

Consolidated financial statements of

QUEBECOR INC. AND ITS SUBSIDIARIES

Years ended December 31, 2014 and 2013

QUEBECOR INC. AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2014 and 2013

Management’s responsibility for consolidated financial statements

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Consolidated financial statements

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MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Quebecor Inc. and its subsidiaries are the responsibility of management and have been approved by the Board of Directors of Quebecor Inc.

These consolidated financial statements have been prepared by management in conformity with International Financial Reporting Standards and include amounts that are based on best estimates and judgments.

The management of the Corporation and of its subsidiaries, in furtherance of the integrity and objectivity of the data in the consolidated financial statements, has developed and maintains internal accounting control systems and supports a program of internal audit. Management believes that these internal accounting control systems provide reasonable assurance that financial records are reliable and form a proper basis for the preparation of the consolidated financial statements and that assets are properly accounted for and safeguarded, and that the preparation and presentation of other financial information are consistent with the consolidated financial statements.

The Board of Directors carries out its responsibility for the financial statements principally through its Audit Committee, consisting solely of outside directors. The Audit Committee reviews the Corporation's annual consolidated financial statements and recommends their approval to the Board of Directors. The Audit Committee meets with the Corporation's management, internal auditors and external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and formulates the appropriate recommendations to the Board of Directors. The auditor appointed by the shareholders has full access to the Audit Committee, with or without management being present.

These consolidated financial statements have been audited by the auditor appointed by the shareholders and its report is presented hereafter.

A handwritten signature in blue ink, appearing to be 'P. Dion', with a stylized circular flourish above the name.

Pierre Dion
President and Chief Executive Officer

A handwritten signature in blue ink, appearing to be 'J-F Pruneau', with a long horizontal line extending to the right.

Jean-François Pruneau
Senior Vice President and Chief Financial Officer

Montréal, Canada

March 10, 2015

INDEPENDENT AUDITORS' REPORT

To the shareholders of
Quebecor Inc.

We have audited the accompanying consolidated financial statements of Quebecor Inc. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2014, 2013 and January 1, 2013 and the consolidated statements of income, comprehensive income, equity and cash flows for the years ended December 31, 2014 and 2013, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

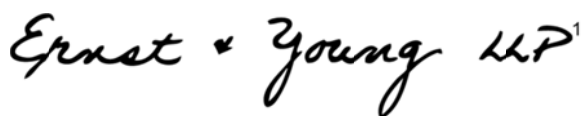
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Quebecor Inc. and its subsidiaries as at December 31, 2014, 2013 and January 1, 2013, and their financial performance and their cash flows for the years ended December 31, 2014 and 2013 in accordance with International Financial Reporting Standards.

The signature is written in a cursive, handwritten style. It reads "Ernst & Young LLP" with a superscript "1" at the end.

Montréal, Canada

March 10, 2015

¹ CPA auditor, CA, public accountancy permit no. A107913

QUEBECOR INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2014 and 2013

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

	Note	2014	2013
			(restated, note 1(b))
Revenues	2	\$ 3,716.1	\$ 3,647.5
Employee costs	3	680.2	702.7
Purchase of goods and services	3	1,637.0	1,574.7
Depreciation and amortization		667.0	630.7
Financial expenses	4	350.7	388.3
Loss on valuation and translation of financial instruments	5	94.7	384.4
Restructuring of operations, impairment of assets and other special items	6	54.4	11.6
Impairment of goodwill and intangible assets	7	81.0	35.3
Loss on debt refinancing	9	18.7	18.9
Income (loss) before income taxes		132.4	(99.1)
Income taxes (recovery):			
Current	11	117.1	83.3
Deferred	11	(25.8)	(55.5)
		91.3	27.8
Income (loss) from continuing operations		41.1	(126.9)
Loss from discontinued operations	8	(65.5)	(193.8)
Net loss		\$ (24.4)	\$ (320.7)
Income (loss) from continuing operations attributable to			
Shareholders		\$ 19.2	\$ (142.5)
Non-controlling interests		21.9	15.6
Net (loss) income attributable to			
Shareholders		\$ (30.1)	\$ (288.6)
Non-controlling interests		5.7	(32.1)
Earnings per share attributable to shareholders	12		
Basic and diluted:			
From continuing operations		\$ 0.16	(1.15)
From discontinued operations		(0.40)	(1.18)
Net loss		(0.24)	(2.33)
Weighted average number of shares outstanding (in millions)		123.0	124.0
Weighted average number of diluted shares (in millions)		123.0	124.0

See accompanying notes to consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31, 2014 and 2013

(in millions of Canadian dollars)

	Note	2014	2013
			(restated, note 1(b))
Income (loss) from continuing operations		\$ 41.1	\$ (126.9)
Other comprehensive (loss) income from continuing operations:			
Items that may be reclassified to income:			
Cash flows hedges:			
Gain (loss) on valuation of derivative financial instruments		14.2	(45.1)
Deferred income taxes		(21.3)	(1.2)
Items that will not be reclassified to income:			
Defined benefit plans:			
Re-measurement (loss) gain	31	(46.0)	109.5
Deferred income taxes		12.3	(29.5)
Reclassification to income:			
Gain related to cash flows hedges	9	(10.8)	(14.5)
Deferred income taxes		0.4	1.1
		(51.2)	20.3
Comprehensive loss from continuing operations		(10.1)	(106.6)
Loss from discontinued operations	8	(65.5)	(193.8)
Other comprehensive (loss) income from discontinued operations	8	(7.6)	28.3
Comprehensive loss		\$ (83.2)	\$ (272.1)
Comprehensive (loss) income from continuing operations attributable to			
Shareholders		\$ (16.3)	\$ (136.8)
Non-controlling interests		6.2	30.2
Comprehensive loss attributable to			
Shareholders		\$ (71.4)	\$ (261.4)
Non-controlling interests		(11.8)	(10.7)

See accompanying notes to consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY

Years ended December 31, 2014 and 2013

(in millions of Canadian dollars)

	Equity attributable to shareholders					Equity attributable to non-controlling interests	Total equity
	Capital stock (note 23)	Contributed surplus	Equity component of convertible debentures (note 25)	Retained earnings	Accumulated other comprehensive loss (note 26)		
Balance as of December 31, 2012, as reported previously	\$ 335.1	\$ 2.3	\$ 398.3	\$ 624.6	\$ (50.3)	\$ 631.3	\$ 1,941.3
Changes in accounting policies (note 1(b))	—	—	(398.3)	(2.0)	—	—	(400.3)
Balance as of December 31, 2012, as restated	335.1	2.3	—	622.6	(50.3)	631.3	1,541.0
Net loss	—	—	—	(288.6)	—	(32.1)	(320.7)
Other comprehensive income	—	—	—	—	27.2	21.4	48.6
Repurchase of Class B Shares (note 23)	(6.2)	—	—	(30.2)	—	—	(36.4)
Dividends	—	—	—	(12.4)	—	(25.0)	(37.4)
Business acquisition	—	—	—	—	—	0.3	0.3
Balance as of December 31, 2013	328.9	2.3	—	291.4	(23.1)	595.9	1,195.4
Net (loss) income	—	—	—	(30.1)	—	5.7	(24.4)
Other comprehensive loss	—	—	—	—	(41.3)	(17.5)	(58.8)
Repurchase of Class B Shares (note 23)	(1.7)	—	—	(10.0)	—	—	(11.7)
Acquisition of non-controlling interests	—	—	—	(0.1)	—	—	(0.1)
Dividends	—	—	—	(12.3)	—	(24.8)	(37.1)
Balance as of December 31, 2014	\$ 327.2	\$ 2.3	\$ —	\$ 238.9	\$ (64.4)	\$ 559.3	\$ 1,063.3

See accompanying notes to consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2014 and 2013
(in millions of Canadian dollars)

	Note	2014	2013
			(restated, note 1(b))
Cash flows related to operating activities			
Income (loss) from continuing operations		\$ 41.1	\$ (126.9)
Adjustments for:			
Depreciation of property, plant and equipment	15	541.6	504.6
Amortization of intangible assets	16	125.4	126.1
Loss on valuation and translation of financial instruments	5	94.7	384.4
Loss on disposal of assets	6	0.1	0.8
Impairment of assets	6	6.7	2.1
Impairment of goodwill and intangible assets	7	81.0	35.3
Loss on debt refinancing	9	18.7	18.9
Amortization of financing costs and long-term debt discount	4	8.7	12.0
Deferred income taxes	11	(25.8)	(55.5)
Other		(0.8)	(0.8)
		891.4	901.0
Net change in non-cash balances related to operating activities		68.2	(9.3)
Cash flows provided by continuing operating activities		959.6	891.7
Cash flows related to investing activities			
Business acquisitions	10	(132.3)	(7.7)
Business disposals	8	193.5	59.2
Additions to property, plant and equipment	15	(645.7)	(562.4)
Additions to intangible assets	16	(317.3)	(77.8)
Proceeds from disposals of assets		5.4	13.2
Other		0.5	1.7
Cash flows used in continuing investing activities		(895.9)	(573.8)
Cash flows related to financing activities			
Net change in bank indebtedness		4.7	(0.8)
Net change under revolving facilities		(22.9)	—
Issuance of long-term debt, net of financing fees	21	728.3	752.6
Repayments of long-term debt	9	(815.6)	(723.6)
Settlement of hedging contracts	9	(65.4)	(29.7)
Repurchase of Class B Shares	23	(11.7)	(36.4)
Dividends		(12.3)	(12.4)
Dividends paid to non-controlling interests		(24.8)	(25.0)
Cash flows used in continuing financing activities		(219.7)	(75.3)
Net change in cash and cash equivalents from continuing operations		\$ (156.0)	\$ 242.6

QUEBECOR INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

Years ended December 31, 2014 and 2013

(in millions of Canadian dollars)

	Note	2014	2013
			(restated, note 1(b))
Net change in cash and cash equivalents from continuing operations		\$ (156.0)	\$ 242.6
Cash flows provided by discontinued operations	8	74.7	5.3
Cash and cash equivalents at beginning of year		476.6	228.7
Cash and cash equivalents at end of year		\$ 395.3	\$ 476.6
Additional information on the consolidated statements of cash flows			
Cash and cash equivalents consist of			
Cash		\$ 155.9	\$ 207.3
Cash equivalents		239.4	269.3
		\$ 395.3	\$ 476.6
Changes in non-cash balances related to operating activities (excluding the effect of business acquisitions and disposals)			
Accounts receivable		\$ 7.7	\$ (2.0)
Inventories		12.4	10.3
Accounts payable, accrued charges and provisions		32.9	(59.1)
Income taxes		9.4	48.7
Stock-based compensation		(6.8)	9.6
Deferred revenues		8.8	(3.4)
Defined benefit plans		(20.0)	(20.9)
Other		23.8	7.5
		\$ 68.2	\$ (9.3)
Non-cash investing activities			
Net change in additions to property, plant and equipment and intangible assets financed with accounts payable		\$ 2.4	\$ 2.2
Interest and taxes reflected as operating activities			
Cash interest payments		\$ 336.8	\$ 362.0
Cash income tax payments (net of refunds)		124.9	49.4

See accompanying notes to consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2014 and 2013 and January 1, 2013

(in millions of Canadian dollars)

	Note	December 31, 2014	December 31, 2013	January 1, 2013
			(restated, note 1(b))	(restated, note 1(b))
Assets				
Current assets				
Cash and cash equivalents		\$ 395.3	\$ 476.6	\$ 228.7
Accounts receivable	13	449.4	566.3	578.7
Income taxes		6.7	18.0	10.6
Inventories	14	212.2	239.4	255.5
Prepaid expenses		38.0	48.2	38.0
Assets held for sale	8	398.1	76.9	—
		1,499.7	1,425.4	1,111.5
Non-current assets				
Property, plant and equipment	15	3,430.4	3,432.4	3,405.8
Intangible assets	16	945.8	824.8	956.7
Goodwill	17	2,714.6	3,061.5	3,371.6
Derivative financial instruments	29	400.9	142.1	35.7
Deferred income taxes	11	7.8	28.1	23.9
Other assets	18	79.3	102.1	102.6
		7,578.8	7,591.0	7,896.3
Total assets		\$ 9,078.5	\$ 9,016.4	\$ 9,007.8

QUEBECOR INC. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (continued)

December 31, 2014 and 2013 and January 1, 2013

(in millions of Canadian dollars)

	Note	December 31, 2014	December 31, 2013	January 1, 2013
			(restated, note 1(b))	(restated, note 1(b))
Liabilities and equity				
Current liabilities				
Bank indebtedness		\$ 5.2	\$ 0.5	\$ 1.3
Accounts payable and accrued charges	19	650.2	706.1	793.8
Provisions	20	56.7	39.4	45.9
Deferred revenue		283.0	288.8	289.0
Income taxes		85.5	89.2	33.9
Derivative financial instruments	29	0.9	116.2	28.5
Current portion of long-term debt	21	230.1	101.2	22.2
Liabilities held for sale	8	97.9	9.0	—
		1,409.5	1,350.4	1,214.6
Non-current liabilities				
Long-term debt	21	5,048.2	4,975.3	4,507.8
Derivative financial instruments	29	101.9	77.3	270.1
Convertible debentures	25	500.0	500.0	500.0
Other liabilities	22	426.8	319.4	350.0
Deferred income taxes	11	528.8	598.6	624.3
		6,605.7	6,470.6	6,252.2
Equity				
Capital stock	23	327.2	328.9	335.1
Contributed surplus		2.3	2.3	2.3
Retained earnings		238.9	291.4	622.6
Accumulated other comprehensive loss	26	(64.4)	(23.1)	(50.3)
Equity attributable to shareholders		504.0	599.5	909.7
Non-controlling interests		559.3	595.9	631.3
		1,063.3	1,195.4	1,541.0
Commitments and contingencies	20, 27			
Guarantees	28			
Subsequent events	32			
Total liabilities and equity		\$ 9,078.5	\$ 9,016.4	\$ 9,007.8

See accompanying notes to consolidated financial statements.

On March 10, 2015, the Board of Directors approved the consolidated financial statements for the years ended December 31, 2014 and 2013.

On behalf of the Board of Directors,



The Right Honourable Brian Mulroney, P.C., C.C., LL.D.,
Chairman of the Board



Jean La Couture,
Director

QUEBECOR INC. AND ITS SUBSIDIARIES

SEGMENTED INFORMATION

Years ended December 31, 2014 and 2013

(in millions of Canadian dollars)

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

	% voting		% equity	
Quebecor Media Inc.	75.4	%	75.4	%
Quebecor Media Inc. interest in its major subsidiaries				
Videotron Ltd.	100.0	%	100.0	%
TVA Group Inc.	99.9	%	51.5	%
Sun Media Corporation	100.0	%	100.0	%
Quebecor Media Printing Inc.	100.0	%	100.0	%
Archambault Group Inc.	100.0	%	100.0	%

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

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

These segments are managed separately since they all require specific market strategies. The accounting policies of each segment are the same as the accounting policies used for the consolidated financial statements. Segment income includes income from sales to third parties and inter-segment sales. Transactions between segments are measured at exchange amounts between the parties.

QUEBECOR INC. AND ITS SUBSIDIARIES

SEGMENTED INFORMATION (continued)

Years ended December 31, 2014 and 2013
(in millions of Canadian dollars)

	Telecommu- nications	Media	Sports and Entertainment	Head office and Inter- segments	Total
					2014
Revenues	\$ 2,965.0	\$ 807.7	\$ 60.9	\$ (117.5)	\$ 3,716.1
Employee costs	367.1	263.5	9.1	40.5	680.2
Purchase of goods and services	1,243.0	497.7	55.2	(158.9)	1,637.0
Adjusted operating income ¹	1,354.9	46.5	(3.4)	0.9	1,398.9
Depreciation and amortization					667.0
Financial expenses					350.7
Loss on valuation and translation of financial instruments					94.7
Restructuring of operations, impairment of assets and other special items					54.4
Impairment of goodwill and intangible assets					81.0
Loss on debt refinancing					18.7
Income before income taxes				\$	132.4
Additions to property, plant and equipment	\$ 607.5	\$ 32.2	\$ 5.5	\$ 0.5	\$ 645.7
Additions to intangible assets	304.7	9.3	0.1	3.2	317.3

See accompanying notes to consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES

SEGMENTED INFORMATION (continued)

Years ended December 31, 2014 and 2013
(in millions of Canadian dollars)

	Telecommu- nications	Media	Sports and Entertainment	Head office and Inter-segments	Total
					2013
					(restated, note 1 (b))
Revenues	\$ 2,860.5	\$ 828.3	\$ 70.2	\$ (111.5)	\$ 3,647.5
Employee costs	372.8	269.6	8.4	51.9	702.7
Purchase of goods and services	1,193.5	474.7	62.9	(156.4)	1,574.7
Adjusted operating income ¹	1,294.2	84.0	(1.1)	(7.0)	1,370.1
Depreciation and amortization					630.7
Financial expenses					388.3
Loss on valuation and translation of financial instruments					384.4
Restructuring of operations, impairment of assets and other special items					11.6
Impairment of goodwill and intangible assets					35.3
Loss on debt refinancing					18.9
Loss before income taxes					\$ (99.1)
Additions to property, plant and equipment	\$ 532.9	\$ 26.2	\$ 0.6	\$ 2.7	\$ 562.4
Additions to intangible assets	67.9	8.8	—	1.1	77.8

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

See accompanying notes to consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2014 and 2013

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board.

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments (note 1(k) and 1(w)), the liability related to stock-based compensation (note 1(u)) and the net defined benefit liability (note 1(v)), and are presented in Canadian dollars ("CAN dollars"), which is the currency of the primary economic environment in which the Corporation and its subsidiaries operate ("functional currency").

Comparative figures for the year ended December 31, 2013 have been restated to conform to the presentation adopted for the year ended December 31, 2014.

(b) Changes in accounting policies

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

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

Consolidated statement of income and comprehensive income

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

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Changes in accounting policies (continued)

Consolidated balance sheets

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

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

(c) Consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries. Intercompany transactions and balances are eliminated on consolidation.

A subsidiary is an entity controlled by the Corporation. Control is achieved when the Corporation is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Non-controlling interests in the net assets and results of consolidated subsidiaries are identified separately from the parent's ownership interest in them. Non-controlling interests in the equity of a subsidiary consist of the amount of non-controlling interests calculated at the date of the original business combination and their share of changes in equity since that date. Changes in non-controlling interests in a subsidiary that do not result in a loss of control by the Corporation are accounted for as equity transactions.

(d) 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. Results of operations of a business acquired are included in the Corporation's consolidated financial statements from the date of the business acquisition. Business acquisition and integration costs are expensed as incurred.

Non-controlling interests in an entity acquired are presented in the consolidated balance sheet within equity, separately from the equity attributable to shareholders and are initially measured at fair value.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Foreign currency translation

Financial statements of the foreign operations disposed in 2014 (note 8) were translated using the rate in effect at the balance sheet date for assets and liabilities, and using the average exchange rates during the period for revenues and expenses. Adjustments arising from foreign currency translation since January 1, 2010 were recorded in other comprehensive income.

Foreign currency transactions are translated to the functional currency by applying the exchange rate prevailing at the date of the transactions. Translation gains and losses on assets and liabilities denominated in a foreign currency are included in financial expenses, or in gain or loss on valuation and translation of financial instruments, unless hedge accounting is used.

(f) Revenue recognition

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

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

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

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

Telecommunications

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

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

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

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Revenue recognition (continued)

Media

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

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

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

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

Sports and Entertainment

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

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

(g) Impairment of assets

For the purposes of assessing impairment, assets are grouped in cash-generating units ("CGUs"), which represent the lowest levels for which there are separately identifiable cash inflows generated by those assets. The Corporation reviews at each balance sheet date 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 the 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 the CGU.

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 if no impairment losses had been previously recognized.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Barter transactions

In the normal course of operations, the Media segment principally offer advertising in exchange for goods and services. Revenues thus earned and expenses incurred are accounted for on the basis of the fair value of the goods and services provided.

For the year ended December 31, 2014, the Corporation recorded \$14.5 million of barter advertising revenues (\$15.2 million in 2013).

(i) Income taxes

Current income taxes are recognized with respect to amounts expected to be paid or recovered under the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

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. A deferred tax expense or benefit is recognized in other comprehensive income or otherwise directly in equity to the extent that it relates to items that are recognized in other comprehensive income or directly in equity in the same or a different period.

In the course of the Corporation's operations, there are a number of uncertain tax positions due to the complexity of certain transactions and due to the fact that related tax interpretations and legislation are continually changing. When a tax position is uncertain, the Corporation recognizes an income tax benefit or reduces an income tax liability only when it is probable that the tax benefit will be realized in the future or that the income tax liability is no longer probable.

(j) Leases

Assets under leasing agreements are classified at the inception of the lease as (i) finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee, or as (ii) operating leases for all other leases.

Operating lease rentals are recognized in the consolidated statement of income on a straight-line basis over the period of the lease. Any lessee incentives are deferred and then recognized evenly over the lease term.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments

Classification, recognition and measurement

Financial instruments are classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or as other financial liabilities, and measurement in subsequent periods depends on their classification. The Corporation has classified its financial instruments (except derivative financial instruments) as follows:

Held-for-trading	Loans and receivables	Available-for-sale	Other liabilities
• Cash and cash equivalents • Bank indebtedness • Exchangeable debentures	• Accounts receivable • Loans and other long-term receivables included in "Other assets"	• Other portfolio investments included in "Other assets"	• Accounts payable and accrued charges • Provisions • Long-term debt • Convertible debentures • Other long-term financial liabilities included in "Other liabilities"

Financial instruments held-for-trading are measured at fair value with changes recognized in income as a gain or loss on valuation and translation of financial instruments. Available-for-sale portfolio investments are measured at fair value or at cost in the case of equity investments that do not have a quoted market price in an active market and where fair value is insufficiently reliable, and changes in fair value are recorded in other comprehensive income. Financial assets classified as loans and receivables and financial liabilities classified as other liabilities are initially measured at fair value and subsequently measured at amortized cost, using the effective interest rate method of amortization. Liabilities recognized as a result of contingent consideration arising from a business acquisition and included in other liabilities, are initially recorded at their acquisition-date fair value and re-measured at fair value in subsequent periods. These changes in fair value are recorded in income as other special items.

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.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

Derivative financial instruments and hedge accounting (continued)

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

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

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

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

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

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

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

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Financing fees

Financing fees related to long-term debt are capitalized in reduction of long-term debt and amortized using the effective interest rate method.

(m) Tax credits and government assistance

The Corporation has access to several government programs designed to support production and distribution of televisual products and movies, as well as music products, magazine and book publishing in Canada. In addition, the Corporation receives tax credits mainly related to its research and development activities, publishing activities and digital activities. Government financial assistance is accounted for as revenue or as a reduction in related costs, whether capitalized and amortized or expensed, in the year the costs are incurred and when management has reasonable assurance that the conditions of the government programs are met.

(n) Cash and cash equivalents

Cash and cash equivalents include highly liquid investments purchased three months or less from maturity and are recorded at fair value. These highly liquid investments consisted mainly of Bankers' acceptances and term deposits.

(o) Trade receivables

Trade receivables are stated at their nominal value, less an allowance for doubtful accounts and an allowance for sales returns. The Corporation establishes an allowance for doubtful accounts based on the specific credit risk of its customers and historical trends. Individual accounts receivables are written off when management deems them not collectible.

(p) Inventories

Inventories are valued at the lower of cost, determined by the first-in, first-out method or the weighted-average cost method, and net realizable value. Net realizable value represents the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. When the circumstances that previously caused inventories to be written down below cost no longer exist, the amount of the write-down is reversed.

In particular, inventories related to broadcasting activities, which primarily are comprised of programs and broadcast and distribution rights, are accounted for as follows:

(i) Programs produced and productions in progress

Programs produced and productions in progress related to broadcasting activities are accounted for at the lesser of cost and net realizable value. Cost includes direct charges for goods and services and the share of labour and general expenses related to each production. The cost of each program is charged to operating expenses when the program is broadcast.

(ii) Broadcast rights

Broadcast rights are essentially contractual rights allowing the limited or unlimited broadcast of televisual products or movies. The Corporation records the broadcast rights acquired as inventory and the obligations incurred under a license agreement as a liability when the broadcast period begins and all of the following conditions have been met: (a) the cost of each program, movies, series or right to broadcast a live event is known or can be reasonably determined; (b) the programs, movies or series have been accepted or the live event is broadcast in accordance with the conditions of the broadcast license agreement; (c) the programs, movies or series are available for first showing or telecast or the live event is broadcasted.

Amounts paid for broadcast rights before all of the above conditions are met are recorded as prepaid broadcast rights.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Inventories (continued)

(ii) Broadcast rights (continued)

Broadcast rights are classified as current or long-term, based on management's estimate of the broadcast period. These rights are charged to operating expenses when televisual products and movies are broadcast over the contract period, using a method based on the manner future economic benefits from these rights will be generated. Broadcast rights payable are classified as current or long-term liabilities based on the payment terms included in the license.

(iii) Distribution rights

Distribution rights include costs to acquire distribution rights for televisual products and movies and other operating costs incurred that generate future economic benefits. The Corporation records an inventory and a liability for the distribution rights and obligations incurred under a license agreement when (a) the cost of the license is known or can be reasonably estimated, (b) the televisual product and movie has been accepted in accordance with the conditions of the license agreement, and (c) the televisual product or movie is available for distribution.

Amounts paid for distribution rights before all of the above conditions are met are recorded as prepaid distribution rights. Distribution rights are charged to operating expenses using the individual film forecast computation method based on actual revenues realized over total future economic benefits expected.

Estimates of future revenues used to determine net realizable values of inventories related to the broadcasting or distribution of television products and movies, are examined periodically by management and revised as necessary. The carrying value of programs produced and productions in progress, broadcast rights and distribution rights is reduced to net realizable value, as necessary, based on this assessment.

(q) Long-term investments

Investments in companies subject to significant influence are accounted for using the equity method. Under the equity method, the share of the results of operations of the associated corporation is recorded in the consolidated statement of income. Carrying values of investments are reduced to estimated fair values if there is objective evidence that the investment is impaired.

(r) Property, plant and equipment

Property, plant and equipment are stated at cost. Cost represents the acquisition costs, net of government grants and investment tax credits, or construction costs, including preparation, installation and testing costs. In the case of projects to construct cable and mobile networks, the cost includes equipment, direct labour and related overhead costs. Projects under development may also be comprised of advance payments made to suppliers for equipment under construction.

Borrowing costs are also included in the cost of property, plant and equipment when the development of the asset commenced after January 1, 2010. Expenditures, such as maintenance and repairs, are expensed as incurred.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Property, plant and equipment (continued)

Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Assets	Estimated useful life
Buildings and leasehold improvements	10 to 40 years
Machinery and equipment	3 to 20 years
Telecommunication networks	3 to 20 years

Depreciation methods, residual values, and the useful lives of significant property, plant and equipment are reviewed at each financial year-end. Any change is accounted for prospectively as a change in accounting estimate.

Leasehold improvements are depreciated over the shorter of the term of the lease and economic life.

The Corporation does not record any decommissioning obligations in connection with its cable distribution networks. The Corporation expects to renew all of its agreements with utility companies to access their support structures in the future, making the retirement date so far into the future that the present value of the restoration costs is insignificant for these assets. A decommissioning obligation is however recorded for the rental of sites related to the advanced mobile network.

Videotron Ltd. ("Videotron") is engaged in an agreement to operate a shared Long Term Evolution mobile network in the Province of Québec and in the Ottawa region.

(s) Goodwill and intangible assets

Goodwill

For all business acquisitions entered into since January 1, 2010, 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. When the Corporation acquires less than 100% of the equity interests in the business acquired at the acquisition date, goodwill attributable to the non-controlling interests is also recognized at fair value.

For business acquisitions that occurred prior to January 1, 2010, goodwill represented the excess of the cost of acquisition over the Corporation's interest in the fair value of the identifiable assets and liabilities of the business acquired at the date of acquisition. No goodwill attributable to non-controlling interests was recognized for these business acquisitions.

Goodwill is allocated as at the date of a business acquisition to a CGU for purposes of impairment testing (note 1(g)). The allocation is made to the CGU or group of CGUs expected to benefit from the synergies of the business acquisition.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Goodwill and intangible assets (continued)

Intangible assets

Broadcasting licenses and mastheads have indefinite useful lives and are not amortized. In particular, given the low cost of renewal of broadcasting licenses, management believes it is economically compelling to renew the licenses and to comply with all rules and conditions attached to those licenses.

Internally generated intangible assets are mainly comprised of internal costs in connection with the development of software to be used internally or for providing services to customers. These costs are capitalized when the development stage of the software application begins and costs incurred prior to that stage are recognized as expenses.

Borrowing costs directly attributable to the acquisition, development or production of an intangible asset that commenced after January 1, 2010 are also included as part of the cost of that asset during the development phase.

Intangible assets with finite useful lives are amortized over their useful lives using the straight-line method over the following periods:

Assets	Estimated useful life
Spectrum licenses	10 years
Software	3 to 7 years
Customer relationships and other	3 to 10 years

Amortization methods, residual values, and the useful lives of significant intangible assets are reviewed at each financial year-end. Any change is accounted for prospectively as a change in accounting estimate.

(t) 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 statement of income in the reporting period in which changes occur.

(u) 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. Key assumptions are described in note 24.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Pension plans and postretirement benefits

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

(i) Defined contribution pension plans

Under its defined contribution pension plans, the Corporation pays fixed contributions to participating employees' pension plans and has no legal or constructive obligation to pay any further amounts. Obligations for contributions to defined contribution pension plans are recognized as employee benefits in the consolidated statements of income when the contributions become due.

(ii) Defined benefit pension plans and postretirement plans

Defined benefit pension plan costs are determined using actuarial methods and are accounted for using the projected unit credit method, which incorporates management's best estimates of future salary levels, other cost escalations, retirement ages of employees, and other actuarial factors. Defined benefit pension costs, recognized in the consolidated statements of income as employee costs, mainly include the following:

- service costs provided in exchange for employee services rendered during the period;
- prior service costs recognized at the earlier of (a) when the employee benefit plan is amended or (b) when restructuring costs are recognized;
- curtailment or settlement gain or loss.

Interest on net defined benefit liability or asset, recognized in the consolidated statements of income as financial expenses, is determined by multiplying the net defined benefit liability or asset by the discount rate used to determine the defined benefit obligation.

Re-measurements of the net defined benefit liability or asset are recognized immediately in other comprehensive income and in accumulated other comprehensive income. Re-measurements are comprised of the following:

- actuarial gains and losses arising from changes in financial and demographic actuarial assumptions used to determine the defined benefit obligation or from experience adjustments on liabilities;
- the difference between actual return on plan assets and interest income on plan assets anticipated as part of the interest on net defined benefit liability or asset calculation;
- changes in the net benefit asset limit or in the minimum funding liability.

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

The Corporation also offers rebate on telecommunication services, health, life and dental insurance plans to some of its retired employees. The cost of postretirement benefits is determined using an accounting methodology similar to that for defined benefit pension plans. The benefits related to these plans are funded by the Corporation as they become due.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Convertible debentures

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

(x) Use of estimates and judgments

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities, related amounts of revenues and expenses, and disclosure of contingent assets and liabilities. Although these estimates are based on management's best judgment and information available at the time of the assessment date, actual results could differ from these estimates.

The following significant areas represent management's most difficult, subjective or complex estimates:

(i) Recoverable amount of an asset or a CGU

When an impairment test is performed on an asset or a CGU, management estimates the recoverable amount of the asset or CGU based on its fair value less costs to sell or its value in use. These estimates are based on valuation models requiring the use of a number of assumptions such as pre-tax discount rate (WACC) and perpetual growth rate. These assumptions have a significant impact on the results of impairment tests and on the impairment charge, as the case may be, recorded in the consolidated statement of income. A description of key assumptions used in the goodwill impairment tests and a sensitivity analysis of recoverable amounts are presented in note 17.

(ii) Fair value of derivative financial instruments, including embedded derivatives

Derivative financial instrument must be accounted for at their fair value, which is estimated using valuation models based on a number of assumptions such as future cash flows, period-end swap rates, foreign exchange rates, and credit default premium. Also, the fair value of embedded derivatives related to early settlement options on debt is determined with option pricing models using market inputs, including volatility, discount factors and underlying instruments adjusted implicit interest rate and credit premium. The assumptions used in the valuation models have a significant impact on the gain or loss on valuation and translation of financial instruments recorded in the consolidated statement of income, the gain or loss on valuation of financial instruments recorded in the consolidated statement of comprehensive income, and the carrying value of derivative financial instruments in the consolidated balance sheet. A description of valuation models used and sensitivity analysis on key assumptions are presented in note 29.

(iii) Costs and obligations related to pension and postretirement benefit plans

Estimates of costs and obligations related to pension and postretirement benefit obligations are based on a number of assumptions, such as the discount rate, the rate of increase in compensation, the retirement age of employees, health care costs, and other actuarial factors. Certain of these assumptions may have a significant impact on employee costs and financial expenses recorded in the consolidated statement of income, the re-measurement gain or loss on defined benefit plans recorded in the consolidated statement of comprehensive income, and on the carrying value of other assets or other liabilities in the consolidated balance sheet. Key assumptions and sensitivity analysis on the discount rate are presented in note 31.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Use of estimates and judgments (continued)

(iv) Provisions

The recognition of provisions requires management to estimate expenditures required to settle a present obligation or to transfer it to third parties at the date of assessment. An assessment of the probable outcomes of legal proceedings or other contingency is also required. A description of the main provisions, including management expectations on the potential effect on the consolidated financial statements of the possible outcomes of legal disputes, is presented in note 20.

The following areas represent management's most significant judgments, apart from those involving estimates:

(i) Determination of useful life periods for the depreciation and amortization of assets with finite useful lives

For each class of assets with finite useful lives, management has to determine over which period the Corporation will consume the assets' future economic benefits. The determination of a useful life period involves judgment and has an impact on the depreciation and amortization charge recorded in the consolidated statements of income.

(ii) Determination of CGUs for the purpose of impairment test

The determination of CGUs requires judgment when determining the lowest level for which there are separately identifiable cash inflows generated by the group of assets. In identifying assets to group in CGUs, the Corporation considers, among other factors, offering bundled services, sharing telecommunication or broadcasting networks infrastructure, integration of media assets, geographical proximity, similarity on exposure to market risk, and materiality. The determination of CGUs could affect the results of impairment tests and, as the case may be, the impairment charge recorded in the consolidated statement of income.

(iii) Determination if early settlement options are not closely related to their debt contract

Early settlement options are not considered closely related to their debt contract when the corresponding option exercise price is not approximately equal to the amortized cost of the debt. 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 statement of income.

(iv) Interpretation of laws and regulations

Interpretation of laws and regulation, including tax regulations, requires judgment from management that could have an impact on the recognition of provisions for legal litigation and income taxes in the consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Recent accounting pronouncements

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

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

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

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

IFRS 15 specifies how and when an entity will recognize revenue as well as requiring such entities to provide users of financial statements with more informative disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.

2. REVENUES

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

	2014	2013
Services rendered	\$ 3,252.1	\$ 3,168.8
Product sales	464.0	478.7
	\$ 3,716.1	\$ 3,647.5

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013

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3. EMPLOYEE COSTS AND PURCHASE OF GOODS AND SERVICES

The main components are as follows:

	2014	2013
Employee costs	\$ 836.9	\$ 848.1
Less: Employee costs capitalized to property, plant and equipment and intangible assets	(156.7)	(145.4)
	680.2	702.7
Purchase of goods and services:		
Royalties, rights and creation costs	666.5	649.1
Cost of retail products	323.9	289.5
Marketing, circulation and distribution expenses	82.2	82.5
Service and printing contracts	151.4	163.1
Paper, ink and printing supplies	46.9	49.1
Other	366.1	341.4
	1,637.0	1,574.7
	\$ 2,317.2	\$ 2,277.4

4. FINANCIAL EXPENSES

	2014	2013
		(restated, note 1(b))
Interest on long-term debt and on debentures	\$ 338.9	\$ 366.6
Amortization of financing costs and long-term debt discount	8.7	12.0
Interest on net defined benefit liability	5.1	11.4
Loss on foreign currency translation on short-term monetary items	4.0	2.7
Other	(6.0)	(4.4)
	\$ 350.7	\$ 388.3

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013

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5. LOSS ON VALUATION AND TRANSLATION OF FINANCIAL INSTRUMENTS

	2014	2013
		(restated, note 1(b))
Loss on embedded derivatives related to long term debt and derivative financial instruments for which hedge accounting is not used	\$ 7.9	\$ 173.2
Loss on embedded derivatives related to convertible debentures	91.6	140.0
(Gain) loss on reversal of embedded derivatives upon debt redemption	(1.1)	72.9
Gain on the ineffective portion of cash flow hedges	(0.5)	(1.7)
Gain on the ineffective portion of fair value hedges	(3.2)	—
	\$ 94.7	\$ 384.4

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

	2014	2013
Restructuring of operations	\$ 10.5	\$ 8.7
Loss related to a legal litigation	34.3	—
Impairment of assets	6.7	2.1
Loss on disposal of assets	0.1	0.8
Other	2.8	—
	\$ 54.4	\$ 11.6

Telecommunications

In 2014, the Telecommunications segment recorded a charge for restructuring costs of \$3.3 million (\$1.8 million in 2013) and a charge for impairment of assets of \$3.4 million (none in 2013).

Also in 2014, the Telecommunications segment recorded a charge of \$34.3 million, including interest, as a result of an unfavorable judgment against Videotron in a legal action. Videotron intends to appeal this judgment.

Media

In recent years, the Media segment has implemented various restructuring initiatives to reduce operating costs. As a result of these initiatives, restructuring costs of \$6.5 million, mainly for the reduction of positions, were recorded in 2014 (\$6.7 million in 2013). As part of these restructuring initiatives, a loss on disposal of assets of \$0.1 million was recorded in 2014 (a gain of \$0.1 million in 2013), while a charge for impairment of assets of \$2.1 million was recorded in 2013.

In 2014, the Media segment also recorded a charge for impairment of assets of \$3.3 million related to broadcasting assets and other special charges of \$2.6 million mainly related to business acquisitions (none in 2013).

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013

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

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

Other segments

In 2014, other segments recorded a charge for restructuring costs of \$0.7 million (\$0.2 million in 2013) and other special charges of \$0.2 million (none in 2013). A loss on disposal of assets of \$0.9 million was recorded in 2013.

7. IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS

2014

During the second quarter of 2014, the Corporation performed its annual impairment tests on its CGUs. The Corporation concluded that the recoverable amount based on fair value less costs of disposal was less than the carrying amount of its Newspapers CGU, which revenues continued to be negatively affected by the digital transformation and weak market conditions in the newspaper industry. Accordingly, the Media segment recorded a non-cash goodwill impairment charge of \$190.0 million (without any tax consequence), of which \$160.0 million is presented as part of discontinued operations.

During the third quarter of 2014, the Corporation completed its annual review of its three-year strategic plan. Market conditions in the television industry led the Corporation to perform an impairment test on its Broadcasting CGU. The Corporation concluded that the recoverable amount based on fair value less costs of disposal was less than the carrying amount of the CGU. Accordingly, a non-cash impairment charge of \$41.7 million on broadcasting licenses (including \$20.9 million without any tax consequence) and a non-cash goodwill impairment charge of \$9.3 million (including \$3.9 million without any tax consequence) were recorded in the Media segment.

2013

During the third quarter of 2013, the Corporation performed impairment tests on its Newspapers, Music and Book CGUs due to weak market conditions in their respective industries. Accordingly, the Media segment recorded a non-cash goodwill impairment charges of \$229.0 million for its Newspaper CGU (without any tax consequence), of which \$214.5 million is presented as part of discontinued operations. A non-cash impairment charge of \$56.0 million on mastheads and customer relationships assets was also recorded as part of discontinued operations. A non-cash goodwill impairment charge of \$11.9 million for the Book CGU (without any tax consequence) and of \$8.9 million for the Music CGU (without any tax consequence) was also recorded by the Corporation.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013

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8. DISCONTINUED OPERATIONS

2014

- In January 2014, the Corporation ceased its door-to-door distribution of flyers and weekly newspapers in the Province of Québec.
- On June 1, 2014, the Corporation sold its 74 Québec weeklies for a cash consideration of \$75.0 million, of which \$1.3 million is receivable as of December 31, 2014. An amount of \$4.7 million was also received in 2014 relating to adjustments of working capital items transferred.
- On September 2, 2014, the Corporation sold its Nurun Inc. ("Nurun") subsidiary for a cash consideration consisting of \$125.0 million, less cash disposed of \$18.1 million. An amount of \$8.2 million was also received relating to certain transaction adjustments.
- On October 6, 2014, the Corporation announced a transaction whereby it will sell all of its English-language newspaper operations in Canada, consisting of 175 newspapers and publications, the Canoe English portal and 8 printing plants, including the Islington, Ontario plant, for a cash consideration of \$316.0 million. The transaction price will be payable in cash, subject to the customary adjustments and a \$10.0 million adjustment, related primarily to real estate properties disposed by the Corporation subsequent to this transaction. The transaction is subject to authorization by the Competition Bureau. While the transaction is under review, Quebecor Media continues to operate all the businesses involved in the transaction.

2013

- On June 1, 2013, the Corporation sold its specialized Web site *Jobboom* for a cash consideration of \$57.5 million, less cash disposed of \$5.4 million.
- On November 29, 2013, the Corporation also sold its specialized Web site *Réseau Contact* for a cash consideration of \$7.5 million, less cash disposed of \$0.4 million.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013

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

8. DISCONTINUED OPERATIONS (continued)

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

Consolidated statements of income and comprehensive income

	2014	2013
Revenues	\$ 586.1	\$ 765.5
Employee costs	231.8	313.8
Purchase of goods and services	259.7	357.1
Depreciation and amortization	25.1	36.8
Financial expenses	0.8	2.0
Restructuring of operations, impairment of assets and other special items	8.5	20.0
Impairment of goodwill and intangible assets	160.0	270.5
Loss before income taxes	(99.8)	(234.7)
Current income taxes	14.2	13.2
Deferred income taxes	1.0	(16.5)
Gain on disposal of businesses	49.5	37.6
Loss from discontinued operations	(65.5)	(193.8)
Other comprehensive (loss) income:		
(Loss) gain on translation of net investments in foreign operations	(1.7)	4.4
Defined benefits plans:		
Re-measurement (loss) gain	(7.9)	31.9
Deferred income taxes	2.0	(8.0)
	(7.6)	28.3
Comprehensive loss from discontinued operations	\$ (73.1)	\$ (165.5)

Consolidated statements of cash flows

	2014	2013
Cash flows related to operating activities	\$ 72.3	\$ 19.0
Cash flows related to investing activities	2.4	(13.7)
Cash flows provided by discontinued operations	\$ 74.7	\$ 5.3

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013

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

8. DISCONTINUED OPERATIONS (continued)

Components of assets and liabilities classified as held for sale in the consolidated balance sheet are as follows:

	2014	2013
Current assets	\$ 70.6	\$ 9.0
Property, plant and equipment	171.4	1.7
Intangible assets	26.1	17.6
Goodwill	130.0	48.6
Assets held for sale	398.1	76.9
Current liabilities	(61.0)	(9.0)
Long-term liabilities	(36.9)	–
Liabilities held for sale	(97.9)	(9.0)
Net assets held for sale	\$ 300.2	\$ 67.9

9. LOSS ON DEBT REFINANCING

2014

- In April 2014, Quebecor Media redeemed all of its issued and outstanding 7.75% Senior Notes due March 2016 in aggregate principal amount of US\$380.0 million and settled its related hedging contracts for a total cash consideration of \$367.8 million.
- In April 2014, Videotron redeemed US\$260.0 million in aggregate principal amount of its issued and outstanding 9.125% Senior Notes due April 2018 for a total cash consideration of \$295.4 million.

These transactions resulted in a total loss of \$18.7 million in 2014, including a gain of \$10.8 million previously reported in other comprehensive income.

2013

- In July 2013, Videotron redeemed US\$380.0 million in aggregate principal amount of its issued and outstanding 9.125% Senior Notes due April 2018 and settled its related hedging contracts for a total cash consideration of \$399.6 million.
- In August 2013, Quebecor Media redeemed US\$265.0 million in aggregate principal amount of its issued and outstanding 7.75% Senior Notes due March 2016 and settled its related hedging contracts for a total cash consideration of \$306.1 million.

These transactions resulted in a total loss of \$18.9 million in 2013, including a gain of \$14.5 million previously reported in other comprehensive income.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013

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

10. BUSINESS ACQUISITIONS

2014

- In December 2014, the Media segment acquired, through TVA Group Inc. ("TVA Group"), substantially all of the assets (including certain operational liabilities assumed) of Global Vision A.R. Ltd. and its subsidiary ("Global Vision") for a purchase price of \$116.1 million in cash. The purchase price is subject to a post-closing adjustment on working capital items. Global Vision operates in the film and television industry by offering soundstage and equipment leasing and post-production services. The assets acquired include Mel's La Cité du Cinéma in Montréal and Studio Melrose in Saint-Hubert, which facilities are used for both local and foreign film and television production, including American blockbusters. The purpose of this acquisition was to invest in sectors that are a good fit with the Media segment activities, with the effect of diversifying the segment revenues. Goodwill related to this acquisition arised principally from the reputation of assembled workforce, future growth and expected synergies.
- In 2014, the Corporation also acquired other businesses such as les Remparts de Québec, a hockey team from the QMJHL.

The preliminary purchase price allocation between the fair value of identifiable assets and liabilities related to business acquisitions in 2014 is summarized as follows:

	2014
Assets acquired	
Non-cash current assets	\$ 9.6
Property, plant and equipment	96.4
Intangible assets	17.1
Goodwill	18.0
	141.1
Liabilities assumed	
Non-cash current liabilities	(7.0)
Other long-term liabilities	(1.3)
	(8.3)
Net assets acquired at fair value	\$ 132.8
Consideration	
Cash	\$ 132.3
Balance payable	0.5
	\$ 132.8

The pro forma revenues and net income in 2014 would not have been significantly different than actual figures, if all business acquisitions had occurred at the beginning of the year.

The amount of goodwill that is deductible for tax purposes is \$18.0 million in 2014 (none in 2013).

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013

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

10. BUSINESS ACQUISITIONS (continued)

2013

- In May 2013, the Sports and Entertainment segment acquired a Québec City sporting and cultural event management company.
- In July 2013, the Media segment acquired, through TVA Group, a magazine publisher and a book publisher in the Province of Québec.

11. INCOME TAXES

The following table reconciles income taxes at the Corporation's domestic statutory tax rate of 26.9% in 2014 (26.9% in 2013), and income taxes in the consolidated statements of income:

	2014	2013
		(restated, note 1(b))
Income taxes at domestic statutory tax rate	\$ 35.6	\$ (26.6)
(Reduction) increase resulting from:		
Effect of provincial tax rate differences	(0.8)	(0.2)
Effect of non-deductible charges, non-taxable income and differences between current and future tax rates	42.4	38.5
Change in benefit arising from the recognition of current and prior year tax losses	2.2	5.5
Non-deductible impairment of goodwill	9.0	9.5
Other	2.9	1.1
Income taxes	\$ 91.3	\$ 27.8

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013

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11. INCOME TAXES (continued)

The significant items comprising the Corporation's net deferred income tax liability and their impact on the deferred income tax expense are as follows:

	Consolidated balance sheets		Consolidated income statements	
	2014	2013	2014	2013
		(restated, note 1(b))		(restated, note 1(b))
Loss carryforwards	\$ 102.7	\$ 110.5	\$ 1.0	\$ 9.6
Accounts payable, accrued charges, provisions and deferred revenue	7.3	11.4	4.1	(0.5)
Defined benefit plans	36.6	27.2	4.9	1.8
Property, plant and equipment	(444.8)	(440.6)	(59.5)	14.9
Goodwill, intangible assets and other assets	(75.6)	(93.4)	50.9	(18.9)
Long-term debt, derivative financial instruments and convertible debentures	(122.0)	(95.5)	5.6	(65.0)
Benefits from a general partnership	(56.5)	(87.4)	(30.9)	(14.0)
Other	(2.8)	(2.7)	–	0.1
	\$ (555.1)	\$ (570.5)	\$ (23.9)	\$ (72.0)

Changes in the net deferred income tax liability are as follows:

	Note	2014	2013
			(restated, note 1(b))
Balance as of beginning of the year		\$ (570.5)	\$ (600.4)
Recognized in income as continuing operations		25.8	55.5
Recognized in income as discontinued operations	8	(1.0)	16.5
Recognized in other comprehensive income as continuing operations		(8.6)	(29.6)
Recognized in other comprehensive income as discontinued operations	8	2.0	(8.0)
Business acquisitions and disposals		(2.4)	(4.2)
Other		(0.4)	(0.3)
Balance as of the end of the year		\$ (555.1)	\$ (570.5)
Deferred income tax asset		\$ 7.8	\$ 28.1
Deferred income tax liability		(528.8)	(598.6)
Deferred income tax liability included in liabilities held for sale		(34.1)	–
		\$ (555.1)	\$ (570.5)

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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11. INCOME TAXES (continued)

As of December 31, 2014, the Corporation had loss carryforwards for income tax purposes of \$35.0 million available to reduce future taxable income, including \$22.3 million that will expire between 2031 and 2034, and \$12.7 million that can be carried forward indefinitely. Of these losses, an amount of \$15.0 million has not been recognized. The Corporation also had capital losses of \$1,053.9 million that can be carried forward indefinitely and applied only against future capital gains, of which \$211.1 million were not recognized.

There are no income tax consequences attached to the payment of dividends in 2014 or 2013 by the Corporation to its shareholders.

12. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

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

The following table sets forth the computation of basic and diluted earnings per share attributable to shareholders:

	2014	2013
		(restated, note 1(b))
Income (loss) from continuing operations attributable to shareholders	\$ 19.2	\$ (142.5)
Impact of assumed conversion of stock options of subsidiaries	(0.3)	—
Income (loss) income from continuing operations attributable to shareholders, adjusted for dilution effect	\$ 18.9	\$ (142.5)
Net loss attributable to shareholders	\$ (30.1)	\$ (288.6)
Impact of assumed conversion of stock options of subsidiaries	(0.3)	—
Net loss attributable to shareholders, adjusted for dilution effect	\$ (30.4)	\$ (288.6)
Weighted average number of diluted shares outstanding (in millions)	123.0	124.0

For the year ended December 31, 2014 and 2013, the diluted earnings per share calculation does not take into consideration the potential dilutive effect of convertible debentures of the Corporation since their impact is anti-dilutive. During the year ended December 31, 2014, 90,000 options of the Corporation's plan, no options of the Quebecor Media's plan, and 525,368 options of TVA Group's plan were excluded from the diluted earnings per share calculation since their impact is anti-dilutive (none in 2013, respectively).

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013

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13. ACCOUNTS RECEIVABLE

	Note	2014	2013
Trade	29(c)	\$ 397.8	\$ 492.5
Other		51.6	73.8
		\$ 449.4	\$ 566.3

14. INVENTORIES

	2014	2013
Raw materials and supplies	\$ 21.0	\$ 26.7
Finished goods	115.7	140.8
Programs, broadcast and distribution rights	73.3	60.5
Work in progress	2.2	11.4
	\$ 212.2	\$ 239.4

Cost of inventories included in purchase of goods and services amounted to \$873.4 million in 2014 (\$830.2 million in 2013), of which \$155.2 million is presented as part of discontinued operations in 2014 (\$181.5 million in 2013). Write-downs of inventories totalling \$4.4 million were recognized in purchase of goods and services in 2014 (\$5.1 million in 2013).

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013

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15. PROPERTY, PLANT AND EQUIPMENT

For the years ended December 31, 2014 and 2013, changes in the net carrying amount of property, plant and equipment are as follows:

	Land, buildings and leasehold improvements	Machinery and equipment	Telecommu- nications networks	Projects under development	Total
Cost					
Balance as of December 31, 2012	\$ 544.3	\$ 1,246.6	\$ 4,281.8	\$ 50.6	\$ 6,123.3
Additions	27.1	177.0	293.8	64.5	562.4
Net change in additions financed with accounts payable	—	(2.8)	(5.0)	3.0	(4.8)
Reclassification	0.3	20.8	51.0	(72.1)	—
Reclassification to assets held for sale	—	(3.6)	—	—	(3.6)
Retirement, disposals and other ¹	—	(10.6)	(66.7)	—	(77.3)
Balance as of December 31, 2013	571.7	1,427.4	4,554.9	46.0	6,600.0
Additions	34.9	170.4	289.1	151.3	645.7
Net change in additions financed with accounts payable	—	1.7	(1.2)	(0.3)	0.2
Reclassification	0.5	34.3	119.1	(153.9)	—
Business acquisitions and disposals	54.6	24.5	—	—	79.1
Reclassification to assets held for sale	(118.0)	(191.8)	—	(1.9)	(311.7)
Retirement, disposals and other ¹	(11.8)	(68.9)	(80.8)	(3.5)	(165.0)
Balance as of December 31, 2014	\$ 531.9	\$ 1,397.6	\$ 4,881.1	\$ 37.7	\$ 6,848.3
Accumulated depreciation and impairment losses					
Balance as of December 31, 2012	\$ 182.4	\$ 518.1	\$ 2,017.0	\$ —	\$ 2,717.5
Depreciation	18.5	163.8	322.3	—	504.6
Reclassification to assets held for sale	—	(1.9)	—	—	(1.9)
Retirement, disposals and other ¹	5.6	7.5	(65.7)	—	(52.6)
Balance as of December 31, 2013	206.5	687.5	2,273.6	—	3,167.6
Depreciation	19.6	188.8	333.2	—	541.6
Business disposals	(3.3)	(9.0)	—	—	(12.3)
Reclassification to assets held for sale	(32.9)	(107.4)	—	—	(140.3)
Retirement, disposals and other ¹	(7.3)	(51.5)	(79.9)	—	(138.7)
Balance as of December 31, 2014	\$ 182.6	\$ 708.4	\$ 2,526.9	\$ —	\$ 3,417.9
Net carrying amount					
As of December 31, 2013	\$ 365.2	\$ 739.9	\$ 2,281.3	\$ 46.0	\$ 3,432.4
As of December 31, 2014	\$ 349.3	\$ 689.2	\$ 2,354.2	\$ 37.7	\$ 3,430.4

¹ Includes also the net change in assets related to discontinued operations.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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16. INTANGIBLE ASSETS

For the years ended December 31, 2014 and 2013, changes in the net carrying amount of intangible assets are as follows:

	Spectrum licenses ^{1,2}	Software	Customer relation- ships and other	Broad- casting licenses	Mastheads	Projects under develop- ment	Total
Cost							
Balance as of December 31, 2012	\$ 554.6	\$ 543.0	\$ 224.9	\$ 103.0	\$ 110.8	\$ 27.3	\$ 1,563.6
Additions	15.9	37.2	4.0	—	—	20.7	77.8
Net change in additions financed with accounts payable	—	2.4	—	—	—	0.2	2.6
Reclassification	—	32.4	—	—	—	(32.4)	—
Reclassification to assets held for sale	—	—	(16.4)	—	(7.0)	—	(23.4)
Retirement, disposals and other ³	—	(32.2)	(3.6)	—	(0.5)	—	(36.3)
Balance as of December 31, 2013	570.5	582.8	208.9	103.0	103.3	15.8	1,584.3
Additions	217.4	66.7	4.0	—	—	29.2	317.3
Net change in additions financed with accounts payable	—	(0.8)	—	—	—	(1.8)	(2.6)
Reclassification	—	34.0	—	—	—	(34.0)	—
Business acquisitions and disposals	—	(3.3)	3.5	—	—	—	0.2
Reclassification to assets held for sale	—	(37.2)	(110.9)	—	(103.3)	(1.9)	(253.3)
Retirement, disposals and other ³	—	(17.9)	(3.0)	—	—	0.1	(20.8)
Balance as of December 31, 2014	\$ 787.9	\$ 624.3	\$ 102.5	\$ 103.0	\$ —	\$ 7.4	\$ 1,625.1

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013

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16. INTANGIBLE ASSETS (continued)

	Spectrum licenses	Software	Customer relation- ships and other	Broad- casting licenses	Mastheads	Projects under develop- ment	Total
Accumulated amortization and impairment losses							
Balance as of December 31, 2012	\$ 122.5	\$ 276.2	\$ 142.6	\$ 0.8	\$ 64.8	\$ –	\$ 606.9
Amortization	55.6	53.3	17.2	–	–	–	126.1
Impairment (note 7)	–	–	28.1	–	27.9	–	56.0
Reclassification to assets held for sale	–	–	(5.8)	–	–	–	(5.8)
Retirement, disposals and other ³	–	(18.7)	(5.0)	–	–	–	(23.7)
Balance as of December 31, 2013	178.1	310.8	177.1	0.8	92.7	–	759.5
Amortization	55.7	64.1	5.6	–	–	–	125.4
Impairment (note 7)	–	–	–	41.7	–	–	41.7
Business disposals	–	(3.8)	(4.4)	–	–	–	(8.2)
Reclassification to assets held for sale	–	(28.0)	(106.5)	–	(92.7)	–	(227.2)
Retirement, disposals and other ³	–	(10.3)	(1.6)	–	–	–	(11.9)
Balance as of December 31, 2014	\$ 233.8	\$ 332.8	\$ 70.2	\$ 42.5	\$ –	\$ –	\$ 679.3
Net carrying amount							
As of December 31, 2013	\$ 392.4	\$ 272.0	\$ 31.8	\$ 102.2	\$ 10.6	\$ 15.8	\$ 824.8
As of December 31, 2014	\$ 554.1	\$ 291.5	\$ 32.3	\$ 60.5	\$ –	\$ 7.4	\$ 945.8

¹ Videotron has the option, effective as of January 1, 2014, to sell its unused AWS spectrum licence in the Toronto region to Rogers Communications Partnership for a price of \$180.0 million. The spectrum licence was purchased at a cost of \$96.4 million in 2008.

² In 2014, Videotron acquired seven 700 MHz spectrum licences, covering the entirety of the provinces of Québec, Ontario (except Northern Ontario), Alberta and British Columbia, for a total price of \$233.3 million, for which Videotron made a cash deposit of \$15.9 million in 2013 and paid the balance in 2014.

³ Includes also the net change in assets related to discontinued operations.

The cost of internally generated intangible assets, mainly composed of software, was \$415.8 million as of December 31, 2014 (\$364.1 million as of December 31, 2013). For the year ended December 31, 2014, the Corporation recorded additions of internally generated intangible assets of \$62.0 million (\$45.2 million in 2013).

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013

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

16. INTANGIBLE ASSETS (continued)

The accumulated amortization and impairment losses of internally generated intangible assets, mainly composed of software, was \$209.8 million as of December 31, 2014 (\$174.1 million as of December 31, 2013). For the year ended December 31, 2014, the Corporation recorded \$44.8 million of amortization for its internally generated intangible assets (\$42.1 million in 2013). The net carrying value of internally generated intangible assets was \$206.0 million as of December 31, 2014 (\$190.0 million as of December 31, 2013).

Broadcasting licenses are allocated to the Broadcasting CGU and mastheads are allocated to the Newspaper CGU, both part of the Media Segment.

17. GOODWILL

For the years ended December 31, 2014 and 2013, changes in the net carrying amount of goodwill are as follows:

Cost	
Balance as of December 31, 2012	\$ 6,993.2
Business acquisitions	5.7
Business disposals	(19.5)
Reclassification to assets held for sale	(118.6)
Other	2.1
Balance as of December 31, 2013	6,862.9
Business acquisitions	18.0
Business disposals	(93.9)
Reclassification to assets held for sale	(1,203.0)
Other	0.3
Balance as of December 31, 2014	\$ 5,584.3
Accumulated amortization and impairment losses	
Balance as of December 31, 2012	\$ 3,621.6
Impairment loss (note 7)	249.8
Reclassification to assets held for sale	(70.0)
Balance as of December 31, 2013	3,801.4
Impairment loss (note 7)	199.3
Business disposals	(58.0)
Reclassification to assets held for sale	(1,073.0)
Balance as of December 31, 2014	\$ 2,869.7
Net carrying amount	
As of December 31, 2013	\$ 3,061.5
As of December 31, 2014	\$ 2,714.6

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013

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

17. GOODWILL (continued)

The net carrying amount of goodwill as of December 31, 2014 and 2013 is allocated to the following significant groups of CGUs:

		2014	2013
Industry segment	Group of CGUs		
Telecommunications	Telecommunications	\$ 2,570.3	\$ 2,570.3
Media	Newspapers	85.0	405.0
	Magazines	35.8	35.8
	Specialty film and television services	12.3	–
	Broadcasting	–	9.3
	Book publishing and distribution	4.4	4.4
Sports and Entertainment	Sports and Entertainment	6.8	1.0
Disposed business ¹		–	35.7
Total		\$ 2,714.6	\$ 3,061.5

¹ The goodwill in 2013 related to the Nurun subsidiary sold in September 2014 (note 8).

Recoverable amounts

Recoverable amounts of CGUs were determined based on the higher of a value in use or a fair value less costs of disposal with respect to the impairment tests performed. The Corporation uses the discounted cash flow method to estimate the recoverable amount, consisting of future cash flows derived primarily 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 considered each CGU's past operating performance and market share as well as economic trends, along with specific and market industry trends and corporate strategies. In particular, specific assumptions are used for each type of revenues generated by a CGU or for each nature of expenses as well as for future capital expenditures. As such, assumptions will consider, among many other factors, subscribers, readership and viewer statistics, advertising market trends, competitive landscape, evolution of products and services offerings, wireless penetration growth, proliferation of media platforms, technology evolution, broadcasting programming strategy, bargaining agreements, Canadian GDP rates and operating cost structures.

A perpetual growth rate is used for cash flows beyond the strategic plan 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 was determined with regard to the specific markets in which the CGUs participate. In certain circumstances, the Corporation can also estimate the fair value less cost of disposal with a market approach that consists of estimating the recoverable amount by using multiples of operating performance of comparable entities, transactions metrics and other financial information available, instead of using primarily the discounted cash flow method.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013

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

17. GOODWILL (continued)

Recoverable amounts (continued)

The following key assumptions were used to determine recoverable amounts in the most recent impairment tests performed on the Corporation's significant group of CGUs:

Group of CGUs	2014				2013			
	Pre-tax discount rate (WACC)		Perpetual growth rate		Pre-tax discount rate (WACC)		Perpetual growth rate	
Telecommunications:								
Telecommunications ¹	8.9	%	2.5	%	9.0	%	3.0	%
Media								
Newspapers ²	11.4		0.0		12.7		0.0	
Magazines ¹	15.9		1.0		16.4		1.0	
Broadcasting ²	11.1		1.0		11.3		1.0	
Book publishing and distribution ¹	15.8		1.0		15.4		0.5	

¹ The recoverable amounts of these CGUs were based on value in use in 2014.

² The recoverable amounts of these CGUs were based on fair value less costs of disposal in 2014 using a discounted cash flow method, except for the English newspapers activities, for which the fair value less costs of disposal was based on the metrics of an announced transaction (note 8). These fair values are classified as level 3 in the fair value hierarchy described in note 27(b).

Sensitivity of recoverable amounts

The following table presents, for each principal group of CGUs, the change in the discount rate or in the perpetual growth rate used for the tests performed that would have been required in order for the recoverable amount to equal the carrying value of the CGU as of the most recent impairment tests in 2014:

Group of CGUs ¹	Incremental increase in pre-tax discount rate (WACC)		Incremental decrease in perpetual growth rate	
Telecommunications	4.8	%	5.2	%
Media:				
Magazines	4.0		5.7	
Book publishing and distribution	8.4		12.7	

¹ No sensitivity tests were performed for CGUs on which impairment charges were recorded in the latest impairment tests.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013

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18. OTHER ASSETS

	Note	2014	2013
Programs, broadcast and distribution rights		\$ 32.0	\$ 32.0
Deferred connection costs		24.3	31.6
Defined benefit plans	31	3.3	11.4
Other		19.7	27.1
		\$ 79.3	\$ 102.1

19. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	2014	2013
		(restated, note 1(b))
Trade and accruals	\$ 467.9	\$ 498.8
Salaries and employee benefits	125.3	146.9
Interest payable	41.9	42.2
Stock-based compensation	15.1	18.2
	\$ 650.2	\$ 706.1

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013

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

20. PROVISIONS AND CONTINGENCIES

	Restructuring of operations	Contingencies, legal disputes and other	Total
Balance as of December 31, 2013	\$ 25.5	\$ 17.5	\$ 43.0
Recognized in income as continuing operations	10.5	37.4	47.9
Recognized in income as discontinued operations	7.7	—	7.7
Payments	(34.8)	(1.9)	(36.7)
Reclassification to liabilities held for sale	(3.4)	—	(3.4)
Other	(0.2)	3.1	2.9
Balance as of December 31, 2014	\$ 5.3	\$ 56.1	\$ 61.4
Current portion	\$ 5.3	\$ 51.4	\$ 56.7
Non-current portion	—	4.7	4.7

The recognition of provisions, in terms of both timing and amounts, requires the exercise of judgment based on relevant circumstances and events that can be subject to change over time. Provisions are primarily comprised of the following:

Restructuring of operations

Provisions for restructuring activities primarily cover severance payments related to initiatives to eliminate positions in the Media segment.

Contingencies and legal disputes

There are a number of legal proceedings against the Corporation and its subsidiaries that are pending. In the opinion of the management of the Corporation and its subsidiaries, the outcome of those proceedings is not expected to have a material adverse effect on the Corporation's results or on its financial position. Management of the Corporation, after taking legal advice, has established provisions for specific claims or actions considering the facts of each case. The Corporation cannot determine when and if a payment related to these provisions will be made.

Other

Other provisions are principally related to contingent liability on business acquisition and decommissioning obligation.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013

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

21. LONG-TERM DEBT

	Effective interest rate as of December 31, 2014	2014	2013
Quebecor			
Bank credit facility (i)	3.91 %	\$ 43.8	\$ 66.8
Other loan (ii)	3.54 %	32.9	33.7
		76.7	100.5
Quebecor Media (iii)			
Bank credit facilities (iv)	3.25 %	400.0	371.9
Other credit facility (v)	1.72 %	10.6	21.2
Senior Notes (vi) (note 9)	(vi)	1,813.0	2,133.1
		2,223.6	2,526.2
Videotron (iii)			
Bank credit facilities (vii)	2.78 %	37.5	48.2
Senior Notes (vi) (note 9)	(vi)	2,913.5	2,390.3
		2,951.0	2,438.5
TVA Group (iii)			
Bank credit facilities (viii)	3.54 %	74.8	75.0
Other		0.6	0.5
Total long-term debt		5,326.7	5,140.7
Change in fair value related to hedged interest rate risk		8.2	—
Adjustments related to embedded derivatives		(5.2)	(8.9)
Financing fees, net of amortization		(51.4)	(55.3)
		(48.4)	(64.2)
		5,278.3	5,076.5
Less current portion		(230.1)	(101.2)
		\$ 5,048.2	\$ 4,975.3

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013

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

21. LONG-TERM DEBT (continued)

- (i) The bank credit facility of Quebecor is a revolving credit facility maturing in 2016 in an amount of \$150.0 million. The availability under this facility is dependent on the market value of a portion of the Corporation's interest in Quebecor Media. The credit agreement governing this credit facility contains covenants such as limiting its ability to incur additional indebtedness. The borrowed amounts bear interest at floating rates based on Bankers' acceptance rate, U.S. London Interbank Offered Rate ("LIBOR"), Canadian prime rate or U.S. prime rate, plus a premium determined by a leverage ratio. The credit facility is secured by a limited number of shares owned of Quebecor Media.
- (ii) This mortgage loan bears interest at a fixed rate, payable every month, and matures in August 2017. The Corporation shall repay the principal amount in monthly repayments and the balance at the end of the term. The loan is secured by a first ranking hypothec on the head office building.
- (iii) The debts of these subsidiaries are non-recourse to Quebecor.
- (iv) The bank credit facilities of Quebecor Media are comprised of (a) a US\$350.0 million secured term loan "B" facility issued in August 2013, bearing interest at LIBOR, subject to a LIBOR floor of 0.75%, plus a premium of 2.50% and (b) a \$300.0 million secured revolving credit facility, bearing interest at Bankers' acceptance rate, LIBOR, Canadian prime rate or U.S. prime rate, plus a premium determined by a leverage ratio, and maturing in January 2017. The term loan "B" facility provides for quarterly amortization payments totaling 1.00% per annum of the original principal amount, with the balance payable on August 17, 2020. These credit facilities contain covenants such as maintaining certain financial ratios, limitations on Quebecor Media's ability to incur additional indebtedness, pay dividends and make other distributions. They are secured by liens on all of the movable property and assets of Quebecor Media (primarily shares of its subsidiaries), now owned or hereafter acquired. As of December 31, 2014, the credit facilities of Quebecor Media were secured by assets with a carrying value of \$4,707.1 million (\$4,668.4 million in 2013). As of December 31, 2014 and 2013, no amount was drawn on the revolving credit facility, while the balance of the term loan "B" was \$400.0 million (\$371.9 million in 2013).
- (v) The long-term credit facility for the CAN dollar equivalent of €59.4 million, bears interest at Bankers' acceptance rate, plus a premium, and matures in July 2015. The facility is secured by all the property and assets of Quebecor Media, now owned and hereafter acquired. This facility mostly contains the same covenants as the revolving credit facility described in (iv).

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013

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

21. LONG-TERM DEBT (continued)

- (vi) The Senior Notes are unsecured and contain certain restrictions on the respective issuers, including limitations on their ability to incur additional indebtedness, pay dividends or make other distributions. Some notes are redeemable at the option of the issuer, in whole or in part, at a price based on a make-whole formula during the first five years of the term of the notes and at a decreasing premium thereafter, while the remaining notes are redeemable at a price based on a make-whole formula at any time prior to maturity. The notes issued by Videotron are guaranteed by specific subsidiaries of Videotron. The following table summarizes the terms of the outstanding Senior Notes as of December 31, 2014:

Principal amount	Annual nominal interest rate	Effective interest rate (after discount or premium at issuance)	Maturity date	Interest payable every 6 months on
Quebecor Media				
\$ 325.0	7.375 %	7.375 %	January 15, 2021	June and December 15
US\$ 850.0	5.750 %	5.750 %	January 15, 2023	June and December 15
\$ 500.0	6.625 %	6.625 %	January 15, 2023	June and December 15
Videotron				
US\$ 175.0	6.375 %	6.444 %	December 15, 2015	June and December 15
US\$ 75.0	9.125 %	9.375 %	April 15, 2018	June and December 15
\$ 300.0	7.125 %	7.125 %	January 15, 2020	June and December 15
\$ 300.0	6.875 %	6.875 %	July 15, 2021	June and December 15
US\$ 800.0	5.000 %	5.000 %	July 15, 2022	January and July 15
US\$ 600.0 ¹	5.375 %	5.375 %	June 15, 2024	June and December 15
\$ 400.0 ²	5.625 %	5.625 %	June 15, 2025	April and October 15

¹ The notes were issued in April 2014 for net proceeds of \$654.5 million, net of financing fees of \$7.8 million.

² The notes were issued in June 2013 for net proceeds of \$394.8 million, net of financing fees of \$5.2 million.

- (vii) The bank credit facilities provide for a \$575.0 million secured revolving credit facility that matures in July 2018 and a \$75.0 million secured export financing facility providing for a term loan that matures in June 2018. The revolving credit facility bears interest at Bankers' acceptance rate, Canadian prime rate or U.S. prime rate, plus a margin, depending on Videotron's leverage ratio. Advances under the export financing facility bear interest at Bankers' acceptance rate plus a margin. The bank credit facilities are secured by a first ranking hypothec on the universality of all tangible and intangible assets, current and future, of Videotron and most of its wholly owned subsidiaries. As of December 31, 2014, the bank credit facilities were secured by assets with a carrying value of \$6,238.3 million (\$7,013.7 million in 2013). The bank credit facilities contain covenants such as maintaining certain financial ratios, limitations on Videotron's ability to incur additional indebtedness, pay dividends and make other distributions. As of December 31, 2014 and 2013, no amount was drawn on the revolving credit facility. As of December 31, 2014, \$37.5 million (\$48.2 million in 2013) was outstanding on the export financing facility.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013

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21. LONG-TERM DEBT (continued)

(viii) The bank credit facilities of TVA Group are comprised of a secured revolving credit facility in the amount of \$150.0 million, maturing in February 2019, and a secured term loan in the amount of \$75.0 million, maturing in November 2019. TVA Group's revolving credit facility bears interest at floating rates based on Bankers' acceptance rate, LIBOR, Canadian prime rate or U.S. prime rate plus a premium determined by a leverage ratio. The term loan bears interest at floating rates based on Bankers' acceptance rate or Canadian prime rate plus a premium determined by a leverage ratio. The term loan provides for quarterly amortization payments commencing on December 20, 2015. The bank credit facilities contain covenants such as maintaining certain financial ratios, limitations on TVA Group's ability to incur additional indebtedness, pay dividends and make other distributions. They are secured by liens on all of its movable assets and an immovable hypothec on its head office building. The term loan has replaced the previous term loan at its maturity on December 11, 2014. As of December 31, 2014 and 2013, no amount was drawn on the revolving credit facility, and as of December 31, 2014, \$74.8 million was outstanding on the term loan (\$75.0 million in 2013).

On December 31, 2014, the Corporation and its subsidiaries were in compliance with all debt covenants.

Principal repayments of long-term debt over the coming years are as follows:

2015	\$	230.1
2016		63.4
2017		51.8
2018		105.5
2019		56.9
2020 and thereafter		4,819.0

22. OTHER LIABILITIES

	Note	2014	2013
			(restated, note 1(b))
Defined benefit plans	31	\$ 136.8	\$ 113.3
Embedded derivatives related to convertible debentures		232.2	140.6
Deferred revenue		25.7	33.8
Stock-based compensation ¹	24	14.4	18.1
Other ²		17.7	13.6
		\$ 426.8	\$ 319.4

¹ The current portion of \$15.1 million of stock-based compensation is included in accounts payable and accrued charges (\$18.2 million in 2013) (note 19).

² Including exchangeable debentures, Series 2001 and Series Abitibi that mature in 2026, having a combined principal nominal amount outstanding of \$844.9 million as of December 31, 2014 and 2013 and a combined carrying value of \$2.1 million as of December 31, 2014 and 2013. Exchangeable debentures bear interest at a rate of 0.10% on the debentures' principal amount. Prior to maturity, the Corporation may, at its option, satisfy its obligation without any consideration.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013

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23. CAPITAL STOCK

(a) Authorized capital stock

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

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

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

(b) Issued and outstanding capital stock

	Class A Shares		Class B Shares	
	Number	Amount	Number	Amount
Balance as of December 31, 2012	39,175,572	\$ 8.7	85,759,592	\$ 326.4
Class A Shares converted into Class B Shares	(150,900)	—	150,900	—
Shares purchased and cancelled	—	—	(1,603,700)	(6.2)
Balance as of December 31, 2013	39,024,672	8.7	84,306,792	320.2
Class A Shares converted into Class B Shares	(51,500)	—	51,500	—
Shares purchased and cancelled	—	—	(455,000)	(1.7)
Balance as of December 31, 2014	38,973,172	\$ 8.7	83,903,292	\$ 318.5

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

In 2014, the Corporation purchased and cancelled 455,000 Class B Shares for a total cash consideration of \$11.7 million (1,603,700 Class B Shares for a total cash consideration of \$36.4 million in 2013). The excess of \$10.0 million of the purchase price over the carrying value of Class B Shares repurchased was recorded in reduction of retained earnings in 2014 (\$30.2 million in 2013).

On March 10, 2015, the Board of Directors of the Corporation declared a dividend of \$0.025 per share on Class A Shares and Class B Shares, or approximately \$3.1 million, payable on April 21, 2015 to shareholders of record at the close of business on March 27, 2015.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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24. STOCK-BASED COMPENSATION PLANS

(a) Quebecor plans

(i) Stock option plan

Under a stock option plan established by the Corporation, 13,000,000 of Class B Shares of the Corporation have been set aside for directors, officers, senior employees, and other key employees of the Corporation and its subsidiaries. The exercise price of each option is equal to the weighted average trading price of the Corporation's Class B Shares on the Toronto Stock Exchange over the last five trading days immediately preceding the granting of the option. Each option may be exercised during a period not exceeding 10 years from the date granted. Options usually vest as follows: 1/3 after one year, 2/3 after two years, and 100% three years after the original grant. Holders of options under the stock option plan have the choice, when they exercise their options, of acquiring the Class B Shares at the corresponding option exercise price, or receiving a cash payment equivalent to the difference between the market value of the underlying shares and the exercise price of the option. The Board of Directors of the Corporation may, at its discretion, affix different vesting periods at the time of each grant.

The following table gives details on changes to outstanding options for the years ended December 31, 2014 and 2013:

	2014		2013	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Balance at beginning of year	2,369,182	\$ 21.13	723,264	\$ 18.64
Granted	1,010,000	26.30	1,645,918	22.23
Exercised	(527,208)	18.83	—	—
Cancelled	(1,541,974)	21.71	—	—
Balance at end of year	1,310,000	\$ 25.36	2,369,182	\$ 21.13
Vested options at end of year	—	\$ —	527,208	\$ 18.83

During the year ended December 31, 2014, 527,208 stock options of the Corporation were exercised for a cash consideration of \$4.2 million (none in 2013).

The following table gives summary information on outstanding options as of December 31, 2014:

Outstanding options				Vested options	
Range of exercise price	Number	Weighted average years to maturity	Weighted average exercise price	Number	Weighted average exercise price
\$22.23 to 30.24	1,310,000	9.18	\$ 25.36	—	\$ —

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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24. STOCK-BASED COMPENSATION PLANS (continued)

(a) Quebecor plans (continued)

(ii) Mid-term stock-based compensation plan

Under the mid-term stock-based compensation plan, participants are entitled to receive a cash payment at the end of a three-year period based on the appreciation of the Corporation Class B Share price, and subject to the achievement of certain non-market performance criteria. The following table provides details of changes to outstanding units in the mid-term stock-based compensation plan for the years ended December 31, 2014 and 2013:

	2014		2013	
	Units	Weighted average exercise price	Units	Weighted average exercise price
Balance at beginning of year	2,263,516	\$ 19.92	1,757,146	\$ 15.99
Granted	1,388,447	26.47	1,180,818	22.08
Exercised	(480,148)	18.76	(674,448)	13.46
Cancelled	(2,368,298)	21.86	—	—
Balance at end of year	803,517	\$ 26.22	2,263,516	\$ 19.92

During the year ended December 31, 2014, a cash consideration of \$3.7 million was paid upon exercise of 480,148 units (\$3.9 million for 674,448 units in 2013).

(iii) Deferred stock unit plan

The Quebecor deferred stock unit ("DSU") plan is for the benefit of the Corporation's directors. Under this plan, each director receives a portion of his/her compensation in the form of DSUs, such portion representing at least 50% of the annual retainer. Subject to certain conditions, each director may elect to receive up to 100% of the total fees payable for services as a director in the form of units. The value of a DSU is based on the weighted average trading price of the Corporation's Class B Shares on the Toronto Stock Exchange over the last five trading days immediately preceding the relevant date. DSUs will entitle the holders thereof to dividends, which will be paid in the form of additional units at the same rate as that applicable to dividends paid from time to time on the Corporation's Class B Shares. Subject to certain limitations, the DSUs will be redeemed by the Corporation when the director ceases to serve as a director of the Corporation. For the purpose of redeeming units, the value of a DSU shall correspond to the fair market value of the Corporation's Class B Shares on the date of redemption. As of December 31, 2014 and 2013, the total number of DSUs outstanding under this plan was 160,338 and 178,216, respectively.

(b) Quebecor Media stock option plan

Under a stock option plan established by Quebecor Media, 6,180,140 Common Shares of Quebecor Media have been set aside for officers, senior employees, directors, and other key employees of Quebecor Media and its subsidiaries. Each option may be exercised within a maximum period of 10 years following the date of grant at an exercise price not lower than, as the case may be, the fair market value of the Common Shares of Quebecor Media at the date of grant, as determined by its Board of Directors (if the Common Shares of Quebecor Media are not listed on a stock exchange at the time of the grant), or the five-day weighted average market price ending on the day preceding the date of grant of the Common Shares of Quebecor Media on the stock exchange(s) where such shares are listed at the time of grant. As long as the Common Shares of Quebecor Media are not listed on a recognized stock exchange, optionees may exercise their vested options during one of the following periods: from March 1 to March 30, from June 1 to June 29, from September 1 to September 29, and from December 1 to December 30.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

24. STOCK-BASED COMPENSATION PLANS (continued)

(b) Quebecor Media stock option plan (continued)

Holders of options under the plan have the choice at the time of exercising their options of receiving an amount in cash (equal to the difference between either the five-day weighted average market price ending on the day preceding the date of exercise of the Common Shares of Quebecor Media on the stock exchange(s) where such shares are listed at the time of exercise or the fair market value of the Common Shares, as determined by the Quebecor Media's Board of Directors, and the exercise price of their vested options) or, subject to certain stated conditions, exercise their options to purchase Common Shares of Quebecor Media at the exercise price. Except under specific circumstances, and unless the Human Resources and Compensation Committee decides otherwise, options vest over a five-year period in accordance with one of the following vesting schedules as determined by the Human Resources and Compensation Committee at the time of grant: (i) equally over five years with the first 20% vesting on the first anniversary of the date of the grant; (ii) equally over four years with the first 25% vesting on the second anniversary of the date of grant; and (iii) equally over three years with the first 33 1/3% vesting on the third anniversary of the date of grant.

The following table gives details on changes to outstanding options granted as of December 31, 2014 and 2013:

	2014		2013	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Balance at beginning of year	1,647,309	\$ 52.67	1,349,007	\$ 45.02
Granted	271,000	63.96	921,711	57.60
Exercised	(218,750)	46.28	(554,309)	42.43
Cancelled	(67,600)	58.85	(69,100)	51.03
Balance at end of year	1,631,959	\$ 55.15	1,647,309	\$ 52.67
Vested options at end of year	263,823	\$ 46.74	186,298	\$ 45.12

During the year ended December 31, 2014, 218,750 of Quebecor Media's stock options were exercised for a cash consideration of \$3.6 million (554,309 stock options for \$8.8 million in 2013).

The following table gives summary information on outstanding options as of December 31, 2014:

Range of exercise price	Outstanding options			Vested options	
	Number	Weighted average years to maturity	Weighted average exercise price	Number	Weighted average exercise price
\$30.47 to 44.45	71,663	3.28	\$ 40.03	71,663	\$ 40.03
\$45.82 to 64.89	1,560,296	7.85	55.84	192,160	49.24
\$30.47 to 64.89	1,631,959	7.65	\$ 55.15	263,823	\$ 46.74

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013

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24. STOCK-BASED COMPENSATION PLANS (continued)

(c) TVA Group stock option plan

Under this stock option plan, 2,200,000 Class B Shares, non-voting, participating, without par value of TVA Group ("Class B Non-Voting Shares of TVA Group") have been set aside for senior executives and directors of TVA Group and its subsidiaries. The terms and conditions of options granted are determined by TVA Group's Human Resources and Corporate Governance Committee. The subscription price of an option cannot be less than the closing price of Class B Shares on the Toronto Stock Exchange the day before the option is granted. Options granted prior to January 2006 usually vest equally over a four-year period, with the first 25% vesting on the second anniversary date of the date of grant. Beginning January 2006, and unless the Human Resources and Corporate Governance Committee decides otherwise, options vest over a five-year period in accordance with one of the following vesting schedules as determined by the Human Resources and Corporate Governance Committee at the time of grant: (i) equally over five years with the first 20% vesting on the first anniversary of the date of the grant; (ii) equally over four years with the first 25% vesting on the second anniversary of the date of grant; and (iii) equally over three years with the first 33 1/3% vesting on the third anniversary of the date of grant. The term of an option cannot exceed 10 years. Holders of options under the plan have the choice, at the time of exercising their options, of receiving a cash payment from TVA Group equal to the number of shares corresponding to the options exercised, multiplied by the difference between the market value of the Class B Non-Voting Shares of TVA Group and the exercise price of the option or, subject to certain conditions, exercise their options to purchase Class B Non-Voting Shares of TVA Group at the exercise price. The market value is defined as the average closing market price of the Class B Non-Voting Shares of TVA Group for the last five trading days preceding the date on which the option was exercised.

The following table gives details on changes to outstanding options for the years ended December 31, 2014 and 2013:

	2014		2013	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Balance at beginning of year	691,076	\$ 16.54	819,421	\$ 16.34
Granted	30,000	8.90	—	—
Cancelled	(69,208)	15.32	(128,345)	15.29
Expired	(126,500)	20.75	—	—
Balance at end of year	525,368	\$ 15.25	691,076	\$ 16.54
Vested options at end of year	495,368	\$ 15.63	691,076	\$ 16.54

The following table gives summary information on outstanding options as of December 31, 2014:

Outstanding options				Vested options	
Range of exercise price	Number	Weighted average years to maturity	Weighted average exercise price	Number	Weighted average exercise price
\$8.90	30,000	9.58	\$ 8.90	—	\$ —
\$14.50 to 21.38	495,368	2.15	15.63	495,368	15.63
\$8.90 to 21.38	525,368	2.57	\$ 15.25	495,368	\$ 15.63

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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24. STOCK-BASED COMPENSATION PLANS (continued)

(d) Assumptions in estimating the fair value of stock-based awards

The fair value of stock-based awards under the stock option plans of Quebecor, Quebecor Media and TVA Group was estimated using the Black-Scholes option pricing model. The following weighted-average assumptions were used to estimate the fair value of all outstanding stock options under the stock option plans as of December 31, 2014 and 2013:

December 31, 2014	Quebecor	Quebecor Media	TVA Group
Risk-free interest rate	1.69 %	1.38 %	1.07 %
Dividend yield	0.31 %	1.37 %	– %
Expected volatility	26.89 %	18.99 %	32.61 %
Expected remaining life	6.0 years	3.58 years	1.21 year
December 31, 2013	Quebecor	Quebecor Media	TVA Group
Risk-free interest rate	1.92 %	1.75 %	1.05 %
Dividend yield	0.38 %	1.55 %	– %
Expected volatility	27.25 %	23.26 %	32.56 %
Expected remaining life	4.6 years	4.0 years	1.0 year

Except for Quebecor Media, the expected volatility is based on the historical volatility of the underlying share price for a period equivalent to the expected remaining life of the options. Since the Common Shares of Quebecor Media are not publicly traded on a stock exchange, expected volatility is derived from the implied volatility of Quebecor's stock. The expected remaining life of options granted represents the period of time that options granted are expected to be outstanding. The risk-free rate over the expected remaining life of the option is based on the Government of Canada yield curve in effect at the time of the valuation. Dividend yield is based on the current average yield.

(e) Liability of vested options

As of December 31, 2014, the liability for all vested options was \$6.3 million as calculated using the intrinsic value (\$7.5 million as of December 31, 2013).

(f) Consolidated compensation charge

For the year ended December 31, 2014, a consolidated charge related to all stock-based compensation plans was recorded in the amount of \$5.8 million (\$23.6 million in 2013), of which a charge of \$0.9 million (\$0.5 million in 2013) is presented as part of discontinued operations.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013

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25. CONVERTIBLE DEBENTURES

On October 11, 2012, the Corporation issued \$500.0 million in aggregate principal amount of convertible debentures bearing interest at an annual rate of 4.125% and maturing in October 2018. Interest is payable semi-annually in cash, in Quebecor Class B Shares, or with the proceeds from the sale of Quebecor Class B Shares. At maturity, the convertible debentures will be payable in cash by the Corporation at the outstanding principal amount, plus accrued and unpaid interest, subject to redemption, conversion, purchase or previous repayment. One day prior to maturity, the Corporation may redeem the outstanding convertible debentures by issuing that number of Quebecor Class B Shares obtained by dividing the outstanding principal amount by the then current market price of a Quebecor Class B Share, subject to a floor price of \$19.25 per share (that is, a maximum number of 25,974,026 Quebecor Class B Shares corresponding to a ratio of \$500.0 million to the floor price) and a ceiling price of \$24.06 per share (that is, a minimum number of 20,779,220 Quebecor Class B Shares corresponding to a ratio of \$500.0 million to the ceiling price). At any time prior to the day prior to maturity, the Corporation may redeem or convert, in whole or in part, the outstanding convertible debentures, subject to the terms of the trust indenture. The convertible debentures are convertible at all times prior to the maturity date into Quebecor Class B Shares by the holders, in accordance with the terms of the trust indenture. In all cases, the Corporation has the option to pay an amount in cash equal to the market value of shares that would otherwise have been issued, being the product of (i) the number of those Quebecor Class B Shares and (ii) the then current market price of a Quebecor Class B share.

The convertible debentures are presented separately as a financial liability and the cap and floor feature are presented as embedded derivatives in other liabilities (note 22). The fair value of these embedded derivatives as of December 31, 2014 was estimated using the Black-Scholes option pricing model, considering a risk-free rate of 1.41% (2.02% in 2013), a dividend yield of 0.31% (0.38% in 2013), and an expected volatility of 20.40% (26.39% in 2013). A one dollar increase in the market price of a Quebecor Class B share as of December 31, 2014 would have increased the loss on embedded derivatives related to convertible debentures by \$19.2 million, while a one dollar decrease in the market price of a Quebecor Class B share would have decreased the loss by \$19.1 million.

26. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Translation of net investments in foreign operations	Cash flow hedges	Defined benefit plans	Total
Balance as of December 31, 2012	\$ (2.1)	\$ 29.0	\$ (77.2)	\$ (50.3)
Other comprehensive income (loss)	3.3	(45.0)	68.9	27.2
Balance as of December 31, 2013	1.2	(16.0)	(8.3)	(23.1)
Other comprehensive income (loss)	(1.2)	(13.2)	(26.9)	(41.3)
Balance as of December 31, 2014	\$ –	\$ (29.2)	\$ (35.2)	\$ (64.4)

No significant amount is expected to be reclassified in income over the next 12 months in connection with derivatives designated as cash flow hedges. The balance is expected to reverse over a 9 1/2-year period.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013

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27. COMMITMENTS

Leases and other commitments

The Corporation rents premises and equipment under operating leases and has entered into long-term commitments to purchase services, capital equipment, broadcasting rights, and to pay royalties. The operating leases have various terms, escalation clauses, purchase options and renewal rights. The minimum payments for the coming years are as follows:

	Continuing operations		Discontinued operations	
	Leases	Other commitments	Leases	Other commitments
2015	\$ 49.6	\$ 274.9	\$ 5.7	\$ 1.4
2016 to 2019	121.0	561.2	11.5	2.1
2020 and thereafter	92.4	629.3	1.2	–

The Corporation and its subsidiaries' operating lease expenses amounted to \$69.3 million in 2014 (\$72.6 million in 2013), of which \$7.2 million (\$9.9 million in 2013) is presented as part of discontinued operations.

Business acquisition

In November 2014, the Media segment, through TVA Group, reached an agreement to acquire 15 magazine titles in Canada for a cash consideration of \$55.5 million, subject to authorization by the Competition Bureau, which was received on March 2, 2015.

28. GUARANTEES

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

Operating leases

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

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013

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28. GUARANTEES (continued)

Business and asset disposals

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

Outsourcing companies and suppliers

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

Other

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

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

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

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

(a) Description of derivative financial instruments

(i) Foreign exchange forward contracts

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

(ii) Interest rate swaps

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

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(a) Description of derivative financial instruments (continued)

(iii) Cross-currency interest rate swaps

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

¹ Quebecor Media initially entered into these cross-currency interest rate swaps to hedge the foreign currency risk exposure under its 7.75% Senior Notes due 2016 redeemed in 2012. These swaps are now used to set in CAN dollars all coupon payments through 2016 on US\$431.3 million of notional amount under its 5.75% Senior Notes due 2023 and issued on October 11, 2012. In conjunction with the repurposing of these swaps, 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 its 9.125% Senior Notes due 2018 redeemed in 2014. These swaps are now used to set in CAN dollars all coupon payments through 2017 on US\$441.4 million of notional amount under its 5.375% Senior Notes due 2024 and issued on April 9, 2014. In conjunction with the repurposing of these swaps, Videotron has entered into US\$260.0 million offsetting foreign exchange forward contracts to lock-in the value of its hedging position related to the December 15, 2017 notional exchange.

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

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(b) Fair value of financial instruments

In accordance with IFRS 7, *Financial Instruments: Disclosures*, the Corporation has considered the following fair value hierarchy that reflects the significance of the inputs used in measuring its other financial instruments accounted for at fair value in the consolidated balance sheets:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs that are not based on observable market data (unobservable inputs).

The fair value of long-term debt and convertible debentures is estimated based on quoted market prices when available or on valuation models using level 1 and level 2 inputs. 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 level 2 inputs.

The fair value of derivative financial instruments recognized on the consolidated balance sheets is estimated as per the Corporation's valuation models. These models project future cash flows and discount the future amounts to a present value using the contractual terms of the derivative instrument and factors observable in external market data, such as period-end swap rates and foreign exchange rates (level 2 inputs). 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 (level 3 inputs) to the net exposure of the counterparty or the Corporation. Derivative financial instruments are classified as level 2.

The fair value of early settlement options recognized as embedded derivatives and embedded derivative related to convertible debentures is determined by option pricing models using level 2 market inputs, including volatility, discount factors and underlying instruments adjusted implicit interest rate and credit premium.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(b) Fair value of financial instruments (continued)

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

Asset (liability)	2014		2013	
	Carrying value	Fair value	Carrying value	Fair value
			(restated, note 1(b))	
Long-term debt^{1,2}	\$ (5,326.7)	\$ (5,444.7)	\$ (5,140.7)	\$ (5,200.0)
Convertible debentures³	(711.8)	(711.8)	(615.1)	(615.1)
Derivative financial instruments⁴				
Early settlement options	8.2	8.2	14.5	14.5
Foreign exchange forward contracts ⁵	4.2	4.2	1.8	1.8
Interest rate swaps	(0.5)	(0.5)	–	–
Cross-currency interest rate swaps ⁵	294.4	294.4	(53.2)	(53.2)

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

² The fair value of the long-term debt does not include the fair value of early settlement options, which is presented separately in the table.

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

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

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

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk management

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

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

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

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

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29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk management (continued)

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

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

(d) Liquidity risk management

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

The Corporation's management 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, and dividends in the future. The Corporation has access to cash flows generated by its subsidiaries through dividends paid by Quebecor Media.

As of December 31, 2014, material contractual obligations related to financial instruments included capital repayment and interest on long-term debt and on convertible debentures, and obligations related to derivative instruments, less estimated future receipts on derivative instruments. These obligations and their maturities are as follows:

	Total	Less than 1 year	1-3 years	3-5 years	5 years or more
Bank indebtedness	\$ 5.2	\$ 5.2	\$ —	\$ —	\$ —
Accounts payable and accrued charges	650.2	650.2	—	—	—
Long-term debt ¹	5,326.7	230.1	115.2	162.4	4,819.0
Convertible debentures ²	663.7	—	—	663.7	—
Interest payments ³	2,274.7	284.7	625.8	583.7	780.5
Derivative instruments ⁴	(308.9)	4.7	51.0	(8.2)	(356.4)
Total	\$ 8,611.6	\$ 1,174.9	\$ 792.0	\$ 1,401.6	\$ 5,243.1

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

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

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

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

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013

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29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(e) Market risk

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

Foreign currency risk

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

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

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

Interest rate risk

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

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

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(e) Market risk (continued)

Interest rate risk (continued)

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

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

(f) Capital management

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

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

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

	2014	2013
		(restated, note 1(b))
Bank indebtedness	\$ 5.2	\$ 0.5
Long-term debt	5,278.3	5,076.5
Embedded derivatives related to convertible debentures	232.2	140.6
Convertible debentures	500.0	500.0
Derivative financial instruments	(298.1)	51.4
Cash and cash equivalents	(395.3)	(476.6)
Net liabilities	5,322.3	5,292.4
Equity	\$ 1,063.3	\$ 1,195.4

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013

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30. RELATED PARTY TRANSACTIONS

Key management personnel compensation

Key management personnel comprise members of the Board of Directors and key senior management of the Corporation and its main subsidiaries. Their compensation is as follows:

	2014	2013
Salaries and short-term benefits	\$ 11.0	\$ 9.9
Share-based compensation	(0.1)	18.4
Other long-term benefits	7.9	4.3
	\$ 18.8	\$ 32.6

Operating transactions

During the year ended December 31, 2014, the Corporation and its subsidiaries made purchases and incurred rent charges with affiliated corporations in the amount of \$2.9 million (\$3.3 million in 2013), which are included in purchase of goods and services. The Corporation and its subsidiaries made sales to affiliated corporations in the amount of \$3.3 million (\$3.5 million in 2013). These transactions were accounted for at the consideration agreed between parties.

31. PENSION PLANS AND POSTRETIREMENT BENEFITS

The Corporation maintains various flat-benefit plans, various final-pay plans with indexation features from zero to 2%, and defined contribution plans. The Corporation also provides postretirement benefits to eligible retired employees. The pension plans of the Corporation are registered with a Québec or federal regulatory authority.

The Corporation's funding policy for its funded pension plans is to maintain its contribution at a level sufficient to cover benefits and to meet requirements of the applicable regulations and plan provisions that govern the funding of the plans. These provisions establish, among others, the future payment of amortization payments when the degree of solvability of the pension plans is less than 100% as defined by the relevant Québec and federal laws. Payments are determined by an actuarial report performed by an independent company at least every three years or annually, according to the applicable laws and in accordance with provisions of plans.

By their design, the defined benefit plans expose the Corporation to the typical risks faced by defined benefit plans, such as investment performance, changes to the discount rates used to value the obligation, longevity of plan participants, and future inflation. The administration of the plans is assured by pension committees composed of members of the plans, independent members of the Corporation's management, or the Corporation in accordance with the provisions of the plans. Under the Corporation's rules of governance, the approbation and oversight of the defined benefit plan policies are performed at different levels through the pension committees, the Corporation's management, or the Audit Committee. The risk management of pension plans is also performed under the leadership of these committees at various levels. The custody of securities and management of securities transactions are assigned to trustees within a mandate given by the pension committee or the Corporation, as the case may be. Policies include those on investment objectives, risk mitigation strategies and the mandate to hire investment fund managers and monitor their work and performance. The benefit pension plans are monitored on an ongoing basis to assess the benefit, funding and investment policies, financial status, and the Corporation's funding requirement.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013

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31. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

The following tables show a reconciliation of the changes in the plans' benefit obligations and the fair value of plan assets for the years ended December 31, 2014 and 2013:

	Pension benefits		Postretirement benefits	
	2014	2013	2014	2013
Change in benefit obligations				
Benefit obligations at beginning of year	\$ 991.6	\$ 1,019.0	\$ 54.3	\$ 60.6
Service costs	31.4	38.6	1.1	1.3
Interest costs	50.9	49.8	2.6	2.5
Plan participants' contributions	14.6	15.0	–	–
Actuarial loss (gain) arising from:				
Demographic assumptions	12.2	26.3	0.4	2.1
Financial assumptions	136.7	(89.7)	4.8	(5.5)
Participant experience	(2.3)	(12.9)	3.5	(2.5)
Benefits and settlements paid	(54.4)	(55.2)	(1.5)	(1.4)
Plan amendments and other	1.1	0.8	–	(2.8)
Benefit obligations at end of year	\$ 1,181.8	\$ 991.7	\$ 65.2	\$ 54.3
	Pension benefits		Postretirement benefits	
	2014	2013	2014	2013
Change in plan assets				
Fair value of plan assets at beginning of year	\$ 976.7	\$ 815.6	\$ –	\$ –
Actual return on plan assets	118.7	129.5	–	–
Employer contributions	60.0	71.8	1.5	1.4
Plan participants' contributions	14.6	15.0	–	–
Benefits and settlements paid	(54.4)	(55.2)	(1.5)	(1.4)
Fair value of plan assets at end of year	\$ 1,115.6	\$ 976.7	\$ –	\$ –

As of December 31, 2014, the weighted average duration of defined benefit obligation was 16.7 years (15.7 years in 2013). The Corporation expects future benefit payments of \$54.7 million in 2015.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013

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31. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

The Corporation's investment strategy for plan assets takes into account a number of factors, including the time horizon of the pension plans' obligations and the investment risk. For each of the plans, an allocation range by asset class is developed, whereby a mix of equities and fixed-income investments is used to optimize the risk-return profile of plan assets and to mitigate asset-liability mismatch.

Plan assets are comprised of:

	2014	2013
Equity securities:		
Canadian	22.4 %	24.0 %
Foreign	32.3	34.3
Debt securities	41.8	38.6
Other	3.5	3.1
	100.0 %	100.0 %

The fair value of plan assets is principally based on quoted prices in an active market.

Where funded plans have a net defined benefit asset, the Corporation determines if potential reductions in future contributions are permitted by applicable regulations and by collective bargaining agreements. When a defined benefit asset is created, it cannot exceed the future economic benefit that the Corporation can expect to obtain from the asset. The future economic benefit represents the value of reductions in future contributions and expenses payable to the pension fund. It does not reflect gains that could be generated in the future that would allow reductions in contributions by the Corporation. When there is a minimum funding requirement, this could also limit the amount recognized in the balance sheet. A minimum funding requirement represents the present value of amortization payments based on the most recent actuarial financing reports filed.

The reconciliation of funded status to the net amount recognized in the consolidated balance sheets is as follows:

	Pension benefits		Postretirement benefits	
	2014	2013	2014	2013
Benefit obligations	\$ (1,181.8)	\$ (991.7)	\$ (65.2)	\$ (54.3)
Fair value of plan assets	1,115.6	976.7	–	–
Plan deficit	(66.2)	(15.0)	(65.2)	(54.3)
Asset limit and minimum funding adjustment	(4.4)	(32.6)	–	–
Net amount recognized¹	\$ (70.6)	\$ (47.6)	\$ (65.2)	\$ (54.3)

¹ The net amount recognized for 2014 consists of a liability of \$136.8 million (\$113.3 million in 2013) included in other liabilities (note 22) and of an asset of \$3.3 million (\$11.4 million in 2013) included in other assets (note 18), and a liability of \$2.3 million included with liabilities held for sale.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013

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31. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

Components of re-measurements are as follows:

	Pension benefits		Postretirement benefits	
	2014	2013	2014	2013
Actuarial (loss) gain on benefit obligations	\$ (146.6)	\$ 76.3	\$ (8.7)	\$ 5.9
Actual return on plan assets, less interest income anticipated as part of the interest on net defined benefit liability	71.6	91.8	–	–
Asset limit and minimum funding adjustment	29.8	(32.6)	–	–
Re-measurements recorded in other comprehensive income	\$ (45.2)	\$ 135.5	\$ (8.7)	\$ 5.9

Components of the net benefit costs are as follows:

	Pension benefits		Postretirement benefits	
	2014	2013	2014	2013
Employee costs:				
Service costs	\$ 31.4	\$ 38.6	\$ 1.1	\$ 1.3
Curtailment loss (gain) and other	3.7	2.5	–	(2.9)
Interest on net defined benefit liability	2.6	10.3	2.5	2.5
Net benefit costs	\$ 37.7	\$ 51.4	\$ 3.6	\$ 0.9

¹ Net benefit costs of \$5.1 million in 2014 were presented as part of discontinued operations (\$7.7 million in 2013).

The expense related to defined contribution pension plans amounted to \$15.3 million in 2014 (\$15.1 million in 2013), of which \$1.5 million (\$1.5 million in 2013) is presented as part of discontinued operations.

The expected employer contributions to the Corporation's defined benefit pension plans and post-retirement benefits plans will be \$49.2 million in 2015 based on the most recent financial actuarial reports filed and the expected transaction described in note 8 (contributions of \$61.5 million were paid in 2014).

Assumptions

The Corporation determines its assumption for the discount rate to be used for purposes of computing annual service and interest costs based on an index of high-quality corporate bond-yield and matched-funding yield curve analysis as of the measurement date.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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31. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

Assumptions (continued)

The actuarial assumptions used in measuring the Corporation's benefit obligations as of December 31, 2014 and 2013 and current periodic benefit costs are as follows:

	Pension benefits		Postretirement benefits	
	2014	2013	2014	2013
Benefit obligations				
Rates as of year-end:				
Discount rate	4.10%	4.90%	4.10%	4.90%
Rate of compensation increase	3.00	3.00	3.00	3.00
Current periodic costs				
Rates as of preceding year-end:				
Discount rate	4.90%	4.40%	4.90%	4.40%
Rate of compensation increase	3.00	3.25	3.00	3.25

The assumed average retirement age of participants used was of 62 years in 2014 and 2013.

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligations was 8.5 % at the end of 2014. These costs, as per the estimate, are expected to decrease gradually over the next 10 years to 6.0% and to remain at that level thereafter.

Sensitivity analysis

A decrease of 10 basis points in the discount rate would have had the following impacts, before income tax, for the year ended December 31, 2014:

	Pension benefits			Postretirement benefits		
Increase (decrease)	Obligation in balance sheet	Income	Other comprehensive income	Obligation in balance sheet	Income	Other comprehensive income
Discount rate	\$ 19.6	\$ (1.5)	\$ (19.6)	\$ 1.3	\$ —	\$ (1.3)

There are limitations to the above sensitivity analysis since it only considers the impacts of a decrease of 10 basis points in the discount rate assumption (at the beginning of the year having an impact on income and at the end of the year having an impact on comprehensive income) without changing any other assumptions. No sensitivity analysis was performed on other assumptions as a similar change to these assumptions would not have a significant impact on the consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013

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32. SUBSEQUENT EVENTS

In January 2015, Videotron entered into new unsecured on demand credit facilities, under which letters of credit were issued and filed with Industry Canada as pre-auction financial deposits in respect to its application to participate to the 2500 MHz and AWS-3 spectrum auctions. Under Industry Canada's published rules respecting restrictions on communications during the auction process, it is strictly forbidden for the Corporation to disclose the amount of the letters of credit, which can be withdrawn by Videotron at any time prior to the auction commencement. On March 6, 2015, Quebecor Media and its subsidiary Videotron announced that it had acquired four 30 MHz licences in the auction for AWS-3 commercial mobile spectrum at a total price of \$31.8 million. The process will resume on April 14, 2015 with the auction for spectrum in the 2500 MHz band.

On February 4, 2015, TVA Group filed a final short form prospectus with the securities regulatory authorities in the 10 Canadian provinces in connection with a proposed rights offering, in which all holders of TVA Group's outstanding Class A Common Shares, voting, participating, without par value ("Class A Shares of TVA Group") and Class B Non-Voting Shares of TVA Group as of February 18, 2015 received rights to subscribe for Class B Non-Voting Shares of TVA Group for aggregate gross proceeds of approximately \$110.0 million ("the Rights Offering"). The final short form prospectus and relevant documentation were mailed on February 23, 2015 to all holders of Class A Shares of TVA Group and Class B Non-Voting Shares of TVA Group. The closing date of the Rights Offering is anticipated to occur on or about March 20, 2015. In accordance with a standby commitment agreement entered into with TVA Group, Quebecor Media has provided a standby commitment pursuant to which it will be required to acquire any Class B Non-Voting Shares of TVA Group not subscribed for under the Rights Offering, subject to certain conditions.

On March 6, 2015, the Québec Court of Appeal ruled in favour of Videotron and TVA Group, and ordered Bell ExpressVu Limited Partnership ("Bell ExpressVu"), a subsidiary of Bell, to pay compensation totalling \$137.0 million for having deliberately neglected to implement an appropriate security system to prevent piracy of the signals broadcast by its satellite television service between 1999 and 2005. The judgement stated that Bell ExpressVu knew and must have foreseen that this practice would cause serious harm to its competitors, including Videotron, its main rival in Québec.