



May 12, 2010

For immediate release

## QUEBECOR INC. REPORTS CONSOLIDATED RESULTS FOR FIRST QUARTER 2010

**Montréal, Québec** – Quebecor Inc. (“Quebecor” or the “Company”) today reported its consolidated financial results for the first quarter of 2010. Quebecor consolidates the financial results of its Quebecor Media Inc. (“Quebecor Media”) subsidiary, in which it holds a 54.7% interest.

### First quarter 2010 highlights

- Quebecor records revenues of \$948.1 million, up \$44.8 million (5.0%) from the first quarter of 2009.
- Operating income<sup>1</sup>: up \$16.3 million (6.0%) to \$288.5 million; excluding the unfavourable variance in the consolidated stock option expense, operating income was up \$36.5 million (13.4%).
- Net income: \$38.3 million (\$0.60 per basic share), compared with \$57.7 million (\$0.90 per basic share) in the same period of 2009, down \$19.4 million (\$0.30 per basic share).
- Adjusted income from continuing operations<sup>2</sup>: \$46.8 million (\$0.73 per basic share), compared with \$43.1 million (\$0.67 per basic share) in the same period of 2009, an increase of \$3.7 million (\$0.06 per basic share) or 8.6%.
- Telecommunications segment: operating income up \$28.1 million (12.6%). Customer growth in first quarter 2010: +29,000 for cable telephone service, +21,000 for cable Internet access, +8,500 for cable television service (including 35,800-customer increase for Digital TV), +2,500 activated handsets on wireless telephone service.
- News Media segment’s operating income up \$10.3 million (34.7%) in first quarter 2010, the second consecutive quarter of significant growth.
- Estimated \$17.0 million additional savings generated by restructuring initiatives in the News Media segment in first quarter 2010, compared with first quarter 2009, for total annualized savings of \$83.0 million since the program began.

“The Company’s revenues and operating income were up again in the first quarter of 2010,” commented Pierre Karl Péladeau, President and Chief Executive Officer of Quebecor. “These results are due to the strong performance of the Telecommunications segment, which logged customer growth for all services for the 19th straight quarter, combined with improved results in the News Media segment. We are pressing ahead with the build-out of the Advanced Wireless Services (“AWS”) network. Videotron has reached site- and tower-sharing agreements for nearly 90% of the required antenna sites. The equipment has been or is being installed at more than 70% of the sites for which an agreement has been reached and we are planning to launch services on our AWS network in summer 2010.”

“The restructuring initiatives in the News Media segment continue to bear fruit,” Mr. Péladeau said. “The segment’s operating income was up significantly for the second consecutive quarter. As the numbers show, we have been able to keep our business model profitable by adapting it to the new realities in the news media industry. We have developed our publications into multiplatform brands delivering reliable, customizable content that can be accessed at all times. As our various initiatives are developed to their full potential, they will generate additional growth opportunities. These initiatives include continuation of the I.S.O.

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<sup>1</sup> See “Operating income” under “Definitions.”

<sup>2</sup> See “Adjusted income from continuing operations” under “Definitions.”

program, operational integration of Canoe into Sun Media Corporation, the start-up of Quebecor Media Network, the creation of the QMI Agency and the establishment of the QMI National Sales Office. We are confident that by pooling our production resources and media properties we will continue to differentiate ourselves through our fully integrated service offering.”

**Table 1**  
**Quebecor first quarter financial highlights, 2006-2010**  
**(in millions of Canadian dollars, except per share data)**

	2010	2009	2008	2007	2006
Revenues	\$ 948.1	\$ 903.3	\$ 884.7	\$ 757.3	\$ 700.5
Operating income <sup>1</sup>	288.5	272.2	256.7	183.5	158.2
Income from continuing operations	38.3	57.7	45.1	3.4	(59.6)
Net income (loss)	38.3	57.7	428.4	(14.4)	(60.8)
Adjusted income from continuing operations <sup>2</sup>	46.8	43.1	34.6	16.8	10.5
Per basic share:					
Income (loss) from continuing operations	0.60	0.90	0.70	0.05	(0.93)
Net income (loss)	0.60	0.90	6.66	(0.22)	(0.95)
Adjusted income from continuing operations <sup>2</sup>	0.73	0.67	0.54	0.26	0.16

<sup>1</sup> See “Operating income” under “Definitions.”

<sup>2</sup> See “Adjusted income from continuing operations” under “Definitions.”

### Analysis of first quarter 2010 results

- Quebecor’s revenues increased \$44.8 million (5.0%) to \$948.1 million.
    - Revenues increased in Telecommunications (by \$50.8 million or 10.6% of segment revenues) mainly due to customer growth for all services, and in Interactive Technologies and Communications (\$1.1 million or 4.8%).
    - Revenues decreased in News Media (by \$4.6 million or -1.8%) and Leisure and Entertainment (\$2.8 million or -4.4%).
  - Operating income rose \$16.3 million (6.0%) to \$288.5 million due to increases in Telecommunications (\$28.1 million or 12.6% of segment operating income) and News Media (\$10.3 million or 34.7%). Operating income decreased in the Broadcasting segment by \$5.6 million.
  - The changes in the fair value of Quebecor Media and in the Quebecor stock price resulted in an aggregate \$20.2 million unfavourable variance in the consolidated stock option expense.
  - Quebecor’s net income totalled \$38.3 million (\$0.60 per basic share) in the first quarter of 2010, compared with \$57.7 million (\$0.90 per basic share) in the same period of 2009.
    - The decrease was mainly due to:
      - \$18.8 million unfavourable variance in gains and losses on valuation and translation of financial instruments;
      - \$12.0 million increase in financial expenses, including the \$7.8 million unfavourable impact on short-term monetary items of exchange rate variances;
      - recognition of \$10.4 million loss on debt refinancing in the first quarter of 2010;
      - \$4.4 million increase in amortization charge.
- Partially offset by:
- \$16.3 million increase in operating income;
  - \$5.1 million decrease in income tax.

- Adjusted income from continuing operations: \$46.8 million in the first quarter of 2010 (\$0.73 per basic share), compared with \$43.1 million (\$0.67 per basic share) in the same period of 2009, an increase of \$3.7 million (\$0.06 per basic share) or 8.6%.

## Financing activities

- On January 14, 2010, Quebecor Media made a US\$170.0 million early payment on drawings on its term loan "B" and settled a corresponding portion of its hedge agreements for the amount of \$30.9 million, for a total cash disbursement of \$206.7 million. This transaction generated a \$10.4 million loss on debt refinancing, including the \$6.5 million loss already reported in other comprehensive income and reclassified in the statement of income.
- On January 14, 2010, Quebecor Media also extended the maturity date of its \$100.0 million revolving credit facility from January 2011 to January 2013 and obtained certain other advantageous amendments to the covenants attached to its credit facilities.
- On January 13, 2010, Videotron closed a placement of \$300.0 million aggregate principal amount of its 7 1/8% Senior Notes maturing in 2020, for net proceeds of \$293.9 million (net of financing fees). This transaction marks Videotron's inaugural offering on the Canadian high-yield market, adding to its established presence in the U.S. high-yield market.

## Dividends

On May 11, 2010, the Board of Directors of Quebecor declared a quarterly dividend of \$0.05 per share on Class A Multiple Voting Shares and Class B Subordinate Voting Shares, payable on June 22, 2010 to shareholders of record at the close of business on May 28, 2010. This dividend is designated to be an eligible dividend, as provided under subsection 89(14) of the *Canadian Income Tax Act* and its provincial counterpart.

## Detailed financial information

For a detailed analysis of Quebecor's first quarter 2010 results, please refer to the Management Discussion and Analysis and consolidated financial statements of Quebecor, available on the Company's website at: <[www.quebecor.com/InvestorCenter/QIQuarterlyReports.aspx](http://www.quebecor.com/InvestorCenter/QIQuarterlyReports.aspx)> or from the SEDAR filing service at <[www.sedar.com](http://www.sedar.com)>.

## Conference call for investors and webcast

Quebecor will hold a conference call to discuss the first quarter 2010 results of Quebecor and Quebecor Media on May 12, 2010, at 4:30 p.m. ET. There will be a question period reserved for financial analysts. To access the conference call, please dial 1 877 293-8052, access code 87098#. A tape recording of the call will be available from May 12 to June 11, 2010 by dialling 1 877 293-8133, access code 349844#. The conference call will also be broadcast live on Quebecor's website at <[www.quebecor.com/InvestorCenter/QIConferenceCall.aspx](http://www.quebecor.com/InvestorCenter/QIConferenceCall.aspx)>. It is advisable to ensure the appropriate software is installed before accessing the call. Instructions and links to free player downloads are available at the Internet address shown above.

## Forward-looking statements

The statements in this press release that are not historical facts are forward-looking statements and are subject to significant known and unknown risks, uncertainties and assumptions which could cause Quebecor's actual results for future periods to differ materially from those set forth in the forward-looking statements. Forward-looking statements may be identified by the use of the conditional or by forward-looking terminology such as the terms "plans," "expects," "may," "anticipates," "intends," "estimates," "projects," "seeks," "believes" or similar terms, variations of such terms or the negative of such terms. Certain factors that may cause actual results to differ from current expectations include seasonality (including seasonal fluctuations in customer orders), operating risk (including fluctuations in demand for Quebecor's products and pricing actions by competitors), insurance risk, risks associated with capital investment (including risks related to technological development and equipment availability and breakdown), environmental risks, risks associated with labour agreements, risks associated with commodities and energy prices (including fluctuations in the cost and availability of raw materials), credit risk, financial risks, debt risks, risks related to interest rate fluctuations, foreign exchange risks, risks associated with government acts and regulations, risks related to changes in tax legislation, and changes in the general political and economic environment. Investors and others are cautioned that the foregoing list of factors that may affect future results is not exhaustive and that undue reliance should not be placed on any forward-looking statements. For more information on the risks, uncertainties and assumptions that could cause Quebecor's actual results to differ from current expectations, please refer to Quebecor's public filings available at <[www.sedar.com](http://www.sedar.com)> and <[www.quebecor.com](http://www.quebecor.com)> including, in particular, the "Risks and Uncertainties" section of Quebecor's Management Discussion and Analysis for the year

ended December 31, 2009.

The forward-looking statements in this press release reflect Quebecor's expectations as of May 12, 2010 and are subject to change after this date. Quebecor expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.

## **The Company**

Quebecor Inc. (TSX: QBR.A, QBR.B) is a holding company with a 54.7% interest in Quebecor Media Inc., one of Canada's largest media groups. Quebecor Media Inc. owns operating companies in numerous media-related businesses: Videotron Ltd., an integrated communications company engaged in cable television, interactive multimedia development, Internet access services, cable telephony and wireless telephone service; Sun Media Corporation, the largest publisher of newspapers in Canada; Canoe Inc., operator of a network of English- and French-language Internet properties in Canada; TVA Group Inc., operator of the largest French-language over-the-air television network in Québec, a number of specialty channels, and the English-language over-the-air station Sun TV; Nurun Inc., a major interactive technologies and communications agency with offices in Canada, the United States, Europe and Asia; magazine publisher TVA Publishing Inc.; book publishers and distributors Sogides Group Inc. and CEC Publishing Inc.; Archambault Group Inc. and TVA Films, companies engaged in the production, distribution and retailing of cultural products; Le SuperClub Vidéotron Itée, a DVD and console game rental and retail chain; and Quebecor MediaPages, publisher of print and online directories.

- 30 -

### **Information:**

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## DEFINITIONS

### Operating income

In its analysis of operating results, the Company defines operating income (loss), as reconciled to net income under Canadian generally accepted accounting principles ("GAAP"), as net income before amortization, financial expenses, loss (gain) on valuation and translation of financial instruments, charge for restructuring of operations and other special items, loss on debt refinancing, income tax and non-controlling interest. Operating income as defined above is not a measure of results that is consistent with Canadian GAAP. It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows as a measure of liquidity. It should not be considered in isolation or as a substitute for measures of performance prepared in accordance with Canadian GAAP. Management believes that operating income is a meaningful measure of performance. The Company uses operating income in order to assess the performance of its investment in Quebecor Media. The Company's management and Board of Directors use this measure in evaluating its consolidated results as well as the results of the Company's operating segments. This measure eliminates the significant level of depreciation and amortization of tangible and intangible assets and is unaffected by the capital structure or investment activities of the Company and its segments. Operating income is also relevant because it is a significant component of the Company's annual incentive compensation programs. A limitation of this measure, however, is that it does not reflect the periodic costs of tangible and intangible assets used in generating revenues in the Company's segments. The Company also uses other measures that do reflect such costs, such as cash flows from segment operations and free cash flows from operations. In addition, measures like operating income are commonly used by the investment community to analyze and compare the performance of companies in the industries in which the Company is engaged. The Company's definition of operating income may not be the same as similarly titled measures reported by other companies.

Table 2 below reconciles Quebecor's operating income (loss) with the closest Canadian GAAP measure.

**Table 2**  
**Reconciliation of the operating income (loss) measure used in this press release to the net income measure used in the consolidated financial statements**  
**(in millions of Canadian dollars)**

	Three months ended March 31	
	2010	2009
Operating income (loss):		
Telecommunications	\$ 251.7	\$ 223.6
News Media	40.0	29.7
Broadcasting	6.8	12.4
Leisure and Entertainment	(0.1)	0.8
Interactive Technologies and Communications	1.0	0.4
Head Office	(10.9)	5.3
	<b>288.5</b>	272.2
Amortization	(89.7)	(85.3)
Financial expenses	(71.9)	(59.9)
(Loss) gain on valuation and translation of financial instruments	(4.7)	14.1
Restructuring of operations and other special items	(2.4)	(3.4)
Loss on debt refinancing	(10.4)	-
Income tax	(24.3)	(29.4)
Non-controlling interest	(46.8)	(50.6)
<b>Net income</b>	<b>\$ 38.3</b>	<b>\$ 57.7</b>

## Adjusted income from continuing operations

The Company defines adjusted income from continuing operations, as reconciled to net income under Canadian GAAP, as net income before gain (loss) on valuation and translation of financial instruments, charge for restructuring of operations, impairment of assets and other special items, impairment of goodwill and of intangible assets, and loss on debt refinancing, net of income tax and non-controlling interest. Adjusted income from continuing operations as defined above is not a measure of results that is consistent with Canadian GAAP. It should not be considered in isolation or as a substitute for measures of performance prepared in accordance with Canadian GAAP. Management believes that adjusted income from continuing operations is a meaningful measure that provides an indication of the long-term profitability of the Company's operating activities by eliminating the impact of unusual or one-time items. The Company's definition of adjusted income from continuing operations may not be identical to similarly titled measures reported by other companies.

Table 3 provides a reconciliation of adjusted income from continuing operations to the net income measure used in the consolidated financial statements of Quebecor.

**Table 3**  
**Reconciliation of the adjusted income from continuing operations measure used in this press release to the net income measure used in the consolidated financial statements**  
**(in millions of Canadian dollars)**

	Three months ended March 31	
	2010	2009
Adjusted income from continuing operations	\$ 46.8	\$ 43.1
(Loss) gain on valuation and translation of financial instruments	(4.7)	14.1
Restructuring of operations and other special items	(2.4)	(3.4)
Loss on debt refinancing	(10.4)	-
Income tax related to adjustments <sup>1</sup>	4.9	7.5
Non-controlling interest related to adjustments	4.1	(3.6)
<b>Net income</b>	<b>\$ 38.3</b>	<b>\$ 57.7</b>

<sup>1</sup> Includes the impact of fluctuations in tax rates applicable to adjusted items, either for statutory reasons or in connection with tax planning arrangements.

## Average Monthly Revenue per User

Average monthly revenue per user ("ARPU") is an industry metric that the Company uses to measure its cable television, Internet access, cable telephone and wireless telephone revenues per average basic cable customer. ARPU is not a measurement that is consistent with Canadian GAAP and the Company's definition and calculation of ARPU may not be the same as identically titled measurements reported by other companies. The Company calculates ARPU by dividing its combined cable television, Internet access, cable telephone and wireless telephone revenues by the average number of basic customers during the applicable period, and then dividing the resulting amount by the number of months in the applicable period.

**QUEBECOR INC. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**

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

Three months ended March 31

	2010	2009
<b>Revenues</b>		
Telecommunications	\$ 528.3	\$ 477.5
News Media	248.1	252.7
Broadcasting	109.6	109.8
Leisure and Entertainment	61.3	64.1
Interactive Technologies and Communications	23.8	22.7
Inter-segment	(23.0)	(23.5)
	<u>948.1</u>	<u>903.3</u>
Operating expenses	659.6	631.1
Amortization	89.7	85.3
Financial expenses	71.9	59.9
Loss (gain) on valuation and translation of financial instruments	4.7	(14.1)
Restructuring of operations and other special items	2.4	3.4
Loss on debt refinancing	10.4	-
	<u>109.4</u>	<u>137.7</u>
<b>Income before income taxes and non-controlling interest</b>	<b>109.4</b>	<b>137.7</b>
Income taxes:		
Current	20.8	(0.8)
Future	3.5	30.2
	<u>24.3</u>	<u>29.4</u>
	<u>85.1</u>	<u>108.3</u>
Non-controlling interest	(46.8)	(50.6)
	<u>(46.8)</u>	<u>(50.6)</u>
<b>Net income</b>	<b>\$ 38.3</b>	<b>\$ 57.7</b>
<b>Earnings per share</b>		
<b>Basic</b>		
Net income	\$ 0.60	\$ 0.90
<b>Diluted</b>		
Net income	0.59	0.90
<b>Weighted average number of shares outstanding (in millions)</b>	<u>64.3</u>	<u>64.3</u>
<b>Weighted average number of diluted shares (in millions)</b>	<u>64.8</u>	<u>64.3</u>

# QUEBECOR INC. AND ITS SUBSIDIARIES

## SEGMENTED INFORMATION

(in millions of Canadian dollars)  
(unaudited)

Three months ended March 31

	2010	2009
<b>Net income before amortization, financial expenses, loss (gain) on valuation and translation of financial instruments, restructuring of operations and other special items, loss on debt refinancing, income taxes and non-controlling interest</b>		
Telecommunications	\$ 251.7	\$ 223.6
News Media	40.0	29.7
Broadcasting	6.8	12.4
Leisure and Entertainment	(0.1)	0.8
Interactive Technologies and Communications	1.0	0.4
Head Office	(10.9)	5.3
	<b>\$ 288.5</b>	<b>\$ 272.2</b>
<b>Amortization</b>		
Telecommunications	\$ 67.2	\$ 62.0
News Media	14.7	14.7
Broadcasting	3.7	3.6
Leisure and Entertainment	2.3	2.4
Interactive Technologies and Communications	0.9	1.1
Head Office	0.9	1.5
	<b>\$ 89.7</b>	<b>\$ 85.3</b>
<b>Additions to property, plant and equipment</b>		
Telecommunications	\$ 128.2	\$ 101.8
News Media	2.3	10.5
Broadcasting	3.6	5.0
Leisure and Entertainment	0.8	0.7
Interactive Technologies and Communications	0.5	0.8
Head Office	0.4	0.6
	<b>\$ 135.8</b>	<b>\$ 119.4</b>
<b>Additions to intangible assets</b>		
Telecommunications	\$ 24.1	\$ 20.4
News Media	2.7	1.9
Broadcasting	0.4	0.4
Leisure and Entertainment	1.4	1.2
	<b>\$ 28.6</b>	<b>\$ 23.9</b>
Externally acquired intangible assets	13.9	11.5
Internally generated intangible assets	14.7	12.4
	<b>\$ 28.6</b>	<b>\$ 23.9</b>



**QUEBECOR INC. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(in millions of Canadian dollars)  
(unaudited)

Three months ended March 31

	<b>2010</b>	2009
<b>Net income</b>	<b>\$ 38.3</b>	\$ 57.7
Other comprehensive income:		
Unrealized loss on translation of net investments in foreign operations	(3.5)	(0.1)
Gain on valuation of derivative financial instruments	26.8	6.4
Income taxes related to derivative financial instruments	(1.4)	(8.9)
Non-controlling interest	(10.0)	1.2
Reclassification to income of other comprehensive loss related to derivative financial instruments, net of income taxes of \$2.0 million and non-controlling interest of \$2.0 million	2.5	-
	<u>14.4</u>	<u>(1.4)</u>
<b>Comprehensive income</b>	<b>\$ 52.7</b>	\$ 56.3

**QUEBECOR INC. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

(in millions of Canadian dollars)  
(unaudited)

	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity
<b>Balance as of December 31, 2008</b>	\$ 346.6	\$ -	\$ 565.3	\$ (27.5)	\$ 884.4
Net income	-	-	57.7	-	57.7
Dividends	-	-	(3.2)	-	(3.2)
Other comprehensive loss	-	-	-	(1.4)	(1.4)
<b>Balance as of March 31, 2009</b>	346.6	-	619.8	(28.9)	937.5
Net income	-	-	220.0	-	220.0
Dividends	-	-	(9.7)	-	(9.7)
Related party transactions	-	4.7	-	-	4.7
Other comprehensive income	-	-	-	17.9	17.9
<b>Balance as of December 31, 2009</b>	346.6	4.7	830.1	(11.0)	1,170.4
Net income	-	-	38.3	-	38.3
Dividends	-	-	(3.2)	-	(3.2)
Other comprehensive income	-	-	-	14.4	14.4
<b>Balance as of March 31, 2010</b>	\$ 346.6	\$ 4.7	\$ 865.2	\$ 3.4	\$ 1,219.9

# QUEBECOR INC. AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars)  
(unaudited)

Three months ended March 31

	2010	2009
<b>Cash flows related to operating activities</b>		
Net income	\$ 38.3	\$ 57.7
Adjustments for:		
Amortization of property, plant and equipment	77.0	73.5
Amortization of intangible assets and other assets	12.7	11.8
Loss (gain) on valuation and translation of financial instruments	4.7	(14.1)
Amortization of financing costs and long-term debt discount	3.0	2.1
Loss on debt refinancing	10.4	-
Future income taxes	3.5	30.2
Non-controlling interest	46.8	50.6
Other	1.2	1.9
	<u>197.6</u>	<u>213.7</u>
Net change in non-cash balances related to operating activities	(31.6)	(88.4)
Cash flows provided by operating activities	<u>166.0</u>	<u>125.3</u>
<b>Cash flows related to investing activities</b>		
Business acquisitions, net of cash and cash equivalents	(1.0)	(1.0)
Business disposals, net of cash and cash equivalents	1.0	6.4
Additions to property, plant and equipment	(135.8)	(119.4)
Additions to intangible assets	(28.6)	(23.9)
Net change in temporary investments	30.0	-
Other	1.4	0.7
	<u>(133.0)</u>	<u>(137.2)</u>
Cash flows used in investing activities		
<b>Cash flows related to financing activities</b>		
Net change in bank indebtedness	(0.5)	19.5
Issuance of long-term debt, net of financing fees	293.9	325.5
Net change under revolving bank facilities	10.1	(205.6)
Repayments of long-term debt	(188.7)	(14.0)
Settlement of hedging contracts	(30.9)	-
Dividends paid to non-controlling shareholders	(8.5)	(9.1)
	<u>75.4</u>	<u>116.3</u>
Cash flows provided by financing activities		
Net change in cash and cash equivalents	108.4	104.4
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	(0.7)	(0.1)
Cash and cash equivalents at beginning of period	300.0	10.0
<b>Cash and cash equivalents at end of period</b>	<u>\$ 407.7</u>	<u>\$ 114.3</u>
<b>Cash and cash equivalents consist of</b>		
Cash	\$ 126.6	\$ 8.2
Cash equivalents	281.1	106.1
	<u>\$ 407.7</u>	<u>\$ 114.3</u>
<b>Non-cash investing activities</b>		
Additions to property, plant and equipment and intangible assets financed with accounts payable	\$ 90.0	\$ 46.2
Cash interest payments	\$ 37.3	\$ 45.2
Cash income tax payments (net of refunds)	17.7	5.1

**QUEBECOR INC. AND ITS SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

(in millions of Canadian dollars)  
(unaudited)

	March 31	December 31
	2010	2009
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 407.7	\$ 300.0
Cash and cash equivalents in trust	5.3	5.3
Temporary investments	-	30.0
Accounts receivable	469.5	519.8
Income taxes	4.7	1.3
Inventories	175.8	176.1
Prepaid expenses	46.2	29.1
Future income taxes	42.1	49.8
	<u>1,151.3</u>	<u>1,111.4</u>
<b>Property, plant and equipment</b>	<b>2,539.7</b>	<b>2,498.6</b>
<b>Intangible assets</b>	<b>1,065.9</b>	<b>1,052.7</b>
<b>Derivative financial instruments</b>	<b>38.2</b>	<b>49.0</b>
<b>Other assets</b>	<b>128.0</b>	<b>122.5</b>
<b>Future income taxes</b>	<b>14.8</b>	<b>12.5</b>
<b>Goodwill</b>	<b>3,503.8</b>	<b>3,506.1</b>
	<u>\$ 8,441.7</u>	<u>\$ 8,352.8</u>
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities</b>		
Bank indebtedness	\$ 1.3	\$ 1.8
Accounts payable and accrued charges	693.8	794.6
Deferred revenue	237.3	234.7
Dividends payable	3.2	-
Income taxes	19.4	16.3
Current portion of long-term debt	192.0	68.6
	<u>1,147.0</u>	<u>1,116.0</u>
<b>Long-term debt</b>	<b>3,719.9</b>	<b>3,811.9</b>
<b>Derivative financial instruments</b>	<b>448.1</b>	<b>422.4</b>
<b>Other liabilities</b>	<b>152.6</b>	<b>129.4</b>
<b>Future income taxes</b>	<b>487.7</b>	<b>485.9</b>
<b>Non-controlling interest</b>	<b>1,266.5</b>	<b>1,216.8</b>
<b>Shareholders' equity</b>		
Capital stock	346.6	346.6
Contributed surplus	4.7	4.7
Retained earnings	865.2	830.1
Accumulated other comprehensive income (loss)	3.4	(11.0)
	<u>1,219.9</u>	<u>1,170.4</u>
	<u>\$ 8,441.7</u>	<u>\$ 8,352.8</u>