



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 2010

VIDEOTRON LTD./VIDÉOTRON LTÉE
 (Name of Registrant)

612 St-Jacques, 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 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

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



Quarterly Report for the Period Ending
June 30, 2010
VIDEOTRON LTD.
Filed in this Form 6-K

Documents index

- 1- Quarterly report for the period ended June 30, 2010 of Videotron Ltd.



A Quebecor Media Company

**QUARTERLY REPORT
2010 FISCAL YEAR**

VIDEOTRON LTD

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six-month Period
January 1, 2010 – June 30, 2010

August 12, 2010



VIDEOTRON LTD.

Interim Consolidated Financial Statements

For the three-month and six-month periods ended June 30, 2010
(unaudited)

Financial Statements

Management Discussion and Analysis	2
Interim Consolidated Statements of Income	21
Interim Consolidated Statements of Comprehensive Income	22
Interim Consolidated Statements of Shareholder's Equity	23
Interim Consolidated Statements of Cash Flows	24
Interim Consolidated Balance Sheets	25
Notes to Interim Consolidated Financial Statements	26



MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY PROFILE

Videotron Ltd. ("Videotron" or the "Company") is a wholly-owned subsidiary of Quebecor Media Inc. (the parent company) and is a subsidiary of Quebecor Inc. (the ultimate parent company). The Company is a cable service provider in the province of Québec for television services, Internet access and telephony services. The Company also provides business telecommunication services, wireless communication services and operates a chain of video stores.

The following Management Discussion and Analysis covers the main activities in the second quarter of 2010 and the major changes from the last financial year. The financial statements of the Company have been prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP") and all amounts are in Canadian dollars unless otherwise indicated. For a discussion of the principal differences between Canadian GAAP and the accounting principles generally accepted in the United States ("US GAAP") as they relate to our financial statements, see Note 10 to our unaudited consolidated financial statements for the three-month and six-month period ended June 30, 2010. The Management Discussion and Analysis should be read in conjunction with the information in the Annual Report of the Company for the financial year ended December 31, 2009 (Form 20F), which is available on the Web site of the U.S. Securities and Exchange Commission at www.sec.gov.

HIGHLIGHTS SINCE MARCH 31, 2010

- Our revenues increased by 11.4% compared to the same quarter last year to \$543.1 million. We recorded our best second quarter ever in terms of operating income at \$264.0 million, an increase of \$31.3 million compared to the same quarter in 2009. It reflects a steady increase in our revenues and customer base, while controlling our direct costs and operating expenses.
- We continued to register growth in the second quarter of 2010, posting steady customer base increases for our Internet access and cable telephone products.
- On June 16, 2010, Videotron launched illico web (illicoweb.tv), a new Internet television service offering on the Internet an exceptional variety of content to its digital television and Internet customers, at no additional cost. Customers can now access from a computer to hundreds of French and English titles from thirty two different television channels. Regular content additions will be made to the service in order to expand it into a mirror of the illico Digital TV service. illico web also includes features such as remote programming of the customer's personal video recorder (PVR) and online access to the full TV schedule.

NON-GAAP FINANCIAL MEASURES

We use certain supplemental financial measures that are not calculated in accordance with or recognized by Canadian GAAP or US GAAP to assess our financial performance. We use non-GAAP financial measures, such as operating income and average monthly revenue per user ("ARPU") because we believe that they are meaningful measures of our performance. Our method of calculating these non-GAAP financial measures may differ from the methods used by other companies and, as a result, the non-GAAP financial measures presented in this quarterly report may not be comparable to other similarly titled measures disclosed by other companies.



MANAGEMENT DISCUSSION AND ANALYSIS

Operating Income

We define operating income, reconciled to net income under Canadian GAAP, as net income before amortization, financial expenses, loss (gain) on valuation and translation of financial instruments, other, income taxes and non-controlling interest. Operating income margin is operating income as a percentage of operating revenues. Operating income, and ratios using this measure, are 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. Operating income is not intended to represent funds available for debt service, reinvestment, distributions of dividends, or other discretionary uses, and should not be considered in isolation from, or as a substitute for, our financial information reported under Canadian GAAP and US GAAP. We use operating income because we believe that it is a meaningful measure of performance since operating income excludes, among other things, certain non-cash items and items that are not readily comparable from year to year. Operating income is also commonly used in the sector in which we operate, as well as by the investment community to analyze and compare companies in our fields of activity. Operating income has limitations as an analytical tool, including:

- although amortization is a non-cash charge, the assets being amortized will often have to be replaced in the future, and operating income does not reflect cash requirements for such capital expenditures;
- it does not reflect income tax expense or the cash necessary to pay income taxes;
- it does not reflect financial expenses or the cash necessary to pay financial expenses; and
- it does not include the gain and loss of using financial instruments.

It should be noted that our definition of operating income may not be identical to similarly titled measures reported by other companies, limiting its usefulness as a comparative measure. We provide a reconciliation of operating income to net income as disclosed in our consolidated financial statements in table 1 below.

Table 1
Reconciliation between the operating income measure used in this report and the net income measure used in the interim consolidated financial statements
(in millions of Canadian dollars)

	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Operating Income	\$264.0	\$232.7	\$515.7	\$456.3
Less:				
Amortization	65.7	58.8	129.5	117.4
Financial expenses	28.7	18.4	58.3	33.3
Loss (gain) on valuation and translation of financial instruments	0.6	(10.6)	2.9	(21.1)
Other	(2.9)	(0.7)	(2.9)	(1.8)
Income taxes	40.3	14.9	63.1	36.0
Non-controlling interest	0.1	0.1	0.1	0.2
Net Income	\$131.5	\$151.8	\$264.7	\$292.3



MANAGEMENT DISCUSSION AND ANALYSIS

Average Monthly Revenue per User

ARPU is an industry metric that we use to measure our cable television, Internet access and telephony revenues per month per average basic cable customer. ARPU is not a measurement that is consistent with Canadian GAAP or US GAAP and our definition and calculation of ARPU may not be the same as identically titled measurements reported by other companies. We calculate ARPU by dividing our combined cable television, Internet access and telephony revenues by the average number of basic cable customers during the applicable period, and then dividing the resulting amount by the number of months in the applicable period.

2010/2009 second QUARTER COMPARISON

Revenues: \$543.1 million, an increase of \$55.7 million (11.4%).

- Combined revenues from all cable television services increased by \$19.1 million (8.8%) to \$235.5 million. This growth was primarily due to the continuing migration of our customers from analog to digital services, an increase of subscribers to our High Definition packages, an increase from our Video on Demand services, price increases implemented in March 2010 and the revenue related to the chargeback of the additional levy amounting to 1.5% of gross cable television service revenue imposed by the Canadian Radio-television and Telecommunications Commission ("CRTC") in order to finance the new Local Programming Improvement Fund ("LPIF") for the benefit of conventional television broadcasters operating local stations in Canada. These increases were partially offset by higher bundling discounts due to the increase in Internet and cable telephony customers. ARPU for our cable television services increased from \$41.64 in the second quarter of 2009 to \$43.97 in the same period of 2010.
- Revenues from Internet access services increased by \$18.7 million (13.3%) to \$159.1 million. The improvement was mainly due to an increase in the average number of cable Internet customers, along with increased revenues from usage of bandwidth over the limits stipulated in the contracts with our customers, migration of our customers to more expensive packages and price increases implemented in March 2010. ARPU for our Internet services increased from \$42.30 in 2009 to \$44.11 in 2010. This increase was due to higher usage revenues, and price increases.
- Revenues from cable telephony services increased by \$15.2 million (17.7%) to \$101.3 million, essentially because of customer growth. In the second quarter ended June 30, 2010, ARPU for our cable telephony services reached \$31.99 compared to \$31.37 for the same period last year. This increase was mainly due to the chargeback of 911 fees that started in late 2009 and to higher revenues per user in our small businesses customer base, partially offset by a decrease in long distance revenues.
- Revenues from wireless telephony services increased by \$2.2 million (22.4%) to \$12.2 million, essentially because of customer growth. In the second quarter ended June 30, 2010, ARPU for our wireless telephony services remained relatively stable at \$47.33 compared to \$47.12 in 2009.
- Revenues from business solutions remained quite stable at \$14.7 million, compared to \$14.5 million in 2009.
- Revenues of Le SuperClub Vidéotron Itée decreased by \$1.6 million (-22.8%) to \$5.5 million, primarily because of the franchising of corporate stores and some store closings, partly offset by an increase in royalty revenues. However, the operating margin of this subsidiary in the second quarter of 2010 slightly increased to \$3.1 million, compared to \$2.8 million for the same period in 2009.
- Other revenues, which represent mainly sale of equipment to customers, increased by \$1.8 million (13.8%) to \$14.8 million compared to \$13.0 million in 2009 due to lower subsidies on digital terminal sales.

Monthly combined ARPU: \$94.88, compared to \$87.15 in the same quarter of 2009, an increase of \$7.73 (8.9%), mostly because of an increase in the percentage of our customers subscribing to two or more services, migration of our customers to more expensive packages in television and cable Internet services and price increases.



MANAGEMENT DISCUSSION AND ANALYSIS

Customer statistics

Cable television – The combined customer base for cable television services decreased by 4,000 (-0.2%) in the second quarter of 2010 (compared with an increase of 3,400 in the same quarter of 2009), but increased by 48,900 (2.8%) in the 12-month period ended June 30, 2010 (see Table 2). Due to Quebec typical massive residential moves in the second quarter, it is not unusual to record negative variances. During that particular period in 2010, we experienced a 13% increase in the number of moves compared to last year, explaining our negative customer growth in the quarter. As of June 30, 2010, our cable network had a household penetration rate (number of subscribers as a proportion of 2,594,500 total homes passed as of the end of June 2010) of 68.7% versus 67.6% a year earlier.

- The number of subscribers to illico Digital TV stood at 1,142,000 at the end of the second quarter of 2010, an increase of 22,100 or 2.0% during the quarter (compared with an increase of 27,100 in the second quarter of 2009) and a year-over-year increase of 151,700 (15.3%). At June 30, 2010, illico Digital TV had a household penetration rate of 44.0%, compared with 38.6% a year earlier. As of June 30, 2010, 64.1% of our cable television customer base subscribed to our digital services, compared to 57.2% a year ago.
- The customer base for analog cable television services decreased by 26,100 (-3.9%) in the second quarter of 2010 (compared with a decrease of 23,700 customers in the same quarter of 2009) and by 102,800 (-13.9%) over a one-year period, primarily as a result of customer migration to illico Digital TV.

Internet access – The number of subscribers to cable Internet services reached 1,201,700 at the end of the second quarter of 2010, an increase of 10,100 (0.8%) for the period (compared with an increase of 20,600 in the second quarter of 2009) and an increase of 91,800 (8.2%) since the end of the second quarter of 2009. As of June 30, 2010, cable Internet services had a household penetration rate of 46.3%, compared to 43.3% at June 30, 2009.

Cable telephony – The number of subscribers to cable telephony services reached 1,065,300 at the end of the second quarter of 2010, an increase of 22,300 (2.1%) for the period (compared with an increase of 43,900 in the second quarter of 2009) and an increase of 130,500 (14.0%) since the end of the second quarter of 2009. As of June 30, 2010, the cable telephone service had a household penetration rate of 41.1%, compared to 36.5% as of June 30, 2009.

Wireless telephony – At June 30, 2010, there were 87,000 lines activated to our wireless telephony services, an increase of 1,700 (2.0%) for the period (compared with an increase of 5,500 in the second quarter of 2009) and an increase of 13,500 (18.4%) from the end of the second quarter of 2009 (see Table 2).

Table 2
End-of-quarter customer numbers
(in thousands of customers)

	June 10	March 10	Dec. 09	Sept. 09	June 09	March 09
Cable television						
Analog	639.5	665.6	692.9	717.3	742.3	766.0
Digital	1,142.0	1,119.9	1,084.1	1,042.4	990.3	963.2
Total cable television	1,781.5	1,785.5	1,777.0	1,759.7	1,732.6	1,729.2
Cable Internet	1,201.7	1,191.6	1,170.6	1,145.4	1,109.9	1,089.3
Cable telephony	1,065.3	1,043.0	1,014.0	979.1	934.8	890.9
Wireless telephony (in thousands of lines)	87.0	85.3	82.8	79.8	73.5	68.0



MANAGEMENT DISCUSSION AND ANALYSIS

Operating income: \$264.0 million in the second quarter of 2010, an increase of \$31.3 million (13.5%) over the same period last year.

- The increase was primarily due to:
 - combined customer growth;
 - migration of our customers to more expensive packages, higher usage revenues in cable Internet services and Video on Demand; and
 - price increases on our cable television services and cable Internet services.

Partially offset by:

- higher bundling discounts;
- increase in our call center expenses, rent expenses and network maintenance to support our growth;
- initial costs related to the future launch of our facility based advanced wireless services network ("AWS network"); and
- increase in our management fees.

Operating margin (operating income as a percentage of revenues): 48.6% in the second quarter of 2010, compared with 47.7% in the same period of the previous year. This increase is mostly due to the fact that our revenues are growing at a steadier rate than our expenses, in part because of an increase in the percentage of our customers subscribing to two or more services. As of June 30, 2010, 71% of our customers were bundling two services or more, compared to 67% a year ago.

Amortization charges: \$65.7 million, an increase of \$6.9 million.

- The increase was mainly due to an increase in the acquisition of fixed and intangible assets, mostly related to telephony and cable Internet services and the modernization of our network.

Financial expenses: \$28.7 million, an increase of \$10.3 million.

- The increase was mainly due to:
 - Increase of \$5.8 million in interest on long-term debt due to higher indebtedness; and
 - \$2.6 million loss in the second quarter of 2010 (compared to a gain of \$3.4 million in the same period in 2009) on foreign currency translation of short-term monetary items.

Partially offset by:

- an additional amount of \$2.4 million in the second quarter of 2010, compared to the same period last year, in interest now capitalized to the cost of fixed and intangible assets, reflecting the larger proportion of our long-term debt attributed to investments in our AWS network, due to the growth of those investments.
- The increase in indebtedness is due to the issuance on January 13, 2010 of \$300.0 million aggregate principal amount of Senior Notes.

Valuation and translation of financial instruments: a loss of \$0.6 million compared with a \$10.6 million gain last year, related to changes in fair value of financial instruments, including embedded derivatives due to changing interest yield curves.



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MANAGEMENT DISCUSSION AND ANALYSIS

Income tax expense: \$40.4 million (effective tax rate of 23.5%), compared with \$14.9 million in the same period of 2009 (effective tax rate of 8.9%).

- The increase in tax expense in 2010 compared to 2009 is mainly due to:
 - \$8.6 million decrease in non-taxable dividend from the parent company;
 - \$5.3 million in recognition of a deferred tax credit in 2009; and
 - \$7.7 million changes in the valuation allowance in 2009.

Partially offset by:

- \$1.5 million reduction in future income tax liability in light of changes in tax audit matters and tax legislation.

Net income: \$131.5 million, a decrease of \$20.3 million (-13.4%).

- The decrease was mainly due to:
 - \$10.3 million increase in financial expenses;
 - \$11.2 million negative variance in the gain on valuation and translation of financial instruments;
 - \$6.9 million increase in the amortization charges; and
 - \$25.5 million increase in income taxes.

Partially offset by:

- \$31.3 million increase in operating income.

2010/2009 YEAR-TO-DATE COMPARISON

Revenues: \$1 071.4 million, an increase of \$106.5 million (11.0%).

- Combined revenues from all cable television services increased by \$37.3 million (8.7%) to \$465.4 million. This growth was primarily due to an increase in the average number of basic cable customers, the continuing migration of our customers from analog to digital services, an increase of subscribers to our High Definition packages, price increases implemented in March 2010 and the revenue related to the chargeback of the additional levy amounting to 1.5% of gross cable television service revenue imposed by CRTC in order to finance the new LPIF for the benefit of conventional television broadcasters operating local stations in Canada. These increases were partially offset by higher bundling discounts due to the increase in cable Internet and cable telephony customers.
- Revenues from cable Internet services increased by \$39.8 million (14.4%) to \$317.1 million. The improvement was mainly due to an increase in the average number of cable Internet customers, along with increased revenues from usage of bandwidth over the limits stipulated in the contracts with our customers and price increases implemented in March 2009 and March 2010.
- Revenues from cable telephony services increased by \$31.1 million (18.5%) to \$199.7 million, due to customer growth.
- Revenues from wireless telephony services increased by \$4.7 million (24.9%) to \$23.8 million, due to customer growth.
- Revenues from business solutions decreased \$0.5 million (-1.7%) to \$28.6 million.
- Revenues of Le SuperClub Vidéotron Itée decreased by \$6.8 million (-38.0%) to \$11.1 million, primarily because of the franchising of corporate stores and some store closings, partly offset by an increase in royalty



revenues. However, the operating margin of this subsidiary in the first six months of 2010 remained stable at \$6.0 million compared to the same period in 2009.



MANAGEMENT DISCUSSION AND ANALYSIS

- Other revenues, which represent mainly sale of equipment to customers, increased by \$0.8 (3.2%) million to \$25.7 million.

Monthly combined ARPU: \$94.00, compared with \$86.12 in the same period of 2009, an increase of \$7.88 (9.2%), mostly because of an increase in the percentage of our customers subscribing to two or more services, migration of our customers to more expensive packages in television and cable Internet services and price increases.

Operating income: \$515.7 million in the first six months of 2010, an increase of \$59.4 million (13.0%).

- The increase was primarily due to:
 - combined customer growth;
 - migration of our customers to more expensive packages and higher usage revenues in cable Internet services and Video on Demand; and
 - price increases on our cable television services and cable Internet services.

Partially offset by:

- higher bundling discounts;
- increase in our call center expenses, renting expenses and network maintenance to support our growth;
- initial costs related to the future launch of our AWS network;
- increase in our management fees; and
- non recurring gains of \$7.4 million recorded in the first quarter of 2009.

Operating margin (operating income as a percentage of revenues): 48.1% in the first six months of 2010, compared with 47.3% in the same period of the previous year.

Amortization charge: \$129.5 million, an increase of \$12.1 million.

- The increase was mainly due to the acquisition of fixed and intangible assets, mostly related to telephony and cable Internet services and the modernization of our network.

Financial expenses: \$58.3 million, an increase of \$25.0 million.

- The increase was mainly due to:
 - Increase of \$13.0 million in interest on long-term debt due to higher indebtedness; and
 - \$5.6 million loss in the first six months of 2010 (gain of \$8.3 million in the same period in 2009) on foreign currency translation of short-term monetary items.

Partially offset by:

- an additional amount of \$4.3 million in the first six months of 2010, compared to the same period last year, in interest now capitalized to the cost of fixed and intangible assets, reflecting the larger proportion of our long-term debt attributed to investments in our AWS network, due to the growth of those investments.
- The increase in indebtedness is due to the issuance, on March 5, 2009 and on January 13, 2010 of respectively US \$260.0 million and \$300.0 million aggregate principal amount of Senior Notes.



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MANAGEMENT DISCUSSION AND ANALYSIS

Valuation and translation of financial instruments: a loss of \$2.9 million compared to a gain of \$21.1 million in the first six months of 2009, related to changes in fair value of financial instruments, including embedded derivatives due to changing yield curves.

Income tax expense: \$63.2 million (effective tax rate of 19.3%), compared with \$36.0 million in the same period of 2009 (effective tax rate of 11.0%).

- The increase in tax expense in 2010 compared to 2009 is mainly due to
 - \$10.1 million decrease in non-taxable dividend from the parent company;
 - \$11.3 million decrease in the recognition of deferred tax credit; and
 - \$6.5 million changes in the valuation allowance in 2009.

Partially offset by:

- \$12.1 million reduction in future income tax liability in light of changes in tax audit matters and tax legislation.

Net income: \$264.7 million, a decrease of \$27.6 million (-9.44%).

- The decrease was mainly due to:
 - \$12.1 million increase in amortization.
 - \$25.0 million increase in financial expenses;
 - \$24.0 million negative variance in the gain on valuation and translation of financial instruments; and
 - \$27.2 million increase in income taxes.

Partially offset by:

- \$59.4 million increase in operating income.

CASH FLOWS AND FINANCIAL POSITION

Operating activities

Cash flows provided by operating activities: \$231.4 million in the second quarter of 2010, compared with \$191.4 million in the same quarter of 2009, an increase of \$40.0 million (20.9%)

- The increase was mainly due to:
 - \$31.3 million increase in operating income; and
 - \$36.8 million positive variance in non-cash balances related to operations, mainly due to \$20.5 million variation of income taxes payable and a net variation of \$10.5 million in payables to affiliated companies.

Partially offset by:

- \$21.6 million variation in current income taxes in 2010, compared to \$1.1 million in 2009; and
- \$6.7 million increase in financial and foreign exchange expenses.



MANAGEMENT DISCUSSION AND ANALYSIS

For the six-month period ended June 30, 2010, cash flows provided by operating activities were \$409.5 million in 2010 compared to \$350.7 million for the same period in 2009, an increase of \$58.8 million (16.8%).

- The increase was mainly due to:
 - \$59.4 million increase in operating income; and
 - \$56.8 million positive variance in non-cash balances related to operations, mainly due to \$33.7 million variation of income taxes payable and a \$21.6 million variation in accounts payables.

Partially offset by:

- \$34.7 million variation in current income taxes in 2010, compared to \$1.0 million in 2009; and
- \$23.7 million increase in financial and foreign exchange expenses.

Investing activities

Cash flows used in investing activities: \$177.0 million in the second quarter of 2010, compared with \$122.2 million in the same quarter of 2009, an increase of \$54.8 million. The increase was mainly due to a \$53.1 million increase in the acquisition of fixed assets.

For the six-month period ended June 30, 2010, cash flows used in investing activities reached \$298.0 million compared to \$428.6 million for the same period in 2009, a decrease of \$130.6 million.

- The decrease was mainly due to:
 - acquisition in 2009 of \$190.0 million of shares of a company under common control for tax planning purposes; and
 - decrease of \$30.0 million in temporary investments in 2010.

Partially offset by:

- increase of \$79.6 million in 2010 in the acquisition of fixed assets; and
- increase of \$3.9 million in 2010 in the acquisition of intangible assets.

Additions to fixed and intangible assets: \$180.1 million in the second quarter of 2010, compared to \$126.7 million in the same quarter of 2009, an increase of \$53.4 million (42.1%). In the first six months of 2010, we added \$332.4 million of fixed and intangible assets, compared with \$248.9 million in the same period in 2009, an increase of \$83.5 million (33.5%).

- This growth was mainly due to investments in our AWS network, our telephony and cable Internet services and the modernization of our network.

AWS Network: Videotron completed several key milestones in the build-out of its AWS network. As of June 30, 2010, almost all switching services and platforms had been installed and were operational. Siting and tower-sharing agreements for over 95% of the antenna sites required to launch the service had been reached. Videotron had also conducted multi-phase testing to maintain the reliability of its platforms. Interconnections with Videotron's existing fibre-optic network were being completed and incorporated into the company's integrated service. Videotron is still planning to launch its AWS network in the summer 2010.

Videotron still intends to finance future cash outflows related to its AWS network through its cash on hand, operating cash flows and if needed, its unused lines of credit.



MANAGEMENT DISCUSSION AND ANALYSIS

Financing activities

Cash flows provided by financing activities: \$60.2 million used in the second quarter of 2010, compared with \$81.2 million used in the same quarter of 2009. The \$21.0 million decrease was mainly due to a payment of dividends of \$60.0 million in 2010 (\$81.0 million in 2009) to its parent company, Quebecor Media Inc.

For the six-month period ended June 30, 2010, cash flows used by financing activities were \$16.4 million in 2010 compared to cash inflows of \$149.1 million for the same period in 2009.

- The \$165.5 million increase in cash used was mainly due to:
 - issuance of \$325.5 million of long-term debt, net of financing costs in 2009, compared to \$293.9 million in 2010; and
 - the Company contracting a subordinated loan of \$190.0 million from Quebecor Media Inc. in 2009 for tax planning purposes compared to none this year.

Partially offset by:

- an increase of cash distribution to its parent company, Quebecor Media Inc., of \$155.0 million, to \$310.0 million in 2010 compared to \$155.0 million for the same period in 2009; and
- a variance of net borrowings under bank credit facility of \$207.7 million in 2009 compared to none in 2010.

Consolidated debt of Videotron increased by \$331.3 million in the first six months of 2010

- The increase was mainly due to :
 - issuance by Videotron on January 13, 2010 of \$300.0 million aggregate amount of Senior Notes for a net proceeds of \$293.9 million;
 - \$15.1 million increase in debt related to the ineffective portion of fair value hedges and to embedded derivatives, due mainly to interest rate fluctuations; and
 - \$20.9 million negative impact of exchange rate fluctuations.

Partially offset by:

- A net increase of \$4.4 million in deferred financing costs.
- Liabilities related to derivative instruments totalled a net liability of \$136.4 million as at June 30, 2010, compared with a net liability of \$229.4 million as at December 31, 2009 a net decrease of \$93.0 million. The variance was essentially due to the impact of exchange rate fluctuation on the fair value of derivative financial instruments.

Financial Position at June 30, 2010

Net liquidity available: \$850.3 million for the Company and its wholly owned subsidiaries, consisting of \$244.3 million cash and \$606.0 million in available unused lines of credit.



MANAGEMENT DISCUSSION AND ANALYSIS

Consolidated debt: total of \$1.9 billion as at June 30, 2010 compared with \$1.6 billion as at December 31, 2009.

As of June 30, 2010, the aggregate amount of minimum principal payments on long-term debt required in each of the next five years and thereafter, based on borrowing levels as at that date is as follows:

Table 3
Minimum principal amount on Videotron long-term debt
12 periods ending June 30
(in million of Canadian dollars)

2011	\$ 0.0
2012	0.0
2013	0.0
2014	697.3
2015	0.0
2016 and thereafter	<u>1,237.2</u>
Total	<u>\$1,934.5</u>

The weighted average term of Videotron's consolidated debt was approximately 6.2 years as of June 30, 2010 (6.2 years as of December 31, 2009). The debt comprises of approximately 76.7% of fixed rate debt (72.9% as of December 31, 2009) and 23.3% of floating rate debt (27.1% as of December 31, 2009).

Management believes that cash flow 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, pension plan contributions and dividends (or distributions). The Company believes it will be able to meet future debt payments, which are staggered over the coming years.

Pursuant to its financing agreements, the Company is required to maintain certain financial ratios and covenants. The key financial ratios listed in these agreements include a debt service coverage ratio and a debt ratio (long-term debt over operating income). At June 30, 2010, the Company was in compliance with all required financial ratios and covenants in its financing agreements.



MANAGEMENT DISCUSSION AND ANALYSIS

Contractual obligations

Material contractual obligations included principal repayment and interest on long-term debt, capital asset purchases, obligations related to financial instruments and other commitments. The Company entered into the following material contractual obligations in 2010:

- On January 13, 2010, the Company issued \$300.0 million in aggregate principal amount of Senior Notes.

Apart from this obligation, there were no material changes in contractual obligations in the first six months of 2010 compared with the disclosures in the Annual Report for the year ended December 31, 2009 (Form 20F).

	Total	Payments Due by Period as of June 30, 2010			
		< 1 year	Less than 1-3 years	3-5 years	> 5 years
(in million of dollars)					
Contractual obligations:					
Accounts payable and accrued charges	348.6	348.6	—	—	—
6 7/8% Senior Notes due January 15, 2014	697.3	—	—	697.3	—
6 3/8% Senior Notes due December 15, 2015	185.8	—	—	—	185.8
9 1/8% Senior Notes due April 15, 2018	751.3	—	—	—	751.3
7 1/8% Senior Notes due January 15, 2020	300.0	—	—	—	300.0
Cash Interest Expense ¹	1,011.3	133.1	303.9	256.0	318.3
Derivative financial instruments ²	195.4	—	—	135.6	59.8
Total contractual cash obligations	\$3,489.7	\$ 481.7	\$ 303.9	\$1,088.9	\$ 1,615.2

¹ Estimate of interest to be paid on long-term debt and bank indebtedness is based on the hedged and unhedged interest rates and hedged foreign exchange rate as at June 30, 2010.

² Estimated net future reimbursements on derivative financial instruments relate to foreign exchange hedging.



MANAGEMENT DISCUSSION AND ANALYSIS

Financial Instruments

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

As at June 30, 2010, Videotron was using derivative financial instruments to manage its exchange rate and interest rate exposure. The Company has entered into cross-currency interest rate swap arrangements to hedge the foreign currency risk exposure on the entirety of its U.S. dollar-denominated long-term debt and to manage the impact of interest rate fluctuations on certain of its long-term debt.

Videotron 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 and other equipment, including equipment for the AWS network.

The Company does not hold or use any derivative financial instruments for trading purposes.

Certain cross-currency interest rate swaps entered into by Videotron and its subsidiaries 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 as at June 30, 2010 is shown in Table 4.

Table 4: Videotron
Fair value of derivative financial instruments
(in millions of Canadian dollars)

	June 30, 2010		December 31, 2009	
	Carrying value	Fair value asset (liability)	Carrying value	Fair value asset (liability)
Long-term debt ¹	\$(1,934.5)	\$ (2,011.6)	\$(1,613.9)	\$(1,688.7)
Derivative financial instruments:				
Early settlement options	(29.8)	(29.8)	(30.5)	(30.5)
Foreign exchange forward contracts	2.2	2.2	(5.6)	(5.6)
Cross-currency interest swaps	(138.6)	(138.6)	(223.8)	(223.8)

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

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



MANAGEMENT DISCUSSION AND ANALYSIS

The fair value of derivative financial instruments is estimated using the Company's evaluation models that project future cash flows and discount the future amounts to a present value using the contractual terms of the derivative instrument and factors in observable 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 fair value of the derivative instruments by applying a premium for risk of credit default, estimated using a combination of observable and unobservable inputs in the market to the net exposure of the counterparty or of the Company.

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

The loss (gain) on valuation and translation of financial instruments for the second quarter and first six months of 2010 are summarized in Table 5.

Table 5
Loss (gain) on valuation and translation of financial instruments
(in millions of Canadian dollars)

	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
(Gain) loss on embedded derivatives	\$ (0.7)	\$ (4.3)	\$ 0.7	\$ (9.7)
Loss (gain) on ineffective portion of fair value hedges	1.3	(6.3)	2.2	(11.4)
	\$ 0.6	\$ (10.6)	\$ 2.9	\$ (21.1)

Gains of \$48.6 million and \$59.8 million were recorded under other comprehensive income in the second quarter and first six months of 2010, respectively, in relation to cash flow hedging relationships (\$12.4 million loss and \$9.3 million loss in the second quarter and first six months of 2009, respectively).



MANAGEMENT DISCUSSION AND ANALYSIS

Changes in Accounting Policies

Current changes in accounting policies under Canadian GAAP

Recent Accounting Developments in Canada

In February 2008, Canada's Accounting Standards Board confirmed that Canadian GAAP, as used by publicly accountable enterprises, will be fully converged to IFRS, as issued by the International Accounting Standards Board (IASB). For its 2011 interim and annual financial statements, the Company will be required to report under IFRS and to provide IFRS comparative information for the 2010 financial year.

IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement and disclosures. As part of the IFRS conversion project, the Company has established an implementation team that includes a project manager, senior levels of management from all relevant departments and subsidiaries, and a steering committee to oversee the project. An external expert advisor has also been hired to assist.

Regular progress reporting to senior management and to the Audit Committee on the status of the IFRS conversion project has been established.

The conversion project consists of four phases.

"Diagnostic" Phase – This phase involves a detailed review and initial scoping of accounting differences between Canadian GAAP and IFRS, a preliminary evaluation of IFRS 1 exemptions for first-time IFRS adopters, and a high-level assessment of potential consequences on financial reporting, business processes, internal controls, and information systems.

"Design and Solutions Development" Phase – This phase involves prioritizing accounting treatment issues and preparing a conversion plan, quantifying the impact of converting to IFRS, reviewing and approving accounting policy choices, performing a detailed impact assessment and designing changes to systems and business processes, developing IFRS training material, and drafting IFRS financial statement content.

"Implementation" Phase – This phase involves embedding changes to systems, business processes and internal controls, determining the opening IFRS transition balance sheet and tax impacts, parallel accounting in 2010 under Canadian GAAP and IFRS, and preparing detailed reconciliations of Canadian GAAP to IFRS of the 2010 comparative figures in the 2011 financial statements.

"Post-Implementation" Phase – This phase involves conversion assessment, evaluating improvements for a sustainable operational IFRS model, and testing the internal controls environment.

The Company has completed the diagnostic phase and the project design, has developed solutions for all of the important topics, and is continuing to execute its project implementation strategy. Comprehensive training has been given to key employees throughout the organization who will be affected by the changeover to IFRS, and the progress of the Company's changeover plan continues to be communicated to internal and external stakeholders.

Management has assessed the exemptions from full retrospective application available under IFRS 1, *First-Time Adoption of International Financial Reporting Standards*, and their potential impacts on the Company's financial position.



MANAGEMENT DISCUSSION AND ANALYSIS

On adoption of IFRS, the significant exemptions the Company intends to elect at transition with their related impacts in the opening balance sheet are as follows:

Exemption	Application of exemption
Business combinations	The Company expects to elect not to restate any business combinations that occurred prior to January 1, 2010. No impact is expected in the transitional balance sheet.
Employee benefits	On transition, the Company expects to elect to recognize immediately cumulative actuarial gains and losses arising from all of its defined benefit plans as at the transition date in opening retained earnings, with a corresponding increase in pension liabilities.
Borrowing costs	On transition, the Company may elect to capitalize borrowing costs as calculated under IFRS on qualifying assets prospectively beginning on the transition date or a designated date prior to transition. As a result, certain long-term asset balances and opening retained earnings may decrease in the transitional balance sheet.

In addition to the elective exemptions described above, IFRS does not permit the retrospective application of IFRS in the determination of prior period estimates and the designation of hedging arrangements. As such, assumptions used to calculate estimates under Canadian GAAP will be used for the purpose of preparing the IFRS transitional balance sheet. In addition, hedge accounting will only be applied on transition to previously designated hedging relationships.

Management is in the process of quantifying the expected material differences between IFRS and the current accounting under Canadian GAAP. Differences in accounting policies adopted on and after transition to IFRS with respect to the recognition, measurement, presentation and disclosure of financial information, along with the related financial statement impacts, are expected to be in the following key accounting areas:

Key accounting area	Differences with potential impact for the Company
Presentation of financial statements (IAS 1)	<ul style="list-style-type: none"> Format variations and additional disclosures in the notes to financial statements are required under IFRS.
Property, plant and equipment (IAS 16)	<ul style="list-style-type: none"> No capitalization of start-up costs incurred on certain built-to-suit assets prior to substantial completion. As a result, depreciation expense is expected to be different under IFRS.
Impairment of assets (IAS 36)	<ul style="list-style-type: none"> Grouping of assets in cash generating units (CGUs) on the basis of independent cash inflows for impairment testing purposes, using a discounted cash flow valuation method in a single-step approach. The change in methodology may result in additional asset impairments recognized on transition and in the future under IFRS than those recognized under Canadian GAAP. Goodwill is allocated to, and tested in conjunction with its related CGU or group of CGUs that benefit from collective synergies. Under certain circumstances, impairment previously taken (other than goodwill) is required to be reversed. The Company has not yet concluded its assessment of asset impairment at transition.



MANAGEMENT DISCUSSION AND ANALYSIS

Key accounting area	Differences with potential impact for the Company
Income taxes (IAS 12)	<ul style="list-style-type: none"> • Recognition and measurement criteria for deferred tax assets and liabilities may differ. • Subsequent changes to deferred income taxes in the balance sheet related to transactions previously recorded in equity or other comprehensive income are also recorded directly in equity or Other Comprehensive Income (“OCI”) under IFRS as compared to through earnings under Canadian GAAP. • The opening balance sheet will also be adjusted for deferred tax consequences on IFRS differences arising from the conversion of other accounting standards.
Employee benefits (IAS 19)	<ul style="list-style-type: none"> • Immediate recognition of vested past service costs to opening retained earnings at transition and to income subsequent to transition, whereas under Canadian GAAP, vested or unvested past service costs are recognized linearly over the estimated average remaining service lifetime of participating employees. • After transition, the Company expects to recognize actuarial gains and losses as they occur in OCI, with no impact on income. Previously, under Canadian GAAP, actuarial gains and losses were amortized to income using the corridor method. • This change in accounting policy will result in the recognition of pension costs potentially different than otherwise recognized under Canadian GAAP. • The limit to which a net benefit asset can be recognized under certain circumstances (“asset ceiling”) under IFRS is calculated differently, which may result in the recognition of additional liabilities and a decrease in opening retained earnings at transition and in other comprehensive income in future reporting periods.
Business combinations and minority interests (IFRS 3R)	<ul style="list-style-type: none"> • Non-controlling interests are recorded at fair value at the date of acquisition and are presented as a separate component of shareholders’ equity. • Acquisition-related and restructuring costs expensed as incurred and contingent consideration recorded at its fair value on acquisition date; subsequent changes in fair value of a contingent consideration classified as a liability recognized in earnings. • Changes in ownership interests in a subsidiary that do not result in a loss of control accounted for as equity transactions. • These differences may result in financial statement impacts prospectively from transition on the occurrence of a future acquisition.
Related party transactions	<ul style="list-style-type: none"> • Recognition and measurement criteria for related party transactions may differ under IFRS. • This may result in reclassifications within equity accounts in the opening balance sheet.
Share-based payment (IFRS 2)	<ul style="list-style-type: none"> • Liabilities related to share-based payments made to employees that call for settlement in cash or other assets are recognized at fair value at the initial grant date and re-measured at fair value at the end of each subsequent reporting period, as opposed to at intrinsic value under Canadian GAAP. Each instalment is accounted for as a separate arrangement. • This difference is expected to increase other liabilities and compensation costs on transition and in subsequent reporting periods.
Provisions and contingencies (IAS 37)	<ul style="list-style-type: none"> • A different threshold is used for the recognition of a contingent liability that could impact the timing of when a provision may be recorded. At transition, liabilities for severance payments and contract termination penalties may be adjusted, with a corresponding effect on opening retained earnings.



MANAGEMENT DISCUSSION AND ANALYSIS

Key accounting area	Differences with potential impact for the Company
Hedge accounting (IAS 39)	<ul style="list-style-type: none"> The criteria used under IFRS in the assessment of hedge effectiveness are generally consistent with those under Canadian GAAP, except for some differences in specific cases, including the consideration of non-performance risk in hedge effectiveness tests. On transition, the Company intends to continue applying hedge accounting to all of its hedging arrangements.

This is not an exhaustive list of all the significant impacts that could occur during the conversion to IFRS.

Additionally, the Company has prepared a preliminary IFRS financial statement format in accordance with IAS 1, *Presentation of Financial Statements*, and is in the process of analyzing the contractual implications of new policy choices on financing arrangements and similar obligations.

The effects on information technology, data systems, and internal controls have also been assessed, and the Company does not expect that significant modifications will be necessary on conversion.

At this time, the comprehensive impact of the changeover on the Company's future financial position and results of operations is not yet determinable. Management has implemented a system to accommodate parallel recording of financial information in accordance with IFRS as at the transition date and for each of the 2010 financial periods to be presented as comparative figures in its 2011 IFRS financial statements.

The Company will monitor and assess the impact of evolving differences between Canadian GAAP and IFRS, since the IASB is expected to continue issuing new accounting standards. As a result, the final impact of IFRS on the Company's consolidated financial statements can only be measured once all the applicable IFRS at the conversion date are known.

The Company's IFRS conversion project is progressing according to schedule. As the project advances, the Company could alter its intentions and the milestones communicated at the time of reporting as a result of changes to international standards currently in development, or in light of new information or other external factors that could arise between now and when the changeover has been completed.



MANAGEMENT DISCUSSION AND ANALYSIS

Forward-looking statements

This quarterly report contains forward-looking statements with respect to our financial condition, results of operations, business strategies and certain 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 we operate, as well as beliefs and assumptions made by our management. Such statements include, in particular, statements about our 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 these terms or variations of them or similar terminology are intended to identify such forward-looking statements. Although we believe 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: our anticipated business strategies; anticipated trends in our business; and our ability to continue to control costs. We 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:

- general economic, financial or market conditions;
- the intensity of competitive activity in the industries in which we operate, including competition from alternative means of programs and content transmission;
- unanticipated higher capital spending required to address continued development of competitive alternative technologies or the inability to obtain additional capital to continue the development of our business;
- our ability to implement successfully our business and operating strategies and manage our growth and expansion;
- our ability to successfully pursue a strategy of becoming a facilities-based wireless provider;
- disruptions to the network through which we provide our digital television, Internet access and telephony services, and our ability to protect such services from piracy;
- labour disputes or strikes;
- changes in our ability to obtain services and equipment critical to our operations;
- changes in laws and regulations, or in their interpretations, which could result, among other things, in the loss (or reduction in value) of our licences or markets or in an increase in competition, compliance costs or capital expenditures;
- our substantial indebtedness and the restrictions on our business imposed by the terms of our debt; and
- interest rate fluctuations that affect a portion of our interest payment requirements on long-term debt.

We caution you that the above list of cautionary statements is not exhaustive. These and other factors are discussed in further detail elsewhere in the Annual Report on Form 20F, included under the section "Risk Factors". Each of these forward-looking statements speaks only as of the date of this report. We disclaim any obligation to update these statements unless applicable securities laws require us to do so. We advise you to consult any documents we may file or furnish with the U.S. Securities and Exchange Commission, or the SEC.



VIDEOTRON LTD.

Interim Consolidated Statements of Income

(in thousands of Canadian dollars)

(unaudited)

	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Operating revenues:				
Cable television	\$ 235,474	\$ 216,356	\$ 465,422	\$ 428,101
Internet	159,128	140,431	317,064	277,250
Telephony	101,293	86,065	199,699	168,577
Wireless telephony	12,235	10,000	23,795	19,051
Business solution	14,667	14,476	28,601	29,107
Video stores	5,509	7,139	11,140	17,966
Other	14,816	12,954	25,721	24,883
	543,122	487,421	1,071,442	964,935
Direct costs and operating expenses	279,100	254,716	555,717	508,625
Amortization	65,693	58,766	129,540	117,437
Financial expenses (note 2)	28,681	18,363	58,284	33,275
Loss (gain) on valuation and translation of financial instruments (note 3)	600	(10,574)	2,876	(21,073)
Other	(2,864)	(689)	(2,922)	(1,800)
Income before income taxes and non-controlling interest	171,912	166,839	327,947	328,471
Income taxes:				
Current	23,219	1,310	41,991	2,070
Future	17,133	13,577	21,195	33,930
	40,352	14,887	63,186	36,000
	131,560	151,952	264,761	292,471
Non-controlling interest	55	127	64	169
Net income	\$ 131,505	\$ 151,825	\$ 264,697	\$ 292,302

See accompanying notes to unaudited interim consolidated financial statements.

**VIDEOTRON LTD.**

Interim Consolidated Statements of Comprehensive Income

(in thousands of Canadian dollars)

(unaudited)

	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Net income	\$ 131,505	\$ 151,825	\$ 264,697	\$ 292,302
Other comprehensive income (loss):				
Gain (loss) on valuation of derivative financial instruments	48,585	(12,371)	59,820	(9,310)
Future income taxes	(11,208)	14,378	(11,292)	9,033
	37,377	2,007	48,528	(277)
Comprehensive income	\$ 168,882	\$ 153,832	\$ 313,225	\$ 292,025

See accompanying notes to unaudited interim consolidated financial statements.



VIDEOTRON LTD.

Interim Consolidated Statements of Shareholder's Equity

(in thousands of Canadian dollars)

(unaudited)

	Capital stock (note 7)	Contributed surplus	Retained earnings (Deficit)	Accumulated other comprehensive income (loss) (note 8)	Total shareholder's equity
Balance as at December 31, 2008	\$ 1	\$ 503,155	\$ (72,882)	\$ (27,098)	\$ 403,176
Net income	—	—	292,302	—	292,302
Conversion of contributed surplus (note 9)	—	(496,000)	496,000	—	—
Dividends	—	—	(155,000)	—	(155,000)
Other comprehensive loss	—	—	—	(277)	(277)
Balance as at June 30, 2009	1	7,155	560,420	(27,375)	540,201
Net income	—	—	304,595	—	304,595
Dividends	—	—	(148,000)	—	(148,000)
Related party transaction	—	—	(70)	—	(70)
Other comprehensive income	—	—	—	4,543	4,543
Balance as at December 31, 2009	1	7,155	716,945	(22,832)	701,269
Net income	—	—	264,697	—	264,697
Dividends	—	—	(310,000)	—	(310,000)
Other comprehensive income	—	—	—	48,528	48,528
Balance as at June 30, 2010	\$ 1	\$ 7,155	\$ 671,642	\$ 25,696	\$ 704,494

See accompanying notes to unaudited interim consolidated financial statements.



VIDEOTRON LTD.

Interim Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)
(unaudited)

	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Cash flows related to operating activities:				
Net income	\$ 131,505	\$ 151,825	\$ 264,697	\$ 292,302
Adjustments for:				
Amortization of fixed assets	61,124	55,187	120,823	110,295
Amortization of intangible assets and other assets	4,569	3,579	8,717	7,142
Loss (gain) on valuation and translation of financial instruments (note 3)	600	(10,574)	2,876	(21,073)
Amortization of financing costs and long-term debt premium or discount (note 2)	894	630	1,755	783
Future income taxes	17,133	13,577	21,195	33,930
Other	(1,113)	(2,754)	512	(4,815)
	214,712	211,470	420,575	418,564
Net change in non-cash balances related to operations	16,695	(20,084)	(11,049)	(67,892)
Cash flows provided by operating activities	231,407	191,386	409,526	350,672
Cash flows related to investing activities:				
Additions to fixed assets	(155,279)	(102,156)	(283,494)	(203,940)
Additions to intangible assets	(24,793)	(24,544)	(48,910)	(44,995)
Acquisition of preferred shares of a company under common control (note 5)	—	—	—	(190,000)
Decrease in temporary investments	—	—	30,000	—
Other	3,026	4,455	4,362	10,331
Cash flows used in investing activities	(177,046)	(122,245)	(298,042)	(428,604)
Cash flows related to financing activities:				
Net change in bank indebtedness	—	—	—	(3,613)
Net change under bank credit facility	—	—	—	(207,670)
Issuance of long-term debt, net of financing costs (note 6)	—	—	293,888	325,544
Issuance of subordinated loan from parent company (note 5)	—	—	—	190,000
Dividends	(60,000)	(81,000)	(310,000)	(155,000)
Other	(161)	(158)	(292)	(158)
Cash flows (used in) provided by financing activities	(60,161)	(81,158)	(16,404)	149,103
Net change in cash and cash equivalents	(5,800)	(12,017)	95,080	71,171
Cash and cash equivalents, beginning of period	251,189	83,188	150,309	—
Cash and cash equivalents, end of period	\$ 245,389	\$ 71,171	\$ 245,389	\$ 71,171
Non-cash investing activities:				
Additions to fixed and intangible assets financed with accounts payable	\$ 26,558	\$ 7,465	\$ 114,086	\$ 51,967
Cash interest payments	\$ 57,274	\$ 42,266	\$ 74,158	\$ 63,765
Cash income tax payments (net of refunds)	1,548	89	3,302	267
Additions to intangible assets:				
Internally generated	(11,736)	(9,044)	(23,815)	(18,871)
Externally acquired	(13,057)	(15,500)	(25,095)	(26,124)

See accompanying notes to unaudited interim consolidated financial statements.



VIDEOTRON LTD.

Interim Consolidated Balance Sheets

(in thousands of Canadian dollars)

(unaudited)

	June 30	December 31
	2010	2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 245,389	\$ 150,309
Temporary investments	-	30,000
Accounts receivable	179,759	185,726
Income taxes	434	255
Amounts receivable from affiliated companies	10,227	14,682
Inventories	39,799	38,938
Prepaid expenses	27,096	10,216
Future income taxes	6,766	12,305
	509,470	442,431
Investments (note 5)	1,260,000	1,260,000
Fixed assets	1,945,230	1,775,089
Intangible assets	769,249	731,944
Derivative financial instruments	37,461	3,077
Other assets	59,725	44,835
Future income taxes	790	859
Goodwill	432,374	432,374
	\$ 5,014,299	\$ 4,690,609
Liabilities and shareholder's equity		
Current liabilities:		
Accounts payable and accrued charges	\$ 348,618	\$ 381,049
Amounts payable to affiliated companies	15,135	21,513
Deferred revenue	190,976	178,007
Income taxes	37,086	4,887
	591,815	585,456
Long-term debt (note 6)	1,923,654	1,592,321
Subordinated loan from parent company (note 5)	1,260,000	1,260,000
Derivative financial instruments	173,883	232,469
Future income taxes	311,775	281,588
Other liabilities	48,678	37,506
	4,309,805	3,989,340
Shareholder's equity:		
Capital stock (note 7)	1	1
Contributed surplus (note 9)	7,155	7,155
Retained earnings	671,642	716,945
Accumulated other comprehensive income (loss) (note 8)	25,696	(22,832)
	704,494	701,269
	\$ 5,014,299	\$ 4,690,609

Subsequent event (note 11)

See accompanying notes to unaudited interim consolidated financial statements.



VIDEOTRON LTD.

Notes to Interim Consolidated Financial Statements

For the three-month and six-month periods ended June 30, 2010

(tabular amounts are in thousands of Canadian dollars)

(unaudited)

Videotron Ltd. (the "Company") is a wholly-owned subsidiary of Quebecor Media Inc. (the parent company) and is a subsidiary of Quebecor Inc. (the ultimate parent company). The Company offers television distribution, Internet, business solutions, telephony and wireless services in Canada and operates in the rental of movies or televisual products through its Video-On-Demand service or its distribution and rental stores.

1. Basis of presentation:

These interim consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The same accounting policies have been used as described in the Company's latest annual consolidated financial statements. However, these interim consolidated financial statements do not include all disclosures required under Canadian GAAP for annual consolidated financial statements and accordingly should be read in conjunction with the latest annual consolidated financial statements and the notes thereto. In the opinion of management, these interim consolidated financial statements contain all the adjustments considered necessary.

2. Financial expenses:

	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Third parties:				
Interest on long-term debt	\$ 38,149	\$ 32,316	\$ 75,507	\$ 62,530
Amortization of financing costs and long-term debt premium or discount	894	630	1,755	783
Loss (gain) on foreign currency translation of short-term monetary items	2,567	(3,361)	5,602	(8,302)
Other	(285)	(115)	(439)	(153)
	41,325	29,470	82,425	54,858
Affiliated parties:				
Interest expense	32,989	58,721	65,617	116,408
Dividend income	(34,084)	(60,672)	(67,793)	(120,282)
	(1,095)	(1,951)	(2,176)	(3,874)
Interest capitalized to the cost of:				
Fixed assets	(2,899)	(914)	(4,903)	(1,471)
Intangible assets	(8,650)	(8,242)	(17,062)	(16,238)
	(11,549)	(9,156)	(21,965)	(17,709)
	\$ 28,681	\$ 18,363	\$ 58,284	\$ 33,275



VIDEOTRON LTD.

Notes to Interim Consolidated Financial Statements, Continued
For the three-month and six-month periods ended June 30, 2010
(tabular amounts are in thousands of Canadian dollars)
(unaudited)

3. Loss (gain) on valuation and translation of financial instruments:

	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
(Gain) loss on embedded derivatives	\$ (690)	\$ (4,266)	\$ 694	\$ (9,723)
Loss (gain) on ineffective portion of fair value hedges	1,290	(6,308)	2,182	(11,350)
	\$ 600	\$ (10,574)	\$ 2,876	\$ (21,073)

4. Pension plans and postretirement benefits:

The Company maintains defined benefit plans and contribution benefit plans for its employees. The total costs were as follows:

	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Defined benefit plans	\$ 1,636	\$ 16	\$ 3,204	\$ 1,535
Defined contribution plans	1,671	1,388	3,470	2,814
	\$ 3,307	\$ 1,404	\$ 6,674	\$ 4,349

5. Subordinated loan from parent company:

	June 30, 2010	December 31, 2009
Subordinated loan – Quebecor Media Inc.	\$ 1,260,000	\$ 1,260,000

On January 9, 2009, CF Cable TV Inc., a wholly-owned subsidiary of the Company, increased the subordinated loan by \$190.0 million from Quebecor Media Inc., bearing interest at a rate of 10.5%, payable every six months on June 20 and December 20, and maturing on January 9, 2024. On the same day, CF Cable TV Inc. invested the total proceeds of \$190.0 million into 190,000 preferred shares, Series B, of 9101-0835 Québec Inc. These shares carry the right to receive an annual dividend of 10.85%, payable semi-annually.

The above transactions were carried out for tax consolidation purposes of Quebecor Media Inc. and its subsidiaries.



VIDEOTRON LTD.

Notes to Interim Consolidated Financial Statements, Continued

For the three-month and six-month periods ended June 30, 2010

(tabular amounts are in thousands of Canadian dollars)

(unaudited)

6. Long-term debt:

On January 13, 2010, the Company issued \$300.0 million in aggregate principal amount of Senior Notes for net proceeds of \$293.9 million, net of financing fees of \$6.1 million. The Senior Notes bear interest at 7.125% payable every six months on June 15 and December 15, and will mature on January 15, 2020. These notes contain certain restrictions on the Company, including limitations on its ability to incur additional indebtedness, pay dividends or make other distributions, and are unsecured. These Senior Notes are guaranteed by specific subsidiaries of the Company. These notes are redeemable at the option of the Company, in whole or in part, at any time prior to January 15, 2015, based on a make-whole formula and at a decreasing premium from thereon.

Components of the long-term debt are as follows:

	June 30, 2010	December 31, 2009
Senior Notes	\$ 1,934,457	\$ 1,613,848
Change in fair value related to hedged interest rate risk	34,990	20,589
Adjustments related to embedded derivatives	(17,418)	(18,112)
Financing fees, net of amortization	(28,375)	(24,004)
	\$ 1,923,654	\$ 1,592,321

7. Capital stock:

(a) Authorized capital stock

An unlimited number of common shares, without par value, voting and participating.

An unlimited number of preferred shares, Series B, Series C, Series D, Series E, Series F, and Series H, without par value, ranking prior to the common shares with regards to payment of dividends and repayment of capital, non-voting, non-participating, a fixed monthly non-cumulative dividend of 1%, retractable and redeemable.

An unlimited number of preferred shares, Series G, ranking prior to all other shares with regards to payment of dividends and repayment of capital, non-voting, non-participating carrying the rights and restrictions attached to the class as well as a fixed annual cumulative preferred dividend of 11.25%, retractable and redeemable.



VIDEOTRON LTD.

Notes to Interim Consolidated Financial Statements, Continued
For the three-month and six-month periods ended June 30, 2010
(tabular amounts are in thousands of Canadian dollars)
(unaudited)

7. Capital stock (continued):

(b) Issued and outstanding capital stock

	Common Shares	
	Number	Amount
Balance as of December 31, 2009 and June 30, 2010	2,515,277	\$ 1

(c) Stock-based compensation

The following table provides details of changes to outstanding options under the stock-based compensation plan established by the parent company for the six-month period ended June 30, 2010:

	Outstanding options	
	Number	Weighted average exercise price
As of December 31, 2009:	1,276,235	\$ 39.81
Granted	44,000	46.48
Exercised	(26,725)	27.16
Transferred ¹	(20,000)	44.45
As of June 30, 2010	1,273,510	\$ 40.23
Vested options as of June 30, 2010	37,347	\$ 29.96

¹ Represents amounts for an employee transferred to a related company. The Company's accounting for the compensation expenses of these stock options ended the date of the employee transfer.

During the three-month and six-month periods ended June 30, 2010, a net reversal of \$0.5 million and a net consolidated compensation charge of \$2.0 million, respectively, was recorded (a net charge of \$0.2 million and a net reversal of \$0.1 million, respectively, was recorded in 2009).

During the three-month and six-month periods ended June 30, 2010, 10,560 stock options were exercised for a cash consideration of \$0.2 million and 26,725 stock options were exercised for a cash consideration of \$0.6 million, respectively (nil stock options were exercised and 3,058 stock options were exercised for a cash consideration of \$0.03 million in 2009, respectively).

8. Accumulated other comprehensive loss:

Amounts accounted for in the accumulated comprehensive loss relate solely to cash flow hedges.

No significant amount is expected to be reclassified to income over the next 12 months in connection with derivatives designated as cash flow hedges. The balance is expected to reverse over an 8-year period.



VIDEOTRON LTD.

Notes to Interim Consolidated Financial Statements, Continued

For the three-month and six-month periods ended June 30, 2010

(tabular amounts are in thousands of Canadian dollars)

(unaudited)

9. Conversion of contributed surplus:

During the second quarter of 2009, the parent company authorized the Company to convert \$496.0 million of contributed surplus to retained earnings.

10. Significant differences between GAAP in Canada and the United States:

The Company's interim consolidated financial statements are prepared in accordance with Canadian GAAP, which differ in some respects from those applicable in the United States ("U.S. GAAP"). The following tables set forth the impact of material differences between Canadian and U.S. GAAP on the Company's consolidated financial statements of income, comprehensive income and balance sheets:

(a) Consolidated statements of income

	Three months ended		Six months ended	
	2010	2009	2010	2009
Net income as per Canadian GAAP	\$ 131,505	\$ 151,825	\$ 264,697	\$ 292,302
Non-controlling interest as per Canadian GAAP (vii)	55	127	64	169
Adjustments:				
Push-down basis of accounting (i)	(2,232)	(3,552)	(4,465)	(7,136)
Change in the fair value and ineffective portion of derivative financial instruments (iii)	13,360	(7,334)	9,628	(7,154)
Share-based compensation (iv)	200	(700)	200	(4,200)
Rental costs (v)	(2,829)	-	(4,498)	-
Income taxes (vi)	(1,361)	(6,086)	(3,818)	(13,088)
Other	-	-	-	(15)
	7,138	(17,672)	(2,953)	(31,593)
Net income as adjusted per U.S. GAAP	\$ 138,698	\$ 134,280	\$ 261,808	\$ 260,878
Attributable to (vii):				
Equity shareholder	\$ 138,643	\$ 134,153	\$ 261,744	\$ 260,709
Non-controlling interest	55	127	64	169



VIDEOTRON LTD.

Notes to Interim Consolidated Financial Statements, Continued
For the three-month and six-month periods ended June 30, 2010
(tabular amounts are in thousands of Canadian dollars)
(unaudited)

10. Significant differences between GAAP in Canada and the United States (continued):

(b) **Consolidated statements of comprehensive income**

	Three months ended		Six months ended	
	2010	June 30 2009	2010	June 30 2009
Comprehensive income as per Canadian GAAP	\$ 168,882	\$ 153,832	\$ 313,225	\$ 292,025
Non-controlling interest as per Canadian GAAP (vii)	55	127	64	169
Adjustments to net income as per previous table	7,138	(17,672)	(2,953)	(31,593)
Adjustments to other comprehensive income:				
Derivative financial instruments (iii)	(12,177)	3,484	(8,477)	(1,662)
Income taxes (vi)	2,003	2,090	2,020	2,797
	(10,174)	5,574	(6,457)	1,135
Comprehensive income as per U.S. GAAP	\$ 165,901	\$ 141,861	\$ 303,879	\$ 261,736
Attributable to (vii):				
Equity shareholder	\$ 165,846	\$ 141,734	\$ 303,815	\$ 261,567
Non-controlling interest	55	127	64	169



VIDEOTRON LTD.

Notes to Interim Consolidated Financial Statements, Continued
For the three-month and six-month periods ended June 30, 2010
(tabular amounts are in thousands of Canadian dollars)
(unaudited)

10. Significant differences between GAAP in Canada and the United States (continued):

(c) **Consolidated balance sheets**

	June 30, 2010		December 31, 2009	
	Canada	United States	Canada	United States
Fixed assets	\$ 1,945,230	\$ 2,006,584	\$ 1,775,089	\$ 1,847,311
Goodwill	432,374	2,570,842	432,374	2,570,842
Future income tax assets	7,556	8,847	13,164	14,509
Other assets	59,725	26,475	44,835	14,349
Accounts payable and accrued charges	(348,618)	(349,130)	(381,049)	(390,752)
Long-term debt	(1,923,654)	(1,944,848)	(1,592,321)	(1,614,666)
Future income tax liabilities	(311,775)	(321,894)	(281,588)	(282,677)
Other liabilities	(48,678)	(24,171)	(37,506)	(15,963)
Contributed surplus	(7,155)	(5,121,062)	(7,155)	(5,121,062)
(Retained earnings) deficit	(671,642)	2,273,359	(716,945)	2,225,103
Accumulated other comprehensive (income) loss	(25,696)	(17,335)	22,832	24,736

Accumulated other comprehensive income (loss) as at June 30, 2010 and December 31, 2009 is as follows:

	June 30, 2010	December 31, 2009
Accumulated other comprehensive income (loss) as per Canadian GAAP	\$ 25,696	\$ (22,832)
Adjustments:		
Pension and postretirement benefits (ii)	(3,863)	(3,863)
Derivative financial instruments (iii)	(6,530)	1,947
Income taxes (vi)	2,032	12
	(8,361)	(1,904)
Accumulated other comprehensive income (loss) as per U.S. GAAP	\$ 17,335	\$ (24,736)



VIDEOTRON LTD.

Notes to Interim Consolidated Financial Statements, Continued

For the three-month and six-month periods ended June 30, 2010

(tabular amounts are in thousands of Canadian dollars)

(unaudited)

10. Significant differences between GAAP in Canada and the United States (continued):

(i) Push-down basis of accounting:

The basis of accounting used in the preparation of this reconciliation of Canadian GAAP to U.S. GAAP reflects the push-down resulting from the acquisition of the Company and its subsidiaries on October 23, 2000 by Quebecor Media Inc. Under Canadian GAAP, each entity has retained the historical carrying value basis of its assets and liabilities. The excess of the purchase price over the value assigned to the net assets of the Company at the date of acquisition has been allocated to goodwill and has been amortized, up to December 31, 2001, on the straight-line basis over 40 years.

As at June 30, 2010, the push-down resulted in an increase in fixed assets of \$67.7 million, an increase in goodwill of \$2,138.4 million, an increase in future income tax liability of \$18.6 million, an increase in contributed surplus of \$4,577.0 million and an increase in the deficit of \$2,389.5 million

(ii) Pension and postretirement benefits:

Under U.S. GAAP, Codification Topic 715, *Compensation – Retirement Benefits*, requires the recognition of the over- or under-funded positions of defined benefit pension and other postretirement plans on the balance sheet; along with a corresponding non-cash adjustment to be recorded in accumulated other comprehensive income (loss).

Under Canadian GAAP, a company is not required to recognize the over- or under-funded positions or to recognize an additional minimum liability. However, when a defined benefit plan gives rise to an accrued benefit asset, a company must recognize a valuation allowance for the excess of the adjusted benefit asset over the expected future benefit to be realized from the plan assets. U.S. GAAP does not provide for a valuation allowance against pension assets.

(iii) Derivative financial instruments and hedging accounting:

Since January 1, 2007, standards for hedge accounting under Canadian GAAP are similar to those under U.S. GAAP, as established Codification Topic 815, *Derivatives and Hedging*.

However, under Canadian GAAP, certain embedded derivatives, such as early settlement options included in some of the Company's borrowing agreements, do not meet the criteria to be considered closely related to their host contracts and, therefore must be recorded at their fair value with changes in income. Under U.S. GAAP, these embedded derivatives are considered closely related to their host contract and do not have to be recorded separately at their fair values. Accordingly, the measurement of ineffective hedging relationships recorded in income under U.S. GAAP differs from the measurement under Canadian GAAP.



VIDEOTRON LTD.

Notes to Interim Consolidated Financial Statements, Continued
For the three-month and six-month periods ended June 30, 2010
(tabular amounts are in thousands of Canadian dollars)
(unaudited)

10. Significant differences between GAAP in Canada and the United States (continued):

(iv) Stock-based compensation:

Under U.S. GAAP, in accordance with Codification Topic 718, *Compensation – Stock Compensation*, the liability related to stock-based awards that calls for settlement in cash or other assets must be measured at its fair value based on the fair value of stock option awards and is re-measured at the end of each reporting period. Under Canadian GAAP, the liability is measured and re-measured based on the intrinsic values of the stock option awards instead of the fair values.

(v) Rental costs:

Under U.S. GAAP, Codification Topic 840, *Leases*, requires that rental costs relating to an operating lease be expensed as they are incurred during the construction period of an asset. Under Canadian GAAP, such rent expenses can be capitalized to the cost of an item of fixed asset being constructed until this item is substantially completed and ready for productive use.

(vi) Income taxes:

The Company and a subsidiary have entered into tax consolidation transactions with a parent company through which tax losses were transferred between the parties. Under Canadian GAAP, these transactions resulted in the recognition of deferred credits. Under U.S. GAAP, since these transactions relate to asset transfers between related parties, the difference between the carrying value of the tax benefits transferred and the cash consideration received or paid is recognized in contributed surplus.

Under Canadian GAAP, income taxes are measured using substantively enacted tax rates, while under U.S. GAAP measurement is based on enacted tax rates.

Furthermore, under U.S. GAAP, the FASB issued interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), an interpretation of Codification Topic 740, *Income Taxes*. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with Codification Topic 740 and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance as to derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Under Canadian GAAP, there is no such interpretation and, therefore, the reserve related to income tax contingencies is not based on the same level of likelihood as that prescribed by FIN 48.



VIDEOTRON LTD.

Notes to Interim Consolidated Financial Statements, Continued
For the three-month and six-month periods ended June 30, 2010
(tabular amounts are in thousands of Canadian dollars)
(unaudited)

10. Significant differences between GAAP in Canada and the United States (continued):

(vii) Business combinations and non-controlling interest:

The new provisions of Codification topic 805, *Business Combinations*, adopted in 2009, apply prospectively to business combinations for which the acquisition date is on or after December 31, 2008. Codification 805 establishes guidance on the recognition and measurement of all assets and all liabilities of the acquired business at fair value. Non-controlling interests are measured at either their fair value or at their proportionate share of the fair value of identifiable assets and liabilities. The measurement of consideration given now includes the fair value of any contingent consideration as of the acquisition date and subsequent changes in fair value of the contingent consideration classified as a liability are recognized in earnings. Acquisition-related costs are excluded from the purchase price and are expensed as incurred. In addition, restructuring costs related to a business combination are no longer part of the purchase price equation and are expensed as incurred. The adoption of this Section has not yet created a difference between Canadian and U.S. GAAP.

The rules under Codification Topic 810, *Consolidation*, also adopted in 2009, establish guidance on accounting for non-controlling interests and for transactions with non-controlling interest. Codification Topic 810 requires that non-controlling interest be presented as a separate component of shareholders' equity. In the statement of income, net income is calculated before non-controlling interest and is then attributed to shareholders and non-controlling interest. In addition, changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are now accounted for as equity transactions.

(viii) Conversion of contributed surplus:

During the second quarter of 2009, the Company eliminated its deficit by converting \$496.0 million of contributed surplus. Under Canadian GAAP, this transaction was permitted by obtaining the proper authorization from the parent company. Under U.S. GAAP, the Company did not meet the requirements set forth by the SEC's "Quasi-Reorganization" SAB 5-S; hence, the transaction was not allowed under U.S. GAAP.

11. Subsequent event:

Dividend:

On August 11, 2010, the Company paid a dividend to its parent company for a total cash distribution of \$25.0 million.



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.

VIDEOTRON LTD.

/s/ Marie-Josée Marsan

By: Marie-Josée Marsan
Vice President Finance, IT
and Chief Financial Officer

Date: August 12, 2010