2001

annual
report

QUEBECOR INC.

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General Information

ANNUAL MEETING

Shareholders are invited to attend the Annual Meeting of Shareholders to be held at 10:00 a.m. on Thursday, April 4, 2002 at Studio H, TVA Group Inc., 1600 de Maisonneuve Boulevard East, Montréal, Québec.

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 Avenue
Montréal, Québec
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 Company's Corporate Communications at (514) 380-1973, or address correspondence to:
300 Viger Street East
Montréal, Québec
H2X 3W4
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 Computershare Trust Company of Canada 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

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Highlights

Years ended December 31, 2001, 2000 and 1999
(in millions of Canadian dollars, except per share data)

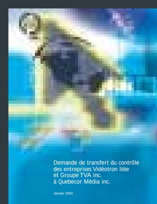
	2001	2001 (pro forma 1))	2000	1999
Operations				
Revenues	**$ 11,633.3**	**$ 12,069.4**	$ 10,914.8	$ 8,440.3
Operating income before amortization, financial expenses, reserve for restructuring of operations and other special charges, gains on sale of shares and gain on dilution	**1,889.7**	**2,019.3**	1,790.1	1,309.3
Contribution to net income				
Continued operations	**73.0**	**96.4**	203.1	181.9
Goodwill amortization	**(105.9)**	**(129.3)**	(66.8)	(41.1)
Unusual items and write-down of goodwill	**(208.8)**	**(208.8)**	702.0	296.0
Discontinued operation	**—**	**—**	246.1	40.5
Net (loss) income	**(241.7)**	**(241.7)**	1,084.4	477.3
Cash flows provided by continued operations	**1,103.5**	**1,220.3**	1,447.6	1,105.9
Basic per share data				
Contribution to net income				
Continued operations	**$ 1.13**	**$ 1.49**	$ 3.14	$ 2.80
Goodwill amortization	**(1.64)**	**(2.00)**	(1.03)	(0.63)
Unusual items and write-down of goodwill	**(3.23)**	**(3.23)**	10.86	4.57
Discontinued operation	**—**	**—**	3.81	0.63
Net (loss) income	**(3.74)**	**(3.74)**	16.78	7.37
Dividends	**0.39**	**0.39**	0.51	0.48
Shareholder's equity	**39.79**	**39.79**	43.21	26.57
Number of shares outstanding at year-end (in millions)	**64.6**	**64.6**	64.6	64.6
Financial position				
Working capital	**$ (244.9)**	**$ (244.9)**	$ (1,785.8)	$ 556.3
Shareholder's equity	**2,571.5**	**2,571.5**	2,792.2	1,716.0
Total assets	**19,513.2**	**19,513.2**	17,603.3	15,246.9
Employees	**54,000**	**54,000**	52,000	60,000
Return on average equity				
Continued operations	**2.7 %**	**3.6 %**	9.0 %	11.6 %
Total	**(9.0) %**	**(9.0) %**	48.1 %	30.4 %

1) This column gives effect to the changes of control over the Cable Television segment and TVA Group Inc. as if they had occurred on January 1, 2001 and, accordingly, to the consolidation of the activities of these segments as of January 1, 2001 (please refer to note 2 to the consolidated financial statements).

Quebecor Inc.: Year 2001 Highlights

JANUARY

- Quebecor Media files application with CRTC for transfer of operating licences of Vidéotron (cable TV) and TVA Group (broadcasting)



FEBRUARY

- Vidéotron Télécom refocuses its operations
- Espacio y Punto, S.A. of Spain, a leader in premedia services, is acquired

Quebecor World

MARCH

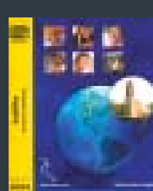
- Free commuter daily *Montréal Métropolitain* launched
- Quebecor World acquires book printer Grafica Melhoramentos S.A. of São Paulo, Brazil

APRIL

- Quebecor Media announces sale of Protectron

MAY

- CRTC approves transfer of Vidéotron's assets to Quebecor Media
- Long-term contracts signed with Editorial Estrada to print textbooks in Latin America and with ADSA, a subsidiary of Telmex, to print telephone directories in Mexico
- Netgraphe shareholders approve combination of CANOE and Netgraphe



JUNE

- Nurun wins award for excellence at the OCTAS gala, organized by the Fédération de l'informatique du Québec
- New plant in Recife, Brazil is officially opened

JULY

- Quebecor Media closes US$850 million net placement in the United States, one of the largest ever by a Canadian company in the U.S.
- Mindready Solutions acquires ATE Systems of North Carolina

AUGUST

- Nurun opens office in Los Angeles

Grupo Serla, one of the largest commercial printers in Mexico, is acquired

SEPTEMBER

- Quebecor agrees to sell its interest in TQS: Quebecor Media takes control of TVA Group
- Vidéotron launches its *illico* interactive digital TV service
- Agreement is reached to acquire the European printing facilities of Hachette Filipacchi Médias

OCTOBER

- Vidéotron's high-speed cable Internet service passes 200,000 subscriber mark

NOVEMBER

- New contract signed with Telecom Argentina to print telephone directories in Argentina
- Archambault.ca wins two prestigious awards at e-Commerce Gala

DECEMBER

- Contract with Time Inc. to print more than 20 magazine titles is extended
- Netgraphe wins three Boomerangs awards

Overview of Quebecor Inc.

QUEBECOR MEDIA INC.

Subsidiary Quebecor Media Inc. includes all our operations in cable television; Internet access; newspaper, magazine and book publishing; broadcasting; business telecommunications; Internet portals and content; Web integration and technology; and the distribution and retailing of cultural products. Together, our media properties, most of which are the leaders in their markets, generate annual revenues of over $2 billion and employ about 12,000 people.

Business Telecommunications

Annual Revenues ($ million)	Employees
$ 97	539

Vidéotron Télécom ltée

- A leading Québec business telecom operator
- Local fibre-optic network covering 90% of Québec's business telecom market

Web Integration / Technology

Annual Revenues ($ million)	Employees
$ 129	913

Nurun Inc.

- Network of offices in North America, Europe and Latin America
- Web development, intranets, extranets, B2C e-commerce sites
- E-marketing strategies, customer relationship management (CRM)
- Interactive television concepts and operations

Mindready Solutions Inc.

- Test engineering, automated manufacturing and real-time communications solutions

Cable Television

Annual Revenues ($ million)	Employees
$ 710	2,705

Vidéotron ltée

- Largest cable operator in Québec and the third-largest in Canada
- Largest provider of high-speed cable Internet access in Québec
- *Illico*: interactive digital TV service
- Canal Vox: community channel serving most parts of Québec

Broadcasting

Annual Revenues ($ million)	Employees
$ 323	1,150

TVA Group Inc.

- Largest French-language private broadcaster in North America
- Over 35% market share in Québec
- Le Canal Nouvelles (LCN) all-news channel
- Les Publications TVA inc.: Québec's leading publisher of magazines, with titles such as *7 Jours, Dernière Heure, Le Lundi, Cool!, TV Hebdo* and many others

Internet / Portals

Annual Revenues ($ million)	Employees
$ 27	181

Netgraphe Inc.

- CANOE network: Canoe.ca, Canoe.qc.ca, Micanoa.com, InfiniT.com, La Toile du Québec (Toile.com), Webfin.com, Multimedium.com, Megagiciel.com, FYI city sites
- E-commerce sites: Jobboom.com, Autonet.ca, MatchContact.com, Shop.canoe.ca, ClassifiedExtra.ca
- 3.6 million on-line users per month

Newspapers

Annual Revenues ($ million)	Employees
$ 838	5,687

Sun Media Corporation

- Second-largest press group in Canada
- Publishes 8 urban dailies: *Le Journal de Montréal, Le Journal de Québec, The Ottawa Sun, The Toronto Sun, The London Free Press, The Winnipeg Sun, The Edmonton Sun, The Calgary Sun*
- The free daily *Montréal Métropolitain*
- 190 community weeklies published by Bowes Publishers Limited and the Québec Weeklies Division
- Messageries Dynamiques: the largest distributor of print media in Québec

Leisure and Entertainment

Annual Revenues ($ million)	Employees
$ 260	916

Archambault Group Inc.

- Largest chain of music stores in Eastern Canada
- 11 megastores
- Camelot-Info inc. chain of specialty bookstores and Paragraphe Bookstore
- 3 e-commerce sites: Archambault.ca, Camelot.ca, Paragraphbooks.com
- Distribution Select, Musicor and Musicor Vidéo: the largest independent distributor of music and videos in Canada

Publicor

- Major Québec magazine publisher; titles include *Clin d'œil, Filles d'aujourd'hui, Femmes Plus, Les idées de ma maison, Décoration Chez-Soi, Rénovation-Bricolage* and many others
- The celebrity news weekly *Échos Vedettes* and the arts and entertainment weeklies *Ici Vivre à Montréal* and *The Mirror*
- Contract publishing

Books segment

- Québec's largest group of publishing houses specializing in general literature (including Éditions Libre Expression, Éditions Internationales Alain Stanké, Éditions du Trécarré, Éditions Logiques, Éditions Quebecor), textbooks (Éditions CEC) and legal texts (Wilson & Lafleur)
- Québec-Livres: a major Canadian distributor of French-language books

Le SuperClub Vidéotron ltée

- Largest chain of video stores in Québec
- 170 locations, including 167 in Québec
- 30% of the Québec market

QUEBECOR WORLD INC.

Quebecor World

Main print products:

- Magazines: 5 billion copies per year, over 1,000 titles in North America, Europe and Latin America
- Catalogues: 7 billion copies per year in the U.S. alone
- Advertising inserts: local, national and international service, short and long term
- Direct mail: prepress, printing, personalization, finishing and distribution capabilities
- Books: a global leader with plants in North America, Europe and Latin America
- Telephone directories: more than 95% of the Canadian market

NORTH AMERICA

Annual Revenues ($ million)	**Employees**
$ 8,158	**33,631**

Over 120 plants:
- Canada
- United States

- Main lines of business: magazines, books, catalogues, directories, advertising insert
- Que-Net Media™ business centres
- Logistics Services specializing in the distribution of print materials, the largest shipper into the U.S. postal system

EUROPE

Annual Revenues ($ million)	**Employees**
$ 1,380	**6,131**

29 plants:
- Austria
- Spain
- Finland
- France
- United Kingdom
- Sweden
- Switzerland

- The largest network of gravure presses in Europe
- Electronic B2B procurement centre for raw materials (paper, ink) in Fribourg, Switzerland

LATIN AMERICA

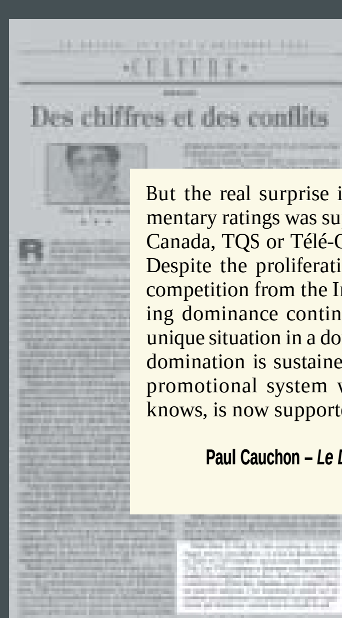
Annual Revenues ($ million)	**Employees**
$ 250	**2,496**

10 plants:
- Argentina
- Brazil
- Chile
- Colombia
- Mexico
- Peru

- One of the largest printers in Latin America
- Strategic alliances with leading printers and publishers: Listel Listas Telefonicas, Editora Abril, Grafica Monte Alban, Editorial Antartica, ADSA, Telecom Argentina

Quebecor's convergence strategy makes the news

Observers of the Québec media scene have been quick to realize the extraordinary impact of convergence at Quebecor. Here is what the press is saying.



But the real surprise in these as yet fragmentary ratings was supplied not by Radio-Canada, TQS or Télé-Québec, but by TVA. Despite the proliferation of channels and competition from the Internet, TVA's crushing dominance continues. This is a fairly unique situation in a domestic market. TVA's domination is sustained by an exceptional promotional system which, as everyone knows, is now supported by Quebecor.

Paul Cauchon – *Le Devoir*, December 3, 2001

Convergence at Quebecor has created a powerhouse on Quebec's cultural landscape. In cultural terms, what it means is that an artist who tells all in the pages of *7 Jours* magazine this week will also be on TVA. It means that when you watch an Éric Lapointe special on TVA, you will see a ticker tape across the bottom of the screen advertising a sale on his CDs at Archambault.

This is a very potent media alliance when it comes to promoting a singer. A performer who aspires to be in the public eye wants to have the backing of the Quebecor machine. And they're talking about going into radio…

"Les 25 plus influents"
– *La Presse*, January 26, 2002

Message to Shareholders

Integration of Vidéotron adds key cable and broadcasting properties to Quebecor family

The integration of strategic new cable television and broadcasting assets was the highlight of the 2001 financial year at Quebecor Inc.

As shareholders will recall, in October 2000 Quebecor made the largest media acquisition in its history by taking over Groupe Vidéotron ltée. Canadian regulatory requirements forced us to entrust the management of Vidéotron ltée and TVA Group Inc. to trustees, pending approvals from the Canadian Radio-television and Telecommunications Commission (CRTC).

The CRTC issued its decision on Vidéotron in May 2001 and on TVA Group in July 2001; both were favourable to Quebecor. However, it was not until September, when an agreement was reached for the sale of TQS Inc., that we were finally able to integrate TVA into our family of media properties. At the same time, we launched our media convergence strategy, an initiative in which we have invested considerable effort.

In the fall of 2001, we introduced an array of new multimedia offerings and created a team combining the best creative talents at our various subsidiaries. The encouraging results confirm the soundness of our strategy. We have already carried out a number of promotional and advertising projects based on new communications media. This capability sets us apart from the competition and reflects the strong positioning of our two major operating subsidiaries and their components:

Quebecor World Inc.

- The world's largest commercial printer, with some 160 plants and over 40,000 employees in 16 countries.

Quebecor Media Inc.

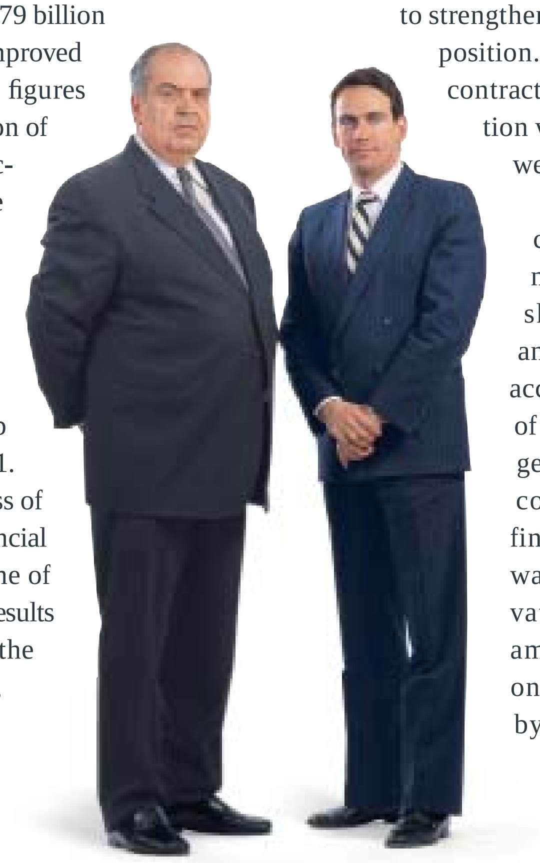
- The largest cable operator in Québec and the third largest in Canada (Vidéotron), with 1.5 million subscribers.
- The largest high-speed cable Internet provider in Québec (Vidéotron), with over 228,000 subscribers.
- The top broadcaster in Québec (TVA Group), with a market share of over 35%.
- The second largest press group in Canada and the largest in Québec (Sun Media Corporation), including the flagship dailies *Le Journal de Montréal* and *Le Journal de Québec*.
- The largest publisher of mass circulation magazines in Québec (Publicor and Publications TVA), with 80% of newsstand sales of French-language magazines in Québec.
- The largest retailer of cultural products in Québec, with 11 Archambault megastores and 170 Le SuperClub Vidéotron ltée locations.
- The leading network of Internet portals in Québec (Netgraphe Inc.), with 4 of the 10 most popular French-language Web sites in Canada as well as Canoe.ca, the leading news and information portal in Canada.
- A dominant player in the Web integration market (Nurun Inc.), with a network of 17 offices in Canada, the U.S., Europe and Latin America.
- The largest group of publishing houses in Québec, with a dozen associated publishers and sales of over 2.5 million books per year.

As you will see on the following pages, our convergence model is now a reality. Today, we are implementing an organized, consistent and effective strategy that is already yielding improved offerings and generating results. Our customers have been the first to benefit.

2001 Results

The 2001 financial year saw a general slowdown in the commercial printing, media and advertising industries, across North America and Europe. True to form, Quebecor responded promptly to the difficult environment in order to minimize the impact on its operations and on its bottom line. The Company exercised increased caution, terminated unprofitable activities and restructured the operations of some subsidiaries in order to better match cost structures with revenue potential. The operating results show that Quebecor's performance in 2001 was as good as that of other commercial printers and media groups in North America and Europe, and better in some segments.

In 2001, Quebecor recorded consolidated revenues of $11.63 billion, or $12.07 billion on a pro forma basis, compared with $10.91 billion in 2000, a 6.6% increase. The Company generated operating income of $1.89 billion, or $2.02 billion on a pro forma basis, compared with $1.79 billion in 2000, a 5.6% increase. The improved revenue and operating income figures are due primarily to the inclusion of new business segments, particularly cable television since the favourable CRTC decision. The pro forma figures present the Company's consolidated results as if the transfer of control over the Cable television segment and TVA Group had occurred on January 1, 2001.



Quebecor recorded a net loss of $241.7 million in the 2001 financial year, compared with net income of $1.08 billion in 2000. The 2001 results were impacted, as a result of the acquisition of Groupe Vidéotron, by a $174.1 million increase in total amortization charges and a $214.2 million increase in financial expenses. The Company also recorded reserves for restructuring and other special charges totalling $552.2 million in 2001. The net income reported in 2000 included a gain on dilution of $816.1 million, due primarily to issuance of capital stock by Quebecor Media, and net income of $246.1 million related to a discontinued operation, Donohue Inc.

Excluding amortization and write-down of goodwill, and unusual items, the contribution to net income of continued operations was $73.0 million in 2001, or $96.4 million on a pro forma basis, compared with $203.1 million in 2000.

Since the acquisition of Groupe Vidéotron, Quebecor and its subsidiaries have applied themselves to strengthening the Company's financial position. Full refinancing of the debt contracted at the time of the acquisition was a major challenge which we met in convincing fashion.

The refinancing operation consisted of several components, including the sale of shares of Quebecor World and Abitibi-Consolidated Inc., accompanied by the issuance of 25-year debentures exchangeable for shares of the two companies. However, the financial highlight of the year was unquestionably our private placement in the net amount of US$850 million, one of the largest ever made by a Canadian company in the U.S. The proceeds were used to refinance the bridge loans contracted at the time of the acquisition of Groupe Vidéotron.

As at December 31, 2001, the average term of the long-term debt of Quebecor Media exceeded six years, giving the subsidiary and its operating units what we consider to be satisfactory financial manoeuvring room. Quebecor and its subsidiaries will continue to manage their debt responsibly, in the tradition of rigour and discipline that has been key to the Company's development and success over the years.

An irresistible force for customers

Quebecor has now assembled all the pieces it needs to become an irresistible force in the commercial printing and communications media industries. We are equipped to deliver a full range of services to individual consumers: analog and digital broadcasting, interactive television, Internet access, publication of newspapers, magazines and books, and retailing of cultural products. We are also equipped to meet the diverse expectations of our business and institutional customers, who come to us for effective advertising and promotional solutions that combine print, conventional and interactive television, and Internet media.

Quebecor is therefore positioned to bring customers of all kinds the most comprehensive and competitive range of products and services in its lines of business. And that is just the beginning! We intend to further capitalize on the reach and reputation of our brands in order to make our offer, the fruit of synergies and combinations among all our properties, still more irresistible.

Our customers are already seeing the rich potential of working with a partner of our calibre. Quebecor has demonstrated its ability to invent new ways to launch products and conduct multimedia advertising and promotional campaigns, giving its partners ever more visibility, more impact, more commercial benefits. This exciting mission unites all of Quebecor's business segments.

We would like once again to thank our customers, our employees, our shareholders and our directors, the four pillars that sustain Quebecor's stability in good times and bad. Their loyalty, trust and commitment are our most valued assets, always inspiring us to give the best of ourselves and to pursue our projects and dreams.

Jean Neveu
Chairman
of the Board

Pierre Karl Péladeau
President and Chief
Executive Officer

Quebecor: Making Convergence Happen

Quebecor Media Inc. Management Committee

*FRONT ROW, LEFT TO RIGHT: **Claire Syril**, Executive Vice President, Magazines; **Richard Soly**, President, Le SuperClub Vidéotron ltée and President, Music and Retail Group, Quebecor Media Inc.; **Natalie Larivière,** President and General Manager, Archambault Group Inc.; **Pierre Karl Péladeau,** President and Chief Executive Officer, Quebecor Inc. and Quebecor Media Inc.; **Raynald Brière,** President and Chief Executive Officer, TVA Group Inc.; **Pierre Francœur,** President and Chief Executive Officer, Sun Media Corporation.*

*SECOND ROW, LEFT TO RIGHT: **Eugène Marquis,** President and General Manager, Vidéotron Télécom ltée; **Hugues Simard,** President and Chief Executive Officer, Netgraphe Inc.; **Serge Gouin,** Chairman of the Board, Vidéotron ltée; **Luc Lavoie,** Executive Vice President, Corporate Affairs; **Julie Tremblay,** Vice President, Human Resources; **Louis Saint-Arnaud,** Vice President, Legal Affairs and Secretary; **Claude Hélie,** Executive Vice President and Chief Financial Officer.*

*NOT PICTURED: **Jacques-Hervé Roubert,** President and Chief Executive Officer, Nurun Inc.*

At Quebecor, convergence is a **creative strategy** that harnesses all our business units and marshals the impact of each of our subsidiaries to support our customers in the pursuit of their objectives. In practical terms, it means Quebecor companies are working hand in glove to generate new synergies and **cross promotions** that give our clients maximum **visibility**.

Our convergence team applies the combined expertise and creativity of our experienced advisers to developing **exclusive customized projects** for each customer.

Quebecor Media and its properties account for over 30% of advertising revenues in the Québec French-language market. A customer that advertised in all of them would reach **virtually the entire adult population** of Québec within one month and achieve **multiple exposure** for its message.

In short, convergence isn't just a promising concept at Quebecor. It is a constantly evolving **reality** that is generating significant **commercial benefits** for the forward-looking customers that are taking advantage of it.

To help make convergence happen, Quebecor relies on a team of **seasoned professionals** at each subsidiary. These motivated and talented individuals, many of them **long-time employees** of the Company, are dedicated to meeting and exceeding customers' rising expectations. Truly, they are upholding the Quebecor tradition of excellence.

Together, they form a **solid and stable team**, drawn from every business segment at Quebecor, that is well equipped to meet the tallest challenges. Our clients know that they can count on us at all times. The trust they have placed in us is our greatest inspiration.

Quebecor World Inc. Office of the CEO

*LEFT TO RIGHT: **Charles G. Cavell,** President and Chief Executive Officer, Quebecor World Inc.; **Christian M. Paupe,** Executive Vice President; **Mark L. Reisch,** Chairman, President and Chief Executive Officer, Quebecor World North America; **Érik Péladeau,** Vice Chairman of the Board and Senior Executive Vice President.*

L’Oréal Paris

Are you *OPEN* to a multimedia product launch?

Open pop-up screen, designed by Nurun, and “Lifewise” vertical on Canoe.ca.

The L’Oréal group, the world’s largest cosmetics company, is one of our many blue-chip clients.

L’Oréal has turned to Nurun for a number of Web integration projects, including different versions of its Loreal.com corporate site for countries in which it does business.

In 2001, we orchestrated an advertising and promotion campaign for the launch of Open, a technically innovative hair-colouring product introduced in the fall of 2001 by L’Oréal Paris, the flagship of the L’Oréal group. The campaign drew heavily on convergence among Quebecor companies.

Commercials ran on TVA, the largest French-language television network in North America (under the French campaign slogan, “Êtes-vous Open?”). The product was also featured in a beauty spot on the popular morning show *Deux filles le matin.*

Nurun, which developed the new Web site for the L’Oréal Paris brand, produced a pop-up screen on Open that appears when visitors go to the Lorealparis.ca home page. Throughout the campaign, interactive banners promoting Open appeared on numerous Netgraphe sites, including Canoe.ca, Canoe.qc.ca, InfiniT.com and the La Toile du Québec search engine. There were also hyperlinks on the *Deux filles le matin* site and on the teens vertical at the Canoe.qc.ca site, taking visitors to the Open pop-up screen.

We marshalled all our resources to help make consumers open to Open and the public response was enthusiastic. The target for the distribution of Open samples was reached in five weeks, entirely as a result of the Internet campaign mounted by Nurun and Netgraphe. Impressive page view figures were recorded, with tens of thousands of Internet users viewing the Open pop-up screen in the course of the campaign.

L’Oréal Paris products featured on TVA morning show Deux filles le matin, *with special promotion for* illico *subscribers.*

Makeover on TVA morning show Deux filles le matin, *sponsored by L'Oréal Paris.*

The strategy was so successful that it was repeated for another high-profile product from L'Oréal Paris, Special FX. A pop-up screen and giant interactive banners, also designed by Nurun, were strategically placed on our Canoe.ca, Canoe.qc.ca, InfiniT.com and Megagiciel.com properties.

And that's not all. Also in partnership with L'Oréal Paris, Netgraphe developed an innovative sponsorship concept that inserted L'Oréal Paris information capsules into the content carried on the "Lifewise" and "Art de vivre" verticals on Canoe.ca and Canoe.qc.ca, along with feature articles, beauty tips, contests, makeovers and chat sessions. The partnership has been mutually beneficial, generating original content on the CANOE network's verticals in exchange for increased visibility for L'Oréal Paris.

In the Québec marketplace, all our advertising vehicles are involved in promoting L'Oréal Paris products and the L'Oréal group's other leading brands. Our urban dailies *Le Journal de Montréal* and *Le Journal de Québec*, our arts and entertainment weeklies *The Mirror* and *Ici Vivre à Montréal*, and the women's magazines published by Publicor and Publications TVA are all supporting the vast advertising and promotional effort. In English Canada, L'Oréal Paris advertises in our daily *The Toronto Sun*.

Quebecor continues to develop and expand its service offering for the L'Oréal group. Soon, subscribers to the *illico* digital interactive TV service will be able to fill out an on-line form designed by Nurun and receive L'Oréal product samples that match their individual profiles. Exploiting one of the advantages of the *illico* system, users will be able to access the form on their television screens, using a wireless keyboard, without interrupting their favourite television program.

TESTIMONIAL

"To market our new Open colouring product, we took advantage of convergence among Quebecor's subsidiaries to create an advertising and promotion campaign that surpassed all our objectives.

Quebecor's convergence model also provided us with intelligence which we will share with other L'Oréal group subsidiaries around the world.

Our partnership with Quebecor has enabled us to reach Canadian consumers directly and interactively. It is strengthening our leadership position in the Canadian market for beauty products in an effective and innovative way."

JOCHEN ZAUMSEIL
President and CEO
L'Oréal Canada

RONA

Helping RONA build on imagination

TOP TO BOTTOM: *One of the 250 million flyers Quebecor World prints every year for RONA and its 17 banners; an ad published in our English-language newspapers; an ad in our Quebec community weeklies;* Botanix Guide, *printed by the Quebecor World plant in Chile.*

RONA is a Québec-based distributor and retailer of home hardware, renovation products and gardening supplies. In 2000, RONA took over Cashway Building Centres, the third-largest hardware chain in Ontario. Then, in 2001, it acquired 50 Revy, Revelstoke and Lansing stores, becoming the largest chain of home and garden centres in Canada with over 540 stores from coast to coast.

RONA is a longstanding client of Quebecor. With RONA's expansion outside Québec, our subsidiary Quebecor World now has the privilege of serving the 17 RONA banners across Canada, printing a total of more than 250 million flyers for RONA per year. To service RONA's nation-wide operations, Quebecor World is able to print flyers simultaneously at its plants in Vancouver, Edmonton, Toronto, Montréal and Dartmouth, Nova Scotia.

We have been a proud partner of RONA at every step in its development, supporting the national expansion of one of the most dynamic players in Canada's hardware and renovation marketplace.

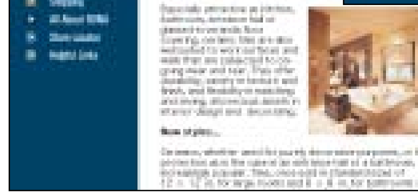
The popular *Botanix Guide* gardening manual, published by RONA's Botanix chain of gardening centres, is printed by a Quebecor company, Quebecor World Chile S.A. Quebecor World and RONA have also teamed up to improve prepress procedures and technologies. The effort has enabled RONA to compress the production cycle for its flyers and maintain its lead over the competition.

RONA has long been a major advertiser in our Québec dailies, *Le Journal de Montréal* and *Le Journal de Québec*, and in our community weeklies across Québec. It also advertises in *The Toronto Sun*.

TESTIMONIAL

"We have seen the advantages of convergence at Quebecor and realized the benefits of cross-promotions between e-commerce sites, Internet publicity, and advertising in Quebecor's newspapers, magazines and television network. The fact that Quebecor World, a leading printer which is already present in the Canadian markets where we are expanding, is part of the package, has been another plus in Quebecor's service offering, which meets our communication needs from coast to coast. The convergence strategy is strengthening our relationship and has made Quebecor a true partner of RONA with the ability to support us at every stage of our growth."

ROBERT DUTTON
President and Chief Executive Officer
RONA




Pages from Rona.ca e-commerce site, designed by Nurun.

BOTTOM: *Canoe.qc.ca home page with interactive ad leading visitors to RONA e-commerce site.*

In Québec, RONA advertises in Publicor's decoration magazines (including popular titles such as *Les idées de ma maison*, *Décoration Chez-Soi* and *Rénovation-Bricolage*), which have a combined 80% market share.

Our Web integrator Nurun designed the Rona.ca Web site, under the theme "building on your imagination." The site includes an e-commerce section where consumers can make on-line purchases and access a fount of information on DIY, construction, renovation and gardening. Other projects in which Nurun was involved in 2001 included analysis of RONA's merchant intranet, selection of merchandising software and development of a computer master plan.

Our Internet properties are also part of our wide-ranging business relationship with RONA. Our Canoe.qc.ca portal regularly posts hyperlinks to RONA's e-commerce site, another way to encourage visitors to shop at RONA!

Like all major retailers in Québec, RONA advertises on the TVA television network, which is always looking for new ways to raise the visibility of business clients. For example, in the summer of 2002, the TVA morning show *Salut, Bonjour!* will carry regular reports on the performance of the RONA-sponsored cycling team, which includes Olympic athlete Geneviève Jeanson.

RONA and Quebecor form a winning combination!

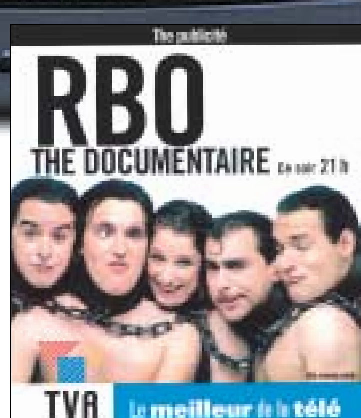
L'Équipe Spectra

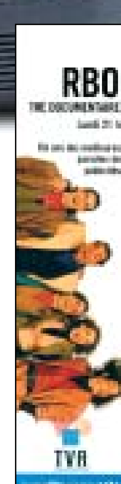
Spectra and Quebecor team up to celebrate comedy troupe's 20th anniversary

2001 was the 20th anniversary of the founding of the popular Québec comedy troupe Rock et Belles Oreilles (RBO), which disbanded in 1995. To mark the occasion, L'Équipe Spectra, the producer of RBO's live shows and its television program, released an anthology series of the best of RBO, in association with Les Productions Jacques K. Primeau. The series consisted of four VHS video cassettes, four DVDs and two CDs.

Distribution Select, a division of Archambault Group Inc., distributed the DVDs and VHS cassettes, which were given prime display space in the 11 Archambault megastores and 167 SuperClub Vidéotron locations in Québec. Together, the two chains form the largest retailer of cultural products in the province. Autograph signings by former RBO members were organized at Archambault stores in Montréal and Québec City in December 2001.

As part of the celebration, the TVA television network broadcast five 60-minute prime-time documentaries featuring RBO. The programs were produced by Amérimage-Spectra and drew an average of 824,000 viewers each. A sustained advertising effort in the pages of *Le Journal de Montréal*, *Le Journal de Québec* (both number 1 in their market)





Ubiquitous media campaign for RBO comedy troupe's 20th anniversary hit the jackpot.

and Publications TVA magazines contributed to the excellent ratings for the talented performers.

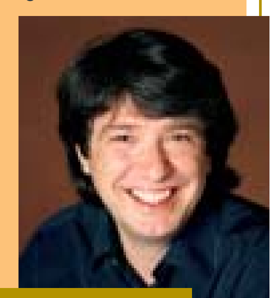
We also created a Web platform to publicize this original marketing campaign and report the latest news. Netgraphe hosted the official Web site at Rbo.canoe.com in fall 2001 and winter 2002. Visitors could enter contests and buy RBO products on-line. Our Canoe.qc.ca portal regularly carried interactive advertising banners promoting the RBO TV specials and merchandise, and hosted chat sessions with former RBO members.

Every stage of the advertising and promotional campaign was dedicated to raising the profile of RBO products and multiplying purchasing opportunities.

The enterprise and vision of L'Équipe Spectra and its executive producer, Luc Châtelain, combined with Quebecor's expertise and synergies, made the marketing campaign a triumph, one of the outstanding business successes in the Québec entertainment industry in 2001. In only three months, more than 150,000 DVDs and video cassettes were sold, a remarkable figure in the Québec market.

TESTIMONIAL

«The Quebecor companies pulled out all the stops in order to make the RBO 20th anniversary blitz the show biz highlight of the season in Québec. The synergies Quebecor now commands and the dynamism of its employees have translated the concept of convergence into reality. The phenomenal success of the RBO campaign is an excellent example: the combined marketing force of TVA, Archambault Group, *Le Journal de Montréal, Le Journal de Québec,* Le SuperClub Vidéotron and the CANOE network proved remarkably effective and helped propel a Québec product to new heights. It shows that Quebecor has a winning business vision that can help invigorate our industry.”



ALAIN SIMARD
President
L'Équipe Spectra

ABOVE: *Over 150,000 RBO videos and DVDs were sold in Québec in three months.*

LEFT: *RBO official site, linked to Netgraphe's CANOE network.*

General Motors of Canada

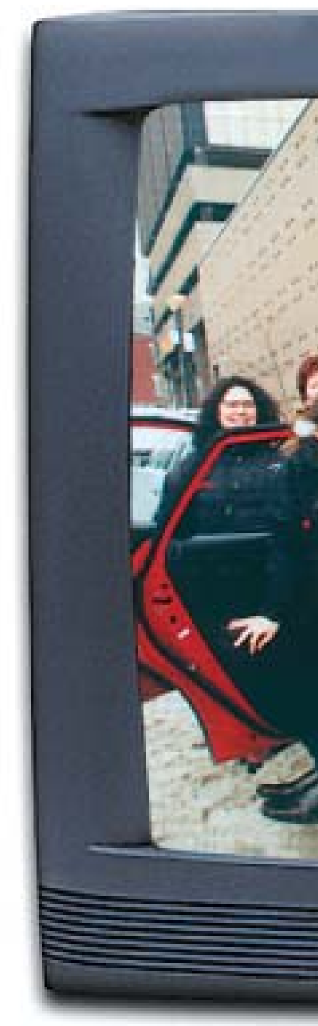
Launch of GM's Pontiac Vibe

In February 2002, General Motors of Canada launched the Pontiac Vibe, leveraging the creativity of several Quebecor Media companies.

From February 11 to 21, a contest modelled after Survivor-type adventure-reality shows was broadcast on TVA's late-evening show *Le grand blond avec un show sournois*. Nine contestants in three Vibes started out on the 6,000 kilometre cross-Canada trek. The contest was launched live on TV and received daily media coverage in *Le Journal de Montréal*, in *Le Journal de Québec*, on Canoe.qc.ca and on TVA. Every day, the audience voted (on the Canoe.qc.ca site and by telephone) to eliminate one contestant until the winner was chosen.

It was another example of Quebecor companies joining their efforts, their creativity and their technologies to turn a product launch into a high-profile media event and keep it spotlighted on several media platforms for weeks.

Quebecor and GM of Canada have a longstanding and wide-ranging relationship which includes printing brochures, supporting print promotions and implementing cybermarketing strategies.



Le Fabuleux Rallye Sournois Vibe *adventure contest gave Pontiac Vibe exceptional visibility for 11 consecutive days.*

TOP LEFT: *The Pontiac Vibe contest was launched on the popular TVA program* Le grand blond avec un show sournois.

ABOVE: *The TVA and* Grand Blond *Web sites publicized the contest.*

TESTIMONIAL

"Quebecor Media came up with an original concept for the Vibe launch, one which gave this new car great visibility for an extended period of time. The entire production team at *Le grand blond avec un show sournois* worked with us in a collaborative spirit to achieve our business objectives. Quebecor's newspapers and Internet properties helped publicize the contest, which increased the impact of the Vibe launch in Québec. This partnership between GM of Canada and Quebecor also generated substantial media coverage."

DON JOHNSON
General Director of Marketing
General Motors of Canada Limited

illico

Wall-to-wall advertising and promotion for new *illico* interactive digital TV service

Illico was backed by a major print advertising campaign.

Not only does convergence maximize the visibility of our customers, but it also enhances our ability to effectively promote our own subsidiaries' products. That is exactly what we did when *illico*, Vidéotron's new interactive digital TV service, was launched in the fall of 2001.

All Quebecor Media print properties – *Le Journal de Montréal*, *Le Journal de Québec*, *Montréal Métropolitain*, *Échos Vedettes*, the magazines published by Publicor and Publications TVA – supported the advertising and promotion blitz. Moreover, the print publicity for *illico* and Vidéotron's other divisions is now being produced by Publicor, bringing an operation that had originally been contracted out to an outside firm into the Quebecor Media fold.

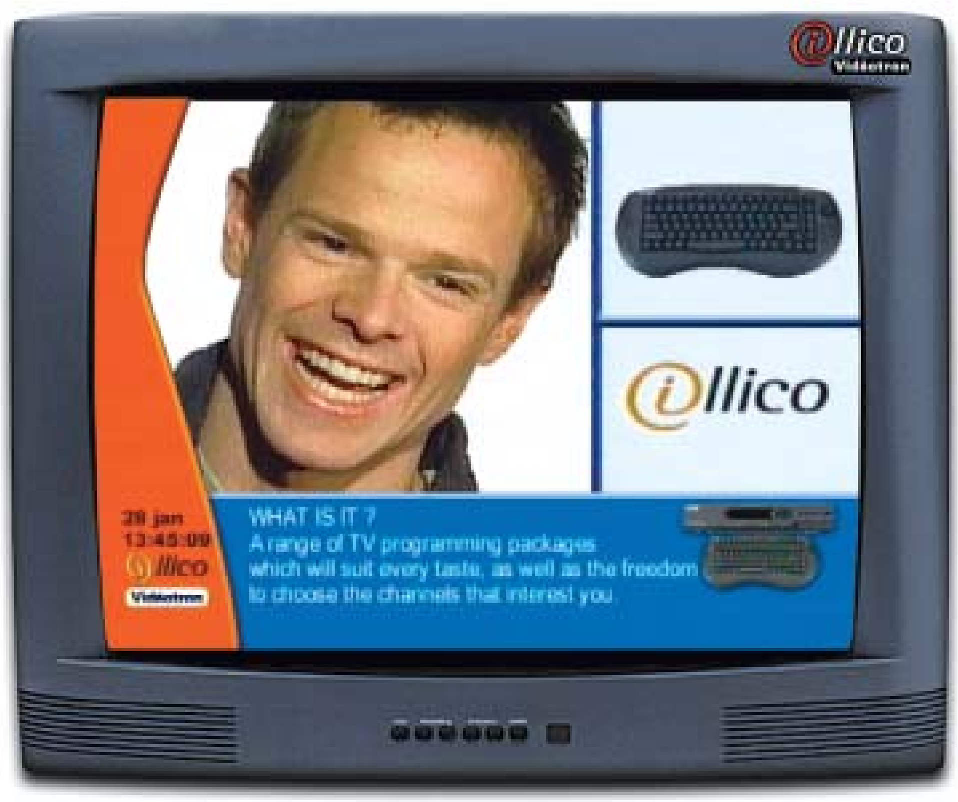
Leveraging our numerous Web properties, we organized an Internet advertising campaign for *illico* using interactive banners of different sizes and pop-up windows. The collaborative effort by Netgraphe and Nurun appeared on the Canoe.qc.ca, InfiniT.com, La Toile du Québec, Webfin.com, Multimedium.com and Megagiciel.com Web sites. Using a technique known as geotargeting, we also publicized the interactive TV service on our English-language Canoe.ca portal to visitors living within the *illico* service area.

The TVA television network pitched in with commercials produced in-house and in collaboration with Vidéotron. The interactive functionalities supported by *illico* have been incorporated into many of TVA's variety shows, public affairs programs and game shows, including *Je regarde, moi non plus*; *Ultimatum*; *Salut, Bonjour!*; *Claire Lamarche* and *Dans la mire*. The November 16 *Claire Lamarche* special, a joint effort by TVA, *illico* and Canoe.qc.ca, was one of the most successful interactive programs of 2001, drawing a remarkable audience of 1,169,000 (out of Québec's total Francophone population of 5.7 million).

Interactive functions have also been added to a number of programs on Vidéotron's community channel, Canal Vox. Dedicated to public access and participation, Canal Vox is a natural match for *illico*, a technology which gives the public a voice. A new character, Monsieur *i* (for *illico*), has become a popular favourite on Canal Vox.

The illico wireless keyboard and interactive set top box can be purchased at any of the 167 SuperClub Vidéotron and 11 Archambault stores in Québec.

TOP: *Cadoweb.ca, Videotron.com and Illico.tv sites boost* illico, *launched in the fall of 2001.*
BOTTOM: illico *channel carries information for subscribers and potential customers.*



Nurun designed the Illico.tv Web site, hosted by Netgraphe, to help publicize the new service. Cadoweb.ca, a site developed by Nurun, promotes and sells Vidéotron products and services; it provides another showcase for *illico*.

A Vidéotron team has created a television channel dedicated to promoting *illico*. It dispenses practical information for *illico* subscribers and prospective subscribers in English and French, 24 hours a day, and can be viewed by Vidéotron's analog and digital subscribers alike.

Quebecor World has also helped promote the revolutionary TV concept; its Joncas Postexperts division, which specializes in direct mail, applied its expertise to supporting the *illico* subscription drive.

Finally, our network of retail locations continues to play a key role in distributing the product. Since the *illico* launch in September 2001, consumers have been able to get information on *illico* and Vidéotron's other services, or pick up a wireless keyboard and *illico* digital set top box, at any of the 167 SuperClub Vidéotron locations and 11 Archambault stores in Québec.

The future looks bright for *illico*. Closer integration of content across *illico*, Canoe.qc.ca and Quebecor's print media outlets will provide producers of television programs with new, dynamic ways to reach their target audience.

TVA Group

Interacting on interactive TV

The television program *Je regarde, moi non plus,* broadcast Friday night from 10:30 to 11:30 on TVA since the fall of 2001, has people talking. The show has an interactive component that lets subscribers to the *illico* interactive digital TV service participate in contests and interact with the host.

A large-scale advertising campaign was conducted in Quebecor's major French-language media outlets in Québec – dailies, weeklies, magazines – to promote the program. *Le Journal de Montréal, Le Journal de Québec* and the free daily *Montréal Métropolitain* carried title corner advertisements (in the corner of the front page).

In fall 2001, a "find a match by the holidays" contest was organized in conjunction with Netgraphe's ReseauContact.com site, the largest French-language dating site on the Web. Visitors to the site could enter the contest, and *illico* subscribers could vote for their favourite contestants. The names of the finalists were published in *Le Journal de Montréal* and *Le Journal de Québec*. The grand finale, broadcast live on *Je regarde, moi non plus,* was watched by 800,000 viewers, a remarkable audience in the late-evening time slot.

At the same time, the TVA program's immense popularity helped swell the ReseauContact.com dating site's membership and subscription revenues.

Finally, *Je regarde, moi non plus* is providing a springboard for broadcasting original content across different information platforms. For example, one of the show's regular contributors writes some of the most popular articles on Canoe.qc.ca's "Art de vivre" vertical.

It is another example of the formidable promotional and advertising force of Quebecor Media's properties when they pool their strengths.

The TV program Je regarde, moi non plus *was one of the big hits of the fall 2001 season. The* illico *interactive television service, the ReseauContact.com on-line dating site and* Le Journal de Montréal *contributed to its success.*

Financial Section

Management's Discussion and Analysis

CORPORATE STRUCTURE

Quebecor Inc. is a communications Company with operations in North America, Europe, Latin America and India. It has two operating subsidiaries:

- Quebecor World Inc., the world's largest commercial printer;
- Quebecor Media Inc., a company engaged in the Cable Television, Newspapers, Broadcasting, Leisure and Entertainment, Business Telecommunications, Web Integration/Technology, and Internet/Portals business segments.

At the end of 2000, Quebecor Media acquired Groupe Vidéotron ltée. Final acquisition of control over Vidéotron's cable television and broadcasting subsidiaries was subject to approval by the Canadian Radio-television and Telecommunications Commission (CRTC). In May 2001, the CRTC approved the transfer of control over the cable television subsidiary, Vidéotron ltée. On July 5, 2001, the CRTC approved the acquisition of the broadcasting subsidiary, TVA Group Inc., but stipulated that it was to remain under the control of a trustee until TQS Inc. was sold. In September 2001, the Company reached an agreement to sell TQS to a consortium consisting of Cogeco Inc. and Bell Globemedia. The transaction closed on February 15, 2002. Quebecor received $62 million for its 86.02% stake in TQS. In addition, $12 million in cash advances that Quebecor had extended to TQS were repaid.

Following the agreement, TQS was placed under the control of a trustee until the transaction closed, in accordance with the CRTC's directives. Having satisfied all the conditions set by the CRTC with respect to the acquisition of TVA Group, Quebecor acquired full control over that company in September 2001.

At the time of the acquisition of Groupe Vidéotron, some of its assets were considered non-strategic to Quebecor's operations. Therefore, on May 15, 2001, subsidiary Protectron Inc., a remote surveillance company, was sold for $61.5 million.

At the time of the acquisition, management's intention was also to divest itself of subsidiary Vidéotron Télécom ltée, which provides high-speed telecommunications services to other carriers and large businesses. In view of the uncertain business environment in the telecommunications industry, the Company was unable to close the sale of its investment on favourable terms. It has therefore decided to keep Vidéotron Télécom and develop its full potential. In accordance with this decision, Vidéotron Télécom has refocused its operations to optimize the use of its vast broadband telecommunications network. It has therefore divested itself of its telephone equipment supply and maintenance operations.

During the 2001 financial year, Quebecor and its subsidiaries carried out a number of initiatives to improve their financial position and pay down the bank debt contracted at the time of the acquisition of Groupe Vidéotron, which was due on October 22, 2001.

On February 23, 2001, the Company sold 2.5 million subordinate voting shares of Quebecor World for a cash consideration of $85.0 million and issued, on a private-placement basis, 25-year debentures in the principal amount of $425 million, exchangeable for subordinate shares of Quebecor World. On June 19, 2001, the Company sold 4.0 million shares of Abitibi-Consolidated Inc. for a cash consideration of $49.5 million and issued 25-year debentures in the principal amount of $554.9 million, exchangeable for common shares of Abitibi-Consolidated. The proceeds were used to pay down Quebecor Inc.'s debt.

On June 21, 2001, Quebecor Media reached agreement with the minority shareholders in Sun Media Corporation to acquire their interest in Sun Media. The transaction made Sun Media a wholly owned subsidiary of Quebecor Media, enabling Quebecor Media to complete the final stage in its refinancing plan.

To this end, on July 6, 2001, Quebecor Media completed a major private placement denominated in US dollars, coming due in 2011. The net proceeds, in the order of US$850 million, were used to pay down Quebecor Media's debt. It was one of the largest offerings ever made by a Canadian company on the U.S. market.

These initiatives, and others described under "Financing Activities," enabled the Company to refinance in its entirety the debt contracted at the time of the acquisition of Groupe Vidéotron, and provided the Company and its subsidiaries with satisfactory financial manoeuvring room.

Quebecor's share in the earnings of some subsidiaries has varied over the past three years. As at January 1, 1999, 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 with World Color Press, Inc., for which a portion of the consideration was paid through the issuance of Quebecor World capital stock in October 1999, Quebecor's interest was reduced to 38.05%. This level was maintained up to December 31, 1999 and has not changed significantly since then. As at December 31, 2001, it stood at 38.32%. In October 2000, Quebecor sold a 45.28% interest in Quebecor Media to Capital Communications CDP, retaining a 54.72% interest. As a result of the decrease in Quebecor's interest in Quebecor Media, the 57.47% interest in Nurun Inc., acquired on November 1, 1999, declined to 31.45% as at December 31, 2000 and stood at 31.30% at December 31, 2001. Also, Quebecor's share in Sun Media Corporation, which was 70% as at December 31, 1999, was reduced to 38.30% as at December 31, 2000 and subsequently increased to 54.72% when the minority shareholders in Sun Media were bought out. Quebecor's share in the earnings of Netgraphe Inc. increased from 21.75% to 41.20% with the swap of CANOE's assets for Netgraphe stock on March 6, 2001.

Quebecor exercises direct and indirect controlling interests in five public companies. As at December 31, 2001, Quebecor held, directly or indirectly, 84.87%, 58.74%, 99.91%, 97.59% and 80.95% of the voting rights of Quebecor World, Nurun, TVA Group, Netgraphe and Mindready Solutions Inc., respectively.

OPERATING RESULTS

In accordance with Canadian generally accepted accounting principles, the results of the Cable Television segment and of TVA Group Inc. are included in the consolidated results as of May 2001 and September 2001 respectively, i.e., the months in which the CRTC approved the transfer of control over Vidéotron ltée and in which the CRTC's conditions for the transfer of control over TVA Group were satisfied. The investments in these subsidiaries were accounted for on an equity basis from the date of the acquisition of Groupe Vidéotron. The subsidiary TQS is no longer consolidated but presented on an equity basis from September 2001, the month during which TQS was placed under the control of a trustee. The Broadcasting segment's results for the year 2001 therefore report TQS's operating results and cash flow for the months of January through August, and TVA Group's operating results and cash flow for September through December.

A pro forma column has been added to the income statement and to the cash flow statement in order to present the figures as if the transfer of control over the Cable Television segment and TVA Group had occurred on January 1, 2001. For 2001, the pro forma column for the Broadcasting segment presents TQS's operating results and cash flow for the eight months of January through August, and TVA Group's operating results and cash flow for the entire financial year.

Vidéotron Télécom's operating results are included in Quebecor Inc.'s consolidated financial statements from November 2001.

For the purpose of analysis of the operating results, the Company defines operating income (or loss) as earnings (or loss) before amortization charges and write-down of goodwill, financial expenses, reserves for restructuring of operations and other special charges, gains on the sale of shares of a subsidiary and of a portfolio investment, gains on dilution from issuance of capital stock by subsidiaries, and income taxes. Special charges include the mark-to-market of temporary investments and other assets, as well as non-monetary compensation charges. Equity income (or loss) from non-consolidated subsidiaries, dividends on preferred shares of subsidiaries, and non-controlling interest are not considered in the computation of operating income.

Operating income (or loss) as defined above is not a measure of results that is consistent with generally accepted accounting principles. The Company uses net income (or loss), a measure that is consistent with generally accepted accounting principles, to analyze its results. It also uses operating income to facilitate year-over-year comparison of results, since operating income excludes among other things unusual items that are not readily comparable from year to year. Operating income is a widely used measure in the industries in which the Company is engaged.

In 2001, Quebecor recorded revenues of $11.63 billion, or $12.07 billion on a pro forma basis, compared with $10.91 billion in 2000, a 6.6% increase. The revenue growth was due primarily to the inclusion of the Cable TV segment in the consolidated results from May 2001, the translation of the Printing subsidiary's sales denominated in US dollars into Canadian currency, which more than offset the decline in the segment's revenues, and the addition of the TVA Group's results from September 2001.

The Company generated operating income of $1.89 billion in 2001, or $2.02 billion on a pro forma basis, compared with $1.79 billion during the same period of 2000, a 5.6% increase. The increase in operating income was mainly due to consolidation of the Cable Television segment's results, which was partially offset by lower operating income in the Printing segment due to the North American economic slowdown.

The net loss for 2001 totalled $241.7 million, or $3.74 per share. The 2001 results were impacted by higher amortization and financial expenses, certain unusual items and write-downs of goodwill.

The Company's amortization charges, including amortization of goodwill, increased by $174.1 million, and financial expenses rose by $214.2 million; the increases were due to the acquisition of Groupe Vidéotron.

Unusual items included reserves for restructuring of operations and other special charges totalling $552.2 million in 2001. These special charges included a mark-to-market of temporary investments in the amount of $99.8 million. Restructuring reserves were recorded in the Printing ($400.1 million), Newspapers ($17.8 million), Web Integration/Technology ($11.5 million) and Internet/Portals ($5.4 million) segments. The Web Integration/Technology segment also recorded a non-monetary compensation charge of $17.6 million in connection with shares subject to escrow agreements with shareholders/sellers of certain acquired businesses.

Unusual items also included gains on the sale of 4.0 million common shares of Abitibi-Consolidated Inc. and of 2.5 million shares of Quebecor World, in the amounts of $20.8 million and $23.9 million respectively, for an aggregate total of $44.7 million. A $1.5 million gain on dilution was recognized as a result of a stock issue by a subsidiary.

In view of the slowdown in the Internet/Portals and Web Integration/Technology segments, the Company recorded write-downs of goodwill in those segments in the amounts of $118.5 million and $28.5 million respectively, or an aggregate total of $68.5 million net of non-controlling interest. The write-downs were based on an analysis of undiscounted future cash flow and reflect management's best estimates and hypotheses. The write-downs were calculated in accordance with the accounting standards in effect up to December 31, 2001. The impact of new accounting rules for assessing goodwill, which apply as of 2002, is described below under "Accounting Policies."

During the 2000 financial year, the Company had generated net income of $1.08 billion, or $16.78 per share. That figure included a gain on dilution of $816.1 million, or $12.63 per share, due primarily to issuance of capital stock by subsidiary Quebecor Media, and income of $246.1 million, or $3.81 per share, related to a discontinued operation, Donohue Inc.

The 2000 results included reserves for restructuring of operations and other special charges totalling $106 million. A mark-to-market of temporary investments and other assets at December 31, 2000 in the amount of $58.6 million was recorded. The Web Integration/Technology segment recorded a non-monetary compensation charge of $40.2 million in 2000. Other restructuring reserves were recorded, primarily by the Web Integration/Technology and Internet/Portals segments, in connection with the closing of certain operating units and for other purposes.

Also, management reviewed the net realizable value of goodwill in the Internet/Portals and Web Integration/Technology segments in 2000 and determined that a write-down of $61.1 million, net of non-controlling interest, was necessary.

Printing

Quebecor World Inc. is the world's largest commercial printer. Its strategic acquisitions, investment in state-of-the-art technology and commitment to establishing long-term relationships with customers have made it a leader in most of its main areas of expertise and geographic markets.

The business environment for the commercial printing industry was difficult during 2001 due to the economic downturn that began in the US in late 2000 and spread to Europe in the second half of 2001. The slowdown was aggravated by the tragic events of September 11 in the US. Quebecor World normally generates nearly 40% of its operating income during the last four months of the year. As a result of the unfavourable environment in 2001, particularly in the fourth quarter, Quebecor World posted lower revenue and operating income figures, in US dollars, in 2001 compared with 2000. This is the first time, after nine successive years of growth in revenues and operating income, that Quebecor World has reported a year-over-year decrease.

Quebecor World's revenues in the 2001 financial year totalled US$6.32 billion, compared with US$6.52 billion in 2000, a decrease of US$201 million or 3.1%. Stated in Canadian dollars, Quebecor World's revenues increased from $9.68 billion in 2000 to $9.79 billion in 2001. The strength of the US dollar, the main currency in which Quebecor World's sales are denominated, and the contribution of newly acquired businesses offset the lower North American sales expressed in US currency.

In North America, the sales of some of Quebecor World's products were more heavily impacted by market conditions, including books (-14%), commercial and direct mail materials (-13%), magazines and catalogues (-12%) and Que-Net Media™ (-9%). Other products continued to show strong sales growth despite the business environment, including advertising inserts (+17%) and telephone directories (+9%). The healthy diversification of Quebecor World's operations enabled the Company to respond effectively to circumstances and minimize their impact.

In Europe, Quebecor World's revenues held steady. The effects of the economic slowdown, more pronounced in France than in other European countries, were not felt until the second half of the year. In Latin America, Quebecor World's revenues increased 44%.

Quebecor World reported operating income of $1.48 billion in 2001, compared with $1.59 billion in 2000. As noted above, the decrease in operating income in 2001 was mainly caused by the economic slump in North America, where Quebecor World generates over 80% of its sales.

In response to the economic situation and the significant drop in advertising spending in North America and Europe, Quebecor World moved aggressively to cut costs, increase efficiencies and maintain profit margins. In October 2001, a restructuring plan based on consolidating Quebecor World's operations in larger and more specialized facilities was announced. The subsidiary recorded restructuring reserves and other expenses in the amount of $400.1 million (US$258.4 million) in 2001. Quebecor World expects these measures to lead to an annual increase of US$45 million in pre-tax profits.

Despite the slowdown in some markets, Quebecor World continued its expansion in other parts of the world with its characteristic prudence and vision.

During 2001, Quebecor World made a number of strategic acquisitions in Latin America, in addition to opening its ultramodern

16,000 square metre plant in Recife, Brazil, in June 2001. First, Quebecor World announced the acquisition of 75% of Grafica Melhoramentos S.A., a major book printer located in São Paulo, Brazil. Then, it signed a printing agreement with a potential term of 10 years with Editorial Estrada, one of Argentina's largest textbook publishers. Under the agreement, Quebecor World acquired all the printing assets of Editorial Estrada, which were redeployed in Quebecor World's other book printing plants in Colombia and Argentina.

Also in Latin America, Quebecor World signed a long-term contract to print telephone directories with Mexico's largest publisher of telephone books, ADSA, a subsidiary of Telmex, the country's largest telco. The agreement calls for Quebecor World to print 14 million directories per year. Quebecor World also acquired the manufacturing assets of Grupo Serla, a Mexican leader in the school textbook market.

In Europe, Quebecor World acquired a majority interest in Espacio y Punto, S.A., a Spanish leader in premedia services. It also signed a binding agreement, subject to regulatory approval, to purchase European printing facilities from Hachette Filipacchi Médias, one of the world's largest publishers, with some 210 magazines distributed in 34 countries.

Finally, in North America, Quebecor World closed the acquisition of Retail Printing Corporation, with facilities in Taunton, Massachusetts and Nashville, Tennessee. The transaction extended the Company's production platform for advertising inserts across the U.S. market. Quebecor World also signed a multi-year contract extension with one of its clients, Time Inc. The agreement calls for Quebecor World to print some 20 magazines published by the Time group and is estimated to be worth over US$210 million over the life of the contract.

Cable Television

Vidéotron ltée, a subsidiary of Quebecor Media, is the largest cable operator in Québec and the third-largest in Canada. Its state-of-the-art network extends to 2.3 million homes and serves approximately 1.5 million subscribers, including over 120,000 subscribers to its *illico* digital television service. Vidéotron ltée is also engaged in interactive multimedia development and ISP services; 80% of its 284,000 Internet access customers subscribe to its high-speed service.

As noted above, Vidéotron ltée's results are included in the Cable Television segment's results from May 2001; its results are presented on a pro forma basis from January through December 2001. The segment's contribution to revenues was $476.5 million from May to December, and $709.6 million on a pro forma basis. The segment's contribution to operating income totalled $183.1 million in 2001, and $271.9 million on a pro forma basis.

The Cable Television segment's results demonstrated strong year-over-year growth. On a comparable basis, Vidéotron's revenues, which totalled $659.0 million in 2000, increased by $50.6 million or 7.7% in 2001. Operating income, which was $234.9 million in 2000, increased by $37.0 million or 15.8%.

In 2001, Vidéotron faced aggressive competition in the market for basic cable TV service. However, the loss of subscribers to its basic analog service was offset by the strong performance of value-added services such as interactive digital television, pay-per-view and new French-language channels introduced in 2000. Sustained growth in Vidéotron's high-speed cable Internet access service contributed to the increased business volume and improved profitability: the number of subscribers rose 63% in 2001 and stood at over 228,000 at year's end.

Following the acquisition of Vidéotron ltée by Quebecor Media, a number of rationalization measures were decided upon and implemented, including cancellation of the IP telephony project, cuts in managerial and unionized staff, and some cost-containment measures. These measures were accompanied by a restructuring of marketing services in order to improve sales and raise the media visibility of Vidéotron's leading products.

At the end of September 2001, Vidéotron launched *illico*, its new interactive digital television service, and added more than 30 new optional specialty channels.

Newspapers

In the Newspapers segment, Sun Media Corporation is Canada's largest national chain of tabloids and community newspapers. It became a wholly owned subsidiary of Quebecor Media on June 21, 2001, when the Company bought out the minority shareholders.

In 2001, the Newspaper segment's revenues totalled $838.1 million, compared with $850.1 million in 2000, a decrease of $12 million or 1.4%. The decline was mainly due to a 6% drop in circulation revenues, partly attributable to the fact that *The Toronto Sun* is now distributed by independent agents, whose compensation is recorded against Sun Media's revenues. Advertising revenues were stable despite the competitive environment.

The Newspaper segment's operating income was $200.8 million in 2001, compared with $205.3 million in 2000, a 2.2% decrease. The decline was caused by the lower revenues and by higher newsprint prices during the first three quarters, which, however, were partially offset by the positive impact on operating income of the restructuring of operations.

The increase in newsprint prices continued to affect Sun Media's profitability in 2001. However, it was offset in part by the positive impact of two series of restructuring measures, which entailed non-recurring restructuring reserves in the amount of $17.8 million in 2001 but are expected to generate annual savings of $28 million.

In May 2001, the first series of measures, which affected the metropolitan dailies, community newspapers and corporate management, necessitated restructuring reserves in the amount of $11.5 million. They are expected to yield annual savings of approximately $18 million. Then, in October 2001, Sun Media announced the consolidation of the business operations of Bowes Publishers Limited, its community newspapers division, and of its metropolitan dailies in order to eliminate duplications, realize efficiencies and capture synergies. The move created a unique vehicle for multi-market advertisers seeking visibility in both urban and small-town markets in Canada. Sun Media also decided to cease publication of its free commuter daily in Toronto, *FYI Toronto*. This second series of administrative measures, combined with other cost-containment initiatives, necessitated a $6.3 million reserve. It is expected to yield annual savings of $10 million.

In a highly competitive environment, our metropolitan dailies in Québec and Western Canada continued to achieve revenue growth and a solid financial performance. *Le Journal de Montréal*, *Le Journal de Québec*, *The Edmonton Sun* and *The Calgary Sun* significantly increased their revenues and operating income. Sun Media's flagship daily, *Le Journal de Montréal*, now reaches nearly two million readers per week.

The revenues of Sun Media's community newspapers, published by Bowes Publishers, were virtually unchanged in 2001; their contribution to operating income fell by 3.8% in comparison with the previous year. However, the community newspapers published in Alberta and Québec showed improved profitability.

The drop in newsprint prices from $815 per metric ton in September 2001 to $735 per metric ton in December 2001, combined with the previously announced measures, is expected to create favourable conditions for an improvement in Sun Media's operating results in the current year.

Broadcasting

TVA Group Inc., Québec's largest television broadcaster with a market share of more than 35%, owns six of the ten television stations in the TVA network. It is engaged in publishing through subsidiary Publications TVA inc., which dominates the French-language newsstand magazine market in Québec, in merchandising and in infomercials. TVA also holds interests in analog specialty channels such as Le Canal Nouvelles (LCN), which logged a significant increase in average hours viewed in 2001.

The Broadcasting segment's results for 2001 present TQS's results for January through August and TVA Group's results for September through December. The pro forma figures include TVA Group's results from January 1, 2001. The Broadcasting segment's revenues were $153.6 million in 2001, or $361.7 million on a pro forma basis, compared with $59.9 million in 2000. The increase was mainly caused by the inclusion of TVA Group's results for the months of September through December.

The Broadcasting segment's operating income was $28.0 million in 2001, or $68.8 million on a pro forma basis, compared with an operating loss of $3.4 million in 2000. The increase in operating income was chiefly due to the inclusion of TVA Group in the consolidated results for the four-month period of September to December, as well as the improvement in TQS's operating results during the period when it was included in the Company's consolidated financial statements.

Leisure and Entertainment

The Company's operations in the Leisure and Entertainment segment consist primarily of:

- Book publishing (several associated publishing houses) and distribution (Québec-Livres);
- Magazine publishing (Publicor);
- Distribution of music and retailing of books, magazines and music (Archambault Group Inc.);
- Rentals and sales of videocassettes and DVDs (Le SuperClub Vidéotron ltée).

The segment's revenues totalled $260.1 million in 2001, compared with $225.4 million in 2000, a 15.4% increase. The larger business volume was due to acquisitions made in the course of 2000, including the SuperClub Vidéotron, Paragraphe and Camelot banners, and to improved sales of books and musical instruments at Archambault stores, reflecting the impact of the store renovation and enlargement program (including notably the store in Sherbrooke, Québec).

The segment generated operating income of $28.8 million in 2001, compared with $17.9 million in 2000, a significant 61.1% increase. The excellent performance mainly reflects the inclusion of Le SuperClub Vidéotron's results since its acquisition on October 23, 2000, and significantly improved profitability in the Magazines and Music segments.

In the Magazines segment, talks on merging Publicor and Publications TVA are making good progress. The consolidation would realize operational efficiencies and create the largest magazine publisher in Québec. In the meantime, Publicor (which includes the celebrity news weekly *Échos Vedettes* and the arts and entertainment weeklies published by Communications Gratte-Ciel ltée, *The Mirror* and *Ici Vivre à Montréal*) reported a 67% increase in earnings in 2001. The excellent results were due primarily to stringent cost containment, increased newsstand, subscription and advertising revenues, and the strong performance of contract publishing operations.

Quebecor Media's Books segment published, reissued or reprinted 809 titles in 2001, a 4% increase over 2000, and sold over 2.5 million copies. A 79% increase in export sales of general literature was recorded during the year as a result of market diversification and expansion efforts.

Le SuperClub Vidéotron, with 167 locations in Québec and 3 in the Atlantic provinces, continued to post good results, with increases in rentals, sales and active members. An effective advertising campaign under the slogan "Tons of copies" helped Le SuperClub Vidéotron maintain a 30%-plus share of Québec's video rental market.

Archambault, the largest chain of music stores in Eastern Canada, won the "best music chain store" award at the "Rencontres professionnelles de l'industrie québécoise du disque et de la radio" industry awards for the fifth year in a row. Archambault.ca, the largest e-commerce site featuring French-language cultural products in North America, more than doubled its sales in 2001.

Finally, Quebecor Media made operational changes during 2001, consolidating the retail activities of Archambault Group and Le SuperClub Vidéotron in order to better integrate its retailing operations.

Business Telecommunications

Vidéotron Télécom ltée is a business telecommunications leader in Québec, with an 8,600 km-plus regional network covering 90% of Québec's potential market for business telecommunications. Vidéotron Télécom offers its customers a full range of broadband services over its vast fibre-optic network.

In early 2001, Vidéotron Télécom management carried out a major restructuring and refocused the company on its primary mission of offering high-speed telecommunications services to other carriers and large businesses. Consequently, on May 22, 2001, Vidéotron Télécom sold its telephone equipment supply and maintenance contracts.

Vidéotron Télécom's revenues, which are included in Quebecor's consolidated financial statements from November 2001, totalled $14.6 million. The Business Telecommunications segment's operating income was $4.1 million during the period.

The Business Telecommunications segment's results for the 2001 financial year as a whole showed a marked improvement over 2000. On a comparable basis, Vidéotron Télécom's revenues increased 17%, from $82.5 million in 2000 to $96.7 million in 2001. Its operating income increased fivefold, from $4.5 million in 2000 to $23.5 million in 2001. The improvement in operating income reflects stringent cost containment and reduced operating expenses as a result of the restructuring program implemented in 2001.

Web Integration/Technology

The Web Integration/Technology segment includes Nurun Inc., which is engaged in Web, intranet, extranet and B2C e-commerce development, e-marketing and customer relationship management (CRM) strategies, and interactive television concepts and operations, and Nurun's subsidiary Mindready Solutions Inc., which is engaged in test engineering and real-time communications solutions.

The Web Integration/Technology segment's revenues were $129.1 million in 2001, comparable to revenues of $127.5 million reported in 2000. In the e-business segment, revenues fell $12.2 million in 2001; more than half the drop was due to the termination of non-strategic, low-margin operations, including the closing of Nurun's offices in Seattle in the United States, and Ottawa, Canada. Nurun also decided to abandon its Web hosting business. The lower e-business revenues were more than offset, however, by a $13.8 million increase in Mindready's sales in 2001. The growth was due primarily to the full-year contribution to Mindready's results of the businesses acquired during 2000, namely Beltron Technologies Inc., Duncan & Associates (ADA) Ltd., CCS Electronics (UK) Ltd. and Yelo Ltd.

The operating loss was $15.4 million, compared with a modest operating income of $146,000 in 2000. The results reflect difficult market conditions in the e-commerce industry and an $8.7 million decrease in Mindready's operating income as a result of a significant drop in sales to Nortel Networks.

During 2001, Nurun and its subsidiary Mindready carried out successive phases of operational rationalization, leading to non-recurring charges of $11.5 million. The company also recorded a non-monetary compensation charge in the amount of $17.6 million in connection with shares subject to escrow agreements with shareholders/sellers of certain acquired businesses.

Nurun continued its strategy of going where customers need its services and opening new business offices in North America and Europe. In 2001, Nurun opened an office in Los Angeles to support its longstanding client Danone. The office will also serve as a springboard for the development of new business opportunities on the West Coast.

Nurun now has a network of 17 offices in Canada, the United States, Europe and Latin America to meet the needs of its global clientele.

Internet/Portals

The Internet/Portals segment includes the CANOE network of portals – which consists of Canoe.ca, Canoe.qc.ca and Micanoa.com – and the FYICalgary.com and FYILondon.com city sites. Since the acquisition of Groupe Vidéotron in October 2000, it also includes

Netgraphe's portals La Toile du Québec and InfiniT.com, and specialty sites Megagiciel.com, Webfin.com and Multimedium.com. In addition, the segment operates three Web properties offering users paid services: the employment site Jobboom.com, the dating site MatchContact.com, and the car site Autonet.ca. It includes the largest source for classified ads in Canada, ClassifiedExtra.com, and a virtual store, Shop.canoe.ca.

On March 6, 2001, Netgraphe and Quebecor Media announced a consolidation agreement under which CANOE's assets were sold to Netgraphe in exchange for Netgraphe stock. As part of the transaction, Quebecor Media agreed to fund Netgraphe for up to $10 million during 2001 to finance its operations. The agreement was approved by Netgraphe shareholders at a special meeting on May 31, 2001.

The CANOE-Netgraphe combination has proven to be a natural match. The joining of their complementary products, technologies and resources has produced a dominant player in Canada's Internet marketplace, enabling Netgraphe to expand its advertising market, realize economies of scale, eliminate duplications in content production, and expand its e-commerce operations.

Netgraphe has quickly established itself as a key vehicle for Web development at Quebecor Media, capitalizing on its relationships with other Quebecor subsidiaries to provide access to a wide range of content and important related resources. The role of Netgraphe's network of Web sites is constantly expanding and is an important component of Quebecor Media's convergence strategy. For example, Netgraphe played an active role in the launch of *illico*, Vidéotron's interactive digital television service, in September 2001.

Consolidation, rationalization and cost containment were the operative words at the new entity created by the merger of CANOE and Netgraphe during 2001. The Internet/Portals segment's revenues totalled $27.4 million in 2001, compared with $11.6 million in 2000. The strong increase was due primarily to the inclusion of Netgraphe in the Company's results for the full year. The operating loss was $21.5 million, compared with $21.6 million in 2000.

During 2001, Netgraphe refocused its operations and carried out several phases of rationalization in order to streamline its management structure, reduce the total workforce at its network of sites, and terminate the operations of certain Internet properties with poor prospects of profitability in the foreseeable future, including Canoe.fr in France and six FYI and ICI city sites in as many Canadian cities. The moves were all aimed at supporting growth going forward by putting in place a cost structure more in line with revenue prospects. A $5.4 million reserve was recorded in respect of these restructuring expenses.

In December 2001, Netgraphe won three Boomerangs trophies, awarded yearly to recognize excellence in interactive communications in Québec. Canoe.qc.ca won in the best general-interest portal category, La Toile du Québec in the best specialty portal category, and Webfin.com in the best financial Web site category.

Financial Expenses

Financial expenses increased substantially in 2001 as a result of higher debt levels. The increase was primarily related to the acquisition of Groupe Vidéotron by Quebecor Media on October 23, 2000, which was financed in part by the issuance of new debt totalling nearly $2.9 billion.

Quebecor World's financial expenses decreased from US$231 million in 2000 to US$209 million in 2001 due to lower debt levels and interest rates. However, the decrease is cancelled out when the financial expenses for the two years are converted into Canadian dollars.

2000/1999 COMPARISON

The year 2000 was marked by the set up of a new, rebalanced corporate structure which marshalled our forces around two major segments: the industrial segment, consisting of Quebecor World's commercial printing operations, and the media segment, with Quebecor Media.

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. 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 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).

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 the strategic acquisition of Le Groupe Vidéotron ltée on October 23, 2000. The main assets of Groupe Vidéotron include those of Vidéotron ltée (cable television) and TVA Group Inc. (broadcasting).

In 1999, Quebecor World acquired World Color Press, Inc. (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 2000, Quebecor Inc. reported revenues of $10.91 billion, compared with $8.44 billion in the financial year ended December 31, 1999, a 29.3% increase. Operating income was $1.79 billion in 2000, a 36.7% increase over 1999. Note that the financial year ended December 31, 1999 consisted of 53 weeks. The Company's higher revenues and operating income mainly reflected the exceptional contributions of subsidiaries Quebecor World and Sun Media Corporation, which both posted record results in 2000.

During the 2000 financial year, Quebecor generated net income of $1.08 billion, or $16.78 per share, compared with $477.3 million, or $7.37 per share, in 1999. As in 2000, net income in 1999 included unusual items such as a gain on dilution of $376.6 million as a result of share issues by Quebecor World and Sun Media Corporation, as well as reserves for restructuring of $273.5 million, related primarily to Quebecor World.

The Printing segment's revenues were $9.68 billion in 2000, a 31.5% increase over 1999 revenues of $7.36 billion. The increase was mainly due to the acquisition of World Color Press, Inc. in August 1999. Operating income in the segment increased by 40.9%, from $1.13 billion in 1999 to $1.59 billion in 2000, basically as a result of the positive impact of acquisitions on Quebecor World's earnings.

The Newspapers segment's revenues totalled $850.1 million in 2000, an increase of 2.8% over revenues of $827.1 million recorded in the 1999 financial year, which had 53 weeks compared with 52 in 2000. Operating income in the segment increased 9.6% to $205.3 million in 2000. The operating margin was 24.2% in 2000, compared with 22.8% in 1999; the improvement was caused primarily by the metropolitan dailies, and to a lesser extent by the community newspapers.

In the Leisure and Entertainment segment, revenues increased by $16.2 million, or 7.7%, in 2000 in comparison with 1999, to $225.4 million. The increase derived chiefly from acquisitions made in 2000. Operating income rose to $17.9 million in 2000, a $9 million increase from the $8.9 million recorded in 1999. The improvement resulted from increased revenues, improved profit margins and more stringent cost control.

In 2000 and 1999, the Company's Broadcasting segment included the operating results of the TQS television network. In 2000, TQS's revenues increased 23.3% to $59.9 million and the operating loss was slashed by 56.4%, from $7.8 million in 1999 to $3.4 million in 2000.

The Web Integration/Technology segment reported impressive revenue growth from 1999 to 2000; revenues increased from $21.5 million to $127.5 million, primarily because of Nurun's results, which were included in the consolidated results for the entire year (compared with only two months in 1999), and the 11 business acquisitions made in 2000. Operating income was $0.1 million in 2000, compared with $1.3 million in 1999; the decrease was mainly due to strong competition in the Web integration market after mid-2000.

Finally, the Internet/Portals segment recorded revenues of $11.6 million in 2000, compared with $3.6 million in 1999. The segment's operating loss was $21.6 million in 2000, compared with a loss of $10.4 million in the previous year. The larger operating loss was caused by startup, operating and promotion costs for the segment's main Web sites. Strict rationalization and cost-containment measures were introduced in mid-2000 to reduce the Internet/Portals segment's operating costs.

The causes for the increase in financial expenses in 2000 over 1999 included business acquisitions made by Quebecor World in prior periods, primarily the acquisition of World Color Press in 1999.

LIQUIDITY AND CAPITAL RESOURCES

Operations

Operations generated cash flow of $1.10 billion in 2001, compared with $1.45 billion in 2000. The $344.1 million decrease in cash flow from operations in 2001, on a comparable basis, resulted mainly from subsidiary Quebecor World's lower operating income and its restructuring expenses. For 2000, the Company had reported a significant increase of $341.7 million in cash flow from continued operations, in comparison with 1999. The increase was due primarily to the strong performance of subsidiaries Quebecor World and Sun Media Corporation.

Operating working capital was negative by $244.9 million in 2001, compared with a negative amount of $1,785.8 million in 2000, mainly reflecting the positive impact of the long-term refinancing in 2001 of the Quebecor Inc. and Quebecor Media debt contracted for the acquisition of Groupe Vidéotron, as described below under "Financing Activities."

Financing Activities

Financing activities posed a strategic challenge in 2001 which the Company and its subsidiaries successfully met, regaining the financial manoeuvring room required for their development. By means of a multi-phase refinancing operation, Quebecor Inc. and Quebecor Media refinanced in full the debt contracted at the time of the acquisition of Groupe Vidéotron on October 23, 2000.

On February 23, 2001, Quebecor completed the first stage of its financing plan with the sale of 2.5 million shares of Quebecor World for a cash consideration of $85 million and the issuance of 25-year debentures in the amount of $425 million exchangeable for subordinate voting shares of Quebecor World. Following these offerings, and assuming that the debentures are converted into 12.5 million shares of Quebecor World, Quebecor will continue to hold 41,211,277 multiple voting shares of Quebecor World, or 78.2% of the voting rights and 29.4% of the equity. The proceeds of $510.0 million from the stock sale and debenture issue were used to pay down part of Quebecor Inc.'s bank debt.

On June 19, 2001, Quebecor sold 4.0 million shares of Abitibi-Consolidated for a cash consideration of $49.5 million and issued 25-year debentures in the amount of $554.9 million, exchangeable for 44.8 million voting shares of Abitibi-Consolidated. The proceeds of $604.4 million from this stock sale and debenture issue were also used to pay down Quebecor Inc.'s bank debt.

Concurrently with these financing activities, on June 21, 2001, Quebecor Media bought out the minority shareholders in its subsidiary Sun Media Corporation. To do so, Quebecor and Capital Communications CDP, a subsidiary of the Caisse de dépôt et placement du Québec, made an injection of capital in the aggregate amount of $375 million into Quebecor Media. Quebecor's portion of the capital injection was funded from available credit facilities.

Then, on July 6, 2001, Quebecor Media closed an issue of Senior Notes in the amount of US$1.01 billion. The net proceeds of approximately US$850 million were used to partially pay down the bridge financing contracted by Quebecor Media at the time of the acquisition of Groupe Vidéotron.

Two other activities were carried out to complete the refinancing operation. On June 29, 2001, Quebecor Media contracted a $430 million bridge loan with a term of close to 21 months. Then, on July 5, 2001, Vidéotron ltée closed a term credit in the amount of US$264 million; a portion of the proceeds was distributed to Quebecor Media in order to pay down part of the bridge financing.

The main purpose of the refinancing activities was to secure a more permanent capital structure for Quebecor Media while maintaining maximum flexibility for operating units.

Subsidiary Quebecor World completed three financing activities in 2001: i) a placement of 8.0 million first preferred shares, series 4, in the amount of CDN$200.0 million with a 6.75% cumulative dividend; ii) a placement of senior notes in the amount of US$250.0 million bearing interest at a rate of 7.2% and maturing in 2006; and iii) a placement of 7.0 million cumulative first preferred shares, series 5, in the total amount of CDN$175 million with a 6.9% cumulative dividend. The proceeds from these placements were used to repay the bank debt incurred in 1999 to finance the acquisition of World Color Press, Inc. and to cover other needs. The bank loans contracted for the acquisition of WCP, in the initial amount of US$1.25 billion at the time of the acquisition, have now been paid down in full.

Under the normal course issuer bids announced in April 2000 and April 2001, Quebecor World repurchased 6,732,192 subordinate voting shares for a total of US$177.4 million during 2001.

In 2000, Quebecor World completed two placements of senior notes in the aggregate amount of US$371 million composed of four tranches. The notes bear interest at rates ranging from 8.42% to 8.69% and mature between 2010 and 2020.

Investing Activities

Business acquisitions made in 2001 consisted primarily of acquisitions by subsidiary Quebecor World, described under "Printing," the Company's increased interest in Quebecor World as a result of the repurchase of shares for cancellation by the subsidiary, described under "Financing Activities," and the buyout of minority shareholders in Sun Media Corporation, also described under "Financing Activities." Most capital expenditures were also made by Quebecor World. Little capital investment is required for the Company's other business segments, with the exception of Cable Television.

Proceeds from the disposal of assets were derived notably from the sale by the Company of 2.5 million shares of its subsidiary Quebecor World and of 4.0 million shares of Abitibi-Consolidated, as well as the sale of Protectron, a subsidiary of Groupe Vidéotron that was being held for resale.

Financial Position

Cash and cash equivalents on hand at December 31, 2001 totalled $356.6 million, consisting principally of short-term investments.

Following the Company's 2001 operating results and financing activities, and the consolidation of the Cable Television segment and TVA Group in 2001, its consolidated debt ratio, as measured by the debt:capitalization ratio, increased from 49:51 as at December 31, 2000 to 54:46 as at December 31, 2001. For the purpose of calculation of this ratio, debt includes bank indebtedness, long-term debt, including the current portion, redeemable preferred shares and notes convertible into shares of subsidiaries; capitalization includes shareholders' equity and non-controlling interest.

As at December 31, 2001, the consolidated debt, including the short-term portion of the long-term debt, totalled $8.11 billion, of which $3.21 billion is attributable to Quebecor World and $3.70 billion to Quebecor Media. Quebecor Media's debt includes Sun Media Corporation's $554.5 million debt, Vidéotron's $1.29 billion debt, and TVA Group's $43.6 million debt. The $1.20 billion balance of the consolidated debt consists of Quebecor Inc.'s debt, including debentures exchangeable for Quebecor World shares in the amount of $425 million, issued on February 23, 2001, debentures exchangeable for

Abitibi-Consolidated shares in the amount of $554.9 million, issued on June 19, 2001, and advances under Quebecor Inc.'s authorized $300 million revolving credit facility. Therefore, of the $1.20 billion balance, $980 million consists of 25-year exchangeable debentures secured by shares on deposit.

Quebecor World paid dividends of US$0.46 per share in 2001, compared with US$0.33 in 2000 and US$0.28 in 1999.

Quebecor Inc. paid dividends of $0.39 per share on Class A and Class B shares in 2001, compared with $0.51 in 2000 and $0.48 in 1999. In the third quarter of 2001, the Board of Directors of Quebecor decided to suspend the payment of dividends on the Company's shares in view of Quebecor Media's strong growth and the need to reinvest earnings in its development. The decision is consistent with the standard media industry practice of reinvesting income in business development and growth. The Company also considered it appropriate to preserve its capital and manage its cash assets prudently in the current difficult business environment.

Quebecor management and the management teams of its subsidiaries believe that cash flow from operations and available sources of financing should be sufficient to cover cash requirements for capital investment, interest payments, debt repayment and the payment of dividends.

RISKS AND UNCERTAINTIES

In the normal course of business, Quebecor and its subsidiaries are exposed to fluctuations in interest rates and exchange rates. Quebecor and its subsidiaries manage this exposure through staggered debt maturities and an optimal balance of fixed and variable rate obligations. Quebecor and its subsidiaries use derivative financial instruments to optimize the management of these risks.

As at December 31, 2001, Quebecor Media and its subsidiaries, Vidéotron and Sun Media Corporation, were using financial derivatives to reduce their exchange rate and interest rate exposure. Quebecor World has also entered into foreign exchange forward contracts to hedge the settlement of raw materials and equipment purchases, to set the exchange rate for cross-border sales, and to manage the foreign exchange exposure on certain liabilities.

While these agreements expose the subsidiaries to risk of non-performance by a third party, the subsidiaries believe that the possibility of incurring such loss is remote due to the creditworthiness of the parties they deal with. The Company does not hold nor issue any derivative financial instruments for trading purposes. A description of the financial derivatives used by the Company as at December 31, 2001 is included in note 21 to the consolidated financial statements.

Concentration of credit risk with respect to trade receivables is limited due to the Company's diverse operations and large customer base. As of December 31, 2001, the Company had no significant concentration of credit risk. Quebecor believes that the product and geographic diversity of its customer base contributes to reducing its credit risk, as well as the impact of a potential change in its local market or product-line demand.

ACCOUNTING POLICIES

In 2001, the Company made certain changes to its accounting policies in order to conform to new Canadian Institute of Chartered Accountants (CICA) accounting standards.

In 2001, the Company adopted retroactively the new CICA recommendations dealing with earnings per share. These new recommendations of the *CICA Handbook* harmonize the Canadian standards with the United States standards. The standard requires the disclosure of the calculation of basic and diluted earnings per share and the use of the treasury stock method for calculating the dilutive impact of stock options outstanding. This restatement did not have a significant impact on the diluted earnings per share.

In March 2001, the CICA issued the Accounting Guideline ("AcG") No. 12 "Transfers of Receivables." The new recommendations apply to transfers after June 30, 2001, although application is permitted for transfers after March 31, 2001. The Company adopted the new recommendation prospectively. The new recommendations of *CICA Handbook* AcG-12 harmonize the Canadian standards with the United States standards. The effect of adopting the new recommendations did not have a significant impact on the Consolidated Balance Sheets and the Consolidated Statements of Income and Cash Flows as at December 31, 2001.

In August 2001, the CICA issued Section 1581, "Business Combinations," and Section 3062, "Goodwill and Other Intangible Assets." The Company has adopted the recommendations of these new *CICA Handbook* sections which apply to business combinations initiated after June 30, 2001 and to business combinations consummated after June 30, 2001 that are accounted for in accordance with the purchase method. In accordance with Section 3062, goodwill and intangible assets with indefinite useful lives are not amortized and other identified intangible assets are amortized.

For purchase business combinations consummated on or before June 30, 2001, the accounting under Section 1580, "Business Combinations," and under Section 3060, "Capital Assets," has been applied. Under these sections, goodwill and identifiable intangible assets with an indefinite useful life are recorded and amortized until the Company adopts Section 3062 of the *Handbook*, which must be applied by the Company for the year beginning on January 1, 2002.

In accordance with the new recommendations contained in Section 3062, the goodwill of each operating unit must be tested for impairment annually starting in 2002. The Company will be required to assess the amount of the impairment loss to be recognized, if any.

A portion of the goodwill recorded for the Cable Television segment at the time of the acquisition of Groupe Vidéotron may have to be written down in 2002 as a result of the new standards. According to management's estimates and hypotheses, the amount of the write-down may total between $1.5 billion and $2 billion, or between $0.8 billion and $1.1 billion net of non-controlling interest.

In accordance with the transitional provisions contained in Section 3062 of the *CICA Handbook*, an impairment loss recognized during the financial year in which the new recommendations are initially applied is recognized as the effect of a change in accounting policy and charged to opening retained earnings, without restatement of prior periods.

In the first quarter of 2000, the Company adopted the CICA's new accounting standards for the accounting of employee future benefits and income taxes, and applied the recommendations retroactively by adjusting the figures for the corresponding periods. In 1999, the Company adopted the new Canadian guidelines on cash flow statements and presentation of goodwill amortization on a net-of-tax basis, in accordance with Canadian Institute of Chartered Accountants recommendations.

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements made pursuant to the safe harbour provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are subject to known and unknown risks and uncertainties that could cause Quebecor's actual results to differ materially from those set forth in the forward-looking statements. These risks include changes in customer demand for the Company's products, changes in raw material and equipment costs and availability, seasonal fluctuations in customer orders, pricing actions by competitors, and general changes in the economic environment.

Selected Financial Data

Years ended December 31, 2001, 2000, 1999, 1998 and 1997
(in millions of Canadian dollars, except per share data)

	2001	2000	1999	1998	1997
Operations					
Revenues	**$ 11,633.3**	$ 10,914.8	$ 8,440.3	$ 6,173.5	$ 5,303.5
Operating income before amortization, financial expenses, reserve for restructuring of operations and other special charges, gains on sale of shares and gain on dilution	**1,889.7**	1,790.1	1,309.3	852.3	720.0
Contribution to net income					
Continued operations	**73.0**	203.1	181.9	146.5	124.3
Goodwill amortization	**(105.9)**	(66.8)	(41.1)	(18.4)	(9.5)
Unusual items and write-down of goodwill	**(208.8)**	702.0	296.0	–	–
Discontinued operation	**–**	246.1	40.5	44.2	28.9
Net (loss) income	**(241.7)**	1,084.4	477.3	172.3	143.7
Cash flows provided by continued operations	**1,103.5**	1,447.6	1,105.9	647.4	504.2
Basic per share data					
Contribution to net income					
Continued operations	**$ 1.13**	$ 3.14	$ 2.80	$ 2.24	$ 1.88
Goodwill amortization	**(1.64)**	(1.03)	(0.63)	(0.28)	(0.14)
Unusual items and write-down of goodwill	**(3.23)**	10.86	4.57	–	–
Discontinued operation	**–**	3.81	0.63	0.68	0.44
Net (loss) income	**(3.74)**	16.78	7.37	2.64	2.18
Dividends	**0.39**	0.51	0.48	0.44	0.40
Shareholders' equity	**39.79**	43.21	26.57	21.99	18.58
Weighted average number of shares outstanding (in millions)	**64.6**	64.6	64.8	65.3	65.9
Diluted per share data					
Contribution to net income					
Continued operations	**$ 1.13**	$ 3.14	$ 2.80	$ 2.24	$ 1.88
Goodwill amortization	**(1.64)**	(1.03)	(0.63)	(0.28)	(0.14)
Unusual items and write-down of goodwill	**(3.23)**	10.84	4.56	–	–
Discontinued operation	**–**	3.80	0.63	0.68	0.44
Net (loss) income	**(3.74)**	16.75	7.36	2.64	2.18
Diluted weighted average number of shares (in millions)	**64.6**	64.8	64.9	65.5	66.0
Financial position					
Working capital	**$ (244.9)**	$ (1,785.8)	$ 556.3	$ 612.9	$ 510.4
Long-term debt	**7,993.5**	4,333.5	5,860.4	3,003.5	2,022.6
Shareholders' equity	**2,571.5**	2,792.2	1,716.0	1,423.7	1,223.7
Capitalization (1) (2)	**7,381.2**	7,394.6	5,364.1	4,031.2	3,458.3
Total assets	**19,513.2**	17,603.3	15,246.9	9,889.6	7,932.1

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

(2) The comparative figures for the years 2000, 1999, 1998 and 1997 have been reclassified to conform with the definition adopted for the year ended December 31, 2001.

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 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 a program of internal audit. Management believes that these systems of internal accounting controls provide reasonable assurance 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.

Pierre Karl Péladeau
President and Chief Executive Officer

Claude Hélie
Executive Vice President and Chief Financial Officer

Montréal, Canada
February 7, 2002

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, 2001 and 2000 and the consolidated statements of income, retained earnings and cash flows for the years ended December 31, 2001, 2000 and 1999. 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, 2001 and 2000 and the results of its operations and its cash flows for the years ended December 31, 2001, 2000 and 1999 in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Montréal, Canada
February 7, 2002

Consolidated Statements of Income

Years ended December 31, 2001, 2000 and 1999
(in millions of Canadian dollars, except earnings per share data)

	2001	2001 (Pro forma note 2)	2000	1999
Revenues	**$ 11,633.3**	**$ 12,069.4**	$ 10,914.8	$ 8,440.3
Cost of sales and selling and administrative expenses	**9,743.6**	**10,050.1**	9,124.7	7,131.0
Operating income before undernoted items	**1,889.7**	**2,019.3**	1,790.1	1,309.3
Amortization	**(690.0)**	**(738.7)**	(555.0)	(462.7)
Financial expenses (note 3)	**(653.5)**	**(683.2)**	(439.3)	(259.0)
Reserve for restructuring of operations and other special charges (note 4)	**(552.2)**	**(552.2)**	(106.0)	(273.5)
Gains on sale of shares of a subsidiary and of a portfolio investment (note 5)	**44.7**	**44.7**	–	–
Gains on dilution from issuance of capital stock by subsidiaries	**1.5**	**1.5**	816.1	376.6
Income before income taxes	**40.2**	**91.4**	1,505.9	690.7
Income taxes (note 6)	**76.1**	**97.9**	227.9	91.3
	(35.9)	**(6.5)**	1,278.0	599.4
Equity (loss) income from non-consolidated subsidiaries (note 2)	**(17.5)**	**(0.9)**	0.3	–
Dividends on preferred shares of subsidiaries	**(33.9)**	**(33.9)**	(15.0)	(15.1)
Non-controlling interest	**20.0**	**(2.6)**	(297.1)	(101.9)
(Loss) income before amortization and write-down of goodwill	**(67.3)**	**(43.9)**	966.2	482.4
Amortization of goodwill, net of non-controlling interest	**(105.9)**	**(129.3)**	(66.8)	(41.1)
Write-down of goodwill, net of non-controlling interest (note 4 (f))	**(68.5)**	**(68.5)**	(61.1)	(4.5)
(Loss) income from continued operations	**(241.7)**	**(241.7)**	838.3	436.8
Income from the discontinued operation (note 7)	**–**	**–**	246.1	40.5
Net (loss) income	**$ (241.7)**	**$ (241.7)**	$ 1,084.4	$ 477.3
Earnings per share:				
Basic:				
Before amortization and write-down of goodwill and the discontinued operation	**$ (1.04)**	**$ (0.68)**	$ 14.95	$ 7.46
From continued operations	**(3.74)**	**(3.74)**	12.97	6.74
From the discontinued operation	**–**	**–**	3.81	0.63
Net (loss) income	**(3.74)**	**(3.74)**	16.78	7.37
Diluted:				
Before amortization and write-down of goodwill and the discontinued operation	**(1.04)**	**(0.68)**	14.91	7.46
From continued operations	**(3.74)**	**(3.74)**	12.95	6.73
From the discontinued operation	**–**	**–**	3.80	0.63
Net (loss) income	**(3.74)**	**(3.74)**	16.75	7.36
Weighted average number of shares outstanding (in millions)	**64.6**	**64.6**	64.6	64.8
Dilutive effect of stock options (in millions)	**–**	**–**	0.2	0.1
Diluted weighted average number of shares (in millions)	**64.6**	**64.6**	64.8	64.9

See accompanying notes to consolidated financial statements.

Consolidated Statements of Retained Earnings

Years ended December 31, 2001, 2000 and 1999
(in millions of Canadian dollars)

	2001	2000	1999
Balance at beginning of year	**$ 2,427.9**	$ 1,376.9	$ 937.3
Net (loss) income	**(241.7)**	1,084.4	477.3
	2,186.2	2,461.3	1,414.6
Dividends	**(25.2)**	(33.0)	(31.1)
Premium paid on redemption of shares	**–**	(0.4)	(6.6)
Balance at end of year	**$ 2,161.0**	$ 2,427.9	$ 1,376.9

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31, 2001, 2000 and 1999
(in millions of Canadian dollars)

	2001	2001 (Pro forma note 2)	2000	1999
Cash flows related to continued operations:				
Net (loss) income from continued operations	**$ (241.7)**	**$ (241.7)**	$ 838.3	$ 436.8
Adjustments for:				
Amortization of property, plant and equipment	**646.3**	**693.1**	524.1	437.0
Amortization and write-down of goodwill and deferred charges	**421.3**	**466.1**	298.3	145.0
Amortization of deferred financing costs and long-term debt discount	**65.6**	**65.6**	15.7	3.6
Reserve for restructuring of operations and other special charges	**328.9**	**328.9**	84.4	172.2
Gains on disposal of assets and gains on dilution from issuance of capital stock by subsidiaries	**(49.4)**	**(49.4)**	(845.6)	(388.1)
Future income taxes	**(74.1)**	**(65.6)**	141.0	(12.2)
Equity (loss) income from non-consolidated subsidiaries	**17.5**	**0.9**	(0.3)	–
Non-controlling interest	**(223.2)**	**(220.1)**	157.6	28.2
Other	**(3.4)**	**(1.4)**	11.6	9.5
	887.8	**976.4**	1,225.1	832.0
Net change in non-cash balances related to operations (net of the effect of business acquisitions and disposals)	**215.7**	**243.9**	222.5	273.9
Cash flows provided by continued operations	**1,103.5**	**1,220.3**	1,447.6	1,105.9
Cash flows related to financing activities:				
Net (decrease) increase in bank indebtedness	**(14.2)**	**19.2**	(349.5)	(1,940.0)
Issuance of long-term debt and convertible notes	**3,643.0**	**3,756.4**	3,459.5	2,760.0
Repayment of long-term debt and convertible notes	**(3,795.5)**	**(4,000.2)**	(1,661.7)	(98.1)
Issuance of capital stock by subsidiaries	**581.6**	**580.9**	2,759.1	497.8
Dividends	**(25.2)**	**(25.2)**	(33.0)	(31.1)
Dividends paid to non-controlling shareholders	**(66.0)**	**(66.0)**	(46.0)	(30.6)
Other	**–**	**–**	(0.6)	(8.0)
Cash flows provided by financing activities	**323.7**	**265.1**	4,127.8	1,150.0

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows (continued)

Years ended December 31, 2001, 2000 and 1999
(in millions of Canadian dollars)

	2001	2001 (Pro forma note 2)	2000	1999
Cash flows related to investing activities:				
Business acquisitions, net of cash and cash equivalents acquired (note 8)	**(850.8)**	**(850.8)**	(5,451.4)	(1,983.7)
Proceeds from disposal of businesses (note 8)	**–**	**–**	82.9	33.3
Acquisitions of investments	**(24.6)**	**(24.4)**	(34.6)	–
Additions to property, plant and equipment	**(556.9)**	**(603.1)**	(405.0)	(333.7)
Proceeds from disposal of assets	**265.9**	**266.3**	61.6	39.0
Other	**(52.7)**	**(65.3)**	4.1	1.4
Cash flows used by investing activities	**(1,219.1)**	**(1,277.3)**	(5,742.4)	(2,243.7)
Net increase (decrease) in cash and cash equivalents	**208.1**	**208.1**	(167.0)	12.2
Effect of the discontinued operation on cash and cash equivalents	**–**	**–**	296.1	(49.9)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**23.9**	**23.9**	(57.3)	(21.5)
Cash and cash equivalents at beginning of year	**124.6**	**124.6**	52.8	112.0
Cash and cash equivalents at end of year	**$ 356.6**	**$ 356.6**	$ 124.6	$ 52.8
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 disposals):				
Accounts receivable	**$ 318.5**	**$ 363.9**	$ 201.9	$ 296.4
Inventories	**130.5**	**144.0**	25.3	38.7
Accounts payable and accrued charges	**(122.1)**	**(142.9)**	21.7	(98.7)
Other	**(111.2)**	**(121.1)**	(26.4)	37.5
	$ 215.7	**$ 243.9**	$ 222.5	$ 273.9
Cash interest payments	**$ 572.0**	**$ 607.5**	$ 447.8	$ 239.5
Cash payments for income taxes	**191.2**	**209.5**	107.1	107.0

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

December 31, 2001 and 2000
(in millions of Canadian dollars)

	2001	2000
Assets		
Current assets:		
Cash and cash equivalents	**$ 356.6**	$ 124.6
Temporary investments (market value of $34.7 million ($176.2 million in 2000))	**33.0**	176.2
Accounts receivable (note 9)	**928.1**	1,093.0
Income taxes receivable	**12.8**	–
Amounts receivable from non-consolidated subsidiaries	**12.0**	24.5
Inventories (note 10)	**766.4**	796.8
Investments in subsidiaries held for resale (note 11)	**–**	394.6
Prepaid expenses	**61.6**	55.7
Future income taxes (note 6)	**114.7**	87.1
	2,285.2	2,752.5
Portfolio investments (market value of $564.2 million ($720.6 million in 2000))	**376.0**	398.4
Property, plant and equipment (note 12)	**6,012.6**	4,378.6
Investments in non-consolidated subsidiaries (note 2)	**40.6**	4,875.2
Goodwill, net of accumulated amortization of $664.2 million ($315.8 million in 2000)	**10,220.0**	4,802.5
Future income taxes (note 6)	**84.9**	92.0
Other assets	**493.9**	304.1
	$ 19,513.2	$ 17,603.3
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	**$ 38.2**	$ 20.0
Accounts payable and accrued charges	**2,322.0**	2,037.6
Income and other taxes	**55.3**	9.0
Future income taxes	**1.0**	–
Current portion of long-term debt and convertible notes (notes 13 and 15)	**113.6**	2,471.7
	2,530.1	4,538.3
Long-term debt (note 13)	**7,993.5**	4,333.5
Redeemable preferred shares (note 14)	**232.6**	–
Convertible notes (note 15)	**180.2**	158.9
Other liabilities (note 16)	**448.6**	482.8
Future income taxes (note 6)	**747.0**	695.2
Non-controlling interest (note 17)	**4,809.7**	4,602.4
Shareholders' equity:		
Capital stock (note 18)	**348.5**	348.5
Retained earnings	**2,161.0**	2,427.9
Translation adjustment (note 19)	**62.0**	15.8
	2,571.5	2,792.2
Commitments and contingencies (note 20)		
	$ 19,513.2	$ 17,603.3

See accompanying notes to consolidated financial statements.

On behalf of the Board of Directors,

Jean Neveu, Director

Pierre Laurin, Director

Years ended December 31, 2001, 2000 and 1999
(in millions of Canadian dollars)

The Company operates in the following industry segments: Printing, Cable Television, Newspapers, Broadcasting, Leisure and Entertainment, Business Telecommunications, Web Integration/Technology and Internet/Portals. The Printing segment includes the printing of magazines, inserts, circulars, catalogues, books, specialty printing, direct mail, directories and provides digital premedia services and logistics. This segment operates in the United States, Canada, Europe, Latin America and India. The Cable Television segment offers services in television distribution in Canada and also operates in the Internet access industry. The Newspapers segment includes the publishing and distribution of daily and weekly newspapers, principally in Canada but also in the State of Florida in the United States. The Broadcasting segment operates general-interest French-language television networks in Canada and also specialized television networks. The Leisure and Entertainment segment, which has operations solely in Canada, combines magazine and book publishing, retail sales and rental of videocassettes, DVD and games, and book and music distribution. The Business Telecommunications segment operates in Canada and offers to enterprises, through its network, business to business connection, Internet connection, Websites hosting and telephone services. 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, Europe and Latin America. 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, reserve for restructuring of operations and other special charges, gains on sale of shares and gains on dilution.

The accounting policies of each segment are identical to the accounting policies used for the consolidated financial statements.

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

INDUSTRY SEGMENTS

	2001	**2001 (Pro forma note 2)**	2000	1999
Revenues				
Printing	**$ 9,786.7**	**$ 9,786.7**	$ 9,683.1	$ 7,361.5
Cable Television	**476.5**	**709.6**	–	–
Newspapers	**838.1**	**838.1**	850.1	827.1
Broadcasting	**153.6**	**361.7**	59.9	48.6
Leisure and Entertainment	**260.1**	**260.1**	225.4	209.2
Business Telecommunications	**14.6**	**14.6**	–	–
Web Integration/Technology	**129.1**	**129.1**	127.5	21.5
Internet/Portals	**27.4**	**27.4**	11.6	3.6
Head Office	**6.5**	**6.5**	–	–
Intersegment:				
Printing	**(29.3)**	**(29.3)**	(28.2)	(25.7)
Other	**(30.0)**	**(35.1)**	(14.6)	(5.5)
	$ 11,633.3	**$ 12,069.4**	$ 10,914.8	$ 8,440.3

	2001	**2001 (Pro forma note 2)**	2000	1999
Operating income before amortization, financial expenses, reserve for restructuring of operations and other special charges, gains on sale of shares and gains on dilution				
Printing	**$ 1,479.7**	**$ 1,479.7**	$ 1,588.7	$ 1,127.4
Cable Television	**183.1**	**271.9**	–	–
Newspapers	**200.8**	**200.8**	205.3	187.4
Broadcasting	**28.0**	**68.8**	(3.4)	(7.8)
Leisure and Entertainment	**28.8**	**28.8**	17.9	8.9
Business Telecommunications	**4.1**	**4.1**	–	–
Web Integration/Technology	**(15.4)**	**(15.4)**	0.1	1.3
Internet/Portals	**(21.5)**	**(21.5)**	(21.6)	(10.4)
	1,887.6	**2,017.2**	1,787.0	1,306.8
General corporate income	**2.1**	**2.1**	3.1	2.5
	$ 1,889.7	**$ 2,019.3**	$ 1,790.1	$ 1,309.3

Years ended December 31, 2001, 2000 and 1999
(in millions of Canadian dollars)

INDUSTRY SEGMENTS (continued)

	2001	2001 (Pro forma note 2)	2000	1999
Amortization				
Printing	$ 523.1	$ 523.1	$ 512.4	$ 427.7
Cable Television	100.2	139.2	–	–
Newspapers	25.7	25.7	25.7	26.3
Broadcasting	5.8	15.5	2.9	2.5
Leisure and Entertainment	13.6	13.6	4.9	3.7
Business Telecommunications	5.9	5.9	–	–
Web Integration/Technology	5.4	5.4	4.1	1.1
Internet/Portals	6.7	6.7	4.4	1.3
Head Office	3.6	3.6	0.6	0.1
	$ 690.0	$ 738.7	$ 555.0	$ 462.7

	2001	2001 (Pro forma note 2)	2000	1999
Additions to property, plant and equipment				
Printing	$ 430.9	$ 430.9	$ 359.6	$ 289.4
Cable Television	84.0	126.4	–	–
Newspapers	19.2	19.2	19.8	13.9
Broadcasting	3.7	7.5	3.8	9.0
Leisure and Entertainment	10.1	10.1	6.0	6.2
Business Telecommunications	4.2	4.2	–	–
Web Integration/Technology	3.6	3.6	9.0	3.2
Internet/Portals	0.9	0.9	6.4	1.9
Head Office	0.3	0.3	0.4	10.1
	$ 556.9	$ 603.1	$ 405.0	$ 333.7

	2001	2000
Assets		
Printing	$ 9,845.4	$ 9,719.2
Cable Television	6,061.0	–
Newspapers	1,485.4	1,164.4
Broadcasting	501.5	87.8
Leisure and Entertainment	151.0	150.0
Business Telecommunications	589.3	–
Web Integration/Technology	150.3	219.5
Internet/Portals	92.3	254.7
Investments in non-consolidated subsidiaries (note 2)	40.6	4,875.2
Head Office	596.4	1,132.5
	$ 19,513.2	$ 17,603.3

Segmented Information (continued)

Years ended December 31, 2001, 2000 and 1999
(in millions of Canadian dollars)

GEOGRAPHIC SEGMENTS

	2001	2001 (Pro forma note 2)	2000	1999
Revenues generated by:				
Canadian operations	**$ 3,460.6**	**$ 3,896.6**	$ 2,710.4	$ 2,503.3
United States operations	**6,491.4**	**6,491.4**	6,676.5	4,388.6
European operations	**1,430.7**	**1,430.7**	1,361.2	1,406.6
Latin American operations	**249.9**	**249.9**	166.3	142.4
Other	**0.7**	**0.7**	0.4	(0.6)
	$ 11,633.3	**$ 12,069.3**	$ 10,914.8	$ 8,440.3

	2001	2001 (Pro forma note 2)	2000	1999
Operating income before amortization, financial expenses, reserve for restructuring of operations and other special charges, gains on sale of shares and gains on dilution:				
Canada	**$ 662.2**	**$ 791.7**	$ 426.6	$ 389.8
United States	**1,049.9**	**1,049.9**	1,127.6	696.8
Europe	**162.0**	**162.0**	169.6	180.1
Latin America	**28.8**	**28.8**	18.0	20.0
Other	**(15.2)**	**(15.2)**	45.2	20.1
	1,887.7	**2,017.2**	1,787.0	1,306.8
General corporate income	**2.1**	**2.1**	3.1	2.5
	$ 1,889.8	**$ 2,019.3**	$ 1,790.1	$ 1,309.3

Years ended December 31, 2001 and 2000
(in millions of Canadian dollars)

GEOGRAPHIC SEGMENTS (continued)

	2001	2000
Property, plant and equipment		
Canada	**$ 2,340.4**	$ 865.9
United States	**2,884.6**	2,845.7
Europe	**618.7**	598.4
Latin America	**175.7**	76.5
Other	**(6.8)**	(7.9)
	6,012.6	4,378.6
Goodwill		
Canada	**6,342.0**	1,166.9
United States	**3,433.9**	3,189.4
Europe	**430.6**	441.5
Latin America	**29.3**	21.0
Other	**(15.8)**	(16.3)
	10,220.0	4,802.5
Other assets		
Canada	**1,841.1**	6,667.6
United States	**857.5**	1,044.1
Europe	**229.0**	437.7
Latin America	**190.8**	119.4
Other	**162.2**	153.4
	3,280.6	8,422.2
	$ 19,513.2	$ 17,603.3

Years ended December 31, 2001, 2000 and 1999
(Tabular amounts are expressed in millions of Canadian dollars)

Quebecor Inc. is incorporated under the laws of Québec.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements are prepared in conformity with Canadian generally accepted accounting principles.

(a) Changes in accounting policies

The Company had made certain changes in accounting policies to conform to new accounting standards.

i) Earnings per share

In 2001, the Company has adopted retroactively the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") dealing with earnings per share. These new recommendations of the *CICA Handbook* harmonize the Canadian standards with the United States standards. The standard requires the disclosure of the calculation of basic and diluted earnings per share and the use of the treasury stock method for calculating the dilutive impact of stock options outstanding. This restatement did not have a significant impact on the diluted earnings per share.

(ii) Transfer of receivables

In March 2001, the CICA issued the Accounting Guideline ("AcG") No. 12 *Transfers of Receivables*. The new recommendations apply to transfers after June 30, 2001, although application is permitted for transfers after March 31, 2001. The Company adopted the new recommendation prospectively. The new recommendations of *CICA Handbook* AcG-12 harmonize the Canadian standards with the United States standards. The effect of adopting the new recommendations did not have a significant impact on the consolidated balance sheets and the consolidated statements of income and cash flows as at December 31, 2001.

(iii) Change in measurement date for pension plan and postretirement benefits assets and liabilities

In 2001, the Printing segment changed the measurement date for pension and postretirement benefits plan assets and liabilities from December 31 to September 30, in accordance with Section 3461, *Employee Future Benefits*. This change had no significant effect on 2001 and prior years' pension expense.

(iv) Business combinations, goodwill and other intangible assets

In August 2001, the CICA issued Section 1581, *Business Combinations*, and Section 3062, *Goodwill and Other Intangible Assets*. The Company has adopted the recommendations of these new *CICA Handbook* sections which apply to business combinations initiated after June 30, 2001 and to business combinations consummated after June 30, 2001 that are accounted for in accordance with the purchase method. In accordance with Section 3062, goodwill and intangible assets with indefinite useful lives are not amortized and other identified intangible assets are amortized.

For purchase business combinations consummated on or before June 30, 2001, the accounting under Section 1580, *Business Combinations*, and under Section 3060, *Capital Assets*, has been applied. Under these sections, goodwill and identifiable intangible assets with an indefinite useful life are recorded and amortized until the Company adopts Section 3062 of the *Handbook*, which must be applied by the Company for the year beginning on January 1, 2002.

(b) Consolidation and long-term investments

The consolidated financial statements include the accounts of Quebecor Inc. and all its subsidiaries (the "Company"). On December 31, 2001, the investment in the non-consolidated subsidiary TQS Inc., which has its broadcasting activities controlled by a trustee, is accounted for by the equity method. On December 31, 2000, the investments in non-consolidated subsidiaries, Vidéotron ltée and Groupe TVA Inc., which operate cable television and broadcasting regulated businesses, respectively, and which were under the control of trustees until the Canadian Radio-television and Telecommunications Commission ("CRTC") had approved the acquisition of control of those businesses by the Company in 2001, were accounted for by the equity method. The investments held for resale were recorded at cost.

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.

Years ended December 31, 2001, 2000 and 1999
(Tabular amounts are expressed in millions of Canadian dollars)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Foreign currency translation

Financial statements of self-sustaining foreign operations are translated using the rate in effect at the balance sheet date for asset and liability items, and using the average exchange rates during the year for revenues and expenses. Adjustments arising from this translation are deferred and recorded in translation adjustment 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.

(d) Use of 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. Actual results could differ from those estimates.

(e) Revenue recognition

The revenues are recognized when services are provided. At time of billing, the portion of unearned revenue is recorded under “Deferred revenue.” Amounts received, not yet provided for, are recorded under “Prepaid services.”

The Printing segment provides a wide variety of print and print-related services and products to its customers, which usually require that the specifics be agreed upon prior to the printing process. Sales are recognized by Quebecor World Inc., either when the production process is completed or services are performed, or on the basis of production and service activity at the pro rata billing value of work completed.

Initial hook-up revenues of the Cable Television segment are recognized as revenues to the extent of direct selling costs incurred. The remainder, if any, is deferred and amortized to income over the estimated period that subscribers are expected to remain connected to the network. Direct selling costs include commissions, the portion of the salesperson’s compensation for obtaining new subscribers, local advertising targeted for acquisition of new subscribers and the cost of processing documents related to new subscribers acquired.

Revenues derived from the sale of advertising airtime of the Broadcasting segment are recognized once the broadcasting of the advertisement has occurred. Revenues provided by the sale of distribution rights, shares in productions and the broadcast of televisual products are recognized when a contract has been signed under which the distribution rights are irrevocably transferred to the licensee and when there is reasonable certainty that the revenue will be recovered. In the case of a televisual product, the revenues are recognized according to the percentage of completion. Under this method, production income and profits are recognized proportionally to the percentage of completion of work. The non-cash portion of these revenues is presented under the «productions in progress» heading.

Operating revenues from contract services of Business Telecommunications segment are recognized over the length of the contract using straight-line method.

The Web Integration/Technology segment generates revenues primarily under long-term contracts related to the development of Web integration, e-commerce, automated publishing solutions and from engineering projects. Revenue from fixed-cost solutions or projects is recognized using the percentage-of-completion method, whereby revenue is recorded at the estimated realizable value of work completed to date. Estimated losses on contracts are recognized when they become known. Revenue from consulting and outsourcing services are generally billed based upon time incurred to perform the service. Work in process is established for services rendered which have not yet been billed. Revenue from manufacturing activities is recognized upon delivery of the product.

(f) 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.

(g) Temporary investments

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

Years ended December 31, 2001, 2000 and 1999
(Tabular amounts are expressed in millions of Canadian dollars)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Trade receivables

Any gains or losses on the sale of trade receivables are calculated by comparing the carrying amount of the trade receivables sold to the total of the cash proceeds on sale and the fair value of the retained interest in such receivables on the date of transfer. Fair values are determined on a discounted cash flow basis. Costs including loss on sale related to the sale of accounts receivable are recognized in earnings in the period incurred and included in financial expenses.

(i) 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.

(j) Investment in televisual products and movies

(i) Programs produced and productions in progress

Programs produced and productions in progress relate to broadcast activities. Programs produced and productions in progress are accounted for at the lower of cost and net realizable value. Cost includes direct charges for goods and services and the share of labour and general expenses relating to each production. The cost of each program is charged to operating expenses when the program is broadcast or when a loss can be estimated.

(ii) Broadcast rights

Broadcast rights are essentially contractual rights allowing limited or unlimited broadcast of televisual products or movies. These broadcast rights, along with the corresponding liability, are recorded at the time the license contract comes into effect and the product is ready for broadcast. These rights are amortized upon the broadcast of televisual products and movies, over the estimated number of screenings, using a depreciation method based on estimated potential revenues. The value of broadcasting rights is reduced when a permanent impairment in value is recognized.

(iii) Productions and distribution rights

Productions and distribution rights refer to the production and distribution of televisual products and movies. Productions and distribution rights are valued at the lower of amortized cost and net realizable value. The cost includes production cost and costs attributable to editing and other activities that provide a future economic benefit. The net realizable value of productions and distribution rights represents the subsidiary's share of future estimated revenues to be derived, net of future costs. Productions and distribution rights are amortized according to the proportion of gross revenue earned to total forecasted gross revenue. Estimates of revenues are examined periodically by management and revised, as necessary, based on management's assessment of current market conditions. The value of amortized costs is reduced to net realizable value, as necessary, based on the assessment. The amortization of productions and distributions rights is included in operating expenses.

(k) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under the asset and liability method, future income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement 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. The effect on future income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment or substantively enactment date. Future income tax assets are recognized and, if realization is not considered "more likely than not", a valuation allowance is provided.

Years ended December 31, 2001, 2000 and 1999
(Tabular amounts are expressed in millions of Canadian dollars)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) 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 represents acquisition or construction costs, including preparation, installation and testing charges and interest incurred with respect to the property, plant and equipment until they are ready for commercial production. Concerning construction and connecting programs for the receiving and distribution networks of cable television, cost includes equipment, direct labour, administrative overhead and financial expenses relating to the projects to construct and connect receiving and distribution networks. Expenditures for additions, improvements and replacements are capitalized, whereas maintenance and repair expenditures are charged to operating expenses. Once fully amortized, the cost and the related accumulated amortization are written off the books.

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

Asset	Estimated useful life
Buildings	15 to 40 years
Machinery and equipment	3 to 20 years
Receiving, distribution and telecommunications networks	3 to 20 years

Leasehold improvements are amortized over the terms of the leases.

(m) Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets of acquired businesses. Goodwill acquired until June 30, 2001 is amortized using the straight-line method over the expected period to be benefited, which is 10 to 40 years. Goodwill, resulting from the purchase of business combinations that were consummated after June 30, 2001, is not amortized. 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.

(n) Deferred charges

Deferred charges are recorded at cost and include development costs related to new specialty services and pre-operating expenditures that are amortized when commercial operations begin using the straight-line method over periods of three to five years. Management reviews periodically the value and amortization period of deferred charges. A permanent decline, as the case may be, will be determined based on future undiscounted cash flows.

(o) Broadcasting licenses

Licenses represent the acquisition cost of acquiring rights to operate broadcasting stations. The Company amortized its broadcasting licenses using the straight-line method over a 40-year period. Management reviews periodically the unamortized amount of its licenses to determine whether it will be able to recover them in the long-term, by comparing them to future undiscounted cash flows. The value of licenses is reduced when a permanent impairment in value is recognized.

(p) Exchangeable debentures

The carrying amount of the exchangeable debentures is based on the market price, at the balance sheet date, of the underlying 12.5 million subordinate shares of Quebecor World Inc. and of the 44.8 million common shares of Abitibi-Consolidated Inc. ("the underlying shares") that would have satisfied the debentures' liability if the Company had elected to settle the debentures with the underlying shares as at December 31, 2001.

At maturity, each exchangeable debenture is exchangeable for the underlying shares based on a fixed conversion factor determined at the date the debentures were issued. The Company has the option to deliver cash equivalents based on the market price of the underlying shares at the time of exchange, or a combination of cash and shares.

As it is contemplated that the underlying shares will be transferred by the Company to the exchangeable debenture holders to satisfy the liability, hedge accounting is used. Accordingly, the difference between the carrying amount of the debentures at the balance sheet date and the original amount of the exchangeable debentures is recorded as a deferred amount until there is a redemption or at maturity of the exchangeable debentures, when a realized gain or loss on the underlying shares will be recorded. The deferred amount is recorded against the amount of the exchangeable debentures.

Years ended December 31, 2001, 2000 and 1999
(Tabular amounts are expressed in millions of Canadian dollars)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Derivative financial instruments

The Company used various derivative financial instruments to reduce its exposure to fluctuations in foreign currency exchange rates and interest rates. For interest rate instruments, the difference to be paid or received, which fluctuates according to market interest rate fluctuations, is recognized as interest expense. For currency instruments, a change in hedging item value will be recognized in earnings at the same moment of the change in value of the hedged item. If the hedging ends before the fixed maturity date, the gain or loss is recognized on the foreseen residual term of the hedging if the hedged item still exists. If the hedged item does not exist any more, the gain or loss is recognized immediately in earnings. The Company does not hold or issue any derivative financial instruments for speculative trading purposes.

(r) Pension plans and postretirement benefits

(i) Pension plans

Pension plan costs are determined using actuarial methods and are funded through contributions determined in accordance with the projected benefit method pro rated on service. Pension plan expense is charged to operations and includes:

– The cost of pension plan benefits provided in exchange for employees' services rendered during the year;

– The amortization of the initial net transition asset on a straight-line basis over the expected average remaining service life of the employee group covered by the plans;

– The amortization of prior service costs over the expected average remaining service life of the employee group covered by the plans; and

– The interest cost of pension plan obligations, the return on pension fund assets, and the amortization of cumulative unrecognized net actuarial gains and losses in excess of 10% of the greater of the benefit obligation or fair value of plan assets over the expected average remaining service life of the employee group covered by the plans.

(ii) Postretirement benefits

The Company accrues the cost of postretirement benefits other than pensions. These benefits, which are funded by the Company as they become due, include life insurance programs and medical benefits. The Company amortizes the cumulative unrecognized net actuarial gains and losses in excess of 10% of the projected benefit obligation over the expected average remaining service life of the employee group covered by the plans.

(s) 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:

(i) acquire Treasury shares at the corresponding option exercise price;

or

(ii) 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 (ii) 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.

(t) Environmental expenditures

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and which are not expected to contribute to current or future operations are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are likely, and when the costs, based on a specific plan of action in terms of the technology to be used and the extent of the corrective action required, can be reasonably estimated.

(u) Comparative figures

Certain comparative figures for the years 2000 and 1999 have been reclassified to conform with the presentation adopted for the year ended December 31, 2001.

Years ended December 31, 2001, 2000 and 1999
(Tabular amounts are expressed in millions of Canadian dollars)

2. INVESTMENTS IN NON-CONSOLIDATED SUBSIDIARIES

On October 23, 2000, Quebecor Media Inc., a subsidiary of Quebecor Inc., purchased all the shares of Le Groupe Vidéotron ltée. The change in control of the Cable Television segment and of TVA Group Inc. was subject to the approval of the Canadian Radio-television and Telecommunications Commission ("CRTC") and, accordingly, the investments in these subsidiaries were accounted for using the equity method. Since May and September 2001, respectively, Quebecor Media Inc. has consolidated the assets, liabilities and results of operations of its Cable Television segment and TVA Group Inc., as the approval of the CRTC for the transfer of the control of these businesses has been obtained.

Investments in previously non-consolidated subsidiaries were replaced by the following assets and liabilities at the moment of transfer of control of the Cable Television segment and TVA Group Inc. The following table presents these assets and liabilities at the date of transfer of the control in 2001 and as at December 31, 2000:

	2001	2000
Assets:		
Current assets	**$ 274.7**	$ 363.7
Property, plant and equipment	**1,303.9**	1,289.1
Goodwill	**4,840.0**	4,945.0
Other assets	**210.0**	182.5
	6,628.6	6,780.3
Liabilities:		
Current liabilities	**386.4**	331.6
Long-term debt	**1,017.2**	1,104.1
Future income taxes	**264.5**	237.8
Non-controlling interest	**103.6**	231.6
	1,771.7	1,905.1
Net assets	**$ 4,856.9**	$ 4,875.2

In September 2001, at the moment of the acquisition of control of TVA Group Inc., the Company transferred the control of its subsidiary TQS Inc., held at 86.02%, to a trustee within the context of the eventual disposal of TQS Inc. Accordingly, the investment in this subsidiary is now accounted for by the equity method. At the time of transfer, assets and liabilities of TQS Inc. were respectively $80.9 and $39.4 million.

At this date, the Company concluded an agreement to sell its investment in TQS Inc. to a third party for an amount of $62.0 million plus amounts receivable from this subsidiary up to $12.0 million. This transaction was approved by the CRTC in December 2001, but not completed before December 31, 2001.

Years ended December 31, 2001, 2000 and 1999
(Tabular amounts are expressed in millions of Canadian dollars)

2. INVESTMENTS IN NON-CONSOLIDATED SUBSIDIARIES (continued)

Operating results of non-consolidated subsidiaries for the years ended December 31, 2001 and 2000 are presented below. These results include results of periods for which the Company did not have the ability to exercise control on non-consolidated subsidiaries.

	2001	2000
Revenues	**$ 463.1**	$ 211.1
Operating expenses	**333.3**	151.2
Amortization	**49.8**	24.7
Financial expenses	**29.8**	14.1
Income before income taxes	**50.2**	21.1
Income taxes (credit) (1)	**21.8**	(7.5)
	28.4	28.6
Non-controlling interest	**(4.4)**	(4.0)
Income before amortization of goodwill	**24.0**	24.6
Amortization of goodwill, net of non-controlling interest	**(41.5)**	(24.3)
Net (loss) income and equity (loss) income from non-consolidated subsidiaries	**$ (17.5)**	$ 0.3

(1) Includes an adjustment in 2000 to reflect the reduction in income tax rates.

Given the magnitude of the acquisition of Le Groupe Vidéotron ltée, on October 23, 2000, and due to the fact that Quebecor Media Inc. did not control the regulated subsidiaries, the purchase price allocation had not been finalized as at December 31, 2000. During the year ended December 31, 2001, CRTC approval for the transfer of the control of the regulated operations of cable television and broadcasting was obtained, and the purchase price allocation finalized. This final allocation results in a reduction of deferred charges for $7.5 million, of property, plant and equipment for $46.3 million and of other assets for $14.1 million. The current liabilities have increased by $38.2 million and the future income tax liabilities have been reduced by $19.7 million, resulting in an additional goodwill of $86.4 million.

The statements of income and cash flows and also the segmented information for the period ended December 31, 2001 include pro forma columns that give effect to the approvals from CRTC as if they had occurred on January 1, 2001 and, accordingly, to the consolidation of the Cable Television segment and TVA Group Inc. into Quebecor Media Inc. from January 1, 2001.

Years ended December 31, 2001, 2000 and 1999
(Tabular amounts are expressed in millions of Canadian dollars)

3. FINANCIAL EXPENSES

	2001	2000	1999
Interest on long-term debt and convertible notes	$ 606.5	$ 398.7	$ 246.7
Interest on bank indebtedness	12.1	10.7	20.6
Securitization fees and others	44.8	49.2	5.2
Investment income	(44.4)	(20.0)	(0.5)
Amortization of deferred financing costs and long-term debt discount	65.6	15.7	3.6
Other	0.7	(1.7)	(7.5)
	685.3	452.6	268.1
Interest capitalized to the cost of property, plant and equipment and to investments	(31.8)	(13.3)	(9.1)
	$ 653.5	$ 439.3	$ 259.0

4. RESERVE FOR RESTRUCTURING OF OPERATIONS AND OTHER SPECIAL CHARGES

This item includes the following:

(a) Printing segment

2001 restructuring initiative

In response to difficult market conditions, Quebecor World Inc. has committed itself to new restructuring initiatives aimed at eliminating non-competitive assets and consolidating the platform into fewer facilities. These initiatives focus the subsidiary's efforts on reducing operating expenses and maximizing capacity utilization in larger and more specialized facilities.

Therefore, Quebecor World Inc. has recorded restructuring and other charges of US$261.6 million. The restructuring plan consists of US$114.0 million relating primarily to property, plant and equipment impaired as a result of planned facility closures, together with other associated closure costs, US$115.5 million in workforce reduction costs resulting from planned closures and other headcount reductions and other restructuring charges, and US$32.1 million of other related restructuring and exit costs.

The other special charges of US$32.1 million, include an additional charge of US$13.1 million relating to an increase in costs associated with implementing the 1999 restructuring plan, and to the costs of exiting unfavorable contracts.

In 2001, Quebecor World Inc. utilized US$179.7 million of the restructuring and other charges which consisted of severance payments of US$31.0 million for employees terminated during the year and other restructuring charges, US$114.0 million for facility closings and US$34.7 million for other special charges.

Quebecor World Inc. foresees the 2001 restructuring plan to be substantially completed by September 2002.

1999 and 2000 restructuring initiatives

In 1999, following the acquisition of World Color Press, Inc. ("WCP"), Quebecor World Inc. initiated a program to realign its worldwide manufacturing capacity, consolidate its administrative offices, and streamline the subsidiary's overhead structure in order to reduce operating expenses. The restructure plan consisted of US$99.8 million of property, plant and equipment impaired as a result of the decision to close several facilities; US$63.3 million in workforce reduction costs arising from the facility closures and the consolidation of duplicated sales and administrative functions, and US$16.9 million of other special charges.

Years ended December 31, 2001, 2000 and 1999
(Tabular amounts are expressed in millions of Canadian dollars)

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

(a) Printing segment (continued)

1999 and 2000 restructuring initiatives (continued)

In 2000, as a result of changing market conditions, and particularly strong growth in North American volumes, Quebecor World Inc. decided not to implement some planned facility closures, but concluded that other restructuring initiatives relating to Europe and its digital strategy should be recorded. These initiatives consisted of US$10.1 million of asset write-downs, utilized in 2000, and US$17.9 million of severance costs, of which US$3.4 million was utilized in 2000.

Property, plant and equipment impaired in 1999 was US$11.6 million, with US$81.9 million impaired in 2000 and US$16.4 million reversal. US$9.3 million of other special charges were incurred in 1999, with the balance being utilized in 2000. Workforce reduction costs and other restructuring costs of US$9.1 million were incurred in 1999, US$41.5 million in 2000 and with US$12.3 million reversed, and the balance being incurred in 2001.

In 2001, Quebecor World Inc. utilized US$12.7 million of restructuring and other charges which consisted of severance payments of US$10.4 million for employees terminated during the year, and US$2.3 million for facility closings.

These restructuring plans initiated in 1999 and 2000 have been substantially completed.

The following table sets forth the subsidiary's 2001 restructuring reserve and activity against the reserves carried forward from 2000 and the 2001 reserve:

	Write-down of assets	Restructuring charges	Other special charges	Total
Balance as at December 31, 2000	$ –	$ 26.4	$ –	$ 26.4
Additional reserve	176.6	178.9	49.6	405.1
Utilized in 2001:				
Cash	–	(48.0)	(9.4)	(57.4)
Non-cash	(176.6)	–	(26.3)	(202.9)
Reversal:				
Cash	–	(5.0)	–	(5.0)
Translation adjustment	–	4.3	0.4	4.7
Balance as at December 31, 2001	$ –	$ 156.6	$ 14.3	$ 170.9

(b) Newspapers segment:

The Newspapers segment has recorded, during the year ended December 31, 2001, a reserve for restructuring of operations due to market conditions prevailing in this business segment. This reserve has been set up as a result of a workforce reduction and amounts to $17.8 million. This reduction affects all geographic areas and all departments of the segment as well as employees at all levels. This reserve includes mainly amounts that will be paid for severance pay, related employee benefits and other amounts payable to these employees. As at December 31, 2001, an amount of $5.1 million still remains recorded in the accounts payable and accrued charges regarding this reserve for restructuring of operations. The remaining balance is expected to be paid within one year.

Years ended December 31, 2001, 2000 and 1999
(Tabular amounts are expressed in millions of Canadian dollars)

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

(c) Web Integration / Technology

During the year ended December 31, 2001, the Web Integration / Technology segment recorded a reserve for restructuring of operations as well as a workforce reduction in order to improve the profitability and efficiency of the test engineering and real-time communication solutions. The reserve for restructuring amounts to $11.5 million and includes mainly severance pay, cancellation of leases, write-off of certain assets and a write-off of a portion of the non-monetary compensation charge, in the amount of $7.8 million, following the departure of certain employees who have left the subsidiary following the workforce reduction program. During the year ended December 31, 2001, Nurun Inc. used $13.1 million of the reserve for restructuring of operations. As at December 31, 2001, an amount of $1.4 million is still included in the accounts payable and accrued charges regarding this reserve for restructuring of operations. The remaining balance is expected to be paid within one year.

During the year ended December 31, 2001, the Web Integration / Technology segment recorded non-monetary compensation charges of $17.6 million ($40.2 million in 2000) relative to escrowed shares to be remitted to selling shareholders of acquired companies. The escrowed shares are transferred when the minimal period of employment from selling shareholders ends.

During the year ended December 31, 2000, management decided to close certain business units and recorded a reserve of $1.6 million in relation thereto.

(d) Internet / Portals

During the year ended December 31, 2001, the Internet / Portals segment recorded a reserve for restructuring of operations of $5.4 million. The reserve is in connection with the reorganization of the management structure, the European operations, six Canadian regional sites and a workforce reduction. This reserve included costs connected to severance pay to employees, the cost relative to a lease, and an asset write-off. As at December 31, 2001, the entire reserve for restructuring of operations had been paid.

During the year ended December 31, 2000, management had to record a restructuring charge of $8.2 million following the decision to reduce its workforce and due to write-down of equipment and other assets that will no longer be used in future operations of the Internet / Portals segment.

(e) Head office and others

A write-down of temporary investments and other assets of $99.8 million ($58.6 million in 2000) was recognized to record these assets at the lower of cost and fair market value. In 2000, 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 and Head Office recorded write-offs and write-downs of assets, principally equipment, which suffered a permanent decline in their net recoverable amount, which totalled $5.9 million.

(f) Write-down of goodwill

During 2001, management determined, given the economic slowdown, that a portion of the goodwill related to different business units of the Web Integration / Technology segment had to be written down. In 2000, a write-down was also taken, following the decision to close business units in this segment. A total amount of $28.5 million ($72.9 million in 2000), before the non-controlling interest of $21.1 million ($42.5 million in 2000) was recorded. Also, the Internet / Portals proceeded to do an analysis of its undiscounted expected future cash flows to take into consideration revised expectations for this segment. In 2001, goodwill was reduced by $118.5 million ($54.0 million in 2000) before the non-controlling interest of $57.4 million ($23.3 million in 2000). 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.

5. GAINS ON SALE OF SHARES OF A SUBSIDIARY AND OF A PORTFOLIO INVESTMENT

During the year ended December 31, 2001, the Company sold 4.0 million common shares of Abitibi-Consolidated Inc. for a cash consideration of $49.5 million or $12.38 a share. The gain on disposal amounted to $20.8 million. The cash proceeds have been used to reduce a portion of the non-revolving bank credit facility of Quebecor Inc.

During the year ended December 31, 2001, the Company sold 2.5 million shares of Quebecor World Inc. for a cash consideration of $85.0 million or $34.00 a share. The gain on disposal amounted to $23.9 million. The cash proceeds have been used to reduce a portion of the non-revolving bank credit facility of Quebecor Inc.

Years ended December 31, 2001, 2000 and 1999
(Tabular amounts are expressed in millions of Canadian dollars)

6. INCOME TAXES

The domestic and foreign components of income before income taxes are as follows:

	2001	2000	1999
Domestic	$ (158.9)	$ 798.5	$ 478.6
Foreign	199.1	707.4	212.1
	$ 40.2	$ 1,505.9	$ 690.7

Total income tax expense was allocated as follows:

	2001	2000	1999
Income taxes	$ 76.1	$ 227.9	$ 91.3
Goodwill amortization	(8.1)	(5.5)	(1.1)
Discontinued operation	–	121.9	74.2
Goodwill, for initial recognition of acquired tax benefits that previously were included in the valuation allowance	–	–	(0.5)
	$ 68.0	$ 344.3	$ 163.9

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

	2001	2000	1999
Current:			
Domestic	$ 82.1	$ 32.5	$ 32.7
Foreign	68.1	54.4	70.8
	150.2	86.9	103.5
Future:			
Domestic	(18.8)	5.7	10.3
Foreign	(55.3)	135.3	(22.5)
	(74.1)	141.0	(12.2)
	$ 76.1	$ 227.9	$ 91.3

Years ended December 31, 2001, 2000 and 1999
(Tabular amounts are expressed in millions of Canadian dollars)

6. INCOME TAXES (continued)

The following table reconciles the difference between the domestic statutory tax rate and the effective tax rate used by the Company and its subsidiaries in the determination of the consolidated net (loss) income:

	2001	2000	1999
Domestic statutory tax rate	**61.2 %**	40.4 %	43.5 %
Effect of foreign tax rate difference	**(32.1)**	(14.3)	(11.6)
	29.1	26.1	31.9
Increase (reduction) resulting from:			
Effect of non-deductible charges and/or resulting from tax rate reduction	**(28.4)**	3.3	–
Effect of non-taxable revenues	**(32.7)**	–	–
Change in valuation allowance	**160.4**	2.1	(2.0)
Large corporation and state taxes	**37.8**	2.3	3.2
Other	**24.2**	(0.8)	(4.0)
Effective tax rate before the following item	**190.4**	33.0	29.1
Effect of the non-taxable gains on dilution	**(1.4)**	(17.9)	(15.9)
Effective tax rate	**189.0 %**	15.1 %	13.2 %

The statutory tax rate for 2001 reflects the situation whereby some entities of the consolidated group realized income before income taxes while other consolidated entities, some of which are located in other jurisdictions, incurred losses before income taxes.

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

	2001	2000
Future tax assets:		
Loss carryforwards in the future	**$ 361.6**	$ 135.0
Tax credit carryforwards	**67.4**	70.4
Acquisition and reserve for restructuring of operations	**85.7**	84.9
Pension expenses and postretirement benefits	**117.8**	102.0
Accrued compensation	**31.6**	53.3
Goodwill and intangible assets	**1.6**	34.9
Other	**120.2**	105.2
	785.9	585.7
Valuation allowance	**(240.1)**	(72.3)
	545.8	513.4
Future tax liabilities:		
Differences between book and tax bases of property, plant and equipment	**(813.1)**	(720.6)
Differences between book and tax bases of investments	**(94.6)**	(116.0)
Other	**(186.5)**	(192.9)
	(1,094.2)	(1,029.5)
Net future tax liabilities	**$ (548.4)**	$ (516.1)

Years ended December 31, 2001, 2000 and 1999
(Tabular amounts are expressed in millions of Canadian dollars)

6. INCOME TAXES (continued)

The current and long-term future tax assets and liabilities are as follows:

	2001	2000
Future tax assets:		
Current	**$ 114.7**	$ 87.1
Long-term	**84.9**	92.0
	199.6	179.1
Future tax liabilities:		
Current	**(1.0)**	–
Long-term	**(747.0)**	(695.2)
	(748.0)	(695.2)
Net future tax liabilities	**$ (548.4)**	$ (516.1)

The 2001, 2000 and 1999 amounts above include a valuation allowance of $240.1 million, $72.3 million and $57.3 million respectively, relating to loss carryforwards and other tax benefits available. The net change in the total valuation allowance for the year ended December 31, 2001 is the result, among other things, of an amount of $64.5 million recorded in the statement of income and $72.7 million from consolidation of previously non-consolidated subsidiaries and $27.0 million from tax reorganization. In 2000, the net change in the valuation allowance is the result of $16.1 million allocated to income from operations.

Subsequent recognized tax benefits relating to the valuation allowance for future tax assets as at December 31, 2001 will be allocated as follows:

Income tax benefit that would be reported in the consolidated statement of income	$ 133.7
Goodwill	106.4
	$ 240.1

As at December 31, 2001, the Company had loss carryforwards for income tax purposes available to reduce future taxable income of $843.7 million, expiring from 2002 to 2011, and $316.0 million which can be carried forward indefinitely. The Company also has State net operating losses and tax credits of $236.0 million in the United States, which expire from 2002 to 2020, and federal alternative minimum tax credits of $68.9 million in the United States which can be carried forward indefinitely.

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 to sell those investments and that those undistributed earnings become taxable. Such liability is not reasonably determinable at the present time.

Years ended December 31, 2001, 2000 and 1999
(Tabular amounts are expressed in millions of Canadian dollars)

7. 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 share 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 Abitibi-Consolidated. 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 were accordingly restated. The gain on disposal amounts to $235.0 million, net of income taxes of $94.2 million.

The following table provides additional financial information related to the discontinued operation for the years ended December 31, 2000 and 1999.

Condensed Consolidated Statements of Operations

	2000	1999
Revenues	$ 760.2	$ 2,394.9
Income before income taxes	$ 89.5	$ 295.3
Income taxes	(27.7)	(74.2)
Non-controlling interest	(50.7)	(180.6)
Contribution of the discontinued operation	11.1	40.5
Gain on disposal	235.0	–
Net income from the discontinued operation	$ 246.1	$ 40.5

Years ended December 31, 2001, 2000 and 1999
(Tabular amounts are expressed in millions of Canadian dollars)

8. BUSINESS ACQUISITIONS AND DISPOSALS

Business acquisitions

During the year ended December 31, 2001, the Company acquired businesses, which have been accounted for by the purchase method. Income is included since the date of acquisition. The most significant business acquisitions are the following:

	Geographic segments	Acquired interest	Date of acquisition
Printing segment			
Espacio y Punto, S.A.	Europe	70 %	February 2001
Grafica Melhoramentos S.A.	Latin America	75 %	March 2001
Various minority interests	Latin America	–	March 2001
Retail Printing Corporation	United States	100 %	July 2001
Grupo Serla	Latin America	–	August 2001
Newspapers segment			
3535991 Canada Inc. (1) (Parent company of Sun Media Corporation)	Canada	30 %	June 2001
Web Integration / Technology segment			
Velocity Test Systems Inc.	United States	100 %	July 2001

(1) Previously owned at 70%.

In February 2001, Quebecor World Inc., in the Printing segment, acquired a 70% controlling interest in Espacio y Punto, S.A., in Spain, for a cash consideration of US$8.2 million.

In March 2001, Quebecor World Inc. acquired a 75% controlling interest in Grafica Melhoramentos S.A., in Brazil, for a cash consideration of US$3.3 million.

In March 2001, Quebecor World Inc. also acquired minority interests in its Latin American operations for a cash consideration of US$15.0 million, a convertible subordinated debenture of US$6.0 million and a promissory note of US$2.0 million.

In July 2001, Quebecor World Inc. acquired Retail Printing Corporation, in Massachusetts, United States, to expand its North American retail network for a cash consideration of US$97.6 million. The allocation purchase price process was not completed as at December 31, 2001 and the amounts assigned to the asset and liabilities may be adjusted subsequently.

In August 2001, Quebecor World Inc. purchased manufacturing assets of Grupo Serla, in Mexico, for a cash consideration of US$13.0 million.

During the year ended December 31, 2001, Quebecor World Inc. also completed other business acquisitions for a cash consideration of US$1.8 million.

During the year ended December 31, 2001, the Company has increased its interest in Quebecor World Inc. through the share repurchase and cancellation program of the subsidiary, which amounted to $258.9 million. This increase has resulted in additional goodwill in the amount of $36.4 million.

Years ended December 31, 2001, 2000 and 1999
(Tabular amounts are expressed in millions of Canadian dollars)

8. BUSINESS ACQUISITIONS AND DISPOSALS (continued)

Business acquisitions (continued)

On June 21, 2001, Quebecor Communications Inc., a wholly owned subsidiary of Quebecor Media Inc., acquired the remaining 30% interest in the parent company of Sun Media Corporation for a cash consideration of $375.0 million. The acquisition of these non-controlling interests, accounted for using the purchase method, has resulted in additional goodwill in the amount of $252.1 million.

In July 2001, Nurun Inc. acquired Velocity Test Systems Inc., in the United States, for a cash consideration of $3.2 million and a purchase price balance payable of $1.5 million.

Also, the Company has increased its interest in certain subsidiaries in the Leisure and Entertainment segment for a cash consideration of $1.1 million.

Business acquisitions are summarized as follows:

	2001	2000	1999
Assets acquired			
Cash and cash equivalents	**$ 11.7**	$ 10.8	$ 147.8
Temporary investments	**–**	222.1	–
Non-cash current operating assets	**50.6**	51.1	971.4
Investments in subsidiaries held for resale	**–**	389.0	–
Property, plant and equipment	**114.0**	66.7	1,567.6
Investments in non-consolidated subsidiaries	**–**	5,007.8	–
Goodwill	**440.8**	327.0	3,711.2
Future income taxes	**–**	22.7	58.5
Non-controlling interest	**356.0**	37.7	15.0
Other	**1.2**	85.6	109.2
Liabilities assumed			
Bank indebtedness	**(3.5)**	(346.6)	(13.1)
Non-cash current operating liabilities	**(41.4)**	(164.6)	(932.9)
Amounts payable to non-consolidated subsidiaries	**–**	(91.0)	–
Long-term debt	**(47.8)**	(9.3)	(2,112.9)
Convertible notes	**(4.0)**	–	(202.5)
Future income taxes	**(4.8)**	(0.7)	–
Non-controlling interest	**–**	(140.7)	(67.5)
Other	**(0.8)**	(0.1)	(123.3)
Net assets acquired at fair value	**$ 872.0**	$ 5,467.5	$ 3,128.5
Consideration			
Cash	**$ 862.5**	$ 5,462.2	$ 2,131.5
Notes payable	**8.0**	–	90.5
Increase in the interest of non-controlling shareholders	**–**	–	906.5
Balance of purchase price payable	**1.5**	5.3	–
	$ 872.0	$ 5,467.5	$ 3,128.5

Years ended December 31, 2001, 2000 and 1999
(Tabular amounts are expressed in millions of Canadian dollars)

8. BUSINESS ACQUISITIONS AND DISPOSALS (continued)

Business acquisitions (continued)

Goodwill for an amount of $440.8 million acquired in 2001 is attributable principally to the Newspapers segment for an amount of $252.1 million and to the Printing segment for an amount of $187.2 million.

In 1999, Quebecor World Inc. acquired World Color Press, Inc. ("WCP") for a purchase price of US$1.5 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. The adjustment related to the impairment of assets resulted in a write-off of US$52.1 million. Other costs included US$21.4 million for plant shutdowns, US$7.3 million related to workers' compensation, which was based on underestimated claims, US$21.2 million for contract termination and write-down of related assets and US$23.3 million, for other reserves recorded at acquisition. The tax impact on these adjustments was US$46.6 million.

Business disposals

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. The sale price was comprised of US$47.0 million in cash and US$21.0 million in special warrants and promissory notes convertible into Q-Media Services Corporation shares. Quebecor World Inc. realized a gain amounting to US$13.4 million, which was recorded as a reduction of selling and administrative expenses.

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

9. ACCOUNTS RECEIVABLE

	2001	2000
Trade	**$ 914.9**	$ 1,060.9
Other	**13.2**	32.1
	$ 928.1	$ 1,093.0

During 2001, 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, 2001, the amount outstanding under the Canadian Program was $116.0 million ($108.0 million as at December 31, 2000).

Quebecor World Inc. also sold a portion of its U.S. trade receivables on a revolving basis under the terms of a U.S. securitization agreement dated December 1999 (the "U.S. Program"). The program limit is US$510.0 million. As at December 31, 2001, the amount outstanding under the U.S. Program was US$500.0 million (US$500.0 million as at December 31, 2000).

In June 2001, Quebecor World Inc. entered into an agreement to sell, on a revolving basis, a portion of its French and Spanish trade receivables (the "European Program"). The European Program limit is 153.0 million euro. As at December 31, 2001, the amount outstanding under the European Program was 140.4 million euro.

Quebecor World Inc. has retained the responsibility for servicing, administering and collecting trade receivables sold. No servicing asset and liability has been recorded, since the fees Quebecor World Inc. receives for serving the receivables approximates the related costs.

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

Cash flows received from securization amounted to US$125.0 million in 2001 and US$102.7 million in 2000.

Years ended December 31, 2001, 2000 and 1999
(Tabular amounts are expressed in millions of Canadian dollars)

10. INVENTORIES

	2001	2000
Raw materials and supplies	$ 369.1	$ 379.0
Work in process	284.8	338.9
Finished goods	53.1	78.9
Investments in televisual products and movies	59.4	–
	$ 766.4	$ 796.8

11. INVESTMENTS IN SUBSIDIARIES HELD FOR RESALE

On May 15, 2001, Quebecor Media Inc. sold its interest in Protectron Inc., a company acquired through the takeover bid of Le Groupe Vidéotron ltée and which was held for resale, for net proceeds of $60.5 million.

As part of the acquisition of Le Groupe Vidéotron ltée, Quebecor Media Inc. acquired Vidéotron Télécom ltée, which operates in the Business Telecommunications segment. At the time of the acquisition, management's intention was to sell this investment; therefore, the operations of this subsidiary were not consolidated. The investment was accounted for by the cost method, representing an estimate of the net realizable value at the acquisition date.

Given the uncertainty in the telecommunications industry, Quebecor Media Inc. was unable to conclude the sale of its investment under favorable terms. Therefore, the subsidiary decided to keep and to develop its investment to its maximum potential. Following this decision, the investment in Vidéotron Télécom ltée has now been consolidated. The financial position of this subsidiary at the time management decided to keep its investment, in October 2001, and the results for the period from January 1 to October 31, 2001, given the comprehensive revaluation of assets and liabilities done following the purchase price allocation, is presented below:

Condensed Statement of Income

Period from January 1 to October 31, 2001

Revenues	**$ 82.1**
Operating expenses	**63.2**
Amortization	**29.0**
Financial revenues	**(1.1)**
Operating loss before other expenses	**(9.0)**
Other expenses	**(17.2)**
Loss before income taxes	**(26.2)**
Income taxes	**5.8**
Loss before amortization of goodwill	**(20.4)**
Amortization of goodwill	**(0.9)**
Net loss	**$ (21.3)**

Years ended December 31, 2001, 2000 and 1999
(Tabular amounts are expressed in millions of Canadian dollars)

11. INVESTMENTS IN SUBSIDIARIES HELD FOR RESALE (continued)

Condensed Balance Sheet
October 31, 2001

Assets	
Current assets	**$ 68.1**
Other assets	**45.1**
Property, plant and equipment	**242.8**
Goodwill	**267.6**
	623.6
Liabilities	
Current liabilities	**28.0**
Long-term debt	**0.3**
Future income taxes	**4.5**
Redeemable preferred shares	**229.2**
	262.0
Net assets	**$ 361.6**

12. PROPERTY, PLANT AND EQUIPMENT

			2001
	Cost	**Accumulated amortization**	**Net amount**
Land	**$ 171.8**	**$ –**	**$ 171.8**
Buildings and leasehold improvements	**1,366.6**	**261.3**	**1,105.3**
Machinery and equipment	**5,738.4**	**2,337.1**	**3,401.3**
Receiving, distribution and telecommunication networks	**1,152.5**	**56.5**	**1,096.0**
Projects under development	**238.2**	**–**	**238.2**
	$ 8,667.5	**$ 2,654.9**	**$ 6,012.6**

			2000
	Cost	Accumulated amortization	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

Years ended December 31, 2001, 2000 and 1999
(Tabular amounts are expressed in millions of Canadian dollars)

12. PROPERTY, PLANT AND EQUIPMENT (continued)

As at December 31, 2001, the cost of property, plant and equipment and the corresponding accumulated amortization balance included amounts of $465.1 million ($404.1 million as at December 31, 2000) and $236.6 million ($195.7 million as at December 31, 2000), respectively, for assets held under capital leases. Depreciation expenses of property, plant and equipment held under capital leases amounted to $27.0 million in 2001 ($23.8 million in 2000 and $27.3 million in 1999).

13. LONG-TERM DEBT

	Effective interest rate as at December 31, 2001		Years of maturity	2001	2000
Quebecor Inc.					
Revolving bank credit facility (i)	5.59 to 6.50	%	2003	**$ 213.4**	$ 122.0
Exchangeable debentures (ii)	3.70	%	2026	**425.0**	–
Exchangeable debentures (iii)	4.74	%	2026	**554.9**	–
Non-revolving bank credit facility (iv)	–		–	**–**	900.0
Other debt	6.15	%	2002	**7.9**	8.9
				1,201.2	1,030.9
Quebecor World Inc. and its subsidiaries (v)					
Revolving bank credit facility (vi)	2.76 to 3.04	%	2005-2007	**426.0**	561.7
Commercial paper (vii)	2.30 to 4.00	%	2005-2007	**233.8**	322.5
Acquisition bank credit facility (viii)	–		2002	**–**	187.4
Senior subordinated notes (ix)	8.38	%	2008	**411.2**	388.1
Senior subordinated notes (x)	7.75	%	2009	**463.9**	435.6
Senior debentures (xi)	7.25	%	2007	**238.5**	224.9
Senior debentures (xii)	6.50	%	2027	**238.5**	224.9
Senior notes (xiii)	8.42 and 8.52	%	2010-2012	**397.6**	374.9
Senior notes (xiv)	8.54 and 8.69	%	2015-2020	**192.4**	181.4
Senior notes (xv)	7.20	%	2006	**397.6**	–
Obligations under capital leases and other debt (xvi)	0 to 10.5	%	2002-2011	**211.0**	179.7
				3,210.5	3,081.1
Quebecor Media Inc.					
Credit facility (xvii)	3.59 to 4.50	%	2003	**429.0**	–
Senior notes (xviii)	11.50	%	2011	**1,112.5**	–
Senior discount notes (xix)	13.75	%	2011	**256.6**	–
Revolving bank credit facility (xx)	–		–	**–**	74.0
Non-revolving bank credit facility (xxi)	–		–	**–**	1,936.9
				1,798.1	2,010.9
Vidéotron ltée and its subsidiaries (v)					
Credit facility (xxii)	3.59 to 4.63	%	2003-2009	**1,157.3**	–
Senior secured First Priority Notes (xxiii)	7.59	%	2007	**130.3**	–
				1,287.6	–
Sun Media Corporation and its subsidiaries (v)					
Revolving bank credit facility (xxiv)	3.60	%	2003-2005	**337.8**	376.3
Senior subordinated notes (xxv)	9.50	%	2007	**216.7**	218.9
				554.5	595.2
Sub-total long-term debt, balance carried forward				**8,051.9**	6,718.1

Years ended December 31, 2001, 2000 and 1999
(Tabular amounts are expressed in millions of Canadian dollars)

13. LONG-TERM DEBT (continued)

	Effective interest rate as at December 31, 2001	Years of maturity	2001	2000
Sub-total long-term debt, balance brought forward			**$ 8,051.9**	$ 6,718.1
Groupe TVA Inc. and its subsidiaries (v)				
Revolving term bank loan (xxvi)	2.29 to 4.00 %	2003	**43.6**	–
			43.6	–
Other subsidiaries of Quebecor Media Inc. (v)				
Miscellaneous debt	0 to 12.00 %	2002-2005	**11.6**	15.2
			11.6	15.2
Total long-term debt			**8,107.1**	6,733.3
Less current portion:				
Quebecor Inc.			**7.9**	900.0
Quebecor World Inc. and its subsidiaries			**90.6**	58.7
Quebecor Media Inc.			**–**	1,426.9
Vidéotron ltée and its subsidiaries			**4.3**	–
Sun Media Corporation and its subsidiaries			**5.0**	–
TVA Group Inc. and its subsidiaries			**–**	–
Other subsidiaries of Quebecor Media Inc.			**5.8**	14.2
			113.6	2,399.8
			$ 7,993.5	$ 4,333.5

(i) As at December 31, 2001, 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.

(ii) Each Floating Rate debenture, Series 2001, with a principal amount of $1,000, is exchangeable for 29.41 subordinate voting shares of Quebecor World Inc. presently held by the Company, or 12.5 million subordinate shares in total (the "underlying shares"). The debentures are secured by the underlying shares and may be exchanged at the option of the holder, at any time, for the underlying shares at the fixed conversion ratio. The Company may, at its option, satisfy its obligation by payment of a cash amount equal to the fair value of the underlying shares at time of the request. As at December 31, 2001, the market value of underlying shares was $35.16 per share. Redemption of the debentures before 10 years from the date of issuance may trigger a penalty for the initiator. These debentures bear interest, payable semi-annually, at a rate of 1.5% plus a floating percentage based on the rate of dividends on the underlying shares. If the debentures would have been reimbursed by the underlying shares as at December 31, 2001, Quebecor Inc.'s interest in Quebecor World Inc. would have decreased from 38.32% to 29.40%.

(iii) Each Floating Rate debenture, the Abitibi Debentures, with a principal amount of $1,000 is exchangeable for 80.8 common shares of Abitibi-Consolidated Inc. presently held by the Company, or 44,821,024 common shares in total (the "underlying shares"). The debentures are secured by the underlying shares and may be exchanged at the option of the holder, at any time, for the underlying shares at the fixed conversion ratio. The Company may, at its option, satisfy its obligation by payment of a cash amount equal to the fair value of the underlying shares at time of the request. As at December 31, 2001, the market value of underlying shares was $11.40 per share. Redemption of the debentures before 10 years from the date of issuance may trigger a penalty for the initiator. These debentures bear interest, payable quarterly, at a rate of 1.5% plus a floating percentage based on the rate of dividends on the underlying shares.

13. LONG-TERM DEBT (continued)

(iv) The non-revolving bank credit facility of $900.0 million which was maturing on October 22, 2001 has been reimbursed. The borrowed amounts were bearing interest at floating rates based on Bankers' Acceptances rates or bank prime rate.

(v) Debt of these subsidiaries are non-recourse to the parent company, Quebecor Inc., except for the credit facility of Quebecor Media Inc.

(vi) In April 2001, Quebecor World Inc. extended for an additional year its existing revolving bank facility of US$1.0 billion composed of three tranches. The first tranche of US$250.0 million matures in 2005. The second tranche of US$250.0 million matures in 2006, while the third tranche of US$500.0 million matures in 2007. Quebecor World Inc. pays a commitment fee of US$0.9 million (US$1.0 million in 2000). The credit agreement contains certain restrictions, including the obligation to maintain certain financial ratios. The facility can be used for general corporate purposes and as liquidity back-up for the commercial paper program of Quebecor World Inc.

The revolving bank credit facility bears interest at variable rates based on LIBOR (London interbanking offered rate) or Bankers' Acceptances rates. As at December 31, 2001, the drawings under this facility are denominated in US dollars only.

(vii) As at December 31, 2001, $226.3 million ($307.3 million as at December 31, 2000) and US$4.7 million (US$10.1 million as at December 31, 2000) of notes are outstanding under the commercial paper program. In June 2001, the program limit was increased from US$250.0 million to US$350.0 million. At the same time, the Company obtained a new US$100.0 million bank facility maturing in June 2002 to provide liquidity back-up for the additional amount. As at December 31, 2001, the commercial paper program was classified as long-term, since the Company has the ability and the intent to maintain such debt on a long-term basis and has long-term bank facilities available until 2007 (see above) to replace such debt, if necessary.

(viii) In 1999, Quebecor World Inc. negotiated and obtained two additional credit facilities for a total initial limit of US$1.25 billion to finance the acquisition of WCP. Those facilities consisted of a revolving credit facility of US$450.0 million (US$450.0 million as at December 31, 2000) maturing in August 2002, also available for general corporate purposes, and a term loan of US$800.0 million. At Quebecor World Inc.'s request, US$150.0 million of the term loan was cancelled in December 1999, while the remaining balance of US$650.0 million was reimbursed and cancelled during 2000. The revolving credit facility was cancelled in 2001. The Company paid a commitment fee of US$0.2 million (US$0.4 million in 2000).

(ix) The Senior Notes mature on November 15, 2008, and are redeemable at the option of Quebecor World Inc. at a decreasing premium between November 2003 and November 2006, and thereafter at par value until their final maturity. The notes were issued by WCP for an original aggregate principal of US$300.0 million. They were subsequently revalued in order to reflect their fair value at the time WCP was acquired, based on the Quebecor World Inc.'s borrowing rate for similar financial instruments. During 2000, Quebecor World Inc. repurchased in the open market US$42.4 million face value thereof. The aggregate principal amount of the notes, as at December 31, 2001, is US$257.6 million (US$257.6 million as at December 31, 2000). In August 2001, Quebecor World Inc. obtained the consent from the noteholders to generally conform the restrictions on the Notes with the Quebecor World Inc.'s other Senior Public Debentures. At the same time, the Notes which were Senior Subordinate Notes became Senior Notes.

(x) The Senior Notes mature on February 15, 2009. The aggregate principal amount of the notes is US$300.0 million and the notes are redeemable at the option of Quebecor World Inc. at a decreasing premium between February 2004 and February 2007, and thereafter at par value until their final maturity. The notes were issued by WCP and revalued in order to reflect their fair value at the time WCP was acquired based on Quebecor World Inc.'s borrowing rate for similar financial instruments. In August 2001, Quebecor World Inc. obtained the consent from the noteholders to generally conform the restrictions on the Notes with Quebecor World Inc.'s other Senior Public Debentures. At the same time, the Notes which were Senior Subordinate Notes became Senior Notes.

(xi) These debentures are repayable in US dollars.

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

(xiii) In July 2000, Quebecor World Inc. issued Senior Notes for a principal amount of US$250.0 million. The first tranche of US$175.0 million matures on July 15, 2010, while the second tranche of US$75.0 million matures on July 15, 2012. These notes contain certain restrictions which are generally less restrictive than those on the revolving bank credit facility.

(xiv) In September 2000, Quebecor World Inc. issued Senior Notes for a principal amount of US$121.0 million. The first tranche of US$91.0 million matures on September 15, 2015 and the second tranche of US$30.0 million matures on September 15, 2020. These notes contain certain restrictions which are generally less restrictive than those of the revolving bank credit bank facility.

Years ended December 31, 2001, 2000 and 1999
(Tabular amounts are expressed in millions of Canadian dollars)

13. LONG-TERM DEBT (continued)

(xv) In March 2001, Quebecor World Inc. issued Senior Notes for a principal amount of US$250.0 million maturing in March 2006. A portion of US$33.0 million of the Notes bear a floating interest rate, but has been swapped to fixed at the same rate as the coupon on the fixed rate portion. These Notes contain certain restrictions which are generally less restrictive than those on the revolving bank facility.

(xvi) Obligations under capital leases and other debt are partially secured by assets. In addition, a portion of $61.4 million ($95.9 million in 2000) is repayable in euros, a portion of $29.9 million (nil as at December 31, 2000) is repayable in British pounds, a portion of $8.1 million ($10.4 million in 2000) is repayable in Swedish krona and the balance of $111.6 million ($73.4 million in 2000) is repayable in US dollars.

(xvii) The credit facility of $604.0 million is composed of four tranches: (i) a credit facility of $100.0 million to support cross-currency swap arrangements; (ii) a credit facility of $50.0 million for general liquidity purposes; (iii) a $429.0 million term loan; (iv) a credit facility of $25.0 million to capitalize interest on the term loan. Credit facility (i) and (ii) are secured by a first ranking moveable hypothec on all tangible and intangible assets, current and future, of Quebecor Media Inc. and are one-year revolving facilities. Should they not be extended, the outstanding borrowed amounts would be converted into a one-year term loan. Credits (iii) and (iv) are secured by Vidéotron Télécom ltée' shares and by temporary investments. The credit facility in aggregate is secured by Quebecor Media Inc.'s shareholders. The borrowed amounts bear interest at floating rates based on Bankers' Acceptances rates or bank prime rate.

(xviii) The Senior Notes with a principal amount of US$715.0 million have been issued at a discount rate of 97.8% for net proceeds of US$699.2 million. These Notes bear interest at a rate of 11.125%, payable semi-annually, commencing January 15, 2002. These Notes contain certain restrictions for Quebecor Media Inc., including limitations on its ability to incur additional indebtedness and are not secured. These Notes are redeemable at the option of Quebecor Media Inc. at a decreasing premium commencing July 15, 2006. Quebecor Media Inc. has fully hedged the foreign currency risk associated with the Senior Notes by using a cross-currency swap arrangement under which Quebecor Media Inc. has set all payments in CDN dollars.

(xix) The Senior Discount Notes with a principal amount of US$295.0 million have been issued at a discount rate of 51.3% for net proceeds of US$151.2 million. These Notes bear interest at a rate of 13.75%, payable semi-annually, commencing January 15, 2007. These Notes contain certain restrictions for Quebecor Media Inc., including limitations on its ability to incur additional indebtedness and are not secured. These Notes are redeemable at the option of Quebecor Media Inc. at a decreasing premium commencing July 15, 2006. Quebecor Media Inc. has fully hedged the foreign currency risk associated with the Senior Discount Notes by using a cross-currency swap arrangement under which Quebecor Media Inc. has set all payments in CDN dollars.

(xx) This bank credit facility of $90.0 million was a one-year revolving facility that was extended on a yearly basis. In the event it would not have been extended, the outstanding borrowed amounts would have been converted into a one-year term loan. The borrowed amounts were bearing interest at floating rates based on Bankers' Acceptances rates or bank prime rate.

(xxi) The non-revolving bank credit facility of $2.0 billion, which was composed of three tranches, has been reimbursed.

(xxii) The credit facility, bearing interest at Bankers' Acceptances rates plus a premium based on certain financial ratios, is secured by a first ranking hypothec on the universality of all tangible and intangible assets, current and future, of Vidéotron ltée, of Vidéotron (1998) ltée, of Vidéotron TVN inc. and of Le SuperClub Vidéotron ltée. The credit facility is composed of the following credits:

(a) Revolving facility of a maximum amount of $150.0 million, maturing on November 28, 2005;

(b) Term Facility A, for a maximum amount of $736.0 million, decreasing quarterly as of March 1, 2003, until maturity on December 1, 2008;

(c) Term Facility B, for a maximum amount of US$263.7 million, decreasing quarterly as of March 1, 2003, maturing on December 1, 2009. Vidéotron ltée has hedged the foreign currency risk associated with the facility by using a cross-currency swap arrangement under which Vidéotron ltée has set the exchange rate of all the payments in CDN dollars.

As at December 31, 2001, the outstanding balances include Bankers' Acceptance based advances of $734.9 million, Prime Rate based advances of $1.1 million and LIBOR based advances of US$263.7 million.

The credit facility contains usual covenants such as maintaining certain financial ratios and certain restrictions on payment of dividends.

(xxiii) The Senior Secured First Priority Notes are recorded at their fair value of US$83.9 million calculated based on the effective interest rate at the acquisition date. The Notes are redeemable at the option of Vidéotron ltée on or after July 15, 2005 at 100% of the principal amount. These Notes are secured by first ranking hypothecs on substantially all of the assets of CF Cable TV Inc. and certain of its subsidiaries.

Years ended December 31, 2001, 2000 and 1999
(Tabular amounts are expressed in millions of Canadian dollars)

13. Long-term debt (continued)

(xxiv) The Revolving Bank Credit Facility ("credit facility") is comprised of a revolving credit facility of $75.0 million maturing in March 2002 and a term reducing loan of $337.8 million maturing in 2005. The Revolving Credit Facility is used for an amount of $1.1 million as at December 31, 2001 and 2000. The Revolving Credit Facility may be extended for an additional 364-day period. If the Revolving Credit Facility is not extended, any amount borrowed under the Revolving Credit Facility would be converted into a one-year term credit. Sun Media Corporation may borrow at interest rates based on Banker's Acceptances and/or bank prime plus an applicable margin (the "margin"), with the margin tied to financial ratios. The credit facility is collateralized by liens on all of the property and assets of Sun Media Corporation and of its operating subsidiaries, now owned or hereafter acquired. The credit facility contains certain restrictions, including the obligation to maintain certain financial ratios. During the year, the subsidiary renegotiated its credit facility to permit, among other things, the issuance of a convertible obligation to Quebecor Media Inc., investing in Quebecor Media Inc., the distribution of certain dividends to its parent company, and to amend its mandatory principal repayments over the term of the reducing loan maturing in 2005.

(xxv) The Senior Subordinated Notes are comprised of two series bearing interest of 9.5% due February 2007 and May 2007, respectively (the "Notes"). Interest is payable semi-annually. The Notes are general unsecured obligations of Sun Media Corporation, subordinate in right of payment to all existing and future senior indebtedness of Sun Media Corporation, and senior in right of payment to any subordinated indebtedness of Sun Media Corporation.

As at December 31, 2001, the outstanding principal amount was US$97.5 million and US$53.5 million, respectively (US$97.5 million and US$53.5 million as at December 31, 2000, respectively). The Notes were recorded at their fair market value on January 7, 1999, which was determined based on quoted market prices and the fair value of the Sun Media Corporation's related financial instruments. The difference between the fair market value and the principal amount in Canadian dollars is being amortized over the term of the Notes. As at December 31, 2001, the unamortized balance of the premium was $11.1 million ($13.2 million as at December 31, 2000).

(xxvi) The credit agreement consists of a revolving-term bank loan of a maximum of $90.0 million which bears interest at the prime rate of a Canadian chartered bank plus a variable margin depending on ratio of total debt to cash flow. The revolving-term bank loan is secured by a hypothec for $120.0 million on the universality of TVA Group Inc.'s moveable and immoveable, tangible and intangible, current and future property. Under the credit agreement, the subsidiary is subject to certain covenants, including maintaining certain financial ratios. In addition, the subsidiary is limited with regard to amounts for the acquisition of fixed assets, investments, dividends and other payments to shareholders.

On December 31, 2001, the Company and its subsidiaries were not in default on any debt covenants.

Principal repayments on long-term debt over the next years are as follows:

2002	$	113.6
2003		860.4
2004		222.1
2005		324.0
2006		560.5
2007 and thereafter		6,026.5

14. REDEEMABLE PREFERRED SHARES

The preferred shares issued by Vidéotron Telecom ltée, a subsidiary of Quebecor Media Inc., convertible at the option of the holder, are redeemable, partially or totally, at the option of the issuer at any time and at the option of the holder from December 31, 2004. The redemption price is the higher of the amount paid, plus a 9% annual return, and the fair value of the shares.

15. CONVERTIBLE NOTES

	Maturity		**2001**		2000
Convertible Senior Subordinated Notes of a subsidiary, 6.0% (a)	2007	**$**	**170.6**	$	158.9
Convertible subordinated debentures 7% (b)	2004		**9.6**		–
Convertible debentures of a subsidiary (c)	–		**–**		71.9
			180.2		230.8
Less current portion			**–**		71.9
		$	**180.2**	$	158.9

Years ended December 31, 2001, 2000 and 1999
(Tabular amounts are expressed in millions of Canadian dollars)

15. CONVERTIBLE NOTES (continued)

(a) The Convertible Senior Subordinated Notes mature on October 1, 2007. The Notes were issued by WCP and revalued in order to reflect their fair value at the time WCP was acquired based on Quebecor World Inc. borrowing rate for similar financial instruments. The equity component of the Notes, which correspond to the option of the holder to convert the Notes into equity shares of Quebecor World Inc., was valued at the date of acquisition and classified as non-controlling interest. 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. which corresponds to a price of US$26.24 per share and US$197.25 in cash. 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. Pursuant to the terms of the convertible Notes, Quebecor World Inc. repurchased US$7.6 million of the Notes in 1999 following a tender offer at par for 100% of the face value of US$151.8 million. Quebecor World Inc. subsequently repurchased Notes in the open market in 2000 for the principal amount of US$24.7 million thereof. The aggregate principal amount of the Notes, as at December 31, 2001, is US$119.5 million (US$119.5 million as at December 31, 2000). The number of equity shares of Quebecor World Inc. to be issued upon conversion of the convertible Notes would be 3,656,201, and Quebecor Inc.'s interest would decrease from 38.32% to 37.34%.

(b) In March 2001, a subsidiary of Quebecor World Inc. issued convertible subordinated debentures maturing in May 2004. These debentures are convertible in subordinate voting shares of Quebecor World Inc. at a conversion price of US$25.00. The debentures are not redeemable prior to maturity. The aggregate principal of the debentures as at December 31, 2001 is US$6.0 million. The number of equity shares to be issued upon conversion of the debentures would be 240,000 shares of Quebecor World Inc.

(c) A French subsidiary of Quebecor World Inc. reimbursed in December 2001 the convertible debentures which had been issued at the time of its acquisition in 1995. The total amount outstanding as at December 31, 2000 was FF 344.0 million.

16. OTHER LIABILITIES

	2001	2000
Pension plan liability	**$ 115.6**	$ 138.9
Postretirement benefits	**142.8**	119.7
Reserve for unfavourable leases acquired	**67.3**	79.2
Reserve for environmental matters	**26.7**	26.6
Workers' compensation accrual	**38.2**	41.3
Other	**58.0**	77.1
	$ 448.6	$ 482.8

17. NON-CONTROLLING INTEREST

Non-controlling interest includes the interest of the non-controlling shareholders in the participating shares of subsidiaries of Quebecor Inc. As at December 31, 2001, the most significant non-controlling interests were as follows:

Subsidiary	Segment	Non-controlling interest
Quebecor World Inc.	Printing	61.7 %
Quebecor Media Inc.	Cable Television, Newspapers, Leisure and Entertainment, Business Telecommunications, Web Integration/Technology, Broadcasting and Internet/Portals	45.3 %
TVA Group Inc.[1]	Broadcasting	64.5 %
Nurun Inc. [1]	Web Integration/Technology	42.8 %
Netgraphe Inc. [1]	Internet/Portals	24.7 %

[1] Nurun Inc., Netgraphe Inc., and TVA Group Inc. are subsidiaries of Quebecor Media Inc.

Years ended December 31, 2001, 2000 and 1999
(Tabular amounts are expressed in millions of Canadian dollars)

18. CAPITAL STOCK

(a) Authorized capital stock

An unlimited number of Class A Multiple Voting Shares with voting rights of ten votes per share (herein after 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 after 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.

(b) Issued capital stock

	Number	A Shares amount	Number	B Shares amount
Balance as at December 31, 2000	24,052,683	$ 10.7	40,573,439	$ 337.8
A shares converted into B shares	(548,014)	(0.2)	548,014	0.2
Balance as at December 31, 2001	23,504,669	$ 10.5	41,121,453	$ 338.0

(c) Stock option plan

Under a stock option plan established by Quebecor Inc., 6,202,612 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 Toronto Stock Exchange in the five days preceding the grant. Each option may be exercised during a period not exceeding ten years from the date it was granted. Options usually vest as follows: 1/3 after one year, 2/3 after two years and 100% three years after the original grant. The Board of Directors may, at its discretion, affix different vesting periods at the moment of each grant.

The following table provides details regarding changes to outstanding options for the years ended December 31, 2001 and 2000:

	2001		2000	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Balance at beginning of year	**1,442,849**	**$ 33.38**	1,115,317	$ 33.20
Granted	**246,000**	**26.05**	526,000	33.72
Exercised	**(15,000)**	**17.85**	(50,000)	20.19
Cancelled against cash payment	**—**	**—**	(22,823)	29.45
Cancelled	**(85,000)**	**32.71**	(125,645)	39.17
Balance at end of year	**1,588,849**	**$ 32.43**	1,442,849	$ 33.38
Vested options at end of year	**780,732**	**$ 33.35**	375,515	$ 32.31

Years ended December 31, 2001, 2000 and 1999
(Tabular amounts are expressed in millions of Canadian dollars)

18. CAPITAL STOCK (continued)

(c) Stock option plan (continued)

The following table provides summary information regarding outstanding options as at December 31, 2001:

	Outstanding options			Vested options	
Range of exercise price	Number	Weighted average years to maturity	Weighted average exercise price	Number	Weighted average exercise price
$ 15 to 20	27,500	2.6 years	$ 17.85	27,500	$ 17.85
20 to 25	–	–	–	–	–
25 to 30	221,000	9.2 years	26.08	8,333	26.01
30 to 35	1,004,349	7.9 years	32.52	532,899	32.71
35 to 40	300,000	7.7 years	36.97	200,000	36.97
40 to 45	36,000	8.3 years	41.89	12,000	41.89
$ 15 to 45	1,588,849	8.3 years	$ 32.43	780,732	$ 33.35

For the year ended December 31, 2001, a charge reversal of $0.3 million (a charge reversal of $1.8 million and $0.8 million for the years ended December 31, 2000 and 1999, respectively) relative to the plan was included under "Selling and administrative expenses" in the consolidated statements of income.

19. TRANSLATION ADJUSTMENT

	2001	2000
Balance at beginning of year	**$ 15.8**	$ (8.5)
Effect of exchange rate variation on translation of net assets of self-sustaining foreign operations	**48.0**	23.9
Portion included in income as a result of reductions in net investments in self-sustaining foreign operations	**(1.8)**	0.4
Balance at end of year	**$ 62.0**	$ 15.8

Years ended December 31, 2001, 2000 and 1999
(Tabular amounts are expressed in millions of Canadian dollars)

20. COMMITMENTS AND CONTINGENCIES

(a) Leases

The Company rents premises and equipment under operating leases which expire at various dates up to 2016 and for which minimum lease payments totalled $883.6 million. Minimum payments under these leases for the next years are as follows:

2002	$	169.9
2003		151.4
2004		122.3
2005		122.6
2006		90.1
2007 and thereafter		227.3

Operating lease rentals amounted to $175.7 million, $189.7 million and $122.8 million for the years ended December 31, 2001, 2000 and 1999, respectively.

(b) Long-term agreement

Newsprint represents a significant input and component of operating costs for the Newspapers segment. The Company uses several newsprint manufacturers to supply its requirements, and has entered into a long-term agreement with one company to supply the majority of its newsprint purchases up to 2005.

(c) Other commitments

The Broadcasting segment has committed to invest $48.9 million over an 8-year period in the Canadian TV industry and in the Canadian communications industry to promote the TV content and the development of communications.

(d) Equipment

As at December 31, 2001, Quebecor World Inc. had commitments to purchase equipment valued at approximately US$17.7 million (CDN$28.1 million).

(e) 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.

(f) Business acquisitions

On September 27, 2001, Quebecor World Inc. signed a binding agreement, pending regulatory approval, to purchase the European printing assets of Hachette Filipacchi Médias. The transaction should amount to approximately US$60 million (CDN$95.4 million) including cash consideration and assumption of debt.

(g) Contingencies

A number of legal actions against subsidiaries of the Company are outstanding. In the opinion of management of the Company and its subsidiaries, the outcome of these legal actions will not have a material adverse effect on the Company's results or its financial position.

Years ended December 31, 2001, 2000 and 1999
(Tabular amounts are expressed in millions of Canadian dollars)

21. FINANCIAL INSTRUMENTS

The Company has operations in and exports its products to 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

Quebecor World Inc. and its subsidiaries

Foreign exchange forward contracts:

	2001		2000	
Currencies (sold / bought)	**Average rate**	**Notional amount (1)**	Average rate	Notional amount (1)
US$ / $				
Less than 1 year	**0.6981**	**$ 197.3**	$ 0.6898	$ 183.8
Between 1 and 3 years	**0.6526**	**183.8**	0.7008	241.8
Euro / US$				
Less than 1 year	**0.9155**	**37.1**	1.0633	21.0
Between 1 and 3 years	**–**	**–**	0.9033	3.2
SEK / US$				
Less than 1 year	**10.5615**	**31.2**	9.6400	24.4
GBP / Euro				
Less than 1 year	**0.6238**	**21.1**	0.6074	61.2
Between 1 and 3 years	**–**	**–**	0.6222	3.4
Other				
Less than 1 year	**–**	**63.3**	–	40.5
Between 1 and 3 years	**–**	**–**	–	0.6

(1) Exchange rates as at December 31, 2001 and 2000 were used to translate amounts in foreign currencies.

Years ended December 31, 2001, 2000 and 1999
(Tabular amounts are expressed in millions of Canadian dollars)

21. FINANCIAL INSTRUMENTS (continued)

(a) Description of derivative financial instruments (continued)

(i) Management of foreign exchange risk (continued)

Quebecor World Inc. and its subsidiaries (continued)

Cross-currency interest rate swap

	2001		2000	
Currencies (sold / bought)	**Average rate**	**Notional amount [1]**	Average rate	Notional amount [1]
Euro / US$				
Less than 1 year	**1.1151**	**$ 81.3**	1.0551	$ 132.9
Between 1 and 3 years	**1.1144**	**129.9**	1.1355	38.3
SEK / US$				
Less than 1 year	**9.8450**	**24.2**	8.1650	27.5
Between 1 and 3 years	**10.5600**	**22.6**	9.8450	22.8

(1) Exchange rates as at December 31, 2001 and 2000 were used to translate amounts in foreign currencies.

Years ended December 31, 2001, 2000 and 1999
(Tabular amounts are expressed in millions of Canadian dollars)

21. FINANCIAL INSTRUMENTS (continued)

(a) Description of derivative financial instruments (continued)

(i) Management of foreign exchange risk(continued)

Quebecor Media Inc. and its subsidiaries

Quebecor Media Inc. and its subsidiaries have concluded, during the year ended December 31, 2001, currency swaps to hedge the foreign exchange fluctuations related to various long-term debts denominated in foreign currencies. The currency swaps represent an exchange obligation of amounts of capital and interest that have for effect to modify these debts as follows:

	Notional amount	Annual effective interest rate	Annual nominal interest rate	Exchange rate of interest and capital payments per CDN dollar for one US dollar
Quebecor Media Inc.				
Senior notes	US$ 715.0	12.3 %	11.9 %	1.5255
Senior discounted notes	US$ 295.0	14.6 %	14.6 %	1.5822 (2)
Vidéotron ltée and its subsidiaries				
Term credit B	US$ 263.7	Banker's Acceptance 3 months plus 3.11%	Banker's Acceptance 3 months plus 3.11%	1.5389
Sun Media Corporation and its subsidiaries				
Subordinated notes	US$ 118.5	9.51 %	9.55 %	1.3622
Subordinated notes	US$ 32.5	Banker's Acceptance plus 2.94%	Banker's Acceptance plus 2.94%	1.3622

(2) As per the agreement, the exchange rate includes an exchange fee.

Years ended December 31, 2001, 2000 and 1999
(Tabular amounts are expressed in millions of Canadian dollars)

21. FINANCIAL INSTRUMENTS (continued)

(a) Description of derivative financial instruments (continued)

(ii) Management of interest rate risk

The Company's subsidiaries have entered into interest rate swaps to manage its interest rate exposure. They are committed to exchange, at specific intervals, the difference between the fixed and floating interest rate calculated by reference to the notional amounts.

The amounts of outstanding contracts at year-end, presented by subsidiary and by currency, are included in the table below:

Maturity		Notional amount	Pay/receive	Fixed rate		Floating rate
Quebecor World Inc. and its subsidiaries						
Less than 1 year	US$	350.0	Pay fixed/ receive floating	1.96 - 3.03	%	Libor 1 month
Between 1 and 5 years	US$	283.0	Pay fixed/ receive floating	5.20 - 7.20	%	Libor 3 months plus 0 - 1.36%
Between 4 and 6 years	US$	250.0	Pay floating/ receive fixed	7.20 - 7.25	%	Libor 3 months plus 2.15 - 2.18%
Less than 1 year	$	170.0	Pay fixed/ receive floating	4.33 - 4.48	%	Bankers' acceptance 1 month
Between 1 and 2 years	€	3.4	Pay fixed/ receive floating	5.75	%	Euribor 3 months
Vidéotron ltée and its subsidiaries						
March 2004	$	135.0	Pay fixed/ receive floating	5.05	%	Bankers' acceptance 3 months
May 2004	$	90.0	Pay fixed/ receive floating	5.49	%	Bankers' acceptance 3 months
May 2006	$	90.0	Pay fixed/ receive floating	5.41	%	Bankers' acceptance 3 months
Sun Media Corporation and its subsidiaries						
May 2002	$	100.0	Pay fixed/ receive floating	5.39	%	Bankers' acceptance 3 months
May 2002	$	100.0	Pay floating with cap rate	–		Bankers' acceptance 3 months with 5.31% cap rate

Years ended December 31, 2001, 2000 and 1999
(Tabular amounts are expressed in millions of Canadian dollars)

21. FINANCIAL INSTRUMENTS (continued)

(b) Fair value of financial instruments

The carrying amount of cash and cash equivalents, accounts receivable, amounts receivable from non-consolidated subsidiaries in 2000, bank indebtedness, and accounts payable and accrued charges 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, 2001 and 2000 are:

	2001		2000	
Carrying value	**Fair value**	**Carrying value**	Fair value	Carrying value
Quebecor Inc.				
Long-term debt [1]	**$ (1,201.2)**	**$ (1,171.8)**	$ (1,030.9)	$ (1,030.9)
Quebecor World Inc. and its subsidiaries				
Long-term debt [1]	**(3,210.5)**	**(3,297.9)**	(3,081.1)	(3,083.6)
Convertible notes [1]	**(180.2)**	**(190.0)**	(230.8)	(238.5)
Interest rate swap agreements	**–**	**(18.6)**	–	(0.1)
Foreign forward exchange contracts	**–**	**(27.8)**	–	(16.1)
Cross-currency interest rate swap agreements	**–**	**4.8**	–	1.9
Equity forwards	**–**	**–**	–	1.9
Quebecor Media Inc.				
Long-term debt [1]	**(1,798.1)**	**(1,915.6)**	2,010.9	2,010.9
Cross-currency interest rate swap agreements	**55.0**	**(20.6)**	–	–
Vidéotron ltée and its subsidiaries				
Long-term debt [1]	**(1,287.6)**	**(1,291.5)**	–	–
Cross-currency swap agreement	**15.2**	**11.2**	–	–
Interest rate swap agreement	**–**	**(13.2)**	–	–
Sun Media Corporation and its subsidiaries				
Long-term debt [1]	**(554.5)**	**(539.4)**	(595.2)	(572.5)
Interest rate swap agreements	**–**	**(1.2)**	–	0.1
Interest rate cap agreements	**0.2**	**–**	0.7	0.3

[1] Includes current portion

The fair values of the financial liabilities are estimated based on discounted cash flows using year-end market yields or market value 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.

Years ended December 31, 2001, 2000 and 1999
(Tabular amounts are expressed in millions of Canadian dollars)

21. FINANCIAL INSTRUMENTS (continued)

(c) Commodity risk management

Quebecor World Inc. has entered into a commodity swap to manage a portion of its Canadian natural gas exposure. Quebecor World Inc. is committed to exchange, on a monthly basis, the difference between a fixed price and a floating Canadian natural gas price index on a notional quantity of 1,293,000 gigajoules in total for 2002 and 2003.

(d) Credit risk management

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

When the Company enters into derivative financial instruments, the counterparties are international and Canadian banks having a minimum credit rating of A- by Standard & Poor's or of A3 by Moody's and are subject to concentration limits. 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, 2001, 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.

22. RELATED PARTY TRANSACTIONS

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

23. PENSION PLANS AND 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.

Years ended December 31, 2001, 2000 and 1999
(Tabular amounts are expressed in millions of Canadian dollars)

23. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

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, 2001 and 2000, and a statement of the funded status as at these dates, except for the Printing segment for which the measurement date is September 30, 2001:

	Pension benefits		Postretirement benefits	
	2001	2000	**2001**	2000
Change in benefit obligations				
Benefit obligations at beginning of year	**$ 1,118.6**	$ 1,602.5	**$ 116.9**	$ 162.5
Change in measurement date	**(40.9)**	–	**1.7**	–
Service costs	**46.3**	36.5	**2.6**	2.5
Interest costs	**92.8**	79.3	**9.7**	8.9
Plant participants' contributions	**11.0**	7.9	**3.1**	0.7
Plan amendments	**14.1**	0.7	**2.6**	(7.2)
Acquisition (disposals)	**149.3**	(607.0)	**3.2**	(44.0)
Curtailment loss (gain)	**1.6**	0.4	**(4.2)**	(1.0)
Settlement loss	**–**	0.3	**–**	–
Actuarial loss	**114.2**	38.5	**13.4**	5.5
Change in assumptions	**8.2**	12.8	**0.4**	1.2
Benefits and settlements paid	**(79.8)**	(82.0)	**(13.3)**	(15.8)
Transfer to another plan	**(1.4)**	–	**–**	–
Foreign currency changes	**75.2**	28.7	**6.5**	3.6
Benefit obligations at end of year	**$ 1,509.2**	$ 1,118.6	**$ 142.6**	$ 116.9

	Pension benefits		Postretirement benefits	
	2001	2000	**2001**	2000
Change in plan assets				
Fair value of plan assets at beginning of year	**$ 1,032.2**	$ 1,612.8	**$ –**	$ –
Change in measurement date	**73.9**	–	**–**	–
Actual return on plan assets	**(194.7)**	79.8	**–**	–
Employer contributions	**34.0**	31.7	**10.2**	15.1
Plan participants' contributions	**11.0**	7.9	**3.1**	0.7
Curtailment loss	**–**	8.1	**–**	–
Acquisition (disposals)	**154.4**	(653.0)	**–**	–
Benefits and settlements paid	**(79.8)**	(82.0)	**(13.3)**	(15.8)
Foreign currency changes	**64.7**	26.9	**–**	–
Fair value of plan assets at end of year	**$ 1,095.7**	$ 1,032.2	**$ –**	**$** –

Years ended December 31, 2001, 2000 and 1999
(Tabular amounts are expressed in millions of Canadian dollars)

23. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

	Pension benefits		Postretirement benefits	
	2001	2000	**2001**	2000
Reconciliation of funded status				
Excess of benefit obligations over fair value of plan assets at end of year	**$ (413.5)**	$ (86.4)	**$ (142.6)**	$ (116.9)
Unrecognized actuarial loss (gain)	**310.3**	(24.1)	**12.1**	1.8
Unrecognized net transition obligation	**(16.2)**	(6.2)	**0.9**	–
Unrecognized prior service cost	**21.4**	3.9	**(2.6)**	(7.1)
Adjustment for fourth quarter contributions	**6.5**	–	**2.2**	–
Valuation allowance	**(11.5)**	(7.7)	**–**	–
Foreign currency changes	**8.4**	(0.1)	**0.4**	–
Net amount recognized	**$ (94.6)**	$ (120.6)	**$ (129.6)**	$ (122.2)

Included in the above benefit obligation and fair value of plan assets at year-end are the following amounts in respect of plans that are not fully funded:

	Pension benefits		Postretirement benefits	
	2001	2000	**2001**	2000
Benefit obligation	**$ (1,228.1)**	$ (734.2)	**$ (142.6)**	$ (116.9)
Fair value of plan assets	**796.1**	565.4	**–**	–
Funded status - plan deficit	**$ (432.0)**	$ (168.8)	**$ (142.6)**	$ (116.9)

Amounts recognized in the consolidated balance sheets are as follows:

	Pension benefits		Postretirement benefits	
	2001	2000	**2001**	2000
Accrued benefit liability	**$ (142.9)**	$ (170.9)	**$ (129.6)**	$ (122.2)
Prepaid benefit costs	**48.3**	50.3	**–**	–
Net amount recognized	**$ (94.6)**	$ (120.6)	**$ (129.6)**	$ (122.2)

Years ended December 31, 2001, 2000 and 1999
(Tabular amounts are expressed in millions of Canadian dollars)

23. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

Components of the net periodic benefit costs are as follows:

			Pensions benefits			Postretirement benefits
	2001	2000	1999	**2001**	2000	1999
Service costs	**$ 46.3**	$ 36.5	$ 34.6	**$ 2.6**	$ 2.5	$ 2.6
Interest costs	**92.8**	79.3	59.4	**9.7**	8.9	5.9
Expected return on plan assets	**(110.0)**	(92.8)	(63.4)	**–**	–	–
Amortization of prior service costs	**1.1**	0.3	0.1	**(1.7)**	–	–
Amortization of transitional obligations	**(1.1)**	(0.7)	(0.4)	**–**	–	–
Curtailment loss (gain)	**1.8**	–	2.5	**(1.1)**	(0.7)	–
Valuation allowance	**–**	(3.5)	6.7	**–**	–	–
Amortization of actuarial loss (gain)	**(2.1)**	(2.8)	0.6	**–**	–	0.2
Net periodic costs	**$ 28.8**	$ 16.3	$ 40.1	**$ 9.5**	$ 10.7	$ 8.7

The expense related to defined contribution pension plans amounts to $5.3 million during 2001 ($2.3 million in 2000 and $2.2 million in 1999).

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

			Pensions benefits			Postretirement benefits
	2001	2000	1999	**2001**	2000	1999
Discount rate	**7.0 %**	7.7 %	7.9 %	**7.1 %**	7.7 %	7.9 %
Expected return on plan assets	**9.3**	9.7	9.2	**–**	–	–
Rate of compensation increase	**3.4**	3.7	4.4	**–**	–	–

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligations was 9% at the end of 2001. The cost, as per an estimate, is expected to decrease gradually for the next 10 years to 5% and remain at that level thereafter. A one-percentage point change in the assumed health care cost trend would have the following effects:

		Postretirement benefits
Sensitivity analysis	1% increase	1% decrease
Effect on service and interest costs	$ 1,528	$ (1,233)
Effect on benefit obligation	13,560	(11,614)

Dividends and Stock Market Price

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

For the fiscal years ended December 31, 2001, the dividend declared and paid by the Company on Class A Shares and Class B Shares totalled $0.39 per share, while for the fiscal year ended December 31, 2000, it totalled $0.51 per share. The Company decided to suspend payment of dividends during the fourth quarter of 2001.

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

	CLASS A SHARES		CLASS B SHARES	
Quarter ended	**High**	**Low**	**High**	**Low**
2001				
December 31	**$ 19.66**	**$ 13.75**	**$ 19.70**	**$ 13.77**
September 30	**26.45**	**17.00**	**26.45**	**16.55**
June 30	**28.25**	**24.00**	**28.25**	**24.01**
March 31	**31.50**	**24.00**	**31.60**	**23.90**
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

List of Directors and Officers

QUEBECOR INC.
Board of Directors

Alain Bouchard (1) (2)
Chairman of the Board,
President and Chief Executive Officer,
Alimentation Couche-Tard Inc.

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

Pierre Laurin (1)
Executive in Residence,
École des hautes études commerciales

Pierre Legrand, Q.C. (1) (2)
Senior Partner,
Ogilvy Renault

Raymond Lemay
Corporate Director

The Right Honourable Brian Mulroney, P.C., C.C., LL.D
Senior Partner,
Ogilvy Renault

Jean Neveu
Chairman of the Board,
Quebecor Inc.,
Quebecor World Inc. and
TVA Group Inc.

Érik Péladeau
Vice Chairman of the Board,
Quebecor Inc. and
Vice Chairman of the Board and
Senior Executive Vice President,
Quebecor World Inc.

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

Charles-Albert Poissant (2)
Corporate Director

(1) Member of the Audit Committee
(2) 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

Claude Hélie
Executive Vice President and Chief Financial Officer

Luc Lavoie
Executive Vice President, Corporate Affairs

Marc Doré
Vice President, Taxation and Real Estate

Marc Girard
Vice President and Treasurer

Louis Saint-Arnaud
Vice President, Legal Affairs and Secretary

Julie Tremblay
Vice President, Human Resources

Claudine Tremblay
Director, Corporate Services and
Assistant Corporate Secretary