

QUEBECOR INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

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

Three months ended March 31

	2010	2009
Revenues		
Telecommunications	\$ 528.3	\$ 477.5
News Media	248.1	252.7
Broadcasting	109.6	109.8
Leisure and Entertainment	61.3	64.1
Interactive Technologies and Communications	23.8	22.7
Inter-segment	(23.0)	(23.5)
	<u>948.1</u>	<u>903.3</u>
Operating expenses	659.6	631.1
Amortization	89.7	85.3
Financial expenses (note 2)	71.9	59.9
Loss (gain) on valuation and translation of financial instruments (note 3)	4.7	(14.1)
Restructuring of operations and other special items (note 4)	2.4	3.4
Loss on debt refinancing (note 7)	10.4	-
Income before income taxes and non-controlling interest	<u>109.4</u>	<u>137.7</u>
Income taxes:		
Current	20.8	(0.8)
Future	3.5	30.2
	<u>24.3</u>	<u>29.4</u>
	<u>85.1</u>	<u>108.3</u>
Non-controlling interest	(46.8)	(50.6)
Net income	<u>\$ 38.3</u>	<u>\$ 57.7</u>
Earnings per share (note 6)		
Basic		
Net income	\$ 0.60	\$ 0.90
Diluted		
Net income	0.59	0.90
Weighted average number of shares outstanding (in millions)	<u>64.3</u>	<u>64.3</u>
Weighted average number of diluted shares (in millions)	<u>64.8</u>	<u>64.3</u>

See accompanying notes to consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES

SEGMENTED INFORMATION

(in millions of Canadian dollars)
(unaudited)

Three months ended March 31

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

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 March 31

	2010	2009
Net income	\$ 38.3	\$ 57.7
Other comprehensive income:		
Unrealized loss on translation of net investments in foreign operations	(3.5)	(0.1)
Gain on valuation of derivative financial instruments	26.8	6.4
Income taxes related to derivative financial instruments	(1.4)	(8.9)
Non-controlling interest	(10.0)	1.2
Reclassification to income of other comprehensive loss related to derivative financial instruments, net of income taxes of \$2.0 million and non-controlling interest of \$2.0 million (note 7)	2.5	-
	<u>14.4</u>	<u>(1.4)</u>
Comprehensive income	\$ 52.7	\$ 56.3

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 8)	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss) (note 9)	Total shareholders' equity
Balance as of December 31, 2008	\$ 346.6	\$ -	\$ 565.3	\$ (27.5)	\$ 884.4
Net income	-	-	57.7	-	57.7
Dividends	-	-	(3.2)	-	(3.2)
Other comprehensive loss	-	-	-	(1.4)	(1.4)
Balance as of March 31, 2009	346.6	-	619.8	(28.9)	937.5
Net income	-	-	220.0	-	220.0
Dividends	-	-	(9.7)	-	(9.7)
Related party transactions	-	4.7	-	-	4.7
Other comprehensive income	-	-	-	17.9	17.9
Balance as of December 31, 2009	346.6	4.7	830.1	(11.0)	1,170.4
Net income	-	-	38.3	-	38.3
Dividends	-	-	(3.2)	-	(3.2)
Other comprehensive income	-	-	-	14.4	14.4
Balance as of March 31, 2010	\$ 346.6	\$ 4.7	\$ 865.2	\$ 3.4	\$ 1,219.9

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 March 31

	2010	2009
Cash flows related to operating activities		
Net income	\$ 38.3	\$ 57.7
Adjustments for:		
Amortization of property, plant and equipment	77.0	73.5
Amortization of intangible assets and other assets	12.7	11.8
Loss (gain) on valuation and translation of financial instruments (note 3)	4.7	(14.1)
Amortization of financing costs and long-term debt discount (note 2)	3.0	2.1
Loss on debt refinancing (note 7)	10.4	-
Future income taxes	3.5	30.2
Non-controlling interest	46.8	50.6
Other	1.2	1.9
	<u>197.6</u>	<u>213.7</u>
Net change in non-cash balances related to operating activities	(31.6)	(88.4)
Cash flows provided by operating activities	<u>166.0</u>	<u>125.3</u>
Cash flows related to investing activities		
Business acquisitions, net of cash and cash equivalents	(1.0)	(1.0)
Business disposals, net of cash and cash equivalents	1.0	6.4
Additions to property, plant and equipment	(135.8)	(119.4)
Additions to intangible assets	(28.6)	(23.9)
Net change in temporary investments	30.0	-
Other	1.4	0.7
	<u>(133.0)</u>	<u>(137.2)</u>
Cash flows used in investing activities		
Cash flows related to financing activities		
Net change in bank indebtedness	(0.5)	19.5
Issuance of long-term debt, net of financing fees (note 7)	293.9	325.5
Net change under revolving bank facilities	10.1	(205.6)
Repayments of long-term debt (note 7)	(188.7)	(14.0)
Settlement of hedging contracts (note 7)	(30.9)	-
Dividends paid to non-controlling shareholders	(8.5)	(9.1)
	<u>75.4</u>	<u>116.3</u>
Cash flows provided by financing activities		
Net change in cash and cash equivalents	108.4	104.4
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	(0.7)	(0.1)
Cash and cash equivalents at beginning of period	300.0	10.0
Cash and cash equivalents at end of period	<u>\$ 407.7</u>	<u>\$ 114.3</u>
Cash and cash equivalents consist of		
Cash	\$ 126.6	\$ 8.2
Cash equivalents	281.1	106.1
	<u>\$ 407.7</u>	<u>\$ 114.3</u>
Non-cash investing activities		
Additions to property, plant and equipment and intangible assets financed with accounts payable	\$ 90.0	\$ 46.2
Cash interest payments	\$ 37.3	\$ 45.2
Cash income tax payments (net of refunds)	17.7	5.1

See accompanying notes to consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars)
(unaudited)

	March 31	December 31
	2010	2009
Assets		
Current assets		
Cash and cash equivalents	\$ 407.7	\$ 300.0
Cash and cash equivalents in trust	5.3	5.3
Temporary investments	-	30.0
Accounts receivable	469.5	519.8
Income taxes	4.7	1.3
Inventories	175.8	176.1
Prepaid expenses	46.2	29.1
Future income taxes	42.1	49.8
	<u>1,151.3</u>	<u>1,111.4</u>
Property, plant and equipment	2,539.7	2,498.6
Intangible assets	1,065.9	1,052.7
Derivative financial instruments (note 7)	38.2	49.0
Other assets	128.0	122.5
Future income taxes	14.8	12.5
Goodwill	3,503.8	3,506.1
	<u>\$ 8,441.7</u>	<u>\$ 8,352.8</u>
Liabilities and shareholders' equity		
Current liabilities		
Bank indebtedness	\$ 1.3	\$ 1.8
Accounts payable and accrued charges	693.8	794.6
Deferred revenue	237.3	234.7
Dividends payable	3.2	-
Income taxes	19.4	16.3
Current portion of long-term debt (note 7)	192.0	68.6
	<u>1,147.0</u>	<u>1,116.0</u>
Long-term debt (note 7)	3,719.9	3,811.9
Derivative financial instruments (note 7)	448.1	422.4
Other liabilities	152.6	129.4
Future income taxes	487.7	485.9
Non-controlling interest	1,266.5	1,216.8
Shareholders' equity		
Capital stock (note 8)	346.6	346.6
Contributed surplus	4.7	4.7
Retained earnings	865.2	830.1
Accumulated other comprehensive income (loss) (note 9)	3.4	(11.0)
	<u>1,219.9</u>	<u>1,170.4</u>
	<u>\$ 8,441.7</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 period ended March 31, 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 wireless services in Canada and operates in the rental of movies or televisual products through its video on demand service or its distribution and rental stores. The News Media segment produces original content in Canada and 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 French- and English-language general-interest television networks, specialized television networks, magazine publishing and movie distribution businesses in Canada. The Leisure and Entertainment segment combines book publishing and distribution, retail sales of CDs, books, digital video discs ("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 ("Canadian 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 period ended March 31, 2010.

QUEBECOR INC. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month period ended March 31, 2010
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

2. FINANCIAL EXPENSES

	Three months ended March 31	
	2010	2009
Interest on long-term debt and exchangeable debentures	\$ 76.4	\$ 73.0
Amortization of financing costs and long-term debt discount	3.0	2.1
Loss (gain) on foreign currency translation on short-term monetary items	2.9	(4.9)
Other	-	0.4
	82.3	70.6
Interest capitalized to the cost of:		
Property, plant and equipment	(2.0)	(2.7)
Intangible assets	(8.4)	(8.0)
	\$ 71.9	\$ 59.9

3. LOSS (GAIN) ON VALUATION AND TRANSLATION OF FINANCIAL INSTRUMENTS

	Three months ended March 31	
	2010	2009
Loss (gain) on embedded derivatives and derivative financial instruments for which hedge accounting is not used	\$ 5.4	\$ (11.5)
(Gain) loss on foreign currency translation of financial instruments for which hedge accounting is not used	(3.6)	4.3
Loss (gain) on the ineffective portion of fair value hedges	2.9	(7.0)
Loss on valuation of exchangeable debentures and a portfolio investment	-	0.1
	\$ 4.7	\$ (14.1)

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month period ended March 31, 2010
 (tabular amounts in millions of Canadian dollars, except for per share data and option data)
 (unaudited)

4. RESTRUCTURING OF OPERATIONS AND OTHER SPECIAL ITEMS

News Media

During the three-month period ended March 31, 2010, restructuring costs of \$2.4 million (\$2.7 million in 2009) were recorded for new restructuring initiatives in the News Media segment. The amount primarily relates 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		2.4
Payments		(4.9)
Balance as of March 31, 2010	\$	29.5

Other segments

During the three-month period ended March 31, 2009, restructuring and other special items of \$0.7 million were also recorded in 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 March 31	
	2010	2009
Defined benefit plans	\$ 6.5	\$ 5.7
Defined contribution plans	3.0	2.7
	\$ 9.5	\$ 8.4

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month period ended March 31, 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 March 31	
	2010	2009
Net income	\$ 38.3	57.7
Impact of assumed conversion of stock options of subsidiaries	(0.3)	(0.1)
Net income, adjusted for dilution effect	\$ 38.0	\$ 57.6
Weighted average number of shares outstanding (in millions)	64.3	64.3
Effect of dilutive stock options (in millions)	0.5	–
Weighted average number of diluted shares outstanding (in millions)	64.8	64.3

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 period ended March 31, 2010, 669,148 options of the Company's plan (2,605,781 in 2009), 8,000 options of Quebecor Media's plan (3,027,563 in 2009) and 878,809 options of TVA Group Inc.'s plan ("TVA Group") (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 period ended March 31, 2010
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

7. LONG-TERM DEBT

On January 13, 2010, Videotron Ltd. ("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 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.

Components of the long-term debt are as follows:

	March 31, 2010	December 31, 2009
Long-term debt	\$ 3,954.4	\$ 3,924.8
Change in fair value related to hedged interest rate risks	22.5	16.8
Adjustment related to embedded derivatives	(17.0)	(17.1)
Financing fees, net of amortization	(48.0)	(44.0)
	3,911.9	3,880.5
Less current portion	192.0	68.6
	\$ 3,719.9	\$ 3,811.9

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month period ended March 31, 2010
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

8. CAPITAL STOCK

(a) Authorized capital stock

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

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

Holders of B shares are entitled to elect 25% of the Board of Directors of Quebecor. 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	(8,489)	–	8,489	–
Balance as of March 31, 2010	20,107,242	\$ 8.9	44,209,780	\$ 337.7

QUEBECOR INC. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month period ended March 31, 2010
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

8. 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 three-month period ended March 31, 2010:

	Outstanding options	
	Number	Weighted average exercise price
Quebecor		
As of December 31, 2009 and as of March 31, 2010	2,586,496	\$ 25.15
Vested options as of March 31, 2010	1,458,175	\$ 27.69
Quebecor Media		
As of December 31, 2009:	3,326,069	\$ 40.96
Granted	1,085,500	46.48
Exercised	(95,935)	36.40
Cancelled	(47,448)	43.79
As of March 31, 2010	4,268,186	\$ 42.44
Vested options as of March 31, 2010	540,299	\$ 39.35
TVA Group		
As of December 31, 2009	975,155	\$ 16.16
Cancelled	(96,346)	15.18
As of March 31, 2010	878,809	\$ 16.27
Vested options as of March 31, 2010	442,507	\$ 17.65

During the three-month period ended March 31, 2010, a net consolidated compensation charge related to all stock-based compensation plans was recorded in the amount of \$19.9 million (a net reversal of \$0.3 million in 2009).

During the three-month period ended March 31, 2010, none of the Company's stock options were exercised (10,000 stock options for a minimal cash consideration in 2009) and 95,935 of Quebecor Media's stock options were exercised for a cash consideration of \$1.0 million (174,840 stock options for \$2.2 million in 2009).

QUEBECOR INC. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month period ended March 31, 2010
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

9. 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	–	(1.4)	(1.4)
Balance as of March 31, 2009	1.0	(29.9)	(28.9)
Other comprehensive (loss) income	(1.8)	19.7	17.9
Balance as of December 31, 2009	(0.8)	(10.2)	(11.0)
Other comprehensive income	(1.9)	16.3	14.4
Balance as of March 31, 2010	\$ (2.7)	\$ 6.1	\$ 3.4

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 an 8-year period.