MANAGEMENT DISCUSSION AND ANALYSIS

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CORPORATE PROFILE

Quebecor Inc. ("Quebecor" or the "Corporation") is a holding corporation with a 54.7% interest in Quebecor Media Inc. ("Quebecor Media"), one of Canada's largest media groups. Quebecor Media's subsidiaries operate in the following business segments: Telecommunications, News Media, Broadcasting, Leisure and Entertainment, and Interactive Technologies and Communications.

Through its Quebecor Media subsidiary, Quebecor is a leading Canadian media corporation engaged in cable and mobile telecommunications; newspaper publishing; production and distribution of print media products; broadcasting; retailing, publishing and distribution of books, magazines, DVDs, Blu-ray discs and video games; recording, production and distribution of music; and new media services. Quebecor Media is a leader in developing, promoting and distributing news, entertainment and Internet services targeted at all demographics. Quebecor Media is pursuing a convergence strategy to capture synergies among all its media properties.

As noted under "Transition to IFRS" below, Canadian generally accepted accounting principles ("GAAP"), which were previously used in preparing the consolidated financial statements, have been replaced as a result of the adoption of International Financial Reporting Standards ("IFRS") on January 1, 2011. The Corporation's consolidated financial statements for the year ended December 31, 2011 have therefore been prepared in accordance with IFRS. Comparative figures for 2010 have also been restated.

During the second quarter of 2011, some of the special-interest portals were transferred from the News Media segment to the Telecommunications segment. The Corporation's segmented financial data for prior periods have therefore been restated to reflect the change.

HIGHLIGHTS SINCE END OF 2010

- Quebecor's sales increased $206.5 million (5.2%) to $4.21 billion in 2011, resulting from sustained growth in the Telecommunications segment.
- Quebecor's operating income totalled $1.34 billion, an increase of $8.3 million (0.6%) compared with 2010.

Telecommunications

- Net increase of 375,800 revenue generating units[1] in 2011, 39.3% more than the 269,700-unit increase in 2010 and the largest annual increase since 2008. It was due, among other things, to the effective strategy of marketing bundled services, including mobile telephony service, as over-the-air analog television broadcasting was ending.
  - Net increase of 49,900 cable television customers (34,600 in 2010), including a 181,200-subscriber increase for the digital service (135,500 in 2010), the strongest annual growth for the digital service since its launch in 1999. Total revenues from cable television services passed the $1 billion mark.
  - Net increase of 80,400 customers for the cable Internet access service (81,500 in 2010).
  - Net increase of 91,000 customers for the cable telephony service (100,300 in 2010).
  - Net increase of 154,500 subscriber connections for the mobile telephony service. At December 31, 2011, Videotron Ltd.'s ("Videotron") 4G network was available to nearly seven million people in Québec and eastern Ontario.
- The Telecommunications segment's operating income increased by $51.5 million (4.9%) in 2011, despite additional operating costs generated by the new mobile telephony service launched in September 2010.

[1] The sum of cable television, Internet access and cable telephony service subscriptions, plus subscriber connections to the mobile telephony service.

News Media

- In accordance with Sun Media Corporation's innovative Internet approach, already implemented at other dailies, the new *Journal de Montréal* and *Journal de Québec* websites launched in February 2012 offer an exceptional user experience. The new sites reflect the tone and style that have made the print versions of the newspapers successful, but they offer more videos and photos, as well as increased opportunities for interaction with columnists, leveraging Quebecor Media's full potential for convergence.
- During 2011, the Corporation continued implementing its investment plan in the News Media segment in order to increase its revenue streams. Capitalizing on the strength of their well-known brands and leveraging all forms of media creativity, the national sales offices in Ontario and Québec now offer advertisers one-stop shopping for nation-wide advertising and an integrated approach to advertising and marketing solutions based on optimal media platform convergence.
- The launch of Le Sac Plus door-knob bag in Québec in August 2011 illustrates this unique capacity to interact with consumers. In addition to distributing all Quebecor Media community newspapers, the Le Sac Plus contains advertising materials such as flyers, leaflets, product samples and other value-added promotions every week. The contracts to print The Jean Coutu Group (PJC) Inc. pharmacy chain's flyers and distribute them in Le Sac Plus demonstrate the complementary fit of the News Media segment's multiproduct offerings.
- The QMI National Sales Offices signed a number of contracts to develop, produce and implement full, innovative, integrated advertising and marketing plans across all of Quebecor Media's platforms.
- Sun Media Corporation launched new restructuring and cost-containment initiatives during the fourth quarter of 2011. Headcount will be reduced by 400 employees, or 8% of the workforce. Annual savings are expected to be in excess of $20.0 million.
- According to the NADbank 2010/11 survey for the September 2010 to June 2011 period, *Le Journal de Montréal* has a weekly readership of 1,194,400, which is 371,600 more than its closest competitor. Readership of the *Journal* increased 16% in the 18-24 age group. Meanwhile, the free daily *24 heures* added 45,000 readers, an 8.1% increase from the previous survey.
- The labour dispute at *Le Journal de Montréal* ended at the beginning of the second quarter of 2011. The mediator's recommendations, as accepted by the parties, called for, among other things, greater flexibility with respect to the workforce and the sharing of editorial content with the Corporation's other media outlets.
- In 2011, Quebecor Media acquired Les Hebdos Montérégiens' 15 community newspapers and launched 5 new community newspapers. Quebecor Media's distribution network has the capacity to reach more than 3.3 million Québec households (92.0%) of the total.

Broadcasting

- On March 1, 2012, TVA Group Inc. ("TVA Group") announced an agreement with Rogers Communications Inc. for carriage of the Sun News Network ("Sun News"), the TVA Sports channel, and TVA Network content on this major Canadian broadcasting distribution undertaking's video on demand, mobile telephony and Internet platforms. On November 22, 2011, TVA Group announced an agreement with Bell for carriage of four specialty channels: TVA Sports, Mlle, YOOPA and Sun News. Given the other agreements reached during the year, TVA Group has now secured carriage of all its specialty channels by Canada's major broadcast distribution undertakings.
- On December 22, 2011, TVA Group announced an agreement to sell its 50% and 51% interests in the specialty channels mysteryTV and The Cave respectively to Shaw Media Global Inc.
- On September 12, 2011, TVA Group launched the TVA Sports channel, which carries diverse programming with strong appeal for consumers and advertisers. Its sportscasts and coverage of major sports events are delivered by a roster of sportscasters and columnists fans can relate to.
- On May 2, 2011, TVA Group's new digital channel Mlle, a multiplatform brand targeted at women, began broadcasting.
- On April 18, 2011, Sun News, an English-language news and opinion specialty channel, went live. Its mission is to offer comprehensive coverage of events that impact Canada's political and economic life.

Other highlights

- The final terms of the initial 25-year agreement on usage and naming rights to the future arena in Québec City were ratified by the parties on September 1, 2011. Quebecor Media now has all the tools it needs to pursue its goals, which are to manage a world-class multipurpose arena and to bring a National Hockey League (“NHL”) team to Québec City.
- On February 2, 2012, Quebecor Media struck an alliance with Saguenay-area entrepreneurs to create BlooBuzz Studios L.P. (“BlooBuzz”), a new Québec video game developer. BlooBuzz will focus on products for occasional gamers, a market that is experiencing explosive growth, particularly on mobile devices.
- On September 12, 2011, Nurun Inc. (“Nurun”) announced the acquisition of a digital agency located in San Francisco, U.S.A., that has extensive expertise in brand promotion and interactive product development. Its customer list includes companies such as Google, Electronic Arts, Tesla Motors and Sony Electronics.
- On June 22, 2011, Quebecor Media announced the acquisition of the assets of the Montreal Junior Hockey Club (reincarnated as the Armada de Blainville-Boisbriand), which will be moved to a northern suburb of Montréal. Quebecor Media’s interest in the Quebec Major Junior Hockey League (“QMJHL”) team will make it possible to add quality content to the Corporation’s broadcast programming, particularly in view of the upcoming launch of the TVA Sports channel.

Financing

- On March 14, 2012, Videotron issued US$800.0 million aggregate principal amount of Senior Notes bearing interest at 5.0%, for a net proceeds of approximately $787.6 million, net of estimated financing fees of $11.9 million.
- On February 29, 2012, Quebecor Media announced the initiation of a cash tender offer to purchase up to US$260.0 million in aggregate principal amount of its 7.75% Senior Notes due March 15, 2016. The total consideration for each US$1,000.0 principal amount of Senior Notes tendered and purchased is US$1,028.33 for Senior Notes tendered at or prior to March 14, 2012, or US$1,025.83 for Senior Notes tendered after that date but prior to March 28, 2012, plus accrued and unpaid interest.
- On February 29, 2012, Videotron issued a notice of redemption for any and all of its outstanding 6.825% Senior Notes due January 15, 2014. The redemption price is 100.0% of the principal amount of the notes redeemed, plus accrued and unpaid interest, and the redemption date will be March 30, 2012. The purchase will be carried out on Senior Notes that have not been tendered and purchased under the Videotron cash tender offer announced on February 29, 2012.
- On February 29, 2012, Videotron announced the initiation of a cash tender offer to purchase any and all of its outstanding 6.825% Senior Notes due January 15, 2014. The total consideration for each US$1,000.0 principal amount of Senior Notes tendered and purchased is US$1,001.25 for Senior Notes tendered at or prior to March 13, 2012, or US$1,000.0 for Senior Notes tendered after that date but prior to March 28, 2012, plus accrued and unpaid interest.
- On February 24, 2012, TVA Group amended its bank credit facilities to extend the maturity of its $100.0 million revolving credit facility from December 2012 to February 2017.
- On February 3, 2012, Sun Media Corporation repaid the $37.6 million balance on its term loan credit facility and terminated all its credit facilities. Sun Media Corporation’s liabilities no longer include any long-term debt.
- On January 25, 2012, Quebecor Media amended its bank credit facilities to extend the maturity of its $100.0 million revolving credit facility from January 2013 to January 2016 and added a new $200.0 million revolving credit facility “C,” also maturing in January 2016.
- On July 20, 2011, Videotron amended its $575.0 million revolving credit facility to extend the expiry date from April 2012 to July 2016 and to amend some of the terms and conditions.

- On July 5, 2011, Videotron issued 6 7/8% Senior Notes maturing in 2021 in the aggregate principal amount of $300.0 million, for a net principal amount of $294.8 million. The net proceeds were used to finance the early repayment and withdrawal of US$255.0 million in the principal amount of Videotron's 6 7/8% Senior Notes maturing in 2014, and to settle the related hedges.
- The conditions of the exchangeable debentures, Series 2001 and Series Abitibi, were amended in February and June 2011 respectively to reduce the interest rate from 1.50% to 0.10% on the notional principal amount of the debentures. Other related conditions have not changed and remain applicable. In September 2011, the Corporation redeemed exchangeable debentures, Series 2001, in the notional principal amount of $135.0 million for nil consideration.
- On January 5, 2011, Quebecor Media completed an issuance of Senior Notes in the aggregate principal amount of $325.0 million, for net proceeds of $319.9 million. The Notes bear interest at a rate of 7 3/8% and mature in 2021. Quebecor Media used the net proceeds from the placement primarily to finance the early repayment and withdrawal, on February 15, 2011, of all of Sun Media Corporation's outstanding 7 5/8% Senior Notes maturing in 2013, in the aggregate principal amount of US$205.0 million, and to finance the settlement and cancellation of related hedges.

TRANSITION TO IFRS

On January 1, 2011, Canadian GAAP, as used by publicly accountable enterprises, were fully converged into IFRS. Prior to the adoption of IFRS, for all periods up to and including the year ended December 31, 2010, the Corporation's consolidated financial statements were prepared in accordance with Canadian GAAP. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences related to recognition, measurement and disclosures.

The date of the opening balance sheet under IFRS and the date of transition to IFRS are January 1, 2010. The financial data for 2010 have therefore been restated. The Corporation is also required to apply IFRS accounting policies retrospectively to determine its opening balance sheet, subject to certain exemptions. However, the Corporation is not required to restate figures for periods prior to January 1, 2010 that were previously prepared in accordance with Canadian GAAP.

The significant accounting policies under IFRS are disclosed in Note 1 to the consolidated financial statements for the year ended December 31, 2011. Note 29 describes the adjustments made by the Corporation in preparing its IFRS opening consolidated balance sheet as of January 1, 2010 and in restating its previously published Canadian GAAP consolidated financial statements for the year ended December 31, 2010. Note 29 also provides details on exemption choices made by the Corporation with respect to the general principle of retrospective application of IFRS.

NON-IFRS FINANCIAL MEASURES

The non-IFRS financial measures used by the Corporation to assess its financial performance, such as operating income, adjusted income from continuing operations, cash flows from segment operations, free cash flows from continuing operating activities of the Quebecor Media subsidiary, and average monthly revenue per user ("ARPU"), are not calculated in accordance with or recognized by IFRS. The Corporation's method of calculating these non-IFRS financial measures may differ from the methods used by other companies and, as a result, the non-IFRS financial measures presented in this document may not be comparable to other similarly titled measures disclosed by other companies.

Operating Income

In its analysis of operating results, the Corporation defines operating income, as reconciled to net income under IFRS, as net income before amortization, financial expenses, gain (loss) on valuation and translation of financial instruments, charge for restructuring of operations, impairment of assets and other special items, loss on debt refinancing, and income tax. Operating income as defined above is not a measure of results that is consistent with IFRS. It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows as a measure of liquidity. It should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Management believes that operating income is a meaningful measure of performance. The Corporation uses operating income in order to assess the performance of its investment in Quebecor Media. The Corporation's management and Board of Directors use this measure in evaluating its consolidated results as well as the results of the Corporation's operating segments. This measure eliminates the significant level of depreciation and amortization of tangible and intangible assets and is unaffected by the capital structure or investment activities of the Corporation and its segments. Operating income is also relevant because it is a significant component of the Corporation's annual incentive compensation programs. A limitation of this measure, however, is that it does not reflect the periodic costs of tangible and intangible assets used in generating revenues in the Corporation's segments. The Corporation also uses other measures that do reflect such costs, such as cash flows from segment operations and free cash flows from operations. In addition, measures like operating income are commonly used by the investment community to analyze and compare the performance of companies in the industries in which the Corporation is engaged. The Corporation's definition of operating income may not be the same as similarly titled measures reported by other companies.

Table 1 below provides a reconciliation of operating income with net income as disclosed in the Corporation's consolidated financial statements.

Table 1
Reconciliation of the operating income measure used in this report to the net income measure used in the consolidated financial statements
(in millions of Canadian dollars)

	Year ended December 31		Three months ended December 31	
	2011	2010	**2011**	2010
Operating (loss) income:				
Telecommunications	**$ 1,098.8**	$ 1,047.3	**$ 294.7**	$ 263.2
News Media	**150.1**	191.4	**47.0**	57.8
Broadcasting	**50.5**	74.9	**20.6**	29.2
Leisure and Entertainment	**26.6**	27.6	**7.6**	11.3
Interactive Technologies and Communications	**7.9**	6.0	**2.5**	2.5
Head Office	**7.8**	(13.8)	**(3.2)**	(4.9)
	1,341.7	1,333.4	**369.2**	359.1
Amortization	**(512.2)**	(399.2)	**(138.2)**	(120.0)
Financial expenses	**(322.9)**	(322.6)	**(77.7)**	(80.1)
Gain (loss) on valuation and translation of financial instruments	**54.6**	46.1	**82.5**	(23.6)
Restructuring of operations, impairment of assets and other special items	**(30.2)**	(37.1)	**(11.2)**	(23.4)
Loss on debt refinancing	**(6.6)**	(12.3)	**–**	–
Income taxes	**(141.4)**	(151.7)	**(60.2)**	(14.1)
Net income	**$ 383.0**	$ 456.6	**$ 164.4**	$ 97.9

Adjusted income from continuing operating activities

The Corporation defines adjusted income from continuing operations, as reconciled to net income attributable to shareholders under IFRS, as net income attributable to shareholders before gain (loss) on valuation and translation of financial instruments, charge for restructuring of operations, impairment of assets and other special items, and loss on debt refinancing, net of income tax and net income attributable to non-controlling interests. Adjusted income from continuing operations, as defined above, is not a measure of results that is consistent with IFRS. It should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The Corporation's definition of adjusted income from continuing operating activities may not be identical to similarly titled measures reported by other companies.

Table 2 provides a reconciliation of adjusted income from continuing operations to the net income attributable to shareholders measure used in Quebecor's consolidated financial statements.

Table 2
Reconciliation of the adjusted income from continuing operations measure used in this report to the net income attributable to shareholders measure used in the consolidated financial statements
(in millions of Canadian dollars)

	Year ended December 31		Three months ended December 31	
	2011	2010	**2011**	2010
Adjusted income from continuing operations	**$ 191.5**	$ 220.6	**$ 55.6**	$ 58.2
Gain (loss) on valuation and translation of financial instruments	**54.6**	46.1	**82.5**	(23.6)
Restructuring of operations. impairment of assets and other special items	**(30.2)**	(37.1)	**(11.2)**	(23.4)
Loss on debt refinancing	**(6.6)**	(12.3)	**–**	–
Income taxes related to adjustment[1]	**(3.8)**	7.9	**(17.5)**	19.5
Net income attributable to non-controlling interest related to adjustments	**(4.5)**	0.1	**(24.0)**	15.9
Net income attributable to shareholders	**$ 201.0**	$ 225.3	**$ 85.4**	$ 46.6

[1] Includes the impact of fluctuations in tax rates applicable to adjusted items, either for statutory reasons or in connection with tax planning arrangements.

Cash Flows from Segment Operations

Cash flows from segment operations represents operating income, less additions to property, plant and equipment and acquisitions of intangible assets (excluding disbursements for licence acquisitions and renewals), plus proceeds from disposal of assets. The Corporation uses cash flows from segment operations as a measure of the liquidity generated by its segments. Cash flows from segment operations represents funds available for interest and income tax payments, expenditures related to restructuring programs, business acquisitions, the payment of dividends and the repayment of long-term debt. Cash flows from segment operations is not a measure of liquidity that is consistent with IFRS. It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows as a measure of liquidity. Cash flows from segment operations is used by the Corporation's management and Board of Directors to evaluate cash flows generated by its segments' operations. When cash flows from segment operations is reported, a reconciliation to operating income is provided in the same section of the report.

Free cash flows from continuing operating activities of the Quebecor Media subsidiary

Free cash flows from continuing operating activities of the Quebecor Media subsidiary consists of cash flows from segment operations (*see* "Cash Flows from Segment Operations above"), minus cash interest payments and cash charges for restructuring of operations, impairment of assets and other special items, plus or minus current income tax expenses, other receipts (disbursements), and the net change in non-cash balances related to operations. Free cash flows from continuing operating activities is used by the Corporation's management and Board of Directors to evaluate cash flows generated by the operations of the Quebecor Media subsidiary. Free cash flows from operations represents Quebecor Media's available funds for business acquisitions, the payment of dividends and the repayment of long-term debt. Free cash flows from operating activities is not a measure of liquidity that is consistent with IFRS. It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows as a measure of liquidity. The Corporation's definition of free cash flows from continuing operating activities may not be identical to similarly titled measures reported by other companies.

Table 3 provides a reconciliation of free cash flows from continuing operating activities of Quebecor Media to cash flows provided by its operating activities.

Table 3
Reconciliation of free cash flows from continuing operating activities to cash flows provided by continuing operating activities of the Quebecor Media subsidiary
(in millions of Canadian dollars)

	2011	2010
Free cash flows from continuing operating activities (Table 5)	**$ 21.9**	$ 103.6
Additions to property, plant and equipment	**780.7**	689.0
Additions to intangible assets	**91.6**	95.2
Proceeds from disposal of assets[1]	**(12.0)**	(53.0)
Cash flows provided by continuing operating activities	**$ 882.2**	$ 834.8

[1] 2010 figures include the sale of certain tangible assets in the News Media segment.

Average Monthly Revenue per User

ARPU is an industry metric that the Corporation uses to measure its monthly cable television, Internet access, cable telephony and mobile telephony revenues per average basic cable customer. ARPU is not a measurement that is consistent with IFRS and the Corporation's definition and calculation of ARPU may not be the same as identically titled measurements reported by other companies. The Corporation calculates ARPU by dividing its combined cable television, Internet access, cable telephony and mobile telephony revenues by the average number of basic customers during the applicable period, and then dividing the resulting amount by the number of months in the applicable period.

INTEREST IN SUBSIDIARIES

Quebecor holds a 54.7% interest in Quebecor Media. Table 4 shows Quebecor Media's equity interest in its main subsidiaries as of December 31, 2011.

Table 4
Quebecor Media's interest (direct and indirect) in its main subsidiaries
As of December 31, 2011

	Percentage of equity	Percentage of vote
Videotron Ltd	100.0 %	100.0 %
Sun Media Corporation	100.0	100.0
Quebecor Media Printing Inc.	100.0	100.0
TVA Group Inc.	51.4	99.9
Archambault Group Inc.	100.0	100.0
Sogides Group Inc.	100.0	100.0
CEC Publishing Inc.	100.0	100.0
Nurun Inc.	100.0	100.0

Quebecor Media's interest in its subsidiaries has not varied significantly over the past three years.

On May 1, 2011, Canoe Inc. ("Canoe") was wound up and its operations integrated into Sun Media Corporation, with the exception of those related to the specialty sites *jobboom.com* and *reseaucontact.com*, which were integrated into Videotron.

On January 1, 2011, Osprey Media Publishing Inc. ("Osprey Media") was wound up and its operations integrated into Sun Media Corporation.

TREND INFORMATION

Some of Quebecor's lines of business are cyclical in nature. They are dependent on advertising and, in the News Media segment in particular, circulation sales. Operating results are therefore sensitive to prevailing economic conditions, especially in Québec, Ontario and Alberta.

In the News Media segment, circulation, measured in terms of copies sold, has been generally declining in the industry over the past several years. Also, the traditional run of press advertising for major multimarket retailers has been declining over the past few years due to consolidation in the retail industry, combined with a shift in marketing strategy toward other media. In order to respond to such competition, the News Media operations continue to expand their Internet presence through branded websites, including French- and English-language portals and specialized sites.

Changes in the price of newsprint can have a significant effect on the News Media segment's operating results as newsprint is its principal expense besides wages and benefits, representing approximately 10.9 % ($83.5 million) of the News Media segment's operating expenses for the year ended December 31, 2011. Newsprint prices have historically experienced significant volatility. The Corporation currently anticipate that the market price of newsprint will increase in 2012, based on recent announcements from its supplier, citing higher manufacturing costs.

Competition also continues to be intense in the cable and alternative multichannel broadcast distribution industry and in the mobile telephony market. Moreover, the significant subscriber growth recorded in the Telecommunications sector throughout past years is not necessarily representative of future growth, due to the penetration rates currently reached.

The Telecommunications segment has in the past required substantial capital for the upgrade, expansion and maintenance of its network and the launch and expansion of new or additional services to support growth in its customer base and demands for increased bandwidth capacity and other services. The Corporation expects that additional capital expenditures will be required in the short and medium term in order to expand and maintain the Telecommunications segment's systems and services, including expenditures relating to advancements in Internet access and high definition television ("HDTV"), as well as the cost of its mobile services infrastructure deployment and upgrade.

The broadcasting industry is undergoing a period of significant change. Television audiences are fragmenting as viewing habits shift not only toward specialty channels, but also toward content delivery platforms that allow users greater control over content and timing, such as the Internet, Video on Demand and mobile devices. Audience fragmentation has prompted many advertisers to review their strategies. The Broadcasting segment is taking steps to adjust to the profound changes occurring in its industry so as to maintain its leadership position and offer audiences and advertisers alike the best available content, when they want it and on the media they want.

2011/2010 FINANCIAL YEAR COMPARISON

The 2011 financial year contained an additional week in the News Media, Broadcasting, Leisure and Entertainment, and Interactive Technologies and Communications segments.

Analysis of consolidated results of Quebecor

Revenue: $4.21 billion, an increase of $206.5 million (5.2%).

- Revenues increased in Telecommunications ($201.9 million or 9.1% of segment revenues), Interactive Technologies and Communications ($22.9 million or 23.4%), Leisure and Entertainment ($10.4 million or 3.4%), and News Media ($3.4 million or 0.3%).
- Revenues decreased in Broadcasting ($2.7 million or -0.6%).
- Inter-segment revenues also show an unfavorable variance of $29.4 million due to new activities in 2011.

Operating income: $1.34 billion, an increase of $8.3 million (0.6%).

- Operating income increased in Telecommunications ($51.5 million or 4.9%) and in Interactive Technologies and Communications ($1.9 million or 31.7%).
- Operating income decreased in News Media ($41.3 million or -21.6% of segment operating income), Broadcasting ($24.4 million or -32.6%), and Leisure and Entertainment ($1.0 million or -3.6%).
- The change in the fair value of Quebecor Media stock options resulted in a $12.8 million favourable variance in the stock-based compensation charge in 2011 compared with 2010. The fair value of the options decreased in 2011, whereas it increased in 2010. The change in the fair value of Quebecor stock options resulted in a $31.2 million favourable variance in the Corporation's stock-based compensation charge in 2011.
- Excluding the impact of the consolidated stock-based compensation charge, and if the figures for prior periods were restated to retroactively reflect the reversal in the fourth quarter of 2009 of the accumulated Canadian Radio-television and Telecommunications Commission ("CRTC") Part II licence fee provision, operating income would have decreased 2.6% in 2011, compared with an 8.2% increase in 2010.

Net income attributable to shareholders: $201.0 million ($3.14 per basic share) compared with $225.3 million ($3.50 per basic share) in 2010, a decrease of $24.3 million ($0.36 per basic share).

- The decrease was mainly due to:
  - $113.0 million increase in amortization charge.

  Partially offset by:
  - $8.5 million favourable variance in gain on valuation and translation of financial instruments;
  - $8.3 million increase in operating income;
  - $6.9 million decrease in charge for restructuring of operations, impairment of assets and other special items;
  - $5.7 million decrease in loss on debt refinancing.

Adjusted income from continuing operations: $191.5 million in 2011 ($2.99 per basic share) compared with $220.6 million ($3.42 per basic share) in 2010, a decrease of $29.1 million ($0.43 per basic share).

Amortization charge: $512.2 million, a $113.0 million increase due mainly to significant capital expenditures in 2010 and 2011 in the Telecommunications segment, including commencement of amortization of 4G network equipment and licences following the network launch in September 2010, and the impact of the emphasis on equipment leasing in its promotional strategy.

Financial expenses: $322.9 million, a slight $0.3 million increase.

- Higher base interest rates and the impact of the rebalancing of fixed- and floating-rate debt on the average interest paid on the debt were offset by the reduction in interest rates on the exchangeable debentures Series 2001 and Series Abitibi from 1.5% to 0.1%, as well as a $7.1 million favourable variance in other financial expenses, reflecting a reduction in interest following the settlement of a dispute, among other things.

Gain on valuation and translation of financial instruments: $54.6 million in 2011 compared with $46.1 million in 2010, a favourable variance of $8.5 million.

- The variance was due to a favourable change in the fair value of early settlement options due to interest rate and credit premium fluctuations, and to fluctuations in the ineffective portion of derivative financial instruments.

Charge for restructuring of operations, impairment of assets and other special items: $30.2 million in 2011 compared with $37.1 million in 2010, a favourable variance of $6.9 million.

- In connection with the startup of its 4G network in the third quarter of 2010, the Telecommunications segment recorded a $14.8 million charge for migration costs in 2011, compared with $13.9 million in 2010. In addition, a $0.6 million charge for restructuring of other operations was recorded in 2011, the same as in 2010. A $3.3 million gain on disposal of assets and a $0.2 million charge for impairment of assets were also recorded in the Telecommunications segment in 2010.
- An $11.0 million charge for restructuring of operations was recorded in the News Media segment in 2011 in connection with staff-reduction programs, compared with a $17.9 million charge in 2010. As a result of these initiatives, a $0.8 million non-cash impairment charge on certain assets was recorded in 2011, compared with $3.5 million in 2010. In addition, some segment assets were sold in 2010, resulting in a $4.9 million net gain.
- In 2010, the Broadcasting segment decided to terminate the programming of its Sun TV conventional television station on the launch of the new Sun News specialty channel. In connection with this repositioning, the Broadcasting segment recognized an $8.2 million asset impairment charge on equipment and broadcast rights in 2010, compared with a $0.7 million asset impairment charge in 2011. In addition, a $0.8 million restructuring charge was recorded in 2011, primarily in connection with staff reductions, compared with $1.4 million in 2010. Finally, the Broadcasting segment recorded a $0.2 million charge for other special items in 2011, compared with a $0.5 million gain on disposal of assets in 2010.
- A $0.2 million net charge for restructuring of operations and other items was recorded in 2011, compared with $0.9 million in 2010 in other segments. A $1.1 million charge for other special items was recorded in 2011, compared with a $0.8 million gain in 2010.

Loss on debt refinancing: $6.6 million in 2011 compared with $12.3 million in 2010.

- On July 18, 2011, Videotron redeemed US$255.0 million in the principal amount of its issued and outstanding 6 7/8% Senior Notes maturing in 2014 and settled the related hedges for a total cash consideration of $303.1 million. The transaction generated a $2.7 million gain on debt refinancing.
- On February 15, 2011, Sun Media Corporation redeemed and withdrew the entirety of its 7 5/8% Senior Notes in the aggregate principal amount of US$205.0 million and settled the related hedges for a total cash consideration of $308.2 million. The transaction generated a $9.3 million loss on debt refinancing.
- On January 14, 2010, Quebecor Media made a US$170.0 million early payment on drawings on its term loan “B” and settled a corresponding portion of the related hedge agreements for a total cash disbursement of $206.7 million. As a result of this transaction, a $10.4 million loss on debt refinancing was charged to income.
- In May 2010, Osprey Media paid down the balance of its term credit facility and settled related hedge agreements for a total cash consideration of $116.3 million. As a result of this transaction, a $1.9 million loss on debt refinancing was charged to income.

Income tax expense: $141.4 million (effective tax rate of 27.0%) in 2011, compared with $151.7 million (effective tax rate of 24.9%) in 2010.

- The $10.3 million favourable variance was due to reduced income before income taxes, partially offset by the impact of a decrease in deferred income tax liabilities recorded in 2010 in light of developments in tax audits, jurisprudence and tax legislation.

Free cash flows from continuing operating activities of the Quebecor Media subsidiary: $21.9 million in 2011, compared with $103.6 million in 2010 (Table 5).

- The $81.7 million decrease was essentially due to:
  - $91.7 million increase in additions to property, plant and equipment, mainly due to the emphasis on equipment leasing in the Telecommunications segment's promotional strategy;
  - $41.0 million unfavourable variance in proceeds from disposal of assets, essentially due to the sale of certain tangible assets in the News Media segment in 2010;
  - $15.7 million decrease in operating income;
  - $10.5 million increase in cash interest expense.

  Partially offset by:
  - $74.2 million decrease in current income taxes.

Table 5
Free cash flows from continuing operating activities of Quebecor Media
(in millions of Canadian dollars)

	2011	2010
Cash flows from segment operations:		
Telecommunications	**$ 306.5**	$ 331.7
News Media	**131.2**	212.5
Broadcasting	**14.2**	51.3
Leisure and Entertainment	**18.6**	18.0
Interactive Technologies and Communications	**3.6**	3.4
Head Office and other	**1.8**	3.8
	475.9	620.7
Cash interest expense[1]	**(298.7)**	(288.2)
Cash portion of charge for restructuring of operations and other special items	**(28.7)**	(33.9)
Current income taxes	**17.7**	(56.5)
Other	**(2.1)**	0.8
Net change in non-cash balances related to operations	**(142.2)**	(139.3)
Free cash flows from continuing operating activities	**$ 21.9**	$ 103.6

[1] Interest on long-term debt, foreign currency translation of short-term monetary items and other interest expenses.

Table 6
Reconciliation of cash flows from segment operations of Quebecor Media to its operating income
(in millions of Canadian dollars)

	2011	2010
Operating income	**$ 1,336.2**	$ 1,351.9
Additions to property, plant and equipment	**(780.7)**	(689.0)
Acquisitions of intangible assets	**(91.6)**	(95.2)
Proceeds from disposal of assets[1]	**12.0**	53.0
Cash flows from segment operations	**$ 475.9**	$ 620.7

[1] 2010 figures include the sale of certain tangible assets in the News Media segment.

SEGMENTED ANALYSIS

Telecommunications

In Quebecor Media's Telecommunications segment, Videotron is the largest cable operator in Québec and the third-largest in Canada by customer base. Its state-of-the-art network passes 2,657,300 homes. As of December 31, 2011, the total number of revenue-generating units stood at 4,689,900. At December 31, 2011, Videotron had 1,861,500 cable television customers, including 1,400,800 subscribers to its illico Digital TV service. Videotron is also an Internet Service Provider and telephony service provider, with 1,332,500 subscribers to its cable Internet access services and 1,205,300 subscribers to its cable telephony service. In September 2010, Videotron also launched a 4G network to deliver advanced mobile telephony services, including high-speed Internet access, mobile television and many other functionalities supported by smartphones. As of December 31, 2011, there were 290,600 subscriber connections to Videotron's mobile service. Videotron also includes Videotron Business Solutions, a full-service business telecommunications provider that offers telephony, high-speed data transmission, Internet access, hosting, and cable television services, and Le SuperClub Vidéotron ltée ("Le SuperClub Vidéotron") and its network of franchises, which sell and rent DVDs, Blu-ray discs and console games. The Telecommunications segment also includes the activities of two specialty websites, the employment and training site *jobboom.com* and the dating site *reseaucontact.com*.

2011 operating results

Revenues: $2.43 billion in 2011, an increase of $201.9 million (9.1%).

- Combined revenues from all cable television services topped $1 billion for the first time, increasing by $62.0 million (6.5%) to $1.01 billion, mainly because of the higher ARPU generated by increases in some rates and the success of HD packages, the increase in pay TV orders, and the impact of customer base growth.
- Revenues from Internet access services increased $54.0 million (8.4%) to $698.2 million. The improvement was mainly due to customer growth, increases in some rates and customer migration to upgraded service plans.
- Revenues from cable telephony service increased $26.8 million (6.5%) to $436.7 million, primarily as a result of customer base growth and more lines per customer.
- Revenues from mobile telephony service increased $59.6 million (112.1%) to $112.7 million, essentially due to customer growth resulting largely from the launch of the new 4G network in September 2010.
- Revenues of Videotron Business Solutions increased $3.2 million (5.4%) to $63.0 million, mainly because of higher revenues from network solutions.
- Revenues from customer equipment sales decreased $4.0 million (-6.7%) to $55.9 million, mainly because of campaigns promoting cable equipment leasing, partially offset by increased sales of mobile telephony equipment.
- Revenues of Le SuperClub Vidéotron decreased $1.6 million (-6.9%) to $21.6 million, mainly as a result of store closures in 2011, partially offset by higher franchise royalty revenues.
- Other revenues increased $1.9 million (6.8%) to $29.9 million.

ARPU: $103.28 in 2011 compared with $95.73 in 2010, an increase of $7.55 (7.9%).

Customer statistics

Revenue generating units – As of December 31, 2011, the total number of revenue generating units stood at 4,689,900, an increase of 375,800 (8.7%) from the end of 2010 (Table 7). The net increase in revenue generating units in 2011 was 39.3% higher than in 2010 and constituted the largest annual increase, in absolute terms, in three years. This excellent performance was due to the effective strategy of marketing bundled services, including mobile telephony service, at a time of technological change in television broadcasting. The number of revenue generating units increased by 269,700 in 2010. Revenue generating units are the sum of cable television, Internet access and cable telephony service subscriptions, and subscriber connections to the mobile telephony service.

Cable television – The combined customer base for all of Videotron's cable television services increased by 49,900 (2.8%) in 2011 (Table 7), compared with an increase of 34,600 in 2010. As of December 31, 2011, Videotron had 1,861,500 customers for its cable television services, a household penetration rate of 70.1% (number of subscribers as a proportion of total homes passed by Videotron's network, i.e., 2,657,300 homes, as of the end of December 2011), compared with 69.3% a year earlier.

- The customer base for the Digital TV service stood at 1,400,800 at December 31, 2011, an increase of 181,200 (14.9%) during the year, compared with a 135,500 increase in 2010. It was the largest annual customer growth for Digital TV since the service was launched in 1999. As of December 31, 2011, illico Digital TV had a household penetration rate of 52.7% versus 46.7% a year earlier.
- Migration from analog to digital service was the main reason for the 131,300 (-22.2%) decrease in the customer base for analog cable television services in 2011. By comparison, the number of subscribers to analog cable services decreased by 100,900 in 2010.

Cable Internet access – The number of subscribers to cable Internet access services stood at 1,332,500 at December 31, 2011, an increase of 80,400 (6.4%) from year-end 2010, compared with an increase of 81,500 in 2010 (Table 7). At December 31, 2011, Videotron's cable Internet access services had a household penetration rate of 50.1%, compared with 47.9% a year earlier.

Cable telephony service – The number of subscribers to cable telephony service stood at 1,205,300 at the end of December 2011, an increase of 91,000 (8.2%) from year-end 2010, compared with an increase of 100,300 in 2010 (Table 7). At December 31, 2011, the IP telephony service had a household penetration rate of 45.4%, compared with 42.7% a year earlier.

Mobile telephony service – As of December 31, 2011, the number of subscriber connections to the mobile telephony service stood at 290,600, an increase of 154,500 (113.5%) from year-end 2010, compared with an increase of 53,300 connections in 2010 (Table 7). At December 31, 2011, there were 3,100 connections to the MVNO network (Mobile Virtual Network Operator).

Table 7
Telecommunications segment year-end customer numbers (2007-2011)
(in thousands of customers)

	2011	2010	2009	2008	2007
Cable television:					
Analog	**460.7**	592.0	692.9	788.3	869.9
Digital	**1,400.8**	1,219.6	1,084.1	927.3	768.2
	1,861.5	1,811.6	1,777.0	1,715.6	1,638.1
Cable Internet	**1,332.5**	1,252.1	1,170.6	1,063.8	933.0
Cable telephony	**1,205.3**	1,114.3	1,014.0	852.0	636.4
Mobile telephony[1]	**290.6**	136.1	82.8	63.4	45.1
Total (revenue generating units)	**4,689.9**	4,314.1	4,044.4	3,694.8	3,252.6

[1] In thousands of connections

Operating income: $1.10 billion, an increase of $51.5 million (4.9%).

- The increase in operating income was mainly due to:
  - impact of higher revenues;
  - $10.6 million reduction in the stock-based compensation charge.

  Partially offset by:
  - increases in operating expenses, among them costs related to the roll-out of the 4G network, including acquisition costs of approximately $489 per subscriber addition (direct costs, including selling, advertising and marketing expenses and equipment subsidies) and site overhead costs;
  - capitalization of some operating expenses during the build-out of the new mobile network, which also explains the unfavourable variance in operating expenses in 2011 compared with 2010.
- Excluding the variance in the stock-based compensation charge, and if the figures for prior periods were restated to retroactively reflect the CRTC Part II licence fee adjustment in the fourth quarter of 2009, the increase in the segment's operating income in 2011 would have been 3.9% compared with 9.7% in 2010.

Cost/revenue ratio: Operating costs for all Telecommunications segment operations, expressed as a percentage of revenues, were 54.8% in 2011, compared with 53.0% in 2010.

- The increase was mainly due to operating expense increases related to the roll-out of the 4G network, partially offset by the impact of increases in some rates.

Cash flows from operations

Cash flows from segment operations: $306.5 million in 2011, compared with $331.7 million in 2010, a decrease of $25.2 million (Table 8).

- The $51.5 million increase in operating income was offset by a $73.9 million increase in additions to property, plant and equipment, mainly reflecting the impact of the emphasis on equipment leasing in its promotional strategy.

Table 8: Telecommunications
Cash flows from operations
(in millions of Canadian dollars)

	2011	2010
Operating income	**$ 1,098.8**	$ 1,047.3
Additions to property, plant and equipment	**(725.3)**	(651.4)
Acquisitions of intangible assets	**(73.2)**	(71.9)
Proceeds from disposal of assets	**6.2**	7.7
Cash flows from segment operations	**$ 306.5**	$ 331.7

News Media

In Quebecor Media's News Media segment, Sun Media Corporation operates Canada's largest newspaper chain, counting both paid and free circulation, according to corporate figures. As of December 31, 2011, Sun Media Corporation was publishing 36 paid-circulation dailies and 6 free dailies, including newspapers in 9 of the 10 largest urban markets in the country. It also publishes 236 community weeklies, magazines, weekly buyers' guides, farm publications, and other specialty publications. According to corporate figures, the aggregate circulation of the News Media segment's paid and free newspapers was approximately 15.7 million copies per week as of December 31, 2011. Sun Media Corporation holds a 49% interest in the English-language news and opinion specialty channel Sun News, launched in April 2011 in partnership with TVA Group, which holds 51%.

Sun Media Corporation's newspapers disseminate information in traditional print form as well as through 8 urban daily news portals (*journaldemontreal.com*, *journaldequebec.com*, *ottawasun.com, torontosun.com*, *lfpress.com*, *winnipegsun.com, edmontonsun.com* and *calgarysun.com*) and 223 community newspapers, free dailies, magazines and specialities information portals. The Canoe network also operates a number of sites, including *canoe.ca*, *canoe.tv* and *lesacplus.ca*, as well as the e-commerce sites *micasa.ca* (real estate), *autonet.ca* (automobiles), *space.canoe.ca* and *espace.canoe.ca* (social networking), *classifiedExtra.ca* (classified ads), and *canoeklix.com* (cost-per-click advertising solutions). In 2011, Sun Media Corporation acquired *stealthedeal.com*, an online discount coupon site. The News Media portals log over 9.3 million unique visitors per month in Canada, including 5.0 million in Québec (according to comScore Media Metrix figures for December 2011).

As well, the News Media segment is engaged in the distribution of newspapers, magazines, inserts and flyers through, among others, Quebecor Media Network Inc. ("Quebecor Media Network"). The segment also includes QMI Agency, a news agency that provides content to all Quebecor Media properties and external customers. In addition, the News Media segment offers commercial printing and related services to other publishers through its national printing and production platform. Through Quebecor MediaPages, it conducts an online directory publishing operation.

2011 operating results

Revenues: $1.02 billion, an increase of $3.4 million (0.3%).

- Combined revenues from commercial printing and other sources increased 14.2%, advertising revenues were flat, and circulation revenues decreased 5.1%.
- Revenues decreased 3.6% at the urban dailies and increased 3.5% at the community newspapers. Excluding business acquisitions, revenues of the community newspapers decreased 2.3%.
- Portal revenues decreased 5.2%, essentially because of lower revenues at the specialty sites, due primarily to the transfer of intercompany website development activities to the Nurun subsidiary and a decrease in advertising revenues.

Operating income: $150.1 million, a decrease of $41.3 million (-21.6%).

- The decrease was due primarily to:
  - unfavourable variance related to investments in Quebecor Media Network and Quebecor MediaPages;
  - impact of revenue decreases at the urban dailies and the community newspapers (on a same-store basis);
  - increases in some operating expenses, including community newspaper startup costs in Québec;
  - $4.7 million increase in newsprint costs.

  Partially offset by:
  - $5.8 million favourable impact of rationalization of postretirement benefits;
  - $3.9 million favourable variance related to the stock-based compensation plan;
  - $2.4 million favourable impact related to restructuring initiatives announced in November 2011;
  - $2.4 million favourable variance in multimedia employment tax credits;
  - contribution from acquired businesses.
- Excluding the impact of the stock-based compensation charge and investments in Quebecor Media Network and Quebecor MediaPages, operating income would have decreased by 12.7% in 2011 compared with a 4.7% increase in 2010.

The restructuring measures introduced since late 2008 in the News Media segment have included staff cuts, consolidation of prepress, shipping and press room operations, centralization of administrative processes, consolidation of distribution networks, and other resource centralization and optimization efforts across the segment's operations in all regions. While the restructuring proceeds, development of new revenue streams continues, including those related to the development of integrated, convergent solutions for customers, such as marketing initiatives by the QMI National Sales Offices and Quebecor Media Network's integrated offerings of products and services, and those related to the marketing of content produced by QMI Agency.

Cost/revenue ratio: Operating costs for all News Media segment operations, expressed as a percentage of revenues, were 85.3% in 2011, compared with 81.1% in 2010.

- The increase was due mainly to:
  - spending on community newspaper launches in Québec, as well as on Quebecor Media Network and Quebecor MediaPages;
  - unfavourable impact of the fixed component of operating costs (which does not fluctuate in proportion to revenue decreases);
  - impact of higher newsprint costs.

  Partially offset by:
  - cost reductions related to postretirement benefits, compensation plans and employment tax credits.

Cash flows from operations

Cash flows from segment operations: $131.2 million in 2011, compared with $212.5 million in 2010 (Table 9).

- The $81.3 million decrease was due primarily to a $41.3 million decrease in operating income and a $38.9 million unfavourable variance in proceeds from disposal of assets, resulting primarily from the sale of certain tangible assets in 2010.

Table 9: News Media
Cash flows from operations
(in millions of Canadian dollars)

	2011	2010
Operating income	**$ 150.1**	$ 191.4
Additions to property, plant and equipment	**(13.7)**	(11.4)
Acquisitions of intangible assets	**(10.8)**	(12.0)
Proceeds from disposal of assets[1]	**5.6**	44.5
Cash flows from segment operations	**$ 131.2**	$ 212.5

[1] 2010 figures include the sale of certain tangible assets.

Broadcasting

In the Broadcasting segment, TVA Group operates the largest French-language private television network in North America. TVA Group is the sole owner of 6 of the 10 television stations in the TVA Network and of the specialty channels LCN, addik^{TV}, Argent, Prise 2, YOOPA, CASA, Mlle and TVA Sports. TVA Group also holds interests in two other TVA Network affiliates and the Évasion specialty channel. As well, TVA Group holds a 51% interest in the English-language news and opinion specialty channel Sun News, launched in April 2011 in partnership with Sun Media Corporation, which holds 49%. TVA Group's TVA Accès division is engaged in commercial production, its TVA Boutiques inc. subsidiary in teleshopping and online shopping, and its TVA Films division in the distribution of films and television programs. The TVA Publishing Inc. ("TVA Publishing") subsidiary publishes more than 75 general-interest and entertainment magazines spread across more than 20 brands. It is the largest publisher of French-language magazines in Québec. Its TVA Studio division specializes in commercial production for the magazines.

On December 22, 2011, TVA Group announced an agreement to sell its 50% and 51% interests in the specialty channels mysteryTV and The Cave respectively.

2011 operating results

Revenues: $445.5 million, a decrease of $2.7 million (-0.6%).

- Revenues from television operations increased $1.6 million, mainly due to:
  - increased advertising and subscription revenues at the specialty channels;
  - higher revenues at the TVA Network, including increases in revenues from advertising, production, and the sale of content;
  - higher revenues at TVA Accès.

  Partially offset by:
  - decrease in advertising revenues in light of the repositioning of the Sun TV conventional television station following the launch of Sun News;
  - decrease in revenues at TVA Films, reflecting the larger number of successful releases in 2010.
- Total publishing revenues decreased $4.4 million, mainly because of lower newsstand and advertising revenues, partially offset by higher revenues at TVA Studio.

Operating income: $50.5 million, a decrease of $24.4 million (-32.6%).

- Operating income from television operations decreased $23.3 million, mainly due to:
  - startup operating losses at the Sun News, TVA Sports and Mlle specialty channels;
  - higher content costs at the TVA Network and specialty channels as a result of the programming strategy.

  Partially offset by:
  - impact of increased advertising and subscription revenues at the specialty channels.
- Operating income from publishing operations decreased by $1.0 million, mainly as a result of the impact of the revenue decrease, partially offset by savings in operating costs.

Cost/revenue ratio: Operating costs for all Broadcasting segment operations, expressed as a percentage of revenues, were 88.7% in 2011, compared with 83.3% in 2010. The increase in costs as a proportion of revenues was mainly due to higher operating expenses related to the launch of the Sun News, TVA Sports and Mlle specialty channels, and to higher content costs.

Cash flows from operations

Cash flows from segment operations: $14.2 million in 2011, compared with $51.3 million in 2010 (Table 10), a decrease of $37.1 million, mainly due to the $24.4 million decrease in operating income and the $12.0 million increase in additions to property, plant and equipment, primarily reflecting spending on the new specialty channels.

Table 10: Broadcasting
Cash flows from operations
(in millions of Canadian dollars)

	2011	2010
Operating income	**$ 50.5**	$ 74.9
Additions to property, plant and equipment	**(30.5)**	(18.5)
Acquisitions of intangible assets	**(5.8)**	(5.9)
Proceeds from disposal of assets	**–**	0.8
Cash flows from segment operations	**$ 14.2**	$ 51.3

Other development in 2011

On March 17, 2011, TVA Group filed a normal course issuer bid to buy back and cancel, between March 21, 2011 and March 20, 2012, up to 972,545 Class B shares of TVA Group, or approximately 5% of the issued and outstanding Class B shares as of the date of the filing. No Class B shares were repurchased in 2011.

Leisure and Entertainment

The operations of the Leisure and Entertainment segment consist primarily of retail sales of CDs, books, DVDs, Blu-ray discs, musical instruments, games and toys, video games, gift ideas and magazines through the chain of stores operated by Archambault Group Inc. (“Archambault Group”) and the *archambault.ca* e-commerce site. They also include online sales of downloadable music and e-books; distribution of CDs and videos (Distribution Select); distribution of music to Internet download services (Select Digital); music recording and video production (Musicor); recording of live concerts, production of concert videos and television commercials (Les Productions Select TV), and concert promotion (Musicor Spectacles). With Musicor Spectacles and Les Productions Select TV, Archambault Group is a fully integrated Canadian music corporation, a producer offering a complete range of media solutions and an increasingly active player in the concerts and cultural events industry.

The Leisure and Entertainment segment is also engaged in the book industry (Book Division) through academic publisher CEC Publishing Inc., 16 general literature publishers, and Messageries ADP inc. (“Messageries ADP”), the exclusive distributor for approximately 165 Québec and European French-language publishers. The general literature publishing houses and Messageries ADP are operated under the Sogides Group Inc. umbrella.

The Leisure and Entertainment segment also includes the Armada de Blainville-Boisbriand, which is a QMJHL hockey team, and BlooBuzz, a new Québec video game developer, created in February 2012.

2011 operating results

Revenues: $312.9 million, an increase of $10.4 million (3.4%).

- Archambault Group's revenues increased 8.3%, mainly due to:
  - 25.2% increase in distribution revenues, primarily because of new intercompany DVD distribution activities;
  - increased production sales due to higher revenues from concert production and music recording, including the successful show *Le retour de nos idoles*.
- The Book Division's revenues decreased by 5.1%, mainly because of lower sales of textbooks in the academic segment following completion of the education reform in Québec, and lower distribution and publishing revenues in the general literature segment.

Operating income: $26.6 million in 2011, a decrease of $1.0 million from 2010, due primarily to decreased revenues in the Book Division, partially offset by the positive impact of increased revenues and operating margins at Archambault Group.

Cash flows from operations

Cash flows from segment operations: $18.6 million in 2011, compared with $18.0 million in 2010 (Table 11).

- The $0.6 million increase was due to the $1.5 million decrease in additions to property, plant and equipment and intangible assets, partially offset by the $1.0 million decrease in operating income.

Table 11: Leisure and Entertainment
Cash flows from operations
(in millions of Canadian dollars)

	2011	2010
Operating income	**$ 26.6**	$ 27.6
Additions to property, plant and equipment	**(6.3)**	(4.2)
Acquisitions of intangible assets	**(1.8)**	(5.4)
Proceeds from disposal of assets	**0.1**	–
Cash flows from segment operations	**$ 18.6**	$ 18.0

Interactive Technologies and Communications

The Interactive Technologies and Communications segment consists of Nurun, which is engaged in Internet, intranet and extranet development, technological platforms, e-commerce, interactive television, automated publishing solutions, and e-marketing and online customer relationship management strategies and programs. Nurun has offices in North America, Europe and China.

2011 operating results

Revenues: $120.9 million, an increase of $22.9 million (23.4%).

- The increase was mainly due to:
  - higher volume from customers in Canada (generated by, among other things, the transfer of intercompany technological activities from the News Media segment) and in Europe;
  - impact of acquisition of a digital agency in the United States in the third quarter of 2011.

  Partially offset by:
  - decrease in volume in the United States.

Operating income: $7.9 million, an increase of $1.9 million (31.7%), mainly as a result of the favourable impact of the revenue increase.

Cash flows from operations

Cash flows from segment operations: $3.6 million in 2011, compared with $3.4 million in 2010 (Table 12).

- The $0.2 million increase was due to the $1.9 million increase in operating income, partially offset by the $1.7 million increase in additions to property, plant and equipment.

Table 12: Interactive Technologies and Communications
Cash flows from operations
(in millions of Canadian dollars)

	2011	2010
Operating income	**$ 7.9**	$ 6.0
Additions to property, plant and equipment	**(4.3)**	(2.6)
Cash flows from segment operations	**$ 3.6**	$ 3.4

2011/2010 FOURTH QUARTER COMPARISON

The 2011 financial year contained an additional week in the News Media, Broadcasting, Leisure and Entertainment, and Interactive Technologies and Communications segments.

Analysis of consolidated results of Quebecor

Revenues: $1.15 billion, an increase of $59.8 million (5.5%).

- Revenues increased in Telecommunications ($43.6 million or 7.4% of segment revenues), Leisure and Entertainment ($8.6 million or 8.8%), News Media ($8.6 million or 3.2%), and Interactive Technologies and Communications ($8.1 million or 29.0%).
- Revenues decreased in Broadcasting ($1.8 million or -1.3%).

Operating income: $369.2 million, an increase of $10.1 million (2.8%).

- Operating income increased in Telecommunications ($31.5 million or 12.0% of segment operating income).
- Operating income was flat in Interactive Technologies and Communications.
- Operating income decreased in News Media ($10.8 million or -18.7%), Broadcasting ($8.6 million or -29.5%), and Leisure and Entertainment ($3.7 million or -32.7%).
- The change in the fair value of Quebecor Media stock options resulted in a $0.3 million favourable variance in the stock-based compensation charge in the fourth quarter of 2011, compared with the same period of 2010. The change in the fair value of Quebecor stock options resulted in an 8.3 million favourable variance in the Corporation's stock-based compensation charge in the fourth quarter of 2011.
- Excluding the impact of the consolidated stock-based compensation charge, and if the figures for prior periods were restated to retroactively reflect the reversal in the fourth quarter of 2009 of the accumulated CRTC Part II licence fee provision, operating income would have increased 0.4% in the fourth quarter of 2011, compared with a 3.8% increase in the same period of 2010.

Net income attributable to shareholders: $85.4 million ($1.34 per basic share) compared with $46.6 million ($0.72 per basic share) in the fourth quarter of 2010, an increase of $38.8 million ($0.62 per basic share).

- The variance was mainly due to:
  - gain on valuation and translation of financial instruments: $82.5 million in the fourth quarter of 2011 compared with a $23.6 million loss in the same quarter of 2010, a favourable variance of $106.1 million;
  - $12.2 million favourable variance in the charge for restructuring of operations, impairment of assets and other special items;
  - $10.1 million increase in operating income.

  Partially offset by:

  - $18.2 million increase in amortization charge.

Adjusted income from continuing operations: $55.6 million in the fourth quarter of 2011 ($0.87 per basic share), compared with $58.2 million ($0.90 per basic share) in the fourth quarter of 2010, a decrease of $2.6 million ($0.03 per basic share).

Amortization charge: $138.2 million in the fourth quarter of 2011, compared with $120.0 million in the same quarter of 2010, an increase of $18.2 million, mainly due to significant capital expenditures in 2010 and 2011 in the Telecommunications segment and the impact of the emphasis on equipment leasing in its promotional strategy.

Financial expenses: $77.7 million, a decrease of $2.4 million.

- The reduction in the interest rate on the exchangeable debentures Series 2001 and Series Abitibi from 1.5% to 0.1%, and the $5.5 million favourable variance in other financial expenses, reflecting among other things a reduction in interest following the settlement of a dispute, were partially offset by the impact of the rebalancing of fixed and floating rate debt on the average interest rate on the debt.

Gain on valuation and translation of financial instruments: $82.5 million in fourth quarter 2011, compared with a $23.6 million loss in the same quarter of 2010, a $106.1 million favourable variance.

- The increase was essentially due to a favourable change in the fair value of early settlement options recorded in the fourth quarter of 2011, compared with an unfavourable change in the fourth quarter of 2010, due in both cases to interest rate and credit premium fluctuations.

Charge for restructuring of operations, impairment of assets and other special items: $11.2 million in the fourth quarter of 2011, compared with $23.4 million in the same period of 2010, a favourable variance of $12.2 million.

- In the fourth quarter of 2011, an $8.9 million net charge for restructuring of operations was recorded in the News Media segment in connection with staff-reduction programs, compared with $13.3 million in the same quarter of 2010.
- In the fourth quarter of 2010, the Telecommunications segment recorded a $9.0 million charge for migration costs in connection with the startup of its 4G network. In addition, a $0.6 million charge for restructuring of other operations was recorded in the fourth quarter of 2011, the same as in the fourth quarter of 2010. A $0.5 million gain on disposal of assets and a $0.2 million charge for impairment of assets were also recorded in the Telecommunications segment in the fourth quarter of 2010.
- In connection with the repositioning of the over-the-air television station Sun TV and with the launch of the new Sun News specialty channel, the Broadcasting segment recognized a $0.6 million asset impairment charge on equipment and broadcast rights in the fourth quarter of 2010, compared with a $0.1 million charge in the fourth quarter of 2011. A $0.8 million restructuring charge was also recognized in the fourth quarter 2011, mainly because of staff reductions, compared with $0.6 million in the same period of 2010. Finally, the Broadcasting segment recorded a $0.2 million charge for other special items during the fourth quarter of 2011, while a $0.5 million gain on disposal of assets was recorded in the fourth quarter of 2010.
- A $0.6 million net charge for restructuring and other special items was recorded in other segments in the fourth quarter of 2011, compared with $0.1 million in the fourth quarter of 2010.

Income tax expense: $60.2 million (effective tax rate of 26.8%) in the fourth quarter of 2011, compared with $14.1 million (effective tax rate of 12.6%) in the same period of 2010.

- The $46.1 million increase, the effective tax rates and the variance in those rates, were mainly due to:
  - increase in income before income taxes;
  - reduction in deferred income tax liabilities recorded in the fourth quarter of 2010 in light of developments in tax audits, jurisprudence and tax legislation.

SEGMENTED ANALYSIS

Telecommunications

Revenues: $634.8 million, an increase of $43.6 million (7.4%), essentially due to the same factors as those noted above in the 2011/2010 financial year comparison.

- Combined revenues from all cable television services increased $15.9 million (6.5%) to $261.8 million.
- Revenues from Internet access services increased $16.9 million (10.2%) to $183.2 million.
- Revenues from cable telephony service increased $4.6 million (4.3%) to $111.5 million.
- Revenues from mobile telephony service increased $17.4 million (103.0%) to $34.3 million.
- Revenues of Videotron Business Solutions increased $0.5 million (3.1%) to $16.6 million.
- Revenues from customer equipment sales decreased $11.2 million (-45.0 %) to $13.7 million.
- Revenues of Le SuperClub Vidéotron decreased $0.5 million (-7.1%) to $6.0 million.
- Other revenues were flat at $7.7 million.

ARPU: $106.90 in fourth quarter 2011, compared with $98.85 in the same period of 2010, an increase of $8.05 (8.1%).

Customer statistics

Revenue generating units – 101,800 (2.2%) unit increase in the fourth quarter of 2011, 20.0% more than the 84,800-unit increase in the same period of 2010.

Cable television – 17,300 (0.9%) increase in the combined customer base for all cable television services in the fourth quarter of 2011, compared with an increase of 9,600 in the same quarter of 2010.

- Digital TV: 52,700 (3.9%) subscriber increase in the fourth quarter of 2011, compared with 37,300 in the same period of 2010.
- Analog cable TV: 35,400 (-7.1%) subscriber decrease in the fourth quarter of 2011, compared with a decrease of 27,700 in the same period of 2010.

Cable Internet access – 26,100 (2.0%) increase in the fourth quarter of 2011, compared with 18,300 in the same period of 2010.

Cable telephony – 25,900 (2.2%) subscriber increase in the fourth quarter of 2011, compared with 16,200 in the same period of 2010.

Mobile telephony service – 32,500 (12.6%) increase in subscriber connections in the fourth quarter of 2011, compared with 40,700 in the same period of 2010.

Operating income: $294.7 million, an increase of $31.5 million (12.0%).

- The increase in operating income was mainly due to:
  - impact of increased revenues.

  Partially offset by:
  - increases in operating costs, including costs related to roll-out of the 4G network.
- Excluding the variance in the stock-based compensation charge, and if the figures for prior periods were restated to retroactively reflect the CRTC Part II licence fee adjustment in the fourth quarter of 2009, the increase in the segment's operating income in the fourth quarter of 2011 would have been 11.9%, compared with 4.5% in the same period of 2010.

Cost/revenue ratio: Operating costs for all Telecommunications segment operations, expressed as a percentage of revenues, were 53.6% in the fourth quarter of 2011, compared with 55.5% in the same quarter of 2010.

- The fixed component of operating costs did not increase in proportion to the increase in revenue.

News Media

Revenues: $275.6 million, an increase of $8.6 million (3.2%).

- Combined revenues from commercial printing and other sources increased 23.4%, circulation revenues increased 1.9%, and advertising revenues decreased 0.3%.
- Revenues decreased 2.6% at the urban dailies and increased 6.2% at the community newspapers. Excluding business acquisitions, revenues were flat at the community newspapers.
- Portal revenues decreased 6.8%, essentially because of lower revenues at the specialty portals, due primarily to a decrease in advertising revenues and the transfer of intercompany website development operations to Nurun.

Operating income: $47.0 million, a decrease of $10.8 million (-18.7%).

- The decrease was due primarily to:
  - impact of revenue decreases at the urban dailies;
  - increases in some operating expenses, including community newspaper startup costs in Québec;
  - unfavourable variance related to investments in Quebecor Media Network and Quebecor MediaPages;
  - $1.1 million unfavourable variance in multimedia employment tax credits.

  Partially offset by:
  - favourable reversal in the fourth quarter of 2011 of provisions, including a $3.7 million provision for legal disputes;
  - contribution from acquired businesses.
- Excluding the impact of the stock-based compensation charge and investments in Quebecor Media Network and Quebecor MediaPages, operating income would have decreased by 9.7% in the fourth quarter of 2011, compared with 11.9% in the same period of 2010.

Cost/revenue ratio: Operating costs for all News Media segment operations, expressed as a percentage of revenues, were 82.9% in the fourth quarter of 2011, compared with 78.4% in the same period of 2010.

- The increase was due mainly to:
  - spending on community newspaper launches in Québec, as well as on Quebecor Media Network and Quebecor MediaPages;
  - unfavourable impact of the fixed component of operating costs which does not fluctuate in proportion to revenue decreases.

Broadcasting

Revenues: $131.6 million, a decrease of $1.8 million (-1.3%).

- Revenues from television operations decreased $1.1 million, mainly due to:
  - decrease in revenues at TVA Films, reflecting the larger number of successful releases in the fourth quarter of 2010;
  - lower advertising revenues at the TVA Network;
  - decrease in advertising revenues in light of the repositioning of the Sun TV conventional television station following the creation of Sun News.

  Partially offset by:
  - increased advertising and subscription revenues at the specialty channels.
- Total publishing revenues decreased $1.0 million, mainly because of lower newsstand and advertising revenues, partially offset by higher revenues at TVA Studio.

Operating income: $20.6 million, a decrease of $8.6 million (-29.5%).

- Operating income from television operations decreased $8.7 million, mainly due to:
  - startup operating losses at the TVA Sports, Sun News and Mlle specialty channels;
  - higher content costs at the TVA Network and specialty channels as a result of the programming strategy;
  - impact of the revenue decrease.
- Operating income from publishing operations increased $0.3 million compared with the fourth quarter of 2010.

Cost/revenue ratio: Operating costs for all Broadcasting segment operations, expressed as a percentage of revenues, were 84.3% in the fourth quarter of 2011, compared with 78.1% in the same period of 2010. The increase in costs as a proportion of revenues was mainly due to higher operating expenses related to the launch of the Sun News, TVA Sports and Mlle specialty channels and to higher content costs.

Leisure and Entertainment

Revenues: $106.2 million, an increase of $8.6 million (8.8%) compared with the fourth quarter of 2010.

- Archambault Group's revenues increased 17.1%, mainly because of:
  - 5.5% increase in retail sales due to the inclusion of a 53rd week in the 2011 financial year and growth in e-commerce revenues compared with the fourth quarter of 2010;
  - 41.2% increase in distribution revenues, due mainly to new intercompany DVD distribution activities that began in June 2011.

  Partially offset by:
  - lower production sales because of better results registered by new releases in the fourth quarter of 2010.
- 15.8% decrease in the Book Division's revenues, mainly because of lower distribution and publishing revenues in the general literature category.

Operating income: $7.6 million, a decrease of $3.7 million (-32.7%) from the same period of 2010. The unfavourable variance was due primarily to the impact of lower revenues and decreases in some gross margins in the Book Division.

Interactive Technologies and Communications

Revenues: $36.0 million, an increase of $8.1 million (29.0%).

- The increase was mainly due to:
  - higher volume from customers in Canada (generated by, among other things, the transfer of intercompany technological activities from the News Media segment) and in Europe;
  - impact of acquisition of a digital agency in the United States in the third quarter of 2011;
  - higher volumes from Government of Québec.

Operating income: Stable at $2.5 million. The impact of the revenue increase was offset by an increase in operating costs to support the pace of business development and growth.

2011 CASH FLOWS AND FINANCIAL POSITION

Operating activities

Cash flows provided by continuing operating activities: $866.3 million in 2011, compared with $809.9 million in 2010.

- The $56.4 million increase was mainly due to:
  - $74.1 million decrease in current income taxes;
  - $8.3 million increase in operating income;
  - $5.2 million decrease in the cash portion of the charge for restructuring of operations, impairment of assets and other special items.

  Partially offset by:
  - $28.3 million increase in use of funds for non-cash balances related to operations, mainly because of the variance in the Quebecor stock-based compensation plan.

Working capital: Negative $133.3 million at December 31, 2011, compared with negative $44.9 million at December 31, 2010. The difference mainly reflects the impact of the decrease in cash and cash equivalents, and recognition under current liabilities of Sun Media Corporation's credit facilities paid down in February 2012 and the Corporation's other borrowings maturing in 2012, partially offset by investments in inventory in the Telecommunications segment.

Financing activities

Consolidated debt (long-term debt plus bank borrowings): $183.2 million increase in 2011; $170.7 million favourable net variance in assets and liabilities related to derivative financial instruments.

- Debt increases during 2011:
  - issuance by Videotron on July 5, 2011 of $300.0 million in the aggregate principal amount of Senior Notes for net proceeds of $294.8 million, net of financing fees of $5.2 million. The Notes bear interest at a rate of 6 7/8%, payable twice yearly on June 15 and December 15, and mature on July 15, 2021;
  - issuance by Quebecor Media on January 5, 2011 of $325.0 million in the principal amount of Senior Notes for net proceeds of $319.9 million, net of financing fees of $5.1 million. The Notes bear interest at a rate of 7 3/8%, payable twice yearly on June 15 and December 15, and mature on January 15, 2021;
  - use by Videotron of $69.6 million drawn on its secured export financing facility;
  - estimated $32.3 million unfavourable impact of exchange rate fluctuations. Any increase in this item is offset by a decrease in the liability (or increase in the asset) related to cross-currency swap agreements entered under "Derivative financial instruments."

  Summary of debt reductions during the same period:
  - repayment on July 18, 2011 of US$255.0 million in the principal amount of Videotron's 6 7/8% Senior Notes maturing in 2014;
  - early repayment on February 15, 2011 of the entirety of Sun Media Corporation's outstanding 7 5/8% Senior Notes maturing in 2013, in the aggregate principal amount of US$205.0 million;
  - $52.5 million decrease in debt due to the favourable variance in the fair value of embedded derivatives, resulting mainly from interest rate and credit premium fluctuations;
  - current payments totalling $30.2 million on Quebecor Media's credit facility and other debt.

- Assets and liabilities related to derivative financial instruments totalled a net liability of $280.5 million at December 31, 2011, compared with a net liability of $451.2 million at December 31, 2010. The $170.7 million favourable net variance was caused primarily by:
  - settlement of hedges by Videotron following repayment, on July 18, 2011, of US$255.0 million in the principal amount of Videotron's 6 7/8% Senior Notes;
  - the settlement and revocation by Sun Media Corporation of hedges following the early repayment and withdrawal of all its outstanding Senior Notes on February 15, 2011;
  - favourable impact of exchange rate fluctuations on the value of derivative financial instruments.

  Offset by:
  - unfavourable impact of interest rate trends in Canada, compared with the United States, on the fair value of derivative financial instruments.
- On March 14, 2012, Videotron issued US$800.0 million aggregate principal amount of Senior Notes bearing interest at 5.0%, for a net proceeds of approximately $787.6 million, net of estimated financing fees of $11.9 million.
- On February 29, 2012, Quebecor Media announced the initiation of a cash tender offer to purchase up to US$260.0 million in aggregate principal amount of its 7.75% Senior Notes due March 15, 2016. The total consideration for each US$1,000.0 principal amount of Senior Notes tendered and purchased is US$1,028.33 for Senior Notes tendered at or prior to March 14, 2012, or US$1,025.83 for Senior Notes tendered after that date but prior to March 28, 2012, plus accrued and unpaid interest.
- On February 29, 2012, Videotron issued a notice of redemption for any and all of its outstanding 6.825% Senior Notes due January 15, 2014. The redemption price is 100.0% of the principal amount of the notes redeemed, plus accrued and unpaid interest, and the redemption date will be March 30, 2012. The purchase will be carried out on Senior Notes that have not been tendered and purchased under the Videotron cash tender offer announced on February 29, 2012.
- On February 29, 2012, Videotron announced the initiation of a cash tender offer to purchase any and all of its outstanding 6.825% Senior Notes due January 15, 2014. The total consideration for each US$1,000.0 principal amount of Senior Notes tendered and purchased is US$1,001.25 for Senior Notes tendered at or prior to March 13, 2012, or US$1,000.0 for Senior Notes tendered after that date but prior to March 28, 2012, plus accrued and unpaid interest.
- On February 24, 2012, TVA Group amended its bank credit facilities to extend the maturity of its $100.0 million revolving credit facility from December 2012 to February 2017.
- On February 3, 2012, Sun Media Corporation repaid the $37.6 million balance on its term loan credit facility and terminated all its credit facilities. Sun Media Corporation's liabilities no longer include any long-term debt.
- On January 25, 2012, Quebecor Media amended its bank credit facilities to extend the maturity of its $100.0 million revolving credit facility from January 2013 to January 2016 and added a new $200.0 million revolving credit facility "C," also maturing in January 2016.
- In September 2011, the Corporation redeemed exchangeable debentures, Series 2001, in the notional principal amount of $135.0 million for nil consideration. At December 31, 2011, the combined notional principal amount of the two series of exchangeable debentures was $844.9 million.
- On July 20, 2011, Videotron amended its $575.0 million revolving credit facility to extend the expiry date from April 2012 to July 2016 and to modify some of the terms and conditions.
- The conditions of the exchangeable debentures, Series 2001 and Series Abitibi, were amended in February and June 2011 respectively to reduce the interest rate from 1.50% to 0.10% on the notional principal amount of the debentures. Other related conditions have not changed and remain applicable.

Investing activities

Additions to property, plant and equipment: $781.0 million, compared with $690.5 million in 2010. The increase was mainly due to the impact of the emphasis on equipment leasing in the Telecommunications segment's promotional strategy.

Acquisitions of intangible assets: $91.6 million in 2011 compared with $95.2 million in 2010.

Business acquisitions: $55.7 million in 2011 compared with $3.1 million in 2010, a $52.6 million increase, mainly due to the acquisition of community newspapers in the News Media segment in the first half of 2011, and to the acquisition of a digital agency in the United States in the Interactive Technologies and Communications segment.

Proceeds from disposal of assets: $12.0 million in 2011 compared with $53.0 million in 2010. The decrease essentially reflects the disposal of certain tangible assets in the News Media segment in the second quarter of 2010.

Financial position at December 31, 2011

Net available liquidity: $884.6 million for Quebecor Media and its wholly owned subsidiaries, consisting of $140.0 million in cash and $744.6 million in available unused lines of credit.

Net available liquidity: $79.0 million for Quebecor at the corporate level, consisting of a $0.3 million bank overdraft and $79.3 million in available unused lines of credit.

Consolidated debt: $3.81 billion at December 31, 2011, an increase of $183.2 million. $170.7 million favourable net variance in assets and liabilities related to derivative financial instruments (*see* "Financing activities" above).

- Consolidated debt essentially consisted of Videotron's $1.86 billion debt ($1.79 billion at December 31, 2010), Sun Media Corporation's $37.4 million debt ($240.0 million at December 31, 2010), TVA Group's $96.4 million debt ($93.9 million at December 31, 2010), Quebecor Media's $1.71 billion debt ($1.40 billion at December 31, 2010), and Quebecor's $105.2 million debt ($105.5 million at December 31, 2010).

At December 31, 2011, minimum principal payments on long-term debt in the coming years were as follows:

Table 13
Minimum principal amount on Quebecor's long-term debt[1]
12 months ending December 31
(in millions of Canadian dollars)

2012	$ 114.5
2013	180.4
2014	568.8
2015	199.0
2016	1,230.3
2017 and thereafter	1,660.0
Total	$ **3,953.0**

[1] The carrying value of long-term debt excludes adjustments to record changes in the fair value of long-term debt related to hedged interest risk, embedded derivatives, and financing fees.

The weighted average term of Quebecor's consolidated debt was approximately 5.1 years as of December 31, 2011 (4.9 years as of December 31, 2010). The debt consists of approximately 82.6% fixed-rate debt (74.1% at December 31, 2010) and 17.4% floating-rate debt (25.9% at December 31, 2010).

The Corporation believes that cash flows from continuing operating activities and available sources of financing should be sufficient to cover planned cash requirements for capital investments, working capital, interest payments, debt repayments, disbursements related to foreign exchange hedges, pension plan contributions, share repurchases and dividends. The Corporation believes it will be able to meet future debt maturities, which are fairly staggered over the coming years.

Pursuant to their financing agreements, the Corporation and its subsidiaries are required to maintain certain financial ratios and financial covenants. The key indicators listed in these financing agreements include debt service coverage ratio and debt ratio (long-term debt over operating income). At December 31, 2011, the Corporation and its subsidiaries were in compliance with all required financial ratios and restrictive covenants in their financing agreements.

Dividends declared

- On March 14, 2012, the Board of Directors of Quebecor declared a quarterly dividend of $0.05 per share on its Class A Multiple Voting Shares and Class B Subordinate Voting Shares, payable on April 24, 2012 to shareholders of record at the close of business on March 30, 2012.

Analysis of consolidated balance sheet at December 31, 2011

Table 14
Consolidated balance sheet of Quebecor
Analysis of main variances between December 31, 2010 and December 31, 2011
(in millions of Canadian dollars)

	Dec. 31, 2011	Dec. 31, 2010	Difference	Main reason for difference
Assets				
Cash and cash equivalents and cash and cash equivalents in trust	**$ 146.7**	$ 248.0	$ (101.3)	Net use of cash flows in investing and financing activities
Net income taxes[1]	**26.3**	(27.2)	53.5	Impact of variances in taxable income
Inventory	**283.6**	245.2	38.4	Impact of current variances in activity in the Telecommunications segment
Property, plant and equipment	**3,211.1**	2,805.7	405.4	Additions to property, plant and equipment (*see* "Investing activities" above), less amortization for the period
Goodwill	**3,543.8**	3,505.2	38.6	Impact of business acquisitions in the News Media and Interactive Technologies and Communications segments
Liabilities				
Long-term debt, including short-term portion and bank indebtedness	**3,807.0**	3,623.8	183.2	*See* "Financing activities"
Net derivative financial instruments[2]	**280.5**	451.2	(170.7)	*See* "Financing activities"
Net deferred income tax liabilities[2]	**571.9**	431.9	140.0	Use of tax benefits and capital cost allowance in excess of book amortization
Other liabilities	**344.7**	274.0	70.7	Variance in obligations related to pension plans and postretirement benefits

[1] Current assets less current liabilities
[2] Long-term liabilities less long-term assets

ADDITIONAL INFORMATION

Contractual Obligations

At December 31, 2011, material contractual obligations of operating activities included: capital repayment and interest on long-term debt; operating lease arrangements; capital asset purchases and other commitments; and obligations related to derivative financial instruments, less estimated future receipts on derivative financial instruments. Table 15 below shows a summary of these contractual obligations.

Table 15
Contractual obligations of Quebecor as of December 31, 2011
(in millions of Canadian dollars)

	Total	Under 1 year	1-3 years	3-5 years	5 years or more
Long-term debt[1]	**$ 3,953.0**	$ 114.5	$ 749.2	$ 1,429.3	$ 1,660.0
Interest payments[2]	**1,645.0**	283.2	570.7	426.6	364.5
Operating leases	**324.0**	67.5	77.6	48.1	130.8
Additions to property, plant and equipment and other commitments	**179.4**	83.2	45.1	44.3	6.8
Derivative financial instruments[3]	**308.1**	0.5	142.8	91.1	73.7
Total contractual obligations	**$ 6,409.5**	**$ 548.9**	**$ 1,585.4**	**$ 2,039.4**	**$ 2,235.8**

1 Carrying value of long-term debt excludes adjustments to record changes in the fair value of long-term debt related to hedged interest risk, embedded derivatives and financing fees.

2 Estimated interest payable on long-term debt, based on interest rates; hedged interest rates and hedged foreign exchange rates as of December 31, 2011.

3 Estimated future disbursements, net of receipts, related to foreign exchange hedging using derivative financial instruments.

On March 1, 2011, Quebecor Media announced that it had entered into an agreement with Québec City under which it obtained the management and naming rights for a 25-year period related to the arena to be constructed in Québec City. The agreement includes, among other terms, a commitment from Quebecor Media to pay $33.0 million in 2015 for the naming rights to the site of the future facility, a lease for an initial period of 25 years with annual rental payments of approximately $3.0 million, as well as other conditions. The financial commitment from Quebecor Media could potentially increase in the event that an agreement to operate a NHL franchise occurs in the future. The final terms of the agreement were ratified by the parties on September 1, 2011.

Videotron leases sites for its 4G network and other equipment under operating lease arrangements and has contracted long-term commitments to acquire services and equipment for a total future consideration of $126.3 million. During the year ended December 31, 2011, Videotron renewed or extended several leases and signed new operating lease arrangements.

In the normal course of business, TVA Group contracts commitments regarding broadcast rights for television programs and films, as well as distribution rights for audiovisual content. The outstanding balance of such commitments was $68.5 million at December 31, 2011.

Large quantities of newsprint, paper and ink are among the most important raw materials used by Quebecor Media. During 2011, the total newsprint consumption of its News Media segment's operations was approximately 146,600 metric tonnes. Newsprint represented approximately 10.9% ($83.5 million) of the News Media segment's operating costs for the year ended December 31, 2011. In order to obtain more favourable pricing, Quebecor Media sources substantially all of its newsprint from a single newsprint producer. Quebecor Media currently obtains newsprint from this supplier at a discount to market prices, and receives additional volume rebates for purchases above certain ceiling thresholds. However, there can be no assurance that this supplier will continue to supply newsprint to Quebecor Media on favourable terms or at all.

Financial Instruments

Quebecor and its subsidiaries use a number of financial instruments, mainly cash and cash equivalents, trade receivables, temporary investments, long-term investments, bank indebtedness, trade payables, accrued liabilities, long-term debt, and derivative financial instruments.

As at December 31, 2011, Quebecor Media was using derivative financial instruments to manage its exchange rate and interest rate exposure. It has entered into foreign exchange forward contracts and cross-currency interest rate swap agreements to hedge the foreign currency risk exposure on the entirety of its U.S. dollar-denominated long-term debt. Quebecor Media also uses interest rate swaps in order to manage the impact of interest rate fluctuations on its long-term debt.

Quebecor Media has also entered into currency forward contracts in order to hedge, among other things, the planned purchase, in U.S. dollars, of digital set-top boxes, modems, mobile handsets and other equipment in the Telecommunications segment, including equipment for the 4G network. As well, Quebecor Media has entered into currency forward contracts in order to hedge future contractual instalments payable in euros.

Quebecor Media does not hold or use any derivative financial instruments for trading purposes.

Certain cross-currency interest rate swaps entered into by Quebecor Media include an option that allows each party to unwind the transaction on a specific date at the then settlement value.

The gain on valuation and translation of financial instruments for 2011 and 2010 are summarized in Table 16.

Table 16
Gain on valuation and translation of financial instruments
(in millions of Canadian dollars)

	2011	2010
Gain on embedded derivatives and derivative financial instruments for which hedge accounting is not used	**$ (55.2)**	$ (41.3)
Gain on foreign currency translation of financial instruments for which hedge accounting is not used	–	(6.9)
Loss on the ineffective portion of fair value hedges	**0.6**	2.1
	$ (54.6)	$ (46.1)

A $9.5 million loss on cash flow hedges was recorded under other comprehensive income in 2011 (a $43.0 million gain in 2010).

The fair value of long-term debt and derivative financial instruments is shown in Table 21.

Related Party Transactions

During the year ended December 31, 2011, the Corporation and its subsidiaries made purchases and incurred rent charges with affiliated corporations in the amount of $3.2 million ($7.4 million in 2010), which are included in cost of sales, selling and administrative expenses. The Corporation and its subsidiaries made sales to affiliated corporations in the amount of $3.2 million ($3.6 million in 2010). These transactions were concluded on terms equivalent to those that prevail on an arm's length basis and accounted for at the consideration agreed between parties.

In the second quarter of 2010, the Corporation announced the creation of the Sun News, a partnership in which TVA Group holds a 51% interest and Sun Media Corporation a 49% interest. This partnership has launched an English-language news and opinion specialty channel in the Spring of 2011. The Corporation also decided to terminate the operations of its general-interest television station, Sun TV, as soon as the new specialty channel was on the air.

Following the creation of the Sun News and the decision to terminate the programming of the television station Sun TV, a corporate reorganization was undertaken in December 2010.

Off-Balance Sheet Arrangements

Guarantees

In the normal course of business, the Corporation enters into numerous agreements containing guarantees, including the following:

Operating leases

The Corporation has guaranteed a portion of the residual values of certain assets under operating leases for the benefit of the lessor. Should the Corporation terminate these leases prior to term (or at the end of these lease terms) and should the fair value of the assets be less than the guaranteed residual value, then the Corporation must, under certain conditions, compensate the lessor for a portion of the shortfall. In addition, the Corporation has provided guarantees to the lessor of certain premises leases with expiry dates through 2017. Should the lessee default under the agreement, the Corporation must, under certain conditions, compensate the lessor. As of December 31, 2011, the maximum exposure with respect to these guarantees was $18.6 million and no liability has been recorded in the consolidated balance sheet. The Corporation has not made any payments relating to these guarantees in prior years.

Business and asset disposals

In the sale of all or part of a business or an asset, in addition to possible indemnification relating to failure to perform covenants and breach of representations or warranties, the Corporation may agree to indemnify against claims related to the past conduct of the business. Typically, the term and amount of such indemnification will be limited by the agreement. The nature of these indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay to guaranteed parties. The Corporation has not accrued any amount in respect of these items in the consolidated balance sheet. The Corporation has not made any payments relating to these guarantees in prior years.

Outsourcing companies and suppliers

In the normal course of its operations, the Corporation enters into contractual agreements with outsourcing companies and suppliers. In some cases, the Corporation agrees to provide indemnifications in the event of legal procedures initiated against them. In other cases, the Corporation provides indemnification to counterparties for damages resulting from the outsourcing companies and suppliers. The nature of the indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay. No amount has been accrued in the consolidated balance sheet with respect to these indemnifications. The Corporation has not made any payments relating to these guarantees in prior years.

Capital Stock

In accordance with Canadian financial reporting standards, Table 17 below presents information on the Corporation's capital stock as at February 29, 2012. In addition, 572,976 share options were outstanding as of February 29, 2012.

Table 17
Capital stock
(in shares and millions of Canadian dollars)

	February 29, 2012	
	Issued and outstanding	Book value
Class A (Multiple Voting Shares)	19,703,784	$ 8.8
Class B (Subordinate Voting Shares)	43,822,598	$ 334.3

Risk and Uncertainties

Quebecor and its subsidiaries operate in the telecommunications and media industries, which entails a variety of risk factors and uncertainties. Quebecor's and its subsidiaries' operating environment and financial results may be materially affected by the risks and uncertainties discussed below. Unless the context otherwise requires, reference in this section to Quebecor Media is to Quebecor Media and its subsidiaries.

Competition in cable and telecommunications businesses

Quebecor Media competes against providers of direct broadcast satellite (or "DBS", also referred to as DTH, for "direct-to-home" satellite providers), multichannel multipoint distribution systems (or "MDS"), and satellite master antenna television systems. In addition, it competes against incumbent local exchange carriers (or "ILECs"), which have secured licenses to launch video distribution services using video digital subscriber line (or "VDSL") technology (also known as Internet protocol television "IPTV"). The main ILEC in its market holds a regional licence to provide terrestrial broadcasting distribution in Montréal and several other communities in the Province of Québec. The same ILEC is also a cable operator in its main service area and recently launched its own IPTV service in Montréal, which is expected to be launched in Québec City in the coming months and with a full rollout throughout the Province of Québec expected in the years to come. The direct access to some broadcasters' web sites that provide in high definition streaming video-on-demand content is also available for some of the same channels Quebecor Media offers in its television programming. In addition, third-party Internet access providers (or "TPIAs") could launch IP video services in Quebecor Media's footprint using ILEC digital subscriber line (or "DSL") networks.

Quebecor Media also faces competition from illegal providers of cable television services and illegal access to non-Canadian DBS (also called grey market piracy), as well as from signal theft of DBS that enables customers to access programming services from U.S. and Canadian DBS without paying any fees (also called black market piracy). Competitors in the video business also include the video store industry (rental & sale) as well as other emerging content delivery platforms.

Due to ongoing technological developments, the distinction between traditional platforms (broadcasting, Internet, and telephony) is fading rapidly. For instance, the Internet, as well as distribution over mobile devices, are becoming important broadcasting and distribution platforms. In addition, mobile operators, with the development of their respective 4G and Long Term Evolution and Advanced (also known as "LTE") networks, are now offering wireless and fixed wireless Internet services. In addition, VoIP telephony service also competes with Internet-based solutions.

In its Internet-access business, Quebecor Media competes against other Internet service providers (or "ISP"), and TPIA offering residential and commercial Internet-access services as well as open Wi-Fi networks in some cities. The CRTC also requires Quebecor Media to offer access to its high-speed Internet system to ISP competitors, and third-party ISPs to access its network for the purpose of providing telephony and networking applications, in addition to retail Internet access services.

Quebecor Media's VoIP service has numerous competitors, including ILECs, competitive local exchange carriers (or "CLECs"), mobile telephony service operators and other providers of telephony, VoIP and Internet communications, including competitors that are not facilities-based and therefore have a much lower infrastructure cost. In addition, Internet protocol-based ("IP–based") products and services are generally subject to downward pricing pressure, lower margins and technological evolution, all of which could have an adverse effect on Quebecor Media's business, prospects and results of operation.

In its mobile Hight-Speed Packet Access ("HSPA+") telephony business, Quebecor Media competes against a mix of market participants, some of them being active in some or all the products it offers with others offering only mobile telephony services in its market. In addition, users of mobile voice and data systems may find their communications needs satisfied by other current or developing adjunct technologies, such as Wi-Fi, WiMax, "hotspots" or trunk radio systems, which have the technical capability to handle mobile data communication and mobile telephone calls. There can be no assurance that current or future competitors will not provide network capacity and/or services comparable or superior to those Quebecor Media provides or may in the future provide, or at lower prices, or adapt more quickly to evolving industry trends or changing market requirements, or introduce competing services. For instance, since 2008, some providers of mobile telephony services (including most of the incumbent carriers as well as at least one other new entrant) have launched lower-cost mobile telephony services in order to acquire additional market share and increase their respective mobile telephony penetration rates in its market. Also, the Canadian incumbents have started rolling out their LTE networks, and this technology is expected to become an industry standard. The cost of implementing, modifying its existing network or competing against future technological innovations may be prohibitive to Quebecor Media, and it may lose customers if it fails to keep pace with these changes or fails to keep pace with surging network capacity demand. Any of these factors could adversely affect Quebecor Media's ability to operate its mobile business successfully and profitably.

Moreover, Quebecor Media may not be able to compete successfully in the future against existing or potential competitors, and increased competition could have a material adverse effect on its business, prospects, revenues, financial condition and results of operations.

Finally, a few of its competitors are offering special discounts to customers who subscribe to two or more of their services (cable television or IPTV, Internet, residential phone and mobile telephony services). As a result, should Quebecor Media fails to keep an existing customer and lose it to such competitors, it may end up losing up to one subscriber for each of its services. This could have an adverse effect on its business, prospects and results of operation.

Roaming agreements

Quebecor Media has entered into roaming agreements with multiple carriers around the world (including Canada, the United States and Europe), and has established worldwide coverage. Its inability to renew or substitute for, these agreements at their respective terms and on acceptable terms may place Quebecor Media at a competitive disadvantage, which could adversely affect its ability to operate its mobile business successfully and profitably.

In addition, various aspects of mobile communications operations, including the ability of mobile providers to enter into interconnection agreements with traditional landline telephone companies and the ability of mobile providers to manage data traffic on their networks, are subject to regulation by the CRTC. The government agencies having jurisdiction over any mobile business that Quebecor Media may develop could adopt regulations or take other actions that could adversely affect its mobile business and operations, including actions that could increase competition or that could increase its costs.

Reputation

Quebecor Media has generally enjoyed a good reputation among the public. Its ability to maintain its existing customer relationships and to attract new customers depends to a large extent on its reputation. While Quebecor Media has good governance practices and a code of ethics and has put in place certain mechanisms to mitigate the risk that its reputation may be tarnished, it cannot be assured that it will continue to enjoy a good reputation nor can it be assured that events that are beyond its control will not cause its reputation to be negatively impacted. The loss or tarnishing of its reputation could have a material adverse effect on its business, prospects, financial condition and results of operations.

Limited offer of handsets

Advanced mobile services (“AWS”) in the 2 GHz range is a spectrum that has not been broadly used until recently for mobile telephony. While certain mobile-device suppliers offer hardware for AWS technology, there are still only a limited number of AWS handsets on the market, which could reduce Quebecor Media’s ability to compete with its competitors that offer a broader range of handsets. As a result, the handset portfolio for AWS that Quebecor Media is currently offering does not include certain more popular devices and is not as broad as those of certain other providers. Moreover, most handset manufacturers have reduced the number of stock keeping units in their portfolio. In addition, the handsets available to us are sometimes subject to an exclusivity period which varies in length when they are released to market. If manufacturers continue to offer exclusivity on future products in Canada, this could potentially reduce the number of handsets available to Quebecor Media in the AWS band. Quebecor Media could potentially incur higher customer acquisition costs due to a smaller market for this type of technology and could potentially have a reduced offer of handsets to offer to its customers, which could slow the growth of its customer base and adversely affect its ability to operate its mobile business successfully and competitively.

Capital expenditures

Quebecor Media’s strategy of maintaining a leadership position in the suite of products and services it offers and launching new products and services requires capital investments in its network and infrastructure to support growth in its customer base and demands for increased bandwidth capacity and other services. In this regard, Quebecor Media has in the past required substantial capital for the upgrade, expansion and maintenance of its network and the launch and expansion of new or additional services. Quebecor Media expects that additional capital expenditures will be required in the short and medium term in order to expand and maintain its systems and services, including expenditures relating to advancements in Internet access and high-definition television (“HDTV”), as well as the cost of its mobile services infrastructure deployment.

The demand for wireless data services has been growing at unprecedented rates and it is projected that this demand will further accelerate, driven by increasing levels of broadband penetration, increasing need for personal connectivity and networking, increasing affordability of smartphones and Internet-only devices (e.g., high-usage data devices such as mobile Internet keys, tablets and electronic book readers), increasingly multimedia-rich services and applications, increasing wireless competition, and, possibly, unlimited data plans. The anticipated levels of data traffic will represent a growing challenge to the current mobile network’s ability to serve this traffic. Quebecor Media may have to acquire additional spectrum, if available, in order to address this increased demand. The ability to acquire additional spectrum (if needed) is dependent on the timing and the rules established by Industry Canada.

There can be no assurance that Quebecor Media will be able to obtain the funds necessary to finance its capital improvement programs, new strategies and services or other capital expenditure requirements, whether through cash from operations, additional borrowings, or other sources. If Quebecor Media is unable to generate sufficient funds or obtain additional financing on acceptable terms, it may not be able to implement its business strategies or proceed with the capital expenditures and investments required to maintain its leadership position, and its business, financial condition, results of operations, reputation and prospects could be materially adversely affected. Even if Quebecor Media was able to obtain adequate funding, the period of time required to upgrade its network could have a material adverse effect on its ability to successfully compete in the future. Moreover, additional funds that Quebecor Media invests in its business may not transfer into incremental revenues.

Consumer switch from landline telephony to mobile telephony

The recent trend for mobile substitution or “Cord-Cutting” (subscribers ending their landline telephony services and opting for mobile telephony services only), which is caused by the increasing mobile penetration rate in Canada and the various unlimited offers launched by mobile operators could affect the demand for cable telephony services. Quebecor Media may not be successful in converting its existing cable telephony subscriber base to its mobile telephony services, which could have a material adverse effect on its business, financial condition and results of operations.

Competition from alternative technologies

The media industry is experiencing rapid and significant technological change, which has resulted in alternative means of program and content transmission. The continued growth of the Internet has presented alternative content distribution options that compete with traditional media. Furthermore, in each of Quebecor Media’s broadcasting markets, industry regulators have authorized DTH, microwave services and VDSL services, and may authorize other alternative methods of transmitting television and other content with improved speed and quality. Quebecor Media may not be able to successfully compete with existing or newly developed alternative technologies, such as IPTV, or it may be required to acquire, develop or integrate new technologies. The cost of the acquisition, development or implementation of new technologies could be significant and Quebecor Media’s ability to fund such implementation may be limited and could have a material adverse effect on its ability to successfully compete in the future. Any such difficulty or inability to compete could have a material adverse effect on its business, reputation, prospects, financial condition, or results of operations.

The continuous technological improvement of the Internet, combined with higher download speeds and cost reductions for customers, may divert a portion of Quebecor Media’s existing television subscriber base from its video-on-demand services to the benefit of a new video-over-the-Internet model. While having a positive impact on the demand for its Internet services, video-over-the-Internet could adversely impact the demand for its video-on-demand services.

Successful implementation of business and operating strategies

Quebecor Media’s business strategies are based on leveraging an integrated platform of media assets. Its strategies include offering multi-platform advertising solutions, generating and distributing content across a spectrum of media properties and assets, launching and deploying additional value-added products and services, pursuing cross-promotional opportunities, maintaining its advanced broadband network, pursuing enhanced content development to reduce costs, further integrating the operations of its subsidiaries, leveraging geographic clustering, and maximizing customer satisfaction. Quebecor Media may not be able to fully implement these strategies or realize their anticipated results without incurring significant costs, or at all. In addition, its ability to successfully implement these strategies could be adversely affected by a number of factors beyond its control, including operating difficulties, increased ongoing operating costs, regulatory developments, general or local economic conditions, increased competition, technological changes and the other factors described here. While the centralization of certain business operations and processes has the advantage of standardizing its practices, thereby reducing costs and increasing its effectiveness, it also represents a risk in itself should a business solution implemented by a centralized office throughout the organization fail to produce the intended results. Quebecor Media may also be required to make capital expenditures or other investments which may affect its ability to implement its business strategies to the extent it is unable to secure additional financing on acceptable terms or generate sufficient funds internally to cover these requirements. Any material failure to implement its strategies could have a material adverse effect on its reputation, business, financial condition, prospects, or results of operations, and on its ability to meet its obligations, including its ability to service its indebtedness.

Rapid growth

Quebecor Media has experienced substantial growth in its business and has significantly expanded its operations in recent years. Quebecor Media has sought in the past, and may in the future seek, to make opportunistic or strategic acquisitions and further expand the types of businesses in which it participates, as was the case for its expansion into facilities-based mobile telephony operations, under appropriate conditions. Quebecor Media can provide no assurance that it will be successful in either developing or fulfilling the objectives of any such acquisition or business expansion.

In addition, Quebecor Media's expansion and acquisitions may require it to incur significant costs or divert significant resources, and may limit its ability to pursue other strategic and business initiatives, which could have an adverse effect on Quebecor Media's business, financial condition, prospects, or results of operations. Furthermore, if Quebecor Media is not successful in managing and integrating any acquired businesses, or if it is required to incur significant or unforeseen costs, its business, results of operations and financial condition could be adversely affected.

Key personnel

Quebecor and its subsidiaries' success depends to a large extent upon the continued services of its senior management and its ability to retain skilled employees. There is intense competition for qualified management and skilled employees, and Quebecor and its subsidiaries' failure to recruit, train and retain such employees could have a material adverse effect on its business, financial condition or operating results. In addition, to implement and manage Quebecor and its subsidiaries' businesses and operating strategies effectively, Quebecor and its subsidiaries must maintain a high level of efficiency, performance and content quality, continue to enhance their operational and management systems, and continue to effectively attract, train, motivate and manage their employees. Quebecor Media currently anticipates a near-term need to attract and train a substantial number of new employees, including many skilled employees. If Quebecor and its subsidiaries are not successful in these efforts, it may have a material adverse effect on their business, prospects, results of operations and financial condition.

Competition for advertising

Advertising revenue is the primary source of revenue for Quebecor Media's News Media and Broadcasting businesses. Quebecor Media's revenues and operating results in these businesses depend on the relative strength of the economy in its principal News Media and television markets, as well as the strength or weakness of local, regional and national economic factors. These economic factors affect the levels of retail, national and classified News Media advertising revenue, as well as television advertising revenue. Since a significant portion of Quebecor Media's advertising revenue is derived from retail and automotive sector advertisers, weakness in these sectors and in the real estate industry has had, and may continue to have, an adverse impact on the revenues and results of operations of News Media and Broadcasting businesses. Continuing or deepening softness in the Canadian or U.S. economy could further adversely affect key national advertising revenue.

In addition to the impact of economic cycles, the newspaper industry is experiencing structural changes, including the growing availability of free access to media, shifting readership habits, digital transferability, the advent of real-time information, and secular changes in the advertising industry. As a result, competition for advertising spend comes not only from other newspapers (including other national, metropolitan (both paid and free) and suburban newspapers), magazines, and more traditional media platforms such as broadcasters, cable systems and networks, satellite television and radio, direct marketing and solo and shared mail programs, but also from digital media technologies, which have introduced a wide variety of media distribution platforms (including, most significantly, the Internet and distribution over wireless devices and e-readers) to consumers and advertisers. While Quebecor Media continues to pursue initiatives to offer value-added advertising solutions to its advertisers, such as newspaper websites and the publication of e–editions of a number of its newspapers, it may not be successful in retaining its historical share of advertising revenues. The ability of the News Media business to grow and succeed over the long term depends on various factors, including its ability to attract advertisers to its online sites, which depends partly on its ability to generate online traffic and partly on the rate at which users click through on advertisements. Quebecor Media may be adversely affected by the development of new technologies to block the display of its advertisements and there can be no assurance that Quebecor Media will be successful in attracting online traffic or advertisers to its Internet sites.

In broadcasting, the proliferation of cable and satellite channels, advances in mobile and wireless technology, the migration of television audiences to the Internet and the viewing public's increased control over the manner, content and timing of their media consumption through personal video recording devices, have all contributed to the fragmentation of the television viewing audience, and created a more challenging advertising sales environment. For example, the increased availability of personal video recording devices and video programming on the Internet, as well as increased access to various media through mobile devices, have the potential to reduce the viewing of its content through traditional distribution outlets. Some of these new technologies also give consumers greater flexibility to watch programming on a time-delayed or on-demand basis or to fast-forward or skip advertisements within its programming, which may adversely impact the advertising revenues it receives. Delayed viewing and advertising skipping have the potential to become more common as the penetration of personal video recording devices increases and content becomes increasingly available via Internet sources.

These factors could have a material adverse effect on Quebecor Media's revenues, results of operations, financial condition, business and prospects.

Competition for readership and audience share

Revenue generation in the News Media business depends in large part on advertising revenues, which are in turn driven by readership and circulation levels, as well as market demographics, price, service, and advertiser results. Readership and circulation levels tend to be based upon the content of the newspaper, service, availability and price. For several years, Quebecor Media, along with the newspaper industry as a whole, has experienced challenges in maintaining circulation volume and revenues because of, among other things, competition from other newspapers and other media platforms (often free to the user), such as the Internet and wireless devices, as well as the declining frequency of regular newspaper-buying, particularly among young people, who increasingly rely on non-traditional media as a source for news. A prolonged decline in readership and circulation levels in Quebecor Media's newspapers business would have a material effect on the rate and volume of its newspaper advertising revenues (as rates reflect circulation and readership, among other factors), and it could also affect its ability to institute circulation price increases for its print products, all of which could have a material adverse effect on its results of operations, financial condition, business and prospects. To maintain its circulation base and online traffic, Quebecor Media may incur additional costs, and it can provide no assurance that it will be able to recover those costs through increased circulation and advertising revenues. Lack of audience acceptance for its content or fragmented readership could also limit its ability to generate advertising and circulation revenues.

In the Broadcasting business, audience share and ratings information, as well as audience demographics and price, are the principal drivers in the competition for television advertising. As with the newspaper industry, the conventional television audience has grown increasingly fragmented, due in large part to the proliferation and growth in popularity of speciality channels, and the migration to alternative content-delivery sources, such as the Internet and wireless devices, which are increasingly being used for distribution of (and access to) news, entertainment and other content. If the broadcasting market continues to fragment, Quebecor Media's audience share levels and its advertising revenues, results of operations, financial condition, business and prospects could be materially adversely affected.

Distribution of a wide range of television programming

The financial performance of its cable and mobile services businesses depends in large part on Quebecor Media's ability to distribute a wide range of appealing, conveniently scheduled television programming at reasonable rates. Quebecor Media obtains television programming from suppliers pursuant to programming contracts. These suppliers have become, in recent years, vertically integrated and are now limited in number. The quality and amount of television programming offered by Quebecor Media affect the attractiveness of its services to customers and, accordingly, the rates Quebecor Media can charge for these services. Quebecor Media may be unable to maintain key programming contracts at commercially reasonable rates for television programming. Loss of programming contracts, Quebecor Media's inability to obtain programming at reasonable rates, or its inability to pass through rate increases to its customers could have a material adverse effect on its business, financial condition, results of operations and prospects.

In addition, Quebecor Media's ability to attract and retain cable customers depends, to a certain extent, upon its capacity to offer quality content, high definition programming, an appealing variety of programming choices and packages, as well as multiplatform distribution and on-demand content, at competitive prices. If the number of specialty channels being offered does not increase at the level and the pace comparable to its competitors, if the content offered on such channels does not receive audience acceptance, or if it is unable to offer multiplatform availability, high definition programming and on-demand content, it may have a significant negative impact on revenues from Quebecor Media's cable operations.

Costs, quality and variety of television programming

The most significant cost in Quebecor Media's Broadcasting business is television programming. Quebecor Media's Broadcasting operations may be exposed to volatile or increased television programming costs which may adversely affect its operating results.

Developments in cable, satellite, Internet, wireless and other forms of content distribution could also affect both the availability and the cost of programming and increase competition for advertising revenue. The production and distribution costs of television and other forms of entertainment may also increase in the future. Moreover, programs may be purchased for broadcasting two to three years in advance, making it difficult to predict how such programs will perform. In some instances, programs must be replaced before their costs have been fully amortized, resulting in accounting adjustments that would accelerate the recognition of expenses.

Cost of newsprint

Newsprint, which is the basic raw material used to publish newspapers, has historically been and may continue to be subject to significant price volatility. During 2011, the total newsprint consumption of Quebecor Media's newspaper operations was approximately 146,600 metric tonnes. Newsprint represents its single largest raw material expense and one of its most significant operating costs. Newsprint expense represented approximately 10.9% ($83.5 million) of its News Media segment's operating expenses for the year ended December 31, 2011. Changes in the price of newsprint could significantly affect Quebecor Media's income, and volatile or increased newsprint costs have had, and may in the future have, a material adverse effect on its results of operations.

In order to obtain more favourable pricing, Quebecor Media sources substantially all of its newsprint from a single newsprint producer (the "Newsprint Supplier"). Pursuant to the terms of its agreement with its Newsprint Supplier, Quebecor Media obtains newsprint at a discount to market prices, receives additional volume rebates for purchases above certain thresholds and benefits from a ceiling on the unit cost of newsprint. Quebecor Media's agreement with its Newsprint Supplier is a three–year agreement and there can be no assurance that it will be able to renew this agreement or that its Newsprint Supplier will continue to supply newsprint to Quebecor Media on favourable terms or at all after the expiry of its agreement. If Quebecor Media is unable to continue to source newsprint from its Newsprint Supplier on favourable terms, or if Quebecor Media is unable to otherwise source sufficient newsprint on terms acceptable to the corporation, its costs could increase materially, which could materially adversely affect the profitability of its newspaper business and its results of operations. Quebecor Media also relies on its Newsprint Supplier for deliveries of newsprint. The availability of its newsprint supply, and therefore its operations, may be adversely affected by various factors, including labour disruptions affecting its Newsprint Supplier or the cessation of operations of its Newsprint Supplier.

In addition, since newspaper publishing is labour intensive and Quebecor Media's operations are located across Canada, its newspaper business has a relatively high fixed-cost structure. During periods of economic contraction, its revenue may decrease while certain costs remain fixed, resulting in decreased earnings.

Single clustered network

Quebecor Media provides its digital television, Internet access and cable telephony services through a primary headend and its analog television services through 12 additional regional headends in a single clustered network. Despite available emergency backup or replacement sites, a failure in Quebecor Media's primary headend could prevent it from delivering some of its products and services throughout its network until Quebecor Media has resolved the failure, which may result in significant customer dissatisfaction, loss of revenues and potential civil litigation.

Dependence on information technology systems

The day-to-day operation of Quebecor Media's business is highly dependent on information technology systems, including those of certain third–party suppliers. An inability to maintain and enhance its existing information technology systems or obtain new systems to accommodate additional customer growth or to support new products and services could have an adverse impact on its ability to acquire new subscribers, retain existing customers, produce accurate and timely billing, generate revenue growth and manage operating expenses, all of which could adversely impact its financial results and position. In addition, although Quebecor Media uses industry standard networks and established information technology security and survivability/disaster recovery practices, a security breach, an act of piracy or disaster could have a material adverse effect on its customer base, reputation, business, prospects, financial condition and results of operations.

Third–party suppliers and providers

Quebecor Media depends on third–party suppliers and providers for certain services, hardware and equipment that are critical to its operations. These materials and services include set-top boxes, cable and telephony modems, servers and routers, fiber-optic cable, telephony switches, inter-city links, support structures, software, the "backbone" telecommunications network for its Internet access and telephony service, and construction services for expansion and upgrades of its cable and mobile networks. These services and equipment are available from a limited number of suppliers. If no supplier can provide Quebecor Media with the equipment or services that it requires or that comply with evolving Internet and telecommunications standards or that are compatible with its other equipment and software, its business, financial condition and results of operations could be materially adversely affected. In addition, if Quebecor Media is unable to obtain critical equipment, software, services or other items on a timely basis and at an acceptable cost, its ability to offer its products and services and roll out its advanced services may be delayed, and its business, financial condition and results of operations could be materially adversely affected. In addition, Quebecor Media obtains significant information through licensing arrangements with content providers. Some providers may seek to increase fees for providing their proprietary content. If Quebecor Media is unable to renegotiate commercially acceptable arrangements with these content providers or to find alternative sources of equivalent content, its News Media operations may be adversely affected.

Strikes and other labour protests

At December 31, 2011, approximately 39% of Quebecor Media's employees were represented by collective bargaining agreements. Through its subsidiaries, Quebecor Media is currently party to 101 collective bargaining agreements:

- Videotron is party to 5 collective bargaining agreements representing approximately 3,700 unionized employees. The two most important collective bargaining agreements, covering unionized employees in the Montréal and Québec City regions, have terms extending to December 31, 2013. There are also two collective bargaining agreements covering unionized employees in the Saguenay and Gatineau regions, with terms running through January 31, 2014 and August 31, 2015, respectively, and one other collective bargaining agreement, covering approximately 50 employees of its SETTE inc. subsidiary, which will expire on December 31, 2012.
- Sun Media is party to 73 collective bargaining agreements, representing approximately 1,510 unionized employees. 11 collective bargaining agreements have expired, representing approximately 100 unionized employees, or 6% of its unionized workforce. Negotiations regarding these collective bargaining agreements are either in progress or will be undertaken in 2012. Of the other collective bargaining agreements, 38 will expire in 2012, representing approximately 475 employees or 31% of its unionized workforce, and 23 others to expire on various dates through December 2019.
- TVA Group is party to 13 collective bargaining agreements, representing approximately 1,240 unionized employees. Of this number, 8 collective bargaining agreements, representing approximately 200 unionized employees or 19% of its unionized workforce, have expired. Negotiations regarding these collective bargaining agreements are in progress. The other collective bargaining agreements will expire between March 31, 2012 and December 31, 2013.
- Of the other 10 collective bargaining agreements, representing approximately 580 unionized employees, 2 collective bargaining agreements representing approximately 200 unionized employees or 35% of its unionized workforce are expired. Negotiations regarding these collective bargaining agreements are in progress. The other collective bargaining agreements will expire between December 2012 and December 2017.

Quebecor Media cannot predict the outcome of any current or future negotiations relating to labour disputes, union representation or the renewal of its collective bargaining agreements, nor can Quebecor Media assure that it will not experience work stoppages, strikes, property damage or other forms of labour protests pending the outcome of any current or future negotiations. If its unionized workers engage in a strike or any other form of work stoppage, it could experience a significant disruption to its operations, damage to its property and/or interruption to its services, which could adversely affect its business, assets, financial position, results of operations and reputation. Even if Quebecor Media does not experience strikes or other forms of labour protests, the outcome of labour negotiations could adversely affect its business and results of operations. Such could be the case if current or future labour negotiations or contracts were to further restrict its ability to maximize the efficiency of its operations. In addition, its ability to make short-term adjustments to control compensation and benefit costs is limited by the terms of its collective bargaining agreements.

Pension plan liability

The economic cycles have a negative impact on the funding of Quebecor Media's defined benefit pension plans and the related expenditures. There is no guarantee that the expenditures and contributions required to fund these pension plans will not increase in the future and therefore negatively impact its operating results and financial position. Risks related to the funding of defined benefit plans may materialize if total obligations with respect to a pension plan exceed the total value of its trust fund. Shortfalls may arise due to lower–than–expected returns on investments, changes in the discount rate used to assess the pension plan's obligations, and actuarial losses. This risk is mitigated by policies and procedures instituted by the Quebecor Media and its pension committees to monitor investment risk and pension plan funding. It is also mitigated by the fact that some of Quebecor Media's defined benefit pension plans are no longer offered to new employees.

Environmental laws and regulations

Quebecor Media is subject to a variety of environmental laws and regulations. Some Quebecor Media's facilities are subject to federal, provincial, state and municipal laws and regulations concerning, among other things, emissions to the air, water and sewer discharge, the handling and disposal of hazardous materials and waste, recycling, the soil remediation of contaminated sites, or otherwise relating to the protection of the environment. In addition, 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 Quebecor Media's operations. Failure to comply with present or future laws or regulations could result in substantial liability to Quebecor Media. Environmental laws and regulations and their interpretation have changed rapidly in recent years and may continue to do so in the future. Quebecor Media's properties, as well as areas surrounding those properties, particularly those in areas of long-term industrial use, may have had historic uses, or may have current uses, in the case of surrounding properties, which may affect its properties and require further study or remedial measures. Quebecor Media can provide no assurance that all environmental liabilities have been determined, that any prior owner of its properties did not create a material environmental condition not known to Quebecor Media, that a material environmental condition does not otherwise exist regarding any such property, or that expenditures will not be required to deal with known or unknown contamination.

Concerns about alleged health risks relating to radiofrequency emissions

Some studies have alleged links between radiofrequency emissions from certain wireless devices and cell sites and various health problems or possible interference with electronic medical devices, including hearing aids and pacemakers. All our cell sites comply with applicable laws and Quebecor Media rely on our suppliers to ensure that the network equipment and customer equipment supplied to us meet all applicable safety requirements. While there is no definitive evidence of harmful effects from exposure to radiofrequency emissions when the limits imposed by applicable laws and regulations are complied with, additional studies of radiofrequency emissions are ongoing and Quebecor Media cannot be sure that the results of any such future studies will not demonstrate a link between radiofrequency emissions and health problems.

The current concerns over radiofrequency emissions or perceived health risks of exposure to radiofrequency emissions could lead to additional governmental regulation, diminished use of wireless services, including Videotron's, or expose us to potential litigation. Any of these could have a material adverse effect on our business, prospects, revenues, financial condition and results of operations.

Legal disputes

In the normal course, Quebecor and its subsidiaries are involved in various legal proceedings and other claims relating to the conduct of their business.

Although, in the opinion of management, the outcome of current pending claims and litigation is not expected to have a material adverse effect on Quebecor and its subsidiaries' reputation, their results of operations, liquidity or financial position, a negative outcome in respect of any such claim or litigation could have such an adverse effect. Moreover, the cost of defending against lawsuits and the diversion of management's attention could be significant.

Government acts and regulations – risks

Quebecor Media's operations are subject to extensive government regulation and policy-making in Canada. Laws and regulations govern the issuance, amendment, renewal, transfer, suspension, revocation and ownership of broadcast programming and distribution licenses. With respect to distribution, regulations govern, among other things, the distribution of Canadian and non-Canadian programming services and the maximum fees to be charged to the public in certain circumstances. For the time being, there are significant restrictions on the ability of non-Canadian entities to own or control broadcasting licences and telecommunications carriers in Canada, although the federal government is currently reviewing whether to relax the foreign ownership restrictions. Quebecor Media's broadcasting distribution and telecommunications operations (including Internet access service) are regulated, respectively, by the *Broadcasting Act* (Canada) and the *Telecommunications Act* (Canada) and regulations thereunder. The CRTC, which administers the *Broadcasting Act* and the *Telecommunications Act*, has the power to grant, amend, suspend, revoke and renew broadcasting licences, approve certain changes in corporate ownership and control, and make regulations and policies in accordance with the *Broadcasting Act* and the *Telecommunications Act*, subject to certain directions from the federal cabinet. Quebecor Media's wireless and cable operations are also subject to technical requirements, licence conditions and performance standards under the *Radiocommunication Act* (Canada), which is administered by Industry Canada.

In addition, laws relating to communications, data protection, e-commerce, direct marketing and digital advertising and the use of public records have become more prevalent in recent years. Existing and proposed legislation and regulations, including changes in the manner in which such legislation and regulations are interpreted by courts in Canada, the United States and other jurisdictions, may impose limits on the collection and use of certain kinds of information.

Changes to the laws, regulations and policies governing Quebecor Media's operations, the introduction of new laws, regulations, policies or terms of licence, the issuance of new licences, including additional spectrum licences to its competitors or changes in the treatment of the tax deductibility of advertising expenditures could have a material effect on its business (including how it provides products and services), financial condition, prospects and results of operations. In addition, Quebecor Media may incur increased costs necessary to comply with existing and newly adopted laws and regulations or pay penalties for any failure to comply. It is difficult to predict in what form laws and regulations will be adopted or how they will be construed by the relevant courts or the extent to which any changes might adversely affect Quebecor Media.

Renewal or grant of licences

Quebecor Media's CRTC broadcasting and distribution licences must be renewed from time to time, typically every seven years, and cannot be transferred without regulatory approval. While CRTC regulations and policies do not require CRTC approval before a broadcaster purchases an unregulated media entity, such as a newspaper, the CRTC may consider the issue of Quebecor Media's cross–media ownership at licence-renewal proceedings, and may also consider this issue in deciding whether to grant new licences to Quebecor Media. The CRTC further has the power to prevent or address the emergence of undue competitive advantage on behalf of one licencee where it is found to exist.

The CRTC may require Quebecor Media to take measures which could have a material adverse effect on the integration of its assets, its employees, and its ability to realize certain of the anticipated benefits of its acquisitions. Its inability to renew any of its licences or acquire new interests or licences on acceptable terms, or at all, could have a material adverse effect on its business, financial condition or results of operations.

Videotron's AWS licenses were issued in December 2008, for a term of 10 years. At least 2 years before the end of this term, and any subsequent term, Videotron may apply for a renewed licence for a term of up to 10 years. AWS license renewal, including whether licence fees should apply for a subsequent licence term, will be subject to a public consultation process initiated in year eight of the licence.

Access to support structures

Quebecor Media requires access to the support structures of hydro electric and telephone utilities and to municipal rights of way to deploy its cable network. Where access to the structures of telephone utilities cannot be secured, Quebecor Media may apply to the CRTC to obtain a right of access under the *Telecommunications Act* (Canada).

Quebecor Media has entered into comprehensive support structure access agreements with all of the major hydro electric companies and all of the major telecommunications companies in its service territory. Quebecor Media's agreement with Hydro–Québec, by far the largest of the hydro electric companies, expires in December 2012. Rates are currently adjusted annually based on the Consumer Price Index (CPI). An increase in rates charged by Hydro-Québec could have a significant impact on Videotron's cost structure.

Indebtedness

Quebecor and its subsidiaries currently have a substantial amount of debt and significant interest payment requirements. As at December 31, 2011, Quebecor and its subsidiaries had a consolidated long-term debt of $3.81 billion. Quebecor's and its subsidiaries' indebtedness could have significant consequences, including the following:

- increase their vulnerability to general adverse economic and industry conditions;
- require them to dedicate a substantial portion of their cash flow from operations to making interest and principal payments on their indebtedness, thereby reducing the availability of their cash flow to fund capital expenditures, working capital and other general corporate purposes;
- limit their flexibility in planning for, or reacting to, changes in their businesses and the industries in which Quebecor and its subsidiaries operate;
- place them at a competitive disadvantage compared to competitors that have less debt or greater financial resources; and
- limit, along with the financial and other restrictive covenants in its indebtedness, among other things, its ability to borrow additional funds on commercially reasonable terms, if at all.

Although Quebecor and its subsidiaries are leveraged, their respective debt instruments permit Quebecor and its subsidiaries to incur substantial additional indebtedness in the future.

Restrictive covenants

Quebecor's and its subsidiaries' debt instruments contain a number of operating and financial covenants restricting their ability to, among other things:

- incur indebtedness;
- create liens;
- pay dividends on or redeem or repurchase its stock;
- make certain types of investments;
- restrict dividends or other payments from restricted subsidiaries;
- enter into transactions with affiliates;
- issue guarantees of debt; and
- sell assets or merge with other companies.

If Quebecor or its subsidiaries are unable to comply with these covenants and are unable to obtain waivers from their creditors, then they would be unable to make additional borrowings under their credit facilities, their indebtedness under these agreements would be in default and could, if not cured or waived, result in an acceleration of such indebtedness and cause cross-defaults under their other debt. If Quebecor's and its subsidiaries' indebtedness is accelerated, Quebecor and its subsidiaries may not be able to repay their indebtedness or borrow sufficient funds to refinance it and any such prepayment or refinancing could adversely affect the Corporation's financial condition. In addition, if Quebecor and its subsidiaries incur additional debt in the future, or refinance existing ones, they may be subject to additional covenants, which may be more restrictive than those to which they are currently subject. Even if Quebecor and its subsidiaries are able to comply with all applicable covenants, the restrictions on their ability to manage their business at their sole discretion could adversely affect their businesses by, among other things, limiting their ability to take advantage of financings, mergers, acquisitions and other corporate opportunities that Quebecor and its subsidiaries believe would be beneficial.

Holding corporation

Quebecor is a holding corporation and a substantial portion of its assets is the capital stock of its subsidiaries. As a holding corporation, Quebecor conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenues. Consequently, Quebecor's cash flow and ability to service its debt obligations are dependent upon the earnings of its subsidiaries and the distribution of this cash flow to Quebecor or upon loans, advances or other payments made by these entities to the Corporation. The ability of these entities to pay dividends or make other loans, advances or payments will depend on their operating results and will be subject to applicable laws and contractual restrictions contained in the instruments governing their debt.

Ability to refinance

Quebecor and its subsidiaries may be required from time to time to refinance certain of their respective existing debt instruments at or prior to their maturity. Quebecor and its subsidiaries' ability to obtain additional financing to repay such existing debt at maturity will depend upon a number of factors, including prevailing market conditions and their operating performance. The tightening of credit availability and the challenges affecting global capital markets could also limit their ability to refinance existing maturities. There can be no assurance that any such financing will be available to Quebecor and its subsidiaries on favourable terms or at all.

Volatility and disruptions in capital and credit markets

The capital and credit markets have experienced significant volatility and disruption over the last several years, resulting in periods of extreme upward pressure on the cost of new debt capital and severe restrictions in credit availability for many companies. These disruptions in the capital and credit markets have also resulted in higher interest rates and greater credit spreads on issuance of debt securities and increased costs under credit facilities. Similar disruptions in the future could increase Quebecor's and its subsidiaries' interest expense, thereby adversely affecting their results of operations and financial position.

Quebecor's and its subsidiaries' access to funds under their existing credit facilities is dependent on the ability of the financial institutions that are parties to those facilities to meet their funding commitments. Those financial institutions may not be able to meet their funding commitments if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests within a short period of time. Moreover, the obligations of the financial institutions under Quebecor's and its subsidiaries' credit facilities are several and not joint and, as a result, a funding default by one or more institutions does not need to be made up by the others.

Longer-term volatility and continued disruptions in the capital and credit markets as a result of uncertainty, changing or increased regulation of financial institutions, reduced alternatives, or failures of significant financial institutions could adversely affect Quebecor's and its subsidiaries' access to the liquidity needed for their businesses in the longer term. Such disruptions could require Quebecor and its subsidiaries to take measures to conserve cash until the markets stabilize or until alternative credit arrangements or other funding for their business needs can be arranged.

Continued market disruptions and broader economic challenges may lead to lower demand for certain of Quebecor's and its subsidiaries' products and increased incidences of customers' inability to pay or to timely pay for the services or products they have provided. Such eventualities could adversely impact Quebecor's and its subsidiaries' results of operations, cash flows and financial position.

Financial risk

The Corporation's financial risk management policies have been established in order to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and in the Corporation's activities.

As a result of their use of financial instruments, the Corporation and its subsidiaries are exposed to credit risk, liquidity risk and market risks relating to foreign exchange fluctuations, interest rate fluctuations and equity prices. In order to manage its foreign exchange and interest rate risks, the Corporation and its subsidiaries use derivative financial instruments (i) to set in Canadian dollars ("CAD dollars") all future payments on debts denominated in U.S. dollars (interest and principal) and certain purchases of inventories and other capital expenditures denominated in a foreign currency and (ii) to achieve a targeted balance of fixed and variable rate debts. The Corporation and its subsidiaries do not intend to settle their derivative financial instruments prior to their maturity as none of these instruments is held or issued for speculative purposes. The Corporation and its subsidiaries designate their derivative financial instruments either as fair value hedges or cash flow hedges when they qualify for hedge accounting.

Description of derivative financial instruments

Table 18
Foreign exchange forward contracts
As of December 31, 2011
(in millions of dollars)

Currencies (sold/bought)	Maturing	Average exchange rate	Notional amount
Videotron			
$/US$	Less than 1 year	0.9936	122.4

Table 19
Cross-currency interest rate swaps as of December 31, 2011
(in millions of dollars)

	Period covered	Notional amount	Annual effective interest rate using hedged rate	Annual nominal interest rate of debt	CAD dollar exchange rate on interest and capital payments per one U.S. dollar
Quebecor Media					
Senior Notes	2007 to 2016	US$ 700.0	7.69%	7.75%	0.9990
Senior Notes	2006 to 2016	US$ 525.0	7.39%	7.75%	1.1600
Term loan "B" credit facilities	2009 to 2013	US$ 111.8	Bankers' acceptances 3 months + 2.22%	LIBOR + 2.00%	1.1625
Term loan "B" credit facilities	2006 to 2013	US$ 48.1	6.44%	LIBOR + 2.00%	1.1625
Videotron					
Senior Notes	2003 to 2014	US$ 135.0	7.66%	6.875%	1.3425
Senior Notes	2003 to 2014	US$ 200.0	Bankers' acceptances 3 months + 2.73%	6.875%	1.3425
Senior Notes	2004 to 2014	US$ 60.0	Bankers' acceptances 3 months + 2.80%	6.875%	1.2000
Senior Notes	2005 to 2015	US$ 175.0	5.98%	6.375%	1.1781
Senior Notes	2008 to 2018	US$ 455.0	9.65%	9.125%	1.0210
Senior Notes	2009 to 2018	US$ 260.0	9.12%	9.125%	1.2965

Certain cross-currency interest rate swaps entered into by the Corporation and its subsidiaries include an option that allows each party to unwind the transaction on a specific date at the then settlement amount.

Table 20
Interest rate swaps as of December 31, 2011
(in millions of dollars)

Maturity	Notional amount	Pay/ receive	Fixed rate	Floating rate
Sun Media Corporation				
October 2012	$ 38.0	Pay fixed/ Receive floating	3.75%	Bankers' acceptances 3 months

Fair value of financial instruments

The carrying amount of accounts receivable (classified as loans and receivables), accounts payable, accrued charges and provisions (classified as other liabilities) approximates their fair value since these items will be realized or paid within one year or are due on demand. Other financial instruments classified as loans and receivables or as available for sale are not significant and their carrying value approximates their fair value.

The fair value of long-term debt in Table 21 is estimated based on quoted market prices when available or on valuation models. When the Corporation uses valuation models, the fair value is estimated using discounted cash flows using year-end market yields or the market value of similar instruments with the same maturity.

The fair value of cash equivalents, temporary investments and bank indebtedness, classified as held for trading and accounted for at their fair value on the consolidated balance sheets, is determined using inputs that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

The fair value of derivative financial instruments recognized on the consolidated balance sheets is estimated as per the Corporation's valuation models. These models project future cash flows and discount the future amounts to a present value using the contractual terms of the derivative instrument and factors observable in external markets data, such as period-end swap rates and foreign exchange rates. An adjustment is also included to reflect non-performance risk, impacted by the financial and economic environment prevailing at the date of the valuation in the recognized measure of the fair value of the derivative instruments by applying a credit default premium estimated using a combination of observable and unobservable inputs in the market to the net exposure of the counterparty or the Corporation.

The fair value of early settlement options recognized as embedded derivatives is determined by option pricing models using market inputs, including volatility and discount factors.

The carrying value and fair value of long-term debt and derivative financial instruments as of December 31, 2011 and 2010 are as follows:

Table 21
Fair value of long-term debt and derivative financial instruments
(in millions of Canadian dollars)

	December 31, 2011		December 31, 2010	
	Carrying value	**Fair value**	Carrying value	Fair value
Long-term debt[1]	**$ (3,953.0)**	**$ (4,107.4)**	$ (3,701.0)	$ (3,877.8)
Derivative financial instruments :				
Early settlement options	**138.0**	**138.0**	88.8	88.8
Interest rate swaps	**(0.9)**	**(0.9)**	(1.3)	(1.3)
Foreign exchange forward contracts	**3.2**	**3.2**	(2.4)	(2.4)
Cross-currency interest rate swaps	**(282.8)**	**(282.8)**	(447.5)	(447.5)

[1] The carrying value of long-term debt excludes adjustments to record changes in the fair value of long-term debt related to hedged interest risk, embedded derivatives and financing fees.

The estimated sensitivity on income and other comprehensive income, before income tax, of a 100 basis-point variance in the credit default premium used to calculate the fair value of derivative financial instruments as of December 31, 2011, as per the Corporation's valuation models, is as follows:

Increase (decrease)	**Income**	**Other comprehensive income**
Increase of 100 basis points	**$ 1.4**	**$ 7.6**
Decrease of 100 basis points	**(1.4)**	**(7.6)**

Due to the judgment used in applying a wide range of acceptable techniques and estimates in calculating fair value amounts, fair values are not necessarily comparable among financial institutions or other market participants and may not be realized in an actual sale or on the immediate settlement of the instrument.

Credit risk management

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial asset fails to meet its contractual obligations.

In the normal course of business, the Corporation continuously monitors the financial condition of its customers and reviews the credit history of each new customer. As of December 31, 2011, no customer balance represented a significant portion of the Corporation's consolidated trade receivables. The Corporation establishes an allowance for doubtful accounts based on the specific credit risk of its customers and historical trends. The allowance for doubtful accounts amounted to $30.4 million as of December 31, 2011 ($39.1 million as of December 31, 2010). As of December 31, 2011, 7.9% of trade receivables were 90 days past their billing date (10.5% as of December 31, 2010).

The following table shows changes to the allowance for doubtful accounts for the years ended December 31, 2011 and 2010:

		2011		2010
Balance as of beginning of year	**$**	**39.1**	$	40.3
Charged to income		**20.0**		27.8
Utilization		**(28.7)**		(29.0)
Balance as of end of year	**$**	**30.4**	$	39.1

The Corporation believes that its product lines and the diversity of its customer base are instrumental in reducing its credit risk, as well as the impact of fluctuations in product-line demand. The Corporation does not believe that it is exposed to an unusual level of customer credit risk.

As a result of their use of derivative financial instruments, the Corporation and its subsidiaries are exposed to the risk of non–performance by a third party. When the Corporation and its subsidiaries enter into derivative contracts, the counterparties (either foreign or Canadian) must have credit ratings at least in accordance with the Corporation's risk management policy and are subject to concentration limits.

Liquidity risk management

Liquidity risk is the risk that the Corporation and its subsidiaries will not be able to meet their financial obligations as they fall due or the risk that those financial obligations have to be met at excessive cost. The Corporation and its subsidiaries manage this exposure through staggered debt maturities. The weighted average term of the Corporation's consolidated debt was approximately 5.1 years as of December 31, 2011 (4.9 years as of December 31, 2010).

Market risk

Market risk is the risk that changes in market prices due to foreign exchange rates, interest rates and/or equity prices will affect the value of the Corporation's financial instruments. The objective of market risk management is to mitigate and control exposures within acceptable parameters while optimizing the return on risk.

Foreign currency risk

Most of the Corporation's consolidated revenues and expenses, other than interest expense on U.S. dollar-denominated debt, purchases of set-top boxes, handsets and cable modems, and certain capital expenditures, are received or denominated in CAD dollars. A large portion of the interest, principal and premium, if any, payable on its debt is payable in U.S. dollars. The Corporation and its subsidiaries have entered into transactions to hedge the foreign currency risk exposure on 100% of their U.S. dollar-denominated debt obligations outstanding as of December 31, 2011 and to hedge their exposure on certain purchases of set-top boxes, handsets, cable modems and capital expenditures. Accordingly, the Corporation's sensitivity to variations in foreign exchange rates is economically limited.

The following table summarizes the estimated sensitivity on income and other comprehensive income, before income tax, of a variance of $0.10 in the year-end exchange rate of a CAD dollar per one U.S. dollar, as of December 31, 2011:

Increase (decrease)	Income	Other comprehensive income
Increase of $0.10		
U.S. dollar-denominated accounts payable	$ **(0.9)**	$ **–**
Gain on valuation and translation of financial instruments and derivative financial instruments	**(0.7)**	**71.1**
Decrease of $0.10		
U.S. dollar-denominated accounts payable	**0.9**	**–**
Gain on valuation and translation of financial instruments and derivative financial instruments	**0.7**	**(71.1)**

Interest rate risk

Some of the Corporation's and its subsidiaries' revolving and bank credit facilities bear interest at floating rates based on the following reference rates: (i) Bankers' acceptance rate, (ii) London Interbank Offered Rate ("LIBOR"), and (iii) Canadian bank prime rate. The Senior Notes issued by the Corporation and its subsidiaries bear interest at fixed rates. The Corporation and its subsidiaries have entered into various interest rate and cross-currency interest rate swap agreements in order to manage cash flow and fair value risk exposure due to changes in interest rates. As of December 31, 2011, after taking into account the hedging instruments, long-term debt was comprised of 82.6% fixed rate debt (74.1% in 2010) and 17.4% floating rate debt (25.9% in 2010).

The estimated sensitivity on financial expense for floating rate debt, before income tax, of a 100 basis-point variance in the year–end Canadian Bankers' acceptance rate as of December 31, 2011 is $7.5 million.

The estimated sensitivity on income and other comprehensive income, before income tax, of a 100 basis-point variance in the discount rate used to calculate the fair value of financial instruments as of December 31, 2011, as per the Corporation's valuation models, is as follows:

Increase (decrease)	Income	Other comprehensive income
Increase of 100 basis points	$ **0.6**	$ **7.4**
Decrease of 100 basis points	**(0.6)**	**(7.4)**

Capital management

The Corporation's primary objective in managing capital is to maintain an optimal capital base in order to support the capital requirements of its various businesses, including growth opportunities.

In managing its capital structure, the Corporation takes into account the asset characteristics of its subsidiaries and planned requirements for funds, leveraging their individual borrowing capacities in the most efficient manner to achieve the lowest cost of financing. Management of the capital structure involves the issuance of new debt, the repayment of existing debt using cash generated by operations, and the level of distributions to shareholders. The Corporation has not significantly changed its strategy regarding the management of its capital structure since the last financial year.

The Corporation’s capital structure is composed of equity, bank indebtedness, long-term debt, net assets and liabilities related to derivative financial instruments, less cash and cash equivalents, cash and cash equivalents in trust and temporary investment. The capital structure is as follows:

Table 22
Capital structure of Quebecor
(in millions of dollars)

	December 31, 2011	December 31, 2010	January 1, 2010
Bank indebtedness	**$ 4.2**	$ 5.7	$ 1.8
Long-term debt	**3,802.8**	3,618.1	3,880.5
Derivative financial instruments	**280.5**	451.2	373.4
Cash and cash equivalents	**(146.4)**	(242.7)	(300.0)
Cash and cash equivalents in trust	**(0.3)**	(5.3)	(5.3)
Temporary investments	**–**	–	(30.0)
Net liabilities	**3,940.8**	3,827.0	3,920.4
Equity	**$ 2,870.6**	$ 2,651.7	$ 2,257.8

The Corporation is not subject to any externally imposed capital requirements other than certain restrictions under the terms of its borrowing agreements, which relate to permitted investments, inter-corporation transactions, the declaration and payment of dividends or other distributions.

Contingencies

In February 2012, a settlement was reached in legal proceedings against some of the Corporation’s subsidiaries, initiated by another corporation in relation to printing contracts, including the cancellation of printing contracts. The settlement will have no material impact on the Corporation’s financial statements.

In addition, a number of other legal proceedings against the Corporation and its subsidiaries are pending. In the opinion of the management of the Corporation and its subsidiaries, the outcome of these proceedings is not expected to have a material adverse effect on Corporation’s results or on its financial position.

Critical Accounting Policies and Estimates

Revenue recognition

The Corporation recognizes operating revenues when the following criteria are met:

- the amount of revenue can be measured reliably;
- the receipt of economic benefits associated with the transaction is probable;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably;
- the stage of completion can be measured reliably where services have been rendered; and;
- significant risks and rewards of ownership, including effective control, have been transferred to the buyer where goods have been sold.

The portion of revenue that is unearned is recorded under “Deferred revenue” when customers are invoiced.

Revenue recognition policies for each of the Corporation's main segments are as follows:

Telecommunications

The Telecommunications segment provides services under arrangements with multiple deliverables, for which there are two separate accounting units: one for subscriber services (cable television, Internet, cable telephony or mobile telephony, including connection costs and rental of equipment); the other for equipment sales to subscribers. Components of multiple deliverable arrangements are separately accounted for, provided the delivered elements have stand-alone value to the customer and the fair value of any undelivered elements can be objectively and reliably determined.

Cable connection revenues are deferred and recognized as revenues over the estimated average period that subscribers are expected to remain connected to the network. The incremental and direct costs related to cable connection costs, in an amount not exceeding the revenue, are deferred and recognized as an operating expense over the same period. The excess of those costs over the related revenues is recognized immediately in income. Operating revenues from cable and other services, such as Internet access, cable and mobile telephony, are recognized when services are rendered. Promotional offers and rebates are accounted for as a reduction in the service revenue to which they relate. Revenues from equipment sales to subscribers and their costs are recognized in income when the equipment is delivered and, in the case of mobile devices, revenues from equipment sales are recognized in income when the mobile device is delivered and activated. Promotional offers related to equipment, with the exclusion of mobile devices, are accounted for as a reduction of related equipment sales on delivery while promotional offers related to the sale of mobile devices are accounted for as a reduction of related equipment sales on activation. Operating revenues related to service contracts are recognized in income over the life of the specific contracts on a straight-line basis over the period in which the services are provided.

News Media

Revenues derived from circulation are recognized when the publication is delivered, net of provisions for estimated returns based on the segment's historical rate of returns. Advertising revenues are also recognized when the publication is delivered. Website advertising is recognized when advertisements are placed on websites. Revenues from the distribution of publications and products are recognized upon delivery, net of provisions for estimated returns.

Broadcasting

Revenues derived from the sale of advertising airtime are recognized when the advertisement has been broadcast on television. Revenues derived from subscriptions to specialty television channels are recognized on a monthly basis at the time service is rendered. Circulation revenues derived from publishing activities are recognized when the publication is delivered, net of provisions for estimated returns based on the segment's historical rate of returns. Revenues from advertising related to publishing activities are also recognized when the publication is delivered. Website advertising is recognized when advertisements are placed on websites.

Revenues derived from the distribution of televisual products and movies and from television program rights are recognized over the broadcasting period or over the viewing period in theatres based on a percentage of revenues generated, when exploitation, exhibition or sale can commence, and the licence period of the arrangement has begun.

Revenues generated from the distribution of DVD and Blu-ray units are recognized at the time of their delivery, less a provision for estimated returns, or are accounted for based on a percentage of retail sales.

Leisure and Entertainment

Revenues derived from retail stores, book publishing and distribution activities are recognized on delivery of the products, net of provisions for estimated returns based on the segment's historical rate of returns

Impairment of assets

For the purposes of assessing impairment, assets are grouped in cash-generated units ("CGUs") which represent the lowest levels for which there are separately identifiable cash inflows generated by those assets. The Corporation reviews at each balance sheet date whether events or circumstances have occurred to indicate that the carrying amounts of its long-lived assets with finite useful lives may be less than their recoverable amounts. Goodwill, other intangible assets having an indefinite useful life, and intangible assets not yet available for use are tested for impairment on April 1 of each financial year, as well as whenever there is an indication that the carrying amount of the asset, or the CGU, to which an asset has been allocated, exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use of the asset or the CGU. Fair value less costs to sell represents the amount an entity could obtain at the valuation date from the asset's disposal in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. The value in use represents the present value of the future cash flows expected to be derived from the asset or th CGU.

The Corporation uses the discounted cash flow method to estimate the value in use, consisting of future cash flows derived from the most recent budget and three-year strategic plan approved by the Corporation's management and presented to the Board of Directors. These forecasts consider each CGU's past operating performance and market share as well as economic trends, along with specific and market industry trends and corporate strategies. A range of growth rates is used for cash flows beyond this three-year period. The discount rate used by the Corporation is a pre-tax rate derived from the weighted average cost of capital pertaining to each CGU, which reflects the current market assessment of (i) the time value of money and (ii) the risk specific to the assets for which the future cash flow estimates have not been adjusted. The perpetual growth rate has been determined with regard to the specific markets in which the CGUs participate.

An impairment loss is recognized in the amount by which the carrying amount of an asset or a CGU exceeds its recoverable amount. When the recoverable amount of a CGU to which goodwill has been allocated is lower than the CGU's carrying amount, the related goodwill is first impaired. Any excess amount of impairment is recognized and attributed to assets in the CGU prorated to the carrying amount of each asset in the CGU.

An impairment loss recognized in prior periods for long-lived assets with finite useful lives and intangible assets having an indefinite useful life, other than goodwill, can be reversed through the consolidated statement of income up to the excess of the recoverable amount of the asset or the CGU over its carrying value.

When determining the fair value less costs to sell of asset or CGU, the assessment of the information available at the valuation date is based on management's judgment, and may involve estimates and assumptions. Furthermore, the discounted cash flow method used in determining the value in use of an asset or CGU relies on the use of estimates such as the amount and timing of cash flows, expected variations in the amount or timing of those cash flows, the time value of money, as represented by the risk-free rate, and the risk premium associated with the asset or CGU.

Therefore, judgment used in determining the recoverable amount of an asset or a CGU may affect the amount of the impairment loss to an asset or a CGU to be recorded, as well as the potential reversal of the impairment charge in the future.

Based on the data and assumptions used in its last impairment test, the Corporation believes that at this time there are no significant amounts long-lived assets with finite useful lives, or goodwill and intangible assets with indefinite useful lives, on its books that present a significant risk of impairment in the near future.

The net book value of goodwill as at December 31, 2011 was $3.54 billion, and the net book value of intangible assets with indefinite useful lives as at December 31, 2011 was $165.2 million.

Impairment charges previously recorded under Canadian GAAP were unaffected by the adoption of IFRS.

Derivative financial instruments and hedge accounting

The Corporation uses various derivative financial instruments to manage its exposure to fluctuations in foreign currency exchange rates and interest rates. The Corporation does not hold or use any derivative financial instruments for speculative purposes. Under hedge accounting, the Corporation documents all hedging relationships between hedging items and hedged items, as well as its strategy for using hedges and its risk-management objective. It also designates its derivative financial instruments as either fair value hedges or cash flow hedges. The Corporation assesses the effectiveness of derivative financial instruments when the hedge is put in place and on an ongoing basis.

The Corporation enters into the following types of derivative financial instruments:

- The Corporation uses foreign exchange forward contracts to hedge foreign currency rate exposure on (i) anticipated equipment or inventory purchases in a foreign currency, and (ii) principal payments on long-term debt in a foreign currency. These foreign exchange forward contracts are designated as cash flow hedges.
- The Corporation uses cross-currency interest rate swaps to hedge (i) foreign currency rate exposure on interest and principal payments on foreign currency denominated debt, and/or (ii) fair value exposure on certain debt resulting from changes in interest rates. The cross-currency interest rate swaps that set all future interest and principal payments on U.S.-denominated debt in fixed CAD dollars are designated as cash flow hedges. The Corporation's cross-currency interest rate swaps that set all future interest and principal payments on U.S.-denominated debt in fixed CAD dollars, in addition to converting the interest rate from a fixed rate to a floating rate, or converting a floating rate index to another floating rate index, are designated as fair value hedges.
- The Corporation uses interest rate swaps to manage fair value exposure on certain debt resulting from changes in interest rates. These swap agreements require a periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. These interest rate swaps are designated as fair value hedges when they convert the interest rate from a fixed rate to a floating rate, or as cash flow hedges when they convert the interest rate from a floating rate to a fixed rate.

Under hedge accounting, the Corporation applies the following accounting policies:

- For derivative financial instruments designated as fair value hedges, changes in the fair value of the hedging derivative recorded in income are substantially offset by changes in the fair value of the hedged item to the extent that the hedging relationship is effective. When a fair value hedge is discontinued, the carrying value of the hedged item is no longer adjusted and the cumulative fair value adjustments to the carrying value of the hedged item are amortized to income over the remaining term of the original hedging relationship.
- For derivative financial instruments designated as cash flow hedges, the effective portion of a hedge is reported in other comprehensive income until it is recognized in income during the same period in which the hedged item affects income, while the ineffective portion is immediately recognized in income. When a cash flow hedge is discontinued, the amounts previously recognized in accumulated other comprehensive income are reclassified to income when the variability in the cash flows of the hedged item affects income.

Any change in the fair value of these derivative financial instruments recorded in income is included in gain or loss on valuation and translation of financial instruments. Interest expense on hedged long-term debt is reported at the hedged interest and foreign currency rates.

Derivative financial instruments that are ineffective or that are not designated as hedges, including derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts, are reported on a fair value basis in the consolidated balance sheets. Any change in the fair value of these derivative financial instruments is recorded in income as a gain or loss on valuation and translation of financial instruments.

The judgment used in determining the fair value of derivative financial instruments and the non-performance risk, using valuation models, may affect the value of the gain or loss on valuation and translation of financial instruments reported in the consolidated statements of income, and the value of the gain or loss on derivative financial instruments reported in the consolidated statements of comprehensive income.

Pension plans and postretirement benefits

The Corporation offers defined contribution pension plans and defined benefit pension plans to some of its employees.

Quebecor Media's defined benefit obligations with respect to defined benefit pension and postretirement benefits are measured at present value and assessed on the basis of a number of economic and demographic assumptions, which are established with the assistance of Quebecor Media's actuaries. Key assumptions relate to the discount rate, the expected return on the plan's assets, the rate of increase in compensation, retirement age of employees, health care costs and other actuarial factors. Defined benefit pension plan assets are measured at fair value and consist of equities and corporate and government fixed-income securities.

Actuarial gains and losses are recognized immediately through other comprehensive income within retained earnings. Actuarial gains and losses arise from the difference between the actual rate of return on plan assets for a given period and the expected rate of return on plan assets for that period, experience adjustments on liabilities, or changes in actuarial assumptions used to determine the defined benefit obligation.

The recognition of the net benefit asset is limited under certain circumstances to the amount recoverable, which is primarily based on the extent to which the Corporation can unilaterally reduce future contributions to the plan. In addition, an adjustment to the net benefit asset or the net benefit obligations can be recorded to reflect a minimum funding liability in a certain number of the Corporation's pension plans. Changes in the net benefit asset limit or in the minimum funding liability are recognized immediately in other comprehensive income within retained earnings. The assessment of the amount recoverable in the future, for the purpose of calculating the limit on the net benefit asset, is based on a number of assumptions, including future service costs and reductions in future plan contributions.

Alternatively to the recognition policy in other comprehensive income chosen by the Corporation, an accounting policy might have been adopted applicable to all defined benefit plans whereby actuarial gains and losses, as well as changes in the net benefit asset limit or in the minimum funding adjustment, are recognized immediately in income or expense as they occur. The Corporation may have also elected as an accounting policy choice to account for actuarial gains and losses using the corridor method as permitted under IFRS.

The Corporation considers all the assumptions used to be reasonable in view of the information available at this time. However, variances from these assumptions could have a material impact on the costs and obligations of pension plans and postretirement benefits in future periods.

Stock-based compensation

Stock-based awards to employees that call for settlement in cash or other assets at the option of the employee are accounted for at fair value and classified as a liability. The compensation cost is recognized in expenses over the vesting period. Changes in the fair value of stock-based awards between the grant date and the measurement date result in a change in the liability and compensation cost.

Estimates of the fair value of stock options awards are determined by applying an option-pricing model, taking into account the terms and conditions of the grant and assumptions such as the risk-free interest rate, the dividend yield, the expected volatility, and the expected remaining life of the option.

The judgment and assumptions used in determining the fair value of liability classified stock-based awards may have an effect on the compensation cost recorded in the statements of income.

Provisions for contingent liabilities

Provisions are recognized when (i) the Corporation has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and when (ii) the amount of the obligation can be reliably estimated. Restructuring costs, comprised primarily of termination benefits, are recognized when a detailed plan for the restructuring exists and a valid expectation has been raised in those affected that the plan will be carried out.

Provisions are reviewed at each balance sheet date and changes in estimates are reflected in the consolidated statement of income in the reporting period in which changes occur.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date or to transfer it to a third party at that time, and is adjusted for the effect of time value when material. The amount recognized for onerous contracts is the lower of the cost necessary to fulfill the obligations, net of expected economic benefits deriving from the contracts, and any indemnity or penalty arising from failure to fulfill these obligations.

No amounts are recognized for obligations that are possible but not probable or those for which amount cannot be reasonably estimated.

Allowance for doubtful accounts

The Corporation maintains an allowance for doubtful accounts to cover anticipated losses from customers who are unable to pay their debts. The allowance is reviewed periodically and is based on an analysis of specific significant accounts outstanding, the age of the receivable, customer creditworthiness, and historical collection experience.

Business combinations

A business combination is accounted for by the acquisition method. The cost of an acquisition is measured at the fair value of the consideration given in exchange for control of the business acquired at the acquisition date. This consideration can be comprised of cash, assets transferred, financial instruments issued, or future contingent payments. The identifiable assets and liabilities of the business acquired are recognized at their fair value at the acquisition date. The excess of the purchase price over the sum of the values ascribed to the acquired assets and assumed liabilities is recorded as goodwill. The judgments made in determining the estimated fair value and the expected useful life of each acquired asset, and the estimated fair value of each assumed liability, can significantly impact net income, because, among other things, of the impact of the useful lives of the acquired assets, which may vary from projections. Also, future income taxes on temporary differences between the book and tax value of most of the assets are recorded in the purchase price equation, while no future income taxes are recorded on the difference between the book value and the tax value of goodwill. Consequently, to the extent that greater value is ascribed to long-lived than to shorter-lived assets under the acquisition method, less amortization may be recorded in a given period.

Determining the fair value of certain acquired assets, assumed liabilities and future contingent considerations requires judgment and involves complete absolute reliance on estimates and assumptions. The Corporation primarily uses the discounted future cash flows approach to estimate the value of acquired intangible assets.

The estimates and assumptions used in the allocation of the purchase price at the date of acquisition may also have an impact on the amount of an impairment charge to be recognized, if any, after the date of acquisition, as discussed above under “Impairment of assets”.

Income taxes

Deferred income taxes are accounted for using the liability method. Under this method, deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in income in the period that includes the substantive enactment date. A deferred tax asset is recognized initially when it is probable that future taxable income will be sufficient to use the related tax benefits and may be subsequently reduced, if necessary, to an amount that is more likely than not to be realized.

The assessment of deferred income taxes is judgmental in nature and is dependent on assumptions and estimates as to the availability and character of future taxable income. The ultimate amount of deferred income tax assets realized could be slightly different from that recorded, since it is influenced by the Corporation’s future operating results.

The Corporation is at all times under audit by various tax authorities in each of the jurisdictions in which it operates. A number of years may elapse before a particular matter for which management has established a reserve is audited and resolved. The number of years between each tax audit varies, depending on the tax jurisdiction. Management believes that its estimates are reasonable and reflect the probable outcome of known tax contingencies, although the final outcome is difficult to predict.

Recent Accounting Developments in Canada

As described above in the "Transition to IFRS" section of this report, the Corporation adopted IFRS on January 1, 2011. The 2010 financial figures have been restated accordingly. The Corporation is required to apply IFRS accounting policies retrospectively to determine the IFRS opening balance sheet at January 1, 2010. However, IFRS provides a number of mandatory exceptions and optional exemptions to this general principle of retrospective application (refer to Note 29 of the consolidated financial statements for the year ended December 31, 2011 for more details on the exemption choices and adjustments resulting from the adoption of IFRS made by the Corporation).

The adoption of IFRS did not necessitate any significant modifications to information technology, data systems or internal controls currently implemented and used by the Corporation. The Corporation also determined that new policy choices adopted in light of IFRS requirements had no contractual or business implications on existing financing arrangements or similar obligations as at the date of adoption and as at the end of the current reporting period. Under current circumstances, the Corporation has not identified any contentious issues arising from the adoption of IFRS.

The Corporation has not early adopted the following new standards and adoption impacts on the consolidated financial statements have not yet been determined:

New and amended standards	Expected changes to existing standards
IFRS 9 – Financial Instruments *(Effective from periods beginning January 1, 2015, with early adoption permitted)*	IFRS 9 simplifies the measurement and classification for financial assets by reducing the number of measurement categories and removing complex rule-driven embedded derivative guidance in IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard also provides for a fair value option in the designation of a non-derivative financial liability and its related classification and measurement.
IFRS 10 – Consolidated Financial Statements *(Effective from periods beginning January 1, 2013, with early adoption permitted)*	IFRS 10 replaces SIC-12 *Consolidation – Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements* and provides additional guidance regarding the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent corporation.
IFRS 11 – Joint Arrangements *(Effective from periods beginning January 1, 2013, with early adoption permitted)*	IFRS 11 replaces IAS 31, *Interests in Joint Ventures*, with guidance that focuses on the rights and obligations of the arrangement, rather than its legal form. It also withdraws the option to proportionately consolidate an entity's interests in joint ventures. The new standard requires that such interests be recognized using the equity method.
IFRS 12 – Disclosure of Interests in Other Entities *(Effective from periods beginning January 1, 2013, with early adoption permitted)*	IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose entities and other off-balance sheet vehicles.
IAS 19 – Post-employment Benefits (including Pensions) (Amended) *(Effective from periods beginning January 1, 2013, with retrospective application)*	Amendments to IAS 19 involve, among other changes, the immediate recognition of the re-measurement component in other comprehensive income, thereby removing the accounting option previously available in IAS 19 to recognize or to defer recognition of changes in defined benefit obligations and in the fair value of plan assets directly in the statement of income. IAS 19 allows amounts recorded in other comprehensive income to be recognized either immediately in retained earnings or as a separate category within equity. IAS 19 also introduces a net interest approach that replaces the expected return on assets and interest costs on the defined benefit obligation with a single net interest component determined by multiplying the net defined benefit liability or asset by the discount rate used to determine the defined benefit obligation. In addition, all past service costs are required to be recognized in profit or loss when the employee benefit plan is amended and no longer spread over any future service period.

Controls and procedures

In accordance with Regulation 52-109 on Certification of Disclosure in Issuers' Annual and Interim Filings, the effectiveness of the Corporation's disclosure controls and procedures ("DCP") and "Internal control over financial reporting" ("ICFR") has been evaluated. Based on this evaluation, the President and Chief Executive Officer and the Chief Financial Officer concluded that DCP and ICFR were effective as of the end of the year ended December 31, 2011. The design of DCP therefore provides reasonable assurance that material information relating to the Corporation, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared, and that information required to be disclosed by the Corporation in its annual, interim and other reports, which it files or releases in accordance with securities laws, is recorded, processed, summarized and reported within the time periods specified under those laws. Moreover, the design of ICFR provides reasonable assurance of the reliability of the Corporation's financial reporting and of the preparation of its financial statements, for the purpose of financial reporting, in accordance with IFRS.

Finally, no change to ICFR that has had or is liable to have a material effect was identified by management during the financial period beginning October 1, 2011 and ending December 31, 2011.

Additional Information

The Corporation is a reporting issuer subject to the securities laws of all Canadian provinces and is therefore required to file financial statements, a proxy circular and an annual information form with the various securities commissions. Copies of those documents are available free of charge from the Corporation on request, and on the Web at <www.sedar.com>.

Forward-Looking Statements

The statements in this report that are not historical facts are forward-looking statements and are subject to significant known and unknown risks, uncertainties and assumptions that could cause the Corporation's actual results for future periods to differ materially from those set forth in the forward-looking statements. Forward-looking statements may be identified by the use of the conditional or by forward-looking terminology such as the terms "plans," "expects," "may," "anticipates," "intends," "estimates," "projects," "seeks," "believes" or similar terms, variations of such terms or the negative of such terms. Some important factors that could cause actual results to differ materially from those expressed in these forward-looking statements include, but are not limited to:

- Quebecor Media's ability to successfully continue developing its network and facilities-based mobile offering;
- general economic, financial or market conditions and variations in the businesses of Quebecor Media's local, regional or national newspapers and broadcasting advertisers;
- the intensity of competitive activity in the industries in which Quebecor operates, including competition from other communications and advertising media and platforms;
- fragmentation of the media landscape;
- new technologies that might change consumer behaviour with respect to Quebecor Media's products;
- unanticipated higher capital spending required for developing its network or continued development of competitive alternative technologies or the inability to obtain additional capital to continue the development of Quebecor's business;
- Quebecor's ability to implement its business and operating strategies successfully and to manage its growth and expansion;
- Quebecor Media's ability to successfully restructure its News Media operations to optimize their efficiency in the context of the changing newspaper industry;
- disruptions to the network through which Quebecor Media provides its television, Internet access and telephony services, and its ability to protect such services from piracy;
- labour disputes or strikes;
- changes in Quebecor Media's ability to obtain services and equipment critical to its operations;
- changes in laws and regulations, or in their interpretation, which could result, among other things, in the loss (or reduction in value) of Quebecor Media's licences or markets or in an increase in competition, compliance costs or capital expenditures;
- Quebecor's substantial indebtedness, the tightening of credit markets, and the restrictions on its business imposed by the terms of its debt; and; and
- interest rate fluctuations that affect a portion of Quebecor's interest payment requirements on long-term debt.

The forward-looking statements in this document are made to provide investors and the public with a better understanding of the Corporation's circumstances and are based on assumptions it believes to be reasonable as of the day on which they are made. Investors and others are cautioned that the foregoing list of factors that may affect future results is not exhaustive and that undue reliance should not be placed on any forward-looking statements. For more information on the risks, uncertainties and assumptions that could cause the Corporation's actual results to differ from current expectations, please refer to the Corporation's public filings available at <www.sedar.com> and <www.quebecor.com> including, in particular, the "Risks and Uncertainties" section contained above in this document.

The forward-looking statements in this Management's Discussion and Analysis reflect the Corporation's expectations as of March 15, 2012 and are subject to change after this date. The Corporation expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.

Montréal, Québec

March 15, 2012

QUEBECOR INC. AND ITS SUBSIDIARIES
SELECTED FINANCIAL DATA

Years ended December 31, 2011, 2010 and 2009
(in millions of Canadian dollars, except per share data)

	2011 (1)	2010 (1)	2009 (2)
Operations			
Revenues	**$ 4,206.6**	$ 4,000.1	$ 3,806.4
Income from continuing operations before amortization, financial expenses, gain on valuation and translation of financial instruments, restructuring of operations, impairment of assets and other special items, loss on debt refinancing, impairment of goodwill and intangible assets, income taxes and non-controlling interest	**1,341.7**	1,333.4	1,276.7
Contribution to net income attributable to shareholders:			
Continuing operations	**191.5**	220.6	236.3
Gain on valuation and translation of financial instruments	**20.6**	20.8	45.9
Unusual items and impairment of goodwill and intangible assets	**(11.1)**	(16.1)	(6.1)
Discontinued operations	**-**	-	1.6
Net income attributable to shareholders	**201.0**	225.3	277.7
Cash flows provided by continuing operating activities	**866.3**	809.9	925.3
Basic per share data			
Contribution to net income attributable to shareholders:			
Continuing operations	**$ 2.99**	$ 3.42	$ 3.68
Gain on valuation and translation of financial instruments	**0.32**	0.32	0.72
Unusual items and impairment of goodwill and intangible assets	**(0.17)**	(0.24)	(0.10)
Discontinued operations	**-**	-	0.02
Net income attributable to shareholders	**3.14**	3.50	4.32
Dividends	**0.20**	0.20	0.20
Equity attributable to shareholders	**22.28**	20.29	18.20
Weighted average number of shares outstanding (in millions)	**64.0**	64.3	64.3
Diluted per share data			
Contribution to net income attributable to shareholders:			
Continuing operations	**$ 2.96**	$ 3.36	$ 3.64
Gain on valuation and translation of financial instruments	**0.32**	0.32	0.72
Unusual items and impairment of goodwill and intangible assets	**(0.17)**	(0.24)	(0.10)
Discontinued operations	**-**	-	0.02
Net income attributable to shareholders	**3.11**	3.44	4.28
Diluted weighted average number of shares (in millions)	**64.4**	65.1	64.7
Financial position			
Working capital	**$ (133.3)**	$ (44.9)	$ (2.2)
Long-term debt	**3,688.3**	3,587.3	3,811.9
Equity attributable to shareholders	**1,426.2**	1,304.8	1,170.4
Equity	**2,870.6**	2,651.7	2,387.2
Total assets	**9,038.8**	8,616.1	8,352.8

[1] The financial figures for the years 2011 and 2010 have been prepared in accordance with IFRS. Refer to note 29, *Transition to IFRS*, in the consolidated financial statements for the year ended December 31, 2011.

[2] The financial figures for the year 2009 have been prepared in accordance with Canadian GAAP

QUEBECOR INC. AND ITS SUBSIDIARIES

SELECTED QUARTERLY FINANCIAL DATA

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

	2011				2010			
	Dec. 31	**Sept. 30**	**June 30**	**March 31**	Dec. 31	Sept. 30	June 30	March 31
Operations								
Revenues	**$ 1,147.9**	**$ 1,014.8**	**$ 1,053.4**	**$ 990.5**	$ 1,088.1	$ 969.9	$ 994.0	$ 948.1
Net income before amortization, financial expenses, gain (loss) on valuation and translation of financial instruments, restructuring of operations, impairment of assets and other special items, loss on debt refinancing and income taxes	**369.2**	**319.7**	**358.5**	**294.3**	359.1	332.0	351.9	290.4
Contribution to net income attributable to shareholders:								
Continuing operations	**55.6**	**40.0**	**60.0**	**35.9**	58.2	56.1	62.9	43.4
Gain (loss) on valuation and translation of financial instruments	**34.0**	**(16.3)**	**(2.3)**	**5.2**	(10.0)	32.1	(1.5)	0.2
Unusual items	**(4.2)**	**2.4**	**(2.5)**	**(6.8)**	(1.6)	(5.2)	(0.6)	(8.7)
Net income attributable to shareholders	**85.4**	**26.1**	**55.2**	**34.3**	46.6	83.0	60.8	34.9
Basic per share data								
Contribution to net income attributable to shareholders:								
Continuing operations	**$ 0.87**	**$ 0.63**	**$ 0.93**	**$ 0.56**	$ 0.90	$ 0.87	$ 0.98	$ 0.67
Gain (loss) on valuation and translation of financial instruments	**0.53**	**(0.26)**	**(0.03)**	**0.08**	(0.16)	0.50	(0.02)	-
Unusual items	**(0.06)**	**0.04**	**(0.04)**	**(0.11)**	(0.02)	(0.08)	(0.01)	(0.13)
Net income attributable to shareholders	**1.34**	**0.41**	**0.86**	**0.53**	0.72	1.29	0.95	0.54
Weighted average number of shares outstanding (in millions)	**63.5**	**63.9**	**64.3**	**64.3**	64.3	64.3	64.3	64.3
Diluted per share data								
Contribution to net income attributable to shareholders:								
Continuing operations	**$ 0.87**	**$ 0.62**	**$ 0.92**	**$ 0.55**	$ 0.88	$ 0.86	$ 0.96	$ 0.66
Gain (loss) on valuation and translation of financial instruments	**0.53**	**(0.26)**	**(0.03)**	**0.08**	(0.16)	0.50	(0.02)	-
Unusual items	**(0.06)**	**0.04**	**(0.04)**	**(0.11)**	(0.02)	(0.08)	(0.01)	(0.13)
Net income attributable to shareholders	**1.34**	**0.40**	**0.85**	**0.52**	0.70	1.28	0.93	0.53
Weighted average number of diluted shares outstanding (in millions)	**63.8**	**64.5**	**65.0**	**65.0**	65.0	65.0	64.9	64.8