Condensed consolidated financial statements of

QUEBECOR INC. AND ITS SUBSIDIARIES

Three-month and nine-month periods ended September 30, 2012 and 2011

QUEBECOR INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

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

	Note	Three months ended September 30 2012	Three months ended September 30 2011	Nine months ended September 30 2012	Nine months ended September 30 2011
Revenues	2				
Telecommunications		**$ 659.2**	$ 611.6	**$ 1,956.8**	$ 1,795.9
News Media		**227.6**	235.2	**715.5**	742.8
Broadcasting		**99.0**	89.3	**332.2**	313.9
Leisure and Entertainment		**73.0**	73.8	**203.0**	206.7
Interactive Technologies and Communications		**33.7**	29.9	**109.7**	84.9
Inter-segment		**(33.4)**	(25.0)	**(107.7)**	(85.5)
		1,059.1	1,014.8	**3,209.5**	3,058.7
Cost of sales, selling and administrative expenses	3	**706.3**	695.1	**2,176.7**	2,086.2
Amortization		**146.7**	131.0	**432.9**	374.0
Financial expenses	4	**76.9**	83.4	**239.2**	245.2
(Gain) loss on valuation and translation of financial instruments	5	**(117.7)**	34.4	**(241.5)**	27.9
Restructuring of operations, impairment of assets and other special items	6	**39.7**	2.9	**28.8**	19.0
Impairment of goodwill and intangible assets	7	**187.0**	-	**201.5**	-
(Gain) loss on debt refinancing	8	**-**	(2.7)	**7.3**	6.6
Income before income taxes		**20.2**	70.7	**364.6**	299.8
Income taxes:	9				
Current		**10.4**	0.2	**36.2**	(4.9)
Deferred		**4.2**	21.2	**70.2**	86.1
		14.6	21.4	**106.4**	81.2
Net income		**$ 5.6**	$ 49.3	**$ 258.2**	$ 218.6
Attributable to:					
Shareholders		**$ 18.6**	$ 26.1	**$ 158.5**	$ 115.6
Non-controlling interests		**(13.0)**	23.2	**99.7**	103.0
Earnings per share attributable to shareholders	10				
Basic		**$ 0.30**	$ 0.41	**$ 2.50**	$ 1.80
Diluted		**0.30**	0.40	**2.49**	1.77
Weighted average number of shares outstanding (in millions)		**63.1**	63.9	**63.4**	64.2
Weighted average number of diluted shares (in millions)		**63.2**	64.5	**63.5**	64.8

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of Canadian dollars)
(unaudited)

	Note	Three months ended September 30 2012	Three months ended September 30 2011	Nine months ended September 30 2012	Nine months ended September 30 2011
Net income		**$ 5.6**	$ 49.3	**$ 258.2**	$ 218.6
Other comprehensive income:					
(Loss) gain on translation of net investments in foreign operations		**(2.9)**	0.8	**(3.7)**	1.6
Cash flow hedges:					
Gain on valuation of derivative financial instruments		**5.8**	19.4	**31.2**	13.4
Deferred income taxes		**2.3**	(10.0)	**1.4**	(7.1)
Defined benefit plans:					
Net change in asset limit or in minimum funding liability		**-**	(0.1)	**-**	(0.3)
Deferred income taxes		**-**	-	**-**	0.1
Reclassification to income:	8				
Other comprehensive income related to cash flow hedges		**-**	0.8	**(3.3)**	0.8
Deferred income taxes		**-**	(0.2)	**(1.2)**	(0.2)
		5.2	10.7	**24.4**	8.3
Comprehensive income		**$ 10.8**	$ 60.0	**$ 282.6**	$ 226.9
Attributable to:					
Shareholders		**$ 21.5**	$ 32.3	**$ 171.9**	$ 120.3
Non-controlling interests		**(10.7)**	27.7	**110.7**	106.6

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES

SEGMENTED INFORMATION

(in millions of Canadian dollars)
(unaudited)

	Three months ended September 30		Nine months ended September 30	
	2012	2011	**2012**	2011
Net income before amortization, financial expenses, (gain) loss on valuation and translation of financial instruments, restructuring of operations, impairment of assets and other special items, impairment of goodwill and intangible assets, (gain) loss on debt refinancing and income taxes				
Telecommunications	**$ 309.9**	$ 275.4	**$ 914.6**	$ 804.1
News Media	**23.5**	29.1	**76.5**	103.1
Broadcasting	**7.0**	3.0	**20.9**	29.9
Leisure and Entertainment	**8.9**	11.5	**8.1**	19.0
Interactive Technologies and Communications	**0.4**	3.2	**6.4**	5.4
Head Office	**3.1**	(2.5)	**6.3**	11.0
	$ 352.8	$ 319.7	**$ 1,032.8**	$ 972.5
Amortization				
Telecommunications	**$ 123.2**	$ 108.0	**$ 359.9**	$ 307.9
News Media	**13.8**	14.3	**43.0**	41.1
Broadcasting	**5.5**	4.4	**16.1**	12.8
Leisure and Entertainment	**2.4**	2.4	**7.5**	6.8
Interactive Technologies and Communications	**1.0**	0.9	**3.8**	2.5
Head Office	**0.8**	1.0	**2.6**	2.9
	$ 146.7	$ 131.0	**$ 432.9**	$ 374.0
Additions to property, plant and equipment				
Telecommunications	**$ 174.5**	$ 194.2	**$ 519.5**	$ 531.8
News Media	**2.0**	2.9	**5.5**	11.3
Broadcasting	**5.8**	7.1	**17.9**	22.5
Leisure and Entertainment	**1.8**	2.4	**3.6**	4.0
Interactive Technologies and Communications	**0.8**	0.5	**3.0**	3.7
Head Office	**0.9**	0.1	**2.1**	0.8
	$ 185.8	$ 207.2	**$ 551.6**	$ 574.1
Additions to intangible assets				
Telecommunications	**$ 11.9**	$ 17.7	**$ 45.6**	$ 49.4
News Media	**3.1**	2.7	**9.2**	8.1
Broadcasting	**0.9**	1.4	**2.2**	3.4
Leisure and Entertainment	**0.5**	1.2	**3.3**	3.8
Inter-segment	**(0.4)**	-	**(1.4)**	-
	$ 16.0	$ 23.0	**$ 58.9**	$ 64.7

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY

(in millions of Canadian dollars)
(unaudited)

	Equity attributable to shareholders				Equity attributable to non-controlling interests	Total equity
	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive income		
	(note 11)			(note 13)		
Balance as of December 31, 2010	$ 346.6	$ 0.9	$ 943.6	$ 13.7	$ 1,346.9	$ 2,651.7
Net income	-	-	115.6	-	103.0	218.6
Other comprehensive income	-	-	0.1	4.6	3.6	8.3
Issuance of shares of a subsidiary	-	-	-	-	1.0	1.0
Repurchase of Class B shares	(5.6)	-	(18.4)	-	-	(24.0)
Dividends	-	-	(9.6)	-	(35.2)	(44.8)
Balance as of September 30, 2011	341.0	0.9	1,031.3	18.3	1,419.3	2,810.8
Net income	-	-	85.4	-	79.0	164.4
Other comprehensive loss	-	-	(31.6)	(9.7)	(42.6)	(83.9)
Repurchase of Class B shares	(1.5)	-	(4.7)	-	-	(6.2)
Dividends	-	-	(3.2)	-	(11.3)	(14.5)
Balance as of December 31, 2011	339.5	0.9	1,077.2	8.6	1,444.4	2,870.6
Net income	-	-	158.5	-	99.7	258.2
Other comprehensive income	-	-	-	13.4	11.0	24.4
Issuance of Class B shares	3.6	1.5	-	-	-	5.1
Repurchase of Class B shares	(5.5)	-	(20.3)	-	-	(25.8)
Acquisition of non-controlling interests	-	(0.1)	-	-	0.1	-
Dividends	-	-	(9.5)	-	(34.1)	(43.6)
Balance as of September 30, 2012	**$ 337.6**	**$ 2.3**	**$ 1,205.9**	**$ 22.0**	**$ 1,521.1**	**$ 3,088.9**

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars)
(unaudited)

	Note	Three months ended September 30 2012	Three months ended September 30 2011	Nine months ended September 30 2012	Nine months ended September 30 2011
Cash flows related to operating activities					
Net income		**$ 5.6**	$ 49.3	**$ 258.2**	$ 218.6
Adjustments for:					
Amortization of property, plant and equipment		**112.6**	99.5	**331.2**	285.4
Amortization of intangible assets		**34.1**	31.5	**101.7**	88.6
(Gain) loss on valuation and translation of financial instruments	5	**(117.7)**	34.4	**(241.5)**	27.9
Gain on business disposals	6	**-**	-	**(12.9)**	-
Impairment of assets	6	**7.5**	0.3	**7.5**	1.5
Impairment of goodwill and intangible assets	7	**187.0**	-	**201.5**	-
(Gain) loss on debt refinancing	8	**-**	(2.7)	**7.3**	6.6
Amortization of financing costs and long-term debt discount	4	**3.6**	3.3	**10.9**	9.2
Deferred income taxes		**4.2**	21.2	**70.2**	86.1
Other		**(0.6)**	2.3	**1.1**	0.9
		236.3	239.1	**735.2**	724.8
Net change in non-cash balances related to operating activities		**142.3**	141.1	**108.8**	(32.4)
Cash flows provided by operating activities		**378.6**	380.2	**844.0**	692.4
Cash flows related to investing activities					
Business acquisitions, net of cash and cash equivalents		**-**	(5.6)	**(0.8)**	(55.7)
Business disposals, net of cash and cash equivalents	6	**0.8**	-	**18.7**	-
Additions to property, plant and equipment		**(185.8)**	(207.2)	**(551.6)**	(574.1)
Additions to intangible assets		**(16.0)**	(23.0)	**(58.9)**	(64.7)
Proceeds from disposals of assets		**3.7**	2.5	**6.1**	7.5
Other		**0.4**	0.4	**(0.6)**	3.2
Cash flows used in investing activities		**(196.9)**	(232.9)	**(587.1)**	(683.8)
Cash flows related to financing activities					
Net change in bank indebtedness		**(4.8)**	1.9	**(2.7)**	(1.0)
Net change under revolving credit facilities		**10.5**	6.9	**(12.4)**	(4.0)
Issuance of long-term debt, net of financing fees	8	**34.9**	294.9	**822.5**	614.8
Repayment of long-term debt	8	**(40.3)**	(254.9)	**(749.3)**	(481.1)
Settlement of hedging contracts	8	**3.6**	(54.8)	**(40.5)**	(160.2)
Issuance of Class B shares	11	**-**	-	**3.6**	-
Repurchase of Class B shares	11	**(20.5)**	(24.0)	**(25.8)**	(24.0)
Dividends		**(3.2)**	(6.4)	**(9.5)**	(9.6)
Dividends paid to non-controlling interests		**(11.4)**	(11.4)	**(34.1)**	(35.2)
Other		**-**	0.1	**-**	1.1
Cash flows used in financing activities		**(31.2)**	(47.7)	**(48.2)**	(99.2)
Net change in cash and cash equivalents		**150.5**	99.6	**208.7**	(90.6)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies		**(0.3)**	-	**(0.5)**	0.3
Cash and cash equivalents at beginning of period		**204.4**	52.8	**146.4**	242.7
Cash and cash equivalents at end of period		**$ 354.6**	$ 152.4	**$ 354.6**	$ 152.4
Cash and cash equivalents consist of					
Cash		**$ 29.7**	$ 40.4	**$ 29.7**	$ 40.4
Cash equivalents		**324.9**	112.0	**324.9**	112.0
		$ 354.6	$ 152.4	**$ 354.6**	$ 152.4
Interest and taxes reflected as operating activities					
Cash interest payments		**$ 17.2**	$ 22.9	**$ 168.3**	$ 186.1
Cash income tax payments (net of refunds)		**(1.5)**	(3.7)	**6.0**	30.3

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars)
(unaudited)

	Note	September 30 2012	December 31 2011
Assets			
Current assets			
Cash and cash equivalents		**$ 354.6**	$ 146.4
Accounts receivable		**547.9**	603.7
Income taxes		**12.5**	29.0
Inventories		**260.3**	283.6
Prepaid expenses		**41.4**	31.3
		1,216.7	1,094.0
Non-current assets			
Property, plant and equipment		**3,352.8**	3,211.1
Intangible assets		**953.9**	1,041.0
Goodwill	7	**3,370.0**	3,543.8
Derivative financial instruments		**21.1**	34.9
Deferred income taxes		**27.7**	20.6
Other assets		**90.1**	93.4
		7,815.6	7,944.8
Total assets		**$ 9,032.3**	$ 9,038.8
Liabilities and equity			
Current liabilities			
Bank indebtedness		**$ 1.5**	$ 4.2
Accounts payable and accrued charges		**710.5**	776.5
Provisions		**51.4**	33.7
Deferred revenue		**297.3**	295.7
Income taxes		**15.4**	2.7
Derivative financial instruments		**29.0**	-
Current portion of long-term debt	8	**176.2**	114.5
		1,281.3	1,227.3
Non-current liabilities			
Long-term debt	8	**3,369.4**	3,688.3
Derivative financial instruments		**302.0**	315.4
Other liabilities		**321.0**	344.7
Deferred income taxes		**669.7**	592.5
		4,662.1	4,940.9
Equity			
Capital stock	11	**337.6**	339.5
Contributed surplus		**2.3**	0.9
Retained earnings		**1,205.9**	1,077.2
Accumulated other comprehensive income	13	**22.0**	8.6
Equity attributable to shareholders		**1,567.8**	1,426.2
Non-controlling interests		**1,521.1**	1,444.4
		3,088.9	2,870.6
Subsequent events	14		
Total liabilities and equity		**$ 9,032.3**	$ 9,038.8

See accompanying notes to condensed consolidated financial statements.

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

The Corporation is engaged, through its subsidiaries, in the following industry segments: Telecommunications, News Media, Broadcasting, Leisure and Entertainment, and Interactive Technologies and Communications. The Telecommunications segment offers television distribution, Internet, business solutions, cable and mobile telephony services in Canada, operates in the rental of movies and televisual products through its video-on-demand service and its distribution and rental stores, and operates specialized Internet sites. The News Media segment produces original content in Canada for all of Quebecor Media's platforms. Its operations include the printing, publishing and distribution of daily newspapers, weekly newspapers and commercial inserts in Canada, and the operation of Internet sites in Canada, including French- and English-language portals and specialized sites. The Broadcasting segment operates general-interest television networks, specialized television networks, magazine publishing, and movie distribution businesses in Canada. The Leisure and Entertainment segment combines book publishing and distribution, retail sales of CDs, books, DVD and Blu-ray units, musical instruments and magazines in Canada, online sales of downloadable music and books, music streaming service and music production and distribution in Canada. The Interactive Technologies and Communications segment offers e-commerce solutions through a combination of strategies, technology integration, IP solutions and creativity on the Internet and is active in Canada, the United States, Europe and Asia.

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

1. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). In particular, these consolidated financial statements were prepared in accordance with IAS 34, *Interim Financial Reporting*, and accordingly, they are condensed consolidated financial statements because they do not include all disclosures required under IFRS for annual consolidated financial statements. These condensed consolidated financial statements should be read in conjunction with the Corporation's 2011 annual consolidated financial statements, which contain a description of the accounting policies used in the preparation of these financial statements.

These condensed consolidated financial statements were approved for issue by the Board of Directors of Quebecor Inc. on November 12, 2012.

Comparative figures for previous periods have been restated to conform to the presentation adopted for the three-month and nine-month periods ended September 30, 2012.

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

2. REVENUES

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

	Three months ended September 30		Nine months ended September 30	
	2012	2011	**2012**	2011
Services rendered	**$ 897.4**	$ 862.0	**$ 2,752.5**	$ 2,603.8
Product sales	**161.7**	152.8	**457.0**	454.9
	$ 1,059.1	$ 1,014.8	**$ 3,209.5**	$ 3,058.7

3. COST OF SALES, SELLING AND ADMINISTRATIVE EXPENSES

The main components are as follows:

	Three months ended September 30		Nine months ended September 30	
	2012	2011	**2012**	2011
Employee costs	**$ 279.3**	$ 281.8	**$ 883.9**	$ 819.5
Royalties, rights and creation costs	**149.3**	144.3	**483.0**	448.8
Cost of retail products	**70.5**	75.5	**207.2**	238.1
Marketing, circulation and distribution expenses	**42.8**	46.4	**142.6**	147.7
Service and printing contracts	**62.3**	53.7	**174.6**	147.8
Paper, ink and printing supplies	**26.7**	26.5	**84.7**	80.7
Other	**104.7**	96.9	**291.6**	291.2
	735.6	725.1	**2,267.6**	2,173.8
Employee costs capitalized to property, plant and equipment and intangible assets	**(29.3)**	(30.0)	**(90.9)**	(87.6)
	$ 706.3	$ 695.1	**$ 2,176.7**	$ 2,086.2

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

4. FINANCIAL EXPENSES

	Three months ended September 30		Nine months ended September 30	
	2012	2011	**2012**	2011
Interest on long-term debt and exchangeable debentures	**$ 74.5**	$ 77.2	**$ 227.7**	$ 235.1
Amortization of financing costs and long-term debt discount	**3.6**	3.3	**10.9**	9.2
(Gain) loss on foreign currency translation on short-term monetary items	**(0.8)**	2.9	**2.0**	1.9
Other	**(0.4)**	–	**(1.4)**	(1.0)
	$ 76.9	$ 83.4	**$ 239.2**	$ 245.2

5. (GAIN) LOSS ON VALUATION AND TRANSLATION OF FINANCIAL INSTRUMENTS

	Three months ended September 30		Nine months ended September 30	
	2012	2011	**2012**	2011
(Gain) loss on embedded derivatives and derivative financial instruments for which hedge accounting is not used	**$ (117.7)**	$ 33.6	**$ (241.5)**	$ 26.0
Loss on the ineffective portion of fair value hedges	**–**	0.8	**–**	1.9
	$ (117.7)	$ 34.4	**$ (241.5)**	$ 27.9

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

Telecommunications

During the nine-month period ended September 30, 2012, Videotron Ltd. ("Videotron") has recorded costs of $0.5 million for the migration of its pre-existing Mobile Virtual Network Operator subscribers to its new mobile network ($0.3 million and $14.8 million in the respective three-month and nine-month periods ended September 30, 2011).

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

News Media

In recent years, the News Media segment has implemented various restructuring initiatives to reduce operating costs and in particular, during the third quarter of 2012, the News Media segment announced the reorganization of its editorial, advertising and industrial operations in Canada. As a result of these initiatives, restructuring costs of $31.8 million, mainly for the reduction of positions, were recorded in the three-month period ended September 30, 2012 ($2.0 million in 2011). Restructuring costs were $32.1 million for the nine-month period ended September 30, 2012 ($2.0 million in 2011).

As part of these restructuring initiatives, an impairment charge of $7.5 million related to tangible and intangible assets was recorded in the three-month and nine-month periods ended September 30, 2012 ($0.9 million in the nine-month period ended September 30, 2011).

Broadcasting

In the second quarter of 2012, the Broadcasting segment disposed of its interests in two specialized channels, The Cave and mysteryTV, for a total cash consideration of $17.9 million, resulting in a gain of $12.9 million. The Broadcasting segment also recorded a charge for restructuring costs and impairment of assets of $0.1 million in the nine-month period ended September 30, 2012 ($0.3 million and $0.6 million in the respective three-month and nine-month periods ended September 30, 2011).

Other segments

Other segments recorded a charge for restructuring costs, impairment of assets and other special items of $0.4 million and $1.5 million in the respective three-month and nine-month periods ended September 30, 2012 ($0.3 million and $0.7 million in the respective three-month and nine-month periods ended September 30, 2011).

7. IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS

News Media and Leisure and Entertainment

In October 2012, the Corporation completed its annual review of its three-year strategic plan. Continuous weak economic and market conditions in the newspaper industry and the music industry led the Corporation to perform impairment tests on the News Media and Music cash generating units ("CGU"). The Corporation concluded that the recoverable amount based on value in use was less than the carrying amount of both CGUs. Accordingly, a goodwill impairment charge of $145.0 million (without any tax consequences) and an impairment charge of $30.0 million on mastheads and customer relationships were recorded in the News Media segment and a goodwill impairment charge of $12.0 million (without any tax consequences) was recorded in the Leisure and Entertainment segment. The Corporation used pre-tax discount rates of 12.86% and 14.88% and perpetual growth rates of 0% and 0.5% to calculate the recoverable amounts of the News Media and Music CGUs, respectively.

Broadcasting

As a result of new tariffs adopted in 2012 with respect to business contributions for costs related to waste recovery services provided by Québec municipalities, the costs of the magazine publishing activities have been adversely affected. Accordingly, the Corporation reviewed its business plan for these activities and performed an impairment test on the Publishing CGU included in the Broadcasting segment. The Corporation concluded that the recoverable amount based on value in use was less than the carrying amount of the Publishing CGU and a goodwill impairment charge of $14.5 million (without any tax consequences) was recorded during the first quarter of 2012. The Corporation used a pre-tax discount rate of 16.26% and a perpetual growth rate of 1.0% to calculate the recoverable amount.

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

8. LONG-TERM DEBT

On January 25, 2012, Quebecor Media amended its bank credit facilities to extend the maturity of its $100.0 million revolving credit facility from January 2013 to January 2016 and to add a new revolving credit facility "C" of $200.0 million, also maturing in January 2016.

On February 3, 2012, Sun Media Corporation repaid the balance of $37.6 million on its term loan credit facility and terminated its credit facilities.

On February 24, 2012, TVA Group Inc. ("TVA Group") amended its bank credit facilities to extend the maturity of its $100.0 million revolving credit facility from December 2012 to February 2017.

On March 14, 2012, Videotron issued US$800.0 million aggregate principal amount of Senior Notes bearing interest at 5.0% and maturing on July 15, 2022, for a net proceeds of approximately $787.6 million, net of financing fees of $11.9 million. The Senior Notes are unsecured and contain certain restrictions on Videotron, including limitations on its ability to incur additional indebtedness, pay dividends and make other distributions. The notes are guaranteed by specific subsidiaries of Videotron and are redeemable at the option of Videotron, in whole or in part, at any time before their maturity at a price based on a make-whole formula. Videotron has fully hedged the foreign currency risk associated with the new Senior Notes by using cross-currency swaps.

In March 2012, Videotron redeemed all of its 6.875% Senior Notes due January 2014 in an aggregate principal amount of US$395.0 million for a cash consideration of $394.1 million.

In March and April 2012, Quebecor Media redeemed US$260.0 million in aggregate principal amount of its 7.75% Senior Notes due in March 2016 and settled its related hedging contracts for a total cash consideration of $304.9 million.

These refinancing transactions resulted in a total loss of $7.3 million (before income taxes) during the first quarter of 2012.

Components of long-term debt are as follows:

		September 30, 2012		December 31, 2011
Long-term debt	**$**	**3,945.2**	$	3,953.0
Change in fair value related to hedged interest rate risks		**(0.7)**		15.5
Adjustment related to embedded derivatives		**(349.6)**		(120.0)
Financing fees, net of amortization		**(49.3)**		(45.7)
		3,545.6		3,802.8
Less current portion		**(176.2)**		(114.5)
	$	**3,369.4**	$	3,688.3

9. INCOME TAXES

In the third quarter of 2012, the Corporation reviewed the recognition of deferred income tax assets in light of jurisprudence and tax developments, and consequently reduced its deferred income tax expense by $34.8 million.

10. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

Basic earnings per share are calculated by dividing net income attributable to shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share are calculated by taking into account the potentially dilutive effect of stock options of the Corporation on the number of shares outstanding and the potentially dilutive effect of stock options of the Corporation subsidiaries on net income attributable to shareholders.

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

	Three months ended September 30		Nine months ended September 30	
	2012	2011	**2012**	2011
Net income attributable to shareholders	**$ 18.6**	$ 26.1	**$ 158.5**	$ 115.6
Impact of assumed conversion of stock options of subsidiaries	**–**	(0.1)	**(0.3)**	(0.4)
Net income attributable to shareholders, adjusted for dilution effect	**$ 18.6**	$ 26.0	**$ 158.2**	$ 115.2
Weighted average number of shares outstanding (in millions)	**63.1**	63.9	**63.4**	64.2
Effect of dilutive stock options of the Corporation (in millions)	**0.1**	0.6	**0.1**	0.6
Weighted average number of diluted shares outstanding (in millions)	**63.2**	64.5	**63.5**	64.8

The diluted earnings per share calculation does not take into consideration the potential dilutive effect of certain stock options of the Corporation and its subsidiaries since their impact is anti-dilutive. During the three-month and nine-month periods ended September 30, 2012, 361,632 options of the Corporation's plan (288,886 in 2011), no options of Quebecor Media's plan (112,000 in 2011), and 819,421 options of TVA Group's plan (833,610 in 2011) were excluded from the diluted earnings per share calculation.

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

11. 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 A shares without being made concurrently and under the same terms to holders of Class B shares, for the sole purpose of allowing the holders of Class B shares to accept the offer and subject to certain other stated conditions provided in the articles, including acceptance of the offer by the majority holder.

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

(b) Issued and outstanding capital stock

	Class A shares		Class B shares	
	Number	Amount	Number	Amount
Balance as of December 31, 2011	19,704,191	$ 8.8	43,684,731	$ 330.7
Shares issued upon exercise of stock options	–	–	137,460	3.6
Shares converted	(105,705)	(0.1)	105,705	0.1
Shares purchased and cancelled	–	–	(728,500)	(5.5)
Balance as of September 30, 2012	**19,598,486**	**$ 8.7**	**43,199,396**	**$ 328.9**

In the first quarter of 2012, 137,460 Class B shares were issued upon exercise of stock options for a cash consideration of $3.6 million. As a result of this transaction, contributed surplus was increased by $1.5 million.

On August 9, 2012, the Corporation filed a normal course issuer bid for a maximum of 980,357 Class A shares representing approximately 5% of issued and outstanding Class A shares, and for a maximum of 4,351,276 Class B shares representing approximately 10% of the public float of the Class B shares as of July 31, 2012. The purchases can be made from August 13, 2012 to August 12, 2013 at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange. All shares purchased under the bid will be cancelled.

During the nine-month period ended September 30, 2012, the Corporation purchased and cancelled 728,500 Class B shares for a total cash consideration of $25.8 million. The excess of $20.3 million of the purchase price over the carrying value of Class B shares repurchased was recorded in reduction of retained earnings.

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

12. STOCK-BASED COMPENSATION PLANS

Outstanding options

The following table provides details of changes to outstanding options in the principal stock-based compensation plans of the Corporation and its subsidiaries for the nine-month period ended September 30, 2012:

		Outstanding options
	Number	Weighted average exercise price
Quebecor		
As of December 31, 2011:	1,322,188	$ 27.95
Granted	98,893	36.86
Exercised	(749,212)	28.27
As of September 30, 2012	**671,869**	**$ 28.91**
Vested options as of September 30, 2012	**482,630**	**$ 26.15**
Quebecor Media		
As of December 31, 2011:	2,768,712	$ 43.85
Granted	129,000	51.89
Exercised	(1,203,381)	43.11
Cancelled	(80,550)	46.67
As of September 30, 2012	**1,613,781**	**$ 44.90**
Vested options as of September 30, 2012	**463,300**	**$ 44.89**
TVA Group		
As of December 31, 2011:	833,610	$ 16.35
Cancelled	(14,189)	16.84
As of September 30, 2012	**819,421**	**$ 16.34**
Vested options as of September 30, 2012	**712,079**	**$ 16.58**

Under the mid-term stock-based compensation plan, participants are entitled to receive a cash payment at the end of a three-year period based on the appreciation of the Quebecor Class B share price, and subject to the achievement of certain non-market performance criteria. As of September 30, 2012, 878,573 units were outstanding under this plan at an average exercise price of $31.97 (577,298 units were outstanding at an average exercise price of $31.33 as of December 31, 2011).

During the three-month period ended September 30, 2012, 980,108 stock options of Quebecor Media were exercised for a cash consideration of $8.4 million (138,515 stock options for $1.2 million in 2011). During the nine-month period ended September 30, 2012, 749,212 stock options of Quebecor were exercised for a cash consideration of $6.0 million (121,000 stock options for $1.3 million in 2011) and 137,460 Class B shares of Quebecor were issued upon the exercise of stock options (none in 2011). During the same nine-month period, 1,203,381 stock options of Quebecor Media were exercised for a cash consideration of $10.1 million (453,409 stock options for $4.2 million in 2011).

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

12. STOCK-BASED COMPENSATION PLANS (continued)

For the three-month period ended September 30, 2012, a net reversal of the consolidated charge related to all stock-based compensation plans was recorded in the amount of $3.6 million (net charge of $5.5 million in 2011). For the nine-month period ended September 30, 2012, a consolidated charge related to all stock-based compensation plans was recorded in the amount of $2.9 million (net reversal of $12.0 million of the charge in 2011).

13. ACCUMULATED OTHER COMPREHENSIVE INCOME

	Translation of net investments in foreign operations	Cash flow hedges	Total
Balance as of December 31, 2010	$ (1.6)	$ 15.3	$ 13.7
Other comprehensive income	0.9	3.7	4.6
Balance as of September 30, 2011	(0.7)	19.0	18.3
Other comprehensive loss	–	(9.7)	(9.7)
Balance as of December 31, 2011	(0.7)	9.3	8.6
Other comprehensive (loss) income	(2.0)	15.4	13.4
Balance as of September 30, 2012	**$ (2.7)**	**$ 24.7**	**$ 22.0**

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

14. SUBSEQUENT EVENTS

Issuance of Senior Notes

On October 11, 2012, Quebecor Media issued US$850.0 million aggregate principal amount of Senior Notes bearing interest at 5.75% and maturing in January 2023, and $500.0 million aggregate principal amount of Senior Notes bearing interest at 6.625% and maturing in January 2023, for a total net proceeds of approximately $1,313.6 million, net of financing fees of $17.4 million. The notes are unsecured and are redeemable at the option of the issuer, in whole or in part, at any time before their maturity at a price based on a make-whole formula. Quebecor Media has fully hedged the foreign currency risk associated with the US Senior Notes by using cross-currency swaps.

14. SUBSEQUENT EVENTS (continued)

Partial purchase of CDP Capital's interest in Quebecor Media

The Corporation increased its interest in Quebecor Media further to the closing, on October 11, 2012, of the following transactions:

- Quebecor Media repurchased 20,351,307 of its common shares held by CDP Capital d'Amérique Investissement inc. ("CDP Capital") – a subsidiary of Caisse de dépôt et placement du Québec – for an aggregate purchase price of $1.0 billion paid in cash.
- The Corporation purchased 10,175,653 common shares of Quebecor Media held by CDP Capital, in consideration of the issuance by the Corporation to CDP Capital of $500.0 million aggregate principal amount of subordinated debentures, which are convertible into Class B shares of the Corporation ("Convertible Debentures").

Further to the completion of these transactions, the Corporation's interest in Quebecor Media increased from 54.7% to 75.4% and CDP Capital's interest decreased from 45.3% to 24.6%. The partial purchase of CDP Capital's minority interest in Quebecor Media was accounted for as an equity transaction. The excess of the purchase price over the carrying value of non-controlling interests acquired will be recorded in reduction of retained earnings.

Issuance of Convertible Debentures

The Convertible Debentures issued on October 11, 2012 bear interest at an annual rate of 4.125% and will mature in October 2018. The main terms and conditions of the debentures are as follows:

- 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 Quebecor at the outstanding principal amount, plus accrued and unpaid interest, subject to prior redemption, conversion, purchase or repayment.
- One day prior to maturity ("Redemption Date"), Quebecor 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 $38.50 per share (that is, a maximum number of 12,987,013 Quebecor Class B shares corresponding to a ratio of $500.0 million to the floor price) and a ceiling price of $48.125 per share (that is, a minimum number of 10,389,610 Quebecor Class B shares corresponding to a ratio of $500.0 million to the ceiling price).
- At any time prior to the Redemption Date, Quebecor may redeem or convert, in whole or in part, the outstanding Convertible Debentures, subject to the terms of the trust indenture.
- The Convertible Debentures will be convertible, at all times prior to the maturity date, into Quebecor Class B shares by the holder in accordance with the terms of the trust indenture.
- In all cases, Quebecor has the option to pay an amount in cash equal to the market value of shares that would have otherwise been issued, being the product of (a) the number of those Quebecor Class B shares and (b) the then current market price of a Quebecor Class B share.

CDP Capital's remaining interest – Exit rights

The agreement between Quebecor and CDP Capital on the partial purchase of CDP Capital's interest in Quebecor Media provides that on or after January 1, 2019, CDP Capital will have exit rights, including requiring that Quebecor Media carry out an initial public offering or selling CDP Capital's remaining interest in Quebecor Media to a financial third party. This agreement does not result in any balance sheet obligation for Quebecor Media or Quebecor.

14. SUBSEQUENT EVENTS (continued)

Redemption of Senior Notes

On November 2, 2012, Quebecor Media redeemed US$320.0 million in aggregate principal amount of its 7.75% Senior Notes issued in 2007 and due in March 2016 for a cash consideration of US$327.1 million. This transaction resulted in a loss of approximately $60.0 million (before income taxes).