairment of mastheads and customer relationships in the News Media segment
Goodwill	**3,061.5**	3,371.6	(310.1)	Goodwill impairment in the News Media and Leisure and Entertainment segment, disposal of *Jobboom* and *Réseau Contact*, and recording of assets held for sale
Liabilities				
Accounts payable and accrued liabilities	**717.7**	804.5	(86.8)	Impact of current variances in activity
Income taxes[2]	**71.2**	23.3	47.9	Reduction in previously available tax benefits
Long-term debt, including short-term portion and bank indebtedness	**5,077.0**	4,531.3	545.7	*See* "Financing activities"
Derivative financial instruments[3]	**51.4**	262.9	(211.5)	*See* "Financing activities"
Other liabilities	**278.7**	469.2	(190.5)	Decrease in net benefit obligation due to the higher discount rate and the return on assets
Net future tax liabilities[4]	**544.6**	570.2	(25.6)	Reduced deferred income taxes, mainly because of fluctuations in the fair value of early settlement options

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

ADDITIONAL INFORMATION

Contractual Obligations

At December 31, 2013, material contractual obligations of operating activities included: capital repayment and interest payments on long-term debt; coupon payments on convertible debentures; operating lease arrangements; capital asset purchases and other commitments; and obligations related to derivative financial instruments, less estimated future receipts on derivative financial instruments. Table 14 below shows a summary of those contractual obligations.

Table 14
Contractual obligations of Quebecor as of December 31, 2013
(in millions of Canadian dollars)

	Total	**Under 1 year**	**1-3 years**	**3-5 years**	**5 years or more**
Long-term debt[1]	**$ 5,140.7**	$ 101.2	$ 692.4	$ 408.2	$ 3,938.9
Interest payments[2]	**2,333.1**	294.9	627.8	541.5	868.9
Coupon payments on convertible debentures	**103.2**	20.6	41.3	41.3	–
Operating leases	**297.7**	57.4	79.6	52.5	108.2
Additions to property, plant and equipment and other commitments	**1,368.9**	149.3	296.2	215.7	707.7
Derivative financial instruments[3]	**26.0**	116.6	(15.1)	60.3	(135.8)
Total contractual obligations	**$ 9,269.6**	**$** 740.0	**$** 1,722.2	**$** 1,319.5	**$** 5,487.9

1 The carrying value of long-term debt excludes adjustments related to embedded derivatives and financing fees.
2 Estimated interest payable on long-term debt, based on interest rates, hedging of interest rates and hedging of foreign exchange rates as of December 31, 2013.
3 Estimated future disbursements, net of receipts, related to foreign exchange hedging using derivative financial instruments.

Significant commitments included in Table 14

Videotron leases sites for its 4G network and other equipment under operating lease arrangements and has contracted long-term commitments to acquire services and equipment for a total future consideration of $408.2 million. During the year ended December 31, 2013, Videotron renewed or extended several leases and signed new operating lease arrangements.

In 2011, Quebecor Media announced an agreement with Québec City for the construction and management of an amphitheatre. As at December 31, 2013, the balance of these commitments stood at $111.8 million.

In 2012, Quebecor Media signed an agreement to install, maintain and advertise on Société de transport de Montréal bus shelters for the next 20 years. As at December 31, 2013, the balance of these commitments stood at $102.0 million.

In May 2013, Videotron and Rogers announced a 20-year agreement to build out and operate a shared LTE mobile network in the Province of Québec and in the Ottawa region. The outstanding balance of such commitments was $200.0 million at December 31, 2013.

In the normal course of business, the Broadcasting segment contracts commitments regarding broadcast rights for television programs, sporting events and films, as well as distribution rights for audiovisual content. The outstanding balance of such commitments was $880.7 million at December 31, 2013.

Procurement of raw materials

Large quantities of newsprint, paper and ink are among the most important raw materials used by Quebecor Media. During 2013, the total newsprint consumption of its News Media segment's operations was approximately 123,900 metric tonnes. Newsprint accounted for approximately 8.7% ($59.8 million) of the News Media segment's operating expenses for the year ended December 31, 2013. In order to obtain more favourable pricing, Quebecor Media sources substantially all of its newsprint from a single newsprint producer. Quebecor Media currently obtains newsprint from this supplier at a discount to market prices and receives additional volume rebates for purchases above certain ceiling thresholds. However, there can be no assurance that this supplier will continue to supply newsprint to Quebecor Media on favourable terms, or at all.

Pension plan contributions

The expected employer contributions to the Corporation's defined benefit pension plans and post-retirement benefit plans will be $67.1 million in 2014 (contributions of $73.2 million were paid in 2013).

Related Party Transactions

During the year ended December 31, 2013, the Corporation and its subsidiaries made purchases and incurred rent charges with affiliated corporations in the amount of $3.3 million ($6.2 million in 2012), which is included in purchase of goods and services. The Corporation and its subsidiaries made sales to affiliated corporations in the amount of $3.5 million ($3.8 million in 2012). 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, 2013, the maximum exposure with respect to these guarantees was $19.0 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.

Capital stock

In accordance with Canadian financial reporting standards, Table 15 below presents information on the Corporation's capital stock as at February 28, 2014. In addition, 2,369,182 stock options were outstanding as of February 28, 2014.

Table 15
Capital stock
(in shares and millions of Canadian dollars)

	February 28, 2014	
	Issued and outstanding	Book value
Class A Shares	39,006,072	$ 8.7
Class B Shares	84,040,392	$ 319.2

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

In 2013, the Corporation purchased and cancelled 1,603,700 Class B Shares for a total cash consideration of $36.4 million (2,117,600 Class B Shares for a total cash consideration of $38.3 million in 2012). The excess of $30.2 million of the purchase price over the carrying value of Class B Shares repurchased was recorded in reduction of retained earnings in 2013 ($30.3 million in 2012).

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

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 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. In addition, it competes against incumbent local exchange carriers (or "ILECs"), which have secured licenses to launch video distribution services using video digital subscriber line (or "VDSL") technology (also known as Internet protocol television or "IPTV"). The main ILEC in Quebecor Media's market holds a regional license to provide terrestrial broadcasting distribution in Montréal and several other communities in the Province of Québec. The same ILEC launched its own IPTV service in Montréal (including a portion of the greater Montréal area), in Québec City and in other locations in the Province. A full rollout throughout the Province of Québec is expected in the years to come. The direct access to some broadcasters' websites that provide streaming in high-definition ("HD") 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, through wired and mobile devices, is becoming an important broadcasting and distribution platform. In addition, mobile operators, with the development of their respective 4G and 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"), fiber to the node and fiber 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.

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

AWS services in the 2GHz range is a spectrum that has not been broadly used until recently for mobile telephony. With the emerging use of AWS for LTE, devices available in AWS solely for an HSPA network are limited. Although numerous LTE devices have an AWS HSPA capability, these devices are in the high-end category. This could put pressure on Quebecor Media's ability to compete with lower-end devices as well as on its acquisition costs. In addition, the handsets available 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, this could potentially reduce the number of handsets available to Quebecor Media.

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 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 agreements with its partners governing the development 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 it may also be required to make additional capital expenditures in order to comply with its obligations. The 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, partnership commitments 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 the strength of its partnerships, 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 and partnerships 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. Its agreement with Hydro-Québec, the most significant of them, expired in December 2012. Negotiations are under way toward renewing this agreement. An increase in rates charged by Hydro-Québec could have a significant impact on Videotron's cost structure.

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 multiplatform 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 herein. 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.

Consumer switch from landline telephony to mobile telephony

The recent trend for mobile substitution or “Cord Cutting” (subscribers ending their landline telephony services and opting for mobile telephony services only), due to the increasing mobile penetration rate in Canada and to the various unlimited offers launched by mobile operators, could affect the demand for cable telephony services. Quebecor Media may not be successful in converting its existing cable telephony subscriber base to its mobile telephony services, which could have a material adverse effect on its business, financial condition and results of operations.

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 customer 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.

Competition from alternative technologies

The media industry is experiencing rapid and significant technological change, which has 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 Quebecor Media’s broadcasting markets, industry regulators have authorized DTH, microwave services and VDSL services, and may authorize other alternative methods of transmitting television and other content at 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 Quebecor Media’s 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, and 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 Quebecor Media’s existing television subscriber base from its video-on-demand services to the benefit of a new video-over-the-Internet model. While having a positive impact on demand for its Internet services, video-over-the-Internet could adversely impact demand for its video-on-demand services.

Rapid growth

Quebecor Media has experienced substantial growth in its business and has significantly expanded its operations in recent years. It has sought in the past and may, in the future, seek to make opportunistic or strategic acquisitions and 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 acquisition or business expansion.

In addition, Quebecor Media’s expansion and acquisitions 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, and results of operations. Furthermore, if Quebecor Media is not successful in managing and integrating any acquired businesses, or if it is required to incur significant or unforeseen costs, its business, results of operations and financial condition could be adversely affected.

Key personnel

Quebecor and its subsidiaries' success depend 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 and audiences

Advertising revenue is the primary source of revenue for Quebecor Media's News Media segment and its Broadcasting segment. 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 News Media and Broadcasting segments. Continuing or deepening softness in the Canadian or U.S. economy could further adversely affect key national advertising revenues.

Advertising revenues for its News Media segment 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 results of operations, financial condition, business, and prospects.

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 e-readers) 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 News Media segment 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. New initiatives developed to generate additional revenues from the 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 cable and satellite 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 to 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 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 in the current market.

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.

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. During 2013, the total newsprint consumption by Quebecor Media's newspaper operations was approximately 123,900 metric tonnes. Newsprint represents its single largest raw material expense and one of its News Media segment's most significant operating costs. Newsprint expense represented approximately 8.7% ($59.8 million) of the News Media segment's operating expenses for the year ended December 31, 2013. Changes in the price of newsprint could significantly affect Quebecor Media'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 its Newsprint Supplier's operations.

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.

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 or disaster, 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 significant information 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 to find alternative sources of equivalent content, its News 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 the diversion of management's attention could be significant.

Strikes and other labour protests

At December 31, 2013, approximately 44% of Quebecor Media's employees were represented by collective bargaining agreements. Through its subsidiaries, Quebecor Media is currently party to 96 collective bargaining agreements.

While Quebecor Media is not currently subject to a labour dispute, one major collective agreement in the Montréal area is being negotiated for Videotron.

Quebecor Media can neither predict the outcome of current or future negotiations relating to labour disputes, union representation or renewal of collective bargaining agreements, nor provide any assurance 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, 2013, 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.

Volatility and disruptions in capital and credit markets

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 on credit availability for many companies. In such periods, disruptions in capital and credit markets have also resulted in higher interest rates or greater credit spreads on the issuance of debt securities and increased costs under credit facilities. Disruptions in 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 current 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 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 to timely pay for the services or products they have purchased. Events such as these could adversely impact Quebecor's and its subsidiaries' results of operations, cash flows, financial position, and prospects.

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 to 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.

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 pay penalties for any failure to comply. On December 18, 2013, the Minister of Industry announced the government's intention to adopt legislation that would, among other things, amend the *Telecommunications Act* and the *Radiocommunication Act* to give the CRTC and Industry Canada the power to impose monetary sanctions for failure to comply with current regulations. 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.

License 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.

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 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 expenditures will not be required to deal with known or unknown contamination.

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.

Risk of an asset impairment charge

In the 2013 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, continuous 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 the financial statement is in excess of its recoverable value. Any such asset impairment charge could be material and may adversely affect the Corporation's future reported results of operations and shareholders' equity, although such charges would not affect its cash flow.

Indebtedness

Quebecor and its subsidiaries currently have a substantial amount of debt and significant interest payment requirements. As at December 31, 2013, Quebecor and its subsidiaries had $5.08 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, thereby 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.

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. 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.

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. The ability of these subsidiaries to pay dividends 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, 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.

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 is not sufficient, Quebecor 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 some of their respective existing debt instruments at or prior to their maturity. Quebecor's and its subsidiaries' ability to obtain additional financing to repay such existing debt at maturity will depend on 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 favourable terms, or at all.

Volatility in the price of Quebecor's Class A and Class B Shares

The trading prices of shares of media companies of Quebecor's size can experience price and volume fluctuations. These fluctuations often have been unrelated to, or are out of proportion with the operating performance of these companies. The Corporation's stock price has experienced periods of volatility. Broad market fluctuations may also harm its stock price. Any negative change in the public's perception of the prospects of media and telecommunications companies could also depress the stock price, regardless of actual results. In addition to the other risk factors described above and below, factors affecting the trading price of Quebecor's Class A and Class B Shares include:

- economic changes and overall market volatility;
- political uncertainties;
- variations in operating results;
- changes to the estimates of the Corporation's operating results or changes in recommendations by any securities analyst who elects to follow its common stock;
- market conditions in the industry, the industries of Quebecor's customers, and the economy as a whole;
- sales of large blocks of the Corporation's shares; and
- changes in accounting principles or changes in interpretations of existing principles, which could affect the Corporation's financial results.

Articles containing certain provisions 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

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, trade receivables, long-term investments, bank indebtedness, trade payables, accrued liabilities, long-term debt, 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 is held or issued for speculative purposes.

Table 16
Description of derivative financial instruments
As of December 31, 2013
(in millions of dollars)

Foreign exchange forward contracts

Maturity	Canadian 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	1.0454	$	85.6	US$	81.9
2014[2]	1.0151	US$	395.0	$	401.0

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					
7.750% Senior Notes due 2016	2007 to 2016	US$	380.0	7.69%	1.0001
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$	349.1	Bankers’ acceptances 3 months + 2.77%	1.0346

Cross-currency interest rate swaps (continued)

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
Videotron					
5.000% Senior Notes due 2022[2]	2003 to 2014	US$	200.0	Bankers' acceptances 3 months + 2.73%	1.3425
5.000% Senior Notes due 2022[2]	2004 to 2014	US$	60.0	Bankers' acceptances 3 months + 2.80%	1.2000
5.000% Senior Notes due 2022[2]	2003 to 2014	US$	135.0	7.66%	1.3425
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
9.125% Senior Notes due 2018	2009 to 2018	US$	260.0	9.12%	1.2965
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

[1] Quebecor Media initially entered into these cross-currency interest rate swaps to hedge the foreign currency risk exposure under Senior Notes 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, Quebecor Media 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 Senior Notes redeemed in 2012. These swaps are now used to set in CAN dollars all coupon payments through 2014 on US$543.1 million of notional amount under its 5.00% Senior Notes due 2022 and issued on March 14, 2012. In conjunction with the repurposing of these swaps, Videotron has entered into US$395.0 million offsetting foreign exchange forward contracts to lock-in the value of its hedging position related to the January 15, 2014 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 losses (gains) on valuation and translation of financial instruments for 2013 and 2012 are summarized in Table 17.

Table 17
Loss (gain) on valuation and translation of financial instruments
(in millions of Canadian dollars)

	2013	2012
Loss (gain) on embedded derivatives and derivative financial instruments for which hedge accounting is not used	**$ 173.2**	$ (197.5)
Loss on reversal of embedded derivatives on debt redemption	**72.9**	61.4
Gain on ineffective portion of cash flow hedges	**(1.7)**	(1.1)
Loss on ineffective portion of fair value hedges	**–**	0.3
(Gain) loss on fair value of derivative component of convertible debentures	**(5.6)**	0.8
	$ 238.8	$ (136.1)

A $45.1 million loss was recorded under "Other comprehensive income" in relation to cash flow hedging relationships in 2013 ($33.1 million gain in 2012).

Fair value of financial instruments

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

The fair value of 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 markets data, such as period-end swap rates and foreign exchange rates. An adjustment is also included to reflect non-performance risk impacted by the financial and economic environment prevailing at the date of the valuation in the recognized measure of the fair value of the derivative instruments by applying a credit default premium estimated using a combination of observable and unobservable inputs in the market to the net exposure of the counterparty or the Corporation.

The fair value of early settlement options recognized as embedded derivatives and the derivative component of convertible debentures are 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, derivative financial instruments, and liability and derivative components of convertible debentures as of December 31, 2013 and 2012 are as follows:

Table 18
Fair value of long-term debt and derivative financial instruments
(in millions of Canadian dollars)

	2013		2012	
Asset (liability)	**Carrying value**	**Fair value**	Carrying value	Fair value
Long-term debt[1]	**$ (5,140.7)**	**$ (5,185.5)**	$ (4,845.1)	(5,109.1)
Derivative financial instruments[2]				
Early settlement options	**14.5**	**14.5**	264.9	264.9
Foreign exchange forward contracts[3]	**1.8**	**1.8**	0.1	0.1
Cross-currency interest rate swaps[3]	**(53.2)**	**(53.2)**	(263.0)	(263.0)
Liability and derivative components of convertible debentures	**(113.6)**	**(113.6)**	(132.7)	(132.7)

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

2 The fair value of derivative financial instruments designated as hedges is an asset position of $18.6 million as of December 31, 2013 (a liability position of $168.9 million as of December 31, 2012).

3 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, 2013, 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. The allowance for doubtful accounts amounted to $28.4 million as of December 31, 2013 ($29.6 million as of December 31, 2012). As of December 31, 2013, 9.8% of trade receivables were 90 days past their billing date (9.9% as of December 31, 2012).

The following table shows changes to the allowance for doubtful accounts for the years ended December 31, 2013 and 2012:

	2013	2012
Balance as of beginning of year	**$ 29.6**	$ 30.4
Charged to income	**41.3**	35.0
Utilization	**(42.5)**	(35.8)
Balance as of end of year	**$ 28.4**	$ 29.6

The Corporation believes that the diversity of its customer base and its product lines 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 6.9 years as of December 31, 2013 (7.1 years as of December 31, 2012).

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, 2013, 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 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, 2013:

Increase (decrease)	**Income**	**Other comprehensive income**
Increase of $0.10		
U.S.-dollar-denominated accounts payable	**$ (0.8)**	**$ –**
Gain on valuation and translation of financial instruments and derivative financial instruments	**1.4**	**46.3**
Decrease of $0.10		
U.S.-dollar-denominated accounts payable	**0.8**	**–**
Gain on valuation and translation of financial instruments and derivative financial instruments	**(1.4)**	**(46.3)**

Interest rate risk

Some of the Corporation's and its subsidiaries' revolving and 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 exposure. As of December 31, 2013, after taking into account the hedging instruments, long-term debt was comprised of 81.6% fixed-rate debt (89.7% in 2012) and 18.4% floating-rate debt (10.3% in 2012).

The estimated sensitivity on interest payments of a 100 basis-point variance in the year-end Canadian Bankers' acceptance rate as of December 31, 2013 is $9.3 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, 2013, as per the Corporation's valuation models, is as follows:

Increase (decrease)	Income	Other comprehensive income
Increase of 100 basis points	$ –	**$ (7.2)**
Decrease of 100 basis points	–	**7.2**

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, net assets and liabilities related to derivative financial instruments, and liability and derivative components of convertible debentures, less cash and cash equivalents. The capital structure as of December 31, 2013 and 2012 is as follows:

Table 19
Capital structure of Quebecor
(in millions of dollars)

	2013	2012
Bank indebtedness	**$ 0.5**	$ 1.3
Long-term debt	**5,076.5**	4,530.0
Derivative financial instruments	**51.4**	262.9
Liability and derivative components of convertible debentures	**113.6**	132.7
Cash and cash equivalents	**(476.6)**	(228.7)
Net liabilities	**4,765.4**	4,698.2
Equity	**$ 1,750.4**	$ 1,941.3

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 segments 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 in related equipment sales on delivery, while promotional offers related to the sale of mobile devices are accounted for as a reduction in 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.

News Media

Revenues derived from circulation are recognized when the publication is delivered, net of provisions for estimated returns based on the segment's historical rate of returns. Advertising revenues are also recognized when the publication is delivered. Website advertising is recognized when advertisements are placed on websites. Revenues from the distribution of publications and products are recognized on delivery, net of provisions for estimated returns.

Broadcasting

Revenues derived from the sale of advertising airtime are recognized when the advertisement has been broadcast on television. Revenues derived from subscriptions to specialty television channels are recognized on a monthly basis at the time service is rendered. Circulation revenues derived from publishing activities are recognized when the publication is delivered, net of provisions for estimated returns based on the segment's historical rate of returns. Revenues from advertising related to publishing activities are also recognized when the publication is delivered. Website advertising is recognized when advertisements are placed on websites.

Revenues derived from the distribution of televisual products and movies and from television program rights are recognized over the broadcasting period.

Revenues generated from the distribution of DVD and Blu-ray discs are recognized at the time of their delivery, less a provision for estimated returns, or are accounted for based on a percentage of retail sales.

Leisure and Entertainment

Revenues derived from music distribution, book publishing and distribution activities are recognized on delivery of the products, net of provisions for estimated returns based on the segment's historical rate of returns.

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 2013 in the News Media, Book Publishing and Distribution 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, 2013 was $3.06 billion, and the net book value of intangible assets with indefinite useful lives as at December 31, 2013 was $112.8 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 foreign exchange forward contracts in combination with cross-currency interest rate swaps to hedge foreign currency rate exposure on interest and principal payments on long-term 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. 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 floating rate to floating rate or from a fixed rate to a fixed rate, are designated as cash flow hedges. 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 not considered closely related to their debt contract and are accordingly 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

In accordance with the substance of the contractual arrangement, convertible debentures are compound financial instruments which are accounted for separately into their components: a financial liability, a derivative financial liability, and an equity instrument. The financial liability, which represents the obligation to pay coupons on the convertible debentures in the future, is initially measured at its fair value and subsequently measured at amortized cost. The derivative financial liability, which represents the potential change in the number of Class B Shares to be issued according to the contractual arrangement when the price of a share fluctuates between $19.25 and $24.06, is measured at fair value and any subsequent change in the fair value is recorded in income as a gain or loss on valuation and translation of financial instruments. At issuance, any residual amount is accounted for as an equity instrument.

The identification of convertible debenture components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition of the

convertible debenture at issuance date and the subsequent recognition of interest on the liability component and of changes in fair value on the derivative financial liability component.

Determination of the fair value of the liability and derivative components is also based on a number of assumptions, including contractual future cash flows and volatility and discount factors.

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 its 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 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 some of those 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 expenditure required to settle the present obligation at the balance sheet date or to transfer it to a third party at that time, and it 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 and 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, 2013, the Corporation adopted retrospectively the following standards. Unless otherwise indicated, the adoption of these new standards did not have a material impact on prior period comparative figures.

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

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

Increase (decrease)		2012
Revenues	$	(4.2)
Purchase of goods and services		(2.5)
Financial expenses		(1.7)
Income from continuing operations	$	–

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

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

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

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

Consolidated statement of income

Increase (decrease)		2012
Employee costs	$	3.8
Financial expenses		12.9
Deferred income taxes		(4.5)
Income from continuing operations	$	(12.2)
Income from continuing operations attributable to:		
Shareholders	$	(6.6)
Non-controlling interests		(5.6)

Consolidated statement of comprehensive income

Increase (decrease)		2012
Net income	$	(12.2)
Re-measurement loss		(18.3)
Deferred income taxes		4.9
Comprehensive income	$	1.2
Comprehensive income attributable to:		
Shareholders	$	2.3
Non-controlling interests		(1.1)

Consolidated balance sheets

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

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, 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) *IFRIC 21 – Levies* is required to be applied retrospectively for periods beginning January 1, 2014.

IFRIC 21 clarifies the timing of accounting for a liability for outflow of resources that is imposed by governments in accordance with legislation, based on the activity that triggers the payment.

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, 2013. 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, 2013 and ending December 31, 2013.

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 13, 2014, 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 13, 2014

QUEBECOR INC. AND ITS SUBSIDIARIES
SELECTED FINANCIAL DATA

Years ended December 31, 2013, 2012 and 2011
(in millions of Canadian dollars, except per share data)

	2013	2012	2011
Operations			
Revenues	**$ 4,277.2**	$ 4,248.9	$ 4,094.7
Adjusted operating income	**1,451.8**	1,381.0	1,318.8
Contribution to net (loss) income attributable to shareholders:			
Continuing operations	**214.1**	182.3	178.4
(Loss) gain on valuation and translation of financial instruments	**(134.6)**	50.8	19.6
Unusual items	**(227.9)**	(70.3)	(9.7)
Discontinued operations	**14.5**	(1.7)	8.1
Net (loss) income attributable to shareholders	**(133.9)**	161.1	196.4
Cash flows provided by continuing operating activities	**914.2**	1,103.4	847.6
Basic data per share			
Contribution to net (loss) income attributable to shareholders:			
Continuing operations	**$ 1.73**	$ 1.44	$ 1.39
(Loss) gain on valuation and translation of financial instruments	**(1.09)**	0.40	0.15
Unusual items	**(1.84)**	(0.55)	(0.07)
Discontinued operations	**0.12**	(0.02)	0.06
Net (loss) income attributable to shareholders	**(1.08)**	1.27	1.53
Dividends	**0.10**	0.10	0.10
Equity attributable to shareholders	**9.31**	10.36	11.13
Weighted average number of shares outstanding (in millions)	**124.0**	126.4	128.0
Diluted data per share			
Contribution to net (loss) income attributable to shareholders:			
Continuing operations	**$ 1.50**	$ 1.38	$ 1.38
Dilution impact	**0.23**	-	-
(Loss) gain on valuation and translation of financial instruments	**(1.09)**	0.39	0.15
Unusual items	**(1.84)**	(0.53)	(0.07)
Discontinued operations	**0.12**	(0.02)	0.06
Net (loss) income attributable to shareholders	**(1.08)**	1.22	1.52
Diluted weighted average number of shares (in millions)	**124.0**	132.2	128.8
Financial position			
Working capital	**$ 63.4**	$ (113.8)	$ (133.3)
Long-term debt	**4,975.3**	4,507.8	3,688.3
Equity attributable to shareholders	**1,154.5**	1,310.0	1,425.0
Equity	**1,750.4**	1,941.3	2,867.9
Total assets	**9,016.4**	9,007.8	9,038.8

QUEBECOR INC. AND ITS SUBSIDIARIES

SELECTED QUARTERLY FINANCIAL DATA

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

				2013				2012
	Dec. 31	**Sept. 30**	**June 30**	**March 31**	Dec. 31	Sept. 30	June 30	March 31
Operations								
Revenues	**$ 1,123.4**	**$ 1,056.9**	**$ 1,066.6**	**$ 1,030.3**	$ 1,117.7	$ 1,035.9	$ 1,056.9	$ 1,038.4
Adjusted operating income	**391.3**	**378.4**	**364.8**	**317.3**	366.1	347.9	350.0	317.0
Contribution to net income (loss) attributable to shareholders:								
Continuing operations	**68.0**	**62.9**	**51.4**	**31.8**	52.3	49.1	44.9	36.0
(Loss) gain on valuation and translation of financial instruments	**(17.5)**	**(6.3)**	**(113.9)**	**3.1**	(43.0)	47.5	16.1	30.2
Unusual items	**(8.6)**	**(205.9)**	**(12.8)**	**(0.6)**	(3.8)	(72.1)	2.2	3.4
Discontinued operations	**1.5**	**(18.5)**	**30.2**	**1.3**	1.6	(7.4)	2.3	1.8
Net income (loss) attributable to shareholders	**43.4**	**(167.8)**	**(45.1)**	**35.6**	7.1	17.1	65.5	71.4
Basic data per share								
Contribution to net income (loss) attributable to shareholders:								
Continuing operations	**$ 0.55**	**$ 0.51**	**$ 0.42**	**$ 0.25**	$ 0.42	$ 0.39	$ 0.36	$ 0.28
(Loss) gain on valuation and translation of financial instruments	**(0.14)**	**(0.05)**	**(0.92)**	**0.03**	(0.34)	0.38	0.13	0.24
Unusual items	**(0.07)**	**(1.67)**	**(0.10)**	**-**	(0.03)	(0.57)	0.02	0.03
Discontinued operations	**0.01**	**(0.15)**	**0.24**	**0.01**	0.01	(0.06)	0.01	0.01
Net income (loss) attributable to shareholders	**0.35**	**(1.36)**	**(0.36)**	**0.29**	0.06	0.14	0.52	0.56
Weighted average number of shares outstanding (in millions)	**123.5**	**123.7**	**124.3**	**124.7**	125.4	126.3	126.9	127.0
Diluted data per share								
Contribution to net income (loss) attributable to shareholders:								
Continuing operations	**$ 0.46**	**$ 0.44**	**$ 0.36**	**$ 0.21**	$ 0.35	$ 0.39	$ 0.35	$ 0.28
Dilution impact	**-**	**0.07**	**0.06**	**-**	-	-	-	-
(Loss) gain on valuation and translation of financial instruments	**(0.12)**	**(0.05)**	**(0.92)**	**0.02**	(0.28)	0.38	0.13	0.24
Unusual items	**(0.06)**	**(1.67)**	**(0.10)**	**-**	(0.03)	(0.57)	0.02	0.03
Discontinued operations	**0.01**	**(0.15)**	**0.24**	**0.01**	0.01	(0.06)	0.01	0.01
Net income (loss) attributable to shareholders	**0.29**	**(1.36)**	**(0.36)**	**0.24**	0.05	0.14	0.51	0.56
Weighted average number of diluted shares outstanding (in millions)	**144.7**	**123.7**	**124.3**	**150.8**	148.6	126.5	127.3	127.3