Annual Report **1999**

Providing a World of Solutions

QUEBECOR INC.

Annual Report **1999**

QUEBECOR INC.

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General Information

Annual Meeting

Shareholders are invited to attend the Annual Meeting of Shareholders to be held at 10:00 a.m. on Thursday, April 27, 2000 in the "Ovale" Room of the Ritz-Carlton Montreal Hotel, 1228 Sherbrooke Street West, Montreal, Quebec.

Stock Exchange Listings

The Class A Multiple Voting Shares and the Class B Subordinate Voting Shares are listed on The Toronto Stock Exchange, under the ticker symbols QBR.A and QBR.B, respectively.

Registrar and Transfer Agent

Desjardins Trust Inc. – Montreal

Co-transfer Agents
Montreal Trust Company
– Toronto
– Winnipeg
– Regina
– Calgary
– Vancouver

Harris Trust Company – New York

Auditors

KPMG LLP

Information

For further information or to obtain copies of the Annual Report and the Annual Information Form, please contact the Department of Investor Relations and Corporate Communications of the Company at (514) 877-5130, or address correspondence to:

612 St. Jacques Street
Montreal, Quebec
H3C 4M8
Web Site: http://www.quebecor.com

Vous pouvez vous procurer une copie française de ce rapport annuel à l'adresse indiquée ci-dessus.

Duplicate communications

Shareholders who receive more than one copy of a document, particularly of the Annual Report or the quarterly reports, are requested to notify Desjardins Trust Inc. at (514) 286-3102.

Currency

All dollar amounts appearing in this Annual Report are in Canadian dollars, except if another currency is specifically mentioned.

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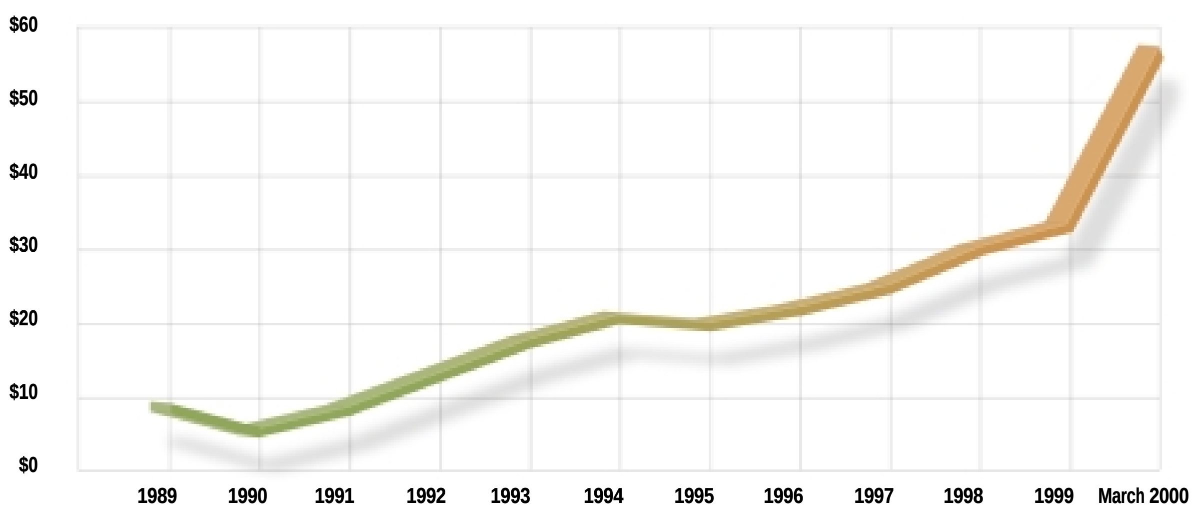
Highlights

Years ended December 31

	1999	1998	1997
Operations (in millions of dollars)			
Revenues	**$ 10,835.2**	$ 8,425.2	$ 7,013.3
Operating income before non-recurring items	**889.7**	800.2	602.6
Contribution to net income			
Operations	**228.4**	188.9	154.1
Goodwill amortization	**(43.4)**	(16.2)	(10.8)
Non-recurring items	**296.0**	—	—
Net income	**481.0**	172.7	143.3
Cash provided by operations	**1,490.1**	1,073.7	885.3
Per share			
Contribution to earnings per share			
Operations	**$ 3.53**	$ 2.89	$ 2.34
Goodwill amortization	**(0.67)**	(0.25)	(0.16)
Non-recurring items	**4.57**	—	—
Earnings per share	**7.43**	2.64	2.18
Dividends	**0.48**	0.44	0.40
Shareholders' equity	**26.73**	22.00	18.58
Number of shares outstanding at year-end (in millions)	**64.6**	64.7	65.9
Financial position (in millions of dollars)			
Working capital	**$ 471.0**	$ 609.7	$ 507.4
Total assets	**14,829.5**	9,841.4	7,885.2
Shareholders' equity	**1,726.5**	1,424.5	1,224.1
Employees	**60,000**	9,000	37,000
Return on average equity			
Operations	**14.5%**	14.3%	13.3%
Total	**30.5%**	113.0%	12.4%

Historical quotes for Quebecor Inc. Class B Subordinate Voting Shares



Message to Shareholders

A Complete, Global and Integrated Array of Services for our Clients

1999 was a landmark year for Quebecor Inc. In addition to demonstrating continued excellence in its traditional sectors of activity and making strategic acquisitions that will have a major impact on its future, Quebecor made a foray into the field of New Media. By consolidating existing holdings and acquiring new ones, the Company established a firm basis for its future development in this dynamic sector.

Revenues increased by 28.6 percent, totalling $10.8 billion in 1999, compared with $8.4 billion in the previous year. For the first time in its history, the Company's revenues exceeded $10 billion. This outstanding growth is largely due to two major acquisitions: World Color Press, Inc. and Sun Media Corporation.

For the first time in its history, the Company's revenues exceeded $10 billion

Earnings rose to a record $481 million, or $7.43 per share. These results include non-recurring items, such as gains on dilution resulting from share issues by two subsidiaries - Quebecor Printing and Sun Media Corporation- and restructuring reserves recognized by two other subsidiaries. Excluding these non-recurring items provides a more accurate comparison of the two years. With the exclusion, net income in 1999 would amount to $185 million, or $2.86 per share, versus $172.7 million, or $2.64 per share, in 1998. This represents an 8.3 percent increase in earnings on a per-share basis.

Although Quebecor has virtually doubled in size during the past five years, the Company remains dedicated to the entrepreneurial spirit that has proven so crucial to its success. We are guided by the fundamental interests of our shareholders in all of our undertakings. This principle was always as central to the philosophy of our Company's founder as it is to Quebecor's managers today.

While all of our divisions and subsidiaries made important strategic decisions and launched new endeavours, three key events occurred in 1999 and the beginning of 2000.

First, with the acquisition of World Color Press, a U.S. leader in the management and distribution of print and digital information, Quebecor Printing has become the world's largest commercial printer. This transaction, valued at US$2.7 billion, is the largest acquisition in our history. It establishes Quebecor Printing as the first truly global commercial printer with facilities in North America, Europe, South America and Asia. This transaction is the crowning achievement of the more than 60 acquisitions we have made in the printing sector over the course of the last decade. Beginning in the spring of 2000, our subsidiary will operate as Quebecor World. This new corporate identity reflects the Company's ability to provide clients with an extended worldwide network of facilities to satisfy their needs and demands with greater flexibility.


QUEBECOR

The second major highlight of 1999 was our decisive entry into the field of New Media. This move greatly increased the magnitude and array of services that we can offer clients. As early as the mid-1990s, our initial ventures in this exciting sector enabled us to use new technology to extend the assets and expertise we had acquired in newspapers and other publications, in commercial printing, and later, in television broadcasting. In 1999, all of the elements of our strategy came together as a whole.

In November, a partial takeover bid enabled Quebecor to acquire a majority interest in the new entity created by the merger of Intellia Inc. and Informission Group Inc., a publicly traded company on the Toronto Stock Exchange, ranked first in the integrated Web-solutions field in Canada and third in Europe. The operation was a major stock market success, and Quebecor shareholders were the primary beneficiaries. By early March 2000, market capitalization of the new enterprise was valued at more than $2.1 billion, compared with $240 million at the time of the merger, November 1, 1999.

Over the course of 1999, we also increased our Internet properties by buying back BCE's interest in CANOE, thus becoming the sole owner, and by launching its French counterpart, Canoë. Moreover, Quebecor New Media, a new subsidiary created in June 1999, launched *archambault.ca*, a transactional site designed to increase the revenues of the largest CD-retail outlet chain in Eastern Canada, Groupe Archambault Inc., another affiliated component of Quebecor. Quebecor New Media also mounted the first of a series of local urban sites, *icimontreal.com*, in record time.

Our shareholders have the right to ask why Quebecor has chosen to enter the field of New Media so boldly, given the Company's coveted position as the world's leading commercial printer and Canada's second-largest newspaper publisher. Certainly, we do not believe that the print medium will disappear. However, we are convinced that the Internet and e-commerce will radically redefine commercial practices and traditional marketing strategies. We believe that the best way to keep abreast of this revolution, if not to precede it, lies in proactively defining its very parameters. We are confident that expansion into this field will permit us to attain that goal.

While continuing to develop our core industrial operations through internal growth and new acquisitions, we will also provide our clients with multiple, complementary channels of communication. From this point on, our development strategy will focus on the New Media sector in order to ensure that Quebecor enterprises are well positioned to offer their clients a complete and distinctive range of services.

Quebecor is now able to print catalogues and inserts, orchestrate advertising campaigns in its newspapers across the country, offer media-placement strategies on its television network, develop Web sites and e-business solutions with Informission-Intellia, and host transactional sites on its portals. None of our competitors is able to offer the same range of global, integrated resources to their customers. We are the only company in Canada, the United States, or Europe able to support clients in such a wide variety of communications media. Our goal is to help our clients maximize their visibility and commercial impact and capitalize on their trademarks with the help of the complete range of distribution channels made available by Quebecor.

By coordinating its operating subsidiaries, Quebecor integrates the strengths of each one into a wider spectrum of services to benefit its clients and the development of their business platforms. This is how we see our future.

OPPOSITE PAGE
Pierre Karl Péladeau
President and Chief Executive Officer

Jean Neveu
Chairman of the Board

Quebecor's headquarters at 612 St. Jacques Street, in the heart of Montreal's business district.

The third significant event, made public on February 11, 2000, was our decision to sell the interest we had held in Donohue Inc. since 1987. In the face of intense consolidation in the pulp and paper industry, we had two alternatives: either to increase our involvement in the sector or to reduce it. We adopted the second strategy and entered into an agreement with Abitibi-Consolidated Inc. by which it will purchase all outstanding Donohue shares. The transaction not only complies with our long-term development objectives, but also promises immediate and valuable returns for Quebecor and its shareholders. First of all, it will provide the Company with sufficient liquidity to repay in full the debt recently incurred by the parent company, Quebecor Inc. After the transaction is completed, Quebecor will remain the major shareholder in the new entity created out of the consolidation of the two enterprises. Michel Desbiens, who has contributed remarkable leadership and insight as Donohue's President and Chief Executive Officer since 1994, will be appointed Chairman of the Board to provide the company with first-rate management expertise. Furthermore, Quebecor will have three seats on the Company's new Board of Directors. As of March 1, 2000, our interest in Donohue had generated a 14.5 percent return for Quebecor shareholders over the twelve-plus years we held it. Given the current conditions in the forest industry, and taking into account the attractive offer we received, we believe that we made the right decision and acted in the best interest of Quebecor shareholders.

Quebecor Printing has become the world's leading commercial printer

A First-Rate Performance on the Part of All of Our Subsidiaries and Divisions

All of our subsidiaries and divisions contributed to Quebecor's success in 1999. Sun Media Corporation posted record revenues of $827.1 million in 1999, an all-time high for Quebecor's newspaper sector, which had total revenues of $295.1 million the previous year. Operating income rose to $164 million and advertising sales increased at a rate of 5 percent on a comparative basis. A key event in the newspaper sector was the start-up of the *SUN TABS Network*, a one-stop service designed to meet the advertising needs of our clients across Canada. Canadian advertisers now have access to a coast-to-coast tabloid network, which covers nine major urban markets and reaches 3.2 million Canadian readers.

Our television broadcasting network continued to expand and increase its revenues in 1999. During the final three quarters of the fiscal year, revenues grew almost twice as quickly as operating expenses, leading to a gradual improvement in operating results over the course of 1999. According to surveys conducted by BBM and Nielsen in the fall of 1999, TQS significantly increased its market share among all viewers, especially those between the ages of 18 and 49, the target audience most often sought by TQS advertisers.

The book, magazine and music sectors, which are an integral part of Quebecor Communications Inc., posted revenues of $209.2 million in 1999, compared with $211.8 million in 1998. Excluding the impact of asset disposals, revenues for these sectors would have risen 6 percent in 1999.

The revenues of our New Media sector, composed of Quebecor New Media and Informission-Intellia, totalled $25.1 million in 1999, compared with $6.9 million in the previous year. In the fourth quarter alone, revenues from this promising sector increased fivefold, from $2.7 to $12.6 million.

Through its landmark merger with World Color in the United States and acquisitions in Spain, Austria and Argentina, our Quebecor Printing subsidiary continued to expand in 1999, posting record revenues of $7.3 billion, a 30 percent increase over the previous year. Profit margins improved due to the modernization of a number of our American plants and the first-rate performance of Canadian plants. Commercial printing is still a fragmented industry, offering unique opportunities for development. Quebecor World holds only 5 percent of the North American commercial printing market, estimated at US$150 billion annually. Due to its size, product and geographic diversity and international network of facilities, Quebecor is in a better position than any of its competitors to take advantage of new opportunities for expansion through internal growth, and thus increase the volume of its business.

> **From this point on, our development strategy will focus on the New Media sector**

Donohue Inc., our forest products subsidiary, posted record revenues of $2.5 billion in 1999, a remarkable performance given that the price of newsprint dropped an average of US$72 per tonne over the course of the year. With the energy and entrepreneurship we have come to associate with Donohue, it was able to minimize the consequences of the resource's drop in price by a 21 percent increase in newsprint and specialty paper shipments. In 1999, the Company modernized its operations in Texas and became the sole owner of Finlay Forest Industries Inc. of British Columbia.

Appointments and Acknowledgments

We wish to extend our gratitude to the members of the Board of Directors, whose commitment, foresight and vision have made it possible for the Company to capitalize on opportunities for growth. In 1999, we had the privilege of welcoming the Right Honourable Brian Mulroney, Prime Minister of Canada from 1984 to 1993, to the position of Chairman of the Board at Sun Media Corporation, in place of Charles G. Cavell, who will now devote all his energies to the future ventures of Quebecor Printing as President and Chief Executive Officer.

We sincerely thank our 60,000 employees, who work in no fewer than 15 countries, for their sincere dedication to the growth and progress of the Company. We believe that our employees' adoption of the entrepreneurial spirit and fundamental values at the heart of our Company is still the best guarantee of Quebecor's success. In the future, we will undoubtedly see the continued growth of our core activities, as well as the application of our skills and experience in New Media and rapidly developing fields of communication.

Jean Neveu

Jean Neveu
Chairman of the Board

Pierre Karl Péladeau

Pierre Karl Péladeau
President and
Chief Executive Officer

New Media
A Key Element in Quebecor's Development

The New Media sector, which Quebecor Inc. started exploring in the mid-nineties, has rapidly gained importance in Company operations. Quebecor's holdings in this sector consist of Quebecor New Media, a wholly owned subsidiary, as well as a majority interest in Informission. At the end of 1999, Informission merged with Intellia to form a new enterprise, Informission-Intellia, which will soon adopt a new corporate identity.

Alexandre Taillefer
Executive Vice President and Chief Strategy Officer, Informission-Intellia

Pierre Karl Péladeau
Chairman of the Board, Informission-Intellia and President, Quebecor New Media Inc.

Jacques Topping
President and Chief Executive Officer, Informission-Intellia

QUEBECOR NEW MEDIA

Concrete Accomplishments in a Virtual World

At its inception in June 1999, Quebecor New Media consisted solely of the CANOE portal and the AUTONET.CA specialty site. The subsidiary was extremely active during the second part of 1999.

In July 1999, Quebecor New Media purchased the shares BCE held as a minority shareholder in CANOE. This transaction enabled Quebecor New Media to become the sole owner of one of the busiest portals in Canada.

On September 15, 1999, Quebecor New Media launched the *archambault.ca* transactional site, which specializes in the retail and distribution of CDs and books. A joint initiative of Quebecor New Media and Groupe Archambault Inc., the operation proved to be an example of creative synergy between two entities of the Quebecor group. The virtual store was immediately successful, and has already established itself as an industry standard for e-commerce in Quebec.

In September 1999, Quebecor New Media also introduced a new francophone portal, Canoë (www.canoe.qc.ca). This site is the only one to offer non-stop local news with information on current events, finance, sports, the arts, and lifestyle trends. Much of its content is drawn from the Quebecor group's electronic and press media.

The creation of CANOE and Canoë provides Quebecor New Media with two powerful portals that cover the entire Canadian market. To be a leader in this burgeoning market, one must act quickly. The creation of the *icimontreal.com* site is a case in point. This site is the first local cultural guide to Montreal and was developed in less than 45 days through the collaboration of Quebecor Communications, Sun Media, Informission-Intellia and Quebecor New Media.

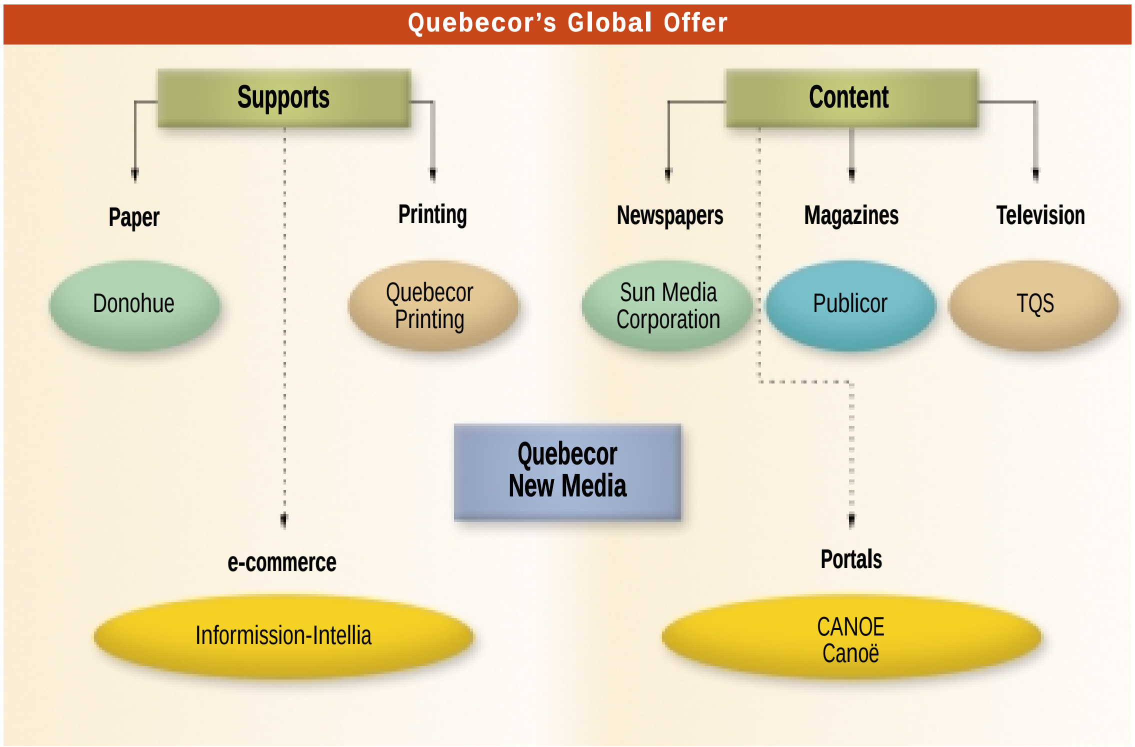
In 1999, Quebecor New Media strengthened its lead and increased the number of users on its portals. Our range of Web properties, which initially consisted of a general interest, English-language portal, is now bilingual and has gained national stature, with a host of specific elements enhanced with local content.

In the year 2000, Quebecor New Media will pursue acquisitions to develop the content and services likely to encourage increased interaction with users. Quebecor New Media believes that its unique combination of content and user popularity will turn CANOE, Canoë and New Media's local Canadian sites in major urban centres into must-see destinations on the Web.

A Clear Strategy

Quebecor New Media's strategy relies on the application of the expertise Quebecor has gained in print media. Our two Internet portals, CANOE and its francophone counterpart Canoë, use new electronic communication media to increase access to the vast information resources provided by Sun Media Corporation's network of dailies and string of local and regional newspapers. Quebecor's publications in the magazine sector are also featured on our portals. An example is Canoë's *Art de vivre* (or "Lifestyles") section, which targets women readers and draws a large amount of its content from magazines of Publicor, a division of Quebecor Communications. Thus, Quebecor's print media assets provide Quebecor New Media with a solid foundation for its ventures. This synergy represents a major competitive edge over most large-scale Canadian portals.

No other New Media enterprise offers its customers such a wide range of highly personalized and integrated services



Quebecor has extended its assets into the latest communication channels, thanks to Quebecor New Media with its integrated e-commerce solutions and national bilingual portals, enhanced with local, targeted and specific contents.

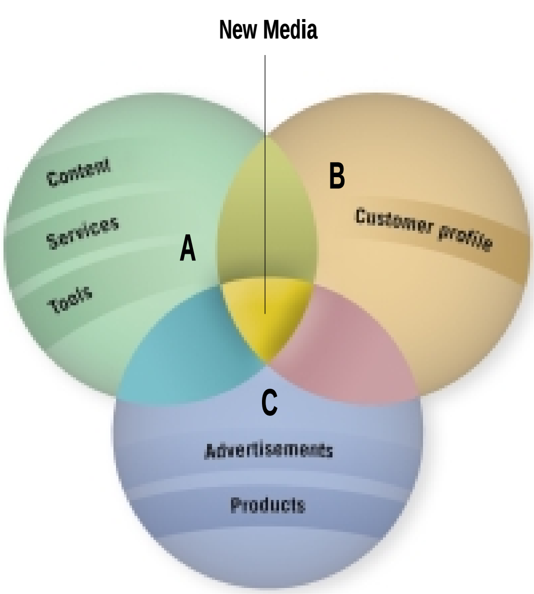
From the viewpoint of Sun Media advertisers, this offer increases advertising strategy visibility and accuracy in two complementary media, print and electronic, rather than only one. Since CANOE and Canoë reach the entire Canadian market in both English and French, Quebecor New Media provides Quebecor customers with nationwide advertising and commercial solutions. No other New Media enterprise offers its customers such a wide range of highly targeted and integrated services.

Upcoming Projects

Quebecor New Media's strategic plan involves the completion of several major projects.

Enhancing the depth and segmentation of content – Quebecor New Media plans to develop its portals in partnership with Sun Media and the team of more than 1,000 journalists employed by the chain's newspapers and publications across Canada in order to provide more in-depth, segmented contents. Using the *www.icimontreal.com* site as its model, the subsidiary will extend its Web-site network to other major Canadian cities. As a result, Quebecor will be able to offer Internet surfers a wealth of information, better suited to their fields of interest and geographic locations.

New Media provides our advertisers and retailers with precision marketing and sales tools

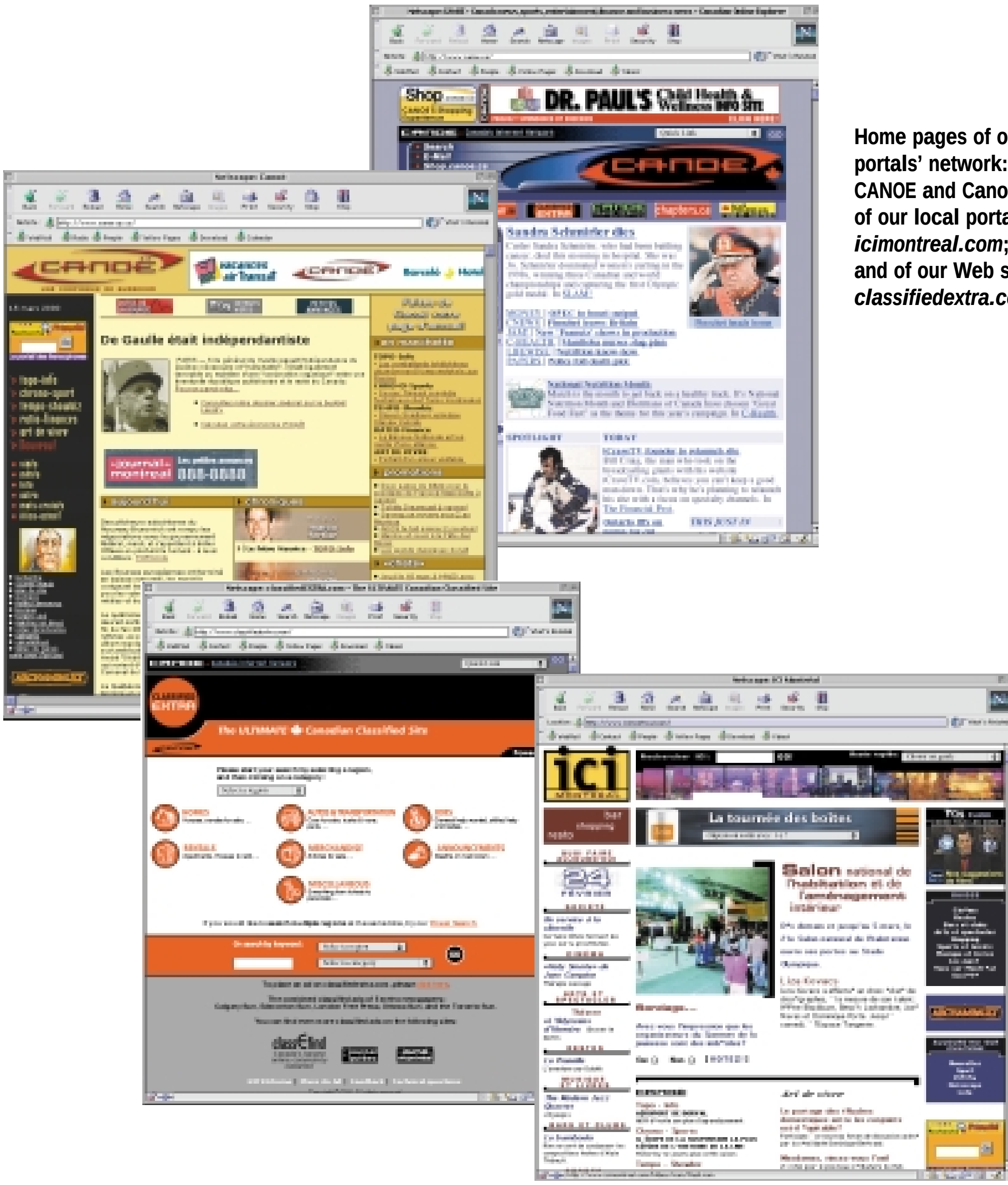


The Internet is a powerful tool for customized marketing. For instance, imagine an Internet user who visits the CANOE site and clicks on the "sports" section. In addition to a wealth of information on subjects of interest to the surfer, we are also able to provide advertisements as well as transactional sites designed to match the consumer's profile; for example, hyperlinks to sporting event ticket outlets, advertisements for sporting goods stores, etc.

Quebecor's New Media strategy is to use Sun Media's assets to offer quality products and services (group A). We are now able to forward these products to a highly segmented clientele, determined by criteria such as place of residence, socio-economic profile, areas of interest, etc. (group B). This information is extremely valuable to advertisers and retailers, enabling them to offer advertisements, products and services that are more likely to interest consumers (group C). At the intersection of these three groups resides the prize all advertisers and retailers seek: consumers eager to buy!

The Internet offers promising new avenues for bringing together advertisers and potential customers. This potential makes it an extraordinary tool that will revolutionize the way we do business.


MODE
Art de vivr
CANOË
www.canoe.qc.ca



Home pages of our portals' network: CANOE and Canoë; of our local portal *icimontreal.com*; and of our Web site *classifiedextra.com.*

Generating new revenues – The commercial potential of classified ads is transferable to the Internet. We have already launched a site named *classifiedextra.com*, featuring all the classified ads published in Sun Media's Canadian dailies, and we are improving the site's performance. Quebecor New Media will also work more closely with the advertising sales team of Sun Media and its new *SUN TABS Network*. The advertising sales team numbers close to 1,000 representatives who have established close ties with thousands of local and national advertisers across Canada.

Providing our client businesses with e-commerce access – Our popular, user-friendly portals attract impressive numbers of visitors. This popularity with Web surfers prompts advertisers to buy advertising space on our sites and enables us to recruit retailers interested in conducting e-commerce via our portals. As they make it easier to reach Internet users with targeted, segmented offers, our portals will quickly become functional, efficient tools for e-commerce.

OPPOSITE PAGE
A creator at work: designing an Internet site for one of Informission – Intellia's clients.

Two journalists at work for Canoë, a new French-language portal launched by Quebecor New Media in 1999.

INFORMISSION-INTELLIA

A Leader in Integrated Web Solutions

In November 1999, Informission Group Inc., Intellia Inc., and Quebecor Communications Inc. laid the foundation for a new partnership. Under the terms of the agreement, Informission acquired all of Intellia's stock, while Quebecor concurrently made a partial takeover bid to acquire a 58.2 percent majority interest in Informission. The organization, which will soon adopt a new corporate identity, strengthens Quebecor's position in the New Media market, enabling it to offer a more complete, integrated range of services for Web site development and e-commerce solutions. Informission-Intellia thus provides Quebecor Printing and Sun Media clients with access to New Media and e-commerce.

Informission-Intellia thus provides Quebecor Printing and Sun Media clients with access to New Media and e-commerce

Supported by a preferred supplier agreement with Quebecor, the combined expertise of Informission and Intellia led to the creation of an industry leader able to combine strategic planning, marketing, Web site design and development, technology integration, as well as creativity and business solutions based on the Internet protocol.

Acquisition of Complementary Enterprises

As of December 31, 1999, Informission-Intellia employed more than 700 people in Montreal, Quebec, Toronto, Seattle and Paris. Three acquisitions carried out during the early weeks of 2000 added offices in New York City, Boston and Ottawa, increasing the number of employees to 900.

First, the organization acquired Cythère S.A., a leading Internet company in France, with offices in Paris and New York. With 100 employees, Cythère's revenues for 2000 should exceed 70 million French francs (close to $16 million). The Company is active in strategic Web consulting, e-commerce, design and development of Web sites and portals, interactive marketing and online promotion. Cythère's clients include large international companies such as Danone, L'Oréal, Club Med, Michelin, Bouygues, and the FNAC.

At the end of January 2000, Informission-Intellia completed its acquisition of EntreVision Inc., a Canadian leader in the field of e-business solutions and e-commerce. The company, which has its head office in Toronto and another office in Boston, is recognized for its expertise in new technology strategies, design and implementation. It offers coherent, innovative solutions for integrating the Internet into the daily business practices of its clients, which it recruits from the largest North American corporations. EntreVision estimates revenues in excess of $20 million for the year 2000.

Finally, in March 2000, Informission–Intellia acquired digIT Interactive Inc., a specialist in digital branding and marketing channel management. With a staff of 30 and offices in Toronto and Ottawa, the company boasts such major clients as Nortel Networks, Research in Motion, Clearnet and Jetform.

During the coming months, Informission-Intellia will actively pursue its business acquisition strategy in North America and Europe, where the company's best opportunities for growth lie, always with the aim of providing the clients of Quebecor and its subsidiaries with increasingly global, well-integrated business solutions.

Objectives Commensurate with Our Abilities

The ambitious objectives pursued by Informission-Intellia can be summed up in three points:

- to be recognized as the leading Web integrator in Canada, the United States and Europe;
- to offer the group's client businesses integrated e-commerce solutions in partnership with Quebecor; and
- to be the preferred supplier of Internet solutions and information technology for Quebecor and its various subsidiaries.

Informission-Intellia is already number one in the integrated Web solutions market in Canada and third in Europe. Furthermore, its market share in the United States has grown substantially. In 2000, Informission-Intellia plans to strengthen its position as the integrated Web solutions leader with medium and large-sized corporations in Canada, the United States and Europe.

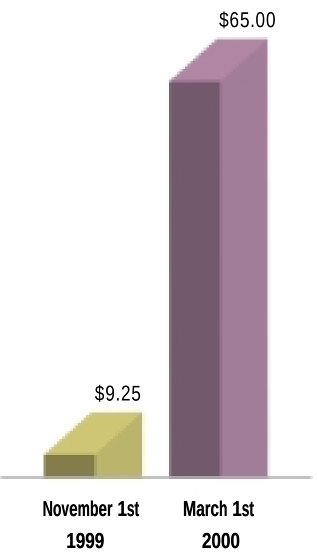
A New Name for A Promising Newcomer

In the spring of 2000, the Company will complete the merger of Informission and Intellia by adopting a new corporate identity. A communications strategy and a series of promotional activities will be used to establish the business's reputation with its Canadian, American and European clientele.

New Media Creates Increased Value for Quebecor Shareholder

By merging Intellia with Informission and acquiring a controlling interest, Quebecor transformed Intellia into a publicly traded company. Capital markets welcomed the initiative and recognized the true value of the enterprise. Since the transaction was announced, Informission–Intellia's price per share has increased sevenfold, rising from $9.25 at the time of the partial takeover bid on November 1, 1999, to trade at $65 on the Toronto Stock Exchange on March 1, 2000. Thus, the market value of Quebecor's involvement in its subsidiary rose considerably, from $140 million at the transaction's close to approximately $1.2 billion as of March 1, 2000, taking into consideration the additional shares Quebecor purchased in order to maintain its interest at 58.2 percent. As a result, Quebecor stock price rose from $35.45 to $57.50 during this period.

Eventually, depending on capital market conditions, the Quebecor New Media sites will possibly follow the same route, becoming publicly traded companies along the lines of successful American models such as *Yahoo.com*, *Amazon.com* and *iVillage.com*.



Quebecor's leadership in commercial printing is ensured by Quebecor Printing; in print media by Sun Media and Quebecor Communications; in television broadcasting by TQS; in Internet portals by Quebecor New Media; and in e-commerce platforms by Informission-Intellia. With its acquisitions, Quebecor now establishes itself as a partner capable of offering customers a vast range of integrated solutions promoting dynamic growth and business development.

Newspapers

Record Profits for its Divisions

Quebecor acquired Sun Media Corporation at the beginning of 1999 and consolidated all its dailies, as well as its community newspapers, under one company. The newly amalgamated company, Sun Media Corporation, had an exceptional first year, with its divisions posting record earnings. The revenues of Sun Media, the second-largest newspaper chain in Canada, reached $827.1 million in 1999. Revenues generated by the newspaper sector in 1998 totalled $295.1 million. On a pro-forma basis, assuming the transaction had been completed at the beginning of 1998, the increase in Sun Media's revenues would have been 5.6 percent over the previous year.

Paul V. Godfrey
President and Chief Executive Officer, Sun Media Corporation

The Right Honourable Brian Mulroney, P.C., C.C., LL.D.
Chairman of the Board, Sun Media Corporation

Earnings before interest, taxes, depreciation and amortization (EBITDA) were $188.6 million, for a 22.8 percent profit margin. In 1999, EBITDA grew by 21.1 percent compared with the previous year. The advertising revenues of urban dailies increased by 5.5 percent, while their circulation revenues increased by 2.9 percent, an enviable performance given the highly competitive market in urban centres, especially Toronto, during 1999.

These excellent results are due to several factors. Effective restructuring and human resources reorganization programs were carried out during the course of the year. Sun Media also reviewed its corporate structure and created the Eastern Group (Quebec City, Montreal and Ottawa dailies) and the Western Group (Winnipeg, Calgary and Edmonton dailies). The weeklies owned by Quebecor in Quebec and Manitoba prior to the merger were regrouped with the Company's other community newspapers under Bowes Publishers. Finally, Sun Media benefitted from the marked drop in the price of newsprint.

In 1999, the Company made a concerted effort to make its existing operations more profitable. Sun Media pursued its expansion strategy, acquiring community newspapers that enriched the existing network. The division now includes a total of 181 newspapers and other publications. The Company also created the *SUN TABS Network* to more efficiently serve its advertising clients across Canada through its network of dailies (see inset on page 15).

Sun Media Corporation also announced a strategic alliance with Quebecor New Media, a wholly owned subsidiary of Quebecor, to take advantage of the commercial opportunities that New Media can offer a quality information provider such as Sun Media Corporation.

Among the highlights of the 1999 fiscal year was the important change in Sun Media Corporation's capital structure. Last June, Quebecor sold 30 percent of Sun Media Corporation to Capital Communications CDPQ Inc. (a subsidiary of the Caisse de dépôt et placement du Québec), the Ontario Municipal Employees Retirement Board (OMERS), and Royal Bank Equity Partners Limited. Each of the three investors holds a 10-percent interest in Sun Media, obtained at a cost of $260 million, which was used by Quebecor to reduce its debt. We extend a warm welcome to our new financial partners and their representatives on the Sun Media Corporation's Board of Directors: Robert Normand, Dale E. Richmond and Philip J. Olsson.

The Urban Dailies in 1999

Each of Sun Media's eight major dailies, in eight of the ten most important urban markets in Canada, posted substantial increases in revenue in 1999. All met the challenges of the highly competitive commercial environment while keeping operating costs under control.

For *Le Journal de Montréal*, the flagship of the urban dailies group, 1999 was a banner year. The leading daily in Quebec and the third most important in Canada, *Le Journal de Montréal* posted the highest profits in its history and ranked first among Sun Media Corporation's publications in terms of profitability. This performance is the result of excellent management combined with revenue-generating initiatives such as the publication of numerous special interest sections which are popular with advertisers.

The Company also created the *SUN TABS Network* to more efficiently serve its advertising clients across Canada

Le Journal de Montréal continues to lead its market in terms of circulation, readership, and advertising revenue. According to the independent firm NADbank, the newspaper's readership in the Metropolitan Montreal region increased by more than 50,000 in 1999 to reach 1.17 million readers each week. The most important increases in readership were among female readers (+8 percent), readers with a high school diploma or higher (+5 percent), and readers with a combined household income in excess of $75,000 (+9 percent). These improvements demonstrate the effectiveness of the paper's strategy to reach these target audiences.

The newspaper's advertising sales increased by 4.1 percent overall, but the most notable growth was in the national advertisers' segment, which grew by 5.9 percent. *Le Journal de Montréal's* 49 percent share of the market for classified ads confirmed the newspaper's domination in this area.

In Toronto, the largest urban market in Canada, *The Toronto Sun* emerged the undisputed winner from the trench warfare waged by the city's major dailies. For the first time in its history, *The Toronto Sun* passed the one million readers a day mark, despite competing in a market flooded daily with more than 100,000 free copies of rival newspapers. With twice the previous number of special interest sections and a notable increase in advertisements placed in the "Careers" section (+29 percent), *The Toronto Sun's* advertising sales also increased by 5.3 percent. Through effective management and improved cost control, *The Toronto Sun* also increased its profit margins, despite the additional marketing efforts required by exceptionnally competitive market conditions.

The London Free Press, a Canadian institution which celebrated its 150th anniversary in 1999, also posted the highest profits in its history. Eighteen journalism awards, including the prestigious National Newspaper Award, attested to the paper's quality and the excellence of its editorial content.

With record advertising revenues and rigorous cost control, *The London Free Press* was able to increase its profit margin considerably. The newspaper continued its efforts to rebuild and extend its distribution network by installing vending machines and recruiting new retailers.

1999 was a very good year for *The Edmonton Sun*, which posted an increase in profits for the third consecutive year. Advertising lineage for the year jumped over the 25 million mark, and the daily grew to an unprecedented size with some issues containing up to 292 pages. In terms of advertising revenues, the daily's market share increased by 2 percent over the course of the year. *The Edmonton Sun*'s circulation levels remained constant despite the increased number of copies of rival newspapers distributed free of charge or at reduced rates. Readers of *The Edmonton Sun* remained loyal to their paper, as demonstrated by statistics published by NADbank, which show a rise in readership for every day of the week.

Le Journal de Montréal continues to lead the market in terms of circulation, readership, and advertising revenue

The healthy economy of the Calgary region had a positive impact on our daily. *The Calgary Sun* closed its fiscal year with an increase in operating income for the seventh year in a row.

Revenues from advertising increased a healthy 11.6 percent, with growth in all segments — national, local and classified advertising. The newspaper also posted an 8 percent increase in circulation revenues.

Le Journal de Québec also experienced the best fiscal year in its history, with an impressive 4.7 percent increase in advertising revenues. Already the leader in its market, research carried out by NADbank in 1999 showed that the daily reached close to 58 percent of the adult population of the metropolitan Quebec area on a weekly basis — a remarkable feat that has been repeated year after year.

In 1999, *Le Journal de Québec* published no fewer than 65 special interest sections, revamped its graphic layout, enriched its editorial content, and improved the quality of its special weekend sections. It also launched a weekly 16-page, colour fashion section for its female readership. The loyalty of *Le Journal de Québec's* readers was reflected in the unprecedented success of promotional activities and contests sponsored by the newspaper.

For *The Winnipeg Sun*, 1999 marked the adoption of both the standard logo and the formula responsible for the success of the other Sun Media dailies. The formula paid off quickly.

$1.50
SUNDAY
SUN
COIN RETURN
THE TORONTO
SUN
4X4

météo:
Maximum
Minimum
-8°
-16°
PORNO INFANTILE SUR L'INTERNET
Haut gradé de la police suspendu
MARIE PLOURDE
Femme cherche chair fraîche
60¢
le journal de montréal
Le Nº 1 des quotidiens français d'Amérique
Felipe Alou se sent « comme un homme libre »
Lancement de son nouveau bolide
DE VILLENEUVE
L'ONT RENDU MALADE !
199$
225$
TOYOTA
PIE-IX

The Winnipeg Sun currently has the highest growth rate of any daily in Canada, posting a 5 percent market share increase in 1999, rising from 27 to 32 percent.

Like the other group's dailies, the newspaper registered record operating income. With its new look and excellent coverage of important events such as the Pan-American Games held in Winnipeg in the summer of 1999, *The Winnipeg Sun* saw advertising revenues increase by 8.5 percent and circulation revenues rise by 19.7 percent.

The Ottawa Sun set new records in 1999 with the best advertising revenues, best revenues from newspaper sales and the best profitability performance in its history.

Improvements in the newspaper's content and presentation translated into increased readership, which reached unprecedented levels despite a slight increase in the daily's price. Commercial printing activities, which had been affected by the loss of the Financial Post printing contract in 1999, also finished the year on a strong note.

OPPOSITE PAGE
A press operator makes a final printing check of *Le Journal de Montréal* and reads up on the latest news!

A *Toronto Sun* distributer fills our vending machines at the crack of dawn.

The *SUN TABS Network* Offers National and Multimarket Advertisers Coast-to-Coast Visibility

During the 1999 fiscal year, Sun Media Corporation created the *SUN TABS Network* to maximize national and multimarket advertising sales in its publications.

This advertising initiative brings together our dailies in Edmonton, Calgary, Winnipeg, Toronto, Ottawa, Montreal and Quebec, as well as two newspapers published by Southam, *The Vancouver Province* and *The Halifax Daily News*. It is an unprecedented example of synergy between two groups which, although rivals, have chosen to create a new sales force and one-stop service to better serve Canadian national advertisers.

This initiative gives advertisers and Canadian advertising market specialists access to the *SUN TABS Network*, a unique coast-to-coast network of tabloids that covers nine major urban markets and boasts a readership of 3.2 million Canadians. The network is under the exclusive representation of Sun Media Corporation. In exchange, Sun Media's *The London Free Press*, a broadsheet newspaper, has become a member of Southam's ADitus group. We believe that the *SUN TABS Network* will allow advertisers to effectively penetrate a market with more than $130 billion in purchasing power.

Sun Media Dailies

Urban Dailies	Province	Format	Web site address
Le Journal de Montréal	Quebec	Tabloid	www.journaldemontreal.com
Le Journal de Québec	Quebec	Tabloid	www.journaldequebec.com
The Ottawa Sun	Ontario	Tabloid	www.canoe.ca/OttawaSun/home.html
The Toronto Sun	Ontario	Tabloid	www.canoe.ca/TorontoSun/home.html
The London Free Press	Ontario	Broadsheet	www.canoe.ca/LondonFreePress/home.html
The Winnipeg Sun	Manitoba	Tabloid	www.canoe.ca/WinnipegSun/home.html
The Edmonton Sun	Alberta	Tabloid	www.canoe.ca/EdmontonSun/home.html
The Calgary Sun	Alberta	Tabloid	www.canoe.ca/CalgarySun/home.html
Community Dailies			
The Brockville Recorder and Times	Ontario	Broadsheet	www.recorder.ca
The Stratford Beacon Herald	Ontario	Broadsheet	Under construction
St. Thomas Times-Journal	Ontario	Tabloid	www.bowesnet.com/Timesjournal
Kenora Daily Miner and News	Ontario	Broadsheet	www.bowesnet.com/dailyminer
The Portage la Prairie Daily Graphic	Manitoba	Broadsheet	www.bowesnet.com/dailygraphic
Lloydminster Daily Times	Alberta	Broadsheet	Under construction
Grande Prairie Daily Herald-Tribune	Alberta	Broadsheet	www.bowesnet.com/dht
Fort McMurray Today	Alberta	Broadsheet	www.bowesnet.com/Today

Community Newspapers: Consolidation and Acquisitions

The community newspaper division is comprised of Bowes Publishers Limited, Sun Media's Quebec weeklies, Le Courrier du Sud (1998) Inc. and Florida Sun Publications. It publishes dailies, weeklies, buyers' guides and other publications, and operates 21 printing plants. In 1999, it maintained its solid performance, and now counts 181 newspapers and other publications across Canada as well as in Florida. By managing operations efficiently, while still keeping abreast of new growth opportunities, it increased its operating income over 1998.

The division expanded in 1999 when Bowes acquired *The Stratford Beacon Herald* in Ontario, the last independent daily in the province. Bowes also purchased the *Lloydminster Daily Times* published in Alberta, as well as weeklies in Saskatchewan and Ontario. In 1999, Sun Media also sold *The Record,* a daily published in Sherbrooke, Quebec.

Bowes is the most active community newspaper group on the Internet in Canada, with all the division's operations participating, including the group of Quebec weeklies, accessible via Bowes' Web site (www.bowesnet.com). The sale of classifieds, publicity banners and Web pages is continually expanding, which bodes well for increased revenue in the near future. The operation's success led the weekly community newspaper associations in Alberta and Ontario to sign agreements with Bowes to host their member newspapers on its site.

In 1999, the revenues of the Quebec weeklies grew by 12.8 percent and the EBITDA showed a marked increase of 39.1 percent over the previous year. The growth in revenues and profits can be attributed primarily to the acquisition of 50 percent of *Le Courrier du Sud* during the second half of 1998 and the streamlining of operations.

The Quebec regional newspapers division, which publishes 51 weekly newspapers and a number of periodicals, is solidly established in the following regions: Abitibi, Laurentians, Beauce, the Eastern Townships, Quebec, Saguenay–Lac-Saint-Jean, Northern Quebec, the North Shore, Lower St. Lawrence, the Gaspé Peninsula and Montreal's South Shore. The Quebec weeklies group took advantage of the arrival of the year 2000 to develop a Web site (*hebdosquebecor.com*) uniting its 51 weekly newspapers and periodicals. In partnership with Bowes, the Quebec weeklies integrated their classified ads into the cross-Canada network *classEfind*, the largest search engine of its kind in Canada.

The group's American division, Florida Sun Publications, also expanded its printing installations in Bradenton, Florida. The expansion was needed to house a new eight-unit Harris press with heat-set capacity, which the division acquired in response to the growing demand of its commercial printing clients.

Distribution Activities: The Language of Acceleration

The Messageries Dynamiques division also contributed to Sun Media Corporation's success in 1999. The leading Quebec distributor of dailies, magazines and other electronic and print media Messageries Dynamiques reaches some 250,000 households and 15,000 retail outlets through its various operations. The firm is also active in the francophone markets in other Canadian provinces as well as Florida.

> **Bowes is the most active community newspaper group on the Internet in Canada**

In 1999, Messageries Dynamiques set up a new, highly advanced computerized distribution system. The firm also obtained several contracts with European magazine editors who chose Messageries Dynamiques as their distributor for francophone markets in North America. The editors granted Messageries Dynamiques the distribution rights for specialized products, notably magazines on new technologies and the Internet.

Dynamic Press Group is held in partnership with The News Group, a division of The Jim Pattison Group of Vancouver. Dynamic Press Group distributes English-language printed matter to more than 600 outlets in Quebec. In 1999, the Group's sales rose by more than 60 percent over the previous year.

Finally, NetMedia, a division of Bowes responsible for national insert sales and door-to-door flyer and product sample distribution had an excellent year, posting a 64 percent increase in sales.

A Strategic Alliance in New Media

Sun Media announced at the end of 1999 an alliance with Quebecor New Media, a wholly owned subsidiary of Quebecor. The objective is to extend Sun Media's assets into New Media and the Internet, where the synergistic possibilities are endless. One project is the creation of a centralized databank for classified ads from all of our dailies across the country accessible via the *classifiedextra.com* site. The development of local Web sites which extend our print media to the new electronic communications media are planned for the future.

TQS: The “Black Sheep” Stands Proud

Érik Péladeau
Chairman of the Board,
Quebecor
Communications Inc.

René Guimond
President and Chief
Executive Officer,
TQS Inc.

P. Wilbrod Gauthier
Chairman of the Board,
TQS Inc.

Quebecor holds a majority interest of more than 76 percent in TQS Inc., a general interest French-language television network that covers 97.5 percent of Quebec's broadcasting area through its own and affiliated stations.

In 1999, the TQS network continued its efforts to establish the station's image as the “black sheep” of television. An integral part of the network's self-promotion, the “black sheep” proved to be an unqualified communications success in 1999. The TQS network has set itself apart in the field of Quebec television with a signature image instantly recognizable to both the general public and advertisers alike. Its success is the result of an imaginative, bold and timely communications strategy.

A Year of Achievement

During the 1999 fiscal year (from January 1 to December 31), TQS produced innovative live television shows that attracted an enthusiastic public response. As per its strategy, TQS intensified its efforts to reach television viewers between the ages of 18 and 49, the preferred audience of the television chain's advertising clients. The network also extended its broadcasting hours by an average of 2 percent.

Among the highlights of 1999 was a major change in direction for the news department. TQS launched a new formula combining news and public affairs, which led to the arrival of journalist Jean-Luc Mongrain in the TQS fold. Mongrain has an open, direct style, and is well respected by the public. With its new formula, TQS was able to distinguish itself in the eyes of viewers with *Le Grand Journal* (the 5 p.m. edition), a daily 90-minute newscast and public affairs magazine.

As planned, TQS moved its offices and studios into the same downtown Montreal building as Quebecor's headquarters, confirming its desire to become a more cosmopolitan television station that is closer to the general public. Similarly, TQS has announced plans to move its Quebec operations to a downtown location more in line with its broadcast image. In 1999, TQS also launched a Web site (*tqs.qc.ca*), which was developed in collaboration with Intellia.

Television network success depends on effectively controlling production costs while carefully maintaining the quality of the products aired. TQS thus created two production houses under Les Productions Point-Final Inc., which is owned exclusively by TQS. Les Productions Point-Final ensures TQS greater control over the concepts and the rights related to the programs it broadcasts.


TQS
Ah20x


TQS

TQS: A Network with Ratings Worth Watching!

The results of the surveys conducted by Nielsen Media and BBM in the fall of 1999 provide confirmation of the gains made by TQS with the viewing public. The following figures pertain to the same period as the survey, from October 21 to November 24, 1999.

According to Nielsen, the entire TQS network captured a market share of 13.0 among viewers in general, and 15.4 among 18 to 49-year-olds, the most sought-after market for TQS advertisers. In both instances, market share showed considerable growth compared with the same period in the previous year.

The BBM surveys, carried out during the same period and made public in January 2000, corroborated this trend. TQS increased market share in all regions of Quebec over the same period in 1998. This was especially noticeable in the Greater Montreal region, where TQS' market share rose from 9.5 to 12.2 among viewers in general, for an increase of 27 percent.

TQS Montreal also performed well in the news slot. According to the BBM surveys, TQS has now taken the lead over its rival Radio-Canada. For the first time since the arrival of its new executive team in 1997, TQS is the second-most-watched television station in the Greater Montreal region on weekdays during this time slot. This is an impressive breakthrough, and demonstrates the efficacy of *Le Grand Journal*'s unique formula.

We are proud of these results and confident that TQS will continue to make increasingly sizable gains in Quebec's television market.

Jean-Luc Mongrain, Anchor, Journalist

TQS established its own marketing group in Toronto during 1999 to assume responsibility for the sale of TQS rights and properties in this key market. Administratively, TQS also developed more powerful management tools to enhance the network's available commercial inventory. Initiatives were effective and airtime revenues reached $48.6 million in 1999, growing by 6.1 percent over the course of the year, a higher rate than the industry's national average. All agreements with major clients were extended for the year 2000 with, in most cases, an increase in volume and rates.

This performance is the result of the combination of TQS' steadily improving ratings (see inset) and a complete restructuring of its sales department. The positive effects of the restructuring efforts were mainly felt in the final three quarters of 1999, during which TQS posted a 12.4 percent increase in revenues, with an 18.2 percent increase in the final quarter. Revenues increased at almost twice the rate of operating expenses during the last three quarters, which explains the constant improvement in operating results throughout the year. The combination of all these initiatives and ventures generated convincing financial results at the end of the fiscal year, and placed TQS in a decidedly advantageous position for the coming years.

A Promising Future

Television is a highly competitive industry, in which there is a growing trend toward the globalization of production and consolidation of television broadcasters, and new specialty channels are constantly springing up. To survive in this market, TQS must work ever harder to remain an innovative network, attentive to the needs of advertisers and able to offer the public unique, bold, hard-hitting television. To this end, TQS will participate in the promising projects of Quebecor's various subsidiaries and divisions, whose products and services complement those of TQS.

OPPOSITE PAGE
Filming on a TQS set with Élaine Ayotte, an information-program host.

In the heat of the action: a cameraman at work in TQS' new downtown Montreal studios.

Books, Magazines, Music

Vitality, Performance, Profitability

The Book, Magazine and Music sectors, which are part of Quebecor Communications Inc., a wholly owned subsidiary of Quebecor Inc., posted excellent results in 1999. Revenues from these sectors totalled $209.2 million in 1999, as opposed to $211.8 million in 1998. Had it not been for the disposal of certain assets, revenues from these sectors would have grown by 6 percent in 1999.

André Rousseau
Vice President,
Book Sector,
Quebecor
Communications Inc.

Claire Syril
Vice President,
Magazine Sector,
Quebecor
Communications Inc.

Érik Péladeau
Chairman of the Board,
Quebecor
Communications Inc.

Operating income amounted to $6.2 million in 1999, compared with $6.6 million in 1998. Excluding unusual gains such as a gain on diposal of assets in 1998, operating income made a spectacular leap from $200,000 in 1998 to $6.2 million in 1999.

The highlights of the fiscal year for the Book sector were undoubtedly the improved earnings and dynamic growth in exports. For its part, the Book and Software Distribution sector underwent major restructuring, which should have a positive effect on operations as early as 2000. At Publicor, the year was marked by the Magazine sector's best performance ever, due primarily to the contribution made by the interior decorating magazines. The Music sector also took advantage of the strategic direction and expansion of the Archambault store network, as well as good results from music and video distribution and sub-distribution operations.

BOOKS

Increased Production and Exports

A major player in the Quebec marketplace, the group of publishers associated with Quebecor Communications leads its sector in Quebec for the number of titles published, a total of 586 in 1999. The Book sector put in an excellent financial performance during this past fiscal year.

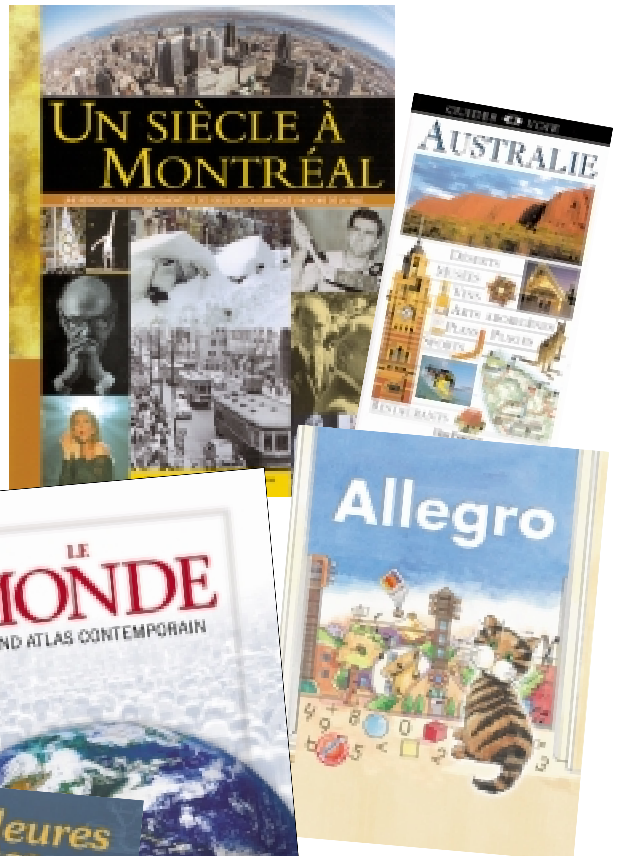
St. Remy Media, a specialist in contract publishing, e-publishing and general literature, formerly under Quebecor Multimedia, became the newest member of the Book sector. Les Éditions du Trécarré also completed its first fiscal year as an autonomous entity in the publishers' group. The distributors Diffulivre Inc. and Logidisque Inc. were transferred to Québec-Livres, another division of Quebecor Communications.

In 1999, the production of new works, new editions and reprints exceeded projections. The publishers group was also extremely active on foreign markets, and foreign sales virtually tripled. St. Remy Media's production of *The Art of the Grill* for the American publisher

Bestsellers

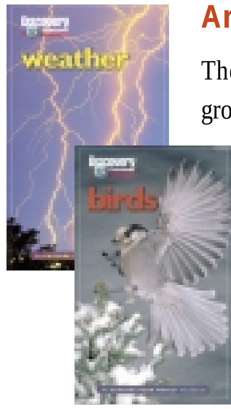
On the general literature front, the publishers group published no fewer than 36 Quebec bestsellers in its areas of specialization: novels, biographies, contract publishing, textbooks and legal texts.

Les Éditions CEC Inc. launched a new collection of high school mathematics textbooks, which captured more than 75 percent of the market share in Quebec. The collection has been so successful that it was quickly adopted by schools in the Canton of Geneva in Switzerland and translated to meet the needs of the English-language schools in Quebec.



Weber was immensely successful. The volume of European business conducted by Les Éditions Quebecor inc. and Les Éditions Logiques inc. grew substantially, while at Les Éditions Libre Expression ltée and Les Éditions Internationales Alain Stanké ltée, sales of rights to foreign editors, especially in Europe, reached record levels. The legal publishing house, Wilson & Lafleur, limitée, a Quebec institution for 90 years, issued a new canon law collection, the product of a joint venture involving legal scholars from the University of Ottawa, Chicago's Midwest Theological Forum and the University of Navarra in Spain.

In 1999, the Book sector looked for ways to improve its managerial effectiveness. Les Éditions Quebecor, Les Éditions Internationales Alain Stanké, Les Éditions du Trécarré and Les Éditions Logiques consolidated administrative and financial services while still retaining separate identities and independent editorial staff. The initiative was a success, enabling us to achieve important savings during the first year of implementation.



Ambitious Publishing Programs

The publishers' group associated with Quebecor Communications will continue to focus on growth in 2000. Among the most important publishing projects will be Éditions Internationales Alain Stanké's *Encyclopédie du Canada 2000*, a four-volume series for St. Remy Media's American client Discovery Publishing, and Les Éditions CEC's introduction of new collections designed to meet the requirements of Quebec's September 2000 education reform.

As well as intensifying commercial activities in Quebec, the Book sector will strengthen its sales potential in the French, Belgian and Swiss markets by creating a service responsible for public relations with the media and principal retail outlets in those countries.

Québec-Livres

Québec-Livres is one of the most important French-language book distributors in Canada and one of the largest software distributors. The company represents Canadian and European publishers of both books (66) and software (30). It services a network of 1,900 sales outlets.

In 1999, Québec-Livres successfully implemented a computerized inventory and order-management system, substantially reducing delivery times. The company also reorganized its commercial structure to improve the quality of services available to the publishers it represents.

Québec-Livres has several projects among its priorities. In the area of distribution, Québec-Livres plans to open up markets in new locations (such as New Brunswick) and sectors (grocery stores, specialty boutiques, etc.). It will also make an effort to recruit new book publishers and software producers, and will focus on promotional strategies designed to increase its market share.

Contract Publishing: Strategies to Maximize Commercial Impact

Publicor is in an excellent position to develop and expand the contract-publishing market. By taking advantage of the creative strengths of Quebecor's different New Media businesses, Publicor is able to offer clients printed magazines, access to Web page development services in collaboration with Informission-Intellia, and the content dissemination support provided by the CANOE Web site, with its round-the-clock news and information service. New Media provides ways of increasing the visibility and impact of our clients' communications strategies. We are able to offer our customers combined print and electronicmedia solutions, which will make it easier for them to meet their objectives.

MAGAZINES, ENTERTAINMENT WEEKLY AND ALTERNATIVE NEWSPAPERS

Financial Progress

Earnings from interior decorating magazines tripled in 1999, largely due to the performance of *Décoration Chez-Soi* and *Les idées de ma maison*. Our interior decorating sector has now captured more than 80 percent of the market share in Quebec. The entertainment weekly *Échos Vedettes* continued its growth and increased its earnings, while the alternative newspapers *The Mirror* and *Ici vivre à Montréal* surpassed objectives.

OPPOSITE PAGE
A fashion photo shoot for Publicor's popular women magazine *Clin d'œil*.

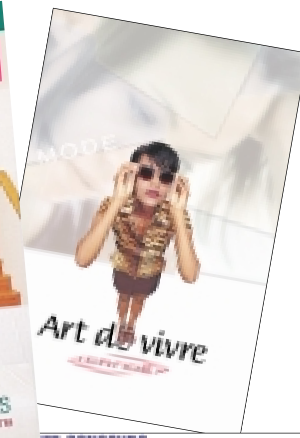
The Archambault store at the corner of St. Catherine and Berri in Montreal has the largest piano department in Eastern Canada.

Synergy and People

On February 13, 2000, a new project emerged from the synergy between Publicor and TQS. *Des Décors et des Gens*, a weekly television show on TQS, draws inspiration for its subject matter from the magazine *Les Idées de ma Maison*. The concept extends the use of the editorial content of our magazines to other communications media. With TQS' collaboration, the formula could eventually be adopted by other magazines in the Publicor family.

In fact, *Art de Vivre*, a new section on Quebecor New Media's Canoë portal, draws its content from the vast information resources provided by Publicor's various magazines.

This is another example of the productive exchanges made possible by meaningful dialogue between Quebecor's different entities.



Publicor, which publishes three women's magazines: *Clin d'oeil*, *Femme Plus* and *Filles d'aujourd'hui*, underwent major repositioning in the women's magazine market in 1999. The division updated its computer graphics layout and its editorial content to re-establish itself as the leader in this field in Quebec.

The new management team brought in by Communications Gratte - Ciel ltée to oversee operations at *Ici vivre à Montréal*, one of two alternative newspapers published by the subsidiary, showed itself to be up to the task. Communications Gratte-Ciel produced and launched a Web site for the alternative weekly (www.icimontreal.com) in collaboration with Intellia.

In the contract-publishing sector, Publicor offers all-inclusive services for corporate magazines such as *Les idées Réno-Dépôt*, *Sympatico* and the Office de la langue française du Québec's *Infolangue*. The contract-publishing sector has strong growth potential, especially given Quebecor's advantageous positioning in the rapidly expanding field of New Media. Publicor plans to take advantage of this strength to attract new clients and increase the scope of its activities.

Print Media and Multimedia: A Winning Pair

For the Magazine sector, the appearance of new technologies related to the Internet and to electronic media holds extraordinary potential for growth. The result will be many new business opportunities. For example, the Magazine sector is developing innovative strategies using *Échos Vedettes'* impressive archives, a wealth of information gathered over the entertainment weekly's 38-year existence.

MUSIC

Groupe Archambault Inc.

Groupe Archambault Inc. is the largest company in the music business held by Quebec-based interests. It consists of 12 Archambault megastores, a PolySons record store, exclusive music and video distribution (Distribution Select, Musicor and Musicor Video), and music and video sub-distribution (Distribution Trans Canada) divisions.

Major Successes

In September 1999, a transactional Web site (*archambault.ca*) was launched, making it possible for Internet customers to purchase CDs and books online. With its selection of 150,000 CDs, 300,000 book titles, and more than 45 musical selections in MP3 file format, the site was an immediate commercial success, with sales amounting to double original projections.

In February 1999, Archambault was awarded the prize for best record store chain by the Rencontres Professionnelles de l'Industrie Québécoise du Disque et de la Radio for the third consecutive year.

The Largest Network of Record Stores in Eastern Canada

Archambault has the largest network of CD, book, video, newspaper and magazine, musical instrument and sheet music retail outlets in Eastern Canada. It is also well established as the second-largest network of French-language bookstores in Quebec.

The evolution of Archambault was shaped by two major trends in 1999. First, Archambault continued to develop its network of megastores, a wave of the future in line with consumer expectations, and opened a new retail outlet covering more than 22,000 square feet in Anjou, Quebec. Archambault's operations will be concentrated in megastores from now on.

Second, Archambault developed a state-of-the-art Web site that allows consumers to make online purchases. The site, which was developed in collaboration with Intellia, is one of the most sophisticated e-commerce sites in Quebec. It met with tremendous success from the moment it was launched in September.

In 2000, Archambault plans to finish computerizing all its stores, and expand its retail operations into new regions not yet serviced by its stores, notably in the Ottawa Valley. The company will also relocate some Archambault stores to larger premises.

Exclusive Distribution Rights

Distribution Select, Musicor and Musicor Video form the most important independent music and video distributor in Canada. In 1999, they joined forces with wholesaler Distribution Trans Canada, bringing their warehouses and sales offices together in a single building of close to 44,000 square feet in Saint Laurent, Quebec. The move has already made it possible to save space, increase efficiency and streamline warehousing operations.

In addition, Distribution Select, Musicor and Musicor Video signed exclusive distribution contracts with important independent Canadian record producers in 1999. To ensure the future growth of their operations, the three companies restructured their marketing divisions in Toronto, Vancouver, Calgary, Winnipeg and Moncton.

The volume of business in the exclusive independent music and video product distribution sector in Canada is growing steadily. To take advantage of these opportunities for growth, Distribution Select, Musicor and Musicor Video plan to increase their presence in Toronto markets by means of an in depth catalogue with more English, ethnic and instrumental musical products.

Still more success...

At the 1999 ADISQ Gala held in Montreal, 34 of the 54 Felix Awards went to artists, producers, industry professionals and products associated with Distribution Select or Musicor.

For the 14th year in a row, Distribution Select was awarded the Felix for Distributor of the Year. Distribution Select and Musicor distributed 29 of the 40 best-selling French-language albums in Quebec in 1999.

Sub-distribution

Distribution Trans Canada is the largest wholesaler in Quebec's record industry. The company has a catalogue of 70,000 albums and services a network of more than 640 retail outlets.

In 1999, the division signed an exclusive agreement with the Groupe Jean Coutu (PJC) Inc., the largest chain of pharmacies in Quebec, to act as the chain's sole video supplier. Under the terms of this agreement, Distribution Trans-Canada will supply videos to 180 retail outlets.

Distribution Trans Canada also consolidated its sales and warehousing activities with those of Distribution Select, Musicor and Musicor Video. The restructuring that resulted from this operation already offers increased possibilities for synergy between the distribution and sub-distribution divisions. It has also permitted order processing to be accelerated and the number of joint promotional ventures to be increased.

A Merger of Two Industry Leaders, the Creation of One Industry Giant

The major event of the year for Quebecor Printing Inc. was undoubtedly its merger with a former American competitor, World Color Press, Inc. Through this merger, the most important in the Company's history, Quebecor Printing became the world's largest commercial printer. The new entity will operate under the name Quebecor World as soon as shareholders approve its new corporate identity.

Jean Neveu
Chairman of the Board,
Quebecor Printing Inc.

Charles G. Cavell
President and Chief
Executive Officer,
Quebecor Printing Inc.

Since the late 1980s, Quebecor Printing has actively pursued growth through acquisition and strategic investment. The Company has thus expanded from its Canadian roots to become a major industry consolidator on three continents, making more than 60 acquisitions, estimated at US$5.4 billion. The acquisition of World Color for US$2.7 billion represents the largest transaction in the history of commercial printing.

Record Results in 1999

The subsidiary Quebecor Printing posted revenues of $7.4 billion in 1999, a 30 percent increase over the previous year. This increase is essentially due to revenues from World Color operations during the last quarter of the year.

Operating income before non-recurring items totalled $703.4 million, compared to $469.3 million in the previous year. This represents growth of almost 50 percent.

One-time restructuring and other non-recurring charges of $267.6 million were recognized to ensure the integration of the World Color operations and improve the Company's operating performance in France. The merger increased Quebecor Printing's financial leverage, which temporarily raised the debt to capitalization ratio above normal levels. However, by the end of 1999, Quebecor's total debt had dropped compared with its level at the time of the merger. The Company plans to return to a one-to-one debt to capitalization ratio as early as the end of year 2000.

A Year of Achievements

While the merger of Quebecor Printing and World Color stands out as the key event of 1999, a number of other significant accomplishments also played a part in making it an exceptional year.

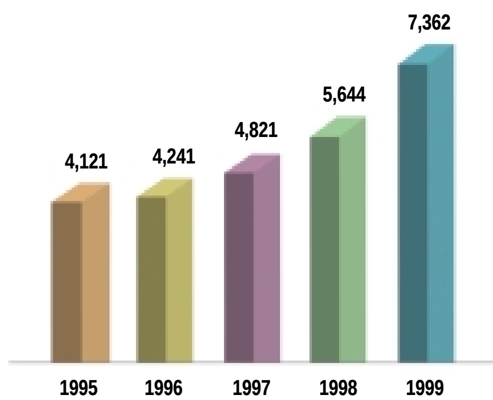
Excellent rotogravure results – Profit margins from operations in the United States rose as a result of changes enabling the rotogravure network to increase efficiency and productivity in serving the American market for retail inserts. This strong performance was due largely to the success of an ambitious modernization program carried out over the last three years.

Outstanding results in Canada – Strong performances in each of the Company's Canadian divisions translated into record revenues and profit margins. Our ability to respond to customers' needs with high-quality solutions combining print and New Media, and our implementation of aggressive cost-cutting initiatives also had a positive effect on results.

Extending networks and conquering new European markets – Acquisitions in Spain and Austria expanded the Company's geographic and product reach. Through the acquisition of Cayfo S.A., the second-largest book publisher in Spain, Quebecor Printing gained access to the European book market. In addition, the acquisition of Oberndorfer Druckerei, a leading Austrian web offset printer, enabled the Company to penetrate the German market. Oberndorfer Druckerei exports roughly 60 percent of its production to Germany.

Increased manufacturing capabilities in Latin America – The purchase of the printing assets of Editorial Perfíl, a leading Argentinian magazine producer, enabled the Company to gain a foothold in the Latin American rotogravure market and to expand production into

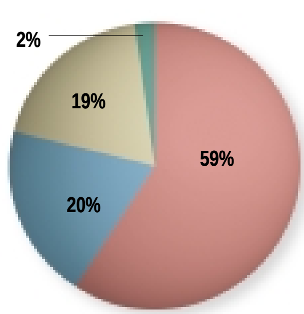
Revenue Progression over Five Years ($ millions)



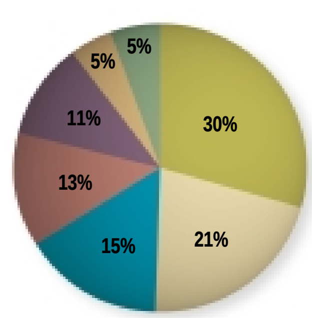
Revenue Distribution ($ millions)

BY REGION

United States	4,367
Canada	1,446
Europe	1,405
Latin America	144
Total	7,362



BY PRODUCT



Magazines	2,176
Inserts and circulars	1,547
Catalogs	1,146
Books	959
Direct mail	789
Digital services and other value-added products	397
Directories	348
Total	7,362

The FNAC, a Major European Client, Takes Advantage of our Multiservice Offer

The FNAC is a major European retailer of books, CDs, videos, CD-ROMs and software, as well as a wide range of computer and electronic equipment. For several years, Quebecor Printing has provided prepress, printing, finishing and shipping services for print advertising targeting clients of the chain's sales outlets, with circulation ranging from 175,000 to 500,000 copies. The FNAC is also a major client of Cythère, the leading Internet company in France, which became part of the Informission-Intellia family in January 2000. Cythère has served as the FNAC's Internet-strategy consultant, participating in the creation of a virtual store *(www.fnac.com)* which has rapidly become one of the most popular transactional sites in France.

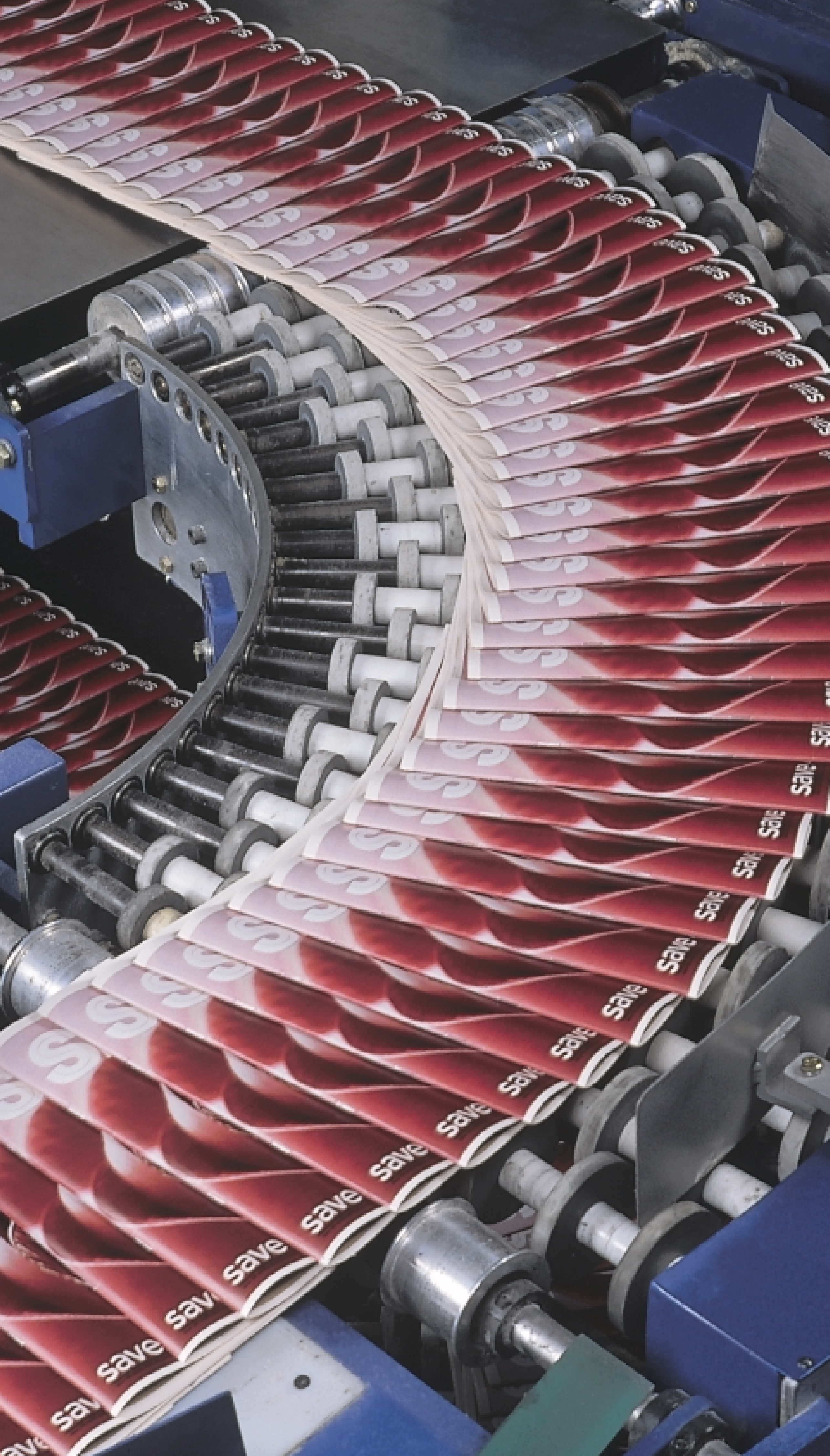
With its vast geographic reach, Quebecor is able to satisfy the needs of customers in both local and foreign markets. Our technological expertise enables us to provide large companies from Europe and North and Latin America with communication solutions and strategies that efficiently combine print and New Media.

retail inserts. Through a strategic alliance with Gráfica Melhoramentos, a Brazilian publisher and printer, Quebecor Printing gained direct access to Brazil's commercial print market, the largest on the continent.

New contracts and contract renewals – Early in 2000, the Company extended its contract with Sears Canada for a ten-year period. Under the agreement, which is valued at more than Cdn$1 billion, Quebecor World will produce catalogues and provide prepress and electronic file-management services. In 1999, Quebecor Printing also extended contracts with Associated Newspapers Limited in the United Kingdom for the printing of newspaper supplements (seven years,US$325 million) and with Editorial Perfíl in Argentina for the printing of magazines (ten years, US$400 million).

Through this merger, the most important in the Company's history, Quebecor Printing became the world's largest commercial printer

Strategic investment – In 1999, Quebecor Printing invested US$195 million to grow organically, increase shop efficiency and improve customer service. The modernization of the rotogravure network in the U.S. is now complete and the Company is focusing on the integration the two amalgamated companies. Capital investment will be maintained at approximately US$250 million in 2000. Between 1997 and 1999, Quebecor Printing and World Color Press invested some US$1.2 billion to expand their technical capabilities.


save

Core business activities – The Company sold its Canadian division BA Banknote to German banknote printer Giesecke & Devrient GmbH. This decision, like the divestiture of cheque and credit card operations in 1998, reflects the Company's intention to focus on the core business activities at which it excels.

OPPOSITE PAGE
A web offset press at the Covington plant in Tennessee.

Printing a flyer for Sears Canada, one of our major clients.

A Whole Greater than the Sum of its Parts

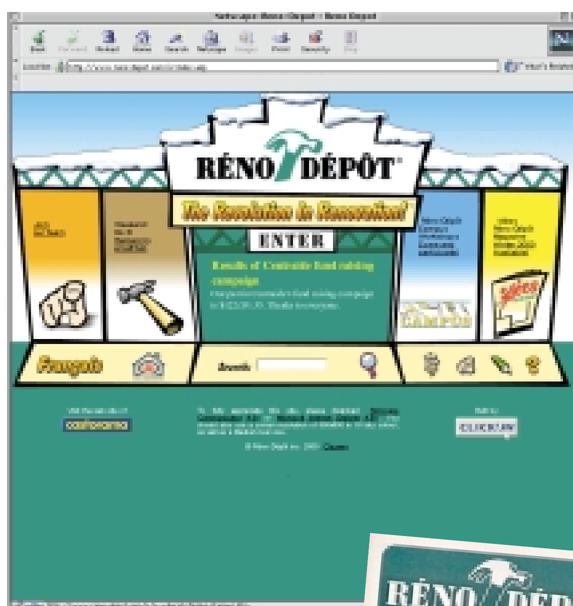
The merger with World Color enabled Quebecor Printing to double its size in the U.S., the world's premier commercial print market, and benefit from several other advantages. Synergies achieved through the integration of manufacturing, sales, head offices and distribution have already translated into greater operating efficiency. Within a few weeks of the merger, the economies of scale initially estimated at US$50 million by the Company were revised upwards to US$100 million.

World Color brought a highly skilled executive team, a solid U.S. presence and well established business relationships with principal American retailers and publishers to the

A Strong Partnership with Réno-Dépôt

With a network of ten megastores in operation and five other megastores under construction, Réno-Dépôt Inc. is a leading Canadian hardware, renovation and gardening supplies retailer. The company relies on Quebecor for a number of services. Quebecor Printing's LaSalle plant produces Reno-Dépôt's tabloid-format circulars and catalogues, using prepress services provided by Quebecor Printing Graphique Couleur. In addition, Publicor provides all-inclusive contract publishing services for the production of the magazine *Les Idées Réno-Dépôt*. Réno-Dépôt also regularly advertises in the special renovation supplements published by *Le Journal de Montréal* and *Le Journal de Québec*, as well as on the TQS television network.

As far as electronic communication channels are concerned, Réno-Dépôt is a highly innovative customer, and Quebecor is able to meet its needs every step of the way. For instance, one of the sections on the company's Web site is *Weekend Do It*, produced by the people at St. Remy Media, a subsidiary of Quebecor Communications. In addition, *Le Journal de Montreal*'s Web site features a hyperlink to Réno-Dépôt's site. A project to develop new e-commerce solutions for the retailer is currently in the works with Quebecor New Media's Canoë portal.



Réno-Dépôt gets the most out of the wide range of services Quebecor provides for all communications channels currently available. Our one-stop source of solutions gives Réno-Dépôt a competitive edge in increasing its visibility with its target clientele. The members of the Quebecor group are proud that Réno-Dépôt has chosen them as business partners for all of its communication activities.

Global Bid to a Prestige Client

Universal Studios Recreation Group, a world leader in the entertainment business, is a long-time client of Quebecor Printing. Universal's operations include theme parks in Orlando, Florida, and Los Angeles, California. Quebecor Printing provides prepress services and prints a wide range of publications, such as tourist brochures, hotel and travel guides, and newspaper and magazine advertising supplements.

In addition, Informission-Intellia has designed, developed and personalized a Web interface for Universal Studios, in partnership with Logibro Inc., a company that specializes in enterprise and e-commerce solutions for the travel and tourism industry. Via Universal's transactional Web site, surfers can obtain information about the services offered and buy theme park passes and package deals.

This example illustrates Quebecor's ability to bring together a wide range of expertise and distribution channels to provide a wide variety of products and services that meet the needs of clients.

partnership. For its part, Quebecor Printing contributed first-rate management and a coveted position in international markets. As a result, the new Company, Quebecor World, is greater than the sum of its parts. Quebecor World is able to offer its clients the following advantages.

An expanded manufacturing platform – Quebecor World operates the largest network of commercial printing plants in the world.

Highly efficient networks – With the addition of World Color assets, the Company's U.S. rotogravure and offset networks now extend from coast to coast.

Market leadership – The combined operations of the two companies have made Quebecor World the foremost leader in magazines, catalogues, retail inserts and specialty printing in the United States. The Company is also the world's leading book publisher, as well as a major producer in directories.

Broader technical expertise – The Company now offers a broader range of technical services in document customization, as well as in the growing New Media sector.

The integration of Quebecor Printing and World Color began during the last quarter of 1999 with consolidation of purchasing and certain other corporate services in the United States. The U.S. sales team was also reorganized to enhance international sales. Early in 2000, the Company began to restructure its U.S. manufacturing platform to create a more efficient plant network. The Company will now focus on its most productive plants and increase product specialization.

Quebecor World, A Growing Force in New Media

Quebecor World has now expanded well beyond its traditional role as a printer. Increasingly, we are combining print and new media to provide clients with access to a wider range of communication channels and marketing strategies. This symbiosis benefits both clients and Quebecor World alike: it enables clients to maximize their creative and strategic potential, while permitting Quebecor World to develop new business opportunities and deepen relationships with existing clients. Our one-stop service reduces the number of intermediaries with whom our clients must negotiate to get their messages into the marketplace and reach their target clientele. Quebecor World is a cutting-edge innovator in process integration on several accounts.

Maximizing information – Quebecor World can digitize information and re-use it numerous times in different electronic and print products. This reduces the cost and complexity of integrating clients' multimedia communication and marketing plans.

Facilitating the transition to New Media – To ensure a smooth transition to electronic media, Quebecor World offers clients a line of services and digital tools such as Web site design and hosting, archiving, data mining, and Web-enabled communications and marketing strategies.

Capitalizing on new demand for print – Successful electronic media strategies result in greater demand for print. Web-zines, for instance, are being republished as magazines, while new dot-com businesses are mounting direct mail campaigns to increase sales. Due to its broad manufacturing capabilities, Quebecor World is well positioned to take advantage of the momentum of Internet marketing activities.

> **Increasingly, we are combining print and New Media to provide clients with access to a wider range of communication channels and marketing strategies**

Leveraging Quebecor's client relationships – Quebecor World provides its clients with access to the broad range of services offered by the Quebecor group, notably, to major print and electronic distribution channels such as CANOE and Canoë, two of the busiest Internet portals in Canada, to the resources of the Sun Media newspaper chain and to Informission-Intellia, the foremost Web integrator in Canada and a major player in Europe.

Strong Leadership and Dedicated Personnel

More than 40,000 people, employed in a network of 160 printing and related facilities located in 15 countries, contribute to the quality products that Quebecor World offers its clients. In 2000, Quebecor World will focus on integrating the Company into a single global network. The savings and synergy created by restructurating initiatives will make it possible to increase earnings at a rate comparable to 1999. Quebecor World is confident that it has put in place the executive team, human resources and operating capabilities necessary to continue its growth and capitalize on its position as a global industrial force.

Forest Products
A Strong Performance

Michel Desbiens
President and Chief Executive Officer, Donohue Inc.

Charles-Albert Poissant
Chairman of the Board, Donohue Inc.

Net sales rose to $2,484 million in 1999, compared with $2,296 million in 1998 and $1,745 million in 1997. The growth over 1998 is due to increased sales in the Company's three areas of activity (newsprint, market pulp, lumber), especially in the newsprint sector, due to the inclusion in the 1999 results of an entire year of sales for the two Texas newsprint and specialties mills. The higher lumber and market pulp prices that were the consequences of the robust American economy and the recovery of Asian markets, also contributed to the Company's business growth. However, average selling prices in the newsprint and specialties group were significantly lower than in the previous year.

In terms of profitability, the Company posted net earnings of $212.4 million, compared with $229.2 million in 1998 and $155.5 million in 1997.

Acquisitions, Asset Disposals and Investments

On August 4, 1999, Donohue acquired the remaining 50.1 percent of Finlay Forest Industries Inc.'s capital stock not already owned by the company, of which 49.9 percent was held by Slocan Forest Products Ltd., for cash compensation of $80 million. Finlay's facilities are located in Mackenzie, British Columbia, and include a newsprint and specialties mill with an annual production capacity of 200,000 metric tonnes, as well as two nearby sawmills with an annual production capacity of 360 million FBM. This acquisition is consistent with the Company's global expansion strategy and will allow us to respond more efficiently to the needs of our customers worldwide.

In December 1999, the Company also sold its 50-percent share in the joint venture Donohue Matane Inc., located in Matane, Quebec. The plant produces bleached chemi-thermomechanical pulp (BCTMP) from softwood and/or hardwood chips, with an annual capacity of 200,000 metric tonnes. The Company's decision was prompted by a desire to focus on operations better suited to its business strategy.

A Performance-Oriented, Integrated Producer

Donohue is a Canadian integrated forest products company. Its forestry exploitations supply its sawmills, which produce lumber and wood chips. These products are then processed in the Company's newsprint and specialty mills and market pulp mills. Most of the remaining fibre required for paper production comes from paper recycling centres operated by the Company, ensuring a high level of fibre self-sufficiency for its pulp and paper mills. Furthermore, Donohue has long-term supply contracts in certain regions. All of the Company's mills are located in North America in the provinces of Quebec, Ontario and British Columbia in Canada, and in Texas in the United States.

Capital expenditures totalled $290.2 million in 1999, compared with $119.3 million in 1998 and $86 million in 1997. Higher expenditures in 1999 were due primarily to the inauguration of our program to modernize two mills in Texas. During the first phase of the project, which got under way at the end of 1998, a total of US$102 million will be invested in the Sheldon newsprint mill. This phase includes improvements to three paper machines, which should be completed by the beginning of 2000, increased development of paper collection, sorting and recycling activities in Texas and in neighbouring states, as well as the expansion of the de-inking plant, which should start at the beginning of the second quarter of 2000.

The second phase of our modernization program, undertaken in early 1999, focuses on the Lufkin newsprint and specialties mill. It involves the transformation of the kraft pulp mill to comply with the new American environmental standards, and the replacement of three paper machines with a single, more modern one. The work, which requires an investment of US$230 million, should be completed before the end of year 2000.

All of Donohue's mills are equipped with modern, efficient tools, making it one of the most cost-efficient forest product producers in North America.

A Responsible Corporate Citizen

Donohue is rigorous in the implementation of environmental policies in all of its network facilities; it has an exemplary record in this domain, not only complying with, but often exceeding environmental standards.

The Company subscribes to the principle of sustainable forest management and has already adopted measures designed to minimize the repercussions of its activities on the environment. In addition, it has begun the process to obtain, as soon as possible, certification of compliance with approved standards of forestry practices.

A Promising Future for the Industry

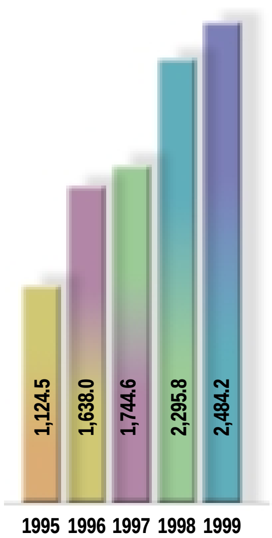
The recovery of the Asian economy and the strong American economy had a positive impact on two of Donohue's three core businesses, namely lumber and pulp, which boasted solid performances in 1999. For its part, the newsprint and specialties sector began to show signs of improvement toward the end of the year. Prospects for the year 2000 are promising.

The Company successfully completed the integration of Champion's Texas newsprint and specialties manufacturing operations acquired in 1998. The modernization program, which should be completed by year-end 2000, will make the two mills highly competitive in terms of quality and cost-effectiveness. Donohue is one of the most cost-effective producers in each of its fields of activity and its mills are among the most modern in the industry. It also maintains extremely high quality standards. As a result, the Company is able to post superior financial results as one of the best performing organizations in its sector in North America.

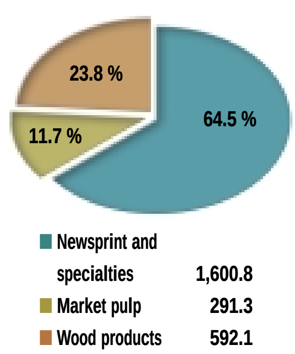
OPPOSITE PAGE
A load of wood at one of the Finlay plants in Mackenzie, British Columbia.

One of Quebec's coniferous forests.

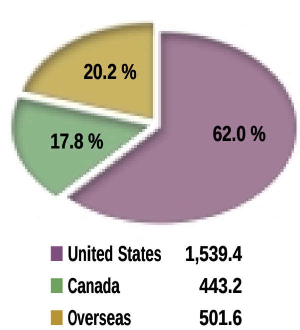
Net Sales
(in $ millions)



Distribution of Sales by Product
(in $ millions)



Distribution of Sales by Region
(in $ millions)



Company's Structure

Through its direct and indirect interests in several corporations, Quebecor Inc. operates in six different segments. It has a controlling interest in three publicly held corporations, Quebecor Printing Inc., Donohue Inc. and Informission Group Inc.; it has a majority interest in Sun Media Corporation and TQS Inc., and it is the sole shareholder of Quebecor New Media Inc. and Quebecor Communications Inc.

Quebecor Printing Inc. is active in the printing industry. It is the world's largest commercial printer. It prints magazines, advertising inserts and circulars, catalogues, books, specialty printing products and directories. It also owns and operates CD-ROM mastering and duplication facilities. Quebecor Printing Inc. has plants in the United States, Canada, France, the United Kingdom, Spain, Germany, Austria, Sweden, Finland, Chile, Argentina, Peru, Colombia, Mexico and India.

Donohue Inc. is an integrated forest products company with mills in Canada and the United States. Its woodlands operations supply timber to its sawmills, which produce lumber and wood chips. These are then processed at its newsprint and specialty mills and its market pulp mills. The remainder of the fibre used to produce paper comes primarily from the company's paper recycling centres.

Sun Media Corporation publishes and distributes daily, weekly and monthly newspapers and specialty publications throughout Canada and in Florida in the United States. It is Canada's second-largest newspaper publisher in terms of circulation.

Quebecor Communications Inc. operates in the fields of publishing (books and magazines), distribution and retail sales (books and records). Its operations are concentrated in the province of Quebec.

TQS Inc. operates a general-interest French-language television network in the province of Quebec.

Quebecor Inc. operates in two different niche markets in the New Media segment. Through its controlling interest in Informission Group Inc., it operates a business in Canada, the United States and Europe that provides e-commerce solutions combining strategy, technology integration, IP solutions and creativity on the Internet. Through its wholly owned subsidiary Quebecor New Media Inc., Quebecor Inc. operates English-language and French-language portals (CANOE and CANOË), as well as various specialty Web sites in Canada.

Quebecor Inc.'s share in the earnings of certain subsidiaries has varied over the past three years. At the beginning of 1997, 48.66% of Quebecor Printing Inc.'s earnings accrued to Quebecor Inc. As at December 31, 1998, this share had not varied significantly and stood at 48.55%. However, following a public share issue, Quebecor Inc.'s share declined to 45.85% in May 1999. Following the acquisition of World Color Press, Inc., for which a portion of the consideration was paid through the issuance of capital stock of Quebecor Printing Inc., in October 1999, Quebecor Inc.'s interest was reduced to 38.05% and remained at that level until December 31, 1999. Quebecor Inc.'s share in the earnings of Donohue Inc. did not vary significantly during this period. It stood at 19.78% at the beginning of 1997 and at 19.54% as at December 31, 1999. Quebecor Inc. acquired a 58.23% interest in Informission Group Inc. on November 1, 1999. It purchased all of the outstanding shares of Sun Media Corporation on January 7, 1999. After merging its newspaper publishing and distribution operations with those of Sun Media Corporation, Quebecor Inc. sold a 30% interest in the new Sun Media Corporation in June 1999.

Quebecor Inc. exercises a controlling interest in two of the publicly held corporations mentioned above through Multiple Voting Shares. As at December 31, 1999, Quebecor Inc. held 78.67% of the voting rights in Quebecor Printing Inc. and 63.11% of the voting rights in Donohue Inc.

Operating Results

The results for the year ended December 31, 1999 cover an operating period of 53 weeks whereas the results for the years ended December 31, 1998 and 1997 cover an operating period of 52 weeks.

When a subsidiary of Quebecor Inc. issues shares in its capital stock, the parent company's interest in the subsidiary may decrease. Such a decrease causes a dilution that, for accounting purposes, is considered as a disposal of the parent company's interest in the subsidiary. Consequently, the parent company recognizes gains or losses on dilution for the difference between the book value of the interest thus sold to third parties and the proceeds of the share issue. These gains or losses are presented separately in the consolidated statement of income as non-recurring items. In 1999, share issues by Quebecor Printing Inc. and Sun Media Corporation produced gains on dilution totalling $376.6 million or $5.82 per share.

Results for the year ended December 31, 1999 were impacted by certain other non-recurring items. Quebecor Printing Inc. recorded a special charge of US$180 million (Cdn$268 million) in connection with a far-reaching rationalization project in the United States and Europe. This charge includes a write-down of certain assets, a provision for compensation, benefits and other personnel costs, as well as certain other non-recurring expenses. Quebecor Communications Inc., Quebecor New Media Inc. and the parent company also recorded non-recurring expenses totalling approximately $10 million for the write-off and write-down of certain assets, primarily goodwill and fixed assets for which it was determined that a permanent impairment in value has arisen. Non-recurring expenses net of income taxes and non-controlling interest totalled $80.6 million or $1.25 per share.

Excluding the gains on dilution and the non-recurring expenses mentioned above, consolidated net income would have attained $185.0 million or $2.86 per share in 1999, compared to $172.7 million or $2.64 per share in 1998 and $143.3 million or $2.18 per share in 1997.

Beginning in 1999, Canadian accounting standards allow an entity to present net income and earnings per share amounts before amortization of goodwill. In this respect, given the numerous acquisitions made by the Company in 1999 and in prior years for which substantial goodwill was recorded, the growth in income is much higher. Excluding gains on dilution and non-recurring expenses, net income before amortization of goodwill is as follows: $228.4 million or $3.53 per share in 1999, compared to $188.9 million or $2.89 per share in 1998 and $154.1 million or $2.34 per share in 1997. The increase in earnings per share before amortization of goodwill was therefore 22.1% in 1999, compared to 23.5% in 1998.

The 1999 growth in earnings per share before amortization of goodwill over the prior year is a result of significantly higher contributions from Quebecor Printing Inc. and Sun Media Corporation. Donohue Inc.'s contribution to earnings is slightly lower than its 1998 contribution. In 1998, the growth in earnings per share before amortization of goodwill resulted from significantly higher contributions from Quebecor Printing Inc. and Donohue Inc. Quebecor Communications Inc.'s contribution was down from the prior year. An analysis of operating results by business segment is presented hereafter.

Quebecor Inc.'s earnings per share are sensitive to fluctuations in the exchange rate of the Canadian dollar against the U.S. dollar, since a large portion of its operations are related to exporting products to the U.S., especially in the case of Donohue Inc., and to the operation of plants located in the U.S., especially in the case of Quebecor Printing Inc. and, since 1998, Donohue Inc. Every variation of Cdn$0.01 in the average exchange rate would have resulted in a variation of approximately $0.025 in earnings per share for the year ended December 31, 1999.

Quebecor Inc.'s interest in newsprint production, through its subsidiary Donohue Inc., is partially offset by the quantity of newsprint consumed by Sun Media Corporation. This lessens the impact of changes in the price of newsprint on Quebecor Inc.'s earnings.

Printing

On July 12, 1999, Quebecor Printing Inc. and World Color Press, Inc. ("World Color") announced that they had signed a final merger agreement whereby Quebecor Printing Inc. was to purchase all of World Color's shares. World Color was the second-largest commercial printer in the United States. That transaction, the largest ever in the printing industry, has made the merged company, known as Quebecor World Inc., the world's largest commercial printer of magazines, catalogues, books, inserts and circulars and specialty printing and direct-mail solicitation products.

Pursuant to a takeover bid filed on July 16, 1999, Quebecor Printing Inc. acquired 50.4% of the outstanding shares of World Color on August 20, 1999. On October 8, 1999, World Color was amalgamated into a subsidiary of Quebecor Printing Inc. created specifically for the purposes of the merger. The total cost of the transaction was US$2.7 billion, including the assumption of World Color's debt and the value of the Quebecor Printing Inc. shares issued. The portion of the consideration paid in cash amounted to US$853 million and was funded through a credit facility made available to Quebecor Printing Inc. for this purpose.

World Color's results were included in the Company's consolidated income from August 20, 1999, with a 49.6% share allocated to non-controlling shareholders, and were included entirely (100%) in the Company's consolidated income from October 8, 1999.

Quebecor Printing Inc. made several other acquisitions of a more minor nature in 1999 and in the two previous fiscal years in Europe, Canada, the United States and South America. Moreover, in October 1999, Quebecor Printing Inc. sold the assets of its BA Banknote division that specialized in bank note printing. In September 1998, it sold its cheque printing and credit card manufacturing division.

Quebecor Printing Inc.'s revenue and operating income before non-recurring items reached record levels in 1999. This is the eighth consecutive year in which Quebecor Printing Inc. has recorded growth in both its revenue and operating income.

Quebecor Printing Inc. posted increases in its revenues of $1.7 billion (30.4%) in 1999 and $822 million (17.1%) in 1998. The businesses acquired over the past three years, in particular World Color, which was acquired in 1999, contributed to a great extent to this growth. The relative weakness of the Canadian dollar, particularly against the U.S. dollar, also contributed significantly to the increase in Quebecor Printing Inc.'s 1998 revenues, stated in Canadian dollars. Exchange rate variations had a negligible impact in 1999. Magazines were Quebecor Printing Inc.'s largest market in 1999, as in 1998 and 1997. Revenue from magazine printing, as a percentage of Quebecor Printing Inc.'s total revenue, rose slightly to 30% in 1999 from 29% in 1998. Revenue from printing inserts and circulars (21%) and catalogues (15%) remained unchanged compared to prior year levels, while revenue from these products as a percentage of total revenue rose in 1998 as compared to 1997. Revenue from book printing, as a percentage of Quebecor Printing Inc.'s total revenue, decreased in 1998 as a result of strong competition in book printing due to excess capacity, lower demand and publisher mergers. In 1999, revenue from book printing as a percentage of total revenue remained stable at 13%.

Quebecor Printing Inc.'s operating margin before amortization of goodwill was 9.6% in 1999, compared to 8.3% in 1998 and 8.0% in 1997. The 1999 increase was due to productivity gains in the U.S. plants as a result of the retooling of rotogravure printing facilities, the improved performance of the Canadian plants and higher business volumes, due mainly to the acquisition of World Color that was completed during the busiest period of the year. The increase in the 1998 operating margin was due to a number of factors, including the retooling of rotogravure printing facilities and the reorganization of operations in the U.S. In the fourth quarter of 1998, Quebecor Printing Inc. recognized a gain of close to $21 million from the sale of its cheque and credit card divisions. In the same quarter, it recorded expenses of $28.9 million related to the reorganization of its operations in the U.S.

Forest Products

On February 11, 2000, Abitibi-Consolidated Inc., Donohue Inc. and Quebecor Inc. announced that they had signed agreements whereby Abitibi-Consolidated Inc. will offer to purchase all of Donohue Inc.'s outstanding shares at an estimated price of Cdn$42.00 per share of Donohue Inc., to be paid in cash and shares. Under the agreements, Quebecor Inc. has irrevocably committed itself to tender all of its shares in response to Abitibi-Consolidated Inc.'s offer. The proposed business combination has been approved by the board of directors of the three companies and it is expected that the transaction could be finalized toward the end of the first quarter of 2000. The transaction will be recorded as a reverse takeover of Abitibi-Consolidated Inc. by Donohue Inc., as the latter's shareholders will receive a sufficient number of Abitibi-Consolidated Inc. shares to enable them to acquire control of this company. Quebecor Inc. will hold an interest of approximately 11% in the new company in terms of both the number of shares and voting rights held. Since Quebecor Inc. will not control nor exercise a significant influence over the new company, this interest will be accounted for as a portfolio investment. Consequently, the Forest Products segment will be considered as a discontinued operation as of the first quarter of 2000 and the comparative figures will be restated accordingly. In the first quarter of 2000, Quebecor Inc. will recognize a gain on dilution of its interest in Donohue Inc. The amount of the gain cannot be determined before the closing of the transaction.

On August 4, 1999, Donohue Inc. acquired the 50.1% of Finlay Forest Industries Inc. it did not already own for $80 million. Finlay's facilities, all located in Mackenzie, British Columbia, include a newsprint and specialties mill with an annual production capacity of 200,000 metric tonnes and two sawmills that are located near the paper mill and have a total annual production capacity of 360 million board feet. Donohue Inc. is now the sole owner of these facilities. On December 3, 1999, Donohue Inc. sold its 50% interest in the Donohue Matane Inc. joint venture located in Matane, Quebec. This company's facilities included a bleached chemi-thermomechanical pulp mill (BCTMP) where pulp was made from softwood and/or hardwood chips and that had a capacity of 200,000 metric tonnes.

The $188-million increase in revenues in 1999 over 1998 is due to higher sales volumes in the three businesses, in particular in the paper business due to the fact that the 1999 figures include the full-year results of the two Texas newsprint and specialty mills, compared with only seven months in 1998. Higher selling prices of lumber and market pulp as a direct result of the strength of the U.S. economy and the economic recovery in Asian countries also contributed to the rise in revenues. The average selling price of newsprint was, however, much lower than levels recorded in the prior year. Despite the higher paper sales volumes, this substantial price drop caused newsprint and specialty revenues to fall back to 64% of total forest products revenue in 1999, as compared to 68% in 1998 and 55% in 1997. The weakness of the Canadian dollar against the U.S. dollar and the pound sterling had a positive impact on Donohue Inc.

The considerable increase in Donohue Inc.'s revenues in 1998 was due primarily to the acquisition of the two newsprint and specialty mills, located in Texas, from Champion International Corporation. The average selling price of newsprint and specialties was significantly higher than in 1997, also contributing to the higher revenues. On the other hand, the average selling price of market pulp and lumber fell from the previous year as a direct result of the problems in a number of Asian countries throughout 1998. Even without counting the newly acquired mills in Texas, shipments of all products were up from 1997. The large drop in the exchange rate of the Canadian dollar against the U.S. dollar had a positive impact on Donohue in 1998.

Donohue Inc.'s consolidated operating margin fell to 15.6% in 1999 from 21.3% in 1998. The operating margin of the newsprint and specialties group fell significantly due to the large drop in average net selling prices. The weakness of the Canadian dollar against the U.S. dollar and a slight decrease in average production costs resulting mainly from productivity gains helped contain the fall in the group's operating margin. The increase in the average selling price of market pulp combined with lower production costs gave the operating margin for this product a significant boost. The lumber group's operating margin greatly improved in 1999 following an increase in the average net selling price for this product. However, average unit production costs for lumber increased, mainly as a result of the increase in the cost of standing trees, particularly stumpage fees, and as a result of including from August 1999 the entire production volume of the Mackenzie sawmills, which have a higher cost structure than the Eastern Canada mills.

Donohue Inc.'s consolidated operating margin improved in 1998, rising to 21.3% from 20.0% in 1997. The operating margin of the newsprint and specialties group increased significantly due to rising average net selling prices, the relative weakness of the Canadian dollar against the U.S. dollar and a 2% reduction in average production costs at Donohue Inc.'s Canadian mills, due primarily to lower prices for wood chips and used paper, and improved productivity. While profitable, the Texas mills acquired in 1998 had not yet generated operating margins comparable to those of the Canadian mills. The operating margin of both the market pulp and lumber groups declined, due primarily to lower average net selling prices. The unit production cost fell by approximately 3% at the Saint-Félicien kraft pulp mill, due to lower wood chip prices and lower costs for chemicals; it held relatively stable at the bleached chemi-thermomechanical pulp mill in Matane, where higher electricity rates were offset by an effective cost-cutting program. Unit production costs for lumber were reduced by 2% in 1998 due to improved productivity and a better performance in random-length lumber, which were partially offset by the lower selling prices of wood chips. Despite the lower production costs at the sawmills, the introduction of value-added products in early 1998 resulted in a slight increase in costs for the wood products group as a whole.

Newspapers

The acquisition of Sun Media Corporation on January 7, 1999 had a major impact on the Newspapers segment. Quebecor Communications Inc.'s newspaper publishing and distribution operations were merged with those of Sun Media Corporation on February 28, 1999 to form the only national chain of tabloids and local newspapers in Canada. The acquisition cost, net of proceeds from the sale of four broadsheets to Torstar Corporation on March 1, 1999, was $617 million, not including the assumed net debt of $380 million on Sun Media Corporation's books as of the date of acquisition. Sun Media Corporation's results were included in consolidated income from January 7, 1999, except for the results of the four newspapers sold to Torstar that were not considered to be part of the acquisition.

The acquisition of Sun Media Corporation was financed with a $700 million bank credit facility made available by a syndicate of banks, as well as through maintenance of the subordinated notes issued by Sun Media Corporation in 1997 and with a cash contribution of $260 million to the new company's capital by Quebecor Communications Inc. The latter funded its contribution through a temporary bank credit facility of $525 million made available to it and to Quebecor Inc. In June 1999, Quebecor Communications Inc. sold a 30% interest in Sun Media Corporation to three investors for a cash consideration of $260 million that was used to repay the loan.

The very substantial increase in the Newspaper segment's revenues in 1999 is obviously due to the acquisition of Sun Media Corporation. On a pro-forma basis, that is assuming the acquisition of Sun Media Corporation had been completed on January 1, 1998, the Newspapers segment would have posted an increase in revenues of approximately 5.6%. Advertising revenues from urban dailies would have risen 5.5% due to a 4.8% increase in advertising lineage, and urban dailies circulation revenues would have increased by 2.9% in spite of a decrease in average circulation of 0.4%. Community newspapers revenues would have risen 12.1% as a result of the acquisition of certain newspapers in 1999 and an increase in the advertising revenues of existing newspapers.

The operating margin before depreciation and amortization was 22.8% in 1999, compared to 19.7%, on a pro-forma basis, in 1998. This increase is due in large part to the urban dailies, but also to community newspapers, and results from the growth in revenues, the restructuring of operations following the acquisition of Sun Media Corporation, stringent cost-control measures and a decline in newsprint prices.

In 1998, the Quebecor Communications Inc. newspapers posted an increase in revenue of 5.3% over the prior year. The dailies recorded a slight increase in advertising lineage which, combined with higher rates, resulted in an increase of more than 6% in advertising revenues. The average circulation of the dailies dropped by approximately 2%. However, increases in selling prices reduced the decline in circulation revenues during this period. Community newspapers revenues rose, due primarily to the acquisition of *Le Courrier du Sud* in 1998 and Groupe de Presse Bellavance in 1997 and to the revenue growth of existing publications.

The operating margin before amortization of Quebecor Communications Inc.'s newspaper business was 19.3% in 1998, compared to 19.6% in 1997. Revenue increases in 1998 were not sufficient to offset the rise in production costs, in particular the rise in newsprint prices.

Books, Magazines and Music

This segment includes mainly the Company's book publishing operations that are carried on through several publishing houses, its book distribution operations carried on by Québec-Livres, a division of Quebecor Communications Inc., its magazine publishing operations carried on by Publicor, another division of Quebecor Communications Inc., and the distribution of records and retail sales of books, magazines and records by Groupe Archambault Inc., a subsidiary of Quebecor Communications Inc. In 1998 and 1997, this segment also included Joncas Postexperts Inc., a direct marketing and direct-mail solicitation firm that was sold to Quebecor Printing Inc. in early 1999. In addition, at the end of 1998, Quebecor Communications Inc. sold its 50% interest in Publistar Inc. to Trustar Ltd., which held the other 50%. This joint venture published *Le Lundi* magazine.

Excluding revenues generated by Joncas Postexperts Inc. in 1998 and in early 1999, the Books, Magazines and Music segment's revenues would have risen 5.9% in 1999 over the prior year. This growth is due primarily to Groupe Archambault Inc., which alone generates over 60% of the segment's revenues and posted an 11.6% increase in revenues in 1999 due to numerous successes under exclusive distribution agreements and the opening of new retail stores and conversion of existing stores. Magazine publishing revenues fell as a result of the sale of the interest in Publistar and the consolidation of the women's magazines business. Book publishing and distribution operations posted a 6.3% growth in combined revenues.

Excluding the contribution of Joncas Postexperts Inc. and certain unusual items recorded in 1998, namely the gain on disposal of the interest in Publistar Inc., the Books, Magazines and Music segment's operating income grew from $0.2 million in 1998 to $6.2 million in 1999. This considerable improvement is due to the increased profitability of all operations and a decrease in Quebecor Communications Inc.'s administrative expenses following the transfer of its newspapers to Sun Media Corporation.

The Books, Magazines and Music segment's revenues increased by 3.6% in 1998 over 1997. Groupe Archambault Inc. posted a substantial increase in revenues over 1997, due in particular to the opening of new megastores. Magazine revenues declined slightly following the sale of Publistar Inc. Book publishing operations posted a substantial increase in revenues as a result of the acquisition of Les Éditions Logiques Inc. and Logidisque Inc., the success of Les Éditions CEC Inc.'s new releases and the full-year impact of the acquisition of Les Éditions Internationales Alain Stanké ltée and Diffulivre Inc. completed in 1997.

For the year ended December 31, 1998, the Books, Magazines and Music segment's operating income was up slightly, primarily as a result of certain unusual items. Book publishing operations recorded an increase in operating income, however this was offset by a decrease in the book distribution group's operating income. Operating income for magazine publishing was also down, following the sale of Publistar Inc. in late 1998. Although Groupe Archambault Inc. posted a substantial growth in operating income over 1997, this was offset by the increase in Quebecor Communications Inc.'s administrative expenses.

Broadcasting

TQS Inc.'s revenues rose 6.1 % in 1999 over 1998. This growth is due mainly to the increase in advertising revenues resulting in part from the larger volume available, but mainly from a rate increase. Revenues from local advertising made up the major portion of the increase in revenue. Since the interest in TQS Inc. was acquired only on September 1, 1997, TQS Inc.'s revenues were included in the consolidated results for four months only in 1997.

TQS Inc.'s operating loss increased by $1 million in 1999 despite the higher revenues generated. This decline is due to an increase in programming costs and selling and promotion expenses. However, in the fourth quarter of 1999, the loss was only $1.2 million, compared to $2.2 million for the fourth quarter of 1998. This proves the positive impact of the new programming and the recent improvement in ratings. TQS Inc.'s management is confident that it will be able to forge ahead in this positive vein in the year 2000.

New Media

On September 30, 1999, Quebecor Inc., Informission Group Inc. and Intellia Inc., a subsidiary of Quebecor Communications Inc., announced that they had reached an agreement to develop a company that will become a leader in Canada, and eventually in the United States and Europe, in e-commerce solutions that combine strategy, technology integration, IP solutions and creativity on the Internet.

This agreement led to the following transactions, which were concluded on November 1, 1999. Informission Group Inc. acquired all of the shares of Intellia Inc. in exchange for the issuance of 12,214,286 shares of Informission Group Inc. to Intellia Inc.'s shareholders. Prior to this acquisition, Quebecor Communications Inc. made an additional contribution of $40 million to Intellia Inc. Furthermore, Quebecor Communications Inc. made a partial takeover bid for 4,108,108 common shares of Informission Group Inc. at $9.25 per share. Following these transactions, Quebecor Inc., through its wholly owned subsidiary Quebecor Communications Inc., held 15,036,068 shares or 58.23% of Informission Group Inc.'s outstanding shares.

Informission Group Inc.'s results, including those of its wholly owned subsidiary Intellia Inc., were included in consolidated income from November 1, 1999 while the results of Intellia Inc., which was a subsidiary of Quebecor Communications Inc. before this transaction, were included in consolidated income until October 31, 1999. Prior to 1999, Quebecor Communications Inc. recognized only 50% of Intellia Inc.'s results, as this company was held by a limited partnership in which Quebecor Communications Inc. had an equal ownership share with Quebecor Printing Inc. In early 1999, Quebecor Communications Inc. purchased Quebecor Printing Inc.'s interest in this limited partnership.

Following these transactions, revenue from the New Media segment skyrocketed to $21.5 million from $6.9 million in 1998 and $2.4 million in 1997. The operating loss was negligible in 1999, compared with $1.3 million in 1998 and $1.9 million in 1997.

The New Media segment also includes operations of the CANOE and CANOË portals and of various specialty Web sites through the Quebecor New Media Inc. subsidiary.

CANOE (for Canadian Online Explorer) was launched by Sun Media Corporation in 1996. When Quebecor Inc. purchased Sun Media Corporation in early 1999, the latter had a 60% interest in CANOE and the remaining 40% interest was held by a subsidiary of BCE Inc. In June 1999, Quebecor New Media Inc. acquired Sun Media Corporation's interest in CANOE and in Autonet.ca Inc. and in July 1999, it acquired the interest held by BCE Inc.'s subsidiary in CANOE. In September 1999, Quebecor New Media Inc. launched CANOË, the first French-language continuous news and information site, as well as the *archambault.ca* transactional site and in November 1999, it launched the cultural cyberguide *icimontreal.com*.

While revenues from these businesses as a whole were only $3.6 million in 1999, they have grown constantly and rapidly throughout the year. Quebecor New Media Inc.'s management believes this growth should continue at a rapid pace throughout the year 2000. The cost of building, operating and promoting these sites has exceeded by far the revenues they generated in 1999 and consequently, the operating loss was over $10 million. However, Quebecor New Media Inc.'s management views these expenses as a well-founded investment, given the revenue-generation potential of these operations in the coming years.

General Corporate Expenses and Financial Expenses

General corporate expenses are presented net of management fees charged to the various business segments. In 1999, management fees charged and the reversal of provisions, in particular the provision for stock options and the provision for pension expense, exceeded the administrative expenses incurred. The increase in general corporate expenses for the year ended December 31, 1998 is attributable to an increase in certain non-cash charges for which no management fees were charged to the business segments, and to higher expenses related to the stock option plan.

Financial expenses increased substantially in 1999, due mainly to higher average debt levels resulting mainly from the business acquisitions made by Quebecor Printing Inc. and Sun Media Corporation. Quebecor Printing Inc.'s financial expenses were $181.6 million in 1999, compared with $95.3 million in 1998, while Sun Media Corporation's financial expenses were $64.3 million in 1999. In 1998, financial expenses were up over 1997 due to business acquisitions by Donohue Inc. in 1998 and by Quebecor Printing Inc. and Quebecor Communications Inc. in 1997.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

The increase in cash provided by operations over the last two years is basically the result of corresponding increases in operating income before non-recurring items and amortization, less current income taxes. For the year ended December 31, 1999, Quebecor Printing Inc. and Sun Media Corporation recorded substantial increases in cash flow from operations, while cash flow from operations for Donohue Inc. was similar to the level for the prior year. For the year ended December 31, 1998, Quebecor Printing Inc. and Donohue Inc. posted significant increases in operating cash flows, while the other segments, as a whole, recorded a decrease in cash flow from operations. The analysis of operating results provides the appropriate explanation in this regard. Through its securitization of receivables program implemented in 1999, Quebecor Printing Inc. was able to reduce its working capital and recover a considerable amount of cash flow. In 1998, Quebecor Printing Inc. made significant investments in its working capital.

Financing Activities

The financing of two major acquisitions was the highlight of financing activities in 1999. First, Quebecor Printing Inc. obtained financing of US$1.25 billion and refinanced its existing US$1 billion bank credit facilities in order to complete the acquisition of World Color. In addition, financing of $700 million was secured in order to purchase Sun Media Corporation. This latter credit facility is secured by all of the assets and issued and outstanding shares of Sun Media Corporation and its subsidiaries. Moreover, Quebecor Inc. obtained a bank credit facility of $525 million in early 1999 in order to support this acquisition. This bank credit facility was repaid and cancelled during the year. Quebecor Inc. secured a new bank credit facility of $225 million in October 1999 in order to complete the reverse takeover of Informission Group Inc., among other things. This facility was increased to $300 million in February 2000.

In 1998, Donohue Inc., through its wholly owned subsidiary Donohue Forest Products Inc., secured a bank credit facility of US$855 million that was used to acquire Champion International Corporation's newsprint mills.

During the year ended December 31, 1999, Quebecor Inc., as part of a normal course issuer bid, redeemed 18,400 Class A Shares (Multiple Voting Shares) and 220,600 Class B Subordinate Voting Shares for a total consideration of $8.5 million. During the year ended December 31, 1998, Quebecor Inc. redeemed 174,600 Class A Shares (Multiple Voting Shares) and 1,127,700 Class B Subordinate Voting Shares for a total consideration of $37.8 million. A new normal course issuer bid was launched for 2000. The Company considers such buybacks to be beneficial to all shareholders.

Dividends paid by Quebecor Printing Inc. in 1999 totalled US$0.28 per share, compared to US$0.24 per share in 1998 and US$0.22 per share in 1997. Donohue Inc. increased its dividend to $0.44 per share in 1999, compared to $0.427 per share in 1998 and $0.373 per share in 1997. A major portion of those dividends was paid to non-controlling shareholders of the two subsidiaries. Dividends paid by Quebecor Inc. on its Class A and Class B shares were $0.48 per share in 1999, compared with $0.44 per share in 1998 and $0.40 per share in 1997.

Investing Activities

In addition to the major business acquisitions mentioned previously, Quebecor Printing Inc. made several strategic acquisitions in Spain, Argentina and Austria, while Sun Media Corporation acquired a few local papers in Canada. In addition, the Company increased its interest in certain subsidiaries, including TQS Inc.

During the year ended December 31, 1999, Quebecor Printing Inc. completed its three-year equipment modernization program in the U.S., particularly the modernization of its rotogravure printing facilities. In total, it invested lesser amounts for capital investments than in the two previous years. On the other hand, Donohue Inc. invested a much higher amount in capital projects in 1999 than it did in the past two fiscal years. This increase is related to the start of work under the modernization program undertaken at the two mills in Texas. Very little capital investment is required for the other business segments.

In 1998, Quebecor Printing Inc. continued its equipment modernization program, with a $456-million investment, over and above the $451-million capital investment in 1997. Moreover, in 1998, Quebecor Printing Inc. acquired Tryckinvest i Norden AB (TINA), Scandinavia's largest printing concern. It also made two acquisitions in South America in 1998, in Colombia and Peru, thus strengthening its network in this region, where it broke into the market in 1997 by acquiring companies in Chile and Argentina. In June 1998, Donohue Inc. acquired two newsprint and specialty mills located in Texas from Champion International Corporation for a consideration of US$450 million. Quebecor Communications Inc. invested $22 million in business acquisitions in 1998, more specifically in the newspaper field.

In early 1997, Quebecor Printing Inc. became the world leader in specialty printing by acquiring the Petty Co. In addition, during the first quarter of 1997, Quebecor Printing Inc. completed the acquisition of the assets of AmerSig Graphics, Inc. In September 1997, Quebecor Printing Inc. acquired the assets of the Franklin, Kentucky division of Brown Printing Company. Quebecor Printing Inc. completed its first South American acquisition in September 1997, purchasing an interest in Editorial Antártica S.A., Chile's second largest printer, and in Editorial Antártica SACIFE, in Argentina. In 1997, Quebecor Communications Inc. invested $29 million in business acquisitions, chiefly for the purchase of a controlling interest in the TQS television network.

Financial Position

The consolidated financial statements of Quebecor Inc. include 100% of its subsidiaries' debt, even if this debt is non-recourse to the parent company. However, the significant interests of non-controlling shareholders in subsidiaries are not included in the consolidated shareholders' equity. The Company therefore considers that the debt to equity ratio does not provide an appropriate measure of its financial health. It suggests instead the use of a debt to capitalization ratio, where capitalization includes shareholders' equity, non-controlling shareholders' interest in subsidiaries and debentures convertible into shares of subsidiaries. As at December 31, 1999, this debt to capitalization ratio stood at 52:48, compared to 45:55 as at December 31, 1998. The higher ratio reflects higher debt, incurred to finance business acquisitions during 1999.

Quebecor Inc.'s management, along with the management of its subsidiaries, are of the opinion that future cash flows generated by operations will be adequate to cover capital expenditure programs, debt repayment and dividend payment.

Year 2000 Issue

The change to Year 2000 had no significant impact on the Company's operations up to the time this annual report was published on March 15, 2000.

Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect Quebecor Inc. and its subsidiaries, including those related to customers, suppliers, or other third parties, have been fully resolved.

Financial Section

Financial Section

Selected Financial Data

(in millions of Canadian dollars except per share data)

Years ended December 31

	1999	1998	1997	1996	1995
Operations					
Revenues	**$ 10,835.2**	$ 8,425.2	$ 7,013.3	$ 6,253.3	$ 5,549.0
Operating income before non-recurring items	**889.7**	800.2	602.6	654.9	644.3
Contribution to net income					
Operations	**228.4**	188.9	154.1	151.2	151.3
Goodwill amortization	**(43.4)**	(16.2)	(10.8)	(9.1)	(9.9)
Non-recurring items	**296.0**	—	—	4.7	45.3
Net income	**481.0**	172.7	143.3	146.8	186.7
Cash provided by operations	**1,490.1**	1,073.7	885.3	872.9	609.3
Per share data					
Contribution to net income					
Operations	**$ 3.53**	$ 2.89	$ 2.34	$ 2.30	$ 2.29
Goodwill amortization	**(0.67)**	(0.25)	(0.16)	(0.14)	(0.15)
Non-recurring items	**4.57**	—	—	0.07	0.69
Net income	**7.43**	2.64	2.18	2.23	2.83
Dividends	**0.48**	0.44	0.40	0.40	0.33
Shareholders' equity	**26.73**	22.00	18.58	16.58	14.83
Average number of shares outstanding (in millions)	**64.8**	65.3	65.9	65.9	66.0
Financial position					
Working capital	**$ 471.0**	$ 609.7	$ 507.4	$ 455.4	$ 564.2
Long-term debt	**5,860.4**	3,003.5	2,022.6	1,956.8	1,303.2
Shareholders' equity	**1,726.5**	1,424.5	1,224.1	1,091.5	979.5
Capitalization [(1)]	**5,644.6**	4,122.3	3,544.8	2,938.9	2,478.8
Total assets	**14,829.5**	9,841.4	7,885.2	6,959.4	5,424.8

(1) Included in the capitalization are the shareholders' equity, non-controlling interest and convertible debentures

Selected Quaterly Financial Data

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

	1999			
	March	**June**	**September**	**December**
Revenues	**$ 2,176.8**	**$ 2,230.8**	**$ 2,728.3**	**$ 3,699.3**
Operating income before non-recurring items	**140.7**	**186.5**	**235.5**	**327.0**
Contribution to net income				
Operations	**32.2**	**56.6**	**55.7**	**83.9**
Goodwill amortization	**(8.4)**	**(8.7)**	**(10.4)**	**(15.9)**
Non-recurring items	**—**	**218.5**	**—**	**77.5**
Net income	**23.8**	**266.4**	**45.3**	**145.5**
Contribution to earnings per share				
Operations	**0.50**	**0.87**	**0.86**	**1.30**
Goodwill amortization	**(0.13)**	**(0.13)**	**(0.16)**	**(0.25)**
Non-recurring items	**—**	**3.37**	**—**	**1.20**
Earnings per share	**0.37**	**4.11**	**0.70**	**2.25**

	1998			
	March	June	September	December
Revenues	$ 1,817.1	$ 1,939.0	$ 2,206.5	$ 2,462.6
Operating income	132.4	186.5	224.4	256.9
Contribution to net income				
Operations	24.1	47.2	53.1	64.5
Goodwill amortization	(2.9)	(3.0)	(4.8)	(5.5)
Net income	21.2	44.2	48.3	59.0
Contribution to earnings per share				
Operations	0.37	0.72	0.81	0.99
Goodwill amortization	(0.05)	(0.04)	(0.08)	(0.08)
Earnings per share	0.32	0.68	0.73	0.91

Management's responsibility for the financial statements

The accompanying consolidated financial statements of Quebecor Inc. and its subsidiaries, and all the information in this annual report, are the responsibility of management and are approved by the Board of Directors of Quebecor Inc.

These financial statements have been prepared by management in conformity with generally accepted accounting principles in Canada and include amounts that are based on best estimates and judgments. The financial information used elsewhere in the annual report is consistent with that in the financial statements.

Management of the Company and that of its subsidiaries, in furtherance of the integrity and objectivity of the data in the financial statements, have developed and maintain systems of internal accounting controls and support programs of internal audit. Management believes that these systems of internal accounting controls provide reasonable assurances that financial records are reliable and form a proper basis for the preparation of the financial statements and that assets are properly accounted for and safeguarded.

The Board of Directors carries out its responsibility for the financial statements principally through its Audit Committee, consisting solely of outside directors. The Audit Committee reviews the Company's annual consolidated financial statements and formulates the appropriate recommendations to the Board of Directors. The auditors appointed by the shareholders have full access to the Audit Committee, with and without management being present.

These financial statements have been examined by the auditors appointed by the shareholders, KPMG LLP, chartered accountants, and their report is presented hereafter.

François R. Roy

François R. Roy
Executive Vice President and
Chief Financial Officer

January 28, 2000

Auditors' report to the shareholders

We have audited the consolidated balance sheets of Quebecor Inc. and its subsidiaries as at December 31, 1999 and 1998 and the consolidated statements of income, retained earnings and cash flows for the years ended December 31, 1999, 1998 and 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1999 and 1998 and the results of its operations and its cash flows for the years ended December 31, 1999, 1998 and 1997 in accordance with generally accepted accounting principles in Canada.

KMPG LLP

Chartered Accountants

Montreal, Canada
January 28, 2000

Consolidated statements of income

(In millions of Canadian dollars, except earnings per share data)

	Years ended December 31		
	1999	1998	1997
REVENUES	**$ 10,835.2**	$ 8,425.2	$ 7,013.3
OPERATING EXPENSES			
Cost of sales	**8,164.1**	6,242.0	5,214.0
Selling and administrative	**748.1**	641.1	558.2
Amortization	**681.7**	545.4	460.5
Financial expenses (note 1)	**351.6**	196.5	178.0
	9,945.5	7,625.0	6,410.7
OPERATING INCOME BEFORE NON-RECURRING ITEMS	**889.7**	800.2	602.6
Gains on dilution resulting from issuance of capital stock by subsidiaries	**376.6**	—	—
Reserve for restructuring of operations and other non-recurring items (note 2)	**(278.0)**	—	—
OPERATING INCOME	**988.3**	800.2	602.6
Income taxes (note 3)			
Current	**148.0**	228.0	140.8
Deferred	**16.2**	42.0	72.8
	164.2	270.0	213.6
	824.1	530.2	389.0
Dividends on preferred shares of subsidiaries	**(15.1)**	(15.3)	—
Non-controlling interest	**(284.6)**	(326.0)	(234.9)
NET INCOME BEFORE GOODWILL AMORTIZATION	**524.4**	188.9	154.1
Goodwill amortization, net of non-controlling interest	**(43.4)**	(16.2)	(10.8)
NET INCOME	**$ 481.0**	$ 172.7	$ 143.3
EARNINGS PER SHARE BEFORE GOODWILL AMORTIZATION	**$ 8.10**	$ 2.89	$ 2.34
EARNINGS PER SHARE	**$ 7.43**	$ 2.64	$ 2.18
AVERAGE NUMBER OF SHARES OUTSTANDING (in millions)	**64.8**	65.3	65.9

See accompanying Notes to consolidated financial statements.

Consolidated statements of retained earnings

(In millions of Canadian dollars)

	Years ended December 31		
	1999	1998	1997
Balance at beginning	**$ 944.4**	$ 828.4	$ 711.4
Net income	**481.0**	172.7	143.3
	1,425.4	1,001.1	854.7
Premium paid on redemption of shares	**(6.6)**	(28.0)	—
Dividends	**(31.1)**	(28.7)	(26.3)
Balance at end	**$ 1,387.7**	$ 944.4	$ 828.4

Consolidated statements of cash flows

(In millions of Canadian dollars)

	Years ended December 31		
	1999	1998	1997
CASH FLOWS RELATED TO OPERATIONS:			
Net income	**$ 481.0**	$ 172.7	$ 143.3
Adjustments for:			
Depreciation of fixed assets	**656.0**	529.5	446.6
Amortization of goodwill and deferred charges	**98.3**	44.0	31.8
Deferred income taxes	**16.2**	42.0	72.8
Gain on disposal of assets	**(26.3)**	(22.0)	—
Non-controlling interest	**255.4**	314.1	227.8
Gains on dilution resulting from issuance of capital stock by subsidiaries	**(376.6)**	—	—
Reserve for restructuring of operations and other non-recurring items	**175.9**	—	—
Other	**14.7**	23.1	21.7
	1,294.6	1,103.4	944.0
Changes in non-cash balances related to operations (net of the effect of business acquisitions)	**195.5**	(29.7)	(58.7)
Cash provided by operations	**1,490.1**	1,073.7	885.3

See accompanying Notes to consolidated financial statements.

Consolidated statements of cash flows (Continued)

(In millions of Canadian dollars)

		Years ended December 31	
	1999	1998	1997
CASH FLOWS RELATED TO FINANCING ACTIVITIES:			
Increase (decrease) in bank indebtedness	**$ (110.4)**	$ 69.2	$ (12.5)
Net proceeds from issuance of capital stock	**0.9**	0.5	0.5
Redemption of capital stock for cancellation	**(8.5)**	(37.8)	—
Issuance of long-term debt	**2,902.8**	1,285.9	1,765.2
Repayment of long-term debt	**(2,080.4)**	(566.4)	(1,895.3)
Increase in the interest of non-controlling shareholders	**522.3**	10.7	300.8
Dividends	**(31.1)**	(28.7)	(26.3)
Dividends paid to non-controlling shareholders	**(96.1)**	(83.5)	(68.8)
Other	**(4.5)**	(0.6)	—
Cash provided by financing activities	**1,095.0**	649.3	63.6
CASH FLOWS RELATED TO INVESTING ACTIVITIES:			
Business acquisitions, net of cash and cash equivalents acquired (note 4)	**(2,065.9)**	(1,079.3)	(458.5)
Additions to fixed assets	**(623.9)**	(586.4)	(550.2)
Proceeds from disposal of assets	**66.4**	58.7	15.3
Other	**(13.5)**	(42.3)	(1.9)
Cash used by investing activities	**(2,636.9)**	(1,649.3)	(995.3)
Net increase (decrease) in cash and cash equivalents	**(51.8)**	73.7	(46.4)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**(7.4)**	—	(59.2)
Cash and cash equivalents at beginning	**112.0**	38.3	143.9
Cash and cash equivalents at end	**$ 52.8**	$ 112.0	$ 38.3
Changes in non-cash balances related to operations (net of the effect of business acquisitions)			
Accounts receivable	**$ 312.6**	$ (136.1)	$ (85.8)
Inventories	**31.3**	10.7	(60.1)
Accounts payable and accrued liabilities	**(94.4)**	128.8	65.6
Other short-term and long-term items	**(54.0)**	(33.1)	21.6
	$ 195.5	$ (29.7)	$ (58.7)
Cash interest payments	**$ 333.2**	$ 186.1	$ 165.2
Cash payments for income taxes	**$ 233.0**	$ 199.6	$ 119.8

See accompanying Notes to consolidated financial statements.

Consolidated balance sheets

(In millions of Canadian dollars)

	December 31 1999	1998
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 52.8**	$ 112.0
Accounts receivable (note 5)	**1,600.9**	1,518.6
Inventories (note 6)	**1,174.5**	795.4
Prepaid expenses	**82.2**	74.8
	2,910.4	2,500.8
FIXED ASSETS (note 7)	**7,060.7**	6,037.9
GOODWILL	**4,535.5**	1,049.5
OTHER ASSETS	**322.9**	253.2
	$ 14,829.5	$ 9,841.4
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Bank indebtedness	**$ 21.8**	$ 134.2
Accounts payable and accrued liabilities	**2,155.3**	1,451.3
Income and other taxes	**57.7**	131.4
Current portion of long-term debt (note 8)	**204.6**	174.2
	2,439.4	1,891.1
LONG-TERM DEBT (note 8)	**5,860.4**	3,003.5
OTHER LIABILITIES (note 9)	**339.4**	227.3
DEFERRED INCOME TAXES	**545.7**	597.2
CONVERTIBLE DEBENTURES (note 10)	**259.4**	90.3
NON-CONTROLLING INTEREST (note 11)	**3,658.7**	2,607.5
SHAREHOLDERS' EQUITY		
Capital stock (note 12)	**347.6**	348.6
Retained earnings	**1,387.7**	944.4
Translation adjustment (note 13)	**(8.8)**	131.5
	1,726.5	1,424.5
	$ 14,829.5	$ 9,841.4

Commitments and contingencies (note 14)
See accompanying Notes to consolidated financial statements.

ON BEHALF OF THE BOARD OF DIRECTORS:

Jean Neveu　　　　Claire Léger

Jean Neveu, Director　　　　**Claire Léger,** Director

Segmented information

The Company operates in the following industry segments: Printing, Forest Products, Newspapers, Broadcasting, New Media and a segment that combines magazine and book publishing as well as book and music distribution and which has operations solely in Canada. The Printing segment includes the printing of magazines, inserts, flyers, catalogues, books, specialty printing and directories, and the mastering and replicating of CD-ROMs. This segment operates in the United States, Canada, Europe, South America, Mexico and India. The Forest Products segment operates an integrated forest products business. Its operations are held in Canada and the United States. Woodlands operations provide logs for the sawmills which produce lumber and wood chips. The chips are then processed by the newsprint and market pulp mills. The Newspapers segment includes the publishing and distribution of daily and weekly newspapers, principally in Canada but also in the State of Florida in the United States. The Broadcasting segment operates a general-interest French-language television network in Canada. The New Media segment includes a business offering e-commerce solutions through a combination of strategy, technology integration, IP solutions and creativity on the Internet which is active in Canada, the United States and Europe as well as an on-line services business including French-language and English-language portals and specialized sites, all active solely in Canada.

Segment income includes income from sales to third-parties and inter-segment sales. These sales are accounted for at prices similar to those prevailing on the open market.

(In millions of Canadian dollars)

		Years ended December 31	
	1999	1998	1997
INDUSTRY SEGMENTS			
Revenues			
Printing	**$ 7,361.5**	$ 5,643.7	$ 4,821.4
Forest Products	**2,484.2**	2,295.8	1,744.6
Newspapers	**827.1**	295.1	280.3
Books, Magazines and Music	**209.2**	211.8	204.5
Broadcasting	**48.6**	45.8	20.6
New Media	**25.1**	6.9	2.4
Inter-segment			
Printing	**(25.7)**	(22.2)	(19.8)
Forest Products	**(89.3)**	(44.1)	(34.8)
Other	**(5.5)**	(7.6)	(5.9)
	$ 10,835.2	$ 8,425.2	$ 7,013.3
Operating income before non-recurring items			
Printing	**$ 703.4**	$ 469.3	$ 383.8
Forest Products	**386.8**	487.9	348.6
Newspapers	**164.0**	50.6	49.3
Books, Magazines and Music	**6.2**	6.6	6.4
Broadcasting	**(10.3)**	(9.3)	(3.4)
New Media	**(11.3)**	(1.3)	(1.9)
	1,238.8	1,003.8	782.8
General corporate expenses	**2.5**	(7.1)	(2.2)
Financial expenses	**(351.6)**	(196.5)	(178.0)
	$ 889.7	$ 800.2	$ 602.6
Amortization			
Printing	**$ 425.1**	$ 331.8	$ 278.0
Forest Products	**224.2**	199.8	172.4
Newspapers	**24.6**	6.5	5.5
Books, Magazines and Music	**3.7**	4.5	3.0
Broadcasting	**2.5**	2.0	0.6
New Media	**1.5**	0.3	0.2
Head Office	**0.1**	0.5	0.8
	$ 681.7	$ 545.4	$ 460.5

Segmented information (Continued)

(In millions of Canadian dollars)

	Years ended December 31		
	1999	1998	1997
INDUSTRY SEGMENTS (Continued)			
Additions to fixed assets			
Printing	**$ 289.4**	$ 455.7	$ 450.7
Forest Products	**290.2**	119.3	86.0
Newspapers	**13.9**	4.9	7.0
Books, Magazines and Music	**6.2**	4.8	5.5
Broadcasting	**9.0**	1.4	0.5
New Media	**5.1**	0.3	0.2
Head Office	**10.1**	—	0.3
	$ 623.9	$ 586.4	$ 550.2
Assets			
Printing	**$ 9,748.1**	$ 5,956.2	$ 4,985.7
Forest Products	**3,519.0**	3,493.0	2,572.9
Newspapers	**1,164.5**	105.1	93.7
Books, Magazines and Music	**116.4**	169.5	122.0
Broadcasting	**89.1**	77.5	75.9
New Media	**167.3**	4.4	2.7
Head Office	**25.1**	35.7	32.3
	$ 14,829.5	$ 9,841.4	$ 7,885.2
GEOGRAPHIC SEGMENTS			
Revenues generated by:			
Canadian operations			
Revenues from Canada	**$ 2,656.1**	$ 1,779.8	$ 1,662.1
Revenues from the United States	**1,228.4**	1,369.1	1,284.3
Revenues from Europe and other	**402.0**	381.7	348.2
	4,286.5	3,530.6	3,294.6
United States operations	**4,999.7**	3,644.5	2,822.8
European operations	**1,406.6**	1,129.1	849.0
Other	**142.4**	121.0	46.9
	$ 10,835.2	$ 8,425.2	$ 7,013.3
Operating income before non-recurring items			
Canada	**$ 679.1**	$ 598.2	$ 489.4
United States	**429.3**	283.5	221.8
Europe	**101.3**	97.5	64.9
Other	**29.1**	24.6	6.7
	1,238.8	1,003.8	782.8
General corporate expenses	**2.5**	(7.1)	(2.2)
Financial expenses	**(351.6)**	(196.5)	(178.0)
	$ 889.7	$ 800.2	$ 602.6
Assets			
Canada	**$ 4,901.6**	$ 3,753.9	$ 3,639.9
United States	**8,046.3**	4,226.1	3,050.6
Europe	**1,604.6**	1,625.9	1,068.5
Other	**251.9**	199.8	93.9
Head Office	**25.1**	35.7	32.3
	$ 14,829.5	$ 9,841.4	$ 7,885.2

(Tabular amounts are expressed in millions of Canadian dollars, unless stated otherwise)

Years ended December 31, 1999, 1998 and 1997
Quebecor Inc. is incorporated under the laws of Quebec.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Change in accounting policy
Effective in 1999, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants with respect to the presentation of the Statement of Cash Flows. The standard requires, among other things, that non-cash items be excluded from financing and investing activities and disclosed elsewhere in the financial statements in a way that provides all relevant information regarding financing and investing activities. Changes in short-term borrowings, other than overdrafts which are an integral part of the day-to-day cash management process, are accounted for as financing activities. The standard requires retroactive application with prior-periods comparative information being restated.

Consolidation and long-term investments
The consolidated financial statements include the accounts of Quebecor Inc. and all its subsidiaries (the "Company") and are prepared in conformity with generally accepted accounting principles in Canada. The material differences between generally accepted accounting principles in Canada and in the United States are described in note 18.

Investments in joint ventures are accounted for using the proportionate consolidation method. Joint ventures represent a negligible portion of the Company's operations. Investments in companies subject to significant influence are accounted for by the equity method. Investments in other affiliated companies are accounted for by the cost method.

Foreign currency translation
Net assets of self-sustaining foreign operations are translated using the current rate method. Adjustments arising from this translation are deferred and recorded as a separate item under shareholders' equity and are included in income only when a reduction in the investment in these foreign operations is realized. Gains or losses on foreign currency balances or transactions that are designated as hedges of a net investment in self-sustaining foreign operations are offset against exchange losses or gains included in the separate item under shareholders' equity.

As of the moment they are identified as a hedge for long-term monetary liabilities, exchange gains or losses realized on a foreign currency future revenue stream are offset against the corresponding losses or gains on the hedged items.

Other foreign currency transactions entered into by the Company are translated using the temporal method. Translation gains and losses are included in income except for unrealized gains and losses arising from the translation of long-term monetary assets and liabilities which are deferred and amortized on the straight-line basis over the remaining life of the related items.

Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, related amounts of revenues and expenses and disclosure of contingent assets and liabilities. Significant areas requiring the use of management estimates relate to the determination of pension and other employee benefits, reserves for environmental matters and for the restructuring of operations, the useful life of assets for amortization and evaluation of net recoverable amount, the determination of fair value of assets acquired and liabilities assumed in business combinations, provisions for income taxes and the determination of fair value of financial instruments. Consequently, actual results could differ from those estimates.

Derivative financial instruments
The Company uses various derivative financial instruments to reduce its exposure to fluctuations in interest rates and foreign currency exchange rates. These instruments are accounted for on an accrual basis. Realized and unrealized gains and losses on these financial instruments are deferred and recognized in income in the same period and in the same financial statement category as the income or expense arising from the corresponding hedged positions.

(Tabular amounts are expressed in millions of Canadian dollars, unless stated otherwise)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments purchased three months or less from maturity and are stated at cost, which approximates market value.

Securitization of trade receivables

Where groups of trade receivables are sold under terms that transfer the significant risks and rewards of ownership to third-parties, the transaction is recognized as a sale and the trade receivables are accordingly removed from the consolidated balance sheets.

Inventories

Inventories are valued at the lower of cost or market value. Cost is determined using the average cost method for inventories of the Forest Products segment and using the first in, first out method for inventories of other segments. Market value is net realizable value for all inventories, except for raw materials and supplies for which market value is replacement cost.

Fixed assets

Fixed assets are stated at cost, net of government grants and investment tax credits which are accounted for when qualified expenditures are incurred. Cost includes financial expenses directly related to the fixed asset until it is ready for productive use.

Amortization is provided on the straight-line basis over the following estimated useful lives:

Assets	Life
Buildings and hydroelectric power plant	20 years to 40 years
Machinery and equipment	3 years to 20 years

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets of acquired businesses. Management reviews periodically the value and amortization period of goodwill. When circumstances or events indicate a possible decline in the net recoverable amount for goodwill, an evaluation, on a not-discounted basis, of the future expected cash flows related to the plants or products which gave rise to the goodwill is undertaken. As the case may be, the carrying amount of goodwill is then reduced.

Deferred income taxes

The Company follows the tax deferral method of accounting for income taxes, whereby earnings are charged with income taxes relating to reported earnings. Differences between such taxes and taxes currently payable are accounted for and arise because certain items of revenue and expense are reported in the accounts at different times than they are reported for income tax purposes.

Income taxes relating to retained earnings of foreign subsidiaries are not provided for by the Company, as such earnings are reinvested in foreign operations.

Stock option plan

Holders of options under the stock option plan (the “Plan”) of Quebecor Inc. have the following choices when they want to exercise their options:

a) acquire Treasury shares at the corresponding option exercise price;
or
b) receive a cash payment from Quebecor Inc. equivalent to the difference between the market value of the underlying shares and the exercise price of the option.

The Company considers probable that, in most cases, choice b) will be privileged and, consequently, that the benefit attached to vested options under the Plan should be accounted for as an expense, as for the other items of the compensation program. Thus, a liability is recorded. Subsequent adjustments to this liability, originating from fluctuations in underlying share price and increases or decreases in the number of vested options, are recorded on a quarterly basis and included in operating expenses.

(Tabular amounts are expressed in millions of Canadian dollars, unless stated otherwise)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Post-employment benefits other than pension

The Company provides life insurance and medical insurance coverage to some of its employees after their retirement. The costs of these benefits are recognized as incurred by the retirees and paid by the Company.

1. FINANCIAL EXPENSES

	1999	1998	1997
Interest on long-term debt and convertible debentures	**$ 343.2**	$ 196.8	$ 178.0
Interest on bank indebtedness	**22.8**	10.4	4.4
Investment income	**(6.8)**	(5.5)	(3.5)
Other	**3.0**	11.7	8.0
	362.2	213.4	186.9
Interest capitalized to the cost of fixed assets	**(10.6)**	(16.9)	(8.9)
	$ 351.6	$ 196.5	$ 178.0

2. RESERVE FOR RESTRUCTURING OF OPERATIONS AND OTHER NON-RECURRING ITEMS

This item includes the following :

a) Printing segment

The Printing segment recorded a US$180 million (CDN$267.6 million) charge in 1999 which encompasses the restructuring of its operations and certain other non-recurring items. This charge is comprised of the following :

Write-down of assets	**$ 148.3**
Reserve for restructuring of operations	**94.1**
Other non-recurring charges	**25.2**
	$ 267.6

The reserve for restructuring of operations includes costs related to the closing of plants and severance, benefits and other personnel-related costs. It also includes costs related to the streamlining of administrative management and the implementation of a sales force reduction program. These activities are expected to be substantially completed by June 2001.

b) Books, Magazines and Music segment, New Media segment and Head Office

In 1999, the Books, Magazines and Music segment, the New Media segment and Head Office recorded write-offs and write-downs of assets, principally goodwill and fixed assets which suffered a permanent decline in their net recoverable amount, which total $10.4 million.

(Tabular amounts are expressed in millions of Canadian dollars, unless stated otherwise)

3. INCOME TAXES

The following table reconciles the statutory tax rate with the effective tax rate:

	1999	1998	1997
Statutory tax rate	**31.9 %**	33.0 %	32.9 %
Amortization of excess fixed asset cost on business acquisitions	**2.2**	1.9	2.9
Recovery of income taxes arising from the use of unrecorded tax benefits	**(5.0)**	—	—
Other	**(2.3)**	(1.2)	(0.4)
Effective tax rate before the following item	**26.8**	33.7	35.4
Effect of the non-taxable gains on dilution	**(10.2)**	—	—
Effective tax rate	**16.6 %**	33.7 %	35.4 %

4. BUSINESS ACQUISITIONS AND DISPOSITIONS

During the year ended December 31, 1999, the Company acquired the following businesses, which have been accounted for by the purchase method:

	Geographic segment	**Acquired interest**	**Date of acquisition**
Printing Segment			
Cayfo, S.A.	Europe	100 %	March 1999
Editorial Perfil	South America	100 %	April 1999
World Color Press, Inc. ("World Color")	United States	100 %	August and October 1999
Oberndorfer Druckerei	Europe	100 %	September 1999
Forest Products Segment			
Finlay Forest Industries Inc.[1]	Canada	100 %	August 1999
Newspapers Segment			
Sun Media Corporation ("Sun Media") [2]	Canada	100 %	January 1999
Melfort Journal and Wynyard Advance	Canada	100 %	June 1999
The Beacon Herald	Canada	100 %	August 1999
The Lloydminster Daily Times	Canada	100 %	September 1999
New Media Segment			
Informission Group Inc.	Canada, United States and Europe	58.23 %	November 1999

[1] Previously a joint-venture held at 49.9%.
[2] A 30% interest was sold to non-controlling shareholders in June 1999.

In addition, during the year ended December 31, 1999, the Company increased its interest in several of its subsidiaries in the Printing, Books, Magazines and Music, Broadcasting as well as New Media segments.

Goodwill related to these acquisitions is amortized over periods varying from 10 years to 40 years.

(Tabular amounts are expressed in millions of Canadian dollars, unless stated otherwise)

4. BUSINESS ACQUISITIONS AND DISPOSITIONS (Continued)

Business acquisitions are summarized as follows:

	1999				1998	1997
	World Color	**Sun Media**	**Other**	**Total**		
Assets acquired						
Cash and cash equivalents	**$ —**	**$ 49.7**	**$ 90.9**	**$ 140.6**	$ 25.0	$ 5.9
Non-cash operating working capital	**769.6**	**—**	**216.1**	**985.7**	37.0	62.5
Fixed assets	**1,293.2**	**188.9**	**229.3**	**1,711.4**	770.3	385.4
Goodwill	**2,694.6**	**763.3**	**253.4**	**3,711.3**	371.6	130.0
Deferred income taxes	**11.9**	**46.5**	**2.6**	**61,0**	27.3	0.8
Non-controlling interest	**15.0**	**—**	**—**	**15.0**	13.8	2.2
Other	**80.0**	**17.1**	**12.1**	**109.2**	12.6	28.5
Liabilities assumed						
Bank indebtedness	**—**	**—**	**(13.1)**	**(13.1)**	(2.6)	(17.5)
Non-cash operating working capital deficiency	**(707.8)**	**(18.3)**	**(206.1)**	**(932.2)**	(7.7)	(46.3)
Long-term debt	**(1,660.6)**	**(429.6)**	**(85.4)**	**(2,175.6)**	(117.3)	(61.8)
Deferred income taxes	**—**	**—**	**(16.5)**	**(16.5)**	(6.0)	—
Convertible debentures	**(202.5)**	**—**	**—**	**(202.5)**	—	—
Non-controlling interest	**—**	**(0.7)**	**(66.8)**	**(67.5)**	(11.3)	(18.1)
Other	**(123.0)**	**—**	**(0.3)**	**(123.3)**	(3.9)	(7.2)
Net assets acquired at fair value	**$ 2,170.4**	**$ 616.9**	**$ 416.2**	**$ 3,203.5**	$ 1,108.8	$ 464.4
Consideration						
Cash	**$ 1,263.9**	**$ 616.9**	**$ 325.7**	**$ 2,206.5**	$ 1,104.3	$ 464.4
Notes payable	**—**	**—**	**90.5**	**90.5**	—	—
Increase in the interest of non-controlling shareholders	**906.5**	**—**	**—**	**906.5**	—	—
B Shares	**—**	**—**	**—**	**—**	4.5	—
	$ 2,170.4	**$ 616.9**	**$ 416.2**	**$ 3,203.5**	$ 1,108.8	$ 464.4

In October 1999, Quebecor Printing Inc. sold the operating assets of its BA Banknote Division for a cash consideration of US$18 million (CDN$27 million). Quebecor Printing Inc. realized a loss amounting to US$1.9 million (CDN$2.8 million) on this disposal which is included in the reserve for restructuring of operations.

In December 1999, Donohue Inc. sold all the shares it held in Donohue Matane Inc., a joint-venture. Proceeds from disposal as well as the carrying amount were negligible.

Moreover, during 1999, Sun Media Corporation sold substantially all the assets of The Record, a daily newspaper in Sherbrooke, Quebec.

(Tabular amounts are expressed in millions of Canadian dollars, unless stated otherwise)

5. ACCOUNTS RECEIVABLE

	1999	1998
Trade	**$ 1,383.7**	$ 1,404.1
Other	**217.2**	114.5
	$ 1,600.9	$ 1,518.6

During 1999, Quebecor Printing Inc. sold a portion of its trade receivables on a revolving basis under the terms of a Canadian securitization agreement dated March 1998 (the "Canadian Program"). The Canadian Program limit is $125 million. As at December 31, 1999, the amount outstanding under the Canadian Program was $100 million ($125 million as at December 31, 1998).

In September 1999, Quebecor Printing Inc. entered into an agreement to sell, on a revolving basis, a portion of its trade receivables in the United States up to a maximum of US$206 million (CDN$297 million) (the "US Program"). In December 1999, the existing World Color securitization program of US$204 million (CDN$294 million) was combined with the US Program, resulting in a new US Program of US$410 million (CDN$591 million). As at December 31, 1999, the amount outstanding under the new US Program was US$400 million (CDN$577 million).

Securitization fees vary based on commercial paper rates in Canada and the United States and, generally, provide a lower effective funding cost than available under Quebecor Printing Inc.'s bank facilities.

6. INVENTORIES

	1999	1998
Raw materials and supplies	**$ 620.7**	$ 446.2
Work in process	**349.5**	141.3
Finished goods	**204.3**	207.9
	$ 1,174.5	$ 795.4

7. FIXED ASSETS

		1999	
	Cost	**Accumulated depreciation**	**Net**
Land	**$ 157.6**	**$ —**	**$ 157.6**
Buildings and hydroelectric power plant	**1,497.0**	**230.0**	**1,267.0**
Machinery and equipment	**8,127.2**	**2,780.2**	**5,347.0**
Projects under development	**289.1**	**—**	**289.1**
	$ 10,070.9	**$ 3,010.2**	**$ 7,060.7**

		1998	
	Cost	Accumulated depreciation	Net
Land	$ 125.6	$ —	$ 125.6
Buildings and hydroelectric power plant	1,075.6	191.4	884.2
Machinery and equipment	7,184.0	2,408.5	4,775.5
Projects under development	252.6	—	252.6
	$ 8,637.8	$ 2,599.9	$ 6,037.9

As at December 31, 1999, the cost of fixed assets included an amount of $455.1 million ($674.0 million as at December 31, 1998) and the accumulated depreciation balance included an amount of $199.7 million ($364.9 million as at December 31, 1998) for land, buildings and equipment leased under capital leases.

(Tabular amounts are expressed in millions of Canadian dollars, unless stated otherwise)

8. LONG-TERM DEBT

	Effective interest rates as at December 31 1999	Years of maturity	1999	1998
Quebecor Inc.				
Revolving bank facility (i)	5.82 %	2001	**$ 164.0**	$ —
Other debt	7.40 %	2001	**8.7**	—
			172.7	—
Quebecor Printing Inc. and its subsidiaries (ii)				
Revolving bank facility (iii)	6.47 %	2003-2005	**516.7**	1,028.0
Commercial paper (iv)	5.28 %	2003	**331.0**	—
Acquisition bank facilities (v)	7.15 %	2000-2002	**1,335.1**	—
Senior Subordinated Notes (vi)	8.38 %	2008	**435.3**	—
Senior Subordinated Notes (vi)	7.75 %	2009	**417.6**	—
Senior Debentures (vii)	7.25 %	2007	**216.5**	232.7
Senior Debentures (viii)	6.50 %	2027	**216.5**	232.7
Obligations under capital leases and other (ix)	4.53 %	2000-2009	**370.7**	349.7
			3,839.4	1,843.1
Donohue Inc. and its subsidiaries (ii)				
Bank credit facility (x)	6.38 %	2000-2005	**750.4**	722.0
Senior Notes (xi a) and b))	9.13 %	2005	**206.6**	206.6
Senior Notes (xi b))	7.63 %	2007	**274.2**	274.2
Bonds, Investissement-Québec				
Portion A			**—**	9.6
Portion B			**—**	52.5
Other (xii)	8.74 %	2000-2005	**106.7**	68.5
			1,337.9	1,333.4
Sun Media Corporation and its subsidiaries (ii)				
Senior bank credit facility (xiii)	7.40 %	2001-2006	**481.8**	—
Senior Subordinated Notes (xiv)	9.50 %	2007	**228.4**	—
			710.2	—
Other subsidiaries of Quebecor Inc. (ii)				
Miscellaneous debts	0.91 %	2000-2004	**4.8**	1.2
Total long-term debt			**6,065.0**	3,177.7
Less current portion				
Quebecor Printing Inc. and its subsidiaries			**111.5**	79.2
Donohue Inc. and its subsidiaries			**90.1**	94.6
Other subsidiaries of Quebecor Inc.			**3.0**	0.4
			204.6	174.2
			$ 5,860.4	$ 3,003.5

(i) As at December 31, 1999, these borrowings were drawn on a bank facility of $225 million. The bank facility is a one-year revolving facility that can be extended on a yearly basis. In the event it would not be extended, the outstanding borrowed amounts would convert into a one-year term loan. The credit agreement governing this bank facility contains certain covenants, including the obligation to maintain investments in publicly-traded companies having a market value of at least $1 billion. The borrowed amounts bear interest at floating rates based on Bankers' Acceptances rates, bank prime rate or LIBOR.

(ii) Debts of these subsidiaries are non-recourse to the parent company, Quebecor Inc.

8. LONG-TERM DEBT (Continued)

(iii) In April 1999, Quebecor Printing Inc. refinanced its existing revolving bank facility of US$1.0 billion (CDN$1.4 billion) by a new revolving bank facility composed of three tranches. The first tranche of US$250 million (CDN$360.8 million) matures in 2003 and provides liquidity back-up to the commercial paper program of US$250 million (CDN$360.8 million) of Quebecor Printing Inc. The second tranche of US$250 million (CDN$360.8 million) matures in 2004, while the third tranche of US$500 million (CDN$721.6 million) matures in 2005. The credit agreement governing these bank facilities contains certain covenants among which is the obligation to maintain certain financial ratios.

The revolving bank facility bears interest at floating rates based on LIBOR or Bankers' Acceptances rates.

As at December 31, 1999, the drawings under this facility were all denominated in US$.

(iv) In April 1999, Quebecor Printing Inc. initiated a Commercial paper program in Canada with an initial limit of CDN$250 million, which was subsequently increased to US$250 million (CDN$360.8 million) in November 1999. As at December 31, 1999, $331 million of notes are outstanding under the program and are classified as long-term since Quebecor Printing Inc. has the ability and the intent to maintain such debt on a long-term basis and has a credit facility available (see above) to replace such debt, if necessary.

(v) Quebecor Printing Inc. has negotiated and obtained two additional credit facilities totaling US$1.25 billion (CDN$1.8 billion) to finance the acquisition of World Color. One of these is a revolving credit facility of US$450 million (CDN$650 million) maturing in August 2002. This facility can also be used for general corporate purposes. The other facility is a term loan divided in two tranches. On the first tranche of US$650 million (CDN$938 million), a segment of US$350 million (CDN$505 million) matures in August 2000 and the remaining balance of US$300 million (CDN$433 million) can be extended until August 2001. The second tranche of US$150 million (CDN$216 million) was cancelled in December 1999 at Quebecor Printing Inc.'s request. The credit agreements governing these bank facilities contain certain restrictions, including the obligation to maintain certain financial ratios.

(vi) The Senior Subordinated Notes (the "Notes") were issued by World Color in two series before it was acquired by Quebecor Printing Inc. The aggregate principal amount of the first series is US$300 million (CDN$433 million) and the Notes are redeemable at the option of Quebecor Printing Inc. at a decreasing premium between November 2003 and November 2006 and at par value thereafter. The aggregate principal amount of the second series is US$300 million (CDN$433 million) and the Notes are redeemable at the option of Quebecor Printing Inc. at a decreasing premium between February 2004 and February 2007 and at par value thereafter. The Notes were revalued in order to reflect their fair value at the time World Color was acquired by Quebecor Printing Inc. The Notes contain certain restrictions on World Color, including limitations on its ability to incur additional indebtedness.

(vii) These debentures are repayable in US dollars.

(viii) These debentures are redeemable at the option of the holder at their par value on August 1, 2004, and are repayable in US dollars.

(ix) Obligations under capital leases and other debt are partially secured by assets. In addition, a portion of $266 million is repayable in Euro currencies, a portion of $87 million is repayable in US dollars and a portion of $13 million is repayable in Swedish krona.

(Tabular amounts are expressed in millions of Canadian dollars, unless stated otherwise)

8. LONG-TERM DEBT (Continued)

(x) The bank credit facility of US$855 million (CDN$1,234 million) consists of four tranches. The first tranche is a revolving credit of US$200 million (CDN$289 million), or the equivalent in Canadian dollars, maturing in 2003. The second and third tranches are term credits of US$230 million (CDN$332 million) and US$300 million (CDN$433 million) payable in quarterly installments maturing in 2003 and 2005, respectively. The fourth tranche is a revolving credit of US$125 million (CDN$180 million) up to 2000 that will become thereafter a term credit payable in quarterly installments maturing in 2005. During 1999, Donohue Inc. obtained a new revolving credit facility of $100 million, or the equivalent in US dollars, maturing in 2000. These credits bear interest at floating rates based on Banker's Acceptances rates, bank prime rate or LIBOR. The credit agreement contains usual covenants such as the obligation to maintain certain financial ratios.

(xi) a) The Senior Notes issued by a subsidiary of Donohue Inc. will be redeemable at the subsidiary's option on or after May 15, 2000, in whole or in part, at a premium until year 2003 and at par thereafter, plus accrued interest.

b) Repayable in US dollars.

(xii) Other debt include a portion of $103.5 million repayable in US dollars.

(xiii) The Senior bank credit facility is comprised of three tranches. The first and second tranches are term reducing loans maturing in 2006. The third tranche is a revolving credit facility of $100 million maturing in 2006 which was unused at December 31, 1999. The credit agreement governing this bank facility contains certain covenants, including the obligation to maintain certain financial ratios, and certain restrictions, including a restriction on dividend payments by Sun Media Corporation.

The facility bears interest at floating rates based on Bankers' Acceptances rates or bank prime rate and is collateralized by liens on all assets as well as shares of Sun Media Corporation and its subsidiaries.

(xiv) The Senior Subordinated Notes were issued in two series by Sun Media Corporation in 1997. Their outstanding principal amount as of December 31, 1999 was US$97.5 million (CDN$140.7 million) and US$58.5 million (CDN$84.4 million), respectively, and their nominal interest rate is 9.5%. The Notes were recorded at their fair market value of $230.6 million when Sun Media Corporation was acquired.

Principal repayments on long-term debt in each of the next five years are as follows:

2000	$ 204.6
2001	$ 358.7
2002	$ 920.3
2003	$ 637.3
2004	$ 663.9

9. OTHER LIABILITIES

	1999	1998
Pension accrual	**$ 120.9**	$ 108.9
Reserve for unfavorable leases acquired	**83.1**	12.0
Reserve for environmental matters	**27.1**	33.7
Workers' compensation accrual	**24.8**	18.0
Other	**83.5**	54.7
	$ 339.4	$ 227.3

(Tabular amounts are expressed in millions of Canadian dollars, unless stated otherwise)

10. CONVERTIBLE DEBENTURES

	Maturity	1999	1998
Convertible Senior Subordinated Notes 6.00% (a)	2007	**$ 185.9**	$ —
French Convertible Debentures (b)	2001	**73.5**	90.3
		$ 259.4	$ 90.3

a) The Convertible Senior Subordinated Notes mature on October 1, 2007. The Notes were revalued in order to reflect their fair market value at the time World Color was acquired by Quebecor Printing Inc. Since the acquisition of World Color by Quebecor Printing Inc., each US$1,000 tranche is convertible into 30.5884 Subordinate Voting Shares of Quebecor Printing Inc. and US$197.25 (CDN$284.69) cash. The portion of the Notes related to the option to convert into Subordinate Voting Shares of Quebecor Printing Inc. was valued at the date of acquisition and classified as non-controlling interest. The Notes are convertible at the option of the holder at any time, and redeemable at the option of Quebecor Printing Inc. at a decreasing premium from October 2000 to the final maturity. Certain conditions apply to any redemption between October 2000 and October 2002. During 1999, pursuant to the terms of the Notes, Quebecor Printing Inc. made a par tender offer for 100% of the face value of US$151.8 million (CDN$219.1 million) and repurchased US$7.6 million (CDN$11.0 million) thereof. As at December 31, 1999, the aggregate principal amount of outstanding Notes was US$144.2 million (CDN$208.1 million). If all outstanding Notes were converted into Subordinate Voting Shares of Quebecor Printing Inc., Quebecor Inc.'s interest in Quebecor Printing Inc. would decrease to 36.95% from 38.05%.

b) A French subsidiary of Quebecor Printing Inc. issued debentures convertible into shares of its capital stock. The total amount of convertible debentures outstanding as at December 31, 1999 was FF344 million ($76.0 million) (FF344.0 million ($94.8 million) as at December 31, 1998). Quebecor Printing Inc. owns call options on all of the debentures. In addition, a portion of FF172.0 million ($38.0 million) cannot be converted without the prior consent of Quebecor Printing Inc. The interest of Quebecor Printing Inc. in this subsidiary would decrease from 100% to 78.5% if all the debentures were converted without Quebecor Printing Inc. exercising its call options. The convertible debentures bear interest at rates varying from 1.0% to 5.0% and mature on December 31, 2001. A portion of these debentures has been discounted for accounting purposes at an imputed rate of 4.5% in order to establish its fair value within the context of a business combination.

11. NON-CONTROLLING INTEREST

Non-controlling interest includes the interest of the non-controlling shareholders in the shares of subsidiaries of Quebecor Inc. As at December 31, 1999, the most significant non-controlling interests in the participating shares of subsidiaries were as follows:

Subsidiary	Segment	Non-controlling interest
Quebecor Printing Inc.	Printing	61.95 %
Donohue Inc.	Forest Products	80.46 %
Sun Media Corporation	Newspapers	30.00 %
Informission Group Inc.	New Media	41.77 %

12. CAPITAL STOCK

a) Authorized capital stock

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

An unlimited number of Class B Subordinate Voting Shares (herein referred to as "B shares"), convertible into A shares on a one-for-one share basis only if a takeover bid regarding A shares is made to holders of A shares without being made concurrently and under the same terms to holders of B shares.

Holders of B shares are entitled to elect 25 % of the Board of Directors of Quebecor Inc. Holders of A shares may elect the other members of the Board of Directors.

(Tabular amounts are expressed in millions of Canadian dollars, unless stated otherwise)

12. CAPITAL STOCK (Continued)

b) Issued capital stock

	A shares		B shares	
	Number	Amount	Number	Amount
Balance as at December 31, 1998	25,837,127	$ 11.5	38,912,295	$ 337.1
Shares issued for cash upon the exercise of stock options	—	—	75,000	0.9
Shares redeemed	(18,400)	—	(220,600)	(1.9)
A shares converted into B shares	(1,145,158)	(0.5)	1,145,158	0.5
Balance as at December 31, 1999	24,673,569	$ 11.0	39,911,853	$ 336.6

c) Stock option plan

Under a stock option plan established by Quebecor Inc., 2,000,000 B Shares have been set aside for officers, senior employees and other key employees of the Company. The exercise price of each option is equal to the weighted average transaction price of B Shares on The Toronto Stock Exchange in the 5 days preceding the grant. Each option may be exercised during a period not exceeding ten years from the date it was granted. Options usually vest as follows: 1/3 after one year, 2/3 after two years and 100% three years after the original grant. The Board of Directors may, at its discretion, affix different vesting periods at the moment of each grant.

The following table provides details regarding changes to outstanding options for the years ended December 31, 1999 and 1998:

	1999		1998	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Balance at beginning	**222,834**	**$ 18.22**	359,834	$ 16.87
Granted	**1,002,817**	**34.58**	40,000	29.02
Exercised	**(75,000)**	**12.31**	(25,000)	18.83
Cancelled against cash payment	**(35,334)**	**22.33**	(152,000)	17.77
Balance at end	**1,115,317**	**$ 33.20**	222,834	$ 18.22
Vested options at end	**144,849**	**$ 23.94**	182,834	$ 15.86

(Tabular amounts are expressed in millions of Canadian dollars, unless stated otherwise)

12. CAPITAL STOCK (Continued)

c) Stock option plan (Continued)

The following table provides summary information regarding outstanding options as at December 31, 1999:

	Outstanding options			Vested options	
Range of exercise price	Number of outstanding options as at December 31, 1999	Weighted average years to maturity	Weighted average exercise price	Number of vested options as at December 31, 1999	Weighted average exercise price
$15 to $20	42,500	4.6 years	$ 17.85	42,500	$ 17.85
$20 to $25	50,000	3.6 years	$ 20.19	50,000	$ 20.19
$25 to $30	20,000	8.3 years	$ 29.02	—	$ —
$30 to $35	602,817	9.3 years	$ 33.02	52,349	$ 32.47
$35 to $40	400,000	9.7 years	$ 36.94	—	$ —
$15 to $40	1,115,317	9.2 years	$ 33.20	144,849	$ 23.94

For the year ended December 31, 1999, a charge reversal of $0.8 million (charges of $2.3 million and $0.6 million for the years ended December 31, 1998 and 1997, respectively) relative to the plan was included under “Selling and administrative expenses” in the Consolidated Statements of Income.

13. TRANSLATION ADJUSTMENT

	1999	1998
Balance at beginning	**$ 131.5**	$ 42.3
Effect of exchange rate variation on translation of net assets of self-sustaining foreign operations	**(121.5)**	91.2
Portion included in income as a result of reductions in net investments in self-sustaining foreign operations	**(18.8)**	(2.0)
Balance at end	**$ (8.8)**	$ 131.5

14. COMMITMENTS AND CONTINGENCIES

a) Leases

The Company rents premises and equipment under operating leases which expire at various dates up to 2010 and for which minimum lease payments total $936.7 million. Minimum payments under these leases for each of the next five years are as follows:

2000	$ 171.7
2001	$ 149.5
2002	$ 122.6
2003	$ 87.8
2004	$ 71.9

14. COMMITMENTS AND CONTINGENCIES (Continued)

b) Fixed assets

As at December 31, 1999, Quebecor Printing Inc. had commitments to purchase fixed assets valued at approximately US$29 million (CDN$42 million).

A wholly-owned subsidiary of Donohue Inc. has undertaken in 1998 a modernization program of its facilities in Texas. This program includes the replacement of three paper machines by a more modern machine, the transformation of a kraft pulp mill to meet the new requirements of the U.S. environmental regulations, the expansion of a de-inking facility, the improvement and the modification of other paper machines and also the broadening of the collection, sorting and recycling of paper. The total cost of this program is estimated at US$332 million (CDN$479 million). At December 31, 1999, the subsidiary had incurred costs of US$129 million and had firm commitments of US$70 million (CDN$101 million) in connection with this modernization program.

c) Environment

The Company is subject to various laws, regulations and government policies principally in North America and Europe, relating to health and safety, to the generation, storage, transportation, disposal and environment emissions of various substances, and to environment protection in general. The Company believes it is in compliance with such laws, regulations and government policies, in all material respect. Furthermore, the Company does not anticipate that the compliance with such environmental statutes will have a material adverse effect upon its competitive or consolidated financial position.

15. FINANCIAL INSTRUMENTS

The Company has operations and exports its products in several countries and is therefore exposed to risks relating to foreign exchange fluctuations. It is also subject to risks relating to interest rate fluctuations. In order to reduce these risks, Quebecor Inc. and its subsidiaries make a portion of their borrowings in foreign currencies and use derivative financial instruments. None of these instruments is held or issued for speculative purposes.

a) Description of derivative financial instruments

i) Management of foreign exchange risk

		Reference amount in millions of CDN$ as at December 31 (1)			
		1999		1998	
	Currencies bought/sold	**Maturity in less than one year**	**Maturity between 1 and 3 years**	Maturity in less than one year	Maturity between 1 and 3 years
Quebecor Printing Inc. and its subsidiaries					
Forward foreign exchange contracts	CDN$ / US$	**156.1**	**112.9**	137.6	143.3
Forward foreign exchange contracts	US$ / Euro	**169.2**	**22.2**	135.1	8.9
Forward foreign exchange contracts	US$ / SEK	**51.1**	**26.5**	—	—
Forward foreign exchange contracts	Other	**62.2**	**—**	41.0	23.3
Donohue Inc. and its subsidiaries					
Forward foreign exchange contracts	CDN$ / US$	**5.8**	**—**	18.0	—
Foreign currency options	CDN$ / US$	**348.4**	**169.2**	503.3	88.8
Foreign currency options	CDN$ / £	**18.8**	**—**	42.0	—

(1) Exchange rates as at December 31, 1999 were used to translate amounts in foreign currencies.

15. FINANCIAL INSTRUMENTS (Continued)

a) Description of derivative financial instruments (Continued)

ii) Management of interest rate risk

Quebecor Printing Inc. has entered into interest rate swap agreements on an amount of US$45.9 million (CDN$66.3 million) in EURO currencies. These contracts mature between December 2000 and March 2003. Quebecor Printing Inc. also entered into cross currency interest rate swap agreements (US$/EURO) on an amount of US$26.1 million (CDN$37.6 million). These contracts mature between December 2000 and November 2001.

Sun Media Corporation has entered into a number of interest rate swap and cap agreements maturing in May 2002 in order to reduce it's exposure to changes in interest rates on its senior bank credit facility. The interest rate swap agreements have the effect of converting the interest on $100 million of the senior bank credit facility from a floating rate plus the applicable margin (the "Margin") to a weighted average fixed interest rate of 5.39% plus the Margin. The interest rate cap agreements have the effect of limiting the interest on $100 million of the senior bank credit facility to a maximum of 5.31% plus the Margin.

Sun Media Corporation has also entered into a number of foreign exchange, fixed and variable interest rate swap agreements for 100% of its Senior Subordinated Notes in order to reduce it's exposure to changes in the exchange rate of the US dollar as compared to the Canadian dollar. The effect of these agreements is to convert the obligation of Sun Media Corporation to service US dollar denominated debt of $156 million into Canadian dollar denominated debt of $212.5 million at an average exchange rate of CDN$1.3625 to US$1.00.

In addition, these interest rate swap agreements have the effect of converting the interest rate on US$123.5 million of Senior Subordinated Notes from a fixed rate of 9.5% to a weighted average fixed interest rate on CDN$168.3 million of 9.51%. These agreements also convert the interest rate on US$19.5 million of Senior Subordinated Notes from a fixed rate of 9.5% per annum to a floating interest rate on CDN$26.5 million equal to the Banker's Acceptance Rate plus 3.08% per annum. These agreements convert the interest rate on a further US$13 million of Senior Subordinated Notes from a fixed rate of 9.5% per annum to a floating interest rate on CDN$17.8 million equal to the Banker's Acceptance Rate plus 2.74%.

b) Fair value of financial instruments

The carrying amount of cash and cash equivalents, accounts receivable, bank indebtedness, and accounts payable and accrued liabilities approximates fair value as these items have a short-term maturity.

(Tabular amounts are expressed in millions of Canadian dollars, unless stated otherwise)

15. FINANCIAL INSTRUMENTS (Continued)

b) Fair value of financial instruments (Continued)

Financial instruments having a fair value different from their carrying amount as at December 31, 1999 and 1998 are:

	1999		1998	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Quebecor Printing Inc. and its subsidiaries				
Long-term debt (including current portion)	**$ (3,839.4)**	**$ (3,800.0)**	$ (1,843.1)	$ (1,844.1)
Convertible debentures (including current portion)	**(259.4)**	**(257.7)**	(90.3)	(104.5)
Interest rate swap agreements	**—**	**(1.1)**	—	(4.6)
Forward foreign exchange contracts	**—**	**12.6**	—	(2.3)
Cross currency interest rate swap agreements	**—**	**2.3**	—	—
Donohue Inc. and its subsidiaries				
Long-term debt (including current portion)				
Determinable	**(1,337.9)**	**(1,366.3)**	(1,280.9)	(1,414.9)
Not determinable (i)	**—**	**—**	(52.5)	N/A
Interest rate swap agreements	**—**	**—**	—	(2.6)
Foreign exchange forward contracts and options	**—**	**11.0**	—	(37.5)
Sun Media Corporation and its subsidiaries				
Long-term debt (including current portion)	**(710.2)**	**(696.9)**	—	—
Interest rate swap agreements	**—**	**1.4**	—	—
Interest rate cap agreements	**1.2**	**1.6**	—	—

(i) The capital repayment and interest charge related to this debt depended on future operating cash flows of a joint venture. Therefore, the fair value could not be determined.

Fair value is based essentially on discounted cash flows. Market quotes and interest rates as at December 31, 1999 and 1998 of similar instruments having the same maturity were used.

The Company does not foresee any failure by the counter-parties to these contracts as they are all Canadian and international banks having at least an A-rating from Standard & Poor's or an A3 rating from Moody's.

(Tabular amounts are expressed in millions of Canadian dollars, unless stated otherwise)

15. FINANCIAL INSTRUMENTS (Continued)

c) Credit risk management

The Company, in the normal course of business, monitors the financial condition of its customers and reviews the credit history of each new customer. The Company does not have a significant exposure to any individual customer or counter-party. The Company establishes an allowance for doubtful accounts that corresponds to the specific credit risk of its customers, historical trends and economic circumstances.

The Company believes that the product and geographical diversity of its customer base serves to reduce the impact of abrupt fluctuations in local market or product-line demand and thus reduces its credit risk. The Company has long-term contracts with most of its major customers.

The Company does not believe that it is exposed to an unusual level of customer credit risk.

16. RELATED PARTY TRANSACTIONS

During the year, the Company made sales to certain of its subsidiaries' non-controlling shareholders and to affiliated companies in the amount of $86.2 million ($97.6 million and $47.4 million, respectively, for the years ended December 31, 1998 and 1997). As at December 31, 1999 the balance receivable on these sales amounted to $7.9 million ($14.5 million as at December 31, 1998). These transactions were concluded at prices and conditions similar to those prevailing on the open market and were accounted for at the exchange value.

17. PENSION PLANS

The Company offers defined benefit pension plans to its employees. The Company respects its obligations in regard of its contributions, which must be maintained at a level sufficient to cover benefits. The Company's various pension plans were subject to an actuarial valuation during the last three years.

The net pension expense is as follows:

	1999	1998	1997
Net pension expense	**$ 44.9**	$ 36.9	$ 27.8

The capitalization of the pension plans is as follows:

	1999	1998	1997
Market value of pension fund assets	**$ 1,656.2**	$ 1,299.3	$ 1,146.6
Actuarial present value of accrued pension benefits	**1,573.3**	1,188.3	1,074.6
Excess	**$ 82.9**	$ 111.0	$ 72.0

(Tabular amounts are expressed in millions of Canadian dollars, unless stated otherwise)

18. MATERIAL DIFFERENCES BETWEEN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("GAAP") IN CANADA AND THE UNITED STATES

The Company's consolidated financial statements are prepared in accordance with GAAP in Canada which differ in some respects from those applicable in the United States. The following tables set forth the impact of material differences between GAAP in Canada and GAAP in the United States on the Company's consolidated financial statements.

a) Consolidated statements of income

	1999	1998	1997
Net income, as reported in the consolidated statements of income per GAAP in Canada	**$ 481.0**	$ 172.7	$ 143.3
Adjustments			
Foreign currency translation (i)	**8.9**	(9.0)	(3.6)
Post-employment benefits other than pension (ii)	**(3.6)**	(0.7)	(0.7)
Business process reengineering (iii)	**0.7**	0.7	(1.4)
Income taxes (iv)	**(1.4)**	0.5	0.3
Reserve for restructuring of operations (v)	**(1.0)**	—	—
Derivative financial instruments (vi)	**6.4**	(1.2)	(4.0)
Net income as adjusted per GAAP in the United States (in Canadian dollars)	**$ 491.0**	$ 163.0	$ 133.9
Earnings per share, as reported in the consolidated statements of income per GAAP in Canada	**$ 7.43**	$ 2.64	$ 2.18
Effect of adjustments, net of applicable income taxes	**0.15**	(0.14)	(0.15)
Earnings per share as adjusted per GAAP in the United States (in Canadian dollars)	**$ 7.58**	$ 2.50	$ 2.03

b) Consolidated balance sheets

	1999		1998	
	Canada	**United States**	Canada	United States
Current assets	**$ 2,910.4**	**$ 2,973.8**	$ 2,500.8	$ 2,445.2
Fixed assets	**7,060.7**	**7,130.4**	6,037.9	5,858.7
Goodwill	**4,535.5**	**4,772.2**	1,049.5	1,291.6
Other assets	**322.9**	**320.3**	253.2	334.8
Current liabilities	**2,439.4**	**2,487.0**	1,891.1	1,908.4
Long-term debt	**5,860.4**	**5,895.2**	3,003.5	2,980.7
Other liabilities	**339.4**	**428.9**	227.3	255.2
Deferred income taxes	**545.7**	**768.1**	597.2	755.8
Convertible debentures	**259.4**	**289.5**	90.3	90.3
Non-controlling interest	**3,658.7**	**3,608.8**	2,607.5	2,533.6
Retained earnings	**1,387.7**	**1,379.7**	944.4	926.4
Translation adjustment	**(8.8)**	**(8.1)**	131.5	131.3

18. MATERIAL DIFFERENCES BETWEEN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (“GAAP”) IN CANADA AND THE UNITED STATES (Continued)

(i) Under GAAP in Canada, unrealized exchange losses arising from the translation of long-term debt denominated in foreign currencies are deferred and amortized over the remaining life of the related debt. Under GAAP in the United States, these losses would have been included in income and, consequently, no amount would have been deferred in the consolidated balance sheets under the item "Other assets".

Under GAAP in Canada, as of the moment they are identified as a hedge for long-term monetary liabilities, exchange gains or losses on a foreign currency future revenue stream are offset against the corresponding losses or gains on the hedged items. Under GAAP in the United States, a foreign currency future revenue stream cannot constitute a hedge of long-term monetary liabilities.

(ii) Post-employment benefits other than pension have been recognized as incurred by the retirees and paid by the Company, in conformity with GAAP in Canada. Under GAAP in the United States, the cost of these benefits would have been recognized as the services were rendered and, consequently, would have been allocated throughout the years during which these services were rendered by the employees concerned.

(iii) Under GAAP in Canada, certain costs incurred in connection with consulting contracts or internal projects that combine business process reengineering and information technology transformation were recorded in the balance sheets under the items “Other assets” or “Fixed assets”, and are amortized over periods varying between three to five years. Under GAAP in the United States, since 1997, these costs must be included in income as incurred. Under GAAP in the United States, the expense for 1997 includes the unamortized balance of prior years’ deferred expenses.

(iv) Under GAAP in Canada, deferred income taxes in the consolidated balance sheets are not adjusted to reflect subsequent changes in tax rates. In addition, tax benefits arising from losses carried forward of acquired businesses not recognized as of the date of a business acquisition are accounted for as income in the year the benefit is realized. Under GAAP in the United States, deferred income taxes in the consolidated balance sheets must be adjusted to reflect subsequent changes in tax rates and tax benefits related to losses carried forward of acquired businesses are recorded as a reduction of goodwill when they are realized. Moreover, some differences that are considered of a permanent nature under GAAP in Canada are rather considered as temporary differences under GAAP in the United States.

(v) Under GAAP in the United States, a portion of the reserve for restructuring of operations included in “Accounts payable and accrued liabilities” would not meet the criteria for recognition of a liability. In addition, a portion of the reserve for restructuring of operations related to the acquisition of Sun Media Corporation in 1999, which was added to goodwill as allowed under GAAP in Canada, would have been expensed in the year under GAAP in the United States.

(vi) Under GAAP in Canada, outstanding foreign currency forward and option contracts at year-end are off-balance sheet items. Under GAAP in the United States, unrealized exchange gains or losses on foreign currency forward and option contracts must be accounted for in the income statement when they do not constitute a hedge for a firm commitment.

(Tabular amounts are expressed in millions of Canadian dollars, unless stated otherwise)

18. MATERIAL DIFFERENCES BETWEEN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("GAAP") IN CANADA AND THE UNITED STATES (Continued)

c) Comprehensive income

The application of GAAP in the United Sates requires the disclosure of comprehensive income in a separate financial statement, which includes the net income as well as revenues, charges, gains and losses recorded directly to equity.

	1999	1998	1997
Net income as adjusted per GAAP in the United States	**$ 491.0**	$ 163.0	$ 133.9
Translation adjustment [1]	**(139.4)**	88.8	15.3
Comprehensive income per GAAP in the United States	**$ 351.6**	$ 251.8	$ 149.2

[1] Change for the year.

19. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

Although the Year 2000 change has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third-parties, have been fully resolved.

20. COMPARATIVE FIGURES

Certain 1998 and 1997 figures have been reclassified to conform with the presentation adopted for the year ended December 31, 1999.

Dividends and stock market price

The Company declares and pays dividends quarterly. Each Class A Multiple Voting Share (the "Class A Share") and each Class B Subordinate Voting Share (the "Class B Share") are entitled to receive the dividends as determined by the Board of Directors, in an identical amount, at the same date and in the same form, as if such shares constituted shares of a single class.

For the fiscal year ended December 31, 1999, the dividend declared and paid by the Company on Class A Shares and Class B Shares totalled $0.48 per share while for the fiscal year ended December 31, 1998, it had totalled $0.44 per share.

The Class A Shares and the Class B Shares are listed on The Toronto Stock Exchange. These shares were, up to December 6, 1999, also listed on the Montreal Exchange.

The following table sets forth the price range for the Class A Shares and Class B Shares on the Montreal Exchange (up to December 6, 1999) and on The Toronto Stock Exchange for the periods indicated:

	CLASS A SHARES		CLASS B SHARES	
	Montreal and Toronto stock exchanges (CDN$)		Montreal and Toronto stock exchanges (CDN$)	
Quarter ended	**High**	**Low**	**High**	**Low**
1999				
December 31	$ 39.50	$ 34.25	$ 39.00	$ 34.00
September 30	39.50	35.00	39.25	34.85
June 30	36.00	31.25	36.50	31.00
March 31	34.55	31.25	34.25	31.00
1998				
December 31	33.00	26.75	33.00	26.50
September 30	32.50	27.90	33.25	27.25
June 30	30.20	28.50	29.95	28.30
March 31	30.25	23.60	30.25	23.50

List of directors and officers

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President and Chief Executive Officer,
Alimentation Couche-Tard Inc.

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Quebecor Printing Inc.

Micheline Charest
Corporate Director

Michel Desbiens
President and Chief Executive Officer,
Donohue Inc.

Pierre Laurin (2)
Executive in Residence,
École des hautes études commerciales

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St-Hubert Food Group Inc.

Pierre Legrand, Q.C. (2) (3)
Senior Partner,
Ogilvy Renault

Raymond Lemay (1)
Corporate Director

The Right Honourable
Brian Mulroney, P.C., C.C., LL. D.
Senior Partner,
Ogilvy Renault and
Chairman of the Board,
Sun Media Corporation

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Quebecor Inc. and
Quebecor Printing Inc.

Érik Péladeau (1) (3)
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Quebecor Communications Inc. and
Vice Chairman of the Board,
Quebecor Inc. and Sun Media Corporation

Pierre Karl Péladeau (1) (3)
President and Chief Executive Officer,
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Chairman of the Board,
Informission Group Inc. and
Vice Chairman of the Board,
Quebecor Printing Inc.,
Donohue Inc. and Sun Media Corporation

Charles-Albert Poissant, C.M., FCA (1) (3)
Chairman of the Board,
Donohue Inc.

(1) Member of the Executive Committee
(2) Member of the Audit Committee
(3) Member of the Compensation Committee

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Vice Chairman of the Board

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President and Chief Executive Officer

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Executive Vice President and
Chief Financial Officer

Jacques Malo
Executive Vice President and
Chief Information Officer

Louis Saint-Arnaud
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Legal Affairs and Secretary

Benoît Huard
Controller and Treasurer

Claudine Tremblay
Assistant Secretary

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Benoît Huard
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Distribution and Electronic Commerce

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Corporate Promotion

André Rousseau
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Book Sector

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Julie Tremblay
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Human Resources

Claudine Tremblay
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Pierre Karl Péladeau
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Hugues Simard
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operations and
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Jacques Angers
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Environment and Energy

Viateur Camiré
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Human Resources

André Dupras
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Sales and Marketing, Lumber

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Roger Quesnel
Vice President,
Sales and Marketing, Market Pulp

Paul Buron
Treasurer

Jocelyn Pépin
Corporate Controller

Denys Lamarre
Director,
Legal Department
and Assistant Secretary

* New corporate name as of April 25, 2000: Quebecor World Inc.

QUEBECOR INC.

Providing a World of Solutions

New Media

Canada
Ontario
Quebec

United States
Massachusetts
New York
Washington

France
Paris

Newspapers

Canada
Alberta
British Columbia
Manitoba
New Brunswick
Ontario
Quebec
Saskatchewan

United States
Florida

Television Broadcasting

Canada
Quebec
Ontario

Books, Magazines Music

Canada
Quebec

Printing

Canada
Alberta
British Columbia
New Brunswick
Nova Scotia
Ontario
Quebec

United States
Arizona
Arkansas
California
Colorado
Connecticut
Florida
Georgia
Illinois
Iowa
Kentucky
Louisiana
Maryland
Massachusetts
Michigan
Minnesota
Mississippi
Missouri
Nebraska
Nevada
New York
North Carolina
Ohio
Oklahoma
Pennsylvania
Rhode Island
Tennessee
Texas
Vermont
Virginia
Washington State
Washington, DC
West Virginia
Wisconsin

Argentina
Buenos Aires

Chile
Santiago

Colombia
Santafe de Bogotá

Mexico
Queretaro

Perú
Lima

Austria
Salzburg

Finland
Mikkeli

France
Aubervilliers
Beaugency
Blois
Bondoufle
Claye Souilly
Hellemmes
La Loupe
Lizy-sur-Ourcq
Marne la Vallée
Mary-sur-Marne
Neuilly-sur-Seine
Pont Saint-Martin
Roissy
Strasbourg

Germany
Dortmund

Spain
Seseña
Barcelona

Sweden
Skärholmen
Jönköping
Katrineholm

Switzerland
Fribourg

United Kingdom
Corby

India
New Delhi

Forest Products

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British Columbia
Ontario
Quebec

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Georgia
Illinois
Kansas
Missouri
New Jersey
Ohio
Texas

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QUEBECOR INC.