



MANAGEMENT DISCUSSION AND ANALYSIS

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COMPANY PROFILE

This Management Discussion and Analysis covers the main activities of the first quarter of 2010 and the major changes from the previous financial year. It should be read in conjunction with the information in the Annual Report for the financial year ended December 31, 2009.

Quebecor Inc. ("Quebecor" or the "Company") 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 2009

- In the first quarter of 2010, Videotron Ltd. ("Videotron") recorded combined customer growth for its cable television services for the 19th consecutive quarter, i.e., since the end of the second quarter of 2005.
- The News Media segment's operating income increased by \$10.3 million (34.7%) in the first quarter of 2010, the second consecutive quarter of significant growth. The improvement was due primarily to the cost-restructuring measures introduced at the end of 2008, which generated additional savings estimated at \$17.0 million during the first three months of 2010 compared with the same period of the previous year, for total annualized savings of \$83.0 million since the program began.
- On January 14, 2010, Quebecor Media made a US\$170.0 million early payment on drawings on its term loan "B" and settled a corresponding portion of its hedge agreements for \$30.9 million, for a total cash disbursement of \$206.7 million. On January 14, 2010, Quebecor Media also extended the maturity date of its \$100.0 million revolving credit facility from January 2011 to January 2013 and obtained certain other advantageous amendments to the covenants attached to its credit facilities.
- On January 13, 2010, Videotron closed a placement of \$300.0 million aggregate principal amount of its 7 1/8% Senior Notes maturing in 2020, for net proceeds of \$293.9 million (net of financing fees). This transaction marks Videotron's inaugural offering on the Canadian high-yield market, adding to its established presence in the U.S. high-yield market.
- Quebecor Media's free cash flows from continuing operating activities increased by \$20.1 million in the first quarter of 2010 compared with the same period of 2009.

NON-GAAP FINANCIAL MEASURES

The Company uses certain financial measures that are not calculated in accordance with Canadian generally accepted accounting principles ("GAAP") to assess its financial performance. The Company uses these non-GAAP financial measures, such as operating income, adjusted income from continuing operations, cash flows from segment operations, free cash flows from continuing operating activities of the Quebecor Media subsidiary and average revenue per user ("ARPU"), because the Company believes that they are meaningful measures of its performance. Its method of calculating these non-GAAP financial measures may differ from the methods used by other companies and, as a result, the non-GAAP financial measures presented in this document may not be comparable to other similarly titled measures disclosed by other companies.

Operating Income

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

Company also uses other measures that do not reflect such costs, such as cash flows from segment operations and free cash flows from operations. In addition, measures like operating income are commonly used by the investment community to analyze and compare the performance of companies in the industries in which the Company is engaged. The Company's definition of operating income may not be the same as similarly titled measures reported by other companies.

Table 1 below provides a reconciliation of operating income (loss) with net income as disclosed in the Company's consolidated financial statements.

Table 1

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

	Three months ended March 31	
	2010	2009
Operating income:		
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	(89.7)	(85.3)
Financial expenses	(71.9)	(59.9)
(Loss) gain on valuation and translation of financial instruments	(4.7)	14.1
Restructuring of operations and other special items	(2.4)	(3.4)
Loss on debt refinancing	(10.4)	-
Income tax	(24.3)	(29.4)
Non-controlling interest	(46.8)	(50.6)
Net income	\$ 38.3	\$ 57.7

Adjusted Income from Continuing operations

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

Table 2 provides a reconciliation of adjusted income from continuing operations to the net income measure used in the consolidated financial statements of Quebecor.

Table 2

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

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

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 Company 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 Canadian GAAP. It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows as a measure of liquidity. Cash flows from segment operations is considered to be an important indicator of the Company's liquidity and is used by its 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") minus cash interest payments and cash charges for restructuring of operations 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. The Company uses free cash flows from continuing operating activities as an indicator of the liquidity generated by its 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 continuing operating activities is not a measure of liquidity that is consistent with Canadian GAAP. It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows as a measure of liquidity. Free cash flows from continuing operating activities is considered to be an important indicator of the Company's liquidity and is used by its management and Board of Directors to evaluate cash flows generated by the operations of Quebecor Media. The Company's definition of free cash flows from continuing operating activities may not be identical to similarly titled measures reported by other companies.

Table 3 provides a reconciliation of free cash flows from continuing operating activities of Quebecor Media to cash flows provided by its operating activities.

Table 3

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	
	2010	2009
Free cash flows from continuing operating activities (Table 4)	\$ 12.2	\$ (7.9)
Additions to property, plant and equipment	135.5	118.9
Acquisitions of intangible assets	28.6	23.9
Proceeds from disposal of assets	(1.4)	(0.5)
Cash flows provided by operating activities	\$ 174.9	\$ 134.4

Average Monthly Revenue per User

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

2010/2009 FIRST QUARTER COMPARISON

Analysis of Consolidated Results of Quebecor

Revenues: \$948.1 million, an increase of \$44.8 million (5.0%).

- Revenues increased in Telecommunications (by \$50.8 million or 10.6% of segment revenues), mainly due to customer growth for all services, and in Interactive Technologies and Communications (\$1.1 million or 4.8%).
- Revenues decreased in News Media (by \$4.6 million or -1.8%) and in Leisure and Entertainment (\$2.8 million or -4.4%).

Operating income: \$288.5 million, an increase of \$16.3 million (6.0%).

- Operating income increased in Telecommunications (by \$28.1 million or 12.6% of segment operating income), News Media (\$10.3 million or 34.7%), and Interactive Technologies and Communications (\$0.6 million).
- Operating income decreased in Broadcasting (by \$5.6 million or -45.2%) and in Leisure and Entertainment (\$0.9 million); an unfavourable variance of \$16.2 million at Head Office was mainly due to the stock option expense.
- The change in the fair value of Quebecor Media resulted in a \$6.9 million unfavourable variance in the stock option expense in the first quarter of 2010 compared with the same period of 2009. The fair value of Quebecor Media, based on market comparables, increased in the first quarter of 2010, whereas it decreased in the same period of 2009. The increase in the Company's stock price also resulted in a \$13.3 million unfavourable variance in the stock option expense in the first quarter of 2010.
- Excluding the impact of the consolidated stock option expense, and if the figures for prior periods were restated to retroactively reflect the reversal in the fourth quarter of 2009 of the accumulated Part II licence fee provision, the increase in operating income in the first quarter of 2010 would have been 11.9%, compared with 12.9% in the same period of 2009.

Net income: \$38.3 million (\$0.60 per basic share) in the first quarter of 2010, compared with \$57.7 million (\$0.90 per basic share) in the same period of 2009.

- The \$19.4 million (\$0.30 per basic share) unfavourable variance was mainly due to:
 - \$18.8 million unfavourable variance in gains and losses on valuation and translation of financial instruments;
 - \$12.0 million increase in financial expenses;
 - recognition of a \$10.4 million loss on debt refinancing in the first quarter of 2010;

- \$4.4 million increase in amortization charge.

Partially offset by:

- \$16.3 million increase in operating income;
- \$5.1 million decrease in income tax.

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

Amortization charge: \$89.7 million, an increase of \$4.4 million.

- The increase was mainly due to significant capital expenditures in 2009 and in the first quarter of 2010 in the Telecommunications segment.

Financial expenses: \$71.9 million, an increase of \$12.0 million.

- The increase was due mainly to:
 - \$7.8 million unfavourable variance in exchange rates on short-term monetary items;
 - increase in average indebtedness.

Partially offset by:

- lower base interest rates.

Loss on valuation and conversion of financial instruments: \$4.7 million in the first quarter of 2010, compared with a \$14.1 million gain in the same quarter of 2009.

- The \$18.8 million unfavourable variance was due primarily to:
 - variance in gains and losses on the ineffective portion of fair value hedges;
 - re-measurement of other financial instruments, including early settlement options.

Charge for restructuring of operations and other special items: \$2.4 million in the first quarter of 2010, compared with \$3.4 million in the same period of 2009.

- 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, compared with \$2.7 million in the same quarter of 2009.
- A \$0.7 million charge for restructuring of operations was also recorded in the first quarter of 2009 in other segments, including Interactive Technologies and Communications.

Loss on debt refinancing: \$10.4 million.

- On January 14, 2010, Quebecor Media made a US\$170.0 million early payment on drawings on its term loan "B" and settled a corresponding portion of its hedge agreements for the amount of \$30.9 million, for a total cash disbursement of \$206.7 million. This transaction generated a \$10.4 million loss on debt refinancing, including the \$6.5 million loss already reported in other comprehensive income and reclassified in the statement of income.

Income tax expense: \$24.3 million (effective tax rate of 22.2%) in the first quarter of 2010, compared with \$29.4 million (effective tax rate of 21.4%) in the same period of 2009.

- The effective tax rates and the variance in those rates in 2010 compared with 2009 were due primarily to:
 - reduction in future tax liabilities in the first quarter of 2010 in light of developments in tax audits, jurisprudence and tax legislation;
 - favourable impact in the first quarter of 2009 of lower tax rates on passive income introduced by the Government of Québec;
 - impact of tax rate mix on the various components of the gain or loss on financial instruments and derivative financial instruments, and on translation of financial instruments.

Free cash flows from continuing operating activities of Quebecor Media: \$12.2 million in the first quarter of 2010, compared with negative \$7.9 million in the same period of 2009 (Table 4).

- The \$20.1 million improvement was mainly due to:
 - \$46.7 million decrease in use of funds for non-cash balances related to operations, mainly because of a greater reduction in accounts payable in the first quarter of 2009 than in the first quarter of 2010, due to differences in the timing of seasonal transactions;
 - \$26.0 million increase in operating income.

Partially offset by:

- \$21.6 million increase in current income taxes;
- \$16.6 million increase in capital expenditures;
- \$11.0 million increase in cash interest expense, including a \$7.9 million increase related to the impact on short-term monetary items of unfavourable exchange rate variances.

Table 4: Quebecor Media
Free cash flows from continuing operating activities
(in millions of Canadian dollars)

	Three months ended March 31	
	2010	2009
Cash flows from segment operations:		
Telecommunications	\$ 100.7	\$ 101.9
News Media	35.1	17.3
Broadcasting	2.8	7.0
Leisure and Entertainment	(2.3)	(1.1)
Interactive Technologies and Communications	0.5	(0.4)
Head Office and other	(1.0)	5.5
	135.8	130.2
Cash interest expense ¹	(63.5)	(52.5)
Cash portion of charge for restructuring of operations and other special items	(2.4)	(3.4)
Current income taxes	(20.8)	0.8
Other	1.2	1.8
Net change in non-cash balances related to operations	(38.1)	(84.8)
Free cash flows from continuing operating activities	\$ 12.2	\$ (7.9)

¹ Interest on long-term debt, foreign currency translation of short-term monetary items and other interest expenses, less interest capitalized to cost of property, plant and equipment and intangible assets.

Table 5
Reconciliation of cash flows from segment operations of Quebecor Media subsidiary to its operating income
(in millions of Canadian dollars)

	Three months ended March 31	
	2010	2009
Operating income	\$ 298.5	\$ 272.5
Additions to property, plant and equipment	(135.5)	(118.9)
Acquisitions of intangible assets	(28.6)	(23.9)
Proceeds from disposal of assets	1.4	0.5
Cash flows from segment operations	\$ 135.8	\$ 130.2

SEGMENTED ANALYSIS

Telecommunications

First quarter 2010 operating results

Revenues: \$528.3 million, an increase of \$50.8 million (10.6%).

- Combined revenues from all cable television services increased \$18.2 million (8.6%) to \$229.9 million, due primarily to customer base growth, increases in some rates (reflecting, in part, the passing on to customers of Canadian Radio-television and Telecommunications Commission ("CRTC") fees for the Local Programming Improvement Fund), the migration from analog to digital service, increased video on demand and pay TV orders, and the success of high definition ("HD") packages.
- Revenues from Internet access services increased \$21.1 million (15.4%) to \$157.9 million. The improvement was mainly due to customer growth, customer migration to higher speed services, excess usage fees, and increases in some rates.
- Revenues from cable telephone service increased \$15.9 million (19.3%) to \$98.4 million, almost entirely due to customer growth.
- Revenues from wireless telephone service increased \$2.5 million (27.5%) to \$11.6 million, essentially due to customer growth.
- Revenues of Videotron Business Solutions decreased \$0.7 million (-4.8%) to \$13.9 million, as a result of aggressive competition in the networking solutions market.
- Revenues of Le SuperClub Vidéotron ltée decreased \$5.2 million (-48.1%) to \$5.6 million, mainly because of the franchising of 26 corporate stores between April 2009 and March 2010, as well as some store closings.

Monthly ARPU: \$93.12 in the first quarter of 2010, compared with \$85.08 in the same period of 2009, an increase of \$8.04 (9.4%).

Customer statistics

Cable television – The combined customer base for all of Videotron's cable television services increased by 8,500 (0.5%) in the first quarter of 2010 (compared with 13,600 in the first quarter of 2009) and by 56,300 (3.3%) during the 12-month period ended March 31, 2010 (Table 6). At the end of the first quarter of 2010, there were 1,785,500 subscribers to Videotron's cable television services for a 69.1% household penetration rate (number of subscribers as a proportion of total homes passed by Videotron's network, i.e., 2,582,800 homes as of the end of March 2010), compared with 67.7% a year earlier.

- At the end of the first quarter of 2010, the number of subscribers to the Digital TV service stood at 1,119,900, a quarterly increase of 35,800 or 3.3% (compared with a 35,900-subscriber increase in the first quarter of 2009) and a 12-month increase of 156,700 (16.3%). As of March 31, 2010, the Digital TV service had a household penetration rate of 43.4% versus 37.7% a year earlier.
- Migration from analog to digital service was the main reason for the 27,300-decrease (-3.9%) in subscribers to analog cable television services in the first quarter of 2010 (compared with a 22,300-subscriber decrease in the first quarter of 2009). Over a 12-month period, the number of subscribers to the analog service decreased by 100,400 (-13.1%).

Internet access -- The number of subscribers to cable Internet access services was 1,191,600 at March 31, 2010, an increase of 21,000 (1.8%) from the previous quarter (compared with a 25,500-subscriber increase in the first quarter of 2009). During the 12-month period ended March 31, 2010, the cable Internet access service increased its subscriber base by 102,300 (9.4%) (Table 6). The household penetration rate for cable Internet access services was 46.1% at March 31, 2010, compared with 42.7% at March 31, 2009.

Cable telephone service – The number of subscribers to cable telephone service stood at 1,043,000 at the end of March 2010, an increase of 29,000 (2.9%) from the previous quarter (compared with a 38,900-customer increase in the first quarter of 2009) and a 12-month increase of 152,100 (17.1%) (Table 6). At March 31, 2010, the cable telephone service had a household penetration rate of 40.4%, compared with 34.9% a year earlier.

Wireless telephone service – At March 31, 2010, there were 85,300 activated handsets on the wireless telephone service, compared with 82,800 at the end of December 2009, an increase of 2,500 (3.0%) (compared with a 4,600-handset increase in the first quarter of 2009); during the 12-month period ended March 31, 2010, the number of activated handsets increased by 17,300 (25.4%) (Table 6).

Table 6
Telecommunications segment quarter-end customer numbers for the last eight quarters
(in thousands of customers)

	Mar. 2010	Dec. 2009	Sept. 2009	June 2009	Mar. 2009	Dec. 2008	Sept. 2008	June 2008
Cable television:								
Analog	665.6	692.9	717.3	742.3	766.0	788.3	814.8	829.5
Digital	1,119.9	1,084.1	1,042.4	990.3	963.2	927.3	876.7	830.5
Total cable television	1,785.5	1,777.0	1,759.7	1,732.6	1,729.2	1,715.6	1,691.5	1,660.0
Cable Internet	1,191.6	1,170.6	1,145.4	1,109.9	1,089.3	1,063.8	1,031.4	988.9
Cable telephone	1,043.0	1,014.0	979.1	934.8	890.9	852.0	797.9	742.9
Wireless telephone ¹	85.3	82.8	79.8	73.5	68.0	63.4	58.6	54.6

¹ In thousands of handsets.

Operating income: \$251.7 million, an increase of \$28.1 million (12.6%).

- The increase was mainly due to:
 - customer growth for all services;
 - increases in some rates, primarily for the cable television and Internet access services;
 - increases in excess Internet usage fees and in operating income from HD packages, video on demand orders and pay television on the cable television service;
 - more favourable operating margins on digital set-top boxes.

Partially offset by:

- increases in some operating costs, including costs related to the build-out of the Advanced Wireless Services (“AWS”) network and some regulatory fees;
- \$7.4 million non-recurring reduction in operating expenses in the first quarter of 2009;
- \$5.2 million unfavourable variance in the stock option expense.
- Excluding the variance in the stock option expense, and if the figures for prior periods were restated to retroactively reflect the reversal in the fourth quarter of 2009 of the accumulated Part II licence fee provision, the increase in operating income in the first quarter of 2010 would have been 13.3%, compared with 16.4% in the same period of 2009.

Cost/revenue ratio: Operating costs for all Telecommunications segment operations (expressed as a percentage of revenues) were 52.4% in the first quarter of 2010, compared with 53.2% in the same quarter of 2009. Operating costs as a proportion of revenues decreased for the following reasons:

- significant fixed component of costs, which does not fluctuate in proportion to revenue growth;
- marginal impact of increases in some rates on costs.

Cash flows from segment operations: \$100.7 million in the first quarter of 2010, compared with \$101.9 million in the same period of 2009 (Table 7).

- The \$28.1 million increase in operating income was outweighed by an aggregate \$30.1 million increase in additions to property, plant and equipment and acquisitions of intangible assets, compared with the same period of 2009, due primarily to spending on the AWS network.

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

	Three months ended March 31	
	2010	2009
Operating income	\$ 251.7	\$ 223.6
Additions to property, plant and equipment	(128.2)	(101.8)
Acquisitions of intangible assets	(24.1)	(20.4)
Proceeds from disposal of assets	1.3	0.5
Cash flows from segment operations	\$ 100.7	\$ 101.9

AWS Network

Videotron marked several key milestones in the build-out of its AWS network. As of March 31, 2010, almost all switching services and platforms had been installed and were operational. Siting and tower-sharing agreements for nearly 90% of the antenna sites needed to launch the service had been reached. The equipment has been or is being installed at more than 70% of the sites for which an agreement has been signed. Videotron had also conducted multi-phase testing to maintain the reliability of its platforms. Interconnections with Videotron's existing fibre-optic network were being completed and incorporated into the company's integrated service. Videotron is still planning to launch services on its AWS network in summer 2010.

News Media

First quarter 2010 operating results

Revenues: \$248.1 million, a decrease of \$4.6 million (-1.8%).

- Circulation revenues decreased 7.5%, advertising revenues decreased 2.8%, and combined revenues from commercial printing and other sources increased 27.4%.
- Revenues of the urban dailies and community newspapers decreased by 0.3% and 5.3% respectively in the first quarter of 2010.
- Portal revenues decreased 6.6% as a result of lower revenues at the general-interest portals, partially offset by increased revenues at the special-interest portals.

Operating income: \$40.0 million, an increase of \$10.3 million (34.7%).

- The increase was mainly due to:
 - impact of restructuring initiatives, which generated additional cost savings estimated at \$17.0 million;
 - \$5.6 million impact of decrease in newsprint prices;
 - Improved profitability at Quebecor MediaPages, which was in the start-up phase in the first quarter of 2009;
 - synergies from operational integration of Canoe Inc.
- Partially offset by:
- impact of revenue decrease;
 - unfavourable variance related to reversal of provisions for bonuses in the first quarter of 2009;
 - Quebecor Media Network start-up costs;
 - \$2.1 million unfavourable variance related to the stock option expense.
- Excluding the impact of the stock option expense and the Quebecor Media Network start-up costs, operating income would have increased by 49.2% in the first quarter of 2010, compared with a 33.6% decrease in the same period of 2009.

The restructuring measures introduced in late 2008 in the News Media segment included staff cuts, consolidation of prepress, shipping and press room operations, centralization of administrative processes, consolidation of distribution networks, and other resource centralization and optimization efforts across the segment's operations in all regions. While the restructuring proceeds, development of new revenue streams continues, including those related to the marketing of content produced by QMI Agency and the development of integrated, convergent solutions for customers, including marketing initiatives by the new QMI National Sales Office and Quebecor Media Network's integrated offerings of products and services.

Cost/revenue ratio: Operating costs for all News Media segment operations, expressed as a percentage of revenues, were 83.9% in the first quarter of 2010, compared with 88.2% in the same period of 2009. The decrease was mainly due to the restructuring initiatives, which yielded significant cost reductions, lower newsprint prices, synergies, and improved profitability, partially offset by the unfavourable impact of the fixed component of costs, which does not fluctuate in proportion to revenue decreases.

Cash flows from segment operations: \$35.1 million in the first quarter of 2010, compared with \$17.3 million in the same period of 2009 (Table 8).

- The \$17.8 million increase was mainly due to the \$10.3 million increase in operating income and the \$8.2 million decrease in additions to property, plant and equipment, mainly reflecting spending on phase two of the project to acquire new presses in the first quarter of 2009.

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

	Three months ended March 31	
	2010	2009
Operating income	\$ 40.0	\$ 29.7
Additions to property, plant and equipment	(2.3)	(10.5)
Acquisitions of intangible assets	(2.7)	(1.9)
Proceeds from disposal of assets	0.1	-
Cash flows from segment operations	\$ 35.1	\$ 17.3

Other developments

Results of annual NADBank survey for 2009: *Le Journal de Montréal* continued to lead in readership in the greater Montréal area with 1,198,000 readers per week, 33% more than its nearest rival.

On January 24, 2009, in view of the union's refusal to recognize the urgency of the situation and the need for far-reaching changes to the *Journal de Montréal's* business model, and in order to prevent pressure tactics from disrupting the newspaper's publication, *Le Journal de Montréal* management decided to exercise its rights under the *Labour Code* and declared a lock-out of the approximately 250 editorial, office and classified ad employees covered by the Syndicat des travailleurs de l'information du Journal de Montréal (STIJM) bargaining certificate. The *Journal de Montréal* has continued publishing despite the labour dispute.

On April 16, 2009, AbitibiBowater Inc. ("AbitibiBowater") and some of its Canadian subsidiaries placed themselves under the protection of the *Companies' Creditors Arrangement Act* in Canada. On the same date, AbitibiBowater and some of its U.S. and Canadian subsidiaries placed themselves under the protection of Chapter 11 of the *United States Bankruptcy Code*. AbitibiBowater is the main supplier of newsprint to the News Media segment. These proceedings have had no material impact on the operations of Quebecor Media to date. Quebecor Media continues to monitor the situation.

Broadcasting

First quarter 2010 operating results

Revenues: \$109.6 million, a decrease of \$0.2 million (-0.2%).

- Revenues from television operations were flat.
 - Migration of advertising revenues from the TVA Network to other channels during the Vancouver Olympics.

Offset by:

- increase in the TVA Network's other revenues, including revenues from the Local Programming Improvement Fund;
- increased advertising revenues and subscription revenues at the specialty channels.
- Publishing revenues decreased \$0.3 million, primarily as a result of decreases in revenues from custom publishing operations.

Operating income: \$6.8 million, a decrease of \$5.6 million (-45.2%).

- Operating income from television operations decreased \$5.9 million, mainly due to:
 - higher content costs at the TVA Network and specialty channels as a result of the programming strategy;
 - impact of net decrease in the TVA Network's revenues;
 - decreased profitability of distribution operations, due primarily to video releases.

Partially offset by:

- impact of increased revenues at the specialty channels.
- Operating income from publishing operations was flat.

Cost/revenue ratio: Operating costs for all Broadcasting segment operations, expressed as a percentage of revenues, were 93.8% in the first quarter of 2010, compared with 88.7% in the same period of 2009. The increase in costs as a proportion of revenues was mainly due to higher content costs and the general indexing of other costs, while revenues were flat.

Cash flows from operations: \$2.8 million in the first quarter of 2010, compared with \$7.0 million in the same period of 2009 (Table 9).

- The \$4.2 million unfavourable variance was mainly due to the \$5.6 million decrease in operating income, partially offset by the \$1.4 million decrease in additions to property, plant and equipment.

Table 9: Broadcasting
Cash flows from operations
(in millions of Canadian dollars)

	Three months ended March 31	
	2010	2009
Operating income	\$ 6.8	\$ 12.4
Additions to property, plant and equipment	(3.6)	(5.0)
Acquisitions of intangible assets	(0.4)	(0.4)
Cash flows from segment operations	\$ 2.8	\$ 7.0

Other developments since end of 2009

On March 17, 2010, the Board of Directors of TVA Group Inc. ("TVA Group") authorized a normal course issuer bid for up to 972,545 Class B shares, or approximately 5% of the issued and outstanding Class B shares. The purchases will be made at prevailing market prices, on the open market through the facilities of the Toronto Stock Exchange, and in accordance with the requirements of the Exchange. No Class B shares were repurchased in the first quarter of 2010.

Leisure and Entertainment

First quarter 2010 operating results

Revenues: \$61.3 million, a decrease of \$2.8 million (-4.4%).

- The 4.2% decrease in the revenues of Archambault Group Inc. was mainly due to:

- 5.5% drop in retail sales, essentially because of lower sales of CDs, videos and books compared with the large number of successful new releases in the first quarter of 2009;
- 51.5% decrease in production sales, due mainly to the significant impact the release of the *Star Académie* CD had in the first quarter of 2009.

These factors were partially offset by:

- 6.3% favourable variance in Distribution Select sales resulting from increased sales of DVDs due to the addition of a new catalogue and the release of Québec comic Martin Matte's DVD.
- The Book Division's revenues decreased by 4.1%, mainly because of fewer general literature titles distributed and published, partially offset by increased sales of textbooks for Québec high schools and community colleges in the academic segment.

Operating loss: \$0.1 million in the first quarter of 2010, compared with operating income of \$0.8 million in the same quarter of 2009. The unfavourable \$0.9 million variance was mainly due to the impact of the decrease in revenues.

Cash flows from operations: Negative \$2.3 million in the first quarter of 2009, compared with negative \$1.1 million in the same period of 2009 (Table 10).

- The \$1.2 million negative variance was mainly due to the \$0.9 million unfavourable variance in operating income.

Table 10: Leisure and Entertainment
Cash flows from operations
(in millions of Canadian dollars)

	Three months ended March 31	
	2010	2009
Operating income	\$ (0.1)	\$ 0.8
Additions to property, plant and equipment	(0.8)	(0.7)
Acquisitions of intangible assets	(1.4)	(1.2)
Cash flows from segment operations	\$ (2.3)	\$ (1.1)

Interactive Technologies and Communications

First quarter 2010 operating results

Revenues: \$23.8 million, an increase of \$1.1 million (4.8%).

- The increase was mainly due to:
 - increased revenues from government customers;
 - increased volumes from customers in the United States, Europe and Asia.

Partially offset by:

- unfavourable variances in currency translation.

Operating income: \$1.0 million, an increase of \$0.6 million.

- The increase was mainly due to:
 - impact of increased revenues in the United States and Asia;
 - impact of restructuring initiatives and profitability improvements in Canada in 2009.

Cash flows from operations: \$0.5 million in the first quarter of 2010, compared with negative \$0.4 million in the same period of 2009 (Table 11). The \$0.9 million favourable variance was mainly due to the \$0.6 million increase in operating income.

Table 11: Interactive Technologies and Communications
Cash flows from operations
(in millions of Canadian dollars)

	Three months ended March 31	
	2010	2009
Operating income	\$ 1.0	\$ 0.4
Additions to property, plant and equipment	(0.5)	(0.8)
Cash flows from segment operations	\$ 0.5	\$ (0.4)

CASH FLOWS AND FINANCIAL POSITION

Operating Activities

Cash flows provided by operating activities: \$166.0 million in the first quarter of 2010, compared with \$125.3 million in the same period of 2009.

- The \$40.7 million increase was mainly due to:
 - \$56.8 million decrease in use of funds for non-cash balances related to operations, mainly because of a greater reduction in accounts payable in the first quarter of 2009 than in the first quarter of 2010 due to differences in the timing of seasonal transactions;
 - \$16.3 million increase in operating income.

Partially offset by:

- \$21.6 million increase in current income taxes;
- \$11.1 million increase in cash interest expense, including a \$7.8 million increase related to the impact on short-term monetary items of unfavourable exchange rate variances.

Working capital of Quebecor: \$4.3 million at March 31, 2010, compared with negative \$4.6 million at December 31, 2009. An increase in cash and cash equivalents was partially offset by an increase in the short-term portion of the long-term debt (Table 13).

Financing Activities

Consolidated debt of Quebecor's operating activities (long-term debt plus bank borrowings): \$30.9 million increase in the first quarter of 2010; unfavourable \$36.5 million net variance in assets and liabilities related to derivative financial instruments.

- The \$30.9 million increase in the consolidated debt was mainly due to:
 - issuance by Videotron on January 13, 2010 of \$300 million aggregate principal amount of 7 1/8% Senior Notes maturing in 2020, for net proceeds of \$293.9 million (net of financing fees);
 - \$10.4 million net increase in drawings on TVA Group's revolving bank credit facilities and bank borrowings.

Partially offset by:

- estimated \$92.8 million favourable impact of exchange rate fluctuations. This 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";
- early payments on debt in the amount of US\$188.4 million, including the US\$170.0 million early payment made by Quebecor Media on January 14, 2010 on drawings on its term loan "B";
- \$1.0 million decrease in Quebecor's debt.

- Assets and liabilities related to derivative financial instruments totalled a net liability of \$409.9 million at March 31, 2010, compared with a net liability of \$373.4 million at December 31, 2009, a net value reduction of \$36.5 million. The unfavourable variance was caused primarily by the effect of exchange rate fluctuations on derivative financial instruments, which was partially offset by the impact of the closing out of some hedges on January 14, 2010, in the amount of \$28.4 million, and by the favourable impact of interest rate trends in Canada compared with the United States.
- On January 14, 2010, Quebecor Media also extended the maturity date of its \$100.0 million revolving credit facility from January 2011 to January 2013 and obtained certain other advantageous amendments to the covenants attached to its credit facilities.

Investing Activities

Additions to property, plant and equipment: \$135.8 million in the first quarter of 2010, compared with \$119.4 million in the same period of 2009.

- The \$16.4 million increase was mainly due to spending on the AWS network in the Telecommunications segment in the first quarter of 2010, partially offset by a decrease in capital expenditures in the News Media segment.

Business acquisitions (including buyouts of minority interests): \$1.0 million in the first quarter of 2010, unchanged from the same quarter of 2009.

- Contingent considerations of \$1.0 million were paid in the first quarters of 2009 and 2010 in connection with the acquisition of ASL Ltd. in the Newspapers segment.

Acquisitions of intangible assets: \$28.6 million in the first quarter of 2010, compared with \$23.9 million in the same period of 2009, essentially due to spending on the AWS network in the Telecommunications segment.

Financial Position at March 31, 2010

Net available liquid assets: \$1.20 billion for Quebecor Media and its wholly owned subsidiaries, consisting of \$405.2 million in cash and \$793.8 million in available unused lines of credit.

Net available liquid assets: \$66.4 million for Quebecor at the corporate level, consisting of a \$1.0 million bank overdraft and \$67.4 million in available unused lines of credit.

Consolidated debt of operating activities: total \$3.91 billion as at March 31, 2010, compared with \$3.88 billion as at December 31, 2009, a \$30.9 million increase (see "Financing Activities" above).

- Consolidated debt essentially consisted of Videotron's \$1.84 billion debt (\$1.59 billion at December 31, 2009), Sun Media Corporation's \$244.6 million debt (\$248.9 million at December 31, 2009), Osprey Media Publishing Inc.'s \$114.3 million debt (\$114.2 million at December 31, 2009), TVA Group's \$100.0 million debt (\$89.6 million at December 31, 2009), Quebecor Media's \$1.50 billion debt (\$1.72 billion at December 31, 2009), and Quebecor's \$119.1 million debt (\$120.1 million at December 31, 2009).

At March 31, 2010, minimum principal payments on long-term debt in the coming years were as follows:

Table 12

Minimum principal amount on Quebecor's long-term debt 12-month periods ending on March 31 (in millions of Canadian dollars)

2011	\$ 192.0
2012	98.0
2013	480.4
2014	676.4
2015	85.6
2016 and thereafter	2,422.0
Total	\$ 3,954.4

The weighted average term of Quebecor's consolidated debt was approximately 5.4 years as of March 31, 2010 (5.2 years as of December 31, 2009). The debt comprised approximately 71.0% fixed-rate debt (68.2% as of December 31, 2009, and 29.0% floating-rate debt (31.8% as of December 31, 2009).

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, pension plan contributions, and dividends. The Company believes it will be able to meet future debt payments, which are staggered over the coming years.

Pursuant to its financing agreements, the Company and its subsidiaries are required to maintain certain financial ratios and financial covenants. The key indicators listed in the financing agreements include debt service coverage ratio and debt ratio (long-term debt over operating income). At March 31, 2010, the Company and its subsidiaries were in compliance with all required financial ratios and restrictive covenants in their financing agreements.

Dividends declared by Board of Directors of Quebecor: On May 11, 2010, the Board of Directors of Quebecor declared a quarterly dividend of \$0.05 per share on Class A Multiple Voting Shares and Class B Subordinate Voting Shares, payable on June 22, 2010 to shareholders of record at the close of business on May 28, 2010.

AWS Network

Videotron still expects to finance future expenditures related to its AWS network from cash and cash equivalents, cash flows generated by operations and, if necessary, unused lines of credit.

Analysis of consolidated balance sheet at March 31, 2010

Table 13

Consolidated balance sheet of Quebecor

Analysis of main variances between December 31, 2009 and March 31, 2010

(in millions of Canadian dollars)

	Mar. 31, 2010	Dec. 31, 2009	Difference	Main reasons for difference
Assets				
Cash and cash equivalents and temporary investments	\$ 407.7	\$ 330.0	\$ 77.7	Funds generated by financing activities
Accounts receivable	469.5	519.8	(50.3)	Impact of current and seasonal variances in activity
Property, plant and equipment	2,539.7	2,498.6	41.1	Additions to property, plant and equipment (see "Investing Activities" above), less amortization for the period
Liabilities				
Accounts payable and accrued charges	693.8	794.6	(100.8)	Impact of current and seasonal variances in activity
Long-term debt, including short-term portion and bank indebtedness	3,913.2	3,882.3	30.9	See "Financing Activities"
Net derivative financial instruments ¹	409.9	373.4	36.5	See "Financing Activities"
Net future tax liabilities ²	430.8	423.6	7.2	Use of tax benefits and capital cost allowance in excess of book amortization

¹ Long-term liabilities less long-term assets.

² Long-term liabilities less current and long-term assets.

ADDITIONAL INFORMATION

Contractual Obligations

At March 31, 2010, material contractual obligations of operating activities included: capital repayment and interest 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 instruments. Table 14 below shows a summary of these contractual obligations.

Table 14
Contractual obligations of Quebecor as of March 31, 2010
(in millions of Canadian dollars)

	Total	Under 1 year	1-3 years	3-5 years	5 years or more
Long-term debt	\$ 3,954.4	\$ 192.0	\$ 578.4	\$ 762.0	\$ 2,422.0
Interest payments ¹	1,890.2	232.3	592.7	495.1	570.1
Operating leases	182.9	48.0	62.7	37.9	34.3
Additions to property, plant and equipment and other commitments	142.0	71.2	62.0	5.5	3.3
Derivative financial instruments ²	446.1	0.5	123.1	168.2	154.3
Total contractual obligations	\$ 6,615.6	\$ 544.0	\$ 1,418.9	\$ 1,468.7	\$ 3,184.0

¹ Estimated interest payable on long-term debt, based on interest rates, hedging of interest rates and hedging of foreign exchange rates as of March 31, 2010.

² Estimated future disbursements, net of receipts, related to derivative financial instruments used for foreign exchange hedging.

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, 2010, 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 arrangements 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 AWS network. As well, Quebecor Media has entered into currency forward contracts in order to hedge future contractual instalments payable in euros and Swiss Francs.

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 and its subsidiaries 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, 2010 is shown in Table 15.

Table 15
Fair value of long-term debt and derivative financial instruments
(in millions of Canadian dollars)

	March 31, 2010		December 31, 2009	
	Carrying value	Fair value asset (liability)	Carrying value	Fair value asset (liability)
Long-term debt ¹	\$ (3,954.4)	\$ (4,090.0)	\$ (3,924.8)	\$ (3,988.5)
Derivative financial instruments:				
Early settlement options	41.3	41.3	41.1	41.1
Interest rate swaps	(3.3)	(3.3)	(4.3)	(4.3)
Foreign exchange forward contracts	(3.9)	(3.9)	(5.8)	(5.8)
Cross-currency interest swaps	(402.7)	(402.7)	(363.3)	(363.3)

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

The fair value of long-term debt is estimated based on quoted market prices, when available, or on valuation models. When the Company uses valuation models, the fair value is estimated based on 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 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 non-performance risk, impacted by the financial and economic environment prevailing at the date of the valuation, in the recognized measure of fair value of the derivative instruments by applying a premium for risk of credit default due to a net exposure by the counterparty or by the Company.

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

The loss (gain) on valuation and translation of financial instruments for the first quarter of 2010 is summarized in Table 16.

Table 16
Loss (gain) on valuation and translation of financial instruments
(in millions of Canadian dollars)

	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 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)

A \$26.8 million gain was recorded under other comprehensive income in the first quarter of 2010 in relation to cash flow hedging relationships (\$6.4 million in 2009).

Related Party Transactions

During the first quarter of 2010, the Company and its subsidiaries made purchases and incurred rent charges with affiliated companies in the amount of \$0.6 million (\$4.8 million in the first quarter of 2009), which are included in operating expenses. The Company and its subsidiaries made sales to affiliated companies in the amount of \$0.4 million (nil in the first quarter of 2009). These transactions were concluded and accounted for at the exchange amount.

Capital Stock

In accordance with Canadian financial reporting standards, Table 17 below presents information on the Company's capital stock as at April 30, 2010. In addition, 2,586,496 share options were outstanding as of April 30, 2010.

Table 17: Capital stock
(in shares and millions of Canadian dollars)

	April 30, 2010	
	Issued and outstanding	Book value
Class A (Multiple Voting Shares)	19,833,242	\$ 8.8
Class B (Subordinate Voting Shares)	44,483,780	\$ 337.8

Recent Accounting Developments in Canada

In February 2008, Canada's Accounting Standards Board confirmed that Canadian GAAP, as used by publicly accountable enterprises, will be fully converged to IFRS, as issued by the International Accounting Standards Board. For its 2011 interim and annual financial statements, the Company will be required to report under IFRS and to provide IFRS comparative information for the 2010 financial year.

IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement and disclosures. As part of the IFRS conversion project, the Company has established an implementation team that includes a project manager, senior levels of management from all relevant departments and subsidiaries, and a steering committee to oversee the project. An external expert advisor has also been hired to assist.

Regular progress reporting to senior management and to the Audit Committee on the status of the IFRS conversion project has been established.

The conversion project consists of four phases.

"Diagnostic" Phase – This phase involves a detailed review and initial scoping of accounting differences between Canadian GAAP and IFRS, a preliminary evaluation of IFRS 1 exemptions for first-time IFRS adopters, and a high-level assessment of potential consequences on financial reporting, business processes, internal controls, and information systems.

"Design and Solutions Development" Phase – This phase involves prioritizing accounting treatment issues and preparing a conversion plan, quantifying the impact of converting to IFRS, reviewing and approving accounting policy choices, performing a detailed impact assessment and designing changes to systems and business processes, developing IFRS training material, and drafting IFRS financial statement content.

"Implementation" Phase – This phase involves embedding changes to systems, business processes and internal controls, determining the opening IFRS transition balance sheet and tax impacts, parallel accounting under Canadian GAAP and IFRS, and preparing detailed reconciliations of Canadian GAAP to IFRS financial statements.

"Post-Implementation" Phase – This phase involves conversion assessment, evaluating improvements for a sustainable operational IFRS model, and testing the internal controls environment.

The Company has completed the diagnostic phase and the project design, has developed solutions for all of the important topics, and is continuing to execute its project implementation strategy. Comprehensive training has been given to key employees throughout the organization who will be affected by the changeover to IFRS, and the progress of the Company's changeover plan continues to be communicated to internal and external stakeholders.

Management has assessed the exemptions from full retrospective application available under IFRS 1, *First-Time Adoption of International Financial Reporting Standards*, and their potential impacts on the Company's financial position.

On adoption of IFRS, the significant exemptions the Company intends to elect at transition with their related impacts in the opening balance sheet are as follows:

Exemption	Application of exemption
Business combinations	The Company expects to elect not to restate any business combinations that occurred prior to January 1, 2010. No impact is expected in the transitional balance sheet.
Employee benefits	On transition, the Company expects to elect to recognize immediately cumulative actuarial gains and losses arising from all of its defined benefit plans as at the transition date in opening retained earnings, with a corresponding increase in pension liabilities.
Borrowing costs	On transition, the Company may elect to capitalize borrowing costs as calculated under IFRS on qualifying assets prospectively beginning on the transition date or a designated date prior to transition. As a result, certain long-term asset balances and opening retained earnings may decrease in the transitional balance sheet.

In addition to the elective exemptions described above, IFRS does not permit the retrospective application of IFRS in the determination of prior period estimates and the designation of hedging arrangements. As such, estimates calculated under Canadian GAAP will be used for the purpose of preparing the IFRS transitional balance sheet. In addition, hedge accounting will only be applied on transition to previously designated hedging relationships.

Management is in the process of quantifying the expected material differences between IFRS and the current accounting under Canadian GAAP. Differences in accounting policies adopted on and after transition to IFRS with respect to the recognition, measurement, presentation and disclosure of financial information, along with the related financial statement impacts, are expected to be in the following key accounting areas:

Key accounting area	Differences with potential impact for the Company
Presentation of financial statements (IAS 1)	<ul style="list-style-type: none"> Format variations and additional disclosures in the notes to financial statements are required under IFRS.
Property, plant and equipment (IAS 16)	<ul style="list-style-type: none"> No capitalization of start-up costs incurred on certain built-to-suit assets prior to substantial completion. As a result, depreciation expense is expected to be different under IFRS.
Impairment of assets (IAS 36)	<ul style="list-style-type: none"> Grouping of assets in cash generating units (CGUs) on the basis of independent cash inflows for impairment testing purposes, using a discounted cash flow valuation method in a single-step approach. The change in methodology may result in additional asset impairments recognized on transition and in the future under IFRS than those recognized under Canadian GAAP. Goodwill is allocated to, and tested in conjunction with its related CGU or group of CGUs that benefit from collective synergies. Under certain circumstances, impairment previously taken (other than goodwill) is required to be reversed. The Company has not yet concluded its assessment of asset impairment at transition.
Income taxes (IAS 12)	<ul style="list-style-type: none"> Recognition and measurement criteria for deferred tax assets and liabilities may differ. Subsequent changes to deferred income taxes in the balance sheet related to transactions previously recorded in equity or other comprehensive income are also recorded directly in equity or Other Comprehensive Income ("OCI") under IFRS as compared to through earnings under Canadian GAAP. The opening balance sheet will also be adjusted for deferred tax consequences on IFRS differences arising from the conversion of other accounting standards.

Key accounting area	Differences with potential impact for the Company
Employee benefits (IAS 19)	<ul style="list-style-type: none"> • Immediate recognition of vested past service costs to opening retained earnings at transition and to income subsequent to transition, whereas under Canadian GAAP, vested or unvested past service costs are recognized linearly over the estimated average remaining service lifetime of participating employees. • After transition, the Company expects to recognize actuarial gains and losses as they occur in OCI, with no impact on income. Previously, under Canadian GAAP, actuarial gains and losses were amortized to income using the corridor method. • This change in accounting policy will result in the recognition of pension costs potentially different than otherwise recognized under Canadian GAAP. • The limit to which a net benefit asset can be recognized under certain circumstances (“asset ceiling”) under IFRS is calculated differently, which may result in the recognition of additional liabilities and a decrease in opening retained earnings at transition and in other comprehensive income in future reporting periods.
Business combinations and minority interests (IFRS 3R)	<ul style="list-style-type: none"> • Non-controlling interests are recorded at fair value at the date of acquisition and are presented as a separate component of shareholders’ equity. • Acquisition-related and restructuring costs expensed as incurred and contingent consideration recorded at its fair value on acquisition date; subsequent changes in fair value of a contingent consideration classified as a liability recognized in earnings. • Changes in ownership interests in a subsidiary that do not result in a loss of control accounted for as equity transactions. • These differences may result in financial statement impacts prospectively from transition on the occurrence of a future acquisition.
Related party transactions	<ul style="list-style-type: none"> • Recognition and measurement criteria for related party transactions may differ under IFRS. • This may result in reclassifications within equity accounts in the opening balance sheet.
Share-based payment (IFRS 2)	<ul style="list-style-type: none"> • Liabilities related to share-based payments made to employees that call for settlement in cash or other assets are recognized at fair value at the initial grant date and re-measured at fair value at the end of each subsequent reporting period, as opposed to at intrinsic value under Canadian GAAP. Each instalment is accounted for as a separate arrangement. • This difference is expected to increase other liabilities and compensation costs on transition and in subsequent reporting periods.
Provisions and contingencies (IAS 37)	<ul style="list-style-type: none"> • A different threshold is used for the recognition of a contingent liability that could impact the timing of when a provision may be recorded. At transition, liabilities for severance payments and contract termination penalties may be adjusted, with a corresponding effect on opening retained earnings.
Hedge accounting (IAS 39)	<ul style="list-style-type: none"> • The criteria used under IFRS in the assessment of hedge effectiveness are generally consistent with those under Canadian GAAP, except for some differences in specific cases, including the consideration of non-performance risk in hedge effectiveness tests. • On transition, the Company intends to continue applying hedge accounting to all of its hedging arrangements.

This is not an exhaustive list of all the significant impacts that could occur during the conversion to IFRS.

Additionally, the Company has prepared a preliminary IFRS financial statement format in accordance with IAS 1, *Presentation of Financial Statements*, and is in the process of analyzing the contractual implications of new policy choices on financing arrangements and similar obligations.

The effects on information technology, data systems, and internal controls have also been assessed, and the Company does not expect that significant modifications will be necessary on conversion.

At this time, the comprehensive impact of the changeover on the Company's future financial position and results of operations is not yet determinable. Management has implemented a system to accommodate parallel recording of financial information in accordance with IFRS as at the transition date and for each of the 2010 financial periods to be presented as comparative figures in its 2011 IFRS financial statements.

The Company will monitor and assess the impact of evolving differences between Canadian GAAP and IFRS, since the IASB is expected to continue issuing new accounting standards. As a result, the final impact of IFRS on the Company's consolidated financial statements can only be measured once all the applicable IFRS at the conversion date are known.

The Company's IFRS conversion project is progressing according to schedule. As the project advances, the Company could alter its intentions and the milestones communicated at the time of reporting as a result of changes to international standards currently in development, or in light of new information or other external factors that could arise between now and when the changeover has been completed.

Controls and Procedures

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

No changes to internal controls over financial reporting have come to management's attention during the three months ended March 31, 2010 that have materially adversely affected, or are reasonably likely to materially adversely affect, the Company's internal controls over financial reporting.

Additional Information

The Company 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 Company on request, and on the Web at <www.sedar.com>.

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 Company'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 build and roll-out its new AWS network on schedule and to successfully implement its strategy of becoming a facilities-based wireless provider;
- general economic, financial or market conditions and variations in the businesses of advertisers in Quebecor Media's local, regional or national newspapers and broadcasting outlets;
- 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;
- unanticipated higher capital spending required to address 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 newspaper 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 telephony 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 Company'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 Company's actual results to differ from current expectations, please refer to the Company's public filings available at <www.sedar.com> and <www.quebecor.com> including, in particular, the "Risks and Uncertainties" section of the Company's Management Discussion and Analysis for the year ended December 31, 2009.

The forward-looking statements in this Management Discussion and Analysis reflect the Company's expectations as of May 12, 2010 and are subject to change after this date. The Company 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 12, 2010

QUEBECOR INC. AND ITS SUBSIDIARIES

SELECTED QUARTERLY FINANCIAL DATA

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

	2010		2009				2008	
	March 31	December 31	September 30	June 30	March 31	December 31	September 30	June 30
Operations								
Revenues	\$ 948.1	\$ 1,032.1	\$ 924.5	\$ 946.4	\$ 903.4	\$ 1,009.8	\$ 915.0	\$ 949.9
Income from continuing operations before amortization, financial expenses, gain (loss) on valuation and translation of financial instruments, restructuring of operations, impairment of assets and other special items, impairment of goodwill and intangible assets, loss on refinancing of debt, income taxes and non-controlling interest	288.5	387.6	301.0	315.9	272.2	310.1	277.4	276.9
Contribution to net income (loss):								
Continuing operations	46.8	84.0	52.9	56.3	43.1	60.8	42.5	41.5
Gain (loss) on valuation and translation of financial instruments	0.2	2.0	16.2	11.3	16.4	(23.8)	4.0	11.2
Unusual items and impairment of goodwill and intangible assets	(8.7)	(12.2)	(1.3)	9.2	(1.8)	(380.6)	(0.8)	4.8
Discontinued operations	-	-	1.6	-	-	-	-	-
Net income (loss)	38.3	73.8	69.4	76.8	57.7	(343.6)	45.7	57.5
Basic per share data								
Contribution to net income (loss):								
Continuing operations	\$ 0.73	\$ 1.31	\$ 0.82	\$ 0.88	\$ 0.67	\$ 0.95	\$ 0.66	\$ 0.65
Gain (loss) on valuation and translation of financial instruments	-	0.03	0.26	0.17	0.26	(0.37)	0.06	0.17
Unusual items and impairment of goodwill and intangible assets	(0.13)	(0.19)	(0.02)	0.14	(0.03)	(5.92)	(0.01)	0.08
Discontinued operations	-	-	0.02	-	-	-	-	-
Net income (loss)	0.60	1.15	1.08	1.19	0.90	(5.34)	0.71	0.90
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 (loss):								
Continuing operations	\$ 0.72	\$ 1.28	\$ 0.81	\$ 0.88	\$ 0.67	\$ 0.95	\$ 0.66	\$ 0.64
Gain (loss) on valuation and translation of financial instruments	-	0.03	0.26	0.17	0.26	(0.37)	0.06	0.17
Unusual items and impairment of goodwill and intangible assets	(0.13)	(0.19)	(0.02)	0.14	(0.03)	(5.92)	(0.01)	0.08
Discontinued operations	-	-	0.02	-	-	-	-	-
Net income (loss)	0.59	1.12	1.07	1.19	0.90	(5.34)	0.71	0.89
Weighted average number of diluted shares outstanding (in millions)	64.8	64.7	64.6	64.3	64.3	64.3	64.4	64.4