

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	
	2010	2009	2010	2009
Revenues				
Telecommunications	\$ 551.7	\$ 503.4	\$ 1,623.1	\$ 1,468.3
News Media	243.1	247.6	762.5	775.9
Broadcasting	94.3	89.2	314.8	310.5
Leisure and Entertainment	77.6	80.0	204.9	212.3
Interactive Technologies and Communications	22.4	21.2	70.1	67.5
Inter-segment	(19.2)	(16.9)	(63.4)	(60.3)
	<u>969.9</u>	<u>924.5</u>	<u>2,912.0</u>	<u>2,774.2</u>
Operating expenses	640.0	623.5	1,939.4	1,885.1
Amortization	98.5	86.8	280.0	257.2
Financial expenses (note 2)	67.6	65.9	209.4	188.8
Gain on valuation and translation of financial instruments (note 3)	(79.0)	(31.1)	(69.7)	(57.3)
Restructuring of operations, impairment of assets and other special items (note 4)	22.6	3.9	26.0	8.1
Loss on debt refinancing (note 8)	-	-	12.3	-
Impairment of goodwill and intangible assets	-	-	-	13.6
	<u>220.2</u>	<u>175.5</u>	<u>514.6</u>	<u>478.7</u>
Income before income taxes and non-controlling interest				
Income taxes:				
Current	5.1	7.6	65.9	14.2
Future	57.4	34.2	75.0	79.9
	<u>62.5</u>	<u>41.8</u>	<u>140.9</u>	<u>94.1</u>
	<u>157.7</u>	<u>133.7</u>	<u>373.7</u>	<u>384.6</u>
Non-controlling interest	(74.9)	(65.9)	(187.1)	(182.3)
Income from continuing operations	82.8	67.8	186.6	202.3
Income from discontinued operations	-	1.6	-	1.6
Net income	\$ 82.8	\$ 69.4	\$ 186.6	\$ 203.9
Earnings per share (note 6)				
Basic				
From continuing operations	\$ 1.28	\$ 1.06	\$ 2.90	\$ 3.15
From discontinued operations	-	0.02	-	0.02
Net income	<u>1.28</u>	<u>1.08</u>	<u>2.90</u>	<u>3.17</u>
Diluted				
From continuing operations	\$ 1.27	\$ 1.05	\$ 2.86	\$ 3.14
From discontinued operations	-	0.02	-	0.02
Net income	<u>1.27</u>	<u>1.07</u>	<u>2.86</u>	<u>3.16</u>
Weighted average number of shares outstanding (in millions)	64.3	64.3	64.3	64.3
Weighted average number of diluted shares (in millions)	65.0	64.6	65.0	64.6

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	
	2010	2009	2010	2009
Income from continuing operations before amortization, financial expenses, gain on valuation and translation of financial instruments, restructuring of operations, impairment of assets and other special items, loss on debt refinancing, impairment of goodwill and intangible assets, income taxes and non-controlling interest				
Telecommunications	\$ 260.6	\$ 235.7	\$ 776.3	\$ 692.0
News Media	40.6	44.9	140.2	130.2
Broadcasting	13.3	10.3	46.3	47.8
Leisure and Entertainment	12.2	11.9	16.3	17.5
Interactive Technologies and Communications	1.2	1.0	3.5	2.7
Head Office	2.0	(2.8)	(10.0)	(1.1)
	\$ 329.9	\$ 301.0	\$ 972.6	\$ 889.1
Amortization				
Telecommunications	\$ 73.7	\$ 63.1	\$ 209.9	\$ 187.2
News Media	16.3	15.8	45.8	45.7
Broadcasting	3.9	3.6	11.3	10.7
Leisure and Entertainment	2.5	2.2	7.3	7.0
Interactive Technologies and Communications	1.1	0.9	3.0	3.1
Head Office	1.0	1.2	2.7	3.5
	\$ 98.5	\$ 86.8	\$ 280.0	\$ 257.2
Additions to property, plant and equipment				
Telecommunications	\$ 186.2	\$ 114.1	\$ 469.7	\$ 318.0
News Media	3.7	3.4	7.0	20.2
Broadcasting	3.3	4.3	11.8	12.8
Leisure and Entertainment	0.8	0.4	3.4	1.5
Interactive Technologies and Communications	0.4	0.4	2.0	2.6
Head Office	0.6	0.6	1.8	2.6
	\$ 195.0	\$ 123.2	\$ 495.7	\$ 357.7
Additions to intangible assets				
Telecommunications	\$ 23.5	\$ 23.8	\$ 72.4	\$ 68.8
News Media	1.8	6.7	7.5	9.5
Broadcasting	1.3	1.2	4.1	4.1
Leisure and Entertainment	1.7	1.0	5.8	3.4
Interactive Technologies and Communications	-	0.2	-	0.2
	\$ 28.3	\$ 32.9	\$ 89.8	\$ 86.0
Externally acquired intangible assets	\$ 13.8	\$ 22.2	\$ 44.6	\$ 52.2
Internally generated intangible assets	14.5	10.7	45.2	33.8
	\$ 28.3	\$ 32.9	\$ 89.8	\$ 86.0

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	
	2010	2009	2010	2009
Net income	\$ 82.8	\$ 69.4	\$ 186.6	\$ 203.9
Other comprehensive (loss) income:				
Unrealized gain (loss) on translation of net investments in foreign operations	1.1	(0.7)	(1.8)	(2.0)
(Loss) gain on valuation of derivative financial instruments	(7.7)	12.4	95.4	16.2
Income taxes related to derivative financial instruments	3.7	17.4	(13.8)	33.9
Non-controlling interest	1.3	(13.1)	(36.1)	(21.8)
Reclassification to income of other comprehensive loss related to derivative financial instruments, net of income taxes of \$2.5 million and of non-controlling interest of \$2.7 million, in the nine-month period ended September 30, 2010 (note 8)	-	-	3.2	-
	(1.6)	16.0	46.9	26.3
Comprehensive income	\$ 81.2	\$ 85.4	\$ 233.5	\$ 230.2

See accompanying notes to consolidated financial statements.

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

(in millions of Canadian dollars)
(unaudited)

	Capital stock (note 9)	Contributed surplus	Retained earnings	Accumulated other comprehensive loss (note 10)	Total shareholders' equity
Balance as of December 31, 2008	\$ 346.6	\$ -	\$ 565.3	\$ (27.5)	\$ 884.4
Net income	-	-	203.9	-	203.9
Dividends	-	-	(9.6)	-	(9.6)
Related party transactions	-	4.8	-	-	4.8
Other comprehensive income	-	-	-	26.3	26.3
Balance as of September 30, 2009	346.6	4.8	759.6	(1.2)	1,109.8
Net income	-	-	73.8	-	73.8
Dividends	-	-	(3.3)	-	(3.3)
Related party transactions	-	(0.1)	-	-	(0.1)
Other comprehensive loss	-	-	-	(9.8)	(9.8)
Balance as of December 31, 2009	346.6	4.7	830.1	(11.0)	1,170.4
Net income	-	-	186.6	-	186.6
Dividends	-	-	(9.6)	-	(9.6)
Other comprehensive income	-	-	-	46.9	46.9
Balance as of September 30, 2010	\$ 346.6	\$ 4.7	\$ 1,007.1	\$ 35.9	\$ 1,394.3

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	
	2010	2009	2010	2009
Cash flows related to operating activities				
Income from continuing operations	\$ 82,8	\$ 67,8	\$ 186,6	\$ 202,3
Adjustments for:				
Amortization of property, plant and equipment	78,3	73,8	233,9	220,3
Amortization of intangible and other assets	20,2	13,0	46,1	36,9
Gain on valuation and translation of financial instruments (note 3)	(79,0)	(31,1)	(69,7)	(57,3)
Amortization of financing costs and long-term debt discount (note 2)	3,1	2,7	9,3	7,5
Loss on debt refinancing (note 8)	-	-	12,3	-
Impairment of property, plant and equipment and other assets (note 4)	5,4	0,4	11,1	0,4
Impairment of goodwill and intangible assets	-	-	-	13,6
Future income taxes	57,4	34,2	75,0	79,9
Non-controlling interest	74,9	65,9	187,1	182,3
Other	(0,5)	2,5	(4,5)	0,4
	<u>242,6</u>	<u>229,2</u>	<u>687,2</u>	<u>686,3</u>
Net change in non-cash balances related to operating activities	61,8	50,7	2,1	(74,1)
Cash flows provided by operating activities	<u>304,4</u>	<u>279,9</u>	<u>689,3</u>	<u>612,2</u>
Cash flows related to investing activities				
Business acquisitions, net of cash and cash equivalents	(2,0)	(2,1)	(3,1)	(4,6)
Business disposals, net of cash and cash equivalents	0,3	1,3	2,1	12,7
Additions to property, plant and equipment	(195,0)	(123,2)	(495,7)	(357,7)
Additions to intangible assets	(28,3)	(32,9)	(89,8)	(86,0)
Proceeds from disposals of assets	2,3	0,5	49,6	1,5
Net change in temporary investments	-	-	30,0	-
Other	0,3	0,4	0,3	0,4
Cash flows used in investing activities	<u>(222,4)</u>	<u>(156,0)</u>	<u>(506,6)</u>	<u>(433,7)</u>
Cash flows related to financing activities				
Net change in bank indebtedness	(1,0)	2,9	2,0	14,6
Issuance of long-term debt, net of financing fees (note 8)	-	-	292,7	325,5
Net change under revolving bank facilities	(0,1)	7,9	2,5	(214,0)
Repayments of long-term debt (note 8)	(22,3)	(13,0)	(342,5)	(36,9)
Settlement of hedging contracts (note 8)	-	-	(32,4)	-
Dividends	(3,2)	(3,2)	(9,6)	(9,6)
Dividends paid to non-controlling shareholders	(11,9)	(9,1)	(30,1)	(27,4)
Other	-	0,1	-	0,1
Cash flows (used in) provided by financing activities	<u>(38,5)</u>	<u>(14,4)</u>	<u>(117,4)</u>	<u>52,3</u>
Net change in cash and cash equivalents	43,5	109,5	65,3	230,8
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	0,2	(0,2)	(0,8)	(0,6)
Cash and cash equivalents at beginning of period	320,8	130,9	300,0	10,0
Cash and cash equivalents at end of period	<u>\$ 364,5</u>	<u>\$ 240,2</u>	<u>\$ 364,5</u>	<u>\$ 240,2</u>
Cash and cash equivalents consist of				
Cash	\$ 92,5	\$ 63,1	\$ 92,5	\$ 63,1
Cash equivalents	272,0	177,1	272,0	177,1
	<u>\$ 364,5</u>	<u>\$ 240,2</u>	<u>\$ 364,5</u>	<u>\$ 240,2</u>
Non-cash investing activities				
Additions to property, plant and equipment and intangible assets financed with accounts payable	\$ 17,6	\$ (2,8)	\$ 132,9	\$ 50,5
Cash interest payments	\$ 33,8	\$ 38,7	\$ 188,7	\$ 189,9
Cash income tax payments (net of refunds)	6,9	4,3	34,1	13,1

See accompanying notes to consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars)
(unaudited)

	September 30, 2010	December 31, 2009
Assets		
Current assets		
Cash and cash equivalents	\$ 364,5	\$ 300,0
Cash and cash equivalents in trust	5,3	5,3
Temporary investments	-	30,0
Accounts receivable (note 7)	488,7	519,8
Income taxes	9,8	1,3
Inventories	202,6	176,1
Prepaid expenses	43,1	29,1
Future income taxes	48,7	49,8
	<u>1 162,7</u>	<u>1 111,4</u>
Property, plant and equipment	2 745,5	2 498,6
Intangible assets	1 087,6	1 052,7
Derivative financial instruments	72,1	49,0
Other assets	140,1	122,5
Future income taxes	8,8	12,5
Goodwill	3 507,5	3 506,1
	<u>\$ 8 724,3</u>	<u>\$ 8 352,8</u>
Liabilities and shareholders' equity		
Current liabilities		
Bank indebtedness	\$ 3,8	\$ 1,8
Accounts payable and accrued charges	790,9	792,2
Deferred revenues	244,3	234,7
Income taxes	49,1	16,3
Current portion of long-term debt (note 8)	46,5	68,6
	<u>1 134,6</u>	<u>1 113,6</u>
Long-term debt (note 8)	3 671,4	3 811,9
Derivative financial instruments	375,3	422,4
Other liabilities	162,4	131,8
Future income taxes	573,7	485,9
Non-controlling interest	1 412,6	1 216,8
Shareholders' equity		
Capital stock (note 9)	346,6	346,6
Contributed surplus	4,7	4,7
Retained earnings	1 007,1	830,1
Accumulated other comprehensive income (loss) (note 10)	35,9	(11,0)
	<u>1 394,3</u>	<u>1 170,4</u>
	<u>\$ 8 724,3</u>	<u>\$ 8 352,8</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, 2010
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

Quebecor Inc. ("Quebecor" or the "Company") is a holding company with a 54.7% interest in Quebecor Media Inc. ("Quebecor Media"), which is engaged, through its subsidiaries, in the following industry segments: Telecommunications, News Media, Broadcasting, Leisure and Entertainment, and Interactive Technologies and Communications. The Telecommunications segment offers television distribution, Internet, business solutions, telephony and mobile services in Canada and operates in the rental of movies and televisual products through its video on demand service or its distribution and rental stores. The News Media segment produces original content in Canada for all of Quebecor Media's platforms. Its operations include the printing, publishing and distribution of daily newspapers, weekly newspapers and directories in Canada and the operation of Internet sites in Canada, including French- and English-language portals and specialized sites. The Broadcasting segment operates general-interest television networks, specialized television networks, magazine publishing and movie distribution businesses in Canada. The Leisure and Entertainment segment combines book publishing and distribution, retail sales of CDs, books, DVD units, musical instruments and magazines in Canada, online sales of downloadable music and music production and distribution in Canada. The Interactive Technologies and Communications segment offers e-commerce solutions through a combination of strategies, technology integration, IP solutions and creativity on the Internet and is active in Canada, the United States, Europe and Asia.

1. BASIS OF PRESENTATION

These 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 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 previous periods have been reclassified to conform to the presentation adopted for the three-month and nine-month periods ended September 30, 2010.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2010
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

2. FINANCIAL EXPENSES

	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
Interest on long-term debt and exchangeable debentures	\$ 76.2	\$ 72.9	\$ 227.8	\$ 219.0
Amortization of financing costs and long-term debt discount	3.1	2.7	9.3	7.5
(Gain) loss on foreign currency translation on short-term monetary items	(0.9)	(0.5)	4.8	(8.9)
Other	0.3	0.5	0.6	1.4
	78.7	75.6	242.5	219.0
Interest capitalized to the cost of:				
Property, plant and equipment	(4.0)	(0.9)	(8.9)	(5.2)
Intangible assets	(7.1)	(8.8)	(24.2)	(25.0)
	\$ 67.6	\$ 65.9	\$ 209.4	\$ 188.8

3. GAIN ON VALUATION AND TRANSLATION OF FINANCIAL INSTRUMENTS

	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
Gain on embedded derivatives and derivative financial instruments for which hedge accounting is not used	\$ (76.6)	\$ (17.3)	\$ (68.2)	\$ (19.7)
Gain on foreign currency translation of financial instruments for which hedge accounting is not used	(1.7)	(9.6)	(3.9)	(18.1)
(Gain) loss on the ineffective portion of fair value hedge	(0.7)	(4.2)	2.4	(21.2)
Loss on valuation of a portfolio investment	–	–	–	1.7
	\$ (79.0)	\$ (31.1)	\$ (69.7)	\$ (57.3)

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2010
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

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

Telecommunications

During the third quarter of 2010, Videotron Ltd. ("Videotron") launched its new advanced mobile network. As a result, Videotron recorded a charge of \$10.0 million, payable in March 2011, for the termination of its Mobile Virtual Network Operator ("MVNO") agreement and a charge of \$4.9 million for the migration of its existing MVNO subscribers to its new mobile network. Videotron expects to incur migration costs as long as the conversion process is not completed.

During the second quarter of 2010, other special items included a net gain of \$2.9 million primarily related to the sale of assets (net losses of \$0.2 million and \$1.2 million were recorded for the respective three-month and nine-month periods in 2009).

News Media

During the respective three-month and nine-month periods ended September 30, 2010, restructuring costs of \$1.5 million and \$4.6 million were recorded for new restructuring initiatives in the News Media segment (\$3.1 million and \$5.8 million in 2009). The amounts primarily relate to severances for the elimination of positions at several publications.

Continuity of restructuring costs payable

Balance as of December 31, 2009	\$ 32.0
Workforce-reduction initiatives	4.6
Payments	(11.5)
Balance as of September 30, 2010	\$ 25.1

As part of the restructuring initiatives, certain assets were sold in the second quarter of 2010, resulting in a net gain of \$2.5 million and an impairment charge of \$3.5 million on certain assets was also recorded during the third quarter of 2010 (\$0.4 million in the third quarter of 2009).

Broadcasting

In the second quarter of 2010, the Company announced the creation of The Sun TV News Channel, a new partnership in which TVA Group Inc. ("TVA Group") holds a 51% interest and Sun Media Corporation a 49% interest. This new partnership will launch an English-language news and opinion specialty channel in the first quarter of 2011. TVA Group also decided to terminate the operations of its general-interest television station, Sun TV, as soon as the new specialty channel is on the air. As a result of this repositioning, the Broadcasting segment recorded impairment charges of \$1.9 million and \$7.6 million on certain equipment and broadcasting rights during the respective three-month and nine-month periods ended September 30, 2010.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2010
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

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

Broadcasting (continued)

Restructuring charges and other special items of \$0.8 million primarily related to the elimination of positions were also recorded during the three-month and nine-month periods ended September 30, 2010 (a charge of \$0.1 million and a gain of \$0.8 million for the respective three-month and nine-month periods in 2009).

Other segments

During the three-month and nine-month periods ended September 30, 2009, restructuring charges and other special items of \$0.1 million and \$1.5 million were recorded in the other segments.

5. 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 September 30		Nine months ended September 30	
	2010	2009	2010	2009
Defined benefit plans	\$ 4.5	\$ 5.1	\$ 14.2	\$ 14.1
Defined contribution plans	3.0	3.1	8.7	8.1
	\$ 7.5	\$ 8.2	\$ 22.9	\$ 22.2

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2010
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

6. EARNINGS PER SHARE

Earnings per share are calculated by dividing net income by the weighted average number of shares outstanding during the periods. Diluted earnings per share are calculated by taking into account the potentially dilutive effect of 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 September 30		Nine months ended September 30	
	2010	2009	2010	2009
Income from continuing operations	\$ 82.8	\$ 67.8	\$ 186.6	\$ 202.3
Impact of assumed conversion of stock options of subsidiaries	(0.4)	–	(0.9)	(0.2)
Income from continuing operations, adjusted for dilution effect	\$ 82.4	\$ 67.8	\$ 185.7	\$ 202.1
Net income	\$ 82.8	\$ 69.4	\$ 186.6	\$ 203.9
Impact of assumed conversion of stock options of subsidiaries	(0.4)	–	(0.9)	(0.2)
Net income, adjusted for dilution effect	\$ 82.4	\$ 69.4	\$ 185.7	\$ 203.7
Weighted average number of shares outstanding (in millions)	64.3	64.3	64.3	64.3
Effect of dilutive stock options of the Company (in millions)	0.7	0.3	0.7	0.3
Weighted average number of diluted shares outstanding (in millions)	65.0	64.6	65.0	64.6

The diluted earnings per share calculation does not take into consideration the potential dilutive effect of certain stock options of the Company and its subsidiaries since their impact is anti-dilutive. During the three-month and nine-month periods ended September 30, 2010, 192,590 options of the Company's plan (1,373,213 in 2009), 8,000 options of Quebecor Media's plan (2,647,969 in 2009) and 833,610 options of TVA Group's plan (975,155 in 2009) were excluded from the diluted earnings per share calculation.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2010
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

7. ACCOUNTS RECEIVABLE

In the third quarter of 2010, the News Media segment recognized tax credits in the amount of \$5.0 million related to a new tax credit program, based on management's assessment of having reasonable assurance that it has complied with the conditions attached to the program. This amount represents management's best estimate of the amount that will be received and is reflected as a reduction in operating expenses.

8. LONG-TERM DEBT

On January 13, 2010, Videotron 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 Videotron, 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 Videotron. These notes are redeemable at the option of Videotron, in whole or in part, at any time prior to January 15, 2015 at a price based on a make-whole formula and at a decreasing premium from January 15, 2015 and thereon.

On January 14, 2010, Quebecor Media prepaid drawings under its term loan "B" credit facility in an aggregate amount of US\$170.0 million and settled a corresponding portion of its hedging contracts for an amount of \$30.9 million, representing a total cash consideration of \$206.7 million. This transaction resulted in a total loss of \$10.4 million (before income taxes and non-controlling interest), including a loss of \$6.5 million previously reported in accumulated other comprehensive loss.

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 favourable amendments to the covenants contained in its credit facilities.

In May 2010, Osprey Media Publishing Inc. ("Osprey Media") paid the balance on its term credit facility and settled the related hedging contracts for a total cash consideration of \$116.3 million, resulting in a reclassification to income of a \$1.9 million loss (before income taxes and non-controlling interest), previously reported in accumulated other comprehensive loss. On June 30, 2010, Osprey Media's credit facilities were terminated.

Components of the long-term debt are as follows:

	September 30, 2010	December 31, 2009
Long-term debt	\$ 3,813.9	\$ 3,924.8
Change in fair value related to hedged interest rate risks	37.4	16.8
Adjustment related to embedded derivatives	(88.5)	(17.1)
Financing fees, net of amortization	(44.9)	(44.0)
	3,717.9	3,880.5
Less current portion	46.5	68.6
	\$ 3,671.4	\$ 3,811.9

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2010
 (tabular amounts in millions of Canadian dollars, except for per share data and option data)
 (unaudited)

9. CAPITAL STOCK (continued)

(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. Holders of A shares may elect the other members of the Board of Directors.

(b) Issued and outstanding capital stock

	<u>A shares</u>		<u>B shares</u>	
	Number	Amount	Number	Amount
Balance as of December 31, 2009	20,115,731	\$ 8.9	44,201,291	\$ 337.7
A shares converted in B shares	(289,389)	(0.1)	289,389	0.1
Balance as of September 30, 2010	19,826,342	\$ 8.8	44,490,680	\$ 337.8

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2010
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

9. 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, 2010:

	Outstanding options	
	Number	Weighted average exercise price
Quebecor		
As of December 31, 2009:	2,586,496	\$ 25.15
Granted	78,442	34.72
As of September 30, 2010	2,664,938	\$ 25.43
Vested options as of September 30, 2010	1,766,949	\$ 26.77
Quebecor Media		
As of December 31, 2009:	3,326,069	\$ 40.96
Granted	1,096,500	46.50
Exercised	(367,301)	36.86
Cancelled	(375,092)	44.52
As of September 30, 2010	3,680,176	\$ 42.66
Vested options as of September 30, 2010	845,297	\$ 41.55
TVA Group		
As of December 31, 2009:	975,155	\$ 16.16
Cancelled	(141,545)	15.04
As of September 30, 2010	833,610	\$ 16.35
Vested options as of September 30, 2010	444,551	\$ 17.66

In the second quarter of 2010, the Company finalized the implementation of a new mid-term stock-based compensation plan for management. Under this new plan, at the end of a three-year period, participants will be entitled to receive a cash payment based on the appreciation of the Quebecor Class B share price, subject to the achievement of certain non-market performance criteria.

During the three-month and nine-month periods ended September 30, 2010, a net consolidated compensation charge related to all stock-based compensation plans was recorded in the amount of \$4.2 million and \$24.1 million, respectively (\$7.0 million and \$7.7 million in 2009).

During the three-month period ended September 30, 2010, 222,207 of Quebecor Media's stock options were exercised for a cash consideration of \$2.8 million (3,345 stock options for \$0.1 million in 2009). During the nine-month period ended September 30, 2010, none of the Company's stock options were exercised (10,000 stock options for a minimal cash consideration in 2009) and 367,301 of Quebecor Media's stock options were exercised for a cash consideration of \$4.3 million (178,185 stock options for \$2.3 million in 2009).

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2010
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

10. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Translation of net investments in foreign operations	Cash flow hedges	Total
Balance as of December 31, 2008	\$ 1.0	\$ (28.5)	\$ (27.5)
Other comprehensive (loss) income	(1.1)	27.4	26.3
Balance as of September 30, 2009	(0.1)	(1.1)	(1.2)
Other comprehensive loss	(0.7)	(9.1)	(9.8)
Balance as of December 31, 2009	(0.8)	(10.2)	(11.0)
Other comprehensive (loss) income	(1.0)	47.9	46.9
Balance as of September 30, 2010	\$ (1.8)	\$ 37.7	\$ 35.9

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 7 1/2-year period.