MANAGEMENT DISCUSSION AND ANALYSIS

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CORPORATE PROFILE

This Management Discussion and Analysis covers the main activities of Quebecor Inc. ("Quebecor" or "the Corporation") in the second quarter of 2011 and the major changes from the previous financial year. As described in note 1 to the condensed consolidated financial statements for the three-month and six-month periods ended June 30, 2011, Canadian Generally Accepted Accounting Principles ("GAAP"), which were previously used in preparing the consolidated financial statements, were replaced on the adoption of International Financial Reporting Standards ("IFRS") on January 1, 2011. The Corporation's condensed consolidated financial statements for the three-month and six-month periods ended June 30, 2011 have therefore been prepared in accordance with IFRS. Comparative figures for 2010 have also been restated.

All amounts are stated in Canadian dollars unless otherwise indicated. This report should be read in conjunction with the information in the consolidated financial statements and Management Discussion and Analysis for the financial year ended December 31, 2010. It should also be read in conjunction with the additional information and the details on the adjustments to the 2010 comparative financial figures related to adoption of IFRS, described in note 17 to the condensed consolidated financial statements for the three-month and six-month periods ended June 30, 2011.

Quebecor is a holding company with a 54.7% interest in Quebecor Media Inc. ("Quebecor Media"), one of Canada's largest media groups. Quebecor Media's subsidiaries operate in the following business segments: Telecommunications, News Media, Broadcasting, Leisure and Entertainment, and Interactive Technologies and Communications. Quebecor Media is pursuing a convergence strategy to capture synergies among all its media properties.

During the second quarter of 2011, some of the special-interest portals were transferred from the News Media segment to the Telecommunications segment. The Corporation's segmented financial data for prior periods have therefore been restated to reflect the change.

HIGHLIGHTS SINCE END OF FIRST QUARTER 2011

- Quebecor's sales increased by $59.4 million (6.0%) to $1.05 billion in the second quarter of 2011. Attesting to the success of the Corporation's investment and development strategy, revenues grew in all business segments despite aggressive competition in many of those segments.
- During the second quarter of 2011, Videotron Ltd. ("Videotron") continued recording significant growth for its mobile telephone service. As of June 30, 2011, there were 203,800 subscriber connections to the 4G network, including 133,200 new connections and 70,600 migrations from the mobile virtual network operator ("MVNO") service. Also as of June 30, 2011, Videotron's 4G network was available to more than six million people.
- The roll-out of Videotron's new mobile services network affected growth in the Telecommunications segment's year-to-date results. In the early months following a product launch, the revenues generated by the new product are not sufficient to cover the higher expenses, which, in the case of the 4G network, include customer acquisition costs per new connection and the amortization charge. Despite this, the Telecommunications segment's operating income increased by $9.7 million (3.7%) in the second quarter of 2011.
- Videotron added a net total of 52,700 revenue-generating units[1] in the second quarter of 2011, 75.1% more than the net increase of 30,100 recorded in the same quarter of 2010. In the year to date, Videotron has added 105,300 revenue-generating units, compared with 91,100 in the first half of 2010, a 15.6% increase.
- During the second quarter of 2011, the Corporation continued implementing its investment plan in the News Media segment with a view to expanding its revenue streams. Several contracts were finalized, including a five-year contract between Quebecor Media Printing Inc. ("Quebecor Media Printing") and The Jean Coutu Group (PJC) Inc., with an estimated value of more than $50.0 million, and a multi-million-dollar contract between the QMI National Sales Office and Omnicom Group Inc.
- On July 20, 2011, Videotron amended its $575.0 million revolving credit facility to extend the expiry date from April 2012 to July 2016 and to modify some of the terms and conditions.
- On July 5, 2011, Videotron issued 6 7/8% Senior Notes maturing on July 15, 2021 in the aggregate principal amount of $300.0 million, for a net principal amount of $294.9 million, net of financing fees of $5.1 million. The net proceeds were used to finance the early repayment and withdrawal of US$255.0 million principal amount of Videotron's 6 7/8% Senior Notes maturing in 2014, and the settlement and cancellation of related hedges for a total disbursement of $303.1 million.

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

- On June 22, 2011, Quebecor Media announced the acquisition of the Montreal Junior Hockey Club, which will be moved to Blainville-Boisbriand, a northern suburb of Montréal, in Québec. Quebecor Media made the acquisition in partnership with a group of current and former National Hockey League players, including Joël Bouchard, who will serve as president of the team. Quebecor Media has been broadcasting Quebec Major Junior Hockey League ("QMJHL") games on Videotron's VOX channel for nearly 10 years. Quebecor Media's interest in a QMJHL team (to be known as the Blainville-Boisbriand Armada) will make it possible to add quality content to its broadcast programming, particularly in view of the upcoming launch of the TVA Sports channel.
- On June 20, 2011, Quebecor amended the indenture dated June 19, 2001 governing the bonds issued by the Corporation, which were exchangeable for Subordinate Voting Shares of AbitibiBowater Inc. ("AbitibiBowater"). The applicable interest rate has therefore been decreased from 1.5% to 0.10% per year. All other terms of the indenture remain unchanged.
- On May 31, 2011, TVA Group Inc. ("TVA Group") announced that the TVA Sports channel will launch in the fall of 2011. To obtain rich content of high quality, TVA Sports has already signed long-term broadcasting agreements with a number of leading sport properties that have strong fan followings, including the Montréal Impact soccer team, the Ottawa Senators hockey team, the Interbox boxing promotion organization, Ultimate Fighting Championship®, the Toronto Blue Jays major league baseball team, UEFA Champions League soccer and the Championnat de Montréal golf tournament. On July 20, 2011, TVA Group also announced that high-profile sports columnist Réjean Tremblay has agreed to join its team of journalists. He will contribute to TVA Sports, *Le Journal de Montréal*, *Le Journal de Québec* and other Quebecor Media properties.
- On May 2, 2011, TVA Group's new digital channel Mlle, a multiplatform brand targeted at women, began broadcasting.
- On April 18, 2011, Sun TV News ("Sun News"), an English-language news and opinion specialty channel, went live. Its mission is to provide comprehensive coverage of the events that impact Canada's political and economic life. The launch was part of the Corporation's strategy of expanding its value-added content offerings.
- The labour dispute at *Le Journal de Montréal* ended at the beginning of the second quarter of 2011 with a phased return to work by employees starting on April 5, 2011, in accordance with the back-to-work agreement and the mediator's recommendations, as accepted by the parties. The labour dispute began in January 2009 when the employer declared a lock-out. The mediator's recommendations called for, among other things, greater flexibility with respect to the workforce and the sharing of editorial content with the Corporation's other media outlets.

ADDITIONAL IFRS MEASURE

Operating Income

In its analysis of operating results, the Corporation uses operating income, as reported in its consolidated statement of income, to assess its financial performance. The Corporation's management and Board of Directors use this measure in evaluating the Corporation's consolidated results and the results of its operating segments. This measure is unaffected by the capital structure or investment activities of the Corporation and its segments. Operating income is also relevant because it is a significant component of the Corporation's annual incentive compensation programs. Operating income is defined as an additional IFRS measure.

Previously, under Canadian GAAP, operating income was a non-GAAP measure. The Corporation defined operating income as net income in accordance with Canadian GAAP before amortization, financial expenses, gain (loss) on valuation and translation of financial instruments, charge for restructuring of operations, impairment of assets and other special items, loss on debt refinancing, income tax, and net income attributable to non-controlling interests.

Operating income as used by the Corporation may not be the same as similarly titled measures reported by other companies.

NON-IFRS FINANCIAL MEASURES

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

Adjusted Income from Continuing Operations

The Corporation defines adjusted income from continuing operations, as reconciled to net income attributable to shareholders under IFRS, as net income attributable to shareholders before gain (loss) on valuation and translation of financial instruments, charge for restructuring of operations, impairment of assets and other special items, and loss on debt refinancing, net of income tax and net income attributable to non-controlling interests. Adjusted income from continuing operations, as defined above, is not a measure of results that is consistent with IFRS. It should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Adjusted income from continuing operations eliminates the impact of unusual or one-time items. The Corporation's definition of adjusted income from continuing operations may not be identical to similarly titled measures reported by other companies.

Table 1 provides a reconciliation of adjusted income from continuing operations to the net income attributable to shareholders measure used in Quebecor's condensed consolidated financial statements.

Table 1
Reconciliation of the adjusted income from continuing operations measure used in this report to the net income attributable to shareholders measure used in the condensed consolidated financial statements
(in millions of Canadian dollars)

	Three months ended June 30		Six months ended June 30	
	2011	2010	**2011**	2010
Adjusted income from continuing operations	**$ 60.0**	$ 62.9	**$ 95.9**	$ 106.3
(Loss) gain on valuation and translation of financial instruments	**(4.0)**	(4.6)	**6.5**	(9.3)
Restructuring of operations, impairment of assets and other special items	**(6.6)**	1.3	**(16.1)**	(1.1)
Loss on debt refinancing	**–**	(1.9)	**(9.3)**	(12.3)
Income tax related to adjustments[1]	**1.7**	1.1	**6.1**	6.0
Net income attributable to non-controlling interests related to adjustments	**4.1**	2.0	**6.4**	6.1
Net income attributable to shareholders	**$ 55.2**	$ 60.8	**$ 89.5**	$ 95.7

[1] Includes the impact of fluctuations in tax rates applicable to adjusted items, either for statutory reasons or in connection with tax planning arrangements.

Cash Flows from Segment Operations

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

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

Free cash flows from continuing operating activities consists of cash flows from segment operations (see "Cash Flows from Segment Operations above"), minus cash interest payments and cash charges for restructuring of operations, impairment of assets and other special items, plus or minus current income tax expenses, other receipts (disbursements), and the net change in non-cash balances related to operations. Free cash flows from continuing operating activities is used by the Corporation's management and Board of Directors to evaluate cash flows generated by the operations of the Quebecor Media subsidiary. Free cash flows from continuing operating activities represents Quebecor Media's available funds for business acquisitions, the payment of dividends and the repayment of long-term debt. Free cash flows from operating activities is not a measure of liquidity that is consistent with IFRS. It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows as a measure of liquidity. The Corporation's definition of free cash flows from continuing operating activities may not be identical to similarly titled measures reported by other companies.

Table 2 provides a reconciliation of free cash flows from continuing operating activities of Quebecor Media to cash flows provided by its operating activities.

Table 2
Reconciliation of free cash flows from continuing operating activities to cash flows provided by operating activities of the Quebecor Media subsidiary
(in millions of Canadian dollars)

	Three months ended June 30		Six months ended June 30	
	2011	2010	**2011**	2010
Free cash flows from continuing operating activities (Table 2)	**$ (42.9)**	$ 72.7	**$ (77.4)**	$ 84.9
Additions to property, plant and equipment	**174.3**	161.5	**369.5**	295.0
Additions to intangible assets	**18.9**	24.2	**38.9**	44.4
Proceeds from disposal of assets[1]	**(4.0)**	(45.9)	**(5.0)**	(47.3)
Cash flows provided by operating activities	**$ 146.3**	$ 212.5	**$ 326.0**	$ 377.0

[1] 2010 figures include the sale of certain tangible assets in the News Media segment.

Average Monthly Revenue per User

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

ANALYSIS OF CONSOLIDATED RESULTS OF QUEBECOR

2011/2010 second quarter comparison

Revenues: $1.05 billion, an increase of $59.4 million (6.0%).

- Revenues increased in all business segments: Telecommunications ($53.4 million or 9.7% of segment revenues), Broadcasting ($6.6 million or 6.0%), Leisure and Entertainment ($5.5 million or 8.3%), Interactive Technologies and Communications ($4.3 million or 18.0%) and News Media ($0.7 million or 0.3%).

Operating income: $358.5 million, an increase of $6.6 million (1.9%).

- Operating income increased in Telecommunications ($9.7 million or 3.7% of segment operating income) and Leisure and Entertainment ($2.1 million or 50.0%).
- Operating income decreased in News Media ($11.2 million or -19.7%) and Broadcasting ($4.6 million or -17.1%).
- Operating income was flat in Interactive Technologies and Communications.
- The change in the fair value of Quebecor Media stock options resulted in a $6.8 million favourable variance in the stock-based compensation charge in the second quarter of 2011 compared with the same period of 2010. The change in the fair value of Quebecor stock options resulted in a $9.6 million favourable variance in the Corporation's stock-based compensation charge in the second quarter of 2011.
- Excluding the impact of the consolidated stock-based compensation charge, and if the figures for prior periods were restated to retroactively reflect the reversal in the fourth quarter of 2009 of the accumulated Canadian Radio-television and Telecommunications Commission ("CRTC") Part II licence fee provision, operating income would have decreased 2.8% in the second quarter of 2011, compared with a 10.6% increase in the same period of 2010.

Net income attributable to shareholders: $55.2 million ($0.86 per basic share) compared with $60.8 million ($0.95 per basic share) in the second quarter of 2010, a decrease of $5.6 million ($0.09 per basic share) or -9.2%.

- The decrease was mainly due to:
  - $29.9 million increase in amortization charge;
  - $7.9 million increase in charge for restructuring of operations, impairment of assets and other special items.

  Partially offset by:
  - $6.6 million increase in operating income.

Adjusted income from continuing operations: $60.0 million in the second quarter of 2011 ($0.93 per basic share) compared with $62.9 million ($0.98 per basic share) in the same quarter of 2010, a decrease of $2.9 million ($0.05 per basic share) or -4.6%.

Amortization charge: $121.5 million, a $29.9 million increase essentially due to the impact of significant capital expenditures in 2010 and the first half of 2011 in the Telecommunications segment, including commencement of amortization of 4G network equipment and licences following the network launch in September 2010.

Financial expenses: $80.4 million, a decrease of $1.1 million.

- The decrease was mainly due to:
  - $2.8 million favourable variance in exchange rates on operating items;
  - decrease in the interest rate on exchangeable bonds.

Partially offset by:

- o higher base interest rates.

Loss on valuation and translation of financial instruments: $4.0 million in the second quarter of 2011 compared with $4.6 million in the same quarter of 2010.

Charge for restructuring of operations, impairment of assets and other special items: $6.6 million in the second quarter of 2011, compared with a $1.3 million reversal in the same quarter of 2010, a $7.9 million unfavourable variance.

- In connection with the startup of its 4G network, Videotron recorded a $5.9 million charge for migration costs in the second quarter of 2011. Videotron expects to incur charges for migration costs until the conversion process has been completed.
- A $2.8 million gain on disposal of certain assets was also recorded in the Telecommunications segment in the second quarter of 2010.
- In the second quarter of 2010, a $0.7 million charge for restructuring of operations was recorded in the News Media segment. Some assets were also sold in the segment as part of the restructuring initiatives, resulting in a net gain of $4.9 million in the second quarter of 2010.
- In the second quarter of 2010, the Corporation decided to terminate the operations of its Sun TV conventional television station on the launch of the new Sun News specialty channel. In light of this repositioning, the Broadcasting segment recorded a $5.7 million impairment charge on certain equipment and broadcasting rights in the second quarter of 2010, compared with a $0.3 million asset impairment charge recorded in the same quarter of 2011.
- In the second quarter of 2011, other special items in the amount of $0.4 million were recorded in other segments.

Loss on debt refinancing: Nil in the second quarter of 2011, compared with $1.9 million in the same period of 2010.

- In May 2010, Osprey Media Publishing Inc. ("Osprey Media") (which has since been liquidated and folded into Sun Media Corporation) paid down the balance of its term credit facility and settled related hedge agreements for a total cash consideration of $116.3 million. This transaction gave rise to a $1.9 million loss on debt refinancing.

Income tax expense: $40.0 million (effective tax rate of 27.4%) in the second quarter of 2011 compared with $51.2 million (effective tax rate of 29.5%) in the same quarter of 2010.

- The $11.2 million improvement was due primarily to the decrease in income before income taxes.

2011/2010 year-to-date comparison

Revenues: $2.04 billion, an increase of $101.8 million (5.2%).

- Revenues increased in Telecommunications ($102.9 million or 9.5% of segment revenues), Interactive Technologies and Communications ($7.3 million or 15.3%), Leisure and Entertainment ($5.6 million or 4.4%) and Broadcasting ($4.1 million or 1.9%).
- Revenues decreased in News Media ($1.9 million or -0.4%).

Operating income: $652.8 million, an increase of $10.5 million (1.6%).

- Operating income increased in Telecommunications ($9.1 million or 1.8% of segment operating income) and Leisure and Entertainment ($3.5 million or 87.5%).
- Operating income decreased in News Media ($21.6 million or -22.6%) and Broadcasting ($5.7 million or -17.5%).
- The change in the fair value of Quebecor Media stock options resulted in an $11.6 million favourable variance in the stock-based compensation charge in the first half of 2011 compared with the same period of 2010. The change in the fair value of Quebecor stock options resulted in a $26.9 million favourable variance in the Corporation's stock-based compensation charge in the first half of 2011.
- Excluding the impact of the consolidated stock-based compensation charge, and if the figures for prior periods were restated to retroactively reflect the reversal in the fourth quarter of 2009 of the accumulated CRTC Part II licence fee provision, operating income would have decreased 4.2% in the first half of 2011, compared with an 11.2% increase in the same period of 2010.

Net income attributable to shareholders: $89.5 million ($1.39 per basic share) compared with $95.7 million ($1.49 per basic share) in the first half of 2010, a decrease of $6.2 million ($0.10 per basic share) or -6.5%.

- The decrease was mainly due to:
  - $61.8 million increase in amortization charge;
  - $15.0 million increase in charge for restructuring of operations, impairment of assets and other special items.

  Partially offset by:
  - $15.8 million favourable variance in gains and losses on valuation and translation of financial instruments;
  - $10.5 million increase in operating income;
  - $3.0 million decease in loss on debt refinancing.

Adjusted income from continuing operations: $95.9 million in the first half of 2011 ($1.49 per basic share) compared with $106.3 million ($1.65 per basic share) in the first half of 2010, a decrease of $10.4 million ($0.16 per basic share) or -9.8%.

Amortization charge: $243.0 million, an increase of $61.8 million due primarily to the factor noted above in the 2011/2010 second quarter comparison of operating results.

Financial expenses: $161.8 million, a decrease of $2.0 million.

- The decrease was mainly due to:
  - $6.7 million favourable variance in exchange rates on operating items;
  - decrease in the interest rate on exchangeable bonds.

  Partially offset by:
  - higher base interest rates.

Gain on valuation and translation of financial instruments: $6.5 million in the first half of 2011 compared with a $9.3 million loss in the same period of 2010. The $15.8 million favourable variance was mainly due to the variance in gains and losses on embedded derivatives.

Charge for restructuring of operations, impairment of assets and other special items: $16.1 million compared with $1.1 million in the same period of 2010, a $15.0 million unfavourable variance.

- In connection with the startup of its 4G network, Videotron recorded a $14.5 million charge for migration costs in the first half of 2011.
- A $2.8 million gain on disposal of assets was recorded in the Telecommunications segment in the first half of 2010.
- A $0.9 million charge for impairment of intangible assets was recorded in the News Media segment in the first half of 2011. In the first half of 2010, a $3.1 million charge for restructuring of operations was recorded in the News Media segment in connection with staff-reduction programs; some assets were also sold in the segment as part of the restructuring initiatives, resulting in a net gain of $4.9 million.
- A $5.7 million charge for impairment of assts was recorded in the first half of 2010 in the Broadcasting segment, compared with $0.3 million in the first half of 2011.
- In the first half of 2011, $0.4 million in other special items was recorded in other segments.

Loss on debt refinancing: $9.3 million in the first half of 2011 compared with $12.3 million in the same period of 2010.

- On February 15, 2011, Sun Media Corporation bought back and withdrew the entirety of its 7 5/8% Senior Notes in the aggregate principal amount of US$205.0 million and settled the related hedges for a total cash consideration of $308.2 million. The transaction generated a $9.3 million loss on debt refinancing.
- On January 14, 2010, Quebecor Media made a US$170.0 million early payment on drawings on its term loan "B" and settled related hedge agreements, for a total cash consideration of $206.7 million. The transaction generated a $10.4 million loss on debt refinancing.
- In May 2010, Osprey Media paid down the balance of its term credit facility and settled related hedge agreements for a total cash consideration of $116.3 million. This transaction gave rise to a $1.9 million loss on debt refinancing.

Income tax expense: $59.8 million (effective tax rate of 26.1%) in the first half of 2011 compared with $74.4 million (effective tax rate of 27.1%) in the same period of 2010.

- The $14.6 million improvement was due primarily to the decrease in income before income taxes.

Free cash flows from continuing operating activities of Quebecor Media

Free cash flows from continuing operating activities of Quebecor Media: Negative $42.9 million in the second quarter of 2011 compared with positive $72.7 million in the same period of 2010 (Tables 3 and 4).

- The unfavourable variance of $115.6 million was mainly due to:
  - $102.7 million increase in use of funds for non-cash balances related to operations, mainly because of an increase in accounts receivable due, among other things, to payment delays caused by the labour dispute at Canada Post. Unfavourable variances in income tax liabilities and restructuring costs were also factors;
  - $41.9 million unfavourable variance in proceeds from disposal of assets, essentially due to the sale of certain tangible assets in the News Media segment in the second quarter of 2010;
  - $12.8 million increase in additions to property, plant and equipment, mainly due to spending in the Telecommunications segment on its 4G network and cable network modernization;
  - $5.6 million increase in cash portion of charge for restructuring of operations, impairment of assets and other special items.

  Partially offset by:
  - $45.5 million decrease in current income taxes.

Free cash flows from continuing operating activities of Quebecor Media: Negative $77.4 million in the first half of 2011 compared with positive $84.9 million in the same period of 2010 (Tables 3 and 4).

- The unfavourable variance of $162.3 million was mainly due to:
  - $89.7 million increase in use of funds for non-cash balances related to operations, mainly because of unfavourable variances in accounts receivable in some segments, including Telecommunications, due, among other things, to a different customer billing cycle, and News Media and Broadcasting, as well as the unfavourable variance in the income tax liability;
  - $74.5 million increase in additions to property, plant and equipment, mainly due to spending in the Telecommunications segment on its 4G network and cable network modernization;
  - $42.3 million unfavourable variance in proceeds from disposal of assets, essentially due to the sale of certain tangible assets in the News Media segment in the first half of 2010;
  - $11.5 million decrease in operating income;
  - $11.8 million increase in cash portion of charge for restructuring of operations, impairment of assets and other special items.

  Partially offset by:
  - $65.9 million favourable variance in current income taxes.

Table 3
Free cash flows from continuing operating activities of Quebecor Media
(in millions of Canadian dollars)

	Three months ended June 30		Six months ended June 30	
	2011	2010	**2011**	2010
Cash flows from segment operations:				
Telecommunications	**$ 101.0**	$ 99.2	**$ 162.0**	$ 213.7
News Media	**42.3**	94.8	**62.6**	128.6
Broadcasting	**14.6**	20.4	**9.5**	22.1
Leisure and Entertainment	**3.7**	(0.3)	**3.3**	(2.7)
Interactive Technologies and Communications	**(0.9)**	0.2	**(1.0)**	0.7
Head Office and other	**1.6**	(1.5)	**2.7**	(0.5)
	162.3	212.8	**239.1**	361.9
Cash interest expense[1]	**(74.0)**	(72.7)	**(147.7)**	(146.6)
Cash portion of charge for restructuring of operations, impairment of assets and other special items	**(6.3)**	(0.7)	**(14.9)**	(3.1)
Current income taxes	**5.5**	(40.0)	**5.1**	(60.8)
Other	**(0.8)**	0.2	**(1.4)**	1.4
Net change in non-cash balances related to operations	**(129.6)**	(26.9)	**(157.6)**	(67.9)
Free cash flows from continuing operating activities	**$ (42.9)**	$ 72.7	**$ (77.4)**	$ 84.9

1 Interest on long-term debt, foreign currency translation of short-term monetary items and other interest expenses.

Table 4
Reconciliation of cash flows from segment operations of Quebecor Media to its operating income
(in millions of Canadian dollars)

	Three months ended June 30		Six months ended June 30	
	2011	2010	**2011**	2010
Operating income	**$ 351.5**	$ 352.6	**$ 642.5**	$ 654.0
Additions to property, plant and equipment	**(174.3)**	(161.5)	**(369.5)**	(295.0)
Acquisitions of intangible assets	**(18.9)**	(24.2)	**(38.9)**	(44.4)
Proceeds from disposal of assets[1]	**4.0**	45.9	**5.0**	47.3
Cash flows from segment operations	**$ 162.3**	$ 212.8	**$ 239.1**	$ 361.9

1 2010 figures include the sale of certain tangible assets in the News Media segment.

SEGMENTED ANALYSIS

Telecommunications

Second quarter 2011 operating results

Revenues: $601.1 million, an increase of $53.4 million (9.7%).

- Combined revenues from all cable television services increased $17.0 million (7.2%) to $252.5 million, due primarily to higher ARPU, partially as a result of increases in some rates, the impact of customer base growth, the success of high definition ("HD") packages, and increased video on demand and pay TV orders.
- Revenues from Internet access services increased $11.8 million (7.4%) to $171.0 million. The improvement was mainly due to customer growth, increases in some rates and customer migration to upgraded services.
- Revenues from cable telephone service increased $6.9 million (6.8%) to $108.2 million, primarily as a result of customer and subscriber line increases.
- Revenues from mobile telephone service increased $13.8 million (113.1%) to $26.0 million, essentially due to customer growth resulting largely from the launch of the new network in September 2010.
- Revenues of Videotron Business Solutions increased $1.4 million (9.5%) to $16.1 million, mainly because of higher revenues from network solutions.
- Revenues from customer equipment sales increased $2.4 million (18.8%) to $15.2 million, mainly because of increased sales of mobile handsets.
- Revenues of Le SuperClub Vidéotron ltée ("Le SuperClub Vidéotron") decreased $0.5 million (-9.1%) to $5.0 million, mainly as a result of the closure of two stores in the second quarter of 2011 and lower same-store rental revenues.
- Other revenues increased $0.5 million (7.6%) to $7.1 million.

Monthly ARPU: $102.85 in the second quarter of 2011 compared with $94.88 in the same period of 2010, an increase of $7.97 (8.4%).

Customer statistics

Revenue-generating units – As of June 30, 2011, the total number of revenue-generating units stood at 4,419,400, an increase of 52,700 (1.2%) from the previous quarter, compared with a 30,100-unit increase in the second quarter of 2010 (Table 5). In the 12-month period ended June 30, 2011, the number of revenue-generating units increased by 283,900 (6.9%). Revenue-generating units are the sum of cable television, Internet access and cable telephone service subscriptions, plus subscriber connections to the mobile telephone service.

Cable television – The combined customer base for all of Videotron's cable television services decreased by 7,900 (-0.4%) in the second quarter of 2011, compared with a decrease of 4,000 in the second quarter of 2010, and increased by 19,200 during the 12-month period ended June 30, 2011 (Table 5). Because many people move in Québec during the second quarter, negative variances are not unusual. However, the lost customers are generally recovered at the beginning of July. By July 15, 2011, the entire customer loss in the second quarter of 2011 had been recovered. At the end of the second quarter of 2011, Videotron had 1,800,700 customers for its cable television services. The household penetration rate (number of subscribers as a proportion of total homes passed by Videotron's network, i.e., 2,635,800 homes as of the end of June 2011, compared with 2,594,500 one year earlier) was 68.3% versus 68.7% a year earlier.

- As of June 30, 2011, the number of subscribers to the Digital TV service stood at 1,270,400, a quarterly increase of 26,700 or 2.1%, compared with a 22,100-subscriber increase in the second quarter of 2010, and a 12-month increase of 128,400 (11.2%). As of June 30, 2011, illico Digital TV had a household penetration rate of 48.2% versus 44.0% a year earlier.
- The customer base for analog cable television services decreased by 34,600 (-6.1%) in the second quarter of 2011 (compared with a decrease of 26,100 customers in the same quarter of 2010) and by 109,200 (-17.1%) over 12 months, primarily as a result of customer migration to illico Digital TV.

Internet access – The number of subscribers to cable Internet access services was 1,266,500 at June 30, 2011, an increase of 2,900 (0.2%) from the previous quarter (compared with a 10,100-subscriber increase in the second quarter of 2010). During the 12-month period ended June 30, 2011, the cable Internet access service increased its subscriber base by 64,800 (5.4%) (Table 5). At June 30, 2011, Videotron's cable Internet access services had a household penetration rate of 48.0% versus 46.3% a year earlier.

Cable telephone service – The number of subscribers to cable telephone service stood at 1,141,600 at June 30, 2011, an increase of 11,800 (1.0%) from the previous quarter (compared with a 22,300-customer increase in the second quarter of 2010), and a 12-month increase of 76,300 (7.2%) (Table 5). At June 30, 2011, the cable telephone service had a household penetration rate of 43.3% versus 41.1% a year earlier.

Mobile telephone service – As of June 30, 2011, the number of subscriber connections to the mobile telephone service stood at 210,600, an increase of 45,900 (27.9%) from the end of March 2011 (compared with an increase of 1,700 connections in the second quarter of 2010), and a 12-month increase of 123,600 (142.1%). The increase was due primarily to the launch of the new mobile network on September 9, 2010 (Table 5). Since the launch, 203,800 subscriber connections have been added to the 4G network, including 133,200 new connections and 70,600 migrations from the MVNO service.

Table 5
Telecommunications segment quarter-end customer numbers for the last eight quarters (in thousands of customers)

	June 2011	Mar. 2011	Dec. 2010	Sept. 2010	June 2010	Mar. 2010	Dec. 2009	Sept. 2009
Cable television:								
Analog	**530.3**	564.9	592.0	619.7	639.5	665.6	692.9	717.3
Digital	**1,270.4**	1,243.7	1,219.6	1,182.3	1,142.0	1,119.9	1,084.1	1,042.4
	1,800.7	1,808.6	1,811.6	1,802.0	1,781.5	1,785.5	1,777.0	1,759.7
Cable Internet	**1,266.5**	1,263.6	1,252.1	1,233.8	1,201.7	1,191.6	1,170.6	1,145.4
Cable telephone	**1,141.6**	1,129.8	1,114.3	1,098.1	1,065.3	1,043.0	1,014.0	979.1
Mobile telephone[1]	**210.6**	164.7	136.1	95.4	87.0	85.3	82.8	79.8
Total (revenue-generating units)	**4,419.4**	4,366.7	4,314.1	4,229.3	4,135.5	4,105.4	4,044.4	3,964.0

[1] In thousands of subscriber connections.

Operating income: $274.2 million, an increase of $9.7 million (3.7%).

- The increase in operating income was mainly due to:
  - customer growth for all services;
  - increases in some rates, including cable television and Internet access rates;
  - increases in contribution to income from HD packages, additional set-top boxes and pay TV;
  - customer migration to upgraded Internet access services;
  - $5.7 million favourable variance in the stock-based compensation charge.

  Partially offset by:
  - increases in operating expenses, among them costs related to the roll-out of the 4G network, including acquisition costs of approximately $482 per subscriber addition (direct costs, including selling, advertising and marketing expenses and equipment subsidies) and site overhead costs;
  - capitalization of some operating expenses during the build-out of the new mobile services network, which also explains the unfavourable variance in operating expenses in the second quarter of 2011 compared with the same quarter of 2010.
- Excluding the variance in the stock-based compensation charge, and if the figures for prior periods were restated to retroactively reflect the CRTC Part II licence fee adjustment in the fourth quarter of 2009, the increase in the segment's operating income in the second quarter of 2011 would have been 1.5%, compared with 12.7% in the same period of 2010.

Cost/revenue ratio: Operating costs for all Telecommunications segment operations, expressed as a percentage of revenues, were 54.4% in the second quarter of 2011, compared with 51.7% in the same period of 2010.

- The increase was mainly due to operating expense increases related to the roll-out of the 4G network, partially offset by the impact of increases in some rates.

Year-to-date operating results

Revenues: $1.18 billion, an increase of $102.9 million (9.5%) essentially due to the same factors as those noted above in the discussion of second quarter results.

- Combined revenues from all cable television services increased $32.7 million (7.0%) to $498.1 million.
- Revenues from Internet access services increased $22.3 million (7.0%) to $339.4 million.
- Revenues from cable telephone service increased $15.8 million (7.9%) to $215.5 million.
- Revenues from mobile telephone service increased $22.9 million (96.2%) to $46.7 million.
- Revenues of Videotron Business Solutions increased $2.5 million (8.7%) to $31.2 million.
- Revenues from customer equipment sales increased $6.3 million (28.6%) to $28.3 million.
- Revenues of Le SuperClub Vidéotron decreased $0.9 million (-8.0%) to $10.3 million.
- Other revenues increased $1.2 million (8.8%) to $14.8 million.

ARPU: $101.31 in the first half of 2011 compared with $94.00 in the same period of 2010, an increase of $7.31 (7.8%).

Customer statistics

Revenue-generating units – 105,300-unit (2.4%) increase in the first six months of 2011, compared with 91,100 during the first six months of 2010.

Cable television – The combined customer base for all of Videotron's cable television services decreased by 10,900 (-0.6%) in the first half of 2011, compared with an increase of 4,500 in the same period of 2010.

- The number of Digital TV subscribers increased by 50,800 (4.2%) in the first half of 2011, compared with 57,900 in the same period of 2010.
- The customer base for analog cable television services decreased by 61,700 (-10.4%), compared with a decrease of 53,400 in the first half of 2010.

Internet access – The number of subscribers to cable Internet access services increased by 14,400 or 1.2%, compared with 31,100 in the same period of 2010.

Cable telephone service – The number of subscribers to cable telephone service increased by 27,300 (2.4%) in the first half of 2011, compared with 51,300 in the same period of 2010.

Mobile telephone service – The number of subscriber connections increased by 74,500 or 54.7% in the first half of 2011, compared with 4,200 in the same period of 2010.

Operating income: $528.7 million, an increase of $9.1 million (1.8%).

- The increase in operating income was mainly due to:
  - customer growth for all services;
  - increases in some rates, including cable television and Internet access rates;
  - increases in contribution to income from HD packages, additional set-top boxes, video on demand and pay TV;
  - customer migration to upgraded Internet access services;
  - $11.3 million favourable variance in the stock-based compensation charge.

  Partially offset by:

  - increases in operating expenses, among them costs related to the roll-out of the 4G network, including acquisition costs of approximately $482 per subscriber addition (direct costs, including selling, advertising and marketing expenses and equipment subsidies) and site overhead costs;
  - capitalization of some operating expenses during the build-out of the new mobile service network, which also explains the unfavourable variance in operating expenses in the first half of 2011 compared with the same period of 2010;
  - promotions on sales of digital set-top boxes.

- Excluding the variance in the stock-based compensation charge, and if the figures for prior periods were restated to retroactively reflect the CRTC Part II licence fee adjustment in the fourth quarter of 2009, the segment's operating income would have decreased by 0.4% in the first half of 2011, compared with a 13.6% increase in the same period of 2010.

Cost/revenue ratio: Operating costs for all Telecommunications segment operations, expressed as a percentage of revenues, were 55.4% in the first half of 2011 compared with 52.0% in the same period of 2010. The decrease was due to the same factors as those noted above in the discussion of second quarter 2011 operating results.

Cash flows from operations

Quarterly cash flows from segment operations: $101.0 million compared with $99.2 million in the same period of 2010 (Table 6).

- The $9.7 million increase in operating income was partially offset by a $9.4 million increase in additions to property, plant and equipment, essentially as a result of spending on the 4G network and cable network modernization.

Year-to-date cash flows from segment operations: $162.0 million compared with $213.7 million in the same period of 2010 (Table 6), a $51.7 million decrease caused primarily by a $61.8 million increase in additions to property, plant and equipment due essentially to the same factors as those noted above in the discussion of quarterly operating results, which was partially offset by the $9.1 million increase in operating income.

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

	Three months ended June 30		Six months ended June 30	
	2011	2010	**2011**	2010
Operating income	**$ 274.2**	$ 264.5	**$ 528.7**	$ 519.6
Additions to property, plant and equipment	**(161.8)**	(152.4)	**(340.4)**	(278.6)
Acquisitions of intangible assets	**(13.0)**	(16.1)	**(28.9)**	(31.8)
Proceeds from disposal of assets	**1.6**	3.2	**2.6**	4.5
Cash flows from segment operations	**$ 101.0**	$ 99.2	**$ 162.0**	$ 213.7

News Media

Second quarter 2011 operating results

Revenues: $267.5 million, an increase of $0.7 million (0.3%).

- Advertising revenues increased 1.4%, combined revenues from commercial printing and other sources increased 8.2%; however, circulation revenues decreased 8.6%, more than half due to price reductions and promotions.
- Revenues decreased 4.2% at the urban dailies and increased 4.9% at the community newspapers. Excluding business acquisitions, revenues of the community newspapers decreased by 2.1%.
- Portal revenues decreased 24.8% at the portals, essentially because of lower revenues at the general-interest portals due primarily to a decrease in advertising revenues, and the transfer of intercompany website development activities to the Nurun Inc. subsidiary.

Operating income: $45.7 million, a decrease of $11.2 million (-19.7%).

- The decrease was due primarily to:
  - impact of revenue decreases at the urban dailies, community newspapers (on a same store basis), and portals;
  - increases in some operating expenses, including community newspaper startup costs in Québec;
  - unfavourable variance related to investments in the Quebecor Media Network Inc. ("Quebecor Media Network") and Quebecor MediaPages™;
  - $1.4 million increase in newsprint costs.

  Partially offset by:
  - $1.7 million favourable variance in the stock-based compensation charge;
  - $1.6 million favourable variance in multimedia employment tax credits;
  - contribution of acquired businesses.
- Excluding the impact of the stock-based compensation charge and investments in the Quebecor Media Network and Quebecor MediaPages™, operating income would have decreased by 13.7% in the second quarter of 2011, compared with a 10.4% increase in the same period of 2010.

Cost/revenue ratio: Operating costs for all News Media segment operations, expressed as a percentage of revenues, were 82.9% in the second quarter of 2011, compared with 78.7% in the same period of 2010.

- The increase was due mainly to:
  - spending on community newspaper launches in Québec, the Quebecor Media Network and Quebecor MediaPages™;
  - unfavourable impact of the fixed component of operating costs (which does not fluctuate in proportion to revenue decreases);
  - higher newsprint costs.

Year-to-date operating results

Revenues: $507.6 million, a decrease of $1.9 million (-0.4%).

- Advertising revenues increased 1.3%, combined revenues from commercial printing and other sources increased 1.6%; however, circulation revenues decreased 8.1%, more than half due to price reductions and promotions.
- Revenues decreased 3.1% at the urban dailies and increased 2.6% at the community newspapers. Excluding business acquisitions, revenues of the community newspapers decreased by 3.1%.
- Portal revenues decreased 10.0%, due essentially to the factor noted above in the discussion of the second quarter results.

Operating income: $74.0 million, a decrease of $21.6 million (-22.6%).

- The decrease was due primarily to:
  - impact of decrease in revenues, on a same store basis;
  - increases in some operating expenses, including community newspaper startup costs in Québec;
  - unfavourable variance related to investments in the Quebecor Media Network and Quebecor MediaPages™;
  - $3.9 million increase in newsprint costs.

  Partially offset by:
  - $8.2 million favourable variance in multimedia employment tax credits;
  - $4.1 million favourable variance related to the stock-based compensation plan;
  - contribution of acquired businesses.
- Excluding the impact of the stock-based compensation charge and investments in the Quebecor Media Network and Quebecor MediaPages™, operating income would have decreased by 14.2% in the first half of 2011, compared with an 18.3% increase in the same period of 2010.

Cost/revenue ratio: Operating costs for all News Media segment operations, expressed as a percentage of revenues, were 85.4% in the first half of 2011 compared with 81.2% in the same period of 2010. The increase was mainly due to the same negative factors as those noted above in the discussion of the second quarter 2011 operating results, which were partially offset by a reduction in costs as a result of the increase in employment tax credits.

Cash flows from operations

Quarterly cash flows from segment operations: $42.3 million compared with $94.8 million in the same period of 2010 (Table 7).

- The $52.5 million decrease was due primarily to a $39.5 million unfavourable variance in proceeds from disposal of assets, mainly due to the sale of certain tangible assets in the second quarter of 2010, and to the $11.2 million unfavourable variance in operating income.

Year-to-date cash flows from segment operations: $62.6 million compared with $128.6 million in the same period of 2010 (Table 7), a $66.0 million decrease caused essentially by the same factors as those noted above in the discussion of second quarter 2011 results.

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

	Three months ended June 30		Six months ended June 30	
	2011	2010	**2011**	2010
Operating income	**$ 45.7**	$ 56.9	**$ 74.0**	$ 95.6
Additions to property, plant and equipment	**(2.5)**	(1.0)	**(8.4)**	(3.3)
Acquisitions of intangible assets	**(3.3)**	(3.0)	**(5.4)**	(5.7)
Proceeds from disposal of assets[1]	**2.4**	41.9	**2.4**	42.0
Cash flows from segment operations	**$ 42.3**	$ 94.8	**$ 62.6**	$ 128.6

[1] 2010 figures include the sale of certain tangible assets in the News Media segment.

Broadcasting

Second quarter 2011 operating results

Revenues: $117.5 million, an increase of $6.6 million (6.0%).

- Revenues from television operations increased $8.0 million, mainly due to:
  - higher advertising, production and video on demand revenues at the TVA Network;
  - increased advertising and subscription revenues at the specialty channels;
  - higher revenues at TVAccès.

  Partially offset by:
  - decrease in advertising revenues in light of the repositioning of the conventional station Sun TV following the creation of Sun News.
- Total publishing revenues decreased $0.9 million, mainly because of lower newsstand revenues.

Operating income: $22.3 million, a decrease of $4.6 million (-17.1%).

- Operating income from television operations decreased $3.7 million, mainly due to:
  - increase in operating expenses related to the launch of Sun News;
  - higher content costs at the TVA Network and the specialty channels as a result of new channels, production costs for some television programs, and the programming strategy.

  Partially offset by:
  - impact of the revenue increase.
- Operating income from publishing operations decreased by $0.8 million, mainly as a result of the impact of the revenue decrease.

Cost/revenue ratio: Operating costs for all Broadcasting segment operations, expressed as a percentage of revenues, were 81.0% in the second quarter of 2011, compared with 75.7% in the same period of 2010. The increase in costs as a proportion of revenues was mainly due to higher operating expenses related to the launch of the Sun News channel and higher costs at the TVA Network and the specialty channels.

Year-to-date operating results

Revenues: $224.6 million, an increase of $4.1 million (1.9%).

- Revenues from television operations increased $6.4 million, mainly due to:
  - higher advertising, production and video on demand revenues at the TVA Network;
  - increased advertising and subscription revenues at the specialty channels;
  - higher revenues at TVAccès.

  Partially offset by:
  - decrease in advertising revenues in view of repositioning of the Sun TV conventional television station following the creation of Sun News;
  - decrease in revenues at TVA Films, reflecting the larger number of successful releases in the first half of 2010;
  - decrease in revenues at TVA Boutiques.
- Total publishing revenues decreased $1.8 million, mainly because of lower newsstand revenues.

Operating income: $26.9 million, a decrease of $5.7 million (-17.5%).

- Operating income from television operations decreased $4.3 million, mainly because of the same factors as those noted above in the discussion of the second quarter of 2011 operating results.
- Operating income from publishing operations decreased by $1.4 million, mainly as a result of the impact of the revenue decrease.

Cost/revenue ratio: Operating costs for all Broadcasting segment operations, expressed as a percentage of revenues, were 88.0% in the first half of 2011, compared with 85.2% in the same period of 2010. The increase was due essentially to the same factors as those noted above in the discussion of second quarter 2011 operating results.

Cash flows from operations

Quarterly cash flows from segment operations: $14.6 million compared with $20.4 million in the same period of 2010 (Table 8), a $5.8 million decrease due primarily to the $4.6 million decrease in operating income.

Year-to-date cash flows from segment operations: $9.5 million compared with $22.1 million in the same period of 2010, a $12.6 million decrease (Table 8) due mainly to the $6.9 million increase in additions to property, plant and equipment, as well as the $5.7 million decrease in operating income.

Table 8: Broadcasting
Cash flows from operations
(in millions of Canadian dollars)

	Three months ended June 30		Six months ended June 30	
	2011	2010	**2011**	2010
Operating income	**$ 22.3**	$ 26.9	**$ 26.9**	$ 32.6
Additions to property, plant and equipment	**(6.5)**	(4.9)	**(15.4)**	(8.5)
Acquisitions of intangible assets	**(1.2)**	(2.4)	**(2.0)**	(2.8)
Proceeds from disposal of assets	**—**	0.8	**—**	0.8
Cash flows from segment operations	**$ 14.6**	$ 20.4	**$ 9.5**	$ 22.1

Leisure and Entertainment

Second quarter 2011 operating results

Revenues: $71.5 million, an increase of $5.5 million (8.3%) compared with the second quarter of 2010.

- The revenues of Archambault Group Inc. ("Archambault Group") increased 10.9%, mainly because of:
  - increased production sales due to higher revenues from concert productions, including the successful show *Le retour de nos idoles*;
  - 16.3% increase in distribution revenues.
- The Book Division's revenues increased by 4.2%, mainly because of higher revenues from distributions to bookstores and mass retailers, and to higher publishing revenues in the general literature category, partially offset by lower sales of textbooks for Québec high schools in the academic segment.

Operating income: $6.3 million in the second quarter of 2011 compared with $4.2 million in the same period of 2010. The $2.1 million improvement was due primarily to the impact of higher revenues and increases in some gross margins.

Year-to-date operating results

Revenues: $132.9 million, an increase of $5.6 million (4.4%).

- The revenues of Archambault Group increased 5.5%, mainly because of:
  - higher production sales due to increased revenues from concert productions and music recording;
  - 7.3% increase in distribution revenues.
- Revenues increased 3.1% at the Book Division, essentially due to the same factors as those noted above in the discussion of second quarter 2011 operating results.

Operating income: $7.5 million, an increase of $3.5 million (87.5%) essentially due to the same factors as those noted above in the discussion of second quarter 2011 operating results.

Cash flows from operations

Quarterly cash flows from segment operations: $3.7 million compared with negative $0.3 million in the same period of 2010 (Table 9).

- The $4.0 million improvement was due to the $2.1 million increase in operating income and the $1.9 million decrease in additions to property, plant and equipment and intangible assets.

Year-to-date cash flows from segment operations: $3.3 million compared with negative $2.7 million in the same period of 2009 (Table 9).

- The $6.0 million improvement was due to the $3.5 million increase in operating income and the $2.5 million decrease in additions to property, plant and equipment and intangible assets.

Table 9: Leisure and Entertainment
Cash flows from operations
(in millions of Canadian dollars)

	Three months ended June 30		Six months ended June 30	
	2011	2010	**2011**	2010
Operating income	**$ 6.3**	$ 4.2	**$ 7.5**	$ 4.0
Additions to property, plant and equipment	**(1.2)**	(1.8)	**(1.6)**	(2.6)
Acquisitions of intangible assets	**(1.4)**	(2.7)	**(2.6)**	(4.1)
Cash flows from segment operations	**$ 3.7**	$ (0.3)	**$ 3.3**	$ (2.7)

Interactive Technologies and Communications

Second quarter 2011 operating results

Revenues: $28.2 million, an increase of $4.3 million (18.0%).

- The increase was due mainly to:
  - higher volume from customers in Canada (generated by, among other things, the transfer of intercompany technological activities from the News Media segment), Europe and Asia;
  - favourable variances in currency translation, mainly in Europe.

  Partially offset by:
  - decrease in volume from government customers.

Revenues: $1.3 million, flat compared with the second quarter of 2010.

Year-to-date operating results

Revenues: $55.0 million, an increase of $7.3 million (15.3%).

- The increase was due mainly to:
  - higher volume from customers in Canada (generated by, among other things, the transfer of intercompany technological activities previously recorded in the News Media segment) and in Europe.

  Partially offset by:
  - decrease in volume from government customers.

Operating income: $2.2 million, a decrease of $0.1 million (-4.3%).

Cash flows from operations

Cash flows from segment operations: Negative $0.9 million in the second quarter of 2011 compared with positive $0.2 million in the same period of 2010 (Table 10).

- The $1.1 million unfavourable variance was mainly due to the increase in additions to property, plant and equipment.

Cash flows from segment operations: Negative $1.0 million in the first half of 2011, compared with positive $0.7 million in the same period of 2010 (Table 10), a $1.7 million decrease.

- The unfavourable variance was essentially due to the $1.6 million increase in additions to property, plant and equipment.

Table 10: Interactive Technologies and Communications
Cash flows from operations
(in millions of Canadian dollars)

	Three months ended June 30		Six months ended June 30	
	2011	2010	**2011**	2010
Operating income	**$ 1.3**	$ 1.3	**$ 2.2**	$ 2.3
Additions to property, plant and equipment	**(2.2)**	(1.1)	**(3.2)**	(1.6)
Cash flows from segment operations	**$ (0.9)**	$ 0.2	**$ (1.0)**	$ 0.7

CASH FLOWS AND FINANCIAL POSITION

Operating activities

Second quarter 2011

Cash flows provided by operating activities: $141.5 million in the second quarter of 2011 compared with $207.3 million in the same period of 2010.

- The unfavourable variance of $65.8 million was mainly due to:
  - $112.1 million increase in use of funds for non-cash balances related to operations, mainly because of an increase in accounts receivable due, among other things, to payment delays caused by the labour dispute at Canada Post. Unfavourable variances in income tax liabilities and restructuring costs were also factors;
  - $5.6 million increase in cash portion of charge for restructuring of operations, impairment of assets and other special items.

  Partially offset by:
  - $45.5 million decrease in current income taxes;
  - $6.6 million increase in operating income.

Year to date

Cash flows provided by continuing operating activities: $312.2 million in the first half of 2011 compared with $362.9 million in the same period of 2010.

- The unfavourable variance of $50.7 million was mainly due to:
  - $114.2 million increase in use of funds for non-cash balances related to operations, mainly because of unfavourable variances in accounts receivable in some segments, including Telecommunications, due, among other things, to a different customer billing cycle, and News Media and Broadcasting, as well as the increase in the income tax liability;
  - $11.8 million increase in cash portion of charge for restructuring of operations, impairment of assets and other special items.

  Partially offset by:
  - $65.9 million favourable variance in current income taxes;
  - $10.5 million increase in operating income.

Working capital: Negative $34.4 million at June 30, 2011 compared with negative $44.9 million at December 31, 2010. Decreases in accounts payable and accrued liabilities, provisions and deferred revenues were offset by a decrease in cash and cash equivalents, which were used to finance investing activities.

Financing activities

Consolidated debt (long-term debt plus bank borrowings): $3.5 million increase in the first half of 2011; $14.4 million favourable net variance in assets and liabilities related to derivative financial instruments.

- Debt increased in the first half of 2011 due to:
  - issuance by Quebecor Media on January 5, 2011 of $325.0 million aggregate principal amount of Senior Notes for net proceeds of $319.9 million (net of financing fees), with a 7 3/8% coupon maturing in January 2021.

  Summary of debt reductions in the first half of 2011:
  - early repayment on February 15, 2011 of the entirety of Sun Media Corporation’s outstanding 7 5/8% Senior Notes maturing on February 15, 2013, in aggregate principal amount of US$205.0 million;
  - estimated $75.8 million favourable impact of exchange rate fluctuations. (Any decrease in this item is offset by an increase in the liability (or decrease in the asset) related to cross-currency swap agreements entered under "Derivative financial instruments");
  - current payments totalling $22.9 million on Quebecor Media’s credit facility and other debt;

- $7.2 million decrease in debt due to favourable variance in fair value of embedded derivatives, resulting mainly from interest rate fluctuations;
- $15.0 million decrease in Quebecor's debt.

- Assets and liabilities related to derivative financial instruments totalled a net liability of $436.8 million at June 30, 2011 compared with a net liability of $451.2 million at December 31, 2010. The $14.4 million favourable net variance was due primarily to:
  - the settlement and revocation by Sun Media Corporation of hedges following the early repayment and withdrawal of all its outstanding Senior Notes on February 15, 2011.

  Partially offset by:
  - unfavourable impact of exchange rate fluctuations on the value of derivative financial instruments;
  - impact of interest rate trends in Canada, compared with the United States, on the fair value of derivative financial instruments.
- On June 20, 2011, Quebecor amended the indenture dated June 19, 2001 governing the bonds issued by the Corporation, which were exchangeable for Subordinate Voting Shares of AbitibiBowater. The applicable interest rate has therefore been decreased from 1.5% to 0.10% per year. All other terms of the indenture remain unchanged.
- On July 5, 2011, Videotron issued $300.0 million aggregate principal amount of Senior Notes for net proceeds of $294.9 million, net of financing fees of $5.1 million. The Notes bear interest at a rate of 6 7/8%, payable twice yearly on June 15 and December 15, and mature on July 15, 2021.
- On July 18, 2011, Videotron bought back and withdrew US$255.0 million principal amount of its 6 7/8% Senior Notes and settled the related hedges for a total cash consideration of $303.1 million.
- On July 20, 2011, Videotron amended its $575.0 million revolving credit facility to extend the expiry date from April 2012 to July 2016 and to modify some of the terms and conditions.

Investing activities

Second quarter 2011

Additions to property, plant and equipment: $174.5 million in the second quarter of 2011 compared with $162.0 million in the same period of 2010. The increase was mainly due to spending on the 4G network and cable network modernization in the Telecommunications segment.

Acquisitions of intangible assets: $18.9 million in the second quarter of 2011, compared with $24.2 million in the same period of 2010.

Business acquisitions: $5.0 million in the second quarter of 2011 compared with $0.1 million in the same quarter of 2010.

- $5.0 million in business acquisitions in the second quarter of 2011, primarily in the Leisure and Entertainment segment.

Proceeds from disposal of assets: $4.0 million in the second quarter of 2011 compared with $45.9 million in the same quarter of 2010.

- Disposal of certain tangible assets, mainly in the News Media segment, in the second quarter of 2010.

Year to date

Additions to property, plant and equipment: $369.7 million compared with $295.8 million in the same period of 2010. The variance was essentially due to the same factors as those noted above in the discussion of second quarter 2011 results.

Acquisitions of intangible assets: $38.9 million in the first half of 2011, compared with $44.4 million in the same period of 2010.

Business acquisitions: $50.1 million in the first half of 2011, compared with $1.1 million in the same period of 2010, a $49.0 million increase, reflecting, among other things, the impact of the acquisition of community newspapers in the News Media segment in the first half of 2011.

Proceeds from disposal of assets: $5.0 million in the first half of 2011 compared with $47.3 million in the first half of 2010. The decrease was essentially due to the factor noted above in the discussion of second quarter 2011 and 2010 investing activities.

Financial Position at June 30, 2011

Net available liquidity: $860.7 million for Quebecor Media and its wholly owned subsidiaries, consisting of $49.1 million in cash and $811.6 million in available unused lines of credit.

Net available liquidity: $94.1 million for Quebecor at the corporate level, consisting of a $1.2 million bank overdraft and $95.3 million in available unused lines of credit.

Consolidated debt: $3.63 billion at June 30, 2011, a $3.5 million increase; $14.4 million favourable net variance in assets and liabilities related to derivative financial instruments (*see* “Financing Activities" above).

Consolidated debt essentially consisted of Videotron’s $1.73 billion debt ($1.79 billion at December 31, 2010), Sun Media Corporation’s $37.8 million debt ($240.0 million at December 31, 2010), TVA Group’s $96.0 million debt ($93.9 million at December 31, 2010), Quebecor Media’s $1.67 billion debt ($1.40 billion at December 31, 2010), and Quebecor’s $90.5 million debt ($105.5 million at December 31, 2010).

As at June 30, 2011, minimum principal payments on long-term debt in the coming years are as follows:

Table 11
Minimum principal payments on Quebecor’s long-term debt
12-month period ending on June 30
(in millions of Canadian dollars)

2012	$ 15.2
2013	258.1
2014	695.8
2015	85.6
2016	1,354.9
2017 and thereafter	1,306.4
Total	**$ 3,716.0**

The weighted average term of Quebecor’s consolidated debt was approximately 5.0 years as of June 30, 2011 (4.9 years as of December 31, 2010). The debt consists of approximately 82.2% fixed-rate debt (74.1% at December 31, 2010) and 17.8% floating-rate debt (25.9% at December 31, 2010).

Management believes that cash flows from continuing operating activities and available sources of financing should be sufficient to cover planned cash requirements for capital investments, working capital, interest payments, debt repayments, disbursements related to foreign exchange hedges, pension plan contributions, and dividends. The Corporation believes it will be able to meet future debt payments, which are fairly staggered over the coming years.

Pursuant to their financing agreements, the Corporation and its subsidiaries are required to maintain certain financial ratios and financial covenants. The key indicators listed in these financing agreements include debt service coverage ratio and debt ratio (long-term debt over operating income). At June 30, 2011, the Corporation and its subsidiaries were in compliance with all required financial ratios and restrictive covenants in their financing agreements.

Dividends declared

- On August 9, 2011, the Board of Directors of Quebecor declared a quarterly dividend of $0.05 per share on Class A Multiple Voting Shares and Class B Subordinate Voting Shares, payable on September 20, 2011 to shareholders of record at the close of business on August 26, 2011.

Analysis of consolidated balance sheet at June 30, 2011

Table 12
Consolidated balance sheet of Quebecor
Analysis of main variances between December 31, 2010 and June 30, 2011
(in millions of Canadian dollars)

	June 30, 2011	Dec. 31, 2010	Difference	Main reasons for difference
Assets				
Cash and cash equivalents, and cash and cash equivalents in trust	**$ 53.3**	$ 248.0	$ (194.7)	Cash flows used in investing activities
Property, plant and equipment	**2,970.6**	2,812.9	157.7	Additions to property, plant and equipment (*see* "Investing Activities" above), less amortization for the period
Goodwill	**3,534.9**	3,505.2	29.7	Impact of business acquisitions in the News Media segment
Liabilities				
Accounts payable and accrued liabilities, including provisions	**701.1**	825.8	(124.7)	Impact of current variances in activity
Deferred revenues	**250.3**	275.1	(24.8)	Impact of different customer billing cycle in the Telecommunications segment
Long-term debt, including short-term portion and bank indebtedness	**3,627.3**	3,623.8	3.5	*See* "Financing Activities"
Net derivative financial instruments[1]	**436.8**	451.2	(14.4)	*See* "Financing Activities"
Net deferred income tax liabilities[1]	**493.1**	431.9	61.2	Use of tax benefits and capital cost allowance in excess of book amortization

[1] Long-term liabilities less long-term assets.

ADDITIONAL INFORMATION

Contractual Obligations

At June 30, 2011, material contractual obligations of operating activities included: capital repayment and interest on long-term debt; operating lease arrangements; capital asset purchases and other commitments; and obligations related to derivative financial instruments, less estimated future receipts on derivative financial instruments. Table 13 below shows a summary of these contractual obligations.

Table 13
Contractual obligations of Quebecor as of June 30, 2011
(in millions of Canadian dollars)

	Total	Under 1 year	1-3 years	3-5 years	5 years or more
Long-term debt[1]	**$ 3,716.0**	$ 15.2	$ 953.9	$ 1,440.5	$ 1,306.4
Interest payments[2]	**1,618.0**	275.3	574.7	437.6	330.4
Operating leases	**283.7**	65.9	93.3	55.9	68.6
Additions to property, plant and equipment and other commitments	**124.7**	83.9	35.5	4.2	1.1
Derivative financial instruments[3]	**476.6**	0.6	229.1	136.2	110.7
Total contractual obligations	**$ 6,219.0**	**$ 440.9**	**$ 1,886.5**	**$ 2,074.4**	**$ 1,817.2**

1 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 Estimated interest payable on long-term debt, based on interest rates; hedged interest rates and hedged foreign exchange rates as of June 30, 2011.

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

Legislation to legally safeguard the March 2011 agreement between Quebecor Media and Québec City regarding management of the planned arena could not be passed by the Government of Québec before the National Assembly recessed in June 2011. The subject will be raised again when the National Assembly reconvenes in September 2011.

Financial Instruments

Quebecor and its subsidiaries use a number of financial instruments, mainly cash and cash equivalents, trade receivables, temporary investments, long-term investments, bank indebtedness, trade payables, accrued liabilities, long-term debt, and derivative financial instruments.

As at June 30, 2011, Quebecor Media was using derivative financial instruments to manage its exchange rate and interest rate exposure. It has entered into foreign exchange forward contracts and cross-currency interest rate swap agreements to hedge the foreign currency risk exposure on the entirety of its U.S.-dollar-denominated long-term debt. Quebecor Media also uses interest rate swaps in order to manage the impact of interest rate fluctuations on its long-term debt.

Quebecor Media has also entered into currency forward contracts in order to hedge, among other things, the planned purchase, in U.S. dollars, of digital set-top boxes, modems, mobile handsets and other equipment in the Telecommunications segment, including equipment for the 4G network. As well, Quebecor Media has entered into currency forward contracts in order to hedge future contractual instalments payable in euros.

Quebecor Media does not hold or use any derivative financial instruments for trading purposes.

Certain cross-currency interest rate swaps entered into by Quebecor Media include an option that allows each party to unwind the transaction on a specific date at the then settlement value.

The fair value of long-term debt and derivative financial instruments at June 30, 2011 is shown in Table 14.

Table 14
Fair value of long-term debt and derivative financial instruments
(in millions of Canadian dollars)

	June 30, 2011		December 31, 2010	
	Carrying value	**Fair value asset (liability)**	Carrying value	Fair value asset (liability)
Long-term debt[1]	**$ (3,716.0)**	**$ (3,890.6)**	$ (3,701.0)	$ (3,877.8)
Derivative financial instruments:				
Early settlement options	**94.9**	**94.9**	88.8	88.8
Interest rate swaps	**(1.2)**	**(1.2)**	(1.3)	(1.3)
Foreign exchange forward contracts	**(4.1)**	**(4.1)**	(2.4)	(2.4)
Cross-currency interest rate swaps	**(431.5)**	**(431.5)**	(447.5)	(447.5)

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

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

The fair value of derivative financial instruments is estimated using valuation models that project future cash flows and discount the future amounts to a present value using the contractual terms of the derivative financial instrument and factors observable in external market data, such as period-end swap rates and foreign exchange rates. An adjustment is also included to reflect credit default risk, impacted by the financial and economic environment prevailing at the date of the valuation, by applying a credit default premium to a net exposure by the counterparty or by the Corporation.

The fair value of early settlement options recognized as embedded derivatives is determined by option pricing models, including volatility and discount factors.

Losses (gains) on valuation and translation of financial instruments for the second quarter and first half of 2011 are summarized in Table 15.

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

	Three months ended June 30		Six months ended June 30	
	2011	2010	**2011**	2010
Loss (gain) on embedded derivatives and derivative financial instruments for which hedge accounting is not used	**$ 2.5**	$ 3.0	**$ (7.6)**	$ 8.4
Loss (gain) on foreign currency translation of financial instruments for which hedge accounting is not used	**—**	1.4	**—**	(2.2)
Loss on ineffective portion of fair value hedges	**1.5**	0.2	**1.1**	3.1
	$ 4.0	$ 4.6	**$ (6.5)**	$ 9.3

Losses of $6.8 million and $6.0 million on cash flow hedges were recorded under Other comprehensive income in the second quarter and first half of 2011 respectively (gains of $76.3 million and $103.1 million in the second quarter and first half of 2010 respectively).

Related Party Transactions

In the second quarter of 2011, the Corporation and its subsidiaries made purchases and incurred rent charges with affiliated companies in the amount of $0.6 million ($0.5 million in the same period of 2010), which is included in cost of sales and selling and administrative expenses. The Corporation and its subsidiaries made sales to affiliated companies in the amount of $0.7 million ($0.8 million in the second quarter of 2010). These transactions were concluded and accounted for at the exchange amount.

In the first half of 2011, the Corporation and its subsidiaries made purchases and incurred rent charges with affiliated companies in the amount of $1.2 million ($1.3 million in the same period of 2010), which is included in cost of sales and selling and administrative expenses. The Corporation and its subsidiaries made sales to affiliated companies in the amount of $1.6 million ($2.0 million in the first half of 2010). These transactions were concluded and accounted for at the exchange amount.

Capital Stock

In accordance with Canadian financial reporting standards, Table 16 below presents information on the Corporation's capital stock as at July 31, 2011. In addition, 2,290,234 share options were outstanding as of July 31, 2011.

Table 16
Capital stock
(in shares and millions of Canadian dollars)

	July 31, 2011	
	Issued and outstanding	Book value
Class A (Multiple Voting Shares)	19,704,670	$ 8.8
Class B (Subordinate Voting Shares)	44,612,352	$ 337.8

On August 10, 2011, the Corporation filed a normal course issuer bid to purchase for cancellation, between August 12, 2011 and August 10, 2012, a maximum of 985,233 Class A Multiple Voting Shares ("Class A shares") representing approximately 5% of the issued and outstanding Class A shares, and a maximum of 4,453,304 Class B Subordinate Voting Shares ("Class B shares"), representing approximately 10% of the public float for the Class B shares as of the offer date. The Corporation will purchase its Class A and Class B shares at the market price at the time of the purchase, plus brokerage fees.

Recent Accounting Developments in Canada

As indicated in note 1 to the condensed consolidated financial statements for the three-month and six-month periods ended June 30, 2011, the Corporation adopted IFRS on January 1, 2011. The 2010 financial figures have been restated accordingly.

Changes in Critical Accounting Policies and Estimates

As noted above, the Corporation adopted the IFRS conceptual framework for its accounting policies on January 1, 2011. The changes to critical accounting policies as a result of IFRS and their impacts on accounting estimates are described under "Changes in Critical Accounting Policies and Estimates" in the Corporation's Management Discussion and Analysis for the first quarter ended March 31, 2011, available at <www.sedar.com> and <www.quebecor.com>.

Future Accounting Developments in Canada

The Corporation has not early adopted the following new standards and the adoption impacts on the consolidated financial statements have not yet been determined:

Amended standards	Expected changes to existing standards
IFRS 9 – Financial instruments *(Effective from periods beginning January 1, 2013 with early adoption permitted)*	IFRS 9 simplifies the measurement and classification of financial assets by reducing the number of measurement categories and removing complex rule-driven embedded derivative guidance 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.
IFRS 10 – Consolidated Financial Statements *(Effective from periods beginning January 1, 2013 with early adoption permitted)*	IFRS 10 replaces SIC-12 *Consolidation – Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements* and provides additional guidance regarding the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company.
IFRS 11 – Joint Arrangements *(Effective from periods beginning January 1, 2013 with early adoption permitted)*	IFRS 11 replaces IAS 31, *Interests in Joint Ventures*, with guidance that focuses on the rights and obligations of the arrangement, rather than its legal form. It also withdraws the option to proportionately consolidate an entity's interests in joint ventures. The new standard requires that such interests be recognized using the equity method.
IFRS 12 – Disclosure of Interests in Other Entities *(Effective from periods beginning January 1, 2013 with early adoption permitted)*	IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose entities and other off balance sheet vehicles.
IAS 19 – Post-employment Benefits (including pensions) (Amended) *(Effective from periods beginning January 1, 2013 with retrospective application)*	Amendments to IAS 19 involve, among other changes, the immediate recognition of the re-measurement component in Other comprehensive income, thereby removing the accounting option previously available in IAS 19 to recognize or defer recognition of changes in defined benefit obligations and in the fair value of plan assets directly in the statement of income. IAS 19 also introduces a net interest approach that replaces the expected return on assets and interest costs on the defined benefit obligation with a single net interest component determined by multiplying the net defined benefit liability or asset by the discount rate used to determine the defined benefit obligation. In addition, all past service costs are required to be recognized in profit or loss when the employee benefit plan is amended and may no longer be spread over any future service period.

Controls and Procedures

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

No changes to internal controls over financial reporting have come to the attention of the Corporation's management during the three months ended June 30, 2011 that have materially adversely affected, or are reasonably likely to materially adversely affect, the Corporation's internal controls over financial reporting.

Additional Information

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

Cautionary Statement Regarding Forward-Looking Statements

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

- Quebecor Media's ability to successfully continue rolling out and developing its new 4G network and facilities-based mobile offering;
- general economic, financial or market conditions and variations in the businesses of Quebecor Media's local, regional or national newspapers and broadcasting advertisers;
- the intensity of competitive activity in the industries in which Quebecor operates, including competition from other communications and advertising media and platforms;
- fragmentation of the media landscape;
- new technologies that change consumer behaviour with respect to Quebecor Media's products;
- unanticipated higher capital spending required for roll-out of its 4G network or continued development of competitive alternative technologies or the inability to obtain additional capital to continue the development of Quebecor's business;
- Quebecor's ability to implement its business and operating strategies successfully and to manage its growth and expansion;
- Quebecor Media's ability to successfully restructure its News Media operations to optimize their efficiency in the context of the changing newspaper industry;
- disruptions to the network through which Quebecor Media provides its television, Internet access and telephone services, and its ability to protect such services from piracy;
- labour disputes or strikes;
- changes in Quebecor Media's ability to obtain services and equipment critical to its operations;
- changes in laws and regulations, or in their interpretation, which could result, among other things, in the loss (or reduction in value) of Quebecor Media's licences or markets or in an increase in competition, compliance costs or capital expenditures;
- Quebecor's substantial indebtedness, the tightening of credit markets, and the restrictions on its business imposed by the terms of its debt; and;
- interest rate fluctuations that affect a portion of Quebecor's interest payment requirements on long-term debt.

The forward-looking statements in this document are made to provide investors and the public with a better understanding of the Corporation's circumstances and are based on assumptions it believes to be reasonable as of the day on which they are made. Investors and others are cautioned that the foregoing list of factors that may affect future results is not exhaustive and that undue reliance should not be placed on any forward-looking statements. For more information on the risks, uncertainties and assumptions that could cause the Corporation's actual results to differ from current expectations, please refer to the Corporation's public filings, available at <www.sedar.com> and <www.quebecor.com>, including, in particular, the "Risks and Uncertainties" section of the Corporation's Management Discussion and Analysis for the year ended December 31, 2010.

The forward-looking statements in this Management Discussion and Analysis reflect the Corporation's expectations as of August 10, 2011, and are subject to change after that date. The Corporation expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.

Montréal, Québec

August 10, 2011

QUEBECOR INC. AND ITS SUBSIDIARIES

SELECTED QUARTERLY FINANCIAL DATA

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

	2011		2010				2009	
	June 30 (1)	March 31 (1)	Dec. 31 (1)	Sept. 30 (1)	June 30 (1)	March 31 (1)	Dec. 31 (2)	Sept. 30 (2)
Operations								
Revenues	$ 1,053.4	$ 990.5	$ 1,088.1	$ 969.9	$ 994.0	$ 948.1	$ 1,032.2	$ 924.4
Operating income	358.5	294.3	359.1	332.0	351.9	290.4	387.6	301.0
Contribution to net income attributable to shareholders:								
Continuing operations	60.0	35.9	58.2	56.1	62.9	43.4	84.0	52.9
(Loss) gain on valuation and translation of financial instruments	(2.3)	5.2	(10.0)	32.1	(1.5)	0.2	2.0	16.2
Unusual items	(2.5)	(6.8)	(1.6)	(5.2)	(0.6)	(8.7)	(12.2)	(1.3)
Discontinued operations	-	-	-	-	-	-	-	1.6
Net income attributable to shareholders	55.2	34.3	46.6	83.0	60.8	34.9	73.8	69.4
Basic per share data								
Contribution to net income attributable to shareholders:								
Continuing operations	$ 0.93	$ 0.56	$ 0.90	$ 0.87	$ 0.98	$ 0.67	$ 1.31	$ 0.82
(Loss) gain on valuation and translation of financial instruments	(0.03)	0.08	(0.16)	0.50	(0.02)	-	0.03	0.26
Unusual items	(0.04)	(0.11)	(0.02)	(0.08)	(0.01)	(0.13)	(0.19)	(0.02)
Discontinued operations	-	-	-	-	-	-	-	0.02
Net income attributable to shareholders	0.86	0.53	0.72	1.29	0.95	0.54	1.15	1.08
Weighted average number of shares outstanding (in millions)	64.3	64.3	64.3	64.3	64.3	64.3	64.3	64.3
Diluted per share data								
Contribution to net income attributable to shareholders:								
Continuing operations	$ 0.92	$ 0.55	$ 0.88	$ 0.86	$ 0.96	$ 0.66	$ 1.28	$ 0.81
(Loss) gain on valuation and translation of financial instruments	(0.03)	0.08	(0.16)	0.50	(0.02)	-	0.03	0.26
Unusual items	(0.04)	(0.11)	(0.02)	(0.08)	(0.01)	(0.13)	(0.19)	(0.02)
Discontinued operations	-	-	-	-	-	-	-	0.02
Net income attributable to shareholders	0.85	0.52	0.70	1.28	0.93	0.53	1.12	1.07
Weighted average number of diluted shares outstanding (in millions)	65.0	65.0	65.0	65.0	64.9	64.8	64.7	64.6

(1) The financial figures for the 2011 and 2010 periods have been prepared in accordance with IFRS. Refer to note 17, "Transition to IFRS", in the condensed consolidated financial statements of the second quarter of 2011.

(2) The financial figures for the 2009 periods have been prepared in accordance with Canadian GAAP.