QUEBECOR INC.

Annual Information Form

Year ended December 31, 2001

May 17, 2002

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DOCUMENTS INCORPORATED BY REFERENCE

Documents	Items of Annual Information Form in which documents are incorporated by reference
Parts of Annual Information Form of Quebecor World Inc. dated May 16, 2002;	Items 3.1 and 4.3
Parts of Annual Information Form of TVA Group Inc. dated December 14, 2001;	Item 4.3
Parts of Annual Information Form of nurun Inc. dated May 15, 2002;	Items 3.7 and 4.3
Parts of Annual Information Form of Mindready Solutions Inc. dated May13, 2002;	Items 3.7 and 4.3
Parts of Annual Information Form of Netgraphe Inc. dated May 3, 2002;	Items 3.8 and 4.3

Note: All dollar amounts in this Annual Information Form are in Canadian dollars, except as otherwise indicated.

ITEM 1 CORPORATE STRUCTURE

1.1 Name and Incorporation of Quebecor Inc.

Quebecor Inc. (the "**Company**")[(1)] was incorporated under Part I of the *Companies Act* (Quebec) by letters patent dated January 8, 1965 and was continued under Part IA of the *Companies Act* (Quebec) by certificate of continuance dated June 6, 1983. Its authorized share capital was modified by a certificate of amendment dated September 4, 1986 redesignating the Common Shares as Class A Multiple Voting Shares ("**Class A Shares**") carrying ten votes per share and creating Class B Subordinate Voting Shares ("**Class B Shares**") carrying one vote per share.

The Articles of the Company provide that if, at any time, **the "Péladeau Group or an Acceptable Successor**"[(2)] does not own, directly or indirectly, a number of Class A Shares equal to at least 40% of all the Class A Shares outstanding or does not own, directly or indirectly, at least 8,000,000 Class A Shares (such number having been adjusted upwards to reflect a subdivision), then the Class A Shares will carry one vote per share for all time thereafter and all of the Company's directors will be elected by the holders of the Class A Shares and the Class B Shares voting together as a single class.

The Articles of the Company provide that if a take-over bid to purchase Class A Shares is made to the holders of Class A Shares and is not made at the same time and under the same conditions to the holders of Class B Shares, each Class B Share will become convertible, at the holder's option, as of the date the take-over bid is made, into one Class A Share, for the sole purpose of allowing the holder to accept the take-over bid. However, such right of conversion will be deemed not to come into force if the "Péladeau Group or an Acceptable Successor"[(2)] owns at that time a sufficient number of shares of any class to be able to exercise more than 50% of the votes attached to all of the Company's shares then carrying voting rights and does not accept the take-over bid before it expires. Moreover, the right of conversion will be deemed not to come into force if the take-over bid is withdrawn by the Offeror.

The Articles of the Company contain a definition of an offer giving rise to the right of conversion, provide for procedures to be followed in order to exercise such right and stipulate that, at the time such an offer is made, the Company or the transfer agent of the Class B Shares will communicate in writing with the holders of Class B Shares in order to provide them with full particulars of the manner in which their right of conversion can be exercised.

The Company's head office is located at 300 Viger Street East, Montreal, Quebec, Canada H2X 3W4. The telephone number is (514) 380-1999 and the fax number is (514) 380-6097. The Company's Web site address is *www.quebecor.com*. The information found on the Company's Web site is, however, not part of this Annual Information Form.

1.2 Subsidiaries

The Company had over 365 direct and indirect subsidiaries as at December 31, 2001. The following organizational chart shows the principal subsidiaries of the Company at such date by industry segment, place of incorporation or continuation, and percentage of voting rights held directly or indirectly by the Company. The Company does not own or exercise control or direction over non-voting securities of its principal subsidiaries. Certain subsidiaries whose total assets did not represent more than 10% of the

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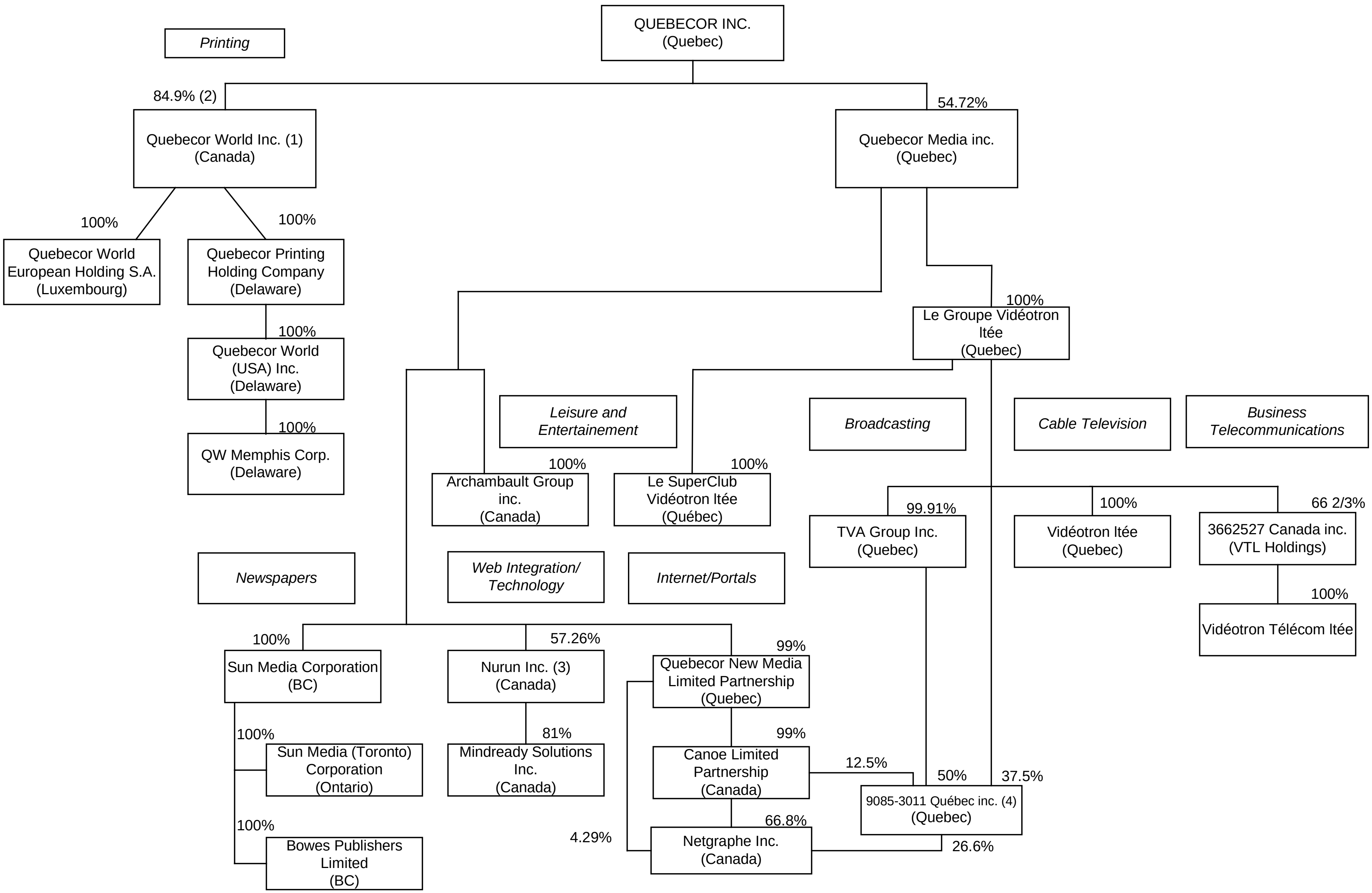
(1) In this Annual Information Form, unless the context indicates otherwise, "**Company**" refers to Quebecor Inc. and "**Quebecor**" refers to the Company, its subsidiaries and their divisions.

(2) As defined in the Articles of the Company.

consolidated assets of the Company or whose sales and operating revenues did not represent more than 10% of the consolidated sales and operating revenues of the Company as at December 31, 2001, have been omitted. The subsidiaries that have been omitted represented, as a group, less than 20% of the consolidated assets of the Company and less than 20% of the consolidated sales and operating revenues of the Company as at December 31, 2001.

Quebecor Communication Inc. ("Quebecor Communications") was liquidated on December 31, 2001, and all of its operations were transferred to its sole shareholder Quebecor Media Inc. ("Quebecor Media") ; therefore, all reference made throughout this Annual Information Form to "Quebecor Communications" means its successor "Quebecor Media", as of January 1, 2002.



(1) Quebecor Printing Inc. until April 25, 2000.

(2) In February 2001, Quebecor completed a secondary distribution of subordinate voting shares of Quebecor World inc. and a private placement of exchangeable debentures which may be exchanged for subordinate voting shares of Quebecor World Inc. held by Quebecor. After giving effect to these transactions and assuming that all the exchangeable debentures are exchanged, Quebecor would hold 78.20% of the voting rights of Quebecor World Inc.

(3) Informission Group Inc. until April 13, 2000.

(4) InfiniT Inc. until December 13, 1999.

ITEM 2 GENERAL DEVELOPMENT OF THE BUSINESS

The Company is a holding company whose business is organized according to two operational poles: the industrial pole, spearheaded by the commercial printing operations of Quebecor World Inc. ("**Quebecor World**"), and the media pole, organized under Quebecor Media, a subsidiary created in 2000 in connection with the acquisition of Le Groupe Vidéotron Ltée ("**Groupe Vidéotron**").

At the end of 2000, Quebecor Media acquired Groupe Vidéotron for $5.3 billion. At the time of this acquisition, the assets of Groupe Vidéotron included all of the shares of Vidéotron ltée ("**Vidéotron**"), the cable television subsidiary, 99.90% TVA Group Inc. ("**TVA Group**"), the broadcasting subsidiary, Le SuperClub Vidéotron ltée **("Le SuperClub Vidéotron**"), Protectron inc., a 66.7% voting interest in Vidéotron Télécom ltée ("**Vidéotron Télécom**"), a 59.96% voting interest in Netgraphe Inc. ("**Netgraphe**") and a minority interest in Microcell Telecommunications Inc. The transaction was financed with $3.7 billion in cash from the subscriptions by Quebecor Inc. and Capital Communications CDPQ Inc. ("**Capital CDPQ**"), a wholly-owned subsidiary of Caisse de dépôt et placement du Québec, and borrowings under the $2.1 billion credit facility of Quebecor Media dated October 23, 2000, which is referred to as the **QMI Credit Facility**. Pursuant to Canadian law, at the close of the takeover bid for Groupe Vidéotron, all the shares of Vidéotron and TVA Group were deposited with trustees pending the approval by the Canadian Radio-Television and Telecommunications Commission ("**CRTC**") of the transfer of the operating licenses owned by Vidéotron and TVA Group. Approval for the transfer of the Vidéotron operating licenses was received in May 2001. On July 5, 2001, the CRTC approval was received for the transfer of the TVA Group operating licenses to Quebecor Media. Such approval was subject to a condition requiring that by September 21, 2001: (i) TQS Inc. ("**TQS**") be placed in trust and (ii) a third party not associated with Quebecor Inc. or any of its affiliates files an application with the CRTC to acquire TQS.

In September 2001, the Company reached an agreement to sell TQS to a consortium consisting of Cogeco Inc. and Bell Globemedia.

Following the agreement, TQS was placed under the control of a trustee until the transaction closed on February 15, 2002, in accordance with the CRTC's directives. Quebecor Inc. received $62 million for its 86.02% stake in TQS. In addition, $12 million in cash advances that Quebecor Inc. had extended to TQS were repaid. Having satisfied all the conditions set by the CRTC with respect to the acquisition of TVA Group, Quebecor Inc. acquired full control over that company in September 2001.

On February 23, 2001, Quebecor Inc. completed 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 Inc. 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 million from the stock sale and debenture issue were used to pay down part of Quebecor Inc.'s bank debt.

On June 19, 2001, the Company sold 4 million shares of Abitibi-Consolidated Inc. ("**Abitibi-Consolidated**") for a cash consideration of $49.5 million and issued 25-year debentures in the principal 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 used also to pay down Quebecor Inc.'s bank debt.

In July 2001, Quebecor Media issued US$715.0 million in aggregate principal amount of 11⅛% Senior Notes and US$295.0 in aggregate principal amount of 13¾% Senior Discount Notes. Both the

Senior Notes and the Senior Discount Notes are unsecured, and each are due July 15, 2011, with cash interest payable semi-annually in arrears on January 15 and July 15 of each year except that, in the case of the Senior Discount Notes, interest will accrue, prior to July 15, 2006, in the form of an increase in the accreted value, representing amortization of original issue discount of such Senior Discount Notes. The net proceeds thereof were used to reduce the Quebecor Media's indebtedness under the QMI Credit Facility.

During the financial year ended December 31, 2001, Quebecor proceeded with several business acquisitions and dispositions. Among other transactions, the subsidiary Protectron Inc., a remote surveillance company, was sold on May 15, 2001 for proceeds of $61.5 million. On June 21, 2001, Quebecor Media reached an Agreement with the minority shareholders in Sun Media Corporation ("**Sun Media**") to acquire their interest in Sun Media for a cash consideration of $375 million. In May 2001, Quebecor Media also proceeded with the combination of its Internet/Portals assets and operations.

Through its direct and indirect interests in several businesses, Quebecor operates in the following eight segments: 1) Printing, 2) Cable Television, 3) Newspapers, 4) Broadcasting, 5) Leisure and Entertainment, 6) Business Telecommunications, 7) Web Integration/Technology and 8) Internet/Portals.

In addition, Quebecor holds, directly or indirectly, controlling interests in five publicly held corporations: Quebecor World, nurun Inc. ("**nurun**"), TVA Group, Netgraphe and Mindready Solutions Inc. ("**Mindready Solutions**"). Quebecor Inc. also has a majority interest in Quebecor Media as successor of Quebecor Communications. Quebecor Communications was liquidate on December 31, 2001, and all its assets and operations have been transferred to its sole shareholders Quebecor Media. Meanwhile, Quebecor Media is the sole shareholder of Sun Media and Groupe Vidéotron.

Over the past three years, the general development of each segment in which the Company operates has primarily been achieved through the acquisition of businesses already active in their respective areas.

2.1 Printing Segment

Quebecor World, a diversified global commercial printing company, is the largest commercial print media services company in the world. Its 2001 revenues reached US$6.3 billion. Quebecor World offers its customers state-of-the-art web offset, gravure and sheetfed printing capabilities, in product categories including magazines, retail inserts, catalogues, specialty printing and direct mail, directories, as well as books, pre-media, logistics and other value-added services. Quebecor World is a market leader in most of its product categories. Quebecor World believes that the diversity of its customer base, geographic coverage and product segments enhance the overall stability and potential growth of its earnings and cash flow. Quebecor World's strategy for growth focuses on increasing its geographic coverage through selective business acquisitions and internal growth.

Quebecor World services its various markets and offers its products through a network of more than 158 printing and related services facilities capable of economically servicing virtually all major markets in the United States, Canada, France, Belgium, the United Kingdom, Spain, Switzerland, Sweden, Finland, Austria, Brazil, Chile, Argentina, Peru, Colombia, Mexico and India.

In an industry characterized by a high degree of fragmentation and consolidation opportunities, Quebecor World has grown historically and will continue to grow primarily through acquisitions.

Since its inception in 1988, Quebecor World has made more than 65 acquisitions valued at more than US$5.5 billion, 15 of which had an acquisition price in excess of US$50 million. The following table sets forth Quebecor World's most signification acquisitions since 1988.

Year	Acquisition	Country	Consideration* (US$ millions)
1988	BCE PubliTech Inc.	Canada	191.0
1990	Graphics Holding Enterprises, Inc.	U.S.A.	532.1
1994	Arcata Corporation (Book Group)	U.S.A.	180.9
1995	Financière Jean Didier	France	336.7
1997	AmerSig Graphics Inc.	U.S.A.	116.0
1997	Franklin Division of Brown Printing Company	U.S.A.	125.0
1998	TINA	Sweden and Finland	271.8
1999	World Color Press, Inc.	U.S.A.	2,723.7
2001	Retail Printing Corporation	U.S.A.	127.7
2002	European Graphic Group S.A., a subsidiary of Hachette Filipacchi Medias	France and Belgium	70.7

* including assumption of long-term debt net of cash and cash equivalent

In 1999, a subsidiary of Quebecor World merged with Greenwich, Connecticut-based World Color Press, Inc., the second largest commercial printer in the United States, which operated 58 facilities in the United States and had approximately 16,000 employees. Following this merger, Quebecor World became the largest commercial printer in the world.

In 2000, Quebecor World started building its first plant in Brazil, the largest country in Latin America, with a population of more than 164 million people. The decision to build a greenfield site was made in partnership with Editora Abril, S.A., South America's leading publisher of magazines, including *VEJA*, the world's fourth-largest news weekly. Under a ten-year agreement valued at US$170 million, Quebecor World will print 18 titles, or 83 million magazines, a year for Abril. The plant has been expanded to meet the needs of a second key customer, Listel Listas Telefonicas S.A., the largest and fastest growing directory publisher in Brazil, owned by BellSouth Corporation. The ten-year Listel contract is worth US$142 million, and Quebecor World will print 11.8 billion directory pages a year, more than half of all the directory pages printed by Quebecor World in Canada annually.

In 2000, Quebecor World completed its program initiated during 1998 to exit non-core operations. In 1998, it sold its cheque and credit card businesses. In 1999, this program continued with the sale of the operating assets of Quebecor World's BA Banknote Division. Finally, in 2000, Quebecor World sold its North American CD-ROM replicating and fulfillment facilities.

In order to focus on the integration of operations, from both a North American as well as an international perspective, and on the maximization of free cash flow, Quebecor World made no significant business acquisitions since the acquisition of World Color Press, Inc. in August 1999 through the close of 2000. Quebecor World resumed its external growth strategy in 2001. However the economic downtrend, compounded by the events of September 2001, prevented Quebecor World from moving forward with its external growth strategy. In addition to a handful of smaller acquisitions throughout the year, Quebecor World expanded its U.S. retail platform in July 2001 by acquiring Retail Printing Corporation, a web offset retail printer with locations in Nashville, Tennessee and Taunton, Massachussets for a cash consideration of US $ 97.6 million.

In September 2001, Quebecor World signed an agreement pending regulatory approval to purchase the European printing business of Hachette Filipacchi Medias (European Graphic Group, or E2G). The acquired assets include printing and bindery facilities in France, as well as Hachette's 50%

ownership stake in the rotogravure printing plant of Helio Charleroi in Belgium. Hachette Filipacchi Medias is one of the world's top publishers with 210 magazine titles in 34 countries. All necessary regulatory approvals were obtained and this transaction closed in March 2002, for an aggregate purchase price of US $70.7 million. The transaction amount includes a purchase price balance for the 50% of Charleroi Group controlled by the Belgian businessman Albert Frère. As part of the transaction, Hachette has entered into a long-term agreement with Quebecor World for it to print many of Hachette's magazines in Europe, the value of which is estimated to be US $400 million (excluding paper) over the term of the contracts.

During the year ended December 31, 2001, the Company has increased its interest in Quebecor World 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.

Quebecor World remains committed to growth by way of acquisition and anticipates resuming acquisition activity as the world economy recovers from a difficult 2001.

For more information on the Printing Segment, see item 3.1

2.2 Cable Television Segment

At the end of 2000, Quebecor Media acquired Groupe Vidéotron. Final acquisition of control over Vidéotron's cable television and broadcasting subsidiaries was subject to approval by the CRTC. In May 2001, the CRTC approved the transfer of control over the cable television subsidiary, Vidéotron.

Vidéotron is the largest cable operator in the Province of Québec and the third largest operator in Canada, with approximately 1.5 million basic cable subscribers. Vidéotron holds cable licenses that cover approximately 80% of Quebec’s 2.8 million homes passed by cable, including licenses for the Greater Montreal area, the second largest urban area in Canada. The Greater Montreal area cluster represents the largest contiguous cluster in Canada and one of the largest contiguous clusters in North America. This concentration provides Vidéotron with improved operating efficiencies and is a key element in the development and launch of its bundled service offerings. In 1995, Vidéotron launched an aggressive modernization program to upgrade its network. This program has provided Vidéotron with one of the largest bi-directional hybrid fiber coaxial (HFC) networks in North America, with approximately 97% of the systems upgraded to two-way capability, and 72% of the systems upgraded to 750 MHz of capacity. Its network modernization program was completed in 2001, and its broadband coverage is the most extensive in the Province of Quebec, allowing Vidéotron to become the largest provider of high-speed Internet access services in Quebec.

Vidéotron offers customers a bundled package of services including analog or digital television cable, high-speed and dial-up Internet access, premium programming and selected interactive television services. In addition to offering a wide range of English-language programming, Vidéotron is the largest distributor of French-language programming in Quebec. It is estimated that over 80% of the Quebec population is French-speaking.

On January 1, 1998, new *Broadcasting Distribution Regulations* (the “*1998 Regulations*”) came into effect to replace the *Cable Television Regulations*, 1986 (the “*1986 Regulations*”). The new regulations apply to all distributors of broadcasting services in Canada, including cable, MDS, LMCS and DBS. They are designed to foster fair competition between distributors and new distribution technologies in the broadcast distribution market, to the benefit of consumers, while strengthening the presence of high-quality Canadian programming in the broadcasting system.

With the upcoming competition, Vidéotron is convinced of the importance of servicing a critical mass of subscribers in the same region and has therefore decided to concentrate its activities in Québec. Accordingly, in May 1996, Groupe Vidéotron completed a take-over bid of the shares of CFCF Inc. The CRTC approved this transaction in February 1997, on the condition that the television stations CF-12 and TQS Network be sold to acceptable third parties, and the station and network were subsequently sold. On August 22, 1997, CF Cable shares were transferred from CF-12 Inc. (CFCF Inc.'s successor company) to Groupe Vidéotron, and were resold to Vidéotron in October 1997.

As a result of the acquisition of CF Cable, Vidéotron added some 330,000 Quebec basic cable subscribers and some 105,000 in Ontario. The number of subscribers in Quebec increased to 1.4 million while the number of homes serviced grew to 2.1 million from 1.6 million. Since the acquisition of CF Cable, Vidéotron cable television licenses cover the whole of Greater Montreal, the second largest urban market in Canada.

Always with a view to focusing its efforts on its interconnected networks in Québec, in August 1998, Vidéotron finalized the sale of its activities in Alberta (161,551 subscribers) and, in November 1998, its activities in Northern Ontario (105,000 subscribers).

From August to November 1998, Vidéotron finalized a series of acquisitions of cable companies located in various regions of Quebec and servicing approximately 92,300 subscribers.

Vidéotron's cable television licenses now cover almost 80% of the Province of Quebec households.

Following the acquisition of Vidéotron 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.

On May 15, 2002, Vidéotron and Entourage Technology Solutions Inc. (“**Entourage**”) announced the signing of a contract of acquisition of Vidéotron's technical services division, which provides cable-TV and high-speed cable Internet access installation and repair services, by an affiliate of Entourage, to be known as “Alentron”, in accordance with the agreement entered into on March 4, 2002 and that concurrently therewith a services agreement was entered into pursuant to which Alentron will provide such installation and repair services to Vidéotron. By virtue of this transaction, 664 Vidéotron employees become employees of Alentron. Vidéotron will thus be realizing yearly savings of almost $15 million and will be in a position to refocus on its core activities.

For more information on the Cable Television Segment, see Item 3.2.

2.3 Newspaper Segment

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

The take-over of Sun Media, which was completed on January 8, 1999, by 2944707 Canada Inc., an indirect wholly owned subsidiary of Quebecor Communications, had a major impact on the Newspaper

Segment. On February 28, 1999, 2944707 Canada Inc. merged with Sun Media. The new entity uses the name Sun Media Corporation/Corporation Sun Media. At the end of 1998, all the newspapers published by Quebecor Communications and the related distribution operations had been transferred to 2944707 Canada Inc., so that all newspaper publishing and distribution operations are now consolidated in the new "Sun Media Corporation", forming the only national chain of tabloids and the second largest newspaper chain in Canada, with a 20.7% market share based on daily circulation. Quebecor Communications was liquidated on December 31, 2001, and all its operations have been transferred to its sole shareholder, Quebecor Media. Quebecor Media and Sun Media intend to continue core business developing, in Canada and abroad, in the sectors they already occupy.

On March 1, 1999, pursuant to an agreement entered into on December 20, 1998, Sun Media sold four broadsheet newspapers that it had acquired from Southam Corporation in September 1998, to Torstar Corporation.

In 1999, Bowes Publishers Limited, a subsidiary of Sun Media, acquired the *Stratford Beacon Herald* in Ontario, the last independent daily in that province. It also acquired weekly publications in Saskatchewan and Ontario. In 1999, Sun Media also sold *The Record*, a daily newspaper in Sherbrooke, Quebec.

In June 1999, the Company sold to three investors a 30% interest in Sun Media for total cash consideration of $260 million, which it used to repay a bank loan contracted to make a contribution to the capital of Sun Media. Subsequently, in June 2001, Sun Media became a wholly-owned subsidiary of Quebecor Media, when the Company bought out the minority shareholders.

During the year 2000, Sun Media launched *Montréal Métropolitain*, a free daily paper for transit users in Montreal.

Sun Media implemented restructuring initiatives in the second and fourth quarters of 2001, in response to difficult market conditions. The initiatives resulted in a workforce reduction charge of $17.8 million in fiscal 2001, or $11.6 million net of taxes. In total over 350 employee terminations were made across all geographic regions and departments of Sun Media.

For more information on the Neswpaper Segment, see Item 3.3.

2.4 **Broadcasting Segment**

In September 1997, the Company, through Quebecor Communications in partnership with COGECO Inc., Les Communications par Satellite Inc. ("**Cancom**"), Radio-Nord Inc., Radio-Saguenay Ltée (now known as Gestion Baripra Inc.), Télévision MBS Inc. acquired a 100% interest in TQS, a television network that reaches an audience spread across almost the entire area of the province of Quebec.

Quebecor Communications' interest in TQS increased from 58.52% in 1997 to 70.17% as at December 31, 1998, and 79.09% as at December 31, 1999, reaching 85.99% on March 22, 2000, following acquisition of the shares of TQS held by Cancom.

Following the acquisition in October 2000 of all of the outstanding shares of Groupe Vidéotron, Quebecor Media applied to the CRTC for the transfer of the operating licences of TVA Group (broadcasting). On July 5, 2001, the CRTC approved the acquisition of the broadcasting subsidiary, TVA Group, 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. Following the agreement, TQS was placed under the control of a trustee until the transaction closed on February 15, 2002, 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.

TVA Group operates mainly in the following sectors: broadcasting, production and distribution of audiovisual products, magazine and book publishing, and merchandising of various products.

TVA Group, the largest private broadcaster in Quebec, owns six of the 10 stations comprising the TVA Network: CFTM-TV (Montreal), CFCM-TV (Quebec City), CFER-TV (Rimouski), CHLT-TV (Sherbrooke), CHEM-TV (Trois-Rivières) and CJPM-TV (Chicoutimi). The TVA Network's signal reaches almost all of the French-speaking audience of Quebec, French-speaking communities in the neighbouring provinces of Ontario and New Brunswick and, since May 1, 1999, a substantial portion of the French-speaking population of the rest of Canada. In the Fall 2001, TVA Group had a 35% market share of French-speaking viewers in the Province of Quebec and 44% of the television advertising spending for French-speaking viewers in Quebec. In the Fall 2001, TVA Group also aired seven of the ten most popular TV programs in the Province of Quebec, including *Le Retour*, *2 frères and Willie*. Directly or through some of its subsidiaries, TVA Group is also a major producer of French-language entertainment, news and public affairs television programs intended primarily for its own broadcast use, as well as a distributor of audiovisual content for the market outside Quebec. TVA Group also owns and operates *Le Canal Nouvelles (LCN)* and holds interests in the specialty services *mentv* (51%), *Mystery* (formerly *13th Street*) (45.05%) and *Canal Évasion* (10%), as well as in the pay-per-view service *Canal Indigo* (20%).

TVA Group also operates in the magazine and book publishing sector through its subsidiary, TVA Publishing Inc. ("**TVA Publishing**"), whose general-interest and entertainment weeklies and monthlies make it the leading French-language magazine publisher in Quebec. In addition, TVA Group is active in the merchandising of various products.

Following are the major events that have affected the development of TVA Group during the last three years:

On April 16, 1999, TVA Group's Class B shares were included in the Toronto Stock Exchange's TSE 300 index, a reflection of the strong increase in the TVA Group's market capitalization.

In May 1999, the CRTC (CRTC decision 99-112) approved the license for *Canal Évasion*, dedicated to travel, tourism and adventure. TVA Group holds a 10% interest in *Canal Évasion*, which went on air in January 2000.

On January 17, 2000, TVA Group acquired all of the shares of Trustar Limitée ("**Trustar**"), Quebec's leading publisher of French-language magazines. Renamed TVA Publishing in September 2000, this company is mainly known for its weekly general-interest and entertainment magazines.

On May 12, 2000, TVA Group acquired all the shares of Motion International Inc. (now **TVA International**), a major Canadian producer and distributor of films and television content intended mainly for the international market. This acquisition was carried out by TVA Acquisition Inc. ("**TVA Acquisition**"), which is 70% owned by TVA Group and 30% by Capital CDPQ. TVA Group financed its share of the transaction by issuing 3,850,000 Class B shares for total gross proceeds of $100.1 million.

On September 5, 2000, Télé Inter-Rives Ltée, which is 45% owned by TVA Group, entered into an agreement for the purchase of CHAU-TV (Carleton), then owned by a subsidiary of Corus Entertainment Inc. This transaction was approved by the CRTC on November 21, 2000.

On November 24, 2000, the CRTC authorized licenses for 283 digital specialty services, including 21 Category 1 services, which cable and satellite service operators will be required to carry, and 262 Category 2 services, for which carriage will be an option. The CRTC authorized TVA Group and its different partners, 11 of the new digital specialty services, including six Category 1 services, three French and three English, and five Category 2 services, two French and three English. In November 2001, TVA Group was required to carry all Category 1 services applicable to its market.

On December 11, 2000, Quebecor and Capital CDPQ entered into a shareholders' agreement regarding their interest in Quebecor Media. For more information on the aforesaid Shareholders' Agreement, see item 2.9. The Shareholders' Agreement provides for, among other things, (a) a consent right for Capital CDPQ over certain major decisions affecting Quebecor Media and its subsidiaries, including TVA Group, such as any change in the articles, the merger of TVA Group and any sale by Quebecor Media of its shares in TVA Group's capital; and (b) a right of first refusal for Capital CDPQ in the case of an offer concerning substantially all of the shares of TVA Group or substantially all of its assets.

On January 16, 2001, TVA Group announced a writedown of TVA International's assets of about $71 million ($63 million after taxes), including $30 million in goodwill, and $23 million in production and distribution rights. This writedown as the result of the decision by TVA International to focus its activities on the distribution of audiovisual products and the production of youth programming and animation. TVA Group's share of this writedown was $50 million ($44 million after taxes).

On May 31, 2001, TVA Group's indirect interest in Netgraphe was diluted to 11% from 29%, following Netgraphe's acquisition of the assets of Canoe, a limited partnership that is part of the Quebecor Media group.

On July 5, 2001, the CRTC (CRTC decision 2001-385) renewed the licences of the TVA Network and CFTM-TV (Montreal) for a period of seven years, from September 1, 2001, to August 31, 2008.

On September 12, 2001, TVA Group announced its decision to re-evaluate its investment and strategy in the audiovisual production and distribution sectors, and decided to take a major writedown of certain TVA International assets. This decision resulted from TVA Group's determination that the overall profitability of TVA Group was still affected by TVA International's unsatisfactory financial performance ever since the Motion International acquisition, and that its growth perspectives were still below profitability objectives. This writedown was about $120 million after taxes, including $48 million in goodwill. TVA Group's share of this writedown was $95 million after taxes, which amounted to a complete writeoff of its investment in TVA International.

In fiscal 2001, TVA Group undertook a major restructuring aimed at focusing on its broadcasting and magazine and book publishing sectors, while remaining active in the merchandising sector. The broadcasting sector should experience growth in the coming years as a result of the new digital specialty services. In September 2001, TVA Group launched in partnership two English-language Category 1 specialty services, *mentv* and *Mystery*, which are carried by cable distributors throughout Canada. In September 2002, TVA Group and its partners plan to launch its three French-language Category 1 specialty services. With the launch of its five Category 1 services and the eventual launch of the five Category 2 services for which it has been granted licenses, TVA Group aims to become a major player in the Canadian specialty television services market.

TVA Group expects to create synergies with its new majority shareholder, Quebecor Media, and help develop a convergence model in the area of new media. TVA Group intends to continue producing quality content for both its television programs and magazines.

For more information on the Broadcasting Segment, see item 3.4.

2.5 Leisure and Entertainment Segment

This segment, which now forms part of Quebecor Media, includes mainly the Company's book publishing operations that are carried on through several publishing houses, its book distribution operations carried on by Québec-Livres, a division of Quebecor Media, its magazine publishing operations carried on by Publicor, another division of Quebecor Media and the distribution of CDs and videos and retail sales of books, magazines, videos and CDs by Archambault Group Inc. ("**Archambault Group**"). The Leisure and Entertainment Segment also includes Le SuperClub Vidéotron which was acquired through the acquisition of Groupe Vidéotron on October 23, 2000.

The Company's operations in this segment are concentrated in the Province of Quebec.

The acquisition, on October 18, 1995, of a majority interest in Ed. Archambault Inc. significantly increased the importance of CD and video distribution and retail activities for Quebecor Media Inc.

Until early 1999, this segment (then known as the Books, Magazines and Music Segment) also included Joncas Postexperts Inc., a business operating in the direct mail advertising and marketing industry. This company was sold to Quebecor World by Quebecor Communications on February 27, 1999. Furthermore, at the end of 1998, Quebecor Communications sold its 50% interest in Publistar Inc., which publishes the news magazine *Le Lundi*, to Trustar Ltd., which held the other 50%.

In 2000, the Leisure and Entertainment Segment continued its growth, acquiring a 50% interest in Les Éditions Libre Expression Ltée, the other 50% of which Quebecor Communications already held, acquiring all of the interests in the companies Occasions d'Affaires, Camelot-Info Inc. and Paragraph Book Store Inc.

Following the acquisition in 2000 by Quebecor Communications of a majority interest in DM Diffusion Multimédia Inc., the multimedia distribution and marketing operations have been combined in DM Diffusion Multimédia Inc., which has become Canada's largest distributor of French-language multimedia products to schools and the general public. Québec-Livres continues to distribute and market French-language books throughout Canada.

In December 2001, St.Remy Media, an electronic publishing and contract publishing company was sold.

TVA Group and Quebecor Media have announced on May 15, 2002, the approval by their respective Board of the acquisition by TVA Group of Publicor, the magazine division of Quebecor Media. This transaction also includes the tabloid "*Échos Vedettes*". The closing of this transaction took place on May 16, 2002.

For more information on the Leisure and Entertainment Segment, see item 3.5.

2.6 Business Telecommunications Segment

In 1989, as an initial response to its telecommunications needs in Quebec, Groupe Vidéotron created Vidéotron Télécom Ltée ("**VTL**"). Since then, this undertaking has implemented a telecommunications network of almost 8,600 km of fiber-optic routes covering approximately 90% of Quebec's market for business telecommunications services. Over the past years, VTL has interconnected its network to several Quebec and Ontario cable distributors. In Quebec, VTL expanded its local access network in the Greater Montreal and Quebec City areas as well as in the Ottawa Valley, Sherbrooke, Granby, Saint-Hyacinthe, Trois-Rivières and Chicoutimi sectors. VTL interconnected its network to Canadian and American telecommunications enterprises.

In 1998, VTL called on the power and capacity of its network to offer local telephone service in Montreal, Quebec City and several other cities. In addition to the basic Internet services, such as high-speed access and security, and the creation and hosting of Web sites, VTL also offered various telephone services such as calling cards and toll-free lines throughout Quebec since 1998.

On December 8, 1999, Carlyle VTL Holdings, L.P. ("**Carlyle**") subscribed for 5,000 Class C preferred shares of the capital stock of VTL Holdings which had, until that time, been an indirect, wholly-owned subsidiary of Groupe Vidéotron, for the sum of $200 million in cash. VTL Holdings is the sole shareholder of VTL. The holders of Class C preferred shares are entitled to convert the Class C preferred shares into 5,000 voting common shares and 35,000 non-voting common shares, which represent 33,33% of the voting shares and 29% of the participating shares of VTL Holdings. The Class C preferred shares can be redeemed, at the discretion of the shareholder, from the fifth anniversary of the subscription date or following a change in control at VTL Holdings.

The preferred shares issued by VTL are redeemable, partially or totally, at the option of the issuer at any time and at the option of Carlyle 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.

Concurrently with the subscription of these shares by Carlyle, Groupe Vidéotron granted VTL Holdings and VTL an exclusive license to use certain trademarks, including the "Vidéotron" trademark, for providing business telecommunications services, for a term of 30 months. Groupe Vidéotron, Carlyle and VTL Holdings entered into a non-competition agreement, VTL Holdings granted its shareholders certain registration rights, and Carlyle and Vidéotron Communications Inc. signed a shareholders' agreement.

In 2001, VTL carried out a major restructuring of its business telecommunications operations and refocused VTL's primary mission on the offering of high-speed telecommunications services, voice services, Internet access services and WEB hosting based services to large business users and telecommunication carriers. As part of such restructuring, VTL sold its telephone equipment and maintenance contracts in May 2001.

VTL is now focusing its development efforts on its core customer base, i.e. large telecommunications local and long distance customers, wholesalers of long distance telecommunications services, wireless operators and Internet service providers, and other high-end users of business telecommunication services.

In early March 2002, VTL seized an opportunity for expansion by acquiring most of the strategic assets of Toronto-based Stream Intelligent Networks. The transaction will increase VTL's penetration in the country's largest business telecommunications market, the Montreal-Ottawa-Toronto triangle, as well as in the local Toronto Market.

For more information on the Business Telecommunications Segment, see item 3.6.

2.7 **Web Integration/Technology Segment**

On September 30, 1999, the Company, nurun and Intellia Inc. ("**Intellia**"), a subsidiary of Quebecor Communications, announced that agreement had been reached on the formation of a company which will become in Canada, and potentially in the United States and Europe, a leader in e-business solutions, combining strategy, technology integration, Internet solutions and creativity on the Internet.

This agreement led to the following transactions, which were completed on November 1, 1999. On that date, Quebecor Communications acquired 4,108,108 Common Shares of nurun at a price of $9.25 per Common Share pursuant to a partial take-over bid made on October 8, 1999. The take-over bid was conditional upon the acquisition by nurun of all of the shares of Intellia, a subsidiary of Quebecor Communications, in consideration for which nurun issued 12,214,286 Common Shares including 10,927,960 Common Shares to Quebecor Communications. Prior to this acquisition, Quebecor Communications made an additional contribution of $40 million to Intellia. Following these transactions, the Company, through its wholly owned subsidiary Quebecor Communications, held 15,036,068 common shares or over 58.23% of the then issued and outstanding shares of nurun. The above transactions also granted a preemptive right to Quebecor Communications, which was renewed on January 31, 2000 by agreement between Quebecor Communications and nurun. Quebecor Communications has been liquidated on December 31, 2001. nurun is now a subsidiary of Quebecor Media.

nurun is a company engaged in e-business services, Internet solutions development, Web integration and the development of interactive, customer relationship and data management strategies designed to support multi-channel sales and marketing activities. It offers its services to private and public-sector clients located primarily in North America and Europe.

Through its subsidiary Mindready Solutions, nurun is also active in the area of real-time and embedded systems. Mindready Solutions is a leading supplier of test engineering, manufacturing automation and real-time communications solutions for original equipment manufacturers, or OEMs, and electronics manufacturing services, or EMS, providers in the advanced electronics industry. OEMs and EMS providers use Mindready Solution's services and products to help them design, manufacture and test complex electronics products.

Mindready Solution's clients operate in the telecommunications, automotive and aerospace industries, and include companies such as Nortel Networks Corporation, Snamina-SCI Corporation, C-MAC Industries Inc. (now Solectron Corporation), Visteon Corporation, Alcatel, Hewlett-Packard Company, The Boeing Company, and Lockheed Martin Corporation.

In December 2000, Mindready Solutions became a public company whose shares are listed on the Toronto Stock Exchange.

During the first quarter of 2002, Mindready Solutions has implemented additional costs reduction measures in order to respond to the continued adverse market conditions within the telecommunications industry, Mindready Solutions' main market segment. The restructuring plan will result in the termination of approximately 23% of the workforce. The reduction in personnel will affect the United Kingdom, Montreal and United States operations. Through this restructuring plan, Mindready Solutions will be consolidating the United Kingdom operations with the Northern Ireland operations center.

nurun’s goal is to enable its clients to capitalize fully on the opportunities offered by the Internet and Web technology so that they can develop new markets and marketing channels and improve the efficiency of their processes relating to customers, business partners and employees.

In 2000, nurun entered into a strategic agreement with Quebecor World in order to establish its position in the e-business market. As part of this agreement, Quebecor World subscribed for $20,000,000 of nurun’s securities.

nurun has rapidly pursued its growth as a Web integrator and interactive agency by acquiring the following companies: EntreVision Inc., one of Canada's leading organizations in e-business solutions; Cythère S.A., the largest independent Web solutions integrator in France; MSM Interactive S.A., an e-business company based in Santiago, Chile, whose services include Web site design and development, e-commerce, Web-based training and wireless Internet technology; Quam S.r.l., now nurun Italia S.r.l., an Italian new media agency with proven multimedia expertise and Imagix Multi Média Inc., specialists in audio-visual communication and multimedia production.

In January 2002, Nurun announced the sale of Flow Systems Corporation for a cash consideration of $1.1 million as part of the process of divestiture of divisions not essential to its core business.

nurun's clients include multi-national corporations, such as Evian, L'Oréal, Essilor, MTV Italia, Biotherm, Danone, Club Med, General Motors, Boise Cascade, IBM, Axa, Sigma-Aldrich and Air Canada.

For more information on the Web Integration/Technology Segment, see 3.7.

2.8 Internet/Portals Segment

Netgraphe is an integrated company offering various services such as e-commerce, information, communication and consulting in information technology. Netgraphe owns the CANOE network, which includes Canoe.ca, Canoe.qc.ca, InfiniT.com, La Toile du Quebec (Toile.com), Webfin.com, Multimedium.com, Megagiciel.com, local sites under the FYI banner, as well as Micanoa.com in Spain. In addition, Netgraphe offers on-line e-commerce services in the fields of employment (Jobboom.com), automobiles (Autonet.ca/Autonet.qc.ca), personals (ReseauContact.com/MatchContact.com), on-line shopping (Shop.canoe.ca), and classifieds (ClassifiedExtra.ca). Through its subsidiary Progisia Informatique inc. ("**Progisia**"), Netgraphe also offers IT consulting services such as e-commerce, outsourcing, integration and secure transaction environments.

With nearly 4.3 million unique on-line visitors per month according to MediaMetrix, Netgraphe is one of the leading Internet communications, commerce and media companies in Canada. The hub of interactivity in the vast universe of properties of Quebecor Media, the largest French-language media group in North America, CANOE, a bilingual, integrated media and Internet services network, is one of Canada's leading Internet portals.

Netgraphe is the operator of the CANOE network, which includes all of Netgraphe's public and commercial Web sites, as well as the employment and careers publisher Éditions Jobboom and the IT-consulting firm Progisia. These complementary operations form one of the most complete portfolios of Internet properties in Canada.

From its incorporation until June 1999, Netgraphe (formerly known as "Cristobal Resources Inc.") operated as a mining company. The following summarizes the principal milestones in the development of the activities of this Corporation since, in 1999, it was taken over by a Quebec-based private company operating in the Internet industry and changed its name to Netgraphe:

- September 1999: Netgraphe becomes a public company whose shares are listed on the Montreal Exchange under the symbol WWW.
- December 1999: Netgraphe acquires InfiniT.com and the Internet assets of TVA Group and Vidéotron Communications Inc. Netgraphe is listed on the Toronto Stock Exchange under the symbol WWW.
- December 1999: Netgraphe acquires a 66% interest in the financial Web site Webfin.

- December 1999: Netgraphe acquires a 75% interest in Jobboom Inc. ("**Jobboom**"), provider of the first specialized employment service site in Quebec.
- April 2000: Netgraphe increases its interest in Jobboom to 100% and acquires Ma Carrière Inc., a publisher specialized in career-management services.
- May 2000: Netgraphe increases its interest in Webfin to 100%.
- September 2000: Netgraphe acquires Progisia and its subsidiary, Force Informatique Inc., which specialize in systems integration, electronic commerce and IT consulting services.
- May 2001: Netgraphe completes the acquisition of the CANOE network assets, including the canoe.ca and canoe.qc.ca portals as well as a number of specialty Web sites, and certain related liabilities, from Quebecor New Media Limited Partnership and Canoe Limited Partnership, which are indirectly wholly-owned by Quebecor Media, in consideration for the issuance of 133,675,387 Common Shares of Netgraphe, which shares were subsequently changed into 133,675,387 Multiple Voting Shares of Netgraphe. As at December 31, 2001, Quebecor Media owns, directly and indirectly, approximately a 97.6% voting and 75.2% equity interest in Netgraphe.

2.9 Shareholders' Agreement

Quebecor Inc., Capital CDPQ and Quebecor Media, inter alia, entered into a shareholders' agreement, dated October 23, 2000, as consolidated and amended by a shareholders' agreement dated December 11, 2000 which sets forth the rights and obligations of Quebecor Inc. and Capital CDPQ as shareholders of Quebecor Media (the "**Shareholders' Agreement**"). Except as specifically provided in the Shareholders' Agreement, the rights thereunder apply only to shareholders holding at least 10% of the equity shares of Quebecor Media, which are referred to as the "**QMI Shares**", on a fully-diluted basis.

The Shareholders' Agreement provides, among other things, for:

i) standard rights of first refusal with respect to certain transfers of QMI Shares;

ii) standard preemptive rights which permit shareholders to maintain their respective holdings of QMI Shares on a fully diluted basis in the event of issuances of additional QMI Shares or convertible securities of Quebecor Media;

iii) rights of representation on the Board of Directors of Quebecor Media in proportion to shareholdings, with Quebecor initially having five nominees and Capital CDPQ having four nominees to Quebecor Media's Board of Directors;

iv) consent rights in certain circumstances with respect to matters relating to Quebecor Media and its non-reporting issuer (public) subsidiaries, including (a) a substantial change in the nature of the business of Quebecor Media and its subsidiaries taken as a whole, (b) an amendment to the Articles of Quebecor Media or certain of its subsidiaries, (c) the merger or amalgamation of Quebecor Media or certain of its subsidiaries with a person other than an affiliate, (d) the issuance by Quebecor Media or certain of its subsidiaries of shares or of securities convertible into shares except in the event of an initial public offering of QMI Shares, (e) any transaction having a value of more than $75,000,000, other than the sale of goods and services in the normal course of business, (f) a business acquisition in a business sector unrelated to sectors in which Quebecor Media and certain of its subsidiaries are involved, and (g) in respect of capital expenditures in excess of certain amounts for each of the first five years of operations for Quebecor Media;

v) standard rights of first refusal in favor of Capital CDPQ with respect to the sale of all or substantially all of the shares or assets of TVA or Vidéotron;

vi) so long as Capital CDPQ holds at least 22.5% of the QMI Shares on a fully diluted basis, if the Péladeau family (as defined in the Shareholders' Agreement) ceases to control Quebecor Inc., Capital CDPQ shall have at its option either a "call" on Quebecor Inc.'s interest in Quebecor Media at fair market value, or a "put" right in respect of Capital CDPQ's interest in Quebecor Media to Quebecor or its new controlling shareholder at fair market value, provided that the "call" right shall not apply if the Péladeau family (as defined in the Shareholders' Agreement) has offered a standard right of first refusal on its Quebecor control block to Capital CDPQ before selling control of Quebecor Inc., and all of the rights in this item (vi) shall cease to apply five years following the approval by the CRTC of the acquisition by Quebecor Media of Groupe Vidéotron; and

vii) a non-competition covenant by Quebecor Inc. in respect of it and its affiliates pursuant to which Quebecor Inc. and its affiliates shall not compete with Quebecor Media and its subsidiaries in their areas of activity so long as Quebecor Inc. has "*de jure*" or "*de facto*" control of Quebecor Media, subject to certain limited exceptions.

The Shareholders' Agreement provides that once Quebecor Media becomes a reporting issuer and has a 20% public "float" of QMI Shares, certain provisions of the Shareholders' Agreement will cease to apply, including the consent rights described under items (iv) (d) and (e) above.

In a separate letter agreement, dated December 11, 2000, Quebecor Inc. and Capital CDPQ agreed, subject to applicable laws, fiduciary obligations and existing agreements, to attempt to apply the same board representation and consent rights as set forth in the Shareholders Agreement to Quebecor Media's reporting issuer (public) subsidiaries so long as Capital CDPQ holds at least 20% of the QMI Shares on a fully-diluted basis (10% as it relates to TVA Group).

2.10 Discontinuance of Operations in the Forest Products Segment

On February 11, 2000, Abitibi-Consolidated, Donohue Inc. ("**Donohue**") and the Company announced that they had entered into agreements whereby Abitibi-Consolidated offered to purchase all of the outstanding shares of Donohue in a cash and share transaction valued at $42.00 per Donohue share ($12.00 cash and 1.8462 common shares of Abitibi-Consolidated). The agreements included an irrevocable commitment by the Company to tender all of its Donohue shares in favour of Abitibi-Consolidated's offer.

The Company tendered its Donohue shares on April 18, 2000. The transaction was accounted for as a reverse take-over of Abitibi-Consolidated by Donohue, as the shareholders of Donohue received a sufficient number of shares of Abitibi-Consolidated in the exchange to give them a controlling interest. The Company's interest in the new corporation, both in terms of number of shares and number of votes, is approximately 11%. The gain arising from the transaction was recorded in the second quarter of 2000 and amounted to $235 million, net of the related income taxes. As the Company does not have control of or significant influence over the new corporation, this interest is accounted for as a portfolio investment and, consequently, the operations in the Forest Products segment were considered to have been discontinued as of the first quarter of 2000.

On June 19, 2001, the Company sold 4 million shares of Abitibi-Consolidated for a cash consideration of $49.5 million and issued 25-year debentures in the principal amount of $554.9 million exchangeable for 44.8 million voting shares of Abitibi-Consolidated.

2.11 **Risk Factors**

2.11.1 Refinancing of indebtedness

Quebecor Media may need to refinance certain of its existing debt instruments at their term. Quebecor Media's ability to obtain additional financing to repay its existing debt at maturity will depend upon a number of factors, including prevailing market conditions and its operating performance. There can be no assurance that the terms and conditions of such additional financing will be favorable to Quebecor Media or that any such financing will be available at all.

2.11.2 Restrictive Covenants

The terms of Quebecor Media's outstanding debt instruments contain a number of restrictive covenants that impose significant operating and financial covenants on it including, among other things, restrictions on its ability to: (i) incur additional debt; (ii) pay dividends and make restricted payments; (iii) create liens; (iv) use the proceeds from sales of assets and subsidiary stock; (v) enter into sale and leaseback transactions; (vi) enter into transactions with affiliates; and (vii) enter into certain mergers, consolidations and transfers of all or substantially all of its assets. Quebecor Media's failure to comply with the covenants contained in its outstanding debt instruments could result in an event of default which could materially and adversely affect its operating results and its financial condition.

ITEM 3 NARRATIVE DESCRIPTION OF THE BUSINESS

The following tables provide information on the revenues by industry segment and by geographic segment for the Company's eight continuing industry segments.

	Fiscal years ended December 31	
	2001	2000
	(in millions of Canadian dollars)	
Revenues by industry segment		
Quebecor World		
Printing	$ 9,786.7	$9,683.1
Quebecor Media		
Cable Television	476.5	-
Newspaper	838.1	850.1
Broadcasting	153.6	59.9
Leisure and Entertainment	260.1	225.4
Business Telecommunications	14.6	-
Web Integration/Technology	129.1	127.5
Internet/Portals	27.4	11.6
Head Office	6.5	-
Inter-segment		
Printing	(29.3)	(28.2)
Others	(30.0)	(14.6)
	$11,633.3	$10,914.8

	Fiscal years ended December 31	
	2001	2000
	(in millions of Canadian dollars)	
Revenues by geographic segment		
Revenues generated by:		
Canadian operations		
Revenues from Canada	$ 3,436.9	$2,687.4
Revenues from the United States	22.1	18.0
Revenues from Europe and other	1.6	5.0
	3,460.6	2,710.4
U.S Operations	6,491.4	6,676.5
European Operations	1,430.7	1,361.2
Latin American Operations	249.9	166.3
Other	0.7	0.4
	$11,633.3	$10,914.8

3.1 Printing Segment

The information on the Printing Segment contained in the Annual Information Form of Quebecor World dated May 16, 2002 is incorporated by reference herein and is included as Appendix A, on pages A-1 to A-12.

3.2 Cable Television

3.2.1 Cable Television Industry Overview

Cable television has been available in Canada for almost 50 years and, as such, it is a well developed market. As of December 31, 2000, there were approximately 8.3 million cable television customers in Canada, representing a basic cable penetration rate of 79% of homes passed. The Canadian cable television market is fairly concentrated as the four largest cable service providers serve approximately 6.7 million customers, or approximately 80% of total basic subscribers. In 2000, total industry revenue was estimated to be over $3.5 billion and is expected to grow significantly going forward as Canadian cable operators have aggressively upgraded their networks and have begun deploying new products and services, such as high-speed Internet access and digital television services. The following table summarizes recent annual key statistics for the Canadian and U.S. cable television industries.

	Year Ended December 31,[1]				
	1997	**1998**	**1999**	**2000**	**CAGR[2](%)**
	(Subscribers and homes passed in millions, dollars in billions)				
Canada					
Industry Revenue	$2.8	$3.1	$3.3	$3.5	6.7%
Homes Passed	10.3	10.3	10.4	10.5	0.5%
Basic Cable Subscribers	8.3	8.3	8.4	8.3	0.3%
Basic Penetration (%)	80.6%	80.8%	80.3%	78.9%	–
U.S.					
Industry Revenue	US$30.5	US$33.5	US$36.9	US$41.3	10.5%
Homes Passed	94.6	95.6	96.6	97.6	1.0%
Basic Cable Subscribers	64.8	66.1	67.3	68.2	1.8%
Basic Penetration (%)	68.5%	69.1%	69.7%	69.9%	–

(1) Source of Canadian data: Canadian Cable Television Association, Statistics Canada and Mediacast. Source of U.S. data: Paul Kagan Associates, Inc.
(2) Compounded annual growth rate.

The traditional cable business, which is the delivery of video via hybrid fiber/coaxial network, is fundamentally similar in the U.S. and Canada. Different economic and regulatory conditions, however, have given rise to important differences. Canadian operators have more limited revenue sources than U.S. operators due to Canadian regulations which prevent cable operators from generating revenue from local advertising. Consequently subscription becomes the exclusive revenue source for Canadian operators. In addition, Canadian regulations currently limit the distribution of foreign content in Canada, which has affected premium cable penetration and the usage of converter boxes in Canada and has led to a smaller volume of pay-per-view customers to date. Notwithstanding the foregoing, the Canadian cable television operators enjoy certain advantages relative to their U.S. counterparts. These include a less competitive environment due primarily to fewer cable service providers in Canada and less competition from alternative service providers. Canadian operators have also been more aggressive in upgrading their network capacity to facilitate the delivery of new broadband services, such as high-speed Internet access.

A significant portion of Canada's cable television subscribers are based in Quebec. As of December 31, 2000, Quebec was home to approximately 24% of Canada's population and approximately 23% of basic cable subscribers. Basic cable penetration in Quebec, which was approximately 67% as of December 31, 2000, has traditionally been lower than in the rest of Canada, mostly due to the higher concentration of French-speaking Canadians in Quebec. It is estimated that over 80% of Quebec's population is French-speaking. For much of the English-speaking population of Canada, the appeal of pay television has historically been U.S. programming, whereas the demand for pay television in Quebec is primarily for French-language programming, which is more limited in selection than English-language programming.

3.2.2 Expansion of Digital Programming

In recent months, the choice and range of television programming has expanded substantially in Canada. In November 2000, the CRTC released its decisions on the applications for new digital pay and specialty television channels. In total, the CRTC approved 16 English-language and five French-language Category 1 licenses, and 262 Category 2 licenses, as well as two pay-per-view and four video-on-demand applications. Cable service providers which use digital technology will be required to carry all of the approved Category 1 services appropriate to their markets while Category 2 licensees do not have guaranteed distribution rights and must negotiate with cable service providers for access. In June 2001, another 12 Category 2 licenses were approved by the CRTC. The future increase in programming content as a result of this licensing process is believed to be a key factor in driving increases in digital cable penetration in Canada.

In September 2001, Canadian cable service providers, including Vidéotron, significantly expanded their digital programming offering through the launch of many of the new digital channels licensed by the CRTC in November 2000. Since September 2001, Vidéotron has launched over 30 new digital channels, significantly increasing the programming offered to its digital subscribers. Vidéotron also expects to launch additional French-language specialty channels in the third quarter of 2002. Vidéotron believes that the recent launch of digital channels and the launch of digital channels in the future, as well as the increase in French-language programming, will help to increase the penetration of the digital television service among Vidéotron's subscribers.

3.2.3 Products and Services

Vidéotron currently offers its customers analog cable television services and programming as well as new and advanced high-bandwidth products and services such as high-speed Internet access, digital television, premium programming and selected interactive television services. Vidéotron continues to focus on its high-speed Internet access and digital television services, both of which are increasingly desired by customers. In addition, in the third quarter of 2001, Vidéotron launched additional interactive services providing e-mail, Internet access and other functionality through the television. With its interactive platform currently in place, Vidéotron will be able to successfully deploy additional value-added services such as video-on-demand and interactive programming and advertizing.

3.2.3.1 Traditional Cable Television Services

Customers subscribing to Vidéotron's traditional analog “basic” and analog “extended basic” services generally receive a line-up of between 49 and 59 channels of television programming, depending on the bandwidth capacity of the cable system. Customers who pay additional amounts can also subscribe to additional channels, either individually or in packages. Vidéotron tailors its channels to satisfy the specific needs of the different markets served.

Vidéotron's analog cable television service offerings include the following:

- *Basic service.* All of Vidéotron's customers receive a package of basic programming, consisting of local broadcast television, U.S. programming, selected specialty programming services, local and regional community programming, and limited satellite delivered or non-broadcast channels. Vidéotron's customers generally receive 32 channels on basic cable. Similar to the U.S. market, pricing of Vidéotron's analog basic cable service is regulated by the CRTC (see "Item 3.9 – Regulation"). The pricing of Vidéotron's other services is not regulated.

- *Extended basic service.* This expanded programming level includes a package of French-and English-language specialty television services and U.S. superstations in addition to the basic channel line-up. Branded as "TELEMAX", this tier was introduced in almost all of Vidéotron's markets largely to satisfy customer demand for greater flexibility and choice.

- *Premium cable and pay-television services.* Through Vidéotron's Videoway service, a multimedia service which also offers limited interactive functionalities, Vidéotron offers commercial-free movies and other special entertainment programming.

- *Pay-per-view service.* These channels allow customers to pay on a per event basis to view a single showing of a recently released movie, a special sporting event or a music concert on an advertising-free basis. Vidéotron offers both French-language and English-language pay-per-view services.

3.2.3.2 Advanced Products and Services

Cable's high bandwidth is a key factor in the successful delivery of advanced products and services. Several emerging technologies and increasing Internet usage by Vidéotron's customer base have presented it with significant opportunities to expand its sources of revenue. In most of its systems, Vidéotron currently offers a variety of advanced products and services including high-speed Internet access, digital television and selected interactive services. Vidéotron intends to continue to develop and deploy additional services to further broaden its service offering.

- *High-speed Internet access.* Taking advantage of its advanced cable infrastructure, Vidéotron offers high-speed Internet access to its residential customers primarily via cable modems connected to personal computers. Vidéotron provides this service at up to 100 times the speed of a conventional telephone modem. As of December 31, 2001, Vidéotron had over 228,000 high-speed Internet access subscribers, representing a penetration rate of approximately 15% of Vidéotron's existing basic cable subscribers. In addition, as of December 31, 2001, it had approximately 55,400 dial-up Internet access subscribers. Based on its existing high-speed Internet subscriber base, Vidéotron is a leading provider of high-speed Internet access services in Quebec with an estimated market share of 52% as of December 31, 2001.

- *Digital television.* As part of its network modernization program, Vidéotron has installed headend equipment capable of delivering digitally encoded transmissions to a two-way digital set-top terminal in the customer's home. This digital connection provides significant advantages. In particular, it increases channel capacity which allows Vidéotron to increase both programming and service offerings while providing increased flexibility in packaging its services. Vidéotron launched its digital television service in March 1999 with the introduction of digital video compression terminals in the Greater Montreal area, which covers 1.6 million homes passed by cable and is its largest market. Since introducing its digital television service in the Greater Montreal area, Vidéotron has also introduced the service in other major markets.

In September 2001, Vidéotron launched a new digital service offer under the "*illico*" brand. In addition to providing high quality sound and image, *illico* offers its subscribers significant programming flexibility. Vidéotron's basic digital package includes 21 television channels, 30 audio stations providing CD quality music, an interactive programming guide as well as television-based e-mail. Vidéotron's extended digital basic television service, branded as "i Self-Service", offers subscribers the ability to select 65 additional channels of their choice, allowing them to customize their choices among many specialty channels. This service also offers subscribers significant programming flexibility including the option of French only, English only or a combination of French and English programming. Vidéotron also offers pre-packaged thematic services in such areas as News, Sports, Lifestyle, Learning, Movies, Entertainment, Information and Music. Subscribers which have basic service and one customized package can also purchase an individual channel at a specified cost per channel per month. The digital service also includes pay-per-view, which offers more than 50 movie channels. Vidéotron's subscribers currently have the option to purchase or lease the digital video compression terminals required for digital service.

As of December 31, 2001, Vidéotron had over 114,000 subscribers for its digital television service. Notwithstanding its digital television service, Vidéotron intends to continue to offer analog cable service to its subscribers.

- *Interactive services.* In September 2001, Vidéotron also launched digital interactive services under the "*illico* Interactive" brand. These services, which combine its digital television and Internet access services, will enable subscribers equipped with wireless keyboards to access interactive programming, the Internet and send and receive e-mail. In the near future, Vidéotron intends to provide additional functionalities including e-commerce. Vidéotron believes interactive services will be increasingly appealing to customers, and it intends to continue to develop and deploy advanced products and services to add greater functionalities to its interactive services offering.

- *Other new business initiatives.* To maintain and enhance its market share, Vidéotron is focused on continuing to develop and deploy new value-added products and services including video-on-demand, digital video recorders and high definition television, as well as other high-value products and services.

The following table summarizes Vidéotron's subscriber statistics for its analog and digital cable and advanced products and services.

	As of and for the Year Ended December 31,		
	1999	**2000**	**2001**
Video services			
Basic cable			
Homes passed[(1)]	2,313,436	2,324,940	2,330,648
Basic subscribers[(2)]	1,565,321	1,559,446	1,519,172
Penetration[(3)]	67.7%	67.1%	65.2%
Digital cable			
Digital subscribers	31,727	80,749	114,178
Penetration[(4)]	2.0%	5.2%	7.5%
Number of digital terminals	33,888	85,756	121,210
Data services			
Dial-up Internet access			
Dial-up subscribers	72,720	62,673	55,427
Penetration[(4)]	4.6%	4.0%	3.6%
High-speed Internet access			
Cable modem subscribers	52,996	141,880	228,759
Penetration[(4)]	3.4%	9.1%	15.1%

(1) Homes passed are the number of living units, such as single residence homes, apartments and condominium units, passed by the cable television distribution network in a given cable system service area to which we offer the named service.

(2) Basic subscribers are subscribers who receive basic cable service and includes both analog and digital basic subscribers.

(3) Represents subscribers as a percentage of homes passed.

(4) Represents subscribers for the service as a percentage of basic subscribers.

3.2.4 Pricing of Vidéotron's Products and Services

Vidéotron's revenues are derived principally from the monthly fees its customers pay for cable services. The rates Vidéotron charges vary based on the market served and level of service selected and are usually adjusted on an annual basis. As of December 31, 2001, the average monthly fee for basic and extended basic service was $21.91 and $32.92, and the average monthly fee for basic and extended basic digital service was $11.39 and $34.89. A one-time installation fee, which may be waived in part during certain promotional periods, is charged to new customers. Monthly fees for converters and remote control tuning devices, and administrative fees for delinquent payments for service are also charged. Except in respect of Vidéotron's Internet access services, customers are typically free to discontinue service at any time without additional charge and may be charged a reconnection fee to resume service.

Only basic cable service rates are regulated by the CRTC. The fees for services offered in discretionary packages, including Canadian and U.S. specialty television services, are based upon rates negotiated between Vidéotron and the providers of programming services. In addition, fees for extended cable service (over and above basic cable service rates), pay-television and pay-per-view services, and rentals for converters are priced by Vidéotron on a discretionary basis and are not regulated by the CRTC.

Although Vidéotron's service offers vary according to its markets, because of differences in the bandwidth capacity of the cable systems and competitive and other factors, Vidéotron's services, when offered on a stand-alone basis, are typically offered at monthly price ranges as follows:

Service	Price Range
Basic analog cable	$15.10 - $28.38
Extended basic analog cable	$24.29 - $37.91
Basic digital cable	$ 9.99 - $11.99
Extended basic digital cable	$27.00 - $47.00
Pay-Television	$6.00 - $19.95
Pay-Per-View (per movie or event)	$ 3.99 - $79.95
Dial-up Internet access	$ 9.95 - $22.95
High-speed Internet access	$29.95 - $49.95

3.2.5 Vidéotron's Network Technology

As of December 31, 2001, Vidéotron's cable systems consisted of approximately 7,260 km of fiber optic cable and 22,862 km of coaxial cable, with more than 2.3 million homes passed and serving approximately 1.5 million subscribers. Vidéotron's network is the largest broadband network in Québec covering over 80% of cable home passed, and one of the most advanced broadband networks in North America with over 97% two-way capability at present.

The following table summarizes the current technological state of Vidéotron's systems as of December 31, 2001, based on the percentage of its customers who have access to the bandwidths listed below and two-way capability.

	Under 450 MHz	480 to 625 MHz	750 MHz	Two-Way Capability
December 31, 2001	3%	25%	72%	97%

Vidéotron's cable television networks include four distinct parts that are signal acquisition networks, main headends, distribution networks and subscriber drops. The signal acquisition network picks up a wide variety of television, radio and multimedia signals. These signals and services originate from either a local source or content provider or are picked up from distant sites chosen for satellite or off-air reception quality and transmitted to the main headends by way of off-air links, coaxial links or fiber-optic relay systems. Each main headend processes, modulates, scrambles and combines the signals in order to distribute them throughout the network. The first stage of this distribution consists of either a fiber-optic link or a very high capacity microwave link which distributes the signals to distribution or secondary headends. The signal thereafter uses the hybrid fiber coaxial cable, or HFC, network made of wide-band amplifiers and coaxial cables capable of serving up to 30 km in radius from the distribution or secondary headends to the subscriber drops. The subscriber drop brings the signal into the subscriber's television set directly or, depending on the area or the services selected, through various types of subscriber equipment including set top boxes.

Since 1995, Vidéotron has invested in a modernization program to upgrade its network in order to develop and deploy new advanced products and services. Vidéotron's modernization program was completed as of December 31, 2001. As a result, Vidéotron is now able to deliver simultaneously up to 75 analog channels and over 200 digital channels in the Greater Montreal area and in Western Quebec, and up to 49 analog channels and over 70 digital channels in other urban areas in Quebec, and provide two-way capability throughout its entire network. Vidéotron has adopted the HFC architecture as the standard for its ongoing system upgrades. HFC architecture combines the use of fiber optic cable with coaxial cable. Fiber optic cable has excellent broadband frequency characteristics, noise immunity and physical durability and can carry hundreds of video and data channels over extended distances. Coaxial cable is less expensive and requires greater signal amplification in order to obtain the desired transmission levels for delivering channels. In most systems, Vidéotron delivers its signals via fiber optic cable from the headend to a group of nodes to the homes passed served by that node. Vidéotron's system design provides for cells of approximately 1,000 homes each to be served by fiber optic cable. To allow for this configuration, secondary headends were put into operation in the Greater Montreal area and in the Greater Quebec City area. Remote secondary headends must also be connected with fiber-optic links. The loop structure of the two-way networks brings reliability through redundancy, the cell size improves flexibility and capacity, while the reduced number of amplifiers separating the home from the headend improves signal quality and reliability. Vidéotron's network design provides it with significant flexibility to offer customized programming to individual cells of 1,000 homes, which is critical to its ability to deploy certain advanced services in the future, including video-on-demand and the continued expansion of its interactive services.

Vidéotron believes that its network design provides high capacity and superior signal quality and will enable it to provide advanced cable services while also providing sufficient capacity for the continued expansion of its service offering in the future.

3.2.6 Marketing and Customer Care

Vidéotron's long-term marketing objective is to increase its cash flow through deeper market penetration of its services and continued growth in revenue per subscriber. Vidéotron believes that customers will come to view their cable connection as the best distribution channel to the home for a variety of services. To achieve this objective, Vidéotron is pursuing the following strategies:

- continue to rapidly deploy advanced products and services such as high-speed Internet access and digital television;
- introduce new advanced products and services requested by customers;
- design product offers that allow customers to have better entertainment and information choices;
- Take advantage of the retail presence of Quebecor Media products. This includes the extensive retail network of Le SuperClub Vidéotron and Archambault Group, to cross-promote and distribute its cable and data services to its existing and future subscribers;
- target marketing opportunities based on demographic data and past purchasing behavior;
- develop targeted marketing programs to attract previous customers, households that have never subscribed to its services and customers of alternative/competitive services; and

- enhance the relationship between customer service representatives and subscribers by training and motivating the representatives to promote advanced products and services.

Vidéotron plans to invest increasing amounts of time, effort and financial resources in marketing new and existing services. To increase market penetration and increase the number of services used by its customers, Vidéotron will use various marketing techniques, including door-to-door sales, telemarketing, media advertising, e-marketing and direct mail.

Maximizing customer satisfaction is a key element of Vidéotron's business strategy. In support of its commitment to customer satisfaction, it operates a 24-hour customer service hotline seven days a week for nearly all of its regions. Vidéotron currently has five operational call centers and is implementing various initiatives to improve customer service and satisfaction. For example, Vidéotron recently interconnected its call centers in two of its major regions (Montreal and Hull) to enhance its call handling capabilities and efficiency. Vidéotron's customer care representatives continue to receive extensive training to develop customer contact skills and product knowledge which are key contributors to high rates of customer retention as well as to selling additional services and higher levels of service to its customers. Vidéotron also is implementing Web-based customer service capabilities. To assist it in its marketing efforts, Vidéotron uses surveys, focus groups and other research tools as part of its efforts to determine and proactively respond to customer needs.

3.2.7 Programming

Vidéotron believes that offering a wide variety of conveniently scheduled programming is an important factor influencing a customer's decision to subscribe to and retain its cable services. Vidéotron devotes significant resources to obtain access to a wide range of programming that will appeal to both existing and potential customers. Vidéotron relies on extensive market research, customer demographics and local programming preferences to determine its channel and package offers. The CRTC currently limits distribution of foreign content in Canada and, as a result, Vidéotron is limited in its ability to provide such programming to its customers (see “Item 3.9 Regulation”). Vidéotron obtains basic and premium programming from a number of suppliers, including TVA.

Since September 2001, Vidéotron significantly expanded the programming available to its subscribers through the launch of over 30 English-language channels in digital format. Vidéotron believes the programming available to its subscribers will continue to expand with the introduction of additional French and English-language digital channel availability in the Fall of 2002. Furthermore, Vidéotron believes the recent launch of these digital channels, the continued launch of digital channels in the future and the increase in French-language programming, will help to increase the penetration of its digital television service among its subscribers.

Vidéotron's programming contracts generally continue for a fixed period of time, up to three years, and are subject to negotiated renewal. Programming tends to be made available to Vidéotron for a flat fee per customer. Vidéotron's overall programming costs have increased in recent years and are expected to continue to increase due to factors including, but not limited to, additional programming being provided to customers as a result of system rebuilds that increase channel capacity, increased costs to produce or purchase specialty programming and inflationary or negotiated annual increases.

3.2.8 Competition

Vidéotron faces competition in the areas of price, service offerings and service reliability. Vidéotron competes with other providers of television signals and other sources of home entertainment. In addition, as it expands into additional services such as interactive services, it may face additional competition. Vidéotron operates in a competitive business environment which can adversely affect its business and operations. Its principal competitors include off-air television and providers of other entertainment, direct broadcast satellite, digital subscriber line, private cable and wireless distribution.

- *Off-air Television and Providers of Other Entertainment.* Cable television has long competed with broadcast television, which consists of television signals that the viewer is able to receive without charge using an "off-air" antenna. The extent of such competition is dependent upon the quality and quantity of broadcast signals available through “off-air” reception compared to the services provided by the local cable system. Cable systems also face competition from alternative methods of distributing and receiving television signals and from other sources of entertainment such as live sporting events, movie theaters and home video products, including videotape recorders and DVD players. The extent to which a cable television service is competitive depends in significant part upon the cable system’s ability to provide a greater variety of programming, superior technical performance and superior customer service than that are available over the air or through competitive alternative delivery sources.

- *Direct Broadcast Satellite.* Direct broadcast satellite, known as DBS, is a significant competitor to cable systems. DBS delivers programming via signals sent directly to receiving dishes from medium- and high-powered satellites, as opposed to broadcast, cable delivery or lower-powered transmissions. This form of distribution generally provides more channels than some of Vidéotron's television systems and is fully digital. DBS service can be received virtually anywhere in Canada through the installation of a small rooftop or side-mounted antenna. DBS systems use video compression technology to increase channel capacity and digital technology to improve the quality of the signals transmitted to their customers.

- *DSL.* The deployment of digital subscriber line technology, known as DSL, provides subscribers with Internet access at data transmission speeds greater than that which is available over conventional telephone lines. DSL service therefore is comparable to high-speed Internet access over cable systems.

- *Private Cable.* Additional competition is posed by satellite master antenna television systems known as "SMATV systems" serving multiple dwelling units, referred to in the cable industry as MDUs, such as condominiums, apartment complexes, and private residential communities.

- *Wireless Distribution.* Cable television systems also compete with wireless program distribution services such as multi-channel multipoint distribution systems known as MMDS. This technology uses microwave links to transmit signals from multiple transmission sites to line-of-sight antennas located within the customer's premises.

3.3 Newspaper Segment

3.3.1 Publishing

Sun Media is the second largest newspaper group in Canada in terms of circulation. It publishes daily newspapers in eight of the eleven largest urban centres in Canada. These eight daily newspapers form the Urban Daily Group of Sun Media (the "**Urban Daily Group**"). Sun Media also publishes seven community daily newspapers and 172 weekly newspapers and shopping guides in communities across Canada and Florida, as well as 19 other specialty publications which form the Community Newspaper Group of Sun Media (the "**Community Newspaper Group**"). The principal sources of revenue of the Newspaper Segment are advertising and circulation sales. Other sources of revenue of the Newspaper Segment include commercial printing.

3.3.1.1 Urban Dailies

The eight daily newspapers that comprise the Urban Daily Group are *Le Journal de Montréal*, *Le Journal de Québec*, *The Ottawa Sun*, *The Toronto Sun*, *The Winnipeg Sun*, *The Edmonton Sun*, *The Calgary Sun*, (collectively the "**tabloids**") and *The London Free Press*. They are all published seven days a week. The Urban Daily Group also publishes one free daily for public transit users in Montreal, *Montréal Métropolitain*. This newspaper is published Monday to Friday.

The tabloids are mass circulation newspapers that emphasize local news, sports and entertainment. The generous use of colour photographs and graphics is a signature of these dailies, which also contain supplemental inserts that feature subjects of interest, such as fashion, and special sections on a variety of themes.

The London Free Press, one of Canada's oldest daily newspapers, is a broadsheet newspaper that emphasizes national and local news, sports and entertainment. It is the number one paper in its market and is the newspaper of record for the London, Ontario area.

Sun Media emphasizes editorial quality in all of its publications, with each newspaper reflecting the distinct nature of the local marketplace and aiming to achieve a broad appeal among local readers. In their respective markets, *Le Journal de Montréal* and *Le Journal de Québec* are number one, while the other tabloids of the Urban Daily Group operate as the number two paper in terms of circulation. *The London Free Press* is the only daily newspaper published in London, Ontario.

History

Le Journal de Montréal and *Le Journal de Québec* were both founded in 1964 and 1967, respectively. *The Toronto Sun* was founded in 1971 by a group of private investors. *The Edmonton Sun* was first published on April 2, 1978. In 1980, Sun Media acquired the assets of *The Calgary Albertan* with a view to publishing a daily newspaper in Calgary. On August 3, 1980, Sun Media published the first edition of *The Calgary Sun*. In February 1983, Sun Media acquired the assets of *The Winnipeg Sun*. In August 1988, Sun Media purchased the assets of the *Ottawa Sunday Herald* and, on September 4, 1988, launched the first edition of the *Sunday Sun* in Ottawa. On November 7, 1988, it began publishing *The Ottawa Sun*. Sun Media acquired the assets of *The London Free Press* on May 20, 1997.

On March 12, 2001, Sun Media launched a free daily in Montreal with a circulation of 50,000, containing mainly news about Montreal and the province of Quebec. *Montréal Métropolitain* competes with *Metro*, another free daily recently launched in Montreal. Sun Media decided to cease publication of its free daily newspaper, FYI Toronto, that it had launched in the year 2000.

Advertising

Advertising is the largest source of revenue for the Urban Daily Group. Advertising rates are based upon the size of the market in which each newspaper operates, circulation, readership, demographic make-up of the market and the availability of alternative advertising media.

Sun Media's strategy is to maximize advertising revenue through the continued use of research and demographic/readership data to develop marketing programs which meet the unique needs of specific advertisers. The Urban Daily Group offers a variety of advertising alternatives, including full-run advertisements, geographically zoned inserts, special interest pull-out sections and advertising supplements (including supplements with specialized themes), together with regular sections of the newspaper targeted to different readers, including food, real estate and travel.

During the 1999 fiscal year, Sun Media implemented a major project, the *Sun Tabs Network*, to maximize national and multimarket advertising sales in its publications. This advertising initiative brings together Sun Media's network of newspapers and distribution systems. This initiative gives advertisers and Canadian advertising market specialists access to a unique coast-to-coast network of publications.

Circulation

Circulation sales are the second largest source of revenue for the Urban Daily Group. The Urban Daily Group's newspapers are available through newspaper vending machines and retail outlets Monday to Sunday. Home delivery is available daily, except in Toronto, where home delivery of *The Toronto Sun* is available only on weekends. *Le Journal de Montréal* ranks first among French-language dailies in North America and second in circulation, after *The Toronto Star*, among non-national Canadian dailies. *The Toronto Sun* is the third largest non-national daily newspaper in Canada by circulation.

Competition

Management believes that, in terms of circulation, *Le Journal de Montréal*, *Le Journal de Québec* and *The London Free Press* are the number one newspapers in their respective markets and that the other tabloids of the Urban Daily Group are the number two newspapers in their respective markets.

Each of the Urban Daily Group's newspapers competes to a varying degree with radio, television, direct marketing and other communications and advertising media as well as with other major local, regional or national newspapers. In particular, each tabloid competes with at least one daily newspaper, including, in the case of *Le Journal de Montréal*, *La Presse*, *The Gazette* and *Le Devoir*; in the case of *Le Journal de Québec*, *Le Soleil*; in the case of *The Toronto Sun*, *The Toronto Star* (which is the largest newspaper in Canada in terms of circulation) and to a lesser extent *The Globe and Mail* and the *National Post*; in the case of *The Edmonton Sun*, the *Edmonton Journal*; in the case of *The Winnipeg Sun*, the *Winnipeg Free Press*; in the case of *The Calgary Sun*, the *Calgary Herald*; and in the case of *The Ottawa Sun*, the *Ottawa Citizen* and *Le Droit*.

3.3.1.2 Community Newspapers

The publications of the Community Newspaper Group include Bowes and Florida Sun Publications, Inc., which are both wholly-owned subsidiaries of Sun Media, the 50.01% interest in Le Courrier du Sud (1998) Inc. and the community newspapers in Quebec held directly by Sun Media. In total, the Community Newspaper Group consists of seven daily community newspapers, 172 community weeklies and shopping guides ("**shoppers**") (most of which are unpaid publications) and 19 farming and other specialty unpaid publications. These publications are distributed in communities strategically clustered near Sun Media's regional printing facilities in suburban and rural markets across Canada and in Florida. This clustering concept allows Sun Media to realize operating efficiencies and economic synergies through sharing of management, accounting and human resources as well as production and printing functions.

These publications generally offer news, sports and special features with emphasis on local information. The Community Newspaper Group's newspapers cultivate reader loyalty and create franchise value by emphasizing local news, thereby differentiating themselves from national and larger urban newspapers. These newspapers are a primary source of local news in many of the communities they serve and constitute an important medium for advertisers seeking to reach a specific regional audience. Sun Media further segments its markets through the use of demographic databases and market research to develop editions of newspapers that focus on particular localities and to develop marketing programs tailored to specific advertisers. The Community Newspaper Group's publications have been a stable, consistent source of cash flow for Sun Media.

The Community Newspaper Group also distributes coupons, flyers, product samples and other direct mail promotional material through its distribution system. NetMedia, the distribution sales arm of the Community Newspaper Group, through its own branch system and its associated distributors, is able to provide customers with distribution to over ten million Canadian households. NetMedia coordinates printing, packaging, transportation and household distribution of various products.

History

Quebecor began operations in the community newspaper business in Quebec in the 1950s. These operations grew progressively. More recent developments are mentioned in Item 2.3 entitled "General Development of the Business – Newspaper Segment".

The operations of Sun Media developed as follows. In May 1988, Sun Media acquired 60% of Bowes. It increased its investment in Bowes to 100% during the period from 1989 to 1991. Florida Sun Publications, Inc. was formed in 1989 to acquire a group of controlled circulation newspapers and a printing plant in Florida. The Community Newspaper Group acquired substantially all of the assets of Netmar (comprised of 11 weekly newspapers distributed primarily in Alberta, 14 shoppers distributed primarily in Ontario and six specialty publications) on May 20, 1997.

Advertising and Distribution

Substantially all of the Community Newspaper Group's advertising revenues were derived from local retailers and classified advertisers. Advertising rates and rate structures vary among the Community Newspaper Group's publications and are based, among other things, upon circulation, penetration and type of advertising (whether local retail, national retail or classified).

The Community Newspaper Group publishes advertising supplements with specialized themes such as agriculture, tourism, home improvement and gardening to encourage targeted advertisers to purchase additional linage in these special editions.

Circulation

Circulation revenue in the Community Newspaper Group is generated from home delivery sales and single copy sales made through retailers and newspaper vending machines. When possible, Sun Media increases subscription and single copy prices in an effort to increase circulation revenue. The majority of the Community Newspaper Group's publications are distributed free of charge in accordance with a controlled distribution system. This enables the publisher to better identify the clientele targeted by advertisers. The total average weekly circulation of the Community Newspaper Group's weekly publications at December 31, 2001, was 3,198,584 copies distributed free of charge and 233,297 paid copies.

Competition

A majority of the Community Newspaper Group's publications maintain number one positions in the markets that they serve. These publications are generally located in small towns and, in the case of its paid publications, are typically the only paid daily or weekly newspapers of general circulation published in their respective communities, although some face competition from daily or weekly publications published in adjacent or nearby locations and circulated in markets where Sun Media publishes a daily or weekly publication. Sun Media's shoppers compete primarily with direct mail advertising, shared mail packages and other private advertising delivery services.

The daily newspapers published by the Community Newspaper Group as of December 31, 2001, are as follows:

Publication	Location	Average Daily Paid Circulation
The Brockville Recorder and Times	Brockville, Ontario	12,800
Stratford Beacon Herald	Stratford, Ontario	11,300
The Daily Herald Tribune	Grande Prairie, Alberta	8,500
St. Thomas Time-Journal	St. Thomas, Ontario	8,000
Fort McMurray Today	Fort McMurray, Alberta	4,700
The Daily Miner & News	Kenora, Ontario	3,800
The Daily Graphic	Portage La Prairie, Manitoba	3,500
Total daily circulation		52,600

The weekly and specialty publications of the Community Newspaper Group are distributed throughout Canada and in Florida, in the United States. The number of weekly publications on a regional basis is as follows:

Quebec, Canada	53
Alberta, Canada	44
Ontario, Canada	41
Manitoba, Canada	12
Florida, United States	8
Saskatchewan, Canada	7
British Columbia, Canada	6
New Brunswick, Canada	1
Total	172

3.3.2 Commercial Printing

Sun Media owns 28 web press and 10 sheetfed operations, located throughout Canada and in Florida, which provide commercial printing services for both the internal printing needs of Sun Media and for third parties.

Third party commercial printing services have historically comprised an important component of Bowes' business and management intends to continue to develop that business. The Urban Daily Group's third party commercial printing revenues provide an additional revenue source using existing equipment with excess capacity.

3.3.3 Risk Factors

3.3.3.1 Implementation of Business and Operating Strategy

Sun Media's business and operating strategy include the implementation of certain operating improvements and the adoption of more aggressive circulation and advertising strategies. There can be no assurance that Sun Media will be able to fully implement its strategy or that the anticipated results of this strategy will be realized. Implementation of this strategy could also be affected by a number of factors beyond Sun Media's control, such as operating difficulties, increased operating costs, regulatory developments, general or local economic conditions or increased competition. Any material failure to implement its strategy could have a material adverse effect on Sun Media's business, financial condition and results of operations and on its ability to meet its obligations, including its ability to service its indebtedness.

3.3.3.2 Vulnerability to Economic Downturns

A substantial portion of Sun Media's revenue is derived from advertising and circulation which are sensitive to general economic cycles. Sun Media is sensitive to changes in the prevailing economic conditions at the local, regional and national level, particularly as they may affect advertising expenditures and circulation levels. Sun Media's operating results have in the past been materially adversely affected by the extended downturn in the Canadian retail and classified sector. For example, the significant downturn of the North American economy in 2001 led to decreased revenues and necessitated restructuring initiatives in the second and fourth quarters of the year. Such downturns could have a material adverse effect on the business and financial conditions of Sun Media.

3.3.3.3 Newsprint Costs

Newsprint is the principal raw material used by Sun Media and represents a significant recurring operating cost. Fluctuations in newsprint prices could have a material effect on Sun Media's business, financial condition and results of operations. For example, average newsprint prices increased over 8% from 2000 to 2001, which adversely affected the fiscal 2001 financial results.

3.3.3.4 Competition

Sun Media competes for both advertising and circulation revenue. Certain of Sun Media's competitors are larger and have greater financial resources than Sun Media. Toronto has been one of the more competitive markets, where *The Toronto Sun* has had to compete with *The Toronto Star*, Canada's leading paper in terms of circulation, *Metro Today*, a free commuter paper which directly targets *The Toronto Sun*'s readers, the two national papers, the *National Post* and *The Globe and Mail*, as well as a host of community based and alternative publications. There can be no assurance that Sun Media will be able to compete effectively in Toronto or its other markets in the future.

3.3.3.5 Alternative Technologies

In recent years, online services and other new media technologies have begun to compete with newspapers. There can be no assurance that any such alternative technology may not in the future replace newspapers as a preferred form of media, which could in turn adversely affect Sun Media's future viability.

3.3.3.6 Environmental Matters

Sun Media's operations are subject to federal, provincial, state and local laws and regulations relating to the protection of the environment, including those governing the discharge of pollutants into the air and water, the management and disposal of hazardous materials, the recycling of wastes, and the cleanup of contaminated sites. Laws and regulations relating to workplace safety and worker health, which among other things, regulate employee exposure to hazardous substances in the workplace, also govern Sun Media's operations. Sun Media cannot provide assurance that all environmental liabilities respecting Sun Media's properties have been determined, that any prior owner of Sun Media properties did not create a material environmental condition not known to Sun Media or that a material environmental condition does not otherwise exist at any such property. In addition, Sun Media cannot predict how existing or future laws or regulations will be enforced, administered or interpreted, or what environmental or health and safety legislation or regulations will be enacted in the future.

3.4 **Broadcasting Segment**

Canada has a well-developed cable television market that provides viewers with a range of viewing alternatives. Most Canadian cable subscribers have access to 30 Canadian specialty channels as well as a number of U.S. broadcast and cable channels.

There are four French-language broadcast networks in the Province of Quebec: Société Radio-Canada, TQS, Télé-Québec and TVA Group. In addition to French-language programming, there are three English-language national broadcast networks in the Province of Quebec: the Global Television Network, CTV and CBC. Both Global Television Network and

CTV are privately held commercial networks. CBC is government owned and financed by a combination of federal government grants and commercial revenue. French-language viewers in the Province of Quebec also have access to U.S. networks, either directly over the air or via cable.

The following table sets forth the relative audience share of French-language viewers in the Province of Quebec for Fall 2001:

Network	**Share of Province of Québec Television**
TVA	35%
SRC	20%
TQS	14%
TQ	2%
English-language stations	4%
American stations	2%
Specialty cable channels	20%
Others	3%

Source: BBM Fall 2001 Survey.

3.4.1 Broadcasting

TVA Group owns and operates six of the 10 stations comprising the TVA Network: CFTM-TV (Montreal), which is the Network's flagship station, and five regional television stations: CFCM-TV (Quebec City), CHLT-TV (Sherbrooke), CHEM-TV (Trois-Rivières), CFER-TV (Rimouski-Matane-Sept-Îles) and CJPM-TV (Chicoutimi-Jonquière) (the "**regional stations**"). In addition to these regional stations are four affiliated stations: CHOT-TV (Hull) and CFEM-TV (Rouyn), owned by Radio-Nord Inc., as well as CIMT-TV (Rivière-du-Loup) and CHAU-TV (Carleton), owned by Télé Inter-Rives Ltée. TVA Group holds a 45% interest in Télé Inter-Rives Ltée. TVA Group also owns and operates *LCN* and the *Canal TVAchats*, in addition to holding stakes in the English-language station CKMI-TV *(Global)*, the specialty television services *mentv*, *Mystery* and *Canal Évasion*, and the pay-per-view service *Canal Indigo*.

3.4.1.1 Television Broadcasting

CFTM-TV (Montreal)

CFTM-TV (Montreal) ("**CFTM-TV**"), active since February 1961, operates from its television studios located at 1600 de Maisonneuve Boulevard East in Montreal, which also house TVA Group's administrative offices. CFTM-TV transmits its signal from an antenna located on the summit of Mount Royal.

CFTM-TV's programming includes serials, drama, variety and service shows, magazine-style and quiz shows, films, news and public affairs programs, much of which is produced by TVA Group and its subsidiaries. CFTM-TV's programming schedule is also complemented by shows and films acquired from independent producers and third parties. This programming constitutes a considerable portion of the programming schedules of the TVA Network's member stations.

Regional stations

In 1982, TVA Group finalized the acquisition of CJPM-TV (Chicoutimi). In 1990, TVA Group acquired Pathonic Network Inc. which then operated five television stations broadcasting in various regions of Quebec, four of which had been affiliated with the TVA Network for several years.

The programming of the regional stations comes primarily from CFTM-TV and is complemented by specific programming produced by each regional station that reflects their respective cultural, economic, political and social realities. CFCM-TV (Quebec City) produces 21 hours of local programming per week, a major portion of which is broadcast on the TVA Network. Each of the other regional stations produces and broadcasts more than three hours of local programming per week. The TVA Network's affiliated stations carry numerous reports originating from local newscasts.

TVA Network

TVA Group is one of the founding members of the TVA Network and became its sole owner in 1992. TVA Group operates the TVA Network license. The affiliation agreement between TVA Group and CHAU-TV (Carleton) will remain effective until August 2005, while the agreements with CHOT-TV (Hull) and CFEM-TV (Rouyn), owned by Radio-Nord inc., will expire in August 2004. The affiliation agreement between TVA Group and CIMT-TV (Rivière-du-Loup), owned by Télé Inter-Rives Ltée, is currently being renegotiated.

CKMI-TV (Global)

On August 1, 1995, TVA Group and Global Communications Ltd. filed a joint application with the CRTC regarding the revitalization of TVA Group's English-language station, CKMI-TV, in Quebec City. This station, then wholly-owned by TVA Group and affiliated with the English network of the Canadian Broadcasting Corporation (CBC), applied for and received its disaffiliation in order to become a regional television station whose signal would continue to be transmitted from Quebec City, with retransmitters in Sherbrooke and Montreal. CKMI-TV broadcasts the Global Network's main programs. Through its subsidiary, TVA Regional Inc., TVA Group holds a 49% interest (without, however, exerting any influence) in the limited partnership that operates this station. The station, whose main offices are in Montreal, went on air on September 14, 1997.

3.4.1.2 Specialty Services

Le Canal Nouvelles (LCN)

Launched in September 1997, this all-news service broadcasts 15-minute information packages comprising news, sports and weather items that are updated on a regular basis. *LCN* reaches the vast majority of homes with cable service in Quebec.

LCN continued to grow over the past fiscal year, posting increases of 11% in advertising revenues and 4.4% in subscription revenues. *LCN* reaches an average of 1.9 million television viewers each week.

An audio version of *LCN*'s newscasts is also available on the www.tva.canoe.com Web site, in addition to being broadcast on the *Radio Info* 690 station from 10 p.m. to 5 a.m.

mentv

On November 24, 2000, the CRTC granted TVA Group a national license (CRTC decision 2000-464) for *mentv*, a new Category 1 English-language digital specialty service devoted to men's lifestyles. TVA Group holds a 51% interest in the general partnership created to operate *mentv* and Global Television Network Inc. holds the remaining 49%. *mentv* went on air on September 7, 2001. The service's license will expire on August 31, 2007.

Mystery

On November 24, 2000, the CRTC granted TVA Group and its partners a national license (CRTC decision 2000-469) for *13th Street* (whose name was later changed to *Mystery*), a new Category 1 English-language digital specialty service. TVA Group, Global Television Network Inc. and Rogers Broadcasting Limited are partners in Mystery General Partnership, created to operate this specialty service, with interests of 45.05%, 45.05% and 9.9%, respectively. This service, devoted to mystery and suspense programming, was also launched on September 7, 2001, and its license will also expire on August 31, 2007.

Canal Évasion

This specialty service, launched in January 2000, is dedicated to travel, tourism and adventure. TVA Group holds a 10% interest in Canal Évasion Inc., which operates this service.

3.4.1.3 Other Specialty Services

On November 24, 2000, the CRTC granted TVA Group and its partners, in addition to licenses for the *mentv* and *Mystery* specialty services, licenses for the following:

i) Three Category 1 French-language digital specialty services: *Télé Ha ! Ha !* (TVA Group, Film Rozon), devoted to humour and comedy; *LCN Affaires* (TVA Group, Publications Transcontinental, BCE Media), devoted to business and financial issues; and *Mystère* (formerly *13e rue*) (TVA Group, Global Television Network Inc., Rogers Broadcasting Limited), devoted to mystery and suspense.

ii) One Category 1 English-language digital specialty service: *Travel TV* (BCE Media, CTV, TVA Group), devoted to travel. On June 6, 2001, TVA Group, which held a 10.1% interest, retroceded its rights on that service to BCE Media;

iii) Five Category 2 digital specialty services: *Première loge/Front Row* (TVA Group, Groupe Feeling, BCE Media), broadcasting in both French and English, and specializing in shows; *Digipix* (TVA Group), an English-language service specializing in fiction and digital video documentaries; and *Game One* (TVA Group, I Line), a service specializing in video games, in French and English.

With the agreement of the CRTC, TVA Group and its partners postponed the launch of the three Category 1 French-language digital specialty services *(Télé Ha! Ha!, LCN Affaires* and *Mystère)*, to the Fall of 2002. As well, no date has yet been set for the launch of the three Category 2 digital services *Première Loge/First Row*, *Game One* and *Digipix*.

3.4.1.4 Canal TVAchats

On November 1, 1998, TVA Group acquired Canal Infopub, a channel combining infomercials with home shopping. Canal Infopub now operates under the name of *Canal TVAchats*. The sole infomercial and home shopping channel in Quebec, *Canal TVAchats* broadcasts promotional messages for products and services 24 hours a day, seven days a week, reaching 1.4 million homes.

3.4.1.5 Pay-Per-View Television

Canal Indigo

A consortium consisting of Cogeco Radio-Télévision inc., TQS, Canal Première/Viewers' Choice Canada and TVA Group filed two applications with the CRTC for pay-per-view television licenses which were granted in 1995 (CRTC decisions 95-900 and 95-908). TVA Group holds a 20% interest in the general partnership created to operate *Canal Indigo*, which went on air in September 1996 and offers its viewers a very wide range of programming, including first-run movies, sports and cultural events.

3.4.1.6 Revenue Sources

Private television stations derive most of their revenues from the sale of air time for advertising. The rates set by stations depend largely on their audience share, on the demographic and socio-economic make-up of their audience and on other available media.

Air time on CFTM-TV and the regional stations is sold to advertising agencies on behalf of national advertisers by sales representatives employed by TVA Sales and Marketing Inc. Air time is also sold by local sales representatives to local retailers or advertisers.

The revenues of specialty services are for the most part derived from affiliation agreements with broadcasting distribution undertakings and, to a lesser extent, from the sale of air time to national advertisers. The primary source of the *Club TVAchats* channel's revenue is the sale of its air time.

3.4.1.7 Licenses

Television stations and specialty services are all operated under licenses issued by the CRTC. These activities are subject to the requirements and regulations of the *Broadcasting Act* (Canada), in particular the *Television Broadcasting Regulations, 1987* and the *Specialty Services Regulations, 1990*, as well as to CRTC policies and decisions published from time to time, and to the terms, conditions and expectations set out in the license pertaining to each station or specialty service. These licenses are issued for a fixed term and, before their expiry, TVA Group must apply to the CRTC for their renewal. Renewals are generally granted to companies that have complied with the terms and conditions of their licenses. The acquisition or disposition of television broadcasting activities also requires regulatory approval. TVA Group believes it is fully compliant with all the terms and conditions of its various licenses, and it has no reason to doubt that all its licenses will be renewed upon their expiry.

The following table shows the broadcasting licenses for each of the television stations belonging to TVA Group, as well as the licenses for its wholly-owned specialty services.

Call letters	**Location**	**Expiry date**	**Decision number**
TVA Network	Canada	August 31, 2008	CRTC 2001-385
CFTM-TV	Montreal	August 31, 2008	CRTC 2001-385
CHLT-TV	Sherbrooke	August 31, 2005	CRTC 98-97
CHEM-TV	Trois-Rivières	August 31, 2005	CRTC 98-98
CFCM-TV	Quebec City	August 31, 2003 (1)	CRTC 98-108
CJPM-TV	Chicoutimi	August 31, 2005	CRTC 98-95
CFER-TV	Rimouski	August 31, 2005	CRTC 98-96
Le Canal Nouvelles (LCN)	Montreal	August 31, 2003	CRTC 96-615

(1) To coincide with the renewals of the licenses of all Quebec City television stations.

3.4.1.8 Viewing Audience and Broadcasting Market Share

Data pertaining to population and viewing audiences included in this section are taken from the Spring 2001 Bureau of Broadcast Measurement (BBM) surveys. The BBM is a not-for-profit organization composed of broadcasters, advertisers and advertising agencies that conducts periodic surveys to assess the demographics of viewers in Canadian television markets. The BBM conducts two major viewer surveys, in the Fall and Spring. These surveys include an evaluation of the performance of most radio stations and all television stations in Canada.

While there are a variety of ways to evaluate the performance of television stations, advertisers tend to rely on the BBM studies to plan for an effective use of available media.

3.4.1.8.1 CFTM-TV (Montreal)

CFTM-TV competes directly with three other French-language television stations broadcasting from Montreal: CBFT-TV (Radio-Canada), CIVM-TV (Télé-Québec) and CFJP-TV (TQS), and with three English-language Montreal television stations: CFCF-TV (CTV), CBMT-TV (CBC) and Global Quebec. Moreover, a large segment of CFTM-TV's audience has access to several other television stations, including the American stations WPTZ (NBC), WCAX (CBS), WVNY (ABC), the FOX network and specialty services.

In terms of market share, CFTM-TV ranks first in Montreal's extended French-speaking market. CFTM-TV also leads in terms of reach and total viewing hours in its overall coverage area. In addition, the viewing audience as a whole spends a total weekly average of 27,782,000 hours watching CFTM-TV.

Stations	Market share	Reach*	Total viewing hours in overall coverage area**
CFTM-TV	34%	79%	27,782,000
CBFT-TV	18%	75%	14,913,000
CFJP-TV	14%	63%	11,704,000
CIVM-TV	3%	29%	2,109,000
Others	31%	N/A	N/A

* Reach: percentage of the population that watched the station for at least 15 minutes during a week.
** Total viewing hours: the total number of hours spent during a week by all viewers watching the station.
Source: BBM, Montreal extended market, Monday-Sunday, 6 a.m.-2 a.m., Spring 2001, 2+

3.4.1.8.2 CFCM-TV (Quebec City)

In the extended Quebec City market, CFCM-TV ranks first in terms of market share. CFCM-TV also leads in terms of reach and total viewing hours in its overall coverage area. Its main direct competitors are CBVT-TV (Radio-Canada), CFAP-TV (TQS) and Télé-Québec.

Stations	Market share	Reach	Total viewing hours in overall coverage area
CFCM-TV	33%	77%	7,988,000
CBVT-TV	18%	71%	4,405,000
CFAP-TV	12%	62%	2,808,000
CIVQ-TV	2%	20%	457,000
Others	35%	N/A	N/A

Source: BBM, Quebec City extended market, Monday-Sunday, 6 a.m.-2 a.m., Spring 2001, 2+

3.4.1.8.3 CHLT-TV (Sherbrooke)

In the Sherbrooke extended market, CHLT-TV ranks first in terms of market share and reach. CHLT-TV also leads in total viewing hours in its overall coverage area. Its main direct competitors are CKSH-TV (Radio-Canada), CFKS-TV (TQS) and Télé-Québec.

Stations	Market share	Reach	Total viewing hours in overall coverage area
CHLT-TV	33%	73%	4,345,000
CKSH-TV	13%	67%	1,729,000
CFKS-TV	12%	54%	1,535,000
CIVS-TV	1%	19%	189,000
Others	41%	N/A	N/A

Source: BBM, Sherbrooke extended market, Monday-Sunday, 6 a.m.-2 a.m., Spring 2001, 2+

3.4.1.8.4 CFER-TV (Rimouski/Matane/Sept-Îles)

CFER-TV ranks first in terms of market share in the extended Rimouski/Matane/Sept-Îles market. CFER-TV also leads in total viewing hours in its overall coverage area. Its main direct competitors are Radio-Canada, TQS and Télé-Québec.

Stations	Market share	Reach	Total viewing hours in overall coverage area
CFER-TV	31%	63%	1,955,000
RC	20%	79%	1,261,000
TQS	13%	62%	807,000
TQ	1%	20%	104,000
Other	35%	N/A	N/A

Source: BBM, Rimouski extended market, Monday-Sunday, 6 a.m.-2 a.m., Spring 2001, 2+

3.4.1.8.5 CHEM-TV (Trois-Rivières)

In the extended Trois-Rivières market, CHEM-TV ranks first in terms of market share. CHEM-TV also leads in terms of reach and total viewing hours in its overall coverage area. Its main direct competitors are CKTM-TV (Radio-Canada), CFKM-TV (TQS) and Télé-Québec.

Stations	Market share	Reach	Total viewing hours in overall coverage area
CHEM-TV	34%	72%	2,828,000
CKTM-TV	15%	67%	1,287,000
CFKM-TV	11%	53%	936,000
CIVC-TV	1%	20%	103,000
Others	39%	N/A	N/A

Source: BBM, Trois-Rivières extended market, Monday-Sunday, 6 a.m.-2 a.m., Spring 2001, 2+

3.4.1.8.6 CJPM-TV (Chicoutimi)

In terms of market share, CJPM-TV ranks first in the extended market of Chicoutimi-Jonquière. CJPM-TV also leads in terms of reach and total viewing hours in its overall coverage area. Its main direct competitors are CKRS-TV (Radio-Canada), CFRS-TV (TQS) and Télé-Québec.

Stations	Market share	Reach	Total viewing hours in overall coverage area
CJPM-TV	31%	77%	2,603,000
CKRS-TV	19%	73%	1,599,000
CFRS-TV	14%	66%	1,170,000
CIVU-TV	2%	20%	161,000
Others	34%	N/A	N/A

Source: BBM, Chicoutimi extended market, Monday-Sunday, 6 a.m.-2 a.m., Spring 2001, 2+

3.4.1.9 Competition and Risk Factors

The broadcasting sector competes directly with all other advertising media. The distribution of advertising dollars among these various media is determined by several factors, among them the economic climate, advertiser preferences and interest in the product offered.

In recent years, the broadcasting sector in Quebec has had to deal with a very competitive environment due to the multiplication of specialty services and the increase in sales of air time by government-owned stations. In addition to the larger number of television channels, viewers are increasingly solicited and attracted by the Internet and its peripheral services. However, the negative impacts of the new media on the broadcasting sector to date have been limited.

Broadcasting enterprises are subject to the cyclical fluctuations of the economy, which directly impact their profits because these firms have high fixed costs.

TVA Group's revenues depend on the value of available air time, which is largely determined by audience ratings, which in turn depend on programming content.

3.4.2 Production and Distribution of Audiovisual Products

3.4.2.1 JPL Production

JPL Production Inc. and JPL Production II Inc. ("**JPL**") produced close to 1,650 hours of original programming during its financial year, including drama, variety shows, galas and quiz shows. The vast majority of JPL's production is produced for airing on the TVA Network. JPL is eligible, for some of its productions, for federal and provincial government tax-credit programs, as well as for the Canadian Television Fund's License Fee Program.

3.4.2.2 TVA International

The acquisition of Motion International Inc. (now "TVA International") in May 2000 did not produce the expected results, despite the significant investments made since the acquisition, as well as rationalization and cost-cutting initiatives.

In the Fall of 2000, an in-depth analysis of the international production sector showed that the investments required to maintain operations would generate only weak profit margins in the long term. In January 2001, TVA International determined that it would be better to focus its activities in the sectors of distribution and production of animation and youth programming. This decision resulted in a $71-million writedown of TVA International's assets ($63 million after taxes). TVA Group's share of this writedown was $50 million ($44 million after taxes).

In the following months, the TVA International management team continued to analyze the production and distribution sectors, in the context of increasingly difficult market conditions, especially with respect to the financing of its operations. TVA International retained the services of an investment bank in order to evaluate its options. Pursuant to this mandate, a process to sell TVA International's assets was initiated. The results of this process led TVA International to take a second writedown of $123 million after taxes. For TVA Group, this writedown amounted to a complete writeoff of its investment in TVA International. TVA Group has decided to pursue its distribution business activities and has entered into a service contract with Christal Films Distribution. The joint venture operation resulting from this partnership will be named "Topaz Communications".

3.4.2.3 Competition and Risk Factors

TVA Group's main competitors in the television production sector are independent producers and production houses directly affiliated with broadcasters. It should be noted, however, that a significant share of JPL's revenues come from the production of programs destined for broadcast by TVA Group.

JPL and TVA International benefit from government funding programs which could be changed. Modifications made to these programs in recent years have not significantly affected the operations or results of JPL and TVA International. These programs are likely to be maintained in coming years.

3.4.3 Magazine and Book Publishing

Trustar, now called TVA Publishing Inc., joined TVA Group on January 17, 2000. Founded in 1989, it is Quebec's largest publisher of French-language magazines. TVA Magazines Inc., a subsidiary of TVA Publishing, publishes the weekly magazines *7 jours*, *TV 7 jours*, *Le Lundi* and *Dernière Heure,* and the monthlies *Star inc*., *Cool!*, *femme d'aujourd'hui* and *Guide Internet*. TVA Publishing also has a 50% interest in Trustmedia Inc., which publishes *TV Hebdo*. Its weeklies are read by more than four million readers, according to data compiled by the Print Measurement Bureau (PMB). The magazine *7 jours* alone, which features artistic and cultural events, has more than one million readers. TVA Publishing is the newsstand sales leader, holding a share of approximately 80% of the French-language market. In this market, TVA Publishing, with all of its magazines, alone controls 45% of all subscriptions and newsstand sales. TVA Book Publishers Inc., a TVA Publishing subsidiary, has nearly 70 titles in its catalogue. The main sources of revenue for the publishing sector are newsstand sales, subscriptions and, to a lesser extent, advertising sales.

TVA Publishing performed well in its first full year as part of TVA Group, despite a shrinking market and growing media diversity. Advertising sales increased significantly as a result of changes introduced to make the magazines more attractive to advertisers by increasing their appeal to readers. Cost cuts made during its financial year resulted in the attainment of profitability objectives set at the time of the acquisition of TVA Publishing. TVA Group and Quebecor Media has announced on May 15, 2002, the approval by their respective Board of the acquisition by TVA Group of Publicor, the magazine division of Quebecor Media. This transaction also includes tabloid "*Échos Vedettes*". The closing of this transaction took place on May 16, 2002.

3.4.4 Merchandising

3.4.4.1 TVA Direct

The TVA Direct Inc. subsidiary specializes in the merchandising of ancillary products. Among the projects TVA Direct Inc. completed during its financial year were the collection of booklets on Italian cooking based on the *La Trattoria* show, and another collection based on *Les Saisons de Clodine*.

3.4.4.2 HSS Canada

HSS Canada Inc., a joint venture created by TVA Group and France's Home Shopping Service S.A., a subsidiary of Groupe M6, operates, among others, *Boutique TVA*, a home shopping show broadcast on TVA, with a variety of product offerings. *Boutique TVA* is a turnkey concept, including the full production of each program and all the necessary infrastructure to support sales, order taking and delivery of goods.

3.4.5 Seasonal Variations

The seasonal variations of retail business influence TVA Group's quarterly financial results. Thus, the year's first- and third-quarter results are usually the strongest.

3.5 Leisure and Entertainment Segment

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);
- Rentals and sales of videocassettes and DVDs (Le SuperClub Vidéotron).

3.5.1 Book and Magazine Publishing

Quebecor Media, through various subsidiaries, publishes magazines and books as described below. The principal sources of revenue for the magazine and book publishing segment are advertising and circulation sales.

3.5.1.1 Magazines

Publicor is an established magazine publisher in the province of Quebec and is active in three different fields.

It publishes, among others, three magazines in the interior design - home improvement field: *Les Idées de ma Maison*, *Décoration Chez-Soi* and *Rénovation-Bricolage* and several annual and quarterly publications. According to the results of the last survey of the *Print Measurement Bureau* (PMB), these magazines are the definitive leaders in the Quebec market for French-language interior design and home improvement magazines, as proved by their 75% share of the readership.

Publicor publishes three magazines aimed at women: *Clin d'oeil*, *Filles d'aujourd'hui* and *Femme Plus*.

Publicor is also involved in contract publishing and collaborates with other members of the Quebecor Media Group of companies combining traditional print with new media to offer clients additional alternatives to reach their target audience effectively.

The following table shows, according to fields of interest, the magazines published by Quebecor Media, their circulation for the six-month period ended December 31, 2001 and the number of issues annually. (The table includes newsstand and subscription copies, copies distributed free of charge and copies made available in waiting rooms.)

Field of interest	Average paid circulation for the six-month period ended December 31, 2001	Number of issues annually
<u>Interior design, home improvement</u>		
Les Idées de ma Maison	54276	10
Décoration Chez-Soi	68392	10
Rénovation-Bricolage	36358	9
<u>Women's magazines</u>		
Clin d'œil	63793	12
Filles d'aujourd'hui	65759	12
Femme Plus	54403	12

In the women's magazines sector, *Clin d'oeil* and *Femme Plus* compete with magazines such as *Elle Québec*, *Châtelaine* and *Coup de Pouce*. In the subcategory of magazines for teenage girls, *Filles d'aujourd'hui* has the largest market share.

TVA Group and Quebecor Media has announced on May 15, 2002, the approval by their respective Board of the acquisition by TVA Group of Publicor, the magazine division of Quebecor Media. The closing of this transaction took place on May 16, 2002.

3.5.1.2 Books

Quebecor Media owns several publishing houses forming Quebec's largest book publishing group in general literature. In 2001, Quebecor Media's Books Segment published, reissued and reprinted a total of 809 titles 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.

CEC Publishing inc., jointly owned by Quebecor Media and Hachette Livre S.A., has become the largest publisher of school textbooks in Quebec. Its products are used mainly by elementary and high schools, but it has also developed some products aimed at specific niches in the collegiate market and more recently in the university market. CEC Publishing Inc., is the publisher and distributor in Canada of the educational products of Hachette Éducation and the titles of Éditions FPR.

In December 2001, through a reorganization of the corporate structure, Les Éditions Logiques inc., Les Éditions Quebecor inc., and Les Éditions du Trécarré inc. were liquidated into Les Éditions Internationales Alain Stanké Ltée. These three companies became divisions of Les Éditions Internationales Alain Stanké Ltée, now known as Éditions Quebecor Média inc.

Éditions Quebecor Média inc. is a publishing house that began as a specialist in « how to » books. It publishes more than 225 titles per year. About 12% of its revenues are from export sales.

Acclaimed producer of illustrated reference books for worldwide markets, Les Éditions Libre Expression continues to be a leading mass-market publisher in Quebec. It produces a number of best sellers by Quebec authors each year.

Quebecor Media also owns an 80% indirect interest in Wilson & Lafleur Ltée, which was founded in 1909 and is the largest publisher and distributor serving the legal market in Quebec.

3.5.2 Distribution

Quebecor Media is active in the distribution and retailing of music related products and books, videocassettes, DVDs and multimedia products.

3.5.2.1 Music

Archambault Group, a subsidiary of Quebecor Media, which comprises the Archambault stores, the e-commerce site archambault.ca, the Camelot-Info stores, the e-commerce site camelot.ca, Paragraph Bookstore, the e-commerce site *www.paragraphbooks.com* and the Select, Musicor, Musicor Vidéo and Distribution Trans-Canada divisions, is the largest business held by Quebec-based interests distributing and retailing CDs, videos, books and newsstand publications. Archambault Group, 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.

In addition, Archambault Group is the largest independent music distributor in Canada through its two labels. Select and Musicor with over 800 artists, mostly French-speaking. Archambault Group is a wholesaler serving approximately 450 locations in Québec through its Trans-Canada division. Québec-Livres distributes software and French-language books to approximately 1900 retail outlets in Canada.

As of December 31, 2001, Archambault Group operated 11 Archambault megastores, all in Quebec. Archambault Group's stores compete with the large retail chains and with music clubs.

Archambault.ca, the largest e-commerce site featuring French-language cultural products in North America, more than doubled its sales in 2001. The principal competitors of the *www.archambault.ca* site are the following sites: *www.chapters.ca*, *www.hmv.com*, *www.renaud-bray.com* and *www.amazon.com*.

Select, Musicor and Musicor Vidéo have the exclusive distribution rights to about 1,729 albums and 1,197 videos of over 545 artists and also have exclusive import and distribution rights to over 3,425 albums, making Archambault Group the largest distributor owned by Quebec interests and the largest independent distributor in Canada. Their main competitors are chiefly multinational firms (Sony Music, Universal, Warner Music, EMI Music and BMG) but also certain smaller Quebec-based distributors.

With almost 100,000 record and video titles and a network of over 700 points of sale, Distribution Trans-Canada is considered the largest music wholesaler in Quebec. It competes with local and national wholesalers. Distribution Trans-Canada is also the exclusive supplier of a network of 17 retail music stores operated by independent retailers under the Polysons banner, which belongs to Archambault Group.

3.5.2.2 Books

Québec-Livres, a division of Quebecor Media, is a well-known book distributor in Quebec.

3.5.2.3 Videocassettes

Through the acquisition of Groupe Vidéotron, Quebecor Media acquired Le SuperClub Vidéotron, the largest chain of stores specializing in the rental and retail sale of videocassettes and DVD's. Le SuperClub Vidéotron stands out as the largest chain of stores in the video sector in Quebec, with about 170 points of sale, and has a market share of about 30%.

Le SuperClub Vidéotron also serves as a showcase and a valuable distribution network for the growing array of products and services offered by the Quebecor Cable Television Segment.

3.5.2.4 Multimedia

DM Diffusion Multimédia is Canada's largest distributor of French-language multimedia products to schools and the general public. Founded in 1997, DM Diffusion Multimédia has quickly positioned itself as a leader in Canada in the marketing of French-language digital and multimedia content by its innovative approach to marketing, its positioning in the French-language market in Canada and its ability to form alliances with its publishers. Its catalogue, which continues to grow, is available in print and electronic versions. The catalogue contains several hundred products and reaches a very large number of customers.

3.6 **Business Telecommunications**

VTL is a provider of communications services offering a full range of communications services to customers that include businesses and governmental end users and other telecommunications service providers in Canada. VTL offers a variety of communications services such as local switch dial tone, long distance, high-speed data transmission, Internet connectivity and Internet hosting.

The fiber-based network's strength lies in its extremely large data-transmission capacity. To achieve this, VTL uses Synchronous Optical Network (SONET) technology (OC-3 to OC-192), which could accommodate about any bandwidth requirements from customers. The network's ring architecture supports several services simultaneously and provides increased redundancy. This technology guarantees superior end-to-end reliability. This high-performance fibre based network has enabled VTL to serve its business customers and develop strong and durable relationships with them.

Network performance, reliability and reach have made VTL a leader in the Canadian wholesale market. VTL offers major customers and carriers an advantageous volume-based rate structure that lets them obtain or resell telecom services at lower cost. VTL's strong reputation with telecommunications carriers is based first and foremost on its high quality and reliable fiber based network. The wholesale unit is of major importance in VTL's outreach, supporting the development of long-term business relationships with carriers, resellers and interconnectors in the North American telecom market. Interconnected with the largest North American carriers, VTL is a major alternative for any carrier seeking to offer services in Ontario and Quebec. VTL extends its expertise in "intraprise" networking through a global approach to its telecommunications services offer for large and medium-sized businesses. It offers integrated solutions reflecting a client's actual service needs: Internet, hosting, telephone (local and long distance services), network solutions, or studio-quality audio and video solutions (broadcast). VTL offers these services through its very high-speed data transmission capability (10 Mbps, 100 Mbps, gigabits services).

In addition to growing its markets targeting telecommunications carriers and large or medium-sized firms, VTL provides its sister company, Vidéotron, with several accesses on its fibre optic network to carry broadcaster video signals. Strengthened by this business relationship forged in 1989, VTL has developed its partnership with Vidéotron by providing Internet cloud connectivity and dial-up accesses. From the outset, Vidéotron has used VTL expertise to transmit data and support its services. Furthermore, VTL signed recently an agreement awarding it responsibility for operating and administering the Netgraphe hosting services. VTL won a similar arrangement with nurun allowing it to become the supplier, operator and administrator of hosting services for the broad Quebecor Media group of companies. The success of these transactions demonstrates VTL's ability to integrate into Quebecor Media's convergence strategy. Its potential for meeting the full range of needs, electronic content transmission, Intranet, Extranet and database support (text, image), Internet access services, local and long-distance telephone services, web site hosting and video signal transmission – will leverage VTL's expertise and strengthen its presence within Quebecor Media.

3.7 **Web Integration/Technology Segment**

Through nurun, this segment provides e-business solutions combining strategy, technology integration, Internet solutions and creativity on the Internet, with facilities in Canada, the United States, South America and Europe.

The description of nurun's business contained in its Annual Information Form dated May 15, 2002, as well as an outline of the trends, are incorporated by reference herein and are included as Appendix C, on pages C-1 to C-5.

Mindready Solutions, a subsidiary of nurun specializing in test engineering and real-time communications solutions, became a public company in December 2000. The description of Mindready Solutions' business contained in its Annual Information Form dated May 13, 2002, is also incorporated by reference herein and is included as Appendix D, on pages D-1 to D-14.

3.8 **Internet/Portals Segment**

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.

At the beginning of 2002, Netgraphe announced a strategic reorganization that eliminates approximately 50% of jobs at its general-interest portals in Montreal and Toronto, money-losing operations with uncertain prospects for profitability in the foreseeable future. Netgraphe's general-interest portals will become the Internet hub of Quebecor Media's media properties, bringing their wealth of content to the Web.

The description of Netgraphe's business contained in its Annual Information Form dated May 3, 2002, is incorporated by reference herein and is included as Appendix E, on pages E-1 to E-6.

3.9 **Regulation**

3.9.1 Ownership and Control of Canadian Broadcast Undertakings

Vidéotron and Group TVA are subject to the jurisdiction of the CRTC. This section gives an overview of the environment in which they operate.

Subject to any directions issued by the Governor in Council (effectively the Federal Cabinet), the CRTC regulates and supervises all aspects of the Canadian broadcasting system.

The Governor in Council, through an Order-in-Council referred to as the Direction to the CRTC (*Ineligibility of Non-Canadians*), has directed the CRTC not to issue, amend or renew a broadcasting license to an applicant that is a non-Canadian. Canadian, a defined term in the CRTC Direction, means, among other things, a citizen or a permanent resident of Canada, a qualified corporation, a Canadian government, a non-share capital corporation of which a majority of the directors are appointed or designated by statute or governmental authorities, or a mutual insurance company, pension fund society or cooperative of which not less than 80% of the directors or members are Canadian. A qualified corporation is one incorporated or continued in Canada, of which the chief executive officer or other presiding officer and 80% of the directors are Canadian, and not less than 80% of the issued and outstanding voting shares and not less than 80% of the votes are beneficially owned and controlled, directly or indirectly, by Canadians. In addition, in order for a subsidiary to be a qualified corporation, Canadians must beneficially own and control, directly or indirectly, not less than 66 $^{2}/_{3}$% of the issued and outstanding voting shares and not less than 66 $^{2}/_{3}$% of the votes of the parent company that controls the subsidiary, and neither the parent company nor its directors or similar officers may exercise control or influence over any programming decisions of the subsidiary if Canadians beneficially own and control less than 80% of the issued and outstanding shares and votes of the parent corporation, if the chief executive officer of the parent corporation is a non-Canadian or if less than 80% of the parent corporation's directors are Canadian. There are no specific restrictions on the number of non-voting shares which may be owned by non-Canadians. Finally, an applicant seeking to acquire, amend or renew a broadcasting license must not otherwise be controlled in fact by non-Canadians, a question of fact which may be determined by the CRTC in its discretion. Vidéotron and Group TVA are qualified Canadian corporations.

Regulations made under the *Broadcasting Act* require the prior approval of the CRTC of any transaction that directly or indirectly results in (i) a change in effective control of the broadcasting undertaking of a licensee, (ii) a person or a person and its associates acquiring control of 30% or more of the voting interests of a licensee or of a person that has, directly or indirectly, effective control of a licensee, or (iii) a person or a person and its associates acquiring 50% or more of the issued common shares of the licensee or of a person who has direct or indirect effective control of a licensee. In addition, if a transaction results in a person or a person and its associates acquiring control of at least 20% but less than 30% of the voting interests of a licensee, or of a person that has, directly or indirectly, effective control of the licensee, the CRTC must be notified of the transaction. If a transaction increases control to over 40%, the CRTC must be notified.

Largely similar foreign ownership restrictions to non-Canadians apply to telecommunications common carriers pursuant to regulations made under the *Telecommunications Act* (Canada).

3.9.2 Licensing of Canadian Broadcast Undertakings

The CRTC has responsibility for the issuance, amendment, renewal, suspension and revocation of Canadian broadcasting licenses. A television broadcasting license grants the right to a broadcaster to transmit a television signal on a specific frequency within a defined geographic area and at a set power level. The geographic area may be expanded if the television service is distributed as a "distant signal" by a cable or direct-to-home satellite service. A specialty television license grants the right to a broadcaster to transmit programming to the public through a distribution undertaking such as cable or direct-to-home satellite service. Broadcasting licenses may be issued for periods not exceeding seven years and are usually renewed, except in cases of a serious breach of the conditions attached to the license or the regulations of the CRTC. The CRTC is required to hold a public hearing in connection with the issuance, suspension or revocation of a license and may hold public hearings in other circumstances.

In order to conduct its business, Quebecor Media must maintain its licenses in good standing. Failure to meet the terms of its licenses may result in their short-term renewal, suspension, revocation or non-renewal. Conditions may be imposed by the CRTC on broadcasting licenses which may affect the licensee's profitability.

3.9.3 Jurisdiction over Canadian Broadcast Undertakings

Vidéotron's distribution operations and TVA's programming operations are subject to the *Broadcasting Act* and regulations made under that Act which empower the CRTC, subject to directions from the Governor in Council, to regulate and supervise all aspects of the Canadian broadcasting system in order to implement the policy set out in that Act. Certain of Group TVA's and Vidéotron's operations are also subject to the *Radiocommunication Act*, which empowers Industry Canada to establish and administer the technical standards that networks and transmission must respect, namely, maintaining the technical quality of signals.

The CRTC has, among other things, the power under the *Broadcasting Act* and regulations to issue, subject to appropriate conditions, amend, renew, suspend and revoke broadcasting licenses, approve certain changes in corporate ownership and control, and establish and oversee compliance with regulations and policies concerning broadcasting, including various programming and distribution requirements, subject to certain directions from the Federal Cabinet.

In a series of decisions the CRTC has determined that the carriage of "non-programming" services by cable companies results in the company being regulated as a carrier under the *Telecommunications Act.* This applies to a company serving its own customers or allowing a third party to use its distribution network to provide non-programming services to subscribers.

3.9.4 Canadian Broadcast Distribution (Cable Television)

3.9.4.1 Distribution of Canadian Content

The CRTC decided that it would not be in the interest of the Canadian broadcasting system to permit the distribution of certain non-Canadian pay-television movie channels and specialty programming services that could be considered competitive with licensed Canadian pay-television and specialty services. Therefore, pay-television movie channels and certain specialty programming services available in the United States are not approved for distribution in Canada. The CRTC has prepared a list of non-Canadian programming services eligible for distribution in Canada on a discretionary user-pay basis along with Canadian pay-television services or with Canadian specialty services. The CRTC currently permits the linkage of up to one non-Canadian service for one Canadian specialty service and up to five non-Canadian services for every one Canadian pay-television service. In addition, the number of Canadian services received by a cable television subscriber must exceed the total number of non-Canadian services received.

3.9.4.2 1998 Regulations

The 1998 Broadcasting Distribution Regulations apply to distributors of broadcasting services in Canada. The Regulations promote competition between service providers and the development of new technologies for the distribution of such services while ensuring that quality Canadian programs are exhibited. The 1998 Regulations introduced important new rules, including the following:

- Competition, carriage rules and signal substitution

The 1998 Regulations provide equitable opportunities for all distributors of broadcasting services. As a general rule, new entrants have to meet the same signal carriage and substitution requirements that are imposed on existing cable television systems. The 1998 Regulations prohibit a distributor from giving an undue preference to any person, including itself, or subjecting any person to an undue disadvantage. This gives the CRTC the ability to address complaints of anti-competitive behavior on the part of certain distributors.

- Canadian programming and community expression financing rules

All distributors, except systems with less than 2,000 subscribers, are required to contribute at least 5% of their gross annual broadcast revenues to the creation and presentation of Canadian programming including community programming. However, the allocation of these contributions can vary depending on the type and size of the distribution system involved.

- Inside wiring rules

The CRTC determined that the inside wiring portion of cable networks creates a bottleneck facility that could affect competition if open access is not provided to other distributors. Incumbent cable companies may keep the ownership of the inside wiring but must allow usage by competitive undertakings to which the cable company may charge a just and reasonable fee for the use of the wire. This fee is to be identified under the auspices of the CRTC Interconnection Steering Committee, or the CISC, which has a working group, devoted to inside wiring issues.

On August 25, 2000, the CRTC initiated a proceeding to establish the regulatory framework for access by telephone and cable companies to multi-dwelling units, inside wire and riser space. In a notice published on March 8, 2002, the CRTC called for comments on its preliminary view that a fee of $0.44 per subscriber per month would be an appropriate lease fee for inside wire in MUDs. A decision is expected in 2002.

Meanwhile, Vidétron has sold its inside wiring in MUDs of 20 residential units and more to a Quebecor Media wholly-owned company. Quebecor Media is of the opinion that the CRTC has no jurisdiction over inside wiring held by a non-regulated corporation. Following a Show Cause Public Hearing, Vidéotron is expecting a CRTC determination by the end of May 2002. Vidéotron is exposed to a mandatory order to offer access at a rate imposed by the CRTC even though it does not own this portion of the inside wire anymore.

3.9.4.3 Rates

Vidéotron's revenue related to cable television is derived mainly from i) the monthly subscription fee for the basic cable service; ii) the fee for premium services such as specialty services, pay television and pay-per-view television, as well as iii) installation and additional outlets charges.

Unlike the fees of new broadcast distribution undertakings, or BDUs, that have entered the market, the fees of Class 1 (6,000 subscribers or more) cable providers are regulated by the CRTC until such time as the CRTC is of the opinion that true competition exists in their service area which arises when the number of subscribers for the basic service has decreased by at least 5% since the date on which a competitor started offering its basic service in the licensed area. However, the CRTC does not regulate the fees charged by the cable providers for optional services.

Moreover, for all intents and purposes, the CRTC does not regulate installation fees, however, these charges have to be limited to an amount that does not exceed the average actual cost incurred to install and connect that outlet.

A Class 1 cable distributor may, while respecting certain procedures, increase its rate so as to recover the pass-through portion, namely the charge that the firm collects from the subscribers for any particular programming service exhibited on Vidéotron's basic service. Moreover, in the event that distribution may be compromised as a result of the economic difficulties encountered by a Class 1 cable distributor, a request for a rate increase may be submitted to the CRTC. Any increase that satisfies the criteria in effect will be approved.

3.9.4.4 Royalties for the retransmission of distant signals

Further to the implementation of the Canada-U.S. Free Trade Agreement, which is referred to as the "**FTA**", in 1989, the *Copyright Act* (Canada) (the "**Copyright Act**") was amended to require retransmitters, including Canadian cable television operators, to pay royalties in respect of the retransmission of distant television and radio signals.

Since this legislative amendment, the Copyright Act empowers the Copyright Board of Canada to quantify the amount of the royalties payable to retransmit these signals and to allocate them among collective societies representing the holders of copyright in the works thus retransmitted. Cable television operators cannot automatically recover such paid retransmission royalties from their customers, although such charges might be a component of an application for a basic cable service rate increase based on economic need.

Distant signal retransmission royalties vary from $0.20 per subscription per month for systems serving areas with fewer than 1,500 subscribers to $0.70 per subscriber per month for more than 6,001 subscribers, except in French-speaking markets where the maximum rate is $0.35 per subscriber per month.

Following the implementation of the FTA, the *Copyright Act* was amended, in particular, to define copyright as including the exclusive right to "communicate protected works to the public by telecommunication". Prior to the amendment, it was generally believed that copyright holders did not have an exclusive right to authorize the transmission of works carried on radio and television station signals when these signals were not broadcast but rather transmitted originally by cable television operators to their customers. However, at the request of the Society of Composers, Authors and Music Publishers of Canada, or "**SOCAN**", the Copyright Board approved Tariff 17A in 1996 in order to obtain the payment of royalties from transmitters (broadcast program and distribution undertakings) that transmit musical works to the subscribers when transmitting television services on a subscription basis.

Tariff 17 fixed the monthly rate per subscriber, in the case of cable systems serving 6,001 or more subscribers. However, the Copyright Board of Canada did not establish the allocation of the payable royalties between cable television operators, pay television and specialty programming service providers. The broadcast distributors and the programming service providers have signed agreements that establish the split with the Canadian specialty programming service providers and set up a royalty payment mechanism. These agreements do not cover the royalties payable for American specialty programming and the Canadian pay television services, which correspond, according to Tariff 17, to 2.1% of affiliation payments and 1.8% of monthly affiliation payments for the remainder of the tariff. The royalty payable by small transmission systems is $10 per year. Royalties payable by a system located in a Francophone market are calculated at a rate equal to 85% of the rate otherwise payable. The royalties payable with respect to these services, and the split with the programming service providers, are covered by another agreement where each of the programming and the distribution services pay 50%.

The Copyright Board of Canada rendered a decision on March 16, 2002 regarding a tariff for digital pay audio services for the period 1997-2002. It fixes the royalties payable to SOCAN and to NRCC, respectively, at 11.115 per cent and 5.265 per cent of the affiliation payments payable during a month by a distribution, undertaking for the transmission for private or domestic use of a pay audio signal. The royalties payable to SOCAN and to NRCC by a small cable transmission system are fixed by the Board at 5.56 per cent and 2.63 per cent respectively of the affiliation payments payable.

3.9.5 Canadian Telecommunications Services

3.9.5.1 Jurisdiction

With certain exceptions, companies which own or operate transmission facilities in Canada used to offer telecommunications services to the public for compensation are deemed "telecommunications common carriers" under the *Telecommunications Act* administered by the CRTC.

The *Telecommunications Act*, which came into force on October 25, 1993, as amended, provides for the regulation of facilities-based telecommunications common carriers under federal jurisdiction. Under the *Telecommunications Act*, the CRTC may exempt any class of Canadian telecommunications carriers from the application of the *Telecommunications Act* if the CRTC is satisfied that such an exemption is consistent with implementation of the Canada telecommunications policy objectives. The CRTC must refrain from regulating certain telecommunications services or classes of services provided by Canadian carriers, if it finds that such service or class is or will be subject to competition sufficient to protect the interests of users. The CRTC is prohibited from making a determination to refrain if to refrain from regulation would be likely to impair unduly the establishment or continuance of a competitive market for a particular service or class of services.

The CRTC has concluded that some provisions of the *Telecommunications Act* may be characterized as encouraging joint use of existing support structures to facilitate efficient deployment of cable distribution undertakings by Canadian carriers. Under certain conditions Vidéotron may apply to the CRTC for a right of access to a supporting structure of a transmission line.

3.9.5.2 Overview

Competition in the Canadian long-distance and local telephony markets is guided to a large extent by the principles set out in *Telecom Decision CRTC 92-12*, which removed the telephone companies' monopoly in the provision of public long-distance voice telecommunications services, Review of Regulatory Framework, *Telecom Decision CRTC 94-19,* which sets out the principles for a new, pro-competitive regulatory framework, and Local Competition *Telecom Decision CRTC 97*-8, which establishes the policy framework for local exchange competition. This latter decision, along with four others (*Telecom Decision CRTC 97-9*, *CRTC Telecom Orders 97-590* and *97-591*, as well as *CRTC Public Notice 1997-49)* comprise the Local Competition Decisions (the "**LC Decisions**"), which set out many of the terms and conditions for competitive entry in the market for local telephony services. A number of technical, operating and other details are being established through subsequent proceedings and meetings of a committee known as the CRTC Interconnection Steering Committee (the “**CISC**”).

3.9.5.3 Price-Cap regulation

The CRTC adopted a form of rate regulation for Incumbent Local Exchange Carriers, or ILECs, to bring a number of their local services under a price-cap regulatory regime. The price-cap mechanism adopted by the CRTC segregates the ILECs' services into sub-baskets of related services and imposes constraints on the upward movement of prices for services within the baskets. The CRTC has reviewed the price cap regulatory regime proceeding by public hearing taking place from October 1, 2001, to October 12, 2001. A decision is expected at the end of May 2002.

3.9.5.4 Contribution reform

Telecom Decision CRTC 92-12 established a requirement for the payment of a subsidy or "contribution" by interexchange carriers and resellers to the ILECs for the maintenance of affordable local telephone service. The CRTC replaced the per minute contribution regime with a revenue-based mechanism under which companies contribute a percentage of their revenues which are contribution-eligible. The revenue-based contribution mechanism was implemented effective January 1, 2001 using an interim 2001 revenue-percentage charge of 4.5%. Unlike under the previous regime, this levy applies to virtually all telecommunications service providers, although an exemption is provided for service providers with less than $10 million in gross Canadian telecommunications services revenues, inter-carrier payments and revenues from certain services (such as retail Internet access services).

3.9.5.5 Internet access services to HFC networks

On July 6, 1999, the CRTC required certain of the largest cable television operators, including Vidéotron, to submit tariffs for high-speed Internet access services, known as open access or third party access, in order to allow competing retail Internet service providers to offer such services over a cable infrastructure. Vidéotron's proposal was approved in part by the CRTC in August 2000. The CRTC is currently reviewing the remaining issues.

Vidéotron took part in technical tests intended to interconnect the networks of the cable television operators with those of competing Internet service providers. These tests were successfully concluded in the third quarter of 2000. Vidéotron is also participating in the CISC Working Group responsible for implementing the technical and operational terms and conditions of interconnection. The work of this Working Group is ongoing and some issues have been contentious.

In December 1999, the CRTC also ordered the cable television operators to allow the retail Internet service providers to resell their retail high-speed Internet services at a discount of 25% off the lowest retail Internet service rate charged by Vidéotron to its cable subscribers during a one-month period. This resale will cease to be mandated once facilities-based access is available to ISPs. In February 2001, the CRTC announced “winback” restrictions on certain cable television operators in the Internet services market. These restrictions would limit the cable operator's ability to “win back” Internet services subscribers who have chosen to switch to another Internet service provider, within ninety (90) days of the switch. Vidéotron has applied to the CRTC to review and vary this decision. A final decision regarding these restrictions is pending.

3.9.5.6 Access to buildings and inside wire

In Telecom Decision 99-10, the CRTC established the rules regarding the location of the “demarcation point” at which all telecommunications service providers could access the inside wire of multi-dwelling units, or MDUs. The CRTC also decided that agreements that provide a local telephone company with exclusive access to an MDU are a violation of the Telecommunications Act.

3.9.6 Canadian Broadcast Programming (Television Station)

3.9.6.1 Programming of Canadian Content

CRTC regulations require licensees of television stations to maintain a specified percentage of Canadian content in their programming. Television broadcasters are subject to regulatory requirements that, over the broadcast year and over any six-month period specified in the license, a minimum of 60% of the aggregate programming shown during the broadcast day (a continuous 18-hour period between 6:00 a.m. and 1:00 a.m. the following day) must be of Canadian origin. Canadian origin is most commonly achieved on the basis of a points system requiring that a number of creative and production staff be Canadian and that specified Canadian production expenditure levels be met. In addition, not less than 50% of the aggregate programming between the hours of 6:00 p.m. and 12:00 midnight over the broadcast year must be of Canadian origin. Specialty cable television channels also have to maintain a specified percentage of Canadian content in their programming, generally set forth in their conditions of license.

On September 1, 2000, the CRTC introduced a new policy on Canadian television. While the overall Canadian content requirements remain the same, under the new policy, broadcasters are required to broadcast a minimum of eight hours per week of priority programming during prime time, from 7:00 p.m. to 11:00 p.m. Priority programming includes Canadian-produced drama, music and dance, variety and long-form documentaries, but does not include news and information or sports programming. To allow for greater flexibility in meeting these requirements, the definitions of priority programs and prime time have been expanded. In addition, quantitative commitments and fixed spending requirements have been eliminated. As well, the CRTC has eliminated general fixed spending requirements and has invited television broadcasting companies to request the removal of any spending requirements pertaining to specific Canadian programming categories embodied in their conditions of license. The House of Commons Committee reviewing Canada's broadcasting will study the efficacy and appropriateness of Canadian content rules as part of its review.

On December 14, 2000, the CRTC issued three licenses to TVA Group for national programming specialty services to be distributed exclusively in a digital form. These services may begin operations in 2003. TVA Group is also a non controlling partner in three other programming licensed services.

3.9.6.2 Advertising

The CRTC also regulates the quantity and content of television advertising. A television licensee shall not broadcast more than 12 minutes of advertising during any clock subject to certain exceptions for unpaid public service announcements and promotions for upcoming Canadian programs. Advertising content is regulated by various federal and provincial statutes and regulations, as well as by standards in the Canadian television broadcasting industry.

3.9.7 Canadian Publishing

Federal or provincial law does not directly regulate the publication of newspapers in Canada. There are, however, indirect restrictions on the foreign ownership of Canadian newspapers by virtue of certain provisions of the *Income Tax Act* which is referred to as the "**Canadian Tax Act**". The Canadian Tax Act limits the deductibility by Canadian taxpayers of advertising expenditures which are made in newspapers other than "Canadian issues of Canadian newspapers". For any given publication to qualify as a Canadian issue of a Canadian newspaper, the entity that publishes it, if publicly traded, must ultimately be controlled by Canadian citizens and, if a private company, must be at least 75% owned by Canadians; in addition, the publication must, with limited exceptions, be printed and published in Canada. All of Quebecor Media's newspapers qualify as "Canadian issues of Canadian newspapers" and, as a result, its advertisers generally have the right to deduct their advertising expenditures with it for Canadian tax purposes. The *Foreign Publishers Advertising Services Act* (Canada) prohibits "foreign publishers" of periodicals other than newspapers from supplying advertising services directed at the Canadian market to Canadian advertisers. As Quebecor Media is not a "foreign publisher", its magazines are not subject to such prohibition.

3.10 **Paper Supply**

Paper is the principal raw material used by the Newspaper segment and the Leisure and Entertainment segment. As paper prices are volatile, the Company, directly or indirectly, uses its purchasing power as one of the largest buyers in the printing industry in order to obtain the best possible prices and terms, service and quality control. In addition, it negotiates with a limited number of suppliers to maximize its purchasing power. The Company believes that it has a large enough pool of suppliers of paper and ink to meet the needs of its customers.

3.11 **Human Resources**

As at March 31, 2002, Quebecor had approximately 54,300 employees, in more than 15 countries, in the following industry segments:

Operations	Total number of employees	Number of employees under collective agreements	Number of collective agreements
Printing	42,000	10,200	74 [1]
Cable Television	2,681	2,226	4[2]
Newspapers	5,687	1,613	48[3]
Broadcasting	1,187	746	10[4]
Leisure and Entertainment	1,044	281	6[5]
Business Telecommunications	542	222	2[6]
Web Integration/Technology	893	-	-
Internet/Portals	192	-	-[7]
Other	71	-	-

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(1) Of these, 11 collective agreements covering 2,350 employees expire in 2002. These agreements are limited to single plants and groups of employees within these plants.

(2) Two collective agreements (representing approximately 2,018 employees) have expired prior to or on December 31, 2001. Both agreements are currently under negotiation for their renewal. Vidéotron's two other collective agreements (representing approximately 208 employees) will expire on December 31, 2002, and August 31, 2003.

(3) 17 collective agreements (representing approximately 700 employees) have expired prior to or on December 31, 2001 and 12 agreements (representing approximately 567 employees) will expire prior to or December 31, 2002. Three unions are currently negotiating the renewal of their agreements. One collective agreement has been signed (221 employees). One application for certification for approximately 70 employees is currently pending.

(4) Four collective agreements (representing approximately 550 employees) have expired prior to or on December 31, 2001. The renewal of these agreements is currently under negotiation. One collective agreement has been renewed (representing approximately 100 employees). Five additional agreements (representing approximately 176 employees) will expire prior to or on December 31, 2002. One first collective agreement is under negotiation (representing approximately 7 employees).

(5) Three unions are currently negotiating, on behalf of approximately 100 employees, their first collective agreement. In addition, three collective agreements (representing approximately 67 employees) have expired prior to or on December 31, 2001 and one agreement (representing approximately 7 employees) will expire prior to November 1, 2002. Quebecor is currently negotiating the renewal of these expired agreements.

(6) One agreement (representing approximately 125 employees) has expired on December 31, 2001, and the employees are currently under lock-out but operations have not been impacted. The other agreement (representing approximately 97 employees) will expire on May 19, 2002.

(7) Certification for a group of five employess has been obtained but negotiation of the collective agreement has not yet started.

As of March 31, 2002, collective bargaining agreements covering approximately 3,560 of Quebecor Media's employees had expired or were under negotiation. The Company is currently negotiating new collective bargaining agreements with unions representatives with a view to significantly increase productivity and reduce the Company's labour costs in its cable television operations (representing approximately 2,018 employees). As of May 8, 2002, the Company is undergoing a work stoppage in its cable television operations but it is able to maintain its operations.

3.12 Environmental Regulations

Quebecor is subject to various laws, regulations and government policies relating to employee health and safety, to the generation, storage, transportation, disposal and environmental emission of various substances, and to environmental protection in general. Quebecor believes that it is in compliance with such laws, regulations and government policies in all material respects. Furthermore, Quebecor does not anticipate that compliance with such environmental statutes will have a material adverse effect upon its competitive or consolidated financial position.

ITEM 4 SELECTED CONSOLIDATED FINANCIAL DATA

4.1 Financial Data for the Last Three Years

(Audited)
(in millions of Canadian dollars, except per share amounts)

	Years ended December 31		
	2001(1)	2000(2)	1999(3)
Revenues	$11,633.3	$10,914.8	$ 8,440.3
Net (loss)income(4)	(241.7)	1,084.4	477.3
Net (loss) income per share(4)			
Basic	$(3.74)	$16.78	$7.37
Diluted)	(3.74)	16.75	7.36
Dividends per share	0.39	0.51	0.48
Long-term debt	$7,993.5	$ 4,333.5	$ 5,860.4
Total assets	19,513.2	17,603.3	15,246.9

4.2 Quarterly Data

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

2001(1)	March	June	September	December
Revenues	$2,718.1	$2,758.5	$3,012.6	$3,144.1
Net loss	(25.7)	(3.3)	(26.9)	(185.8)
Net loss per share				
Basic	(0.40)	(0.05)	(0.41)	(2.88)
Diluted	(0.40)	(0.05)	(0.41)	(2.88)

2000(2)	March	June	September	December
Revenues	$2,641.7	$2,601.2	$2,716.2	$2,955.7
Net income	22.9	276.7	54.2	730.6
Net income per share				
Basic	0.36	4.28	0.84	11.30
Diluted	0.36	4.28	0.84	11.27

(1) Figures for the year ended December 31, 2001, include, for the last eight months, the figures of the cable television subsidiaries and for the last four months, the figures of TVA Group, as the transfer of the control over these regulated subsidiaries, acquired on October 23, 2000, has been obtained in May and September 2001, respectively. Before that date, regulated subsidiaries are shown at the consolidated value as they are under the control of trustees. Figures for the year ended December 31, 2001, also include for the last two months the contribution of VTL, a subsidiary of Vidéotron, acquired on October 23, 2000 and held for resale up to October 2001. This subsidiary is now consolidated as the management decided to keep and to develop its investment.

(2) Figures for the year ended December 31, 2000, include, for the last two months of the year, the contribution of non-regulated subsidiaries of Groupe Vidéotron acquired on October 23, 2000; the regulated subsidiaries are shown at the consolidated value as they are under the control of trustees. On April 18, 2000, pursuant to prior agreements between Abitibi-Consolidated, Donohue and Quebecor, Abitibi-Consolidated purchased all of the outstanding shares of Donohue in consideration for a cash payment and shares of Abitibi-Consolidated. Quebecor transferred its controlling interest in Donohue in consideration of a sum of $317 million and an interest of approximately 11% in Abitibi-Consolidated. Following this transaction and as the Company does not have control of or significant influence over Abitibi-Consolidated, the operations of the Forest Products segment are considered to have ben discontinued as of the first quarter of 2000. The results and the cash flows for the previous years have been restated accordingly.

(3) Figures for the year ended December 31, 1999, include, for the whole year, the contribution of Sun Media acquired on January 7, 1999; for the last four months of the year, the contribution of World Color Press, Inc., acquired on August 20, 1999; and for the last two months of the year, the contribution of nurun, acquired on November 1, 1999.

(4) Net income and the corresponding per share amounts for the years 2001, 2000, and 1999 include unusual items and results associated with discontinued operations. If these items and operations had been excluded, net income and the corresponding basic and diluted per share amounts would have been as follows: net loss of $32.9 million or $0.51 per share in 2001, net income of $136.3 million of $2.11 per share in 2000; net income of $140.8 million or $2.17 per share in 1999.

4.3 Dividends

The Company has in the past declared and paid dividends quarterly. Each Class A Share and each Class B Share is entitled to receive dividends as determined by the Board of Directors, in an identical amount, on the same date and in the same form as if such shares constituted shares of the same class. Certain agreements for bank credit entered into by certain subsidiaries of Quebecor contain restrictions on the payment of dividends by such subsidiaries in certain circumstances.

For the year ended December 31, 2001, dividends declared and paid by the Company on Class A Shares and on Class B Subordinate Voting Shares totalled $0.39 per share and, for the year ended December 31, 2000, such dividends totalled $0.51 per share. In the third quarter of 2001, the Board of Directors of Quebecor Inc. 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 Company also considered it appropriate to preserve its capital and manage its cash assets prudently in the current difficult business environment.

Information concerning dividends and restrictions as to dividend payments i) with respect to Quebecor World contained in its Annual Information Form dated May 16, 2002, is incorporated by reference herein and is included as Appendix A (on page A-13); ii) with respect to TVA Group contained in its Annual Information Form dated December 14, 2001, is incorporated by reference herein and is included as Appendix B (on page B-1); and iii) with respect to nurun and Mindready Solutions contained in their Annual Information Forms, respectively, dated May 15, 2002 and May 13, 2002, is incorporated by reference herein and is included as Appendices C (on page C-6) and D (on page D-15); and iv) with respect to Netgraphe contained in its Annual Information Form dated May 3, 2002, is incorporated by reference herein and is included as Appendix E (on page E-7).

ITEM 5 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 came 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 that time. 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 subsidiairy 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 depreciation, 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 conversion 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 depreciation and 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. Those 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 Sao 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, 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 during 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 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 Quebec'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 Groupe and Le SuperClub Vidéotron in order to better integrate its retailing operations.

<u>Business Telecommunications</u>

Vidéotron Télécom ltée is a business telecommunications leader in Québec, with an 8,600 km-plus regional network covering 90% of Quebec'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 remuneration 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 the Company's new subsidiary, 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 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, operation 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 continuing 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 $85 million cash 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 of 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 WPC, 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 ltée 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.

ITEM 6 MARKET FOR SECURITIES

The Company's Class A Shares and Class B Shares are listed on The Toronto Stock Exchange.

ITEM 7 DIRECTORS AND OFFICERS

7.1 Directors

The Board of Directors of the Company currently consists of nine (9) directors. The term of office of each director expires upon the election of his successor unless he resigns from office or his office becomes vacant by death, removal or other cause. The following table sets forth as at May 1, 2002, the names of the directors of the Company, their municipality of residence, their principal occupation and the year they became directors of the Company.

CLASS A DIRECTORS

Name and Municipality of Residence	Principal Occupation	Director Since
Charles G. Cavell *Westmount, Quebec*	President and Chief Executive Officer of Quebecor World Inc. (Commercial printer)	1991
Raymond Lemay(1) (2) *Ville d'Anjou, Quebec*	Corporate director	1989
The Right Honourable Brian Mulroney, P.C., C.C., LL.D. *Westmount, Quebec*	Senior Partner, Ogilvy Renault (Barristers and solicitors) and Chairman of the Board of Quebecor World Inc. (commercial printer)	1999
Jean Neveu *Longueuil, Quebec*	Chairman of the Board of the Company and Chairman of the Board of TVA Group Inc. (producer and broadcaster)	1988
Érik Péladeau *Rosemere, Quebec*	Vice Chairman of the Board of the Company, Vice Chairman of the Board of Quebecor Media (Communications company) and Vice Chairman of the Board and Senior Executive Vice President of Quebecor World Inc. (commercial printer)	1988
Pierre Karl Péladeau *Montreal, Quebec*	President and Chief Executive Officer of the Company, President and Chief Executive Officer of Quebecor Media (Communications company), Chairman of the Board of nurun Inc. (Information technology management consultants) and Chairman of the Board of Netgraphe Inc. (portals and web sites)	1992

CLASS B DIRECTORS

Name and Municipality of Residence	Principal Occupation	Director Since
Alain Bouchard(1) (2) *Ville Lorraine, Quebec*	Chairman of the Board, President and Chief Executive Officer, Alimentation Couche-Tard Inc. (Convenience store chain)	1997
Robert Dutton(2) *Laval, Quebec*	President and Chief Executive Officer, RONA Inc. (hardware retailer)	2002
Pierre Laurin(1) *Nuns' Island, Verdun, Quebec*	Executive-in-Residence, École des hautes études commerciales (HEC) (University teaching)	1991

(1) Member of the Audit Committee.
(2) Member of the Compensation Committee.

During the past five years, each of the directors mentioned above has carried on the principal occupation indicated opposite his name or other similar functions in the same company, with the exception of Pierre Laurin, who was Vice Chairman of the Board and General Manager of Merrill Lynch from January 1987 to January 1999, and Raymond Lemay, who was Executive Vice President of Quebecor from April 1990 to January 1999.

7.2 Senior Officers

The following table shows the names of the senior officers, their municipality of residence and their position within the Company as at May 1, 2002:

Name and Municipality of Residence	Position within the Company
Jean Neveu *Longueuil, Quebec*	Chairman of the Board
Érik Péladeau *Rosemere, Quebec*	Vice Chairman of the Board
Pierre Karl Péladeau *Montreal, Quebec*	President and Chief Executive Officer
Claude Hélie *Longueuil, Quebec*	Executive Vice President and Chief Financial Officer
Luc Lavoie *Montreal, Quebec*	Executive Vice President, Corporate Affairs
Marc Doré *Kirkland, Quebec*	Vice President, Taxation and Real Estate Service
Mark D'Souza *St-Nom la Bretèche, France*	Vice President and Treasurer
Louis Saint-Arnaud *Mont-Saint-Hilaire, Quebec*	Vice President, Legal Affairs and Secretary
Julie Tremblay *Westmount, Quebec*	Vice President, Human Resources
Denis Sabourin *Kirkland, Quebec*	Senior Director, Control
Claudine Tremblay *Nuns' Island, Verdun, Quebec*	Corporate Service Manager and Assistant Corporate Secretary

All the officers have held the positions and principal occupations indicated above or other occupations within Quebecor for the past five years, except Claude Hélie, who was Vice-President and Chief Financial Officer of Donohue (from July 1994 to April 2000); Luc Lavoie, who was successively Managing Partner, National Public Relations (from January 1993 to August 1997) and Executive Vice-President, National Public Relations (from August 1997 to December 2000); Marc Doré, who was successively Director of Taxation of Donohue (from December 1996 to May 2000) and Director of Taxation of Quebecor World (from May 2000 to March 2001) and Denis Sabourin, who was Corporate Controller of Compagnie Unimédia (formerly Unimédia inc.) (from 1994 to 2001).

As at May 1, 2002, the directors and officers of the Company, as a group, beneficially owned or exercised control or direction over 17,515,414 Class A Shares (or 74.62% of the Class A Shares) and 102,454 Class B Subordinate Voting Shares (or 0.25% of the Class B Subordinate Voting Shares) of the Company, 46,023 Subordinate Voting Shares (or 0.25% of the Subordinate Voting Shares) and 800

Preferred Shares, Series 4 (or 0.01% of the Preferred Shares, Series 4) and 10,000 Preferred Shares, Series 5 (or 0.14% of the Preferred Shares, Series 5) of Quebecor World.

ITEM 8 ADDITIONAL INFORMATION

Other information, including information on the remuneration and indebtedness of directors and officers, the principal holders of the Company's securities, stock options as well as the participation of insiders in material transactions, as the case may be, is contained in the Company's Management Proxy Circular prepared in connection with the Annual Meeting of Shareholders of the Company held on April 4, 2002. Other financial information is included in the comparative consolidated financial statements and notes thereto for the year ended December 31, 2001. Copies of these documents may be obtained from the Communications Department of the Company, at 300 Viger Avenue East, Montreal, Quebec, H2X 3W4, or by telephone at (514) 380-1999.

In addition, when the securities of the Company are in the course of a distribution pursuant to a short-form prospectus or when a preliminary short-form prospectus is filed, the following documents may be obtained free of charge from the Communications Department of the Company:

i) one copy of the Annual Information Form, together with one copy of any document or portion thereof incorporated by reference therein;

ii) one copy of the comparative financial statements of the Company for its most recently completed fiscal year together with the report of the auditors thereon and one copy of any interim financial statements of the Company subsequent to the financial statements for its most recently completed fiscal year;

iii) one copy of the Company's Management Proxy Circular for its most recent annual meeting of shareholders which involved the election of directors; and

iv) one copy of any other documents that are incorporated by reference in the preliminary short form prospectus or the short form prospectus.

At any other time, one copy of the documents referred to in sub-paragraphs i), ii) and iii) above will be provided free of charge, upon request to the Communications Department of the Company.

APPENDIX A
PARTS OF THE ANNUAL INFORMATION FORM OF QUEBECOR WORLD INC.

ITEM 3 NARRATIVE DESCRIPTION OF THE BUSINESS

The Company has rotogravure, web offset and sheetfed printing capacity for a wide variety of printed materials, such as magazines, retail inserts, catalogs, specialty printing and direct mail, books, directories, as well as pre-media, logistics and other value-added services. Printing services, including design, production and distribution, are offered from more than 158 printing and related services facilities located throughout the United States, Canada, France, Belgium, the United Kingdom, Spain, Switzerland, Sweden, Finland, Austria, Brazil, Chile, Argentina, Peru, Colombia, Mexico and India.

3.1 DESCRIPTION OF PRODUCTS AND SEGMENTS

Description of Segments

The Company operates in the printing industry. Its business units are located in three main geographic segments as follows:

	Years Ended December 31,			
	2001		2000	
	$	%	$	%
	($ in millions)			
Revenues:				
North America	5,268.1	83	5,518.9	85
Europe	891.3	14	890.4	13
Latin America	161.4	3	112.0	2
Other and Intersegment	(0.7)	-	(0.2)	-
Total	6,320.1	100	6,521.1	100
Operating income:*				
North America	564.3	91	628.0	87
Europe	53.9	9	61.1	8
Latin America	10.4	2	6.5	1
Other	(10.8)	(2)	29.2	4
Total	617.8	100	724.8	100

* Before restructuring and other charges

Commercial printing is a very fragmented, capital-intensive manufacturing industry. The North American and European printing industries are highly competitive in most product categories and geographic regions. In addition, with economic conditions and consumer spending in Latin America becoming increasingly favorable, the market for print and print advertising will expand dramatically in the near and medium terms. The Company believes that the ten largest competitors in the North American and European commercial printing markets have in aggregate less than 20% of the total share of each of their respective markets. In North America alone, there are more than 52,000 commercial printers.

Commercial printers tend to compete within each product category based on price, quality and the ability to service customers' specialized needs. Small competitors are generally limited to servicing customers for a specific product category within a regional market. Larger and more diversified commercial printers with greater geographic coverage have the ability to serve national and global customers across multiple product segments.

Management believes that both the North American and European printing markets are consolidating and that acquisition targets will continue to be available as larger commercial printers displace medium-size printers and regional competitors. Industry trends in Latin America, which are mirroring historical developments in North America, should also provide acquisition opportunities. Over the past decade, North American and European publishers have outsourced their printing operations. This trend began in the mid-1990s in Europe as demonstrated initially by the decision of Associated Newspapers in 1995 to outsource its printing to the Company and, more recently, by the Company's acquisition of the European printing assets of Hachette Filipacchi Media in France and Belgium. The Company's ongoing partnership with the Brazilian publisher Editora Abril, S.A., which commenced in 2000, is a reflection of a similar trend taking root in Latin America. This segregation of publishing and printing activity should provide independent printers greater acquisition opportunities and enable them to seek printing business with previously captive customers. Management believes that the Company is well positioned to continue to take advantage of the consolidation of the North American, European and Latin American commercial printing markets.

The Company is one of the few commercial printers that has the ability to serve customers on a regional, national and global basis. As a result, the Company has been able to build a substantial business within each of the American, Canadian and European segments and to pursue its expansion in Latin America.

In the United States, the Company is the largest commercial printer with more than 94 facilities and 28,000 employees operating in 31 states. The Company is a leader in the printing of books, magazines, retail inserts, catalogs, specialty printing, and direct mail.

The Company is the largest commercial printer in Canada, with 31 facilities in six provinces and more than 5,600 employees. It offers a diversified mix of printed products and related value-added services to the domestic market and internationally, including substantial exports to the United States.

In Europe, the Company operates in France, Belgium, Switzerland, the United Kingdom, Spain, Sweden, Austria and Finland, with 24 facilities and approximately 6,000 employees serving customers in 13 European countries. It is the largest independent commercial printer in Europe and the fourth-largest printer of magazines and catalogs in the United Kingdom.

The Company also operates in Latin America with nine facilities and approximately 2,500 employees, as well as in India, where it has one facility and 60 employees.

Description of Products

The Company's revenues by product are as follows:

	Years Ended December 31,			
	2001		2000	
	$	%	$	%
	($ in millions)			
Magazines	1,660.2	26	1,817.1	28
Retail Inserts	1,306.8	21	1,168.1	18
Catalogs	1,054.9	17	1,065.8	16
Specialty Printing and Direct Mail	790.4	13	920.5	14
Books	718.0	11	790.9	12
Directories	404.0	6	352.9	5
Pre-Media, Logistics and other Value-Added Services	385.8	6	405.8	7
Total	6,320.1	100.0	6,521.1	100.0

The Company's operations are managed by eight distinct business groups. Each business group is accountable primarily for one product group of products or geographic region. The Company's revenues by business group are as follows:

	Years Ended December 31,			
	2001		**2000**	
	$	**%**	**$**	**%**
	($ in millions)			
Magazines and Catalogs	1,771.9	28	2,004.9	31
Retail	1,117.7	18	959.3	15
Commercial and Direct	864.8	14	999.1	15
Book	513.4	8	596.5	9
Directory	465.5	7	427.0	6
Other Revenues	534.1	8	531.9	8
Europe	891.3	14	890.4	14
Latin America	161.4	3	112.0	2
Total	6,320.1	100.0	6,521.1	100.0

Magazines

The Company is the world's leading printer of consumer magazines. It prints more than 1,000 magazine titles, including: *Time*, *Sports Illustrated*, *People*, *Fortune*, *Money*, *TV Guide*, *Southern Living*, *Car and Driver*, *Le Figaro Magazine*, *First for Women*, *Reader's Digest*, *Maclean's*, *L'Actualité*, *Châtelaine*, *Flare*, *7 Jours*, *T.V. Week*, *Western Living*, *Vancouver Magazine*, *Wine Spectator*, *Ebony*, *ESPN*, *Woman's Day*, *Good Housekeeping*, *Elle*, *Rolling Stone*, *Newsweek*, *US News*, *Cosmopolitan*, *GQ*, *Vogue*, *Forbes*, *Forbes Global*, *You*, *La Redoute*, *Wienderin*, *Novlas*, *Veja*, *Aftonbladet*, *Expressen*, *Anttila*, *Kvickly* and *Bilka* among other magazines, as well as all the magazines published by the Parent. The Company prints 46 percent of the top 125 magazine titles in North America. It operates a global print platform with operations in the United States, Canada, Europe and Latin America.

Management believes that the Company is the industry leader in producing weekend newspaper magazines. These are four-color magazines inserted in major-market weekend newspapers. The Company prints two syndicated weekend magazines, *Parade* and *USA Weekend*, as well as locally edited and distributed weekend newspaper magazines, and *Globe*, *The Sun* and *Examiner*, three weekly tabloids. In the United Kingdom, the Company is the largest supplier of weekend supplements for *Associated Newspapers*, *Mirror Group Newspapers* and *Guardian Newspapers*.

The Company has invested in pre-media (computer-to-plate) and press technology to enhance its ability to service this market. For the production of medium to long-run magazines, the Company is at an advantage because its plants have selective-binding and ink-jet-imaging capabilities and can utilize the Company's mail analysis system.

The Company also prints comic books for leading companies such as *D.C. Comics* and *Marvel Entertainment*. In the comic book market, the Company operates an on-line computer management system that provides publishers with information regarding the production and distribution status of each of their titles.

Retail Inserts

The Company's major retail inserts customers include large retailers, such as *Sears*, *Wal-Green*, *Home Depot*, *Staples*, *Rite-Aid*, *Wal-Mart*, *CVS*, *Bradlee's*, *Sports Authority*, *JC Penney*, *Shoppers Drug Mart*, *Canadian Tire*, *Radio Shack*, *Carrefour*, *RONA*, *The Brick Waterhouse Corporation*, *CFA –*

Carrefour, Continent, But, Conforama, Leclerc and Auchan. In North America, the Company's 14 rotogravure process printing plants offer both the coast-to-coast manufacturing network and the long-run efficiencies required to serve the larger retail customers. The Company has five rotogravure process printing plants in France, one in Belgium and two in Nordic countries. In Canada, the Company prints inserts and circulars using heatset and coldset web offset and rotogravure processes in accordance with customer requirements. The Company also offers digital engraving and related pre-press processes, which both enhances quality and shortens time-to-market.

Catalogs

The Company is the largest printer of catalogs in the world. It prints several hundred different catalogs on an annual basis for many of North America's direct mail retailers such as *L.L. Bean, Sharper Image, Spiegel, Day-Timer, Ikea, Hanover Direct, Victoria's Secret, BryLane, Bloomingdale's, Lillian Vernon, Office Depot, Executive Greetings, Scholastic, Blair, Chadwick's, Sears, Avon, Zellers, Neiman Marcus*, and *Viking Office Products.* The Company offers special catalog services such as list services, to help customers compile effective lists for distribution, selective-binding capacity to allow customers to vary catalog content to meet their customers' demographic and purchase patterns, and ink-jet addressing and messaging to personalize messages for each recipient. This technology partially offsets postage-cost increases by eliminating pages of products that do not fit a buyer's demographic or purchasing profile. The Company's global network also allows the Company to offer its customers one-stop shopping for all of their catalog needs in North America, Europe and Latin America.

Specialty Printing and Direct Mail

Products in these categories include annual reports, corporate prospectuses, promotional literature, calendars, posters, direct-mail products, highly personalized catalog wraps and promotions for the auto industry and other custom items. The Company's web and sheetfed printing presses of a smaller size permit the Company to offer custom colors, coatings, finishes and specialized binding required to produce a wide variety of print products. The Company provides numerous print-related services to customers, including typesetting, pre-press, circulation fulfillment, list management, mailing and distribution, in particular through desktop-publishing and electronic pre-media technology.

Quebecor Merrill Canada Inc. offers services of manufacturing operations to serve the market for financial documents, prospectuses, annual reports and related printing.

The Company's Direct division is established as international leader in the application of versioning, ink jet addressing, print-on-demand technology and computer-to-plate techniques which are critical to the customized production and compressed cycle times that customers demand today.

In August 2000, the Company sold to Vancouver-based Q-Media, the North American operations of Print Northwest, its CD-ROM replication business for a total consideration of $68 million. The sale price was comprised of $47 million of cash and $21 million in special warrants and promissory notes convertible into the buyer's, Q-Media Services Corporation, shares. Management believes that this divestiture is in line with the Company's strategy of focusing on its core business.

Books

The Company is the North American industry leader in book manufacturing. The Book Group is an industry leader in the application of new technologies for book production including electronic pre-media, information networking, digital printing, computer-to-plate and electronic data interchange. With plants in the United States, Spain, and Latin America, the Company serves internationally more than 1,000 publisher customers, including *Simon & Schuster*, *Scholastic*, *Thomas Nelson Publishers*, *AOL/Time Warner, McGraw-Hill, Pearson, Houghton-Mifflin, Harlequin, Grolier, Larousse, Reed Elseveir, HarperCollins* and *Reader's Digest.*

In keeping with its full-service approach, the Company has expanded its presence in the market for on-demand printing through both capital investment and the acquisition of William C. Brown in 1997. This service allows for small quantities of books, brochures, technical documents and similar products to be produced quickly and at a relatively low cost.

Directories

The Company specializes in telephone directories and is the largest directory printer in Canada and among the largest directory printers in North America and Latin America. The presence of the Company's directory group in the North American market dates back to the late nineteenth century with the printing of Bell Canada's first directories. The Company prints telephone and other directories for a large number of companies including *Ameritech, Pacific Bell, Qwest-Dex, McLeod*USA, BellSouth, Telephonica Del Perù, Listel, Telmex* and *Chilenet*. In 1994, the Company began production of directories for the Indian domestic market at its directory facility near New Delhi, India.

Pre-Media, Logistics and Other Value-Added Services

The Company is a leader in the transition from conventional pre-press to an all-digital workflow, providing a complete spectrum of film, and digital preparation services, from traditional past-up and color separation to state-of-the-art, all-digital pre-media, as well as digital emerging and digital archiving. Our specialized digital and pre-media facilities, which are strategically located close to and, in certain cases, onsite at customers' facilities, provide our customers high quality, twenty-four hour preparatory services linked directly to the Company's various printing facilities. In addition, our computer systems enable the Company to electronically exchange both images and textual material directly between the Company and the customers' business locations. The integrated pre-media operations provide the Company with competitive advantages over traditional pre-press shops that are not able to provide the same level of integrated services. Que-Net Media brings together the full range of digital technologies and pre-media assets within the Company that allows it to focus on providing a more comprehensive range of solutions to the customer base of the Company.

The establishment of Quebecor World Logistics has made the Company the largest and most technologically advanced print transport company, as well as the largest customer by volume of the U.S. Postal Service. Quebecor World Logistics provides complete logistics services including customized door-to-door planning, management, transportation, delivery and tracking solutions, thereby providing customers with cost-effective, efficient and trackable distribution services.

3.2 MANUFACTURING

Description of Processes and Equipment

The Company uses principally two types of printing processes, rotogravure and offset, which are the most commonly used commercial printing processes. Both processes have undergone substantial technological advances over the past decade, resulting in significant improvements in speed and print quality. The Company estimates that in 2001 approximately eighty percent of its revenues by volume were printed using offset and the remainder using the rotogravure process.

Rotogravure

With 102 rotogravure presses, the Company is one of the largest world-wide printers using the rotogravure process. The process uses a copper-coated printing cylinder which is mechanically engraved using high-precision, computer-controlled and diamond-cutting heads. Although the engraving of the printing cylinder is relatively expensive, the printing cylinder itself is extremely durable and cost effective per long run. The rotogravure process has an excellent reputation for the quality of its four-color reproductions on various grades of paper and the very high speed at which it is capable of running.

The rotogravure process is well suited to long-run printing of advertising inserts and circulars, Sunday newspaper magazines, and other high-circulation magazines and catalogs. The Company believes that its coast-to-coast network of rotogravure facilities in the United States offers both the capacity and locations required by large merchandisers and publishers. The acquisition in 1995 of Financière Jean Didier with its rotogravure capacity and of the European printing assets of Hachette Filipacchi Medias that closed in 2002 provides an advantageous position in the rotogravure market in Europe. The Company's advanced ability in rotogravure digital pre-media also ensures more efficient and accurate production of the same insert simultaneously in multiple locations, thereby offering the customer the efficiency and cost savings of manufacturing and distribution closer to its end-use markets in reduced time frames.

Offset

In the offset process, an inked impression from a thin metal plate is first made on a rubber cylinder, after which it is offset to paper. There are several types of offset printing processes: sheetfed and web, heatset and coldset. Sheetfed presses print on sheets of paper, whereas web presses print on rolls of paper. Short-run printing is generally best served by sheetfed offset, whereas web offset is generally the best process for longer runs.

Heatset web offset involves a press which uses an oven to instantly set or dry the oil-based inks. This permits high speed and better quality and is best suited for printing on glossier papers (coated paper). Heatset web offset is used to print retail inserts, magazines, catalogs and books. The Company owns 438 heatset web offset presses.

Coldset web offset involves a press that does not use an oven to dry the ink, instead using oil-based inks that are absorbed into the paper and dried by oxidation. Coldset web offset is used mainly to print newspapers, books, directories, and some retail inserts. The Company owns 84 coldset web offset presses.

The Company owns 214 sheetfed offset presses, which print books, promotional material and direct-mail products and form a network of smaller regional facilities that constitutes an advantage in the Company's overall business strategy. Most of these facilities are large suppliers in their local markets.

3.3 SALES AND MARKETING

The sales and marketing activities of the Company are highly integrated and reflect an increasingly global approach to meeting customers' needs that is complemented by product-specific sales efforts. Sales representatives are located in plants or in regional offices throughout North America, Europe, and Latin America, generally close to their customers and prospects. Each sales representative has the ability to sell into any plant in the Company's global network. This enables the customer to coordinate simultaneous printing throughout the Company's network through one sales representative. Certain of the larger customers centralize the purchase of printing services and, in this regard, the

Company's ability to provide broad geographical services is clearly an advantage over smaller regional competitors.

The Company also offers a wide variety of pre-media, logistics and other value-added services to customers. Such pre-media services include the color electronic pre-media system, which takes art work from idea to final product, and desktop publishing, which gives the customer greater control over the finished product. These pre-media services are especially helpful to smaller customers, who may not have the capital to employ such equipment or who may have to rely on third-party vendors, which may result in coordination and delay problems. Other value-added services, including mail list, shipping and distribution expertise, ink-jet personalizing and customer-targeted binding, are rapidly becoming requirements of numerous customers.

Since 1995, the Company has proceeded to complete ISO 9000 series certification at various plants where it operates and it is continuing to ensure that more and more plants will be ISO 9000 series certified. The ISO 9000 series of international standards certify that a company meets quality control requirements in its production processes.

As of the date hereof, six of the Company's plants have received the ISO-14001 certification, an internationally recognized environmental management system, the goal of which is the continuous improvement in environmental management. Two more plants will in the near future begin the process of implementing this standard by using a customized environmental package.

The Company supports its sales efforts with marketing programs that involve advertising and trade shows to reinforce the corporate image in the buyer's mind. It also provides technical seminars and printing consulting services to make customers aware of market opportunities and the Company's capabilities.

The Company believes that its size and network of locations throughout North America, Europe and Latin America is an advantage over smaller competitors in terms of shipping and distribution. Because of its volume, the Company is able to set up pool-shipping systems, which enable customers to ship their products at significant discounts. The discount is achieved through agreements with the postal services, which provides the mailer/customer with a discount if the mailer/customer pays the freight costs to transport the mail closer to the postal services delivery office. The Company uses its custom-built mail analysis system, which automatically combines different customers into truck-load shipments and analyzes the cost-savings benefit to the customer. The mail analysis system then generates the necessary forms, bills of lading and freight invoices for the customer.

Ink-jet personalizing is increasingly being used by many publishers and catalogers. Ink-jet addressing eliminates the additional process of printing paper labels and improves mailing efficiency. Catalogers use ink-jet personalizing in a number of ways. Ink-jet addressing allows both the cover and the order form to be labelled and to show customer-coding information. Furthermore, as catalogers continue to look for methods to increase the level of personalization, the ink-jet process is being used more frequently to add personal messages, specific inserts to frequent buyers, or unique coding information for order entry. Another advantage to ink-jet printing and selective binding is the Company's ability to merge lists of names for the same customer or to co-mail different customers to achieve increased postal pre-sort discounts.

3.4 COMPETITIVE STRENGTHS

Management believes it has certain competitive strengths which enable it to provide enhanced customer service while maintaining a low cost position in the industry. Such advantages include broad geographic coverage, a single source of printing services, technological capabilities, economies of scale and a large manufacturing base.

Broad Geographic Coverage. Certain of the Company's largest customers utilize simultaneous printing in several of the Company's locations. The Company is one of the few commercial printers that can service these customers in virtually all of their markets, allowing them to coordinate their requirements. In addition, multi-plant simultaneous printing makes delivery more efficient and lowers distribution costs for national products such as *Parade, USA Weekend,* and *The Sun*.

Single Sourcing. By providing its customers a wide variety of printing, pre-press, post-press and distribution services, the Company is able to become a more integral element in its customers' publishing process while simultaneously expanding its sources of revenues. As large customers have centralized their purchasing of printing services, the Company's ability to provide a single source for comprehensive printing services and broad geographical coverage is a competitive advantage, since customers are not required to contract with numerous smaller specialized and regional competitors.

Technological Capabilities. The Company is committed to the effective use of state-of-the-art technology, including the development of new printing technologies, upgrade of existing printing assets and further development of integrated services. The Company's technological capabilities have enabled it to lower its cost position and to better serve its customers by improving quality, flexibility, speed and cost of production. Keeping pace with the technological developments in the industry requires substantial capital expenditures. Hence, in 2001, the Company spent $278.3 million on capital expenditures, including faster and more efficient presses and pre-press and post-press technologies. In 2002, capital expenditures are expected to be approximately $200 million to maintain the Company's existing assets and to invest in new projects for expansion in selected markets. The breadth of the Company's business enables it to spread technological investments over numerous facilities and product segments and its size enables it to lower its relative cost position by spreading fixed capital investment over a greater base of revenues.

The Company's Que-Net Media division was established to bring together the digital and pre-media assets of both Quebecor Printing and World Color Press.

Economies of Scale. The Company enjoys significant economies of scale which, according to management, provides the Company with a cost advantage. The Company also purchases a significant amount of printing equipment. Management believes that such purchasing power enables the Company to purchase both raw materials, primarily paper and ink, and equipment, on enhanced terms. This purchasing power also ensures availability of raw materials in tight markets. In 1998, the Company opened a global procurement office in Fribourg, Switzerland. Global procurement will allow the Company to achieve economies of scale for materials and equipment.

The Company has realized more cost savings from synergies deriving from its merger with World Color than it had originally anticipated. By consolidating platforms into fewer but larger and more specialized plants, the Company reduces administrative costs and achieves better economies of scale. In addition, increased plant specialization allows for greater efficiency and improved distribution reduces the final cost to customers and improves speed of delivery.

The growth of new media provides the Company with further opportunities to exploit its economies of scale. Increasingly, clients seek to repurpose information so that it can be used in both printed and electronic forms. The Company has implemented digital workflows and has provided tools such as its Digital Asset Management System and Automated Publishing System to facilitate the re-use of information in a more cost effective manner than its competitors.

Large Manufacturing Base. The Company's diversity and breadth of plant and press capability, product mix and large customer base facilitate greater capacity utilization. Most presses can produce a variety of printed products, and the Company frequently allocates orders among its facilities to optimize their equipment utilization. The Company serves a wide variety of markets allowing it to redeploy equipment, thereby extending its useful life. In addition, the Company's large manufacturing base combined with its technological capabilities frequently enable the Company to improve customer service and operating margins by transferring technology and maximizing the printing capabilities of its facilities.

Management believes that further consolidation of the fragmented printing industry will occur due to the advantages of size, the high cost of capital equipment and technology and the demand of many large customers for broad, technologically advanced, continent-wide and international printing services. The Company's competitive and financial strengths and its substantial experience in integrating acquired businesses provide it with the ability to take advantage of this industry dynamic. Having established a critical size and the geographic and product diversity required to compete, the Company is focused on continuing the expansion of its customer base, markets and scope of services in North America, Europe and Latin America.

3.5 CAPACITY UTILIZATION

The Company's diversity in plant and press capability, product mix and large customer base facilitate greater capacity utilization. Most presses can produce a variety of printed products and the Company will frequently allocate orders among its facilities to optimize their utilization. Because the Company serves a wide variety of markets, it is able to redeploy equipment, thereby maximizing its utility, extending its useful life. Diversity in plant and press capability enables the Company, through central scheduling of the Company's presses, to assign a particular order to the machine best suited for it. Through its most recent restructuring initiatives, the Company has relocated 20 pieces of equipment in an effort to maximize utility.

3.6 TECHNOLOGY

The Company is committed to the effective use of state-of-the-art technology to provide cost-effective customer service. The Company is active in, among others, the following areas: rotogravure computer-aided pre-press and cylinder processing, which improves time and cost efficiencies and the quality of pre-media page preparation and cylinder engraving; wide-web heatset web offset presses, where the Company collaborated on the engineering and subsequent installation of nine "Sunday Press" 54-inch, 48-page presses, which are twice as productive as standard 36-inch, 32-page presses; ink-jet-addressing and messaging systems, with the Company offering a 72-line messaging capability for the customization of catalogs and magazines.

The Company also cooperates with large suppliers in the area of research and development of new printing technologies, materials and processes. The Company's capital-improvement programs include adding, replacing and/or upgrading existing equipment.

The Company continues to invest in Target Bound™ selective binding equipment, which enables publishers and catalog merchandisers to produce multiple versions of a magazine or catalog in a single bindery run. It also acquired color electronic pre-media and desktop-publishing equipment, invested in its mail analysis system, acquired new equipment for answer-card printing and insertion, and invested in LazerBook™, which offers its customers a wider range of printing and binding styles.

The Company has continued to invest in faster, more efficient and higher-quality presses. Pre-media has continued to witness dramatic enhancements in the digital electronic area, with new computer software and hardware installed to help customers create their pages more quickly and more efficiently.

The Company has been an industry leader in bringing new imaging services on-line that streamline the process of preparing pages for print. The Company was one of the first printers to install desktop publishing, direct-to-film and computer-to-plate systems for offset printing, which eliminates entirely the costly and time-consuming film step in print production. It has furthermore established one of the industry's most sophisticated data communications networks, capable of transmitting a customer's publication files quickly and efficiently from the customer's location to multiple plant locations.

Management believes that only printers capable of investing and integrating new technology will continue to expand. One important technological change was the arrival of the "Sunday Press". These new machines compete with presses that run at 2,000 feet per minute on a 36 inch-wide cylinder by offering speeds of 3,000 feet per minute on 54 inch-wide cylinders. Using the same crew, these new presses have brought about a significant improvement at the margin level. The Company currently owns 17 Sunday presses.

The Company continues to upgrade its U.S. rotogravure network to produce magazines, catalogs, inserts and flyers, and Sunday Magazines. The Company became the first commercial printer to install the latest generation of short cut-off tabloid offset presses. These presses print more pages at faster speeds and use less paper than conventional tabloid presses. The Company has also invested in new and emerging digital and web-based technologies to improve services, cut costs and expand its range of products.

The Company operates a North American-wide telecommunications network, which enhances the Company's ability to move digital files between its facilities and customers quickly, share work among plants, and expand distribution and printing operations.

3.7 PURCHASING AND RAW MATERIALS

The principal raw materials used in the Company's products are paper and ink. In 2001, the Company spent approximately $2.4 billion on raw materials. The Company exercises its purchasing power to obtain pricing, terms, quality, quality control and service in line with its status as one of the largest industry customers.

The Company negotiates with a limited number of suppliers to maximize its purchasing power, but does not rely on any one supplier. Purchasing activity at both the local plant and corporate level is coordinated in order to increase and benefit from economies of scale. Inventory-control operations are also integrated into the purchasing functions of the Company, which has resulted in improvements in inventory turns. Plant inventories are also managed and tracked on a regional basis, increasing the utilization of existing inventories. In addition, most of the Company's long-term contracts with its customers include price-adjustment clauses based on the cost of materials in order to minimize the effects of fluctuation in the price of paper and ink.

The Company takes pride in offering world-wide procurement service to its customers. The procurement office, located in Fribourg, Switzerland, gives the Company a major competitive advantage. By consolidating the activities formerly carried out at four regional offices, the Company is able to reduce administrative costs, standardize procurement and provide customers with assured supply at attractive prices.

During 2000, the Company created a private web-enabled business-to-business (B2B) exchange, expanding on the Company's existing global procurement activities. Based in Fribourg, Switzerland, the exchange allows the Company to reduce costs and improve operating margins by aggregating demand for items such as ink and paper across the Company's 158-plant network, thereby creating a virtual warehouse for such items. The Company is currently evaluating a move beyond ink and paper to include additional materials in this global procurement activity.

3.8 COMPETITIVE ENVIRONMENT

The commercial printing business in North America and Europe is highly competitive in most product categories and geographic segments. Industry analysts consider most of the industry's markets to be currently oversupplied, and competition is significant. Competition is largely based on price, quality, range of services offered, distribution capabilities, customer service, availability of printing time on appropriate equipment and state-of-the-art technology.

3.9 RISKS ASSOCIATED WITH CHANGES IN INTEREST RATES AND FOREIGN EXCHANGE

In the normal course of business, the Company is exposed to changes in interest rates. However, the Company manages this exposure by having a balanced schedule of debt maturities as well as a combination of fixed and variable rate obligations. In addition, the Company enters into interest rate swap agreements and cross-currency interest rate swap agreements to manage both its interest rate and foreign exchange exposure.

The Company also enters into foreign exchange forward contracts and interest rate swaps to hedge the settlement of raw materials and equipment purchases, to set the exchange rate for cross-border sales and to manage its foreign exchange exposure on certain liabilities, based in part on the Company's operations in a number of countries.

While the counterparties to these agreements expose the Company to credit loss in the event of non-performance, the Company believes that the possibility of incurring such a loss is remote due to the creditworthiness of the counter parties. The Company does not hold or issue any derivative financial instruments for trading purposes.

Concentrations of credit risk with respect to trade receivables are limited due to our diverse operations and large customer base. As at March 31, 2002, we had no significant concentrations of credit risk.

3.10 CUSTOMERS

The Company believes that the product and geographical diversity of its customer base serve to reduce the impact on the Company of dramatic fluctuations in local markets or product-line demand. Many of the Company's large customers are under contract. These contracts include price adjustment clauses based on the cost of paper, ink and labor.

3.11 SEASONALITY OF THE COMPANY'S BUSINESS

The operations of the Company's business are seasonal, with approximately two-thirds of historical operating income recognized in the second half of the fiscal year, primarily due to the higher number of magazine pages, new product launches and back-to-school, retail and holiday catalog promotions.

3.12 HUMAN RESOURCES

As at December 31, 2001, the Company employed approximately 42,000 people, 10,200 of whom are covered by 74 separate collective agreements. Of these, 11 collective agreements covering

2,350 employees expire in 2002. These agreements are limited to single plants and groups of employees within these plants. In all its operations, the Company has 60 nonunionized plants.

The Company believes that its relations with its employees and unions are generally good.

3.13 ENVIRONMENTAL REGULATIONS

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

Energy and pollution control is at the heart of our commitment to the environment, and this has been particularly important in a year where energy costs have risen significantly. The Company has accelerated its program of replacing existing recuperative thermal oxidizer equipment with newer, more efficient regenerative thermal oxidizer equipment. This equipment not only reduces emissions, but also significantly reduces energy consumption.

ITEM 4 – SELECTED CONSOLIDATED FINANCIAL INFORMATION

4.3 Dividends

On April 25, 2002, the Company declared a dividend of $0.12 per share on the Multiple Voting Shares and the Subordinate Voting Shares, a dividend of CA$0.3125 per share on the Series 2 Preferred Shares, a dividend of CA$0.4219 per share on the Series 4 Preferred Shares, and a dividend of CA$0.43125 per share on the Series 5 Preferred Shares, which dividends are payable on June 1, 2002 to the shareholders of record at the close of business on May 16, 2002.

The Company has declared and paid semi-annual dividends since October 23, 1992 and quarterly dividends since 1998. The table below presents the annual dividends declared and paid by the Company on all of its shares since 1996:

	Multiple Voting Shares and Subordinate Voting Shares	**Series 2 Preferred Shares**	**Series 4 Preferred Shares**	**Series 5 Preferred Shares**
1996	$0.20	N/A	N/A	N/A
1997	$0.22	N/A	N/A	N/A
1998	$0.24	CA$1.3151	N/A	N/A
1999	$0.28	CA$1.2500	N/A	N/A
2000	$0.33	CA$1.2500	N/A	N/A
2001	$0.46	CA$1.2500	CA$1.2703	CA$0.5069
As of March 1, 2002	$0.12	CA$0.3125	CA$0.4219	CA$0.4313

APPENDIX B
PARTS OF THE ANNUAL INFORMATION FORM OF TVA GROUP INC.

ITEM 5

SELECTED CONSOLIDATED FINANCIAL INFORMATION

5.3 Dividends

The Company declares and pays dividends quarterly. Class A Shares and Class B shares participate equally in any distribution of dividends approved by the Board of Directors.

For the year ended August 26, 2001, dividends declared and paid on Class A and Class B shares totalled $0,20 per share and, for the year ended August 27, 2000, such dividends totalled $0,20 per share.

APPENDIX C

PARTS OF THE ANNUAL INFORMATION FORM OF NURUN INC.

ITEM 3 – GENERAL DEVELOPMENT OF THE BUSINESS

3.3 Trends

The Corporation takes into account the following factors when evaluating it's future growth. New competitors have appeared and e-business is ever changing and evolving. The pressure on prices is accentuated continuously. In essence, the unfavorable changes in the economy within Canada as well as outside the country may continue to have a negative impact on the Corporation's financial results. In spite of the encouraging prognosis that an economic recovery may soon be underway, the Corporation still detects a certain prudence on behalf of its customers, consequently canceling or delaying approval of projects.

Also, for an outline of inherent risks and uncertainties associated with the Corporation's future results of operations, as well as a discussion of certain industry trends, reference is made to (i) Management's discussion and analysis for the year ended December 31, 2001 (on pages 24 to 26 of the Corporation's 2001 Annual Report), which is incorporated herein by reference, (ii) "Item 4 – Narrative Description of the Business – e-Business Services Segment – Industry Background" of this Annual Information Form and (iii) Mindready's Annual Information Form dated May 13, 2002 (under "Item 3 – General Development of Business – Trends"), which is incorporated herein by reference.

ITEM 4 - Narrative Description of the Business

4.1 e-Business Services Segment

A. Industry Background

With the rapid growth of the Internet since 1994, the IT industry has undergone profound changes. A whole new segment of the global IT market has arisen, that of "Internet services and solutions".

IDC predicted that the market for "e-business and Internet services" would expand significantly between 1998 and 2003, from $7.8 billion to about $78.6 billion in 2003, representing an average annual growth of 58%.

The growth of this market is characterized by a change in the types of projects that businesses are implementing. "Internet" projects have thus rapidly evolved from simple Web sites to achieve a presence on the World Wide Web to highly complex applications that support mission-critical activities. Increasingly, the size and complexity of the Internet projects implemented by businesses require a full spectrum of IT skills as well as skills in business strategy, marketing, new media and creativity.

This has given rise to a new and fast-growing market segment called "Web integrators": service providers who have succeeded in merging skills from a variety of disciplines to provide their clients with end-to-end services. Those clients seek partners who can offer multidisciplinary teams working in a fully integrated fashion, a challenge that a number of recently formed businesses are trying to meet by offering one-stop solutions for implementation of the new Internet projects.

After several years of strong growth, the difficult economic situation led to a slowdown in the demand for e-business services in North America as well as in Europe. The market has, thus, experienced a shift from rapid time-to-market demand to a slower sales cycle. Global 1000 clients have returned to their traditional, slower and more measured ways of making e-business service procurement decisions. Consultant contracting, evaluation and vendor management procedures are therefore going back to fundamentals. Secondly, the competition for e-business service firms is increasing, as traditional consulting firms and internal IT organizations have now developed Internet skills. Thirdly, the dot.com sector demand for Internet integration services has reduced significantly, as venture capital money is now being spent more cautiously than it was a year ago. Finally, companies working in the Internet field have had to adapt to a more demanding customer base asking an immediate and increased return on investment. Today, companies want to establish coherent interactive strategies linked to their overall business strategy.

B. Summary of the Corporation's Activities

During the 2001 fiscal year, nurun's service offering has evolved. Services related to Internet, intranet and extranet site creation, along with e-commerce solutions evolved towards a range of services integrated with the customer interaction planning cycle:

- Business intelligence
- Customer relationship management
- Web site design and development
- Online marketing
- Content management
- Online research
- Knowledge management
- Online government
- IT consulting

For more information on the e-business activities, refer to pages 7 to 14 of the corporation's annual Report, which is incorporated herein by reference.

As at December 31, 2001, the e-Business Services segment of nurun employed over 650 professionals in its offices in Montreal, Quebec City, Toronto, New York, Los Angeles, Detroit, Paris, Madrid, Barcelona, London, Milan, Rome and Santiago.

C. The Corporation's Growth Strategy

Nurun intends to pursue an international growth strategy for its activities by leveraging its solutions, its penetration of targeted vertical markets, its existing multi-national customers and the synergy achieved with other Quebecor companies to offer unique solutions to businesses that are seeking to make the transition to Web-based e-commerce.

(i) Growth that reflects Quebecor's international presence and targets specific markets

Nurun intends to selectively deploy its operations in certain locations where Quebecor has business activities, in particular in the United States, Canada and Europe.

In this manner it may benefit from existing business relations between Quebecor or Quebecor World and their customers.

It intends to establish relationships with other companies of the Quebecor group, in particular, Le Groupe Vidéotron ltée, Sun Media Corporation, Canada's second-largest newspaper chain in terms of average daily circulation; and Quebecor World, the world's largest commercial printer. These relationships may allow nurun to offer unique solutions to put the advantages of the Internet to work for businesses, augmenting their use of print media.

(ii) Development of distinctive solutions based on a recurring earnings model

nurun plans to gradually modify its earnings model to increase the percentage of recurring revenues, i.e., by earning revenues from long-term contracts, charging for its solutions on a "pay-per-use" basis or introducing user licenses for its products. These methods will be supported by long-term contracts that should increase the revenues earned from its products and their average life. The Corporation also intends to increase gross margins by adopting this business model.

(iii) A selective acquisition plan

nurun's objective is to be one of the largest international Internet solutions providers focused on developing e-business strategies that integrate online and offline business activities. nurun's strength lies in its strategic analysis and understanding of its clients' business and its ability to develop custom solutions tailored to their specific needs.

To this end, nurun will selectively consider strategic acquisitions in the various horizontal or geographic markets where it hopes to establish a presence.

Acquisitions will be carefully planned to achieve the Corporation's strategic growth objectives and ensure a seamless fit between the various parts of the organization. Potential targets for acquisition will be businesses that allow nurun to:

- position itself in new geographic markets
- offer value-added solutions in the targeted vertical markets
- acquire expertise specific to the targeted industries

In implementing this plan, nurun can count on the support of Quebecor, which has developed acknowledged expertise in business acquisition and integration. In addition, nurun has formed a multidisciplinary team with skills in finance, taxation and business management which is dedicated to the implementation of this plan.

(iv) A preferred supplier for the companies in the Quebecor group

nurun's goal is to assist each of the companies in the Quebecor group to leverage the potential of the Internet in order to optimize its internal processes and its dealings with customers, suppliers and business partners.

nurun wishes to take advantage of its affiliation with the Quebecor group to become the preferred supplier of e-business and Internet solutions to these companies.

D. Competition

The Internet solutions industry is marked by a high degree of competition and there are a large number of players in the international, national, and regional markets, all of whom are either existing or potential competitors of the Corporation. The Internet solutions industry is wide open and nurun's competitors are communications and marketing service providers, advertising agencies offering Internet solutions, traditional systems integrators offering certain Internet solutions development services and, finally, graphic communications companies active in designing Web sites.

The Corporation's principal competitors are Burnstand Inc. and Cyberplex Inc. (in Canada), Digitas Inc., Razorfish Inc., Viant Corporation, Modem Media Inc., Sapient Corporation, Diamond Cluster International Inc., Avenue A Inc., and Lante Corporation (in the United States), and, in Europe, companies such as FI System and Valtech.

These competitors vary in technological knowledge, number of employees, and financial resources, but they are all subject to the same market factors when providing Internet solutions: functionality, performance and reliability of the solutions and methodology, depth of experience, availability and productivity of personnel, and cost. Based on its experience, the Corporation believes that it competes favorably with respect to these factors.

E. Intellectual Property

nurun relies on a combination of copyright, trade secret and trademark laws, confidentiality procedures and contractual provisions to establish and protect its rights in its software and proprietary technology. The Corporation generally enters into non-disclosure agreements with employees and third parties and restricts access to its software-product source codes. The Corporation regards its source codes as proprietary information and attempts to protect the source code versions of its products, as well as documentation and other written materials, such as trade secrets and unpublished copyrighted works. The Corporation has entered into, and may be required from time to time to enter into, source-code escrow agreements with certain clients, providing for the release of its source codes in the event the Corporation is unable to fulfil its contractual obligations.

The Corporation does not possess any patent or copyright registrations in Canada or any other jurisdiction and no such applications are pending. Existing copyright and trade secret laws offer only limited protection and the laws of certain countries in which the Corporation's products are used do not protect the Corporation's products and intellectual property rights to the same extent as the laws of Canada. Certain provisions of license and strategic partnership agreements entered into by the Corporation, including provisions protecting against unauthorized use, transfer and disclosure, may be unenforceable under the laws of certain jurisdictions, and the Corporation is required to negotiate limits on these provisions from time to time.

The Corporation has registered trade-marks in Canada and in United States but, to date, they have not had a significant impact on its activities.

F. Human Resources

Professionals working for the Corporation strive to deliver innovative, cost-effective solutions to clients with the help of a quality assurance program and structured training courses. Since 1995, the Corporation has been certified ISO 9001 for certain of its activities for the offices in Montreal and Quebec City. The quality assurance program is supplemented by training courses to keep personnel abreast of the latest developments in the appropriate areas. The Corporation has also established expert groups in various fields to provide support for its personnel. This concept enables professionals to manage complex projects within short periods of time. Thus, nurun is able to respond to clients' changing business and technological needs.

As of December 31, 2001, the e-Business Services segment of the Corporation had 652 employees and independent consultants, approximately 77% of whom were professionals and almost 23% of whom handled administrative tasks. nurun's employees are not represented by any union nor have they entered into any collective agreements.

G. Risks Associated with Foreign Operations

For an outline of inherent risks and uncertainties associated with the Corporation's foreign operations, reference is made to the Management's Discussion and Analysis for the year ended December 31, 2001 (on pages 24 to 26 of the Corporation's 2001 Annual Report), which is incorporated herein by reference.

H. Restructuring

For a brief discussion of the restructuring actions taken by the Corporation during the course of the fourth quarter for the fiscal year ended December 31, 2001, reference is made to the Management's Discussion and Analysis for the year ended December 31, 2001 (on pages 15 and following of the Corporation's 2001 Annual Report), which is incorporated herein by reference.

4.2 Test Engineering Solutions Segment

Reference is made to Mindready's Annual Information Form dated May 13, 2002 (under "Item 4 - Narrative Description of Business"), which is incorporated herein by reference, for a description of this area of the Corporation's business in which it is engaged in through its subsidiary Mindready.

4.3 Revenues for the Corporation's Principal Products or Services

During the fiscal year ended December 31, 2001, the e-Business Services segment and the Test Engineering Solutions segment accounted for 53.7% and 46.3% of the Corporation's total revenues, respectively.

ITEM 5 - SELECTED CONSOLIDATED FINANCIAL INFORMATION

5.2 Dividends

The Corporation does not expect to pay dividends in the foreseeable future as its intention is to reinvest its earnings to finance long-term growth. Any determination to pay any future dividends will remain at the discretion of the Board of Directors.

APPENDIX D

PARTS OF THE ANNUAL INFORMATION FORM OF MINDREADY SOLUTIONS INC.

ITEM 4 - Narrative Description of the Business

A - Overview

Mindready is a leading provider of test engineering, manufacturing automation and real-time communications solutions. Mindready assists its customers, original equipment manufacturers ("OEM") and electronic manufacturing services providers ("EMS ") design and manufacture test systems to verify the quality of their complex electronic products. Mindready's main customers operate in the telecommunications, automotive and aerospace industries. From its operations centers located in USA, Canada and Europe, Mindready serves a wide range of customers such as Nortel Networks, Sanmina-SCI, C-MAC, Visteon, Alcatel, Hewlett-Packard, WindRiver, Boeing and Lockheed Martin. Sales to Nortel Networks represented approximately 71% of total sales for the year ended December 31, 2001.

The Corporation is well positioned to offer its leading-edge engineering expertise to its customers through a comprehensive portfolio of software and hardware integration solutions. Mindready's strategy has been to focus on reaching strategic relationships with key industry players. During the second half of 2001, Mindready has implemented a new business model based on the growing trend toward outsourcing among OEMs and EMS. It is within the framework of this new business model that Mindready concluded, on January 9, 2002, a transaction whereby Nortel Networks sold its Saint-Laurent instrument calibration and test support activities to Mindready. The Corporation will be seeking similar transactions in 2002 as the consolidation trend within the telecommunications market continues, generating further outsourcing opportunities.

The Corporation's primary business is test engineering solutions, which consists of the design and implementation of electronics test solutions for every step of the quality assurance process required by customers, including but not limited to x-ray, in-circuit, functional and environmental test solutions. Test engineering is a critical element of the manufacturing process. For the years ended December 31, 2000 and 2001, test engineering solutions represented approximately 87% and 90% of the Corporation's total sales respectively. Approximately 90% of the Corporation's test engineering activities are related to the optical networking and optical component industries.

Mindready has a complementary line of business, real-time communications solutions, which it uses as a platform to cross-sell its test engineering solutions. This business unit represented approximately 13% and 10% of Mindready's total sales for the years ended December 31, 2000 and 2001, respectively. Through this line of business, Mindready designs and develops specialized communications software which is embedded into products of OEMs. In addition, the Corporation markets proprietary communications products based on the high-speed IEEE-1394/FireWire® communications standard. FireWire is a registered trademark of Apple Computer, Inc., registered in the United States and other countries.

As part of its original growth strategy, the Corporation has been acting as a market consolidator by acquiring and combining companies with related areas of competencies, including its competitors, which are typically small, regional, privately-owned companies. Mindready has successfully completed seven acquisitions since September 1999 and consolidated the local markets in Montreal, Canada, Paignton, England, Monkstown, Northern Ireland and Research Triangle Park (NC), USA.

Mindready is a subsidiary of Nurun, which is, in turn, an indirect subsidiary of Quebecor. Nurun, whose shares are listed for trading on The Toronto Stock Exchange, is an interactive agency offering business solutions based on customer relationship management and customer data evaluation. Combining marketing strategies with interactive technologies, the applied solutions help build customer loyalty and boost profits. Nurun is an international network with more than 925 professionals in eight countries across Europe, North America and South America.

B - Industry Background

Mindready benefits from a major outsourcing trend being observed among OEMs, which are increasingly relying on software/hardware vendors, consulting firms, EMS firms and contract manufacturers to help them meet their time-to-market constraints. While just a few years ago, OEMs were responsible for most of the development lifecycle of their products, these companies now turn to outside vendors for all aspects of the product development lifecycle, from system engineering, design and development, to manufacturing/assembly and testing.

Test engineering is a critical element of the manufacturing process for advanced electronics products because of the complexity and high requirements for reliability associated with these products. OEMs and EMS firms rely on specialized software and hardware from test engineering solutions providers such as Mindready to maximize the throughput of final products that meet their quality standards.

C - Mindready's Solutions

Mindready is a leading supplier of test engineering, manufacturing automation and real-time communications solutions for OEMs and EMS providers in the advanced electronics industry. OEMs and EMS providers use Mindready's services and products to help them design, manufacture and test complex electronics products.

Test Engineering Solutions

OEMs and contract manufacturers need to ensure a high degree of quality for their electronics products at every step of the manufacturing process. To achieve this objective, they rely on test engineering processes, such as in-circuit testing and functional testing, which must be incorporated into their manufacturing processes. Due to the complexity of these advanced electronics products, test engineering plays an important role in product throughput and in the final quality of the products. In contrast to manufacturing a decade ago, testing now represents a mission-critical element of the manufacturing process for most advanced electronics manufacturers. For example, optical component manufacturing is time-consuming and is characterized by low yields due to the precision required by the manufacturing process. Mindready helps its clients improve product quality, yield and production volume by providing testing software development and test station integration services.

The Corporation's experience and expertise in the test engineering business has been strengthened and increased through the acquisitions of CGL, ECI, Beltron, ADA, CCS, Yelo and VTS. This business unit represented approximately 90% of Mindready's consolidated revenues for the year ended December 31, 2001.

Given that test engineering is a critical element of the manufacturing process, companies rely on Mindready to help them deliver their products ahead of their competitors. Mindready uses tight management control and frequent reporting to ensure that test engineering services will be delivered on time. Mindready's testing services are certified ISO-9001 and the Corporation has proven its ability to manage and deliver its test engineering services in a timely fashion.

The benefits provided by Mindready's test engineering solutions include:

- *Improving Quality.* The Corporation designs, develops and implements software solutions to test high end systems. These test engineering solutions help detect production anomalies in integrated circuit boards and ensure complex systems operate as intended.

- *Accelerating Time-to-Market.* The Corporation helps its clients shorten the product development lifecycle by recommending improvements to test procedures and by delivering its test engineering solutions in a timely fashion. Mindready continually develops and improves its tools and processes.

- *Improving Yield.* Mindready's focus on improving test procedures ultimately results in increased product output for its clients. In addition, the Corporation's test station replication services provide its clients with the equipment they need to accelerate the testing of complex electronics systems.

- *Improving the Manufacturing Process.* Mindready provides software development solutions that help clients improve manufacturing processes outside the scope of test engineering. For example, Mindready has been involved in the development of solutions for alignment rigs, which are micro-robots used to place very small optical components in laser transmitters. The software developed by Mindready significantly reduces the time needed to train operators in the use of alignment rigs and contributes to the standardization of a client's manufacturing process.

- *Delivering Full Service Solutions.* Clients can turn to Mindready for turnkey test engineering services. Mindready's test engineering services cover the design, development and implementation of software solutions for the entire test process, including x-ray, in-circuit, functional and environmental tests.

- *Providing Responsive Customer Service.* Mindready supports its clients with a qualified sales and service staff trained to understand technical requirements and recommends the best test engineering solutions for each specific client. Through frequent interaction with its clients, Mindready's sales and customer service engineers are able to keep pace with rapidly changing customer requirements.

Testing in the Manufacturing Process

A typical assembly line for electronics products includes x-ray, in-circuit and functional test stations, as well as stations for environmental testing. Mindready integrates the hardware, software and test engineering services that OEMs and EMS providers need to carry out tests at these different test stations. Mindready divides these services into two areas of expertise: (i) in-circuit test engineering, which covers services used on x-ray and in-circuit test stations, as well as (ii) functional test engineering, which covers the services needed at the functional and environmental test stations of the manufacturing process.

(i) In-circuit Test Engineering

OEMs and contract manufacturers need to test circuit boards for systems they are designing and planning to mass produce. The first phase of the in-circuit testing procedure is typically the x-ray test, which consists of taking a three-dimensional scan of a printed circuit board to detect component placement and soldering errors which cannot be identified by visual inspection. The x-ray testing phase is normally followed by the in-circuit testing phase, in which the board's circuitry is physically tested at different test points on the board. Mindready's in-circuit test engineering group designs, prepares and implements the data files and test applications required to test circuit boards.

In-circuit testing examines complex circuit boards electrically for production flaws, thereby providing the assurance that product assembly is unlikely the root of any flaws detected later on in the manufacturing process. Since it is a relatively rapid process that is easy to verify, in-circuit testing saves valuable time that could otherwise be lost during the more lengthy functional testing process. In-circuit testing is therefore a critical step in the production of electronics products.

Mindready's in-circuit test engineering service entails the design and development of software that will be used to test electronics products on the manufacturers' x-ray and in-circuit test stations. Mindready is equipped with a state-of-the-art in-circuit test station, or test head, which allows Mindready to develop and test the software that will eventually be deployed by electronics manufacturers to test circuit boards on the equipment at their premises during the production process. To the best of the Corporation's knowledge, only one other competitor in Canada possesses a test station of this caliber. Mindready also verifies the testability of circuit boards by analyzing computer-aided design (CAD) specifications created by OEMs and contract manufacturers.

(ii) Functional Test Engineering

Once circuit boards have successfully passed the in-circuit testing phase during the production process, they then undergo functional testing, which determines whether the circuit board is functioning as it has been designed to. The two principal phases of functional testing include: (i) the functional test station, made up of various test instruments and scopes and (ii) the environmental or "burn-in" test, which is essentially an oven that exposes circuit boards to extreme temperatures while certain tests are conducted.

To test the functionality of circuit boards at these two different phases, OEMs and contract manufacturers require test software. Mindready designs and develops the software needed to perform the various verifications required at both steps of the functional test process.

Mindready also works closely with its clients to build the test stations that are needed to test new circuit boards or slightly modified versions of existing circuit boards. These test stations are equipped by Mindready with various test instruments, scopes and custom test fixtures supplied by outside vendors, as well as test software developed by Mindready. In fiscal 2001, Mindready delivered test stations to Nortel Networks, which uses them to test its optical networking cards on a mass production scale at its own facilities. The test stations are operational as soon as they arrive at the client's manufacturing facilities and will run constantly, except for periodic maintenance, as part of the mass production process.

Since functional testing takes longer than in-circuit testing, OEMs require many duplicates of the functional test stations, in some cases requiring dozens of test stations for a certain type of circuit board to avoid bottlenecks during production. For duplicates, Mindready's principal tasks are the procurement, assembly and electronic integration of the test stations — including test instruments, scopes, cables, computers, test fixtures, etc. — and the final testing and preparation of the system required before putting it into operation, which is known as commissioning. The creation of a duplicate test station takes approximately three to four weeks, since Mindready is not required to invest several months designing and developing test software for duplicates of existing test stations.

Real-time Communications Solutions

Mindready has a complementary line of business, real-time communications solutions, which it uses as a platform to cross-sell its test engineering solutions. This business unit represented approximately 10% of Mindready's consolidated revenues for the year ended December 31, 2001. Through this line of business, Mindready designs and develops specialized communications software for various protocol standards including Internet Protocol, IEEE-1394, USB, ADSL and ISDN, which allows clients to create networking functionality for their embedded systems and electronics components.

This specialized communications software is used in a variety of non-PC (personal computer) devices that rely on embedded systems technology. These devices include personal digital assistants, cellular telephones, dashboard computers in automobiles and many other computing devices that do not have typical user interfaces, such as a keyboard and monitor. This trend towards non-PC devices is having a positive impact on the demand for software engineering services needed to build and support real-time embedded systems.

In addition, the Corporation markets proprietary communications software and hardware based on the IEEE-1394/FireWire® standard, which enables high-speed communications between various computing devices with a simple plug-in serial connector. These products, used in several markets including multimedia, automotive, aerospace and digital video technology, allow Mindready to complement its professional services offering with a visible product suite, which facilitates the marketing of the full line of Mindready's solutions to new OEMs and EMS providers. Mindready's clients for its 1394 products include Maxtor, Fujitsu Limited, Boeing, Lockheed Martin Corporation and Hewlett-Packard. Agreements entered into with clients in respect of the Corporation's 1394 products include licenses for these products and specialized integration and customization services.

Mindready's real-time communications services are rendered from its expertise center in Montreal and target the North American market. Typically, Mindready's services are contracted on a "fixed price" or "per diem" basis. Mindready benefits from a favourable exchange rate because most of these projects are billed in US dollars while the cost of performing these projects is in Canadian dollars.

D - Strategic Relationship with Nortel Networks

The Corporation believes that test engineering services are a critical element in making Nortel Networks a world leader in optical networking. Mindready is a key supplier of test engineering services to Nortel Networks' optical networking operations. Nortel Networks strengthened this relationship with Mindready on June 15, 2000 with the signing of a commercial agreement for Mindready's services and an investment of $10 million in the Corporation. In exchange for the $10 million investment, Mindready issued 1,000,000 units in the capital of the Corporation to Nortel Networks, each unit consisting of one First Preferred Share, Series A (all of which were converted, in accordance with their terms, on a share for share basis into Subordinate Voting Shares on December 21, 2000) and three quarters (0.75) of one warrant to acquire Subordinate Voting Shares (the “**Warrants**”). This strategic relationship constitutes a key element of the Corporation's growth strategy.

Within the scope of this strategic relationship, the Corporation, Nurun and Nortel Networks entered into a Shareholders' Agreement on June 15, 2000 (the "**Shareholders' Agreement**") setting out their mutual understanding as to the terms and conditions of their association within the Corporation.

Subject to compliance with applicable securities legislation, in the event of a third party offer or in the event a shareholder wishes to sell all or a portion of its securities, the Shareholders' Agreement provides for a right of first refusal with respect to the securities held by the selling shareholders. Subject to applicable securities legislation, in the event any offer is made to or by Nurun that would result in a person other than Nurun having the right to appoint or elect 50% or more of the board of directors of the Corporation (the "**Board of Directors**"), if such transaction were completed, provided Nortel Networks holds not less than 5% of the then outstanding shares of the Corporation (excluding the Warrants) (a "**Change of Control Offer**"), Nortel Networks shall have the right (but not the obligation) to purchase all but not less than all the shares and securities of the Corporation convertible into shares then held by Nurun upon the terms and conditions of such Change of Control Offer.

Pursuant to the Shareholders' Agreement, provided (i) Nortel Networks holds at least 5% of the equity of the Corporation (excluding the Warrants) and (ii) Nortel Networks or any of its affiliates remains in a commercial relationship with the Corporation that is material to the affairs of the Corporation, the approval of Nortel Networks is required in respect of the following matters:

(a) any direct or indirect investment by the Corporation in a Competitor (as defined below);

(b) the sale of all or substantially all of the assets of the Corporation or of any intellectual property rights that are material to the Corporation's business and have been used or developed pursuant to the Master Services Agreement (as defined hereinafter);

(c) the increase of the number of directors to be elected to the Board of Directors; and

(d) the merger, acquisition of shares or assets, consolidation, joint venture, partnership, limited partnership, reorganization or any other strategic alliance by the Corporation of or with any Competitor.

"**Competitor**" is defined under the Shareholders' Agreement as any company with more than $50 million in revenues derived from the sale of telecom or network equipment or any company selling or developing optical networking products.

In addition to those rights conferred by the Shareholders' Agreement, Nortel Networks was granted certain registration rights which are exercisable under certain circumstances.

The following is a description of the commercial component of the Corporation's strategic relationship with Nortel Networks:

The Corporation and Nortel Networks entered into a master services agreement (the "**Master Services Agreement**") with respect to test engineering services to be provided by the Corporation to Nortel Networks and its subsidiaries. The specific services to be supplied by the Corporation under the Master Services Agreement are determined by Nortel Networks and the Corporation from time to time, on an as-required and purchase order basis at prices and upon general terms and conditions set forth in the Master Services Agreement. These services include in-circuit testing, functional test software development and test set replication.

The initial term of the Master Services Agreement is a period of 36 months from June 15, 2000, and it is renewable for an additional 24 months upon the mutual written agreement of the parties.

Nortel Networks expressed its intention to extend and expand its existing strategic relationship with the Corporation by agreeing to promote the Corporation internally as a favoured supplier for certain engineering services. Pursuant to the Master Services Agreement, the Corporation intends to align its strategic business plan with Nortel Networks' global business requirements.

E - Customers

Mindready's test engineering solutions are currently mostly provided to Nortel Networks. However, due to the trend towards electronics manufacturing outsourcing, Mindready also finds itself increasingly providing products and services to contract manufacturers and EMS providers who in turn serve large OEMs. For example, Mindready works with key suppliers of Nortel Networks, such as C-MAC, Sanmina-SCI, Solectron and JDS Uniphase.

With respect to its real-time communications solutions offering, Mindready's customers are typically large OEMs of electronics products in the telecommunications, aerospace and automobile industries.

In the telecommunications industry, the Corporation's clients include Nortel Networks, Alcatel, SCI-Sanmina and Solectron.

In the aerospace industry, the Corporation's clients include Lockheed Martin Corporation, Boeing, FlightSafety International, Inc., BAE Systems Canada Inc.

In the automotive industry, the Corporation's clients include Visteon and other major car equipment manufacturers.

F - Marketing and Sales

The global marketing and sales activities of the Corporation are led by Richard Bénéteau, Vice President, New Business Development, whose principal tasks include business development, as well as sales and marketing for the overall activities of the Corporation.

In the area of test engineering, Mindready implements a direct sales strategy to serve its targeted OEM and EMS clients. Mindready's strategic relationship with Nortel Networks is managed centrally from the Corporation's head office, while delivery and management of services are managed on a local basis.

With respect to its real-time communications solutions offering, the Corporation combines a direct sales approach with the use of a network of seven distributors in Europe and Japan and ten technical representatives in the United States as well as system integrators capable of integrating the Corporation's services and solutions into larger projects.

In general, the Corporation's sales strategy targets the North American market from its Montreal location, where it capitalizes on its favourable pricing compared to American competitors. Mindready's clients benefit from a favourable exchange rate for the Canadian dollar and the lower cost of resources and materials in the Montreal market.

The Corporation also carries out a targeted marketing campaign aimed primarily at events and publications specializing in OEMs of real-time electronics products. Mindready attends a number of trade shows per year and publishes articles regularly in specialized trade magazines.

G - Competition

Test Engineering Solutions

Unlike the contract manufacturing market where there is a group of well established companies operating internationally, the market in which Mindready operates is still composed of relatively small, regional, privately-owned companies. Competition is primarily at the local level and very few companies can offer the wide range of software and hardware development services which Mindready has the capability of offering.

Competitors of the Corporation in the test engineering services market include test instrumentation vendors, specialized consulting firms and internal test engineering departments within large OEMs.

The first category of competitors in the test engineering services market consists of vendors that provide professional services in addition to their proprietary test instrumentation products. Competitors in this category include Agilent Technologies, Inc., EXFO Electro-Optical Engineering Inc., Flextronics Network Services, Sanmina-SCI Corporation, Solectron Corporation and Tektronix, Inc. Typically, these companies offer support for their own products with some capability for customization and integration of other products, although most of the time they will use outside help from suppliers such as Mindready to implement test engineering solutions for their customers. Test engineering is not a core focus of these competitors.

The second category of competitors in the test engineering services market consists of specialized consulting firms providing customized testing software for OEMs and microelectronics manufacturers. Most of these competitors have fewer than 200 employees and operate in a single local market. Examples of these competitors include MAXSYS Technologies Corporation, Datest Corporation, Symtx and Breconridge Manufacturing Solutions.

The third category of competitors includes internal testing services within large OEMs. In order to convince these OEMs to outsource their activities, Mindready must provide them with added value in the form of operational flexibility, expertise in the development of their testing infrastructure and also the capability of operating globally. In achieving these objectives, Mindready benefits from the outsourcing trend observed in the contract manufacturing market where its clients are already familiar with these advantages.

Real-time Communications Solutions

Competitors of the Corporation in the real-time communications solutions market include a wide range of software vendors and consulting firms with expertise on specific hardware platforms or on a specific operating system environment.

Competitors in this category include Cadence Design Systems, Inc., mBedded Innovations, Inc., Questra Corporation, Real Time Products Ltd., Sparta, Inc., TCOM, Inc., AMIRIX Systems Inc. and Expert Ease Software Inc. Some off-shore companies like Baton Rouge International, Inc. are also offering software development services. In the more specialized 1394 software market, the Corporation's main competitors are Unibrain S.A., Zayante, Inc., Systran Corporation, SBS Technologies, Inc. and Intoto, Inc. All these competitors are small in size and do not have the full service capabilities possessed and offered by the Corporation.

H - Intellectual Property

The Corporation possesses intellectual property rights for products based on the IEEE-1394/FireWire® communications standard, including "SEDNET", which is used in the marketing and sale of these products. SEDNET is a trademark of the Corporation, registered in both Canada and the United States. In addition, the Corporation has applied for registration in Canada and in the United States in respect of the trademark MINDREADY.

It is the Corporation's practice to enter into non-disclosure agreements with employees and third parties and to restrict access to its software-product source codes. The Corporation regards its source codes as proprietary information and attempts to protect the source code versions of its products, as well as documentation and other written materials, as trade secrets and unpublished copyrighted works. Despite the Corporation's precautions, it may be possible for unauthorized parties to copy or reverse-engineer portions of the Corporation's products or otherwise obtain and use information that the Corporation regards as proprietary.

I - Human Resources

As at December 31, 2001, the Corporation employed approximately 288 people, including approximately 182 people based in the greater Montreal region in Quebec, Canada, and approximately 38 people, 44 people, and 24 people, based in the Corporation's facilities in Paignton, England, Carrickfergus, Northern Ireland, and Research Triangle Park, USA, respectively. Of the 288 employees, approximately 70% are engineers and technicians.

During the first quarter of 2002, the Corporation has implemented cost reduction measures in response to the continued adverse market conditions within the telecommunications industry, the Corporation's main market segment. The restructuring plan will result in the termination of approximately 23% of the overall workforce. The reduction in personnel will affect the United Kingdom, Montreal and United States operations. Through this restructuring plan, Mindready will be consolidating the England operations with the Northern Ireland operations center.

The Corporation's employees are not unionized nor have they entered into a collective agreement, except for 13 unionized employees, who were part of the transfer of the calibration activities the Corporation acquired from Nortel Networks on January 27, 2002. The Corporation has never experienced a work stoppage and believes that its relationship with its employees is very good.

Recruitment and Training

The Corporation employs a team of two recruiters to identify the most competent and qualified individuals. To enhance its recruiting ability, the Corporation grants scholarships and offers training periods to college and university students. Staff development is crucial for the Corporation since it reinforces versatility, independence and productivity for each member of its personnel. Accordingly, the Corporation continuously offers its employees various training opportunities throughout the year, such as attending university continuing education courses and training seminars (including technical and management courses). The Corporation intends to continue investing in training to maintain a high level of expertise, competence, productivity and growth.

Restructuring Measures

The Corporation has implemented, throughout 2001 and the first quarter of 2002, various cost reduction programs in order to adjust the Corporation’s cost base in line with its revenue stream.

Subsequent to the restructuring plans implemented during this period, Mindready's workforce has been reduced by more than 42% as compared to its overall headcount as of December 31, 2000.

For a brief discussion of the restructuring actions taken by the Corporation during the fiscal year ended December 31, 2001, reference is made to the Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended December 31, 2001 (more specifically to the Item on page 11 entitled *"Restructuring Program and Cost-Cutting Measures"* and to the Item on page 14 entitled *"Restructuring Charges")*, which is incorporated herein by reference.

During the first quarter of 2002, the Corporation has implemented additional cost reduction measures in order to respond to the continued adverse market conditions within the telecommunications industry, the Corporation's main market segment. The restructuring plan will result in the termination of approximately 23% of the workforce. The reduction in personnel will affect the United Kingdom, Montreal and United States operations. Through this restructuring plan, Mindready will be consolidating the United Kingdom operations with the Northern Ireland operations center.

ISO-9001 Certification

The Corporation holds an ISO-9001 certification in respect of its Montreal-based and Carrickfergus, Northern Ireland activities and is in the process of implementing this standard in all its operations.

J - Operations and Facilities

Operations

Mindready's head office is located in Ville Saint-Laurent, Quebec. At this location, the Corporation also maintains its research and development operations as well as its global sales and marketing activities.

In 2001, the Corporation carried out most of its test engineering activities at four locations: Ville Saint-Laurent (Quebec, Canada), Paignton (England), Carrickfergus (Northern Ireland) and Research Triangle Park (USA). However, the Corporation has decided to consolidate its European operations into its Northern Ireland facility, thus progressively shutting down its Paignton, England operations center.

Facilities

The Corporation does not own any real estate. The following table sets forth certain information with respect to premises leased by the Corporation.

Location	Type of Facility	Square Footage	Type of Interest	Lease Expiry
2800 Marie Curie Avenue Ville Saint-Laurent, Quebec..................................	Office and Production Space	50,000	Rental	May 31, 2011
6525 Abrams Ville Saint-Laurent, Quebec..................................	Office and Production Space	9,214	Rental	July 31, 2004

Location	Type of Facility	Square Footage	Type of Interest	Lease Expiry
Maple House, Aspen Way Yalberton Industrial Estate, Paignton, Devon, England....	Office and Production Space	20,000	Rental	July 31, 2005
Unit 36/1 Carrickfergus Industrial Center 75 Belfast Road Carrickfergus, Northern Ireland	Office and Production Space	8,460	Rental	February 1, 2006
Unit 36/3-4 Carrickfergus Industrial Center 75 Belfast Road Carrickfergus, Northern Ireland..................................	Office and Production Space	8,000	Rental	March 31, 2002
1030 Swabia CourtResearch Triangle ParkNorth Carolina, USA	Office and Production Space	13, 500	Rental	December 31, 2001 (renewal under negotiation)

K - Risk Factors

In addition to the other information set forth elsewhere in this Annual Information Form, the following risk factors should be carefully reviewed by prospective investors:

Dependence on Nortel Networks

Sales from Nortel Networks accounted for a total of approximately 71% of sales for fiscal 2001. Mindready expects that sales attributable to Nortel Networks will continue to represent a significant percentage of its total sales for the foreseeable future and there can be no assurance Nortel Networks will continue to utilize Mindready's solutions. The loss of Nortel Networks' business or reduction in revenues derived from Nortel Networks, would have a material adverse effect on Mindready's business, financial condition and results of operations. Nortel Networks lifted the restriction whereby Mindready was limited from providing services of the nature of those covered by the Master Services Agreement to Nortel Networks' competitors.

No Guarantee of Revenues and / or Business from Nortel Networks

Mindready entered into a strategic relationship with Nortel Networks on June 15, 2000. However, this agreement does not guarantee any revenues and / or business volume and is subject to the risk that Nortel Networks will decrease its use of Mindready's resources unrelated to the quality and price of, or demand for, Mindready's expertise, which could have a material adverse effect on its business, financial condition and results of operations.

Ability to Retain Key Personnel

Mindready's success will depend in part upon its ability to retain key senior management and skilled engineering, sales and marketing personnel. Although Mindready believes it will be able to hire qualified personnel for such purposes, its inability to do so could materially and adversely affect its ability to market and sell its services. Mindready's success will depend in part on the integration and performance of these individuals. The loss of key employees and its inability to hire and retain other qualified employees could have a material adverse on Mindready's business, financial condition and results of operations. Mindready acquired in the last year key senior and middle management individuals and believes such initiatives strengthened the Corporation's management team in place and will allow the Corporation to more effectively manage growth, upon market recovery.

Ability to Manage Market Fluctuations

Mindready's success will depend, in part, on its ability to quickly adapt its cost structure to changing market conditions. Its inability to do so could significantly impair profitability and have a material adverse effect on its business, financial condition and results of operations.

Industry Dependence

The industries and markets that the Corporation sells its products into can be cyclical. These industry downturns have been characterized by diminished product demand, excess manufacturing capacity and subsequent erosion of average selling prices. Any significant downturn in Mindready's customer markets or in general economic conditions would likely result in reduced demand for Mindready's products and services.

Ability to Adapt to Challenges Associated with Operating Internationally

Mindready derives a significant portion of its revenues from international operations centers. These international operations centers are located in England, Northern Ireland and the United States. Mindready will continue to develop its activities in other countries and in doing so is subject to inherent risks including:

- unexpected changes in regulatory requirements
- tax rates, tariffs and other trade barriers
- political and economic instability in foreign markets
- challenges in staffing and managing foreign operations due to the limited number of qualified candidates
- employment law and practices in foreign countries, any of which could increase the cost and reduce the efficiency of operating in foreign countries
- longer accounts receivable payments cycles and possible difficulties in collecting payments

Exposure to Foreign Exchange Fluctuations

Foreign sales are predominately denominated in British Pounds Sterling and US dollars. Sales in foreign currency represent more than 66% of sales in fiscal 2001 as compared to 52% for fiscal

2000. The Corporation expects to maintain, or even increase, this ratio due the recent acquisition of VTS in North Carolina, United Sates, combined with the strategic goal to further expand into the US market. Moreover, an increasing number of sales will be denominated in Euro currency for the Corporation's operations centers located in the United Kingdom, thus exposing the Corporation to additional risks. As a result the Corporation is exposed to, and is expected to be increasingly exposed to, fluctuations in the exchange rates between the Canadian dollar and the currency in which a particular sale is transacted.

Mindready has not yet sought to hedge the risks associated with fluctuations in foreign exchange rates, but intends to review its hedging policy.

Concentration of Share Ownership

As of March 31, 2002, Nurun beneficially owned approximately 66.6% of the outstanding Equity Shares, representing approximately 81.0% of the voting rights attached to all Equity Shares. As a result of this ownership, Nurun will be able to exercise control over all matters requiring shareholder approval, including the election of directors and approval of significant corporate transactions.

Absence of Dividends

The Corporation does not plan to pay dividends for the foreseeable future. The Corporation currently intends to retain any earnings for reinvestment in its business and repayment of indebtedness. In addition, the Corporation's credit facility and bank loan agreements restrict the payment of dividends by the Corporation and its subsidiaries under certain circumstances. See "Item 5 — Selected Consolidated Financial Information —Dividends".

Volatility of Technology-Related Stock Prices

The Corporation's stock price could be subject to important variations due to its quarterly operating results, general conditions of the capital markets, comments from securities analysts and other factors. The Corporation's stock price could also be subject to broad fluctuations due to Nortel Networks' own results and the technology sector in general.

Technological Change

The markets in which Mindready operates are characterized by changing technology and evolving industry standards. Failure or delays by the Corporation to meet or comply with the requisite and evolving industry or user standards could have a material adverse effect on the Corporation's business, results and financial condition. The Corporation's ability to anticipate changes in technology, technical standards and product offerings will be a significant factor in the Corporation's success in expanding into new markets.

Potential for Liability

There is a risk that the Corporation's solutions may contain errors or defects. While the Corporation contractually limits its liability for damages arising from its provision of products and systems, there can be no assurance that such contractual limits will be enforceable in all circumstances or in all jurisdictions. Furthermore, litigation regardless of contracts could result in substantial cost to the Corporation, divert management's attention and resources from the Corporation's operations and result in negative publicity that may impair the Corporation's ongoing marketing efforts. Although the Corporation benefits from Quebecor's general liability insurance, there is no assurance that this insurance will cover the claims or that the claims will not exceed the insurance limit.

Competition

The Corporation faces potential competition from the test engineering operations of its current and potential OEMs and EMS customers, (see “Item 4 — Narrative Description of the Business — Competition”). Mindready will face increasing competitive pressures to grow its business in order to remain competitive. Increased competition from existing or potential competitors could result in price reductions, fewer customer orders or loss of market share.

ITEM 5 - SELECTED CONFOLIDATED FINANCIAL INFORMATION

C - Dividends

The Corporation currently intends to retain future earnings, for use in the Corporation's business, and does not anticipate paying dividends in the foreseeable future. Any determination to pay any future dividends will remain at the discretion of the Board of Directors and will be made taking into account the Corporation's financial condition and other factors deemed relevant by the Board of Directors. In addition, the Corporation’s credit facility and bank loan agreement restrict the payment of dividends by the Corporation and its subsidiaries under certain circumstances.

APPENDIX E

PARTS OF THE ANNUAL INFORMATION FORM OF NETGRAPHE INC. DATED MAY 3, 2002

ITEM 4 DESCRIPTION OF THE BUSINESS

Overview

Netgraphe is an integrated company offering various services such as e-commerce, information, communication and consulting in information technology. Netgraphe owns the CANOE network, which includes Canoe.ca, Canoe.qc.ca, InfiniT.com, La Toile du Quebec (Toile.com), Webfin.com, Multimedium.com, Megagiciel.com, local sites under the FYI banner, as well as Micanoa.com in Spain. In addition, Netgraphe offers on-line e-commerce services in the fields of employment (Jobboom.com), automobiles (Autonet.ca/Autonet.qc.ca), personals (ReseauContact.com/MatchContact.com), on-line shopping (Shop.canoe.ca), and classifieds (ClassifiedExtra.ca). Through its subsidiary Progisia, Netgraphe also offers IT consulting services such as e-commerce, outsourcing, integration and secure transaction environments.

With nearly 4.3 million unique on-line visitors per month according to MediaMetrix, Netgraphe is one of the leading Internet communications, commerce and media companies in Canada. The hub of interactivity in the vast universe of properties of Quebecor Media, the largest French-language media group in North America, CANOE, a bilingual, integrated media and Internet services network, is one of Canada's leading Internet portals.

Netgraphe is the operator of the CANOE network, which includes all of the Company's public and commercial Web sites, as well as the employment and careers publisher Éditions Jobboom and the IT-consulting firm Progisia. These complementary operations form one of the most complete portfolios of Internet properties in Canada.

<u>The CANOE network</u>

The CANOE network includes all of Netgraphe's information and service sites for the general public and is one of the most popular networks in Canada, French or English, and is already emerging as a prime media for Internet users and advertisers alike. CANOE delivers information and entertainment content and a wide range of services in the fields of employment, on-line dating and automobiles. The network's "media sites" – Canoe.ca, InfiniT.com, Toile.com, Webfin.com, Canoe.qc.ca and others – are powerful generators of Web traffic, busy meeting places that let the advertisers reach customers and also serve to increase traffic on the paid service sites. In addition to advertising revenues, revenues are generated from subscriptions, classified ads, commissions on transactions and the sale of content. The CANOE network is comprised of the following portals and destination sites :

- ***Canoe.ca***. Netgraphe's largest English-language property, Canoe.ca is one of Canada's leading Internet networks of vertically branded multimedia sites. Due to its close links with the properties of its sister company, Sun Media Corporation, Canoe.ca offers comprehensive content and interactive applications to address the particular interests and needs of its users in various fields. The products on Canoe's English language network include SLAM! Sports, JAM! Showbiz, CNEWS, C-Health, Lifewise, Home & Garden, Allpop and Travel. Canoe.ca is spearheading the push by Netgraphe's other properties into the English-language market.

- ***Canoe.qc.ca***. This site is one of the most visited Web sites in Quebec. It offers a comprehensive media offering for French-language information by leveraging on the Web newspaper and magazine content coming from Quebecor Media's large and diverse family of properties on various subject matters such as : daily news, sports, entertainment, and home renovation. In addition, it also includes a number of vertically branded sites such as Topo Infos, Chrono Sports, Tempo Arts et Culture, Art de vivre, Maison Passion, Ados and Voyages.

- ***InfiniT.com***. A general-interest portal, providing a comprehensive line of services and access to the CANOE network's full range of content. Home page of Videotron's Internet users, InfiniT.com offers, through its partnership with the TVA and LCN television networks, news by the hour, headline sports, business updates, movie premieres, weather, horoscopes and personalized pages. This portal will gradually be merged with and ultimately replaced by Canoe.qc.ca.

- ***La Toile du Québec (Toile.com).*** This portal is Quebec's leading indexing and search site and it has been a flagship product of the Corporation since its creation in 1995. La Toile du Québec is a comprehensive and user-friendly on-line guide to discover the Internet and a research tool to help users locate and access desired information and services. It targets French-language users and offers a directory of some 70,000 Quebec sites. Users can either use the directory through approximately 70 subject-based categories or use a rapid keyword search to scan the content of the entire Web through a technology developed by Google. The Corporation also has a similar site in France named La Toile de France.

- ***Webfin.com***. The leading bilingual financial site in Canada, Webfin.com offers information related to investment decisions, allowing users to participate in discussion forums in respect of North American markets, to obtain information on companies listed on stock exchanges and to obtain advice from financial analysts. In 2001, Netgraphe obtained from the Information Highway Fund (a Quebec government fund whose mission is to promote the development of the new media industry) a grant to further develop the Webfin.com site and to expand its coverage of the Quebec financial markets.

- ***Multimedium.com***. This site is a cyber-daily specializing in what is new in information and communication technologies. Published in Montreal, it covers the entire industry and serves a world-wide French-speaking clientele. Intended for the public at large, Multimedium provides a technological watch on the social and cultural impact of emerging technologies, as well as their effect on day to day life.

- ***Megagiciel.com***. A directory of the best freeware, shareware and games for PC and Mac platforms, Megagiciel is the leading site of this kind in the French-speaking Canadian market. This site provides hypertext links to game manufacturers, game reviews and demos, tips, tricks and weekly news. It incorporates a unique research tool allowing research by language and by platform, and is offering more than 6,500 games and software, as well as popular lists and forums.

- ***FYI CALGARY and FYI LONDON***. Co-branded with Sun Media Corporation, these sites provide local and regional news and community-focused content that complement national news and services.

- ***Micanoa.com***. Based in Madrid, Spain, Micanoa.com is a leading Spanish-language general information portal. Launched in March 2001, the site has built up its traffic to more than 2 million page views per month in less than a year.

- ***Canoe-TV***. The bilingual Canoe-TV portal was designed to be used from Internet-enabled TV sets. Canoe-TV is the homepage of illico, the Internet-on-TV service recently launched by Vidéotron ltée. Canoe-TV's content is derived from selective content from Netgraphe's properties which is repackaged to give Videotron's users a unique Internet-on-TV experience. Building on convergence with other Quebecor Media companies, Canoe-TV is expected to become a growing force in television in 2002.

- ***Jobboom.com***. In the spring of 1997, Jobboom.com was formed following a meeting of professionals with extensive experience in both recruitment and information technologies. The result of this meeting was a recruitment Web site using the most recent technologies and the best professional recruitment practices. Initially a service specialized in information and multimedia technologies, Jobboom.com is now without par in establishing close contacts between professionals and business enterprises. With a bank of nearly 525,000 job seekers, Jobboom is Quebec's largest job site by far. It posted impressive growth in subscription revenues, which have increased nearly tenfold in two years. Jobboom.com will expand its on-line recruitment service to English Canada in the near future, leveraging the English-language Canoe.ca portal and all the other media properties in the Quebecor Group.

- ***Autonet.ca***. According to MediaMetrix, this site is Canada's leading site devoted entirely to cars. Autonet.ca is an integrated and comprehensive source of information on new and used cars with a database of more than 12,000 vehicles. It also provides users with direct access and information about approximately 220 car dealers. A French-language version, autonet.qc.ca, was launched in November 2000.

- ***ReseauContact.com / MatchContact.com*.** This bilingual relationship site is comprised of more than 360,000 subscribing members and is the largest personals/relationship site in Quebec with nearly 54 million page views in the month of December 2001. Through a unique, fast and reliable product, MatchContact.com more than doubled its revenues and membership in 2001. The Corporation intends to further expand and improve the coverage of the English-speaking section of the site.

- ***Shop.Canoe.ca***. This site is a virtual shopping mall accessible 24-hours a day from the comfort of the user's home. By using Shop.canoe.ca, users can purchase groceries and almost any products that can be found in a shopping mall.

- ***ClassifiedExtra.ca / ClasseesExtra.ca***. The largest source of on-line classifieds in Canada coming from the 8 metropolitan dailies and 150 community papers of our sister company Sun Media Corporation, Classified Extra / Classees Extra is the leading Canadian site for search-and-find individuals looking to buy/sell/rent various products, services and personal property.

Éditions Jobboom

Éditions Jobboom holds a leadership position in employment and career publishing in Quebec with a total of 21 publications over the 2001 year. Jobboom, the magazine, is a unique information tool on jobs, career management and training. The magazine has a print run of 100,000 copies and is now distributed at all universities, community colleges, private colleges and trade schools in Quebec, reaching a readership of some 350,000 per issue.

Progisia Informatique

Progisia is an IT firm with a staff of nearly 100 consultants specializing in areas such as e-commerce, outsourcing, integration and computer security. Progisia is ISO 9001 certified and its recognized IT expertise is an important asset for Netgraphe and the other companies of the Quebecor Group.

Business Model

Netgraphe generates its revenues from two different types of activities. In respect of Netgraphe's "media" properties, advertising is the primary source of revenues. Banner advertisements are positioned and sold based on the demographics of the people visiting the different pages of the site. Sponsoring is sold to clients who want to associate their brand to larger sections of the site, and who prefer to be present more seemingly through such sections. Other forms of advertising include contests, where the users can win different prizes offered by Netgraphe's sponsors, and targeted e-mail, where users receive a message sponsored by a client.

For the paid services sites, revenues are mostly generated from subscriptions, classified ads, commissions on transactions and the sale of content. In the case of Jobboom, the client (the enterprise in search of candidates) pays for the on-line service. Jobboom also sells books and advertisement in printed publications. In the case of RéseauContact / MatchContact, the user pays to access relationship and meeting services and to be in contact with other members. On Shop.Canoe, a fee is charged to the on-line shop for sales made through the system. The "commission-based" revenue model is also used on some of Netgraphe's media properties.

To generate these revenues, Netgraphe needs to create sites which appeal enough to the users and thus generate more traffic. The costs involved in creating such sites include content formatting (by journalists, graphic artists, researchers, etc.) and a technical platform to create and distribute this content (servers, bandwidth, programmers, etc.). Netgraphe recently modified its approach towards the formatting of content produced by Quebecor Media's family of properties.

Sales and Marketing

Creating and maintaining sites is the first step of the business. To maximize traffic, marketing efforts are also necessary. Because it is part of the Quebecor Media group of companies, one of the largest Canadian media groups, Netgraphe is in a preferred position to market its products and services. Using the Sun Media group of newspapers along with the TVA television network and the numerous magazines owned by Quebecor Media Inc., Netgraphe is able to get one of the best media coverages in the country. This marketing force is the base of Netgraphe global visibility and represents, in the view of management, a significant competitive advantage.

Partnerships

The content used to create the sites comes essentially from partners and suppliers, partnerships being key to Netgraphe's operations. In addition to partnering with other Quebecor Media companies, Netgraphe partners with companies and individuals in a multitude of domains, including content owners and service providers in exchange for on-line visibility. These partnerships enable Netgraphe to increase the value and depth of its sites and properties at a lower cost.

Technology

Netgraphe's technical infrastructure is based on well-proven, off-the-shelf hardware and software that is well-documented and widely used. The Corporation's systems are maintained by a solid technical team who also develops proprietary software that gives Netgraphe an advantage over its competitors in terms of content, service creation and distribution.

Intellectual Property

The Corporation uses a number of trademarks for its services. In addition to legal rights arising from the use of trademarks, many of the Corporation's trademarks are protected by registration in appropriate jurisdictions. Content on the Corporation's Web sites is either the property of Netgraphe or subject to proprietary rights of third parties. Please see the item "– Partnerships". The Corporation has also registered a number of domain names under which its Web sites are operated.

Competition

Competition in the media and Internet industries is intense. The Corporation competes for users, viewers, advertisers and electronic commerce marketers with a significant number of providers of on-line navigation, specialty Web sites, information, e-commerce and broadcast services. The Corporation also competes with traditional advertising media, such as television, radio, cable and print, for various advertisers' total advertising budgets. The Corporation believes that its relationship with Quebecor Media Inc., its indirect controlling shareholder, reinforces its ability to compete in this highly competitive industry primarily by increasing the Corporation's ability to provide additional content and information to its various Web sites and to promote various content and information from the Quebecor Media group of companies.

Litigation

From time to time, the Corporation may be a party to various legal proceedings arising in the ordinary course of business. The Corporation is currently contesting the validity of its lease in the Cité du Multimédia in Montréal entered into with Société de Développement de Montréal ("**SDM**"), and has received a notice from SDM in the amount of $995,178 as damages from the cancellation of such lease. A $1,000,000 letter of credit had previously been issued by the Corporation to SDM with respect to such lease.

Employees

As of May 3, 2002, the Corporation had approximately 173 full-time employees, including 34 in marketing and sales and 12 in finance and administration. Most of the other employees are involved in technology and editorial support. Prior to the acquisition of the CANOE network, an application for certification in respect of employees of the Canoe division of Canoe Limited Partnership was filed with Quebec's Labour Commissioner General. Following this application, four employees of the Corporation are now represented by a labour union.

ITEM 5 SELECTED CONSOLIDATED FINANCIAL INFORMATION

Dividend Policy

The Corporation has not declared any dividend over the last two financial years. The Corporation does not expect to pay dividends in the foreseeable future and any determination to pay any future dividends will remain at the discretion of the Board of Directors. There are no contractual restrictions preventing or restraining the Corporation from declaring or paying dividends to holders of its securities.