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 2015 and the major changes from the previous financial year.

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

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

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

DISCONTINUED OPERATIONS

On May 19, 2015, Quebecor announced the sale of the retail operations of Archambault Group Inc. ("Archambault Group") to Renaud-Bray. The transaction includes the 14 Archambault stores, the *archambault.ca* website, and the English-language Paragraphe Bookstore. The transaction is subject to Competition Bureau authorization. While the sale is under review by the Bureau, Quebecor Media will continue operating the businesses in question. The operating results and cash flows related to those businesses have been reclassified as discontinued operations in the consolidated statements of income and cash flows.

On April 13, 2015, Quebecor Media closed the sale, announced October 6, 2014, of its English-language newspaper businesses in Canada – more than 170 newspapers and publications, the Canoe portal in English Canada, and 8 printing plants, including the Islington, Ontario plant – for a total cash consideration of $305.5 million, less disposed-of cash in the amount of $1.9 million. The payment consisted of the selling price of $316.0 million less $10.5 million for customary adjustments and adjustments related to real estate properties sold by Sun Media Corporation prior to closing. The transaction was approved by the Competition Bureau on March 25, 2015. The operating results and cash flows related to those businesses have been reclassified as discontinued operations in the consolidated statements of income and cash flows.

On February 13, 2015, Quebecor Media announced the discontinuation of the operations of the English-language news and opinion specialty channel SUN News General Partnership. The operating results and cash flows related to those businesses have been reclassified as discontinued operations in the consolidated statements of income and cash flows.

On September 2, 2014, Quebecor Media closed the sale of its Nurun Inc. subsidiary to the French company Publicis Groupe for a cash consideration of $125.0 million less disposed-of cash in the amount of $18.1 million. An amount of $8.2 million was also received in connection with certain adjustments as part of the transaction. The results of operations and cash flows related to that business, as well as the $41.5 million gain on the sale, have been reclassified as discontinued operations in the consolidated statements of income and cash flows.

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

HIGHLIGHTS SINCE END OF FIRST QUARTER 2015

- Quebecor's sales totalled $960.9 million in the second quarter of 2015, a $67.9 million (7.6%) increase from the same period of the previous year.

Telecommunications

- The Telecommunications segment's revenues were up $43.9 million (6.3%) and its adjusted operating income was up $10.2 million (3.1%) in the second quarter of 2015.
- Videotron Ltd. ("Videotron") recorded strong revenue increases for three of its services in the second quarter of 2015: mobile telephony ($29.5 million or 44.2%), Internet access ($14.1 million or 6.6%) and the over-the-top video service, which more than doubled its revenues ($3.2 million increase).
- Net increase of 12,900 revenue-generating units[1] in the second quarter of 2015. During the 12-month period ended June 30, 2015, the total number of revenue-generating units increased by 225,200 (4.3%), including increases of 150,600 subscriber connections to the mobile telephone service and 98,600 subscriptions to the over-the-top video service.
- Videotron's average monthly revenue per user ("ARPU") increased by $10.10 (8.2%) from $123.61 in the second quarter of 2014 to $133.71 in the second quarter of 2015, including an increase of $5.69 (13.8%) for the mobile telephony service.
- On July 15, 2015, Quebecor Content announced a long-term, multiplatform agreement with Sony Pictures Television Canada ("Sony Canada"), one of the world's largest producers and distributors of entertainment content. The partnership will allow Videotron to offer a vast selection of movies and television series on its over-the-top video service, and it will give TVA Group Inc.'s ("TVA Group") television channels exclusive French-language broadcast rights to productions in Sony Canada's catalogue.
- On May 12, 2015, after the closing of Industry Canada's auction for 2500 MHz commercial mobile spectrum, Quebecor Media announced that its Videotron subsidiary was the successful bidder for 18 licences covering all of the province of Québec, as well as the major urban centres in the rest of Canada, including Toronto, Ottawa, Calgary, Edmonton, and Vancouver. The licences make it possible to reach approximately 65% of Canada's population, more than 21 million people. They were acquired at a total cost of $187.0 million.

Media

- During its first season as the exclusive French-language broadcaster of the National Hockey League ("NHL") playoffs, TVA Sports was the most-watched sports channel in Québec. The audience for the 12 playoff games involving the Montréal Canadiens averaged 1,577,000 and peaked at 2.5 million, for a 49.1% market share. Since the addition of NHL games to its schedule, TVA Sports has significantly increased its subscriber base to 2.1 million.
- On April 12, 2015, TVA Group reached an agreement with Transcontinental Inc. ("Transcontinental") to acquire 14 magazines, 3 websites and custom publishing contracts for a cash consideration of $55.5 million. A $2.0 million amount payable was recorded as a preliminary adjustment to working capital items. The transaction had been announced on November 17, 2014. Upon closing, TVA Group became sole owner of the magazines *Coup de pouce*, *Canadian Living*, *Décormag*, *Style at Home*, *Fleurs Plantes Jardins*, *Canadian Gardening*, *Québec Vert*, *The Hockey News*, *Condo Maison Direct Maisons Neuves Rive-Sud et Condos*, and the *recettes.qc.ca*, *Quoi manger* and *On the table* websites. TVA Group also holds an effective 51% interest in TVA Group-Hearst Publications Inc., which publishes *Elle Canada* and *Elle Québec* magazines, and 50% of the shares of Publications Senior inc., which publishes *Le Bel Âge* and *Good Times* magazines. The transaction was authorized by the Competition Bureau on March 2, 2015.

Sports and Entertainment

- On July 20, 2015, Quebecor officially filed an application under the NHL expansion process for a franchise for a professional hockey team in Québec City.

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

- On April 7, 2015, the Québec City Amphitheatre officially became the Videotron Centre. The facility is scheduled to open on September 12, 2015. The events scheduled for September 2015 include four home games of the Remparts de Québec of the Quebec Major Junior Hockey League ("QMJHL"), performances by the rock band Metallica, Madonna and the comedy group Rock et Belles Oreilles, and a preseason hockey game between the Montreal Canadiens and the Pittsburgh Penguins.
- On April 2, 2015, Quebecor Media announced an eight-year strategic partnership with AEG Facilities, the world leader in sports and entertainment venue management. The AEG Live division will support the Sports and Entertainment segment in booking events, shows and tours for the nearly 18,400-seat Videotron Centre.

Financial transactions

- On July 16, 2015, Videotron prepaid and withdrew the entirety of its outstanding 9.125% Senior Notes issued on April 15, 2008 and maturing on April 15, 2018, in the aggregate principal amount of US$75.0 million, and unwound the hedges in an asset position. On the same date, Videotron prepaid and withdrew the entirety of its outstanding 7.125% Senior Notes issued on January 13, 2010 and maturing on January 15, 2020, in the aggregate principal amount of $300.0 million.
- On June 16, 2015, Videotron amended its $575.0 million secured revolving bank credit facility to increase it to $615.0 million and extend its term by two years to July 20, 2020. Videotron also entered a new $350.0 million unsecured revolving credit facility expiring on July 20, 2020. The terms and conditions of the new unsecured credit facility are similar to those of Videotron's secured revolving credit facility.
- On April 10, 2015, Videotron completed the redemption of all the 6.375% Senior Notes maturing on December 15, 2015, in the aggregate principal amount of US$175.0 million, and unwound the hedges in an asset position.

NON-IFRS FINANCIAL MEASURES

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

Adjusted Operating Income

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

Adjusted operating income is also relevant because it is a significant component of the Corporation's annual incentive compensation programs. A limitation of this measure, however, is that it does not reflect the periodic costs of tangible and intangible assets used in generating revenues in the Corporation's segments. The Corporation also uses other measures that do reflect such costs, such as cash flows from segment operations and free cash flows from continuing operating activities of the Quebecor Media subsidiary. The Corporation's definition of adjusted operating income may not be the same as similarly titled measures reported by other companies.

Table 1 below provides a reconciliation of adjusted operating income to net income (loss) as disclosed in Quebecor's condensed consolidated financial statements.

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

	Three months ended June 30		Six months ended June 30	
	2015	2014	**2015**	2014
Adjusted operating income (loss):				
Telecommunications	**$ 342.2**	$ 332.0	**$ 685.7**	$ 667.9
Media	**11.3**	28.7	**5.4**	22.5
Sports and Entertainment	**(4.1)**	(2.1)	**(4.2)**	(2.8)
Head Office	**(0.1)**	1.3	**1.6**	7.3
	349.3	359.9	**688.5**	694.9
Depreciation and amortization	**(167.0)**	(162.2)	**(348.5)**	(322.9)
Financial expenses	**(80.8)**	(86.9)	**(168.6)**	(180.9)
Gain on valuation and translation of financial instruments	**45.9**	20.8	**40.8**	23.7
Restructuring of operations and other special items	**(5.7)**	(2.5)	**(10.1)**	(3.1)
Impairment of goodwill	**(30.0)**	(30.0)	**(30.0)**	(30.0)
Loss on debt refinancing	**(13.8)**	–	**(12.1)**	(18.7)
Income taxes	**(5.5)**	(30.1)	**(27.4)**	(46.9)
Loss from discontinued operations	**(11.8)**	(143.8)	**(16.1)**	(143.8)
Net income (loss)	**$ 80.6**	$ (74.8)	**$ 116.5**	$ (27.7)

Adjusted Income from Continuing Operations

The Corporation defines adjusted income from continuing operations, as reconciled to net income (loss) attributable to shareholders under IFRS, as net income (loss) attributable to shareholders before gain on valuation and translation of financial instruments, charge for restructuring of operations and other special items, impairment of goodwill, loss on debt refinancing, net of income tax related to adjustments, and net income (loss) attributable to non-controlling interests related to adjustments before loss from discontinued operations attributable to shareholders. Adjusted income from continuing operations, as defined above, is not a measure of results that is consistent with IFRS. It should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The Corporation uses adjusted income from continuing operations to analyze trends in the performance of its businesses. The above-listed items are excluded from the calculation of this measure because they impair the comparability of the financial results. Adjusted income from continuing operations is more representative for the purpose of forecasting income. The Corporation's definition of adjusted income from continuing operations may not be identical to similarly titled measures reported by other companies.

Table 2 provides a reconciliation of adjusted income from continuing operations to net income (loss) attributable to shareholders used in Quebecor's condensed consolidated financial statements.

Table 2
Reconciliation of the adjusted income from continuing operations measure used in this report to the net income (loss) 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	
	2015	2014	**2015**	2014
Adjusted income from continuing operations	**$ 66.5**	$ 55.9	**$ 107.9**	$ 101.0
Gain on valuation and translation of financial instruments	**45.9**	20.8	**40.8**	23.7
Restructuring of operations and other special items	**(5.7)**	(2.5)	**(10.1)**	(3.1)
Impairment of goodwill	**(30.0)**	(30.0)	**(30.0)**	(30.0)
Loss on debt refinancing	**(13.8)**	–	**(12.1)**	(18.7)
Income taxes related to adjustments[1]	**6.8**	0.6	**3.9**	7.8
Net income attributable to non-controlling interest related to adjustments	**11.5**	8.2	**12.3**	10.9
Discontinued operations	**(9.1)**	(107.8)	**(11.2)**	(107.3)
Net income (loss) attributable to shareholders	**$ 72.1**	$ (54.8)	**$ 101.5**	$ (15.7)

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

Cash Flows from Segment Operations

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

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

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

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

Average Monthly Revenue per User

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

ANALYSIS OF CONSOLIDATED RESULTS OF QUEBECOR

2015/2014 second quarter comparison

Revenue: $960.9 million, a $67.9 million (7.6%) increase.

- Revenues increased in Telecommunications ($43.9 million or 6.3% of segment revenues) and in Media ($36.4 million or 17.9%).
- Revenues decreased in Sports and Entertainment ($0.5 million or -4.3%).

Adjusted operating income: $349.3 million, a $10.6 million (-2.9%) decrease.

- Adjusted operating income decreased in Media ($17.4 million or -60.6% of segment adjusted operating income) and there was an unfavourable variance in Sports and Entertainment ($2.0 million).
- Adjusted operating income increased in Telecommunications ($10.2 million or 3.1%).
- The change in the fair value of Quebecor Media stock options resulted in a $0.4 million unfavourable variance in the stock-based compensation charge in the second quarter of 2015 compared with the same period of 2014. The change in the fair value of Quebecor stock options and the impact of various transactions on the options issued under this program resulted in a $2.5 million unfavourable variance in the Corporation's stock-based compensation charge in the second quarter of 2015.

Net income attributable to shareholders: $72.1 million ($0.59 per basic share) in the second quarter of 2015, compared with a net loss attributable to shareholders in the amount of $54.8 million ($0.45 per basic share) in the same period of 2014, a favourable variance of $126.9 million ($1.04 per basic share).

- The favourable variance was due primarily to:
  - $132.0 million favourable variance in the loss related to discontinued operations;
  - $25.1 million favourable variance in gain on valuation and translation of financial instruments;
  - $24.6 million favourable variance in the income tax expense;
  - $6.1 million decrease in financial expenses.

  Partially offset by:
  - $13.8 million unfavourable variance in losses on debt refinancing;
  - $10.6 million decrease in adjusted operating income;
  - $4.8 million increase in the depreciation and amortization charge;
  - $3.2 million increase in the charge for restructuring of operations and other special items.

Adjusted income from continuing operations: $66.5 million ($0.54 per basic share) in the second quarter of 2015, compared with $55.9 million ($0.45 per basic share) in the same period of 2014, an increase of $10.6 million ($0.09 per basic share).

Depreciation and amortization: $167.0 million in the second quarter of 2015, a $4.8 million increase essentially due to the impact of capital expenditures in the Telecommunications segment, including depreciation of investments in the LTE network and expenditures resulting from the promotional strategy focused on equipment leasing, partially offset by the cessation of amortization of spectrum licences in accordance with a change in the estimation of the useful life of the licences (*see* "Change in Accounting Estimates" below).

Financial expenses: $80.8 million, a $6.1 million decrease caused mainly by the impact of lower interest rates on long-term debt due to debt refinancing at lower rates and by lower indebtedness.

Gain on valuation and translation of financial instruments: $45.9 million in the second quarter of 2015 compared with $20.8 million in the same quarter of 2014. The $25.1 million favourable variance was essentially due to the increase (without any tax consequences) in the gain on embedded derivatives related to convertible debentures.

Charge for restructuring of operations and other special items: $5.7 million in the second quarter of 2015, compared with $2.5 million in the same period of 2014, an unfavourable variance of $3.2 million.

- In the second quarter of 2015, the Telecommunications segment recognized a $2.2 million charge for restructuring of operations ($0.3 million in the same period of 2014), mainly because of migration from analog to digital cable television service. The segment also recognized another $0.3 million special charge in the second quarter of 2015.
- A $2.6 million charge for restructuring of operations was recorded in the Media segment in connection with staff-reduction programs in the second quarter of 2015 ($1.5 million in the same period of 2014). The segment also recognized another $0.5 million special charge in the second quarter of 2015 ($0.1 million in the same period of 2014).
- The other segments recorded a $0.1 million restructuring charge in the second quarter of 2015 ($0.6 million in the same period of 2014).

Charge for impairment of goodwill: $30.0 million in the second quarter of 2015, identical to the same period of 2014.

- In the second quarter of 2015, Quebecor Media performed an annual impairment test on the Newspapers cash generating unit ("CGU"), which continues to be affected by the shift toward digital and by challenging market conditions. Quebecor Media concluded that the recoverable amount based on fair value less disposal costs was less than the carrying amount of this CGU. Accordingly, the Media segment recorded a $30.0 million non-cash goodwill impairment charge, without any tax consequences ($30.0 million, without any tax consequences, in the second quarter of 2014).

Loss on debt refinancing: $13.8 million in the second quarter of 2015.

- In accordance with a notice issued on June 16, 2015, Videotron redeemed, on July 16, 2015, the entirety of its outstanding 9.125% Senior Notes issued on April 15, 2008 and maturing on April 15, 2018, in the aggregate principal amount of US$75.0 million, at a redemption price of 101.521% of their principal amount, and undwound hedges in asset position. A $0.2 million loss was recorded in the consolidated statement of income in the second quarter of 2015 in connection with this redemption, including a $2.1 million net gain previously recorded in "Other comprehensive income."
- In accordance with a notice issued on June 16, 2015, Videotron redeemed, on July 16, 2015, the entirety of its outstanding 7.125% Senior Notes issued on January 13, 2010 and maturing on January 15, 2020, in the aggregate principal amount of $300.0 million, at a redemption price of 103.563% of their principal amount. A $13.6 million loss was recorded in the consolidated statement of income in the second quarter of 2015 in connection with this redemption.

Income tax expense: $5.5 million in the second quarter of 2015 (effective tax rate of 6.8%) compared with $30.1 million in the same period of 2014 (effective tax rate of 28.2%), a $24.6 million favourable variance. The effective tax rate is calculated considering only taxable and deductible items.

- The favourable variance in income tax and the favourable variance in the effective tax rate were mainly due to the impact of a decrease in deferred income tax liabilities in light of developments in tax audits, jurisprudence and tax legislation.

<u>2015/2014 year-to-date comparison</u>

Revenues: $1.89 billion, a $120.8 million (6.8%) increase.

- Revenues increased in Telecommunications ($82.8 million or 5.9% of segment revenues), Media ($51.8 million or 13.4%) and Sports and Entertainment ($3.2 million or 12.5%).

Adjusted operating income: $688.5 million, a $6.4 million (-0.9%) decrease.

- Adjusted operating income decreased in Media ($17.1 million or -76.0% of segment adjusted operating income). There were unfavourable variances in Sports and Entertainment ($1.4 million) and Head Office ($5.7 million). The decrease at Head Office was caused mainly by the unfavourable variance in the fair value of stock options.
- Adjusted operating income increased in Telecommunications ($17.8 million or 2.7%).
- The change in the fair value of Quebecor Media stock options resulted in a $1.3 million favourable variance in the stock-based compensation charge in the first half of 2015 compared with the same period of 2014. The change in the fair value of Quebecor stock options and the impact of various transactions on the options issued under this program resulted in an $8.5 million unfavourable variance in the Corporation's stock-based compensation charge in the first half of 2015.

Net income attributable to shareholders: $101.5 million ($0.83 per basic share) in the first half of 2015, compared with a net loss attributable to shareholders in the amount of $15.7 million ($0.13 per basic share) in the same period of 2014, a favourable variance of $117.2 million ($0.96 per basic share).

- The favourable variance was due primarily to:
  - $127.7 million favourable variance in the loss related to discontinued operations;
  - $19.5 million favourable variance in the income tax expense;
  - $17.1 million favourable variance in gain on valuation and translation of financial instruments;
  - $12.3 million decrease in financial expenses;
  - $6.6 million favourable variance in losses on debt refinancing.

  Partially offset by:
  - $25.6 million increase in the depreciation and amortization charge;
  - $7.0 million increase in the charge for restructuring of operations and other special items;
  - $6.4 million decrease in adjusted operating income.

Adjusted income from continuing operations: $107.9 million in the first half of 2015 ($0.88 per basic share), compared with $101.0 million ($0.82 per basic share) in the same period of 2014, an increase of $6.9 million ($0.06 per basic share).

Depreciation and amortization: $348.5 million, a $25.6 million increase essentially due to the same factors as those noted in the 2015/2014 second quarter comparison above.

Financial expenses: $168.6 million, a $12.3 million decrease due primarily to the same factors as those noted in the 2015/2014 second quarter comparison above.

Gain on valuation and translation of financial instruments: $40.8 million in the first half of 2015 compared with $23.7 million in the same period of 2014. The $17.1 million favourable variance was mainly due to the increase (without any tax consequences) in the gain on embedded derivatives related to convertible debentures.

Charge for restructuring of operations and other special items: $10.1 million in the first half of 2015, compared with $3.1 million in the first half of 2014, a $7.0 million unfavourable variance.

- In the first half of 2015, the Telecommunications segment recognized a $4.3 million charge for restructuring of operations ($0.5 million in the same period of 2014), mainly because of migration from analog to digital cable television service. The segment also recognized another $0.6 million special charge in the first half of 2015.
- A $3.6 million charge for restructuring of operations was recorded in the Media segment in connection with staff-reduction programs in the first half of 2015 ($1.6 million in the same period of 2014). The segment also recognized another $0.7 million special charge in the first half of 2015 ($0.2 million in the same period of 2014).
- The other segments recorded a $0.9 million charge for restructuring of operations in the first half of 2015 ($0.8 million in the same period of 2014).

Charge for impairment of goodwill: $30.0 million in the first half of 2015, identical to the same period of 2014. The charge was due to the factors noted above in the 2015/2014 second quarter comparison.

Loss on debt refinancing: $12.1 million in first half of 2015, compared with $18.7 million in the same period of 2014, a $6.6 million favourable variance.

- In accordance with a notice issued on June 16, 2015, Videotron redeemed, on July 16, 2015, the entirety of its outstanding 9.125% Senior Notes issued on April 15, 2008 and maturing on April 15, 2018, in the aggregate principal amount of US$75.0 million, at a redemption price of 101.521% of their principal amount, and undwound hedges in asset position. A $0.2 million loss was recorded in the consolidated statement of income in the second quarter of 2015 in connection with this redemption, including a $2.1 million net gain previously recorded in “Other comprehensive income.”

- In accordance with a notice issued on June 16, 2015, Videotron redeemed, on July 16, 2015, the entirety of its outstanding 7.125% Senior Notes issued on January 13, 2010 and maturing on January 15, 2020, in the aggregate principal amount of $300.0 million, at a redemption price of 103.563% of their principal amount. A $13.6 million loss was recorded in the consolidated statement of income in the second quarter of 2015 in connection with this redemption.
- In accordance with a notice issued on March 11, 2015, Videotron redeemed, on April 10, 2015, the entirety of its 6.375% Senior Notes maturing on December 15, 2015, in the aggregate principal amount of US$175.0 million, at a redemption price of 100% of their principal amount, and unwound the hedges in an asset position. A $1.7 million net gain was recorded in the consolidated statement of income in the first quarter of 2015 in connection with this redemption, including a $1.8 million gain previously recorded in "Other comprehensive income."
- In accordance with a notice issued on March 26, 2014, Videotron redeemed, on April 24, 2014, US$260.0 million aggregate principal amount of its outstanding 9.125% Senior Notes issued on March 5, 2009 and maturing on April 15, 2018 at a redemption price of 103.042% of their principal amount. A $21.4 million net loss was recorded in the consolidated statement of income in the first quarter of 2014 in connection with this redemption, including a $1.7 million loss previously recorded in "Other comprehensive income."
- In accordance with a notice issued on March 26, 2014, Quebecor Media redeemed, on April 25, 2014, the entirety of its outstanding 7.75% Senior Notes issued on October 5, 2007 and maturing on March 15, 2016, in the aggregate principal amount of US$380.0 million, at a redemption price of 100.00% of their principal amount, and settled the related hedges. A $2.7 million net gain was recorded in the consolidated statement of income in the first quarter of 2014 in connection with this redemption, including a $12.5 million gain previously recorded in "Other comprehensive income."

Income tax expense: $27.4 million in the first half of 2015 (effective tax rate of 18.3%) compared with $46.9 million in the same period of 2014 (effective tax rate of 27.7%), a $19.5 million favourable variance. The effective tax rate is calculated considering only taxable and deductible items.

- The favourable variance in income tax and the favourable variance in the effective tax rate were mainly due to the impact of a decrease in deferred income tax liabilities in light of developments in tax audits, jurisprudence and tax legislation.

SEGMENTED ANALYSIS

Telecommunications

Second quarter 2015 operating results

Revenues: $741.5 million in the second quarter of 2015, a $43.9 million (6.3%) increase.

- Combined revenues from all cable television services decreased $6.2 million (-2.3%) to $262.8 million, due primarily to the impact of the net decrease in the customer base, higher discounts and the decrease in pay TV orders, partially offset by higher per-subscriber revenues and increased revenues from the leasing of digital set-top boxes.
- Revenues from Internet access services increased $14.1 million (6.6%) to $226.3 million. The favourable variance was mainly due to higher per-subscriber revenues, higher revenues from Internet access resellers, increased usage, leasing of wireless routers and customer base growth.
- Revenues from cable telephone service decreased $2.8 million (-2.4%) to $115.3 million, mainly because of the impact of lower long-distance revenues.
- Revenues from mobile telephony service increased $29.5 million (44.2%) to $96.3 million, essentially due to the increase in the number of subscriber connections and higher net revenue per connection.
- Revenues of Videotron Business Solutions increased $0.6 million (3.8%) to $16.6 million.
- Revenues from customer equipment sales increased $5.0 million (55.6%) to $14.0 million, mainly because of the growth in the number of subscriber connections to the mobile service and increased sales of more powerful equipment.
- Revenues from the over-the-top video service totalled $5.4 million in the second quarter of 2015 compared with $2.2 million in the same period of 2014. The $3.2 million increase was mainly due to the significant increase in the subscriber base.
- Revenues of the Le SuperClub Vidéotron ltée (“Le SuperClub Vidéotron”) retail chain totalled $2.1 million. The $0.3 million (-12.5%) decrease was due primarily to lower franchise fee revenues and the impact of store closings.
- Other revenues increased $0.9 million (50.0%) to $2.7 million.

ARPU: $133.71 in the second quarter of 2015 compared with $123.61 in the same period of 2014, a $10.10 (8.2%) increase.

Customer statistics

Revenue generating units – As of June 30, 2015, the total number of revenue generating units stood at 5,520,100, a 12,900 (0.2%) unit increase from the end of the first quarter of 2015, compared with a 35,100 increase in the second quarter of 2014 (Table 3). In the 12-month period ended June 30, 2015, the number of revenue-generating units increased by 225,200 (4.3%). Revenue generating units are the sum of subscriptions to the cable television, cable Internet access and over-the-top video services, plus subscriber connections to the cable and mobile telephony services.

Cable television – The combined customer base for all of Videotron’s cable television services decreased by 23,000 (-1.3%) in the second quarter of 2015 (compared with a 17,200 decrease in the same period of 2014) and by 46,300 (-2.6%) in the 12-month period ended June 30, 2015 (Table 3). At the end of the second quarter of 2015, Videotron had 1,747,600 subscribers to its cable television services. The household and business penetration rate (number of subscribers as a proportion of the total 2,793,600 homes and businesses passed by Videotron’s network as of the end of June 2015, up from 2,759,600 one year earlier) was 62.6% versus 65.0% a year earlier.

- As of June 30, 2015, the number of subscribers to the illico Digital TV service stood at 1,552,800, a 2,700 (-0.2%) customer decrease in the second quarter of 2015 (compared with a decrease of 3,000 in the same quarter of 2014) and a 12-month increase of 27,200 (1.8%). As of June 30, 2015, illico Digital TV had a household and business penetration rate of 55.6% versus 55.3% a year earlier.
- The customer base for analog cable television services decreased by 20,300 (-9.4%) in the second quarter of 2015 (compared with a decrease of 14,200 in the same period of 2014) and by 73,500 over a 12-month period, partly as a result of customer migration to illico Digital TV.

Cable Internet access – The number of subscribers to cable Internet access services stood at 1,539,100 at June 30, 2015, a decrease of 4,000 (-0.3%) in the second quarter of 2015 (compared with an increase of 200 in the same period of 2014), and an increase of 28,700 (1.9%) over the 12-month period ended June 30, 2015 (Table 3). At June 30, 2015, Videotron's cable Internet access services had a household and business penetration rate of 55.1% compared with 54.7% a year earlier.

Cable telephony service – The number of subscribers to cable telephony service stood at 1,337,700 as of June 30, 2015, a quarterly decrease of 6,900 (-0.5%) (compared with a 2,100-customer decrease in the second quarter of 2014), and a 12-month decrease of 6,300 (-0.5%) (Table 3). At June 30, 2015, the cable telephony service had a household and business penetration rate of 47.9% versus 48.7% a year earlier.

Mobile telephony service – As of June 30, 2015, the number of subscriber connections to the mobile telephony service stood at 702,900, an increase of 40,800 (6.2%) in the second quarter of 2015 (compared with an increase of 29,800 in the second quarter of 2014), and a 12-month increase of 150,600 (27.3%) (Table 3).

Over-the-top video service – As of June 30, 2015, the number of subscribers to the over-the-top video service stood at 192,800, an increase of 6,000 (3.2%) in the second quarter of 2015 (compared with an increase of 24,400 in the second quarter of 2014). During the 12-month period ended June 30, 2015, the number of subscribers more than doubled, increasing by 98,600 (Table 3).

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

	June 2015	Mar. 2015	Dec. 2014[1]	Sept. 2014[1]	June 2014[1]	Mar. 2014[1]	Dec. 2013[1]	Sept. 2013[1]
Cable television:								
Analog	**194.8**	215.1	228.6	251.4	268.3	282.5	297.7	316.7
Digital	**1,552.8**	1,555.5	1,553.6	1,544.9	1,525.7	1,528.7	1,527.4	1,513.7
	1,747.6	1,770.6	1,782.2	1,796.3	1,794.0	1,811.2	1,825.1	1,830.4
Cable Internet	**1,539.1**	1,543.1	1,537.5	1,533.8	1,510.4	1,510.2	1,506.0	1,486.7
Cable telephony[2]	**1,337.7**	1,344.6	1,349.0	1,356.0	1,344.0	1,346.1	1,348.5	1,341.0
Mobile telephony[2]	**702.9**	662.1	632.8	590.4	552.3	522.5	504.3	479.1
Over-the-top video	**192.8**	186.8	177.7	143.7	94.2	69.8	58.2	48.6
Total (revenue-generating units)	**5,520.1**	5,507.2	5,479.2	5,420.2	5,294.9	5,259.8	5,242.1	5,185.8

1 Customer statistics have been restated to reflect certain adjustments to product definitions.
2 In thousands of connections

Adjusted operating income: $342.2 million, a $10.2 million (3.1%) increase caused primarily by:

- impact of revenue increase.

Partially offset by:

- increases in some operating expenses, including advertising, engineering and customer service expenses;
- impact of higher cost of mobile devices sold at a loss;
- higher royalty costs at the cable television service.

Cost/revenue ratio: Operating costs for all Telecommunications segment operations, expressed as a percentage of revenues, were 53.9% in the second quarter of 2015 compared with 52.4% in the same period of 2014. The increase was mainly due to increases in some operating expenses, the impact of the higher cost of mobile devices sold at a loss and higher royalty costs at the cable television service.

Year-to-date operating results

Revenues: $1.48 billion, an $82.8 million (5.9%) increase essentially due to the same factors as those noted above in the discussion of second quarter 2015 results.

- Combined revenues from all cable television services decreased $11.8 million (-2.2%) to $530.1 million.
- Revenues from Internet access services increased $27.4 million (6.5%) to $449.8 million.
- Revenues from cable telephony service decreased $3.0 million (-1.3%) to $233.1 million.
- Revenues from mobile telephony service increased $57.2 million (44.5%) to $185.6 million.
- Revenues of Videotron Business Solutions increased $0.6 million (1.8%) to $33.3 million.
- Revenues from customer equipment sales increased $4.9 million (27.5%) to $22.7 million.
- Revenues from the over-the-top video service increased $6.8 million to $10.8 million.
- Revenues of the Le SuperClub Vidéotron retail chain decreased $0.5 million (-9.8%) to $4.6 million.
- Other revenues increased $1.1 million (23.9%) to $5.7 million.

ARPU: $132.83 in the first half of 2015 compared with $122.66 in the same period of 2014, a $10.17 (8.3%) increase.

Customer statistics

Revenue-generating units – 40,900-unit increase (0.7%) in the first half of 2015 compared with an increase of 52,800 in the same period of 2014.

Cable television – 34,600 decrease (-1.9%) in the combined customer base for all of Videotron's cable television services in the first half of 2015, compared with a decrease of 31,100 in the same period of 2014.

- Subscriptions to illico Digital TV service decreased by 800 in the first half of 2015 compared with a decrease of 1,700 in the same period of 2014.
- The customer base for analog cable television services decreased by 33,800 compared with a decrease of 29,400 in the first half of 2014.

Cable Internet access – 1,600-customer increase (0.1%) in the first half of 2015 compared with an increase of 4,400 in the same period of 2014.

Cable telephony service – 11,300-customer decrease (-0.8%) in the first half of 2015 compared with a decrease of 4,500 in the same period of 2014.

Mobile telephony service – 70,100 (11.1%) increase in subscriber connections in the first half of 2015 compared with an increase of 48,000 in the same period of 2014.

Over-the-top video service – 15,100-subscriber increase (8.5%) in the first half of 2015 compared with an increase of 36,000 in the same period of 2014.

Adjusted operating income: $685.7 million, a $17.8 million (2.7%) increase caused primarily by:

- impact of revenue increase.

Partially offset by:

- increases in some operating expenses, including customer service, engineering and advertising expenses;
- impact of higher cost of mobile devices sold at a loss;
- higher royalty costs at the cable television service;
- aggregate $4.6 million unfavourable impact of recognition of one-time items.

Cost/revenue ratio: Operating costs for all Telecommunications segment operations, expressed as a percentage of revenues, were 53.5% in the first half of 2015 compared with 52.0% in the same period of 2014. The increase was mainly due to the same factors as those noted above in the discussion of second quarter 2015 results, as well as the unfavourable impact of one-time items totalling $4.6 million.

Cash flows from operations

Quarterly cash flows from segment operations: $181.0 million in the second quarter of 2015 compared with $161.8 million in the same period of 2014 (Table 4).

- The $19.2 million increase was mainly due to the $14.3 million decrease in additions to property, plant and equipment, caused primarily by the timing of expenditures related to investment in the LTE network, and to the $10.2 million increase adjusted operating income, partially offset by the $5.7 million increase in additions to intangible assets.

Year-to-date cash flows from segment operations: $344.7 million in the first half of 2015 compared with $333.1 million in the same period of 2014 (Table 4).

- The $11.6 million increase was due to the $17.8 million increase in adjusted operating income, partially offset by the $6.2 million increase in additions to property, plant and equipment and to intangible assets.

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

	Three months ended June 30		Six months ended June 30	
	2015	2014	**2015**	2014
Adjusted operating income	**$ 342.2**	$ 332.0	**$ 685.7**	$ 667.9
Additions to property, plant and equipment	**(141.6)**	(155.9)	**(303.2)**	(299.0)
Additions to intangible assets (excluding spectrum licences)	**(21.2)**	(15.5)	**(39.7)**	(37.7)
Proceeds from disposal of assets	**1.6**	1.2	**1.9**	1.9
Cash flows from segment operations	**$ 181.0**	$ 161.8	**$ 344.7**	$ 333.1

Media

Second quarter 2015 operating results

Revenues: $239.7 million in the second quarter of 2015, a $36.4 million (17.9%) increase.

- Newspaper publishing revenues decreased by $8.6 million (-12.7%).
  - Advertising revenues decreased 14.3%; circulation revenues decreased 4.6%; digital revenues increased 15.6%; combined revenues from commercial printing and other sources decreased 19.7%.
  - Revenues decreased by 10.4% at the urban dailies and were flat at the portals.
- Broadcasting revenues increased by $19.1 million (20.3%), mainly because of:
  - increased advertising and subscription revenues at the specialty services, mainly TVA Sports, due primarily to the addition of NHL hockey broadcasts.

  Partially offset by:
  - lower advertising revenues at TVA Network.
- The acquisition of substantially all of the assets of A.R. Global Vision Ltd. and its subsidiary ("Global Vision") in December 2014 had a favourable impact, generating film production and audiovisual revenues in the amount of $18.8 million in the second quarter of 2015.

- Magazine publishing revenues increased by $12.2 million (76.3%), mainly as a result of the impact of the acquisition of magazines from Transcontinental on April 12, 2015.
- Quebecor Media Out of Home's revenues increased $0.7 million (26.9%), mainly because of new digital advertising revenues.
- Book distribution and publishing revenues decreased by $3.2 million (-12.9%), primarily as a result of decreased bookstore and mass market volumes.

Adjusted operating income: $11.3 million in the second quarter of 2015, a $17.4 million (-60.6%) decrease.

- Adjusted operating income from newspaper publishing decreased $3.9 million (-42.9%) due to:
  - impact of revenue decrease.

  Partially offset by:
  - favourable impact on adjusted operating income of reduced operating expenses, including a $1.5 million favourable impact related to restructuring initiatives.
- Adjusted operating income from broadcasting operations decreased by $17.5 million (-96.7%) due to:
  - spending on content at TVA Sports;
  - impact of decrease in TVA Network's advertising revenues.

  Partially offset by:
  - impact of higher subscription and advertising revenues at TVA Sports;
  - decrease in operating expenses at TVA Network.
- Favourable impact of the acquisition of substantially all of the assets of Global Vision, which generated adjusted operating income in the amount of $5.6 million in the second quarter of 2015.
- Adjusted operating income from magazine publishing decreased by $1.6 million (-55.2%), mainly because of the impact, on a same-store basis, of the decrease in revenues (excluding the impact of the acquisition of magazines from Transcontinental).
- The operating loss of Quebecor Media Out of Home decreased by $0.4 million as a result of the increase in revenues.
- The operating loss from book distribution and publishing increased by $1.1 million, mainly because of the unfavourable impact of a decrease in revenues.

Cost/revenue ratio: Employee costs and purchases of goods and services for the Media segment's operations, expressed as a percentage of revenues, were 95.3% in the second quarter of 2015 compared with 85.9% in the same period of 2014. The increase was mainly due to the impact of higher television content costs and the impact of the decrease in revenues on a same-store basis (as the fixed component of operating costs does not fluctuate in proportion to the decrease in revenues), partially offset by the favourable impact of the acquisition of substantially all of the assets of Global Vision.

Year-to-date operating results

Revenues: $439.2 million in the first half of 2015, a $51.8 million (13.4%) increase.

- Newspaper publishing revenues decreased by $15.1 million (-11.6%).
  - Advertising revenues decreased 12.0%; circulation revenues decreased 4.2%; digital revenues increased 1.6%; combined revenues from commercial printing and other sources decreased 18.3%.
  - Revenues decreased by 8.8% at the urban dailies and by 16.7% at the portals.
- Broadcasting revenues increased $33.2 million (17.9%), mainly due to the same factors as those noted above in the discussion of second quarter 2015 operating results.
- The acquisition of substantially all of the assets of Global Vision generated revenues in the amount of $27.9 million.
- Magazine publishing revenues increased by $10.6 million (34.1%), mainly because of the favourable impact on revenues of the acquisition of magazines from Transcontinental on April 12, 2015.

- Quebecor Media Out of Home's revenues increased $1.0 million (22.7%), mainly because of new digital advertising revenues.
- Book distribution and publishing revenues increased by $0.3 million (0.7%).

Adjusted operating income: $5.4 million in the first half of 2015, a $17.1 million (-76.0%) decrease.

- Adjusted operating income from newspaper publishing decreased $2.8 million (-23.7%) due to:
  - o impact of revenue decrease.

  Partially offset by:
  - o favourable impact on adjusted operating income of reduced operating expenses, including a $3.5 million favourable impact related to restructuring initiatives.
- Adjusted operating loss from broadcasting operations was $7.9 million compared with $9.9 million adjusted operating income in the same period of 2014. The $17.8 million unfavourable variance was due to:
  - o spending on content at TVA Sports;
  - o impact of decrease in TVA Network's advertising revenues.

  Partially offset by:
  - o impact of higher subscription and advertising revenues at TVA Sports;
  - o lower operating expenses at TVA Network mainly as a result of lower content costs, reflecting in part the impact of adjustments in the first half of 2014 to the cost of certain prior-year broadcasting rights related to indemnification clauses.
- Favourable impact of the acquisition of substantially all of the assets of Global Vision, which generated adjusted operating income in the amount of $5.5 million in the first half of 2015.
- Adjusted operating income from magazine publishing operations decreased $2.9 million (-56.9%), mainly due to the same factors noted above in the discussion of the second quarter 2015 operating results.
- The operating loss of Quebecor Media Out of Home decreased by $0.2 million as a result of the increase in revenues.
- The operating loss from book distribution and publishing decreased by $0.4 million.

Cost/revenue ratio: Employee costs and purchases of goods and services for the Media segment's operations, expressed as a percentage of revenues, were 98.8% in the first half of 2015 compared with 94.2% in the same period of 2014. The increase was mainly due to the same factors as those noted above in the discussion of second quarter 2015 operating results.

Cash flows from operations

Quarterly cash flows from segment operations: $0.3 million compared with $19.6 million in the same period of 2014 (Table 5). The $19.3 million unfavourable variance was primarily due to the $17.4 million decrease in adjusted operating income.

Year-to-date cash flows from segment operations: Negative $14.4 million compared with positive $2.4 million in the same period of 2014 (Table 5). The $16.8 million unfavourable variance was primarily due to the $17.1 million decrease in adjusted operating income.

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

	Three months ended June 30		Six months ended June 30	
	2015	2014	**2015**	2014
Adjusted operating income	**$ 11.3**	$ 28.7	**$ 5.4**	$ 22.5
Additions to property, plant and equipment	**(8.6)**	(5.9)	**(15.7)**	(15.1)
Additions to intangible assets	**(2.4)**	(3.1)	**(4.1)**	(5.0)
Proceeds from disposal of assets	**—**	(0.1)	**—**	—
Cash flows from segment operations	**$ 0.3**	$ 19.6	**$ (14.4)**	$ 2.4

Sports and Entertainment

Second quarter 2015 operating results

Revenues: $11.1 million, a $0.5 million (-4.3%) decrease compared with the second quarter of 2014, mainly due to an 11.7% decrease in music production and distribution revenues caused primarily by lower video sales, partially offset by the favourable impact on revenues of the acquisition of the Remparts de Québec, a QMJHL hockey team, in November 2014.

Adjusted operating loss: $4.1 million in the second quarter of 2015 compared with $2.1 million in the same period of 2014. The $2.0 million unfavourable variance was due primarily to the startup of Videotron Centre management operations in Québec City.

Year-to-date operating results

Revenues: $28.8 million, a $3.2 million (12.5%) increase compared with the first half of 2014, mainly due to the favourable impact on revenues of the acquisition of the Remparts de Québec.

Adjusted operating loss: $4.2 million in the first half of 2015 compared with $2.8 million in the same period of 2014. The $1.4 million unfavourable variance was due primarily to the impact of the startup of Videotron Centre management operations, partially offset by the favourable impact of a decrease in operating expenses related to music production and distribution, including sales and marketing expenses.

Cash flows from operations

Quarterly cash flows from segment operations: Negative $7.9 million compared with negative $3.0 million in the same period of 2014 (Table 6). The $4.9 million unfavourable variance was due to the $2.9 million increase in additions to property, plant and equipment and to intangible assets, partly reflecting spending on new Videotron Centre management operations, and to the $2.0 million increase in the adjusted operating loss.

Year-to-date cash flows from segment operations: Negative $9.2 million compared with negative $5.6 million in the same period of 2014 (Table 6). The $3.6 million unfavourable variance was due to the $2.2 million increase in additions to property, plant and equipment and to intangible assets, and to the $1.4 million increase in the adjusted operating loss.

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

	Three months ended June 30		Six months ended June 30	
	2015	2014	**2015**	2014
Adjusted operating loss	**$ (4.1)**	$ (2.1)	**$ (4.2)**	$ (2.8)
Additions to property, plant and equipment	**(3.6)**	(0.9)	**(4.7)**	(2.8)
Additions to intangible assets	**(0.2)**	–	**(0.3)**	–
Cash flows from segment operations	**$ (7.9)**	$ (3.0)	**$ (9.2)**	$ (5.6)

CASH FLOWS AND FINANCIAL POSITION

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

Operating activities

Second quarter 2015

Cash flows provided by operating activities: $180.0 million in the second quarter of 2015 compared with $206.9 million in the same period of 2014.

- The $26.9 million decrease was essentially due to:
  - $58.4 million unfavourable change in non-cash balances related to operations, due to a variance in the provision for current income taxes and payment of outstanding income tax balances in the Telecommunications segment;
  - $17.4 million decrease in adjusted operating income in the Media segment;
  - $3.2 million increase in the cash portion of the charge for restructuring of operations and other special items.

  Partially offset by:
  - $38.1 million favourable variance in current income taxes;
  - $10.2 million increase in adjusted operating income in the Telecommunications segment;
  - $6.0 million decrease in the cash portion of financial expenses.

Year to date

Cash flows provided by operating activities: $326.3 million in the first half of 2015 compared with $372.4 million in the same period of 2014.

- The $46.1 million decrease was essentially due to:
  - $53.1 million unfavourable change in non-cash balances related to operations, due to increased inventory and the payment of outstanding income tax balances in the Telecommunications segment;
  - $17.1 million decrease in adjusted operating income in the Media segment;
  - $7.0 million increase in the cash portion of the charge for restructuring of operations and other special items.

  Partially offset by:
  - $8.0 million decrease in current income taxes;
  - $17.8 million increase in adjusted operating income in the Telecommunications segment;
  - $11.2 million decrease in the cash portion of financial expenses.

Cash flows were negatively impacted by decreased profitability in the Media segment as a result of spending on the TVA Sports channel and the impact of the migration to digital, by increased inventory and by the payment of outstanding income tax balances in the first half of 2015 in the Telecommunications segment. Cash flows were positively impacted by increased profitability in the Telecommunications segment and by debt refinancing at lower interest rates.

Working capital: Negative $106.8 million at June 30, 2015, compared with positive $90.2 million at December 31, 2014. The $197.0 million negative variance was mainly due to the payment out of working capital for the 2500 MHz spectrum licences and AWS-3 licences acquired at a total cost of $218.8 million.

Investing activities

Second quarter 2015

Additions to property, plant and equipment: $153.9 million in the second quarter of 2015 compared with $163.0 million in the same period of 2014. The $9.1 million decrease was caused primarily by the timing of expenditures related to investments in the LTE network by the Telecommunications segment.

Additions to intangible assets: $237.2 million in the second quarter of 2015, compared with $189.7 million in the same period of 2014, a $47.5 million increase. The Telecommunications segment accounted for most of the increase, mainly reflecting payments totalling $212.4 million in the second quarter of 2015 for the acquisition of spectrum, compared with $170.7 million in the second quarter of 2014.

Proceeds from disposal of assets: $1.6 million in the second quarter of 2015 compared with $1.1 million in the same quarter of 2014.

Business acquisitions: $55.3 million in the second quarter of 2015, mainly reflecting the acquisition of magazines from Transcontinental by the Media segment.

Business disposals: $304.2 million in the second quarter of 2015 compared with $73.7 million in the same period of 2014.

- Business disposals in the second quarter of 2015 consisted primarily in the sale of its Canadian English-language newspaper businesses by the Media segment.
- Business disposals in the second quarter of 2014 consisted in the sale of 74 Québec weeklies to Transcontinental Interactive Inc., a subsidiary of Transcontinental.

Year to date

Additions to property, plant and equipment: $323.7 million in the first half of 2015 compared with $317.2 million in the same period of 2014. The Telecommunications segment accounted for the most of the $6.5 million increase.

Additions to intangible assets: $264.5 million in the first half of 2015, compared with $260.8 million in the same period of 2014, a $3.7 million increase. The Telecommunications segment accounted for most of the increase, mainly reflecting payments totalling $218.8 million in the first half of 2015 for the acquisition of spectrum, compared with $217.4 million in the first half of 2014.

Proceeds from disposal of assets: $1.9 million in the first half of 2015, stable in comparison with the first half of 2014.

Business acquisitions: $90.8 million in the first half of 2015 compared with $0.6 million in the same period of 2014.

- Business acquisitions in the first half of 2015 consisted primarily in the acquisition of 4Degrees Colocation Inc. ("4Degrees Colocation") by the Telecommunications segment and of Transcontinental magazines by the Media segment.

Disposal of businesses: $304.2 million in the first half of 2015 compared with $73.7 million in the same period of 2014. The increase was due to the same factors noted above in the discussion of second quarter 2015 results.

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

Second quarter 2015

Free cash flows from continuing operating activities of Quebecor Media: $13.8 million in the second quarter of 2015 compared with $43.8 million in the same period of 2014 (Table 7).

- The $30.0 million unfavourable variance was due to:
  - $33.7 million decrease in cash flows provided by continuing operating activities;
  - $5.8 million increase in additions to intangible assets (excluding acquisition of spectrum licences).

  Partially offset by:
  - $9.0 million decrease in additions to property, plant and equipment.

Year to date

Free cash flows from continuing operating activities of Quebecor Media: Negative $24.1 million in the first half of 2015 compared with positive $31.9 million in the same period of 2014 (Table 7).

- The $56.0 million unfavourable variance was due to:
  - $47.1 million decrease in cash flows provided by continuing operating activities;
  - $6.6 million increase in additions to property, plant and equipment;
  - $2.3 million increase in additions to intangible assets (excluding acquisition of spectrum licences).

Table 7
Cash flows from segment operations and free cash flows from continuing operating activities of Quebecor Media
(in millions of Canadian dollars)

	Three months ended June 30		Six months ended June 30	
	2015	2014	**2015**	2014
Cash flows from segment operations				
Telecommunications	**$ 181.0**	$ 161.8	**$ 344.7**	$ 333.1
Media	**0.3**	19.6	**(14.4)**	2.4
Sports and Entertainment	**(7.9)**	(3.0)	**(9.2)**	(5.6)
Quebecor Media Head Office	**(2.1)**	(1.5)	**(1.4)**	0.9
	171.3	176.9	**319.7**	330.8
Cash interest expense	**(72.8)**	(78.4)	**(152.2)**	(162.9)
Cash portion of charge for restructuring of operations and other special items	**(5.7)**	(2.5)	**(10.1)**	(3.1)
Current income taxes	**12.6**	(25.5)	**(23.7)**	(31.7)
Other	**0.4**	(0.8)	**2.4**	1.2
Net change in non-cash balances related to operations	**(92.0)**	(25.9)	**(160.2)**	(102.4)
Free cash flows from continuing operating activities of Quebecor Media	**$ 13.8**	$ 43.8	**$ (24.1)**	$ 31.9

Table 8
Free cash flows from continuing operating activities of Quebecor Media and cash flows provided by operating activities of Quebecor
(in millions of Canadian dollars)

	Three months ended June 30		Six months ended June 30	
	2015	2014	**2015**	2014
Free cash flows from continuing operating activities of Quebecor Media presented in Table 7	**$ 13.8**	$ 43.8	**$ (24.1)**	$ 31.9
Quebecor Head Office cash flow items:				
Cash flows from segment operations	**0.9**	2.1	**1.3**	5.4
Cash interest expense	**(6.2)**	(6.6)	**(12.6)**	(13.1)
Net change in non-cash balances related to operations	**(5.6)**	(13.3)	**(5.8)**	(10.5)
	(10.9)	(17.8)	**(17.1)**	(18.2)
Plus additions to property, plant and equipment	**153.9**	163.0	**323.7**	317.2
Plus additions to intangible assets (excluding expenditures for licence acquisitions)	**24.8**	19.0	**45.7**	43.4
Minus proceeds from disposal of assets	**(1.6)**	(1.1)	**(1.9)**	(1.9)
Cash flows provided by continuing operating activities of Quebecor	**$ 180.0**	$ 206.9	**$ 326.3**	$ 372.4

Financing activities

Consolidated debt (long-term debt plus bank borrowings): $6.0 million reduction in the first half of 2015; $189.9 million favourable net variance in assets and liabilities related to derivative financial instruments.

- Summary of year-to-date debt increases:
  - o estimated $229.1 million unfavourable impact of exchange rate fluctuations. The increase in this item was offset by an increase in the asset (or decrease in the liability) related to cross-currency swap agreements entered under “Derivative financial instruments.”
- Summary of year-to-date debt reductions:
  - o Early redemption and withdrawal by Videotron on April 10, 2015 of the entirety of its outstanding 6.375% Senior Notes issued on September 16, 2005 and maturing on December 15, 2015, in the aggregate principal amount of US$175.0 million;
  - o current payments, totalling $12.5 million, on the credit facilities and other debt of Videotron and Quebecor Media;
  - o $6.7 million reduction in Quebecor’s debt.
- Assets and liabilities related to derivative financial instruments totalled a net asset of $488.0 million at June 30, 2015 compared with $298.1 million at December 31, 2014. The $189.9 net favourable variance was due to:
  - o favourable impact of exchange rate fluctuations on the value of derivative financial instruments.

  Partially offset by:
  - o unfavourable impact of interest rate trends in Canada, compared with the United States, on the fair value of derivative financial instruments;
  - o unwinding of Quebecor Media’s hedging contracts in an asset position in connection with the redemption and early withdrawal on April 10, 2015 of US$175.0 million aggregate principal amount of its 6.375% Senior Notes.

- On July 16, 2015, Videotron prepaid and withdrew the entirety of its outstanding 9.125% Senior Notes issued on April 15, 2008 and maturing on April 15, 2018, in the aggregate principal amount of US$75.0 million, and unwound the hedges in an asset position. On the same date, Videotron prepaid and withdrew the entirety of its outstanding 7.125% Senior Notes issued on January 13, 2010 and maturing on January 15, 2020, in the aggregate principal amount of $300.0 million.
- On June 16, 2015, Videotron amended its $575.0 million secured revolving bank credit facility to increase it to $615.0 million and extend its term by two years to July 20, 2020. Videotron also entered a new $350.0 million unsecured revolving credit facility expiring on July 20, 2020. The terms and conditions of the new unsecured credit facility are similar to those of Videotron's existing secured revolving credit facility.
- On March 20, 2015, TVA Group completed a rights offering whereby it received net proceeds totalling approximately $110.0 million from the issuance of 19,434,629 Class B Non-Voting Shares of TVA Group. Under the rights offering, Quebecor Media subscribed for 17,300,259 Class B Non-Voting Shares of TVA Group at a total cost of $97.9 million. As a result, its total interest in TVA Group's equity increased from 51.5% to 68.4%.

Financial Position

Net available liquidity: $1.34 billion at June 30, 2015 for Quebecor Media and its wholly owned subsidiaries, consisting of $74.3 million in cash and $1.26 billion in available unused lines of credit, before the impact of the redemption, on July 16, 2015, of Videotron's 9.125% Senior Notes maturing on April 15, 2018, in the aggregate principal amount of US$75.0 million, and the redemption, on July 16, 2015, of Videotron's 7.125% Senior Notes maturing on January 15, 2020, in the aggregate principal amount of $300.0 million.

Net available liquidity: $111.7 million for Quebecor at the corporate level, consisting of a $1.3 million bank overdraft and $113.0 million in available unused lines of credit.

Consolidated debt: Total $5.28 billion at June 30, 2015, a $6.0 million reduction from December 31, 2014; $189.9 million favourable net variance in assets and liabilities related to derivative financial instruments (*see* "Financing activities" above).

- Consolidated debt essentially consisted of Videotron's $2.85 billion debt ($2.93 billion at December 31, 2014); TVA Group's $76.9 million debt ($78.2 million at December 31, 2014); Quebecor Media's $2.28 billion debt ($2.20 billion at December 31, 2014); and Quebecor's $70.5 million debt ($77.2 million at December 31, 2014).

As at June 30, 2015, minimum principal payments on long-term debt in the coming years were as follows:

Table 9
Minimum principal payments on Quebecor's long-term debt
12-month periods ended June 30
(in millions of Canadian dollars)

2016	$	23.9
2017		57.5
2018		147.2
2019		17.4
2020		351.3
2021 and thereafter		4,724.1
Total	**$**	**5,321.4**

Pro forma for the redemption of the 9.125% and 7.125% Videotron Senior Notes on July 16, 2015, the weighted average term of Quebecor's consolidated debt was approximately 7.2 years as of June 30, 2015 (7.2 years as of December 31, 2014). The debt consisted of approximately 85.3% fixed-rate debt (82.6% at December 31, 2014) and 14.7% floating-rate debt (17.4% at December 31, 2014).

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

Pursuant to their financing agreements, the Corporation and its subsidiaries are required to maintain certain financial ratios and financial covenants. The key indicators listed in these financing agreements include debt service coverage ratio and debt ratio (long-term debt over adjusted operating income). At June 30, 2015, the Corporation and its subsidiaries were in compliance with all required financial ratios and restrictive covenants in their financing agreements.

Dividends Declared

- On July 29, 2015, the Board of Directors of Quebecor declared a quarterly dividend of $0.035 per share on its Class A Multiple Voting Shares (“Class A Shares”) and Class B Subordinate Voting Shares (“Class B Shares”), payable on September 8, 2015 to shareholders of record at the close of business on August 14, 2015.

2500 MHz and AWS-3 spectrum auction

On March 6, 2015, Quebecor Media and its Videotron subsidiary announced that they had acquired four AWS-3 licences in the auction for commercial mobile spectrum for a total price of $31.8 million. The licences cover Eastern Québec, Southern Québec, Northern Québec and Eastern Ontario/ Outaouais. They were issued to Videotron by Industry Canada on April 21, 2015.

On May 12, 2015, Quebecor Media and its Videotron subsidiary announced the acquisition of 18 licences in four Canadian provinces in the auction for 2500 MHz commercial mobile spectrum. The licences, which cover all of the province of Québec, as well as the major urban centres in the rest of Canada, including Toronto, Ottawa, Calgary, Edmonton, and Vancouver, were acquired for $187.0 million. They were issued to Videotron by Industry Canada on June 24, 2015.

Potential gain

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

Analysis of consolidated balance sheet as at June 30, 2015

Table 10
Consolidated balance sheet of Quebecor
Analysis of main differences between June 30, 2015 and December 31, 2014
(in millions of Canadian dollars)

	June 30, 2015	Dec. 31, 2014	Difference	Main reason for difference
Assets				
Cash and cash equivalents	**$ 87.1**	$ 395.3	$ (308.2)	Cash flows used in investing activities, including payments related to Videotron's acquisition of spectrum licences, and in financing activities exceeded cash flows provided by operating activities
Net assets held for sale[1]	**15.8**	300.2	(284.4)	Sale of English-language newspaper businesses, partially offset by reclassification of Archambault Group's retail operations
Property, plant and equipment	**3,427.2**	3,430.4	(3.2)	Additions to property, plant and equipment (*see* "Investing activities" above) and acquisition of 4Degrees Colocation and of Transcontinental magazines, less depreciation for the period
Intangible assets	**1,179.2**	945.8	233.4	Purchase of 2500 MHz spectrum licences and AWS-3 licences and acquisition of 4Degrees Colocation and Transcontinental magazines
Goodwill	**2,737.7**	2,714.6	23.1	Impact of acquisition of 4Degrees Colocation and Transcontinental magazines, partially offset by goodwill impairment in the Media segment
Derivative financial instruments[2]	**488.0**	298.1	189.9	*See* "Financing activities"
Liabilities				
Accounts payable and accrued charges	**577.0**	650.2	(73.2)	Impact of current variances in activity
Income taxes[3]	**(1.7)**	78.8	(80.5)	Payment of outstanding income tax balances
Long-term debt, including short-term portion and bank indebtedness	**5,277.5**	5,283.5	(6.0)	*See* "Financing activities"

1 Current assets less current liabilities.

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

3 Current liabilities less current assets.

ADDITIONAL INFORMATION

Contractual Obligations

At June 30, 2015, material contractual obligations of operating activities included: capital repayment and interest on long-term debt; principal repayment and interest on convertible debentures; operating lease arrangements; capital asset purchases and other commitments; and obligations related to derivative financial instruments, less estimated future receipts on derivative financial instruments. Table 11 below shows a summary of these contractual obligations.

Table 11
Contractual obligations of Quebecor as of June 30, 2015
(in millions of Canadian dollars)

	Total	Under 1 year	1-3 years	3-5 years	5 years or more
Long-term debt[1]	**$ 5,321.4**	$ 23.9	$ 204.7	$ 368.7	$ 4,724.1
Convertible debentures[2]	**648.7**	–	–	648.7	–
Interest payments[3]	**2,104.1**	272.3	620.9	561.5	649.4
Operating leases	**249.4**	48.7	69.3	44.6	86.8
Additions to property, plant and equipment and other commitments	**1,465.8**	287.8	325.0	210.9	642.1
Derivative financial instruments[4]	**(527.1)**	(3.5)	37.5	1.8	(562.9)
Total contractual obligations	**$ 9,262.3**	**$ 629.2**	**$ 1,257.4**	**$ 1,836.2**	**$ 5,539.5**

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

2 Based on the market value at June 30, 2015 of a number of shares obtained by dividing the outstanding principal amount by the market price of a Quebecor Class B share at that date, subject to a floor price of $19.25 per share and a ceiling price of $24.0625. The Corporation may also redeem convertible debentures by issuing the corresponding number of Class B Shares.

3 Estimated interest payable on long-term debt and convertible debentures, based on interest rates, hedging of interest rates and hedging of foreign exchange rates as of June 30, 2015.

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

Related Party Transactions

During the second quarter of 2015, the Corporation and its subsidiaries made purchases and incurred rent charges with affiliated corporations in the amount of $2.6 million ($1.5 million in the same period of 2014), which is included in purchase of goods and services. The Corporation and its subsidiaries made sales to affiliated corporations in the amount of $1.1 million ($0.8 million in the same period of 2014). These transactions were accounted for at the consideration agreed between the parties.

During the first half of 2015, the Corporation and its subsidiaries made purchases and incurred rent charges with affiliated corporations in the amount of $1.8 million ($1.4 million in the same period of 2014), which is included in purchase of goods and services. The Corporation and its subsidiaries made sales to affiliated corporations in the amount of $2.0 million ($1.6 million in the same period of 2014). These transactions were accounted for at the consideration agreed between the parties.

Capital stock

In accordance with Canadian financial reporting standards, Table 12 below presents information on the Corporation's capital stock as at July 15, 2015. In addition, 1,310,000 stock options were outstanding as of July 15, 2015.

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

	July 15, 2015	
	Issued and outstanding	Book value
Class A Shares	38,951,472	$ 8.6
Class B Shares	83,721,692	$ 317.8

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

On July 29, 2015, the Board of Directors of Quebecor authorized the renewal of its normal course issuer bid for a maximum of 500,000 Class A Shares representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 2,000,000 Class B Shares representing approximately 2.4% of issued and outstanding Class B Shares as of July 29, 2015. The purchases can be made from August 13, 2015 to August 12, 2016 at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange. All shares purchased under the bid will be cancelled.

In the first half of 2015, the Corporation purchased and cancelled 203,300 Class B Shares for a total cash consideration of $6.3 million (455,000 Class B Shares for a total cash consideration of $11.7 million in the first half of 2014). The $5.5 million excess of the purchase price over the carrying value of the repurchased Class B Shares was recorded in reduction of retained earnings ($10.0 million in the first half of 2014).

Financial Instruments

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

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

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

The carrying value and fair value of long-term debt, convertible debentures and derivative financial instruments as of June 30, 2015 and December 31, 2014 are as follows:

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

	June 30, 2015		December 31, 2014	
Asset (liability)	**Carrying value**	**Fair value**	Carrying value	Fair value
Long-term debt[1,2]	**$ (5,321.4)**	**$ (5,412.7)**	$ (5,326.7)	$ (5,444.7)
Convertible debentures[3]	**(674.3)**	**(674.3)**	(711.8)	(711.8)
Derivative financial instruments[4]				
Early settlement options	**7.4**	**7.4**	8.2	8.2
Foreign exchange forward contracts[5]	**5.2**	**5.2**	4.2	4.2
Interest rate swaps	**(0.8)**	**(0.8)**	(0.5)	(0.5)
Cross-currency interest rate swaps[5]	**483.6**	**483.6**	294.4	294.4

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

2 The fair value of long-term debt excludes the fair value of early settlement options, which is presented separately in the table.

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

4 The fair value of derivative financial instruments designated as hedges was an asset position of $488.0 million as of June 30, 2015 (an asset position of $298.6 million as of December 31, 2014).

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

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

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

	Three months ended June 30		Six months ended June 30	
	2015	2014	**2015**	2014
Loss (gain) on embedded derivatives related to long-term debt and loss on derivative financial instruments for which hedge accounting is not used	**$ –**	$ 3.1	**$ (0.1)**	$ 2.7
Gain on embedded derivatives related to convertible debentures	**(47.6)**	(22.4)	**(40.0)**	(23.8)
Gain on reversal of embedded derivatives on debt redemption	**(0.1)**	–	**(0.4)**	(1.1)
Loss on ineffective portion of cash flow hedges	**0.4**	0.2	**1.2**	0.2
Loss (gain) on ineffective portion of fair value hedges	**1.4**	(1.7)	**(1.5)**	(1.7)
	$ (45.9)	$ (20.8)	**$ (40.8)**	$ (23.7)

Losses on cash flow hedges in the amounts of $32.2 million and $24.9 million were recorded under “Other comprehensive income” in the second quarter and first half of 2015 respectively ($3.3 million gain and $8.3 million loss in the second quarter and first half of 2014 respectively).

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

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

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

Change in Accounting Estimates

In the second quarter of 2015, the Corporation changed its assessment of the useful life of its spectrum licences. In light of recent spectrum auctions and developments in the telecommunications industry, the Corporation is now of the view that its spectrum licences have an indefinite useful life based on the following facts:

- the Corporation intends to renew the spectrum licences and believes that they are likely to be renewed by Industry Canada;
- the Corporation has the financial and operational ability to renew these spectrum licences;
- currently, the competitive, legal and regulatory landscape does not limit the useful lives of the spectrum licences;
- the Corporation foresees no limit to the period during which these licences can be expected to generate cash flows in the future.

Accordingly, the Corporation ceased to amortize spectrum licences used in its operations as of April 1, 2015 and no amortization expense was recorded in the second quarter of 2015. The straight-line amortization expense recorded relating to these licences was $13.9 million during the three-month period ended March 31, 2015, $13.9 million during the three-month period ended June 30, 2014 and $27.8 million during the six-month period ended June 30, 2014.

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 period ended June 30, 2015 that have materially adversely affected, or are reasonably likely to materially adversely affect, the Corporation's internal controls over financial reporting.

Additional Information

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

Cautionary Statement Regarding Forward-Looking Statements

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

- Quebecor Media's ability to continue developing its network and related mobile services;
- general economic, financial or market conditions and variations in the businesses of Quebecor Media's local, regional or national newspaper and broadcasting advertisers;
- the intensity of competitive activity in the industries in which Quebecor operates;
- fragmentation of the media landscape;

- new technologies that might change consumer behaviour with respect to Quebecor Media’s product suites;
- unanticipated higher capital spending required for developing its network or to address the continued development of competitive alternative technologies, or the inability to obtain additional capital to continue the development of Quebecor’s business;
- Quebecor’s ability to implement its business and operating strategies successfully and to manage its growth and expansion;
- Quebecor Media’s ability to successfully restructure its newspaper operations to optimize their efficiency in the context of the changing newspaper industry;
- disruptions to the network through which Quebecor Media provides its digital cable television, Internet access and telephony services, and its ability to protect such services from piracy;
- labour disputes or strikes;
- changes in Quebecor Media’s ability to obtain services and equipment critical to its operations;
- changes in laws and regulations, or in their interpretations, which could result, among other things, in the loss (or reduction in value) of Quebecor Media’s licences or markets, or in an increase in competition, compliance costs or capital expenditures;
- Quebecor’s substantial indebtedness, the tightening of credit markets, and the restrictions on its business imposed by the terms of its debt; and
- interest rate fluctuations that could affect Quebecor’s interest payment requirements on long-term debt.

The forward-looking statements in this document are made to provide investors and the public with a better understanding of the Corporation’s circumstances and are based on assumptions it believes to be reasonable as of the day on which they are made. Investors and others are cautioned that the foregoing list of factors that may affect future results is not exhaustive and that undue reliance should not be placed on any forward-looking statements. For more information on the risks, uncertainties and assumptions that could cause the Corporation’s actual results to differ from current expectations, please refer to the Corporation’s public filings, available at <www.sedar.com> and <www.quebecor.com>, including, in particular, the “Risks and Uncertainties” section of the Corporation’s Management Discussion and Analysis for the year ended December 31, 2014.

The forward-looking statements in this Management Discussion and Analysis reflect the Corporation’s expectations as of July 30, 2015, and are subject to change after this 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

July 30, 2015

QUEBECOR INC. AND ITS SUBSIDIARIES

SELECTED QUARTERLY FINANCIAL DATA

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

	2015		2014				2013	
	June 30	**March 31**	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30
Revenues	**$ 960.9**	**$ 926.1**	$ 953.7	$ 887.8	$ 893.0	$ 873.2	$ 924.9	$ 883.4
Adjusted operating income	**349.3**	**339.2**	353.2	361.7	359.9	335.0	355.6	364.2
Contribution to net income (loss) attributable to shareholders:								
Continuing operations	**66.5**	**41.4**	50.7	58.3	55.9	45.1	48.7	58.8
Gain (loss) on valuation and translation of financial instruments	**47.7**	**(8.6)**	(92.5)	(26.9)	21.2	2.9	(58.0)	(24.8)
Unusual items	**(33.0)**	**(1.3)**	(30.5)	(21.6)	(24.1)	(9.4)	(1.0)	(21.1)
Discontinued operations	**(9.1)**	**(2.1)**	12.8	35.3	(107.8)	0.5	10.6	(201.7)
Net income (loss) attributable to shareholders	**72.1**	**29.4**	(59.5)	45.1	(54.8)	39.1	0.3	(188.8)
Basic data per share								
Contribution to net income (loss) attributable to shareholders:								
Continuing operations	**$ 0.54**	**$ 0.34**	$ 0.41	$ 0.47	$ 0.45	$ 0.37	$ 0.40	$ 0.47
Gain (loss) on valuation and translation of financial instruments	**0.39**	**(0.07)**	(0.75)	(0.22)	0.17	0.02	(0.47)	(0.20)
Unusual items	**(0.27)**	**(0.01)**	(0.25)	(0.17)	(0.20)	(0.07)	(0.01)	(0.17)
Discontinued operations	**(0.07)**	**(0.02)**	0.11	0.29	(0.87)	-	0.08	(1.63)
Net income (loss) attributable to shareholders	**0.59**	**0.24**	(0.48)	0.37	(0.45)	0.32	-	(1.53)
Weighted average number of shares outstanding (in millions)	**122.8**	**122.9**	122.9	122.9	123.0	123.1	123.5	123.7
Diluted data per share								
Contribution to net income (loss) attributable to shareholders:								
Continuing operations	**$ 0.49**	**$ 0.32**	$ 0.38	$ 0.43	$ 0.41	$ 0.34	$ 0.37	$ 0.43
Dilution impact	**-**	**0.02**	0.03	0.04	-	-	0.03	0.04
Gain (loss) on valuation and translation of financial instruments	**-**	**(0.07)**	(0.75)	(0.22)	(0.01)	0.02	(0.47)	(0.20)
Unusual items	**(0.23)**	**(0.01)**	(0.25)	(0.17)	(0.17)	(0.07)	(0.01)	(0.17)
Discontinued operations	**(0.07)**	**(0.02)**	0.11	0.29	(0.74)	-	0.08	(1.63)
Net income (loss) attributable to shareholders	**0.19**	**0.24**	(0.48)	0.37	(0.51)	0.29	-	(1.53)
Weighted average number of diluted shares outstanding (in millions)	**143.9**	**123.2**	122.9	122.9	143.8	144.2	123.5	123.7