



QUEBECOR INC.

Riding the Changing Wave

Notes for an address by

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President and Chief Executive Officer
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Good Afternoon.

Thank you very much for inviting me to this conference. I appreciate the opportunity to speak to so many media professionals. All of us here today share a profound interest in this industry. Its rapid evolution is affecting all of our businesses every day.

This is probably truer in Toronto than anywhere else in Canada. This city is more than the media capital of Canada, with enormous dynamism, drive, energy and diversity. Toronto also holds the distinction, in my view, of being the most competitive media marketplace in North America. Changes in all aspects of the media quickly become Toronto's reality.

The pace of change today in our industry, and in our world for that matter, is both dizzying and energizing. More important, though, are the many new opportunities, if only we can figure out how to capture them.

We can all see that the Internet has been one principal cause of the digital tsunami that is sweeping through all business environments, and especially in the media.

I'll come back to that in a moment. I do want to share with you some thoughts about how we are migrating at Quebecor to address these changes.

First, some context. It was suggested to me that it would be helpful to give you some background about Quebecor. So, let me take a few moments to do that.

We are fortunate to have within Quebecor a number of enterprises that cover much of the media spectrum, in many different markets.

Quebecor operates in North America, Europe, Latin America and Asia – 17 countries in all. We are one of the largest commercial printers in the world.

Quebecor prints publications such as the Harry Potter books for North America, Time magazine in the US, Elle in France, Telefonica in Spain and many more. Revenues from this business are six point five billion U.S. dollars.

In the electronic world, Videotron, which used to be a conventional cable company, now is a telecom company. As the third largest and most innovative cable operator in Canada, Videotron offers analog and digital cable, video on demand, the most efficient internet access service and now, for about one year, telephone service. Soon, in partnership with Rogers, we will offer cellular phone service as well.



The telephone business is successful beyond our wildest dreams. In the first year alone, Videotron attracted more than 260 thousand telephone customers.

Our success is driven by two principles:

- Bundling content and distribution
- Bundling services together



Bundling services is certainly something we know well in Canada. However, what differentiates our model from other Canadian media companies has been our ability to successfully embrace the combination of highly valuable content with highly efficient technology for distribution.

Our greatest successful combination was our exclusive TV show, Star Académie. This show, a combination of Canadian Idol and Survivor, was a showcase for the efficiency of our high speed Internet service. It provided exclusive access, 24 hours a day, 7 days a week, to the daily lives of our participants. The show was exclusively available on our VOD. We sold over 500,000 CDs of the music performances. We also sold magazines and voting fees through our VOD platform, 1-900 telephone and Rogers cell phone platform.

Needless to say, it drew the biggest audiences in the last decade with more than two million viewers on our TVA network.

TVA is the largest French-language broadcast network with more than 30% market share. They are also active in film distribution.

As a distributor, we were very pleased to see the enormous success of one of our investments: the movie CRAZY that cleaned up at the recent Genie Awards.

We have retail operations for videos and video game distribution in both Ontario and Quebec.

In print media, Quebecor's footprint in the Canadian market is substantial. We have the Sun newspapers in Toronto, Edmonton, Calgary, Winnipeg and Ottawa. In all, we have 11 metropolitan dailies, including the London Free Press and the Journal de Montréal; 11 dailies in smaller markets; and more than 180 community newspapers and speciality publications.

In the free-newspaper category, we publish 24 Hours in Montreal and Toronto, as well as in Vancouver where we operate in partnership with the Pattison Group. We also publish a number of very successful French-language magazines in the "people" category.

Our Archambault Group is the largest chain of retail stores for cultural products in eastern Canada. Archambault operates also in the areas of music production and distribution and participated in the

great success of Star Académie. It is also Canada's largest publisher of French-language books.

Finally, and certainly one of our most important assets, we have Canoe-dot-C-A and Canoe dot-QC dot CA.

Canoe is a major Web portal. It is one of the top two sites visited by Canadians. Canoe integrates a host of successful Internet business verticals, such as Autonet and Jobboom to mention only two. Canoe has more than 6.4 million unique visitors every month. Canoe is a particular asset to us as a newspaper publisher, since we are the only company able to deliver a national audience both in French and English.

Another strength we have is that Quebecor has been in the media business since the creation of the company in 1950. So we've seen a lot of change.

Today, there is one change in particular that I would like to share with you regarding the Toronto Sun.

I am pleased to announce that we are naming a new publisher for the Sun.

Kin-Man Lee is moving into the publisher's office.

I'm pleased he can be with us here today. Kin-Man, please stand up for a moment so we can see you.

Kin-Man has been with the Toronto Sun organization for more than 17 years, since the days of Doug Creighton. He worked with Paul Godfrey. He was at the Sun through the Maclean Hunter period. And now he enjoys the strong support of Quebecor.

He brings energy, enthusiasm and strong business experience to the publisher's office at the Sun.

What's more, Kin-Man is the quintessential Torontonian and a great example of the new Toronto. He has lived here all his life. He knows the city and the communities that thrive here.

I hope you will all join me in wishing him great success as publisher of the Toronto Sun.

And one final but important note.

To help us with all our businesses here, Quebecor has created an Ontario Advisory Board. The board operates under the chairmanship of Douglas Bassett, a living legend in the media industry.

He is joined on the board by Richard Alway, the President and Vice-Chancellor at University of Saint



Michael's College; the Honourable Lincoln Alexander, the former Ontario lieutenant-governor and Chancellor of the University of Guelph; Paul Beeston, previously President and CEO of Major League Baseball; F. Ross Johnson, the former President and CEO of RJR Nabisco; Bahadur Madhani, President of Property Management and Real Estate Syndications; and Rita Tsang, the founder, owner, President and Chief Executive of Tour East Holidays. Their wise counsel will be invaluable to us as the company moves forward.

Now, I hope you don't feel that I have abused your hospitality with all this discussion of Quebecor. But I did want to demonstrate that our perspective on the media scene is quite broad, and that we are moving forward.

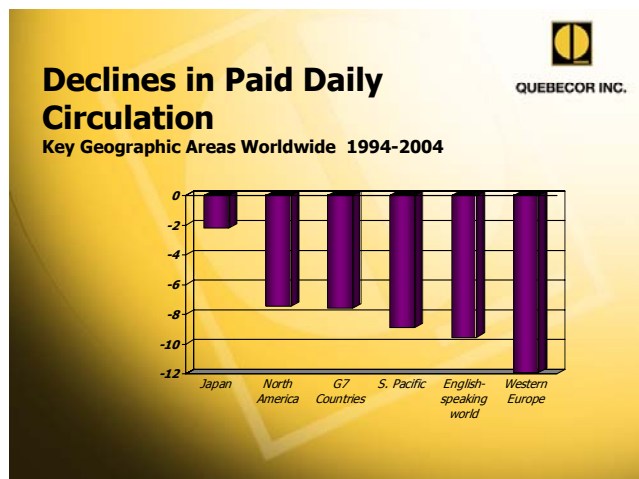
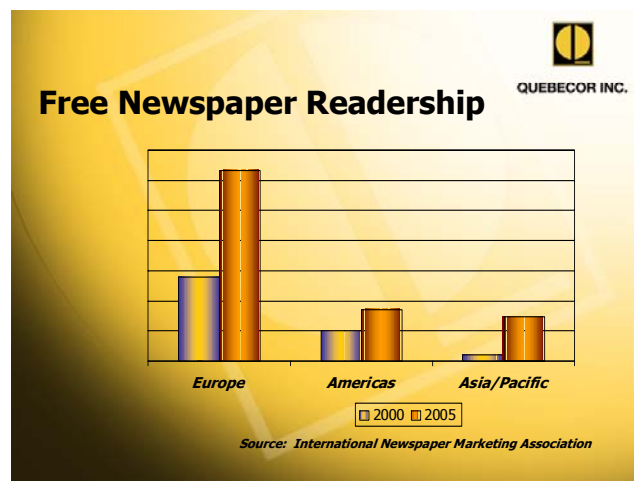
We feel we are in a good position to set a course that will take us successfully into the future.

As you know as well as I, there is no shortage of challenges in our industry.

Newspapers also deliver on a strong and long-standing commitment to provide quality information to readers.

So the continuing strength of print media for the foreseeable future will be in quality over quantity. That being said, the newspaper formula must change.

Here in Canada, as in other markets, free newspapers have created growth in circulation and readership.



Print media is one of the more obvious areas. Right now, I think everyone in this room would agree that newspapers are not, and cannot remain, what they used to be. Rather, newspapers are evolving in today's media marketplace.

Circulation numbers are down everywhere in the world. Yet, print continues to be a strong vehicle for advertisers. Newspapers have enormous power to influence purchasing decisions. From the point of view of effectiveness of advertising, one print reader is worth 8 on-line readers.

In the decade since the Modern Times Group in Sweden first launched the concept, free newspapers have expanded into 30 countries. Total circulation is more than 21 million copies.

In the Canadian print marketplace, free newspapers, such as 24 Hours, account today for about 20 per cent of newspaper circulation. Readership is way up too. As we saw in the latest NADbank report, 24 Hours had an increase in readership of more than 27 per cent in Toronto and 37 per cent in Montreal.

Also, there are opportunities in print journalism for new concepts with great potential for development. One area is the use of graphic, illustrated presentations of stories. That includes photos, of course, but extends into more innovative presentations of information.

Couple the graphics potential with the spectacular results that the latest printing technology can produce and you'll understand why we're making an investment of about 110 million dollars here in Toronto to create new printing capabilities.



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We know that new products can extend the reach of print to people who didn't read newspapers before – perhaps because of their level of knowledge of English or for other reasons. The fact remains that many who were not readers of any sort of newspaper before have become readers of free newspapers.

You know, I travel a lot internationally and everywhere I go I read newspapers. I can tell you from personal observation that there are some very impressive cases of newspapers adapting to the new market realities.

The source of these new realities, of course, is digital technology, which has dramatically changed the media landscape. The most important part of this revolution has been the speed of Internet penetration.

Yet, no sooner have we accepted that analysis, than another wave of change rolls over us. Now our business environment is being shaped by pod-casts, by two-way videophones, by new generations of mobile devices and by other “personal” information technologies.

The Web can be fantastic, in the literal sense of that word. You can find anything and everything there. One strength of the Internet is its interactive nature, while traditional media like newspapers and television have had generally passive relations with their audiences. The downside of the Internet is that there is a lot of information on the Web that is inaccurate, dishonest or just plain, well, fantasy. Accuracy and fairness are not always assured.

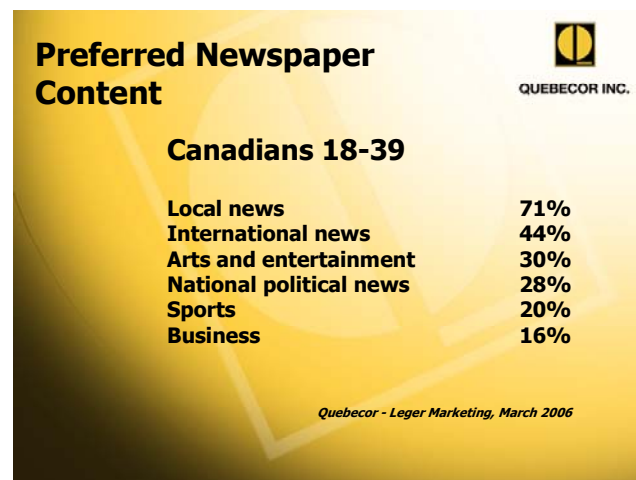
We are of the opinion that there is enormous value to a voice that can speak with authority.

Let me share with you some very recent research results conducted for Quebecor by Leger marketing. This research was in the field about two weeks ago and is based on a sample size of almost eighteen hundred participants. It focused on the 18 to 39 demographic. We know there are sizeable elements in this group that are well educated, smart and with incomes that make them interesting to advertisers.

I won't give you all the results, of course. But there are some interesting insights into what the marketplace wants.

First, for this demographic group, here is the ranking of their areas of interest – their preferred newspaper content.

The high levels of interest for local news and international news are interesting, to say the least. These people feel a sense of personal association with international events in their connected world today.



They rank international news and local news ahead of arts and entertainment and national political news, and also ahead of sports, lifestyle and social news. This challenges the conventional view.

The research suggests that one opportunity is to unlock the value of journalistic traditions and package them in other formats. Journalism is about gathering information, presenting it well and ensuring that it is meeting people's needs in a way that will draw them to it.

I believe that great journalism – with virtues such as independence, scepticism, tenacity in digging out a story, balance, and checking for accuracy – is now,



and will continue to be, a valuable quality in media, in whatever forms it exists.

Quebecor, by the way, has more than one thousand two hundred journalists in total throughout all its media operations.

There's no surprise in research that shows Canadians are aligned with the global trend toward devoting less actual time on ingesting news. But, significantly, they do feel that it is important to stay informed. The Web is a growing option, they tell us, but they use newspapers too as part of the mix of sources.



Another powerful element in the new media mix is the citizen journalist. Almost anyone today can become a reporter. Anyone can be a publisher with a blog or Web site. Editorial commentator, photographer, videographer? You name it, the technology is there to make it happen.

Already, this phenomenon of citizen journalist has entered the mainstream.

Remember that the news about the treatment of prisoners at Abu Graib first reached the world as images from a “phone cam” that circulated wider and wider on the Internet. Remember the first images of the smoke and fear of the London subway bombings, or the terrifying images of the Asian tsunami?

And, closer to home, these dramatic images showing a confrontation in the streets of Toronto.

One insight on this powerful new area of citizen journalism comes from Tom Glocer, chief executive of Reuters. He believes news organizations have an opportunity to encourage citizen journalism as a complement to professional newsgathering. Glocer says:

“Media companies need to be seeders of clouds. To have access to high value, new content we need to attract the community around us. To achieve that, we have to produce high quality content ourselves, then display it and let people interact with it.... There is no doubt that our businesses will be stronger if we employ a more collective and open minded approach to content.”¹

All of this is part of the new media.

It’s empowerment.

And it is a huge seismic shift in the media landscape.

It is opening up a number of opportunities emerging from the digital universe and the Web.

We believe journalistic strengths will be an integral part of the quality content that is the single most critical element in the equation.

So, how do we make the benefits of journalism more accessible and more aligned with the interests of the audience? And how do we collect much more feedback from our audiences and interact with them?

¹ Tom Glocer, Chief Executive, Reuters, writing a comment in the Financial Times, March 8, 2006.



Every business associated with the media is looking for a solution. Quebecor is no exception.

We know from the research Leger did for us that the high-income, most connected consumers in the 18-39 range fall into a category called multi-channel surfers.

Three points in particular emerge from the research:

- You have to be on all channels to succeed.
- Single-channel media will simply not be able to deliver what the marketplace wants in news and information.
- And, they want to consume it as information snacks.

This brings me to a model we will be piloting here in the G-T-A in a few weeks.

The initial offering will include a television current affairs program on SunTV – streamed live on Canoe dot C-A – with connections to the journalistic skills at the Toronto Sun. Most importantly, the model will seek feedback from the street. We want to create a dialog with viewers, readers and Web site visitors to evolve and improve the product.

This is still a work in progress, and will remain so for several months. But I wanted to illustrate for you our concept of how we may be able to weave this new cloth.

Here's a small sample from rehearsals.

(Mr. Péladeau showed a video of CanoeLive)

Something along these lines will appear as the Beta version of what we are branding as "CanoeLive."

The Beta will run from May through to September. We will be making adjustments to the content and changing virtually anything else that might help to turn the concept into successful reality.

One of the most critical success factors will be listening to what the marketplace wants. This is becoming more critically important than ever because the very structure of the media industry has changed.

One thoughtful observation on this shift comes from Rupert Murdoch, the chairman and C-E-O of News Corporation. Murdoch says:

"Power is moving away from those who own and manage the media to a new and demanding

*generation of consumers – consumers who are better educated, unwilling to be led, and who know that in a competitive world they can get what they want, when they want it. The challenge for us in the traditional media is how to engage with this new audience."*²

This fundamental change is having a vast impact on news, entertainment and virtually every type of media content.

Take pod-casting as a current example that is hot. Many regular broadcasts can be downloaded to a personal technology device, such as an iPod, and watched at the viewer's discretion. TV production companies are distributing programming this way. *Desperate Housewives* is one of the better-known pod-cast offerings so far.

One of pod-casting's most powerful impacts is that it blasts right through the conventional distribution system.

Companies like Viacom and Disney can bypass the traditional system and go directly to consumers. With video on demand, where our Videotron business has had some fairly good success, it's pretty much the same story. Find a better delivery route and expect everyone to follow.

Anyway, why would someone want to be a prisoner of a programming grid, when they can get what they want, when they want it and how they want it?

As far as delivery is concerned, technology is clearly driving change.

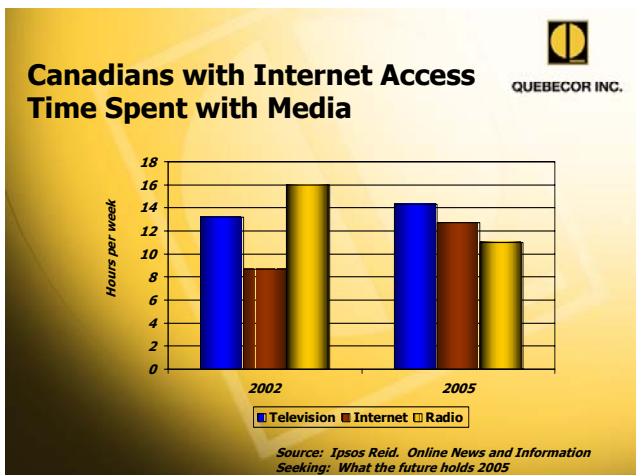
The amount of time Canadians are spending on the Internet is growing rapidly. It was up 46 per cent in a survey tracking change from 2002 to 2005. Much of the Internet's gain was at the expense of radio. Television still comes out on top overall – but TV's lead is being narrowed.³

In fact, younger Canadians are already spending more time on the Internet than watching television.

Going forward, strength on the Internet is obviously critical.

² Rupert Murdoch, Chairman and Chief Executive of News Corporation delivering the Annual Livery Lecture at The Worshipful Company of Stationers and Newspaper Makers, London, March 13, 2006.

³ Ipsos Reid. Online News and Information Seeking: What The Future Holds. 2005



Given the growth rates on the Web among younger consumers, you don't have to be a rocket scientist to see that these generational changes – or some derivative of them – have already become part of our future.

Yes, technology is driving the show in terms of delivery, now and increasingly for the future.

But let's not forget that it is the show itself that counts. And the show, more than ever, is all about content.

Like all of you, we at Quebecor are trying to figure this out.

Looking to the future, we think that one of the biggest risks would be to fail to look beneath the surface.

Yes, newspaper readership has declined. Yes, young people are spending less time on conventional news. But that does not mean that we are dealing with a generation of ignorant people. In fact, today's marketplace already can be characterized as better educated and more connected than ever before.

We know that to succeed with news and information products, we must package them well and in a format that is cool, avant-garde, and not traditional. There is a bias among young people today against the old, traditional media channels – and that applies to print, radio and television.

An understanding of these fundamental shifts is leading us to appreciate new consumer demands and behaviours.

Our take on the new media marketplace is that enormous change is required, both in the way we approach the challenges and in the way we operate.

Newspapers, and other media, need to provide more than yesterday's news. You can get quick news hits today on the Internet, on radio and in many other ways. Much of this news is a commodity, available from many sources in many formats, and for free. There will always be a commodity segment in our industry, but it will be just that – a commodity.

To thrive in the future, information-based organizations must add much more value. We have to deliver insights that matter, to grab hold of issues that are important for our audiences, to be provocative.

News and information are circulating as never before in the history of the world. There is a great appetite for it.

Success will be measured by being more closely connected to our consumers than ever before -- and listening intelligently to what they want.

In the final analysis, it all comes down to respect – a new respect that we are developing for our audiences and their very legitimate expectations in a connected world.

Thank you again for this opportunity.

Good luck to all of you in riding this wave of change.

Merci.