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FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16 OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE MONTH OF August 2012

QUEBECOR MEDIA INC.

(Name of Registrant)

612 St-Jacques Street, Montreal, Canada, H3C 4M8
(Address of principal executive offices)

[Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.]

Form 20-F __X__ Form 40-F _____

[Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g 3-2(b) under the Securities Exchange Act of 1934.]

Yes _____ No __X__

[If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g 3-2(b): 82- .]

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE PROFILE

Quebecor Media Inc. ("Quebecor Media" or the "Corporation"), a subsidiary of Quebecor Inc. ("Quebecor"), is governed by the *Business Corporations Act* (Québec) and is one of Canada's largest media corporations. 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 of its media properties.

The following Management Discussion and Analysis covers the Corporation's main activities in the second quarter of 2012 and the major changes from the previous financial year. All amounts are stated in Canadian dollars unless otherwise indicated. This report should be read in conjunction with the information in the Corporation's Annual Report for the financial year ended December 31, 2011 (Form 20-F), which is available on the website of the U.S. Securities and Exchange Commission at <www.sec.gov>.

HIGHLIGHTS SINCE END OF FIRST QUARTER 2012

- Quebecor Media's sales increased by $33.0 million (3.1%) to $1.09 billion in the second quarter of 2012, mainly because of revenue growth of 8.4% in the Telecommunications segment.

Telecommunications

- In the second quarter of 2012, Videotron Ltd. ("Videotron") recorded revenue increases for its main services: Internet access ($20.4 million or 11.9%), cable television ($15.4 million or 6.1%), mobile telephony service ($14.8 million or 56.9%), and cable telephony service ($4.9 million or 4.5%).
- Videotron recorded a net increase of 31,100 revenue generating units[1] in the second quarter of 2012, compared with an increase of 53,100 in the same quarter of 2011. In the 12-month period ended June 30, 2012, the number of revenue generating units increased by 333,400 (7.5%).
- Wireline revenue generating units[2] showed a net increase of 26,000 units in the month of July 2012, completely recovering the loss of 4,600 cable generating units recorded mostly during the busiest moving period in the second quarter of 2012.
- The illico TV new generation service was rolled out throughout Videotron's service area. Since May 30, 2012, more than six million Quebecers have had access to illico TV new generation. The service is distinguished by its user-friendliness and superior interfaces.
- On May 17, 2012, Videotron launched Ultimate Speed Internet 200, an Internet access service that sets a new standard for speed.

Other highlights

- On June 21, 2012, following an invitation to tender, Quebecor Media was selected to install, maintain and advertise on Société de transport de Montréal (STM) bus shelters for the next 20 years. It was Quebecor Media's first move into a line of business that is experiencing significant technological change.

[1] Revenue generating units are the sum of cable television, cable and wireless Internet access and cable telephony service subscriptions, plus subscriber connections to the mobile telephony service.

[2] Wireline revenue generating units are the sum of cable television, cable Internet and cable telephony service subscriptions.

- Sun Media Corporation announced the acquisition of *Pub Extra* magazine, which is distributed monthly to nearly 190,000 households in the Montréal North Shore area. It also closed the acquisition of the community weekly *L'Impact de Drummondville*, with a circulation of nearly 50,000, and launched a new weekly in the Bois-Francs area, *L'Écho de Victoriaville*, with a circulation of more than 43,000. *L'Écho de Victoriaville* is the 76th publication in Quebecor Media's Québec community newspapers network, which now has a combined weekly circulation of over 2.5 million copies.
- On May 31, 2012, TVA Group Inc. ("TVA Group") closed the sale of its interest in the specialty channels mysteryTV and The Cave to Shaw Media Global Inc.
- On May 18, 2012, Quebecor Media announced a partnership with ReadBooks SAS, a Franco-Québec company specializing in multi-language ebook libraries, software and consulting services. Among other things, the partnership will support the development of new software for Archambault Group Inc. ("Archambault Group") and Librairie Paragraphe Bookstore that will allow them to increase their offerings and enhance the reading experience.

NON-IFRS FINANCIAL MEASURES

The non-IFRS financial measures used by the Corporation to assess its financial performance, such as operating income, cash flows from segment operations, free cash flows from continuing operating activities, and average monthly revenue per user ("ARPU"), are not calculated in accordance with or recognized by International Financial Reporting Standards ("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

The Corporation defines operating income, as reconciled to net income under IFRS, as net income before amortization, financial expenses, gain (loss) on valuation and translation of financial instruments, charge for restructuring of operations, impairment of assets and other special items, impairment of goodwill, loss on debt refinancing, and income taxes. 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's parent company, Quebecor, considers the media segment as a whole and 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 its operating segments. This measure eliminates the significant level of depreciation and amortization of tangible and intangible assets and is unaffected by the capital structure or investment activities of Quebecor Media and its segments. Operating income is also relevant because it is a significant component of its annual incentive compensation programs. A limitation of this measure, however, is that it does not reflect the periodic costs of capitalized tangible and intangible assets used in generating revenues in the Corporation's segments. Quebecor Media uses other measures that do reflect such costs, such as cash flows from segment operations and free cash flows from continuing operating activities. 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. Quebecor Media'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 to the net income as disclosed in the Corporation's condensed consolidated financial statements.

Table 1

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

	Three months ended June 30 2012	Three months ended June 30 2011	Six months ended June 30 2012	Six months ended June 30 2011
Operating income:				
Telecommunications	**$ 301.7**	$ 274.2	**$ 604.7**	$ 528.7
News Media	**36.4**	45.7	**53.0**	74.0
Broadcasting	**19.7**	22.3	**13.9**	26.9
Leisure and Entertainment	**(1.1)**	6.3	**(0.8)**	7.5
Interactive Technologies and Communications	**3.0**	1.3	**6.0**	2.2
Head Office	**(3.8)**	1.7	**3.3**	3.2
	355.9	351.5	**680.1**	642.5
Amortization	**(143.6)**	(120.9)	**(284.9)**	(241.7)
Financial expenses	**(77.6)**	(76.9)	**(159.2)**	(153.6)
Gain (loss) on valuation and translation of financial instruments	**41.9**	(4.0)	**123.8**	6.5
Restructuring of operations, impairment of assets and other special items	**12.0**	(6.6)	**10.9**	(16.1)
Impairment of goodwill	**—**	—	**(14.5)**	—
Loss on debt refinancing	**—**	—	**(7.3)**	(9.3)
Income taxes	**(49.2)**	(39.3)	**(91.2)**	(60.7)
Net income	**$ 139.4**	$ 103.8	**$ 257.7**	$ 167.6

Cash Flows from Segment Operations

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

Free Cash Flows from Continuing Operating Activities

Free cash flows from continuing operating activities consists of cash flows from segment operations (*see* "Cash Flows from Segment Operations" above), minus cash interest payments and cash charges for restructuring of operations, impairment of assets and other special items, plus or minus current income tax expenses, other receipts (disbursements), and the net change in non-cash balances related to operations. The Corporation uses free cash flows from continuing operating activities as a measure of total liquidity generated on a consolidated basis. Free cash flows from continuing operating activities represents funds available 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 2 provides a reconciliation of free cash flows from continuing operating activities of the Corporation to cash flows provided by its operating activities reported in the condensed consolidated financial statements.

Table 2

Reconciliation of free cash flows from continuing operating activities to cash flows provided by operating activities (in millions of Canadian dollars)

	Three months ended June 30		Six months ended June 30	
	2012	2011	2012	2011
Free cash flows from continuing operating activities (Table 3)	**$ 36.4**	$ (43.3)	**$ 75.0**	$ (77.4)
Additions to property, plant and equipment	**172.6**	172.9	**365.8**	366.7
Acquitisions of intangible assets	**20.4**	20.7	**42.9**	41.7
Proceeds from disposal of assets	**(1.2)**	(4.0)	**(2.4)**	(5.0)
Cash flows provided by operating activities	**$ 228.2**	$ 146.3	**$ 481.3**	$ 326.0

Average Monthly Revenue per User

ARPU is an industry metric that the Corporation uses to measure its monthly cable television, Internet access, cable telephony 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, cable telephony 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 MEDIA

2012/2011 second quarter comparison

Revenues: $1.09 billion, an increase of $33.0 million (3.1%).

- Revenues increased in Telecommunications ($50.7 million or 8.4% of segment revenues) and in Interactive Technologies and Communications ($11.2 million or 39.7%).
- Revenues decreased in News Media ($12.7 million or -4.7%), Leisure and Entertainment ($8.6 million or -12.0%), and Broadcasting ($2.1 million or -1.8%).

Operating income: $355.9 million, an increase of $4.4 million (1.3%).

- Operating income increased in Telecommunications ($27.5 million or 10.0% of segment operating income) and Interactive Technologies and Communications ($1.7 million or 130.8%).
- Operating income decreased in News Media ($9.3 million or -20.4%), Leisure and Entertainment ($7.4 million), Broadcasting ($2.6 million or -11.7%), and Head Office ($5.5 million). The decrease at Head Office was caused by higher operating expenses, including the donations and sponsorships expense.
- The change in the fair value of Quebecor Media stock options resulted in a $5.0 million unfavourable variance in the stock-based compensation charge in the second quarter of 2012 compared with the same period of 2011. The change in the fair value of Quebecor stock options resulted in a $1.6 million unfavourable variance in the Corporation's stock-based compensation charge in the second quarter of 2012.

Net income attributable to shareholders: $128.0 million in the second quarter of 2012, compared with $96.8 million in the same quarter of 2011, an increase of $31.2 million.

- The increase was due mainly to:
  - $45.9 million favourable variance in gain on valuation and translation of financial instruments;
  - $18.6 million favourable variance in charge for restructuring of operations, impairment of assets and other special items;
  - $4.4 million increase in operating income.

  Offset by:

  - $22.7 million increase in amortization charge.

Amortization charge: $143.6 million compared with $120.9 million in the second quarter of 2011. The $22.7 million increase was essentially due to the impact of significant capital expenditures since 2010 in the Telecommunications segment, including amortization of 4G network equipment and impact of emphasis on equipment leasing in the promotional strategy.

Financial expenses: $77.6 million, an increase of $0.7 million.

Gain on valuation and translation of financial instruments: $41.9 million in the second quarter of 2012 compared with a $4.0 million loss in the same quarter of 2011. The positive variance of $45.9 million was mainly due to a favourable change in the fair value of early settlement options caused by interest rate and credit premium fluctuations.

Restructuring of operations, impairment of assets and other special items: $12.0 million gain in the second quarter of 2012 compared with a $6.6 million expense in the same period of 2011, a favourable variance of $18.6 million.

- A $12.9 million gain on disposal of businesses was recorded in the second quarter of 2012 in the Broadcasting segment as a result of the sale of TVA Group's interest in the specialty channels mysteryTV and The Cave. A $0.1 million restructuring charge was also recorded in the Broadcasting segment in the second quarter of 2012, compared with a $0.3 million charge for impairment of intangible assets in the same quarter of 2011.
- In connection with the startup of its 4G network, the Telecommunications segment recorded a $0.3 million charge for migration costs in the second quarter of 2012, compared with $5.9 million in the second quarter of 2011.
- In other segments, a $0.5 million net charge for restructuring of operations was recorded in the second quarter of 2012, compared with a $0.4 million charge for other special items in the same quarter of 2011.

Income tax expense: $49.2 million (effective tax rate of 26.1%) in the second quarter of 2012 compared with $39.3 million (effective tax rate of 27.5%) in the same quarter of 2011.

- The $9.9 million unfavourable variance was due primarily to the increase in income before income taxes.

2012/2011 year-to-date comparison

Revenues: $2.15 billion, an increase of $106.5 million (5.2%).

- Revenues increased in Telecommunications ($113.3 million or 9.6% of segment revenues), Interactive Technologies and Communications ($21.0 million or 38.2%), and Broadcasting ($8.6 million or 3.8%).
- Revenues decreased in News Media ($19.7 million or -3.9%) and Leisure and Entertainment ($2.9 million or -2.2%).

Operating income: $680.1 million, an increase of $37.6 million (5.9%).

- Operating income increased in Telecommunications ($76.0 million or 14.4% of segment operating income) and Interactive Technologies and Communications ($3.8 million or 172.7%).
- Operating income decreased in News Media ($21.0 million or -28.4%), Broadcasting ($13.0 million or -48.3%), and Leisure and Entertainment ($8.3 million).
- The change in the fair value of Quebecor Media stock options resulted in a $9.7 million unfavourable variance in the stock-based compensation charge in the first half of 2012 compared with the same period of 2011. The change in the fair value of Quebecor stock options resulted in a $2.9 million unfavourable variance in the Corporation's stock-based compensation charge in the first half of 2012.

Net income attributable to shareholders: $265.2 million compared with $160.3 million in the first half of 2011, an increase of $104.9 million.

- The increase was due mainly to:
  - $117.3 million favourable variance in gain on valuation and translation of financial instruments;
  - $37.6 million increase in operating income;
  - $27.0 million favourable variance in charge for restructuring of operations, impairment of assets and other special items.

  Partially offset by:

  - $43.2 million increase in amortization charge;
  - $14.5 million goodwill impairment charge recognized in the first half of 2012;
  - $5.6 million increase in financial expenses.

Amortization charge: $284.9 million, an increase of $43.2 million due essentially to the factor noted above in the 2012/2011 second quarter comparison.

Financial expenses: $159.2 million, an increase of $5.6 million.

- The increase was due mainly to:
  - $3.8 million unfavourable variance related to translation of short-term monetary items;
  - impact on average interest rate paid on the debt of rebalancing of fixed- and floating-rate debt.

Gain on valuation and translation of financial instruments: $123.8 million in the first half of 2012 compared with $6.5 million in the same period of 2011. The positive variance of $117.3 million was mainly due to a favourable change in the fair value of early settlement options caused by interest rate and credit premium fluctuations.

Restructuring of operations, impairment of assets and other special items: $10.9 million gain compared with a $16.1 million charge in the same period of 2011, a $27.0 million favourable variance.

- A $12.9 million gain on disposal of businesses was recorded in the second quarter of 2012 in the Broadcasting segment as a result of the sale of TVA Group's interest in the specialty channels mysteryTV and The Cave. A $0.1 million restructuring charge was also recorded in the Broadcasting segment in the first half of 2012, compared with a $0.3 million charge for impairment of intangible assets in the same period of 2011.
- In connection with the startup of its 4G network, the Telecommunications segment recorded a $0.5 million charge for migration costs in the first half of 2012, compared with $14.5 million in the same period of 2011.
- In other segments, a $1.4 million net charge for restructuring of operations was recorded in the first half of 2012, compared with $1.3 million charge for other special items in the same period of 2011.

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

- As a result of new fees adopted in 2012 with respect to business contributions for costs related to waste recovery services provided by Québec municipalities, the costs of magazine publishing activities will be adversely affected. Quebecor Media therefore reviewed its business plan for the segment and determined that goodwill was no longer fully recoverable. Accordingly, a $14.5 million goodwill impairment charge was recorded in the first half of 2012.

Loss on debt refinancing: $7.3 million in the first half of 2012 compared with $9.3 million in the same period of 2011.

- In the first half of 2012, Videotron redeemed all of its 6 7/8% 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 3/4% Senior Notes maturing in March 2016 and settled related hedging contracts. The transactions generated a total $7.3 million loss on debt refinancing.
- On February 15, 2011, Sun Media Corporation redeemed and withdrew the entirety of its 7 5/8% Senior Notes in the aggregate principal amount of US$205.0 million and settled the related hedges. The transaction generated a $9.3 million loss on debt refinancing.

Income tax expense: $91.2 million (effective tax rate of 26.1%) in the first half of 2012 compared with $60.7 million (effective tax rate of 26.6%) in the same period of 2011.

- The $30.5 million unfavourable variance was due primarily to the increase in income before income taxes.

<u>Free cash flows from continuing operating activities</u>

Free cash flows from continuing operating activities: $36.4 million in the second quarter of 2012 compared with negative $43.3 million in the same period of 2011 (Table 3).

- The $79.7 million increase was mainly due to:
  - $98.5 million favourable variance in net change in non-cash balances related to operations, mainly because of delays in receipt of some trade receivables in the second quarter of 2011 due to a labour dispute at Canada Post, as well as the favourable variance created by a reduction in income taxes receivable in the second quarter of 2012. combined with a reduction in income taxes payable in the same quarter of 2011;
  - $5.7 million decrease in cash portion of charge for restructuring of operations, impairment of assets and other special items;
  - $4.4 million increase in operating income.

  Partially offset by:

  - $25.8 million increase in current income taxes.

Free cash flows from continuing operating activities: $75.0 million in the first half of 2012 compared with negative $77.4 million in the same period of 2011 (Table 3).

- The $152.4 million increase was mainly due to:
  - $137.0 million favourable variance in net change in non-cash balances related to operations, mainly because of a decrease in trade receivables in the first half of 2012 and the favourable variance created in 2012 by a reduction in income tax liabilities and deferred revenues in the first half of 2011. The variance in deferred revenues was related to a different customer billing cycle;

- $37.6 million increase in operating income;
- $13.6 million decrease in cash portion of charge for restructuring of operations, impairment of assets and other special items.

Partially offset by:

- $30.9 million increase in current income taxes;
- $4.2 million increase in cash interest expense.

Table 3

Free cash flows from continuing operating activities
(in millions of Canadian dollars)

	Three months ended June 30		Six months ended June 30	
	2012	**2011**	**2012**	**2011**
Cash flows from segment operations:				
Telecommunications	**$ 126.6**	$ 100.6	**$ 228.4**	$ 162.0
News Media	**31.5**	42.3	**43.4**	62.6
Broadcasting	**12.2**	14.6	**0.5**	9.5
Leisure and Entertainment	**(4.1)**	3.7	**(5.4)**	3.3
Interactive Technologies and Communications	**1.9**	(0.9)	**3.8**	(1.0)
Head Office and other	**(4.0)**	1.6	**3.1**	2.7
	164.1	161.9	**273.8**	239.1
Cash interest expense[1]	**(74.0)**	(74.0)	**(151.9)**	(147.7)
Cash portion of charge for restructuring of operations, impairment of assets and other special items	**(0.6)**	(6.3)	**(1.3)**	(14.9)
Current income taxes	**(20.3)**	5.5	**(25.8)**	5.1
Other	**(1.7)**	(0.8)	**0.8**	(1.4)
Net change in non-cash balances related to operations	**(31.1)**	(129.6)	**(20.6)**	(157.6)
Free cash flows from continuing operating activities	**$ 36.4**	$ (43.3)	**$ 75.0**	$ (77.4)

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

Table 4

Reconciliation of cash flows from segment operations to operating income
(in millions of Canadian dollars)

	Three months ended June 30		Six months ended June 30	
	2012	**2011**	**2012**	**2011**
Operating income	**$ 355.9**	$ 351.5	**$ 680.1**	$ 642.5
Additions to property, plant and equipment	**(172.6)**	(172.9)	**(365.8)**	(366.7)
Acquisitions of intangible assets	**(20.4)**	(20.7)	**(42.9)**	(41.7)
Proceeds from disposal of assets	**1.2**	4.0	**2.4**	5.0
Cash flows from segment operations	**$ 164.1**	$ 161.9	**$ 273.8**	$ 239.1

SEGMENTED ANALYSIS

Telecommunications

Second quarter 2012 operating results

Revenues: $651.8 million, an increase of $50.7 million (8.4%).

- Combined revenues from all cable television services increased $15.4 million (6.1%) to $267.9 million, due primarily to customer base growth and to higher ARPU resulting from increases in some rates, leasing of digital set-top boxes, and increase in subscriptions to high definition packages.
- Revenues from Internet access services increased $20.4 million (11.9%) to $191.4 million. The favourable variance was mainly due to customer growth and increases in some rates.
- Revenues from cable telephony service increased $4.9 million (4.5%) to $113.1 million, primarily as a result of customer base growth and more lines per customer.
- Revenues from mobile telephony service increased $14.8 million (56.9%) to $40.8 million, essentially due to customer growth.
- Revenues from Videotron Business Solutions decreased $0.4 million (-2.5%) to $15.7 million.
- Revenues from customer equipment sales decreased $4.4 million (-28.8%) to $10.9 million, mainly because of campaigns promoting cable television equipment leasing.
- Revenues of Le SuperClub Vidéotron ltée ("Le SuperClub Vidéotron") decreased $0.4 million (-8.0%) to $4.6 million, mainly as a result of store closures.
- Other revenues increased $0.4 million (5.6%) to $7.5 million.

ARPU: $110.75 in the second quarter of 2012 compared with $102.85 in the same period of 2011, an increase of $7.90 (7.7%).

Customer statistics

Revenue generating units – As of June 30, 2012, the total number of revenue generating units stood at 4,756,800, an increase of 31,100 (0.7%) from the end of the first quarter of 2012 (compared with an increase of 53,100 in the second quarter of 2011) (Table 5). In the 12-month period ended June 30, 2012, the number of revenue generating units increased by 333,400 (7.5%). Revenue generating units are the sum of cable television, cable and wireless Internet access, 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 16,100 (-0.9%) in the second quarter of 2012 (compared with a decrease of 7,900 in the same quarter of 2011) and increased by 37,200 (2.1%) during the 12-month period ended June 30, 2012 (Table 5). Because many people in Québec move during the second quarter, negative variances are not unusual. At the end of the second quarter of 2012, Videotron had 1,837,900 customers for its cable television services. The household penetration rate (number of subscribers as a proportion of total homes passed by Videotron's network, i.e., 2,681,100 homes as of the end of June 2012, compared with 2,635,800 one year earlier) was 68.6% versus 68.3% a year earlier.

- As of June 30, 2012, the number of subscribers to the illico Digital TV service stood at 1,425,000, a quarterly increase of 7,500 or 0.5% (compared with a 26,700-subscriber increase in the second quarter of 2011) and a 12-month increase of 154,600 (12.2%). As of June 30, 2012, illico Digital TV had a household penetration rate of 53.1% versus 48.2% a year earlier.
- The customer base for analog cable television services decreased by 23,600 (-5.4%) in the second quarter of 2012 due to, among other things, the customer migration to illico Digital TV (compared with a decrease of 34,600 customers in the same quarter of 2011) and by 117,400 (-22.1%) over a 12-month period.

Cable Internet access – The number of subscribers to cable Internet access services stood at 1,341,100 at June 30, 2012, a quarterly increase of 600 (compared with an increase of 2,900 in the second quarter of 2011) and a 12-month increase of 74,600 (5.9%) (Table 5). At June 30, 2012, Videotron's cable Internet access services had a household penetration rate of 50.0% versus 48.0% a year earlier.

Cable telephony service – The number of subscribers to the cable telephony service stood at 1,223,400 as of June 30, 2012, a quarterly increase of 10,900 (0.9%) (compared with a 11,800-customer increase in the second quarter of 2011), and a 12-month increase of 81,800 (7.2%) (Table 5). At June 30, 2012, the cable telephony service had a household penetration rate of 45.6% versus 43.3% a year earlier.

Mobile telephony service – As of June 30, 2012, the number of subscriber connections to the mobile telephony service stood at 347,600, an increase of 34,800 (11.1%) from the end of the previous quarter (compared with an increase of 45,900 connections in the second quarter of 2011), and a 12-month increase of 137,000 (65.1%).

Table 5

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

	June 2012	Mar. 2012	Dec. 2011	Sept. 2011	June 2011	Mar. 2011	Dec. 2010	Sept. 2010
Cable television :								
Analog	**412.9**	436.5	460.7	496.1	530.3	564.9	592.0	619.7
Digital	**1,425.0**	1,417.5	1,400.8	1,348.1	1,270.4	1,243.7	1,219.6	1,182.3
	1,837.9	1,854.0	1,861.5	1,844.2	1,800.7	1,808.6	1,811.6	1,802.0
Cable Internet	**1,341.1**	1,340.5	1,332.5	1,306.4	1,266.5	1,263.6	1,252.1	1,233.8
Cable telephony	**1,223.4**	1,212.5	1,205.3	1,179.4	1,141.6	1,129.8	1,114.3	1,098.1
Mobile telephony[1]	**347.6**	312.8	290.6	258.1	210.6	164.7	136.1	95.4
Internet over wireless[2]	**6.8**	5.9	5.6	5.2	4.0	3.6	2.3	0.6
Total (revenue generating units)	**4,756.8**	4,725.7	4,695.5	4,593.3	4,423.4	4,370.3	4,316.4	4,229.9

1 In thousands of subscriber connections
2 Internet over wireless subscriptions have been added to revenue generating units because of recent growth.

Operating income: $301.7 million, an increase of $27.5 million (10.0%).

- The increase in operating income was mainly due to:
  - impact of revenue increase.

  Partially offset by:
  - increases in some operating expenses, including marketing expenses, costs related to maintenance of the 4G network and customer service costs incurred to support customer base growth;
  - $5.0 million increase in stock-based compensation charge.

Cost/revenue ratio: Operating costs for all Telecommunications segment operations, expressed as a percentage of revenues, were 53.7% in the second quarter of 2012 compared with 54.4% in the same period of 2011.

- 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), partially offset by increases in some operating costs.

Year-to-date operating results

Revenues: $1.30 billion, an increase of $113.3 million (9.6%), essentially due to the same factors as those noted above in the discussion of second quarter 2012 results.

- Combined revenues from all cable television services increased $37.8 million (7.6%) to $535.9 million.
- Revenues from Internet access services increased $43.4 million (12.8%) to $382.8 million.
- Revenues from cable telephony service increased $9.3 million (4.3%) to $224.8 million.
- Revenues from mobile telephony service increased $31.7 million (67.9%) to $78.4 million.
- Revenues of Videotron Business Solutions increased $1.4 million (4.5%) to $32.6 million.
- Revenues from customer equipment sales decreased $9.1 million (-32.2%) to $19.2 million.

- Revenues of Le SuperClub Vidéotron decreased $0.8 million (-7.8%) to $9.5 million.
- Other revenues decreased $0.2 million (-1.3%) to $14.7 million.

ARPU: $109.98 in the first half of 2012 compared with $101.31 in the same period of 2011, an increase of $8.67 (8.6%).

Customer statistics

Revenue generating units – 61,300-unit increase (1.3%) in the first half of 2012, compared with a 107,000-unit increase in the same period of 2011.

Cable television – 23,600 (-1.3%) decrease in combined customer base for all of Videotron's cable television services in the first half of 2012, compared with a 10,900-customer decrease in the same period of 2011.

- Subscriptions to illico Digital TV service increased by 24,200 (1.7%) in the first six months of 2012 compared with an increase of 50,800 in the same period of 2011.
- Subscriptions to analog cable television services decreased by 47,800 (-10.4%) compared with a decrease of 61,700 in the first six months of 2011.

Cable Internet access – 8,600 (0.6%) increase in the first half of 2012 compared with an increase of 14,400 in the same period of 2011.

Cable telephony service – 18,100 (1.5%) increase in the first half of 2012 compared with an increase of 27,300 in the same period of 2011.

Mobile telephony service – 57,000 (19.6%) increase in subscriber connections in the first half of 2012 compared with an increase of 74,500 in the same period of 2011.

Operating income: $604.7 million, an increase of $76.0 million (14.4%).

- The increase in operating income was mainly due to:
  - impact of revenue increase.

  Partially offset by:

  - increases in some operating expenses, related mainly to maintenance of the 4G network, customer service costs and marketing expenses;
  - $7.0 million increase in stock-based compensation charge.

Cost/revenue ratio: Operating costs for all Telecommunications segment operations, expressed as a percentage of revenues, were 53.4% in the first half of 2012, compared with 55.4% in the same period of 2011. The decrease was due to the same factors as those noted above in the discussion of second quarter 2012 operating results.

Cash flows from operations

Quarterly cash flows from segment operations: $126.6 million compared with $100.6 million in the same period of 2011, an increase of $26.0 million (Table 6) due mainly to the $27.5 million increase in operating income.

Year-to-date cash flows from segment operations: $228.4 million compared with $162.0 million in the same period of 2011 (Table 6).

- The $66.4 million increase was due primarily to the $76.0 million increase in operating income, partially offset by a $7.4 million increase in additions to property, plant and equipment, mainly reflecting impact of emphasis on equipment leasing in the promotional strategy.

Table 6: Telecommunications

Cash flows from operations
(in millions of Canadian dollars)

	Three months ended June 30		Six months ended June 30	
	2012	**2011**	**2012**	**2011**
Operating income	**$ 301.7**	$ 274.2	**$ 604.7**	$ 528.7
Additions to property, plant and equipment	**(161.5)**	(160.4)	**(345.0)**	(337.6)
Acquisitions of intangible assets	**(14.8)**	(14.8)	**(33.7)**	(31.7)
Proceeds from disposal of assets	**1.2**	1.6	**2.4**	2.6
Cash flows from segment operations	**$ 126.6**	$ 100.6	**$ 228.4**	$ 162.0

News Media

Second quarter 2012 operating results

Revenues: $254.8 million, a decrease of $12.7 million (-4.7%).

- Digital revenues increased 13.6%; combined revenues from commercial printing and other sources increased 4.8%; circulation revenues decreased 1.9%; advertising revenues decreased 7.6%.
- Revenues decreased 4.5% at the urban dailies and 7.2% at the community newspapers.
- Revenues decreased 32.5% at the general-interest portals because, among other things, of the transfer of intercompany website development activities to the Nurun Inc. ("Nurun") subsidiary. Revenues unrelated to website development decreased 15.6% at the general-interest portals.

Operating income: $36.4 million, a decrease of $9.3 million (-20.4%).

- The decrease was due primarily to:
  - impact of revenue decrease;
  - unfavourable variance related to investments in Quebecor Media Network Inc. ("Quebecor Media Network");
  - $1.6 million unfavourable variance in multimedia employment tax credits;
  - $1.1 million increase in stock-based compensation charge.

  Partially offset by:

  - $4.9 million favourable impact related to restructuring initiatives announced in November 2011 and other reductions in operating expenses.

Cost/revenue ratio: Operating costs for all News Media segment operations, expressed as a percentage of revenues, were 85.7% in the second quarter of 2012, compared with 82.9% in the same period of 2011. The increase was due to the unfavourable impact of investments in Quebecor Media Network, multimedia tax credits, and the fixed component of operating costs, which does not fluctuate in proportion to revenue decreases, partially offset by reduction in operating expenses.

Year-to-date operating results

Revenues: $487.9 million, a decrease of $19.7 million (-3.9%).

- Combined revenues from commercial printing and other sources increased 10.2%, mainly because of higher volume in flyer distribution; advertising revenues decreased 6.0%; circulation revenues decreased 2.4%; digital revenues decreased 5.4%.
- Revenues decreased 4.8% at the urban dailies and 4.9% at the community newspapers.
- Revenues decreased 37.6% at the general-interest portals because, among other things, of the transfer of intercompany website development activities to the Nurun subsidiary. Revenues unrelated to website development decreased 16.9%.

Operating income: $53.0 million, a decrease of $21.0 million (-28.4%).

- The decrease was due primarily to:
  - impact of revenue decrease;
  - unfavourable variance related to investments in Quebecor Media Network;
  - $5.7 million unfavourable variance in multimedia employment tax credits;
  - $2.8 million increase in stock-based compensation charge.

  Partially offset by:
  - $9.3 million favourable impact related to restructuring initiatives announced in November 2011 and other reductions in operating expenses.

Cost/revenue ratio: Operating costs for all News Media segment operations, expressed as a percentage of revenues, were 89.1% in the first half of 2012, compared with 85.4% in the same period of 2011. The increase was mainly due to the same negative factors as those noted above in the discussion of the second quarter 2012 operating results.

Cash flows from operations

Quarterly cash flows from segment operations: $31.5 million compared with $42.3 million in the same quarter of 2011 (Table 7).

- The $10.8 million decrease was due primarily to the $9.3 million decrease in operating income and a $2.4 million unfavourable variance in proceeds from disposal of assets.

Year-to-date cash flows from segment operations: $43.4 million compared with $62.6 million in the same period of 2011 (Table 7).

- The $19.2 million decrease was due primarily to the $21.0 million decrease in operating income and a $2.4 million unfavourable variance in proceeds from disposal of assets, partially offset by a $4.9 million decrease in additions to property, plant and equipment.

Table 7: News Media

Cash flows from operations
(in millions of Canadian dollars)

	Three months ended June 30		Six months ended June 30	
	2012	2011	2012	2011
Operating income	**$ 36.4**	$ 45.7	**$ 53.0**	$ 74.0
Additions to property, plant and equipment	**(1.6)**	(2.5)	**(3.5)**	(8.4)
Acquisitions of intangible assets	**(3.3)**	(3.3)	**(6.1)**	(5.4)
Proceeds from disposal of assets	**—**	2.4	**—**	2.4
Cash flows from segment operations	**$ 31.5**	$ 42.3	**$ 43.4**	$ 62.6

Broadcasting

Second quarter 2012 operating results

Revenues: $115.4 million, a decrease of $2.1 million (-1.8%).

- Revenues from television operations decreased $1.6 million, mainly due to:
  - lower advertising revenues at TVA Network.

  Partially offset by:
  - increased advertising and subscription revenues at the specialty services, partly because of the new TVA Sports, Mlle and SUN News channels.

- Total publishing revenues decreased $0.5 million, mainly because of lower newsstand and advertising revenues.

Operating income: $19.7 million compared with $22.3 million in the second quarter of 2011, a decrease of $2.6 million (-11.7%).

- Operating income from television operations decreased $2.3 million, mainly due to:
  - operating loss at TVA Sports;
  - $1.2 million increase in stock-based compensation charge.

  Partially offset by:
  - lower operating loss at SUN News;
  - increase in operating income at the other specialty services.
- Operating income from publishing operations decreased by $0.4 million, mainly as a result of impact of revenue decrease.

Cost/revenue ratio: Operating costs for all Broadcasting segment operations, expressed as a percentage of revenues, were 82.9% in the second quarter of 2012, compared with 81.0% in the same period of 2011. The increase in costs as a proportion of revenues was mainly due to higher operating expenses related to the new TVA Sports channel and the impact of decreased advertising revenues at TVA Network.

<u>Year-to-date operating results</u>

Revenues: $233.2 million, an increase of $8.6 million (3.8%).

- Revenues from television operations increased $9.9 million, mainly due to:
  - increased advertising and subscription revenues at the specialty services, partly because of the new TVA Sports, Mlle and SUN News channels.

  Partially offset by:
  - lower revenues from production activities.
- Total publishing revenues decreased $1.6 million due to the same factors as those noted above in the discussion of second quarter 2012 results.

Operating income: $13.9 million, a decrease of $13.0 million (-48.3%).

- Operating income from television operations decreased $8.8 million, mainly due to:
  - operating loss at TVA Sports;
  - lower operating income at TVA Network;
  - $1.3 million increase in stock-based compensation charge.

  Partially offset by:
  - impact of increased advertising and subscription revenues at the specialty services.
- Operating income from publishing operations decreased by $4.2 million, mainly as a result of:
  - impact of recognition of a $3.0 million charge related to the adoption of new fees for 2010, 2011 and 2012 with respect to business contributions for costs related to waste recovery services provided by Québec municipalities, of which $2.3 million is attributable to 2010 and 2011;
  - impact of revenue decrease.

Cost/revenue ratio: Operating costs for all Broadcasting segment operations, expressed as a percentage of revenues, were 94.0% in the first half of 2012, compared with 88.0% in the same period of 2011. The increase in costs as a proportion of revenues was mainly due to higher operating expenses related to the new specialty services and recognition of costs related to waste recovery services.

Cash flows from operations

Quarterly cash flows from segment operations: $12.2 million compared with $14.6 million in the same period of 2011 (Table 8). The $2.4 million decrease was due primarily to the $2.6 million unfavourable variance in operating income.

Year-to-date cash flows from segment operations: $0.5 million compared with $9.5 million in the same period of 2011 (Table 8). The $9.0 million decrease was mainly due to the $13.0 million decline in operating income, partially offset by a $4.0 million decrease in additions to property, plant and equipment and in acquisitions of intangible assets.

Table 8: Broadcasting

Cash flows from operations
(in millions of Canadian dollars)

	Three months ended June 30		Six months ended June 30	
	2012	2011	2012	2011
Operating income	**$ 19.7**	$ 22.3	**$ 13.9**	$ 26.9
Additions to property, plant and equipment	**(6.8)**	(6.5)	**(12.1)**	(15.4)
Acquisitions of intangible assets	**(0.7)**	(1.2)	**(1.3)**	(2.0)
Cash flows from segment operations	**$ 12.2**	$ 14.6	**$ 0.5**	$ 9.5

Leisure and Entertainment

Second quarter 2012 operating results

Revenues: $62.9 million, a decrease of $8.6 million (-12.0%) compared with the second quarter of 2011.

- The Book Division's revenues decreased by 25.3%, mainly because of lower sales of textbooks in the academic segment following completion of the education reform in Québec.
- Archambault Group's revenues decreased 2.3%, mainly because of lower retail sales and fewer successful CD releases than in the second quarter of 2011.

Operating loss: $1.1 million, compared with operating income of $6.3 million in the second quarter of 2011. The $7.4 million unfavourable variance was due primarily to the impact of lower revenues and decreases in some gross margins.

Year-to-date operating results

Revenues: $130.0 million, a decrease of $2.9 million (-2.2%).

- Archambault Group's revenues increased 4.7%, primarily due to:
  - 26.5% increase in distribution revenues primarily because of intercompany DVD and Blu-ray distribution activities.

  Partially offset by:
  - 4.5% decrease in revenues from retail sales;
  - impact of larger number of successful CD releases in the same period of 2011.
- The Book Division's revenues decreased by 15.5%, mainly because of lower sales of textbooks in the academic segment following completion of the education reform in Québec.

Operating loss: $0.8 million in the first half of 2012 compared with operating income of $7.5 million in the same period of 2011. The $8.3 million unfavourable variance was due to the same factors as those noted above in the discussion of second quarter 2012 results.

Cash flows from operations

Quarterly cash flows from segment operations: Negative $4.1 million, compared with positive $3.7 million in the same period of 2011 (Table 9).

- The $7.8 million unfavourable variance was caused essentially by the $7.4 million decrease in operating income.

Year-to-date cash flows from segment operations: Negative $5.4 million compared with positive $3.3 million in the same period of 2011 (Table 9).

- The $8.7 million unfavourable variance was mainly due to the $8.3 million decline in operating income.

Table 9: Leisure and Entertainment

Cash flows from operations
(in millions of Canadian dollars)

	Three months ended June 30		Six months ended June 30	
	2012	**2011**	**2012**	**2011**
Operating (loss) income	**$ (1.1)**	$ 6.3	**$ (0.8)**	$ 7.5
Additions to property, plant and equipment	**(0.9)**	(1.2)	**(1.8)**	(1.6)
Acquisitions of intangible assets	**(2.1)**	(1.4)	**(2.8)**	(2.6)
Cash flows from segment operations	**$ (4.1)**	$ 3.7	**$ (5.4)**	$ 3.3

Interactive Technologies and Communications

Second quarter 2012 operating results

Revenues: $39.4 million, an increase of $11.2 million (39.7%).

- The increase was due mainly to:
  - impact of acquisition of a digital agency in the United States in the third quarter of 2011;
  - higher volume from customers in Canada, generated by, among other things, the transfer of intercompany technological activities from the News Media segment and new contracts;
  - higher volumes in Europe and from government customers.

Operating income: $3.0 million compared with $1.3 million in the second quarter of 2011. The $1.7 million (130.8%) favourable variance was mainly due to impact of revenue increase, partially offset by higher labour costs related to strategic personnel retention programs.

Year-to-date operating results

Revenues: $76.0 million, an increase of $21.0 million (38.2%) essentially due to the same factors as those noted above in the discussion of second quarter 2012 results.

Operating income: $6.0 million, an increase of $3.8 million (172.7%) due mainly to the same factors as those noted above in the discussion of second quarter 2012 results.

Cash flows from operations

Quarterly cash flows from segment operations: $1.9 million compared with negative $0.9 million in the same period of 2011 (Table 10).

- The $2.8 million favourable variance was due to the $1.7 million increase in operating income, combined with a $1.1 million decrease in additions to property, plant and equipment.

Year-to-date cash flows from segment operations: $3.8 million compared with negative $1.0 million in the same period of 2011 (Table 10), a favourable variance of $4.8 million.

- The improvement was due to the $3.8 million increase in operating income and the $1.0 million decrease in additions to property, plant and equipment.

Table 10: Interactive Technologies and Communications

Cash flows from operations
(in millions of Canadian dollars)

	Three months ended June 30		Six months ended June 30	
	2012	2011	2012	2011
Operating income	**$ 3.0**	$ 1.3	**$ 6.0**	$ 2.2
Additions to property, plant and equipment	**(1.1)**	(2.2)	**(2.2)**	(3.2)
Cash flows from segment operations	**$ 1.9**	$ (0.9)	**$ 3.8**	$ (1.0)

CASH FLOWS AND FINANCIAL POSITION

Operating activities

Second quarter 2012

Cash flows provided by operating activities: $228.2 million in the second quarter of 2012 compared with $146.3 million in the same period of 2011.

- The $81.9 million increase was mainly due to:
  - $98.5 million favourable variance in net change in non-cash balances related to operations, mainly because of delays in receipt of some trade receivables in the second quarter of 2011 due to a labour dispute at Canada Post, as well as the favourable variance created by a reduction in income taxes receivable in the second quarter of 2012, combined with a reduction in income taxes payable in the same quarter of 2011;
  - $5.7 million decrease in cash portion of charge for restructuring of operations, impairment of assets and other special items;
  - $4.4 million increase in operating income.

  Partially offset by:
  - $25.8 million increase in current income taxes.

Year to date

Cash flows provided by operating activities: $481.3 million in the first six months of 2012 compared with $326.0 million in the same period of 2011.

- The $155.3 million increase was mainly due to:
  - $137.0 million favourable variance in net change in non-cash balances related to operations, mainly because of a decrease in trade receivables in the first half of 2012, and the favourable variance created in 2012 by a reduction in income tax liabilities and deferred revenues in the first half of 2011. The variance in deferred revenues was related to a different customer billing cycle;
  - $37.6 million increase in operating income;
  - $13.6 million decrease in cash portion of charge for restructuring of operations, impairment of assets and other special items.

  Partially offset by:
  - $30.9 million increase in current income taxes;
  - $4.2 million increase in cash interest expense.

Working capital: Negative $56.5 million at June 30, 2012 compared with negative $71.8 million at December 31, 2011. The difference mainly reflects the decrease in accounts payable and accrued liabilities and the increase in cash and cash equivalents, offset principally by recognition under current liabilities of Quebecor Media credit facilities maturing in January 2013 and the decrease in accounts receivable.

Investing activities

Second quarter 2012

Additions to property, plant and equipment: $172.6 million in the second quarter of 2012 compared with $172.9 million in the same period of 2011.

Acquisitions of intangible assets: $20.4 million in the second quarter of 2012 compared with $20.7 million in the same period of 2011.

Business acquisitions: $0.8 million in the second quarter of 2012, mainly reflecting the acquisition of community newspapers in the News Media segment, compared with $5.0 million in the same period of 2011, primarily in the Leisure and Entertainment segment.

Disposal of businesses: $17.9 million in the second quarter of 2012, reflecting the sale of the Broadcasting segment's interest in the specialty channels mysteryTV and The Cave.

Year to date

Additions to property, plant and equipment: $365.8 million in the first half of 2012 compared with $366.7 million in the same period of 2011.

Acquisitions of intangible assets: $42.9 million in the first half of 2012 compared with $41.7 million in the same period of 2011.

Business acquisitions: $0.8 million in the first half of 2012 compared with $50.1 million in the same period of 2011. The $49.3 million decrease mainly reflects impact of acquisition of community newspapers in the News Media segment in the first half of 2011.

Disposal of businesses: $17.9 million in the first half of 2012, reflecting the sale of the Broadcasting segment's interest in the specialty channels mysteryTV and The Cave.

<u>**Financing activities**</u>

Consolidated debt (long-term debt plus bank borrowings): $45.7 million reduction in the first half of 2012; $65.8 million favourable net variance in assets and liabilities related to derivative financial instruments.

- Summary of debt reductions in the first half of 2012:
  - repayment by Videotron in March 2012 of all of its 6 7/8% Senior Notes maturing in January 2014 in the aggregate principal amount of US$395.0 million;
  - repayment by Quebecor Media in March and April 2012 of US$260.0 million aggregate principal amount of its 7 3/4% Senior Notes maturing in March 2016;
  - $121.1 million decrease in debt due to favourable variance in fair value of embedded derivatives, resulting mainly from interest rate and credit premium fluctuations;
  - repayment of the $37.6 million balance of Sun Media Corporation's term credit facility on February 3, 2012 and cancellation of the facility;
  - current payments, totalling $30.0 million, on the credit facilities and other debt of TVA Group, Quebecor Media and Videotron.
- Summary of debt increases during the same period:
  - issuance by Videotron on March 14, 2012 of US$800.0 million aggregate principal amount of Senior Notes for net proceeds of $787.6 million, net of financing fees of $11.9 million. The Notes bear 5.0% interest and mature on July 15, 2022.
- Assets and liabilities related to derivative financial instruments totalled a net liability of $280.5 million at December 31, 2011, compared with a net liability of $214.7 million at June 30, 2012. The favourable net variance of $65.8 million was due to:
  - settlement of hedges by Quebecor Media following repayment of the 7 3/4% Senior Notes maturing in 2016;
  - favourable impact of interest rate trends in Canada compared with the United States.
- On February 24, 2012, TVA Group amended its bank credit facilities to extend the maturity of its $100.0 million revolving credit facility from December 2012 to February 2017.
- On January 25, 2012, Quebecor Media amended its bank credit facilities to extend the maturity of its $100.0 million revolving credit facility from January 2013 to January 2016 and added a new $200.0 million revolving credit facility "C," also maturing in January 2016.

- On June 4, 2012, Videotron made a public exchange offer for the exchange of all of its outstanding 5% Senior Notes maturing on July 15, 2022 for an equivalent principal amount of Notes registered pursuant to the *Securities Act of 1933*. The exchange of virtually all (99.9%) of the Notes had been completed as of July 20, 2012.

Financial Position at June 30, 2012

Net available liquidity: $1.08 billion for the Corporation and its wholly owned subsidiaries, consisting of $202.2 million in cash and $874.9 million in available unused lines of credit.

Consolidated debt: $3.66 billion at June 30, 2012, a $45.7 million decrease compared with December 31, 2011; $65.8 million favourable net variance in assets and liabilities related to derivative financial instruments (*see* "Financing Activities" above).

- Consolidated debt essentially consisted of Videotron's $2.15 billion debt ($1.86 billion at December 31, 2011), TVA Group's $79.9 million debt ($96.4 million at December 31, 2011) and Quebecor Media's $1.42 billion debt ($1.71 billion at December 31, 2011). Sun Media Corporation's debt was redeemed in full during the first quarter of 2012 ($37.4 million at December 31, 2011).

At June 30, 2012, minimum principal payments on long-term debt in the coming years are as follows:

Table 11

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

2013	$ 181.7
2014	22.0
2015	96.3
2016	1,152.8
2017	11.4
2018 and thereafter	2,470.6
Total	**$3,934.8**

The weighted average term of Quebecor Media's consolidated debt was approximately 6.1 years as of June 30, 2012 (5.1 years as of December 31, 2011). The debt consists of approximately 84.3 % fixed-rate debt (84.7 % as of December 31, 2011) and 15.7 % floating-rate debt (15.3 % as of December 31, 2011).

Management of the Corporation believes that cash flows from continuing operating activities and available sources of financing should be sufficient to cover planned cash requirements for capital investments, working capital, interest payments, debt repayments, disbursements related to foreign exchange hedges, pension plan contributions, and dividends (or distributions). The Corporation has access to cash flows generated by its subsidiaries through dividends (or distributions) and cash advances paid by its wholly owned subsidiaries. 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. 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, 2012, the Corporation and its subsidiaries were in compliance with all required financial ratios.

Dividends declared and paid

- On May 8, 2012, the Board of Directors of Quebecor Media declared a $25.0 million dividend, which was paid to shareholders on May 9, 2012.
- On August 8, 2012, the Board of Directors of Quebecor Media declared a $25.0 million dividend, which was paid to shareholders on August 9, 2012.

Analysis of consolidated balance sheet at June 30, 2012

Table 12

Consolidated balance sheet of Quebecor Media
Analysis of main variances between June 30, 2012 and December 31, 2011
(in millions of Canadian dollars)

	June 30, 2012	Dec. 31, 2011	Difference	Main reason for difference
Assets				
Cash and cash equivalents	**$ 204.4**	$ 146.4	$ 58.0	Cash flows provided by operations in excess of investing and financing activities
Accounts receivable	**564.8**	602.6	(37.8)	Impact of current variances in activity
Property, plant and equipment	**3,236.1**	3,156.0	80.1	Additions to property, plant and equipment (*see* "Investing activities" above), less amortization for the period
Goodwill	**3,529.5**	3,543.8	(14.3)	Partial write-down of goodwill in TVA Group's publishing segment
Liabilities				
Accounts payable and accrued charges	**623.0**	764.9	(141.9)	Impact of current variances in activity
Long-term debt, including short-term portion and bank indebtedness	**3,656.2**	3,701.9	(45.7)	*See* "Financing activities" above
Derivative financial instruments[1]	**214.7**	280.5	(65.8)	*See* "Financing activities" above
Net future tax liabilities[2]	**581.6**	514.1	67.5	Use of tax benefits and capital cost allowance in excess of book amortization

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, 2012, material contractual obligations of operating activities included capital and interest payments on long-term debt, operating lease arrangements, capital asset purchases and other commitments, and obligations related to derivative financial instruments, less estimated future receipts on derivative financial instruments. Table 13 below shows a summary of these contractual obligations.

Table 13

Contractual obligations of Quebecor Media as of June 30, 2012
(in millions of Canadian dollars)

	Total	Under 1 year	1-3 years	3-5 years	5 years or more
Long-term debt[1]	**$3,934.8**	$ 181.7	$ 118.3	$ 1,164.2	$ 2,470.6
Interest payments[2]	**1,826.9**	258.1	570.6	448.1	550.1
Operating leases	**396.3**	59.6	88.9	61.4	186.4
Additions to property, plant and equipment and other commitments	**149.0**	73.2	37.9	37.9	—
Derivative financial instruments[3]	**248.7**	21.9	116.0	52.1	58.7
Total contractual obligations	**$6,555.7**	**$594.5**	**$931.7**	**$1,763.7**	**$3,265.8**

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

2 Estimated interest payable on long-term debt, based on interest rates, hedged interest rates and hedged foreign exchange rates as of June 30, 2012.

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

Financial Instruments

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

At June 30, 2012, Quebecor Media was using derivative financial instruments to manage its exchange rate and interest rate exposure. It has entered into foreign exchange forward contracts and cross-currency interest rate swap agreements to hedge the foreign currency risk exposure on the entirety of its U.S.-dollar-denominated long-term debt. Quebecor Media also uses interest rate swaps in order to manage the impact of interest rate fluctuations on its long-term debt.

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

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

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

The fair value of long-term debt and derivative financial instruments at June 30, 2012 is shown in Table 14.

Table 14

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

	June 30, 2012		December 31, 2011	
	Carrying value	Fair value asset (liability)	Carrying value	Fair value asset (liability)
Long-term debt[1]	**$(3,934.8)**	**$ (4,130.6)**	$(3,848.1)	$ (4,002.2)
Derivative financial instruments:				
Early settlement options	**243.4**	**243.4**	138.0	138.0
Interest rate swaps	**(0.5)**	**(0.5)**	(0.9)	(0.9)
Foreign exchange forward contracts	**(2.4)**	**(2.4)**	3.2	3.2
Cross-currency interest rate swaps	**(211.8)**	**(211.8)**	(282.8)	(282.8)

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

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

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

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

Losses (gains) on valuation and translation of financial instruments for the second quarter and first half of 2012 are summarized in Table 15.

Table 15

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

	Three months ended June 30		Six months ended June 30	
	2012	2011	2012	2011
(Gain) loss on embedded derivatives and derivative financial instruments for which hedge accounting is not used	**$ (41.8)**	$ 2.5	**$ (123.8)**	$ (7.6)
(Gain) loss on ineffective portion of fair value hedges	**(0.1)**	1.5	**—**	1.1
	$ (41.9)	$ 4.0	**$ (123.8)**	$ (6.5)

Gains of $6.5 million and $25.4 million on cash flow hedges were recorded under Other comprehensive income in the second quarter and first half of 2012 respectively ($6.8 million and $6.0 million loss in the second quarter and first half of 2011 respectively).

Related Party Transactions

The following describes transactions in which the Corporation and its directors, executive officers and affiliates are involved. The Corporation believes that each of the transactions described below was on terms no less favourable to Quebecor Media than could have been obtained from independent third parties.

Operating transactions

In the second quarter of 2012, the Corporation and its subsidiaries made purchases and incurred rent charges from the parent corporation and affiliated corporations in the amount of \$3.0 million (\$2.7 million in same period of 2011), which are included in cost of sales and selling and administrative expenses. The Corporation and its subsidiaries made sales to affiliated corporations in the amount of \$1.1 million (\$0.7 million in the second quarter of 2011). These transactions were concluded and accounted for at the exchange amount.

During the first six months of 2012, the Corporation and its subsidiaries made purchases and incurred rent charges from the parent corporation and affiliated corporations in the amount of \$7.2 million (\$5.6 million in the first six months of 2011), which are included in cost of sales, selling and administrative expenses. The Corporation and its subsidiaries made sales to affiliated corporations in the amount of \$2.0 million (\$1.6 million in the first six months of 2011). These transactions were concluded and accounted for at the exchange amount.

Management arrangements

The parent corporation has entered into management arrangements with the Corporation. Under these management arrangements, the parent corporation and the Corporation provide management services to each other on a cost-reimbursement basis. The expenses subject to reimbursement include the salaries of the Corporation's executive officers, who also serve as executive officers of the parent corporation.

In the second quarter of 2012, the Corporation received an amount of \$0.4 million, which is included as a reduction in cost of sales, selling and administrative expenses (\$0.5 million in the second quarter of 2011), and incurred management fees of \$0.3 million (\$0.3 million in the second quarter of 2011) with the Corporation's shareholders.

For the six month period ended June 30, 2012, the Corporation received an amount of \$0.8 million, which is included as a reduction in selling and administrative expenses (\$1.0 million in the same period of 2011), and incurred management fees of \$0.6 million (\$0.6 million in the same period of 2011) with the Corporation's shareholders.

Cautionary Statement regarding Forward-Looking Statements

This quarterly report contains forward-looking statements with respect to the Corporation's financial condition, results of operations, business, and some of its plans and objectives. These forward-looking statements are made pursuant to the "Safe Harbor" provisions of the United States *Private Securities Litigation Reform Act of 1995*. These forward-looking statements are based on current expectations, estimates, forecasts and projections about the industries in which the Corporation operates, as well as beliefs and assumptions made by its management. Such statements include, in particular, statements about the Corporation's plans, prospects, financial position and business strategies. Words such as "may," "will," "expect," "continue," "intend," "estimate," "anticipate," "plan," "foresee," "believe" or "seek," or the negatives of those terms or variations of them or similar terminology are intended to identify such forward-looking statements. Although the Corporation believes that the expectations reflected in these forward-looking statements are reasonable, these statements, by their nature, involve risks and uncertainties and are not guarantees of future performance. Such statements are also subject to assumptions concerning, among other things: the Corporation's anticipated business strategies; anticipated trends in its business; and its ability to continue to control costs. The Corporation can give no assurance that these estimates and expectations will prove to have been correct. Actual outcomes and results may, and often do, differ from what is expressed, implied or projected in such forward-looking statements, and such differences may be material. Some important factors that could cause actual results to differ materially from those expressed in these forward-looking statements include, but are not limited to:

- Quebecor Media's ability to successfully continue developing its 4G network and facilities-based mobile offering;
- general economic, financial or market conditions and variations in the businesses of Quebecor Media's local, regional or national newspapers and broadcasting advertisers;
- the intensity of competitive activity in the industries in which Quebecor Media operates, including competition from other communications and advertising media and platforms;

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- fragmentation of the media landscape;
- new technologies that might change consumer behaviour with respect to Quebecor Media's products;
- unanticipated higher capital spending required for developing its network or to continue the development of competitive alternative technologies or the inability to obtain additional capital to continue the development of Quebecor Media's business;
- Quebecor Media's ability to implement its business and operating strategies and to manage its growth and expansion;
- Quebecor Media's ability to successfully restructure its News Media operations to optimize their efficiency in the context of the changing newspaper industry;
- disruptions to the network through which Quebecor Media provides its television, Internet access and 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 interpretation, which could result, among other things, in the loss (or reduction in value) of Quebecor Media's licenses or markets, or in an increase in competition, compliance costs or capital expenditures;
- Quebecor Media'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 Media's interest-payment requirements on long-term debt.

The Corporation cautions investors and others that the above list of cautionary statements is not exhaustive. These and other factors are discussed in the Annual Report on Form 20-F, under the section "Item 3. Key Information – Risk Factors." Each of these forward-looking statements speaks only as of the date of this report. The Corporation disclaims any obligation to update these statements unless applicable securities laws require us to do so. The Corporation advises investors and others to consult any documents it may file with or furnish to the Commission.

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(in millions of Canadian dollars) (unaudited)	Note	Three months ended June 30 2012	Three months ended June 30 2011	Six months ended June 30 2012	Six months ended June 30 2011
Revenues	2				
Telecommunications		**$ 651.8**	$ 601.1	**$1,297.6**	$1,184.3
News Media		**254.8**	267.5	**487.9**	507.6
Broadcasting		**115.4**	117.5	**233.2**	224.6
Leisure and Entertainment		**62.9**	71.5	**130.0**	132.9
Interactive Technologies and Communications		**39.4**	28.2	**76.0**	55.0
Inter-segment		**(37.9)**	(32.4)	**(74.3)**	(60.5)
		1,086.4	1,053.4	**2,150.4**	2,043.9
Cost of sales, selling and administrative expenses	3	**730.5**	701.9	**1,470.3**	1,401.4
Amortization		**143.6**	120.9	**284.9**	241.7
Financial expenses	4	**77.6**	76.9	**159.2**	153.6
(Gain) loss on valuation and translation of financial instruments	5	**(41.9)**	4.0	**(123.8)**	(6.5)
Restructuring of operations, impairment of assets and other special items	6	**(12.0)**	6.6	**(10.9)**	16.1
Impairment of goodwill	7	**—**	—	**14.5**	—
Loss on debt refinancing	8	**—**	—	**7.3**	9.3
Income before income taxes		**188.6**	143.1	**348.9**	228.3
Income taxes:					
Current		**20.3**	(5.5)	**25.8**	(5.1)
Deferred		**28.9**	44.8	**65.4**	65.8
		49.2	39.3	**91.2**	60.7
Net income		**$ 139.4**	$ 103.8	**$ 257.7**	$ 167.6
Net income attributable to:					
Shareholders		**$ 128.0**	$ 96.8	**$ 265.2**	$ 160.3
Non-controlling interests		**11.4**	7.0	**(7.5)**	7.3

See accompanying notes to condensed consolidated financial statements.

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of Canadian dollars) (unaudited)	Note	Three months ended June 30 2012	Three months ended June 30 2011	Six months ended June 30 2012	Six months ended June 30 2011
Net income		**$ 139.4**	$ 103.8	**$257.7**	$167.6
Other comprehensive income (loss):					
(Loss) gain on translation of net investments in foreign operations		**(0.4)**	0.3	**(0.8)**	0.8
Cash flow hedges:					
Gain (loss) on valuation of derivative financial instruments		**6.5**	(6.8)	**25.4**	(6.0)
Deferred income taxes		**(3.2)**	0.7	**(0.9)**	2.9
Defined benefit plans:					
Net change in asset limit or in minimum funding liability		**—**	(0.1)	**—**	(0.2)
Deferred income taxes		**—**	0.1	**—**	0.1
Reclassification to income:	8				
Other comprehensive income related to cash flow hedges		**—**	—	**(3.3)**	—
Deferred income taxes		**—**	—	**(1.2)**	—
		2.9	(5.8)	**19.2**	(2.4)
Comprehensive income		**$ 142.3**	$ 98.0	**$276.9**	$165.2
Attributable to:					
Shareholders		**$ 130.9**	$ 91.1	**$284.4**	$158.0
Non-controlling interests		**11.4**	6.9	**(7.5)**	7.2

See accompanying notes to condensed consolidated financial statements.

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

SEGMENTED INFORMATION

(in millions of Canadian dollars) (unaudited)	Three months ended June 30		Six months ended June 30	
	2012	**2011**	**2012**	**2011**
Net income before amortization, financial expenses, (gain) loss on valuation and translation of financial instruments, restructuring of operations, impairment of assets and other special items, impairment of goodwill, loss on debt refinancing and income taxes				
Telecommunications	**$ 301.7**	$ 274.2	**$604.7**	$528.7
News Media	**36.4**	45.7	**53.0**	74.0
Broadcasting	**19.7**	22.3	**13.9**	26.9
Leisure and Entertainment	**(1.1)**	6.3	**(0.8)**	7.5
Interactive Technologies and Communications	**3.0**	1.3	**6.0**	2.2
Head Office	**(3.8)**	1.7	**3.3**	3.2
	$ 355.9	$ 351.5	**$680.1**	$642.5
Amortization				
Telecommunications	**$ 119.3**	$ 99.6	**$236.7**	$199.9
News Media	**14.7**	13.8	**29.2**	26.8
Broadcasting	**5.3**	4.3	**10.6**	8.4
Leisure and Entertainment	**2.6**	2.1	**5.1**	4.4
Interactive Technologies and Communications	**1.4**	0.8	**2.8**	1.6
Head Office	**0.3**	0.3	**0.5**	0.6
	$ 143.6	$ 120.9	**$284.9**	$241.7
Additions to property, plant and equipment				
Telecommunications	**$ 161.5**	$ 160.4	**$345.0**	$337.6
News Media	**1.6**	2.5	**3.5**	8.4
Broadcasting	**6.8**	6.5	**12.1**	15.4
Leisure and Entertainment	**0.9**	1.2	**1.8**	1.6
Interactive Technologies and Communications	**1.1**	2.2	**2.2**	3.2
Head Office	**0.7**	0.1	**1.2**	0.5
	$ 172.6	$ 172.9	**$365.8**	$366.7
Additions to intangible assets				
Telecommunications	**$ 14.8**	$ 14.8	**$ 33.7**	$ 31.7
News Media	**3.3**	3.3	**6.1**	5.4
Broadcasting	**0.7**	1.2	**1.3**	2.0
Leisure and Entertainment	**2.1**	1.4	**2.8**	2.6
Inter-segment	**(0.5)**	—	**(1.0)**	—
	$ 20.4	$ 20.7	**$ 42.9**	$ 41.7

See accompanying notes to condensed consolidated financial statements.

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY

(in millions of Canadian dollars)
(unaudited)

	Equity attributable to shareholders				Equity attributable to non-controlling interests	Total equity
	Capital stock (note 9)	Contributed surplus	Deficit	Accumulated other comprehensive income (note 11)		
Balance as of December 31, 2010	$ 1,752.4	$ 3,176.6	$ (2,270.2)	$ 24.6	$ 131.8	$ 2,815.2
Net income	—	—	160.3	—	7.3	167.6
Other comprehensive loss	—	—	—	(2.3)	(0.1)	(2.4)
Issuance of shares to a subsidiary	—	—	—	—	1.0	1.0
Dividends	—	—	(50.0)	—	(1.1)	(51.1)
Balance as of June 30, 2011	1,752.4	3,176.6	(2,159.9)	22.3	138.9	2,930.3
Net income	—	—	213.7	—	5.5	219.2
Other comprehensive loss	—	—	(58.8)	(7.0)	(8.1)	(73.9)
Dividends	—	—	(50.0)	—	(0.1)	(50.1)
Balance as of December 31, 2011	1,752.4	3,176.6	(2,055.0)	15.3	136.2	3,025.5
Net income	—	—	265.2	—	(7.5)	257.7
Other comprehensive income	—	—	—	19.2	—	19.2
Dividends	—	—	(50.0)	—	—	(50.0)
Acquisition of non-controlling interests	—	(0.3)	—	—	0.3	—
Balance as of June 30, 2012	**$1,752.4**	**$ 3,176.3**	**$(1,839.8)**	**$ 34.5**	**$ 129.0**	**$3,252.4**

See accompanying notes to condensed consolidated financial statements.

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars) (unaudited)	Note	Three months ended June 30 2012	Three months ended June 30 2011	Six months ended June 30 2012	Six months ended June 30 2011
Cash flows related to operating activities					
Net income		**$ 139.4**	$ 103.8	**$ 257.7**	$ 167.6
Adjustments for:					
Amortization of property, plant and equipment		**109.1**	92.3	**217.3**	184.6
Amortization of intangible assets		**34.5**	28.6	**67.6**	57.1
(Gain) loss on valuation and translation of financial instruments	5	**(41.9)**	4.0	**(123.8)**	(6.5)
Gain on business disposals	6	**(12.9)**	—	**(12.9)**	—
Impairment of goodwill	7	**—**	—	**14.5**	—
Loss on debt refinancing	8	**—**	—	**7.3**	9.3
Amortization of financing costs and long-term debt discount	4	**3.6**	2.9	**7.3**	5.9
Deferred income taxes		**28.9**	44.8	**65.4**	65.8
Other		**(1.4)**	(0.5)	**1.5**	(0.2)
		259.3	275.9	**501.9**	483.6
Net change in non-cash balances related to operating activities		**(31.1)**	(129.6)	**(20.6)**	(157.6)
Cash flows provided by operating activities		**228.2**	146.3	**481.3**	326.0
Cash flows related to investing activities					
Business acquisitions, net of cash and cash equivalents		**(0.8)**	(5.0)	**(0.8)**	(50.1)
Business disposals, net of cash and cash equivalents	6	**17.9**	—	**17.9**	—
Additions to property, plant and equipment		**(172.6)**	(172.9)	**(365.8)**	(366.7)
Additions to intangible assets		**(20.4)**	(20.7)	**(42.9)**	(41.7)
Proceeds from disposals of assets		**1.2**	4.0	**2.4**	5.0
Other		**(0.9)**	(1.2)	**(0.9)**	(2.0)
Cash flows used in investing activities		**(175.6)**	(195.8)	**(390.1)**	(455.5)
Cash flows related to financing activities					
Net change in bank indebtedness		**4.6**	0.5	**0.9**	(3.3)
Net change under revolving credit facilities		**(22.3)**	4.4	**(19.0)**	4.1
Issuance of long-term debt, net of financing fees	8	**—**	—	**787.6**	319.9
Repayment of long-term debt	8	**(190.7)**	(1.2)	**(708.6)**	(225.9)
Settlement of hedging contracts	8	**(3.6)**	—	**(44.1)**	(105.4)
Dividends		**(25.0)**	(25.0)	**(50.0)**	(50.0)
Dividends paid to non-controlling interest		**—**	(1.1)	**—**	(1.1)
Other		**0.2**	1.0	**0.2**	1.0
Cash flows used in financing activities		**(236.8)**	(21.4)	**(33.0)**	(60.7)
Net change in cash and cash equivalents		**(184.2)**	(70.9)	**58.2**	(190.2)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies		**(0.2)**	0.1	**(0.2)**	0.3
Cash and cash equivalents at beginning of period		**388.8**	123.6	**146.4**	242.7
Cash and cash equivalents at end of period		**$ 204.4**	$ 52.8	**$ 204.4**	$ 52.8
Cash and cash equivalents consist of					
Cash		**$ 18.4**	$ —	**$ 18.4**	$ —
Cash equivalents		**186.0**	52.8	**186.0**	52.8
		$ 204.4	$ 52.8	**$ 204.4**	$ 52.8
Interest and taxes reflected as operating activities					
Cash interest payments		**$ 127.6**	$ 124.1	**$ 149.0**	$ 154.0
Cash income tax payments (net of refunds)		**2.4**	6.0	**7.5**	34.0

See accompanying notes to condensed consolidated financial statements.

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars) (unaudited)	Note	June 30 2012	December 31 2011
Assets			
Current assets			
Cash and cash equivalents		**$ 204.4**	$ 146.4
Accounts receivable		**564.8**	602.6
Income taxes		**13.7**	29.0
Amounts receivable from the parent company		**7.3**	17.4
Inventories		**257.8**	283.6
Prepaid expenses		**51.8**	30.5
		1,099.8	1,109.5
Non-current assets			
Property, plant and equipment		**3,236.1**	3,156.0
Intangible assets		**1,007.1**	1,041.0
Goodwill	7	**3,529.5**	3,543.8
Derivative financial instruments		**52.3**	34.9
Deferred income taxes		**17.8**	20.6
Other assets		**96.3**	92.9
		7,939.1	7,889.2
Total assets		**$ 9,038.9**	$ 8,998.7
Liabilities and equity			
Current liabilities			
Bank indebtedness		**$ 4.9**	$ 4.0
Accounts payable and accrued charges		**623.0**	764.9
Provisions		**23.0**	33.7
Deferred revenue		**295.3**	295.7
Income taxes		**4.3**	2.7
Derivative financial instruments		**24.1**	—
Current portion of long-term debt	8	**181.7**	80.3
		1,156.3	1,181.3
Non-current liabilities			
Long-term debt	8	**3,469.6**	3,617.6
Derivative financial instruments		**242.9**	315.4
Other liabilities		**318.3**	324.2
Deferred income taxes		**599.4**	534.7
		4,630.2	4,791.9
Equity			
Capital stock	9	**1,752.4**	1,752.4
Contributed surplus		**3,176.3**	3,176.6
Deficit		**(1,839.8)**	(2,055.0)
Accumulated other comprehensive income	11	**34.5**	15.3
Equity attributable to shareholders		**3,123.4**	2,889.3
Non-controlling interests		**129.0**	136.2
		3,252.4	3,025.5
Total liabilities and equity		**$ 9,038.9**	$ 8,998.7

See accompanying notes to condensed consolidated financial statements.

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month and six-month periods ended June 30, 2012 and 2011
(tabular amounts in millions of Canadian dollars, except for option data)
(unaudited)

Quebecor Media Inc. ("Quebecor Media" or the "Corporation") is incorporated under the laws of Québec and is a subsidiary of Quebecor Inc. ("Quebecor" or "the parent corporation"). The Corporation's head office and registered office is located at 612 rue Saint-Jacques, Montréal (Québec), Canada.

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

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

1. BASIS OF PRESENTATION

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

These condensed consolidated financial statements were approved for issue by the Board of Directors of Quebecor Inc. on August 8, 2012.

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

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and six-month periods ended June 30, 2012 and 2011
(tabular amounts in millions of Canadian dollars, except for option data)
(unaudited)

2. REVENUES

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

	Three months ended June 30		Six months ended June 30	
	2012	**2011**	**2012**	**2011**
Services rendered	**$ 940.2**	$ 898.9	**$ 1,855.1**	$ 1,741.8
Product sales	**146.2**	154.5	**295.3**	302.1
	$ 1,086.4	$ 1,053.4	**$ 2,150.4**	$ 2,043.9

3. COST OF SALES, SELLING AND ADMINISTRATIVE EXPENSES

The main components are as follows:

	Three months ended June 30		Six months ended June 30	
	2012	**2011**	**2012**	**2011**
Employee costs	**$ 298.2**	$ 275.9	**$ 603.5**	$ 548.1
Royalties, rights and creation costs	**159.0**	152.0	**333.7**	304.5
Cost of retail products	**70.3**	81.6	**136.7**	162.6
Marketing, circulation and distribution expenses	**50.0**	48.4	**99.8**	101.3
Service and printing contracts	**58.9**	50.5	**112.3**	94.1
Paper, ink and printing supplies	**29.9**	29.0	**58.0**	54.2
Other	**95.5**	93.6	**187.9**	194.2
	761.8	731.0	**1,531.9**	1,459.0
Employee costs capitalized to property, plant and equipment and intangible assets	**(31.3)**	(29.1)	**(61.6)**	(57.6)
	$ 730.5	$ 701.9	**$1,470.3**	$1,401.4

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4. FINANCIAL EXPENSES

	Three months ended June 30		Six months ended June 30	
	2012	**2011**	**2012**	**2011**
Interest on long-term debt	**$ 73.9**	$ 74.3	**$150.3**	$149.9
Amortization of financing costs and long-term debt discount	**3.6**	2.9	**7.3**	5.9
Loss (gain) on foreign currency translation on short-term monetary items	**0.8**	–	**2.8**	(1.0)
Other	**(0.7)**	(0.3)	**(1.2)**	(1.2)
	$ 77.6	$ 76.9	**$159.2**	$153.6

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

	Three months ended June 30		Six months ended June 30	
	2012	**2011**	**2012**	**2011**
(Gain) loss on embedded derivatives and derivative financial instruments for which hedge accounting is not used	**$ (41.8)**	$ 2.5	**$(123.8)**	$(7.6)
(Gain) loss on the ineffective portion of fair value hedges	**(0.1)**	1.5	**–**	1.1
	$ (41.9)	$ 4.0	**$(123.8)**	$(6.5)

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

Telecommunications

During the respective three-month and six-month periods ended June 30, 2012, Videotron Ltd. ("Videotron") has recorded costs of $0.3 million and $0.5 million for the migration of its pre-existing Mobile Virtual Network Operator subscribers to its new mobile network ($5.9 million and $14.5 million in 2011, respectively).

Broadcasting

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

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

Other segments

Other segments recorded a charge for restructuring costs, impairment of assets and other special items of $0.5 million and $1.4 million in the respective three-month and six-month periods ended June 30, 2012 ($0.4 million and $1.3 million in 2011, respectively).

7. IMPAIRMENT OF GOODWILL

As a result of new tariffs adopted in 2012 with respect to business contributions for costs related to waste recovery services provided by Québec municipalities, the costs of the magazine publishing activities will be adversely affected. Accordingly, the Corporation reviewed its business plan for these activities and performed an impairment test on the Publishing cash generating unit ("CGU") included in the Broadcasting segment. The Corporation concluded that the recoverable amount based on value in use was less than the carrying amount of the Publishing CGU and a goodwill impairment charge of $14.5 million was recorded during the first quarter of 2012. The Corporation used a pre-tax discount rate of 16.26% (15.89% as of April 1, 2011) and a perpetual growth rate of 1.0% (1.0% as of April 1, 2011) to calculate the recoverable amount.

8. LONG-TERM DEBT

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

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

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

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

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

In March and April 2012, Quebecor Media redeemed US$260.0 million in aggregate principal amount of its 7.75% Senior Notes due in March 2016 for a cash consideration of $264.4 million and settled hedging contracts for a cash consideration of $40.5 million.

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

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

8. LONG-TERM DEBT (continued)

Components of long-term debt are as follows:

	June 30, 2012	December 31, 2011
Long-term debt	**$3,934.8**	$ 3,848.1
Change in fair value related to hedged interest rate risks	**(0.7)**	15.5
Adjustment related to embedded derivatives	**(231.4)**	(120.0)
Financing fees, net of amortization	**(51.4)**	(45.7)
	3,651.3	3,697.9
Less current portion	**(181.7)**	(80.3)
	$3,469.6	$ 3,617.6

9. CAPITAL STOCK

(a) Authorized capital stock

An unlimited number of Common Shares, without par value;

An unlimited number of non-voting Cumulative First Preferred Shares, without par value; the number of preferred shares in each series and the related characteristics, rights and privileges are determined by the Board of Directors prior to each issue:

- An unlimited number of Cumulative First Preferred Shares, Series A (“Preferred A Shares”), carrying a 12.5% annual fixed cumulative preferential dividend, redeemable at the option of the holder and retractable at the option of the Corporation;
- An unlimited number of Cumulative First Preferred Shares, Series B (“Preferred B Shares”), carrying a fixed cumulative preferential dividend, generally equivalent to the Corporation’s credit facility interest rate, redeemable at the option of the holder and retractable at the option of the Corporation;
- An unlimited number of Cumulative First Preferred Shares, Series C (“Preferred C Shares”), carrying an 11.25% annual fixed cumulative preferential dividend, redeemable at the option of the holder and retractable at the option of the Corporation;
- An unlimited number of Cumulative First Preferred Shares, Series D (“Preferred D Shares”), carrying an 11.0% annual fixed cumulative preferential dividend, redeemable at the option of the holder and retractable at the option of the Corporation;
- An unlimited number of Cumulative First Preferred Shares, Series F (“Preferred F Shares”), carrying a 10.85% annual fixed cumulative preferential dividend, redeemable at the option of the holder and retractable at the option of the Corporation;
- An unlimited number of Cumulative First Preferred Shares, Series G (“Preferred G Shares”), carrying a 10.85% annual fixed cumulative preferential dividend, redeemable at the option of the holder and retractable at the option of the Corporation;

An unlimited number of non-voting Preferred Shares, Series E (“Preferred E Shares”), carrying a non-cumulative dividend subsequent to the holders of Cumulative First Preferred Shares, redeemable at the option of the holder and retractable at the option of the Corporation.

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9. CAPITAL STOCK (continued)

(b) Issued and outstanding capital stock

	Common Shares	
	Number	Amount
Balance as of December 31, 2011 and June 30, 2012	**123,602,807**	**$1,752.4**

10. STOCK-BASED COMPENSATION PLANS

Outstanding options

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

	Outstanding options	
	Number	Weighted average exercise price
Quebecor		
As of December 31, 2011	356,957	$ 26.99
Granted	49,447	36.86
Exercised	(185,876)	27.65
As of June 30, 2012	**220,528**	**$ 28.66**
Vested options as of June 30, 2012	**125,909**	**$ 23.16**
Quebecor Media		
As of December 31, 2011	2,768,712	$ 43.85
Granted	129,000	51.89
Exercised	(223,273)	43.58
Cancelled	(30,550)	46.10
As of June 30, 2012	**2,643,889**	**$ 44.24**
Vested options as of June 30, 2012	**836,941**	**$ 45.05**
TVA Group		
As of December 31, 2011	833,610	$ 16.35
Cancelled	(14,189)	16.84
As of June 30, 2012	**819,421**	**$ 16.34**
Vested options as of June 30, 2012	**706,077**	**$ 16.58**

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10. STOCK-BASED COMPENSATION PLANS (continued)

Under the mid-term stock-based compensation plan, participants are entitled to receive a cash payment at the end of a three-year period based on the appreciation of the Quebecor Class B share price, and subject to the achievement of certain non-market performance criteria. As of June 30, 2012, 439,287 units were outstanding under this plan at an average exercise price of $31.97 (288,649 units were outstanding at an average exercise price of $31.33 as of December 31, 2011).

During the three-month period ended June 30, 2012, 158,990 stock options of Quebecor Media were exercised for a cash consideration of $1.2 million (79,801 stock options for $1.0 million in 2011). During the six-month period ended June 30, 2012, 185,876 stock options of Quebecor were exercised for a cash consideration of $1.5 million (none in 2011) and 223,273 stock options of Quebecor Media were exercised for a cash consideration of $1.7 million (314,894 stock options for $3.0 million in 2011).

For the three-month period ended June 30, 2012, a net reversal of the consolidated charge related to all stock-based compensation plans was recorded in the amount of $0.2 million ($6.8 million in 2011). For the six-month period ended June 30, 2012, a consolidated charge related to all stock-based compensation plans was recorded in the amount of $5.5 million (net reversal of $7.1 million of the charge in 2011).

11. ACCUMULATED OTHER COMPREHENSIVE INCOME

	Translation of net investments in foreign operations	Cash flow hedges	Total
Balance as of December 31, 2010	$ (2.9)	$ 27.5	$ 24.6
Other comprehensive income (loss)	0.8	(3.1)	(2.3)
Balance as of June 30, 2011	(2.1)	24.4	22.3
Other comprehensive income (loss)	0.8	(7.8)	(7.0)
Balance as of December 31, 2011	(1.3)	16.6	15.3
Other comprehensive (loss) income	(0.8)	20.0	19.2
Balance as of June 30, 2012	**$ (2.1)**	**$ 36.6**	**$34.5**

No significant amount is expected to be reclassified in income over the next 12 months in connection with derivatives designated as cash flow hedges. The balance is expected to reverse over a 10-year period.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

QUEBECOR MEDIA INC.

By: /S/ JEAN-FRANÇOIS PRUNEAU

Jean-François Pruneau
Chief Financial Officer

Date: August 10, 2012