QUEBECOR

MANAGEMENT DISCUSSION AND ANALYSIS

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CORPORATE PROFILE

This Management Discussion and Analysis covers the main activities of Quebecor Inc. ("Quebecor" or the "Corporation") in the first quarter of 2011 and the major changes from the previous financial year. As noted under "Transition to IFRS" below, Canadian generally accepted accounting principles ("GAAP"), which were previously used in preparing the consolidated financial statements, have been replaced as a result of the adoption of International Financial Reporting Standards ("IFRS") on January 1, 2011. The Corporation's consolidated financial statements for the three-month period ended March 31, 2011 have therefore been prepared in accordance with IFRS. Comparative figures for 2010 have also been restated.

All amounts are stated in Canadian dollars unless otherwise indicated. This report should be read in conjunction with the information in the consolidated financial statements and Management Discussion and Analysis for the financial year ended December 31, 2010. It should also be read in conjunction with the information on the adjustments to the 2010 financial figures upon adoption of IFRS, explained in note 16 to the consolidated financial statements for the three-month period ended March 31, 2011.

Quebecor is a holding company with a 54.7% interest in Quebecor Media Inc. ("Quebecor Media"), one of Canada's largest media groups. Quebecor Media's subsidiaries operate in the following business segments: Telecommunications, News Media, Broadcasting, Leisure and Entertainment, and Interactive Technologies and Communications. Quebecor Media is pursuing a convergence strategy to capture synergies among all its media properties.

HIGHLIGHTS SINCE END OF 2010

- On March 21, 2011, Quebecor announced the appointment of Françoise Bertrand as Chair of its Board of Directors, to succeed the late Jean Neveu, who occupied the position from 2001 to 2011. Ms. Bertrand has been a member of Quebecor's Board of Directors since 2003. She is Chair of the Compensation Committee and a member of the Corporate Governance and Nominating Committee.
- Quebecor's sales increased by $42.4 million (4.5%) to $990.5 million in the first quarter of 2011, mainly because of sustained growth in the Telecommunications segment.
- During the first quarter of 2011, in accordance with the evolutionary process endorsed by the International Telecommunications Union (ITU), the new mobile network launched in September 2010 was upgraded from 3G+ to 4G ("4G network").
- During the first quarter of 2011, Videotron's mobile telephone service continued recording significant growth. As of March 31, 2011, there were 143,600 subscriber connections to the 4G network, including 86,100 new connections and 57,500 migrations from the mobile virtual network operator ("MVNO") service.
- On April 21, 2011, Videotron announced that its 4G service had been rolled out across nearly 90% of its service area and was available to more than four million people in Québec.
- However, the roll-out of Videotron's new mobile services network affected the Telecommunications segment's first quarter 2011 results. In the first months following a product launch, the revenues generated by the new product are not sufficient to cover the higher expenses, which, in the case of the 4G network, include customer acquisition costs per new connection and the amortization charge.
- During the first quarter of 2011, the Corporation continued implementing its investment plan in the News Media segment in order to increase its revenue streams. Contracts with major customers were signed by Quebecor Media Printing Inc. (Quebecor Media Printing) (including contracts with Jean Coutu Group (PJC) Inc. and Michael Rossy Ltd.) and by the QMI National Sales Office (including Golf Town, Metro Richelieu Inc. and PepsiCo). Meanwhile, the QMI Agency added an Ottawa bureau in March 2011 to its Montréal and Toronto bureaus.
- On April 18, 2011, Sun TV News ("Sun News"), an English-language news and opinion specialty channel, went live. Its mission will be to offer comprehensive coverage of events that impact Canada's political and economic life. The launch was part of the Corporation's strategy of expanding its value-added content offerings.
- The 25-year usage and naming rights to the future arena in Québec City, obtained by the Corporation in March 2011, will also create opportunities for the Corporation in terms of convergence and cross-promotion of its brands, television programs and other content, potentially including the operation of a National Hockey League franchise in Québec City.
- According to the NADbank 2010 survey, Sun Media Corporation's urban dailies and free newspapers registered an average 5.1% net increase in readership, while competitors' readership was virtually flat at 0.8% growth.

- On April 4, 2011, the Syndicat des travailleurs de l'information du Journal de Montréal (STIJM) signed a back-to-work agreement ending the labour dispute that began in January 2009, when the employer declared a lock-out. The agreement provided for a phased return to work starting April 5, 2011. The mediator's recommendations, which were accepted by the parties in February 2011, called for, among other things, greater flexibility with respect to the workforce and the sharing of editorial content with the Corporation's other media outlets.
- On February 3, 2011, Quebecor Media expanded its community newspaper distribution network by acquiring Les Hebdos Montérégiens. With the addition of 15 community papers, Sun Media Corporation now has 71 community newspapers across Québec and Quebecor Media's distribution network has the capacity to reach more than 3.1 million Québec households (87.0% of the total).
- On January 5, 2011, Quebecor Media completed the issuance of Senior Notes in the aggregate principal amount of $325.0 million, for net proceeds of $319.9 million (net of financing fees). The Notes bear interest at a rate of 7 3/8% and mature in January 2021. This transaction marks Quebecor Media's inaugural offering on the Canadian high-yield market, adding to its established presence on the U.S. high-yield market. Quebecor Media used the net proceeds from the placement primarily to finance the early repayment and withdrawal, on February 15, 2011, of all of Sun Media Corporation's outstanding 7 5/8% Senior Notes maturing on February 15, 2013, in the aggregate principal amount of US$205.0 million, and to finance the settlement and cancellation of related hedges.

TRANSITION TO IFRS

On January 1, 2011, Canadian GAAP, as used by publicly accountable enterprises, were fully converged to IFRS. Accordingly, the interim consolidated financial statements for the three-month period ended March 31, 2011 are the first financial statements the Corporation prepared in accordance with IFRS. Prior to the adoption of IFRS, for all periods up to and including the year ended December 31, 2010, the Corporation's consolidated financial statements were prepared in accordance with Canadian GAAP. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences related to recognition, measurement and disclosures.

The date of the opening balance sheet under IFRS and the date of transition to IFRS are January 1, 2010. The financial data for 2010 have therefore been restated. The Corporation is also required to apply IFRS accounting policies retrospectively to determine its opening balance sheet, subject to certain exemptions. However, the Corporation is not required to restate figures for periods prior to January 1, 2010 that were previously prepared in accordance with Canadian GAAP.

The new significant accounting policies under IFRS are disclosed in Note 1 to the consolidated financial statements for the three-month period ended March 31, 2011, while Note 16 explains adjustments made by the Corporation in preparing its IFRS opening consolidated balance sheet as of January 1, 2010 and in restating its previously published Canadian GAAP consolidated financial statements for the three-month period ended March 31, 2010 and the year ended December 31, 2010. Note 16 also provides details on exemption choices made by the Corporation with respect to the general principle of retrospective application of IFRS. The changes to critical accounting policies as a result of IFRS, and their impacts on accounting estimates, are described under "Changes in critical accounting policies and estimates" below.

ADDITIONAL IFRS MEASURE

Operating Income

In its analysis of operating results, the Corporation uses operating income, as reported in its consolidated statement of income, to assess its financial performance. The Corporation's management and Board of Directors use this measure in evaluating the Corporation's consolidated results and the results of its operating segments. This measure is unaffected by the capital structure or investment activities of the Corporation and its segments. Operating income is also relevant because it is a significant component of the Corporation's annual incentive compensation programs. Operating income is defined as an additional IFRS measure.

Previously, under Canadian GAAP, operating income was a non-GAAP measure (see "Transition to IFRS" above). The Corporation defined operating income as net income in accordance with Canadian GAAP before amortization, financial expenses, gain (loss) on valuation and translation of financial instruments, charge for restructuring of operations, impairment of assets and other special items, loss on debt refinancing, income tax, and non-controlling interest.

Operating income as used by the Corporation may not be the same as similarly titled measures reported by other companies.

NON-IFRS FINANCIAL MEASURES

The non-IFRS financial measures used by the Corporation to assess its financial performance, such as adjusted income from continuing operations, cash flows from segment operations, free cash flows from continuing operating activities of the Quebecor Media subsidiary, and average monthly revenue per user ("ARPU"), are not calculated in accordance with or recognized by IFRS. The Corporation's method of calculating these non-IFRS financial measures may differ from the methods used by other companies and, as a result, the non-IFRS financial measures presented in this document may not be comparable to other similarly titled measures disclosed by other companies.

Adjusted Income from Continuing Operations

The Corporation defines adjusted income from continuing operations, as reconciled to net income attributable to shareholders under IFRS, as net income attributable to shareholders before gain (loss) on valuation and translation of financial instruments, charge for restructuring of operations, impairment of assets and other special items, and loss on debt refinancing, net of income tax and net income attributable to non-controlling interest. Adjusted income from continuing operations, as defined above, is not a measure of results that is consistent with IFRS. It should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Adjusted income from continuing operations eliminates the impact of unusual or one-time items. The Corporation's definition of adjusted income from continuing operations may not be identical to similarly titled measures reported by other companies.

Table 1 provides a reconciliation of adjusted income from continuing operations to the net income attributable to shareholders measure used in Quebecor's consolidated financial statements.

Table 1
Reconciliation of the adjusted income from continuing operations measure used in this report to the net income attributable to shareholders measure used in the consolidated financial statements
(in millions of Canadian dollars)

	Three months ended March 31	
	2011	2010
Adjusted income from continuing operations	**$ 35.9**	$ 43.4
Gain (loss) on valuation and translation of financial instruments	**10.5**	(4.7)
Restructuring of operations, impairment of assets and other special items	**(9.5)**	(2.4)
Loss on debt refinancing	**(9.3)**	(10.4)
Income tax related to adjustments[1]	**4.4**	4.9
Net income attributable to non-controlling interest related to adjustments	**2.3**	4.1
Net income attributable to shareholders	**$ 34.3**	$ 34.9

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

Cash Flows from Segment Operations

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

Free Cash Flows from Continuing Operating Activities of the Quebecor Media Subsidiary

Free cash flows from continuing operating activities consists of cash flows from segment operations (*see* "Cash Flows from Segment Operations above"), minus cash interest payments and cash charges for restructuring of operations, impairment of assets and other special items, plus or minus current income tax expenses, other receipts (disbursements), and the net change in non-cash balances related to operations. Free cash flows from continuing operating activities is used by the Corporation's management and Board of Directors to evaluate cash flows generated by the operations of the Quebecor Media subsidiary. Free cash flows from continuing operating activities represents Quebecor Media's available funds for business acquisitions, the payment of dividends and the repayment of long-term debt. Free cash flows from operating activities is not a measure of liquidity that is consistent with IFRS. It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows as a measure of liquidity. The Corporation's definition of free cash flows from continuing operating activities may not be identical to similarly titled measures reported by other companies.

Table 2 provides a reconciliation of free cash flows from continuing operating activities of Quebecor Media to cash flows provided by its operating activities.

Table 2
Reconciliation of free cash flows from continuing operating activities to cash flows provided by continuing operating activities of the Quebecor Media subsidiary
(in millions of Canadian dollars)

	Three months ended March 31	
	2011	2010
Free cash flows from continuing operating activities (see Table 3)	**$ (34.1)**	$ 12.2
Additions to property, plant and equipment	**195.2**	133.5
Additions to intangible assets	**19.6**	20.2
Proceeds from disposal of assets	**(1.0)**	(1.4)
Cash flows provided by operating activities	**$ 179.7**	$ 164.5

Average Monthly Revenue per User

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

ANALYSIS OF CONSOLIDATED RESULTS OF QUEBECOR

2011/2010 first quarter comparison

Revenues: $990.5 million, an increase of $42.4 million (4.5%).

- Revenues increased in Telecommunications ($49.7 million or 9.4% of segment revenues) and in Interactive Technologies and Communications ($3.0 million or 12.6%).
- Revenues flat in the Leisure and Entertainment segment.
- Revenues decreased in News Media ($2.8 million or -1.1%), mainly because of lower circulation revenues, and in the Broadcasting segment ($2.5 million or -2.3%).

Operating income: $294.3 million, an increase of $3.9 million (1.3%).

- Operating income decreased in News Media ($9.5 million or -23.0% of segment operating income), Telecommunications ($1.5 million or -0.6%), Broadcasting ($1.1 million or -19.3%) and Interactive Technologies and Communications ($0.1 million or -10.0%).
- Operating income increased in Leisure and Entertainment ($1.4 million).
- The change in the fair value of Quebecor Media stock options resulted in a $4.8 million favourable variance in the stock-based compensation charge in the first quarter of 2011 compared with the same period of 2010. The change in the fair value of Quebecor stock options resulted in a $17.3 million favourable variance in the Corporation's stock-based compensation charge in the first quarter of 2011.
- Excluding the impact of the consolidated stock-based compensation charge, and if the figures for prior periods were restated to retroactively reflect the reversal in the fourth quarter of 2009 of the accumulated Canadian Radio-television and Telecommunications Commission ("CRTC") Part II licence fee provision, operating income would have decreased 5.9% in the first quarter of 2011, compared with a 12.0% increase in the same period of 2010.

Net income attributable to shareholders: $34.3 million ($0.53 per basic share) compared with $34.9 million ($0.54 per basic share) in the first quarter of 2010, a decrease of $0.6 million ($0.01 per basic share) or -1.7%.

- The decrease was mainly due to:
  - $31.9 million increase in amortization charge;
  - $7.1 million increase in the charge for restructuring of operations, impairment of assets and other special items.

  Partially offset by:
  - $15.2 million favourable variance in gains and losses on valuation and translation of financial instruments;
  - $13.9 million decrease in net income attributable to non-controlling interest;
  - $3.9 million increase in operating income;
  - $3.4 million decrease in income tax.

Adjusted income from continuing operations: $35.9 million in the first quarter of 2011 ($0.56 per basic share) compared with $43.4 million ($0.67 per basic share) in the first quarter of 2010, a decrease of $7.5 million ($0.11 per basic share) or -17.3%.

Amortization charge: $121.5 million, a $31.9 million increase, essentially due to the impact of significant capital expenditures in 2010 and in the first quarter of 2011 in the Telecommunications segment, including commencement of amortization of 4G network equipment and licences following the network's launch in September 2010.

Financial expenses: $81.4 million, a decrease of $0.9 million.

- The decrease was mainly due to:
  - $3.9 million favourable variance in exchange rates on operating items.

  Partially offset by:
  - higher base interest rates.

Gain on valuation and translation of financial instruments: $10.5 million in the first quarter of 2011 compared with $4.7 million loss in the same quarter of 2010, a favourable variance of $15.2 million.

- The increase was mainly due to the favourable variance in gains and losses on embedded derivatives as well as the favourable variance in gains and losses on the ineffective portion of hedges.

Charge for restructuring of operations, impairment of assets and other special items: $9.5 million in the first quarter of 2011 compared with $2.4 million in the first quarter of 2010, a $7.1 million unfavourable variance.

- In connection with the startup of its 4G network, Videotron recorded an $8.6 million charge for migration costs in the first quarter of 2011. Videotron expects to incur charges for migration costs until the conversion process has been completed.

- A $0.9 million charge for impairment of intangible assets was also recorded in the News Media segment in the first quarter of 2011. In the first quarter of 2010, a $2.4 million charge for restructuring of operations was recorded in the News Media segment in connection with new staff-reduction programs.

Loss on debt refinancing: $9.3 million in the first quarter of 2011 compared with $10.4 million in the same period of 2010.

- On February 15, 2011, Sun Media Corporation paid $202.8 million to buy back and withdraw all its 7 5/8% Senior Notes in the aggregate principal amount of US$205.0 million, and settled the related hedges for $105.4 million, for a total cash consideration of $308.2 million. This transaction generated a total $9.3 million loss.

- 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 in 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.

Income tax expense: $19.8 million (effective tax rate of 23.8%) in the first quarter of 2011 compared with $23.2 million (effective tax rate of 23.0%) in the first quarter of 2010.

- The $3.4 million favourable variance, the effective tax rates and the changes in those rates in the first quarter of 2011 compared with the same period of 2010 were primarily due to:

  - decrease in income before income taxes.

  Offset by:

  - larger reduction in deferred tax liabilities in the first quarter of 2010 in light of developments in tax audits, jurisprudence and tax legislation;

  - less favourable impact of tax rate mix in the first quarter of 2011 on the various components of the gains and losses on financial instruments and derivative financial instruments, and on the translation of financial instruments.

Free cash flows from continuing operating activities of Quebecor Media: Negative $34.1 million in the first quarter of 2011 compared with positive $12.2 million in the same period of 2010 (Table 3).

- The unfavourable variance of $46.3 million was essentially due to:

  - $61.7 million increase in additions to property, plant and equipment, mainly due to spending in the Telecommunications segment on its 4G network and cable network modernization;

  - $10.4 million decrease in operating income;

  - $6.2 million increase in cash portion of charge for restructuring of operations, impairment of assets and other special items.

  Partially offset by:

  - $13.0 million decrease in use of funds for non-cash balances related to operations, mainly because of a greater reduction in accounts receivable in the first quarter of 2011 than in the first quarter of 2010, partially offset by the impact of a decrease in deferred revenues in the first quarter of 2011. The net difference was due to a different customer billing cycle in the first quarter of 2011 than in the same period of 2010 in the Telecommunications segment.

  - $20.4 million decrease in current income taxes.

Table 3: Quebecor Media
Free cash flows from continuing operating activities
(in millions of Canadian dollars)

	Three months ended March 31	
	2011	2010
Cash flows from segment operations:		
Telecommunications	**$ 57.9**	$ 111.9
News Media	**23.8**	36.4
Broadcasting	**(5.1)**	1.7
Leisure and Entertainment	**(0.4)**	(2.4)
Interactive Technologies and Communications	**(0.1)**	0.5
Head Office and other	**1.1**	1.0
	77.2	149.1
Cash interest expense[1]	**(73.7)**	(73.9)
Cash portion of charge for restructuring of operations, impairment of assets and other special items	**(8.6)**	(2.4)
Current income taxes	**(0.4)**	(20.8)
Other	**(0.6)**	1.2
Net change in non-cash balances related to operations	**(28.0)**	(41.0)
Free cash flows from continuing operating activities	**$ (34.1)**	$ 12.2

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

Table 4
Reconciliation of cash flows from segment operations of Quebecor Media to its operating income
(in millions of Canadian dollars)

	Three months ended March 31	
	2011	2010
Operating income	**$ 291.0**	$ 301.4
Additions to property, plant and equipment	**(195.2)**	(133.5)
Acquisitions of intangible assets	**(19.6)**	(20.2)
Proceeds from disposal of assets	**1.0**	1.4
Cash flows from segment operations	**$ 77.2**	$ 149.1

SEGMENTED ANALYSIS

Telecommunications

First quarter 2011 operating results

Revenues: $578.0 million, an increase of $49.7 million (9.4%).

- Combined revenues from all cable television services increased $15.7 million (6.8%) to $245.6 million, due primarily to higher ARPU, partially as a result of increases in some rates, the impact of customer base growth, the success of high definition ("HD") packages, and increased video on demand and pay TV orders.
- Revenues from Internet access services increased $10.5 million (6.6%) to $168.4 million. The improvement was mainly due to customer growth, increases in some rates and customer migration to upgraded services.
- Revenues from cable telephone service increased $8.9 million (9.0%) to $107.3 million, primarily as a result of customer and subscriber line increases.
- Revenues from mobile telephone service increased $9.1 million (78.5%) to $20.7 million, essentially due to customer growth resulting largely from the launch of the new network in September 2010.
- Revenues of Videotron Business Solutions increased $1.1 million (7.9%) to $15.1 million, mainly because of higher revenues from network solutions.
- Revenues from customer equipment sales increased $3.8 million (41.3%) to $13.0 million, mainly because of increased sales of digital set-top boxes and mobile handsets.
- Revenues of Le SuperClub Vidéotron ltée ("Le SuperClub Vidéotron") decreased $0.3 million (-5.4%) to $5.3 million, mainly as a result of the closure of two stores in March 2010.
- Other revenues increased $0.9 million to $2.6 million.

Monthly ARPU: $99.78 in the first quarter of 2011 compared with $93.12 in the same period of 2010, an increase of $6.66 (7.2%).

Customer statistics

Cable television – The combined customer base for all of Videotron's cable television services decreased by 3,000 (-0.2%) in the first quarter of 2011, compared with an increase of 8,500 in the first quarter of 2010, and increased by 23,100 during the 12-month period ended March 31, 2011 (Table 5). At the end of the first quarter of 2011, Videotron had 1,808,600 customers for its cable television services. The household penetration rate (number of subscribers as a proportion of total homes passed by Videotron's network, i.e., 2,623,200 homes as of the end of March 2011, compared with 2,582,800 at the end of the first quarter of 2010) was 68.9% versus 69.1% a year earlier.

- As of March 31, 2011, the number of subscribers to the Digital TV service stood at 1,243,700, a quarterly increase of 24,100 or 2.0%, compared with a 35,800-subscriber increase in the first quarter of 2010, and a 12-month increase of 123,800 (11.1%). As of March 31, 2011, illico Digital TV had a household penetration rate of 47.4% versus 43.4% a year earlier.
- The customer base for analog cable television services decreased by 27,100 (-4.6%) in the first quarter of 2011 (compared with a decrease of 27,300 customers in the same quarter of 2010) and by 100,700 (-15.1%) over a 12-month period, primarily as a result of customer migration to illico Digital TV.

Internet access – The number of subscribers to cable Internet access services was 1,263,600 at March 31, 2011, an increase of 11,500 (0.9%) from the previous quarter (compared with a 21,000-subscriber increase in the first quarter of 2010). During the 12-month period ended March 31, 2011, the cable Internet access service increased its subscriber base by 72,000 (6.0%) (Table 5). At March 31, 2011, Videotron's cable Internet access services had a household penetration rate of 48.2% versus 46.1% a year earlier.

Cable telephone service – The number of subscribers to cable telephone service stood at 1,129,800 at the end of March 2011, an increase of 15,500 (1.4%) from the previous quarter (compared with a 29,000-customer increase in the first quarter of 2010), and a 12-month increase of 86,800 (8.3%) (Table 5). At March 31, 2011, the cable telephone service had a household penetration rate of 43.1% versus 40.4% a year earlier.

Mobile telephone service – As of March 31, 2011, the number of subscriber connections to the mobile telephone service stood at 164,700, an increase of 28,600 (21.0%) from the end of December 2010 (compared with an increase of 2,500 connections in the first quarter of 2010), and a 12-month increase of 79,400 (93.1%). The increase was due primarily to the launch of the new mobile network on September 9, 2010 (Table 5). Since the launch, 143,600 subscriber connections have been added to the 4G network, including 86,100 new connections and 57,500 migrations from the MVNO service.

Table 5
Telecommunications segment quarter-end customer numbers for the last eight quarters
(in thousands of customers)

	Mar. 2011	Dec. 2010	Sept. 2010	June 2010	Mar. 2010	Dec. 2009	Sept. 2009	June 2009
Cable television:								
Analog	**564.9**	592.0	619.7	639.5	665.6	692.9	717.3	742.3
Digital	**1,243.7**	1,219.6	1,182.3	1,142.0	1,119.9	1,084.1	1,042.4	990.3
Total cable television	**1,808.6**	1,811.6	1,802.0	1,781.5	1,785.5	1,777.0	1,759.7	1,732.6
Cable Internet	**1,263.6**	1,252.1	1,233.8	1,201.7	1,191.6	1,170.6	1,145.4	1,109.9
Cable telephone	**1,129.8**	1,114.3	1,098.1	1,065.3	1,043.0	1,014.0	979.1	934.8
Mobile telephone[1]	**164.7**	136.1	95.4	87.0	85.3	82.8	79.8	73.5

[1] In thousands of subscriber connections.

Operating income: $251.0 million, a decrease of $1.5 million (-0.6%).

- The following positive factors:
  - customer growth for all services;
  - increases in some rates, including cable television and Internet access rates;
  - increases in contribution to income from HD packages, additional set-top boxes, video on demand and pay TV;
  - customer migration to upgraded Internet access and mobile telephone services;
  - impact of higher ARPU for cable telephone service;
  - $5.6 million favourable variance in the stock-based compensation charge;

  were outweighed by:
  - increases in operating expenses, among them costs related to the roll-out of the 4G network, including acquisition costs of approximately $486 per subscriber addition (direct costs, including selling, advertising and marketing expenses and equipment subsidies) and site overhead costs;
  - capitalization of some operating expenses during the build-out of the new mobile services network, which also explains the unfavourable variance in operating expenses in the first quarter of 2011 compared with the first quarter of 2010;
  - $4.7 million write-down on mobile handset inventory in the first quarter of 2011, mainly because of higher-than-average orders in the fourth quarter of 2010 due to positive customer response to the mobile services network launch in September 2010;
  - promotions on sales of digital set-top boxes.
- Excluding the variance in the stock-based compensation charge, and if the figures for prior periods were restated to retroactively reflect the CRTC Part II licence fee adjustment in the fourth quarter of 2009, the decrease in the segment's operating income in the first quarter of 2011 would have been 2.8% compared with the 13.3% increase in the same period of 2010.

Cost/revenue ratio: Operating costs for all Telecommunications segment operations, expressed as a percentage of revenues, were 56.6% in the first quarter of 2011 compared with 52.2% in the same period of 2010.

- The increase was mainly due to operating expense increases related to the roll-out of the 4G network, partially offset by the impact of increases in some rates.

Cash flows from operations

Cash flows from segment operations: $57.9 million in the first quarter of 2011 compared with $111.9 million in the same period of 2010 (Table 6).

- The $54.0 million decrease was mainly due to a $52.4 million increase in additions to property, plant and equipment, essentially as a result of spending on the 4G network and cable network modernization.

Table 6: Telecommunications
Cash flows from operations
(in millions of Canadian dollars)

	Three months ended March 31	
	2011	2010
Operating income	**$ 251.0**	$ 252.5
Additions to property, plant and equipment	**(178.6)**	(126.2)
Acquisitions of intangible assets	**(15.5)**	(15.7)
Proceeds from disposal of assets	**1.0**	1.3
Cash flows from segment operations	**$ 57.9**	$ 111.9

News Media

First quarter 2011 operating results

Revenues: $245.3 million, a decrease of $2.8 million (-1.1%).

- Advertising revenues increased 1.1%; circulation revenues decreased 8.4%, more than half of which decrease was due to price reductions and promotions, and combined revenues from commercial printing and other sources decreased 2.3%.
- Revenues decreased 3.2% at the urban dailies and 0.1% at the community newspapers. Excluding business acquisitions, revenues of the community newspapers decreased by 4.3%.
- Revenues increased 9.0% at the portals, essentially because of a 26.6% increase at the general-interest portals, due primarily to higher advertising revenues, partially offset by a 3.0% decrease in revenues at the special-interest portals.
- Highlights from NADbank 2010 survey:
  - *24 Hours*™ chain added 66,300 readers for 7.6% growth. Readers continued to respond positively to investments in the *24 Hours*™ newspapers, which included changes in the appearance of the Toronto newspaper (glossy paper) and layout and content improvements nationally;
  - In the Toronto metropolitan area, the *Toronto Sun*'s weekday readership increased 17.2% and readership of *24 Hours*™ increased 9.2%.
  - *Le Journal de Montréal* grew its weekday readership by 1.4%, maintaining its leading position as the largest French-language newspaper in North America.

Operating income: $31.8 million, a decrease of $9.5 million (-23.0%).

- The decrease was due primarily to:
  - impact of revenue decrease;
  - increases in some operating expenses, including community newspaper startup costs in Québec and spending on the free Toronto newspaper *24 Hours*™;
  - unfavourable variance related to investments in Quebecor Media Network and Quebecor MediaPages™;
  - $2.5 million increase in newsprint costs.

  Partially offset by:
  - $6.6 million favourable variance in multimedia employment tax credits.

- Excluding the impact of the stock-based compensation charge, investments in Quebecor MediaPages™, Quebecor Media Network startup costs and the acquisition of Les Hebdos Montérégiens, operating income would have decreased by -18.1% in the first quarter of 2011, compared with a 41.9% increase in the same period of 2010.

Cost/revenue ratio: Operating costs for all News Media segment operations, expressed as a percentage of revenues, were 87.0% in the first quarter of 2011 compared with 83.4% in the same period of 2010.

- The increase was due mainly to:
  - spending on community newspaper launches in Québec, the free Toronto newspaper *24 Hours*™, Quebecor Media Network and Quebecor MediaPages™;
  - unfavourable impact of the fixed component of operating costs (which does not fluctuate in proportion to revenue decreases);
  - higher newsprint costs.

  Offset by:
  - reduced costs due to higher employment tax credits.

Cash flows from segment operations: $23.8 million in the first quarter of 2011 compared with $36.4 million in the first quarter of 2010 (Table 7).

- The $12.6 million decrease was due to the $9.5 million decrease in operating income and the $3.6 million increase in additions to property, plant and equipment.

Table 7: News Media
Cash flows from operations
(in millions of Canadian dollars)

	Three months ended March 31	
	2011	2010
Operating income	**$ 31.8**	$ 41.3
Additions to property, plant and equipment	**(5.9)**	(2.3)
Acquisitions of intangible assets	**(2.1)**	(2.7)
Proceeds from disposal of assets	—	0.1
Cash flows from segment operations	**$ 23.8**	$ 36.4

Broadcasting

First quarter 2011 operating results

Revenues: $107.1 million, a decrease of $2.5 million (-2.3%).

- Revenues from television operations decreased $1.6 million, mainly due to:
  - decrease in advertising revenues at the conventional station Sun TV in view of repositioning following the creation of Sun News;
  - decrease in revenues at TVA Films, reflecting the larger number of successful releases in the first quarter of 2010.

Partially offset by:

- o higher production and video on demand revenues at the TVA Network;
- o increased subscription revenues at the specialty channels;
- o higher revenues at TVAccès.

- Total publishing revenues decreased $0.9 million, mainly because of lower newsstand revenues.

Operating income: $4.6 million, a decrease of $1.1 million (-19.3%).

- Operating income from television operations decreased $0.6 million, mainly due to:
  - o increase in operating expenses related to the launch of Sun News;
  - o higher content costs at the specialty channels as a result of new channels and the programming strategy.

  Partially offset by:

  - o impact of revenue growth at the TVA Network and the specialty channels;
  - o increased profitability at TVA Films.

- Operating income from publishing operations decreased by $0.6 million, mainly as a result of the impact of the revenue decrease.

Cost/revenue ratio: Operating costs for all Broadcasting segment operations, expressed as a percentage of revenues, were 95.7% in the first quarter of 2011 compared with 94.8% in the same period of 2010. The increase in costs as a proportion of revenues was mainly due to higher operating expenses related to the launch of the Sun News channel and higher costs at the specialty channels.

Cash flows from segment operations: Negative $5.1 million in the first quarter of 2011 compared with positive $1.7 million in the same period of 2010, a $6.8 million decrease (Table 8).

- The $6.8 million unfavourable variance was essentially due to the $5.3 million increase in additions to property, plant and equipment, and the $1.1 million decrease in operating income.

Table 8: Broadcasting
Cash flows from operations
(in millions of Canadian dollars)

	Three months ended March 31	
	2011	2010
Operating income	**$ 4.6**	$ 5.7
Additions to property, plant and equipment	**(8.9)**	(3.6)
Acquisitions of intangible assets	**(0.8)**	(0.4)
Cash flows from segment operations	**$ (5.1)**	$ 1.7

Other developments since end of 2010

On May 2, 2011, TVA Group Inc. ("TVA Group") launched the specialty channel *Mlle,* dedicated to style, beauty and the well-being of Québec women.

On March 17, 2011, TVA Group filed a normal course issuer bid to buy back and cancel, between March 21, 2011 and March 20, 2012, up to 972,545 Class B shares of TVA Group, or approximately 5% of the issued and outstanding Class B shares as of the date of the filing. No Class B shares were repurchased in the first quarter of 2011.

Leisure and Entertainment

First quarter 2011 operating results

Revenues: $61.4 million, flat compared with the first quarter of 2010.

- Increases were recorded in the Book division's revenues from bookstore sales and publishing operations, and in Archambault Group Inc.'s revenues from production sales and the *archambault.ca* site.

Operating income: $1.2 million in the first quarter of 2011 compared with a $0.2 million operating loss in the same period of 2010. The $1.4 million improvement was due primarily to increased operating income in the Book division, generated by the impact of higher revenues from some activities and lower operating costs at the publishing houses and CEC Publishing Inc.

Cash flows from segment operations: Negative $0.4 million in the first quarter of 2011 compared with negative $2.4 million in the same period of 2010 (Table 9).

- The $2.0 million improvement was due to the $1.4 million increase in operating income and the $0.6 million decrease in additions to property, plant and equipment and intangible assets.

Table 9: Leisure and Entertainment
Cash flows from operations
(in millions of Canadian dollars)

	Three months ended March 31	
	2011	2010
Operating income (loss)	**$ 1.2**	$ (0.2)
Additions to property, plant and equipment	**(0.4)**	(0.8)
Acquisitions of intangible assets	**(1.2)**	(1.4)
Cash flows from segment operations	**$ (0.4)**	$ (2.4)

Interactive Technologies and Communications

First quarter 2011 operating results

Revenues: $26.8 million, an increase of $3.0 million (12.6%).

- The increase was due mainly to:
  - higher volume from customers in Canada generated by, among other things, the transfer of technological activities from the News Media segment, and higher revenues in Europe.

  Partially offset by:
  - decrease in volume from government customers;
  - unfavourable variances in currency translation, mainly in Europe.

Operating income: $0.9 million, a decrease of $0.1 million (-10.0%).

- The decrease was mainly due to the impact of lower volume from government customers, partially offset by the impact of revenue growth in Europe.

Cash flows from segment operations: Negative $0.1 million in the first quarter of 2011 compared with positive $0.5 million in the same period of 2010 (Table 10).

- The $0.6 million unfavourable variance was mainly due to the $0.5 million increase in additions to property, plant and equipment.

Table 10: Interactive Technologies and Communications
Cash flows from operations
(in millions of Canadian dollars)

	Three months ended March 31	
	2011	2010
Operating income	**$ 0.9**	$ 1.0
Additions to property, plant and equipment	**(1.0)**	(0.5)
Cash flows from segment operations	**$ (0.1)**	$ 0.5

CASH FLOWS AND FINANCIAL POSITION

Operating Activities

Cash flows provided by operating activities: $170.7 million in the first quarter of 2011 compared with $155.6 million in the same period of 2010.

- The $15.1 million increase was mainly due to the $20.4 million decrease in current income taxes, partially offset by a $6.2 million increase in the cash charge for restructuring of operations, impairment of assets and other special items.

Working capital: Negative $86.1 million at March 31, 2011 compared with negative $44.9 million at December 31, 2010, an unfavourable variance of $41.2 million, mainly reflecting a decrease in cash and cash equivalents, which were used to finance investing activities.

Financing Activities

Consolidated debt (long-term debt plus bank borrowings): $0.6 million reduction in the first quarter of 2011. $20.3 million favourable net variance in assets and liabilities related to derivative financial instruments.

- Debt reductions during the first quarter of 2011:
  - o $202.8 million early repayment on February 15, 2011 of all of Sun Media Corporation's 7 5/8% Senior Notes maturing on February 15, 2013, in the aggregate principal amount of US$205.0 million;
  - o estimated $75.2 million favourable impact of exchange rate fluctuations. The decrease in this item was offset by an increase in the liability (or a decrease in the asset) related to cross-currency swap agreements entered under "Derivative financial instruments";
  - o current payments, totalling $21.8 million, on Quebecor Media's credit facility and other debt;
  - o $15.8 million decrease in debt due to a favourable variance in the fair value of embedded derivatives, resulting essentially from interest rate fluctuations, and to changes in fair value related to hedged interest rate risk;
  - o $7.5 million decrease in Quebecor's debt.

  Debt increases during the first quarter of 2011:
  - o issuance by Quebecor Media on January 5, 2011 of $325.0 million in the aggregate principal amount of Senior Notes for net proceeds of $319.9 million (net of financing fees), with a 7 3/8% coupon maturing in January 2021.
- Assets and liabilities related to derivative financial instruments totalled a net liability of $430.9 million at March 31, 2011 compared with a net liability of $451.2 million at December 31, 2010. The $20.3 million favourable net variance was caused primarily by:
  - o the settlement and revocation by Sun Media Corporation of hedges in the amount of $105.4 million following the early repayment and withdrawal, on February 15, 2011, of all its outstanding Senior Notes.

Partially offset by:

- o unfavourable impact of exchange rate fluctuations on the value of derivative financial instruments;
- o impact of interest rate trends in Canada, compared with the United States, on the fair value of derivative financial instruments.

Investing Activities

Additions to property, plant and equipment: $195.2 million compared with $133.8 million in the first quarter of 2010. The increase was mainly due to spending on the 4G network and cable network modernization in the Telecommunications segment.

Acquisitions of intangible assets: $19.6 million in the first quarter of 2011 compared with $20.2 million in the same period of 2010.

Business acquisitions: $45.1 million in the first quarter of 2011 compared with $1.0 million in the same period of 2010, a $44.1 million increase, reflecting, among other things, the impact of the acquisition of community newspapers in the News Media segment.

Financial Position at March 31 2011

Net available liquidity: $928.8 million for Quebecor Media and its wholly owned subsidiaries, consisting of $116.9 million in cash and $811.9 million in available unused lines of credit.

Net available liquidity: $86.8 million for Quebecor at the corporate level, consisting of a $1.4 million bank overdraft and $88.2 million in available unused lines of credit.

Consolidated debt: $3.62 billion at March 31, 2011, a decrease of $0.6 million; $20.3 million favourable net variance in assets and liabilities related to derivative financial instruments (see “Financing Activities” above).

- Consolidated debt essentially consisted of Videotron’s $1.74 billion debt ($1.79 billion at December 31, 2010), Sun Media Corporation’s $37.7 million debt ($240.0 million at December 31, 2010), TVA Group’s $91.2 million debt ($93.9 million at December 31, 2010), Quebecor Media’s $1.66 billion debt ($1.40 billion at December 31, 2010), and Quebecor’s $98.0 million debt ($105.5 million at December 31, 2010).

As at March 31, 2011, minimum principal payments on long-term debt in the coming years is as follows:

Table 11
Minimum principal repayments on Quebecor’s long-term debt
12 months ending March 31
(in millions of Canadian dollars)

2012	$ 15.2
2013	254.1
2014	706.5
2015	85.6
2016	1,348.3
2017 and thereafter	1,309.8
Total	**$ 3,719.5**

The weighted average term of Quebecor's consolidated debt was approximately 5.3 years as of March 31, 2011 (4.9 years as of December 31, 2010). The debt consists of approximately 82.1% fixed-rate debt (74.1% at December 31, 2010) and 17.9% floating-rate debt (25.9% at December 31, 2010).

Management believes that cash flows from continuing operating activities and available sources of financing should be sufficient to cover planned cash requirements for capital investments, working capital, interest payments, debt repayments, disbursements related to foreign exchange hedges, pension plan contributions, and dividends. The Corporation believes it will be able to meet future debt payments, which are fairly staggered over the coming years.

Pursuant to their financing agreements, the Corporation and its subsidiaries are required to maintain certain financial ratios and financial covenants. The key indicators listed in these financing agreements include debt service coverage ratio and debt ratio (long-term debt over operating income). At March 31, 2011, the Corporation and its subsidiaries were in compliance with all required financial ratios and restrictive covenants in their financing agreements.

Dividends declared

- On May 25, 2011, 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 July 5, 2011 to shareholders of record at the close of business on June 10, 2011.

Analysis of consolidated balance sheet at March 31, 2011

Table 12
Consolidated balance sheet of Quebecor
Analysis of main variances between December 31, 2010 and March 31, 2011
(in millions of Canadian dollars)

	Mar. 31, 2011	Dec. 31, 2010	Difference	Main reasons for difference
Assets				
Cash and cash equivalents, and cash and cash equivalents in trust	**$ 126.0**	$ 248.0	$ (122.0)	Cash flows used in investing activities
Accounts receivable	**496.8**	588.5	(91.7)	Impact of current variances in activity and a different customer billing cycle in the Telecommunications segment
Property, plant and equipment	**2,883.0**	2,812.9	70.1	Additions to property, plant and equipment (*see* "Investing Activities" above), less amortization for the period
Goodwill	**3,536.9**	3,505.2	31.7	Impact of business acquisitions in the News Media segment
Liabilities				
Accounts payable and accrued charges	**677.7**	753.6	(75.9)	Impact of current variances in activity
Deferred revenues	**246.0**	275.1	(29.1)	Impact of a different customer billing cycle in the Telecommunications segment
Long-term debt, including short-term portion and bank indebtedness	**3,623.2**	3,623.8	(0.6)	*See* "Financing Activities"
Net derivative financial instruments[1]	**430.9**	451.2	(20.3)	*See* "Financing Activities"
Net deferred taxes[1]	**449.3**	431.9	17.4	Use of tax benefits and capital cost allowance in excess of book amortization

[1] Long-term asset less long-term liability.

ADDITIONAL INFORMATION

Contractual Obligations

At March 31, 2011, material contractual obligations of operating activities included capital and interest payments on long-term debt, operating lease arrangements, capital asset purchases and other commitments, and obligations related to derivative financial instruments, less estimated future receipts on derivative financial instruments. Table 13 below shows a summary of these contractual obligations.

Table 13
Contractual obligations of Quebecor as of March 31, 2011
(in millions of Canadian dollars)

	Total	Under 1 year	1-3 years	3-5 years	5 years or more
Long-term debt[1]	**$ 3,719.5**	$ 15.2	$ 960.6	$ 1,433.9	$ 1,309.8
Interest payments[2]	**1,773.1**	232.2	600.5	510.8	429.6
Operating leases	**276.2**	64.8	87.2	53.6	70.6
Additions to property, plant and equipment and other commitments	**110.0**	64.2	40.9	3.8	1.1
Derivative financial instruments[3]	**476.2**	0.6	226.9	141.6	107.1
Total contractual obligations	**$ 6,355.0**	**$ 377.0**	**$ 1,916.1**	**$ 2,143.7**	**$ 1,918.2**

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

2 Estimated interest payable on long-term debt, based on interest rates, hedged interest rates and hedged foreign exchange rates as of March 31, 2011.

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

Financial Instruments

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

As at March 31, 2011, Quebecor Media was using derivative financial instruments to manage its exchange rate and interest rate exposure. It has entered into foreign exchange forward contracts and cross-currency interest rate swap agreements to hedge the foreign currency risk exposure on the entirety of its U.S.-dollar-denominated long-term debt. Quebecor Media also uses interest rate swaps in order to manage the impact of interest rate fluctuations on its long-term debt.

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

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

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

The fair value of long-term debt and derivative financial instruments at March 31, 2011 is shown in Table 14.

Table 14
Fair value of long-term debt and derivative financial instruments
(in millions of Canadian dollars)

	March 31, 2011		December 31, 2010	
	Carrying value	**Fair value asset (liability)**	Carrying value	Fair value asset (liability)
Long-term debt[1]	**$ (3,719.5)**	**$ (3,906.2)**	$ (3,701.0)	$ (3,877.8)
Derivative financial instruments:				
Early settlement options	**98.4**	**98.4**	88.8	88.8
Interest rate swaps	**(1.2)**	**(1.2)**	(1.3)	(1.3)
Foreign exchange forward contracts	**(4.9)**	**(4.9)**	(2.4)	(2.4)
Cross currency interest rate swaps	**(424.8)**	**(424.8)**	(447.5)	(447.5)

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

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

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

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

Gains (losses) on valuation and translation of financial instruments for the first quarter of 2011 are summarized in Table 15.

Table 15
Gains (losses) on valuation and translation of financial instruments
(in millions of Canadian dollars)

	Three-month period ended March 31	
	2011	2010
(Gain) loss on embedded derivatives and derivative financial instruments for which hedge accounting is not used	**$ (10.1)**	$ 5.4
Gain on foreign currency translation of financial instruments for which hedge accounting is not used	**–**	(3.6)
(Gain) loss on ineffective portion of fair value hedges	**(0.4)**	2.9
	$ (10.5)	$ 4.7

A $0.8 million gain was recorded under other comprehensive income in the first quarter of 2011 in relation to cash flow hedging relationships ($26.8 million in the first quarter of 2010).

Related Party Transactions

In the first quarter of 2011, the Corporation and its subsidiaries made purchases and incurred rent charges with affiliated companies in the amount of $0.6 million ($0.8 million in the same period of 2010), which is included in cost of sales and selling and administrative expenses. The Corporation and its subsidiaries made sales to affiliated companies in the amount of $0.9 million ($1.2 million in the first quarter of 2010). These transactions were concluded and accounted for at the exchange amount.

Capital Stock

In accordance with Canadian financial reporting standards, Table 16 below presents information on the Corporation's capital stock as at April 30, 2011. In addition, 2,290,234 share options were outstanding as of April 30, 2011.

Table 16
Capital stock
(in shares and millions of Canadian dollars)

	April 30, 2011	
	Issued and outstanding	Book value
Class A (Multiple Voting Shares)	19,710,453	$ 8.8
Class B (Subordinate Voting Shares)	44,606,569	$ 337.8

Recent Accounting Developments in Canada

As described above under "Transition to IFRS," the Corporation adopted IFRS on January 1, 2011. The 2010 financial figures have been restated accordingly. The Corporation is required to apply IFRS accounting policies retrospectively to determine the IFRS opening balance sheet at January 1, 2010. However, IFRS provides a number of mandatory exceptions and optional exemptions to this general principle of retrospective application (refer to note 16 of the interim consolidated financial statements for the first quarter of 2011 for more details on exemption choices and adjustments made by the Corporation as a result of the adoption of IFRS).

The adoption of IFRS did not necessitate any significant modifications to information technology, data systems or internal controls currently implemented and used by the Corporation. The Corporation also determined that new policy choices adopted in light of IFRS requirements had no contractual or business implications on existing financing arrangements and similar obligations as at the date of adoption and as at the end of the current reporting period. Under current circumstances, the Corporation has not identified any contentious issues arising from the adoption of IFRS.

Changes in Critical Accounting Policies and Estimates

The Corporation adopted the IFRS conceptual framework for its accounting policies on January 1, 2011 (see "Transition to IFRS" above"). Accordingly, the following paragraphs provide an analysis of accounting policies considered to be critical for which changes required under the adoption of IFRS were determined to be material.

This "Changes in critical accounting policies and estimates" section should be read in conjunction with the Corporation's annual management discussion and analysis for the 2010 year, which provides a description of other accounting policies considered to be critical but for which the adoption of IFRS did not have a significant impact.

Impairment of Assets

For the purposes of assessing impairment, assets are grouped in cash-generating units ("CGUs") which represent the lowest levels for which there are separately identifiable cash inflows generated by these assets. The Corporation reviews at each balance sheet date whether events or circumstances have occurred to indicate that the carrying amounts of its long-lived assets with finite useful life may be less than their recoverable amounts. Goodwill, other intangible assets having an indefinite useful life, and intangible assets not yet available for use, are tested for impairment on April 1 of each financial year, as well as whenever there is an indication that the carrying amount of the asset or the CGU, to which an asset has been allocated, exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use of the asset or the CGU. Fair value less costs to sell represents the amount an entity could obtain at the valuation date from the asset's disposal in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. The value in use represents the present value of the future cash flows expected to be derived from the asset or from the CGU.

The Corporation uses the discounted cash flow method to estimate the value in use, consisting of future cash flows derived from the most recent budget and three-year strategic plan approved by the Corporation's management and presented to the Board of Directors. These forecasts consider each CGU's past operating performance and market share as well as economic trends, along with specific and market industry trends and corporate strategies. A range of growth rates is used for cash flows beyond the three-year period. The discount rate used by the Corporation is a pre-tax rate derived from the weighted average cost of capital pertaining to each CGU, which reflects the current market assessment of (i) the time value of money and (ii) the risk specific to the assets for which the future cash flow estimates have not been adjusted. The perpetual growth rate is determined with regard to the specific markets in which the CGUs participate.

An impairment loss is recognized in the amount by which the carrying amount of the asset or CGU exceeds its recoverable amount. When the recoverable amount of a CGU to which goodwill has been allocated is lower than the CGU's carrying amount, the related goodwill is first impaired. Any excess amount of impairment is recognized and attributed to assets in the CGU pro rated to the carrying amount of each asset in the CGU.

An impairment loss recognized in prior periods for long-lived assets with finite useful lives and intangible assets having an indefinite useful life, other than goodwill, can be reversed through the statement of income up to the excess of the recoverable amount of the asset or the CGU over its carrying value.

When determining the fair value less costs to sell of an asset or CGU, the appraisal of the information available at the valuation date is based on management's judgment, and may involve estimates and assumptions. Furthermore, the discounted cash flow method used in determining the value in use of an asset or CGU relies on the use of estimates such as the amount and timing of cash flows, expected variations in the amount or timing of those cash flows, the value of money, as represented by the risk-free rate, and the risk premium associated with the asset or CGU.

Therefore, the judgment used in determining the recoverable amount of an asset or a CGU may affect the amount of the impairment loss of an asset or a CGU to be recorded, as well as the potential reversal of the impairment charge in the future.

Based on the data and assumptions used in its last impairment test, the Corporation believes that at this time there are no material amounts of long-lived assets with finite useful lives, or goodwill and intangible assets with indefinite useful lives, on its books that present a significant risk of impairment in the near future.

The net book value of goodwill as at March 31, 2011 was $3.54 billion, and the net book value of intangible assets with indefinite useful lives as at March 31, 2011 was $165.1 million.

Impairment charges previously recorded under Canadian GAAP were unaffected by the adoption of IFRS.

Pension and post-retirement benefits

The Corporation offers defined benefit pension plans and defined contribution pension plans to some of its employees.

Quebecor Media's obligations with respect to defined benefit pension and postretirement benefits are measured at present value and assessed on the basis of a number of economic and demographic assumptions, which are established with the assistance of Quebecor Media's actuaries. Key assumptions relate to the discount rate, the expected return on the plan's assets, the rate of increase in compensation, retirement age of employees, health care costs, and other actuarial factors. Defined benefit pension plan assets are measured at fair value and consist of equities and corporate and government fixed-income securities.

Actuarial gains and losses are recognized through other comprehensive income or loss. Actuarial gains and losses may arise from the difference between the actual rate of return on plan assets for a given period and the expected rate of return on plan assets for that period, experience adjustments on liabilities, or from changes in actuarial assumptions used to determine the defined benefit obligation.

The recognition of the net benefit asset under certain circumstances is limited to the amount recoverable, which is primarily based on the extent to which the Corporation can unilaterally reduce future contributions to the plan. In addition, an adjustment to the net benefit asset or the net benefit obligations can be recorded to reflect a minimum funding liability in a certain number of the Corporation's pension plans. Changes in the net benefit asset limit or in the minimum funding adjustment are recognized in other comprehensive income or loss. The assessment of the amount recoverable in the future, for the purpose of calculating the limit on the net benefit asset, is based on a number of assumptions, including future service costs and reductions in future plan contributions.

As an alternative to the policy of recognition in other comprehensive income, the Corporation might have adopted another accounting policy, applicable to all defined benefit plans, whereby actuarial gains and losses, as well as changes in the net benefit asset limit or in the minimum funding adjustment, are recognized immediately in income as they occur. The Corporation might also have elected, as an accounting policy choice, to account for actuarial gains and losses using the corridor method, as permitted under IFRS.

The Corporation considers all the assumptions used to be reasonable in view of the information available at this time. However, variances from these assumptions could have a material impact on the costs and obligations related to pension plans and postretirement benefits in future periods.

Stock-based compensation

Stock-based awards to employees that call for settlement in cash or other assets at the option of the employee are measured at fair value and classified as a liability. The compensation cost is recognized in expenses over the vesting period. Changes in the fair value of these stock-based awards between the grant date and the measurement date result in a change in the liability and compensation cost.

Estimates of the fair value of stock option awards are determined by applying an option-pricing model, taking into account the terms and conditions of the grant and assumptions such as the risk-free interest rate, the dividend yield, expected volatility, and the expected remaining life of the option.

The judgment and assumptions used in determining the fair value of liability classified stock-based awards may have an effect on the compensation cost recorded in the statements of income.

Provisions

Provisions are recognized when (i) the Corporation has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and when (ii) the amount of the obligation can be reliably estimated. Restructuring costs, comprised primarily of termination benefits, are recognized when a detailed plan for the restructuring exists and a valid expectation has been raised in those affected by it that the plan will be carried out.

Provisions are reviewed at each balance sheet date and changes in estimates are reflected in the statement of income in the period in which changes occur.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date or to transfer it to third parties at that time, and is adjusted for the effect of time value when material. The amount recognized for onerous contracts is the lower of the cost necessary to fulfill the obligations, net of expected economic benefits deriving from the contracts, and any indemnity or penalty arising from failure to fulfill these obligations.

No amounts are recognized for obligations that are possible but not probable or those for which amount cannot be reasonably estimated.

Future Accounting Developments in Canada

The Corporation has not early adopted the following new standards and adoption impacts on the consolidated financial statements have not yet been determined:

New standards	Expected changes to existing standards
IFRS 9 – Financial instruments *(Effective from periods beginning January 1, 2013 with early adoption permitted)*	IFRS 9 simplifies the measurement and classification for financial assets by reducing the number of measurement categories and removing complex rule-driven embedded derivative guidance in IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard also provides for a fair value option in the designation of a non-derivative financial liability and its related classification and measurement.
IFRS 10 – Consolidated Financial Statements *(Effective from periods beginning January 1, 2013 with early adoption permitted)*	IFRS 10 replaces SIC-12 *Consolidation –Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements* and provides additional guidance regarding the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company.
IFRS 11 – Joint Arrangements *(Effective from periods beginning January 1, 2013 with early adoption permitted)*	IFRS 11 replaces IAS 31, *Interests in Joint Ventures*, with guidance that focuses on the rights and obligations of the arrangement, rather than its legal form. It also withdraws the option to proportionately consolidate an entity's interests in joint ventures. The new standard requires that such interests be recognized using the equity method.

IFRS 12 – Disclosure of Interests in Other Entities *(Effective from periods beginning January 1, 2013 with early adoption permitted)*	IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose entities and other off balance sheet vehicles.

Controls and Procedures

The purpose of internal controls over financial reporting is to provide reasonable assurance as to the reliability of the Corporation's financial reporting and the preparation of its consolidated financial statements in accordance with IFRS.

No changes to internal controls over financial reporting have come to the attention of the Corporation's management during the three months ended March 31, 2011 that have materially adversely affected, or are reasonably likely to materially adversely affect, the Corporation's internal controls over financial reporting.

Additional Information

The Corporation is a reporting issuer subject to the securities laws of all Canadian provinces and is therefore required to file financial statements, a proxy circular and an annual information form with the various securities commissions. Copies of those documents are available free of charge from the Corporation on request, and on the Web at <www.sedar.com>.

Cautionary Statement Regarding Forward-Looking Statements

The statements in this report that are not historical facts are forward-looking statements and are subject to significant known and unknown risks, uncertainties and assumptions that could cause the Corporation'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. Some important factors that could cause actual results to differ materially from those expressed in these forward-looking statements include, but are not limited to:

- Quebecor Media's ability to successfully continue rolling out and developing its new 4G network and facilities-based mobile offering;
- general economic, financial or market conditions and variations in the businesses of Quebecor Media's local, regional or national newspapers and broadcasting advertisers;
- the intensity of competitive activity in the industries in which Quebecor operates, including competition from other communications and advertising media and platforms;
- fragmentation of the media landscape;
- new technologies that change consumer behaviour with respect to Quebecor Media's products;
- unanticipated higher capital spending required for roll-out of its 4G network or continued development of competitive alternative technologies or the inability to obtain additional capital to continue the development of Quebecor's business;
- Quebecor's ability to implement its business and operating strategies successfully and to manage its growth and expansion;
- Quebecor Media's ability to successfully restructure its News Media operations to optimize their efficiency in the context of the changing newspaper industry;
- disruptions to the network through which Quebecor Media provides its television, Internet access and telephone services, and its ability to protect such services from piracy;
- labour disputes or strikes;
- changes in Quebecor Media's ability to obtain services and equipment critical to its operations;
- changes in laws and regulations, or in their interpretation, which could result, among other things, in the loss (or reduction in value) of Quebecor Media's licences or markets or in an increase in competition, compliance costs or capital expenditures;
- Quebecor's substantial indebtedness, the tightening of credit markets, and the restrictions on its business imposed by the terms of its debt; and
- interest rate fluctuations that affect a portion of Quebecor's interest payment requirements on long-term debt.

The forward-looking statements in this document are made to provide investors and the public with a better understanding of the Corporation's circumstances and are based on assumptions it believes to be reasonable as of the day on which they are made. 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 the Corporation's actual results to differ from current expectations, please refer to the Corporation's public filings, available at <www.sedar.com> and <www.quebecor.com>, including, in particular, the "Risks and Uncertainties" section of the Corporation's Management Discussion and Analysis for the year ended December 31, 2010.

The forward-looking statements in this Management Discussion and Analysis reflect the Corporation's expectations as of May 26, 2011, and are subject to change after this date. The Corporation 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.

Montréal, Québec

May 26, 2011

QUEBECOR INC. AND ITS SUBSIDIARIES

SELECTED QUARTERLY FINANCIAL DATA

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

				2010				2009
	March 31 (1)	Dec. 31 (1)	Sept. 30 (1)	June 30 (1)	March 31 (1)	Dec. 31 (2)	Sept. 30 (2)	June 30 (2)
Operations								
Revenues	**$ 990.5**	$ 1,088.1	$ 969.9	$ 994.0	$ 948.1	$ 1,032.2	$ 924.4	$ 946.4
Operating income	**294.3**	359.1	332.0	351.9	290.4	387.6	301.0	315.9
Contribution to net income attributable to Shareholders:								
Continuing operations	**35.9**	58.2	56.1	62.9	43.4	84.0	52.9	56.3
Gain (loss) on valuation and translation of financial instruments	**5.2**	(10.0)	32.1	(1.5)	0.2	2.0	16.2	11.3
Unusual items and impairment of goodwill and intangible assets	**(6.8)**	(1.6)	(5.2)	(0.6)	(8.7)	(12.2)	(1.3)	9.2
Discontinued operations	**-**	-	-	-	-	-	1.6	-
Net income attributable to Shareholders	**34.3**	46.6	83.0	60.8	34.9	73.8	69.4	76.8
Basic per share data								
Contribution to net income attributable to Shareholders:								
Continuing operations	**$ 0.56**	$ 0.90	$ 0.87	$ 0.98	$ 0.67	$ 1.31	$ 0.82	$ 0.88
Gain (loss) on valuation and translation of financial instruments	**0.08**	(0.16)	0.50	(0.02)	-	0.03	0.26	0.17
Unusual items and impairment of goodwill and intangible assets	**(0.11)**	(0.02)	(0.08)	(0.01)	(0.13)	(0.19)	(0.02)	0.14
Discontinued operations	**-**	-	-	-	-	-	0.02	-
Net income attributable to Shareholders	**0.53**	0.72	1.29	0.95	0.54	1.15	1.08	1.19
Weighted average number of shares outstanding (in millions)	**64.3**	64.3	64.3	64.3	64.3	64.3	64.3	64.3
Diluted per share data								
Contribution to net income attributable to Shareholders:								
Continuing operations	**$ 0.55**	$ 0.88	$ 0.86	$ 0.96	$ 0.66	$ 1.28	$ 0.81	$ 0.88
Gain (loss) on valuation and translation of financial instruments	**0.08**	(0.16)	0.50	(0.02)	-	0.03	0.26	0.17
Unusual items and impairment of goodwill and intangible assets	**(0.11)**	(0.02)	(0.08)	(0.01)	(0.13)	(0.19)	(0.02)	0.14
Discontinued operations	**-**	-	-	-	-	-	0.02	-
Net income attributable to Shareholders	**0.52**	0.70	1.28	0.93	0.53	1.12	1.07	1.19
Weighted average number of diluted shares outstanding (in millions)	**65.0**	65.0	65.0	64.9	64.8	64.7	64,6	64.3

(1) The financial figures for the 2011 and 2010 periods have been prepared in accordance with IFRS. Refer to note 16, "Transition to IFRS", in the consolidated financial statements of the first quarter of 2011.

(2) The financial figures for the 2009 periods have been prepared in accordance with Canadian GAAP.