

ANNUAL REPORT
2000



QUEBECOR INC.

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OUR COVER

In 2000, Quebecor reorganized its corporate structure and marshalled its forces around two operational poles: industrial operations, spearheaded by Quebecor World, and media operations, consolidated under Quebecor Media.

After creating Quebecor World, the world's largest commercial printer, Quebecor is building Quebecor Media, a Canadian platform for convergence which will capture synergies among the Company's media properties and provide a springboard for international expansion.

General Information

ANNUAL MEETING

Shareholders are invited to attend the Annual Meeting of Shareholders to be held at 10:00 a.m. on Thursday, May 3, 2001 in the Ballroom of the Montreal Marriott Château Champlain, 1 Place du Canada, 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:

Computershare Trust Company of Canada
Place Montreal Trust
1800 McGill College
Montreal, Quebec
H3A 3K9

TRANSFER OFFICES:

- Toronto
- Vancouver
- United States (American Securities Transfer & Trust Inc. – Denver, CO)

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 Montreal Trust Company at (514) 982-7555 or 1 800 564-6253.

CURRENCY

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

CREDITS

Graphic Design: St. Remy Media Inc.
Printing: Quebecor World Graphique-Couleur
Photography: Guy Tessier

ISBN: 2-922430-07-3

Legal Deposit – Bibliothèque nationale du Québec, 2001
Legal Deposit – National Library of Canada, 2001

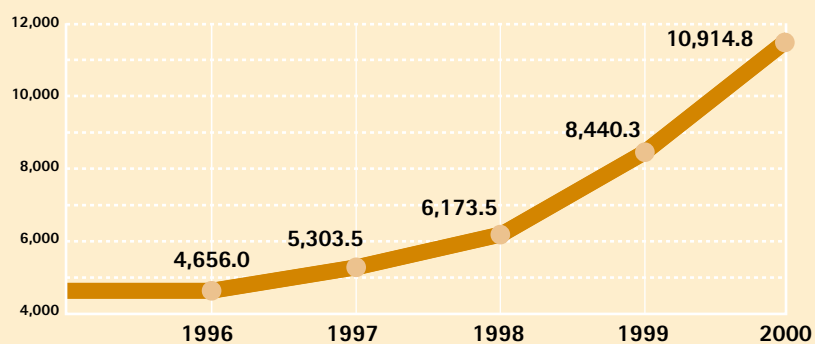
Printed in Canada

Highlights

Years ended December 31, 2000, 1999 and 1998
(in millions of Canadian dollars, except per share data)

	2000	1999 (Restated)	1998 (Restated)
Operations			
Revenues	\$ 10,914.8	\$ 8,440.3	\$ 6,173.5
Operating income before amortization, financial expenses, gains on dilution and reserve for restructuring of operations and other special charges	1,790.1	1,309.3	852.3
Contribution to net income			
Continued operations	203.1	181.9	146.5
Goodwill amortization	(66.8)	(41.1)	(18.4)
Non-recurring items	702.0	296.0	-
Discontinued operation	246.1	40.5	44.2
Net income	1,084.4	477.3	172.3
Cash provided by continued operations	1,447.6	1,105.9	647.4
Per share data			
Contribution to net income			
Continued operations	\$ 3.14	\$ 2.80	\$ 2.24
Goodwill amortization	(1.03)	(0.63)	(0.28)
Non-recurring items	10.86	4.57	-
Discontinued operation	3.81	0.63	0.68
Net income	16.78	7.37	2.64
Dividends	0.51	0.48	0.44
Shareholders' equity	43.21	26.57	21.99
Number of shares outstanding at year-end (in millions)	64.6	64.6	64.7
Financial position			
Working capital	\$ (1,785.8)	\$ 556.3	\$ 612.9
Shareholders' equity	2,792.2	1,716.0	1,423.7
Total assets	17,603.3	15,246.9	9,889.6
Employees	52,000	60,000	39,000
Return on average equity			
Continued operations	9.0 %	11.6 %	11.1 %
Total	48.1 %	30.4 %	13.0 %

REVENUE GROWTH (in millions of dollars)

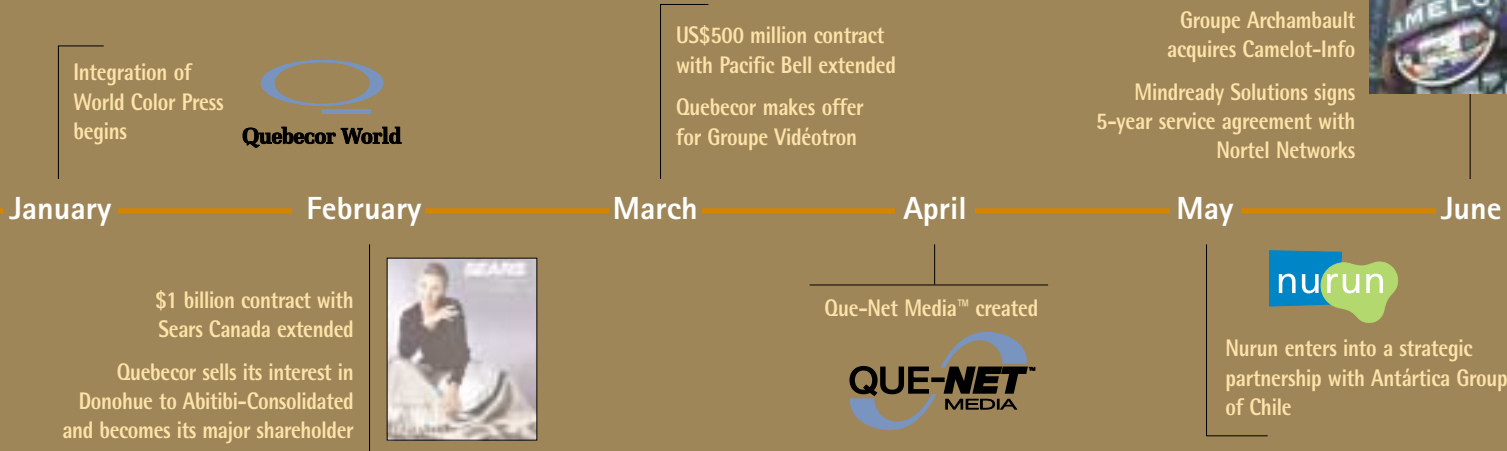


Overview of Quebecor

QUEBECOR MEDIA INC.

Operations	Revenues (in millions of dollars)	Employees
Newspapers	\$ 850	5,900
Sun Media Corporation <ul style="list-style-type: none"> • 2nd largest newspaper group in Canada • Publishes 8 urban dailies and 190 community newspapers 		
Leisure and Entertainment	\$ 225	1,650
Groupe Archambault inc. <ul style="list-style-type: none"> • Largest chain of music stores in Eastern Canada • 12 megastores • 3 e-commerce sites: archambault.ca, camelot.ca, paragraphbooks.com 		
Publicor <ul style="list-style-type: none"> • Major Quebec magazine publisher, also engaged in contract publishing 		
Book Sector <ul style="list-style-type: none"> • Largest group of publishing houses in Quebec • Specializes in general literature, textbooks, legal texts, contract publishing 		
Le SuperClub Vidéotron <ul style="list-style-type: none"> • Largest chain of video stores in Quebec • 166 stores • 30% of the Quebec market 		
Web Integration/Technology	\$ 127	1,200
Nurun Inc. <ul style="list-style-type: none"> • A network of offices in North America, Europe, Latin America • Online marketing, e-commerce, automated publishing solutions, intranets and extranets, Web sites, systems integration 		
Mindready Solutions Inc. <ul style="list-style-type: none"> • Test engineering and real-time communications solutions 		
Internet/Portals	\$ 12	300
CANOE <ul style="list-style-type: none"> • Two extensive networks of portals and special-interest sites • canoe.ca and canoe.qc.ca in Canada, canoe.fr in France and micanoa.com in Spain • Infinit.com portal and toile.qc.ca search engine • Over 210 million page views per month on the CANOE and Netgraphe networks 		
Netgraphe Inc.		
Cable Television and Broadcasting		
Vidéotron Itée TVA Group Inc.	<p>After the acquisition of Groupe Vidéotron in October 2000, Quebecor Media filed an application with the CRTC for the transfer of the operating licenses of Vidéotron Itée (cable television) and TVA Group Inc. (broadcasting). In the event of a favourable decision by the CRTC expected in June 2001, these assets will be added to Quebecor Media's properties.</p>	

2000 HIGHLIGHTS





QUEBECOR WORLD INC.

	Plants/Countries	Operations	Revenues (in millions of dollars)	Employees
	Over 160 plants and related facilities <ul style="list-style-type: none"> • 16 countries 	<ul style="list-style-type: none"> • The only truly global printer • Over 85 acquisitions in one decade • Lines of business: magazines, advertising inserts and newspaper supplements, catalogues, specialty printing and direct mail, books, digital premedia services, logistics, directories • Largest printer of magazines in the world: over 1,000 titles, 2 billion copies per year • International sales force 		
North America	Over 125 plants: <ul style="list-style-type: none"> • Canada • United States 	<ul style="list-style-type: none"> • Magazines: 46% of the top 125 titles in North America • Catalogues: 27 million per day • Books: one billion per year • Directories: 180 million per year • 15 Que-Net Media™ business centres • Logistics Services specialized in the distribution of printed materials; largest shipper into the U.S. postal system 	\$ 8,195	36,000
Europe	27 plants <ul style="list-style-type: none"> • Austria • Finland • France • Spain • Sweden • Switzerland • United Kingdom 	<ul style="list-style-type: none"> • The largest rotogravure network in Europe • Electronic B2B procurement centre for raw materials (paper, ink) in Fribourg, Switzerland 	\$ 1,322	5,800
Latin America	7 plants: <ul style="list-style-type: none"> • Argentina • Brazil • Chile • Colombia • Mexico • Peru 	<ul style="list-style-type: none"> • One of the largest printers in Latin America • Strategic alliances with leading printers and publishers: Listel Listas Telefonicas, Editora Abril, Gráfica Melhoramentos, Gráfica Monte Alban, Editorial Antártica 	\$ 166	1,300

Quebecor makes a public takeover bid for Groupe Vidéotron



Acquisition of Groupe Vidéotron closes



Mindready Solutions listed on the Toronto Stock Exchange

July — August — September — October — November — December

10-year contract with Editora Abril S.A. in Brazil and construction of new printing plant
TOS network put up for sale
canoe.fr launched in France



US\$142 million contract with Listel Listas Telefonicas S.A. in Brazil to print directories

Message to Shareholders

Quebecor has marshalled its forces around two operational poles: Quebecor World and Quebecor Media

Quebecor made impressive progress in the year 2000. The highlight of the year was the takeover of Groupe Vidéotron ltée in October, the Company's largest media acquisition to date. The transaction will have a decisive impact on Quebecor's development. It equips us to begin developing one of the most powerful platforms for media convergence in Canada, which will provide a springboard for international expansion going forward. We will build on this foundation to strengthen the positioning of our products and generate additional revenues by distributing our content through new channels. We are confident that this carefully considered strategic decision is the best way to secure the Company's long-term growth and enhance shareholder value.

Two major operating units: Quebecor World and Quebecor Media

In 2000, Quebecor streamlined its operating structure and marshalled its forces around two operational poles: the industrial pole, spearheaded by Quebecor World Inc., the world's largest commercial printer with 43,000 employees and 160 printing plants in 16 countries, and the media pole, organized under Quebecor Media Inc., an operating subsidiary which will eventually have 225 offices and business centres employing more than 15,000 people, concentrated in North America and also including operations in many countries. Pending a decision by the Canadian Radio-Television and Telecommunications Commission (CRTC) on the transfer of Vidéotron's licenses for cable television (Vidéotron ltée) and broadcasting (TVA Group) to Quebecor, expected in June 2001, we have begun the process of consolidating our other media properties within Quebecor Media.

Quebecor Inc.'s revenues increased 29% to \$10.9 billion for the year ended December 31, 2000. Earnings before interest, taxes, depreciation and amortization (EBITDA) from continued operations amounted to \$1.8 billion in 2000, up 37% over 1999. The increase was due primarily to the exceptional contributions of our subsidiaries Quebecor World in the printing segment and Sun Media Corporation in the newspaper segment, both of which posted record results.

Net income from continued operations (before amortization of goodwill and effect of non-recurring items) increased by nearly 12% to \$203.1 million or \$3.14 per share in 2000, compared with \$181.9 million or \$2.80 per share in 1999.

Three non-recurring items had an impact on net income: 1) a \$246 million gain derived primarily from the sale of Donohue to Abitibi-Consolidated Inc. in the second quarter; 2) non-recurring charges totalling \$100.4 million, including write-offs of goodwill; and 3) \$802 million gains on dilution resulting mainly from the issuance of capital stock by subsidiary Quebecor Media in the fourth quarter. Consequently, Quebecor's net income including these items totalled \$1.08 billion or \$16.78 per share in 2000. In 1999, net income totalled \$477.3 million, or \$7.37 per share, including non-recurring items such as gains on dilution resulting from share issues by subsidiaries and restructuring reserves recognized by two subsidiaries.

Responsible debt management

The acquisition of Vidéotron had a predictable impact on the Company's indebtedness and on some of its financial ratios. In February 2001, to enhance its financial position, Quebecor announced the sale of 2.5 million subordinate voting shares in Quebecor World and the issuance of 25-year debentures convertible into 12.5 million subordinate voting shares of the subsidiary. These moves reduced Quebecor's debt by nearly half a billion dollars.

Quebecor has always exercised responsible and rigorous management in all aspects of its operations, particularly debt levels. In the past, we had to take on debt to acquire Donohue in 1987, Maxwell Graphics in 1989, Sun Media Corporation in 1999, and World Color Press, also in 1999. These acquisitions helped make Quebecor the leader it is today. We are confident that, in the medium term, the Vidéotron deal will prove to be an important addition to our string of successful acquisitions. The significant cash flow generated by our operations and the sale of some assets that do not fit into our development plans should allow us to reduce the Company's debt, despite the sharp economic downturn in the fourth quarter of 2000.



Pierre Karl Péladeau
*President and Chief
Executive Officer*

Jean Neveu
Chairman of the Board

Solid fundamentals

Quebecor's stock price fluctuated considerably in 2000. It was driven up by the rally in tech stocks in early 2000 and then fell back in the second half. As at December 31, 2000, the intrinsic value of our interest in Quebecor World and Abitibi-Consolidated, less Quebecor Inc.'s debt, equalled nearly \$28 per share on a non-consolidated basis. At that price, therefore, shareholders were getting Quebecor Inc.'s interest in Quebecor Media as a premium. We consider the gap between the intrinsic value of Quebecor's assets and its stock market valuation to be unwarranted. The Company's exceptionally rich and diverse array of industrial and media properties defines the real value of an investment in Quebecor Inc.

A track record of success

Throughout its history, Quebecor has consistently seized opportunities for growth while practising sound financial management. We have successfully expanded in many lines of business:

- commercial printing, with the phenomenal growth of our operations since 1988 and the creation of Quebecor World;
- forestry products, with our interest in Donohue over more than a dozen years;
- newspapers, with the acquisition of Sun Media Corporation in 1999;
- broadcasting, where we succeeded in turning around TQS's financial position in the space of three years and significantly increasing its market share, although Quebecor had no prior experience in this area;
- Web integration, where we have expanded the scope of our operations to serve major international corporations;
- Internet properties, where we have rolled out a bilingual network in Canada and are now moving into other countries and other languages.

In the past, we have proved our ability to expand into new lines of business and develop them creatively and profitably. We have the expertise, the resources and the management teams to succeed in analogue and digital cable television, high-speed Internet access and Web TV. Quebecor Media will stay at the innovative cutting edge and capitalize on the fit between its various media properties, to the benefit of its customers and the general public.

Acknowledgements

We would like, once again, to thank the directors of Quebecor Inc. and all the Company's employees in 17 countries for their personal and professional commitment to the organization's success. We pay tribute in particular to the Quebecor World management team, which did exceptional work, surpassing the ambitious targets in the integration plan adopted when Quebecor Printing and World Color Press merged. We are grateful to our shareholders for their support in this period of turmoil on capital markets. We assure them that Quebecor management remains fully committed to a single objective: maximizing shareholder value.

Jean Neveu

Jean Neveu
Chairman of the Board

Pierre Karl Péladeau

Pierre Karl Péladeau
President and Chief Executive Officer

FROM TOP TO BOTTOM AND LEFT TO RIGHT

Jean Neveu
Chairman of the Board

Pierre Karl Péladeau
President and
Chief Executive Officer

Érik Péladeau
Vice Chairman of the Board

Monique Leroux
Senior Executive Vice President
and Chief Operating Officer

Claude Hélié
Executive Vice President
and Chief Financial Officer

Luc Lavoie
Executive Vice President,
Corporate Affairs

Sylvie Cordeau
Executive Advisor,
Office of the President



AN EMERGING FORCE IN
THE MEDIA UNIVERSE

Quebecor Media, a subsidiary of Quebecor Inc., was created in 2000. It includes our assets in newspaper, magazine and book publishing; Web integration and technology; Internet portals and content;

QUEBECOR MEDIA

and distribution and retail. Quebecor Media is building one of the most powerful platforms for media convergence in Canada in order to capture the synergies among all of our media properties, including (subject to regulatory approval) our new cable television and broadcasting assets.



Interview with Pierre Karl Péladeau

Acquisition of Groupe Vidéotron

Last October, Quebecor Media closed the acquisition of Groupe Vidéotron. Tell us about that deal.

Vidéotron, a leader in cable television in Canada, commands the latest technology. It is the largest cable provider in Quebec and the third-largest in Canada. Vidéotron owns quality properties in communications segments that are complementary to Quebecor's businesses: cable television, interactive television and Internet access. In all, the company has over 1.5 million subscribers to its basic cable service, over 85,000 subscribers to digital cable television and 205,000 Internet subscribers, 75% of whom have high-speed service. Vidéotron's subsidiary, TVA Group, is engaged in broadcasting through the TVA Network, the distribution of television content and films through TVA International, and magazine publishing through TVA Publishing.

Why did you consider this acquisition to be timely?

Vidéotron has the technological infrastructure we need to become a fully integrated company and join the global trend toward media convergence. Our shareholders know that Quebecor is recognized for the depth, diversity and richness of its content, distributed on print and electronic platforms. But to create a truly integrated global media and communications company, we needed to control our own distribution network in order to ensure optimal dissemination of our content.

You speak of creating a global media company but Vidéotron's operations are currently confined to Quebec. Isn't that a contradiction?

You have to start somewhere. Vidéotron was a natural partner in a market we

know well. Quebecor's strategy in commercial printing, newspaper publishing, forestry products, Web integration and Internet portals has always been the same: to develop solid local and regional foundations before tackling the national market and, in businesses where it was appropriate, world markets. This strategy has yielded excellent results to date and we intend to continue along the same successful path in the future.

You say Quebecor Media must be part of the trend towards media convergence. How does it intend to achieve this?

All the recent examples of convergence in the telecom and media industries have had one thing in common: they involved combining content and access. The acquisition of Vidéotron by Quebecor is consistent with this trend. The principal advantage of convergence for a company like Quebecor is that it enables us to offer our customers advertising strategies that embrace a wide range of media. It lets us enhance impact for our advertisers through cross-promotions in our dailies, our magazines, our television network and our Internet portals. Vidéotron's technology will also make us a driving force in the next big thing in high tech: Internet-based telephony and Internet-based television, or Web TV. Finally, it will let us diversify our revenue sources by adding, first of all, recurring revenues from subscriptions, and then the fees and commissions we will collect on the e-commerce transactions supported by our interactive cable capabilities.

Couldn't Quebecor have remained solely a content provider?

The creation of media powerhouses in the United States and Europe is reshaping the

media universe. Sooner or later, a content producer that does not control the distribution of its product is likely to be marginalized by these giants, which are much more fully integrated. Combining content and Internet access will create optimal business opportunities for all our customers on a multitude of platforms. This road is more difficult because it is untrodden but it offers the best prospects for future growth for Quebecor.

The acquisition of Vidéotron was made through a new subsidiary called Quebecor Media. What is this company?

In 2000, Quebecor decided to reorganize its operations into two large units: Quebecor World for industrial operations and Quebecor Media for media operations. To create Quebecor Media, Quebecor joined forces with Caisse de dépôt et placement du Québec, Quebecor's financial partner in the acquisition of Maxwell Graphics' plants in the late 1980s and of Sun Media Corporation in 1999. Quebecor and Capital Communications CDP, a wholly owned subsidiary of Caisse de dépôt et placement du Québec, hold 55% and 45% of Quebecor Media respectively.

How was the acquisition financed?

Quebecor Media spent \$5.7 billion to acquire Vidéotron, cover charges related to the transaction and make a monetary advance to Vidéotron. To finance the deal, Quebecor contracted a bank loan of \$0.9 billion drawn under credit facilities and injected the money into Quebecor Media. Quebecor Media itself invested \$2.1 billion obtained by means of a bank loan. The remaining \$2.7 billion was raised through a subscription for Quebecor Media stock by Capital Communications CDP.

Is Quebecor already exercising full control over Groupe Vidéotron's assets?

No, not entirely. Vidéotron's non-regulated operations are being incorporated into Quebecor Media, in accordance with the business plan. The properties in question are the SuperClub Vidéotron chain of video stores and the Web publisher Netgraphe. However, Vidéotron's core businesses, the cable television provider Vidéotron Itée and the broadcasting operation TVA Group, are regulated by the Canadian Radio-Television and Telecommunications Commission, the CRTC. For these properties, we are waiting for a CRTC decision on the transfer of the operating licenses.

In the meantime, who is running these companies?

In accordance with CRTC regulations, they are under the control of trustees appointed by Quebecor. For this purpose, we are fortunate to be able to count on veteran managers who enjoy our full confidence. The trustee for the cable television operations is Serge Gouin, President and Chief Executive Officer of Vidéotron from 1987 to 1996. He is supported in his duties by the entire Vidéotron team. The trustee for the broadcasting operations is Richard Drouin, former President of Hydro-Québec and currently Chairman of Abitibi-Consolidated. Our properties are in good hands.

Quebecor has announced it intends to divest itself of the TQS television network. Why?

Regretfully, this is a decision we were forced to make. We were very satisfied with the TQS network's growing market

share and its financial results, but after consulting with the appropriate authorities, we concluded that we had no choice. However, the sale of TQS is conditional upon the CRTC's approval for the transfer of the operating license for the TVA television network. If the CRTC should decide to transfer TVA's operating licenses to Quebecor, and if TQS has not yet been sold at that time, Quebecor has pledged to place TQS under the control of trustees until it is sold.

Does Quebecor intend to keep all of Groupe Vidéotron's assets?

No. We have announced our intention to divest ourselves of three properties that do not fit in with our long-term development strategy: business telecommunications provider Vidéotron Télécom, remote surveillance company Protectron, and Vidéotron's interest in wireless telephone service provider Microcell. The process of selling these properties is already under way, or will begin as soon as market conditions are favourable.

How will the acquisition of Vidéotron help advance Quebecor's convergence strategy?

Our strategy basically rests on this equation: cable television + the Internet = Web TV. As far as cable television is concerned, Vidéotron's cable operations will position us in an industry with excellent revenue prospects. When it comes to the Internet, Vidéotron has cutting-edge high-speed connection technology. As for Web TV, we will build on Vidéotron's net.tv service, which will let users watch television and simultaneously surf the Web via a high-speed connection. This is the way

of the future. Web TV will help create a host of synergies with our other media properties and a multitude of e-commerce opportunities for the major retail chains that Quebecor World and Nurun already serve.

What are the main challenges Quebecor faces in carrying out its convergence strategy?

Media convergence must demonstrate that it can generate value for Quebecor's customers and shareholders. The first challenge is getting different entities, such as information content producers and an Internet access provider, to work together. Quebecor has been working for years to maximize the potential synergies between its various companies and has been quite successful. The second challenge is to make international inroads into the Internet economy, which, as we know, has no borders. We have an impressive track record when it comes to global expansion, particularly in the commercial printing industry, where we built up the world's largest commercial printer, Quebecor World, in the space of a decade.

Will Quebecor's convergence strategy benefit shareholders?

In this strategic effort, as in all the others Quebecor has undertaken in the course of its history, our aim will be to maximize value for the customers who use our services and for the shareholders who own Quebecor stock. Quebecor's focus on the interests of shareholders is part of its corporate history and culture. Shareholder value is an absolute priority of which we will never lose sight.

Newspapers

Sun Media increases profit margins despite higher newsprint costs



Le Journal de Montréal: the top daily newspaper in Quebec.

Sun Media Corporation posted excellent results in its second full year of existence since Quebecor brought all its daily, local and regional newspapers together under this entity.

Sun Media, the second-largest newspaper group in Canada, recorded revenues of \$850.1 million in 2000, compared with \$827.1 million in 1999, a 2.8% increase, even though fiscal 1999 included an extra week (53 weeks). Earnings before interest, taxes, depreciation and amortization (EBITDA) from continued operations increased 9.6% to \$205.3 million in 2000. It is noteworthy that Sun Media increased its profit margin from 22.7% in 1999 to 24.2% in 2000 despite an average increase of approximately 10% in the cost of newsprint. In addition to its excellent operating results, Sun Media substantially improved asset management by reducing its debt by \$115 million during the fiscal year.

Under the inspired leadership of its new President and Chief Operating Officer, Pierre Francœur, Sun Media enhanced its profitability by eliciting innovative initiatives from employees and from the Corporation's various sectors in order to increase sales and reduce operating costs. The results have met our expectations and Quebecor is grateful to all the employees who contributed to the success of this effort.

Sun Media's urban dailies shine

The combined revenues of our urban dailies increased

by 3.6%. Advertising revenues increased by 7.6% after adjusting for the effect of the 53rd week in fiscal 1999. This was a very strong performance in view of the vigorous competition in some urban markets, including Toronto once again. Our effective operating cost-containment strategies produced a substantial 5.7% increase in combined EBITDA for our urban dailies.

In 2000, Sun Media's major dailies took numerous initiatives to increase advertising and distribution revenues. For example, they launched a variety of special sections designed to appeal to readers' interests. They also invested in product quality; some modernized their equipment and acquired advanced technology. The focus was on increasing revenue, reader loyalty, circulation, print quality and, of course, earnings, which grew in line with our targets.

Sun Tabs Network makes gains

The Sun Tabs Network, created to promote national advertising sales in the Sun Media tabloids, scored significant successes in 2000. Total revenues for all departments increased by 6%, adjusted for the 53rd week in fiscal 1999, while national revenues rose 18%. The Sun Tabs Network landed major customers in several segments, including the automobile industry, financial services, microcomputers and telecommunications.

Community newspapers: increased profits and new sources of revenue

The community newspapers division, headed by Bill Dempsey, posted another excellent performance in 2000, highlighted by a 10% year-over-year increase in operating income, on a comparative basis. The division includes over 190 publications across Canada and in Florida.

Sun Media urban dailies – readership

Urban dailies	Weekday readership
<i>Le Journal de Montréal</i>	717,200
<i>Le Journal de Québec</i>	176,800
<i>The Ottawa Sun</i>	156,000
<i>The Toronto Sun</i>	976,500
<i>The London Free Press</i>	177,000
<i>The Winnipeg Sun</i>	128,800
<i>The Edmonton Sun</i>	192,600
<i>The Calgary Sun</i>	234,400
Total	2,759,300

Source : NADbank, 2000



A regional advertising network – from coast to coast

The Bowes Newspaper Network (BNN) is the local and regional counterpart of the Sun Tabs Network. BNN provides one-stop service for national advertisers that want exposure in markets with a population under 100,000, where one-third of Canadians live. In 2000, BNN relocated its offices to London, Ontario, while keeping a sales team in Edmonton. BNN has successfully developed strategies to take advantage of the business opportunities generated by the booming Internet advertising market and will continue to do so in the future.

Some of Sun Media's 8 urban dailies and 190 community newspapers.

Quebec weeklies increase operating income by 20%

The operating income of Sun Media's Quebec weeklies rose 20% in 2000. The excellent results are due primarily to stringent cost-containment. All our Quebec weeklies are now on the Web and new Internet initiatives are planned to stimulate the segment's revenues.

U.S. publications

Florida Sun Publications likewise posted increased revenues. Printing contracts obtained after the acquisition of a new printing press accounted for one-half of the company's EBITDA.

Effective distribution networks

Messageries Dynamiques, the largest distributor of dailies, magazines and other print and

electronic media in Quebec, was also part of Sun Media Corporation's success in 2000. Messageries Dynamiques exceeded its earnings targets for the fiscal year ended December 31, 2000 despite a substantial increase in operating costs generated in large part by spiralling gasoline prices. Finally, Dynamic Press Group, owned in partnership with The News Group, a division of The Jim Pattison Group of Vancouver, increased its volume of business by 25% in comparison with the previous year.

Weekly circulation of Sun Media newspapers

Provinces	Urban dailies and community newspapers distributed per week
Maritimes	8,000
Quebec	3,602,000
Ontario	4,552,000
Manitoba	491,000
Saskatchewan	45,000
Alberta	1,654,000
British Columbia	36,000
Total Canada	10,388,000
Florida	246,000

Web Integration/Technology

Supporting our customers wherever their business development endeavours may lead them



In 2000, Nurun adopted a new corporate name and logo.

Nurun Inc. posted a healthy increase in revenues in fiscal 2000, expanded geographically into new markets and landed contracts with major corporations around the world. Its telecommunications subsidiary, Mindready Solutions Inc., floated an IPO.

Nurun recorded revenues of \$127.5 million in 2000, nearly a six-fold increase over 1999. EBITDA from continued operations was \$0.1 million, compared with \$1.3 million in the previous year. The drop in EBITDA from continued operations was due to slimmer profit margins, pressure on revenues and the slumping Internet economy.

To adapt to changing conditions in the business environment, Nurun management took responsible action to reduce operating costs and improve its balance sheet. The Company announced a major financial reorganization, including a \$53.9 million write-off of goodwill. The reorganization positions Nurun more effectively to pursue its development. In response to the new environment

in the Web integration market, we have reorganized our management team to give Nurun an administrative structure which is more rigorous and better suited to the responsibilities of a public company. Jacques-Hervé Roubert, Founding President of Cythère S.A., has been appointed President and Chief Executive Officer of Nurun; Andrew Church, previously with Quebecor World USA, has become Chief Financial Officer. These two executives will give Nurun the benefit of a wealth of experience acquired with “old economy” businesses. In its current stage of development, Nurun must assign a more important role to people who are endowed not only with vision but also with managerial skills. This is a priority on which Quebecor and the Nurun Board of Directors agree.

Strategic partnership between Nurun and Quebecor World

In June 2000, Nurun made a strategic agreement with Quebecor World to support

Equipped to support our customers around the world

Nurun is set up to serve its customers wherever they may be in the world. With a network of offices in North America, Europe and Latin America, and alliances in Asia, Nurun can support its customers wherever the development of their business may lead them. Here is a partial list of the main customers Nurun has the privilege to serve:

- 3M
- Air Canada
- Air France
- Archambault
- Biotherm
- Boise Cascade Office Products
- Bolsa de comercio
- CANOE
- Club Med
- Evian
- Financial Post
- General Motors
- Gillette
- Gouvernement du Québec
- Groupe Danone
- Helena Rubinstein
- IBM
- International Air Transport Association (IATA)
- L'Oréal
- Lotus
- Luxgallery
- MTV Italia
- Nortel Networks
- Rona
- Star Alliance
- Thomas Cook
- Universal Studios

Seven acquisitions in the year 2000

Nurun made a number of acquisitions in fiscal 2000 to entrench its leadership in Canada, improve its positioning in North America and Europe, and enter the Latin American market.



January 31 -
EntreVision, a Canadian leader in Web-based business solutions and e-commerce, with offices in Toronto and Boston.

January

Quebecor World's offering of value-added high-tech services for its customer base of major retail chains. Nurun intends to capitalize on its alliance with Quebecor World to spur its growth in the U.S.

A world network for world-class customers

Nurun is growing its business by rolling out its expert services in global markets and building long-term relationships with major corporations. It made seven strategic acquisitions in the year 2000 to consolidate its leadership in Canada and strengthen its positioning in other markets.

To respond to changing customer needs, Nurun plans to open new offices in Europe, the U.S. and Latin America, and to continue expanding its service offerings in Asia through strategic partnerships with companies that share its vision. Nurun and Mindready Solutions employ over 1,200 people in a network of offices on three continents.

Mindready Solutions listed on the Toronto Stock Exchange



In 2000, Nurun spun off its Telecommunications Division to create a new subsidiary, Mindready Solutions. Mindready justified the expression of confidence from its principal shareholder by quickly becoming a driving force in the market for test engineering and real-time communications solutions for embedded systems, expanding through internal growth and acquisitions. The year's highlights included:

March – Acquisition of Beltron Technologies Inc., a company providing a variety of software and specialized electronics solutions.

June – Five-year services agreement with Nortel Networks for the provision of test engineering services. Under the agreement, Nortel subscribed for an equity participation of \$10 million in the share capital of Mindready.

June and August – Acquisition of Andrew Duncan & Associates (ADA) Ltd. and of CCS Electronics (UK) Ltd., two UK-based test-engineering companies.

October – Acquisition of Yelo Ltd., a test-engineering firm based in Northern Ireland.

December – Mindready Solutions entered a new phase in its long-term development when it became a public company listed on the Toronto Stock Exchange, trading under the ticker symbol TSE: MNY. Mindready Solutions was one of the few Canadian high-tech firms to successfully float an initial public offering during this period, despite the difficult market conditions.



February 11 – Cythere, a European Internet leader and the largest independent Web agency in France, with offices in Paris and New York.



March 14 – digIT Interactive, a specialist in online marketing and distribution-channel management, with offices in Toronto and Ottawa.



April 10 – Flow Systems Corporation, a leader in catalogue content management and automated publishing solutions for manufacturers and distributors, based in Chicago.



June 30 – Imagix multimedia, one of the largest multimedia and audiovisual production companies in the Quebec City area.



July 11 – Quam SRL, a new media firm engaged in strategic consulting, Web site and portal creation and graphics, interactive marketing, Internet advertising and promotion, based in Milan, Italy.



August 8 – MSM Interactive, an e-commerce and Web integration company based in Santiago, Chile. This acquisition was made jointly with Antártica Group, Quebecor's partner in commercial printing in Latin America since 1997.

February

March

April

June

July

August

Internet/Portals

The consolidation of the Internet properties of Canoe and Netgraphe will create Canada's largest Web-based information and services network

The Internet Portals segment includes the properties of CANOE and, since the acquisition of Groupe Vidéotron by Quebecor Media on October 23, 2000, the properties of Netgraphe, a company listed on the Toronto Stock Exchange under the symbol TSE: WWW.

CANOE, the top online destination in Canada, is a bilingual, integrated media/Internet services network. Netgraphe, the largest Internet publisher in Quebec, creates, acquires and administers high-traffic Web sites. Hugues Simard, President and Chief Executive Officer of CANOE and Netgraphe, is responsible for the development of the Internet segment.

Quebecor Media's Internet Portals segment posted revenues of \$11.6 million in 2000, compared with \$3.6 mil-

lion in 1999. The operating loss before interest, taxes, depreciation and amortization from continued operations totalled \$21.6 million in 2000, compared with a loss of \$10.4 million in the previous year. This performance failed to meet our expectations and management took aggressive action during the year to turn the situation around. In a forward-looking move, CANOE rationalized its workforce and operations at the beginning of the third quarter, becoming one of the first Internet companies in North America to do so. CANOE and Netgraphe announced further cost reductions in early 2001 in order to bring their cost structures in line with their real revenue growth potential.

A year of achievement

The CANOE network opened two beachheads in international markets in 2000. In September, it launched the French-language canoe.fr portal in Paris and in December, it launched the Spanish micanoa.com portal in Madrid. Like the English- and French-language CANOE portals in Canada, these Internet properties have on-site teams of journalists to cover general news and offer a variety of online services.

Also in 2000, CANOE completed the roll-out of its network of city sites in eight major Canadian cities. Called ICI in Montreal and

Snapshot of CANOE and Netgraphe

- Local sites in Canada's major cities: *icimontreal.com, iciquebec.com, fyicalgary.com, fyiedmonton.com, fyiwinnipeg.com, fyiottawa.com, fylondon.com, fyitoronto.com;*
- National sites: *canoe.ca, canoe.qc.ca, toile.qc.ca and infinit.com;*
- International properties: *canoe.fr in France and micanoa.com in Spain;*
- Special-interest sites such as: *jobboom.com, webfin.com, autonet.ca, matchcontact.com, multimediam.com and megagiciel.com.*

Quebec City and FYI in Ottawa, Toronto, London, Winnipeg, Calgary and Edmonton, the city sites are located in the eight cities in which Sun Media publishes daily newspapers. They carry local and regional news and community-focused content that complement CANOE's national news, services and e-commerce platform.

Finally, CANOE was the catalyst for a host of synergies within the Quebecor Media family of companies. In Quebec, CANOE took part in a variety of cross-promotions with



Home pages of the *infinit.com* portal and *toile.qc.ca* search engine, both designed by Netgraphe.

CANOE and Netgraphe click with Web users

	CANOE	Netgraphe
Pages views (million/month)	133.9	78.2
Stickiness ⁽¹⁾ (minutes/user/month)	38.0	33.2

Source: MediaMetrix, December 2000

⁽¹⁾ Canoe.qc.ca only

Publicor magazines, *Le Journal de Montréal*, *Le Journal de Québec* and the TQS television network. In the rest of Canada, CANOE pursued linkages with Sun Media newspapers in order to generate synergies.

The year's achievements also included an agreement in principle between Netgraphe and 9 Telecom, the French subsidiary of Telecom Italia, concerning 9 Telecom's use in France, in co-branding on its mageos.com site, of the directory, guides and search capacity of Zeguide.fr/France.toile.com, developed by Netgraphe.

Internet users stick with CANOE and Netgraphe

According to the MediaMetrix Canada ratings, our portals are the leaders in stickiness, the amount of time a visitor spends on a site. Canoe.qc.ca ranked first in Canada with an average of 38.0 minutes per user per month, far ahead of the major U.S. and international portals such as AOL, Yahoo, Altavista, MSN, Lycos, and so forth. Vidéotron's infinit.com portal ranked third with 33.2 minutes per user per month, while Canoe.ca, the English-Canadian version of CANOE, averaged 24.4 minutes. In the highly competitive portal market, these are impressive figures. They show that our content speaks to Web users.

CANOE + Netgraphe add up to an emerging powerhouse

In March 2001, Netgraphe announced that its Board of Directors had accepted Quebecor



The CANOE network is growing fast: its web of portals now covers Canada (in English and French), France and Spain.

Media's proposal to merge the assets of CANOE and Netgraphe. The consolidation of the Internet properties of CANOE and Netgraphe within Quebecor Media will create the largest Canadian news and services network on the Web, a player with the critical mass to compete with the best in North America.

CANOE and Netgraphe receive three prestigious awards

At the sixth annual Boomerang awards, held in Montreal on November 29, 2000, CANOE received two awards. It took top honours in the "general-interest portal" category and its RATIO-Finances site won in the "financial services or financial information Web site" category. CANOE is not only one of Canada's most popular networks but is also recognized for the quality, depth and relevance of its content. Meanwhile, Netgraphe's jobboom.com site was awarded the Boomerang in the "special-interest Web site" category.

Leisure and Entertainment

46% increase in operating income

The Leisure and Entertainment segment of Quebecor Media, posted revenues of \$225.4 million in 2000, an 8% increase over the previous year. EBITDA from continued operations

amounted to \$13.0 million in 2000, up 46% from the \$8.9 million reported in the previous year. The sharp increase in earnings was due to the robust performance of all our operations: book and magazine publishing, distribution, and retailing of music and videos. The Leisure and Entertainment segment now includes the results of the Le SuperClub Vidéotron chain, acquired by Quebecor Media on October 23, 2000.

Books

The Quebecor Media family of publishing houses, headed by André Rousseau, Vice-President, Book Sector, reported impres-

sive results in 2000. No fewer than 777 titles were published, reissued or reprinted. Earnings increased in line with projections.

Quebecor's publishing houses, which together form the largest publisher in Quebec, released more than 40 best sellers in the general literature category, including a dozen titles published by Éditions du Trécarré. Libre Expression maintained its reputation for putting out Quebec best sellers, notably with the publication of *Black* by Paul Ohl. Éditions CEC remained the leader in textbook publishing, releasing over 60 successful titles and positioning itself in the market created by the education reform in Quebec. Specialty content and information technology provider St. Remy Media carried out a host of projects for blue-chip customers such as Home Depot, Weber and Masterfile. Wilson & Lafleur, an institution which has been serving the legal community for 91 years, innovated by releasing *Le manuel de l'étudiant*, a new collection intended specifically for law students.

Our lines of business and publishing houses:

- **General literature and contract publishing:** Éditions Quebecor inc., Éditions Libre Expression Itée, Éditions Internationales Alain Stanké Itée, Éditions Logiques inc. and Éditions du Trécarré inc.
- **Legal:** Wilson & Lafleur Itée, Wilson & Lafleur & Martel
- **Academic:** Éditions CEC, Éditions FPR
- **Contract publishing:** St. Remy Media Inc.
- **Marketing:** Diffusion Communications Quebecor Inc.

Some of our best sellers in 2000.



Constantly pursuing opportunities for synergies



- **L'agenda guide 2001 des franchises au Québec:** a franchise guide published by Éditions Logiques and Publicor's *Occasions d'Affaires* magazine.
- **101 années de vedettariat au Québec:** a history of show business in Quebec published by Trécarré, in collaboration with *Le Journal de Montréal* and *Échos Vedettes*.
- **Sur le toit du monde; à la conquête de l'Éverest:** the story of an expedition to the top of Mount Everest, written by *Journal de Montréal* reporters and published by Trécarré.
- Horticulture posters based on Trécarré publications, inserted into 10 Saturday editions of *Le Journal de Montréal*.

In 2001, we will work to grow our market share in Quebec and to establish partnerships with companies that can help us improve our positioning in the Canadian market and our foreign sales, which climbed 20% in 2000. Among our family of publishing houses, Les Éditions Quebecor reported the strongest growth in foreign markets.

Quebecor Communications acquired a majority interest in 2000 in DM Diffusion Multimédia inc. Multimedia distribution and marketing operations have been consolidated under DM Diffusion Multimédia, which has become Canada's largest distributor of French-language multimedia products to the schools and the general public. Québec-Livres continues to distribute and market French-language books across Canada.

Magazines

In 2000, Quebecor Media's magazines segment, headed by Claire Syril and her team, posted its best results of the past 10 years. Revenues from newsstand sales and advertising both increased substantially. The strong performance of our magazines in 2000 was primarily due to the effectiveness of the prospecting efforts of the advertising sales force and creative marketing and cross-promotions with other Quebecor Media operations. All our products also conducted highly successful subscription drives.

In the women's segment, the year marked the 20th anniversary of *Clin d'œil*, the leading fashion and beauty magazine in Quebec. Our decorating monthlies *Idées de ma maison*, *Décoration Chez-Soi* and *Rénovation-Bricolage* continued to dominate the Quebec market

with a market share of more than 80%. In 2000, Publicor successfully repositioned itself in the business magazines segment by creating two distinct products: *Occasions d'Affaires*, a bimonthly for new entrepreneurs, and the *Guide des franchises*, a reference source on franchising in Quebec.

In the burgeoning contract publishing business, turnkey service was provided for corporate magazines such as *Les Idées Réno-Dépôt* (for Réno-Dépôt), *The BuildingBox Home Ideas* (for Réno-Dépôt's new Ontario operation), *Sympatico* (Bell), *Bonne Santé* (Média

The Quebecor family of publishing houses: Year 2000 snapshot

- Titles: 777
- Pages: 216,006 pages of original content
- Copies sold: 3,364,623, or 9,218 per day

Per-issue readership

Title	Readers per issue
<i>Échos Vedettes</i>	363,000
<i>Filles d'aujourd'hui</i>	310,000
<i>Décoration Chez-Soi</i>	268,000
<i>Clin d'œil</i>	262,000
<i>Rénovation Bricolage</i>	217,000
<i>Les idées de ma maison</i>	211,000
<i>Femmes Plus</i>	185,000

Our magazines hit the target

	Annual circulation
Publicor	3.5 million
<i>Échos Vedettes</i>	3.4 million

Source: Print Measurement Bureau, 2000

Note: Each year, Publicor also publishes a dozen special editions and seasonal magazines which reach over 1.5 million readers.

Publicor publishes mass circulation magazines.



Our magazines go online

Our magazines continued to seek synergies with other Quebecor companies. A noteworthy example was the launch of the DÉCO Maison Passion decorating section on CANOE's French-language portal network in 2000.



Pratique) and *100% Vacances* (Tours Mont-Royal/ Nouvelles Frontières).

Communications Grattaciel ltée, a subsidiary of Quebecor Media, publishes the arts and entertainment weeklies *Montreal MIRROR* and

ICI Montréal, distributed free of charge at over 2,000 locations in the Montreal area. Both publications increased the number of pages per issue and their advertising ratios. They reported growth in market share and in advertising revenues.

Finally, the leading Quebec celebrity news weekly *Échos Vedettes*, which has become a Quebec institution, posted a 31% increase in advertising sales in 2000.

Music

In 2000, Groupe Archambault, headed by Rosaire Archambault, President and Chief

Executive Officer, and Natalie Larivière, Executive Vice-President, continued developing its chain of megastores and made two acquisitions:

- Camelot-Info inc., a chain of computer bookstores which operates five outlets in Canada and the camelot.ca e-commerce site;
- Paragraph Book Store Inc., operator of the largest independent English-language bookstore in Quebec and of the paragraphbooks.com e-commerce site.

The two transactions strengthened Groupe Archambault's position in music, books and software. On the technical front, Archambault rolled out the new version of its transactional



Le SuperClub Vidéotron snapshot

- 166 stores, including 118 franchise locations
- 30% of Quebec's video rental market
- 22 million rentals per year
- 1.3 million active members



80% of Le SuperClub Vidéotron's revenues are generated by video, DVD and game rentals. The remaining 20% comes from sales of new and previously viewed videos and other products.

site, archambault.ca. In a recent survey by MediaMetrix Canada, archambault.ca ranked fourth among French-language e-commerce sites in number of visitors and among the top 10 online stores in Canada.

Finally, at the Rencontres professionnelles de l'industrie québécoise du disque et de la radio music industry awards, held in February 2000, Archambault received the award for "best music chain store" for the fourth year in a row.

Exclusive distribution and subdistribution

In 2000, Distribution Select, Musicor and Musicor Vidéo signed new exclusive distribution contracts with major Canadian independent record labels. In the subdistribution business, Distribution Trans-Canada signed an exclusive agreement to supply 110 Uniprix drugstores with CDs and videos.

Le SuperClub Vidéotron

The acquisition of Groupe Vidéotron added the SuperClub Vidéotron banner to Quebecor Media's properties. Le SuperClub Vidéotron is the largest chain of video stores in Quebec, with 166 locations and nearly 30% of the market, compared with approximately 7% for its closest rival. Richard Soly is President and Chief Executive Officer of Le SuperClub Vidéotron.

During 2000, Le SuperClub Vidéotron added 20 points of sale. The company also signed a supply agreement with a third major U.S. studio on a revenue-sharing basis. The agreement contributed to the growth of rental revenues. Le SuperClub Vidéotron also repositioned its brand with a successful advertising campaign, under the theme "*Des tonnes de copies... pis ça, ça énerve.*"

Over 80% of Le SuperClub Vidéotron locations are in Vidéotron ltée's cable television service area, making the outlets ideal showcases for Vidéotron's cable products and new services: subscriptions to cable, digital TV and Videoway, and related services. The company is also positioned to realize provisioning and distribution system synergies with Groupe Archambault.

Quebecor is proud to be associated with this respected, well-established brand. We intend to contribute to the future growth of Le SuperClub Vidéotron.



Available at archambault.ca

- 182,000 CDs
- 243,300 books
- 27,500 videos
- 6,700 DVDs
- 45 MP3 albums

One of our 12 Archambault megastores: a vast selection of CDs, sheet music, books, videos, newspapers, magazines and more.

Broadcasting

Remarkable growth in market share

License renewals: A vote of confidence from the CRTC

In a decision released on October 27, 2000, the Canadian Radio-Television and Telecommunications Commission (CRTC) recognized TQS' efforts by renewing the licenses of the TQS network, CFJP-TV in Montreal, its transmitter CJPC-TV in Rimouski, and CFAP-TV in Quebec City for seven years. TQS management and staff welcomed the decision as the fruit of the human and financial investments made in the network and as a vote of confidence in the future of this distinctive voice in Quebec television. This decision justifies the faith we have always had in TQS.

Fiscal 2000 was the TQS television network's best year since it was acquired by Quebecor in 1997. Together, the strategies implemented by the management team with respect to finance and management, programming, and sales and marketing generated excellent results.

TQS' revenues totalled \$59.9 million in 2000, up 23% from \$48.6 million in the previous year. The operating loss before interest, taxes, depreciation and amortization was reduced by 56% from \$7.8 million in 1999 to \$3.4 million in 2000. TQS posted an operating profit in the second and fourth quarters of 2000 in the amounts of \$2.5 million and \$1.1 million respectively.

"Black sheep" grabs lion's share of supper-hour ratings

After regaining the trust and respect of the viewing audience, advertisers, creative talent and business people, TQS management and employees pressed ahead with their efforts to improve the network's positioning in Quebec's television market. The results were soon evident. Since Quebecor acquired TQS in 1997, the network has achieved remarkable growth



TV technicians at work
in the studio.

in market share, particularly in the last two years.

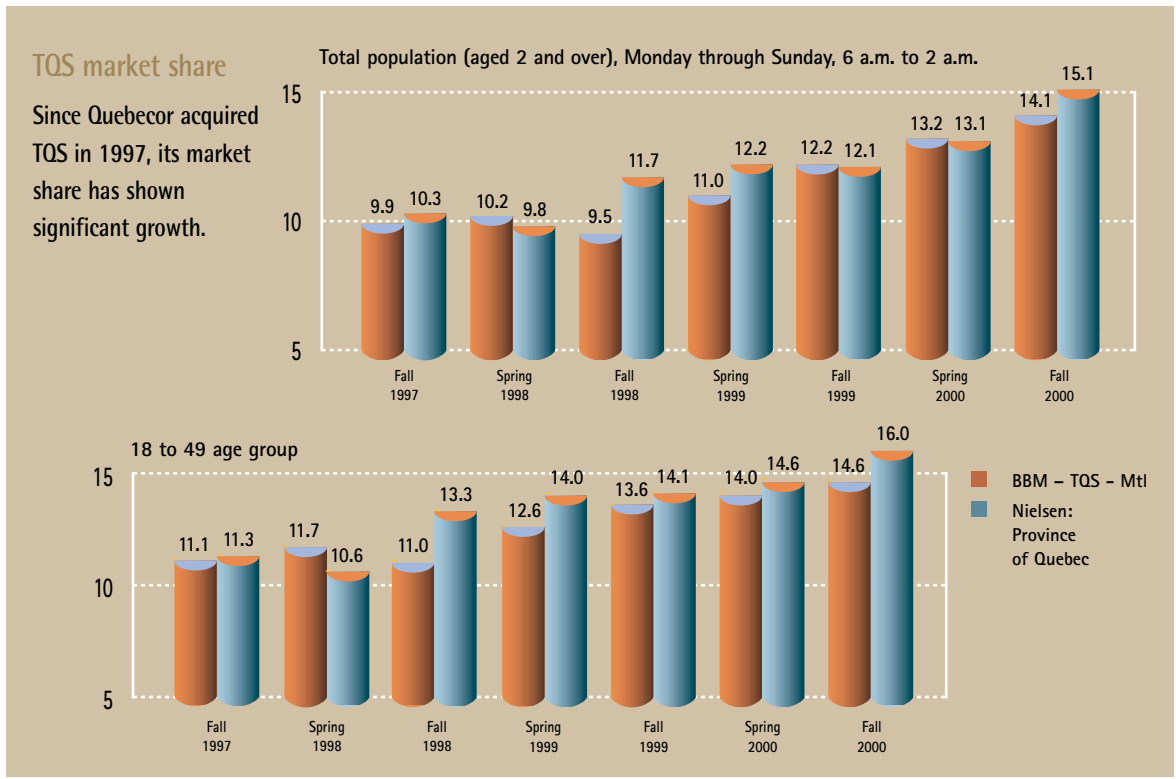
In 2000, TQS registered record ratings in the Montreal market. The 5 p.m. newscast, anchored by Jean-Luc Mongrain, broke through the million-viewer mark, a first in the network's history. According to the BBM survey released at the beginning of January 2001, TQS, branded as the "black sheep" of Quebec television, topped the supper-hour ratings in Quebec Monday through Friday, having increased its audience during the coveted time slot by 40%.

In the space of barely three years, TQS' business strategy has radically transformed the network's image in the industry. Having increased the network's market share and improved its financial position, the TQS management team was able to take much more

aggressive steps to create value while steering the company toward profitability, as the excellent results for the last quarter of 2000 show.

Our thanks to a superb team

After three years of fruitful partnership, we have regretfully been forced to put the TQS network up for sale, in view of the acquisition of Vidéotron ltée and TVA Group by Quebecor Media. Quebecor management salutes the admirable work of the TQS management team and all the employees who have made such an important contribution to the network's success. Managers and employees gave the best of themselves and succeeded in turning TQS around, accomplishing one of the most remarkable feats of its kind in the history of Canadian broadcasting. We are deeply grateful to them.



FROM TOP TO BOTTOM AND LEFT TO RIGHT

Jean Neveu
Chairman of the Board

Charles G. Cavell
President and Chief
Executive Officer

Pierre Karl Péladeau
Vice Chairman of the Board

Christian M. Paupe
Executive Vice President, Chief
Administration Officer and Chief
Financial Officer

Christopher H. Rudge
Chairman and Chief Executive
Officer, Que-Net Media™ and
Executive Vice President
Marketing, Communications and
International Development

Marc L. Reich
Chairman of the Board, President
and Chief Executive Officer,
Quebecor World North America

John Bertuccini
President General Manager,
Quebecor World Europe

Guy Trahan
President,
Quebecor World Latin America



THE WORLD'S LARGEST COMMERCIAL
PRINTER – AND STILL GROWING

Quebecor's industrial subsidiary, Quebecor World, created from the merger of two companies built up through 85-plus acquisitions over a period of ten years, dominates the world market for commercial printing with revenues in the area of

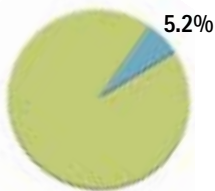
QUEBECOR WORLD

\$10 billion per year. Quebecor World operates an extensive network of over 160 plants in North America, Europe, Latin America and Asia. It has 43,000 employees in 16 countries.

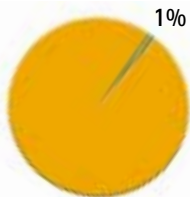
PRINTING

Record revenues, earnings,
cash flow and profit margin

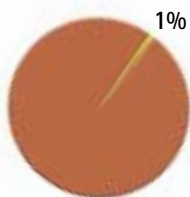
Quebecor World's market share indicates strong growth potential



North America:
a \$160 billion market



Europe:
a \$135 billion market



Latin America:
a \$12 billion market

An employee of Quebecor World Chicago. The plant prints magazines and catalogues for the entire American market.

Quebecor World posted remarkable results in 2000, the first full fiscal year since the acquisition of World Color Press, Inc. Quebecor World's revenues, earnings, cash flow and profit margin all hit record highs. Revenues increased 32% to \$9.68 billion. Earnings before interest, taxes, depreciation and amortization from continued operations climbed 41% to \$1.59 billion. This record profit was realized even as the Company was tackling the challenges of the World Color Press takeover, the largest merger in the history of commercial printing. Cash-flow from operations amounted to \$1.44 billion. That cash-flow generation capacity enabled management to considerably improve the Company's balance sheet. As of December 31, 2000, the major

portion of the bank loans contracted at the time of the World Color Press acquisition in August 1999 had been paid down.

Synergy savings projections increase from US\$50 million to US\$110 million

The smooth integration of its North American operations contributed strongly to Quebecor World's exceptional results. Under the visionary leadership of Charles G. Cavell, President and Chief Executive Officer, the Quebecor World team capitalized on the Company's size, diverse product line, geographic scope and ability to deploy new technologies. At the end of fiscal 2000, the projected US\$50 million in annual cost savings had already been surpassed. The Company has revised its savings target



for 2002 upward to US\$110 million, more than double the original figure.

Successful reorganization

During 2000, Quebecor World reorganized its North American plants and created two mega-facilities, one in Buffalo, New York, to print paperbacks and inserts for mass-circulation newspapers, and the other in Effingham, Illinois, to print direct mail materials. With its concentration of presses of the same type, Quebecor World was able to improve customer service by providing more efficient response and reducing lead time.

Quebecor World's investments in new technologies also yielded positive results. The installation of a four-colour press at its Merced, California, plant resulted in a US\$500 million contract extension with Pacific Bell for the printing of directories.

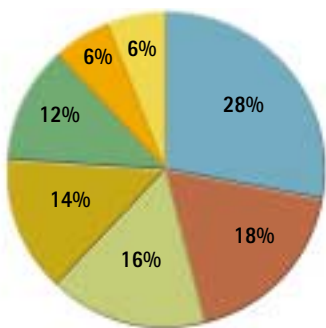
Sales teams in all major world markets

The European market is at the core of our business development strategy. Customers who do business with us globally now account for a significant portion of our business growth in Europe. Our sales teams based in North America, Europe and Latin America give our customers access to Quebecor World's entire network.

During fiscal 2000, Quebecor World produced catalogues and inserts for international customers such as retailers Office Depot in North America and IKEA in Europe, and Learning Tree International.



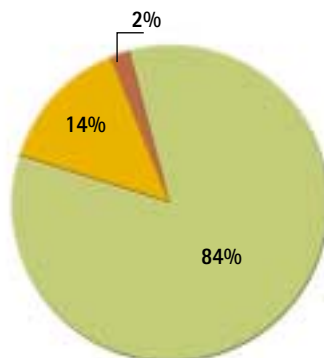
Revenues by product



(\$ million)

Magazines	2,699
Advertising inserts and newspaper supplements	1,734
Catalogues	1,582
Specialty printing and direct mail materials	1,367
Books	1,174
Directories	524
Que-Net Media™ and Logistics Services	603

Revenues by region

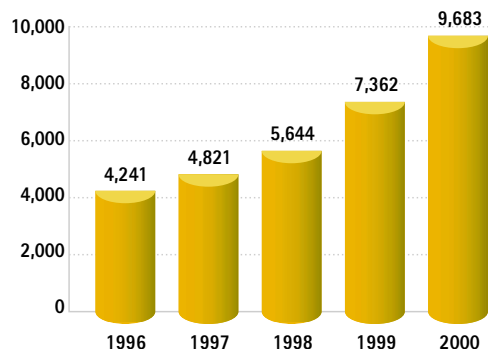


(\$ million)

North America	8,195
Europe	1,322
Latin America	166

Revenue growth

(\$ million)



Que-Net Media™: Moving into digital

In April 2000, Quebecor World created a new division, Que-Net Media™, to respond to customers' changing needs for premedia services.

With the creation of Que-Net Media™, Quebecor World has claimed a leadership position in integrated business solutions. The Company's full array of digital and premedia assets are now concentrated in an extensive network of 15 North American business centres digitally linked to the Company's 160 printing plants. The centres provide catalogue publishers, retailers and publishing houses with digital and conventional photographic services, automated publishing and content-management solutions.

Originally created to meet the needs of Quebecor World's traditional printing customers, Que-Net Media™ is now developing its own business niche. For example, it used virtual photography to create 360° images of the interiors of Hard Rock Cafés around the world. The results can be viewed at hardrock.com.



The experts at Que-Net Media™ create, manage and archive digital content and images.

Ever faster, better, more economical

Quebecor World's numerous technological initiatives included three major strategic projects:

- The Company developed an electronic provisioning system to supply all its plants from its global procurement centre in Fribourg, Switzerland. Demand for products such as ink and paper has now been aggregated across the Company's plants, generating substantial economies of scale.
- Quebecor World began talks with several major players in the commercial printing and publishing industries to create platforms to support digital data transfer between publishers and printers.
- The Company created Quebecor World Logistics Services to offer expedited delivery service. In less than a year, the service has established itself as the most sophisticated printed materials transport system in the market and has become the largest shipper into the U.S. postal system.

Improved performance in Europe

A new management team and an effective rationalization program helped improve our results in fiscal 2000. In the course of the year, Quebecor World reorganized in order to create a pan-European platform.

Two major contracts signed in Latin America

In 2000, the Company opened a new phase in its plan to create a platform of the Americas by expanding into Brazil, the sixth Latin American country in which Quebecor World has operations.

The move was made possible by a major new contract with Editora Abril S.A., the largest

Print: Still the cornerstone of communications

Has the Internet sounded the death knell of print? Not at all. On the contrary, the Internet has contributed to a boom in print products, particularly in Quebecor World's areas of excellence: magazines, catalogues and direct mail materials.

Print is still the most effective medium for attracting traffic to e-commerce sites and establishing credibility. It is always up to date, constantly incorporating new technologies in order to deliver what advertisers want: effective, profitable,

targeted advertising to promote their brands.

Future prospects for print products have never been brighter. Realizing them will demand superior management capabilities combined with extensive financial capacities and the ability to use new technologies to upgrade production processes. Quebecor World possesses these capabilities. They have made us the largest, best-performing commercial printer in the world. We are proud of that status and intend to build on it in the future.



Print:
Always
current.

magazine publisher in Latin America. Under the 10-year US\$170 million contract, Quebecor World will print 83 million magazines per year for Editora Abril. To fulfill the contract, the Company began construction in the fall of its first Brazilian printing plant in Recife, Brazil's fourth-largest city.

Quebecor World announced it would double the area of the Recife plant when it landed another major Brazilian contract with Listel Listas Telefonicas S.A., Brazil's largest publisher of telephone directories (a subsidiary of U.S.-based BellSouth Corporation). Under the US\$142 million contract, also for a term of 10 years, Quebecor World will print directories at its plants in Recife and Lima, Peru.

Still growing

With the process of integrating World Color

nearly complete, we are on the lookout for new growth opportunities. Quebecor World's strength and exceptional positioning have made it the global industry leader. Numerous development opportunities will inevitably arise and more acquisitions can be expected. Despite its impressive size, the Company occupies less than 5% of the fragmented world commercial printing market.

Quebecor World intends to continue its geographic expansion in the United States and Latin America, two markets with strong growth potential, and in Europe, where the Company wants to consolidate its position as the only continental printer. The Company's next challenge will be to capitalize on the strength of its global network by drawing on the extraordinary calibre of its people and its industry-leading technology and production methods.

FINANCIAL SECTION

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Management's Discussion and Analysis

COMPANY'S STRUCTURE

Year 2000 was marked by the set up of a new, rebalanced corporate structure which will help us marshal our forces around two major segments: the industrial segment, consisting of Quebecor World's commercial printing operations, and the media segment, with the Company's new subsidiary, Quebecor Media. Quebecor Media is laying the foundations for what will be a solid framework for convergence and an effective lever for crystallizing the synergies among all our media operations. This new structure is the result of significant transactions that took place during the year.

Firstly, on April 18, 2000, pursuant to agreements between Abitibi-Consolidated Inc., Donohue Inc. and Quebecor Inc., Abitibi-Consolidated purchased all the outstanding shares of Donohue for a consideration in cash and in shares of Abitibi-Consolidated. Quebecor transferred its controlling interest in Donohue in exchange for \$317 million in cash and an equity interest of approximately 11% in Abitibi-Consolidated. The transaction was recorded as a reverse take-over of Abitibi-Consolidated by Donohue, as the latter's shareholders received a sufficient number of Abitibi-Consolidated shares to enable them to acquire control of this company. As a result of this transaction, and since Quebecor does not control nor exercise a significant influence over Abitibi-Consolidated, the Forest Products segment was considered as a discontinued operation as of the first quarter of 2000. Prior years statements of income and of cash flows were restated accordingly.

In October 2000, Quebecor transferred to Quebecor Media all the shares of its wholly owned subsidiary, Quebecor Communications Inc. This transfer was completed following the distribution to Quebecor of TQS's shares (Broadcasting segment). The assets of Quebecor Communications, which were transferred as part of this transaction, include: a 70% equity interest in Sun Media Corporation (Newspaper segment), a 57% equity interest in Nurun

Inc. (Web Integration/Technology), all the assets of the Internet/Portals segment (including, among others, the Canadian, French and Spanish portals of the CANOE network) and all the assets of the Books, Magazines and Music segment, now known as the Leisure and Entertainment segment. Concurrently, Quebecor Media issued new shares to Capital Communications CDP, a subsidiary of Caisse de dépôt et placement du Québec, representing a 45.28% equity interest in the Quebecor Media subsidiary.

Pursuant to this transaction, Quebecor Media completed, on October 23, 2000, the strategic acquisition of Le Groupe Vidéotron Ltée. The main assets of Groupe Vidéotron include those of Vidéotron Ltée (cable television), Groupe TVA Inc. (broadcasting), which two business segments are subject to the approval of regulatory authorities, Netgraphe Inc. (Internet/Portals) and Le SuperClub Vidéotron Ltd. (a chain of video outlets). Vidéotron Télécom Ltée and Protectron Inc., subsidiaries operating respectively in the fields of data transmission and remote supervision, do not represent strategic assets and are held for resale. The details of the acquisition of Groupe Vidéotron are presented in the "Investing Activities" section.

As a result of these transactions, Quebecor, through its direct and indirect interests in several companies, now operates in six different segments. It has a controlling interest in several companies, namely, in Quebecor World, Quebecor Media and TQS. Quebecor Media holds a controlling interest in Sun Media Corporation, Nurun, Groupe TVA and Netgraphe, and is the sole shareholder of Vidéotron, Quebecor New Media and Quebecor Communications.

Quebecor World operates in the printing industry. It is the largest commercial printing company in the world and is a leader in most of its major product categories, which include: magazines, retail inserts, directories, catalogues, specialty printing and direct mail, books, premedia, logistics, technical and other-value added services. It has

facilities in the United States, Canada, France, the United Kingdom, Spain, Switzerland, Sweden, Finland, Austria, Brazil, Chile, Argentina, Peru, Colombia, Mexico and India.

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

Quebecor Communications is active in the Leisure and Entertainment segment and operates in the fields of publishing (books and magazines), distribution and retail sales (books and records), as well as in the sale and rental of videocassettes. Its operations are concentrated in Quebec.

Nurun is active in the Web Integration/Technology segment. It provides e-commerce solutions through a combination of strategy, technology integration, IP (Internet Protocol) solutions and creativity on the Internet. Nurun operates in Canada, the United States, Latin America and Europe.

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

Quebecor, through its controlling interest in Quebecor New Media and Netgraphe, operates Internet sites in Canada and Europe including French, English and Spanish portals, as well as specialty Web sites.

Quebecor's share in the earnings of certain subsidiaries has varied over the past three years. As at December 31, 1998, Quebecor's share in the earnings of Quebecor World stood at 48.55%. However, following a public share issue by Quebecor World, Quebecor's share declined to 45.85% in May 1999. Following the merger of World Color Press, Inc., for which a portion of the consideration was paid through the issuance of capital stock of Quebecor World, in October 1999, Quebecor's interest was reduced to 38.05%. This level was maintained up to December 31, 1999, and did not significantly

change in 2000, standing at 38.46% as at December 31, 2000. In October 2000, Quebecor sold a 45.28% interest in Quebecor Media to Capital Communications CDP, thus retaining a 54.72% interest. Given the decrease in the interest held by Quebecor in Quebecor Media, the 57.47% interest in Nurun, acquired on November 1, 1999, declined to 31.45% as at December 31, 2000. Also, Quebecor's share in Sun Media Corporation was reduced from 70%, as at December 31, 1999, to 38.30% as at December 31, 2000.

Quebecor exercises direct and indirect controlling interests in five public companies. As at December 31, 2000, Quebecor held directly or indirectly 84.83%, 57.47%, 99.88%, 59.96% and 82.43% of the voting rights of Quebecor World, Nurun, Groupe TVA, Netgraphe and Mindready Solutions Inc. respectively.

OPERATING RESULTS

The results for the years ended December 31, 2000 and 1998 cover a 52-week operating period, whereas the results for the year ended December 31, 1999 cover a 53-week operating period. The Company achieved record net income of \$1,084.4 million, or \$16.78 per share, an increase of \$607.1 million when compared with net income of \$477.3 million, or \$7.37 per share, in 1999. Net income for the year ended December 31, 1998 was \$172.3 million, or \$2.64 per share.

The financial statements for the years ended December 31, 1999 and 1998 were restated pursuant to the application of two new accounting standards related to the accounting for income taxes and employee future benefits issued by the Canadian Institute of Chartered Accountants which came into effect on January 1, 2000.

In addition, as previously mentioned, pursuant to the disposal of its interest in Donohue, the Company withdrew from the Forest Products segment. For accounting purposes, this withdrawal is

considered as a discontinuation of operation; therefore, the results of operations and cash flows for the year 2000 and prior years are not included in the consolidated revenues, expenses and cash flows, but are presented separately, net of taxes, in the consolidated statement of income and in the consolidated statements of cash flows. The gain on disposal, net of income taxes of \$94.2 million, amounted to \$235 million, or \$3.64 per share.

When a subsidiary of Quebecor 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 interest. Consequently, gains or losses on dilution, represented by the difference between the book value of the interest thus transferred to third parties and the proceeds of the share issue, are recognized. These gains or losses are presented separately in the consolidated statement of income. In 2000, the Company posted gains on dilution of \$816.1 million, or \$12.63 per share. In fact, the Company sold its interest in Quebecor Communications to a newly created subsidiary, Quebecor Media, in consideration for shares of the new subsidiary. The subsidiary issued shares to Capital Communications CDP for a consideration of \$2,759.1 million. The Company's interest in this subsidiary decreased from 100% to 54.72%, and the gain on dilution added to income amounted to \$796.1 million. In 2000, Mindready a subsidiary of Nurun, proceeded to an initial public offering which generated another gain on dilution of \$20 million. In 1999, share issues by Quebecor World and Sun Media Corporation produced gains on dilution totalling \$376.6 million, or \$5.82 per share.

Results for the year ended December 31, 2000 were impacted by certain other non-recurring items amounting to \$106.0 million. A write-down of temporary investments and other assets of \$58.6 million was recorded to mark them to market as at December 31, 2000. Quebecor World recorded

a special charge of \$41.6 million in connection with difficult market conditions in Europe and the implementation of a digital premedia strategy. This includes charges relating to employee terminations and write-down of assets. In addition, Quebecor World made a reversal of a provision of \$45.7 million recorded in 1999, as anticipated cut-back programs were no longer necessary, given the significant increase in production capacity requirements. During the year, the Web Integration/Technology segment recorded a non-monetary compensation charge of \$40.2 million in connection with shares subject to escrow agreements with shareholders/sellers of certain acquired businesses. Further write-downs of assets and provisions for restructuring were recorded by Quebecor Communications and its subsidiaries, as well as by the head office regarding, namely, the closure of certain business units for an amount of \$11.3 million. Non-recurring expenses net of income taxes and non-controlling interest totalled \$100.4 million, or \$1.56 per share.

Furthermore, given that revenues from the Internet segment, more particularly revenues from advertising and online shopping penetration, progressed at a much slower pace than expected, management reviewed the net realizable value of goodwill and determined that a write-down of \$54 million was required. This write-down was calculated based on an assessment of undiscounted expected future cash flows and reflects management's best estimates and assumptions, given a sustained growth in revenues.

Results for the year ended December 31, 1999 were impacted by certain other non-recurring items. Quebecor World recorded a special charge of \$268 million in connection with a far-reaching restructuring 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, Quebecor New Media 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, non-recurring expenses and results of discontinued operation mentioned above, consolidated net income would have attained \$136.3 million or \$2.11 per share in 2000, compared with \$140.8 million or \$2.17 per share in 1999 and \$128.1 million or \$1.96 per share in 1998.

Net income from non-consolidated subsidiaries were recorded from the date of acquisition, on October 23, 2000, and amounted to \$0.3 million after amortization of goodwill of \$24.3 million. These subsidiaries will be consolidated on a retroactive basis to January 1st, 2001, upon approval of a change of control of Vidéotron and Groupe TVA by the Canadian Radio-television and Telecommunications Commission (CRTC). Management is confident that approval will be given during the second quarter of 2001.

Since 1999, Canadian accounting standards allow an entity to present net income and earnings per share amounts before amortization and write-down of goodwill. In this respect, given the numerous acquisitions made by the Company in 2000 and in prior years, management believes that income before amortization and write-down of goodwill is more representative of operating results. Excluding gains on dilution, non-recurring expenses, and net results of discontinued operation, net income before amortization and write-down of goodwill is as follows: \$203.1 million or \$3.14 per share in 2000, compared with \$181.9 million or \$2.80 per share in 1999 and \$146.5 million or \$2.24 per share in 1998. The increase in earnings per share before amortization and write-down of goodwill was therefore

12.1% in 2000, compared with 25.0% in 1999.

The 2000 and 1999 growth in earnings per share before amortization and write-down of goodwill is a result of significantly higher contributions from Quebecor World and Sun Media Corporation. An analysis of operating results by business segment is presented below.

Quebecor's earnings per share are less sensitive to fluctuations in the exchange rate of the Canadian dollar against the US dollar, due to the disposal of its interest in Donohue and the increased impact of Quebecor World on the results of the Company. Most of Donohue's sales were stated in US dollars while operating expenses were essentially stated in Canadian dollars, whereas, following the acquisition of World Color Press, Inc. ("WCP"), Quebecor World's revenues and expenses stated in US dollars were more balanced. Thus, every variation of CDN\$0.01 in the average exchange rate would have had a negligible impact on earnings per share for the year ended December 31, 2000.

Printing

During 2000, Quebecor World continued its strategy of focusing on the integration of its operations, from North American and International perspectives, and on maximizing of free cash flow from operations.

In 1999, the subsidiary acquired WCP. This transaction was the largest ever in the printing industry. The total cost of the transaction was US\$2.7 billion, including WCP's debt and the value of the Quebecor World shares issued as part of the transaction. In light of the foregoing, the printing subsidiary consolidated WCP's results from August 20, 1999, and recorded a non-controlling interest representing 49.6% of WCP's outstanding common shares for the period from August 20, 1999 to October 8, 1999, the date of the merger between WCP and Quebecor World.

In 2000, the subsidiary completed its program initiated during 1998 to exit non-core operations.

In August 2000, the subsidiary sold the operating assets of its North American CD-ROM replication business, and, in October 1999, the operating assets of its BA Banknote division.

During the year, the subsidiary's revenues and operating income reached record levels. This is the ninth consecutive year in which Quebecor World has recorded growth in both its revenues and operating income.

In 2000, consolidated revenues increased by \$2,321.6 million or 32% to \$9,683.1 million from prior year revenues of \$7,361.5 million. The growth in revenues had reached 30% in 1999 as compared with 1998. These increases were due primarily to the acquisition of WCP in August 1999, as discussed above. The greatest proportion of sales stated in US dollars, as compared with the subsidiary's overall operations, also contributed significantly to the increase in revenues, stated in Canadian dollars, in 2000. Magazine printing remained the largest market in terms of revenues, accounting for 28% of total revenues in 2000, and 29% in 1999. In 2000, Quebecor World focused on pre-media business and created the new entity Que-Net Media™. In addition, despite the sale of the CD-ROM replication, the bank notes, the check and credit card businesses, the subsidiary's premedia, logistics and other-value added services remained stable due to increased focus on identifying items from other revenue categories. The variation in revenues from retail inserts is also partially explained by the decrease in demand in the American market during the last quarter of 2000.

Operating income before amortization, financial expenses ("EBITDA") from continued operations increased by 41% or \$461.3 million to \$1,588.7 million in 2000. On the same basis, in 1999, the operating margin was \$1,127.4 million. The improvement in the EBITDA from continued operations, which increased from 15.3% in 1999 to 16.4% in 2000, stems mainly from the contribution of business

acquisitions and efficiency gains resulting from the retooling of certain US plants. The operating income also benefited from organic growth. In 2000, operating income from Europe was unfavourably impacted by foreign exchange translation and fixed costs related to the shutdown of plants during the first half of 2000. North American operating income improved to 11.4% in 2000 from 9.8% in 1999, despite the sale of the North American CD-ROM replication in 2000, and the operating assets of BA Banknote in 1999.

Revenues from North America represented 84% (United States 68% and Canada 16%) of Quebecor World's total year 2000 revenues. Approximately 87% of the subsidiary's total 2000 operating income was generated from North American operations (72% United States and 15% Canada). The remaining revenues and operating income were contributed primarily by European operations and acquisitions in Austria, Spain and Argentina in 1999. However, results from Europe were unfavourably impacted by the weakness of the euro.

Included in the Printing segment's revenue numbers is the value of the paper, the subsidiary purchases for many of its print customers. The subsidiary's primary raw material is paper, the pricing of which can fluctuate and these fluctuations can cause major variations in revenues and cost of sales. Generally, Quebecor World passes on these fluctuations to its customers.

Newspapers

Sun Media Corporation, which is 70%-owned by Quebecor Media, is the only national chain of tabloids and local newspapers in Canada. For the 52-week period in 2000, revenues from the Newspaper segment increased by \$23,0 million or 2.8% to \$850.1 million from \$827.1 million, compared with the 53-week period in 1999. Advertising revenues from urban dailies have risen 7.6% due namely, to a 3.8% increase in advertising lineage.

Distribution revenues remained stable in spite of a decrease in average circulation of 1.7%. Community newspaper revenues have risen by nearly 4% as a result of an increase in the advertising revenues of existing newspapers.

The very substantial increase in the Newspaper segment's revenues in 1999 as compared with the previous year is largely due to the acquisition of Sun Media Corporation, which took place on January 7, 1999. On a pro-forma basis, that is assuming the acquisition of Sun Media Corporation had been completed on January 1, 1998, advertising revenues from urban dailies would have risen 5.5% due to a 4.8% increase in advertising lineage, and their distribution revenues would have increased by 2.9% in spite of a decrease in average circulation of 0.4%. Community newspaper 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 income before amortization was 24.2% in 2000, compared with 22.8% in 1999. This improvement is due in large part to the urban dailies, but also to Community newspaper, and results from the growth in revenues, the restructuring initiatives undertaken following the acquisition of Sun Media Corporation and stringent operating cost-control measures, in spite of the increase in newsprint prices in 2000.

Leisure and Entertainment

This segment includes essentially 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, its magazine publishing operations carried on by Publicor, another division of Quebecor Communications, and the distribution of records and retail sales of books, magazines and records by Groupe Archambault (1997) Inc., a subsidiary of Quebecor

Communications. This segment experienced continued growth during the year with the acquisition of a 50% interest in Les Éditions Libre Expression Ltée, in which Quebecor Communications already held the other 50%, the acquisition of 100% of the interest in Occasions d'Affaires, Camelot-Info inc. and Paragraph Books Inc., as well as the purchase of Le SuperClub Vidéotron, a company specializing in the rental and sale of videocassettes.

In 2000, revenues increased by \$16.2 million, or 7.7%, over 1999 to \$225.4 million. This growth is due primarily to acquisitions made during the year and to the opening and/or conversion of Archambault stores. However, this increase was adversely impacted by a decrease in revenues from sub-distribution operations. Groupe Archambault's increase in revenues of 11.6% in 1999 was due to numerous successes under exclusive distribution agreements and the opening and/or conversion of retail stores. During 1999, magazine publishing revenues fell as a result of the sale of the interest in Publistar and the consolidation of the women's magazine business. Operating income before amortization and financial expenses increased to \$13.0 million in 2000, compared with \$8.9 million in 1999. This improvement is due to the growth in revenues, increased gross margins and tighter cost-control initiatives.

Broadcasting

TQS's revenues rose 23.3% in 2000 over 1999. This growth is due mainly to the increase in advertising revenues resulting from a larger audience and higher advertising rates. In 1999, revenues rose 6.1%. These increases are attributable to improved market shares since the fall of 1998 following the repositioning of the network. The increases in revenues are derived from strong local and national sales and also from commercial development.

TQS's operating loss before amortization, financial expenses and income taxes decreased by \$4.4

million in 2000 over 1999, to \$3.4 million. TQS's management intends to maintain its momentum.

Web Integration/Technology

In 1999, Quebecor Communications acquired 58.23% of Nurun's shares in a series of transactions that led to the business combination of Intellia Inc., which was a subsidiary of Quebecor Communications at the time, and Nurun, formerly Informission Group Inc.

The Web Integration/Technology segment's revenues for the year ended December 31, 2000 include the results of all of the business units for the entire year, while its 1999 revenues included Nurun's results only from the date of acquisition of this company on November 1, 1999, and Intellia's results for the 12-month period ended December 31, 1999. Prior to 1999, Quebecor Communications recorded only a 50% share of Intellia's results, as this company was held by a limited partnership in which Quebecor Communications shared ownership with Quebecor World on a 50-50 basis. Quebecor Communications purchased Quebecor World's interest in this limited partnership in early 1999.

The Web Integration/Technology segment achieved a substantial growth in revenues during the year and recorded revenues of \$127.5 million in 2000, compared with \$21.5 million in 1999. This increase reflects the consolidation of Nurun's operations for a period of 12-months in 2000, compared with two months in 1999. It is also due to 11 business acquisitions made during 2000. Integrating these businesses proved to be a major challenge in 2000.

Nurun entered into strategic agreements with its partners, including Quebecor World, in order to solidly establish itself in the electronic commerce market in 2000. During the summer, thanks to a strategic partnership entered into with Quebecor World, Nurun was able to establish the international structure it requires to promote its business. Under the terms of this partnership, Quebecor World

subscribed for \$20.0 million of Nurun's shares.

Through its internal growth, numerous business acquisitions and the negotiation of strategic agreements with its partners, Nurun was able to develop a world-wide network of 19 offices and to establish itself as provider for several distinguished corporate clients such as Evian, L'Oréal, Essilor, MTV Italia, Biotherm, Danone, IBM, GM and Amway. These multinational clients are looking for a company with an international network that can provide them with services of consistent quality wherever these services are required for their business development purposes.

Operating income before amortization, financial expenses, reserve for restructuring of operations and other special charges was \$0.1 million, compared with \$1.3 million in 1999 and a loss of \$1.1 million in 1998. This is partly due to the fierce competition in the Web integration market, the significant expenses incurred for developing an international infrastructure and the losses related to low-margin business activities. The segment's overall results were also impacted by non-monetary compensation charges of \$40.2 million relative to escrowed shares to be remitted to the selling shareholders of certain acquired companies.

During the fourth quarter, Nurun undertook a strategic repositioning in order to improve its profit margins and EBITDA. It was decided to refocus the subsidiary's operations on Web technology integration and to exit non-strategic activities such as hosting services and integrated solutions for information technology supply chains. As several divisions and offices will be closed as a result of these decisions, a special charge was recorded to reflect these strategic decisions. In addition, a write-down of goodwill amounting to \$53.9 million was recorded in the consolidated statement of income. This write-down, which was determined following an analysis of the expected future cash flows, is based on management's best estimates and assumptions and a steady growth in revenues.

As a result of these important decisions, Nurun's management believes that the subsidiary will be in a better position to take on the challenges that await it over the medium and long term.

Internet/Portals

The Internet/Portals segment includes operations of the CANOE portals and specialty Web sites, through Quebecor New Media subsidiary, and the operations of La Toile du Québec and InfiniT portals and specialty Web sites, through the Netgraphe subsidiary.

CANOE was launched by Sun Media Corporation in 1996. When Quebecor 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 acquired Sun Media Corporation's interest in CANOE and 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 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. In 2000, other urban sites were added to the network, including iciquebec.com, and under the banner FYI (For Your Information), fyiottawa.com, fytoronto.com, fylondon.com, fyiwinnipeg.com, fyiedmonton.com et fyicalgary.com. Furthermore, in 2000, CANOE portals were launched in France with canoe.fr and in Spain with micanoa.com.

Netgraphe was acquired on October 23, 2000 through the acquisition of Groupe Vidéotron. The results of Netgraphe's operations are included in the results of the segment from the date of acquisition.

Revenues for the segment were \$11.6 million in 2000 compared with \$3.6 million in 1999. Although this represents an increase in revenues in excess of 222%, the cost of building, operating and promoting these sites exceeded by far the revenues they generated in 2000 and conse-

quently, the operating loss before amortization, financial expenses and other special charges rose to \$21.6 million. At mid-year, management reviewed its operations and undertook an operating cost reduction program. Accordingly, CANOE reduced its work force and operating costs and wrote-off assets that will no longer be used in the future operations.

In order to improve its competitive position and to maximize operating synergies, Quebecor Media, through Quebecor Communications, made an offer to the shareholders of Netgraphe to merge the operations of the Internet/Portals segment of Quebecor New Media with Netgraphe. This offer has been approved by an independent committee and by the Board of Directors of Netgraphe and will be submitted to the shareholders for their approval. The objectives of this reorganization is to materialize as soon as possible the synergies of all the entities of the segment, for the benefit of all shareholders. Management believes that the merger of the operations of both entities will help the Company take advantage of this segment's untapped potential and enable Quebecor Media's Internet operations to attain its profitability objectives.

Financial expenses

Financial expenses have increased significantly in 2000 due to the higher level of the average debt during the year. Debt increased mainly due to the business acquisitions completed by Quebecor World during prior years, principally the acquisition of WCP in 1999, and the acquisition of Groupe Vidéotron completed by Quebecor Media on October 23, 2000. This later acquisition was partially financed by the issuance of additional debt totalling \$3 billion. The increase in financial expenses in 1999 over 1998 results from the acquisitions completed by Quebecor World and the acquisition of Sun Media Corporation in 1999.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

The increase in cash provided by continued 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 years ended December 31, 2000 and 1999, Quebecor World and Sun Media Corporation recorded substantial increases in cash flow from continued operations. Indeed, cash flows related to continued operations increased by \$341.7 million to \$1,447.6 million in 2000. In 1999, cash flows related to continued operations increased by \$458.5 million over 1998. The analysis of operating results provides the appropriate explanation in this regard. Through its securitization of receivable program implemented in 1999, Quebecor World was able to reduce its working capital and recover a considerable amount of cash flow.

Financing Activities

The highlight of financing activities in 2000 was the financing of major acquisitions, the main one being Groupe Vidéotron. In order to help finance the Company's interest in this acquisition, Quebecor obtained a loan of \$900 million that matures on October 22, 2001 and is secured by certain assets of the Company. Its Quebecor Media subsidiary took out a bank credit facility of \$2,090 million composed of four tranches. The first two tranches, of \$1,325 million and \$90 million respectively, mature on October 22, 2001. The third tranche of \$585 million matures on January 23, 2002, or the date this credit facility is replaced by a new bank credit facility granted to the Vidéotron subsidiary, whichever is earlier. The final tranche of \$90 million has no predetermined maturity date. This bank credit facility is secured by all of Quebecor Media's assets. In April 2000, Quebecor World extended its US\$1.0 billion bank credit facility for an additional year. As well, during the year, Quebecor World issued

subordinated notes totalling US\$371 million. The proceeds of these issues were used mainly to reduce the bank credit facilities used for the acquisition of WCP.

In 1999, Quebecor World obtained financing of US\$1.25 billion and refinanced its existing US\$1 billion bank credit facilities in order to complete the acquisition of WCP. 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 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 2000. Quebecor secured a new bank credit facility of \$225 million in October 1999 in order to complete the reverse takeover of Nurun, among other things. This facility was increased to \$300 million in February 2000.

Dividends paid by Quebecor World in 2000 totalled US\$0.33 per share, compared with US\$0.28 per share in 1999 and US\$0.24 per share in 1998. Donohue increased its dividend to \$0.44 per share in 1999, compared with \$0.427 per share in 1998. A major portion of those dividends was paid to the non-controlling shareholders of the two subsidiaries. Dividends paid by Quebecor on its Class A and Class B shares were \$0.51 per share in 2000, compared with \$0.48 per share in 1999 and \$0.44 per share in 1998.

Investing Activities

The Company's major investment in 2000, which was made through its Quebecor Media subsidiary, was the acquisition of Groupe Vidéotron, which was purchased for a cash consideration of \$5,267.7 million, net of the acquired companies' cash. The other business acquisitions totalled \$183.7 million. Capital expenditures totalled \$405.0 million in 2000, compared with \$333.7 million in 1999. The 2000

capital expenditure level reflects the acquisitions made by Quebecor World and relates to investments in technology that are to be used in providing premedia services and printing and binding services. These investments are part of an ongoing program to increase the subsidiary's sales volume by increasing its production capacity and its ability to meet customer demands. The program's focus is to modernize and enhance printing plant efficiency and to increase productivity.

In 1999, Quebecor World made a major business acquisition, namely that of WCP, mentioned previously, as well as several strategic acquisitions in Spain, Austria and Argentina. During the year ended December 31, 1998, Quebecor World acquired a number of ancillary businesses, including Tryckinvest i Norden AB ("TINA"), northern Europe's largest printer.

During the year ended December 31, 1999, Quebecor World completed its three-year equipment modernization program in the United States, particularly the modernization of its rotogravure printing facilities.

Very little capital investment is required for the Company's other business segments.

Financial Position

Following the acquisition of all of Groupe Vidéotron's shares, the Company's debt increased, thereby impacting certain financial ratios. This situation was taken into account in the credit agreements that were negotiated within the framework of this acquisition. Management is currently implementing the measures that were previously anticipated in order to restore the financial position to a level that is in line with its objectives.

Given the significant interests of non-controlling shareholders in the subsidiaries, the Company's management considers the best indicator of its debt level to be 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, 2000, this debt-to-capitalization ratio stood at 47:53, compared with 52:48 as at December 31, 1999. While the debt level as at December 31, 2000 increased over 1999, it was maintained at an acceptable level due to a major investment made by a non-controlling shareholder. As well, in 1999, the Company's consolidated debt included Donohue's debt, which was no longer included in consolidation as at December 31, 2000.

As at December 31, 2000, consolidated debt, including the current portion, totalled \$6.7 billion. An amount of \$3.1 billion of this debt relates to Quebecor World. When Quebecor World acquired WCP in August 1999, Quebecor's debt was \$4.4 billion and its debt-to-capitalization ratio was 62:38. Quebecor World generated EBITDA of \$1.6 billion in 2000, for a debt to EBITDA ratio of 1.9:1. Sun Media Corporation's debt represents \$595.2 million of Quebecor's total debt. When Sun Media Corporation was purchased in early 1999, the Company's debt level was approximately \$1 billion and its debt-to-capitalization ratio was 77:23. Shortly after this acquisition, Sun Media Corporation sold four newspapers for \$339 million. Since the acquisition, Sun Media Corporation has posted solid results. These two factors contributed to reducing Sun Media Corporation's debt by \$400 million. As at December 31, 2000, this company's debt-to-capitalization ratio was 60:40 and its debt to EBITDA ratio was 2.9:1. The remainder of Quebecor's consolidated debt consists mainly of new debt incurred for the acquisition of Groupe Vidéotron.

Quebecor's bank credit facility of \$900 million matures on October 22, 2001. On February 23, 2001, Quebecor completed the initial phase of its financial plan that involved, as a first step, selling 2.5 million shares of Quebecor World for a cash consideration of \$85 million and, as a second step, issuing \$425 million of exchangeable debentures maturing

in 25 years which may be exchanged for subordinate voting shares of Quebecor World. Following these investments and presuming that the debentures will be exchanged for the 12.5 million shares of Quebecor World, Quebecor will continue to hold 41,211,277 multiple voting shares of Quebecor World, which represents 78.2% of voting shares and 28.2% of shareholders' equity. The debentures issued by Quebecor are exchangeable, at the holder's option, at an exchange rate of 29.41 shares per \$1,000 of capital, or at the option of the issuer, who may choose to deliver the equivalent cash amount based on the quoted market price of the shares at the date of the exchange or a combination of both shares and cash. The debentures are callable at all times. Should the debentures be exchanged or called during the first 10 years of their term, a premium shall be payable by the initiating party. This amount of \$510 million was used to repay part of the non-revolving bank credit facility. Given that Quebecor Media has acquired Groupe TVA, and in anticipation of a favourable decision from the CRTC regarding the transfer of the television broadcasting licences, Quebecor has decided to sell its interest in TQS. Several potential purchasers have already shown an interest in TQS. If TQS has not been sold by the time the CRTC renders its decision, then it will be put under the control of a trustee in compliance with decisions by the Federal Competition Bureau and the CRTC, until such time as a transaction has been concluded.

Quebecor Media's bank credit facility of \$1,936.9 million matures on October 22, 2001 and should be repaid through the sale of assets, and through an undertaking by Vidéotron, once the CRTC has approved the transfer of control of the company to Quebecor Media, to reimburse an amount of \$585 million. Vidéotron's total debt would therefore increase to \$1.5 billion. Of this amount, \$150 million will be repaid over a 5-year period and the balance will be repayable over 8 and 9 years. The first payment under this agreement will be made

in March 2003. Vidéotron's credit agreement also provides for two debt redemptions for amounts of CDN\$100 million and US\$94 million respectively. A redemption proposal was filed in order to redeem the U.S. dollar debt in March 2001. Vidéotron's cash flow will be used to repay this \$1.5-billion debt. As mentioned previously, certain assets obtained upon acquisition of Groupe Vidéotron are intended to be sold, as set out in the initial financing plan. Vidéotron Télécom and Protectron have been targeted as assets that are not part of Quebecor Media's strategy and, accordingly, they are meant to be sold. Other non-strategic assets should also be sold and appropriate action will be taken by management to reduce Quebecor Media's debt level.

Quebecor's management, along with the management of its subsidiaries, are of the opinion that, once the new debt incurred to finance the acquisition of Groupe Vidéotron has been repaid in accordance with the financing plans established at the time of the acquisition, the future cash flows generated by operations should be adequate to cover these companies' capital expenditures and debt-repayment programs, as well as their dividend payments.

RISKS AND UNCERTAINTIES

In the normal course of business, Quebecor and its subsidiaries are exposed to changes in interest rates. However, each subsidiary manages this exposure by having a balanced variety of debt maturities as well as a combination of fixed and variable rate obligations. In addition, they have entered into interest rate swap agreements and cross-currency interest rate swap agreements to manage both their interest rate and foreign exchange exposure. As at December 31, 2000, Quebecor Media, except for its subsidiary Sun Media Corporation, did not hold any instrument to reduce its exposure to interest rate fluctuations. Quebecor Media's intent is to enter into interest rate swaps during the coming months to manage its interest rate exposure.

Quebecor World has also entered into foreign exchange forward contracts and cross-currency interest rate swaps to hedge the settlement of raw materials and equipment purchases, to set the exchange rate for cross-border sales, and to manage our foreign exchange exposure on certain liabilities. While the counterparty to these agreements exposes the subsidiary to credit loss in the event of non-performance, the subsidiary believes that the possibility of incurring such loss is remote due to the creditworthiness of the parties it deals with.

The Company does not hold nor issue any derivative financial instruments for trading purposes. A description of the financial instruments used by the Company as at December 31, 2000 is included in note 18 to the consolidated financial statements.

Concentrations of credit risk with respect to trade receivables are limited due to the Company's diverse operations and large customer base. As of December 31, 2000, the Company had no significant concentrations of credit risk. Quebecor believes that the product and geographic diversity of its customer base is instrumental in reducing its credit risk, as well as the impact of a potential change in its local market or product-line demand.

ACCOUNTING POLICIES

Significant differences between generally accepted accounting principles in Canada and in the United States are presented in note 21 to the consolidated financial statements.

In 1999, the Company adopted the new disclosure guidelines in Canada concerning the statement of cash flows and the presentation of goodwill amortization after income taxes, as recommended by the Canadian Institute of Chartered Accountants.

In 1999 and 1997, the Accounting Standards Board of the Canadian Institute of Chartered Accountants adopted new requirements related to the accounting for employee future benefits and income taxes, with mandatory adoption as of

January 1, 2000. Essentially, these new Canadian guidelines are in line with the United States FAS 106 and 109 covering the same subjects. In the first quarter of 2000, the Company adopted these new accounting standards and applied the recommendations retroactively, restating comparative periods. The cumulative effect of these changes is discussed in the Summary of Significant Accounting Policies in the notes to the consolidated financial statements under the heading "Accounting changes."

FORWARD-LOOKING STATEMENTS

The statements in this document are forward-looking and made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve known and unknown risks and uncertainties, which may cause Quebecor's actual results in future periods to differ materially from forecasted results. Those risks include, among others, changes in customer demand for the Company's products, changes in raw material and equipment costs and availability, seasonal changes in customer orders, pricing actions by competitors and general changes in economic conditions.

Selected Financial Data

Years ended December 31, 2000, 1999, 1998, 1997 and 1996
(in millions of Canadian dollar, except per share data)

	2000	1999 (Restated)	1998 (Restated)	1997 (Restated)	1996 (Restated)
Operations					
Revenues	\$ 10,914.8	\$ 8,440.3	\$ 6,173.5	\$ 5,303.5	\$ 4,656.0
Operating income before amortization, financial expenses, gains on dilution and reserves for restructuring of operations and other special charges	1,790.1	1,309.3	852.3	720.0	666.2
Contribution to net income					
Continued operations	203.1	181.9	146.5	124.3	112.4
Goodwill amortization	(66.8)	(41.1)	(18.4)	(9.5)	(8.0)
Non-recurring items	702.0	296.0	—	—	(5.0)
Discontinued operation	246.1	40.5	44.2	28.9	47.8
Net income	1,084.4	477.3	172.3	143.7	147.2
Cash provided by continued operations	1,447.6	1,105.9	647.4	504.2	530.3
Per share data					
Contribution to net income					
Continued operations	\$ 3.14	\$ 2.80	\$ 2.24	\$ 1.88	\$ 1.70
Goodwill amortization	(1.03)	(0.63)	(0.28)	(0.14)	(0.12)
Non-recurring items	10.86	4.57	—	—	(0.08)
Discontinued operation	3.81	0.63	0.68	0.44	0.73
Net income	16.78	7.37	2.64	2.18	2.23
Dividends	0.51	0.48	0.44	0.40	0.40
Shareholders' equity	43.21	26.57	21.99	18.58	16.44
Average number of shares outstanding (in millions)	64.6	64.8	65.3	65.9	65.9
Financial position					
Working capital	\$ (1,785.8)	\$ 556.3	\$ 612.9	\$ 510.4	\$ 454.0
Long-term debt	4,333.5	5,860.4	3,003.5	2,022.6	1,956.8
Shareholders' equity	2,792.2	1,716.0	1,423.7	1,223.7	1,090.5
Capitalization ⁽¹⁾	7,553.5	5,623.5	4,121.5	3,544.4	2,937.9
Total assets	17,603.3	15,246.9	9,889.6	7,932.1	7,003.5

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

Selected Quarterly Financial Data

Years ended December 31, 2000 and 1999
(Unaudited, in millions of Canadian dollars except per share data)

	March	June	September	2000 December
Operations				
Revenues	\$ 2,641.7	\$ 2,601.2	\$ 2,716.2	\$ 2,955.7
Operating income before amortization, financial expenses, gains on dilution and reserves for restructuring of operations and other special charges	372.9	436.7	471.2	509.3
Contribution to net income				
Continued operations	29.7	58.6	72.5	42.3
Goodwill amortization	(16.3)	(18.5)	(18.3)	(13.7)
Non-recurring items	—	—	—	702.0
Discontinued operation	9.5	236.6	—	—
Net income	22.9	276.7	54.2	730.6
Per share data				
Contribution to net income				
Continued operations	0.46	0.91	1.12	0.65
Goodwill amortization	(0.25)	(0.29)	(0.28)	(0.21)
Non-recurring items	—	—	—	10.86
Discontinued operation	0.15	3.66	—	—
Net income	0.36	4.28	0.84	11.30

	March	June	September	1999 December
	(Restated)	(Restated)	(Restated)	(Restated)
Operations				
Revenues	\$ 1,607.3	\$ 1,667.1	\$ 2,118.0	\$ 3,047.9
Operating income before amortization, financial expenses, gains on dilution and reserves for restructuring of operations and other special charges	201.1	270.8	334.4	503.0
Contribution to net income				
Continued operations	21.5	49.5	46.2	64.7
Goodwill amortization	(8.2)	(8.5)	(10.7)	(13.7)
Non-recurring items	—	218.5	—	77.5
Discontinued operation	9.5	6.4	9.0	15.6
Net income	22.8	265.9	44.5	144.1
Per share data				
Contribution to net income				
Continued operations	0.33	0.76	0.72	0.99
Goodwill amortization	(0.13)	(0.12)	(0.17)	(0.21)
Non-recurring items	—	3.37	—	1.20
Discontinued operation	0.15	0.09	0.14	0.25
Net income	0.35	4.10	0.69	2.23

Management's Responsibility for Financial Statements

The accompanying consolidated financial statements of Quebecor Inc. and its subsidiaries 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 Canadian generally accepted accounting principles and include amounts that are based on best estimates and judgments.

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.

Claude Hélie

Claude Hélie
Executive Vice President and Chief Financial Officer

Montréal, Canada
January 30, 2001

Auditors' Report to the Shareholders of Quebecor Inc.

We have audited the consolidated balance sheets of Quebecor Inc. and its subsidiaries as at December 31, 2000 and 1999 and the consolidated statements of income, retained earnings and cash flows for the years ended December 31, 2000, 1999 and 1998. 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 Canadian generally accepted auditing standards. 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, 2000 and 1999 and the results of its operations and its cash flows for the years ended December 31, 2000, 1999 and 1998 in accordance with Canadian generally accepted accounting principles.

Canadian generally accepted accounting principles vary in certain significant respects from accounting principles generally accepted in the United States. Application of accounting principles generally accepted in the United States would have affected the financial position of the Company as at December 31, 2000 and 1999 and the results of its operations for the years ended December 31, 2000, 1999 and 1998 to the extent summarized in note 21 to the consolidated financial statements.

KPMG LLP

Chartered Accountants

Montréal, Canada
January 30, 2001

Consolidated Statements of Income

Years ended December 31, 2000, 1999 and 1998
(in millions of Canadian dollars, except earnings per share data)

	2000	1999 (Restated)	1998 (Restated)
Revenues	\$ 10,914.8	\$ 8,440.3	\$ 6,173.5
Operating expenses:			
Cost of goods sold	8,208.8	6,449.4	4,743.0
Selling and administrative	915.9	681.6	578.2
	9,124.7	7,131.0	5,321.2
Operating income before undernoted items	1,790.1	1,309.3	852.3
Amortization	(555.0)	(462.7)	(343.7)
Financial expenses (note 1)	(439.3)	(259.0)	(96.0)
Reserve for restructuring of operations and other special charges (note 2)	(106.0)	(273.5)	—
Gains on dilution from issuance of capital stock by subsidiaries	816.1	376.6	—
Income before income taxes	1,505.9	690.7	412.6
Income taxes (note 3)	227.9	91.3	123.7
	1,278.0	599.4	288.9
Equity income from non-consolidated subsidiaries (note 4)	0.3	—	—
Dividends on preferred shares of subsidiaries	(15.0)	(15.1)	(15.3)
Non-controlling interest	(297.1)	(101.9)	(127.1)
Income before amortization and write-down of goodwill	966.2	482.4	146.5
Amortization of goodwill, net of non-controlling interest	(66.8)	(41.1)	(18.4)
Write-down of goodwill, net of non-controlling interest (note 2)	(61.1)	(4.5)	—
Income from continued operations	838.3	436.8	128.1
Income from the discontinued operation (note 5)	246.1	40.5	44.2
Net income	\$ 1,084.4	\$ 477.3	\$ 172.3
Earnings per share:			
Before amortization and write-down of goodwill and the discontinued operation	\$ 14.95	\$ 7.46	\$ 2.24
From continued operations	12.97	6.74	1.96
Net income	16.78	7.37	2.64
Average number of shares outstanding (in millions)	64.6	64.8	65.3

See accompanying notes to consolidated financial statements.

Consolidated Statements of Retained Earnings

Years ended December 31, 2000, 1999 and 1998
(in millions of Canadian dollars)

	2000	1999 (Restated)	1998 (Restated)
Balance at beginning of year	\$ 1,376.9	\$ 937.3	\$ 821.7
Net income	1,084.4	477.3	172.3
	2,461.3	1,414.6	994.0
Premium paid on redemption of shares	(0.4)	(6.6)	(28.0)
Dividends	(33.0)	(31.1)	(28.7)
Balance at end of year	\$ 2,427.9	\$ 1,376.9	\$ 937.3

Consolidated Statements of Cash Flows

Years ended December 31, 2000, 1999 and 1998
(in millions of Canadian dollars)

	2000	1999 (Restated)	1998 (Restated)
Cash flows related to continued operations:			
Income from continued operations	\$ 838.3	\$ 436.8	\$ 128.1
Adjustments for:			
Amortization of property, plant and equipment	524.1	437.0	343.7
Amortization and write-down of goodwill and deferred charges	298.3	145.0	41.7
Gain on disposal of assets	(29.5)	(11.5)	—
Gains on dilution from issuance of capital stock by subsidiaries	(816.1)	(376.6)	—
Reserve for restructuring of operations and other special charges	84.4	172.2	—
Future income taxes	141.0	(12.2)	42.1
Equity income from non-consolidated subsidiaries	(0.3)	—	—
Non-controlling interest	157.6	28.2	103.8
Other	27.3	13.1	(11.6)
	1,225.1	832.0	647.8
Change in non-cash balances related to operations (net of the effect of business acquisitions and dispositions)	222.5	273.9	(0.4)
Cash flows provided by continued operations	1,447.6	1,105.9	647.4
Cash flows related to financing activities:			
Net (decrease) increase in bank indebtedness	(349.5)	(1,940.0)	71.3
Issuance of long-term debt	3,459.5	2,760.0	425.7
Repayment of long-term debt and convertible debentures	(1,661.7)	(98.1)	(193.2)
Increase in non-controlling interest	2,759.1	497.8	2.7
Net proceeds from issuance of capital stock	1.0	0.9	0.5
Redemption of capital stock for cancellation	(0.5)	(8.5)	(37.8)
Dividends	(33.0)	(31.1)	(28.7)
Dividends paid to non-controlling shareholders	(46.0)	(30.6)	(24.2)
Other	(1.1)	(0.4)	(8.3)
Cash flows provided by financing activities	4,127.8	1,150.0	208.0

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows (continued)

Years ended December 31, 2000, 1999 and 1998
(in millions of Canadian dollars)

	2000	1999 (Restated)	1998 (Restated)
Cash flows related to investing activities:			
Business acquisitions, net of cash and cash equivalents acquired (note 6)	\$ (5,451.4)	\$ (1,983.7)	\$ (404.8)
Proceeds from disposal of businesses (note 6)	82.9	33.3	55.8
Increase in investments	(34.6)	—	—
Additions to property, plant and equipment	(405.0)	(333.7)	(467.1)
Proceeds from disposal of assets	61.6	39.0	3.0
Other	4.1	1.4	(40.4)
Cash flows used by investing activities	(5,742.4)	(2,243.7)	(853.5)
Net (decrease) increase in cash and cash equivalents	(167.0)	12.2	1.9
Effect of the discontinued operation on cash and cash equivalents	296.0	(49.9)	72.0
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	(57.2)	(21.5)	(0.2)
Cash and cash equivalents at beginning of year	52.8	112.0	38.3
Cash and cash equivalents at end of year	\$ 124.6	\$ 52.8	\$ 112.0
Additional information on the consolidated statements of cash flows:			
Changes in non-cash balances related to operations (net of the effect of business acquisitions and dispositions):			
Accounts receivable	\$ 201.9	\$ 296.4	\$ 33.5
Inventories	25.3	38.7	53.2
Accounts payable and accrued liabilities	21.7	(98.7)	(30.1)
Other short-term and long-term items	(26.4)	37.5	(57.0)
	\$ 222.5	\$ 273.9	\$ (0.4)
Cash interest payments	\$ 447.8	\$ 239.5	\$ 111.1
Cash payments for income taxes	107.1	107.0	81.9

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

December 31, 2000 and 1999
(in millions of Canadian dollars)

	2000	1999 (Restated)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 124.6	\$ 52.8
Temporary investments	176.2	—
Accounts receivable (note 7)	1,093.0	1,589.2
Amounts receivable from non-consolidated subsidiaries	24.5	—
Inventories (note 8)	796.8	1,174.5
Investments in subsidiaries held for resale (note 9)	394.6	—
Prepaid expenses	55.7	82.2
Future income taxes (note 3)	87.1	84.0
	2,752.5	2,982.7
Portfolio investments (market value of \$720.6 million)	398.4	—
Property, plant and equipment (note 10)	4,378.6	7,134.1
Investments in non-consolidated subsidiaries (note 4)	4,875.2	—
Goodwill, net of accumulated amortization of \$315.8 and \$183.3 million, respectively	4,802.5	4,784.7
Future income taxes (note 3)	92.0	—
Other assets	304.1	345.4
	\$ 17,603.3	\$ 15,246.9
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank indebtedness	\$ 20.0	\$ 21.8
Accounts payable and accrued liabilities	2,037.6	2,154.1
Income and other taxes	9.0	45.9
Current portion of long-term debt and convertible debentures (notes 11 and 13)	2,471.7	204.6
	4,538.3	2,426.4
Long-term debt (note 11)	4,333.5	5,860.4
Other liabilities (note 12)	482.8	510.8
Convertible debentures (note 13)	158.9	259.4
Future income taxes (note 3)	695.2	825.8
Non-controlling interest (note 14)	4,602.4	3,648.1
Shareholders' equity:		
Capital stock (note 15)	348.5	347.6
Retained earnings	2,427.9	1,376.9
Translation adjustment (note 16)	15.8	(8.5)
	2,792.2	1,716.0
Commitments and contingencies (note 17)		
	\$ 17,603.3	\$ 15,246.9

See accompanying notes to consolidated financial statements.

On behalf of the Board of directors,

Jean Neveu

Pierre Laurin

Jean Neveu, Director

Pierre Laurin, Director

Segmented Information

Years ended December 31, 2000, 1999 and 1998
(in millions of Canadian dollars)

The Company operates in the following industry segments: Printing, Newspapers, Leisure and Entertainment, Web Integration/Technology, Broadcasting and Internet/Portals. The Printing segment includes the printing of magazines, inserts, flyers, catalogues, books, specialty printing, directories and newspapers. This segment operates in the United States, Canada, Europe, South America, Mexico and India. 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 Leisure and Entertainment segment which has operations solely in Canada combines magazine and book publishing, retail sales and rental of videos, DVD and games, and book and music distribution. The Web Integration/Technology 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, United States, South America and Europe. The Broadcasting segment operates a general-interest French-language television network in Canada. The Internet/Portals segment operates Internet sites in Canada and in Europe including French-language and English-language portals, a Spanish-Language portal and specialized sites.

These segments are managed separately since they all require specific market strategies. The Company assesses the performance of each segment based on operating income before amortization, financial expenses, gains on dilution and reserve for restructuring of operations and other special charges.

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.

INDUSTRY SEGMENTS

	2000	1999 (Restated)	1998 (Restated)
Revenues			
Printing	\$ 9,683.1	\$ 7,361.5	\$ 5,643.7
Newspapers	850.1	827.1	295.1
Leisure and Entertainment	225.4	209.2	211.8
Web Integration/Technology	127.5	21.5	6.9
Broadcasting	59.9	48.6	45.8
Internet/Portals	11.6	3.6	—
Inter-segment:			
Printing	(28.2)	(25.7)	(22.2)
Other	(14.6)	(5.5)	(7.6)
	\$ 10,914.8	\$ 8,440.3	\$ 6,173.5
Operating income before amortization, financial expenses, gains on dilution and reserve for restructuring of operations and other special charges			
Printing	\$ 1,588.7	\$ 1,127.4	\$ 801.5
Newspapers	205.3	187.4	56.8
Leisure and Entertainment	13.0	8.9	10.2
Web Integration/Technology	0.1	1.3	(1.1)
Broadcasting	(3.4)	(7.8)	(7.4)
Internet/Portals	(21.6)	(10.4)	—
	1,782.1	1,306.8	860.0
General corporate income (expenses)	8.0	2.5	(7.7)
	\$ 1,790.1	\$ 1,309.3	\$ 852.3

Segmented Information (continued)

Years ended December 31, 2000, 1999 and 1998
(in millions of Canadian dollars)

INDUSTRY SEGMENTS (continued)

	2000	1999 (Restated)	1998 (Restated)
Amortization			
Printing	\$ 512.4	\$ 427.7	\$ 329.9
Newspapers	25.7	26.3	6.5
Leisure and Entertainment	4.9	3.7	4.5
Web Integration/Technology	4.1	1.1	0.3
Broadcasting	2.9	2.5	2.0
Internet/Portals	4.4	1.3	—
Head Office	0.6	0.1	0.5
	\$ 555.0	\$ 462.7	\$ 343.7

	2000	1999 (Restated)	1998 (Restated)
Additions to property, plant and equipment			
Printing	\$ 359.6	\$ 289.4	\$ 455.7
Newspapers	19.8	13.9	4.9
Leisure and Entertainment	6.0	6.2	4.8
Web Integration/Technology	9.0	3.2	0.3
Broadcasting	3.8	9.0	1.4
Internet/Portals	6.4	1.9	—
Head Office	0.4	10.1	—
	\$ 405.0	\$ 333.7	\$ 467.1

	2000	1999 (Restated)
Assets		
Printing	\$ 9,719.2	\$ 9,920.0
Newspapers	1,164.4	1,222.2
Leisure and Entertainment	150.0	117.3
Web Integration/Technology	219.5	106.7
Broadcasting	87.8	88.6
Internet/Portals	254.7	59.5
Investments in non-consolidated subsidiaries (note 4)	4,875.2	—
Forest Products (note 5)	—	3,682.0
Head Office	1,132.5	50.6
	\$ 17,603.3	\$ 15,246.9

Segmented Information (continued)

Years ended December 31, 2000, 1999 and 1998
(in millions of Canadian dollars)

GEOGRAPHIC SEGMENTS

	2000	1999 (Restated)	1998 (Restated)
Revenues generated by:			
Canadian operations			
Revenues from Canada	\$ 2,687.4	\$ 2,302.3	\$ 1,433.0
Revenues from the United States	18.0	199.5	251.5
Revenues from Europe and other	5.0	1.5	40.6
	2,710.4	2,503.3	1,725.1
United States operations	6,676.5	4,388.6	3,198.2
European operations	1,361.2	1,406.6	1,129.1
Other	166.7	141.8	121.1
	\$ 10,914.8	\$ 8,440.3	\$ 6,173.5

	2000	1999 (Restated)	1998 (Restated)
Operating income before amortization, financial expenses, gains on dilution and reserve for restructuring of operations and other special charges			
Canada	\$ 421.7	\$ 389.8	\$ 256.3
United States	1,127.6	696.8	399.2
Europe	169.6	180.1	169.8
Other	63.2	40.1	34.7
	1,782.1	1,306.8	860.0
General corporate income (expenses)	8.0	2.5	(7.7)
	\$ 1,790.1	\$ 1,309.3	\$ 852.3

	2000	1999 (Restated)
Assets		
Canada	\$ 7,455.1	\$ 6,578.8
United States	7,106.7	6,408.2
Europe	1,562.6	1,317.4
Other	346.4	891.9
Head Office	1,132.5	50.6
	\$ 17,603.3	\$ 15,246.9

Notes to Consolidated Financial Statements

Years ended December 31, 2000, 1999 and 1998
(Tabular amounts are expressed in millions of Canadian dollars, unless stated otherwise)

Quebecor Inc. is incorporated under the laws of Québec.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements are prepared in conformity with Canadian generally accepted accounting principles. The material differences between generally accepted accounting principles in Canada and in the United States are described in note 21.

Accounting changes

Effective January 1, 2000, the Canadian Institute of Chartered Accountants ("CICA") changed the accounting standards relating to the accounting for income taxes and the accounting for employee future benefits, including pension and non-pension postretirement benefits.

(a) Income taxes

In December 1997, the Accounting Standards Board issued Section 3465 of the CICA Handbook, Income Taxes. Under the asset and liability method of Section 3465, future income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. Future income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Future income tax assets are recognized and if realization is not considered "more likely than not" a valuation allowance is provided.

The Company has adopted the new recommendations of the CICA in 2000 and has applied the provisions of Section 3465 retroactively. The cumulative effect of this accounting change for income taxes is reported as a restatement which increased the opening balance of retained earnings for the year ended December 31, 1998 by \$3.5 million.

Accordingly, the financial statements for the years ended December 31, 1999 and 1998 have been restated to comply with the provisions of Section 3465. In addition to restating the future income tax accounts, an allocation between short- and long-term portions is now presented in the consolidated balance sheets.

(b) Employee future benefits

In March 1999, the Accounting Standards Board issued Section 3461 of the CICA Handbook, Employee Future Benefits. Under the Section 3461, the Company is required to accrue, during employees' active service period, the estimated cost of pension, retiree benefit payments other than pensions, and workers' compensation. The Company previously expensed the cost of postretirement benefits other than pension, which are principally health care, as claims were incurred by the employees and paid by the Company. In addition, the Company will now use the corridor method to amortize actuarial gains or losses (such as changes in actuarial assumptions and experience gains or losses). Under the corridor method, amortization is recorded only if the accumulated net actuarial gains or losses exceed 10% of the greater of accrued pension benefit obligation and the value of the plan assets. Previously, actuarial gains and losses were amortized on a straight-line basis over the average remaining service life of the employees.

The Company has elected to recognize this change in accounting on the immediate recognition basis retroactively. The cumulative effect of this accounting change for pension and postretirement benefits other than pension is reported as a restatement which decreased the opening balance of retained earnings for the year ended December 31, 1998 by \$10.2 million.

Accordingly, the financial statements for the years ended December 31, 1999 and 1998 were restated to comply with the provisions of Section 3461.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2000, 1999 and 1998
(Tabular amounts are expressed in millions of Canadian dollars, unless stated otherwise)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting changes (continued)

(c) Summary effect

The following summarizes the impact of applying Sections 3465 and 3461 on income before income taxes, net income, earnings per share, and retained earnings for the years ended December 31, 1999 and 1998 and retained earnings as at December 31, 1997. The presentation of property, plant and equipment, goodwill, future income taxes, other liabilities and non-controlling interest are also affected by these changes.

	Income before income taxes	Net income	Earnings per share	Retained earnings
				1999
As previously reported	\$ 693.0	\$ 481.0	\$ 7.43	\$ 1,387.7
Effect of Section 3465	—	(2.1)	(0.03)	2.6
Effect of Section 3461	(2.3)	(1.6)	(0.03)	(13.4)
As restated	\$ 690.7	\$ 477.3	\$ 7.37	\$ 1,376.9
				1998
As previously reported	\$ 414.9	\$ 172.7	\$ 2.64	\$ 944.4
Effect of Section 3465	—	1.2	0.02	4.7
Effect of Section 3461	(2.3)	(1.6)	(0.02)	(11.8)
As restated	\$ 412.6	\$ 172.3	\$ 2.64	\$ 937.3
				1997
As previously reported				\$ 828.4
Effect of Section 3465				3.5
Effect of Section 3461				(10.2)
As restated				\$ 821.7

Consolidation and long-term investments

The consolidated financial statements include the accounts of Quebecor Inc. and all its subsidiaries (the "Company"). The investments in non-consolidated subsidiaries, Vidéotron Ltée and Groupe TVA inc., which operate cable television and broadcasting regulated businesses, respectively, and which are under the control of trustees until the Canadian Radio-television and Telecommunications Commission ("CRTC") approves the transfer of their control of those businesses to the Company, are accounted for by the equity method. The investments in subsidiaries held for resale are accounted for by the cost method.

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.

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.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2000, 1999 and 1998
(Tabular amounts are expressed in millions of Canadian dollars, unless stated otherwise)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the 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. The Company does not hold or issue any derivative financial instruments for speculative trading purposes. 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.

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.

Temporary investments

Temporary investments are recorded at the lower of cost and market value.

Inventories

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

Investments in subsidiaries held for resale

Investments in subsidiaries acquired through the business acquisition of Le Groupe Vidéotron Ltée, which it is management intent to dispose of, are recorded at their net realizable value, representing the future expected discounted cash flows up to the estimated date of disposal. If the market value of these investments becomes lower than their carrying value, the latter would be reduced accordingly.

Property, plant and equipment

Property, plant and equipment 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 property, plant and equipment until they are ready for productive use.

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

Assets	Estimated useful lives
Buildings and leasehold improvements	20 years to 40 years
Machinery and equipment	3 years to 20 years

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2000, 1999 and 1998
(Tabular amounts are expressed in millions of Canadian dollars, unless stated otherwise)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets of acquired businesses. Goodwill is amortized using the straight-line method over 10 to 40 years. 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 an undiscounted 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.

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 it 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.

Earnings per share

Earnings per share have been calculated using the weighted average number of shares outstanding during the year. The method of revenue attributable to funds that would have been obtained from the exercise of warrants, options or their equivalents was used to determine their potential dilution effect.

1. FINANCIAL EXPENSES

	2000	1999 (Restated)	1998 (Restated)
Interest on long-term debt and convertible debentures	\$ 415.5	\$ 247.8	\$ 100.5
Interest on bank indebtedness	6.2	20.6	10.4
Securitization fees	49.2	5.2	3.8
Investment income	(20.0)	(0.5)	(0.1)
Other	1.7	(5.0)	(1.7)
	452.6	268.1	112.9
Interest capitalized to the cost of property, plant and equipment and investments	(13.3)	(9.1)	(16.9)
	\$ 439.3	\$ 259.0	\$ 96.0

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2000, 1999 and 1998
(Tabular amounts are expressed in millions of Canadian dollars, unless stated otherwise)

2. RESERVE FOR RESTRUCTURING OF OPERATIONS AND OTHER SPECIAL CHARGES

This item includes the following:

(a) Printing segment

During the year ended December 31, 2000, Quebecor World Inc. pursued the activities underlying the restructuring plan which was originally established in the fourth quarter of 1999. In addition, it implemented other restructuring initiatives in 2000. These decisions were taken in response to difficult market conditions in Europe and implementation of the digital strategy resulting in termination of employees for a cost of US\$18.0 million (CDN\$26.6 million) and write-down of assets for US\$10.0 million (CDN\$15.0 million). In 2000, Quebecor World Inc. utilized US\$41.9 million (CDN\$62.2 million) of restructuring and other charges reserves which consisted of severance payments of US\$28.8 million (CDN\$42.7 million) for employees terminated during the year, US\$8.2 million (CDN\$12.2 million) for facility closings and US\$4.9 million (CDN\$7.3 million) for other charges.

During 2000, management determined that some of the restructuring reserve originally established in the fourth quarter of 1999 would not be utilized because of a change in management's decision. The change in the reserve requirements stemmed primarily from a significant increase in the requirement for manufacturing capacity to meet expected sales growth and newly contracted business which resulted in the retention of employees targeted for termination of employment, and utilization of equipment originally targeted for shutdown or significantly reduced usage of capacity. As a result, a few plants targeted for shutdown were kept open and equipment continued to be used.

Accordingly, the restructuring reserve reversal was included under the line item restructuring and other charges in the determination of income from operations for the year ended December 31, 2000.

Committed to improving profitability and improving efficiencies and as a result of identifying opportunities to streamline operations and maximize the integration of World Color Press ("WCP") acquired in 1999 into its own operations, the subsidiary's management committed itself to a restructuring plan and recorded US\$180.0 million (CDN\$267.6 million) of restructuring and other charges in the fourth quarter of 1999. The actions undertaken included a worldwide realignment of manufacturing capacity, the consolidation of administrative offices, and a streamlining of the overhead structure to reduce operating expenses. The restructuring charge excluded any integration costs relating to WCP which were accrued as a liability assumed in the purchase equation.

Restructuring charges consisted of US\$99.8 million (CDN\$148.3 million) related primarily to property, plant and equipment impaired as a result of the decision to close several facilities; US\$63.3 million (CDN\$94.1 million) in work-force reduction costs which resulted principally from the closed facilities and the consolidation of administrative offices and sales-force and other charges of US\$16.9 million (CDN\$25.2 million).

The fair value of assets determined to be written off was the result of independent appraisals and use of management estimates. The work-force reduction costs primarily included severance, benefits and other personnel-related costs related to involuntary reduction of jobs worldwide related to plant closures, duplicate position elimination, streamlining administrative management and implementation of a sales-force reduction program. Other charges included US\$8.0 million (CDN\$11.9 million) for write-down of other assets and US\$8.9 million (CDN\$13.3 million) for other charges.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2000, 1999 and 1998
(Tabular amounts are expressed in millions of Canadian dollars, unless stated otherwise)

2. RESERVE FOR RESTRUCTURING OF OPERATIONS AND OTHER SPECIAL CHARGES (continued)

(a) Printing segment (continued)

The following table sets forth the subsidiary's 1999 restructuring reserve and activity against the reserve in 2000:

	Write-down of assets	Restructuring charges	Other charges	Total
Original balance	\$ 148.3	\$ 94.1	\$ 25.2	\$ 267.6
Utilized in 1999				
Cash	—	(13.3)	(1.3)	(14.6)
Non-cash	(17.0)	—	(12.4)	(29.4)
Translation adjustment	(3.9)	(2.6)	(0.5)	(7.0)
Balance as at December 31, 1999	127.4	78.2	11.0	216.6
Additional reserve	15.0	26.6	—	41.6
Utilized in 2000				
Cash	—	(61.6)	(0.6)	(62.2)
Non-cash	(121.6)	—	(7.1)	(128.7)
Reversal				
Cash	—	(18.3)	(2.0)	(20.3)
Non-cash	(24.3)	—	(1.1)	(25.4)
Translation adjustment	3.5	1.5	(0.2)	4.8
Balance as at December 31, 2000	\$ —	\$ 26.4	\$ —	\$ 26.4

The subsidiary foresees the restructuring plan to be substantially completed by June 2001.

(b) Web Integration/Technology segment, Internet/Portals segment and Head Office

During 2000, the Web Integration/Technology segment recorded non-monetary compensation charges of \$40.2 million relative to escrowed shares to be remitted to selling shareholders of acquired companies. The escrowed shares are subject to a minimal period of employment from selling shareholders. Also, management decided to close certain business units and recorded a reserve of \$1.6 million in relation thereto.

Management of the Internet/Portals segment had to record a restructuring charge of \$8.2 million following the decision to reduce its work-force and due to write-down of equipment and other assets that will no longer be used in future operations.

A write-down of temporary investments and other assets of \$58.6 million was recorded due to a decline in fair value as at December 31, 2000. Also, other special charges of \$1.5 million were recorded to reflect management's decision to cease utilization of certain assets under operating leases by the Broadcasting segment.

In 1999, the Leisure and Entertainment segment, Internet/Portals segment and Head Office recorded write-offs and write-downs of assets, principally equipment, which suffered a permanent decline in their net recoverable amount, which totaled \$5.9 million.

(c) Write-down of goodwill

During 2000, management determined that a portion of the goodwill related to different business units of the Web Integration/Technology segment had to be written down for an amount of \$53.9 million before the non-controlling interest of \$23.5 million. The write-down was recorded following the decision to close business units and the realignment of their strategies. Also, a write-down of \$54.0 million before non-controlling interest of \$23.3 million of the goodwill related to the Internet/Portals segment was recorded to take into consideration revised expectations for this segment. These write-downs were determined following an analysis of the undiscounted expected future cash flows.

In 1999, the Leisure and Entertainment segment recorded a write-down of goodwill which suffered a permanent decline in its net recoverable amount of \$4.5 million.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2000, 1999 and 1998
(Tabular amounts are expressed in millions of Canadian dollars, unless stated otherwise)

3. INCOME TAXES

Total income tax expense was allocated as follows:

	2000	1999	1998
		(Restated)	(Restated)
Income taxes	\$ 227.9	\$ 91.3	\$ 123.7
Goodwill amortization	(5.5)	(1.1)	—
Discontinued operation	121.9	74.2	142.3
Goodwill, for initial recognition of acquired tax benefits that previously were included in the valuation allowance	—	(0.5)	(1.0)
	\$ 344.3	\$ 163.9	\$ 265.0

Income tax expense (recovery) attributable to income consists of:

	2000	1999	1998
		(Restated)	(Restated)
Current	\$ 86.9	\$ 103.5	\$ 81.6
Future	141.0	(12.2)	42.1
	\$ 227.9	\$ 91.3	\$ 123.7

The following table reconciles the difference between the international statutory tax rate, which corresponds to the weighted average of the Canadian and foreign statutory tax rates of the Company, and the effective tax rate used by the Company in the determination of net income:

	2000	1999	1998
		(Restated)	(Restated)
International statutory rates	26.1 %	31.9 %	33.5 %
Increase (reduction) resulting from:			
Effect of non-deductible charges and/or resulting from tax rate reduction	3.3	—	—
Change in valuation allowance	2.1	(2.0)	(1.7)
Other	1.5	(0.8)	(1.8)
Effective tax rate before the following item	33.0	29.1	30.0
Effect of the non-taxable gains on dilution	(17.9)	(15.9)	—
Effective tax rate	15.1 %	13.2 %	30.0 %

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2000, 1999 and 1998
(Tabular amounts are expressed in millions of Canadian dollars, unless stated otherwise)

3. INCOME TAXES (continued)

The tax effects of significant items comprising the Company's net future tax liability are as follows:

	2000	1999 (Restated)
Future tax assets:		
Operating loss carryforwards	\$ 135.0	\$ 135.1
Tax credit carryforwards	70.4	69.9
Reserve for restructuring of operations	84.9	148.7
Pension and postretirement benefits	102.0	97.5
Workers' compensation	53.3	24.9
Goodwill	34.9	37.9
Other	105.2	115.4
	585.7	629.4
Valuation allowance	(72.3)	(57.3)
	513.4	572.1
Future tax liability:		
Differences between book and tax bases of property, plant and equipment	(720.6)	(716.5)
Differences between book and tax bases of investments	(116.0)	—
Future tax liability related to the discontinued operation	—	(423.7)
Other	(192.9)	(173.7)
	(1,029.5)	(1,313.9)
Net future tax liability	(516.1)	(741.8)
Less net future tax assets:		
Current	87.1	84.0
Long-term	92.0	—
Net long-term future tax liability	\$ (695.2)	\$ (825.8)

The 2000 and 1999 amounts above include a valuation allowance of \$72.3 million and \$57.3 million respectively, relating to loss carryforwards and other tax benefits available.

The valuation allowance for future tax assets as at January 1, 1999 was \$61.7 million. The net change in the total valuation allowance for the year ended December 31, 2000 is the result, among other things, of \$16.1 million allocated to income from operations. In 1999, the valuation allowance decreased by \$4.4 million which resulted, among other things, from an increase of \$4.5 million related to the acquisition of World Color Press, Inc. and a decrease of \$6.3 million allocated to income from operations.

Subsequent recognized tax benefits relating to the valuation allowance for future tax assets as at December 31, 2000 will be allocated as follows:

Income tax benefit that would be reported in the consolidated statement of income	\$ 39.9
Goodwill	32.4
	\$ 72.3

As at December 31, 2000, the Company had net operating loss carryforwards for income tax purposes available to reduce future taxable income of \$245.3 million, expiring from 2002 to 2019, and \$131.8 million which can be carried forward indefinitely. The Company also had tax credits of \$70.4 million which do not expire.

The Company has not recognized a future tax liability for the undistributed earnings of its subsidiaries in the current and prior years because the Company currently does not expect those unremitted earnings to reverse and become taxable to the Company in the foreseeable future. A future tax liability will be recognized when the Company expects that it will recover those undistributed earnings in a taxable manner, such as through receipt of dividends or sale of the investments.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2000, 1999 and 1998
(Tabular amounts are expressed in millions of Canadian dollars, unless stated otherwise)

4. INVESTMENTS IN NON-CONSOLIDATED SUBSIDIARIES

Quebecor Media Inc., a subsidiary of Quebecor Inc., owns 100% of the shares of Vidéotron Ltée and an equity interest of approximately 36% (99.9% of the voting rights) of Groupe TVA inc. The ultimate control over those cable television and broadcasting businesses is subject to the approval of the CRTC. Until this approval is obtained, these businesses remain under the control of trustees.

The financial position of these non-consolidated subsidiaries as at December 31, 2000 and the results of their operations for the period of 70 days then ended, taking into account the revaluation of assets and liabilities as part of the purchase price allocation, are as follows:

Condensed Consolidated and Combined Statements of Operations For the period of 70 days ended December 31, 2000

Revenues	\$	211.1
Operating expenses		151.2
Amortization		24.7
Financial expenses		14.1
Income before income taxes		21.1
Income taxes (credit)		(7.5)
Non-controlling interest		4.0
Income before amortization of goodwill		24.6
Amortization of goodwill, net of non-controlling interest		24.3
Net income and equity income from non-consolidated subsidiaries	\$	0.3

Income taxes include an adjustment to reflect the reduction of federal income tax rates that should be enacted during the years when the temporary differences will reverse.

Condensed Consolidated and Combined Balance Sheet December 31, 2000

ASSETS		
Current assets	\$	363.7
Other assets		1,471.6
Goodwill		4,945.0
		6,780.3
LIABILITIES		
Current liabilities		331.6
Long-term debt		1,104.1
Future income taxes		237.8
Non-controlling interest		231.6
		1,905.1
Investments in non-consolidated subsidiaries	\$	4,875.2

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2000, 1999 and 1998
(Tabular amounts are expressed in millions of Canadian dollars, unless stated otherwise)

5. DISCONTINUED OPERATION

Donohue Inc. ("Donohue") operates an integrated forest products business which has mills in Canada and the United States. On April 18, 2000, Quebecor Inc. held a 19.5% equity interest and a 63.1% voting interest in Donohue. Consequently, the financial statements of Donohue were consolidated with those of Quebecor Inc. Donohue was the only interest Quebecor Inc. had in the Forest Products segment.

On that date, pursuant to an agreement between Abitibi-Consolidated Inc. ("Abitibi-Consolidated"), Donohue and Quebecor Inc., Abitibi-Consolidated purchased all the outstanding shares of Donohue and paid in cash and in shares of Abitibi-Consolidated. Quebecor Inc. received \$12.00 cash and 1.8462 shares of Abitibi-Consolidated for each share tendered. The transaction was recorded as a reverse take-over of Abitibi-Consolidated by Donohue, as the latter's shareholders received a sufficient number of Abitibi-Consolidated shares to enable them to acquire control of this company. Quebecor Inc. holds an interest of approximately 11% in Abitibi-Consolidated, in terms of both the number of shares and the voting rights held. Since Quebecor Inc. does not control nor exercise a significant influence over Abitibi-Consolidated, this interest is accounted for as a portfolio investment. Consequently, the Forest Products segment was considered a discontinued operation as of the first quarter of 2000. Donohue's operating results are then presented separately since the first quarter of 2000, and until April 18, 2000, the disposal date, and comparative figures for 1999 and 1998 were accordingly restated. The gain on disposal amounts to \$235.0 million, net of income taxes of \$94.2 million.

The following tables provide additional financial information related to the discontinued operation as at December 31, 1999 and for the years ended December 31, 2000, 1999 and 1998 (as restated following the change in accounting policies adopted retroactively in 2000).

Condensed Consolidated Statements of Operations

	2000	1999 (Restated)	1998 (Restated)
Revenues	\$ 760.2	\$ 2,394.9	\$ 2,251.7
Income before income taxes	\$ 89.5	\$ 295.3	\$ 385.3
Income taxes	(27.7)	(74.2)	(142.3)
Non-controlling interest	(50.7)	(180.6)	(198.8)
Contribution of the discontinued operation	11.1	40.5	44.2
Gain on disposal	235.0	—	—
Net income from the discontinued operation	\$ 246.1	\$ 40.5	\$ 44.2

Condensed Consolidated Balance Sheet

	1999 (Restated)
Current assets	\$ 805.3
Fixed assets	2,667.6
Goodwill	154.4
Other assets	54.7
Current liabilities	(430.2)
Long-term debt	(1,247.7)
Other long-term liabilities	(44.2)
Future income taxes	(437.9)
Non-controlling interest	(1,249.5)

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2000, 1999 and 1998
(Tabular amounts are expressed in millions of Canadian dollars, unless stated otherwise)

6. BUSINESS ACQUISITIONS AND DISPOSITIONS

During the year ended December 31, 2000, the Company acquired the following businesses, which have been accounted for by the purchase method and income is included since the date of acquisition:

	Geographic segments	Acquired interest	Date of acquisition
CONSOLIDATED SUBSIDIARIES			
Leisure and Entertainment segment			
Les Éditions Libre Expression Ltée ⁽¹⁾	Canada	50 %	January 2000
Occasions D'Affaires	Canada	100 %	February and March 2000
Camelot-info inc.	Canada	100 %	June 2000
Paragraph Book inc.	Canada	100 %	September 2000
DM Diffusion Multimédia Inc.	Canada	51 %	September 2000
Le SuperClub Vidéotron Ltée	Canada	100 %	October 2000
Web Integration/Technology segment			
Entrevision Inc.	Canada	100 %	January 2000
Société Cythère S.A.	Europe and United States	100 %	February 2000
Digit Interactive Inc.	Canada	100 %	February 2000
Beltron Technologies Inc.	Canada	100 %	March 2000
Flow Systems Corporation	United States	100 %	April 2000
Andrew Duncan Et Associates Limited	Europe	100 %	June 2000
Imagix Multimedia Inc.	Canada	100 %	June 2000
Quam s.r.l.	Europe	100 %	July 2000
CCS Electronics (UK) Limited	Europe	100 %	August 2000
MSM Interactive, S.A.	Others	50 %	August 2000
Yelo Limited	Europe	100 %	October 2000
Internet/Portals segment			
9031-9146 Québec inc. (Réseau Contact/Match Contact)	Canada	100 %	February 2000
I-Money corp.	Canada	100 %	April 2000
Via Site	Canada	100 %	April 2000
Netgraphe Inc.	Canada	40 %	October and December 2000
NON-CONSOLIDATED SUBSIDIARIES			
Cable television segment			
Vidéotron Itée	Canada	100 %	October 2000
Broadcasting segment			
Groupe TVA inc.	Canada	36 %	October 2000

(1) Previously a joint venture held at 50%.

On October 23, 2000, Quebecor Media Inc. completed the acquisition of Le Groupe Vidéotron Itée. This company operates in the cable television segment (Vidéotron Itée), the broadcasting segment (Groupe TVA inc.) and the Internet/Portals segment (Netgraphe Inc.). Le Groupe Vidéotron Itée also owns investments in subsidiaries that are now held for resale by Quebecor Media Inc.

During 2000, Quebecor World Inc. paid an amount of US\$1.0 million (CDN\$1.5 million) adjusting the purchase price of prior years' business acquisitions in the United States and in Peru. This amount was accounted for as an increase of goodwill. In addition, Quebecor World Inc. acquired the remaining non-controlling interest in Inter-Routage in France for an amount of US\$4.3 million (CDN\$6.4 million).

Moreover, during the year ended December 31, 2000, the Company increased its interest in several of its subsidiaries in the Leisure and Entertainment segment, Internet/Portals segment, Web Integration/Technology segment and in the Broadcasting segment.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2000, 1999 and 1998
(Tabular amounts are expressed in millions of Canadian dollars, unless stated otherwise)

6. BUSINESS ACQUISITIONS AND DISPOSITIONS (continued)

Business acquisitions are summarized as follows:

			2000	1999	1998
	Le Groupe Vidéotron Itée	Other	Total	(Restated)	(Restated)
Assets acquired					
Cash and cash equivalents	\$ 7.0	\$ 3.8	\$ 10.8	\$ 147.8	\$ 25.4
Temporary investments	222.1	—	222.1	—	—
Non-cash current operating assets	19.1	32.0	51.1	971.4	86.4
Investments in subsidiaries held for resale	389.0	—	389.0	—	—
Property, plant and equipment	64.9	1.8	66.7	1,567.6	114.4
Investments in non-consolidated subsidiaries	5,007.8	—	5,007.8	—	—
Goodwill	183.4	143.6	327.0	3,711.2	371.6
Future income taxes	—	22.7	22.7	58.5	—
Non-controlling interest	—	37.7	37.7	15.0	13.8
Other	1.7	83.9	85.6	109.2	9.1
Liabilities assumed					
Bank indebtedness	(344.8)	(1.8)	(346.6)	(13.1)	(2.6)
Non-cash current operating liabilities	(133.6)	(31.0)	(164.6)	(932.9)	(49.1)
Amounts payable to non-consolidated subsidiaries	(91.0)	—	(91.0)	—	—
Long-term debt	(8.2)	(1.1)	(9.3)	(2,112.9)	(117.3)
Convertible debentures	—	—	—	(202.5)	—
Future income taxes	(0.7)	—	(0.7)	—	(1.9)
Non-controlling interest	(42.0)	(98.7)	(140.7)	(67.5)	(11.3)
Other	—	(0.1)	(0.1)	(123.3)	(3.8)
Net assets acquired at fair value	\$ 5,274.7	\$ 192.8	\$ 5,467.5	\$ 3,128.5	\$ 434.7
Consideration					
Cash	\$ 5,274.7	\$ 187.5	\$ 5,462.2	\$ 2,131.5	\$ 430.2
Notes payable	—	—	—	90.5	—
Increase in the interest of non-controlling shareholders	—	—	—	906.5	—
B Shares	—	—	—	—	4.5
Balance of purchase price payable	—	5.3	5.3	—	—
	\$ 5,274.7	\$ 192.8	\$ 5,467.5	\$ 3,128.5	\$ 434.7

Given the magnitude of the acquisition of Le Groupe Vidéotron Itée and due to the fact that Quebecor Media Inc. does not control the regulated subsidiaries, the purchase price allocation has not been finalized as at December 31, 2000. Accordingly, the fair value of assets acquired and liabilities assumed could differ from the amount presented in the financial statements. The significant elements where the fair values could be modified include fixed assets and intangible assets of non-consolidated subsidiaries and investments in subsidiaries held for resale.

In 1999, Quebecor World Inc. acquired World Color Press, Inc. ("WCP") for a purchase price of US\$1.5 billion (CDN\$2.2 billion). During 2000, Quebecor World Inc. completed the purchase price allocation and adjusted the assets and liabilities acquired of WCP by US\$78.6 million (CDN\$116.7 million). The adjustment related to the fair value of assets impaired resulted in an additional write-off of US\$52.1 million (CDN\$77.3 million). Other costs included US\$21.4 million (CDN\$31.8 million) for plant shutdowns, US\$7.3 million (CDN\$10.8 million) related to workers' compensation, which was based on underestimated claims, US\$21.2 million (CDN\$31.4 million) for contract termination and write-down of related assets and US\$23.3 million (CDN\$34.6 million) for other reserves recorded at acquisition. The tax impact on these adjustments was US\$46.6 million (CDN\$69.2 million).

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2000, 1999 and 1998
(Tabular amounts are expressed in millions of Canadian dollars, unless stated otherwise)

6. BUSINESS ACQUISITIONS AND DISPOSITIONS (continued)

In August 2000, Quebecor World Inc. sold the operating assets of its North American CD-Rom replication business for a total consideration of US\$68.0 million (CDN\$101.2 million). The sale price was comprised of US\$47.0 million (CDN\$69.9 million) in cash and US\$21.0 million (CDN\$31.2 million) in special warrants and promissory notes convertible into Q-Media shares. Quebecor World Inc. realized a gain amounting to US\$13.4 million (CDN\$19.9 million) which was recorded as a reduction of selling and administrative expenses.

In 2000, the Company sold other businesses in the Printing segment. In 1999 and 1998, the Company sold businesses in the Printing, Newspapers and Leisure and Entertainment segments.

7. ACCOUNTS RECEIVABLE

	2000	1999
Trade	\$ 1,060.9	\$ 1,383.7
Other	32.1	205.5
	\$ 1,093.0	\$ 1,589.2

During 2000, Quebecor World Inc. sold a portion of its Canadian 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 \$125.0 million. As at December 31, 2000, the amount outstanding under the Canadian program is \$108.0 million (\$100.0 million as at December 31, 1999).

In addition, Quebecor World Inc. also sold a portion of its US trade receivables on a revolving basis under the terms of a US securitization agreement dated December 1999 (the "US Program"). The program limit was increased from US\$408.0 million (CDN\$611.8 million) to US\$510.0 million (CDN\$764.7 million) on November 24, 2000. As at December 31, 2000, the amount outstanding under the US Program is US\$500.0 million (CDN\$749.8 million) (US\$400.0 million (CDN\$577.3 million) as at December 31, 1999).

Quebecor World Inc. entered into these agreements where groups of trade receivables are sold under terms that transfer 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 sheet.

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 the bank facilities of Quebecor World Inc.

8. INVENTORIES

	2000	1999
Raw materials and supplies	\$ 379.0	\$ 620.7
Work in process	338.9	349.5
Finished goods	78.9	204.3
	\$ 796.8	\$ 1,174.5

9. INVESTMENTS IN SUBSIDIARIES HELD FOR RESALE

Quebecor Media Inc. owns investments held for resale in the following subsidiaries:

- Vidéotron Télécom Ltée; and
- Protectron Inc.

These investments were acquired in the acquisition of Le Groupe Vidéotron Ltée (note 6).

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2000, 1999 and 1998
(Tabular amounts are expressed in millions of Canadian dollars, unless stated otherwise)

10. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2000 Net amount
Land	\$ 161.0	\$ —	\$ 161.0
Buildings and leasehold improvements	1,266.7	190.3	1,076.4
Machinery and equipment	4,767.9	1,841.5	2,926.4
Projects under development	214.8	—	214.8
	\$ 6,410.4	\$ 2,031.8	\$ 4,378.6

	Cost	Accumulated amortization	1999 Net amount
Land	(Restated) \$ 158.7	(Restated) \$ —	(Restated) \$ 158.7
Buildings and leasehold improvements	5,727.9	2,030.6	3,697.3
Machinery and equipment	4,757.8	1,604.3	3,153.5
Projects under development	124.6	—	124.6
	\$ 10,769.0	\$ 3,634.9	\$ 7,134.1

As at December 31, 2000, the cost of property, plant and equipment and the corresponding accumulated amortization balance included amounts of \$404.1 million (\$455.1 million as at December 31, 1999) and \$195.7 million (\$199.7 million as at December 31, 1999), respectively, for assets held under capital leases.

11. LONG-TERM DEBT

	Effective interest rate as at December 31, 2000	Years of maturity	2000	1999
Quebecor Inc.				
Revolving bank credit facility (i)	8.30 to 9.00 %	2002	\$ 122.0	\$ 164.0
Non-revolving bank credit facility (ii)	8.34 %	2001	900.0	—
Other debt	5.25 to 7.42 %	2001 – 2014	8.9	8.7
			1,030.9	172.7
Quebecor World Inc. and its subsidiaries (iii)				
Revolving bank credit facility (iv)	7.29 to 7.42 %	2004 – 2006	561.7	516.7
Commercial paper (v)	5.75 to 6.71 %	2004	322.5	331.0
Acquisition bank credit facility (vi)	7.56 to 7.70 %	2002	187.4	1,335.1
Senior subordinated notes (vii)	8.38 %	2008	388.1	435.3
Senior subordinated notes (vii)	7.75 %	2009	435.6	417.6
Senior debentures (viii)	7.25 %	2007	224.9	216.5
Senior debentures (ix)	6.50 %	2027	224.9	216.5
Senior notes (x)	8.42 and 8.52 %	2010 – 2012	374.9	—
Senior notes (xi)	8.54 and 8.69 %	2015 – 2020	181.4	—
Other debt and obligations under capital leases (xii)	0 to 10.54 %	2001 – 2010	179.7	370.7
			3,081.1	3,839.4
Quebecor Media Inc.				
Revolving bank credit facility (xiii)	8.17 to 8.31 %	2002	74.0	—
Non-revolving bank credit facility (xiv)	8.28 to 8.31 %	2001 – 2002	1,936.9	—
			2,010.9	—
Sub-total long-term debt, balance to carry forward			6,122.9	4,012.1

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2000, 1999 and 1998
(Tabular amounts are expressed in millions of Canadian dollars, unless stated otherwise)

11. LONG-TERM DEBT (continued)

	Effective interest rate as at December 31, 2000	Years of maturity	2000	1999
Sub-total long-term debt, balance brought forward			6,122.9	4,012.1
Sun Media Corporation and its subsidiaries (iii)				
Revolving bank credit facility (xv)	7.13 %	2001 – 2005	\$ 376.3	\$ 481.8
Senior subordinated notes (xvi)	9.50 %	2007	218.9	228.4
			595.2	710.2
Other subsidiaries of Quebecor Media Inc.(iii)				
Miscellaneous debt	0 to 13.80 %	2001 – 2005	15.2	4.8
Donohue Inc. and its subsidiaries (iii)				
Bank credit facility (xvii)	—	—	—	750.4
Senior notes (xviii (a) and (b))	—	—	—	206.6
Senior notes (xviii (b))	—	—	—	274.2
Other debt (xix)	—	—	—	106.7
			—	1,337.9
Total long-term debt			6,733.3	6,065.0
Less current portion				
Quebecor Inc.			900.0	—
Quebecor World Inc. and its subsidiaries			58.7	111.5
Quebecor Media Inc.			1,426.9	—
Other subsidiaries of Quebecor Media Inc.			14.2	3.0
Donohue Inc. and its subsidiaries			—	90.1
			2,399.8	204.6
			\$ 4,333.5	\$ 5,860.4

- (i) As at December 31, 2000, these borrowings were drawn on a bank credit facility of \$300.0 million. The bank credit 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 credit facility contains certain covenants, including the obligation to maintain investments in publicly traded companies having a market value of at least 200% of the borrowed amounts. The borrowed amounts bear interest at floating rates based on Bankers' Acceptances rates or bank prime rate. The bank credit facility is secured by certain shares owned in certain subsidiaries of the Company and by the shares of Abitibi-Consolidated Inc.
- (ii) The non-revolving bank credit facility of \$900.0 million will mature on October 22, 2001. The borrowed amounts bear interest at floating rates based on Bankers' Acceptances rates or bank prime rate. The credit agreement governing this bank credit facility contains certain covenants, including the obligation to maintain investments in publicly traded companies having a market value of at least 200% of the borrowed amounts. The bank credit facility is secured by certain shares owned in certain subsidiaries of the Company and by the shares of Abitibi-Consolidated Inc.
- (iii) Debt of these subsidiaries are non-recourse to the parent company, Quebecor Inc.
- (iv) In April 2000, Quebecor World Inc. refinanced its existing revolving bank credit facility of US\$1.0 billion (CDN\$1.5 billion) by a new revolving bank credit facility composed of three tranches. The first tranche of US\$250.0 million (CDN\$374.9 million) matures in 2004 and provides liquidity back-up to the commercial paper program of US\$250.0 million (CDN\$374.9 million) of Quebecor World Inc. The second tranche of US\$250.0 million (CDN\$374.9 million) matures in 2005, while the third tranche of US\$500.0 million (CDN\$749.8 million) matures in 2006. The credit agreement governing these bank credit facilities contains certain covenants among which is the obligation to maintain certain financial ratios. The revolving bank credit facility bears interest at floating rates based on LIBOR or Bankers' Acceptances rates. As at December 31, 2000, the drawings under this facility were all denominated in US dollars.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2000, 1999 and 1998
(Tabular amounts are expressed in millions of Canadian dollars, unless stated otherwise)

11. LONG-TERM DEBT (continued)

- (v) As at December 31, 2000, \$307.3 million (\$331.0 million as at December 31, 1999) and US\$10.1 million (CDN\$15.2 million) (none in 1999) of notes are outstanding under the commercial paper program and are classified as long-term since Quebecor World Inc. has the ability and the intent to maintain such debt on a long-term basis and has a credit facility available until 2004 (see above) to replace such debt, if necessary.
- (vi) In 1999, Quebecor World Inc. had negotiated and obtained two additional credit facilities for a total initial limit of US\$1.25 billion (CDN\$1.9 billion) to finance the acquisition of WCP. Those facilities consisted of a revolving credit facility of US\$450.0 million (CDN\$674.8 million) (US\$450.0 million (CDN\$649.5 million) as at December 31, 1999) maturing in August 2002, available for general corporate purposes, and a term loan of US\$800.0 million (CDN\$1.2 billion). At Quebecor World Inc.'s request, US\$150.0 million (CDN\$216.0 million) of the term loan was cancelled in December 1999. The balance of US\$650.0 million (CDN\$965.2 million) was reimbursed and cancelled during 2000. These credit facilities bear interest at variable rates based on LIBOR. As at December 31, 2000, the credit agreements contain certain restrictions, including the obligation to maintain certain financial ratios.
- (vii) The Senior Subordinated Notes (the "Notes") were issued by WCP in two series before it was acquired by Quebecor World Inc. The aggregate principal amount of the first series is US\$300.0 million (CDN\$444.9 million) and the Notes are redeemable at the option of Quebecor World 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\$300.0 million (CDN\$444.9 million) and the Notes are redeemable at the option of Quebecor World 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 WCP was acquired by Quebecor World Inc. During 2000, Quebecor World Inc. repurchased on the open market US\$42.4 million (CDN\$63.0 million) at par. The aggregate principal amount of the notes as at December 31, 2000 is US\$257.6 million (CDN\$386.3 million). The Notes contain certain restrictions on WCP, including limitations on its ability to incur additional indebtedness.
- (viii) These debentures are repayable in US dollars.
- (ix) These debentures are redeemable at the option of the holder at their par value on August 1, 2004, and are repayable in US dollars.
- (x) In July 2000, Quebecor World Inc. issued Senior Notes for a principal amount of US\$250.0 million (CDN\$369.5 million) comprised of two tranches. The first tranche of US\$175.0 million (CDN\$262.4 million) matures on July 15, 2010, while the second tranche of US\$75.0 million (CDN\$112.5 million) matures on July 15, 2012. These notes contain certain restrictions which are generally less restrictive than those of the revolving bank credit facility.
- (xi) In September 2000, Quebecor World Inc. issued Senior Notes for a principal amount of US\$121.0 million (CDN\$179.8 million). The first tranche of US\$91.0 million (CDN\$136.5 million) matures on September 15, 2015 and the second tranche of US\$30.0 million (CDN\$44.9 million) matures on September 15, 2020. These notes contain certain restrictions which are generally less restrictive than those of the revolving bank credit facility.
- (xii) Obligations under capital leases and other debt are partially secured by assets. In addition, a portion of \$95.9 million (\$266.0 million in 1999) is repayable in euros, a portion of \$10.4 million (\$13.0 million in 1999) is repayable in Swedish krona and the balance of \$73.4 million (\$91.7 million in 1999) is repayable in US dollars.
- (xiii) This bank credit facility of \$90.0 million 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 borrowed amounts bear interest at floating rates based on Bankers' Acceptances rates or bank prime rate. The bank credit facility is secured by all the assets of Quebecor Media Inc.
- (xiv) The non-revolving bank credit facility of \$2.0 billion is composed of three tranches. The first and second tranche of \$1.325 billion and \$90.0 million, respectively, mature on October 22, 2001. The third tranche of \$585.0 million matures at the earliest of January 23, 2002 or the date when this tranche will be replaced by a new bank facility to be granted to Vidéotron Ltée. The bank credit facility is secured by all the assets of Quebecor Media Inc.
- (xv) The Senior bank credit facility is comprised of two tranches. The first tranche is a term loan maturing in 2005. The second tranche is a revolving credit facility of \$75.0 million (\$100.0 million as at December 31, 1999) of which \$1.1 million was used as at December 31, 2000 (none as 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.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2000, 1999 and 1998
(Tabular amounts are expressed in millions of Canadian dollars, unless stated otherwise)

11. LONG-TERM DEBT (continued)

- (xvi) The Senior Subordinated Notes were issued in two series by Sun Media Corporation in 1997. Their outstanding principal amount as at December 31, 2000 was US\$97.5 million (CDN\$146.2 million) and US\$53.5 million (CDN\$80.2 million), (US\$97.5 million (CDN\$140.7 million) and US\$58.5 million (CDN\$84.4 million) as at December 31, 1999). The Notes were recorded at their fair market value of \$230.6 million when Sun Media Corporation was acquired in 1999.
- (xvii) The bank credit facility of US\$855.0 million (CDN\$1,234 million) consisted of four tranches as at December 31, 1999. The first tranche was a revolving credit of US\$200.0 million (CDN\$289.0 million), or the equivalent in Canadian dollars, maturing in 2003. The second and third tranche consisted of term credits of US\$230.0 million (CDN\$332.0 million) and US\$300.0 million (CDN\$433.0 million) payable in quarterly installments maturing in 2003 and 2005, respectively. The fourth tranche, a revolving credit of US\$125.0 million (CDN\$180.0 million) up to 2000, became thereafter a term credit payable in quarterly installments maturing in 2005. During 1999, Donohue Inc. obtained a new revolving credit facility of \$100.0 million, or the equivalent in US dollars, maturing in 2000 and remained unused at the end of 1999. These credits bear interest at floating rates based on Bankers' Acceptances rates, bank prime rate or LIBOR. The credit agreement contained usual covenants such as the obligation to maintain certain financial ratios.
- (xviii) a) The Senior Notes issued by a subsidiary of Donohue Inc. were redeemable at the subsidiary's option on or after May 15, 2000, in whole or in part, at a premium until 2003 and at par thereafter, plus accrued interest.
- b) Repayable in US dollars.
- (xix) Other debt includes a portion of \$103.5 million repayable in US dollars.

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

2001	\$ 2,399.8
2002	224.8
2003	94.5
2004	97.2
2005	429.8

12. OTHER LIABILITIES

	2000	1999 (Restated)
Pension liability	\$ 138.9	\$ 133.0
Postretirement benefits	119.7	156.6
Reserve for unfavourable leases acquired	79.2	83.1
Reserve for environmental matters	26.6	27.1
Workers' compensation accrual	41.3	24.8
Other	77.1	86.2
	\$ 482.8	\$ 510.8

13. CONVERTIBLE DEBENTURES

	Maturity	2000	1999
Convertible Senior Subordinated Notes of a subsidiary, 6.0% (a)	2007	\$ 158.9	\$ 185.9
Convertible debentures of a subsidiary (b)	2001	71.9	73.5
		230.8	259.4
Less current portion		71.9	—
		\$ 158.9	\$ 259.4

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2000, 1999 and 1998
(Tabular amounts are expressed in millions of Canadian dollars, unless stated otherwise)

13. CONVERTIBLE DEBENTURES (continued)

- (a) The Convertible Senior Subordinated Notes mature on October 1, 2007. The notes were issued by World Color Press, Inc. ("WCP") and revalued in order to reflect their fair value at the time WCP was acquired by Quebecor World Inc. Since the acquisition of WCP by Quebecor World Inc., each US\$1,000 tranche is convertible into 30.5884 Subordinate Voting Shares of Quebecor World Inc. and US\$197.25 (CDN\$284.69) in cash. The portion of the notes related to the option to convert into Subordinate Voting Shares of Quebecor World 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 World Inc. at a decreasing premium from October 2000 to final maturity. Certain conditions apply to a redemption between October 2000 and October 2002. During 1999, pursuant to the terms of the convertible notes, Quebecor World Inc. made a par tender offer for 100 % of the face value of US\$151.8 million (CDN\$219.1 million) under this offer, US\$7.6 million (CDN\$11.0 million) of outstanding notes were repurchased. Quebecor World Inc. subsequently repurchased notes on the open market in 2000 having a principal amount of US\$24.7 million (CDN\$36.7 million). The aggregate principal amount of the notes, as at December 31, 2000, is US\$119.5 million (CDN\$179.2 million) (US\$144.2 million (CDN\$208.1 million) as at December 31, 1999). If all outstanding notes were converted into Subordinate Voting Shares of Quebecor World Inc., Quebecor World Inc. would have to issue 3,656,201 Subordinate Voting Shares and Quebecor Inc.'s interest would decrease from 38.46% to 37.53%.
- (b) A French subsidiary of Quebecor World Inc. issued convertible debentures into shares of this subsidiary. The total amount of convertible debentures outstanding as at December 31, 2000 is FF344.0 million (CDN\$73.1 million) (FF344.0 million (CDN\$76.0 million) as at December 31, 1999). Quebecor World Inc. has the right to redeem these debentures. In addition, a portion of FF172.0 million (CDN\$38.0 million) cannot be converted without prior approval of Quebecor World Inc. The interest of Quebecor World Inc. in this subsidiary would decrease from 100% to 78.5% if the debentures were converted and Quebecor World Inc. did not exercise its redemption rights. The convertible debentures bear interest at rates varying between 1.0% and 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.

14. 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, 2000, the most significant non-controlling interests in the participating shares of subsidiaries were as follows:

Subsidiary	Segment	Non-controlling interest
Quebecor World Inc.	Printing	62 %
Quebecor Media Inc.	Newspapers, Leisure and Entertainment, Web Integration/Technology, Broadcasting and Internet/Portals	45 %
Sun Media Corporation (i)	Newspapers	30 %
Nurun Inc. (i)	Web Integration/Technology	43 %
Netgraphe Inc.(i)	Internet/Portals	60 %

- i) Sun Media Corporation, Nurun Inc. and Netgraphe Inc. are subsidiaries of Quebecor Media Inc.

15. 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.

Notes to Consolidated Financial Statements (continued)

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

15. CAPITAL STOCK

(b) Issued capital stock

	Number	A Shares Amount	Number	B Shares Amount
Balance as at December 31, 1999	24,673,569	\$ 11.0	39,911,853	\$ 336.6
Shares issued for cash upon the exercise of stock options	2,700	—	50,000	1.0
Shares redeemed	—	—	(12,000)	(0.1)
A shares converted into B shares	(623,586)	(0.3)	623,586	0.3
Balance as at December 31, 2000	24,052,683	\$ 10.7	40,573,439	\$ 337.8

(c) Stock option plan

Under a stock option plan established by Quebecor Inc., 1,702,612 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 five days preceeding 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, 2000 and 1999:

	Options	2000 Weighted average exercise price	Options	1999 Weighted average exercise price
Balance at beginning of year	1,115,317	\$ 33.20	222,834	\$ 18.22
Granted	526,000	33.72	1,002,817	34.58
Exercised	(50,000)	20.19	(75,000)	12.31
Cancelled against cash payment	(22,823)	29.45	(35,334)	22.33
Cancelled	(125,645)	39.17	—	—
Balance at end of year	1,442,849	\$ 33.38	1,115,317	\$ 33.20
Vested options at end of year	375,515	\$ 32.31	144,849	\$ 23.94

The following table provides summary information regarding outstanding options as at December 31, 2000:

Range of exercise price	Outstanding options			Vested options	
	Number	Weighted average years to maturity	Weighted average exercise price	Number	Weighted average exercise price
\$ 15 to 20	42,500	3.6 years	\$ 17.85	42,500	\$ 17.85
20 to 25	—	—	—	—	—
25 to 30	25,000	10.0 years	26.01	—	—
30 to 35	1,004,349	8.9 years	32.52	233,015	32.95
35 to 40	300,000	8.7 years	36.97	100,000	36.97
40 to 45	71,000	9.4 years	42.19	—	—
\$ 15 to 45	1,442,849	8.8 years	\$ 33.38	375,515	\$ 32.31

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2000, 1999 and 1998
(Tabular amounts are expressed in millions of Canadian dollars, unless stated otherwise)

15. CAPITAL STOCK (continued)

(c) Stock option plan (continued)

For the year ended December 31, 2000, a charge reversal of \$1.8 million (a charge reversal of \$0.8 million and a charge of \$2.3 million for the years ended December 31, 1999 and 1998, respectively) relative to the plan was included under "Selling and administrative expenses" in the consolidated statements of income.

16. TRANSLATION ADJUSTMENT

	2000	1999 (Restated)
Balance at beginning of year	\$ (8.5)	\$ 131.5
Effect of exchange rate variation on translation of net assets of self-sustaining foreign operations	23.9	(121.2)
Portion included in income as a result of reductions in net investments in self-sustaining foreign operations	0.4	(18.8)
Balance at end of year	\$ 15.8	\$ (8.5)

17. COMMITMENTS AND CONTINGENCIES

(a) Leases

The Company rents premises and equipment under operating leases which expire at various dates up to 2014 and whose minimum lease payments totaled \$1.035 billion. Minimum payments under these leases for each of the next five years are as follows:

2001	\$ 197.8
2002	146.0
2003	120.8
2004	97.1
2005	91.5

Operating lease rentals amounted to \$189.7 million, \$122.8 million and \$94.8 million for the years ended December 31, 2000, 1999 and 1998, respectively.

(b) Fixed assets

As at December 31, 2000, Quebecor World Inc. had commitments to purchase fixed assets valued at approximately US\$22.0 million (CDN\$33.0 million).

(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 the protection of the environment in general. The Company believes it is in compliance with such laws, regulations and government policies, in all material respects. 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.

(d) Other

As part of the acquisition of Groupe TVA inc., Quebecor Media Inc. is committed to spend \$27.0 million in the Canadian broadcasting industry and \$3.0 million in the Canadian communication industry to promote the broadcasting content and development of communications.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2000, 1999 and 1998
(Tabular amounts are expressed in millions of Canadian dollars, unless stated otherwise)

18. 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

Forward foreign exchange contracts and foreign currency options:

	Average rate	2000 Notional amount ⁽¹⁾	Average rate	1999 Notional amount ⁽¹⁾
Quebecor World Inc. and its subsidiaries				
CDN\$ / US				
Less than 1 year	0.6898	\$ 183.8	0.6557	\$ 156.1
Between 1 and 3 years	0.7008	241.8	0.7117	112.9
US\$ / Euro				
Less than 1 year	1.0633	21.0	0.9737	169.2
Between 1 and 3 years	0.9033	3.2	0.9026	22.2
US\$ / SEK				
Less than 1 year	9.6400	24.4	8.3286	26.5
Euro / GBP				
Less than 1 year	0.6074	61.2	0.6608	42.2
Between 1 and 3 years	0.6222	3.4	—	—
Other				
Less than 1 year	—	40.5	—	20.0
Between 1 and 3 years	—	0.6	—	—
Donohue Inc. and its subsidiaries				
CDN\$ / US				
Less than 1 year	—	—	1.4925	354.2
Between 1 and 3 years	—	—	1.4730	169.2
CDN\$ / GBP				
Less than 1 year	—	—	2.4227	18.8

(1) Exchange rates as at December 31, 2000 and 1999 were used to translate amounts in foreign currencies.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2000, 1999 and 1998
(Tabular amounts are expressed in millions of Canadian dollars, unless stated otherwise)

18. FINANCIAL INSTRUMENTS (continued)

(a) Description of derivative financial instruments (continued)

(i) Management of foreign exchange risk (continued)

Cross-currency interest rate swap:

	Average rate	2000 Notional amount ⁽¹⁾	Average rate	1999 Notional amount ⁽¹⁾
Quebecor World Inc. and its subsidiaries				
US\$ / Euro				
Less than 1 year	1.0551	\$ 132.9	0.3715	\$ 38.4
Between 1 and 3 years	1.1355	38.3	0.9578	15.1
US\$ / SEK				
Less than 1 year	8.1650	27.5	8.1650	26.5
Between 1 and 3 years	9.8450	22.8	8.1650	26.5

(1) Exchange rates as at December 31, 2000 and 1999 were used to translate amounts in foreign currencies.

(ii) Management of interest rate risk

Quebecor World Inc. has entered into interest rate swaps to manage its interest rate exposure. Quebecor World Inc. is committed to exchange, at specific intervals, the difference between the fixed and floating interest rate calculated by reference to the notional amounts. Quebecor World Inc. pays the fixed rate and receives the floating rate on a notional amount of US\$19.7 million (CDN\$29.6 million) in euro currencies matching the payment terms of a capital lease maturing in April 2003.

Sun Media Corporation has entered into a number of interest rate swap and cap agreements maturing in May 2002 in order to reduce its 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 \$100.0 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 \$100.0 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 its 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 \$151.0 million into Canadian dollar-denominated debt of \$205.7 million at an average exchange rate of CDN\$1.3622 to US\$1.00.

In addition, these interest rate swap agreements have the effect of converting the interest rate on US\$118.5 million of Senior Subordinated Notes from a fixed rate of 9.5% to a weighted average fixed interest rate on CDN\$161.4 million of 9.51%. These agreements also convert the interest rate on US\$32.5 million of Senior Subordinated Notes from a fixed rate of 9.5% per annum to a floating interest rate on CDN\$44.3 million equal to the Bankers' Acceptance rates plus 2.94% per annum.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2000, 1999 and 1998
(Tabular amounts are expressed in millions of Canadian dollars, unless stated otherwise)

18. FINANCIAL INSTRUMENTS (continued)

(b) Fair value of financial instruments

The carrying amount of cash and cash equivalents, temporary investments, accounts receivable, amounts receivable from non-consolidated subsidiaries, bank indebtedness, and accounts payable and accrued liabilities approximates their fair value as these items will be realized or paid within one year.

Financial instruments having a fair value different from their carrying amount as at December 31, 2000 and 1999 are:

	Carrying value	2000 Fair value	Carrying value	1999 Fair value
Quebecor World Inc. and its subsidiaries				
Long-term debt (including current portion)	\$ (3,081.1)	\$ (3,083.6)	\$ (3,839.4)	\$ (3,800.0)
Convertible debentures (including current portion)	(230.8)	(238.5)	(259.4)	(257.7)
Interest rate swap agreements	—	(0.1)	—	(1.1)
Forward foreign exchange contracts	—	(16.1)	—	12.6
Cross-currency interest rate swap agreements	—	1.9	—	2.3
Equity forwards	—	1.9	—	—
Sun Media Corporation and its subsidiaries				
Long-term debt (including current portion)	(595.2)	(572.5)	(710.2)	(696.9)
Interest rate swap agreements	—	0.1	—	1.4
Interest rate cap agreements	0.7	0.3	1.2	1.6
Donohue Inc. and its subsidiaries				
Long-term debt (including current portion)	—	—	(1,337.9)	(1,366.3)
Forward foreign exchange contracts and foreign currency options	—	—	—	11.0

The fair values of the financial liabilities are estimated based on discounted cash flows using year-end market yields of similar instruments having the same maturity. The fair values of the derivative financial instruments are estimated using year-end market rates, and reflect the amount that the Company would receive or pay if the instruments were closed out at those dates.

(c) Credit risk management

The Company is exposed to credit losses resulting from defaults by counterparties when using financial instruments.

When the Company enters into foreign exchange contracts and fixed interest rate agreements, the counterparties are international and Canadian banks having a minimum credit rating of A- by Standard & Poor's or of A3 by Moody's. The Company does not foresee any failure by the counterparties in meeting their obligations.

The Company, in the normal course of business, continuously monitors the financial condition of its customers and reviews the credit history of each new customer. As at December 31, 2000, no customer balance represents a significant portion of the Company's consolidated trade receivables. The Company establishes an allowance for doubtful accounts that corresponds to the specific credit risk of its customers, historical trends and other information on the state of the economy.

The Company believes that the product and geographic diversity of its customer base is instrumental in reducing its credit risk, as well as the impact on the Company of fluctuations in local market or product-line demand. The Company has long-term contracts with most of its largest customers. The Company does not believe that it is exposed to an unusual level of customer credit risk.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2000, 1999 and 1998
(Tabular amounts are expressed in millions of Canadian dollars, unless stated otherwise)

19. RELATED PARTY TRANSACTIONS

During the year, the Company purchased raw materials from Donohue Inc. The purchases amounted to \$29.5 million (\$89.3 million and \$44.1 million for the years ended December 31, 1999 and 1998) in 2000 up to the date that the control over Donohue Inc. ceased. These transactions were concluded at prices and conditions similar to those prevailing on the open market.

20. PENSION PLANS AND OTHER POSTRETIREMENT BENEFITS

The Company maintains defined benefit pension plans for its employees. The Company's policy is to maintain its contribution at a level sufficient to cover benefits. Actuarial valuations of the Company's various pension plans were performed during the last three years.

The Company provides postretirement benefits to eligible employees. The costs of these benefits, which are principally health care, are accounted for during employees' active service period.

The following tables provide a reconciliation of the changes in the plans' benefit obligations and fair value of plan assets for the years ended December 31, 2000 and 1999 and a statement of the funded status as at these dates:

	Pension benefits		Postretirement benefits	
	2000	1999	2000	1999
Change in benefit obligations:				
Benefit obligations at beginning of year	\$ 1,602.5	\$ 1,298.0	\$ 162.5	\$ 115.0
Service costs	36.5	54.6	2.5	3.6
Interest costs	79.3	101.4	8.9	9.0
Plant participants' contributions	7.9	8.0	0.7	0.5
Plan amendments	0.7	—	(7.2)	—
(Disposition) acquisition	(607.0)	283.6	(44.0)	51.5
Curtailement loss (gain)	0.4	(2.8)	(1.0)	—
Settlement loss	0.3	—	—	—
Actuarial loss (gain)	38.5	(40.3)	5.5	(4.2)
Change in assumptions	12.8	—	1.2	—
Benefits and settlements paid	(82.0)	(73.9)	(15.8)	(9.1)
Foreign currency changes	28.7	(37.1)	3.6	(3.8)
Other	—	11.0	—	—
Benefit obligations at end of year	\$ 1,118.6	\$ 1,602.5	\$ 116.9	\$ 162.5

	Pension benefits		Postretirement benefits	
	2000	1999	2000	1999
Change in plan assets:				
Fair value of plan assets at beginning of year	\$ 1,612.8	\$ 1,237.5	\$ —	\$ —
Actual return on plan assets	79.8	153.9	—	—
Employer contributions	31.7	44.0	15.1	8.6
Plan participants' contributions	7.9	15.9	0.7	0.5
Curtailement loss (gain)	8.1	—	—	—
Settlement loss	—	(3.3)	—	—
(Disposition) acquisition	(653.0)	266.6	—	—
Benefits and settlements paid	(82.0)	(73.9)	(15.8)	(9.1)
Foreign currency changes	26.9	(27.9)	—	—
Fair value of plan assets at end of year	\$ 1,032.2	\$ 1,612.8	\$ —	\$ —

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2000, 1999 and 1998
(Tabular amounts are expressed in millions of Canadian dollars, unless stated otherwise)

20. PENSION PLANS AND OTHER POSTRETIREMENT BENEFITS (continued)

	Pension benefits		Postretirement benefits	
	2000	1999	2000	1999
Reconciliation of funded status:				
Excess of benefit obligations over fair value of plan assets at end of year	\$ (86.4)	\$ 10.3	\$ (116.9)	\$ (162.5)
Unrecognized actuarial (gain) loss	(24.1)	(64.0)	1.8	(4.6)
Unrecognized net transition asset	(6.2)	(6.6)	—	—
Unrecognized prior service cost	3.9	2.9	(7.1)	—
Valuation allowance	(7.7)	(11.3)	—	—
Foreign currency changes	(0.1)	1.5	—	0.1
Net amount recognized	\$ (120.6)	\$ (67.2)	\$ (122.2)	\$ (167.0)

Amount recognized in the consolidated balance sheets is as follows:

	Pension benefits		Postretirement benefits	
	2000	1999	2000	1999
Accrued benefit liability	\$ (170.9)	\$ (147.8)	\$ (122.2)	\$ (167.0)
Prepaid benefit costs	50.3	80.6	—	—
Net amount recognized	\$ (120.6)	\$ (67.2)	\$ (122.2)	\$ (167.0)

The unrecognized net transition obligation is being amortized over the expected future service periods of employees.

Components of the net benefit costs are as follows:

	Pension benefits			Postretirement benefits		
	2000	1999	1998	2000	1999	1998
Service costs	\$ 36.5	\$ 34.6	\$ 31.7	\$ 2.5	\$ 2.6	\$ 1.5
Interest costs	79.3	59.4	45.8	8.9	5.9	4.0
Expected return on plan assets	(92.8)	(63.4)	(49.1)	—	—	—
Amortization of prior service costs	0.3	0.1	0.2	—	—	—
Amortization of transitional obligation	(0.7)	(0.4)	(0.6)	—	—	—
Curtailment loss (gain)	—	2.5	—	(0.7)	—	—
Valuation allowance	(3.5)	6.7	0.5	—	—	—
Amortization of actuarial (gain) loss	(2.8)	0.6	0.1	—	0.2	(0.1)
Net benefit costs	\$ 16.3	\$ 40.1	\$ 28.6	\$ 10.7	\$ 8.7	\$ 5.4

The weighted average assumptions used in the measurement of the Company's benefit obligations are as follows:

	Pension benefits			Postretirement benefits		
	2000	1999	1998	2000	1999	1998
Discount rate	7.7 %	7.9 %	6.7 %	7.7 %	7.9 %	6.7 %
Expected return on plan assets	9.7	9.2	8.5	—	—	—
Rate of compensation increase	3.7	4.4	3.7	—	—	—

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2000, 1999 and 1998
(Tabular amounts are expressed in millions of Canadian dollars, unless stated otherwise)

20. PENSION PLANS AND OTHER POSTRETIREMENT BENEFITS (continued)

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligations was 8.8% at the end of 2000 and 7.2% at the end of 1999 and is expected to decrease gradually to 5.0% in 2009 and remaining at that level thereafter. A one-percentage point change the assumed health care cost trend would have the following effects:

Sensitivity analysis	Postretirement benefits	
	1% increase	1% decrease
Effect on service and interest costs	\$ 0.7	\$ (0.6)
Effect on benefit obligations	6.9	(6.1)

21. 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

	2000	1999 (Restated)	1998 (Restated)
Net income, as reported in the consolidated statements of income per GAAP in Canada	\$ 1,084.4	\$ 477.3	\$ 172.3
Adjustments:			
Foreign currency translation (i)	—	8.9	(9.0)
Business process reengineering (ii)	—	0.7	0.7
Reserve for restructuring (iii)	(0.8)	(1.0)	—
Derivative financial instruments (iv)	—	6.4	(1.2)
Net income from non-consolidated subsidiaries (v)	(8.8)	—	—
Income taxes (vi)	0.5	—	—
Net income as adjusted per GAAP in the United States (in Canadian dollars)	\$ 1,075.3	\$ 492.3	\$ 162.8
Earnings per share, as reported in the consolidated statements of income per GAAP in Canada	\$ 16.78	\$ 7.37	\$ 2.64
Effect of adjustments, net of applicable income taxes	(0.14)	0.23	(0.14)
Earnings per share as adjusted per GAAP in the United States (in Canadian dollars)	\$ 16.64	\$ 7.60	\$ 2.50

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2000, 1999 and 1998
(Tabular amounts are expressed in millions of Canadian dollars, unless stated otherwise)

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

(b) Consolidated Balance Sheets

	2000		1999	
	Canada	United States	Canada (Restated)	United States (Restated)
Current assets	\$ 2,752.5	\$ 2,752.5	\$ 2,982.7	\$ 2,993.6
Portfolio investments (vii)	398.4	720.6	—	—
Investments in non-consolidated subsidiaries	4,875.2	4,859.2	—	—
Other assets	396.1	396.1	345.4	344.3
Current liabilities	4,538.3	4,545.7	2,426.4	2,428.6
Long-term debt	4,333.5	4,333.5	5,860.4	5,895.2
Future income taxes	695.2	762.1	825.8	813.2
Non-controlling interest	4,602.4	4,593.1	3,648.1	3,634.5
Retained earnings	2,427.9	2,417.8	1,376.9	1,375.9
Other comprehensive income	—	251.3	—	—

- (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) 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 "Property, plant and equipment", and are amortized over periods varying between three to five years. Under GAAP in the United States, these costs must be included in income as incurred.
- (iii) 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.
- (iv) 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.
- (v) The financial statements of non-consolidated subsidiaries prepared in accordance with GAAP in Canada differ in some respects from those that would have been prepared under GAAP in the United States. The material difference relates to income taxes where, under GAAP in Canada, substantially enacted tax rates are used, while under GAAP in the United States, enacted tax rates have to be used.
- (vi) Under GAAP in Canada, substantially enacted tax rates are used, while under GAAP in the United States, enacted tax rates have to be used.
- (vii) Under GAAP in Canada, temporary investments are recorded at the lower of cost or market value while portfolio investments are carried at cost, unless an other than temporary decline needs to be recognized. Under GAAP in the United States, trading and available-for-sale securities that have readily determinable fair values shall be measured at fair value. Any fluctuation of securities bought and held for the purpose of selling them shall be included in earnings, while fluctuations of other investments shall be recognized as a separate component of other comprehensive income.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2000, 1999 and 1998
(Tabular amounts are expressed in millions of Canadian dollars, unless stated otherwise)

21. 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 States 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.

	2000	1999	1998
		(Restated)	(Restated)
Net income, as adjusted per GAAP in the United States	\$ 1,075.3	\$ 492.3	\$ 162.8
Difference between fair value and carrying value of portfolio investments	251.3	—	—
Translation adjustment ⁽¹⁾	24.3	(139.4)	88.8
Comprehensive income per GAAP in the United States	\$ 1,350.9	\$ 352.9	\$ 251.6

⁽¹⁾ Change for the year

22. ASSETS OF A SUBSIDIARY HELD FOR RESALE

The acquisition of Le Groupe Vidéotron Ltée will enable the Company to acquire control over Groupe TVA inc. At the end of the quarter ended September 30, 2000, following consultations with authorities, management of the Company decided to sell TQS Inc. TQS Inc., owned at approximately 86%, is the only asset of the broadcasting segment as at December 31, 2000. The sale of TQS Inc. would be subject to approval by the CRTC of the transfer of the broadcasting license of TVA, owned by Groupe TVA inc.

23. COMPARATIVE FIGURES

Certain 1999 and 1998 figures have been reclassified to conform with the presentation adopted for the year ended December 31, 2000.

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 year ended December 31, 2000, the dividend declared and paid by the Company on Class A Shares and Class B Shares totalled \$0.51 per share, while for the year ended December 31, 1999, it totalled \$0.48 per share.

The Class A Shares and the Class B Shares are listed on the Toronto Stock Exchange.

The following table sets forth the price range for the Class A Shares and Class B Shares on the Toronto Stock Exchange for the periods indicated:

Quarter ended	CLASS A SHARE		CLASS B SHARE	
	High	Low	High	Low
2000				
December 31	\$ 36.75	\$ 23.00	\$ 36.50	\$ 23.25
September 30	43.25	34.60	43.25	34.60
June 30	45.25	38.00	45.00	37.00
March 31	61.50	36.25	62.00	36.25

Quarter ended	CLASS A SHARE		CLASS B SHARE	
	High	Low	High	Low
1999				
December 31	\$ 39.50	\$ 34.30	\$ 39.00	\$ 34.00
September 30	39.50	35.25	39.00	34.85
June 30	36.00	31.50	36.50	31.00
March 31	34.55	31.25	34.25	31.00

List of Directors and Officers

QUEBECOR INC. Board of Directors

Alain Bouchard ⁽³⁾
Chairman, President and Chief Executive Officer,
Alimentation Couche-Tard Inc.

Charles G. Cavell ⁽¹⁾
President and Chief Executive Officer,
Quebecor World Inc.

Michel Desbiens
Corporate Director

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

Claire Léger ⁽²⁾
Chairman of the Board,
Groupe St-Hubert Inc.

Pierre Legrand, O.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

Jean Neveu ⁽¹⁾
Chairman of the Board,
Quebecor Inc. and Quebecor World Inc.

Érik Péladeau ⁽¹⁾
Vice Chairman, Quebecor Inc.

Pierre Karl Péladeau ⁽¹⁾
President and Chief Executive Officer,
Quebecor Inc.,
President and Chief Executive Officer,
Quebecor Media Inc. and Chairman of the Board,
Nurun Inc.

Charles-Albert Poissant ^{(1) (3)}
Corporate Director

⁽¹⁾ member of the Executive Committee

⁽²⁾ member of the Audit Committee

⁽³⁾ member of the Compensation Committee

QUEBECOR INC. Officers

Jean Neveu
Chairman of the Board

Érik Péladeau
Vice Chairman of the Board

Pierre Karl Péladeau
President and Chief Executive Officer

Monique Leroux
Senior Executive Vice President and
Chief Operating Officer

Claude Hélie
Executive Vice President and
Chief Financial Officer

Luc Lavoie
Executive Vice President,
Corporate Affairs

Marc Girard
Vice President and Treasurer

Jocelyn Pépin
Vice President, Control

Louis Saint-Arnaud
Vice President,
Legal Affairs and Secretary

Claudine Tremblay
Assistant Secretary



QUEBECOR INC.