Consolidated financial statements of

QUEBECOR INC. AND ITS SUBSIDIARIES

Years ended December 31, 2011 and 2010

QUEBECOR INC. AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2011 and 2010

Consolidated financial statements

MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Quebecor Inc. and its subsidiaries are the responsibility of management and have been approved by the Board of Directors of Quebecor Inc.

These consolidated financial statements have been prepared by management in conformity with International Financial Reporting Standards and include amounts that are based on best estimates and judgments.

The management of the Corporation and of its subsidiaries, in furtherance of the integrity and objectivity of the data in the consolidated financial statements, has developed and maintains internal accounting control systems and supports a program of internal audit. Management believes that these internal accounting control systems provide reasonable assurance that financial records are reliable and form a proper basis for the preparation of the consolidated financial statements and that assets are properly accounted for and safeguarded, and that the preparation and presentation of other financial information are consistent with the consolidated financial statements.

The Board of Directors carries out its responsibility for the financial statements principally through its Audit Committee, consisting solely of outside directors. The Audit Committee reviews the Corporation's annual consolidated financial statements and recommends their approval to the Board of Directors. The Audit Committee meets with the Corporation's management, internal auditors and external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and formulates the appropriate recommendations to the Board of Directors. The auditor appointed by the shareholders has full access to the Audit Committee, with or without management being present.

These consolidated financial statements have been audited by the auditor appointed by the shareholders and its report is presented hereafter.

Pierre Karl Péladeau	Jean-François Pruneau
President and Chief Executive Officer	Chief Financial Officer

Montréal, Canada

March 14, 2012

INDEPENDENT AUDITORS' REPORT

To the shareholders of
Quebecor inc.

We have audited the accompanying consolidated financial statements of Quebecor Inc. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2011 and 2010, and January 1, 2010, and the consolidated statements of income, comprehensive income, equity and cash flows for the years ended December 31, 2011 and 2010, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Quebecor Inc. and its subsidiaries as at December 31, 2011 and 2010, and January 1, 2010, and their financial performance and their cash flows for the years ended December 31, 2011 and 2010 in accordance with International Financial Reporting Standards.

Ernst & Young LLP[1]

Ernst & Young LLP
Chartered Accountants

Montréal, Canada
March 14, 2012

[1] CA auditor permit no. 9298

QUEBECOR INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

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

	Note	2011	2010
Revenues	2	**$ 4,206.6**	$ 4,000.1
Cost of sales, selling and administrative expenses	3	**2,864.9**	2,666.7
Amortization		**512.2**	399.2
Financial expenses	4	**322.9**	322.6
Gain on valuation and translation of financial instruments	5	**(54.6)**	(46.1)
Restructuring of operations, impairment of assets and other special items	6	**30.2**	37.1
Loss on debt refinancing	7	**6.6**	12.3
Income before income taxes		**524.4**	608.3
Income taxes	9	**141.4**	151.7
Net income		**$ 383.0**	$ 456.6
Net income attributable to:			
Shareholders		**$ 201.0**	$ 225.3
Non-controlling interests		**182.0**	231.3
Earnings per share attributable to shareholders	10		
Basic		**$ 3.14**	$ 3.50
Diluted		**3.11**	3.44
Weighted average number of shares outstanding (in millions)		**64.0**	64.3
Weighted average number of diluted shares (in millions)		**64.4**	65.1

See accompanying notes to consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31, 2011 and 2010
(in millions of Canadian dollars)

	Note	2011	2010
Net income		**$ 383.0**	$ 456.6
Other comprehensive loss:			
Gain (loss) on translation of net investments in foreign operations		**1.6**	(2.9)
Cash flows hedges:			
(Loss) gain on valuation of derivative financial instruments		**(9.5)**	43.0
Deferred income taxes		**(2.0)**	(2.7)
Defined benefits plans:			
Actuarial loss and net change in asset limit and in minimum funding liability	28	**(90.0)**	(65.3)
Deferred income taxes		**23.7**	17.2
Reclassification to income:			
Other comprehensive loss related to cash flows hedges	7	**0.8**	8.4
Deferred income taxes		**(0.2)**	(2.5)
		(75.6)	(4.8)
Comprehensive income		**$ 307.4**	$ 451.8
Comprehensive income attributable to:			
Shareholders		**$ 164.4**	$ 223.6
Non-controlling interests		**143.0**	228.2

See accompanying notes to consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY

Years ended December 31, 2011 and 2010
(in millions of Canadian dollars)

	Equity attributable to shareholders					
	Capital stock (note 21)	**Contributed surplus**	**Retained earnings**	**Accumulated other comprehensive (loss) income (note 23)**	**Equity attributable to non-controlling interests**	**Total equity**
Balance as of December 31, 2009 as previously reported under Canadian GAAP	$ 346.6	$ 4.7	$ 830.1	$ (11.0)	$ –	$ 1,170.4
IFRS adjustments (note 29)	–	(2.7)	(73.5)	1.0	1,162.6	1,087.4
Balance as of January 1, 2010	346.6	2.0	756.6	(10.0)	1,162.6	2,257.8
Net income	–	–	225.3	–	231.3	456.6
Other comprehensive (loss) income	–	–	(25.4)	23.7	(3.1)	(4.8)
Acquisition of non-controlling interests	–	(1.1)	–	–	(1.9)	(3.0)
Dividends	–	–	(12.9)	–	(42.0)	(54.9)
Balance as of December 31, 2010	346.6	0.9	943.6	13.7	1,346.9	2,651.7
Net income	–	–	201.0	–	182.0	383.0
Other comprehensive loss	–	–	(31.5)	(5.1)	(39.0)	(75.6)
Issuance of shares of a subsidiary	–	–	–	–	1.0	1.0
Repurchase of Class B shares (note 21)	(7.1)	–	(23.1)	–	–	(30.2)
Dividends	–	–	(12.8)	–	(46.5)	(59.3)
Balance as of December 31, 2011	**$ 339.5**	**$ 0.9**	**$ 1,077.2**	**$ 8.6**	**$ 1,444.4**	**$ 2,870.6**

See accompanying notes to consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2011 and 2010
(in millions of Canadian dollars)

	Note	2011	2010
Cash flows related to operating activities			
Net income		**$ 383.0**	$ 456.6
Adjustments for:			
Amortization of property, plant and equipment	13	**391.3**	325.4
Amortization of intangible assets	14	**120.9**	73.8
Gain on valuation and translation of financial instruments	5	**(54.6)**	(46.1)
Impairment of assets	6	**1.5**	11.9
Loss on debt refinancing	7	**6.6**	12.3
Amortization of financing costs and long-term debt discount	4	**12.8**	12.5
Deferred income taxes	9	**159.1**	95.3
Other		**(2.1)**	(7.9)
		1,018.5	933.8
Net change in non-cash balances related to operating activities		**(152.2)**	(123.9)
Cash flows provided by operating activities		**866.3**	809.9
Cash flows related to investing activities			
Business acquisitions, net of cash and cash equivalents	8	**(55.7)**	(3.1)
Additions to property, plant and equipment	13	**(781.0)**	(690.5)
Additions to intangible assets	14	**(91.6)**	(95.2)
Proceeds from disposals of assets		**12.0**	53.0
Net change in temporary investments		**–**	30.0
Other		**3.2**	1.7
Cash flows used in investing activities		**(913.1)**	(704.1)
Cash flows related to financing activities			
Net change in bank indebtedness		**(1.5)**	3.9
Net change under revolving facilities		**2.7**	(11.9)
Issuance of long-term debt, net of financing fees	19	**685.8**	292.7
Repayments of long-term debt	7	**(487.9)**	(359.5)
Settlement of hedging contracts	7	**(160.2)**	(32.4)
Repurchase of Class B shares	21	**(30.2)**	–
Dividends		**(12.8)**	(12.9)
Dividends paid to non-controlling interests		**(46.5)**	(42.0)
Other		**1.0**	–
Cash flows used in financing activities		**(49.6)**	(162.1)
Net change in cash and cash equivalents		**(96.4)**	(56.3)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies		**0.1**	(1.0)
Cash and cash equivalents at beginning of year		**242.7**	300.0
Cash and cash equivalents at end of year		**$ 146.4**	$ 242.7

QUEBECOR INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

Years ended December 31, 2011 and 2010
(in millions of Canadian dollars)

		2011		2010
Additional information on the consolidated statements of cash flows				
Cash and cash equivalents consist of:				
Cash	**$**	**29.9**	$	122.1
Cash equivalents		**116.5**		120.6
	$	**146.4**	$	242.7
Changes in non-cash balances related to operating activities (net of effect of business acquisitions and disposals):				
Accounts receivable	**$**	**(13.4)**	$	(72.5)
Inventories		**(38.1)**		(69.6)
Accounts payable, accrued charges, and provisions		**(21.3)**		(33.5)
Income taxes		**(51.2)**		15.9
Stock-based compensation		**(31.7)**		26.2
Deferred revenues		**22.9**		46.5
Defined benefit plans		**(29.2)**		(20.5)
Other		**9.8**		(16.4)
	$	**(152.2)**	$	(123.9)
Non-cash investing activities:				
Net change in additions to property, plant and equipment and intangible assets financed with accounts payable	**$**	**(26.7)**	$	(16.4)
Interest and taxes reflected as operating activities:				
Cash interest payments	**$**	**320.5**	$	306.0
Cash income tax payments (net of refunds)		**30.7**		37.0

See accompanying notes to consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

December 31, 2011 and 2010 and January 1, 2010
(in millions of Canadian dollars)

	Note	**December 31, 2011**	December 31, 2010	January 1, 2010
Assets				
Current assets				
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
Accounts receivable	11	**603.4**	588.5	519.8
Income taxes		**29.0**	6.4	1.3
Inventories	12	**283.6**	245.2	176.1
Prepaid expenses		**31.3**	38.0	29.1
		1,094.0	1,126.1	1,061.6
Non-current assets				
Property, plant and equipment	13	**3,211.1**	2,805.7	2,469.5
Intangible assets	14	**1,041.0**	1,036.3	1,022.2
Goodwill	15	**3,543.8**	3,505.2	3,506.1
Derivative financial instruments	26	**34.9**	28.7	49.0
Deferred income taxes	9	**20.6**	20.3	38.1
Other assets	16	**93.4**	93.8	93.7
		7,944.8	7,490.0	7,178.6
Total assets		**$ 9,038.8**	$ 8,616.1	$ 8,240.2

QUEBECOR INC. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (continued)

December 31, 2011 and 2010 and January 1, 2010
(in millions of Canadian dollars)

	Note	**December 31, 2011**	December 31, 2010	January 1, 2010
Liabilities and equity				
Current liabilities				
Bank indebtedness		**$ 4.2**	$ 5.7	$ 1.8
Accounts payable and accrued charges	17	**776.5**	753.6	751.2
Provisions	18	**33.7**	72.2	72.6
Deferred revenue		**295.7**	275.1	234.7
Income taxes		**2.7**	33.6	16.3
Current portion of long-term debt	19	**114.5**	30.8	68.6
		1,227.3	1,171.0	1,145.2
Non-current liabilities				
Long-term debt	19	**3,688.3**	3,587.3	3,811.9
Derivative financial instruments	26	**315.4**	479.9	422.4
Other liabilities	20	**344.7**	274.0	218.3
Deferred income taxes	9	**592.5**	452.2	384.6
		4,940.9	4,793.4	4,837.2
Equity				
Capital stock	21	**339.5**	346.6	346.6
Contributed surplus		**0.9**	0.9	2.0
Retained earnings		**1,077.2**	943.6	756.6
Accumulated other comprehensive income (loss)	23	**8.6**	13.7	(10.0)
Equity attributable to shareholders		**1,426.2**	1,304.8	1,095.2
Non-controlling interests		**1,444.4**	1,346.9	1,162.6
		2,870.6	2,651.7	2,257.8
Commitments and contingencies	18, 24			
Guarantees	25			
Subsequent events	30			
Total liabilities and equity		**$ 9,038.8**	$ 8,616.1	$ 8,240.2

See accompanying notes to consolidated financial statements.

On March 14, 2012, the Board of Directors approved the consolidated financial statements for the years ended December 31, 2011 and 2010.

On behalf of the Board of Directors,

Pierre Karl Péladeau, President and Chief Executive Officer

Jean La Couture, Director

QUEBECOR INC. AND ITS SUBSIDIARIES

SEGMENTED INFORMATION

Years ended December 31, 2011 and 2010
(in millions of Canadian dollars)

Quebecor Inc. (“Quebecor” or the “Corporation”) is incorporated under the laws of Québec. The Corporation’s head office and registered office is located at 612 rue Saint-Jacques, Montréal (Québec), Canada. Quebecor is a holding corporation with interests in Quebecor Media Inc. (“Quebecor Media”) and in subsidiaries controlled by Quebecor Media. The percentages of voting rights and of equity in Quebecor Media and in its major subsidiaries are as follows:

	% voting	**% equity**
Quebecor Media Inc.	54.7 %	54.7 %
Quebecor Media Inc. interest in its major subsidiaries		
Videotron Ltd.	100.0 %	100.0 %
Sun Media Corporation	100.0 %	100.0 %
Quebecor Media Printing Inc.	100.0 %	100.0 %
TVA Group Inc.	99.9 %	51.4 %
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 %

The Corporation is engaged, through its subsidiaries, in the following industry segments: Telecommunications, News Media, Broadcasting, Leisure and Entertainment, and Interactive Technologies and Communications. The Telecommunications segment offers television distribution, Internet, business solutions, cable and mobile telephony services in Canada, operates in the rental of movies and televisual products through its video-on-demand service and its distribution and rental stores, and operates specialized Internet sites. The News Media segment produces original content in Canada for all of Quebecor Media’s platforms. Its operations include the printing, publishing and distribution of daily newspapers, weekly newspapers, directories and commercial inserts in Canada, and the operation of Internet sites in Canada, including French- and English-language portals and specialized sites. The Broadcasting segment operates general-interest television networks, specialized television networks, magazine publishing, and movie distribution businesses in Canada. The Leisure and Entertainment segment combines book publishing and distribution, retail sales of CDs, books, DVD and Blu-ray units, musical instruments and magazines in Canada, online sales of downloadable music and music production and distribution in Canada. The Interactive Technologies and Communications segment offers e-commerce solutions through a combination of strategies, technology integration, IP solutions and creativity on the Internet and is active in Canada, the United States, Europe and Asia.

During the second quarter of 2011, certain specialized Internet sites were transferred from the News Media segment to the Telecommunications segment. Accordingly, prior period figures in the Corporation’s segmented financial information were reclassified to reflect this change.

These segments are managed separately since they all require specific market strategies. The Corporation assesses the performance of each segment based on net income 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 and income taxes. The accounting policies of each segment are the same as the accounting policies used for the consolidated financial statements. Segment income includes income from sales to third parties and inter-segment sales. Transactions between segments are measured at exchange amounts between the parties.

QUEBECOR INC. AND ITS SUBSIDIARIES
SEGMENTED INFORMATION (continued)

Years ended December 31, 2011 and 2010
(in millions of Canadian dollars)

INDUSTRY SEGMENTS

	Telecommu-nications	News Media	Broad-casting	Leisure and Enter-tainment	Interactive Techno-logies and Communi-cations	Head office and Inter-segments	Total
							2011
Revenues	**$ 2,430.7**	**$ 1,018.4**	**$ 445.5**	**$ 312.9**	**$ 120.9**	**$ (121.8)**	**$ 4,206.6**
Net income before [(i)]	**1,098.8**	**150.1**	**50.5**	**26.6**	**7.9**	**7.8**	**1,341.7**
Amortization	**421.4**	**56.0**	**17.8**	**8.7**	**4.2**	**4.1**	**512.2**
Additions to property, plant and equipment	**725.3**	**13.7**	**30.5**	**6.3**	**4.3**	**0.9**	**781.0**
Additions to intangible assets	**73.2**	**10.8**	**5.8**	**1.8**	**–**	**–**	**91.6**
Total assets	**6,513.3**	**1,616.2**	**506.5**	**182.9**	**118.7**	**101.2**	**9,038.8**
Total liabilities	**$ 3,343.4**	**$ 379.6**	**$ 248.2**	**$ 79.5**	**$ 46.7**	**$ 2,070.8**	**$ 6,168.2**

							2010
Revenues	$ 2,228.8	$ 1,015.0	$ 448.2	$ 302.5	$ 98.0	$ (92.4)	$ 4,000.1
Net income before [(i)]	1,047.3	191.4	74.9	27.6	6.0	(13.8)	1,333.4
Amortization	305.0	61.4	15.5	9.8	3.9	3.6	399.2
Additions to property, plant and equipment	651.4	11.4	18.5	4.2	2.6	2.4	690.5
Additions to intangible assets	71.9	12.0	5.9	5.4	–	–	95.2
Total assets	6,064.9	1,687.8	492.9	173.9	89.3	107.3	8,616.1
Total liabilities	$ 3,130.6	$ 690.4	$ 241.1	$ 76.3	$ 29.7	$ 1,796.3	$ 5,964.4

(i) 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 and income taxes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements reflect the first-time adoption of International Financial Reporting Standards ("IFRS"), which replaced Canadian Generally Accepted Accounting Principles ("GAAP") as of January 1, 2011. All disclosures and explanations related to the first-time adoption of IFRS are presented in note 29. This note provides information that is considered material to the understanding of the Corporation's first IFRS consolidated financial statements. Note 29 also presents a reconciliation of the 2010 financial figures prepared under Canadian GAAP to the 2010 financial figures prepared under IFRS, including a reconciliation of the consolidated statements of income, comprehensive income and cash flows for the year ended December 31, 2010, as well as a reconciliation of the consolidated balance sheets and shareholders' equity as of January 1, 2010 and as of December 31, 2010.

The IFRS consolidated financial statements have been prepared based on the following accounting policies:

(a) Basis of presentation

The consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and in particular, they were prepared in accordance with IFRS 1, *First-time Adoption of IFRS*.

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments (note 1(j)) and the liability related to stock-based compensation (note 1(t)), which have been measured at fair value, and are presented in Canadian dollars ("CAD dollars"), which is the currency of the primary economic environment in which the Corporation and its subsidiaries operate ("functional currency").

Comparative figures for the year ended December 31, 2010 have been restated to conform to the presentation adopted under IFRS.

(b) Consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries. Intercompany transactions and balances are eliminated on consolidation.

A subsidiary is an entity controlled by the Corporation. Control is achieved where the Corporation has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Non-controlling interests in the net assets and results of consolidated subsidiaries are identified separately from the parent's ownership interest in them. Non-controlling interests in the equity of a subsidiary consist of the amount of non-controlling interests calculated at the date of the original business combination and their share of changes in equity since that date. Changes in non-controlling interests in a subsidiary that do not result in a loss of control by the Corporation are accounted for as equity transactions.

(c) Business acquisitions

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. Results of operations of a business acquired are included in the Corporation's consolidated financial statements from the date of the business acquisition. Business acquisition and integration costs are expensed as incurred.

Non-controlling interests in an entity acquired are presented in the consolidated balance sheet within equity, separately from the equity attributable to shareholders and are initially measured at fair value.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Foreign currency translation

Financial statements of foreign operations are translated using the rate in effect at the balance sheet date for assets and liabilities, and using the average exchange rates during the period for revenues and expenses. Adjustments arising from foreign currency translation since January 1, 2010 are recorded in other comprehensive income.

Foreign currency transactions are translated to the functional currency by applying the exchange rate prevailing at the date of the transactions. Translation gains and losses on assets and liabilities denominated in a foreign currency are included in financial expenses, or in gain or loss on valuation and translation of financial instruments, unless hedge accounting is used.

(e) 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:

<u>Telecommunications</u>

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Revenue recognition (continued)

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.

(f) 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 the CGU.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Barter transactions

In the normal course of operations, the News Media and the Broadcasting segments offer advertising in exchange for goods and services. Revenues thus earned and expenses incurred are accounted for on the basis of the fair value of the goods and services provided.

For the year ended December 31, 2011, the Corporation recorded $15.5 million of barter advertising revenues ($15.7 million in 2010).

(h) Income taxes

Current income taxes are recognized with respect to amounts expected to be paid or recovered under the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

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. A deferred tax expense or benefit is recognized in other comprehensive income or otherwise directly in equity to the extent that it relates to items that are recognized in other comprehensive income or directly in equity in the same or a different period.

In the course of the Corporation’s operations, there are a number of uncertain tax positions due to the complexity of certain transactions and due to the fact that related tax interpretations and legislation are continually changing. When a tax position is uncertain, the Corporation recognizes an income tax benefit or reduces an income tax liability only when it is probable that the tax benefit will be realized in the future or that the income tax liability is no longer probable.

(i) Leases

Assets under leasing agreements are classified at the inception of the lease as (i) finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee, or as (ii) operating leases for all other leases. All of the Corporation’s current leases are classified as operating leases.

Operating lease rentals are recognized in the consolidated statement of income on a straight-line basis over the period of the lease. Any lessee incentives are deferred and then recognized evenly over the lease term.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial instruments

Classification, recognition and measurement

Financial instruments are classified as held for trading, available for sale, held to maturity, loans and receivables, or as other financial liabilities, and measurement in subsequent periods depends on their classification. The Corporation has classified its financial instruments (except derivative financial instruments) as follows:

Held for trading	Loans and receivable	Available for sale	Other liabilities
• Cash and cash equivalents • Cash and cash equivalents in trust • Temporary investments • Bank indebtedness • Exchangeable debentures	• Accounts receivable • Loan and other long-term receivable included in “Other assets”	• Other portfolio investments included in “Other assets”	• Accounts payable and accrued charges • Provisions • Long-term debt • Other long-term financial liabilities included in “Other liabilities”

Financial instruments held-for-trading are measured at fair value with changes recognized in income as a gain or loss on valuation and translation of financial instruments. Available-for-sale portfolio investments are measured at fair value or at cost in the case of equity investments that do not have a quoted market price in an active market and where fair value is insufficiently reliable, and changes in fair value are recorded in other comprehensive income. Financial assets classified as loans and receivables and financial liabilities classified as other liabilities are initially measured at fair value and subsequently measured at amortized cost, using the effective interest rate method of amortization. Liabilities recognized as a result of contingent consideration arising from a business acquisition and included in other liabilities, are initially recorded at their acquisition-date fair value and re-measured at fair value in subsequent periods. These changes in fair value are recorded in income as other special items.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial instruments (continued)

Derivative financial instruments and hedge accounting (continued)

- 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.

(k) Financing fees

Financing fees related to long-term debt are capitalized in reduction of long-term debt and amortized using the effective interest rate method.

(l) Tax credits and government assistance

The Corporation has access to several government programs designed to support production and distribution of televisual products and movies, as well as music products, magazine and book publishing in Canada. In addition, the Corporation receives tax credits mainly related to its research and development activities, publishing activities and digital activities. Government financial assistance is accounted for as revenue or as a reduction in related costs, whether capitalized and amortized or expensed, in the year the costs are incurred and when management has reasonable assurance that the conditions of the government programs are met.

(m) Cash, cash equivalents and temporary investments

Cash and cash equivalents include highly liquid investments purchased three months or less from maturity and are recorded at fair value. These highly liquid investments consisted mainly of Bankers' acceptances and term deposits.

Temporary investments consisted of high-quality money market instruments. These temporary investments, classified as held for trading, are recorded at fair value.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Trade receivables

Trade receivables are stated at their nominal value, less an allowance for doubtful accounts and an allowance for sales returns. The Corporation establishes an allowance for doubtful accounts based on the specific credit risk of its customers and historical trends. Individual trade receivables are written off when management deems them not collectible.

(o) Inventories

Inventories are valued at the lower of cost, determined by the first-in, first-out method or the weighted-average cost method, and net realizable value. Net realizable value represents the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. When the circumstances that previously caused inventories to be written down below cost no longer exist, the amount of the write-down is reversed. Work in progress is valued at the pro-rata billing value of the work completed.

In particular, Broadcasting segment inventories, which are primarily comprised of programs and broadcast and distribution rights, are accounted for as follows:

(i) Programs produced and productions in progress

Programs produced and productions in progress related to broadcasting activities are accounted for at the lesser of cost and net realizable value. Cost includes direct charges for goods and services and the share of labour and general expenses related to each production. The cost of each program is charged to operating expenses when the program is broadcast.

(ii) Broadcast rights

Broadcast rights are essentially contractual rights allowing the limited or unlimited broadcast of televisual products or movies. The Broadcasting segment records the broadcast rights acquired as inventory and the obligations incurred under a licence agreement as a liability when the broadcast period begins and all of the following conditions have been met: (a) the cost of each program, movies or series is known or can be reasonably determined; (b) the programs, movies or series have been accepted in accordance with the conditions of the broadcast licence agreement; (c) the programs, movies or series are available for first showing or telecast.

Amounts paid for broadcast rights before all of the above conditions are met are recorded as prepaid broadcast rights.

Broadcast rights are classified as short or long term, based on management’s estimate of the broadcast period. These rights are charged to operating expenses when televisual products and movies are broadcast over the contract period, using a method based on future revenues and the estimated number of showings. Broadcast rights payable are classified as current or long-term liabilities based on the payment terms included in the licence.

(iii) Distribution rights

Distribution rights include costs to acquire distribution rights for televisual products and movies and other operating costs incurred that generate future economic benefits. The Broadcasting segment records an inventory and a liability for the distribution rights and obligations incurred under a licence agreement when (a) the cost of the licence is known or can be reasonably estimated, (b) the televisual product and movie has been accepted in accordance with the conditions of the licence agreement, and (c) the televisual product or movie is available for distribution.

Amounts paid for distribution rights before all of the above conditions are met are recorded as prepaid distribution rights. Distribution rights are charged to operating expenses using the individual film forecast computation method based on actual revenues realized over total revenues expected.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Inventories (continued)

Estimates of future revenues used to determine net realizable values of inventories related to the distribution or broadcasting of television products and movies, are examined periodically by Broadcasting segment management and revised as necessary. The carrying value of programs produced and productions in progress, broadcast rights and distribution rights is reduced to net realizable value, as necessary, based on this assessment.

(p) Long-term investments

Investments in companies subject to significant influence are accounted for using the equity method. Under the equity method, the share of the results of operations of the associated corporation is recorded in the statement of income. Investments in joint ventures are accounted for using the proportionate consolidation method. Carrying values of investments are reduced to estimated fair values if there is other than a temporary decline in the value of the investment.

(q) Property, plant and equipment

Property, plant and equipment are stated at cost. Cost represents the acquisition costs, net of government grants and investment tax credits, or construction costs, including preparation, installation and testing costs. In the case of projects to construct cable and mobile networks, the cost includes equipment, direct labour and direct overhead costs. Projects under development may also be comprised of advance payments made to suppliers for equipment under construction.

Borrowing costs are also included in the cost of self-constructed property, plant and equipment when the development of the asset commenced after January 1, 2010. Future expenditures, such as maintenance and repairs, are expensed as incurred.

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

Assets	Estimated useful life
Buildings and leasehold improvements	10 to 40 years
Machinery and equipment	3 to 20 years
Telecommunication networks	3 to 20 years

Amortization methods, residual values, and the useful lives of significant property, plant and equipment are reviewed at each financial year-end. Any change is accounted for prospectively as a change in accounting estimate.

Leasehold improvements are amortized over the shorter of the term of the lease and economic life.

The Corporation does not record any decommissioning obligations in connection with its cable distribution networks. The Corporation expects to renew all of its agreements with utility companies to access their support structures in the future, making the retirement date so far into the future that the present value of the restoration costs is insignificant for these assets. A decommissioning obligation is however recorded for the rental of sites related to the advanced mobile network.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Goodwill and intangible assets

Goodwill

For all business acquisitions entered into since January 1, 2010, goodwill initially arising from a business acquisition is measured and recognized as the excess of the fair value of the consideration paid over the fair value of the recognized identifiable assets acquired and liabilities assumed. When the Corporation acquires less than 100% of the equity interests in the business acquired at the acquisition date, goodwill attributable to the non-controlling interests is also recognized at fair value.

For business acquisitions that occurred prior to January 1, 2010, goodwill represented the excess of the cost of acquisition over the Corporation's interest in the fair value of the identifiable assets and liabilities of the business acquired at the date of acquisition. No goodwill attributable to non-controlling interests was recognized.

Goodwill is allocated as at the date of a business acquisition to a CGU for purposes of impairment testing (note 1(f)). The allocation is made to the CGU or group of CGUs expected to benefit from the synergies of the business acquisition.

Intangible assets

Broadcasting licences and mastheads have indefinite useful lives. In particular, given the low cost of renewal of broadcasting licences, management believes it is economically compelling to renew the licences and to comply with all rules and conditions attached to those licences.

Internally generated intangible assets are mainly comprised of internal costs in connection with the development of software to be used internally or for providing services to customers. These costs are capitalized when the development stage of the software application begins and costs incurred prior to that stage are recognized as expenses.

Borrowing costs directly attributable to the acquisition, construction or production of an intangible asset that commenced after January 1, 2010 are also included as part of the cost of that asset during the development phase.

Intangible assets with finite useful lives are amortized over their useful lives using the straight-line method over the following periods:

Assets	Estimated useful life
Advanced mobile services ("AWS") spectrum licences [1]	10 years
Software	3 to 7 years
Customer relationships	3 to 10 years
Non-competition agreements and other	3 to 5 years

[1] The useful life represents the initial term of the licences issued by Industry Canada.

Amortization methods, residual values, and the useful lives of significant intangible assets are reviewed at each financial year-end. Any change is accounted for prospectively as a change in accounting estimate.

(s) Provisions

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) 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. Key assumptions are described in note 22.

(u) Pension plans and postretirement benefits

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

(i) Defined contribution pension plans

Under its defined contribution pension plans, the Corporation pays fixed contributions to participating employees' pension plans and it has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as employee benefits in the consolidated statements of income when the contributions become due.

(ii) Defined benefit pension plans and postretirement plans

Defined benefit pension plan costs are determined using actuarial methods and are accounted for using the projected unit credit method, which incorporates management's best estimates of future salary levels, other cost escalations, retirement ages of employees, and other actuarial factors. Defined benefit pension costs recognized in the consolidated statements of income include the following:

- cost of pension plan benefits provided in exchange for employee services rendered during the year;
- interest cost of pension plan obligations;
- expected return on pension fund assets;
- recognition of prior service costs on a straight-line basis over the vesting period.

When an event gives rise to both a curtailment and a settlement, the curtailment is accounted for prior to the settlement.

Actuarial gains and losses are recognized immediately through other comprehensive income and 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 obligation 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 and within retained earnings.

The Corporation also offers health, life and dental insurance plans to some of its retired employees. The cost of postretirement benefits is determined using an accounting methodology similar to that for defined benefit pension plans. The benefits related to these plans are funded by the Corporation as they become due.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Use of estimates and judgment

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, related amounts of revenues and expenses, and disclosure of contingent assets and liabilities. Although these estimates are based on management's best judgment and information available at the time of the assessment date, actual results could differ from these estimates. The following significant areas require management to use assumptions and to make estimates:

Accounting subject	Significant areas of use of estimates and judgment
Impairment of assets	• fair value less costs to sell • value in use of an asset or CGU using a discounting cash flow method
Business acquisition	• fair value of consideration given in exchange for control of the business acquired when the consideration is comprised of future contingent payments • fair value of acquired assets and assumed liabilities at the time of the business acquisition
Derivative financial instruments, including embedded derivatives not closely related to the host contract	• fair value of derivative financial instruments using valuation models based on a number of assumptions such as contractual future cash flows, swap rates, foreign exchange rates, and credit default premium • fair value of embedded derivatives related to early settlement option on debt determined with option pricing models using market inputs, including volatility and discount factors • assessment of hedge relationship effectiveness
Pension and postretirement benefit plans	• costs and obligations related to pension and postretirement benefit obligations, which are based on a number of assumptions, such as 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
Allowance for doubtful accounts and sale returns	• estimation of potential losses arising from customers' inability to make required payments on a portion of trade receivables
Inventories	• identification of inventory becoming obsolete and not being able to be sold to customers • estimates of future revenues used to determine net realizable values of inventories • estimates of broadcasting period or number of showings
Provisions	• estimates of expenditure required to settle a present obligation or to transfer it to third parties at the date of assessment • assessment of the probable outcomes of legal proceedings or other contingency
Asset amortization	• residual value and useful life of assets subject to amortization

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Use of estimates and judgment (continued)

Accounting subject	Significant areas of use of estimates and judgment
Deferred income taxes	• projections of future taxable income to assess the recoverability of deferred tax assets • probability that a tax benefit will be realized or that an income tax liability is no longer probable in order to assess uncertain tax positions considering tax interpretation, legislation, risk or other relevant factor
Government assistance	• establishing reasonable assurance that government subsidies will be realized
Stock-based compensation	• fair value of the Corporation's stock-based compensation liability determined using an option-pricing model based on a number of assumptions, including risk-free interest rate, dividend yield, expected volatility and remaining life of the options
Revenue recognition	• provisions for estimated returns • estimates of the average period that subscribers are expected to remain connected to the telecommunications network

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Recent accountings pronouncements

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.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

2. REVENUES

The breakdown of revenues between services rendered and product sales is as follows:

	2011	2010
Services rendered	**$ 3,555.3**	$ 3,322.9
Product sales	**651.3**	677.2
	$ 4,206.6	$ 4,000.1

3. COST OF SALES, SELLING AND ADMINISTRATIVE EXPENSES

The main components are as follows:

	2011	2010
Employee costs	**$ 1,125.7**	$ 1,070.7
Royalties, rights and creation costs	**617.1**	585.3
Cost of retail products	**337.8**	262.3
Marketing, circulation and distribution expenses	**194.4**	223.1
Service and printing contracts	**202.7**	159.4
Paper, ink and printing supplies	**112.9**	102.6
Other	**394.4**	380.2
	2,985.0	2,783.6
Employee costs capitalized to property, plant and equipment and intangible assets	**(120.1)**	(116.9)
	$ 2,864.9	$ 2,666.7

4. FINANCIAL EXPENSES

	2011	2010
Interest on long-term debt and exchangeable debentures	**$ 314.2**	$ 305.5
Amortization of financing costs and long-term debt discount	**12.8**	12.5
Loss on foreign currency translation on current monetary items	**1.6**	3.2
Other	**(5.7)**	1.4
	$ 322.9	$ 322.6

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

5. GAIN ON VALUATION AND TRANSLATION OF FINANCIAL INSTRUMENTS

		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)

6. RESTRUCTURING OF OPERATIONS, IMPAIRMENT OF ASSETS AND OTHER SPECIAL ITEMS

		2011		2010
Restructuring of operations	**$**	**27.4**	$	34.7
Impairment of assets		**1.5**		11.9
Other special items		**1.3**		(9.5)
	$	**30.2**	$	37.1

(a) Telecommunications

During the third quarter of 2010, Videotron Ltd. ("Videotron") launched its new advanced mobile network. Since then, Videotron has been incurring costs for the migration of its existing Mobile Virtual Network Operator subscribers to its new mobile network. A charge of $14.8 million was recorded in 2011 ($13.9 million in 2010).

In 2011, the Telecommunications segment recorded other restructuring charges of $0.6 million ($0.6 million in 2010). A gain of $3.3 million related to the sale of assets and an impairment charge of $0.2 million were also recorded in 2010.

(b) News Media

In recent years, the Corporation has implemented various restructuring initiatives to reduce the News Media segment's operating costs. As a result of these initiatives, the News Media segment recorded restructuring costs of $11.0 million in 2011 ($17.9 million in 2010), mainly related to the elimination of positions at several publications.

As part of the restructuring initiatives, certain assets were sold in the second quarter of 2010, resulting in a net gain of $4.9 million in 2010. An impairment charge of $0.8 million related to certain assets was also recorded in 2011 ($3.5 million in 2010).

(c) Broadcasting

In 2010, the Broadcasting segment decided to terminate the operations of its general-interest television station, Sun TV. As a result of this decision, the Broadcasting segment recorded an impairment charge of $0.7 million on certain equipment and broadcasting rights in 2011 ($8.2 million in 2010).

Restructuring charges of $0.8 million primarily related to the elimination of positions ($1.4 million in 2010) and charges related to other special items of $0.2 million were also recorded in 2011. Finally, a gain on disposal of assets of $0.5 million was recorded in 2010.

6. RESTRUCTURING OF OPERATIONS, IMPAIRMENT OF ASSETS AND OTHER SPECIAL ITEMS (continued)

(d) Other segments

In 2011, other segments recorded restructuring costs of $0.2 million ($0.9 million in 2010) and a charge for other special items of $1.1 million (a gain of $0.8 million in 2010).

7. LOSS ON DEBT REFINANCING

<u>2011</u>

On February 15, 2011, Sun Media Corporation redeemed all of its 7.625% Senior Notes in an aggregate principal amount of US$205.0 million and settled its related hedging contracts, representing a total cash consideration of $308.2 million. This transaction resulted in a total loss of $9.3 million (before income taxes).

On July 18, 2011, Videotron redeemed US$255.0 million in aggregate principal amount of its issued and outstanding 6.875% Senior Notes due in 2014 and settled its related hedging contracts, representing a total cash consideration of $303.1 million. This transaction resulted in a total gain of $2.7 million (before income taxes).

<u>2010</u>

On January 14, 2010, Quebecor Media prepaid drawings under its term loan "B" credit facility in an aggregate amount of US$170.0 million and settled a corresponding portion of its hedging contracts, representing a total cash consideration of $206.7 million. This transaction resulted in a total loss of $10.4 million (before income taxes) including a loss of $6.5 million previously reported in other comprehensive loss.

In May 2010, Osprey Media Publishing Inc. ("Osprey Media"), which is now part of Sun Media Corporation since January 1, 2011, paid the balance on its term credit facility and settled the related hedging contracts, representing a total cash consideration of $116.3 million, resulting in a reclassification to income of a $1.9 million loss (before income taxes), previously reported in accumulated other comprehensive loss. On June 30, 2010, Osprey Media's credit facilities were terminated.

8. BUSINESS ACQUISITIONS

<u>2011</u>

- In February 2011, the News Media segment acquired 15 community publications in the Province of Québec. The assets acquired were mainly comprised of goodwill of $28.7 million and intangible assets of $15.7 million.
- In August 2011, the Interactive Technologies and Communications segment acquired a digital agency in the United States for a cash consideration and contingent amounts subject to the achievement of specific targets in the next three years. The assets acquired were mainly comprised of goodwill of $7.8 million and intangible assets of $11.3 million.
- Other businesses, principally in the Leisure and Entertainment segment, were also acquired by the Corporation during the year ended December 31, 2011.

<u>2010</u>

- In 2010, the Corporation increased its interest in the News Media segment's distribution network.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

8. BUSINESS ACQUISITIONS (continued)

The fair value of identifiable assets and liabilities related to business acquisitions in 2011 are summarized as follows:

		2011
Assets acquired		
Non-cash current assets	**$**	**2.0**
Property, plant and equipment		**0.9**
Intangible assets		**31.4**
Goodwill		**37.1**
		71.4
Liabilities assumed		
Non-cash current liabilities		**(1.3)**
Deferred income taxes		**(3.1)**
		(4.4)
Net assets acquired at fair value		**67.0**
Consideration		
Cash		**55.7**
Contingent liability		**11.3**
	$	**67.0**

The pro forma revenues and net income in 2011 would not be significantly different than actual figures if all business acquisitions had occurred at the beginning of the year.

The amount of goodwill that is deductible for tax purposes is $29.2 million in 2011 (nil in 2010).

9. INCOME TAXES

Income tax expenses are as follows:

		2011		2010
Current	**$**	**(17.7)**	$	56.4
Deferred		**159.1**		95.3
	$	**141.4**	$	151.7

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

9. INCOME TAXES (continued)

The following table reconciles income taxes at the Corporation's domestic statutory tax rate of 28.4% in 2011 (29.9 % in 2010) and income taxes in the consolidated statements of income:

	2011	2010
Income taxes at domestic statutory tax rate	**$ 148.9**	$ 181.9
(Reduction) increase resulting from:		
Effect of provincial tax rate differences	**(0.4)**	(1.0)
Effect of non-deductible charges, non-taxable income and differences between current and future tax rates	**(9.1)**	(8.2)
Change in benefit arising from current and prior year tax losses	**(5.4)**	(8.3)
Other	**7.4**	(12.7)
Income taxes	**$ 141.4**	$ 151.7

The significant items comprising the Corporation's net deferred income tax liability and their impact on the deferred income tax expense are as follows:

	Consolidated balance sheets			Consolidated income statements	
	December 31, 2011	December 31, 2010	January 1, 2010	**2011**	2010
Loss carryforwards	**$ 125.3**	$ 85.5	$ 72.4	**$ (39.8)**	$ (14.8)
Accounts payable, accrued charges, provisions and deferred revenue	**15.2**	28.7	26.8	**13.5**	(1.7)
Defined benefit plans	**61.3**	50.3	38.4	**12.7**	0.3
Property, plant and equipment	**(415.0)**	(347.0)	(293.2)	**68.0**	53.8
Goodwill, intangible assets and other assets	**(106.3)**	(96.9)	(79.7)	**6.3**	18.9
Long-term debt, derivative financial instruments and exchangeable debentures	**(147.2)**	(155.2)	(134.2)	**(10.2)**	15.8
Benefits from a general partnership	**(108.6)**	–	–	**108.6**	–
Other	**3.4**	2.7	23.0	**–**	23.0
	$ (571.9)	$ (431.9)	$ (346.5)	**$ 159.1**	$ 95.3

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

9. INCOME TAXES (continued)

Changes in the net deferred income tax liability are as follows:

	2011	2010
Balance as of beginning of the year	**$ (431.9)**	$ (346.5)
Recognized in statement of income	**(159.1)**	(95.3)
Recognized in other comprehensive income	**21.5**	12.0
Business acquisitions	**(3.1)**	–
Other	**0.7**	(2.1)
Balance as of the end of the year	**$ (571.9)**	$ (431.9)
Deferred income tax asset	**$ 20.6**	$ 20.3
Deferred income tax liability	**(592.5)**	(452.2)
	$ (571.9)	$ (431.9)

In 2011, the Corporation recognized in the statement of income a tax benefit of $0.5 million ($3.5 million in 2010) that had not been recognized at the date of a prior business acquisition.

As of December 31, 2011, the Corporation had loss carryforwards for income tax purposes of $195.4 million available to reduce future taxable income, including $180.6 million that will expire between 2012 and 2031 and $14.8 million that can be carried forward indefinitely. Of these losses, an amount of $6.9 million has not been recognized. The Corporation also had capital losses of $1,137.2 million that can be carried forward indefinitely and applied only against future capital gains, of which $416.3 million were not recognized.

The Corporation has not recognized a deferred income tax liability for the undistributed earnings of its subsidiaries in the current or prior years since the Corporation does not expect to sell or repatriate funds from those investments, in which case the undistributed earnings might become taxable. There are no income tax consequences attached to the payment of dividends in either 2011 or 2010 by the Corporation to its shareholders.

10. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY SHAREHOLDERS

Basic earnings per share are calculated by dividing net income attributable to equity shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share are calculated by taking into account the potentially dilutive effect of all stock options of the Corporation and its subsidiaries.

The following table sets forth the computation of basic and diluted earnings per share attributable to equity shareholders:

	2011	2010
Net income attributable to shareholders	**$ 201.0**	$ 225.3
Impact of assumed conversion of stock options of the subsidiaries	**(0.5)**	(1.0)
Net income attributable to shareholders, adjusted for dilution effect	**$ 200.5**	$ 224.3
Number of shares outstanding (in millions)	**64.0**	64.3
Effect of dilutive stock options of the Corporation (in millions)	**0.4**	0.8
Number of diluted shares outstanding (in millions)	**64.4**	65.1

The diluted earnings per share calculation does not take into consideration the potential dilutive effect of certain stock options of the Corporation and its subsidiaries, since their impact is anti-dilutive. During the year ended December 31, 2011, 288,886 options of the Corporation's plan (192,590 in 2010), 99,000 options of Quebecor Media's plan (8,000 in 2010) and 833,610 options of TVA Group Inc. ("TVA Group")'s plan (761,493 in 2010) were excluded from the diluted earnings per share calculation.

11. ACCOUNTS RECEIVABLE

	Note	**December 31, 2011**	December 31, 2010	January 1, 2010
Trade	26(c)	**$ 519.9**	$ 529.4	$ 463.1
Other		**83.5**	59.1	56.7
		$ 603.4	$ 588.5	$ 519.8

12. INVENTORIES

	December 31, 2011	December 31, 2010	January 1, 2010
Raw materials and supplies	**$ 36.1**	$ 32.6	$ 27.3
Work in progress	**23.3**	19.2	14.3
Finished goods	**162.1**	136.7	83.4
Programs, broadcast and distribution rights	**62.1**	56.7	51.1
	$ 283.6	$ 245.2	$ 176.1

Cost of inventories included in cost of sales amounted to $901.2 million in 2011 ($805.7 million in 2010). Write-downs of inventories totalling $17.6 million were recognized in cost of sales in 2011 ($3.3 million in 2010).

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

13. PROPERTY, PLANT AND EQUIPMENT

For the years ended December 31, 2011 and 2010, changes in the net carrying amount of property, plant and equipment are as follows:

	Land, buildings and leasehold improvements	Machinery and equipment	Telecommu-nications networks	Projects under development	Total
Cost:					
Balance as of January 1, 2010	$ 509.8	$ 820.1	$ 2,836.7	$ 164.9	$ 4,331.5
Additions	17.4	97.7	323.7	251.7	690.5
Net change in additions financed with accounts payable	(0.5)	(1.3)	(1.0)	22.3	19.5
Reclassification	29.8	50.1	233.5	(313.4)	–
Retirement, disposals and other	(68.2)	(21.1)	(9.5)	–	(98.8)
Balance as of December 31, 2010	488.3	945.5	3,383.4	125.5	4,942.7
Additions	25.7	197.4	324.3	233.6	781.0
Net change in additions financed with accounts payable	–	(1.8)	22.6	4.0	24.8
Reclassification	2.0	33.4	254.8	(290.2)	–
Retirement, disposals and other	(10.4)	(76.8)	(21.4)	0.1	(108.5)
Balance as of December 31, 2011	**$ 505.6**	**$ 1,097.7**	**$ 3,963.7**	**$ 73.0**	**$ 5,640.0**
Accumulated amortization and impairment losses:					
Balance as of January 1, 2010	$ 164.7	$ 333.3	$ 1,364.0	$ –	$ 1,862.0
Amortization	20.1	96.2	209.1	–	325.4
Retirement, disposals and other	(29.4)	(11.7)	(9.3)	–	(50.4)
Balance as of December 31, 2010	155.4	417.8	1,563.8	–	2,137.0
Amortization	18.7	112.3	260.3	–	391.3
Retirement, disposals and other	(5.2)	(73.6)	(20.6)	–	(99.4)
Balance as of December 31, 2011	**$ 168.9**	**$ 456.5**	**$ 1,803.5**	**$ –**	**$ 2,428.9**
Net carrying amount:					
As of January 1, 2010	$ 345.1	$ 486.8	$ 1,472.7	$ 164.9	$ 2,469.5
As of December 31, 2010	332.9	527.7	1,819.6	125.5	2,805.7
As of December 31, 2011	**$ 336.7**	**$ 641.2**	**$ 2,160.2**	**$ 73.0**	**$ 3,211.1**

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

14. INTANGIBLE ASSETS

For the years ended December 31, 2011 and 2010, changes in the net carrying amount of intangible assets are as follows:

	AWS spectrum licences	Software	Customer relation-ships and other	Broad-casting licences	Mastheads	Projects under develop-ment	Total
Cost:							
Balance as of January 1, 2010	$ 458.5	$ 268.1	$ 190.2	$ 134.1	$ 105.6	$ 141.0	$ 1,297.5
Additions	–	64.8	4.6	–	–	25.8	95.2
Net change in additions financed with accounts payable	–	(2.4)	–	–	–	(0.7)	(3.1)
Reclassification	–	42.6	3.2	–	–	(45.8)	–
Retirement or disposals	–	(4.2)	(11.0)	–	–	–	(15.2)
Balance as of December 31, 2010	458.5	368.9	187.0	134.1	105.6	120.3	1,374.4
Additions	–	63.1	3.3	0.1	–	25.1	91.6
Net change in additions financed with accounts payable	–	1.7	–	–	–	0.2	1.9
Reclassification	–	16.2	–	–	–	(16.2)	–
Business acquisitions	–	0.5	25.7	–	5.2	–	31.4
Retirement, disposals and other	–	(0.1)	3.7	(30.8)	–	–	(27.2)
Balance as of December 31, 2011	**$ 458.5**	**$ 450.3**	**$ 219.7**	**$ 103.4**	**$ 110.8**	**$ 129.4**	**$ 1,472.1**

The cost of internally generated intangible assets, mainly composed of software, was $297.8 million as of December 31, 2011 ($240.3 million as of December 31, 2010 and $184.7 million as of January 1, 2010). For the year ended December 31, 2011, the Corporation recorded additions of internally generated intangible assets of $58.3 million ($60.2 million in 2010).

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

14. INTANGIBLE ASSETS (continued)

	AWS spectrum licences	Software	Customer relation-ships and other	Broad-casting licences	Mastheads	Projects under develop-ment	Total
Accumulated amortization and impairment losses:							
Balance as of January 1, 2010	$ –	$ 130.8	$ 64.7	$ 31.6	$ 48.2	$ –	$ 275.3
Amortization	14.4	37.5	21.9	–	–	–	73.8
Retirement, disposals and other	–	(3.2)	(7.8)	–	–	–	(11.0)
Balance as of December 31, 2010	14.4	165.1	78.8	31.6	48.2	–	338.1
Amortization	52.4	47.6	20.9	–	–	–	120.9
Retirement, disposals and other	–	0.4	2.5	(30.8)	–	–	(27.9)
Balance as of December 31, 2011	**$ 66.8**	**$ 213.1**	**$ 102.2**	**$ 0.8**	**$ 48.2**	**$ –**	**$ 431.1**
Net carrying amount:							
As of January 1, 2010	$ 458.5	$ 137.3	$ 125.5	$ 102.5	$ 57.4	$ 141.0	$ 1,022.2
As of December 31, 2010	444.1	203.8	108.2	102.5	57.4	120.3	1,036.3
As of December 31, 2011	**$ 391.7**	**$ 237.2**	**$ 117.5**	**$ 102.6**	**$ 62.6**	**$ 129.4**	**$ 1,041.0**

The accumulated amortization and impairment losses of internally generated intangible assets, mainly composed of software, was $115.2 million as of December 31, 2011 ($85.8 million as of December 31, 2010 and $63.3 million as of January 1, 2010). For the year ended December 31, 2011, the Corporation recorded $29.3 million of amortization ($22.9 million in 2010).

The net carrying value of internally generated intangible assets was $182.6 million as of December 31, 2011 ($154.5 million as of December 31, 2010 and $121.4 million as of January 1, 2010).

Broadcasting licences are allocated to the group of CGUs Broadcasting and mastheads are allocated to the group of CGUs News Media

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

15. GOODWILL

For the years ended December 31, 2011 and 2010, changes in the net carrying amount of goodwill are as follows:

Cost:	
Balance as of January 1, 2010	$ 6,956.2
Business acquisitions	0.1
Other	(1.0)
Balance as of December 31, 2010	6,955.3
Business acquisitions	37.1
Other	1.5
Balance as of December 31, 2011	**$ 6,993.9**
Accumulated amortization and impairment losses:	
Balance as of January 1, 2010, December 31, 2010 and 2011	**$ 3,450.1**
Net carrying amount:	
As of January 1, 2010	$ 3,506.1
As of December 31, 2010	3,505.2
As of December 31, 2011	**3,543.8**

The net carrying amount of goodwill as of December 31, 2011 and 2010 and as of January 1, 2010 is allocated to the following significant groups of CGUs:

Industry segment	Group of CGUs	**December 31, 2011**	December 31, 2010	January 1, 2010
Telecommunications	Telecommunications	**$ 2,589.7**	$ 2,589.7	$ 2,589.7
News Media	New Media	**827.1**	798.0	797.9
Broadcasting	Broadcasting	**3.1**	3.1	3.1
	Publishing	**51.8**	51.8	51.8
Leisure and Entertainment	Book publishing and distribution	**16.3**	16.3	16.3
	Music	**20.9**	20.9	20.9
Interactive Technologies and Communications	Interactive Technologies and Communications	**34.9**	25.4	26.4
Total		**$ 3,543.8**	$ 3,505.2	$ 3,506.1

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

15. GOODWILL (continued)

Recoverable amounts

The recoverable amounts were determined based on value in use with respect to the impairment tests performed. The Corporation uses the discounted cash flow method to estimate 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 considered 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 risk-adjusted. The perpetual growth rate was determined with regard to the specific markets in which the CGUs participate. The following key assumptions were used to determine recoverable amounts in the most recent impairment tests performed as of April 1, 2011 and January 1, 2010:

	April 1, 2011		January 1, 2010	
Group of CGUs	**Pre-tax discount rate (WACC)**	**Perpetual growth rate**	Pre-tax discount rate (WACC)	Perpetual growth rate
Telecommunications[1]	10.19 %	3.00 %	10.19 %	3.00 %
News Media	11.24	1.00	11.02	1.00
Broadcasting:				
Broadcasting[1]	11.43	1.00	11.43	1.00
Publishing	15.89	1.00	14.93	1.00
Leisure and Entertainment:				
Book publishing and distribution[1]	14.14	1.00	14.14	1.00
Music	15.00	1.00	13.12	1.00
Interactive Technologies and Communications	15.17	4.00	14.82	4.00

1 As allowed by IAS 36, *Impairment of assets*, recoverable amounts calculated as of January 1, 2010 were used in the 2011 impairment test performed for these groups of CGUs. Accordingly, pre-tax discount rates and perpetual growth rates are the same as of April 1, 2011 and as of January 1, 2010.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

15. GOODWILL (continued)

Sensitivity of recoverable amounts

The following table presents, for each principal group of CGUs, the change in the discount rate and in the perpetual growth rate used for the tests performed that would have been required in order for the recoverable amount to equal the carrying value of the CGU as of April 1, 2011:

Group of CGUs	**Incremental increase in pre-tax discount rate (WACC)**		**Incremental decrease in perpetual growth rate**	
Telecommunications	3.10	%	3.40	%
News Media	6.00		8.20	
Broadcasting:				
Broadcasting	2.10		2.70	
Publishing	7.80		12.00	
Leisure and Entertainment:				
Book publishing and distribution	6.70		11.10	
Music	1.30		1.80	
Interactive Technologies and Communications	6.60		9.30	

16. OTHER ASSETS

		December 31, 2011		December 31, 2010		January 1, 2010
Programs, broadcast and distribution rights	**$**	**35.5**	$	34.0	$	39.0
Deferred connection costs		**38.7**		35.3		28.6
Other		**19.2**		24.5		26.1
	$	**93.4**	$	93.8	$	93.7

17. ACCOUNTS PAYABLE AND ACCRUED CHARGES

		December 31, 2011		December 31, 2010		January 1, 2010
Trade and accruals	**$**	**558.9**	$	518.3	$	547.8
Salaries and employees benefits		**166.5**		148.2		138.7
Interest payable		**23.8**		34.7		35.9
Stock-based compensation		**27.3**		52.4		28.8
	$	**776.5**	$	753.6	$	751.2

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

18. PROVISIONS AND CONTINGENCIES

	Restructuring of operations	Contingencies and legal disputes	Contractual obligations and other	Total
Balance as of December 31, 2010	$ 37.0	$ 16.6	$ 21.7	$ 75.3
Net change in income	27.4	(1.8)	2.6	28.2
Payments	(42.6)	(9.0)	(14.5)	(66.1)
Other	0.9	–	–	0.9
Balance as of December 31, 2011	**$ 22.7**	**$ 5.8**	**$ 9.8**	**$ 38.3**
Current portion	**$ 21.0**	**$ 5.8**	**$ 6.9**	**$ 33.7**
Non-current portion	**1.7**	**–**	**2.9**	**4.6**

The recognition of provisions, in terms of both timing and amounts, requires the exercise of judgment based on relevant circumstances and events, which can be subject to change over time. Provisions are primarily comprised of the following:

Restructuring of operations

Provisions for restructuring activities cover primarily severances related to initiatives of elimination of positions in the News Media segment.

Contingencies and legal disputes

There exists a number of legal proceedings against the Corporation and its subsidiaries that 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 the Corporation's results or on its financial position. Management of the Corporation, after taking legal advice, has established provisions for specific claims or actions considering the facts of each case. The Corporation cannot determine when and if a payment related to these provisions will be made.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

19. LONG-TERM DEBT

	Effective interest rate as of December 31, 2011		**December 31, 2011**	December 31, 2010	January 1, 2010
Quebecor					
Bank credit facility (i)	4.20	%	**$ 70.7**	$ 69.7	$ 83.6
Other loan (ii)	3.89	%	**34.2**	35.0	35.7
			104.9	104.7	119.3
Quebecor Media (iii)					
Bank credit facilities (iv) (note 7)	2.40	%	**162.6**	179.9	422.4
Other credit facility (v)	1.80	%	**42.5**	53.1	63.8
Senior Notes (vi)	(vi)		**1,544.6**	1,202.1	1,249.3
			1,749.7	1,435.1	1,735.5
Videotron (iii)					
Bank credit facility (vii)	2.81	%	**69.6**	–	–
Senior Notes (vi) (note 7)	(vi)		**1,898.4**	1,826.8	1,613.8
			1,968.0	1,826.8	1,613.8
Sun Media Corporation (iii)					
Bank credit facilities (note 30)	2.75	%	**37.4**	37.8	38.3
Other credit facilities (note 7)			**–**	–	114.2
Senior Notes (note 7)			**–**	205.3	213.8
			37.4	243.1	366.3
TVA Group (iii)					
Bank credit facilities (viii)	5.31	%	**93.0**	91.3	89.9
Total long-term debt			**3,953.0**	3,701.0	3,924.8
Change in fair value related to hedged interest rate risk			**15.5**	26.8	16.8
Adjustments related to embedded derivatives			**(120.0)**	(67.5)	(17.1)
Financing fees, net of amortization			**(45.7)**	(42.2)	(44.0)
			(150.2)	(82.9)	(44.3)
			3,802.8	3,618.1	3,880.5
Less current portion			**114.5**	30.8	68.6
			$ 3,688.3	$ 3,587.3	$ 3,811.9

19. LONG-TERM DEBT (continued)

(i) The bank credit facility of Quebecor, renewed in November 2011, is a revolving credit facility maturing in 2014 of an amount of $150.0 million during the first year, $137.5 million during the second year and $125.0 million during the last year. The availability under this facility is dependent on the market value of a portion of the Corporation's interest in Quebecor Media. The credit agreement governing this credit facility contains covenants such as limiting its ability to incur additional indebtedness. The borrowed amounts bear interest at floating rates based on Bankers' acceptance rate, U.S. London Interbanking Offered Rate ("LIBOR"), Canadian prime rate or U.S. prime rate, plus a premium. The credit facility is secured by a limited number of shares owned in Quebecor Media.

(ii) This mortgage loan bears interest at a fixed rate, payable every month, and matures in August 2012. The Corporation shall repay the principal amount in monthly repayments and the balance at the end of the term. The loan is secured by a first ranking hypothec on the head office building.

(iii) The debts of these subsidiaries are non-recourse to Quebecor.

(iv) The bank credit facilities of Quebecor Media are comprised of (i) a $125.0 million term loan "A" credit facility reimbursed in total on January 17, 2011 (the balance was $15.5 million as of December 31, 2010), (ii) a US$350.0 million term loan "B" credit facility, bearing interest at U.S. prime rate, plus a premium of 1.0%, or at LIBOR, plus a premium of 2.0%, and maturing in January 2013, and (iii) a $100.0 million revolving credit facility, bearing interest at Bankers' acceptance rate, U.S. LIBOR, Canadian prime rate or U.S. prime rate, plus a premium determined by a leverage ratio, and maturing in January 2013. These credit facilities contain covenants such as maintaining certain financial ratios, limiting its ability to incur additional indebtedness and restricting the payment of dividends and other distributions. They are collateralized by liens on all of the movable property and assets of Quebecor Media (primarily shares of its subsidiaries), now owned or hereafter acquired. As of December 31, 2011, the credit facilities of Quebecor Media were secured by assets with a carrying value of $3,845.1 million ($3,792.5 million in 2010). As of December 31, 2011 and 2010, no amount was drawn on the revolving credit facility. The balance of the term "B" credit facilities was $162.6 million as of December 31, 2011 ($164.4 million in 2010). The bank credit facilities were amended on January 25, 2012 (note 30).

(v) The long-term credit facility with Société Générale (Canada) for the CAD dollar equivalent of €59.4 million, bears interest at Bankers' acceptance rate, plus a premium, and matures in 2015. The facility is secured by all the property and assets of Quebecor Media, now owned and hereafter acquired. This facility mostly contains the same covenants as the bank facilities described in (iv).

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

19. LONG-TERM DEBT (continued)

(vi) The Senior Notes contain certain restrictions on the issuers (Quebecor Media and Videotron), including limitations on their ability to incur additional indebtedness, pay dividends or make other distributions. The notes are unsecured and are redeemable at the option of the issuer, in whole or in part, at a decreasing premium during the last five years of the term of the notes or at a price based on a make-whole formula prior to that period. The notes issued by Videotron are guaranteed by specific subsidiaries of Videotron. The following table summarized terms of the outstanding Senior Notes as of December 31, 2011:

Principal amount	Annual nominal interest rate	Effective interest rate (after discount or premium at issuance)	Maturity date	Interest payable every 6 months on
Quebecor Media				
US$ 700.0	7.750 %	8.810 %	March 15, 2016	June and December 15
US$ 525.0	7.750 %	7.750 %	March 15, 2016	June and December 15
$ 325.0[(1)]	7.375 %	7.375 %	January 15, 2021	June and December 15
Videotron				
US$ 395.0	6.875 %	6.871 %	January 15, 2014	January and July 15
US$ 175.0	6.375 %	6.440 %	December 15, 2015	June and December 15
US$ 715.0	9.125 %	9.370 %	April 15, 2018	June and December 15
$ 300.0[(2)]	7.125 %	7.125 %	January 15, 2020	June and December 15
$ 300.0[(3)]	6.875 %	6.875 %	July 15, 2021	June and December 15

(1) The notes were issued in January 2011 for net proceeds of $319.9 million, net of financing fees of $5.1 million.

(2) The notes were issued in January 2010 for net proceeds of $293.9 million, net of financing fees of $6.1 million.

(3) The notes were issued in July 2011 for net proceeds of $294.8 million, net of financing fees of $5.2 million.

(vii) The bank credit facilities provide for a $575.0 million secured revolving credit facility that matures in July 2016 and a $75.0 million secured export financing facility providing for a term loan that matures in June 2018. The revolving credit facility bears interest at Bankers' acceptance, Canadian prime rate or U.S. prime rate, plus a margin, depending on Videotron's leverage ratio. Advances under the export financing facility bear interest at Bankers' acceptance rate and Canadian LIBOR plus a margin. The bank credit facilities are secured by a first ranking hypothec on the universality of all tangible and intangible assets, current and future, of Videotron and its wholly-owned subsidiaries. As of December 31, 2011, the bank credit facilities were secured by assets with a carrying value of $5,990.0 million ($5,505.5 million in 2010, as restated). The bank credit facilities contain covenants such as maintaining certain financial ratios, limiting its ability to incur additional indebtedness and restricting the payment of dividends and other distributions. As of December 31, 2011 and 2010, no amount was drawn on the revolving credit facility. As of December 31, 2011, $69.6 million (none in 2010) was outstanding on the secured export financing facility.

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(tabular amounts in millions of Canadian dollars, except for per share data and option data)

19. LONG-TERM DEBT (continued)

(viii) The bank credit facilities of TVA Group are comprised of an unsecured revolving credit facility in the amount of $100.0 million, maturing in December 2012, and an unsecured term credit facility in the amount of $75.0 million, maturing in December 2014. TVA Group's revolving credit facility bears interest at floating rates based on Bankers' acceptance rate, LIBOR, Canadian prime rate or U.S. prime rate, plus a premium determined by a leverage ratio, while the term loan bears interest at a rate of 5.54%, payable every six months on June 15 and December 15. The bank credit facilities contain covenants such as maintaining certain financial ratios, limiting its ability to incur additional indebtedness and restricting the payment of dividends and other distributions. As of December 31, 2011, $18.0 million ($16.3 million in 2010) was drawn on the revolving credit facility and $75.0 million ($75.0 million in 2010) was outstanding on the term credit facility. The bank credit facilities were amended on February 24, 2012 (note 30).

On December 31, 2011, the Corporation and its subsidiaries were in compliance with all debt covenants.

Principal repayments of long-term debt over the coming years are as follows:

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

20. OTHER LIABILITIES

	Note		**December 31, 2011**		December 31, 2010		January 1, 2010
Defined benefit plans	28	**$**	**249.6**	$	190.9	$	145.4
Deferred revenue			**51.4**		49.1		43.4
Stock-based compensation[1]	22		**14.0**		20.7		18.1
Other[2]			**29.7**		13.3		11.4
		$	**344.7**	$	274.0	$	218.3

[1] The current portion of stock-based compensation is included in accounts payable and accrued charges (note 17).

[2] Including exchangeable debentures, Series 2001 and Series Abitibi that mature in 2026 having a combined principal nominal amount outstanding of $844.9 million as of December 31, 2011 ($979.9 million in 2010) and a combined carrying value of $2.1 million as of December 31, 2011 and in 2010. Prior to maturity, the Corporation may, at its option, satisfy its obligation without any consideration. The conditions of exchangeable debentures Series 2001 and Series Abitibi were amended respectively in February and June 2011 to reduce the interest rate from 1.50% to 0.10% on the debentures principal amount. Cash and cash equivalents in trust as of December 31, 2011 included an amount of $0.3 million related to the interest payment on these debentures ($5.3 million in 2010).

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

21. CAPITAL STOCK

(a) Authorized capital stock

An unlimited number of Class A Multiple Voting Shares ("Class A shares") with voting rights of 10 votes per share convertible at any time into Class B Subordinate Voting Shares ("Class B shares") on a one-for-one basis.

An unlimited number of Class B shares convertible into Class A shares on a one-for-one basis, only if a takeover bid for Class A shares is made to holders of Class A shares without being made concurrently and under the same terms to holders of Class B shares, for the sole purpose of allowing the holders of Class B Shares to accept the offer and subject to certain other stated conditions provided in the articles including the acceptance of the offer by the majority holder.

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

(b) Issued and outstanding capital stock

	A shares		B shares	
	Number	Amount	Number	Amount
Balance as of January 1, 2010	20,115,731	$ 8.9	44,201,291	$ 337.7
Class A shares converted into Class B shares	(289,389)	(0.1)	289,389	0.1
Balance as of December 31, 2010	19,826,342	8.8	44,490,680	337.8
Class A shares converted into Class B shares	(122,151)	–	122,151	–
Shares purchased and cancelled	–	–	(928,100)	(7.1)
Balance as of December 31, 2011	**19,704,191**	**$ 8.8**	**43,684,731**	**$ 330.7**

On August 10, 2011, the Corporation filed a normal course issuer bid for a maximum of 985,233 Class A shares representing approximately 5% of issued and outstanding Class A shares, and for a maximum of 4,453,304 Class B shares representing approximately 10% of the public float of the Class B shares as of August 2, 2011. The purchases can be made from August 12, 2011 to August 10, 2012 at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange. All shares purchased under the bid are or will be cancelled.

In 2011, the Corporation purchased and cancelled 928,100 Class B shares for a total cash consideration of $30.2 million. The excess of $23.1 million of the purchase price over the carrying value of Class B shares repurchased was recorded in reduction of retained earnings.

On March 14, 2012, the Board of Directors of the Corporation declared a dividend of $0.05 per share on Class A shares and Class B shares, or approximately $3.2 million, payable on April 24, 2012 to shareholders of record at the close of business on March 30, 2012.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

22. STOCK-BASED COMPENSATION PLANS

(a) Quebecor plans

(i) Stock option plan

Under a stock option plan established by the Corporation, 6,500,000 of Class B shares of the Corporation have been set aside for directors, officers, senior employees, and other key employees of the Corporation and its subsidiaries. The exercise price of each option is equal to the weighted average trading price of the Corporation's Class B shares on the Toronto Stock Exchange over the last five trading days immediately preceding the granting of the option. Each option may be exercised during a period not exceeding 10 years from the date granted. Options usually vest as follows: 1/3 after one year, 2/3 after two years, and 100% three years after the original grant. Holders of options under the stock option plan have the choice, when they exercise their options, of acquiring the Class B shares at the corresponding option exercise price, or receiving a cash payment equivalent to the difference between the market value of the underlying shares and the exercise price of the option. The Board of Directors of the Corporation may, at its discretion, affix different vesting periods at the time of each grant.

The following table gives details on changes to outstanding options for the years ended December 31, 2011 and 2010:

		2011		2010
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Balance at beginning of year	**2,314,938**	**$ 24.47**	2,586,496	$ 25.15
Granted	**96,296**	**35.09**	78,442	34.72
Exercised	**(1,089,046)**	**21.18**	(350,000)	31.79
Balance at end of year	**1,322,188**	**$ 27.95**	2,314,938	$ 24.47
Vested options at end of year	**863,360**	**$ 29.91**	1,454,998	$ 25.93

During the year ended December 31, 2011, 1,089,046 of the Corporation's stock options were exercised for a cash consideration of $14.0 million (350,000 stock options exercised for $1.7 million in 2010).

The following table gives summary information on outstanding options as of December 31, 2011:

			Outstanding options		**Vested options**
Range of exercise price	**Number**	**Weighted average years to maturity**	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
$18.38 to 20.51	345,237	6.59	$ 19.29	35,000	$ 20.51
25.98 to 27.11	483,065	6.56	26.79	483,065	26.79
32.25 to 40.66	493,886	5.86	35.14	345,295	35.22
$18.38 to 40.66	**1,322,188**	**6.30**	**$ 27.95**	**863,360**	**$ 29.91**

22. STOCK-BASED COMPENSATION PLANS

(a) Quebecor plans (continued)

(ii) Mid-term stock-based compensation plan

Under the mid-term stock-based compensation plan, participants are entitled to receive a cash payment at the end of a three-year period, based on the appreciation of the Corporation Class B share price, and subject to the achievement of certain non-market performance criteria. As of December 31, 2011, 577,298 units were outstanding at an average exercise price of $31.33 (337,224 units at an average exercise price of $26.92 in 2010).

(iii) Deferred stock unit plan

The Quebecor deferred stock unit ("DSU") plan is for the benefit of the Corporation's directors. Under this plan, each director receives a portion of his/her compensation in the form of DSUs, such portion representing at least 50% of the annual retainer. Subject to certain conditions, each director may elect to receive up to 100% of the total fees payable for services as a director in the form of units. The value of a DSU is based on the weighted average trading price of the Corporation's Class B shares on the Toronto Stock Exchange over the last five trading days immediately preceding the relevant date. DSUs will entitle the holders thereof to dividends, which will be paid in the form of additional units at the same rate as that applicable to dividends paid from time to time on the Corporation's Class B shares. Subject to certain limitations, the DSUs will be redeemed by the Corporation when the director ceases to serve as a director of the Corporation. For the purpose of redeeming units, the value of a DSU shall correspond to the fair market value of the Corporation's Class B shares on the date of redemption. As of December 31, 2011 and 2010, the total number of DSUs outstanding under this plan was 113,323 and 100,253, respectively.

(b) Quebecor Media stock option plan

Under a stock option plan established by Quebecor Media, 6,180,140 Common Shares of Quebecor Media have been set aside for officers, senior employees, directors, and other key employees of Quebecor Media and its subsidiaries. Each option may be exercised within a maximum period of 10 years following the date of grant at an exercise price not lower than, as the case may be, the fair market value of the Common Shares of Quebecor Media at the date of grant, as determined by its Board of Directors (if the Common Shares of Quebecor Media are not listed on a stock exchange at the time of the grant), or the five-day weighted average market price ending on the day preceding the date of grant of the Common Shares of Quebecor Media on the stock exchange(s) where such shares are listed at the time of grant. As long as the Common Shares of Quebecor Media are not listed on a recognized stock exchange, optionees may exercise their vested options during one of the following periods: from March 1 to March 30, from June 1 to June 29, from September 1 to September 29, and from December 1 to December 30. Holders of options under the plan have the choice at the time of exercising their options of receiving an amount in cash (equal to the difference between either the five-day weighted average market price ending on the day preceding the date of exercise of the Common Shares of Quebecor Media on the stock exchange(s) where such shares are listed at the time of exercise or the fair market value of the Common Shares, as determined by the Quebecor Media's Board of Directors, and the exercise price of their vested options) or, subject to certain stated conditions, exercise their options to purchase Common Shares of Quebecor Media at the exercise price. Except under specific circumstances, and unless the Compensation Committee decides otherwise, options vest over a five-year period in accordance with one of the following vesting schedules as determined by the Compensation Committee at the time of grant: (i) equally over five years with the first 20% vesting on the first anniversary of the date of the grant; (ii) equally over four years with the first 25% vesting on the second anniversary of the date of grant; and (iii) equally over three years with the first 33 1/3% vesting on the third anniversary of the date of grant. The vesting on 400,000 options is also subject to market-related performance criteria as the achievement of specific targets in regards to the fair value of the Quebecor Media's shares in the future.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

22. STOCK-BASED COMPENSATION PLANS (continued)

(b) Quebecor Media stock option plan (continued)

The following table gives summary information on outstanding options granted as of December 31, 2011 and 2010:

		2011		2010
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Balance at beginning of year	**3,515,668**	**$ 42.69**	3,326,069	$ 40.96
Granted	**114,000**	**50.18**	1,096,500	46.50
Exercised	**(695,423)**	**38.74**	(503,830)	38.17
Cancelled	**(165,533)**	**45.15**	(403,071)	44.38
Balance at end of year	**2,768,712**	**$ 43.85**	3,515,668	$ 42.69
Vested options at end of year	**789,921**	**$ 44.54**	793,098	$ 41.80

During the year ended December 31, 2011, 695,423 of Quebecor Media's stock options were exercised for a cash consideration of $7.9 million (503,830 stock options for $5.6 million in 2010).

The following table gives summary information on outstanding options as of December 31, 2011:

		Outstanding options			**Vested options**
Range of exercise price	**Number**	**Weighted average years to maturity**	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
$27.86 to 37.91	545,219	7.42	$ 36.06	37,751	$ 33.43
41.05 to 50.51	2,223,493	6.84	45.76	752,170	45.09
$27.86 to 50.51	**2,768,712**	**6.96**	**$ 43.85**	**789,921**	**$ 44.54**

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

22. STOCK-BASED COMPENSATION PLANS (continued)

(c) TVA Group stock option plan

Under this stock option plan, 2,200,000 Class B shares of TVA Group have been set aside for senior executives and directors of TVA Group and its subsidiaries. The terms and the conditions of options granted are determined by TVA Group's Compensation Committee. The subscription price of an option cannot be less than the closing price of Class B shares on the Toronto Stock Exchange the day before the option is granted. Options granted prior to January 2006 usually vest equally over a four-year period, with the first 25% vesting on the second anniversary date of the date of grant. Beginning January 2006, and unless the Compensation Committee decides otherwise, options vest over a five-year period in accordance with one of the following vesting schedules as determined by the Compensation Committee at the time of grant: (i) equally over five years with the first 20% vesting on the first anniversary of the date of the grant; (ii) equally over four years with the first 25% vesting on the second anniversary of the date of grant; and (iii) equally over three years with the first 33 1/3% vesting on the third anniversary of the date of grant. The term of an option cannot exceed 10 years. Holders of options under the plan have the choice, at the time of exercising their options, of receiving a cash payment from TVA Group equal to the number of shares corresponding to the options exercised, multiplied by the difference between the market value of the Class B shares and the exercise price of the option or, subject to certain conditions, exercise their options to purchase TVA Group Class B shares at the exercise price. The market value is defined as the average closing market price of the Class B shares for the last five trading days preceding the date on which the option was exercised.

The following table gives details on changes to outstanding options for the years ended December 31, 2011 and 2010:

		2011		2010
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Balance at beginning of year	**833,610**	**$ 16.35**	975,155	$ 16.16
Cancelled	**–**	**–**	(141,545)	15.04
Balance at end of year	**833,610**	**$ 16.35**	833,610	$ 16.35
Vested options at end of year	**720,266**	**$ 16.59**	560,952	$ 17.05

The following table gives summary information on outstanding options as of December 31, 2011:

			Outstanding options		**Vested options**
Range of exercise price	**Number**	**Weighted average years to maturity**	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
$14.50 to 16.40	639,479	5.40	$ 14.97	526,135	$ 15.00
20.50 to 21.38	194,131	2.86	20.90	194,131	20.90
$14.50 to 21.38	**833,610**	**4.81**	**$ 16.35**	**720,266**	**$ 16.59**

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

22. STOCK-BASED COMPENSATION PLANS (continued)

(d) Assumptions to estimate the fair value of stock-based awards

The fair value of stock-based awards under the stock option plans of the parent corporation, Quebecor Media and TVA Group was estimated using the Black-Scholes option pricing model. The following weighted-average assumptions were used to estimate the fair value of all outstanding stock options under the stock option plans as of December 31, 2011 and 2010 and January 1, 2010:

December 31, 2011	**Quebecor**	**Quebecor Media**	**TVA Group**
Risk-free interest rate	**1.13 %**	**1.16 %**	**1.05 %**
Dividend yield	**0.57 %**	**1.66 %**	**– %**
Expected volatility	**31.69 %**	**29.44 %**	**36.26 %**
Expected remaining life	**2.7 years**	**2.8 years**	**1.9 years**

December 31, 2010	Quebecor	Quebecor Media	TVA Group
Risk-free interest rate	2.05 %	2.11 %	1.93 %
Dividend yield	0.53 %	1.61 %	1.44 %
Expected volatility	35.37 %	34.23 %	44.22 %
Expected remaining life	3.1 years	3.3 years	2.7 years

January 1, 2010	Quebecor	Quebecor Media	TVA Group
Risk-free interest rate	2.43 %	2.37 %	2.38 %
Dividend yield	0.72 %	1.31 %	1.54 %
Expected volatility	38.53 %	36.34 %	47.65 %
Expected remaining life	4.3 years	3.6 years	3.7 years

Except for Quebecor Media, the expected volatility is based on the historical volatility of the underlying share price for a period equivalent to the expected remaining life of the options. Since the common shares of Quebecor Media are not publicly traded on a stock exchange, expected volatility is derived from the implied volatility of Quebecor's stock. The expected remaining life of options granted represents the period of time that options granted are expected to be outstanding. The risk-free rate over the expected remaining life of the option is based on the Government of Canada yield curve in effect at the time of the valuation. Dividend yield is based on the current average yield.

(e) Liability of vested options

As of December 31, 2011, the liability for all vested options was $8.3 million as calculated by using the intrinsic value ($24.0 million as of December 31, 2010 and $6.1 million as of January 1, 2010).

(f) Consolidated compensation charge

For the year ended December 31, 2011, a net reversal of the consolidated compensation charge related to all stock-based compensation plans was recorded in the amount of $10.4 million (net charge of $33.6 million in 2010).

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

23. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Translation of net investments in foreign operations	Cash flow hedges	Total
Balance as of December 31, 2009, as previously reported under Canadian GAAP	$ (1.0)	$ (10.0)	$ (11.0)
IFRS adjustments (note 29)	1.0	–	1.0
Balance as of January 1, 2010	–	(10.0)	(10.0)
Other comprehensive income	(1.6)	25.3	23.7
Balance as of December 31, 2010	(1.6)	15.3	13.7
Other comprehensive loss	0.9	(6.0)	(5.1)
Balance as of December 31, 2011	**$ (0.7)**	$ **9.3**	**$ 8.6**

No significant amount is expected to be reclassified in income over the next 12 months in connection with derivatives designated as cash flow hedges. The balance is expected to reverse over a 6 1/4-year period.

24. COMMITMENTS

The Corporation rents premises and equipment under operating leases and has entered into long-term commitments to purchase services, capital equipment, and distribution and broadcasting rights that call for total future payments of $503.4 million. The operating leases have various terms, escalation clauses, purchase options and renewal rights. The minimum payments for the coming years are as follows:

	Leases	Other commitments
2012	$ 67.5	$ 83.2
2013 to 2016	125.7	89.4
2017 and thereafter	130.8	6.8

The Corporation and its subsidiaries' operating lease expenses amounted to $64.9 million in 2011 ($59.1 million in 2010).

25. 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.

26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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 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.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(a) Description of derivative financial instruments

(i) Foreign exchange forward contracts

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

(ii) Cross-currency interest rate swaps

	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.

26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(a) Description of derivative financial instruments (continued)

(iii) Interest rate swaps

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

b) 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 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.

In accordance with IFRS 7, *Financial Instruments: Disclosures*, the Corporation has considered the following fair value hierarchy that reflects the significance of the inputs used in measuring its other financial instruments accounted for at fair value in the consolidated balance sheets:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs that are not based on observable market data (unobservable inputs).

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 Level 2 inputs.

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 (Level 2 inputs). 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 (Level 3 inputs) to the net exposure of the counterparty or the Corporation. Accordingly, financial derivative instruments are classified as Level 3 under the fair value hierarchy.

The fair value of early settlement options recognized as embedded derivatives is determined by option pricing models using Level 2 market inputs, including volatility and discount factors.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(b) Fair value of financial instruments (continued)

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

	2011		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 following table shows changes to the carrying value and fair value of derivative financial instruments (Level 3) in 2011 and 2010:

	2011	2010
Asset (liability)		
Balance as of beginning of year	**$ (451.2)**	$ (373.4)
Loss recognized in the consolidated statement of income[1, 2]	**(4.2)**	(31.0)
Gain (loss) recognized in other comprehensive income[3]	**22.7**	(76.7)
Settlements	**152.2**	29.9
Balance as of end of year	**$ (280.5)**	$ (451.2)

[1] Gains or losses were largely related to derivative instruments held as of December 31, 2011 and December 31, 2010.
[2] The loss is offset by a gain on valuation and translation of long-term debt of $3.6 million in 2011 ($28.1 million in 2010).
[3] The gain is offset by a loss on translation of long-term debt of $32.2 million in 2011(loss offset by a gain of $119.7 million in 2010).

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(b) Fair value of financial instruments (continued)

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)**

(c) 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.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(d) 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).

The Corporation management believes that cash flows and available sources of financing should be sufficient to cover committed cash requirements for capital investments, working capital, interest payments, debt repayments, pension plan contributions, and dividends in the future. The Corporation has access to cash flows generated by its subsidiaries through dividends paid by Quebecor Media.

As of December 31, 2011, material contractual obligations related to financial instruments included capital repayment and interest on long-term debt and obligations related to derivative instruments, less estimated future receipts on derivative instruments. These obligations and their maturities are as follows:

	Total	Less than 1 year	1-3 year	3-5 years	5 years or more
Bank indebtedness	**$ 4.2**	$ 4.2	$ –	$ –	$ –
Accounts payable and accrued charges	**776.5**	776.5	–	–	–
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
Derivative instruments[3]	**308.1**	0.5	142.8	91.1	73.7
Total	**$ 6,686.8**	**$ 1,178.9**	**$ 1,462.7**	**$ 1,947.0**	**$ 2,098.2**

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.

2 Estimate of interest to be paid on long-term debt is based on hedged and unhedged interest rates and hedged foreign exchange rates as of December 31, 2011.

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

(e) 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.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(e) Market risk (continued)

Foreign currency risk (continued)

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 (BA), (ii) 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)

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(f) 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:

	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.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

27. RELATED PARTY TRANSACTIONS

Key management personnel compensation

Key management personnel are comprised of the members of the Board of Directors and key senior management of the Corporation and its main subsidiaries. Their compensation is as follows:

	2011	2010
Salaries and short-term benefits	**$ 8.8**	$ 8.2
Post-employment benefits	**0.7**	0.6
Share-based compensation	**(6.0)**	27.1
Other long-term benefits	**1.6**	2.9
	$ 5.1	$ 38.8

Other 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.

28. PENSION PLANS AND POSTRETIREMENT BENEFITS

The Corporation maintains various flat-benefit plans, various final-pay plans with indexation features from zero to 2%, and defined contribution plans. The Corporation's policy is to maintain its contribution at a level sufficient to cover benefits. The Corporation provides postretirement benefits to eligible retired employees. The costs of these benefits, principally health care, are accounted for during the employee's active service period.

The following tables show a reconciliation of the changes in the plans' benefit obligations and the fair value of plan assets for the years ended December 31, 2011 and 2010:

	Pension benefits		Postretirement benefits	
	2011	2010	**2011**	2010
Change in benefit obligations				
Benefit obligations at beginning of year	**$ 836.7**	$ 678.8	**$ 47.6**	$ 41.9
Service costs	**26.5**	16.9	**0.8**	1.0
Interest costs	**44.4**	42.5	**2.1**	2.4
Plan participants' contributions	**16.1**	14.6	**–**	–
Actuarial loss	**38.7**	124.5	**11.6**	3.8
Benefits and settlements paid	**(44.4)**	(41.3)	**(1.0)**	(0.9)
Curtailment gain	**–**	–	**(6.4)**	(0.6)
Plan amendments and other	**0.6**	0.7	**–**	–
Benefit obligations at end of year	**$ 918.6**	$ 836.7	**$ 54.7**	$ 47.6

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

28. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

	Pension benefits		Postretirement benefits	
	2011	2010	**2011**	2010
Change in plan assets				
Fair value of plan assets at beginning of year	**$ 689.9**	$ 623.2	**$ –**	$ –
Actual return on plan assets	**8.0**	53.3	**–**	–
Employer contributions	**50.5**	40.1	**1.0**	0.9
Plan participants' contributions	**16.1**	14.6	**–**	–
Benefits and settlements paid	**(44.4)**	(41.3)	**(1.0)**	(0.9)
Fair value of plan assets at end of year	**$ 720.1**	$ 689.9	**$ –**	$ –

The plan assets are comprised of:

	December 31, 2011	December 31, 2010	January 1, 2010
Equity securities	**55.9 %**	59.5 %	58.8 %
Debt securities	**41.9**	38.1	38.2
Other	**2.2**	2.4	3.0
	100.0 %	100.0 %	100.0 %

As of December 31, 2011, plan assets included shares of the Corporation in the amount of $0.7 million ($0.9 million as of December 31, 2010 and $1.6 million as of January 1, 2010).

The reconciliation of funded status to the net amount recognized in the consolidated balance sheets is as follows:

	Pension benefits			Postretirement benefits		
	December 31, 2011	December 31, 2010	January 1, 2010	**December 31, 2011**	December 31, 2010	January 1, 2010
Reconciliation of funded status						
Unfunded benefit obligations	**$ (47.5)**	$ (47.1)	$ (43.3)	**$ (54.7)**	$ (47.6)	$ (41.9)
Funded benefit obligations	**(871.1)**	(789.6)	(635.5)	**–**	–	–
Fair value of plan assets	**720.1**	689.9	623.2	**–**	–	–
Plan deficit	**(198.5)**	(146.8)	(55.6)	**(54.7)**	(47.6)	(41.9)
Past service costs – unvested portion	**3.6**	5.3	6.9	**–**	–	–
Asset limit and minimum funding adjustment	**–**	(1.8)	(54.8)	**–**	–	–
Net amount recognized	**$ (194.9)**	$ (143.3)	$ (103.5)	**$ (54.7)**	$ (47.6)	$ (41.9)

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

28. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

Components of actuarial losses are as follows:

	Pension benefits		Postretirement benefits	
	2011	2010	**2011**	2010
Difference between the expected and actual return on plan assets:				
(Loss) gain	**$ (41.5)**	$ 9.0	**$ –**	$ –
As a proportion of plan assets	**5.8** %	1.3 %	**–**	–
Experience losses and changes in assumptions on benefits obligations:				
Loss	**$ (38.7)**	$ (124.5)	**$ (11.6)**	$ (3.8)
As a proportion of benefits obligations	**4.2 %**	14.9 %	**21.2 %**	8.0 %

Components of the net benefit costs are as follows:

	Pension benefits		Postretirement benefits	
	2011	2010	**2011**	2010
Service costs	**$ 26.5**	$ 16.9	**$ 0.8**	$ 1.0
Interest costs	**44.4**	42.5	**2.1**	2.4
Expected return on plan assets	**(49.5)**	(44.3)	**–**	–
Net prior service costs	**1.8**	1.6	**–**	–
Special termination benefits, curtailment loss (gain) and other	**1.4**	1.0	**(6.4)**	(0.6)
Net benefit costs	**$ 24.6**	$ 17.7	**$ (3.5)**	$ 2.8

The expense related to defined contribution pension plans amounted to $13.2 million in 2011 ($11.7 million in 2010).

The expected employer contributions to the Corporation's defined benefit pension plans and post-retirement benefits plans will be $51.0 million in 2012 (contributions of $51.5 million were paid in 2011).

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

28. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

Assumptions

The expected long-term rate-of-return-on-assets assumption is selected by first identifying the expected range of long-term rates of return for each major asset class. The Corporation's investment strategy for plan assets takes into account a number of factors, including the time horizon of the pension plans' obligations and the investment risk. For each of the plans, an allocation range by asset class is developed whereby a mix of equities and fixed-income investments is used to maximize the long-term return of plan assets. Expected long-term rates of return are developed based on long-term historical averages and current expectations of future returns. In addition, consideration is given to the extent active management is employed in each class and to inflation rates. A single expected long-term rate of return on plan assets is then calculated using the weighted average return of each asset class.

The Corporation determines its assumption for the discount rate to be used for purposes of computing annual service and interest costs based on an index of high-quality corporate bond-yield and matched-funding yield curve analysis as of the measurement date.

The weighted average actuarial assumptions used in measuring the Corporation's benefit obligations as of December 31, 2011 and 2010 and current periodic benefit costs are as follows:

	Pension benefits		Postretirement benefits	
	2011	2010	**2011**	2010
Benefit obligations				
Rates as of year-end:				
Discount rate	**4.75 %**	5.25 %	**4.75 %**	5.25 %
Rate of compensation increase	**3.25**	3.25	**3.25**	3.25
Current periodic costs				
Rates as of preceding year-end:				
Discount rate	**5.25 %**	6.25 %	**5.25 %**	6.25 %
Expected return on plan assets	**7.00**	7.00	**–**	–
Rate of compensation increase	**3.25**	3.50	**3.25**	3.50

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligations was 8.0% at the end of 2011. The costs, as per the estimate, are expected to decrease gradually over the next fifteen years to 5.0% and to remain at that level thereafter.

29. TRANSITION TO IFRS

These consolidated financial statements are the first financial statements the Corporation has prepared in accordance with IFRS, as described under accounting policies (note 1). The date of the opening balance sheet under IFRS and the Corporation's date of transition to IFRS is January 1, 2010.

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. The principal adjustments made by the Corporation in preparing its IFRS opening consolidated balance sheet as of January 1, 2010, and in restating its Canadian GAAP consolidated financial statements for the year ended December 31, 2010 are as follows:

<u>IFRS 1 exemptions and exceptions</u>

The Corporation has applied IFRS 1 in preparing these consolidated financial statements. The Corporation is required to establish IFRS accounting policies as of the transition date and, in general, to apply these retrospectively to determine the IFRS opening balance sheet at January 1, 2010. This Standard provides a number of mandatory exceptions and optional exemptions to this general principle of retrospective application. Descriptions of applicable exemptions and exceptions are set out below, together with the Corporation's elections:

Optional exemptions

(1) Business combinations

IFRS 1 provides the option to apply IFRS 3R (revised), *Business Combinations*, retrospectively or prospectively from the transition date. A retrospective basis would require restatement of all business combinations that occurred prior to the transition date. The Corporation has elected not to apply IFRS 3R retrospectively to business combinations that occurred prior to January 1, 2010. Accordingly, IAS 27, *Consolidated and Separate Financial Statements*, is also applied prospectively. Any goodwill arising on acquisitions before January 1, 2010 has not been adjusted from the carrying value previously determined under Canadian GAAP as a result of applying this exemption.

(2) Defined benefit plans

IFRS 1 provides the option to recognize all cumulative actuarial gains and losses on defined benefit plans deferred under Canadian GAAP in opening retained earnings as of the transition date. The Corporation elected to recognize all cumulative actuarial gains and losses that existed as of January 1, 2010 in opening retained earnings for all of its defined benefit plans.

(3) Cumulative translation adjustment

IFRS 1 permits cumulative translation gains and losses related to net investments in foreign operations to be reset to zero as of the date of transition, rather than applying IAS 21, *The Effect of Changes in Foreign Exchange Rates*, retrospectively from the date a subsidiary was formed or acquired. The Corporation elected to reset all cumulative translation adjustments to zero in its opening retained earnings as of January 1, 2010.

(4) Borrowing costs

IFRS 1 allows that the transitional provisions of IAS 23R (revised), *Borrowing Costs*, be applied as at the transition date. As a result, IAS 23R has been adopted prospectively for projects that commenced on or after January 1, 2010 and all pre-transition capitalized interest costs recorded under Canadian GAAP have been reclassified to opening retained earnings on transition.

29. TRANSITION TO IFRS (continued)

IFRS 1 exemptions and exceptions (continued)

Mandatory exceptions

(5) Estimates

In accordance with IFRS 1, an entity's estimates under IFRS as of the transition date to IFRS must be consistent with estimates made for the same date under previous Canadian GAAP, unless there is objective evidence that those estimates were in error. The estimates previously made by the Corporation under Canadian GAAP were not revised on the application of IFRS.

(6) Hedge accounting

An entity shall not reflect in its opening IFRS balance sheet a hedging relationship of a type that does not qualify for hedge accounting in accordance with IFRS. IFRS 1 also does not permit transactions entered into before the date of transition to IFRS to be retrospectively designated as hedges. As a result, hedge accounting was applied on transition only to hedge relationships previously designated under Canadian GAAP that continue to meet the conditions for hedge accounting under IFRS.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

29. TRANSITION TO IFRS (continued)

Reconciliation of Canadian GAAP to IFRS

The following tables present the reconciliation of the consolidated statements of income, comprehensive income, and cash flows for the year ended December 31, 2010, as well as a reconciliation of the consolidated balance sheets and equity as of January 1, 2010 and December 31, 2010.

(a) Consolidated statement of income and comprehensive income for the year ended December 31, 2010

	Explanation	Canadian GAAP	IFRS adjustments	IFRS
Revenues		$ 4,000.1	$ –	$ 4,000.1
Cost of sales, selling and administrative expenses	(i), (ii)	2,671.1	(4.4)	2,666.7
Amortization	(iii), (iv)	402.2	(3.0)	399.2
Financial expenses	(iii)	287.3	35.3	322.6
Gain on valuation and translation of financial instruments		(46.1)	–	(46.1)
Restructuring of operations, impairment of assets and other special items	(v), (vii)	50.3	(13.2)	37.1
Loss on debt refinancing		12.3	–	12.3
Income before income taxes and non-controlling interests		623.0	(14.7)	608.3
Income taxes	(ix)	156.4	(4.7)	151.7
		466.6	(10.0)	456.6
Non-controlling interests	(x)	(236.5)	236.5	–
Net income		$ 230.1	$ 226.5	$ 456.6
Other comprehensive income	(i), (ix), (x)	23.7	(28.5)	(4.8)
Comprehensive income		$ 253.8	$ 198.0	$ 451.8
Net income attributable to:				
Shareholders		$ 230.1	$ (4.8)	$ 225.3
Non-controlling interests	(x)		231.3	231.3
Income per share attributable to shareholders:				
Basic		$ 3.58	$ (0.08)	$ 3.50
Diluted		3.52	(0.08)	3.44
Comprehensive income attributable to:				
Shareholders		$ 253.8	$ (30.2)	$ 223.6
Non-controlling interests	(x)		228.2	228.2

29. TRANSITION TO IFRS (continued)

Reconciliation of Canadian GAAP to IFRS (continued)

(b) Consolidated statement of cash flows for the year ended December 31, 2010

For the year ended December 31, 2010, the adoption of IFRS resulted in a decrease of $35.3 million of cash flows used in investing activities and in an equivalent decrease of cash flows provided by operating activities in the consolidated statement of cash flows. These adjustments relate to borrowing costs previously capitalized to property, plant and equipment and to intangible assets, under Canadian GAAP (note 29(iii)).

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

29. TRANSITION TO IFRS (continued)

Reconciliation of Canadian GAAP to IFRS (continued)

(c) Consolidated balance sheet as of January 1, 2010

	Explanation	Canadian GAAP	IFRS adjustments	IFRS
Assets				
Current assets	(ix)	$ 1,111.4	$ (49.8)	$ 1,061.6
Non-current assets				
Property, plant and equipment	(iii), (iv)	2,498.6	(29.1)	2,469.5
Intangible assets	(iii), (vi)	1,052.7	(30.5)	1,022.2
Goodwill		3,506.1	–	3,506.1
Derivative financial instruments		49.0	–	49.0
Deferred income taxes	(ix)	12.5	25.6	38.1
Other assets	(i)	122.5	(28.8)	93.7
		7,241.4	(62.8)	7,178.6
Total assets		$ 8,352.8	$ (112.6)	$ 8,240.2
Liabilities and equity				
Current liabilities	(ii), (v)	$ 1,113.6	$ 31.6	$ 1,145.2
Non-current liabilities				
Long-term debt		3,811.9	–	3,811.9
Derivative financial instruments		422.4	–	422.4
Other liabilities	(i), (ii)	131.8	86.5	218.3
Deferred income taxes	(ix)	485.9	(101.3)	384.6
Non-controlling interests	(x)	1,216.8	(1,216.8)	–
		6,068.8	(1,231.6)	4,837.2
Equity				
Capital stock		346.6	–	346.6
Contributed surplus	(vii)	4.7	(2.7)	2.0
Retained earnings	(i) to (x)	830.1	(73.5)	756.6
Accumulated other comprehensive loss	(viii)	(11.0)	1.0	(10.0)
Equity attributable to shareholders		1,170.4	(75.2)	1,095.2
Non-controlling interests	(x)		1,162.6	1,162.6
		1,170.4	1,087.4	2,257.8
Total liabilities and equity		$ 8,352.8	$ (112.6)	$ 8,240.2

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

29. TRANSITION TO IFRS (continued)

Reconciliation of Canadian GAAP to IFRS (continued)

(d) Consolidated balance sheet as of December 31, 2010

	Explanation	Canadian GAAP	IFRS adjustments	IFRS
Assets				
Current assets	(ix)	$ 1,170.4	$ (44.3)	$ 1,126.1
Non-current assets				
Property, plant and equipment	(iii), (iv)	2,843.7	(38.0)	2,805.7
Intangible assets	(iii), (vi)	1,088.5	(52.2)	1,036.3
Goodwill		3,508.2	(3.0)	3,505.2
Derivative financial instruments		28.7	–	28.7
Deferred income taxes	(ix)	9.0	11.3	20.3
Other assets	(i)	144.5	(50.7)	93.8
		7,622.6	(132.6)	7,490.0
Total assets		$ 8,793.0	$ (176.9)	$ 8,616.1
Liabilities and equity				
Current liabilities	(ii), (v)	$ 1,158.2	$ 12.8	$ 1,171.0
Non-current liabilities				
Long-term debt		3,587.3	–	3,587.3
Derivative financial instruments		479.9	–	479.9
Other liabilities	(i), (ii)	143.0	131.0	274.0
Deferred income taxes	(ix)	582.5	(130.3)	452.2
Non-controlling interests	(x)	1,430.3	(1,430.3)	–
		6,223.0	(1,429.6)	4,793.4
Equity				
Capital stock		346.6	–	346.6
Contributed surplus	(vii)	5.2	(4.3)	0.9
Retained earnings	(i) to (x)	1,047.3	(103.7)	943.6
Accumulated other comprehensive income	(i), (viii), (ix)	12.7	1.0	13.7
Equity attributable to shareholders		1,411.8	(107.0)	1,304.8
Non-controlling interests	(x)		1,346.9	1,346.9
		1,411.8	1,239.9	2,651.7
Total liabilities and equity		$ 8,793.0	$ (176.9)	$ 8,616.1

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

29. TRANSITION TO IFRS (continued)

Reconciliation of Canadian GAAP to IFRS (continued)

(e) Equity

	Explanation	December 31, 2010	January 1, 2010
Shareholders' equity under Canadian GAAP		$ 1,411.8	$ 1,170.4
IFRS adjustments:			
Defined benefit plans	(i)	(175.5)	(111.5)
Share-based compensation	(ii)	(21.2)	(24.4)
Borrowing costs	(iii)	(98.3)	(65.5)
Capitalized pre-operating losses	(iv)	(9.1)	(9.6)
Provisions	(v)	(1.0)	(11.0)
Intangible assets with indefinite useful lives	(vi)	15.5	15.5
Income taxes	(ix)	99.0	77.1
Other		0.2	–
		(190.4)	(129.4)
Non-controlling interests	(x)	1,430.3	1,216.8
Equity under IFRS		$ 2,651.7	$ 2,257.8
Equity attributable to:			
Shareholders		$ 1,304.8	$ 1,095.2
Non-controlling interests	(x)	1,346.9	1,162.6

(f) Comprehensive income

	Explanation	2010
Comprehensive income under Canadian GAAP		$ 253.8
IFRS adjustments to net income:		
Borrowing costs	(iii)	(32.8)
Provisions	(v)	10.0
Other	(i), (ii), (iv), (ix)	12.8
Non-controlling interests	(x)	236.5
		226.5
IFRS adjustments to other comprehensive income:		
Defined benefit plans	(i)	(65.3)
Income taxes	(ix)	17.2
Non-controlling interests	(x)	19.6
		(28.5)
Comprehensive income under IFRS		$ 451.8

29. TRANSITION TO IFRS (continued)

Reconciliation of Canadian GAAP to IFRS (continued)

The significant differences between the 2010 financial figures prepared under Canadian GAAP and these figures prepared under IFRS are explained as follows:

(i) Defined benefit plans

As stated in the section "IFRS 1 exemptions and exceptions," the Corporation elected to recognize all cumulative actuarial gains and losses under Canadian GAAP that existed as of January 1, 2010 in the opening retained earnings under IFRS for all of its defined benefit plans.

Actuarial gains and losses

Under IFRS, the Corporation elected to immediately recognize all actuarial gains and losses arising after January 1, 2010 as a component of other comprehensive income without recycling those gains or losses to the consolidated statement of income in subsequent periods. As a result, actuarial gains and losses are not amortized to the statement of income but rather are recorded directly to other comprehensive income at the end of each reporting period. In the consolidated statement of equity, the cumulative balance of actuarial gains and losses is recognized within retained earnings. Under Canadian GAAP, the Corporation was recording in the consolidated statements of income the amortization of any cumulative unrecognized net actuarial gains and losses in excess of 10% of the greater of the defined benefit obligation, or the fair value of plan assets, over the expected average remaining service period of the active employee group covered by the plans.

Past service costs

Under IFRS, past service costs are recognized on a straight-line basis over the vesting period. Under Canadian GAAP, past service costs were amortized over the expected average remaining service period of the active employee group covered by the plans.

Benefit asset limit and minimum funding liability

Under IFRS, recognition of the net benefit asset under certain circumstances is limited 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 obligation can be recorded to reflect a minimum funding liability. Since the Corporation has elected to recognize actuarial gains or losses arising after January 1, 2010 in other comprehensive income, changes in the net benefit asset limit or in the minimum funding adjustment arising after the transition date are also recognized in other comprehensive income. In the consolidated statement of equity, the cumulative balance of changes in the net benefit asset limit or in the minimum funding adjustment is recognized within retained earnings. Under Canadian GAAP, a similar concept to the limit existed, although the calculation of the recoverable amount was different and changes in the valuation allowance were recognized in the consolidated statement of income. As for the minimum funding liability, there was no such concept under Canadian GAAP.

(ii) Share-based compensation

Under IFRS, the liability related to share-based awards that call for settlement in cash or other assets must be measured at its fair value and is to be re-measured at its fair value at the end of each reporting period. Under Canadian GAAP, the liability was measured and re-measured at each reporting date at the intrinsic values of the stock-based awards instead of at their fair values.

Under IFRS, when a share-based payment vests in instalments over a vesting period ("graded vesting"), each instalment is accounted for as a separate arrangement as compared to Canadian GAAP, which gave the choice of treating the instruments as a pool, with the measurement being determined using the average life of the awards granted.

29. TRANSITION TO IFRS (continued)

Reconciliation of Canadian GAAP to IFRS (continued)

(iii) Borrowing costs

As stated above in the section “IFRS 1 exemptions and exceptions,” the Corporation elected to adopt IAS 23R prospectively from January 1, 2010. Accordingly, all capitalized interest costs under Canadian GAAP related to projects that began prior to January 1, 2010 were reclassified to opening retained earnings at transition and are expensed in 2010 under IFRS.

(iv) Capitalized pre-operating losses

Under IFRS, certain costs that were capitalized under Canadian GAAP are not permitted to be accounted for as part of the cost of property, plant and equipment. As a result, incidental losses attributable to self-constructed assets capitalized prior to commercial operation were derecognized from the net carrying amount of the assets and reclassified in opening retained earnings on transition under IFRS.

(v) Provisions

IFRS specifically provides for the accrual of an onerous contract when an unavoidable loss from fulfilling the obligations under the contract is probable, including any penalties arising from early termination. Under Canadian GAAP, a liability for costs to terminate a contract before the end of its term would have been recognized only when the contract had been terminated in accordance with the contract terms, or when the use of the right conveyed by the contract had ceased. As a result, certain additional provisions have been recognized under IFRS as of January 1, 2010. In addition, provisions must be presented separately in the balance sheet under IFRS.

(vi) Intangible assets with indefinite useful lives

Under IFRS, indefinite lived assets are not amortized, while under Canadian GAAP, they were amortized until January 1, 2002. Accordingly, the Corporation has reversed amortization previously recognized on its broadcasting licences in opening retained earnings at the transition date.

(vii) Related party transactions

Under IFRS, no particular recognition or measurement requirements for related party transactions exist; accordingly, the recognition and measurement of related party transactions must follow existing IFRS standards that apply to the transaction. Under Canadian GAAP, related party transactions could be recognized at the carrying amount of the assets being transferred or at the exchange amount, depending on certain criteria. As stated in the above section “IFRS 1 exemptions and exceptions,” the Corporation elected not to restate any business combinations arising before January 1, 2010, including those entered into between companies under common control. In addition, transfers of assets that had been recognized at the carrying amount under Canadian GAAP were restated to their exchange amounts, as allowed under IFRS.

(viii) Translation gains or losses related to net investments in foreign operations

As stated above in section “IFRS 1 exemptions and exceptions,” the Corporation elected to reset all cumulative translation gains and losses related to investments in foreign operations to zero in opening retained earnings as at the transition date.

29. TRANSITION TO IFRS (continued)

Reconciliation of Canadian GAAP to IFRS (continued)

(ix) Income taxes

The expected manner of recovery of intangible assets with indefinite useful lives for purposes of calculating deferred income taxes is different under IFRS than under Canadian GAAP. This difference resulted in a reduction in the deferred income tax liability related to these assets at transition.
Other adjustments to income taxes represent the tax impacts of other IFRS adjustments.
In addition, deferred income tax assets and liabilities are presented as non-current items under IFRS, even if it is anticipated that they will be realized in the short term.

(x) Non-controlling interests

Under IFRS, non-controlling interests are presented as a separate component of equity in the balance sheet instead of being presented as a separate component between liabilities and equity under Canadian GAAP. In the statements of income and comprehensive income under IFRS, net income and comprehensive income are calculated before non-controlling interests and are then attributed to shareholders and non-controlling interests. Under Canadian GAAP, non-controlling interests were presented as a component of net income and comprehensive income.

30. SUBSEQUENT EVENTS

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 to add a new revolving credit facility “C” of $200.0 million, also maturing in January 2016.

On February 3, 2012, Sun Media Corporation repaid the balance of $37.6 million on its term loan credit facility and terminated its credit facilities.

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 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$1,000.00 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, 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.

30. SUBSEQUENT EVENTS (continued)

On March 14, 2012, Videotron issued US$800.0 million aggregate principal amount of Senior Notes bearing interest at 5.0% and maturing on July 15, 2022, for a net proceeds of approximately $787.6 million, net of estimated financing fees of $11.9 million. The Senior Notes are unsecured and contain certain restrictions on Videotron, including limitation of its ability to incur additional indebtedness, pay dividends and make other distributions. The notes are guaranteed by specific subsidiaries of Videotron and are redeemable at the option of Videotron, in whole or in part, at any time before their maturity at a price based on a make-whole formula. Videotron has fully hedged the foreign currency risk associated with the new Senior Notes by using cross-currency swaps.