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 2013 and the major changes from the previous financial year.

All amounts are stated in Canadian dollars ("CAD 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, 2012.

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, News Media, Broadcasting, Leisure and Entertainment, and Interactive Technologies and Communications. Quebecor Media is pursuing a convergence strategy to capture synergies among all its media properties.

Quebecor Media sold its specialized Web site *Jobboom* on June 1, 2013 for a cash consideration of $57.5 million. Quebecor Media also agreed to sell its specialized Web site *Réseau Contact* on or around October 31, 2013 for a cash consideration of $7.5 million, subject to technology transfer conditions. The results of operations and cash flows related to these businesses, as well as the gain of $37.3 million on the sale of *Jobboom*, were reclassified as discontinued operations in the consolidated statements of income and cash flows. In this Management Discussion and Analysis, only continuing operating activities of Quebecor are included in the analysis of segment operating results.

HIGHLIGHTS SINCE END OF FIRST QUARTER 2013

- Quebecor's sales increased by $8.6 million (0.8%) to $1.09 billion in the second quarter of 2013 compared with the second quarter of 2012.
- On May 8, 2013, Robert Dépatie, President and Chief Executive Officer of Videotron Ltd. ("Videotron") since 2003, took the reins from Pierre Karl Péladeau as President and Chief Executive Officer of Quebecor and of Quebecor Media. Pierre Karl Péladeau was appointed Chairman of the Board of Quebecor Media and of TVA Group Inc. ("TVA Group"), replacing Serge Gouin, who retired. He was also appointed Vice Chairman of the Board of Quebecor. Manon Brouillette was named President and Chief Operating Officer of Videotron.
- On July 8, 2013, Aldo Giampaolo was appointed President and Chief Executive Officer of Quebecor Media Entertainment & Sports Group. Mr. Giampaolo has extensive expertise in the management of large-scale events and major venues for sporting and cultural events. On August 26, 2013, Caroline Roy will become Vice President, Development and Strategy, of QMI Digital, a new business unit that will be a centre of expertise in digital technology with a strong focus on research and development.

Telecommunications

- In the second quarter of 2013, the Telecommunications segment grew its revenues by $30.8 million (4.8%) and its operating income by $23.0 million (7.7%).
- In the second quarter of 2013, revenue increases were recorded in all of Videotron's main services: Internet access ($12.5 million or 6.5%), mobile telephony ($12.2 million or 29.8%), cable telephony ($6.4 million or 5.7%) and cable television ($3.5 million or 1.3%).
- Videotron reported a net increase of 13,000 revenue-generating units[1] in the second quarter of 2013, compared with an increase of 31,100 in the same quarter of 2012. In the 12-month period ended June 30, 2013, the number of revenue-generating units increased by 204,600 (4.3%).
- On May 29, 2013, Videotron and Rogers Communications Partnership ("Rogers") announced a 20-year agreement to build out and operate a shared LTE (Long Term Evolution) mobile network in the Province of Québec and in the Ottawa region. Under this agreement, Videotron and Rogers will share the deployment and operating costs. As well, both parties to the transactions will provide each other with services over a 10-year period for which Videotron will receive $93.0 million in total and Rogers $200.0 million in total. In addition to the network-sharing agreement, and subject to regulatory approvals, Videotron will have the option, effective January 1, 2014, to sell its unused AWS spectrum licence in the Toronto region for a price of $180.0 million.

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

News Media

- On July 16, 2013, Sun Media Corporation announced new restructuring initiatives to secure its news properties' long-term positioning on all distribution platforms, including digital. These initiatives entail the elimination of 360 positions, the closing of 8 publications and 3 free urban newspapers – the *24 Hours* papers in Ottawa, Calgary and Edmonton – and a series of efforts to enhance operational efficiencies. The cost of these measures is estimated at $15.0 million. The initiatives are expected to yield total annual savings of approximately $55.0 million. Sun Media Corporation intends to continue making investments and expanding its high-growth-potential newspapers and publications across all platforms, print and digital.

Broadcasting

- On July 18, 2013, TVA Group announced the acquisition of Les Publications Charron & Cie inc., publisher of *La Semaine* magazine, and of Charron Éditeur inc. The acquisition was part of TVA Group's strategy to remain the Québec market leader in magazine publishing.

- On June 5, 2013, TVA Group announced a restructuring plan designed to maintain its leadership position in Québec, safeguard the quality of its content and support future investment in view of the challenging business environment for media advertising revenues. The plan affects all segments of TVA Group. It includes the elimination of approximately 90 positions, or 4.5% of TVA Group's total workforce.

Other segments

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

Financing

The following financial transactions have been concluded since the end of the first quarter of 2013:

- On June 17, 2013, Videotron announced the closing of the offering and sale of 5.625% Senior Notes, maturing on June 15, 2025, in the aggregate principal amount of $400.0 million. It was the first issue of high-yield 12-year Notes on the Canadian market. Strong demand enabled Videotron to increase the size of the placement on favourable terms.
- On July 2, 2013, Videotron used the proceeds from its placement of 5.625% Senior Notes to finance the early repayment and withdrawal of US$380.0 million aggregate principal amount of its issued and outstanding 9.125% Senior Notes, maturing in April 2018.

- On July 31, 2013, Quebecor Media issued a notice for the redemption on August 30, 2013 of US$265 million in aggregate principal amount of its outstanding 7.75% Senior Notes issued on January 17, 2006 and due in March 2016, at a redemption price of 101.292% of their principal amount.

- On August 1, 2013, Quebecor Media entered into a US$350 million Senior Secured Term loan credit facility that will be issued at a discount price of 99.50% on August 29, 2013. The Term loan will bear interest at the U.S. London Inter-Bank Offered Rate ("LIBOR"), subject to a LIBOR floor of 0.75%, plus a premium of 2.50%. This credit facility calls for quarterly amortization payments totalling 1.00% per annum of the original principal amount, with the balance payable on August 17, 2020.

- On August 7, 2013, the Board of Directors of the Corporation approved a two-for-one stock split of the Corporation's outstanding Class A Shares Multiple Voting Shares ("Class A Shares") and Class B Subordinate Voting Shares ("Class B Shares"). Accordingly, shareholders will receive one additional share for each share owned on the record date of August 14, 2013, subject to approval of regulatory filings with the Toronto Stock Exchange ("TSX"). Trading on the shares on a split basis will commence at the opening of business on August 16, 2013.

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

Operating Income

In its analysis of operating results, the Corporation defines operating income, as reconciled to net (loss) income under IFRS, as net (loss) income before amortization, financial expenses, (loss) gain on valuation and translation of financial instruments, charge for restructuring of operations, impairment of assets and other special items, charge for impairment of goodwill, (loss) gain on debt refinancing, income tax recovery (expense), and income from discontinued operations. 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 operating income in order to assess the performance of its investment in Quebecor Media. The Corporation's management and Board of Directors use this measure in evaluating its consolidated results as well as the results of the Corporation's operating segments. This measure eliminates the significant level of impairment and amortization of tangible and intangible assets and is unaffected by the capital structure or investment activities of the Corporation and its segments.

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

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

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

	Three months ended June 30		Six months ended June 30	
	2013	2012	**2013**	2012
Operating (loss) income:				
Telecommunications	**$ 322.1**	$ 299.1	**$ 636.6**	$ 600.0
News Media	**23.9**	35.6	**29.6**	51.3
Broadcasting	**18.1**	18.5	**16.2**	11.5
Leisure and Entertainment	**(0.6)**	(1.1)	**(2.3)**	(0.8)
Interactive Technologies and Communications	**4.4**	3.0	**5.7**	6.0
Head Office	**(0.1)**	(1.5)	**(0.5)**	3.8
	367.8	353.6	**685.3**	671.8
Amortization	**(164.8)**	(144.1)	**(327.4)**	(286.0)
Financial expenses	**(98.4)**	(81.8)	**(195.6)**	(167.4)
(Loss) gain on valuation and translation of financial instruments	**(202.7)**	41.9	**(195.0)**	114.1
Restructuring of operations, impairment of assets and other special items	**(7.6)**	12.0	**(9.2)**	10.9
Impairment of goodwill	**–**	–	**–**	(14.5)
(Loss) gain on debt refinancing	**(18.9)**	–	**(18.9)**	2.4
Income tax recovery (expense)	**30.6**	(50.3)	**10.5**	(89.7)
Income from discontinued operations	**38.1**	2.0	**40.1**	4.9
Net (loss) income	**$ (55.9)**	$ 133.3	**$ (10.2)**	$ 246.5

Adjusted Income from Continuing Operations

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

	Three months ended June 30		Six months ended June 30	
	2013	2012	**2013**	2012
Adjusted income from continuing operations	**$ 52.9**	$ 46.1	**$ 84.5**	$ 82.3
(Loss) gain on valuation and translation of financial instruments	**(202.7)**	41.9	**(195.0)**	114.1
Restructuring of operations, impairment of assets and other special items	**(7.6)**	12.0	**(9.2)**	10.9
Impairment of goodwill	**–**	–	**–**	(14.5)
(Loss) gain on debt refinancing	**(18.9)**	–	**(18.9)**	2.4
Income taxes related to adjustments[1]	**59.9**	(13.2)	**56.6**	(26.5)
Discontinued operations	**38.1**	2.0	**40.1**	4.9
Net income (loss) attributable to non-controlling interest related to adjustments	**33.2**	(23.3)	**32.4**	(36.7)
Net (loss) income attributable to shareholders	**$ (45.1)**	$ 65.5	**$ (9.5)**	$ 136.9

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 operating income, less additions to property, plant and equipment and additions 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, the payment of dividends and the repayment of long-term debt. Cash flows from segment operations is not a measure of liquidity that is consistent with IFRS. It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows as a measure of liquidity. Cash flows from segment operations is used by the Corporation's management and Board of Directors to evaluate cash flows generated by its segments' operations. When cash flows from segment operations is reported, a reconciliation to operating income is provided in the same section of the report.

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

Free cash flows from continuing operating activities of the Quebecor Media subsidiary represents cash flows provided by continuing operating activities calculated in accordance with IFRS, less additions to property, plant and equipment and additions 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, 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 9 provides a reconciliation of free cash flows from continuing operating activities of Quebecor Media to cash flows provided by its continuing operating activities.

Average Monthly Revenue per User

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

ANALYSIS OF CONSOLIDATED RESULTS OF QUEBECOR

2013/2012 second quarter comparison

Revenues: $1.09 billion, an increase of $8.6 million (0.8%).

- Revenues increased in the Telecommunications segment ($30.8 million or 4.8% of segment revenues).
- Revenues were unchanged in the Broadcasting and Leisure and Entertainment segments.
- Revenues decreased in News Media ($25.6 million or -10.0%) and Interactive Technologies and Communications ($3.6 million or -9.1%).

Operating income: $367.8 million, an increase of $14.2 million (4.0%).

- Operating income increased in Telecommunications ($23.0 million or 7.7% of segment operating income) and Interactive Technologies and Communications ($1.4 million or 46.7%). There were favourable variances in Leisure and Entertainment ($0.5 million) and at Head Office ($1.4 million).
- Operating income decreased in News Media ($11.7 million or -32.9%) and Broadcasting ($0.4 million or -2.2%).
- The change in the fair value of Quebecor Media stock options resulted in a $0.6 million unfavourable variance in the consolidated stock-based compensation charge in the second quarter of 2013 compared with the same period of 2012. The change in the fair value of Quebecor stock options resulted in a $4.8 million unfavourable variance in the Corporation's consolidated stock-based compensation charge in the second quarter of 2013.

Net loss attributable to shareholders: $45.1 million ($0.73 per basic share) in the second quarter of 2013, compared with net income attributable to shareholders in the amount of $65.5 million ($1.02 per basic share) in the same period of 2012, an unfavourable variance of $110.6 million ($1.75 per basic share).

- The unfavourable variance was mainly due to:
  - $244.6 million unfavourable variance in losses and gains on valuation and translation of financial instruments;
  - $20.7 million increase in amortization charge;
  - $19.6 million unfavourable variance in the charge for restructuring of operations, impairment of assets and other special items;
  - $18.9 million loss on debt refinancing recorded in the second quarter of 2013;
  - $16.6 million increase in financial expenses.

  Partially offset by:

  - $27.6 million favourable variance in income from discontinued operations attributable to shareholders, resulting mainly from the gain on disposal of *Jobboom*;
  - $14.2 million increase in operating income.

Adjusted income from continuing operations: $52.9 million in the second quarter of 2013 ($0.85 per basic share) compared with $46.1 million ($0.72 per basic share) in the second quarter of 2012, an increase of $6.8 million ($0.13 per basic share).

Amortization charge: $164.8 million in the second quarter of 2013, a $20.7 million increase essentially due to the impact of significant capital expenditures since 2011 in the Telecommunications segment, including amortization of capital expenditures related to modernization of the cable and mobile networks, and to the impact of the emphasis on equipment leasing in the promotional strategy.

Financial expenses: $98.4 million, an increase of $16.6 million due mainly to higher indebtedness resulting from the leveraged repurchase in October 2012 of Quebecor Media shares held by CDP Capital d'Amérique Investissement inc. ("CDP Capital"), a subsidiary of Caisse de dépôt et placement du Québec ("the Caisse").

Loss on valuation and translation of financial instruments: $202.7 million in the second quarter of 2013 compared with a $41.9 million gain in the same quarter of 2012. The unfavourable variance of $244.6 million was mainly due to an unfavourable change in the fair value of early settlement options caused by interest rate and credit premium fluctuations, and to the reversal of the fair value of early settlement options on the Videotron Senior Notes redeemed on July 2, 2013.

Charge for restructuring of operations, impairment of assets and other special items: $7.6 million in the second quarter of 2013, compared with a $12.0 million gain in the second quarter of 2012, an unfavourable variance of $19.6 million.

- In the second quarter of 2013, the Broadcasting segment recorded a $1.5 million restructuring charge in connection with staff reductions and a $0.6 million asset impairment charge. In the second quarter of 2012, a $12.9 million gain on disposal of businesses was recognized in the Broadcasting segment as a result of the sale of TVA Group's interest in the specialty channels mysteryTV and The Cave.
- The other segments recorded a net charge for restructuring of operations, impairment of assets and other special items of $5.5 million in the second quarter of 2013 ($0.9 million in the second quarter of 2012).

Loss on debt refinancing: $18.9 million in the second quarter of 2013.

- On June 3, 2013, Videotron issued a notice for the redemption on July 2, 2013 of US$380.0 million in aggregate principal amount of its issued and outstanding 9.125% Senior Notes due in April 2018 at redemption price of 104.563% of their principal amount. As a result, a total loss of $18.9 million was recorded in the consolidated statement of income in the second quarter of 2013, including a gain of $6.5 million previously recorded in "Other comprehensive income."

Income tax recovery: $30.6 million (effective tax rate of 24.6%) in the second quarter of 2013 compared with an income tax expense of $50.3 million (effective tax rate of 27.7%).

- The $80.9 million favourable variance in the income tax expense was mainly due to the unfavourable variance in pre-tax (loss) income. The decrease in the effective tax rate was due to the impact of the tax rate mix on the various components of the gain or loss on valuation and translation of financial instruments.

2013/2012 year-to-date comparison

Revenues: Stable at $2.14 billion.

- Revenues increased in Telecommunications ($53.9 million or 4.2% of segment revenues).
- Revenues decreased in News Media ($51.1 million or -10.5%), Leisure and Entertainment ($6.6 million or -5.1%), Interactive Technologies and Communications ($5.0 million or -6.6%) and Broadcasting ($2.4 million or -1.0%).

Operating income: $685.3 million, an increase of $13.5 million (2.0%).

- Operating income increased in Telecommunications ($36.6 million or 6.1% of segment operating income) and Broadcasting ($4.7 million or 40.9%).
- Operating income decreased in News Media ($21.7 million or -42.3%), Leisure and Entertainment ($1.5 million), Interactive Technologies and Communications ($0.3 million or -5.0%) and at Head Office ($4.3 million). The decrease at Head Office was due primarily to the unfavourable variance in the fair value of stock options.
- The change in the fair value of Quebecor Media stock options resulted in a $3.8 million favourable variance in the consolidated stock-based compensation charge in the first half of 2013 compared with the same period of 2012. The change in the fair value of Quebecor stock options resulted in a $4.8 million unfavourable variance in the Corporation's consolidated stock-based compensation charge in the first half of 2013.

Net loss attributable to shareholders: $9.5 million ($0.15 per basic share) in the first half of 2013, compared with net income attributable to shareholders of $136.9 million ($2.15 per basic share) in the same period of 2012, an unfavourable variance of $146.4 million ($2.30 per basic share).

- The unfavourable variance was mainly due to:
    - $309.1 million unfavourable variance in losses and gains on valuation and translation of financial instruments;
    - $41.4 million increase in amortization charge;
    - $28.2 million increase in financial expenses;

- o $21.3 million unfavourable variance in losses and gains on debt refinancing;
- o $20.1 million unfavourable variance in the charge for restructuring of operations, impairment of assets and other special items.

Partially offset by:

- o $27.5 million favourable variance in income from discontinued operations attributable to shareholders, resulting mainly from the gain on disposal of *Jobboom*;
- o $14.5 million favourable variance in the goodwill impairment charge, without any tax consequences;
- o $13.5 million increase in operating income.

Adjusted income from continuing operations: $84.5 million in the first half of 2013 ($1.36 per basic share) compared with $82.3 million ($1.30 per basic share) in the same period of 2012, an increase of $2.2 million ($0.06 per basic share).

Amortization charge: $327.4 million, a $41.4 million increase essentially due to the same factors as those noted in the 2013/2012 second quarter comparison above.

Financial expenses: $195.6 million, an increase of $28.2 million due mainly to higher indebtedness resulting from the leveraged repurchase in October 2012 of Quebecor Media shares held by CDP Capital, a subsidiary of the Caisse.

Loss on valuation and translation of financial instruments: $195.0 million in the first half of 2013 compared with a $114.1 million gain in the same period of 2012. The unfavourable variance of $309.1 million was mainly due to an unfavourable change in the fair value of early settlement options caused by interest rate and credit premium fluctuations, and to the reversal of the fair value of early settlement options on the Videotron Senior Notes redeemed on July 2, 2013.

Charge for restructuring of operations, impairment of assets and other special items: $9.2 million in the first half of 2013, compared with a $10.9 million gain in the same period of 2012, an unfavourable variance of $20.1 million.

- In the first half of 2013, the Broadcasting segment recorded a $2.1 million restructuring charge ($0.1 million in the first half of 2012) in connection with staff reductions and a $1.0 million asset impairment charge. In the first half of 2012, a $12.9 million gain on disposal of businesses was recognized in the Broadcasting segment as a result of the sale of TVA Group's interest in the specialty channels mysteryTV and The Cave.
- The other segments recorded a net charge for restructuring of operations, impairment of assets and other special items of $6.1 million in the first half of 2013 ($1.9 million in the same period of 2012).

Goodwill impairment charge: $14.5 million in the first half of 2012.

- As a result of new tariffs adopted in 2012 with respect to business contributions for costs related to waste recovery services provided by Québec municipalities, the costs of the magazine publishing operations were adversely affected. Accordingly, the Corporation reviewed its business plan for the segment in the first quarter of 2012 and determined that goodwill was no longer fully recoverable. A $14.5 million non-cash goodwill impairment charge (without any tax consequences) was recorded.

Loss on debt refinancing: $18.9 million in the first half of 2013, compared with a $2.4 million gain in the same period of 2012.

- On June 3, 2013, Videotron issued a notice for the redemption on July 2, 2013 of US$380.0 million in aggregate principal amount of its issued and outstanding 9.125% Senior Notes due in April 2018 at a redemption price of 104.563% of their principal amount. As a result, a total loss of $18.9 million was recorded in the consolidated statement of income in the second quarter of 2013, including a gain of $6.5 million previously recorded in "Other comprehensive income."
- In the first half of 2012, Videotron redeemed all of its 6.875% Senior Notes maturing in January 2014 in the aggregate principal amount of US$395.0 million. During the same period, Quebecor Media redeemed US$260.0 million principal amount of its 7.75% Senior Notes maturing in March 2016 and settled the hedging contracts. These transactions generated a total $2.4 million gain on debt refinancing.

Income tax recovery: $10.5 million (effective tax rate of 17.3%) in the first half of 2013, compared with an income tax expense of $89.7 million (effective tax rate of 25.9%, counting only taxable and deductible items) in the same period of 2012.

- The $100.2 million favourable variance in the income tax expense was mainly due to the unfavourable variance in pre-tax (loss) income. The decrease in the effective tax rate was due to the impact of the tax rate mix on the various components of the gain or loss on valuation and translation of financial instruments.

SEGMENTED ANALYSIS

Telecommunications

Second quarter 2013 operating results

Revenues: $678.0 million, an increase of $30.8 million (4.8%).

- Combined revenues from all cable television services increased $3.5 million (1.3%) to $271.4 million, due primarily to higher revenues from the leasing of digital set-top boxes, increased subscriptions to the high-definition service and increased video-on-demand and pay-per-view orders.
- Revenues from Internet access services increased $12.5 million (6.5%) to $204.0 million. The favourable variance was mainly due to customer growth.
- Revenues from cable telephony service increased $6.4 million (5.7%) to $119.5 million, primarily as a result of customer growth, increases in some rates and more lines for business customers.
- Revenues from mobile telephony service increased $12.2 million (29.8%) to $53.1 million, essentially due to customer growth.
- Revenues from Videotron Business Solutions increased $0.3 million (1.9%) to $16.0 million.
- Revenues from customer equipment sales decreased $2.6 million (-23.9%) to $8.3 million. The decrease caused by campaigns promoting cable television equipment leasing was partially offset by increased revenues from mobile telephony equipment.
- Other revenues: $5.7 million, a decrease of $1.5 million (-20.8%) caused by Le SuperClub Vidéotron ltée ("Le SuperClub Vidéotron") store closures and lower franchise fee revenues.

ARPU: $117.24 in the second quarter of 2013, compared with $110.75 in the same period of 2012, an increase of $6.49 (5.9%).

Customer statistics

Revenue-generating units – As of June 30, 2013, the total number of revenue-generating units stood at 4,961,400, an increase of 13,000 (0.3%) from the end of the first quarter of 2013, compared with an increase of 31,100 in the second quarter of 2012 (Table 3). In the 12-month period ended June 30, 2013, the number of revenue-generating units increased by 204,600 (4.3%). Revenue-generating units are the sum of cable television, cable and mobile Internet access, and cable telephony service subscriptions and subscriber connections to the mobile telephony service.

Cable television – The combined customer base for all of Videotron's cable television services decreased by 16,800 (-0.9%) in the second quarter of 2013 (compared with a decrease of 16,100 in the same quarter of 2012) and decreased by 5,500 (-0.3%) during the 12-month period ended June 30, 2013 (Table 3). Because many people in Québec move during the second quarter, negative variances are not unusual. At the end of the second quarter of 2013, Videotron had 1,832,400 subscribers to its cable television services. The household and business penetration rate (number of subscribers as a proportion of the total 2,723,800 homes and businesses passed by Videotron's network as of the end of June 2013, up from 2,681,100 one year earlier) was 67.3% versus 68.6% a year earlier.

- As of June 30, 2013, the number of subscribers to illico Digital TV stood at 1,502,000, a quarterly increase of 1,700 or 0.1% (compared with a 7,500-subscriber increase in the second quarter of 2012) and a 12-month increase of 77,000 (5.4%). As of June 30, 2013, illico Digital TV had a household and business penetration rate of 55.1% versus 53.1% a year earlier.
- The customer base for analog cable television services decreased by 18,500 (-5.3%) in the second quarter of 2013 (compared with a decrease of 23,600 customers in the same quarter of 2012) and by 82,500 (-20.0%) over a 12-month period, largely as a result of customer migration to illico Digital TV.

Cable Internet access – The number of subscribers to cable Internet access services stood at 1,395,400 at June 30, 2013, a quarterly decrease of 1,900 (-0.1%) (compared with an increase of 600 in the same period of 2012) and a 12-month increase of 54,300 (4.0%) (Table 3). At June 30, 2013, Videotron's cable Internet access services had a household and business penetration rate of 51.2%, compared with 50.0% a year earlier.

Cable telephony service – The number of subscribers to cable telephony service stood at 1,274,700 as of June 30, 2013, a quarterly increase of 700 (0.1%) (compared with a 10,900-customer increase in the second quarter of 2012), and a 12-month increase of 51,300 (4.2%) (Table 3). At June 30, 2013, the cable telephony service had a household and business penetration rate of 46.8% versus 45.6% a year earlier.

Mobile telephony service – As of June 30, 2013, the number of subscriber connections to the mobile telephony service stood at 451,100, an increase of 30,200 (7.2%) from the end of the previous quarter (compared with an increase of 34,800 connections in the second quarter of 2012), and a 12-month increase of 103,500 (29.8%) (Table 3).

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

	June 2013	Mar. 2013	Dec. 2012	Sept. 2012	June 2012	Mar. 2012	Dec. 2011	Sept. 2011
Cable television:								
Analog	**330.4**	348.9	370.4	395.1	412.9	436.5	460.7	496.1
Digital	**1,502.0**	1,500.3	1,484.6	1,457.8	1,425.0	1,417.5	1,400.8	1,348.1
	1,832.4	1,849.2	1,855.0	1,852.9	1,837.9	1,854.0	1,861.5	1,844.2
Cable Internet	**1,395.4**	1,397.3	1,387.7	1,369.6	1,341.1	1,340.5	1,332.5	1,306.4
Cable telephony	**1,274.7**	1,274.0	1,264.9	1,249.7	1,223.4	1,212.5	1,205.3	1,179.4
Mobile telephony[1]	**451.1**	420.9	402.6	378.3	347.6	312.8	290.6	258.1
Internet over wireless	**7.8**	7.0	7.1	7.4	6.8	5.9	5.6	5.2
Total (revenue-generating units)	**4,961.4**	4,948.4	4,917.3	4,857.9	4,756.8	4,725.7	4,695.5	4,593.3

1. In thousands of subscriber connections

Operating income: $322.1 million, an increase of $23.0 million (7.7%).

- The increase in operating income was mainly due to the impact of higher revenues and an adjustment to a provision for Canadian Radio-television and Telecommunications Commission ("CRTC") licence fees to align with the CRTC's billing period.

Cost/revenue ratio: Operating costs for all Telecommunications segment operations, expressed as a percentage of revenues, were 52.5% in the second quarter of 2013 compared with 53.8% in the same period of 2012.

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

Year-to-date operating results

Revenues: $1.34 billion, an increase of $53.9 million (4.2%), essentially due to the same factors as those noted above in the discussion of second quarter 2013 results.

- Combined revenues from all cable television services increased $7.5 million (1.4%) to $543.4 million.
- Revenues from Internet access services increased $19.6 million (5.1%) to $402.4 million.
- Revenues from cable telephony service increased $10.4 million (4.6%) to $235.2 million.
- Revenues from mobile telephony service increased $24.7 million (31.5%) to $103.1 million.
- Revenues from Videotron Business Solutions decreased $0.8 million (-2.5%) to $31.8 million.
- Revenues from customer equipment sales decreased $3.9 million (-20.3%) to $15.3 million.
- Other revenues decreased $3.5 million (-23.8%) to $11.2 million.

ARPU: $115.86 in the first half of 2013, compared with $109.98 in the same period of 2012, an increase of $5.88 (5.3%).

Customer statistics

Revenue-generating units – 44,100-unit increase (0.9%) in the first half of 2013, compared with a 61,300-unit increase in the same period of 2012.

Cable television – 22,600 (-1.2%) decrease in the combined customer base for all of Videotron's cable television services in the first half of 2013, compared with a 23,600-customer decrease in the same period of 2012.

- Subscriptions to illico Digital TV service increased by 17,400 (1.2%) in the first six months of 2013 compared with an increase of 24,200 in the same period of 2012.
- Subscriptions to analog cable television services decreased by 40,000 (-10.8%) compared with a decrease of 47,800 in the first six months of 2012.

Cable Internet access – 7,700-customer increase (0.6%) in the first half of 2013 compared with an increase of 8,600 in the same period of 2012.

Cable telephony service – 9,800-customer increase (0.8%) in the first half of 2013 compared with an increase of 18,100 in the same period of 2012.

Mobile telephony service – 48,500 (12.0%) increase in subscriber connections in the first half of 2013 compared with an increase of 57,000 in the same period of 2012**.**

Operating income: $636.6 million, an increase of $36.6 million (6.1%).

- The increase in operating income was mainly due to:
  - impact of higher revenues;
  - adjustment to provision for CRTC licence fees to align with the CRTC's billing period;
  - $2.9 million decrease in stock-based compensation charge.

  Partially offset by:
  - increases in some operating expenses, mainly related to customer service costs.

Cost/revenue ratio: Operating costs for all Telecommunications segment operations, expressed as a percentage of revenues, were 52.6% in the first half of 2013 compared with 53.4% in the same period of 2012. The decrease was due to the same factors as those noted above in the discussion of second quarter 2013 operating results.

Cash flows from operations

Quarterly cash flows from segment operations: $194.2 million in the second quarter of 2013, compared with $124.2 million in the same period of 2012, an increase of $70.0 million (Table 4).

- The increase was due to a $38.5 million decrease in additions to property, plant and equipment and in additions to intangible assets, mainly reflecting lower investment in the 4G network and in cable network modernization, a $23.0 million increase in operating income, and increased proceeds from disposal of assets.

Year-to-date cash flows from segment operations: $351.0 million in the first half of 2013 compared with $224.3 million in the same period of 2012 (Table 4).

- The $126.7 million increase was primarily due to an $81.9 million decrease in additions to property, plant and equipment and in additions to intangible assets, mainly reflecting lower investment in the 4G network and in cable network modernization, and the $36.6 million increase in operating income.

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

	Three months ended June 30		Six months ended June 30	
	2013	2012	**2013**	2012
Operating income	**$ 322.1**	$ 299.1	**$ 636.6**	$ 600.0
Additions to property, plant and equipment	**(126.8)**	(161.5)	**(272.4)**	(345.0)
Additions to intangible assets	**(10.8)**	(14.6)	**(23.8)**	(33.1)
Proceeds from disposal of assets	**9.7**	1.2	**10.6**	2.4
Cash flows from segment operations	**$ 194.2**	$ 124.2	**$ 351.0**	$ 224.3

News Media

Second quarter 2013 operating results

Revenues: $229.2 million, a decrease of $25.6 million (-10.0%).

- Advertising revenues decreased 13.9%; digital revenues decreased 9.1%; circulation revenues decreased 3.8%; combined revenues from commercial printing and other sources increased 4.5%.
- Revenues decreased 10.8% at the urban dailies, 13.0% at the community newspapers and 20.8% at the portals; the decline at the portals was caused mainly by lower advertising revenues.

Operating income: $23.9 million, a decrease of $11.7 million (-32.9%).

- The decrease was due primarily to:
  - impact of revenue decrease.

  Partially offset by:
  - $13.6 million favourable impact related to restructuring initiatives and to other reductions in operating expenses.

Cost/revenue ratio: Operating costs for all News Media segment operations, expressed as a percentage of revenues, were 89.6% in the second quarter of 2013, compared with 86.0% in the same period of 2012. The increase was due to the fixed component of operating costs, which does not fluctuate in proportion to revenue decreases, partially offset by the favourable impact of the reduction in operating costs in the second quarter of 2013.

Year-to-date operating results

Revenues: $436.8 million, a decrease of $51.1 million (-10.5%).

- Advertising revenues decreased 14.0%; digital revenues decreased 8.4%; circulation revenues decreased 4.5%; combined revenues from commercial printing and other sources increased 1.8%.
- Revenues decreased 10.5% at the urban dailies, 13.2% at the community newspapers and 28.0% at the portals; the decline at the portals was caused mainly by lower advertising revenues.

Operating income: $29.6 million, a decrease of $21.7 million (-42.3%).

- The decrease was due primarily to:
  - impact of revenue decrease;
  - $1.8 million unfavourable variance in multimedia employment tax credits.

  Partially offset by:
  - $24.2 million favourable impact related to restructuring initiatives and to other reductions in operating expenses.

Cost/revenue ratio: Operating costs for all News Media segment operations, expressed as a percentage of revenues, were 93.2% in the first half of 2013 compared with 89.5% in the same period of 2012. The increase was mainly due to the same negative factors as those noted above in the discussion of second quarter 2013 operating results.

Cash flows from operations

Quarterly cash flows from segment operations: $18.7 million in the second quarter of 2013 compared with $30.7 million in the same quarter of 2012 (Table 5). The $12.0 million decrease was due primarily to the $11.7 million decrease in operating income.

Year-to-date cash flows from segment operations: $21.3 million in the first half of 2013, compared with $41.7 million in the same period of 2012 (Table 5). The $20.4 million decrease was mainly due to the $21.7 million decrease in operating income.

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

	Three months ended June 30		Six months ended June 30	
	2013	2012	**2013**	2012
Operating income	**$ 23.9**	$ 35.6	**$ 29.6**	$ 51.3
Additions to property, plant and equipment	**(2.3)**	(1.6)	**(4.7)**	(3.5)
Additions to intangible assets	**(2.9)**	(3.3)	**(3.9)**	(6.1)
Proceeds from disposal of assets	**—**	—	**0.3**	—
Cash flows from segment operations	**$ 18.7**	$ 30.7	**$ 21.3**	$ 41.7

Broadcasting

Second quarter 2013 operating results

Revenues: Stable at $113.6 million.

- Revenues from television operations increased $1.4 million, mainly due to:
  - increased subscription revenues at the specialty channels, attributable largely to the LCN, SUN News, TVA Sports, Moi&cie, addik^{TV} and Yoopa channels;
  - increased advertising revenues at the specialty channels, including addik^{TV}, Prise 2 and SUN News.

  Partially offset by:
  - lower advertising and other revenues at TVA Network.
- Total publishing revenues decreased $1.4 million, mainly because of lower advertising revenues and newsstand revenues.

Operating income: $18.1 million in the second quarter of 2013, a decrease of $0.4 million (-2.2%).

- Operating income from television operations increased by $0.3 million, mainly as a result of:
  - decrease in SUN News' operating loss due to higher revenues and lower labour and content costs.

  Partially offset by:
  - increases in some operating costs at the LCN, TVA Sports, addik^{TV} and Moi&cie specialty channels, including advertising and content expenses.
- Operating income from publishing operations declined by $0.6 million, mainly as a result of the impact of the revenue decrease.

Cost/revenue ratio: Operating costs for all Broadcasting segment operations, expressed as a percentage of revenues, were 84.1% in the second quarter of 2013 compared with 83.7% in the same period of 2012.

Year-to-date operating results

Revenues: $226.6 million, a decrease of $2.4 million (-1.0%).

- Revenues from television operations were flat. Increased subscription revenues, attributable largely to the LCN, TVA Sports, Moi&cie, SUN News, Yoopa and addik^{TV} channels, were offset by lower advertising revenues at TVA Network.
- Total publishing revenues decreased $2.3 million because of lower newsstand revenues and advertising revenues.

Operating income: $16.2 million, an increase of $4.7 million (40.9%).

- Operating income from television operations increased by $3.0 million, mainly as a result of:
  - decrease in SUN News' operating loss due primarily to reduced labour and content costs;
  - decrease in TVA Network's operating costs due to lower content and production costs, impact of containment of other costs, and adjustment to provision for CRTC licence fees to align with the CRTC's billing period.

  Partially offset by:
  - increases in some operating costs at the LCN, Moi&cie, TVA Sports and addik^{TV} specialty channels.
- Operating income from publishing operations increased by $1.7 million, mainly as a result of:
  - favourable impact on year-to-date results of recognition in the first quarter of 2012 of a $2.3 million charge for the years 2010 and 2011 related to adoption of new tariffs with respect to business contributions for costs related to waste recovery services provided by Québec municipalities.

  Partially offset by:
  - impact of revenue decrease.

Cost/revenue ratio: Operating costs for all Broadcasting segment operations, expressed as a percentage of revenues, were 92.9% in the first half of 2013 compared with 95.0% in the same period of 2012. The decrease in costs as a proportion of revenues was mainly due to decreased operating costs and recognition in the first half of 2012 of retroactive costs related to waste-recovery services.

Cash flows from operations

Quarterly cash flows from segment operations: $13.5 million in the second quarter of 2013, compared with $32.0 million in the same period of 2012 (Table 6). The $18.5 million decrease mainly reflects proceeds from the disposal of assets in the amount of $21.0 million recognized in the second quarter of 2012, partially offset by the impact of a $2.9 million decrease in additions to property, plant and equipment and intangible assets.

Year-to-date cash flows from segment operations: $5.7 million in the first half of 2013, compared with $19.1 million in the same period of 2012 (Table 6). The $13.4 million decrease was due to the same factors as those noted above in the discussion of second quarter 2013 results, partially offset in the first half of 2013 by the $4.7 million increase in operating income.

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

	Three months ended June 30		Six months ended June 30	
	2013	2012	**2013**	2012
Operating income	**$ 18.1**	$ 18.5	**$ 16.2**	$ 11.5
Additions to property, plant and equipment	**(4.3)**	(6.8)	**(9.6)**	(12.1)
Additions to intangible assets	**(0.3)**	(0.7)	**(0.9)**	(1.3)
Proceeds from disposal of assets	**—**	21.0	**—**	21.0
Cash flows from segment operations	**$ 13.5**	$ 32.0	**$ 5.7**	$ 19.1

Leisure and Entertainment

Second quarter 2013 operating results

Revenues: $62.6 million, a decrease of $0.3 million (-0.5%) compared with the second quarter of 2012.

- The revenues of Archambault Group Inc. (“Archambault Group”) decreased 1.9%, mainly because of:
  - 3.1% decrease in retail sales due primarily to lower sales of CDs and DVDs;
  - 12.8% decrease in production revenues, mainly reflecting the larger number of concerts produced in the second quarter of 2012.

  Offset by:
  - 4.7% increase in distribution revenues, mainly reflecting the addition of albums from a new label.
- The Book division’s revenues increased by 1.0%, mainly because of higher revenues from academic publishing and general literature, partially offset by lower revenues from distribution to mass retailers.

Operating loss: $0.6 million in the second quarter of 2013 compared with an operating loss of $1.1 million in the second quarter of 2012. The $0.5 million favourable variance was mainly due to the impact of higher revenues in the Book division, combined with decreases in some of the division’s operating costs.

Year-to-date operating results

Revenues: $123.4 million, a decrease of $6.6 million (-5.1%).

- Archambault Group’s revenues decreased 7.7%, mainly because of:
  - 20.1% decrease in distribution revenues, mainly reflecting the larger number of successful album releases in the first half of 2012, combined with decreased product distribution to Le SuperClub Vidéotron stores;
  - 31.2% decrease in production revenues, mainly reflecting the larger number of concerts produced in the first half of 2012;
  - 2.4% decrease in retail sales due to lower sales of CDs and DVDs.
- The Book division’s revenues decreased by 1.2%, mainly because of lower distribution revenues, partially offset by higher revenues from academic publishing.

Operating loss: $2.3 million in the first half of 2013 compared with a $0.8 million operating loss in the same period of 2012. The $1.5 million unfavourable variance was mainly a result of the impact of lower revenues at Archambault Group.

Cash flows from operations

Quarterly cash flows from segment operations: Negative $3.1 million in the second quarter of 2013 compared with negative $4.1 million in the same period of 2012 (Table 7).

- The $1.0 million favourable variance was mainly due to the $0.5 million decrease in operating loss and a $0.4 million decrease in additions to property, plant and equipment.

Year-to-date cash flows from segment operations: Negative $6.0 million in the first six months of 2013 compared with negative $5.4 million in the same period of 2012 (Table 7).

- The $0.6 million unfavourable variance was due to the $1.5 million increase in operating loss, partially offset by a $0.8 million decrease in additions to property, plant and equipment.

Table 7: Leisure and Entertainment
Cash flows from operations
(in millions of Canadian dollars)

	Three months ended June 30		Six months ended June 30	
	2013	2012	**2013**	2012
Operating loss	**$ (0.6)**	$ (1.1)	**$ (2.3)**	$ (0.8)
Additions to property, plant and equipment	**(0.5)**	(0.9)	**(1.0)**	(1.8)
Additions to intangible assets	**(2.0)**	(2.1)	**(2.7)**	(2.8)
Cash flows from segment operations	**$ (3.1)**	$ (4.1)	**$ (6.0)**	$ (5.4)

Interactive Technologies and Communications

Second quarter 2013 operating results

Revenues: $35.8 million, a decrease of $3.6 million (-9.1%).

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

Operating income: $4.4 million, an increase of $1.4 million (46.7%). The favourable variance was due primarily to decreases in some operating costs, including labour costs, partially offset by impact of revenue decrease.

Year-to-date operating results

Revenues: $71.0 million, a decrease of $5.0 million (-6.6%) essentially due to the same factors as those noted above in the discussion of second quarter 2013 results.

Operating income: $5.7 million, a decrease of $0.3 million (-5.0%), caused mainly by the impact of the revenue decrease, partially offset by the decrease in operating costs, including labour costs.

Cash flows from operations

Quarterly cash flows from segment operations: $4.0 million in the second quarter of 2013 compared with $1.9 million in the same period of 2012 (Table 8).

- The $2.1 million favourable variance was due to the $1.4 million increase in operating income, combined with a $0.7 million decrease in additions to property, plant and equipment.

Year-to-date cash flows from segment operations: $4.5 million in the first half of 2013 compared with $3.8 million in the same period of 2012 (Table 8).

- The $0.7 million favourable variance was mainly due to a $1.0 million decrease in additions to property, plant and equipment.

Table 8: Interactive Technologies and Communications
Cash flows from operations
(in millions of Canadian dollars)

	Three months ended June 30		Six months ended June 30	
	2013	2012	**2013**	2012
Operating income	**$ 4.4**	$ 3.0	**$ 5.7**	$ 6.0
Additions to property, plant and equipment	**(0.4)**	(1.1)	**(1.2)**	(2.2)
Cash flows from segment operations	**$ 4.0**	$ 1.9	**$ 4.5**	$ 3.8

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.

<u>Operating activities</u>

Second quarter 2013

Cash flows provided by operating activities: $144.2 million in the second quarter of 2013 compared with $223.9 million in the same period of 2012.

- The $79.7 million unfavourable variance was mainly due to:
  - $61.3 million unfavourable net change in non-cash balances related to operations, mainly because of unfavourable variances in inventory at Videotron and in accounts payable and accrued charges at Videotron and Nurun Inc.;
  - $17.0 million increase in cash interest expense;
  - $11.7 million decrease in operating income in the News Media segment;
  - $10.1 million unfavourable variance in current income taxes.

  Partially offset by:

  - $23.0 million increase in operating income in the Telecommunications segment.

Year to date

Cash flows provided by operating activities: $266.1 million in the first half of 2013 compared with $457.4 million in the same period of 2012.

- The $191.3 million unfavourable variance was mainly due to:
  - $141.1 million unfavourable net change in non-cash balances related to operations, essentially because of the same factors as those noted above in the discussion of second quarter 2013 results;
  - $29.2 million increase in cash interest expense;
  - $28.8 million unfavourable variance in current income taxes;
  - $21.7 million decrease in operating income in the News Media segment.

  Partially offset by:

  - $36.6 million increase in operating income in the Telecommunications segment.

Unfavourable timing of transactions on non-cash items related to operating activities, combined with a reduction in tax benefits available for the deferral of income tax disbursements, negatively affected cash flows provided by operating activities. Interest expenses on higher indebtedness resulting from the repurchase of Quebecor Media shares in the fourth quarter of 2012 also had a negative impact. As well, in a continuation of the trend seen in recent quarters, while increased profitability in the Telecommunications segment generated higher cash flows, the negative impact of competition and challenging market conditions in the News Media segment had an unfavourable impact on cash flows provided by operating activities.

Working capital: Negative $67.7 million at June 30, 2013 compared with negative $113.8 million at December 31, 2012. The $46.1 million favourable variance was due primarily to investments in non-cash balances related to operations.

Investing activities

Second quarter 2013

Additions to property, plant and equipment: $135.1 million in the second quarter of 2013 compared with $172.6 million in the same period of 2012. The $37.5 million decrease was due primarily to:

- $34.7 million decrease in additions to property, plant and equipment in the Telecommunications segment, mainly related to lower spending on the 4G network and cable network modernization.

Additions to intangible assets: $15.8 million in the second quarter of 2013 compared with $20.2 million in the same period of 2012. The Telecommunications segment accounted for the largest part of the $4.4 million decrease.

Business acquisitions: $1.6 million in the second quarter of 2013, compared with $0.8 million in the same period of 2012.

Disposal of businesses: $52.8 million in the second quarter of 2013, reflecting the sale of *Jobboom* and *Réseau Contact* to Mediagrif Interactive Technologies Inc. ("Mediagrif").

Proceeds from disposal of assets: $9.7 million in the second quarter of 2013 compared with $22.2 million in the same quarter of 2012.

- The $9.7 million figure for the second quarter of 2013 was recorded in the Telecommunications segment.
- The figure for the second quarter of 2012 included $21.0 million recorded in the Broadcasting segment in connection with the sale of TVA Group's interest in the specialty channels mysteryTV and The Cave.

Year to date

Additions to property, plant and equipment: $289.9 million in the first half of 2013 compared with $365.8 million in the same period of 2012. The $75.9 million variance was mainly due to a $72.6 million decrease in additions to property, plant and equipment in the Telecommunications segment, due to the same factors as those noted above in the discussion of second quarter 2013 results.

Additions to intangible assets: $31.2 million in the first half of 2013 compared with $42.3 million in the same period of 2012. The Telecommunications segment accounted for the largest part of the $11.1 million decrease.

Business acquisitions: $1.6 million in the first half of 2013 compared with $0.8 million in the same period of 2012.

Disposal of businesses: $52.8 million in the first half of 2013, reflecting the sale of *Jobboom* and *Réseau Contact* to Mediagrif.

Proceeds from disposal of assets: $10.9 million in the first half of 2013 compared with $23.4 million in the same period of 2012. The decrease was due to the same factors as those noted above in the discussion of second quarter 2013 results.

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

Second quarter 2013

Free cash flows from continuing operating activities of Quebecor Media: $10.8 million in the second quarter of 2013 compared with $53.4 million in the same period of 2012 (Table 9).

- The $42.6 million unfavourable variance was mainly due to:
  - $72.0 million unfavourable variance in cash flows provided by operating activities;
  - $12.5 million decrease in proceeds from disposal of assets.

  Partially offset by:
  - $37.5 million decrease in additions to property, plant and equipment.

Year to date

Free cash flows from continuing operating activities of Quebecor Media: Negative $30.1 million in the first half of 2013 compared with positive $88.6 million in the same period of 2012 (Table 9).

- The $118.7 million unfavourable variance was mainly due to:
  - $193.2 million unfavourable variance in cash flows provided by operating activities;
  - $12.5 million decrease in proceeds from disposal of assets.

  Partially offset by:
  - $75.9 million decrease in additions to property, plant and equipment;
  - $11.1 million decrease in additions to intangible assets.

Table 9
Cash flows provided by operating activities of the Quebecor Media subsidiary and its free cash flows from continuing operating activities
(in millions of Canadian dollars)

	Three months ended June 30		Six months ended June 30	
	2013	2012	**2013**	2012
Operating (loss) income:				
Telecommunications	**$ 322.1**	$ 299.1	**$ 636.6**	$ 600.0
News Media	**23.9**	35.6	**29.6**	51.3
Broadcasting	**18.1**	18.5	**16.2**	11.5
Leisure and Entertainment	**(0.6)**	(1.1)	**(2.3)**	(0.8)
Interactive Technologies and Communications	**4.4**	3.0	**5.7**	6.0
Head Office	**1.3**	(3.7)	**2.3**	3.5
	369.2	351.4	**688.1**	671.5
Cash interest expense	**(91.9)**	(76.5)	**(182.5)**	(156.7)
Cash portion of charge for restructuring of operations, impairment of assets and other special items	**(6.3)**	(0.9)	**(7.5)**	(2.0)
Current income taxes	**(30.3)**	(20.3)	**(54.6)**	(25.8)
Other	**(2.0)**	(2.1)	**(0.4)**	(0.2)
Net change in non-cash balances related to operations	**(86.7)**	(27.6)	**(163.0)**	(13.5)
Cash flows provided by continuing operating activities	**152.0**	224.0	**280.1**	473.3
Additions to property, plant and equipment and additions to intangible assets, less proceeds from disposal of assets:				
Telecommunications	**(127.9)**	(174.9)	**(285.6)**	(375.7)
News Media	**(5.2)**	(4.9)	**(8.3)**	(9.6)
Broadcasting	**(4.6)**	13.5	**(10.5)**	7.6
Leisure and Entertainment	**(2.5)**	(3.0)	**(3.7)**	(4.6)
Interactive Technologies and Communications	**(0.4)**	(1.1)	**(1.2)**	(2.2)
Head Office	**(0.6)**	(0.2)	**(0.9)**	(0.2)
	(141.2)	(170.6)	**(310.2)**	(384.7)
Free cash flows from continuing operating activities	**$ 10.8**	$ 53.4	**$ (30.1)**	$ 88.6

Financing activities

Consolidated debt (long-term debt plus bank borrowings): $785.4 million increase in the first half of 2013; $159.5 million favourable net variance in assets and liabilities related to derivative financial instruments.

- Summary of debt increases during the first half of 2013:
  - Issuance by Videotron on June 17, 2013 of Senior Notes in the aggregate principal amount of $400.0 million. The Notes bear 5.625% interest and mature on June 15, 2025.
  - $198.9 million increase in debt due to the reduction in the fair value of early settlement options, which are presented on the balance sheet as a reduction of debt. The reduction in fair value was due to the impact of interest rate and credit premium fluctuations and to the reversal of the fair value of early settlement options on the Videotron Senior Notes redeemed on July 2, 2013.
  - Estimated $176.9 million unfavourable impact of exchange rate fluctuations. The increase in this item is offset by a decrease in the liability (or increase in the asset) related to cross-currency swap agreements entered under “Derivative financial instruments.”
  - $11.0 million increase in Quebecor’s debt.
- Summary of debt reductions during the same period:
  - Current payments totalling $10.7 million on Quebecor Media’s and Videotron’s credit facilities.
- On July 2, 2013, Videotron used the $394.8 million net proceeds from its 5.625% Senior Notes issued on June 17, 2013 to prepay and withdraw US$380.0 million aggregate principal amount of its 9.125% Senior Notes maturing in April 2018.
- Assets and liabilities related to derivative financial instruments totalled a net liability of $103.4 million at June 30, 2013 compared with a net liability of $262.9 million at December 31, 2012. The $159.5 million net favourable variance was due to:
  - Favourable impact of exchange rate fluctuations on the value of derivative financial instruments;
  - Settlement at maturity of liabilities related to Quebecor Media’s hedges on the foreign currency exposure on its term loan “B” credit facility, which was prepaid in full in December 2012.

  Partially offset by:
  - Unfavourable impact of interest rate trends in Canada, compared with the United States, on the fair value of derivative financial instruments;
  - Unwinding in June 2013 of Videotron’s hedging contracts in an asset position in connection with the redemption on July 2, 2013 of US$380.0 million aggregate principal amount of Videotron’s 9.125% Senior Notes.
- On April 16, 2013, Quebecor Media announced a public exchange offer for the exchange of the entirety of its outstanding 5.75% Senior Notes, maturing on January 15, 2023, for an equivalent principal amount of Notes registered pursuant to the *Securities Act of 1933*. The exchange of almost all the Notes (99.9%) was completed by May 14, 2013.
- In June 2013, Quebecor Media amended its $300.0 million revolving credit facility to extend the maturity date to January 2017 and amend certain terms and conditions.
- In June 2013, Videotron also amended its $575.0 million revolving credit facility to extend the maturity date to July 2018 and amend certain terms and conditions.
- On June 17, 2013, Quebecor and the Caisse announced the closing of the secondary private placement by CDP Capital, a subsidiary of the Caisse, of $305.0 million aggregate principal amount of Quebecor’s 4.125% convertible unsecured subordinated debentures due 2018. Quebecor did not receive any proceeds from the sale of all the Debentures by CDP Capital in this secondary private placement, which is part of the transaction announced on October 3, 2012 allowing the Caisse to rebalance its portfolio by disposing of part of this significant position in the media and telecommunications industry.
- On July 31, 2013, Quebecor Media issued a notice for the redemption on August 30, 2013 of US$265.0 million in aggregate principal amount of its outstanding 7.75% Senior Notes issued on January 17, 2006 and due in March 2016, at a redemption price of 101.292% of their principal amount.

- On August 1, 2013, Quebecor Media entered into a US$350 million Senior Secured Term loan credit facility that will be issued at a discount price of 99.50% on August 29, 2013. The Term loan will bear interest at U.S. LIBOR, subject to a LIBOR floor of 0.75%, plus a premium of 2.50%. This credit facility calls for quarterly amortization payments totalling 1.00% per annum of the original principal amount, with the balance payable on August 17, 2020.

Financial position at June 30, 2013

Net available liquidity: $1.44 billion for Quebecor Media and its wholly owned subsidiaries, consisting of $567.0 million in cash and $874.9 million in available unused lines of credit (before the impact of the redemption on July 2, 2013 of US$380.0 million aggregate principal amount of Videotron's 9.125% Senior Notes maturing on April 15, 2018).

Net available liquidity: $70.5 million for Quebecor at the corporate level, consisting of a $1.7 million bank overdraft and $72.2 million in available unused lines of credit.

Consolidated debt: $5.32 billion at June 30, 2013, a $785.4 million increase compared with December 31, 2012; $159.5 million favourable net variance in assets and liabilities related to derivative financial instruments (*see* "Financing activities" above).

- Consolidated debt essentially consisted of Videotron's $2.76 billion debt ($2.13 billion at December 31, 2012), TVA Group's $74.5 million debt ($74.4 million at December 31, 2012), Quebecor Media's $2.37 billion debt ($2.23 billion at December 31, 2012), and Quebecor's $113.6 million debt ($102.6 million at December 31, 2012).

As at June 30, 2013, minimum principal payments on long-term debt in the coming years were as follows:

Table 10
Minimum principal payments on Quebecor's long-term debt
12-month periods ending on June 30
(in millions of Canadian dollars)

2014	$ 422.1
2015	97.7
2016	947.1
2017	11.7
2018	390.3
2019 and thereafter	3,560.5
Total	**$ 5,429.4**

The weighted average term of Quebecor's consolidated debt was approximately 7.1 years as of June 30, 2013, pro forma the redemption of 9.125% Senior Notes on July 2, 2013 (7.1 years as of December 31, 2012). The debt consists of approximately 89.8% fixed-rate debt (89.7% at December 31, 2012) and 10.2% floating-rate debt, pro forma the redemption of 9.125% Senior Notes on July 2, 2013 (10.3% at December 31, 2012).

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

Pursuant to their financing agreements, the Corporation and its subsidiaries are required to maintain certain financial ratios and financial covenants. The key indicators listed in these financing agreements include debt service coverage ratio and debt ratio (long-term debt over operating income). At June 30, 2013, the Corporation and its subsidiaries were in compliance with all required financial ratios and restrictive covenants in their financing agreements.

Dividends declared

- On August 7, 2013, the Board of Directors of Quebecor declared a quarterly dividend of $0.05 per share on Class A shares and Class B shares (or $0.025 per share after the two-for-one stock split of Class A and Class B shares, effective August 14, 2013), payable on September 17, 2013 to shareholders of record at the close of business on August 23, 2013.

Analysis of consolidated balance sheet as at June 30, 2013

Table 11
Consolidated balance sheet of Quebecor
Analysis of main differences between June 30, 2013 and December 31, 2012
(in millions of Canadian dollars)

	June 30, 2013	Dec. 31, 2012	Difference	Main reason for difference
Assets				
Cash and cash equivalents	**$ 573.0**	$ 228.7	$ 344.3	Cash flows provided by issuance of Senior Notes by Videotron on June 17, 2013
Liabilities				
Accounts payable and accrued charges	**625.1**	804.5	(179.4)	Impact of current variances in activity
Long-term debt, including short-term portion and bank indebtedness	**5,316.7**	4,531.3	785.4	*See* “Financing activities”
Derivative financial instruments[1]	**103.4**	262.9	(159.5)	*See* “Financing activities”
Net future tax liabilities[2]	**512.2**	570.2	(58.0)	Reduced deferred income taxes because of fluctuations in the fair value of early settlement options

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

ADDITIONAL INFORMATION

Contractual Obligations

At June 30, 2013, material contractual obligations of operating activities included: capital repayment and interest payments on long-term debt; coupon payments on convertible debentures; operating lease arrangements; capital asset purchases and other commitments; and obligations related to derivative financial instruments, less estimated future receipts on derivative financial instruments. Table 12 below shows a summary of these contractual obligations.

Table 12
Contractual obligations of Quebecor as of June 30, 2013
(in millions of Canadian dollars)

	Total	Less than 1 year	1-3 years	3-5 years	5 years or more
Long-term debt[1]	**$ 5,429.4**	$ 422.1	$ 1,044.8	$ 402.0	$ 3,560.5
Interest payments[2]	**2,444.1**	301.0	656.6	530.9	955.6
Coupon payments on convertible debentures	**113.5**	20.6	41.3	41.3	10.3
Operating leases	**298.3**	57.7	76.8	50.0	113.8
Additions to property, plant and equipment and other commitments	**545.4**	107.2	152.9	74.7	210.6
Derivative financial instruments[3]	**87.8**	100.6	20.6	64.5	(97.9)
Total contractual obligations	**$ 8,918.5**	**$** 1,009.2	**$** 1,993.0	**$** 1,163.4	**$** 4,752.9

1. The carrying value of long-term debt excludes adjustments related to embedded derivatives and financing fees.
2. Estimated interest payable on long-term debt, based on interest rates, hedging of interest rates and hedging of foreign exchange rates as of June 30, 2013.
3. Estimated future disbursements, net of receipts, related to foreign exchange hedging using derivative financial instruments.

Related-Party Transactions

During the second quarter of 2013, the Corporation and its subsidiaries made purchases and incurred rent charges with affiliated corporations in the amount of $1.1 million ($0.9 million in the same period of 2012), which are included in purchase of goods and services. The Corporation and its subsidiaries made sales to affiliated corporations in the amount of $0.8 million ($1.1 million in the same period of 2012). These transactions were concluded on terms equivalent to those that prevail on an arm’s length basis and were accounted for at the consideration agreed between parties.

During the first half of 2013, the Corporation and its subsidiaries made purchases and incurred rent charges with affiliated corporations in the amount of $1.1 million ($3.1 million in the same period of 2012), which are included in purchase of goods and services. The Corporation and its subsidiaries made sales to affiliated corporations in the amount of $1.4 million ($2.0 million in the first half of 2012). These transactions were concluded on terms equivalent to those that prevail on an arm’s length basis and were accounted for at the consideration agreed between parties.

Capital stock

In accordance with Canadian financial reporting standards, Table 13 below presents information on the Corporation’s capital stock as at July 31, 2013. In addition, 1,184,591 share options were outstanding as of July 31, 2013.

Table 13
Capital stock
(in shares and millions of Canadian dollars)

	July 31, 2013	
	Issued and outstanding	Book value
Class A Shares	19,560,686	$ 8.7
Class B Shares	42,360,696	$ 322.2

On August 7, 2013, the Board of Directors of the Corporation approved a two-for-one stock split of the Corporation's outstanding Class A Shares and Class B Shares. Accordingly, shareholders will receive one additional share for each share owned on the record date of August 14, 2013, subject to approval of regulatory filings with the TSX. Trading on the shares on a split basis will commence at the opening of business on August 16, 2013.

On August 7, 2013, the Board of Directors of Quebecor authorized a normal course issuer bid for a maximum of 978,034 Class A shares, representing approximately 5% of issued and outstanding Class A shares, and for a maximum of 4,214,624 Class B shares, representing approximately 10% of the public float of Class B shares as of July 31, 2013. The purchases can be made from August 13, 2013 to August 12, 2014 at prevailing market prices on the open market through the facilities of the TSX. All shares purchased under the bid will be cancelled.

In the first half of 2013, the Corporation purchased and cancelled 495,600 Class B shares for a total cash consideration of $21.6 million (143,400 Class B shares for a total cash consideration of $5.3 million in the first half of 2012). The excess of $17.8 million of the purchase price over the carrying value of Class B shares repurchased was recorded as a reduction of retained earnings in the first half of 2013 ($4.2 million in the first half of 2012).

Financial Instruments

Quebecor and its subsidiaries use a number of financial instruments, mainly cash and cash equivalents, trade receivables, long-term investments, bank indebtedness, trade payables, accrued charges, long-term debt 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 CAD dollars all 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 variable-rate debts; and (iii) to reverse existing hedging positions through offsetting transactions. The Corporation and its subsidiaries do not intend to settle their derivative financial instruments prior to their maturity as none of these instruments is held or issued for speculative purposes.

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, derivative financial instruments and liability and derivative components of convertible debentures as of June 30, 2013 and December 31, 2012 are as follows:

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

	June 30, 2013		December 31, 2012	
Asset (liability)	**Carrying value**	**Fair value**	Carrying value	Fair value
Long-term debt[1]	**$ (5,429.4)**	**$ (5,502.5)**	$ (4,845.1)	$ (5,109.1)
Derivative financial instruments:				
Early settlement options	**63.9**	**63.9**	264.9	264.9
Foreign exchange forward contracts[2]	**3.3**	**3.3**	0.1	0.1
Cross-currency interest rate swaps[2]	**(106.7)**	**(106.7)**	(263.0)	(263.0)
Liability and derivative components of convertible debentures	**(123.8)**	**(123.8)**	(132.7)	(132.7)

1. The carrying value of long-term debt excludes adjustments related to embedded derivatives and financing fees.
2. The value of foreign exchange forward contracts entered into to reverse existing hedging positions is netted from the value of the offset financial instruments.

Losses (gains) on valuation and translation of financial instruments in the second quarter and first half of 2013 are summarized in Table 15.

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

	Three months ended June 30		Six months ended June 30	
	2013	2012	**2013**	2012
Loss (gain) on embedded derivatives and derivative financial instruments for which hedge accounting is not used	**$ 139.8**	$ (41.8)	**$ 132.6**	$ (123.8)
Loss on reversal of embedded derivatives upon debt redemption	**67.0**	—	**67.0**	9.7
Gain on the ineffective portion of cash flow hedges	**(2.1)**	—	**(2.3)**	—
Gain on the fair value of derivative component of convertible debentures	**(2.0)**	—	**(2.3)**	—
Gain on the ineffective portion of fair value hedges	—	(0.1)	—	—
	$ 202.7	$ (41.9)	**$ 195.0**	$ (114.1)

Losses of $2.6 million and $28.5 million were recorded under Other comprehensive income in the second quarter and first half of 2013 respectively in relation to cash flow hedging relationships ($6.5 million and $25.4 million gains in the second quarter and first half of 2012 respectively).

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

The fair value of 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 other party to the contract or the Corporation.

The fair value of early settlement options recognized as embedded derivatives and the derivative component of convertible debentures are determined by option pricing models using market inputs, including volatility and discount factors.

Changes in Accounting Policies

On January 1, 2013, the Corporation adopted retrospectively the following standards. Unless otherwise indicated, the adoption of these new standards did not have a material impact on prior period comparative figures.

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

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

Increase (decrease)	Three months ended June 30, 2012	Six months ended June 30, 2012
Revenues	$ (1.8)	$ (4.2)
Purchase of goods and services	(1.1)	(2.5)
Financial expenses	(0.7)	(1.7)
Income from continuing operations	$ –	$ –

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

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

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

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

The adoption of the amended standard had the following impacts on prior period figures:

Consolidated statements of income

Increase (decrease)	Three months ended June 30, 2012	Six months ended June 30, 2012
Employee costs	$ 1.0	$ 1.9
Financial expenses	3.2	6.4
Deferred income tax	(1.1)	(2.2)
Income from continuing operations	$ (3.1)	$ (6.1)
Income from continuing operations attributable to:		
Shareholders	$ (1.5)	$ (3.0)
Non-controlling interests	(1.6)	(3.1)

Consolidated balance sheets

Increase (decrease)	December 31, 2012	December 31, 2011
Other liabilities	$ 2.1	$ 3.7
Deferred income taxes liability	(0.6)	(1.0)
Retained earnings	75.4	48.4
Accumulated other comprehensive income	(77.2)	(49.6)
Non-controlling interests	0.3	(1.5)

Controls and Procedures

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

No changes to internal controls over financial reporting have come to the attention of the Corporation's management during the three months ended June 30, 2013 that have materially adversely affected, or are reasonably likely to materially adversely affect, the Corporation's internal controls over financial reporting.

Additional Information

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

Cautionary Statement Regarding Forward-Looking Statements

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

- Quebecor Media's ability to 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 newspapers 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 newspapers' 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, 2012.

The forward-looking statements in this Management Discussion and Analysis reflect the Corporation's expectations as of August 8, 2013, 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

August 8, 2013

QUEBECOR INC. AND ITS SUBSIDIARIES

SELECTED QUARTERLY FINANCIAL DATA

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

	2013		2012				2011	
	June 30	**March 31**	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30
Operations								
Revenues	**$ 1,088.4**	**$ 1,047.8**	$ 1,137.8	$ 1,054.7	$ 1,079.8	$ 1,057.3	$ 1,140.1	$ 1,007.9
Operating income	**367.8**	**317.5**	368.0	349.3	353.6	318.2	364.9	315.4
Contribution to net (loss) income attributable to shareholders:								
Continuing operations	**52.9**	**31.6**	52.9	49.5	46.1	36.2	52.0	37.5
(Loss) gain on valuation and translation of financial instruments	**(113.9)**	**3.1**	(50.8)	47.5	16.1	30.2	34.0	(17.2)
Unusual items	**(12.8)**	**(0.6)**	4.0	(81.0)	2.2	3.4	(4.2)	3.3
Discontinued operations	**28.7**	**1.5**	1.0	1.1	1.1	1.6	2.5	1.4
Net (loss) income attributable to shareholders	**(45.1)**	**35.6**	7.1	17.1	65.5	71.4	84.3	25.0
Basic data per share								
Contribution to net (loss) income attributable to shareholders:								
Continuing operations	**$ 0.85**	**$ 0.51**	$ 0.84	$ 0.78	$ 0.72	$ 0.58	$ 0.81	$ 0.59
(Loss) gain on valuation and translation of financial instruments	**(1.83)**	**0.05**	(0.80)	0.75	0.25	0.48	0.53	(0.27)
Unusual items	**(0.21)**	**(0.01)**	0.06	(1.28)	0.03	0.05	(0.06)	0.05
Discontinued operations	**0.46**	**0.03**	0.02	0.02	0.02	0.02	0.04	0.02
Net (loss) income attributable to shareholders	**(0.73)**	**0.58**	0.12	0.27	1.02	1.13	1.32	0.39
Weighted average number of shares outstanding (in millions)	**62.1**	**62.3**	62.7	63.1	63.5	63.5	63.5	63.9
Diluted data per share								
Contribution to net (loss) income attributable to shareholders:								
Continuing operations	**$ 0.85**	**$ 0.44**	$ 0.74	$ 0.78	$ 0.72	$ 0.57	$ 0.81	$ 0.58
(Loss) gain on valuation and translation of financial instruments	**(1.83)**	**0.04**	(0.68)	0.75	0.25	0.48	0.53	(0.27)
Unusual items	**(0.21)**	**(0.01)**	0.05	(1.28)	0.03	0.05	(0.06)	0.05
Discontinued operations	**0.46**	**0.03**	0.01	0.02	0.02	0.02	0.04	0.02
Net (loss) income attributable to shareholders	**(0.73)**	**0.50**	0.12	0.27	1.02	1.12	1.32	0.38
Weighted average number of diluted shares outstanding (in millions)	**62.1**	**75.3**	74.3	63.2	63.6	63.7	63.8	64.5