

QUEBECOR INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

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

	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Revenues				
Cable	\$ 452.6	\$ 394.6	\$ 1,330.7	\$ 1,125.3
Newspapers	270.8	259.5	845.7	721.6
Broadcasting	92.3	91.6	309.8	291.4
Leisure and Entertainment	75.2	79.6	201.5	226.4
Interactive Technologies and Communications	21.6	19.0	65.6	61.9
Internet/Portals	13.1	11.5	38.3	34.6
Head office and inter-segment	(17.5)	(21.2)	(64.1)	(60.2)
	908.1	834.6	2,727.5	2,401.0
Cost of sales and selling and administrative expenses	630.6	577.7	1,916.6	1,729.8
Amortization	77.5	73.0	235.9	215.1
Financial expenses (note 4)	74.0	66.4	227.0	179.5
Gain on valuation and translation of financial instruments (note 5)	(4.4)	(47.9)	(43.6)	(40.6)
Reserve for restructuring of operations and other special charges (note 6)	2.0	3.0	4.3	14.7
Income before income taxes and non-controlling interest	128.4	162.4	387.3	302.5
Income taxes:				
Current	(1.1)	3.5	1.2	1.2
Future	39.8	39.4	107.8	63.8
	38.7	42.9	109.0	65.0
	89.7	119.5	278.3	237.5
Non-controlling interest	(44.1)	(39.2)	(130.6)	(104.1)
Income from continuing operations	45.6	80.3	147.7	133.4
Income (loss) from discontinued operations (note 2)	-	(115.5)	383.3	(140.0)
Net income (loss)	\$ 45.6	\$ (35.2)	\$ 531.0	\$ (6.6)
Earnings per share (note 9)				
Basic				
From continuing operations	\$ 0.70	\$ 1.24	\$ 2.29	\$ 2.07
From discontinued operations	-	(1.79)	5.96	(2.17)
Net income (loss)	0.70	(0.55)	8.25	(0.10)
Diluted				
From continuing operations	0.70	1.23	2.28	2.07
From discontinued operations	-	(1.79)	5.96	(2.17)
Net income (loss)	0.70	(0.56)	8.24	(0.10)
Weighted average number of shares outstanding (in millions)	64.3	64.3	64.3	64.3
Weighted average number of diluted shares (in millions)	64.4	64.3	64.4	64.3

See accompanying notes to consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES

SEGMENTED INFORMATION

(in millions of Canadian dollars)
(unaudited)

	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Income from continuing operations before amortization, financial expenses, gain on valuation and translation of financial instruments, reserve for restructuring of operations and other special charges, income taxes and non-controlling interest				
Cable	\$ 201.0	\$ 172.3	\$ 579.1	\$ 467.0
Newspapers	52.1	60.1	170.5	149.3
Broadcasting	10.8	11.8	43.9	36.6
Leisure and Entertainment	8.8	9.1	9.4	16.7
Interactive Technologies and Communications	1.0	1.4	2.1	2.8
Internet/Portals	0.5	1.0	1.8	4.1
Head office	3.3	1.2	4.1	(5.3)
	\$ 277.5	\$ 256.9	\$ 810.9	\$ 671.2
Amortization				
Cable	\$ 57.0	\$ 54.9	\$ 170.5	\$ 163.8
Newspapers	12.3	11.5	42.7	31.1
Broadcasting	3.7	3.2	10.6	9.8
Leisure and Entertainment	2.2	1.9	5.9	6.0
Interactive Technologies and Communications	1.0	0.7	2.9	2.2
Internet/Portals	1.0	0.4	2.5	1.1
Head Office	0.3	0.4	0.8	1.1
	\$ 77.5	\$ 73.0	\$ 235.9	\$ 215.1
Additions to property, plant and equipment				
Cable	\$ 92.0	\$ 78.7	\$ 294.1	\$ 235.8
Newspapers	22.6	17.8	63.1	47.7
Broadcasting	8.0	3.4	15.4	9.7
Leisure and Entertainment	2.0	1.0	5.7	1.4
Interactive Technologies and Communications	1.2	1.1	2.6	2.6
Internet/Portals	4.1	0.7	8.3	3.1
Head office	2.7	6.6	10.1	16.9
	\$ 132.6	\$ 109.3	\$ 399.3	\$ 317.2

See accompanying notes to consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of Canadian dollars)
(unaudited)

	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Net income	\$ 45.6	\$ (35.2)	\$ 531.0	\$ (6.6)
Other comprehensive income (loss), net of income taxes and non-controlling interest (note 14):				
Unrealized (loss) gain on translation of net investments in foreign operations	(0.5)	(0.3)	0.7	(1.1)
Unrealized gain (loss) on derivative financial instruments	15.5	1.6	(6.6)	9.7
Other comprehensive loss from discontinued operations	-	(52.7)	-	(128.2)
Reclassification to income of other comprehensive loss related to discontinued operations (note 2)	-	0.3	326.5	1.5
	15.0	(51.1)	320.6	(118.1)
Comprehensive income (loss)	\$ 60.6	\$ (86.3)	\$ 851.6	\$ (124.7)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(in millions of Canadian dollars)
(unaudited)

	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Balance at beginning of period, as previously reported	\$ 870.5	\$ 1,416.4	\$ 412.1	\$ 1,385.9
Cumulative effect of changes in an accounting policy (note 3)	-	-	(20.6)	-
Balance at beginning of period, as revised	870.5	1,416.4	391.5	1,385.9
Net income (loss)	45.6	(35.2)	531.0	(6.6)
	916.1	1,381.2	922.5	1,379.3
Discontinued operations - Redemption of convertible notes	-	-	-	8.3
Dividends	(3.2)	(3.2)	(9.6)	(9.6)
Balance at end of period	\$ 912.9	\$ 1,378.0	\$ 912.9	\$ 1,378.0

See accompanying notes to consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars)
(unaudited)

	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Cash flows related to operations				
Income from continuing operations	\$ 45.6	\$ 80.3	\$ 147.7	\$ 133.4
Adjustments for:				
Amortization of property, plant and equipment	71.5	69.0	218.3	206.4
Amortization of deferred charges and other assets	6.0	4.0	17.6	8.7
Gain on valuation and translation of financial instruments (note 5)	(4.4)	(47.9)	(43.6)	(40.6)
Amortization of financing costs and long-term debt discount	2.4	1.0	6.7	3.0
Future income taxes	39.8	39.4	107.8	63.8
Non-controlling interest	44.1	39.2	130.6	104.1
Other	(2.2)	6.0	(0.1)	3.1
	<u>202.8</u>	<u>191.0</u>	<u>585.0</u>	<u>481.9</u>
Net change in non-cash balances related to operations	38.5	4.0	(118.8)	(35.8)
Cash flows provided by continuing operations	241.3	195.0	466.2	446.1
Cash flows (used in) provided by discontinued operations	-	(52.0)	20.5	122.1
Cash flows provided by operations	<u>241.3</u>	<u>143.0</u>	<u>486.7</u>	<u>568.2</u>
Cash flows related to investing activities				
Business acquisitions, net of cash and cash equivalents (note 8)	(8.2)	(430.7)	(146.7)	(436.5)
Business disposals, net of cash and cash equivalents	0.4	7.7	1.6	7.7
Additions to property, plant and equipment	(132.6)	(109.3)	(399.3)	(317.2)
Additions to other assets (note 10)	(559.9)	(0.1)	(566.4)	(1.4)
Decrease in cash and cash equivalents in trust (note 10)	218.0	1.6	-	4.0
Other	0.8	1.0	2.2	5.6
Cash flows used in continuing investing activities	(481.5)	(529.8)	(1,108.6)	(737.8)
Cash flows used in discontinued investing activities and cash and cash equivalents of Quebecor World Inc. at the date of deconsolidation	-	(32.8)	(117.7)	(146.4)
Cash flows used in investing activities	<u>(481.5)</u>	<u>(562.6)</u>	<u>(1,226.3)</u>	<u>(884.2)</u>
Cash flows related to financing activities				
Net increase (decrease) in bank indebtedness	0.7	(5.4)	23.8	(15.2)
Issuance of long-term debt, net of financing fees (note 11)	13.8	15.0	463.6	25.3
Net borrowings under revolving bank facilities	245.7	513.3	190.9	501.2
Repayments of long-term debt	(8.4)	(9.2)	(21.3)	(19.9)
Repayments of the Additional Amount payable	-	(127.2)	-	(127.2)
Dividends	(3.2)	(3.2)	(9.6)	(9.6)
Dividends paid to non-controlling shareholders	(12.2)	(11.2)	(13.7)	(23.3)
Other	0.1	(3.9)	2.7	(3.1)
Cash flows provided by continuing financing activities	236.5	368.2	636.4	328.2
Cash flows provided by discontinued financing activities	-	111.3	37.3	104.1
Cash flows provided by financing activities	<u>236.5</u>	<u>479.5</u>	<u>673.7</u>	<u>432.3</u>
Net (decrease) increase in cash and cash equivalents	(3.7)	59.9	(65.9)	116.3
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	1.3	(28.2)	1.5	(65.3)
Cash and cash equivalents at beginning of period	4.5	54.0	66.5	34.7
Cash and cash equivalents at end of period	<u>\$ 2.1</u>	<u>\$ 85.7</u>	<u>\$ 2.1</u>	<u>\$ 85.7</u>
Cash and cash equivalents consist of				
Cash	\$ 1.2	\$ 45.4	\$ 1.2	\$ 45.4
Cash equivalents	0.9	40.3	0.9	40.3
	<u>\$ 2.1</u>	<u>\$ 85.7</u>	<u>\$ 2.1</u>	<u>\$ 85.7</u>
Continuing operations				
Cash interest payments	\$ 56.1	\$ 56.8	\$ 200.1	\$ 169.1
Cash income tax payments (net of refunds)	3.7	(1.4)	19.9	(2.7)

See accompanying notes to consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars)
(unaudited)

	September 30	December 31
	2008	2007
Assets		
Current assets		
Cash and cash equivalents	\$ 2.1	\$ 66.5
Cash and cash equivalents in trust	5.5	5.4
Accounts receivable	455.2	1,513.4
Income taxes	9.9	25.9
Inventories and investments in televisual products and movies	183.1	529.9
Prepaid expenses	39.6	51.1
Future income taxes	118.2	223.7
	<u>813.6</u>	<u>2,415.9</u>
Property, plant and equipment	2,316.2	4,121.1
Future income taxes	36.9	65.1
Restricted cash	-	53.8
Other assets (note 10)	1,050.1	664.7
Goodwill	4,154.1	4,417.8
	<u>\$ 8,370.9</u>	<u>\$ 11,738.4</u>
Liabilities and shareholders' equity		
Current liabilities		
Bank indebtedness	\$ 40.8	\$ 88.6
Accounts payable and accrued charges	645.6	1,715.1
Deferred revenue	219.7	222.7
Income taxes	3.1	58.0
Short-term secured financing	-	453.5
Current portion of long-term debt (note 11)	33.3	1,028.4
	<u>942.5</u>	<u>3,566.3</u>
Long-term debt (note 11)	3,921.3	4,393.8
Exchangeable debentures	15.8	79.4
Derivative financial instruments (note 16)	371.8	599.8
Other liabilities	112.9	407.6
Future income taxes	441.2	515.9
Preferred shares of a subsidiary	-	175.0
Non-controlling interest	1,307.1	1,563.7
Shareholders' equity		
Capital stock (note 12)	346.6	346.6
Retained earnings	912.9	412.1
Accumulated other comprehensive loss (note 13)	(1.2)	(321.8)
	<u>1,258.3</u>	<u>436.9</u>
Contingencies (note 15)		
	<u>\$ 8,370.9</u>	<u>\$ 11,738.4</u>

See accompanying notes to consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three-month and nine-month periods ended September 30, 2008
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

Quebecor Inc. (the "Company") is a holding company with a 54.7% interest in Quebecor Media Inc., which is engaged, through its subsidiaries, in the following industry segments: Cable, Newspapers, Broadcasting, Leisure and Entertainment, Interactive Technologies and Communications and Internet/Portals. The Cable segment offers television distribution, Internet, business solutions, telephony and wireless services in Canada and operates in the rental of digital video discs ("DVD" units) and games. The Newspapers segment includes the printing, publishing and distribution of daily newspapers, weekly newspapers and directories in Canada. The Broadcasting segment operates French- and English-language 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, videos, musical instruments and magazines in Canada, online sales of downloadable music and music production and distribution in Canada and Europe. 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. The Internet/Portals segment operates Internet sites in Canada, including French- and English-language portals and specialized sites.

1. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The same accounting policies as described in the Company's latest annual consolidated financial statements have been used, with the exception of the changes described in note 3 below. However, these 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 Company's latest annual consolidated financial statements and the notes thereto. In the opinion of management, these consolidated financial statements contain all the adjustments considered necessary.

Some of the Company'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 Company 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 Company'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.

Certain comparative figures for the previous periods have been reclassified to conform to the presentation adopted for the three-month and nine-month periods ended September 30, 2008.

2. DISCONTINUED OPERATIONS

On January 21, 2008, Quebecor World Inc. and its U.S. subsidiaries were granted creditor protection under the *Companies' Creditors Arrangement Act* in Canada. On the same date, its U.S. subsidiaries also filed a petition for creditor protection under Chapter 11 of the *United States Bankruptcy Code*. As of the date of these filings, the Company concluded that, based on Canadian GAAP, its control over Quebecor World Inc. was lost. Accordingly, the Company's investment in Quebecor World Inc. has no longer been consolidated beginning January 21, 2008. Quebecor Inc.'s investment in Quebecor World Inc. was classified as held-for-trading and its carrying value was valued at zero. Quebecor World Inc.'s activities were also considered as "Discontinued operations" in the consolidated financial statements of Quebecor Inc.

The results of Quebecor World Inc. were reclassified and disclosed in the consolidated statements of income as "Income (loss) from discontinued operations," while cash flows related to these operations were reclassified and disclosed in the consolidated statements of cash flows as "Cash flows (used in) provided by discontinued operations".

As of January 21, 2008, the Company's consolidated balance sheet included a net assets deficiency of \$761.3 million, represented by the excess of the liabilities and non-controlling interest related to Quebecor World Inc. over Quebecor World Inc.'s assets. As of January 21, 2008, the Company also had an accumulated other comprehensive loss of \$326.5 million, net of income taxes, that was attributable to Quebecor World Inc., mainly comprised of translation losses on net investments in foreign operations.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2008
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

2. DISCONTINUED OPERATIONS (continued)

The net assets deficiency and the accumulated comprehensive loss were reversed upon deconsolidation on January 21, 2008, generating a net gain of \$399.7 million, net of the \$35.1 million decrease in the income tax asset related to the investment in Quebecor World Inc., as presented below:

Reversal of net assets deficiency	\$ (761.3)
Reclassification to income of accumulated comprehensive loss	326.5
Changes in future income tax asset related to the Company's investment in Quebecor World Inc.	35.1
Net gain recognized upon deconsolidation	\$ (399.7)

The following table provides results from discontinued operations for the three-month and nine-month periods ended September 30, 2008 and 2007:

	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008 ¹	2007
Quebecor World Inc.				
Revenues	\$ –	\$ 1,479.5	\$ 317.6	\$ 4,606.6
Cost of sales and selling and administrative expenses	–	1,352.0	304.1	4,245.5
Amortization	–	80.8	18.8	251.0
Financial expenses	–	55.6	25.3	139.7
Reserve for restructuring of operations, impairment of assets and other special charges	–	138.1	–	223.7
Loss on debt refinancing	–	54.7	–	56.1
Impairment of goodwill	–	174.4	–	174.4
Loss before undernoted items	–	(376.1)	(30.6)	(483.8)
Income taxes	–	(57.0)	(13.6)	(102.7)
Dividends on preferred shares, net of income taxes	–	8.2	0.7	25.3
Non-controlling interest	–	(211.8)	–	(263.5)
	–	(115.5)	(17.7)	(142.9)
Net gain on reversal of net assets deficiency and on reclassification to income of accumulated comprehensive loss, net of income taxes	–	–	(399.7)	–
(Loss) income from discontinued operations related to Quebecor World Inc.	–	(115.5)	382.0	(142.9)
Other discontinued operations				
Income from other discontinued operations	–	–	1.3	2.9
(Loss) income from discontinued operations	\$ –	\$ (115.5)	\$ 383.3	\$ (140.0)

¹ The nine-month period ended September 30, 2008 includes the results of Quebecor World Inc. for the first 21 days of the period.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2008
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

2. DISCONTINUED OPERATIONS (continued)

The following table provides information on the assets and liabilities of discontinued operations as of December 31, 2007:

Current assets	\$ 1,513.3
Long-term assets	2,568.6
Current liabilities	(2,557.5)
Long-term liabilities	(1,948.9)
Non-controlling interest	(300.0)
Net assets deficiency as of December 31, 2007	\$ (724.5)

The following table provides a reconciliation of the net assets deficiency related to discontinued operations as of December 31, 2007 to the net assets deficiency as of January 21, 2008:

Net assets deficiency as of December 31, 2007	\$ (724.5)
Net loss of Quebecor World Inc. from January 1, 2008 to January 21, 2008	(17.7)
Cumulative effect of changes in Quebecor World Inc.'s accounting policy (note 3)	(20.6)
Reversal of a related parties consolidation entry	1.5
Net assets deficiency as of January 21, 2008	\$ (761.3)

3. CHANGES IN ACCOUNTING POLICIES AND ESTIMATES

Current changes in accounting policies

On January 1, 2008, the Company adopted Canadian Institute of Chartered Accountants ("CICA") Section 3031, *Inventories*, which provides more extensive guidance on the recognition and measurement of inventories and related disclosures. Under this new accounting policy, inventories related to continuing operations are still valued at the lower of cost, determined by the first-in, first-out method or the weighted-average cost method, and net realizable value. However, the net realizable value is now the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. On adoption of this new section, in accordance with the transition rules, the Company has adjusted opening retained earnings as if the new rules had always been applied in the past, without restating comparative figures for prior years. While the adoption of this new section impacted the Company's discontinued operations related to Quebecor World Inc., it had no impact on the Company's continuing operations. Accordingly, the following adjustments were recorded in the consolidated financial statements as of January 1, 2008:

- \$32.2 million decrease in inventories.
- \$7.0 million increase in property, plant and equipment.
- \$4.6 million decrease in future income tax liabilities.
- \$20.6 million decrease in retained earnings.

No portion of the adjustment on retained earnings was allocated to non-controlling shareholders of Common Shares of Quebecor World Inc., since their investment was reduced to zero in the consolidated balance sheet as of December 31, 2007, in accordance with Canadian GAAP.

On January 1, 2008, the Company adopted CICA Section 1535, *Capital Disclosures*, Section 3862, *Financial Instrument – Disclosures*, and Section 3863, *Financial Instruments – Presentation*. These sections relate to disclosures and presentation of information and did not affect the consolidated financial results. All the disclosure requirements related to these new accounting standards are presented in note 16.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2008
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
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3. CHANGES IN ACCOUNTING POLICIES AND ESTIMATES (continued)

Current changes in accounting estimates

The Company estimates the fair value of its derivative financial instruments using a discounted cash flow valuation technique, since no quoted market prices exist for such instruments. During the second quarter of 2008, the Company made some amendments to the technique used in measuring the fair value of its derivatives in a liability position and in an asset position. These amendments change the way the Company factored its non-performance risk in its valuation technique, considering market development and recent accounting guidelines. As a result of these changes, in the second quarter of 2008, the fair value of these derivatives was decreased by \$37.6 million, the gain on valuation and translation of financial instruments was increase by \$16.5 million and comprehensive income was increased by \$21.1 million (before income taxes and non-controlling interest). The cumulative impact of these changes as of September 30, 2008 is a decrease of the fair value of these derivatives by \$28.8 million, an increase of the gain on valuation and translation of financial instruments by \$15.9 million and an increase of comprehensive income by \$12.9 million (before income taxes and non-controlling interest).

Future changes in accounting policies

In January 2008, the CICA issued Section 3064, *Goodwill and Intangible Assets*, which will replace Section 3062, *Goodwill and Other Intangible Assets*, and results in the withdrawal of Section 3450, *Research and Development Costs* and Emerging Issues Committee ("EIC") Abstract 27, *Revenues and Expenditures During the Pre-operating Period*, and amendments to AcG-11, *Enterprises in the Development Stage*. The new standard provides guidance on the recognition of intangible assets in accordance with the definition of an asset and the criteria for asset recognition as well as clarifying the application of the concept of matching revenues and expenses, whether those assets are separately acquired or internally developed. This standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The Company is currently evaluating the effects of adopting this standard.

In February 2008, Canada's Accounting Standards Board confirmed that Canadian GAAP, as used by publicly accountable enterprises, will be fully converged to International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The Company will be required to report under IFRS for its 2011 interim and annual financial statements and to provide in the 2011 financial statements IFRS comparative information for the 2010 fiscal year. The Company is currently assessing the impacts of the IFRS convergence initiative.

4. FINANCIAL EXPENSES

	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Interest on long-term debt and exchangeable debentures	\$ 75.4	\$ 65.7	\$ 221.8	\$ 183.5
Amortization of financing costs and long-term debt discount	2.4	1.0	6.7	3.0
Other	(0.1)	0.9	2.2	(3.4)
	77.7	67.6	230.7	183.1
Interest capitalized to cost of property, plant and equipment and other assets	(3.7)	(1.2)	(3.7)	(3.6)
	\$ 74.0	\$ 66.4	\$ 227.0	\$ 179.5

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2008
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

5. GAIN ON VALUATION AND TRANSLATION OF FINANCIAL INSTRUMENTS

	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Loss (gain) on embedded derivatives and derivative instruments for which hedge accounting is not used	\$ 0.9	\$ 14.3	\$ (14.8)	\$ 41.5
Loss (gain) on foreign currency translation of financial instruments for which hedge accounting is not used	3.4	(12.9)	7.2	(28.8)
Gain on the ineffective portion of fair value hedges	(7.7)	(6.8)	(15.4)	(10.1)
Gain on revaluation of exchangeable debentures and a portfolio investment	(1.0)	(42.5)	(20.6)	(48.4)
Loss on revaluation of the Additional Amount payable	—	—	—	5.2
	\$ (4.4)	\$ (47.9)	\$ (43.6)	\$ (40.6)

6. RESERVE FOR RESTRUCTURING OF OPERATIONS AND OTHER SPECIAL CHARGES

During the three-month and nine-month periods ended September 30, 2008, restructuring and other special charges of \$2.0 million and \$4.3 million, respectively, were recorded; they mainly relate to the elimination of positions in several of the Newspapers segment publications.

7. PENSION PLANS

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

	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Pension plans:				
Defined benefit plans	\$ 6.6	\$ 7.4	\$ 19.4	\$ 19.6
Defined contribution plans	2.9	3.1	8.6	8.8
	\$ 9.5	\$ 10.5	\$ 28.0	\$ 28.4

8. BUSINESS ACQUISITIONS

During the nine-month period ended September 30, 2008, the Company acquired or increased its interest in several businesses and has accounted for these by the purchase method. Certain purchase price allocations are preliminary and should be finalized as soon as Company management has gathered all the significant information believed to be available and considered necessary. The results of operations of these businesses have been included in the Company's consolidated financial statements from the dates of their respective acquisitions. The following transactions were made during the first nine months of 2008:

- On June 2, 2008, TVA Group Inc., Broadcasting segment, repurchased 3,000,642 Class B shares at a price of \$17.00 per share under a substantial issuer bid for a total cash consideration of \$51.4 million, resulting in preliminary goodwill of \$4.3 million. The Quebecor Media Inc.'s equity interest in TVA Group Inc. increased from 45.24% to 50.89% following this transaction.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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8. BUSINESS ACQUISITIONS (continued)

- In February 2008, Quebecor Media Inc. acquired all of the non-controlling interest in Nurun Inc., Interactive Technologies and Communications segment, pursuant to its offer to purchase the shares at a price of \$4.75 per Common Share for a total cash consideration of \$75.2 million, resulting in preliminary goodwill of \$42.9 million. Common Shares of Nurun Inc. were delisted from the Toronto Stock Exchange following this transaction.
- Quebecor Media Inc. paid an earn-out of \$5.0 million during the first quarter of 2008 in relation to the acquisition of Sogides Group Inc., Leisure and Entertainment segment, in 2005. The payment was recorded as goodwill.
- The Company acquired and/or increased its interest in various businesses, mainly in the Internet/Portals segment and in the Newspapers segment, for a total cash consideration of \$15.1 million and additional contingent payments totalling \$7.0 million, based on the achievement of specific conditions in the future. These acquisitions resulted in preliminary goodwill of \$12.2 million.

During the third quarter of 2008, the Company finalized certain purchase price allocations, mainly related to the acquisition of Osprey Media Publishing Inc. in August 2007, which resulted in a reduction in property, plant and equipments of \$11.9 million, an increase in other assets of \$2.7 million, an increase in other liabilities of \$1.4 million, a reduction in future income tax liabilities of \$3.5 million and an increase in goodwill of \$7.1 million.

9. EARNINGS PER SHARE

Earnings per share are calculated by dividing net income by the weighted average number of shares outstanding during the year. Diluted earnings per share are calculated by taking into account the potentially dilutive effect of the exchangeable debentures Series 2001, the Additional Amount payable and certain stock options of the Company and its subsidiaries.

The following table sets forth the computation of basic and diluted earnings per share:

	Three months ended		Nine months ended	
	September 30		September 30	
	2008	2007	2008	2007
Income from continuing operations	\$ 45.6	\$ 80.3	\$ 147.7	\$ 133.4
Impact of assumed conversion of stock options of the subsidiaries, net of applicable income taxes	(0.1)	(0.8)	(0.5)	(1.7)
Income from continuing operations, adjusted for dilution effect	\$ 45.5	\$ 79.5	\$ 147.2	\$ 131.7
Net income (loss)	\$ 45.6	\$ (35.2)	\$ 531.0	\$ (6.6)
Impact of assumed conversion of stock options of the subsidiaries, net of applicable income taxes	(0.1)	(0.8)	(0.5)	(1.7)
Net income, adjusted for dilution effect	\$ 45.5	\$ (36.0)	\$ 530.5	\$ (8.3)
Weighted average number of shares outstanding (in millions)	64.3	64.3	64.3	64.3
Effect of dilutive stock options (in millions)	0.1	—	0.1	—
Weighted average number of diluted shares outstanding (in millions)	64.4	64.3	64.4	64.3

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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9. EARNINGS PER SHARE (continued)

The diluted earnings per share calculation does not take into consideration the potential dilutive effect of the exchangeable debentures Series 2001, the Additional Amount payable (in 2007), and certain stock options of the Company and its subsidiaries, since their impact is non-dilutive. During the nine-month period ended September 30, 2008, 1,652,102 options of the Company's plan (1,735,917 in 2007), 371,610 options of Quebecor Media Inc.'s plan (none in 2007) and 983,683 options of TVA Group Inc.'s plan (348,066 in 2007) were excluded from the diluted earnings per share calculation.

10. OTHER ASSETS

As a result of the spectrum auction for Advanced Wireless Services ("AWS") that ended on July 21, 2008, bids made by Quebecor Media Inc. were retained on 17 new spectrum licences for AWS, covering all of the province of Québec and certain areas of Ontario, for an aggregate amount of \$554.6 million, which was fully paid by its Cable segment in the third quarter of 2008. The Company used its cash and cash equivalents in trust and borrowings from Videotron Ltd.'s Senior Secured Credit Facility to pay this amount (note 11). The transfer of ownership of these spectrum licences is expected to occur in the next few months as soon as Industry Canada finalizes its compliance review.

11. LONG-TERM DEBT

On April 7, 2008, Videotron Ltd. entered into amendments to its Senior Secured Credit Facility pursuant to which commitments under the Senior Secured Credit Facility were increased from \$450.0 million to \$575.0 million and the maturity of the facility was extended to April 2012. Pursuant to these amendments, Videotron Ltd. may, subject to certain conditions, increase the commitments under the Senior Secured Credit Facility by an additional \$75.0 million (for aggregate commitments of \$650.0 million).

On April 15, 2008, Videotron Ltd. issued US\$455.0 million in aggregate principal amount of Senior Notes at a discount price of 98.43% for net proceeds of \$457.3 million, before financing fees of \$9.5 million. The new Senior Notes bear interest at 9.125% for an effective interest rate of 9.375% and will mature on April 15, 2018. These notes are unsecured and contain certain restrictions for Videotron Ltd., including limitations on its ability to incur additional indebtedness, to pay dividends or make other distributions. The notes are guaranteed by specific subsidiaries of Videotron Ltd. and are redeemable at the option of Videotron Ltd. at a decreasing premium, commencing April 15, 2013. Videotron Ltd. has fully hedged the foreign currency risk associated with the new Senior Notes by using cross-currency interest rate swaps, under which all payments have been set in Canadian dollars.

Components of the long-term debt were as follows:

	September 30, 2008	December 31, 2007
Long-term debt	\$ 3,997.3	\$ 5,490.1
Change in fair value related to hedged interest rate risks	(13.6)	(26.0)
Adjustment related to embedded derivatives	14.0	20.6
Financing fees, net of amortization	(43.1)	(62.5)
	3,954.6	5,422.2
Less current portion	33.3	1,028.4
	\$ 3,921.3	\$ 4,393.8

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2008
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12. CAPITAL STOCK

(a) Authorized capital stock

An unlimited number of Class A Multiple Voting Shares ("A shares") with voting rights of 10 votes per share convertible at any time into Class B Subordinate Voting Shares on a one-for-one basis.

An unlimited number of Class B Voting Shares ("B shares") convertible into A shares on a one-for-one basis, only if a takeover bid for A shares is made to holders of A shares without being made concurrently and under the same terms to holders of B shares, for the sole purpose of allowing the holders of B Shares to accept the offer and subject to certain other stated conditions provided in the articles including the acceptance of the offer by the majority holder.

Holders of B shares are entitled to elect 25% of the Board of Directors of Quebecor Inc. Holders of A shares may elect the other members of the Board of Directors.

(b) Issued capital stock

	<u>A shares</u>		<u>B shares</u>	
	Number	Amount	Number	Amount
Balance as at December 31, 2007 and September 30, 2008	21,855,371	\$ 9.7	42,461,651	\$ 336.9

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2008
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12. CAPITAL STOCK (continued)

(c) Stock-based compensation plans

The following table provides details of changes to outstanding options in the main stock-based compensation plans of the Company and its subsidiaries for the nine-month period ended September 30, 2008:

	Number	Outstanding options	
		Weighted average	
		exercise price	
Quebecor Inc.			
As of December 31, 2007:	1,850,065	\$	31.12
Granted	483,065		26.79
Cancelled	(15,000)		27.64
As of September 30, 2008	2,318,130	\$	30.24
Vested options as of September 30, 2008	1,638,394	\$	30.84
Quebecor Media Inc.			
As of December 31, 2007:	7,029,857	\$	32.25
Granted	110,000		46.84
Exercised	(2,779,546)		19.01
Cancelled	(274,548)		42.32
As of September 30, 2008	4,085,763	\$	40.97
Vested options as of September 30, 2008	178,502	\$	31.33
TVA Group Inc.			
As of December 31, 2007 and as of September 30, 2008	983,693	\$	16.16
Vested options as of September 30, 2008	179,509	\$	19.37

During the three-month and nine-month periods ended September 30, 2008, a net reversal of the consolidated compensation charge related to all stock-based compensation plans was recorded in the amount of \$1.7 million and \$12.3 million, respectively (a net charge of \$6.4 million and \$40.8 million, respectively, was recorded in 2007).

During the three-month and nine-month periods ended September 30, 2008, 66,633 and 2,779,546, respectively, of Quebecor Media Inc.'s stock options were exercised for a cash consideration of \$1.4 million and \$91.5 million.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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13. ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

	Translation of net investments in foreign operations	Cash flow hedges	Total
Balance as at December 31, 2006	\$ (203.8)	\$ –	\$ (203.8)
Cumulative effect of changes in accounting policies	–	(21.9)	(21.9)
Other comprehensive (loss) income, net of income taxes and non-controlling interest	(133.2)	15.1	(118.1)
Balance as at September 30, 2007	(337.0)	(6.8)	(343.8)
Other comprehensive income, net of income taxes and non-controlling interest	5.5	16.5	22.0
Balance as at December 31, 2007	(331.5)	9.7	(321.8)
Other comprehensive income (loss), net of income taxes and non-controlling interest	330.2	(9.6)	320.6
Balance as at September 30, 2008	\$ (1.3)	\$ 0.1	\$ (1.2)

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.

14. INCOME TAXES ON COMPONENTS OF OTHER COMPREHENSIVE INCOME (LOSS), NET OF NON-CONTROLLING INTEREST

	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Unrealized (loss) gain on derivative instruments	\$ 6.4	\$ 4.9	\$ 6.1	\$ 10.0
Other comprehensive loss from discontinued operations	–	4.6	–	4.2
Reclassification in income of other comprehensive loss related to discontinued operations	–	(0.5)	(14.8)	(1.1)
	\$ 6.4	\$ 9.0	\$ (8.7)	\$ 13.1

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2008
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15. CONTINGENCIES

In 2003 and 2004, a number of companies, including Videotron Ltd. and TVA Group Inc., brought a suit against the Crown before the Federal Court alleging that the Part II licence fees paid annually by broadcasters constitute, in fact and in law, unlawful taxes under the *Broadcasting Act* (Canada). On December 14, 2006, the Federal Court found that these fees did indeed constitute taxes and that the Canadian Radio-television and Telecommunications Commission ("CRTC") should cease collection of such fees, but it concluded that the plaintiff companies would not be entitled to a reimbursement of the amounts already paid. The plaintiffs and the defendant both filed an appeal before the Federal Court of Appeal. On October 1, 2007, the CRTC issued a document stating that it would adhere to the decision rendered and that it would not collect, in 2007 or any subsequent years, the Part II licence fees payable on November 30 of each year unless a higher court reversed the decision of the Federal Court of Appeal. Considering these facts and as a result of the decision of the Federal Court, the Company reversed its liability of \$14.3 million related to these Part II licence fees for the period from September 1, 2006 to September 2007 in the third quarter of 2007. The Company also ceased to record the Part II licence fees.

On April 29, 2008, the Federal Court of Appeal handed down its decision and overturned the December 14, 2006 decision of the Federal Court. The plaintiff companies are in disagreement with this decision and have requested leave to appeal to the Supreme Court of Canada. The CRTC publicly stated that it will make no attempt to collect outstanding Part II fees until the earlier of (a) the leave to appeal to the Supreme Court of Canada is denied, or (b) the judgment of the Federal Court of Appeal is affirmed by the Supreme Court, or (c) the matter is settled between the parties. The Company believes in the merit of its request for appeal to the Supreme Court. However, by virtue of the decision of the Federal Court of Appeal that confirms the right of the CRTC to collect the Part II licence fees to which the Company is subject, the Company recorded a total liability of \$25.2 million related to the Part II licence fees for the period from September 1, 2006 to June 30, 2008 in the second quarter of 2008 and, since then, the Company has been accruing the Part II licence fees.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company's risk management policies have been established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and the Company's activities.

From its use of financial instruments, the Company is exposed to credit risk, liquidity risk, market risks relating to foreign exchange fluctuations, interest rate fluctuations and equity prices. In order to manage its foreign exchange and interest rate risks, the Company and its subsidiaries use derivative financial instruments (i) to achieve a targeted balance of fixed and variable rate debts and (ii) to set in Canadian dollars all future payments on debts denominated in U.S. dollars (interest and principal) and certain purchases of inventories and other capital expenditures denominated in a foreign currency. The Company does not intend to settle its financial derivative instruments prior to their maturity as none of these instruments is held or issued for speculative purposes. The Company designates its derivative financial instruments either as fair value hedges or cash flow hedges when they qualify for hedge accounting.

(a) Description of derivative financial instruments

- (i) Foreign exchange forward contracts

Currencies (sold/bought)	Maturing	Average exchange rate	Notional amount
Quebecor Media Inc.			
\$/€	Less than 1 year	1.5487	\$ 22.5
\$/CHF	Less than 1 year	0.9686	3.7
Sun Media Corporation			
\$/US\$	February 15, 2013	1.5227	312.2
Videotron Ltd. and its subsidiaries			
\$/US\$	Less than 1 year	1.0177	66.5

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(a) Description of derivative financial instruments (continued)

(ii) Cross-currency interest rate swaps

	Period covered	Notional amount	Annual effective interest rate using hedged rate	Annual nominal interest rate of debt	CAD dollar exchange rate on interest and capital payments per one U.S. dollar
Quebecor Media Inc.					
Senior Notes	2007 to 2016	US\$ 700.0	7.69 %	7.75 %	0.9990
Senior Notes	2006 to 2016	US\$ 525.0	7.39 %	7.75 %	1.1600
Term loan "B" credit facilities	2006 to 2009	US\$ 195.0	6.27 %	LIBOR + 2.00%	1.1625
Term loan "B" credit facilities	2009 to 2013	US\$ 195.0	Bankers' acceptances 3 months + 2.22%	LIBOR + 2.00%	1.1625
Term loan "B" credit facilities	2006 to 2013	US\$ 146.3	6.44 %	LIBOR + 2.00%	1.1625
Videotron Ltd. and its subsidiaries					
Senior Notes	2004 to 2014	US\$ 190.0	Bankers' acceptances 3 months + 2.80%	6.875 %	1.2000
Senior Notes	2004 to 2014	US\$ 125.0	7.45 %	6.875 %	1.1950
Senior Notes	2003 to 2014	US\$ 200.0	Bankers' acceptances 3 months + 2.73%	6.875 %	1.3425
Senior Notes	2003 to 2014	US\$ 135.0	7.66 %	6.875 %	1.3425
Senior Notes	2005 to 2015	US\$ 175.0	5.98 %	6.375 %	1.1781
Senior Notes	2008 to 2018	US\$ 455.0	9.65 %	9.125 %	1.0210

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(a) Description of derivative financial instruments (continued)

(ii) Cross-currency interest rate swaps (continued)

	Period covered	Notional amount	Annual effective interest rate using hedged rate	Annual nominal interest rate of debt	CAD dollar exchange rate on interest and capital payments per one U.S. dollar
Sun Media Corporation and its subsidiaries					
Senior Notes	2008 to 2013	US\$ 155.0	Bankers' acceptances 3 months + 3.70%	7.625 %	1.5227
Senior Notes	2003 to 2013	US\$ 50.0	Bankers' acceptances 3 months + 3.70%	7.625 %	1.5227

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

(iii) Interest rate swaps

	Maturity	Notional amount	Pay/receive	Fixed rate	Floating rate
Osprey Media Publishing Inc.					
	December 2010	\$ 50.0	Pay fixed/receive floating	3.53 %	Bankers' acceptances 3 months
Sun Media Corporation and its subsidiaries					
	October 2012	\$ 39.1	Pay fixed/receive floating	3.75 %	Bankers' acceptances 3 months

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16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(b) Fair value of financial instruments

The carrying amount of accounts receivable, accounts payable and accrued charges approximates their fair value since these items will be realized or paid within one year or are due on demand.

The carrying value and fair value of long-term debt and derivative financial instruments as of September 30, 2008 and as of December 31, 2007 are as follows:

	September 30, 2008		December 31, 2007	
	Carrying value	Fair value	Carrying value	Fair value
Quebecor Inc.				
Long-term debt ¹	\$ (135.6)	\$ (135.6)	\$ (103.0)	\$ (103.0)
Exchangeable debentures	(15.8)	(15.8)	(79.4)	(79.4)
Quebecor Media Inc.				
Long-term debt ¹	(1,740.7)	(1,603.5)	(1,664.9)	(1,646.6)
Cross-currency interest rate swaps ²	(74.8)	(74.8)	(159.8)	(159.8)
Foreign exchange forward contracts	(0.6)	(0.6)	(0.3)	(0.3)
Videotron Ltd. and its subsidiaries				
Long-term debt ¹	(1,630.8)	(1,559.3)	(973.3)	(938.2)
Cross-currency interest rate swaps ²	(153.9)	(153.9)	(241.3)	(241.3)
Foreign exchange forward contracts	3.0	3.0	(4.2)	(4.2)
Sun Media Corporation and its subsidiaries				
Long-term debt ¹	(259.3)	(242.1)	(238.0)	(234.1)
Cross-currency interest rate swaps and foreign exchange forward contracts	(104.2)	(104.2)	(133.1)	(133.1)
Interest rate swap	(0.4)	(0.4)	–	–
Osprey Media Publishing Inc.				
Long-term debt ¹	(132.4)	(132.4)	(145.3)	(145.3)
Interest rate swap	(0.4)	(0.4)	0.2	0.2
TVA Group Inc. and its subsidiaries				
Long-term debt ¹	(98.5)	(98.5)	(56.3)	(56.3)

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

² The carrying value is net of an amount of \$37.5 million included in other assets in the consolidated balance sheet as of September 30, 2008.

The fair value of long-term debt is estimated based on discounted cash flows using period-end market yields or the market value of similar instruments with the same maturity, or quoted market prices when available. The fair value of derivative financial instruments is estimated using period-end swap rates, adjusted to reflect the counterparties' non-performance risk.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk management

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial asset fails to meet its contractual obligations.

In the normal course of business, the Company continuously monitors the financial condition of its customers and reviews the credit history of each new customer. As of September 30, 2008, no customer balance represented a significant portion of the Company's consolidated trade receivables. The Company establishes an allowance for doubtful accounts based on the specific credit risk of its customers and historical trends. The allowance for doubtful accounts related to continuing operations amounted to \$43.9 million as of September 30, 2008 (\$34.0 million as of December 31, 2007). As of September 30, 2008, 13.8% of trade receivables related to continuing operations were 90 days past their billing date (10.9% as of December 31, 2007).

The Company believes that its product lines and the diversity of its customer base are instrumental in reducing its credit risk, as well as the impact of fluctuations in product-line demand. The Company does not believe that it is exposed to an unusual level of customer credit risk.

When the Company enters into derivative contracts, the counterparties (either foreign or Canadian) must have credit ratings at least in accordance with the Company's credit risk management policy and are subject to concentration limits. Given the high minimum credit ratings required under the Company's policy, the Company does not foresee any failure by counterparties to meet their obligations.

(d) Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due or the risk that those financial obligations have to be met at excessive cost. Company management believes that cash flows from continuing operations and available sources of financing should be sufficient to cover committed cash requirements for capital investments, working capital, interest payments, debt repayments, pension plan contributions and dividends (or distributions) in the future. The Company has access to cash flows generated by its subsidiaries, through dividends paid by its subsidiary Quebecor Media Inc.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(d) Liquidity risk management (continued)

As of September 30, 2008, material contractual obligations related to financial instruments included capital repayment and interest on long-term debt and obligations related to derivative instruments. These obligations and their maturities are as follows:

	Total	Less than 1 year	1-3 years	3-5 years	5 years and more
Long-term debt	\$ 3,997.3	\$ 33.3	\$ 434.3	\$ 889.6	\$ 2,640.1
Interest payments ¹	2,113.3	317.0	607.8	545.3	643.2
Derivative instruments ²	325.8	0.5	1.0	142.4	181.9
Total	\$ 6,436.4	\$ 350.8	\$ 1,043.1	\$ 1,577.3	\$ 3,465.2

¹ Estimate of interest to be paid on long-term debt based on hedged and unhedged interest rates and hedged foreign exchange rate as of September 30, 2008.

² Estimated future disbursements on derivative financial instruments related to foreign exchange hedging.

(e) Market risk

Market risk is the risk that changes in market prices due to foreign exchange rates, interest rates and/or equity prices will affect the value of the Company's financial instruments. The objective of market risk management is to mitigate and control exposures within acceptable parameters while optimizing the return on risk.

Foreign currency risk

The Company is exposed to foreign currency risk on purchases and loans that are denominated in a currency other than Canadian dollars. Most of these transactions are denominated in U.S. dollars. The Company hedges the foreign currency risk exposure on 100% of U.S. dollar-denominated debt obligations outstanding as of September 30, 2008, and hedges a significant portion of its exposure on certain purchases of inventories and other capital expenditures. Accordingly, the Company's sensitivity to variations in foreign currency rates is economically limited.

A variation of 1% in the exchange rate of a Canadian dollar compared to a U.S. dollar would have an impact of less than \$1.0 million on estimated annual disbursements related to foreign denominated inventories purchases and capital expenditures that are not hedged by foreign exchange forwards contracts.

Interest rate risk

The Company is exposed to interest rate risk on a portion of its long-term debt and has entered into various interest rate and cross-currency interest rate swap agreements in order to manage cash flow and fair value risk exposure to changes in interest rates. After taking into account the hedging instruments, the long-term debt comprised 59.4% of fixed rate debt and 40.6% floating rate debt as of September 30, 2008.

The annual sensitivity of the Company's interest expense to a variation of 100 basis points in the Banker's acceptances rate is approximately \$18.5 million based on the current debt as of September 30, 2008.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(f) Capital management

The Company's primary objective in managing capital is to maintain an optimal capital base in order to support the capital requirements of its various businesses, including growth opportunities.

In managing its capital structure, the Company takes into account the asset characteristics of its subsidiaries and planned requirements for funds, leveraging their individual borrowing capacities in the most efficient manner to achieve the lowest cost of financing. Management of the capital structure involves the issuance of new debt, the repayment of existing debt using cash generated by operations, and the level of distributions to shareholders. The Company has not significantly changed its strategy regarding the management of the capital structure since the last fiscal year.

The capital structure of the Company is composed of shareholders' equity, bank indebtedness, long-term debt, liabilities related to derivative financial instruments, and non-controlling interest, less cash and cash equivalents and cash and cash equivalents in trust.

The Company is in compliance with all debt covenants and is not subject to any externally imposed capital requirements.