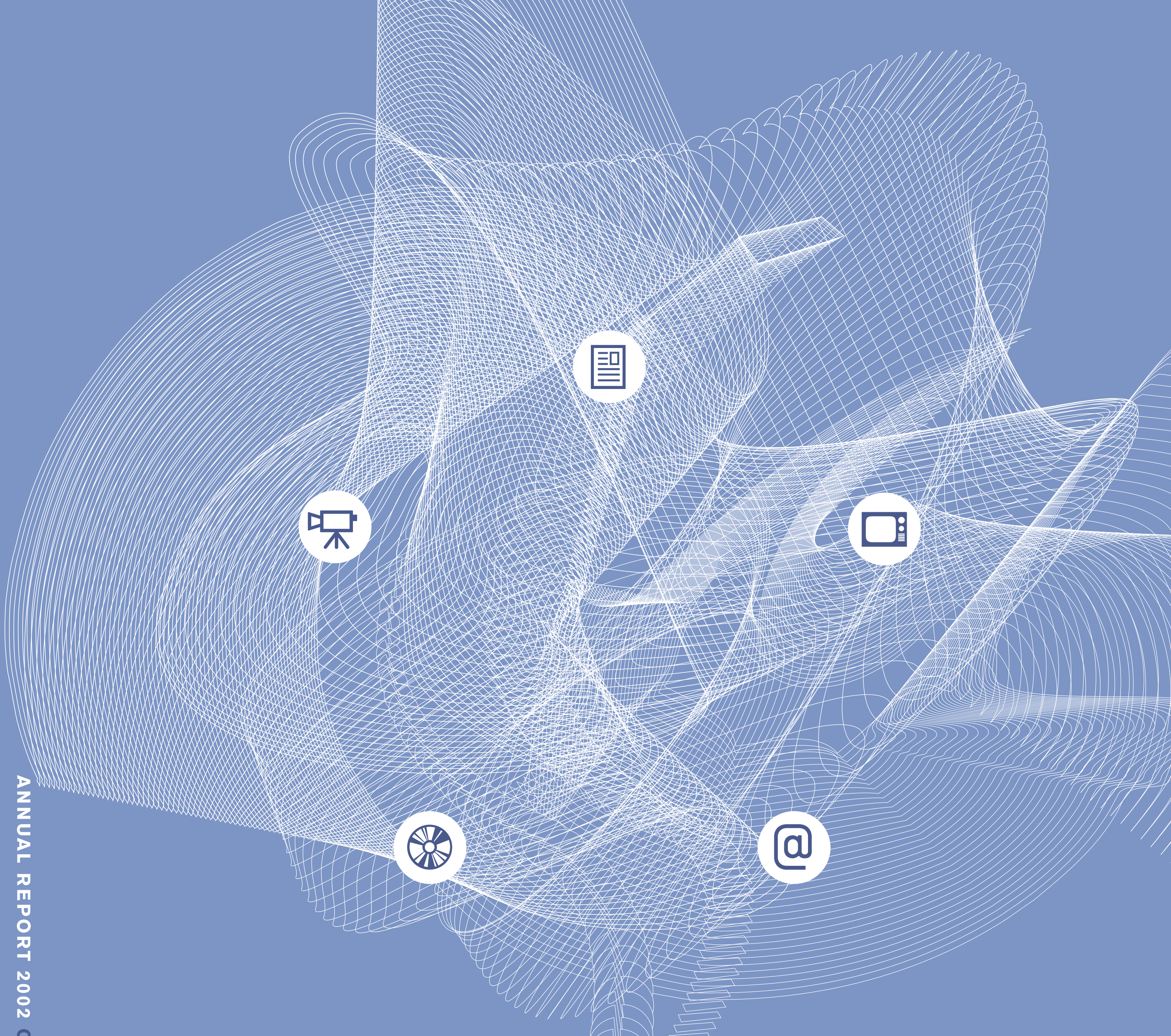
ANNUAL REPORT
2002



QUEBECOR INC.

ANNUAL REPORT 2002 QUEBECOR INC.

GENERAL INFORMATION

ANNUAL MEETING

Shareholders are invited to attend the Annual Meeting of Shareholders to be held at 10:30 a.m. on Thursday, May 8, 2003 at Studio F, TVA Group Inc., 1425 Alexandre-DeSève Street, Montréal, Québec.

STOCK EXCHANGE LISTINGS

The Class A Multiple Voting Shares and the Class B Subordinate Voting Shares are listed on the Toronto Stock Exchange, under the ticker symbols QBR.A and QBR.B, respectively.

REGISTRAR AND TRANSFER AGENT

Computershare Trust Company of Canada
1500 University Street
Suite 700
Montréal, Québec
H3A 3S8

TRANSFER OFFICES

– Toronto
– Vancouver
– United States (Computershare Trust Company, Inc. – Denver, CO)

AUDITORS

KPMG LLP

INFORMATION

For further information or to obtain copies of the Annual Report and the Annual Information Form, please contact the Company's Corporate Communications at (514) 380-1973, or address correspondence to:

612 Saint-Jacques Street
Montréal, Québec
H3C 4M8
Web Site: http://www.quebecor.com

Vous pouvez vous procurer un exemplaire français de ce rapport annuel à l'adresse indiquée ci-dessus.

DUPLICATE COMMUNICATIONS

Shareholders who receive more than one copy of a document, particularly of the Annual Report or the quarterly reports, are requested to notify Computershare Trust Company of Canada at (514) 982-7270 or 1 800 564-6253.

CURRENCY

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

CREDITS

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>> HIGHLIGHTS

Years ended December 31, 2002, 2001 and 2000
(in millions of Canadian dollars, except per share data)

	2002	2001 (restated[1])	2001 (restated[1]) (pro forma[2])	2000 (restated[1])
Operations				
Revenues	**$ 12,014.0**	$ 11,633.3	$ 12,069.4	$ 10,914.8
Operating income before amortization, financial expenses, reserve for restructuring of operations and other special charges, write-down of goodwill, gains on sale of business, of shares of a subsidiary and of a portfolio investment and gains on dilution	**2,021.4**	1,889.7	2,019.3	1,790.1
Contribution to net income				
Continued operations	**129.4**	66.0	89.4	204.5
Goodwill amortization	**–**	(105.9)	(129.3)	(66.8)
Unusual items and write-down of goodwill	**(37.5)**	(208.8)	(208.8)	702.0
Discontinued operation	**–**	–	–	246.1
Net income (loss)	**91.9**	(248.7)	(248.7)	1,085.8
Cash flows provided by continued operations	**1,137.8**	1,103.5	1,220.3	1,447.6
Basic per share data				
Contribution to net income				
Continued operations	**$ 2.00**	$ 1.02	$ 1.38	$ 3.17
Goodwill amortization	**–**	(1.64)	(2.00)	(1.03)
Unusual items and write-down of goodwill	**(0.58)**	(3.23)	(3.23)	10.86
Discontinued operation	**–**	–	–	3.81
Net income (loss)	**1.42**	(3.85)	(3.85)	16.81
Dividends	**–**	0.39	0.39	0.51
Shareholders' equity	**22.88**	39.70	39.70	43.23
Weighted average number of shares outstanding (in millions)	**64.6**	64.6	64.6	64.6
Financial position				
Working capital	**(599.3)**	(244.9)	(244.9)	(1,785.8)
Shareholders' equity	**1,478.8**	2,565.9	2,565.9	2,793.6
Total assets	**17,130.4**	19,503.0	19,503.0	17,604.7
Employees	**50,000**	54,000	54,000	52,000
Return on average equity				
Continued operations	**6.4 %**	2.5 %	3.3 %	9.1 %
Total	**4.5 %**	(9.3) %	(9.3) %	48.2 %

1 See note 1(a)(ii) to the consolidated financial statements for the year ended December 31, 2002.

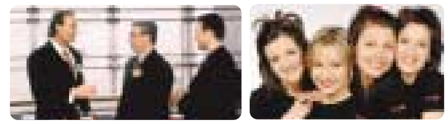
2 This column gives effect to the changes of control over the Cable Television segment and TVA Group Inc. as if they had occurred on January 1, 2001 and, accordingly, to the consolidation of the activities of these segments as of January 1, 2001 (please refer to note 2 to the consolidated financial statements for the year ended December 31, 2002).

QUEBECOR INC.

2002

HIGHLIGHTS

JANUARY



BBM releases fall 2001 ratings, which give TVA a 35% market share, more than its two main rivals, Radio-Canada (20%) and TQS (14%), combined.

FEBRUARY

Quebecor World signs new contract with catalogue retailer Brylane.

Quebecor World closes acquisition of Hachette Filipacchi's European printing facilities.

Quebecor launches new convergence projects exceeding $5 million.

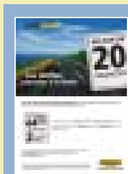
MARCH

Videotron Telecom acquires bulk of Toronto-based Stream Intelligent Networks' strategic assets.

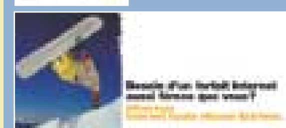
In a Canadian first, Canoë Digital, an online jukebox featuring new releases by French-language artists, is launched.

APRIL

Le SuperClub Vidéotron signs new, more advantageous revenue-sharing agreements with US studios Columbia and Universal.

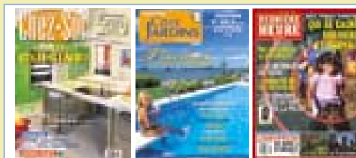


Vidéotron launches *Extreme* ultra high-speed Internet service.



MAY

Revue Commerce ranks four B2C Web sites developed by Nurun – Rona.ca, Archambault.ca, Lorealparis.ca and Airtransat.com – among the best in Québec.



TVA Group acquires Publicor, Quebecor Media's magazines division, consolidating TVA Publishing's position as the top magazine publisher in Québec.

JUNE

Netgraphe closes $6 million financing agreement.

JULY

Nurun wins an OCTAS award in the B2C e-business category for the Rona.ca Web site.

Labour dispute at Vidéotron Télécom is settled.

Sun Media metropolitan dailies launch special sections *Le Journal Votre Argent*, *At Home Magazine* and *London This Week*.

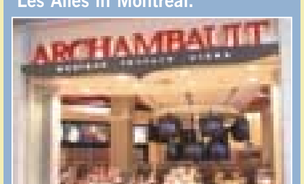
AUGUST

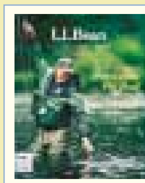
A consortium formed by TVA Group and Radio Nord Communications agrees to acquire seven Radiomédia radio stations and CFOM-FM.

Netgraphe sells its Spanish portal Micanoa.com.

SEPTEMBER

Archambault Group opens its 12th store at Complexe Les Ailes in Montréal.





Quebecor World signs US$100 million+ contract with L.L.Bean.

Nurun signs contract worth nearly $3 million with the Québec Pension Plan.

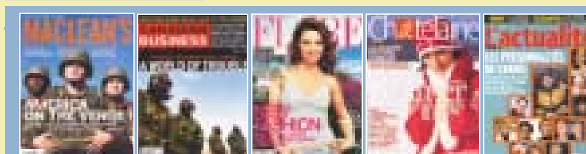
Vidéotron launches Personal Video Recorder (PVR) capable of storing up to 50 hours of programming.

OCTOBER

NOVEMBER

Quebecor World lands three major contracts: Simon & Shuster publishing house (US$230 million); US grocery chain Albertsons (US$150 million); printing telephone directories for the Yellow Pages Group Co. ($270 million).

Vidéotron's high-speed cable Internet service passes 300,000 subscriber mark.



Quebecor World signs long-term $240 million contract with magazine publisher Rogers Publishing.

DECEMBER

Vidéotron Télécom continues expansion in southern Ontario with acquisition of fibre-optic routes from 360networks.

Webfin.com wins Boomerang award in best financial site category for second year in a row.

QUEBECOR MEDIA INC.

Quebecor Media Inc. includes all of Quebecor's media properties, most of which are industry leaders in Québec or Canada. Together, Quebecor Media companies have annual revenues of over $2.2 billion.

Cable Television

Revenues: $715.6 M

Vidéotron ltée

- Largest cable operator in Québec and third-largest in Canada: 1.4 million subscribers, including over 170,000 to *illico* digital television service.
- One of the largest two-way HFC (hybrid fibre-optic/coaxial cable) networks in North America.
- Largest provider of high-speed cable Internet access in Québec with 306,000 subscribers.
- Canal Vox: community channel serving most parts of Québec.

Newspapers

Revenues: $853.6 M

Sun Media Corporation

- 2nd largest press group in Canada.
- 8 metropolitan dailies: *Le Journal de Montréal*, *Le Journal de Québec*, *The Ottawa Sun*, *The Toronto Sun*, *The London Free Press*, *The Winnipeg Sun*, *The Edmonton Sun*, *The Calgary Sun*.
- Bowes Publishers Limited and Québec Community Newspapers division:
  - 175 weeklies and buyers guides, 18 specialty publications across Canada.
- *Montréal Métropolitain*: free commuter daily in Montréal.
- Messageries Dynamiques: largest print media distributor in Québec.

Broadcasting

Revenues : $323.4 M

TVA Group Inc.

- Largest French-language private broadcaster in North America.
- Owner of 6 of the 10 stations in the TVA network.
- 36% market share in Québec in fall 2002.
- Owner of LCN (Le Canal Nouvelles) all-news channel.
- TVA Publishing Inc.: top magazine publisher in Québec, publishes all Quebecor Media magazines including former Publicor titles.
  - Main publications: *7 Jours, Le Lundi, TV Hebdo, Dernière Heure, Star inc., Cool !, Femmes d'aujourd'hui, Guide Internet, Clin d'œil, Filles d'aujourd'hui, Femme, Les idées de ma maison, Décoration Chez-Soi, Rénovation-Bricolage and Échos Vedettes*.

Leisure and Entertainment

Revenues: $244.6 M

Archambault Group Inc.

- Largest chain of music stores in eastern Canada.
- 12 stores, including 11 superstores, selling CDs, books, magazines, videos and DVDs.
- 3 e-commerce sites: Archambault.ca, Camelot.ca, Paragraphbooks.com.
- Select (formerly Distribution Select, Musicor and Musicor Vidéo): largest independent distributor of music and videos in Canada.

Books segment

- Largest group of publishing houses in Québec:
  - General literature: Éditions Libre Expression, Éditions Internationales Alain Stanké, Éditions du Trécarré, Éditions Logiques, Éditions Quebecor.
  - Textbooks: Éditions CEC.
- More than 900 titles released and over 3 million copies sold in 2002.
- Québec-Livres: major Canadian distributor and marketer of French-language books.

Le SuperClub Vidéotron ltée

- Largest chain of video stores in Québec with 30% market share.
- 173 locations.
- Nearly 24 million rentals per year.

Business Telecommunications

Revenues: $91.9 M

Vidéotron Télécom ltée

- Leading provider of business telecommunications solutions.
- 10,000 km+ fibre-optic network covering more than 80% of business locations in Québec and Ontario urban centres.
- VTL's network supports direct connectivity with networks in Ontario, eastern Québec, the Maritimes and the US.

Web Integration | Technology

Revenues: $79.8 M

Nurun Inc.

- Web agency specializing in cybermarketing, Web design and development, customer relationship management (CRM), automated publishing and interactive television solutions.
- Network of offices in major North American and European cities serving major corporations and world brands.

Mindready Solutions Inc.

- Test engineering, automated manufacturing and real-time communications solutions.
- Services geared to the telecom, automotive, aerospace, industrial and medical markets.

Internet | Portals

Revenues: $26.8 M

Netgraphe Inc.

- CANOE network of portals and special-interest sites:
  - Canoe.ca, Canoe.qc.ca, FYICalgary.com, FYILondon.com, La Toile du Québec (toile.com), Webfin.com, Megagiciel.com and Multimedium.com.
- Commercial online services:
  - Jobboom.com, MatchContact.com, Autonet.ca, ClassifiedExtra.ca, Shop.canoe.ca.

QUEBECOR WORLD INC.

Quebecor World is the largest commercial print media services company in the world. It is a leader in most of its major product categories: magazines, inserts, circulars, books, catalogues, specialty printing, direct mail, directories, digital premedia, logistics, mail list technology and other value added services.

Highlights

- Largest printer of magazines in the world: approximately 5 billion copies per year.
- Prints more than 250 million telephone directories per year.
- World leader in printing catalogues for major Western retailers.
- Prints one billion books per year for major publishing houses.
- Specialist in advertising inserts and newspaper supplements, with print runs of up to 40 million.
- Direct mail: full range of direct marketing services.
- Digital printing: complete prepress, printing, direct mail and distribution services.
- Quebecor World Logistics: a leader in the distribution of catalogues, periodicals and direct mail materials.
- Que-Net Media™: digital print, publishing and Web solutions.

NORTH AMERICA

Revenues: $7,970.0 M

More than 125 printing plants and service facilities in 30 US states and 6 Canadian provinces.

Countries

- **Canada**
- **United States**

- Top commercial print media services company in North America by revenue, production capacity and technological expertise.
- Facilities interlinked by Que-Net Media™ fibre-optic network.

EUROPE

Revenues: $1,542.1 M

31 printing plants and service facilities.

Countries

- **Austria**
- **Belgium**
- **Finland**
- **France**
- **Spain**
- **Sweden**
- **United Kingdom**

- Largest supplier of commercial print media services in Europe, with a network of facilities tailored to the structure of the European economy.
- Services cross continental boundaries to support customers worldwide.

LATIN AMERICA

Revenues: $287.3 M

8 printing plants and service facilities.

Countries

- **Argentina**
- **Brazil**
- **Chile**
- **Colombia**
- **Mexico**
- **Peru**

- One of the largest printers of textbooks and telephone directories in Latin America.
- Rapid growth in the magazines, catalogues and inserts segments.

Quebecor Media Inc. Management Committee

FRONT ROW: **Pierre Francoeur**, President and Chief Executive Officer, Sun Media Corporation; **Pierre Karl Péladeau**, President and Chief Executive Officer, Quebecor Inc. and Quebecor Media Inc.; **Raynald Brière**, President and Chief Executive Officer, TVA Group Inc.

BACK ROW: **Eugène Marquis**, President and General Manager, Vidéotron Télécom ltée.; **Serge Gouin**, Chairman of the Board, Vidéotron ltée; **Jacques-Hervé Roubert**, President and Chief Executive Officer, Nurun Inc.; **Natalie Larivière**, President and General Manager, Archambault Group Inc.; **Bruno Leclair**, President and Chief Executive Officer, Netgraphe Inc.; **Louis Saint-Arnaud**, Vice President, Legal Affairs and Secretary; **Claire Syril**, Publisher, Senior Vice President and General Manager, TVA Publishing Inc.; **Julie Tremblay**, Vice President, Human Resources; **Luc Lavoie**, Executive Vice President, Corporate Affairs; **Richard Soly**, President, Le SuperClub Vidéotron ltée, and President, Music and Retail Group, Quebecor Media Inc.

Quebecor World Inc. Office of the CEO

LEFT TO RIGHT: **Claude Hélie**, Executive Vice President and Chief Financial Officer; **Érik Péladeau**, Vice Chairman of the Board and Senior Executive Vice President; **Jean Neveu**, interim President and Chief Executive Officer; **Pierre Karl Péladeau**, President and Chief Executive Officer, Quebecor Inc.

MESSAGE TO SHAREHOLDERS

- **Net income was $91.9 million, or $1.42 per basic share.**
- **Revenues were $12.01 billion, a 3.3% increase.**
- **Between January 1, 2002 and February 3, 2003, the Company reduced its debt by over $1 billion.**

Quebecor reported excellent results in 2002 despite slumping printing, media and communications markets in North America. Virtually all of the Company's business segments posted a year-over-year improvement in performance. Quebecor also tackled the challenge of reducing its debt burden: in 2002 and early 2003, the Company succeeded in cutting its consolidated debt by over $1 billion. The significant improvement in results and the substantial reduction in indebtedness were the Company's two major achievements in 2002.

Quebecor generated net income of $91.9 million ($1.42 per basic share) in 2002, a major turnaround from the net loss of $248.7 million ($3.85 per basic share) posted in 2001. The Company's revenues topped the $12 billion mark in 2002, increasing 3.3% from the 2001 figure of $11.63 billion.

Substantial improvement in Quebecor Media's results

All Quebecor Media subsidiaries contributed to the Company's solid performance in the 2002 financial year.

Newspaper subsidiary Sun Media Corporation, steered by Pierre Francoeur with his habitual attention to detail, reported stellar results again in 2002, with nearly 11% growth in operating income. Each of the eight metropolitan dailies increased its operating income. Together, their profitability was up by nearly 20%. Year after year, Sun Media has held its position as one of the highest-grade and most profitable press groups in North America, maintaining high operating margins by practicing exemplary cost containment and consistently growing revenues.

THE MARKET RECOGNIZES SUN MEDIA AS AN OUTSTANDING NEWSPAPER PUBLISHER

In February 2003, Sun Media closed the refinancing of its debt on very advantageous terms. The response from American institutional investors was so positive that the initial amount of the refinancing was increased to US$201.5 in Senior Notes (principal amount) and $425 million in new bank credit facilities. The Senior Notes bear interest at 7 5/8%. Clearly, the market recognizes Sun Media as an outstanding newspaper publisher. The notes being refinanced had been issued at 9.5%.

Vidéotron ltée, the largest cable operator in Québec, was embroiled in a bitter labour dispute, but despite the difficult circumstances management achieved its objective of generating positive cash flow. Vidéotron was the only Canadian cable provider that was cash flow positive in 2002 and one of the few in North America that was able to reduce its debt. These results explain why Vidéotron now has one of the lowest debt ratios in the industry in Canada and the US. Its excellent performance is due to its attractive line of new products and packages, continuous improvement of customer service and rigorous management of all cost items.

Vidéotron posted the strong 2002 results despite fierce competition from satellite operators. One of them, a company that enjoys a near-monopoly in residential telephone service in Québec, is using that privilege to engage in competition in television distribution that we consider to be unfair and contrary to the public interest.

Vidéotron also waged a major campaign against television signal piracy, a practice which is responsible for annual losses of over $400 million to the Canadian broadcasting system. Independent surveys have found that nearly 20% of owners of satellite dishes supplied by Canada's largest satellite television operator are pirating television signals. Due to its configuration and its efforts over the past 30 years to fight this criminal activity, Vidéotron has one of the lowest piracy rates in Canada, barely 1.5%. Since Canada's artists and cultural producers derive a significant portion of their income from the royalties paid by cable operators, piracy deprives them of a major source of compensation and funding, one to which they are fully entitled. The battle against piracy, and against the satellite services that are primarily responsible for it, will remain at the centre of our public efforts until an effective solution is adopted and implemented by the industry. We will continue arguing that piracy is undermining Québec's broadcasting industry, which has been built in large part on home-grown programming and on the contribution of Québec's cultural producers.

In the broadcasting segment, 2002 was the first year in which TVA Group contributed revenues and earnings to Quebecor Media for a full 12-month period. Despite the proliferation of specialty channels and fierce competition in the television market, TVA, under the hands-on leadership of Raynald Brière and his team, continues to

enjoy a huge market share: 36% in fall 2002 according to the BBM ratings released at the beginning of 2003. Meanwhile, LCN has emerged as one of Canada's best managed and most profitable specialty channels.

However, the general-interest television market is approaching the saturation point and TVA must look to other areas for future growth. Therefore, in September 2002, TVA made its first foray into radio by acquiring, in partnership with Radio Nord Communications, Radiomédia's AM radio stations – including the Québec institutions CKAC in Montréal and CHRC in Québec City – and an FM station. In February 2003, Quebecor Media submitted two major projects to the CRTC: the creation of a new FM chain with stations in four Québec cities and the upgrading of the newly acquired AM stations. We argued before the CRTC that TVA must be allowed to move into other media in order to accelerate its development and increase its contribution to the community. If we receive authorization to proceed with these projects, TVA will reinvigorate Québec's AM radio industry by launching an unprecedented marketing campaign. TVA's plan could therefore help promote the diversity of editorial voices in Québec.

During the year, Publicor was merged with TVA Publishing Inc., headed by Quebecor veteran Claire Syril. The transaction consolidates our magazine properties in Québec and is expected to yield substantial operating economies. It has further solidified our position as the number one player in magazine publishing in Québec.

TVA CONTINUES TO ENJOY A HUGE MARKET SHARE: 36% IN FALL 2002

Our Leisure and Entertainment segment, which includes our distribution and retail operations and Quebecor Media's publishing houses, had another standout year in 2002 in terms of both the top line and the bottom line. The excellent results were due to the fine work of the segment's two management teams, headed by Natalie Larivière at Archambault Group and Richard Soly for Le SuperClub Vidéotron and Quebecor Media's Music and Retail group.

Through the Leisure and Entertainment segment's two major chains, Quebecor Media is able to reach consumers directly and promote its products, including Vidéotron's cable television and Internet access services, through cross-promotions.

When Quebecor Media acquired Groupe Vidéotron in fall 2000, its Vidéotron Télécom ltée (VTL) subsidiary was bleeding money. The new management team, under the energetic leadership of Eugène Marquis, has turned the operation around and saved VTL from the fate of almost all other Competitive Local Exchange Carriers (CLECs), many of which have either disappeared, followed by the liquidation of their assets, or been forced to reorganize their assets, generally resulting in considerable losses for the initial investors. While the industry remains unstable and very competitive, VTL has significantly increased its contribution to Quebecor Media's profitability.

Finally, we want to draw our shareholders' attention to the marked improvement in the financial performance of our Internet businesses, the Web agency Nurun, headed by President and Chief Executive Officer Jacques-Hervé Roubert, and the Internet services network Netgraphe, under the stewardship of Hugues Simard (now Chairman of Netgraphe). These companies had been swept up by the hi-tech bubble and subsequently incurred large losses after the beginning of 2000, something a company such as Quebecor could not long tolerate. The emphasis was therefore placed on profitability, with no distinction between these new pioneering businesses and Quebecor's more traditional media properties. We went back to the Quebecor credo: every unit must make money or disappear. The results were quick to follow.

Despite continuing market softness for Internet businesses, Nurun and Netgraphe were brilliantly successful in turning around their finances. They owe their success to stringent cost control and the wise decision to focus their development on their areas of excellence, the fields in which they possess a clear competitive advantage. Nurun and Netgraphe were among the first North American companies in their industries to reorganize their operations and bring their cost structures in line with their revenue prospects. Fast action proved to be the right decision. While so many of their competitors have disappeared, Nurun and Netgraphe are alive and well, financially sound and well positioned to take advantage of the shakeout in the Internet economy. They are expected to make a still greater contribution to Quebecor Media's growth, profitability and potential for synergies and cross-promotions in the future.

NURUN AND NETGRAPHE WERE BRILLIANTLY SUCCESSFUL IN TURNING AROUND THEIR FINANCES

Quebecor World: superior performance in the second half of the year

Our giant commercial printing subsidiary Quebecor World, still number one in the world in its industry, reported fairly satisfactory results in 2002, although it fell short of shareholders' expectations. In an encouraging sign, Quebecor World generated increased operating income as well as operating margins above the North American industry average in the second half of the 2002 financial year, despite excess production capacity in the industry and increased price pressure. In 2003, Quebecor World will build on these accomplishments and step up its efforts to cut costs and administrative expenses.

In Europe, Quebecor World reported mixed results. While our plants in Great Britain and Austria posted excellent performances, the results were tarnished by the disappointing performance of our French operations. We have been operating in France since 1994 and have been highly successful there in the past. There is no reason why we should not be able to trim costs and step up our sales efforts in order to get back in the black. These are precisely the challenges our management teams will be tackling in 2003.

QUEBECOR WORLD GENERATED INCREASED OPERATING INCOME AS WELL AS OPERATING MARGINS ABOVE THE NORTH AMERICAN INDUSTRY AVERAGE IN THE SECOND HALF OF THE 2002 FINANCIAL YEAR

At the beginning of 2003, we announced the appointment of Michel Desbiens to the position of President and Chief Executive Officer of Quebecor World, and of Claude Hélie to the position of Vice President and Chief Financial Officer. The two long-time Quebecor executives had occupied similar posts at Donohue, a Quebecor subsidiary from 1987 to 2000. Mr. Hélie also served as Chief Financial Officer of Quebecor Inc. and Quebecor Media for the last two years. Unfortunately, Mr. Desbiens was forced to resign from the position soon after his appointment, on account of family reasons. The Board of Directors of Quebecor World then asked Jean Neveu, President and Chief Executive Officer of Quebecor Printing (the forerunner of Quebecor World) from 1989 to 1997 and Chairman of the company from 1989 to 2002, to serve as President of Quebecor World on an interim basis. Mr. Neveu has more than 30 years of experience in the printing industry and media. He was involved in all of Quebecor World's acquisitions and strategic decisions from the establishment of the company until recently. Under the circumstances, he was the ideal person to step in and we are truly grateful to him for agreeing to do so without hesitation.

The appointments coincide with the departure of executives who were instrumental in making Quebecor World into the jewel in Quebecor's crown. We are thinking in particular of Charles G. Cavell, a member of the management team who joined the firm in 1988. We thank Mr. Cavell for his steadfast commitment to the success of this great company, the only Montréal-based business to rank first in the world in its industry.

Quebecor's debt pared by more than $1 billion

Quebecor's debt had become a popular topic of discussion and speculation in Canadian investment circles. It is true that the acquisition of Groupe Vidéotron temporarily increased the Company's debt load due to the accounting principles governing the consolidation of our companies, but this was not the first time Quebecor's debt had grown following an acquisition. The same had occurred after the acquisition of Donohue in 1987, Maxwell Graphics in 1990, Sun Media Corporation in 1998 and World Color Press in 1999. In the case of all these transactions, Quebecor had to increase its debt ratios in order to take advantage of opportunities for vertical integration, and they all proved to be eminently sound business decisions for the Company and its shareholders.

Quebecor therefore has an excellent track record for debt management and we intend to continue acting with the same caution and discipline, holding to the course that has established the Company's solid reputation in this area.

Already in 2001, Quebecor had set about refinancing the debt contracted at the time of the acquisition of Groupe Vidéotron. Among other things, it raised net proceeds of US$850 million in one of the largest offerings ever made by a Canadian company on the US market. With the financial operations carried out between the beginning of 2002 and the beginning of February 2003, Quebecor has completed another important stage in the process of putting its financial house in order. Over a period of slightly more than 13 months, the Company reduced its debt by more than $1 billion by using cash flow and the proceeds from the sale of Quebecor World stock. Quebecor World's debt was cut by $531 million, Quebecor Media's by $430 million, and Quebecor Inc.'s by $82 million.

Financing raised by Sun Media Corporation in February 2003 enabled us to rebalance our capital structure at advantageous interest rates. The operation also increased financial flexibility between Quebecor Media and its subsidiaries, a development which was unanimously welcomed by institutional investors and credit rating agencies.

In conclusion, we can state that each of our subsidiaries has one of the lowest debt ratios in its industry.

Staying committed to our ambitions and our plans for the future

We are the first to admit that the past couple of years have been a difficult period for companies that, like Quebecor, are engaged in the printing, communications and media industries. Clearly, the unfavourable economic conditions have curbed the ambitions of some businesses in these industries. However, as our shareholders have seen, Quebecor has stayed the course despite the choppy waters and has continued to focus on maximizing the profitability of each of its business units and capturing synergies among them – when and only when such synergies benefit our customers. So, where many competitors have failed, Quebecor continues to pursue a distinctive strategy for assembling media properties which has proven its effectiveness to customers and earned the respect and confidence of our financial partners.

We made a concerted effort in 2002 to publicize Quebecor Media's power as a vehicle for advertisers. To win the battle with our competitors, we need to convince the maximum number of advertisers of the superiority of our proposition. We remain fully committed to this objective for, in the spirit of the Company's founder and of the new generation of managers now at the helm, Quebecor always plays to win!

QUEBECOR HAS CONTINUED TO FOCUS ON MAXIMIZING THE PROFITABILITY OF ITS BUSINESS UNITS AND CAPTURING SYNERGIES

In conclusion, we thank our employees – more than 50,000 around the world – for their commitment to the Company's success. We thank our directors for their valuable contribution during the difficult period the Company has experienced over the past few years, and our shareholders for their patience and support.

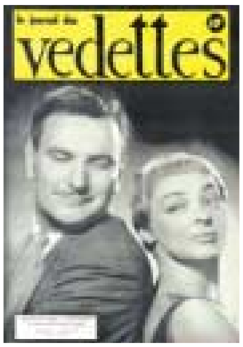
Finally, we want to express our gratitude to all our customers, from the multinational corporation that contracts us to print millions of catalogues to the consumer who picks up a Quebecor Media magazine at the newsstand and the customer who has remained loyal to Vidéotron, choosing the best high-speed Internet service available. Their trust in us, demonstrated day after day, is the reason we're in business and the force that drives us to continuously improve our offerings of products and services.

Jean Neveu
Chairman of
the Board

Pierre Karl Péladeau
President and Chief
Executive Officer

Quebecor Inc.

A SYMBIOTIC RELATIONSHIP WITH THE ARTS FOR MORE THAN 50 YEARS



Ever since it was founded, Quebecor has played a crucial role in promoting Québec culture in its myriad shapes and forms. More than any other media company, Quebecor has helped foster and nurture the star system that now enshrines Québec's distinctiveness and sustains its cultural vitality.

Our founder Pierre Péladeau had boundless admiration for artists. In fact, his first dream was to become a concert promoter. Throughout his career in business, Pierre Péladeau maintained close ties to the cultural community, and particularly to classical music ensembles, the music he had always loved best. His passion for the arts and for artists infused all echelons of the Company and became firmly rooted in Quebecor's corporate culture. And it has left a deep imprint on the Company's development, spurring Quebecor to expand into fields where it felt it could best serve the arts as well as the bottom line.

When television came to Quebec in the early 1950s, Pierre Péladeau was quick to grasp the new medium's full potential. He realized that television was destined to become not a rival to print media, as was widely believed at the time, but a natural complement. The "Péladeau newspapers," as they were then known, helped turn Québec television personalities into stars in those early days. In the process, they also helped boost sales of records, concert tickets and books. That was the beginning of an informal, mutually beneficial alliance between culture and Quebecor companies that has never frayed or broken.

As Quebecor grew, in tandem with Québec's cultural community and its leading lights, the Company gradually became a vital force in the arts, part and parcel of the fabric of Québec's cultural life.

TODAY, QUEBECOR'S CONTRIBUTION TO THE ARTS AND CULTURE TAKES MANY FORMS. HERE ARE A FEW:

- Quebecor provides thousands of direct and indirect jobs for cultural workers in Québec and elsewhere. For example, when TVA commissions a writer to produce a script for a mini-series or hires musicians for a late-night talk show, it creates work for artists and cultural producers, enabling them to make a living from their talents and to continue growing, creating and weaving the cloth of Québec culture.

- Through its television network, newspapers, magazines, weeklies and Internet portals, Quebecor is also the biggest booster of culture in Québec. One or more – sometimes virtually all – of our media properties cover everything that is written, exhibited, staged or broadcast in Québec.

- The programs aired on our television network, the chat sessions carried on our Canoë Internet portal, and the book and record launches organized at our retail locations also serve to showcase artists and bring their work to the attention of the public.

- Quebecor's retail sales and distribution network – which includes Select, the Archambault chain and Le SuperClub Vidéotron – provides a vehicle for artists to market their work. The retail chains let artists reach the consumers who buy or rent their films and buy their CDs and books. We make a sustained effort to stimulate the dissemination of our cultural producers' work. They benefit and so do we.

- Quebecor and its media subsidiaries make culture accessible by organizing contests, premieres, television studio tours and Internet chat sessions. By breaking down barriers between artists and their audience, Quebecor helps demystify the creative process and bring culture to the people.

- Vidéotron, the largest cable operator in Québec and third-largest in Canada, invests a significant portion of its revenues in culture. For example, Vidéotron pays substantial royalties to television channels that promote culture, as well as retransmission and music royalties to organizations that distribute the money to artists and other cultural workers. Vidéotron also injects a portion of its revenues into the Canadian Television Fund, which invests in television production, and the Vidéotron Fund, which helps develop educational and interactive programming.

WE MAKE A SUSTAINED EFFORT TO STIMULATE THE DISSEMINATION OF OUR CULTURAL PRODUCERS' WORK

- In addition to all these activities conducted in the normal course of business, Quebecor runs a donations and sponsorships program that supports many cultural organizations, events and festivals. Quebecor's contributions of funding and advertising space have grown year after year in tandem with the Company's revenues.

Quebecor's deep and wide-ranging contribution to the vitality of Québec culture and the development of artists and cultural producers is instrumental in keeping the wheels of cultural industries turning. If the Québec cultural scene is more vibrant today than ever, and if its artists are exploring uncharted territory, this is due in no small measure to the fact that growing numbers of cultural workers are now able to live – and live well – from their art.

Québec's bustling cultural scene is in fact one of the most dynamic facets of Québec society. To a large degree, it defines Québec's identity: more than many societies, Québec has supported and nurtured its cultural industries, which have withstood the trend towards cultural homogeneity in the West and still preserve their distinctive character and power to serve as a unifying force. In the increasingly globalized cultural landscape of the 21st century, Québec has been a pocket of resistance. And globalization has not prevented Québec artists from succeeding at home and abroad – on the contrary.

We are very gratified that so many Québec artists have made their mark beyond Québec's borders and are recognized around the world for their talent. Our leading musicians, comics, dramatists, filmmakers, dancers, writers and visual artists have become exporters of the imagination, bringing made-in-Québec content to the world and benefiting Québec society as a whole. But first they built their careers in Québec, and in almost every case, one of Quebecor's media companies was part of the story. This is a source of deep satisfaction to us. The cultural enterprises that are Québec's pride today had to make it at home before they could succeed on the world stage, just as Quebecor itself began by putting down roots in Québec before expanding into international markets.

THE COMPANIES IN THE QUEBECOR FOLD ARE PROUD OF THEIR CONNECTION WITH CULTURE. FOR US, IT'S NOT JUST BUSINESS; WE ARE DEVOTED FANS OF OUR IMMENSELY TALENTED HOME-GROWN ARTISTS. TO US, THEY ARE THE BEST IN THE WORLD IN THEIR DISCIPLINES.

The companies in the Quebecor fold are proud of their connection with culture. For us, it's not just business; we are devoted fans of our immensely talented home-grown artists. To us, they are the best in the world in their disciplines. At Quebecor, we live and breathe culture. It is at the heart of what we do and who we are.

We cannot give a full account here of everything Quebecor's 365 directly and indirectly owned subsidiaries do that relates to culture. The following pages give only an overview of some of the most important and potent ways in which Quebecor and its major subsidiaries support the arts.

Vidéotron

A KEY PLAYER ON THE CULTURAL SCENE

Vidéotron is a major backer of Québec culture, injecting substantial sums of money into the arts, as the following table of 2002 payments shows. A large portion of the $105 million-plus contribution went directly to Québec's prolific artists and cultural producers.

CONTRIBUTION	AMOUNT (in million)
Retransmission royalties[1]	$ 3.7
Music royalties[2]	2.0
Canadian Television Fund[3]	12.9
Vidéotron Fund[4]	3.2
Royalties to cultural channels in Québec[5]	82.7
Contribution by Canal Vox[6]	0.9
TOTAL	**$ 105.4**

[1] Amounts paid to organizations such as the Society of Composers, Authors and Music Publishers of Canada (SOCAN), the Copyright Collective of Canada and others for the right to broadcast programs.

[2] Amounts paid to SOCAN for the right to broadcast music to which the rights are held by the composer.

[3] Vidéotron contributes 3% of its cable revenues to the Canadian Television Fund and the Vidéotron Fund. A large proportion of the money paid to the Canadian Television Fund is injected into productions with cultural content.

[4] Formerly known as the "Fonds du savoir," the Vidéotron Fund supports the development of interactive and educational programming.

[5] Vidéotron pays royalties to all the speciality channels, many of which (RDI, Canal D, APTN, VRAK-TV, ARTV, Musique Plus, LCN, Musimax, Canal Vie, Historia, Évasion, Télétoon and Z) are devoted, in whole or in part, to Québec culture.

[6] Money allocated to community television channels across Québec to support local production, part of which is dedicated to culture.

Anti-piracy campaign

Television signal theft is, unfortunately, widespread in Canada, particularly since the advent of the satellite dish; the equipment provided by certain satellite operators makes piracy notoriously easy. Piracy is a destructive practice that costs Canada's broadcasting system an estimated $400 million per year, including approximately $100 million in Québec alone. In November 2002, industry players – artists, producers, technicians, creators, cable operators, conventional broadcasters and specialty pay channels – joined forces to demand action by the federal government on this issue of vital concern to cultural industries.

Vidéotron helped the Coalition Against Satellite Signal Theft mount a major public education campaign, providing free air time and advertising space between November 22, 2002 and January 1, 2003. The Company's other media outlets – television stations, newspapers, magazines, Internet portals – were also mustered to support the campaign, at a total cost of over $1 million to Quebecor Media.

In March 2003, a meeting of Canadian cable company CEOs was held at Vidéotron's initiative to find constructive, long-term solutions to the difficult problem of television piracy and help safeguard our cultural industries.

Archambault Group

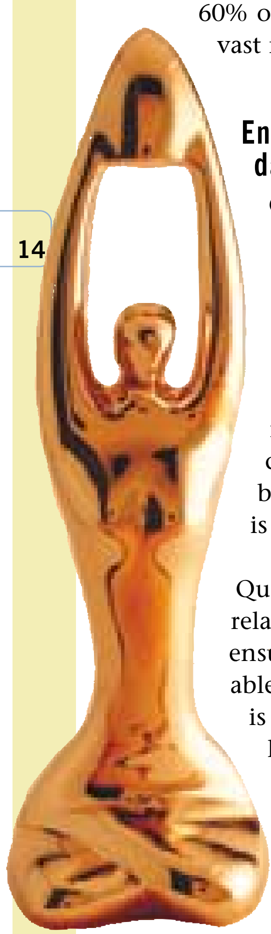
A QUÉBEC INSTITUTION SERVING UP MUSIC AND LITERATURE

Archambault is more than a retailer of books and music. With its 12 stores, including 11 superstores, it is a Québec cultural institution, one which moves and lives in sync with Québec artists. Archambault is keenly aware of its place in Québec's cultural life: it has established a literary prize and is constantly searching for new ways to promote and disseminate the work of Québec singers and musicians.

In 2002, Archambault invested more than $8 million to open two new stores in Montréal and Trois-Rivières, providing additional outlets for the sale of cultural products.

Select: putting the music on the shelves

In 2002, Archambault Group's distribution division, now known as Select (formerly Distribution Sélect, Musicor and Musicor Vidéo), earned the Félix trophy as distributor of the year, awarded by the Québec music industry association ADISQ, for the 10th year in a row. Select, the largest independent distributor in Canada, distributes more than 60% of French-language CDs sold in Québec, the vast majority of which are by Québec artists.



Engaged with recording artists, day in, day out

Quebecor has played an important and distinctive role in music distribution since it acquired Distribution Trans-Canada in 1976. Often, Quebecor has provided Québec artists with the only distribution channel independent of the multinational labels. The multinationals' interest in recording and distributing Québec music is dependent on trends, economic cycles, and business decisions made outside Québec. This is not the case with Quebecor.

Quebecor maintains a close and active relationship with Québec labels in order to ensure that local recording artists are always able to record and distribute their work. Select is a critically important partner for the record labels: they need a distributor dedicated to local talent.

Select is also actively involved in industry issues, participating in the work of all major industry bodies including ADISQ,

MusicAction, Fonds RadioStar, the Canadian Music Council and the SODEC records and concerts commission.

Nurturing new talent

Select knows how the star system works and uses its experience to support up-and-coming artists. No other distributor in Canada carries as many CDs by new, as yet unknow artists. Select has developed strategies to encourage music stores to stock work by rising artists and give it a chance, even when that requires patience, for it can take some time before consumers respond to the promotional and advertising campaigns conducted by the music labels, in cooperation with Select.

Select – and Distribution Trans-Canada before it – have always been willing to take risks and commit financially to young songwriters, composers and performers who are not yet household names. These investments flow from our commitment to new artists and our readiness to help them take the critical first steps in their careers. How many multinational distributors can say the same?

Putting up the money

Québec record labels have always been able to rely on financial support from Select. Every year, Select pays out

SELECT HAS ALWAYS BEEN WILLING TO TAKE RISKS AND COMMIT FINANCIALLY TO RISING YOUNG SONGWRITERS, COMPOSERS AND PERFORMERS

millions of dollars in advances to enable the recording of CDs and other audio-visual products. Without this money, many of these products would never see the light of day, depriving audiences of a multitude of original voices that enrich the diversity of cultural expression in Québec.

Championing emerging and established artists

Archambault Group sponsors many musical activities through its support programs. For example, it applies a special pricing policy on musical instruments for emerging artists distributed by Select and gives new releases prominent display space at its points of sale.

Archambault's *"À découvrir"* concept spotlights literary and musical works by artists deserving of wider public recognition. Every month, one CD and one book are promoted in the stores and in Québec's four major dailies. The program's growing success in 2002 has made it a distinctive product that Archambault customers watch for.

IN 2002, ARCHAMBAULT SPONSORED THE FOLLOWING MAJOR EVENTS:

MONTRÉAL INTERNATIONAL JAZZ FESTIVAL

QUÉBEC CITY SUMMER FESTIVAL | LES FRANCOFOLIES DE MONTRÉAL

BLUE METROPOLIS | DIVERS/CITÉ | BLACK & BLUE FESTIVAL

Archambault also continued backing Québec cultural organizations outside Montréal, sponsoring the Laval, Québec City and Trois-Rivières symphony orchestras, the Opéra de Québec, the Festival des Nations in Sherbrooke and many others.

Prestigious literary award with $10,000 purse

The Grand Prix littéraire Archambault, created in 2001 to give recognition to Québec literature and writers, is awarded every year to a Québec author chosen by the public from a list of 12 nominees. The 2002 winner was Marie Laberge for the first two volumes of her trilogy *Le goût du bonheur*, published by Éditions Boréal. The award is accompanied by $10,000 in prize money and promotion at the 12 Archambault bookstores in Québec. The publishing house also receives $2,000 to promote the book.

Archambault.ca:

North America's largest French online music shop

The Archambault.ca e-commerce site, the largest French-language online store selling cultural products in North America, increased its sales by 35% in 2002. The titles available on Archambault.ca include 208,000 CDs, 314,000 books, 31,000 videos, 15,000 DVDs and 45 MP3s. The site is an important platform for Québec writers, musicians and filmmakers. It received an average of 84,000 visitors per week in 2002.

Specialty offerings

The Paragraphe bookstore in downtown Montréal, specializing in English-language literature, hosted a number of book launches in 2002. Publishers capitalize on the bookstore's reputation for excellence in order to promote their Montréal writers. Also during the last year, the Camelot-Info bookstore chain diversified its product line to better meet the demand from schools and the community.

TVA Television Network

WHERE CULTURE IS DAILY FARE

For 43 years, TVA's success has been bound up with that of Québec's artists, producers and creative talents. TVA is by far the largest employer of cultural workers in Québec and the network that has spearheaded the dissemination of high-calibre popular culture.

In the BBM ratings for fall 2002, released at the beginning of January 2003, TVA had a 36% market share, more than its two main rivals, Radio-Canada and TQS, combined. TVA has achieved these stellar results by bringing Québec talent to the fore.

TVA airs programs scripted by major Québec writers such as Fabienne Larouche, Michel D'Astous, Anne Boyer, Martin Forget and Louis Saïa, whose works have made an important contribution to cultural expression in Québec.

TOP-RATED TVA PROGRAMS IN FALL 2002

Dramas

TV Show	Audience
Km/h	1,672,000
Histoires de filles	1,437,000
Les poupées russes	1,416,000
Tabou	1,221,000
Tribu.com	1,094,000
Emma	1,010,000
Ciné-dimanche : *Laura Cadieux ... la suite*	947,000
Ciné-dimanche : *La vie après l'amour*	912,000
Annie et ses hommes	865,000

Source: BBM surveys, fall 2002

Popularity of home-grown programming sets Québec apart

Quebecers are a special case among Western television audiences: Québec is one of the few places in the world where the top-rated television shows are invariably locally produced and always have been. Québec's flourishing culture and the ability of its creative talents to produce works audiences can relate to have helped it withstand the global hegemony of American television. The language barrier has also obstructed the invasion of American content.

TVA's most popular shows are made in Québec and the network allocates 87% of its $46.0 million programming budget to Québec productions.

Given the small size of the Québec market – slightly more than 5 million French speakers above the age of 2 – an audience of over one million for a television program is an impressive exploit. TVA succeeded in breaking the one-million viewer mark every week during the survey period and sometimes several times a week!

Made by Quebecers for Quebecers, TVA programs reflect Québec's values and popular culture. They resonate with audiences because they are rooted in Quebecers' lives.

TVA IS THE NETWORK THAT HAS SPEARHEADED THE DISSEMINATION OF HIGH-CALIBRE POPULAR CULTURE

The standard-bearer of culture in the rest of Québec

TVA is a powerful force in the economic, social and cultural life of Québec outside Montréal. Its stations in Québec City, Sherbrooke, Trois-Rivières, Chicoutimi and Rimouski provide daily coverage of the local cultural scene, publicizing concerts, plays, book fairs and shows. TVA provides hundreds of cultural organizations with a vehicle to promote their activities, from street fairs to symphony concerts.

Some of the major events TVA supports in Québec's regions:

- Québec City: Arts and Culture Awards, Québec Carnival (Télé 4);
- Rimouski: Carrousel international du film de Rimouski, a major children's film festival (CFER);
- Eastern Townships: Mondial des Cultures de Drummondville (Télé 7);
- Saguenay-Lac St-Jean: La Fabuleuse Histoire d'un Royaume (CJPM).

A partner in the success of Québec artists

In 2002, TVA's schedule boasted no fewer than five weekly programs covering cultural activities in the Montréal area: *Salut Bonjour !*, *Deux filles le matin*, *Michel Jasmin*, *Le grand blond avec un show sournois* and *Les Incontournables*. And that's not counting the arts reports on the TVA and LCN newscasts or the enormously popular Gala des Oliviers and Gala MétroStar specials aired on TVA every year, which celebrate the success of Québec artists. For the past four years, TVA has also been a partner of the Festival Juste pour Rire.

TVA starts the day with *Salut Bonjour !* in the morning and signs off with *Le grand blond avec un show sournois* on weekday evenings, both of which dominate their time slot. The arts figure prominently on both programs: they deliver huge audiences to the artists and performers in all disciplines who come to promote their work. Guest appearances on the TVA shows have become a must in Québec show business.

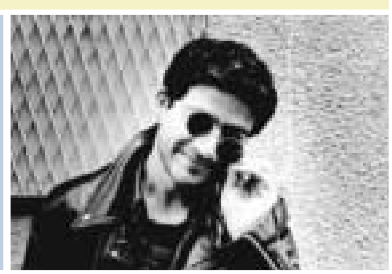
Star Académie, a talent contest also featuring well-known guest performers every week, aired during the winter 2003 season. The concept was an original way to give prime-time exposure to the Québec *chanson* and singers, something increasingly scarce on television. TVA decided to reverse the trend by airing a show centred on the *chanson*. The ratings for *Star Académie* demonstrate that the formula has tremendous popular appeal and is filling a gap in variety programming.

From the TV screen to the movie screen

Through TVA Films, TVA brings Québec audiences films that depart from Hollywood's beaten track. Recent examples include Jean-Pierre Jeunet's *Le fabuleux destin d'Amélie Poulain* (Amelie) and Roman Polanski's *The Pianist*, winner of the Palme d'Or at the Cannes Festival in 2002. 17

And that's not all. TVA Films has been involved in producing films by some of Québec's most brilliant filmmakers. At the time of writing (March 2003), TVA Films is supporting projects by the following directors:

- François Girard, internationally acclaimed director of *The Red Violin*, who is working on a feature film called *The Far Road*;
- Jean-Marc Vallée, director of the 1996 Québec hit *Liste noire*, who is filming *Crazy*, starring Michel Côté;
- Playwright Wajdi Mouawad, who is making a film version of his successful play *Littoral*.



Sun Media Corporation / Metropolitan Dailies

A NATURAL ALLIANCE WITH THE ARTS

Sun Media Corporation, Canada’s second-largest newspaper group, publishes metropolitan dailies, community newspapers and entertainment weeklies. All play a key role in covering and promoting arts and culture across the land.

The print media have always been natural allies of the arts and culture. Sun Media’s major metropolitan dailies, of which two are located in Québec, three in Ontario, two in Alberta and one in Manitoba, are active ingredients in the exciting cultural mix of their communities.

Quebecor Media’s newspapers use a proven formula combining editorial content on the arts and artists, local advertising content and contests related to cultural events to spark public interest.

Over 8,000 pages on culture per year in *Le Journal de Montréal*

Each issue of *Le Journal de Montréal* contains an average of 10 pages on culture and entertainment, not counting the minimum 96-page weekend arts and entertainment supplement. That adds up to more than 8,000 pages on the arts and culture in *Le Journal de Montréal* every year, much of it on Québec culture and artists. Twelve full-time journalists and several freelancers report on culture in Québec’s largest circulation daily. *Le Journal de Montréal* makes it a point of honour to cover all launches by new artists, who may be little known or unknown today but are destined to become the stars of the future.

OUR TWO MAJOR QUÉBEC DAILIES TOGETHER INVESTED OVER $4 MILLION IN SPONSORSHIPS TO PROMOTE CULTURE IN 2002

Fruitful partnership with the arts

Le Journal de Montréal and *Le Journal de Québec* have established partnerships with promoters of the performing arts, movies, festivals and other cultural events in Québec. In exchange for visibility as a sponsor, our newspapers help promote the events to their readers.

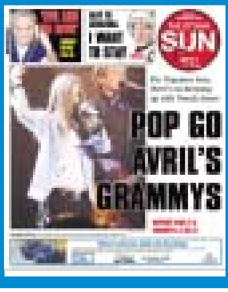
In 2002 alone, *Le Journal de Montréal* sponsored Montréal performances by more than 60 local and international French-speaking artists, some 15 festivals and cultural events, summer theatre and a dozen new films produced in Québec. In all, *Le Journal de Montréal* provided advertising space worth \$2.6 million under these partnership agreements in 2002. *Le Journal de Québec* supported 12 cultural events, 57 shows, 8 Québec films and 4 theatre companies with advertising space worth a total of \$1.5 million. Therefore, our two major Québec dailies together invested over \$4 million in sponsorships to promote culture in 2002.

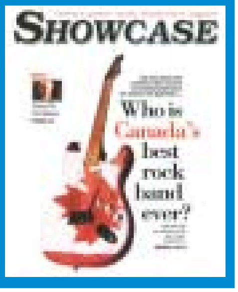
Contests to promote Québec and foreign films

Le Journal de Montréal and *Le Journal de Québec* supported 66 and 43 film premieres respectively in 2002 with a media investment worth a total of more than \$1.1 million. The newspapers also organized contests for each of the premieres; *Le Journal de Montréal* was flooded by more than half a million entry forms!

Our two mass-circulation dailies pulled out all the stops for the four big Québec-made box office hits of 2002 – *Québec-Montréal*, *L'Odyssée d'Alice Tremblay*, *La mystérieuse Mademoiselle C* and *Séraphin, un homme et son péché* – by giving them extra advertising space and organizing monster promotions.

LIKE THE QUÉBEC DAILIES, **Sun Media's six metropolitan dailies outside Québec – *The Ottawa Sun*, *The Toronto Sun*, *The London Free Press*, *The Winnipeg Sun*, *The Edmonton Sun* and *The Calgary Sun* – all support a host of cultural events and give voice to the diversity of Canadian culture. Bowes Publishers Limited's community weeklies and six local dailies do likewise in their communities. Wherever Sun Media publishes dailies and weeklies, the Company backs the arts and culture in ways that count and celebrates artistic creativity across the land.**





SUPPORTING ARTISTS IN EVERY CORNER OF QUÉBEC

In 2002, Sun Media's Québec weeklies contributed more than $300,000 in sponsorships to a host of local cultural events across Québec.

Like the metropolitan dailies, the community weeklies establish partnerships with local promoters and cultural venues. They also organize promotions and draws for free tickets to premieres of cultural events. The 46 Sun Media weeklies spread across Québec are a natural complement to the metropolitan dailies and make a strong contribution to cultural dynamism in Québec's smaller centres.

IN EVERY REGION, OUR WEEKLIES ARE THE MEDIA OUTLETS THAT ARE CLOSEST TO THE COMMUNITY

Big stars with small-town roots

Many artists hail from small-town Québec, and often they received their first media exposure in an interview with the local weekly's entertainment columnist. Here are a few examples of the role our weeklies have played in publicizing some of Québec's biggest talents.


Objectif PLEIN JOUR

Silence, on tourne !

Chute-aux-Outardes EST EN LIESSE

l'écho de la BAIE

Gala de l'ADISQ

KEVIN reçoit trois FELIX!

WE WERE THERE...

A few years ago, our weekly *La Voix Gaspésienne* wrote about a young singer from Matane and her manager. It was the first media coverage of Isabelle Boulay, now a superstar vocalist, and Josélito Michaud, now artistic director of TVA's *Star Académie*, the hit of the winter television season.


Partis pour la gloire

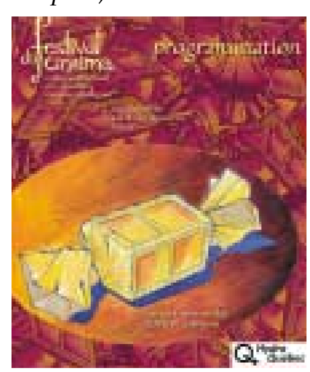
In 2001, *Objectif Plein Jour* of Baie-Comeau ran an interview with a brilliant young local filmmaker called Manon Briand, then shooting a film entitled *La turbulence des fluides* (Chaos and Desire). It went on to win a Québec film industry Jutra award.

Before making it big, singer France D'Amour made headlines in *L'Écho du Nord* after a performance at the local community college. Since the beginning of her career, she has been distributed by Select, a Quebecor subsidiary that specializes in distributing Québec music.

On the Gaspé Peninsula, home of singing idol Kevin Parent, the star of the future may be performing today in a small bar on Chaleur Bay. People will read about it in the pages of *Le Havre, Le Pharillon, L'Aviron* or *L'Écho de la Baie*.

In 2002, three weeks before the film's big-city release, a sneak preview of the smash hit *Séraphin, un homme et son péché* was presented in Sainte-Adèle, where the film was shot. The local weekly *Le Journal des Pays d'en Haut* was there to cover the event. It also organized a successful contest for tickets to the screening.

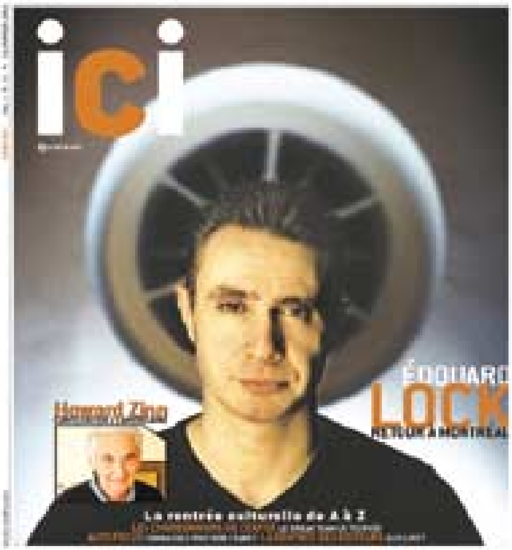
From Sept-Îles to Saint-Jérôme, Longueuil to Lotbinière, Quebecor weeklies are enthusiastic participants in cultural life. In every region, they are the media that is closest to the community. And in every locality, they are number one.



La Frontière of Rouyn-Noranda has been a proud sponsor of the *Festival International du cinéma* for more than 20 years.

DEDICATED TO COVERING THE ARTS IN EVERY FORM

In recent years, entertainment weeklies with an alternative bent have become important sources of information on big-city cultural events. They take a different tack, reporting on avant garde artists (who almost always start out on the fringe circuit) and on the underground arts scene that the mainstream media cannot always cover. The alternative entertainment weeklies play a pivotal role in discovering and promoting edgy new talent.

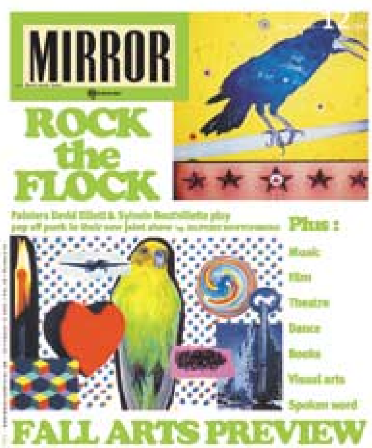


ICI Montréal and the French-language market

With its innovative content, *ICI Montréal* has quickly carved out a niche in the Montréal market. It boasts the most complete entertainment calendar in town, providing full listings of live music, movies and the performing arts. Its editorial content focuses on the new generation of artists.

Mirror, the dean of Montréal's entertainment weeklies

Mirror, founded in 1985, was the first alternative entertainment weekly in Montréal and remains the leader in the English-language market. It is known and respected for the superior quality of its writing, brash style and incisive reviews, as well as its comprehensive entertainment listings.

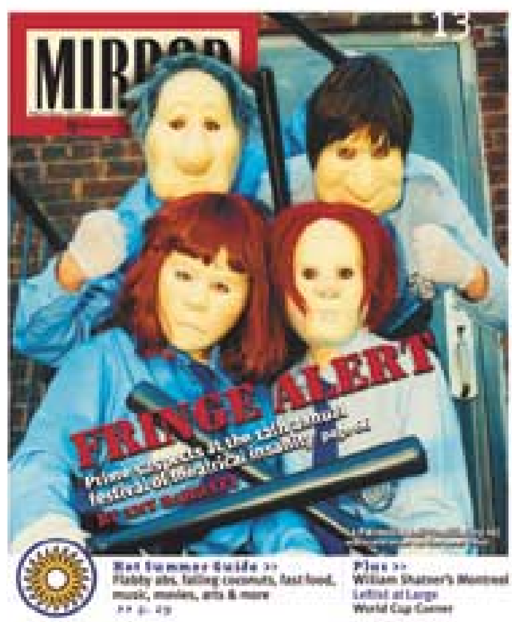


THE ALTERNATIVE ENTERTAINMENT WEEKLIES PLAY A PIVOTAL ROLE IN DISCOVERING AND PROMOTING EDGY NEW TALENT

ICI Montréal and _Mirror_ are proud of their role in sponsoring cultural events such as Canadian Music Week, Festival de musique actuelle de Victoriaville, Mutek, Rencontre Internationale de Capoeira, Fringe Festival, L'OFF Festival de Jazz de Montréal, Just for Laughs, Gay and Lesbian Pride, Festival Image et Nation, Elektra Festival. In 2002, the total value of the sponsorships was close to $50,000.

Sponsorships

As the chroniclers of the flourishing alternative arts scene, the two weeklies sponsor over 30 cultural events (theatre, dance, music festivals and film festivals) and more than 25 films every year.



TVA Publishing

QUEBECOR AND QUÉBEC ARTISTS: TOGETHER SINCE THE BEGINNING

Celebrity weeklies were the original cornerstones of Pierre Péladeau's media company. Those weeklies, and the magazines that followed, publicized local celebrities in every field and played a key role in the emergence of the Québec star system.

FROM THE EARLY DAYS OF THE CELEBRITY TABLOID *ÉCHOS VEDETTES* TO THE LARGE STABLE OF WEEKLIES AND MAGAZINES PUBLISHED TODAY BY TVA PUBLISHING, NOW RESPONSIBLE FOR ALL OF QUEBECOR MEDIA'S MAGAZINE OPERATIONS, WE HAVE ALWAYS BEEN THERE TO BEAR WITNESS TO THE VITALITY OF QUÉBEC'S ARTS SCENE

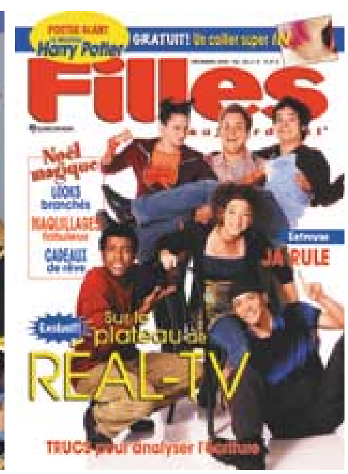
Readership of TVA Publishing's magazines and celebrity weeklies

Publication	Readership (per issue)
Monthlies	
Les idées de ma maison	859,000
Clin d'œil	833,000
Décoration Chez-Soi	753,000
Rénovation-Bricolage	672,000
Filles d'aujourd'hui	506,000
Femmes d'aujourd'hui	472,000
Star Inc.	442,000
Femme	390,000
Cool !	372,000
Weeklies	
TV Hebdo	1,399,000
7 Jours	1,197,000
Le Lundi	790,000
Échos Vedettes	594,000
Dernière Heure	562,000

Source: Print Measurement Bureau, 2002.

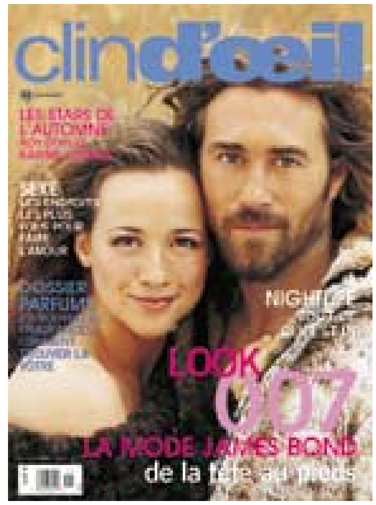
Support for the arts: a few examples

It is impossible to describe here the contribution of all our magazines and celebrity weeklies to cultural life. Here are just a few examples:



The teen magazines ***Cool !*** and ***Filles d'aujourd'hui*** feature columns on movies, videos, music and the Internet. They publish the lyrics to the latest Québec hits, interviews with young people's favourite stars, and reports on cultural events in Montréal and Québec City.

The magazine *Femme* often carries feature articles on women in the arts. In 2002, it turned the spotlight on comic Lise Dion, journalist Sophie Thibault, writer Fabienne Larouche, actor Louise Portal and many others.



Clin d'œil, edited by well-known personality Mitsou Gélinas, devotes ample space to culture, publishing articles on music, theatre, cinema and books, and interviews with artists who are making waves.

7 jours magazine is perhaps the leading proponent of high-quality popular culture in Québec. It carries interviews with artists in the news, reports on television programs (including several specials on prime-time dramas each year) and on cultural events (such as the Gémeaux television awards and the ADISQ music awards). When the film *Séraphin, un homme et son péché* was released, *7 jours* devoted a 14-page special section to the event. The film made the magazine's cover three times.

Le Lundi is another popular publication that showcases Québec culture.

TV Hebdo and ***TV 7 jours*** carry the weekly television schedule as well as articles on the programs aired on all the networks. Both publish special issues on Québec's popular prime-time dramas.

Échos Vedettes, a Québec institution, devotes 30 to 35 pages per issue to culture. That adds up to more than 1,500 pages per year.

Discovering the stars of tomorrow

Our magazines *Cool !*, *Dernière Heure*, *7 Jours*, *Le Lundi* and *Filles d'aujourd'hui* gave extensive coverage in 2002 to VRAK-TV's hit talent contest for Québec teens *MixMania*.

Filles d'aujourd'hui also organized a singing contest, "À la recherche de la nouvelle jeune diva du Québec," in cooperation with the Archambault stores. More than 500 demo tapes were received and judged by a jury of industry professionals. The winner shared the stage with Québec's top female vocalists at the "Divas du Québec" show at the Le Capitole theatre in Québec City in March 2003. The concert was recorded and the CD will be distributed by Select.

Books

HUNDREDS OF AUTHORS PUBLISHED, MILLIONS OF BOOKS SOLD

In 2002, Quebecor Media's Books segment published, reissued or reprinted 928 titles and sold more than 3 million copies, a 23% increase from 2001. Those figures speak for themselves: Quebecor Media is the largest book publisher in Québec.

2002 bestsellers

The 2002 highlights give an indication of our Books segment's importance as a publishing and distribution channel for authors, journalists and editors with things to say.

ÉDITIONS LIBRE EXPRESSION dominated the bestseller lists. Its high-profile successes included *Aux commandes du destin*, a biography of celebrated pilot Robert Piché by reporter Pierre Cayouette; *La Croix de feu*, the French translation of Diana Gabaldon's novel *The Fiery Cross; Catalina* by reporter and television host Gilles Gougeon; and *Plaisirs partagés* by actor Francine Ruel.

ÉDITIONS INTERNATIONALES ALAIN STANKÉ sales were boosted by successful film adaptations of two titles in its catalogue, *Un homme et son péché*, directed by Charles Binamé, and *Arrête-moi si tu peux* (Catch Me If You Can), directed by Steven Spielberg.

ÉDITIONS DU TRÉCARRÉ broke into the US market, a first for Quebecor Media's Books segment.

Educational publisher **ÉDITIONS LOGIQUES** updated its catalogue of computer books. Éditions Logiques also publishes best-selling novelist Denis Monette.

ÉDITIONS QUEBECOR realized nearly 40% of its sales abroad. Its sales in France, Germany, Spain, Italy, the Netherlands, Portugal and Mexico boosted its revenues and helped raise the international profile of Québec writers.

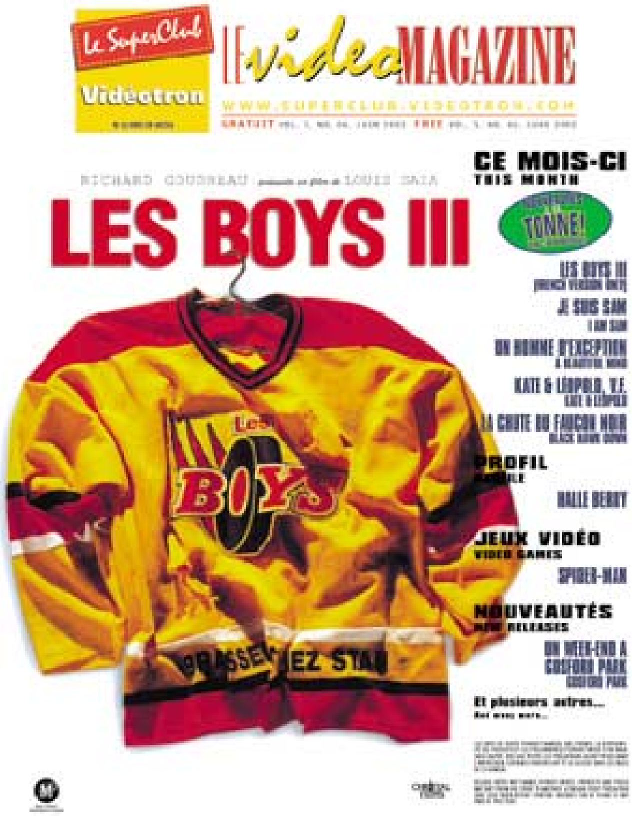
ÉDITIONS CEC maintained its position as Québec's leading publisher of textbooks. Working with a host of writers, illustrators and other professionals, CEC has assembled an impressive catalogue that lists many works on Québec culture, including the well-known *Anthologie de la littérature québécoise.*

QUEBECOR MEDIA IS THE LARGEST BOOK PUBLISHER IN QUÉBEC

Québec-Livres: Distribution is key

Distribution is essential to success for authors just as it is for musicians. Québec-Livres continues to perform a vital role in distributing and marketing the books published by Quebecor Media's Books segment and other major Québec publishing houses.

TONS OF COPIES OF QUÉBEC FILMS



Video rental chain Le SuperClub Vidéotron contributes to Québec culture by stocking a huge selection of Québec films at every one of its locations.

The focus on local product sets Le SuperClub Vidéotron apart from the other video chains in Québec. A large portion of Le SuperClub Vidéotron's acquisitions budget is allocated to Québec films on video and DVD.

QUÉBEC FILMS PURCHASED IN 2002	
Febuary	*La loi du cochon*
March	*L'ange de goudron* *Une jeune fille à la fenêtre* *Mariages*
April	*Le ciel sur la tête*
May	*Un crabe dans la tête*
June	*Les Boys III* *Moïse : l'affaire Roch Thériault* (Québec/English Canada coproduction)
July	*Crème glacée, chocolat et autres consolations*
August	*Le collectionneur*
October	*La mystérieuse Mademoiselle C.*
November	*La vie, la vie* (for sale) *Lance et compte* (for sale) *Lance et compte : nouvelle génération* (for sale) *L'Odyssée d'Alice Tremblay*

Choice display space for Québec productions

Most SuperClub Vidéotron locations have a Québec film section where all Québec productions available for rental are displayed.

Every month, new video and DVD releases are announced in the chain's magazine, *Le VideoMagazine*. In 2002, three Québec productions made the front or back cover: *Les Boys III, La mystérieuse Mademoiselle C.* and *L'Odyssée d'Alice Tremblay*. Whenever their box office success warrants, Le SuperClub Vidéotron gives its prime advertising space to Québec productions. It's another way to support local talent.

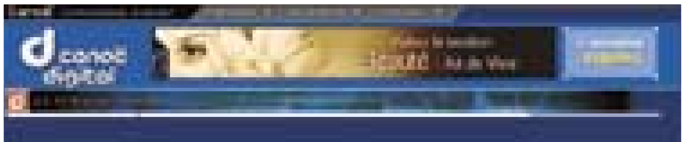
Le VideoMagazine also includes an "upcoming releases" section that describes Québec films scheduled for release in the next month. And in June 2002, Le SuperClub Vidéotron's television commercials featured the film *Les Boys III*.

Practical support for young filmmakers

In 2002, Le SuperClub Vidéotron agreed to be a partner of *L'Art qui fait Boum!,* a triennial festival for young visual artists to be held April 16 to June 8, 2003. Le SuperClub Vidéotron will distribute the videos produced by the finalists in the film category and lend them out free of charge at its stores. It will also sponsor the *Prix du Public Le SuperClub Vidéotron/Silence On Court!*

Netgraphe

A WORLD OF CULTURE, A MOUSE-CLICK AWAY



VIRTUAL JUKE BOX ON CANOË DIGITAL

Canoë has quickly become a popular hub for music, interviews and videos featuring recording artists in all genres. Canoë Digital lets music lovers listen to new releases by well-known artists, and also introduces new faces and new voices in the section devoted to rising artists. It is a unique platform for promoting Québec music on the Web.

In 2002, Netgraphe launched the innovative Canoë Digital site, an online juke box dedicated to Québec music. The site quickly became a popular hub for music, interviews and videos featuring recording artists in all genres. Canoë Digital lets music lovers listen to new releases by well-known artists, and also introduces new faces and new voices in the section devoted to rising artists. It is a unique platform for promoting Québec music on the Web.

Canoë Digital is a vehicle of choice for the Québec recording artists distributed by Select, Archambault Group's music and video distribution division. Nowhere on the Web, on the radio or on television is there a place entirely dedicated to Québec music – except on Canoë!

To support sales, hyperlinks on the site lead visitors who are interested in a particular artist to the CDs available at the Archambault.ca online shop.

Connected to culture

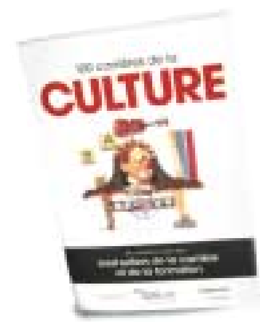
The Culture & Showbiz section on the Canoe.qc.ca portal carries non-stop coverage of cultural news: concerts, new CDs, new books, exhibits, theatre, film. Special attention is paid to Québec content. In 2002, special reports were produced on many Québec summer festivals and on the release of many Québec films. Reviews, interviews and close-ups complement the original cultural content available on Canoe.qc.ca.

Netgraphe, an Internet leader in Québec and the rest of Canada, operates a string of general and special-interest portals that cover the arts extensively.

Culture on Jobboom

To meet the demand from cultural industries, Éditions Jobboom launched a new careers guide entitled *100 carrières de la culture* at the beginning of 2003. The guide covers careers in six fields:

- **performing arts**
- **audiovisual arts**
- **multimedia and hi-tech arts**
- **crafts and visual arts**
- **literature and publishing**
- **museology and heritage**



100 carrières de la culture, the only guide to provide such a complete survey of jobs in the arts, draws attention to career opportunities and challenges in the fascinating field of culture. Its success in the bookstores attests to the growing interest in the field among young people. Netgraphe and Jobboom are proud of their contribution to career counselling and training for the cultural workers of the future.

E-cards on Canoë

With e-cards for all occasions booming in popularity, Netgraphe has turned to Québec artists to design exclusive cards for Canoë, including illustrator Philippe Béha, graffiti artist Zilon, illustrator Elsa Myotte and cartoonist Manon Éthier. Writer-composer Shilvi composed and recorded a Christmas song, available exclusively on Canoë Digital. It was illustrated by Julie Fréchette to produce the first musical e-card available on Canoe.qc.ca

All these initiatives help publicize the work of our talented Québec illustrators, designers and other artists.

Quebecor World

A GLOBAL GIANT PARTNERING WITH CULTURAL ENTERPRISES IN QUÉBEC AND AROUND THE WORLD

The Company's flagship subsidiary, Quebecor World, the world's largest commercial printing company, is the only Canadian company that is the global leader in its industry.

Quebecor World is known primarily for its print products:

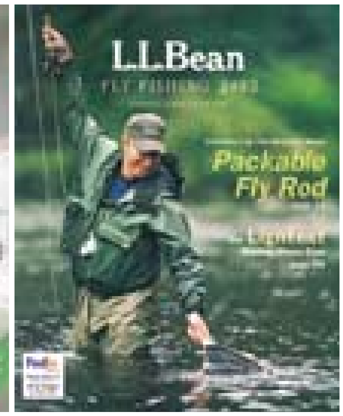
- **catalogues** for major retail chains such as L.L.Bean, Home Depot, IKEA and Pottery Barn;

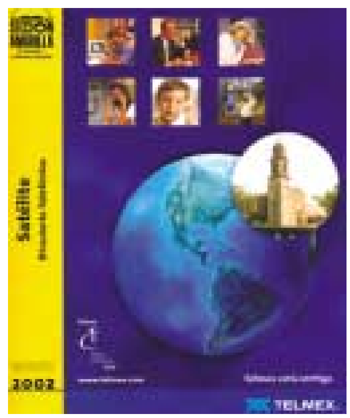
- **telephone directories** in North America, Latin America, Europe and even India for many prestigious customers, including the Yellow Pages Group Co. in Canada and ADSA, a subsidiary of Telmex, in Mexico;

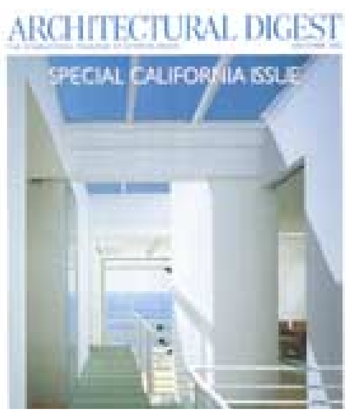
- **magazines and books** for the world's largest publishers, such as Time Inc., Condé Nast Publications and Hachette Filipacchi Médias, which publish hundreds of titles;

- **supplements and advertising** inserts, such as *USA Weekend* and *Parade*, for mass-circulation North American newspapers;

- a wide array of **direct mail** products, **logistical services**, **digital printing** services, and more.

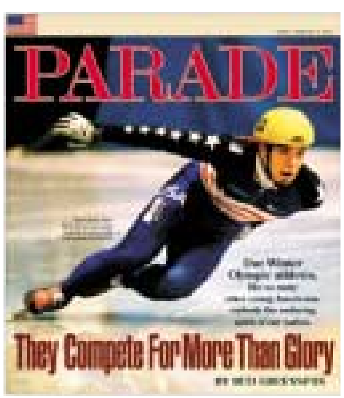






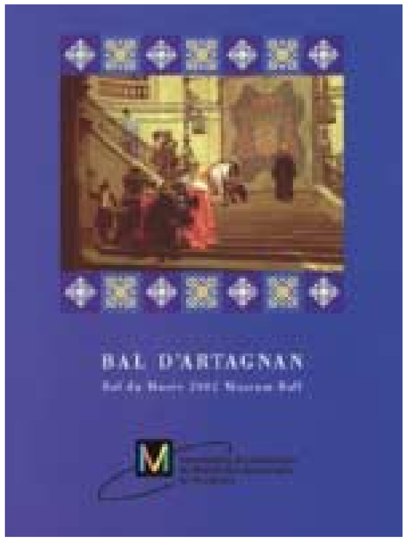
Supporting the professional development of young graphic artists

Quebecor World supports the Québec Institute of Graphic Communications, affiliated with Collège Ahuntsic in Montréal, and the Graphic Communications Department of Ryerson University in Toronto. The two institutions dispense advanced training to students who want to pursue a career in graphic arts and design, integral components of the visual arts and culture.



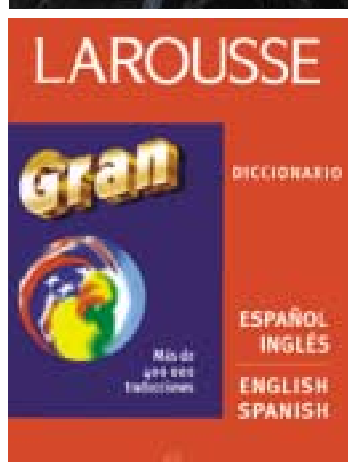
QUEBECOR WORLD HAS LONG BEEN AND WILL LONG REMAIN A VALUED PARTNER FOR CULTURAL ENTERPRISES AND ARTISTS IN QUÉBEC AND ACROSS CANADA

Quebecor World is also involved in culture. The company, founded in Montréal, is attached to its roots. It continues to print promotional materials for many theatre and dance companies and sponsors a large number of performances. In all Canadian markets, Quebecor World prints many magazines devoted in whole or in part to the arts. Quebecor World has long been and will long remain a valued partner for cultural enterprises and artists in Québec and across Canada.



Quebecor World: disseminating culture around the world

What do the latest Harry Potter novel, the Larousse English-Spanish dictionary and magazines such as *Time*, *People* and *Paris-Match* have in common? All are printed at one of Quebecor World's 165 printing plants around the world. From Guttenberg to the present day, the printing press has spread knowledge far and wide, more so than any other technology. Today, Quebecor World prints a billion books a year, primarily in the US, Europe and Latin America. It also produces more than a thousand different magazines in North America, Latin America and Europe for the world's largest publishers.



CORPORATE STRUCTURE

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

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

In the first quarter of 2002, Quebecor World obtained all required regulatory approvals for the acquisition of the European printing facilities of Hachette Filipacchi Médias, one of the world's largest publishers.

In October 2000, Quebecor Media acquired all outstanding shares of Le Groupe Vidéotron ltée. Final acquisition of control over Groupe Vidéotron's cable television and broadcasting subsidiaries was subject to approval by the Canadian Radio-television and Telecommunications Commission ("CRTC"). In May 2001, the CRTC approved the transfer of control over the cable television subsidiaries. In September 2001, the conditions set by the CRTC under the approval granted in July 2001 for the transfer of control over TVA Group were satisfied.

At the time of the acquisition of Groupe Vidéotron, management's intention was to divest itself of subsidiary Vidéotron Télécom Ltée ("VTL"), which provides high-speed telecommunications services to other carriers and large businesses. In view of the uncertain business environment in the telecommunications industry, the Company was unable to close the sale of its investment on favourable terms. It therefore decided to keep VTL and develop its full potential. VTL's operating results have therefore been included in Quebecor Media's consolidated financial statements since November 2001.

Quebecor's share in the earnings of some subsidiaries has varied over the past three years. Quebecor's share in the earnings of Quebecor World, which was 38.05% at January 1, 2000, did not change significantly in 2000 and 2001. As of December 31, 2001, it stood at 38.32%. In 2002, Quebecor's share in Quebecor World was reduced by the sale of 6.8 million subordinate shares and stood at 33.24% at December 31, 2002. In October 2000, Quebecor transferred a 45.28% interest in Quebecor Media to Capital Communications CDP and retained a 54.72% interest, which remained unchanged through December 31, 2002. With the reduction in Quebecor's interest in Quebecor Media, Quebecor's 57.47% share in Nurun's results at January 1, 2000 was reduced to 31.45% at December 31, 2000, 31.30% at December 31, 2001 and 31.33% at December 31, 2002. Quebecor's share in Sun Media Corporation, which was 70.00% at January 1, 2000, had fallen to 38.30% as of December 31, 2000, increased to 54.72% as of December 31, 2001, following the buyout of Sun Media Corporation's minority shareholders, and remained at that level through December 31, 2002. Quebecor's share in the earnings of Netgraphe, which increased from 21.75% to 41.20% with the swap of CANOE's assets for Netgraphe stock on March 6, 2001, stood at 41.14% at December 31, 2002.

Quebecor exercises direct and indirect controlling interests in five public companies. At December 31, 2002, Quebecor held, directly or indirectly, 83.15%, 57.26%, 99.91%, 97.71% and 80.95% of the voting rights of Quebecor World Inc., Nurun Inc., TVA Group Inc., Netgraphe Inc. and Mindready Solutions Inc. respectively.

Recent Events

On December 9, 2002, Quebecor closed a secondary offering of 6.8 million subordinate voting shares of Quebecor World Inc. at a price of $36.00 per share for a total of $244.8 million, realizing a gain on disposal of $67.4 million. The purpose was to repay Quebecor's 54.72% share of a $429.0 million term loan contracted by Quebecor Media, which falls due in April 2003.

Immediately after the end of the 2002 financial year, Quebecor Inc. contributed $216.1 million to the share capital of Quebecor Media, enabling Quebecor Media to reduce its debt by the same amount. Quebecor Inc. will make an additional contribution of $19.0 million prior to the April 2003 due date.

On February 7, 2003, Sun Media Corporation closed a private placement of Senior Notes in the net amount of US$201.5 million and contracted new bank credit facilities totalling $425.0 million. The proceeds from the sale of Senior Notes and the new bank credit facilities were used to pay down in full all Sun Media Corporation loans and to pay a $260.0 million dividend to Quebecor Media Inc., of which $150.0 million will be used to reduce the long-term debt of Vidéotron ltée. This payment on Vidéotron's debt will be in addition to debt reductions totalling $168.0 million made by Vidéotron in 2002.

After the financial operations carried out in 2002 and the beginning of 2003, the Company has reduced its debt by more than $1.00 billion, using its cash flow and the proceeds from the sale of Quebecor World shares. Quebecor World's debt has been reduced by $530.9 million, Quebecor Media's debt by $429.7 million, and Quebecor Inc.'s debt by $81.9 million.

OPERATING RESULTS

In accordance with Canadian generally accepted accounting principles, the results of the Cable Television segment and of TVA Group Inc. have been included in the consolidated results since May 2001 and September 2001 respectively, which are the dates on which the CRTC approved the transfer of control over Vidéotron ltée and on which the CRTC's conditions for the transfer of control over TVA Group were satisfied. The investments in these subsidiaries were accounted for on an equity basis from the date of the acquisition of Groupe Vidéotron. Quebecor's consolidated financial statements for 2001 therefore report the operating results and cash flows of the Cable Television segment from May to December 2001 and the operating results and cash flows of TVA Group from September to December 2001.

Subsidiary TQS's results were no longer consolidated but presented on an equity basis from September 2001, the month in which TQS was placed under the control of a trustee. The Broadcasting segment's results for the year 2001 therefore report, in addition to TVA Group's results, TQS's operating results and cash flows for the months of January through August.

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

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

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

Operating income (or loss) as defined above is not a measure of results that is consistent with generally accepted accounting principles. It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows as a measure of liquidity. It is not intended to represent funds available for debt service, dividends, reinvestment or other discretionary uses, and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles. Operating income (or loss) is used by the Company because management believes it is a meaningful measure of performance. Operating income (or loss) is commonly used by the investment community to analyze and compare the performance of companies in the industries in which the Company is engaged. The Company's definition of operating income may not be identical to similarly titled measures reported by other companies.

2002/2001 COMPARISON

Quebecor recorded revenues of $12.01 billion in the 2002 financial year, compared with $11.63 billion in 2001, a 3.3% increase. On a pro forma basis, revenues totalled $12.07 billion in 2001. The higher revenues mainly reflect the inclusion of the results of the Cable Television segment and of TVA Group, following the transfer of control over those operations in 2001, the inclusion of the results of the Business Telecommunications segment since November 2001, and higher revenues in the Newspapers segment, particularly from advertising sales. These factors, combined with the positive effect of the conversion of sales denominated in US dollars into Canadian currency, more than offset the 1.2% decrease in Quebecor World's revenues, stated in US dollars, as a result of the difficult market environment, and lower revenues in the Web Integration/Technology segment.

In 2002, operating income amounted to $2.02 billion, compared with $1.89 billion in 2001, a 7.0% increase. On a pro forma basis, operating income was $2.02 billion in 2001. The increase was mainly due to the inclusion of the results of the Cable Television and Business Telecommunications segments and of TVA Group for the full 12 months of 2002, combined with significantly improved operating results in the Newspapers, Web Integration/Technology and Internet/Portals segments. Lower newsprint prices and effective cost-containment measures introduced in 2001 and continued in 2002 contributed to this improvement. These factors outweighed the 4.7% decrease in the Printing segment's operating income, stated in Canadian dollars, which was due to the above-noted decline in sales and lower operating margins caused by reduced production capacity utilization and price pressure.

Net income was $91.9 million in 2002, or $1.42 per basic share, compared with a net loss of $248.7 million, or $3.85 per basic share, in 2001. In accordance with new accounting rules, the Company did not record any amortization of goodwill in 2002. Not including amortization of goodwill, net of taxes and non-controlling interest, the net loss would have been $119.4 million, or $1.85 per basic share, in 2001.

Amortization charges increased by $82.9 million to $772.9 million in 2002, primarily as a result of the inclusion of the results of the Cable Television and Business Telecommunications segments and of TVA Group.

Financial expenses were reduced by $41.3 million, declining from $665.4 million in 2001 to $624.1 million in 2002 due to lower interest rates, lower debt levels at the subsidiaries and the unfavourable effect of the exchange rate on the portion of the debt denominated in foreign currency in 2001.

Reserves for restructuring of operations and special charges totalled $68.7 million in 2002, compared with $552.2 million in 2001.

In 2002, the Company recorded reserves for restructuring in the Printing ($29.3 million), Newspapers ($2.2 million), Broadcasting ($3.0 million), Business Telecommunications ($1.4 million) and Web Integration/Technology ($4.8 million) segments. The Company also recorded special charges of $13.3 million and $9.0 million respectively in 2002 for the mark-to-market of its investments and a write-down of a property. Finally, the Web Integration/Technology segment recorded a non-monetary compensation charge of $5.7 million in connection with shares subject to escrow agreements with shareholders/sellers of certain acquired businesses.

In 2001, the Company recorded a charge of $99.8 million for the mark-to-market of temporary investments. Restructuring reserves were recorded in the Printing ($400.1 million), Newspapers ($17.8 million), Web Integration/Technology ($3.7 million) and Internet/Portals ($5.4 million) segments. The Web Integration/Technology segment also recorded a non-monetary compensation charge of $25.4 million.

In 2002, the Company adopted the new recommendations in Section 3062 of the *Canadian Institute of Chartered Accountants* ("CICA") *Handbook* concerning goodwill. The Company recorded a $187.0 million charge for the goodwill impairment loss in the Cable Television ($68.0 million), Business Telecommunications ($107.6 million), Web Integration/Technology ($8.9 million) and Internet/Portals ($2.5 million) segments.

In 2001, in view of the slowdown in the Internet/Portals and Web Integration/Technology segments, the Company recorded a write-down of goodwill for those segments in the amounts of $118.5 million and $28.5 million respectively. The write-downs were based on an analysis of undiscounted future cash flow and reflected management's best estimates and hypotheses. The amounts were calculated in accordance with the accounting standards in effect up to December 31, 2001.

In 2002, the Company realized a gain of $91.2 million on the sale of businesses, shares of subsidiaries and portfolio investments, including $67.4 million from the sale of 6.8 million subordinate shares of Quebecor World for a cash consideration of $244.8 million and $20.0 million from the sale of its interest in TQS for a cash consideration of $62.0 million. During the previous financial year, the Company entered gains of $44.7 million under this caption, mainly in respect of the sale of shares of Abitibi-Consolidated Inc. and Quebecor World.

Printing

Quebecor World is the largest commercial print media services company in the world. Its strategic acquisitions, investment in state-of-the-art technology and commitment to establishing long-term relationships with customers have made it a leader in most of its main areas of expertise and geographic markets. Quebecor World has facilities in 17 countries.

Quebecor World's revenues amounted to US$6.24 billion in 2002, compared with US$6.32 billion in 2001. Operating income was US$898.4 million, compared with US$955.6 million in 2001. Quebecor World reported net income of US$279.3 million in 2002, compared with US$83.8 million in 2001, excluding amortization of goodwill in the amount of US$61.4 million.

Stated in Canadian dollars, Quebecor World's revenues were virtually unchanged, increasing from $9.79 billion in 2001 to $9.80 billion in 2002. The strength of the US dollar, the main currency in which Quebecor World's sales are denominated, therefore partially offset the decrease in North American sales, stated in US currency. Operating income was $1.41 billion, compared with $1.48 billion in 2001.

After a difficult period for the print media industry in the latter part of 2001, 2002 saw continuing pressure on business volume and slumping prices, compared with 2001, due to excess production capacity in the industry and growing competition. Quebecor World took advantage of the business environment in the industry to carry out a major restructuring of its facilities, which was announced in 2001 and had largely been completed as of December 31, 2002. In the wake of the reorganization, Quebecor World's plants are fewer in number but larger and more specialized. Quebecor World is now able to offer its customers essentially the same production capacity with approximately 8% less personnel.

In a fiercely competitive marketplace, Quebecor World recorded strong results in 2002, particularly during the second half. Quebecor World continued its energetic efforts to contain costs, generate cash flow and reduce its debt ratio, as in the past.

In North America, Quebecor World's diversified operations enabled the company to minimize the negative impact of the business environment and limit the revenue decrease to 3.6%. Revenues declined in some lines of business, including magazines and catalogues (-6%), commercial and direct mail materials (-17%), books (-4%) and telephone directories (-5%), while revenues from advertising inserts rose 9%; half of the increase was due to the acquisition of Retail Printing Corporation in July 2001. With respect to operations, Quebecor World expanded its retail offset production platform with the addition of printing facilities in Riverside, California and Vancouver, British Columbia in order to enhance the competitiveness of its North American network serving the retail insert and mailer market.

In Europe, Quebecor World posted revenue growth of 10% in 2002, primarily as a result of the acquisition of printing facilities from Hachette Filipacchi Médias, one of the world's largest publishers. The transaction strengthened Quebecor World's European platform and added a plant in a new country, Belgium. Quebecor World's European operations improved their revenues and profit margins in relation to 2001, except in France. In the fourth quarter of 2002, Quebecor World approved a restructuring plan for Europe which calls for cost-cutting, workforce reduction and the closing of some uncompetitive facilities.

In Latin America, Quebecor World recorded a 13% increase in revenues in 2002. Operating income improved despite the negative impact of exchange rate fluctuations in countries such as Brazil and Argentina.

During 2002, Quebecor World signed new contracts and extended existing contracts with a number of major customers, including Brylane Inc., a leading US catalogue and Internet retailer, RONA group, the largest distributor and retailer of home hardware, renovation and gardening supplies in Canada, and L.L.Bean, a major retailer of outdoor gear and apparel.

The last quarter of 2002 was particularly fruitful. Quebecor World signed a long-term $240.0 million contract with Rogers Publishing, the largest publisher of periodicals in Canada, followed in December 2002 by three major contracts: a US$230.0 million contract with publishing house Simon & Shuster, a contract worth US$150.0 million with food retailer Albertsons, and a $270.0 million contract to print telephone directories for the Yellow Pages Group Co. Finally, in early 2003, Quebecor World signed a long-term Latin American contract estimated at US$40.0 million with Telefónica de España to print telephone directories in Brazil, Chile, Argentina and Peru.

Cable Television

Vidéotron ltée, a wholly owned subsidiary of Quebecor Media, is the largest cable operator in Québec and the third-largest in Canada. Its state-of-the-art network extends to 2.3 million homes and serves approximately 1.4 million subscribers, including over 171,000 subscribers to its *illico* digital television service. Vidéotron ltée is also engaged in interactive multimedia development and ISP services; 350,000 customers subscribe to its dial-up and high-speed cable modem Internet access services.

As noted above, Vidéotron ltée's results have been included in the Cable Television segment's results since May 2001. In 2002, Vidéotron generated revenues of $715.6 million and operating income of $262.7 million. On a pro forma basis, the 2001 figures were $709.6 million and $271.9 million respectively.

Revenues grew by $6.0 million, or 0.8%, in 2002. Despite aggressive competition from satellite television services and the problems caused by the labour conflict between Vidéotron and its unionized employees, Vidéotron signed up 57,000 new customers to its *illico* digital television service while losing 136,000 subscribers to its analog cable television service, for a net loss of 79,000 customers. At the same time, Vidéotron gained 77,000 new customers for its high-speed cable Internet access service, which now serves 306,000 subscribers. The $35.9 million increase in revenues from high-speed cable Internet access services, which generate higher ARPU, more than made up for the net loss in revenues from cable television services. The higher revenues also offset the $3.0 million in credits granted to subscribers during the labour dispute, the decrease in installation revenues and the decline in revenues from Videoway, Telemax and pay-per-view.

Operating income decreased by $9.2 million, or 3.4%, in 2002, on a comparable basis. The impact on operating income of the net loss of cable television customers, combined with the lower profit margin, due primarily to the migration of customers from analog to digital services, was fully offset by the contribution from new customers for Internet access services, which generate higher profit margins. At the same time, efficiencies of more than $20.0 million yielded by the cost-rationalization program implemented since the acquisition by Quebecor Media and an $8.3 million refund of property tax paid on the network in previous years, which was received in 2002, were not enough to offset additional costs incurred during the financial year. These included charges of $18.5 million related to the maintenance of operations during the labour dispute, the impact of reduced capitalization of certain operating expenses following the completion of the network modernization program, and costs for improving customer service.

The 2002 financial year was marked by the labour dispute between Vidéotron and its unionized employees, which began on May 8, 2002. While operating conditions became more difficult, Vidéotron was able to keep the dispute from affecting customer service. It also stepped up efforts to develop its customer base for value-added services and continued expanding its product line. Vidéotron enhanced its *illico* digital television service by launching the new *i Games* portal, introduced *Extrême*, a new ultra-high-speed Internet package, and made five additional French-language European channels available to *illico* subscribers. To make its *illico* service still more attractive, Vidéotron added to its product line a Personal Video Recorder capable of storing up to 50 hours of programming on its hard disk. Finally, starting in winter 2003, Vidéotron will gradually introduce Video on Demand, a technological innovation exclusive to *illico* that makes over 400 films available at all times, with the same viewing options as a VCR or DVD player.

Newspapers

In the Newspapers segment, Sun Media Corporation is Canada's largest national chain of tabloids and community newspapers. It publishes metropolitan dailies in 8 of the country's 11 largest markets, 175 weeklies and shopping guides and 18 specialty publications, across Canada and in Florida.

The Newspapers segment's revenues amounted to $853.6 million in 2002, compared with $838.1 million in 2001, an increase of $15.5 million or 1.8%. Increases of 4.0% and 2.1% in advertising and circulation revenues respectively were partially offset by decreased printing revenues. Six of the group's eight metropolitan dailies increased their revenues.

Operating income grew to $222.3 million in 2002, an increase of $21.5 million or 10.7%. The Newspapers segment's operating margin was 26.0% in 2002, compared with 24.0% in 2001. The increase in operating income was mainly due to lower newsprint prices, effective cost-containment measures introduced in 2001 and continued in 2002, and higher revenues. These factors were however partially offset by Quebecor Media management fees in the amount of $5.1 million, an increase in payroll due to normal adjustments in hourly rates, higher fringe benefits and pension costs, and wages related to new publications. Investments in distribution operations also contributed to the increase in costs.

The metropolitan dailies made a particularly significant contribution to the improved profitability, with a 19.6% increase in operating income, while the community newspapers posted a 10.2% increase in operating income. All the metropolitan dailies improved their profitability, with increases of 8.4% in the Eastern Group, 22.9% at *The Toronto Sun*, 23.3% at *The London Free Press* and 30.1% in the Western Group. *Le Journal de Montréal* remains the segment's flagship publication with the highest revenues and operating margin of all Sun Media Corporation's metropolitan dailies. It is noteworthy that, in a fiercely competitive market, Québec community newspapers increased their revenues by 11.1% and their profitability by 19.9% in 2002.

In 2002, Sun Media Corporation renegotiated its newsprint supply contracts with its suppliers in order to extend their duration and obtain greater volume discounts.

The Newspapers segment plans to carry out a computer-to-plate project for six of its metropolitan dailies during the 2003 financial year. The $6.3 million investment is expected to yield annual savings of $2.6 million.

Broadcasting

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

As noted above, TVA Group's results have been included in the Broadcasting segment since September 2001. In 2002, TVA Group generated revenues of $323.4 million and operating income of $78.9 million. On a pro forma basis, the 2001 figures were $322.8 million and $69.5 million respectively.

Increased broadcasting and publishing revenues almost entirely offset the decrease in production and international distribution operations resulting from the reorganization carried out in 2001.

In broadcasting operations, the general-interest channels' advertising revenues increased by $8.4 million in 2002 and the English-language specialty channels, which have been on the air since January 2002, recorded revenues of $2.0 million. The increase in publishing revenues was primarily due to the acquisition of Publicor by TVA Publishing in the second quarter of 2002.

The growth in operating income in 2002 stemmed from the higher revenues, the increased profitability of TVA's broadcasting operations as a result of lower operating costs, among other things, and the addition of Publicor's results to the Broadcasting segment's consolidated figures.

Two important events occurred at TVA Group during the 2002 financial year.

First, as noted above, TVA Group acquired, in May 2002, Quebecor Media's magazines division Publicor, the publisher of popular magazines such as *Les idées de ma maison*, *Décoration Chez-Soi*, *Rénovation-Bricolage*, *Filles d'aujourd'hui*, *Clin d'œil*, *Femmes Plus* and a host of special editions and seasonal publications. The celebrity news weekly *Échos Vedettes*, a Québec institution since 1963, was also included in the transaction. Folding Publicor into TVA Publishing has solidified TVA Publishing's position as the number 1 magazine publisher in Québec.

Then, in September, a new company formed by TVA Group (60%) and Radio Nord Communications inc. (40%) made an agreement to acquire the Radiomédia AM radio stations and CFOM-FM from Astral Media Inc. The agreement is conditional upon CRTC approval. For Quebecor Media and TVA Group, the acquisition is a first foray into radio. It will add further depth to Quebecor's multimedia offering to advertisers and enhance the quality and strength of Radiomédia's Québec-wide chain of information radio stations.

The BBM ratings for fall 2002, released at the beginning of 2003, again confirmed TVA's dominant position among Québec general-interest television networks. The TVA network's 36% market share in the Québec market as a whole was, once again, greater than that of its two main rivals, SRC (17%) and TQS (14%), combined. Eight of the top ten shows aired on TVA. Among the specialty channels, LCN also performed strongly, achieving a substantial increase in viewing hours.

Leisure and Entertainment

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

- Distribution of music and retailing of books, magazines and music (Archambault Group Inc.);
- Rentals and sales of video cassettes and DVDs (Le SuperClub Vidéotron ltée chain of video stores);
- Book publishing (10 associated publishing houses) and distribution (Québec-Livres).

In 2002, the segment's revenues totalled $244.6 million, compared with $260.1 million in the previous year. The $15.5 million decrease resulted mainly from the transfer of Publicor magazines from the Leisure and Entertainment segment to the Broadcasting segment in the transaction of May 2002, which is described in greater detail above under Broadcasting.

Operating income remained virtually unchanged, increasing from $28.8 million to $29.0 million. The significant improvement in the profitability of Archambault Group and the Books segment made up for the loss of income resulting from the transfer of the magazines. It should be noted that revenues and operating income for the previous year included the results of St. Remy Media Inc., which was sold at the end of 2001.

In the Music segment, Archambault Group's revenues rose by $7.9 million and its operating income by 28.0% in 2002. Its retail sales increased significantly, particularly sales of CDs, books, musical instruments and pianos, magazines and sheet music. It also recorded higher distribution revenues as a result of a number of successful releases distributed by Distribution Sélect, particularly toward the end of the year. On the whole, Archambault Group succeeded in improving its profitability as a result of increased revenues, stringent control of operating expenses and the reorganization of its distribution operations. In October, Archambault opened its 11th superstore in the Complexe Les Ailes shopping centre in downtown Montréal. The company also relocated and expanded its store in Trois-Rivières, Québec.

Sales at Le SuperClub Vidéotron chain increased by $1.7 million in 2002 and operating income held steady. Revenues from sales of Vidéotron products, including broadcasting and Internet access services, almost tripled during the year. Higher revenues from fees and from sales of new and pre-viewed videos and DVDs made up for the decrease in rental revenues.

Not counting St. Remy Media's 2001 results, the Books segment increased its revenues by $3.8 million and its operating income by 74.4% in 2002. Stronger sales of school books and successful new releases contributed to the excellent results.

During the year, Éditions Quebecor Média reorganized its publishers of general literature, bringing them under one roof and a single management structure. The goal was to increase the commercial strength of the largest group of publishing houses in Québec. In November 2002, Quebecor Media closed the sale of its 80% interest in legal publisher Wilson & Lafleur to the Wilson family, which founded the company. Quebecor was a partner in the development of this major Québec publishing house for 17 years.

Business Telecommunications

Vidéotron Télécom ltée ("VTL") is a business telecommunications leader with a 10,000-km network that reaches more than 80% of businesses located in the metropolitan areas of Québec and Ontario. VTL's extensive network supports direct connectivity with networks in Ontario, eastern Québec, the Maritimes and the United States. Through partnerships, VTL can serve its customers around the world.

As noted above, VTL's operating results have been included in Quebecor Media's consolidated results since November 2001. VTL's revenues were $91.9 million in 2002, versus $96.7 million in 2001, on a comparable basis. The decrease in revenues from point-to-point telecommunications and the impact on revenues of the discontinuation of certain operations in 2001 were not entirely offset by the contribution of businesses acquired in 2002 and higher revenues from Internet communications.

Operating income amounted to $27.3 million in 2002, compared with $23.4 million in the previous year, an increase of $3.9 million or 16.6%. The improvement in profitability was mainly due to the considerable reduction in labour costs and higher profit margins, which outweighed costs caused by vandalism against VTL's network during the labour dispute at Vidéotron.

In April 2002, VTL acquired most of the strategic assets of Toronto-based Stream Intelligent Networks. The transaction increased VTL's penetration in the Montréal–Ottawa–Toronto triangle, the country's largest business telecommunications market. Then, in December 2002, VTL expanded its coverage by acquiring two fibre-optic routes stretching a total of 1,200 km across southern Ontario and to the United States. The two transactions demonstrate VTL's commitment to expansion in the Ontario marketplace.

Also in 2002, VTL signed a new 5-year labour contract with the union representing its technicians.

Web Integration/Technology

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

The Web Integration/Technology segment posted revenues of $79.8 million in 2002, compared with $129.1 million in 2001. The $34.9 million drop in the revenues of Mindready Solutions Inc. as a result of slumping demand from telecoms, the source of 90% of Mindready's sales in 2001, accounted for the major part of the decrease. Sales declined by $14.4 million at Nurun's e-Business Services segment due to a decrease in business at all offices and the discontinuation of some operations that no longer fit into Nurun's long-term development plans, including the sale of Flow Systems Corporation and the closing of Nurun's office in Chile.

The operating loss was $10.7 million, compared with $15.4 million in 2001. The lower operating loss in 2002 was mainly due to the recording under operating expenses of special charges related to the restructuring of operations in 2001, and lower operating expenses and improved profit margins in 2002, which more than made up for the decrease in revenues.

Therefore, despite an exceedingly difficult business environment for Web agencies around the world, Nurun's e-Business Services segment generated operating income in each of the last three quarters of 2002. It did so by practicing careful management and concentrating on its core mission of offering Web services and relational marketing solutions to major world-wide brands. At the same time, Nurun continued energetically marketing its services to public and parapublic organizations. In November 2002, Nurun signed a contract worth nearly $3.0 million with the Québec Pension Plan to develop Web-based transactional services for the major Québec government agency.

Mindready Solutions reduced its staff in Europe and North America under the restructuring plan developed in 2002. Mindready Solutions made an aggressive effort to diversify its customer base and its markets. As of the end of 2002, 45% of its revenues derived from sources such as aerospace (24%), automobiles (11%), industry and medical services (10%), all expanding markets in which the engineering solutions provided by Mindready Solutions are in demand.

Internet/Portals

The Internet/Portals segment operates the CANOE network of portals – which consists of Canoe.ca and Canoe.qc.ca – and the FYICalgary.com and FYILondon.com city sites. It also operates, through Netgraphe Inc., the portal La Toile du Québec and the specialty sites Megagiciel.com, Webfin.com and Multimedium.com. In addition, the segment operates three Web properties offering paid services: the employment site Jobboom.com, the dating site MatchContact.com, and the car site Autonet.ca. It includes the largest source for classified ads in Canada, ClassifiedExtra.com, and a virtual store, Shop.canoe.ca.

The Internet/Portals segment's revenues were virtually unchanged at $26.8 million in 2002, compared with $27.4 million in 2001. The world-wide decline in revenues from advertising banners on general-interest portals in 2002 was therefore offset by the significant increase in revenues from the specialty sites Jobboom.com, MatchContact.com and Autonet.ca.

However, the most notable event of 2002 in the segment was the sharp reduction in the operating loss from $21.5 million in 2001 to $2.6 million in 2002, an $18.9 million improvement. This performance reflects the success of the multi-stage restructuring process launched in 2001 and continued during the 2002 financial year. Lower payroll and advertising/promotion expenses, combined with increased revenues from the specialty sites, contributed to the dramatic improvement.

The Internet/Portals segment reached the breakeven point, in terms of operating income, during the last two quarters of 2002. The turnaround in Netgraphe's financial performance was due to the factors noted above.

During the 2002 financial year, Netgraphe carried out a reorganization of its properties. Its general-interest portals

Canoe.ca and Canoe.qc.ca were converted into virtual gateways to Quebecor Media's properties. The refocusing of Netgraphe's operations necessitated a reserve for restructuring of $1.5 million and is expected to yield annual savings of over $7.0 million.

In July 2002, Netgraphe announced a financing agreement in the amount of $6.0 million entailing the issuance by Netgraphe of 8% Convertible Senior Debentures to Quebecor Media and 9085-3011 Québec inc. (formerly InfiniT inc.). The purpose of the arrangement was to improve Netgraphe's financial condition and enable it to pursue its development.

In the third quarter of 2002, Netgraphe announced the sale of its Micanoa.com portal to Grupo Vertice, a Spanish information and training firm. The move was in line with Netgraphe's strategy of concentrating on the development of its network of sites in Québec and Canada.

Throughout the financial year, Netgraphe continued to work on maximizing opportunities for convergence with other Quebecor Media companies, particularly Sun Media Corporation and TVA Group.

Financial Expenses

Financial expenses were reduced by $41.3 million, from $665.4 million in 2001 to $624.1 million in 2002, due to lower interest rates, lower debt levels at the subsidiaries, and the restatement of 2001 financial expenses as a result of the retroactive application of the new accounting policy concerning foreign currency translation.

These factors were however partially offset by the inclusion of the results of the Cable Television and Business Telecommunications segments and of TVA Group for the full year, and the issuance in July 2001 of Senior Notes in the principal amount of US$850.0 million by Quebecor Media, the proceeds from which were used to repay loans bearing lower interest.

2001/2000 COMPARISON

On October 23, 2000, Quebecor and Capital Communications CDP, a subsidiary of the Caisse de dépôt et placement du Québec, made a cash injection of $0.9 billion and $2.8 billion respectively in consideration of shares of Quebecor Media. This capital, combined with new bank credit facilities, enabled Quebecor Media to acquire all the outstanding shares of Le Groupe Vidéotron ltée for a total consideration of $5.3 billion.

In the wake of this acquisition, the 2001 financial year saw the incorporation of the new strategic Cable Television and TVA Group assets into the Company's operations. CRTC decisions authorized Quebecor Media to assume control of Vidéotron in May 2001 and of TVA Group in September 2001, following the closing of the sale of the TQS television network.

During the 2001 financial year, Quebecor and its subsidiaries took a series of initiatives to improve their financial condition and pay down the bank credits contracted at the time of the acquisition of Groupe Vidéotron.

The first stage was completed on June 21, 2001, when the Company reached agreement with the minority shareholders in Sun Media Corporation to acquire their interests. Following the transaction, Sun Media Corporation became a wholly owned subsidiary of Quebecor Media.

On June 29, 2001, Quebecor Media contracted a $430.0 million bridge loan with a term of 21 months. On July 5, 2001, Vidéotron closed a term credit in the amount of US$264.0 million; a portion of the proceeds was distributed to Quebecor Media in order to pay down part of the bridge financing.

Then, on July 6, 2001, the final stage of the refinancing plan was completed when Quebecor Media closed a private placement denominated in US dollars, coming due in 2011. The proceeds of US$850.0 million were applied to the repayment of Quebecor Media's debt.

Despite the economic slowdown in some markets, Quebecor World continued its international expansion in 2001.

It closed the acquisition of Grafica Melhoramentos S.A in Brazil, Editorial Estrada in Argentina and Grupa Serla in Mexico, and officially opened its new plant in Recife, Brazil. Quebecor World also signed a long-term contract to print telephone directories for Mexico's largest publisher of telephone books, ADSA, a subsidiary of Telmex.

In Europe, Quebecor World acquired a majority interest in Espacio y Punto S.A. It also undertook to acquire the printing facilities of Hachette Filipacchi Médias; the transaction closed in 2002.

In North America, Quebecor World acquired Retail Printing Corporation and its plants in Massachusetts and Tennessee. Finally, Quebecor World signed a multi-year contract extension with Time Inc.

In the 2001 financial year, Quebecor recorded revenues of $11.63 billion, compared with $10.91 billion in 2000, a 6.6% increase. Operating income rose 5.6%, from $1.79 billion in 2000 to $1.89 billion in 2001. The higher revenues and operating income mainly reflect the inclusion in the consolidated results of the subsidiaries acquired in the takeover of Groupe Vidéotron and the conversion of the printing subsidiary's sales denominated in US dollars into Canadian currency.

The Company reported a net loss of $248.7 million, or $3.85 per share, in 2001, compared with net income of

$1.09 billion, or $16.81 per share, in 2000. The 2001 results were affected by higher amortization charges ($135.0 million), higher financial expenses ($226.1 million), certain unusual items, such as reserves for restructuring and special charges totalling $552.2 million, and write-downs of goodwill in an aggregate amount of $147.0 million, as described above. In 2000, net income included unusual items such as a gain on dilution of $816.1 million, primarily from the issuance of capital stock by subsidiary Quebecor Media, and income from discontinued operations of $246.1 million mainly due to a gain on the sale of Donohue Inc. to Abitibi-Consolidated Inc. Reserves for restructuring and special charges totalled $106.0 million in 2000.

The Printing segment's revenues amounted to $9.79 billion in 2001, a 1.1% increase over revenues of $9.68 billion reported in 2000. The effect of the strong US dollar on sales made in US currency and the contribution of newly acquired businesses accounted for the slight increase. These factors made up for lower sales in North America. Quebecor World generated operating income of $1.48 billion in 2001, compared with $1.59 billion in 2000. The decrease was mainly due to the economic slowdown in North America.

The Cable Television segment contributed $476.5 million to revenues and $183.1 million to operating income from May to December 2001. On a comparable basis, Vidéotron's revenues increased by $50.6 million or 7.7% in 2001 from the 2000 figure of $659.0 million. Operating income, which was $234.9 million in 2000, rose by $37.0 million, or 15.8%, mainly as a result of the growing customer base for the high-speed Internet access service.

The Newspapers segment generated revenues of $838.1 million in 2001. The 1.4% decrease from the $850.1 million figure reported in 2000 was mainly due to a 6% decline in circulation revenues. The segment's operating income decreased by 2.2% to $200.8 million in 2001, primarily as a result of higher newsprint prices in the first three quarters of 2001, which were largely offset by the positive impact of restructuring programs.

The Broadcasting segment's revenues were $153.6 million in 2001, compared with $59.9 million in the 2000 financial year. The growth mainly reflects the addition of TVA Group's results for the months of September through December 2001. The segment's operating income amounted to $28.0 million in 2001 compared with an operating loss of $3.4 million in 2000.

In the Leisure and Entertainment segment, revenues increased by 15.4% to $260.1 million in 2001. Operating income grew 61.1% to $28.8 million in 2001, compared with $17.9 million in 2000. The increases stemmed mainly from the inclusion of the results of Le SuperClub Vidéotron as of October 2000, following the acquisition of Groupe Vidéotron. The increase in operating income was also due to improved profitability in the Magazines and Music segments.

VTL's revenues, which were included in Quebecor's consolidated financial statements as of November 2001, amounted to $14.6 million in 2001, while operating income was $4.1 million. On a comparable basis, VTL's revenues increased 17% to a total of $96.7 million in 2001. Its operating income quintupled, increasing from $4.5 million in 2000 to $23.5 million in 2001. The improvement in operating income was due to stringent control of expenses and the successful recovery plan adopted by the subsidiary in 2001.

The Web Integration/Technology segment generated revenues of $129.1 million in 2001, comparable to the $127.5 million figure reported in 2000. It recorded an operating loss of $15.4 million in 2001, compared with a small operating income of $146,000 in 2000. The results reflected difficult market conditions in the e-Business segment and decreased operating income at Mindready Solutions.

The revenues of the Internet/Portals segment were $27.4 million in 2001, compared with $11.6 million in 2000. The increase mainly resulted from the inclusion of the results of Netgraphe, a subsidiary of Groupe Vidéotron, in the Company's results for the full year of 2001. The operating loss was $21.5 million, compared with $21.6 million in 2000. On March 6, 2001, Netgraphe and Quebecor Media announced the closing of a consolidation agreement under which CANOE's assets were sold to Netgraphe in consideration of Netgraphe shares.

The increase in financial expenses in 2001, compared with 2000, was due to higher debt levels as a result of the acquisition of Groupe Vidéotron by Quebecor Media on October 23, 2000.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

Operations generated cash flow of $1.14 billion in 2002, compared with $1.10 billion in 2001. The improvement reflects the inclusion of the cash flows generated by the Cable Television and Business Telecommunications segments and TVA Group, which was partially offset by lower cash flows from Quebecor World's operations due to expenses related to the restructuring program and a decrease in investment in working capital in 2001, whereas there was no decrease in 2002.

Operating working capital was negative by $599.3 million at December 31, 2002, compared with a negative amount of $244.9 million at the same date in 2001. The decrease in working capital was mainly due to the recording by Quebecor Media of a $429.0 million term loan maturing in April 2003 under short-term debt.

Financing Activities

Quebecor's consolidated long-term debt and consolidated bank debt decreased by $826.5 million in 2002: Quebecor World's debt was reduced by $530.9 million and Quebecor Media's debt by $213.7 million, primarily at subsidiaries Vidéotron and Sun Media Corporation, which posted reductions of $168.0 million and $39.4 million respectively. The balance of Quebecor's debt was reduced mainly by using the proceeds from the sale of TQS, which closed in the first quarter of 2002.

In December 2002, Quebecor closed a secondary offering of 6.8 million subordinate voting shares of Quebecor World Inc. at a price of $36.00 per share for a total of $244.8 million. Immediately after the end of the 2002 financial year, Quebecor Inc. contributed $216.1 million to the share capital of Quebecor Media, enabling Quebecor Media to repay the same amount of a $429.0 million term loan coming due in April 2003. Counting the reduction in the term loan, Quebecor Media decreased its debt by a total of nearly $430.0 million.

On February 7, 2003, Sun Media Corporation closed a private placement of Senior Notes maturing in 2013 and bearing interest at 7 5/8%, in the net amount of US$201.5 million, and contracted new bank credit facilities totalling $425.0 million; more than 95% of the principal does not come due until 2008 or 2009. The proceeds from the sale of Senior Notes and the new bank credit facilities were used to pay down in full all of Sun Media Corporation's debt, on which substantial amortization payments would have been due in 2003 and 2005, and which would have been repayable in full in 2007, and to pay a $260.0 million dividend to Quebecor Media Inc., of which $150.0 million will be used to reduce the long-term debt of Vidéotron ltée.

Quebecor World was able to reduce its debt despite the acquisition of printing facilities from Hachette Filipacchi Médias. The cost of the acquisition, including the impact of the debt assumed as part of the acquisition, totalled US$78.2 million in the first quarter of 2002.

Under the normal course issuer bids announced in April 2000 and April 2001, Quebecor World repurchased 148,500 subordinate voting shares for a total of $5.2 million during 2002.

In 2001, Quebecor World completed two placements of preferred shares at 6.75% and 6.90%, in the aggregate amount of CDN$375.0 million, and a placement of Senior Notes bearing interest at a rate of 7.2%, in the aggregate amount of US$250.0 million.

Investing Activities

Acquisitions of capital assets in 2002 consisted primarily of acquisitions made by Quebecor World. Little capital investment is required for the Company's other business segments, with the exception of Cable Television. The increase in investment in 2002 caused by the inclusion of the Cable Television and Business Telecommunications segments and TVA Group was partially offset by lower investment expenses in the Printing, Newspapers, Web Integration/Technology and Internet/Portals segments.

Financial Position

At December 31, 2002, the Company and its subsidiaries had cash, cash equivalents and liquid investments with remaining maturities greater than three months totalling $513.5 million, consisting mainly of short-term investments.

As at December 31, 2002, the consolidated debt, including the short-term portion of the long-term debt, totalled $6.33 billion, not including a $979.9 million liability related to exchangeable debentures, which is now shown as a separate line item on the Company's consolidated balance sheet. Of the total long-term debt, $2.68 billion is attributable to Quebecor World and $3.51 billion to Quebecor Media. Quebecor Media's debt includes Sun Media Corporation's $515.1 million debt, Vidéotron's $1.12 billion debt, and TVA Group's $51.2 million debt, as well as Senior Notes in an aggregate amount of $1.39 billion and a term loan of $429.0 million.

The $139.4 million balance of the consolidated debt consists of Quebecor Inc.'s debt, including advances under the Company's authorized $201.0 million revolving credit facility.

Quebecor World paid dividends of US$0.49 per share during the 2002 financial year, compared with US$0.46 in 2001 and US$0.33 in 2000.

Quebecor did not pay dividends on its Class A and Class B shares in 2002. Dividends totalled $0.39 per share in 2001 and $0.51 per share in 2000. In the third quarter of 2001, the Board of Directors of Quebecor decided to suspend the payment of dividends on the Company's shares in view of Quebecor Media's need to reinvest its earnings in its development. The decision was consistent with the standard media industry practice of reinvesting income in business development and growth. The Company also considered it appropriate to preserve its cash assets and decided to practice prudent management in the difficult business environment.

Management believes that cash flows from operations and available sources of financing should be sufficient to cover cash requirements for capital investment, interest payments and mandatory debt repayment. In particular, management believes that the financing activities carried out after the end of the 2002 financial year and discussed under "Financing Activities" above have enhanced the Company's financial flexibility by reducing its debt ratio, rescheduling debts on which substantial amortization payments are due in the coming years, and facilitating the circulation of liquid assets between the Company and its subsidiaries.

RISKS AND UNCERTAINTIES

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

As at December 31, 2002, Quebecor Media and its subsidiaries, Vidéotron ltée and Sun Media Corporation, were using financial derivatives to reduce their exchange rate and interest rate exposure. Quebecor World has also entered into foreign exchange forward contracts to hedge the settlement of raw materials and equipment purchases, to set the exchange rate for cross-border sales, and to manage the foreign exchange exposure on certain liabilities.

While these agreements expose the subsidiary to risk of non-performance by a third party, the subsidiary believes that the possibility of incurring such loss is remote due to the creditworthiness of the parties it deals with. The Company does not hold nor issue any derivative financial instruments for trading purposes. A description of the financial derivatives used by the Company as at December 31, 2002 is included in Note 25 to the consolidated financial statements.

Concentrations of credit risk with respect to trade receivables are limited due to the Company's diverse operations and large customer base. As of December 31, 2002, the Company had no significant concentrations of credit risk. Quebecor believes that the product and geographic diversity of its customer base is instrumental in reducing its credit risk, as well as the impact of a potential change in its local market or product-line demand.

ACCOUNTING POLICIES

In 2002, the Company made certain changes to its accounting policies in order to conform to new CICA accounting standards. The changes are described in greater detail in Note 1(a) to the Company's annual consolidated financial statements.

The Company completed the goodwill impairment tests for each of its operating units, in accordance with the new recommendations in Section 3062 of the *CICA Handbook*, and entered a charge of $1.17 billion against opening retained earnings, net of non-controlling interest of $989.7 million, in order to account for the goodwill impairment loss in the Cable Television segment ($1.936 billion), the Business Telecommunications segment ($164.9 million), the Web Integration/Technology segment ($20.4 million) and the Internet/Portals segment ($41.8 million).

FORWARD-LOOKING STATEMENTS

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

Years ended December 31, 2002, 2001, 2000, 1999 and 1998
(in millions of Canadian dollars, except per share data)

	2002	2001 (restated [1])	2000 (restated [1])	1999	1998
Operations					
Revenues	**$ 12,014.0**	$ 11,633.3	$ 10,914.8	$ 8,440.3	$ 6,173.5
Operating income before amortization, financial expenses, reserve for restructuring of operations and other special charges, write-down of goodwill, gains on sale of business, of shares of a subsidiary and of a portfolio investment and gains on dilution	**2,021.4**	1,889.7	1,790.1	1,309.3	852.3
Contribution to net income					
Continued operations	**129.4**	66.0	204.5	181.9	146.5
Goodwill amortization	**–**	(105.9)	(66.8)	(41.1)	(18.4)
Unusual items and write-down of goodwill	**(37.5)**	(208.8)	702.0	296.0	–
Discontinued operation	**–**	–	246.1	40.5	44.2
Net income (loss)	**91.9**	(248.7)	1,085.8	477.3	172.3
Cash flows provided by continued operations	**1,137.8**	1,103.5	1,447.6	1,105.9	647.4
Basic per share data					
Contribution to net income					
Continued operations	**$ 2.00**	$ 1.02	$ 3.17	$ 2.80	$ 2.24
Goodwill amortization	**–**	(1.64)	(1.03)	(0.63)	(0.28)
Unusual items and write-down of goodwill	**(0.58)**	(3.23)	10.86	4.57	–
Discontinued operation	**–**	–	3.81	0.63	0.68
Net income (loss)	**1.42**	(3.85)	16.81	7.37	2.64
Dividends	**–**	0.39	0.51	0.48	0.44
Shareholders' equity	**22.88**	39.70	43.23	26.57	21.99
Weighted average number of shares outstanding (in millions)	**64.6**	64.6	64.6	64.8	65.3
Diluted per share data					
Contribution to net income					
Continued operations	**$ 1.97**	$ 1.02	$ 3.15	$ 2.80	$ 2.24
Goodwill amortization	**–**	(1.64)	(1.03)	(0.63)	(0.28)
Unusual items and write-down of goodwill	**(0.58)**	(3.23)	10.84	4.56	–
Discontinued operation	**–**	–	3.80	0.63	0.68
Net income (loss)	**1.39**	(3.85)	16.76	7.36	2.64
Diluted weighted average number of shares (in millions)	**64.6**	64.6	64.8	64.9	65.5
Financial position					
Working capital	**$ (599.3)**	$ (244.9)	$ (1,785.8)	$ 556.3	$ 612.9
Long-term debt	**5,681.8**	7,013.6	4,333.5	5,860.4	3,003.5
Shareholders' equity	**1,478.8**	2,565.9	2,793.6	1,716.0	1,423.7
Capitalization [2] [3]	**5,590.6**	7,371.0	7,396.0	5,364.1	4,031.2
Total assets	**17,130.4**	19,503.0	17,604.7	15,246.9	9,889.6

[1] Please refer to note 1 (a) (ii) to the consolidated financial statements for the year ended December 31, 2002.

[2] Included in the capitalization are shareholders' equity and non-controlling interest.

[3] The comparative figures for the years 2001, 2000, 1999 and 1998 have been reclassified to conform with the definition adopted for the year ended December 31, 2002.

Years ended December 31, 2002 and 2001
(in millions of Canadian dollars, except per share data)

	Three-month periods ended 2002				Three-month periods ended 2001			
	March 31	**June 30**	**September 30**	**December 31**	March 31 (restated)	June 30 (restated)	September 30 (restated)	December 31 (restated)
Operations								
Revenues	**$ 2,868.8**	**$ 2,853.3**	**$ 3,050.4**	**$ 3,241.5**	$ 2,718.1	$ 2,758.5	$ 3,012.6	$ 3,144.1
Operating income before amortization, financial expenses, reserve for restructuring of operations and other special charges, write-down of goodwill, gains on sale of business, of shares of a subsidiary and of a portfolio investment and gains on dilution	**433.2**	**490.6**	**524.9**	**572.7**	369.1	458.4	521.6	540.6
Contribution to net income								
Continued operations	**8.5**	**31.4**	**39.8**	**49.7**	(17.5)	19.3	16.8	47.4
Goodwill amortization	**–**	**–**	**–**	**–**	(15.8)	(25.5)	(31.9)	(32.7)
Unusual items and write-down of goodwill	**14.9**	**(4.3)**	**(2.0)**	**(46.1)**	5.3	6.1	(19.5)	(200.7)
Net income (loss)	**23.4**	**27.1**	**37.8**	**3.6**	(28.0)	(0.1)	(34.6)	(186.0)
Basic per share data								
Contribution to net income								
Continued operations	**$ 0.13**	**$ 0.49**	**$ 0.62**	**$ 0.77**	$ (0.27)	$ 0.30	$ 0.26	$ 0.73
Goodwill amortization	**–**	**–**	**–**	**–**	(0.24)	(0.39)	(0.50)	(0.51)
Unusual items and write-down of goodwill	**0.23**	**(0.07)**	**(0.03)**	**(0.71)**	0.08	0.09	(0.30)	(3.10)
Net income (loss)	**0.36**	**0.42**	**0.59**	**0.06**	(0.43)	–	(0.54)	(2.88)
Weighted average number of shares outsandings (in millions)	**64.6**	**64.6**	**64.6**	**64.6**	64.6	64.6	64.6	64.6
Diluted per share data								
Contribution to net income								
Continued operations	**$ 0.13**	**$ 0.49**	**$ 0.60**	**$ 0.76**	$ (0.27)	$ 0.30	$ 0.26	$ 0.73
Goodwill amortization	**–**	**–**	**–**	**–**	(0.24)	(0.39)	(0.50)	(0.51)
Unusual items and write-down of goodwill	**0.23**	**(0.07)**	**(0.03)**	**(0.71)**	0.08	0.09	(0.30)	(3.10)
Net income (loss)	**0.36**	**0.42**	**0.57**	**0.05**	(0.43)	–	(0.54)	(2.88)
Diluted weighted average number of shares (in millions)	**64.6**	**64.6**	**64.6**	**64.6**	64.6	64.6	64.6	64.6

>> MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

These financial statements have been prepared by management in conformity with Canadian generally accepted accounting principles and include amounts that are based on best estimates and judgments.

Management of the Company and of its subsidiaries, in furtherance of the integrity and objectivity of the data in the financial statements, has developed and maintain systems of internal accounting controls and support a program of internal audit. Management believes that these systems of internal accounting controls provide reasonable assurance that financial records are reliable and form a proper basis for the preparation of the financial statements and that assets are properly accounted for and safeguarded.

The Board of Directors carries out its responsibility for the financial statements principally through its Audit Committee, consisting solely of outside directors. The Audit Committee reviews the Company's annual consolidated financial statements and formulates the appropriate recommendations to the Board of Directors. The auditors appointed by the shareholders have full access to the Audit Committee, with and without management being present.

These financial statements have been examined by the auditors appointed by the shareholders, KPMG LLP, chartered accountants, and their report is presented hereafter.

Pierre Karl Péladeau
President and Chief Executive Officer

Claude Hélie
Executive Vice-President and Chief Financial Officer

Montréal, Canada
February 7, 2003

>> AUDITORS' REPORT TO THE SHAREHOLDERS OF QUEBECOR INC.

We have audited the consolidated balance sheets of Quebecor Inc. and its subsidiaries as at December 31, 2002 and 2001 and the consolidated statements of income, retained earnings and cash flows for the years ended December 31, 2002, 2001 and 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2002 and 2001 and the results of its operations and its cash flows for the years ended December 31, 2002, 2001 and 2000 in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Montréal, Canada
February 7, 2003

Years ended December 31, 2002, 2001 and 2000
(in millions of Canadian dollars, except earnings per share data)

	2002	2001 (restated, note 1(a)(ii))	2001 (restated, note 1(a)(ii)) (pro forma, note 2)	2000 (restated, note 1(a)(ii))
Revenues	**$ 12,014.0**	$ 11,633.3	$ 12,069.4	$ 10,914.8
Cost of sales and selling and administrative expenses	**9,992.6**	9,743.6	10,050.1	9,124.7
Operating income before under-noted items	**2,021.4**	1,889.7	2,019.3	1,790.1
Amortization	**(772.9)**	(690.0)	(738.7)	(555.0)
Financial expenses (note 3)	**(624.1)**	(665.4)	(696.0)	(439.3)
Reserve for restructuring of operations and other special charges (note 4)	**(68.7)**	(552.2)	(552.2)	(106.0)
Write-down of goodwill (note 4 (h))	**(187.0)**	(147.0)	(147.0)	(126.9)
Gains on sale of business, of shares of a subsidiary and of a portfolio investment (notes 5 and 9)	**91.2**	44.7	44.7	–
Gains on dilution from issuance of capital stock by subsidiaries	**–**	1.5	1.5	816.1
Income (loss) before income taxes	**459.9**	(118.7)	(68.4)	1,379.0
Income taxes (note 6)	**156.2**	76.1	97.9	227.9
	303.7	(194.8)	(166.3)	1,151.1
Equity (loss) income from non-consolidated subsidiaries (note 2)	**–**	(18.4)	(0.9)	2.8
Dividends on preferred shares of subsidiaries	**(45.3)**	(33.9)	(33.9)	(15.0)
Non-controlling interest	**(166.5)**	104.3	81.7	(232.4)
Income (loss) before amortization of goodwill	**91.9**	(142.8)	(119.4)	906.5
Amortization of goodwill, net of income taxes and of non-controlling interest	**–**	(105.9)	(129.3)	(66.8)
Income (loss) from continued operations	**91.9**	(248.7)	(248.7)	839.7
Income from the discontinued operation (note 8)	**–**	–	–	246.1
Net income (loss)	**$ 91.9**	$ (248.7)	$ (248.7)	$ 1,085.8
Earnings per share (note 7)				
Basic				
Before amortization of goodwill	**$ 1.42**	$ (2.21)	$ (1.85)	$ 14.03
From continued operations	**1.42**	(3.85)	(3.85)	13.00
From the discontinued operation	**–**	–	–	3.81
Net income (loss)	**1.42**	(3.85)	(3.85)	16.81
Diluted				
Before amortization of goodwill	**$ 1.39**	$ (2.21)	$ (1.85)	$ 13.99
From continued operations	**1.39**	(3.85)	(3.85)	12.96
From the discontinued operation	**–**	–	–	3.80
Net income (loss)	**1.39**	(3.85)	(3.85)	16.76
Weighted average number of shares outstanding (in millions)	**64.6**	64.6	64.6	64.6
Diluted weighted average number of shares (in millions)	**64.6**	64.6	64.6	64.8

See accompanying notes to consolidated financial statements.

Years ended December 31, 2002, 2001 and 2000
(in millions of Canadian dollars)

	2002	2001 (restated, note 1(a)(ii))	2000 (restated, note 1(a)(ii))
Balance at beginning of year			
As previously reported	**$ 2,161.0**	$ 2,427.9	$ 1,376.9
Restatement due to a change in accounting policy regarding foreign currency translation (note 1(a)(ii))	**(5.6)**	1.4	–
As restated	**2,155.4**	2,429.3	1,376.9
Reduction due to a change in accounting policy regarding goodwill (note 1(a)(i))	**(1,173.4)**	–	–
	982.0	2,429.3	1,376.9
Net income (loss)	**91.9**	(248.7)	1,085.8
	1,073.9	2,180.6	2,462.7
Dividends	**–**	(25.2)	(33.0)
Premium paid on redemption of shares	**–**	–	(0.4)
Balance at end of year	**$ 1,073.9**	$ 2,155.4	$ 2,429.3

See accompanying notes to consolidated financial statements.

Years ended December 31, 2002, 2001 and 2002
(in millions of Canadian dollars)

	2002	2001 (restated, note 1(a)(ii))	2001 (restated, note 1(a)(ii)) (pro forma, note 2)	2000 (restated, note 1(a)(ii))
Cash flows related to continued operations:				
Net income (loss) from continued operations	**$ 91.9**	$ (248.7)	$ (248.7)	$ 839.7
Adjustments for:				
Amortization of property, plant and equipment	**713.8**	646.3	693.1	524.1
Amortization and write-down of goodwill and deferred charges	**246.1**	421.3	466.1	298.3
Amortization of deferred financing costs and long-term debt discount	**57.6**	65.6	65.6	15.7
Reserve for restructuring of operations and other special charges	**(3.2)**	200.3	200.3	(10.4)
Non-monetary compensation charges	**5.7**	25.4	25.4	40.2
Write-down of temporary and portfolio investment and of property	**22.3**	99.8	99.8	54.6
Interest on redeemable preferred shares	**21.7**	3.4	3.4	–
Loss on foreign currency translation of long term debt	**3.1**	20.3	21.1	–
Gains on sale of assets and gains on dilution from issuance of capital stock by subsidiaries	**(90.6)**	(49.4)	(49.4)	(845.6)
Future income taxes	**103.3**	(74.1)	(65.6)	141.0
Equity income (loss) from non-consolidated subsidiaries	**–**	18.4	0.9	(2.8)
Non-controlling interest	**166.5**	(229.0)	(225.9)	158.7
Other	**(5.7)**	(11.8)	(9.7)	11.6
	1,332.5	887.8	976.4	1,225.1
Net change in non-cash balances related to operations (net of the effect of business acquisitions and disposals)	**(194.7)**	215.7	243.9	222.5
Cash flows provided by continued operations	**1,137.8**	1,103.5	1,220.3	1,447.6
Cash flows related to financing activities:				
Net (decrease) increase in bank indebtedness	**(24.6)**	(14.2)	19.2	(349.5)
Issuance of long-term debt and convertible notes	**231.8**	3,643.0	3,756.4	3,459.5
Repayment of long-term debt	**(1,110.4)**	(3,795.5)	(4,000.2)	(1,661.7)
Issuance of capital stock by subsidiaries	**50.8**	581.6	580.9	2,759.1
Dividends	**–**	(25.2)	(25.2)	(33.0)
Dividends paid to non-controlling shareholders	**(76.0)**	(66.0)	(66.0)	(46.0)
Other	**–**	–	–	(0.6)
Cash flows (used) provided by financing activities	**$ (928.4)**	$ 323.7	$ 265.1	$ 4,127.8

Years ended December 31, 2002, 2001 and 2000
(in millions of Canadian dollars)

	2002	2001 (restated, note 1(a)(ii))	2001 (restated, note 1(a)(ii)) (pro forma, note 2)	2000 (restated, note 1(a)(ii))
Cash flows related to investing activities:				
Business acquisitions, net of cash and cash equivalents acquired (note 9)	**$ (20.0)**	$ (850.8)	$ (850.8)	$ (5,451.4)
Proceeds from disposal of businesses (note 9)	**6.7**	–	–	82.9
Additions to property, plant and equipment	**(431.8)**	(556.9)	(603.1)	(405.0)
Additions to temporary investments and other assets	**(75.4)**	(24.6)	(24.4)	(34.6)
Acquisition of cash and cash equivalents and temporary investments held in trust (net of proceeds from disposal)	**(217.8)**	(13.7)	(13.7)	(2.8)
Proceeds from disposal of assets	**357.7**	265.9	266.3	61.6
Other	**8.9**	(52.7)	(65.3)	4.1
Cash flows used by investing activities	**(371.7)**	(1,232.8)	(1,291.0)	(5,745.2)
Net (decrease) increase in cash and cash equivalents	**(162.3)**	194.4	194.4	(169.8)
Effect of the discontinued operation on cash and cash equivalents	**–**	–	–	296.1
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**13.1**	23.9	23.9	(57.3)
Cash and cash equivalents at beginning of year	**340.1**	121.8	121.8	52.8
Cash and cash equivalents at end of year	**$ 190.9**	$ 340.1	$ 340.1	$ 121.8
Additional information on the consolidated statements of cash flows:				
Changes in non-cash balances related to operations (net of the effect of business acquisitions and disposals):				
Accounts receivable	**$ (124.5)**	$ 318.5	$ 363.9	$ 201.9
Inventories and investments in televisual products and movies	**(23.1)**	130.5	144.0	25.3
Accounts payable and accrued charges	**15.1**	(122.1)	(142.9)	21.7
Other	**(62.2)**	(111.2)	(121.1)	(26.4)
	$ (194.7)	$ 215.7	$ 243.9	$ 222.5
Cash interest payments	**$ 433.3**	$ 572.0	$ 607.5	$ 447.8
Cash payments for income taxes	**85.8**	191.2	209.5	107.1

See accompanying notes to consolidated financial statements.

December 31, 2002 and 2001
(in millions of Canadian dollars)

	2002	2001 (restated, note 1(a)(ii))
Assets		
Current assets:		
Cash and cash equivalents	**$ 190.9**	$ 340.1
Cash and cash equivalents and temporary investments held in trust	**234.3**	16.5
Temporary investments (market value of $88.7 million ($34.7 million in 2001))	**88.7**	33.0
Accounts receivable (note 10)	**1,067.3**	928.1
Income taxes receivable	**62.8**	12.8
Amounts receivable from non-consolidated subsidiaries	**–**	12.0
Inventories and investments in televisual products and movies (note 11)	**799.5**	766.4
Prepaid expenses	**58.1**	61.6
Future income taxes (note 6)	**75.5**	114.7
	2,577.1	2,285.2
Portfolio investments (market value of $561.7 million ($564.2 million in 2001))	**355.5**	376.0
Property, plant and equipment (note 13)	**5,783.2**	6,012.6
Investment in a non-consolidated subsidiary (note 2)	**–**	40.6
Goodwill (notes 1(a)(i) and 14)	**7,874.4**	10,220.0
Future income taxes (note 6)	**97.9**	84.9
Other assets	**442.3**	483.7
	$ 17,130.4	$ 19,503.0

December 31, 2002 and 2001
(in millions of Canadian dollars)

	2002	2001 (restated, note 1(a)(ii))
Liabilities and Shareholder's Equity		
Current liabilities:		
Bank indebtedness	**$ 13.6**	$ 38.2
Accounts payable and accrued charges	**2,397.2**	2,322.0
Income and other taxes	**121.1**	55.3
Future income taxes (note 6)	**1.0**	1.0
Current portion of long-term debt (notes 15 and 28)	**643.5**	113.6
	3,176.4	2,530.1
Long-term debt (notes 15 and 28)	**5,681.8**	7,013.6
Exchangeable debentures (note 16)	**979.9**	979.9
Redeemable preferred shares (note 17)	**254.2**	232.6
Convertible notes (note 18)	**180.5**	180.2
Other liabilities (note 19)	**415.1**	448.6
Future income taxes (note 6)	**851.9**	747.0
Non-controlling interest (note 20)	**4,111.8**	4,805.1
Shareholders' equity:		
Capital stock (note 21)	**348.5**	348.5
Retained earnings	**1,073.9**	2,155.4
Translation adjustment (note 23)	**56.4**	62.0
	1,478.8	2,565.9
Commitments and contingencies (note 24)		
Subsequent events (note 28)		
	$ 17,130.4	$ 19,503.0

See accompanying notes to consolidated financial statements.

On behalf of the Board of Directors,

Jean Neveu, Director

Pierre Laurin, Director

Years ended December 31, 2002, 2001 and 2000
(in millions of Canadian dollars)

Quebecor Inc. (the "Company") operates in the following industry segments: Printing, Cable Television, Newspapers, Broadcasting, Leisure and Entertainment, Business Telecommunications, Web Integration/Technology and Internet/Portals. The Printing segment includes the printing of magazines, inserts, circulars, catalogues, books, specialty printing, direct mail, directories and provide digital premedia services and logistics. This segment operates in the United States, Canada, Europe, Latin America and India. The Cable Television segment offers services in television distribution in Canada and also operates in the Internet access provider industry. The Newspapers segment includes the publishing and distribution of daily and weekly newspapers, principally in Canada, and also in the State of Florida in the United States. The Broadcasting segment operates French-language general-interest television networks, specialized television networks and magazine publishing in Canada. The Leisure and Entertainment segment, which has operations solely in Canada, combines book publishing, retail sales and the rental of videocassettes, DVD and games, and book and music distribution. The Business Telecommunications segment operates in Canada and offers to enterprises, through its network, business-to-business connections, Internet connections, website hosting and telephone services through its network. The Web Integration/Technology segment offers e-commerce solutions through a combination of strategy, technology integration, IP solutions and creativity on the Internet and is active in Canada, the United States and Europe. The Internet/Portals segment operates Internet sites in Canada, including French-language and English-language portals and specialized sites.

These segments are managed separately since they all require specific market strategies. The Company assesses the performance of each segment based on operating income before amortization, financial expenses, reserve for restructuring of operations and other special charges, write-down of goodwill, gains on sale of business and of shares of a subsidiary and of a portfolio investment and gains on dilution.

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

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

INDUSTRY SEGMENTS

	2002	2001	2001 (pro forma, note 2)	2000
Revenues				
Printing	**$ 9,799.4**	$ 9,786.7	$ 9,786.7	$ 9,683.1
Cable Television	**715.6**	476.5	709.6	–
Newspapers	**853.6**	838.1	838.1	850.1
Broadcasting	**323.4**	153.6	361.7	59.9
Leisure and Entertainment	**244.6**	260.1	260.1	225.4
Business Telecommunications	**91.9**	14.6	14.6	–
Web Integration/Technology	**79.8**	129.1	129.1	127.5
Internet/Portals	**26.8**	27.4	27.4	11.6
Head Office	**2.2**	6.5	6.5	–
Inter-segment:				
Printing	**(60.3)**	(29.3)	(29.3)	(28.2)
Other	**(63.0)**	(30.0)	(35.1)	(14.6)
	$ 12,014.0	$ 11,633.3	$ 12,069.4	$ 10,914.8

Years ended December 31, 2002, 2001 and 2000
(in millions of Canadian dollars)

INDUSTRY SEGMENTS (continued)

	2002	2001	2001 (pro forma, note 2)	2000
Operating income before amortization, financial expenses, reserve for restructuring of operations and other special charges, write-down of goodwill, gains on sale of business, of shares of a subsidiary and of a portfolio investment and gains on dilution				
Printing	**$ 1,410.4**	$ 1,479.7	$ 1,479.7	$ 1,588.7
Cable Television	**262.7**	183.1	271.9	–
Newspapers	**222.3**	200.8	200.8	205.3
Broadcasting	**78.9**	28.0	68.8	(3.4)
Leisure and Entertainment	**29.0**	28.8	28.8	17.9
Business Telecommunications	**27.3**	4.1	4.1	–
Web Integration/Technology	**(10.7)**	(15.4)	(15.4)	0.1
Internet/Portals	**(2.6)**	(21.5)	(21.5)	(21.6)
	2,017.3	1,887.6	2,017.2	1,787.0
General corporate income	**4.1**	2.1	2.1	3.1
	$ 2,021.4	$ 1,889.7	$ 2,019.3	$ 1,790.1

	2002	2001	2001 (pro forma, note 2)	2000
Amortization				
Printing	**$ 526.8**	$ 523.1	$ 523.1	$ 512.4
Cable Television	**151.3**	100.2	139.2	–
Newspapers	**27.0**	25.7	25.7	25.7
Broadcasting	**10.8**	5.8	15.5	2.9
Leisure and Entertainment	**10.6**	13.6	13.6	4.9
Business Telecommunications	**35.1**	5.9	5.9	–
Web Integration/Technology	**4.7**	5.4	5.4	4.1
Internet/Portals	**3.8**	6.7	6.7	4.4
Head Office	**2.8**	3.6	3.6	0.6
	$ 772.9	$ 690.0	$ 738.7	$ 555.0

Years ended December 31, 2002, 2001 and 2000
(in millions of Canadian dollars)

INDUSTRY SEGMENTS (continued)

	2002	2001	2001 (pro forma, note 2)	2000
Additions to property, plant and equipment				
Printing	**$ 290.3**	$ 430.9	$ 430.9	$ 359.6
Cable Television	**93.1**	84.0	126.4	–
Newspapers	**10.3**	19.2	19.2	19.8
Broadcasting	**6.3**	3.7	7.5	3.8
Leisure and Entertainment	**9.5**	10.1	10.1	6.0
Business Telecommunications	**20.9**	4.2	4.2	–
Web Integration/Technology	**1.3**	3.6	3.6	9.0
Internet/Portals	**0.1**	0.9	0.9	6.4
Head Office	**–**	0.3	0.3	0.4
	$ 431.8	$ 556.9	$ 603.1	$ 405.0

	2002	2001 (restated, note 1(a)(ii))
Assets		
Printing	**$ 9,761.0**	$ 9,845.4
Cable Television	**3,918.3**	6,057.7
Newspapers	**1,539.5**	1,485.4
Broadcasting	**507.4**	501.5
Leisure and Entertainment	**191.8**	181.4
Business Telecommunications	**325.3**	589.3
Web Integration/Technology	**89.7**	150.3
Internet/Portals	**33.2**	92.3
Investments in non-consolidated subsidiaries (note 2)	**–**	40.6
Head Office	**764.2**	559.1
	$ 17,130.4	$ 19,503.0

GEOGRAPHIC SEGMENTS

	2002	2001	2001 (pro forma, note 2)	2000
Revenues generated by:				
Canadian operations	**$ 3,530.3**	$ 3,460.6	$ 3,896.6	$ 2,710.4
United States operations	**6,630.3**	6,491.4	6,491.4	6,676.5
European operations	**1,566.1**	1,430.7	1,430.7	1,361.2
Latin American operations	**287.3**	249.9	249.9	166.3
Other	**–**	0.7	0.8	0.4
	$ 12,014.0	$ 11,633.3	$ 12,069.4	$ 10,914.8

Years ended December 31, 2002, 2001 and 2000
(in millions of Canadian dollars)

GEOGRAPHIC SEGMENTS (continued)

	2002	2001	2001 (pro forma, note 2)	2000
Operating income before amortization, financial expenses, reserve for restructuring of operations and other special charges, write-down of goodwill, gains on sale of business, of shares of a subsidiary and of a portfolio investment and gains on dilution:				
Canada	**$ 779.3**	$ 662.2	$ 791.8	$ 426.6
United States	**1,082.6**	1,049.9	1,049.9	1,127.6
Europe	**148.2**	162.0	162.0	169.6
Latin America	**34.1**	28.8	28.8	18.0
Other	**(26.9)**	(15.3)	(15.3)	45.2
	2,017.3	1,887.6	2,017.2	1,787.0
General corporate income	**4.1**	2.1	2.1	3.1
	$ 2,021.4	$ 1,889.7	$ 2,019.3	$ 1,790.1

	2002	2001 (restated, note 1(a)(ii))
Property, plant and equipment		
Canada	**$ 2,077.2**	$ 2,340.4
United States	**2,784.3**	2,884.6
Europe	**769.9**	618.7
Latin America	**148.2**	175.7
Other	**3.6**	(6.8)
	5,783.2	6,012.6
Goodwill		
Canada	**3,976.1**	6,342.0
United States	**3,373.3**	3,433.9
Europe	**513.7**	430.6
Latin America	**11.3**	29.3
Other	**–**	(15.8)
	7,874.4	10,220.0
Other assets		
Canada	**1,845.7**	1,830.9
United States	**878.4**	857.5
Europe	**554.5**	229.0
Latin America	**178.5**	190.8
Other	**15.7**	162.2
	3,472.8	3,270.4
	$ 17,130.4	$ 19,503.0

Years ended December 31, 2002, 2001 and 2000
(in millions of Canadian dollars, except per share data)

Quebecor Inc. is incorporated under the laws of Québec.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Changes in accounting policies

The Company has changed certain accounting policies to comply with the new standards of the Canadian Institute of Chartered Accountants ("CICA").

(i) Business combinations, goodwill and other intangible assets:

In August 2001, the CICA issued Handbook Section 3062, *Goodwill and Other Intangible Assets*. For business combinations consummated on or before June 30, 2001, the Company adopted in 2002 the new recommendations of the *CICA Handbook*. Under those new recommendations, goodwill and intangible assets with indefinite useful lives are not amortized and other identified intangible assets are amortized. In accordance with the requirements of Section 3062, this change in accounting policy is not applied retroactively and the amounts presented for prior periods have not been restated for this change.

As at December 31, 2001, the Company had unamortized goodwill of $10.2 billion. For the year ended December 31, 2002, this change in accounting policy resulted in a reduction of $123.3 million in amortization expense related to goodwill, net of income taxes and non-controlling interest. The following summarizes the effect of the accounting change if it was applied retroactively:

	2002	2001 (restated, note 1(a)(ii))	2000 (restated, note 1(a)(ii))
Net income (loss), as reported	**$ 91.9**	$ (248.7)	$ 1,085.8
Goodwill amortization, net of income taxes and non-controlling interest	**–**	129.3	80.1
Net income (loss), adjusted	**$ 91.9**	$ (119.4)	$ 1,165.9
Adjusted earnings per share:			
Basic	**$ 1.42**	$ (1.85)	$ 18.05
Diluted	**$ 1.39**	$ (1.85)	$ 17.99

Under Section 3062, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is not required. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. When the carrying amount of the reporting unit's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is presented as a separate line item in the income statement before extraordinary items and discontinued operations.

Intangible assets acquired in business combinations and intangible assets acquired individually or with a group of other assets, which have indefinite lives, are also tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test compares the carrying amount of the intangible asset with its fair value, and an impairment loss is recognized in statement of income for the excess, if any. Intangible assets with definite useful lives are amortized over their useful life.

In accordance with the transitional provision of Section 3062, an impairment loss resulting from the first application of the recommendations, is recognized as the effect of a change in accounting policy and charged to opening retained earnings, without restatement of prior periods. During the year ended December 31, 2002, the Company recorded a goodwill impairment loss for each of its reporting units having a carrying amount exceeding its fair value. Accordingly, the opening balance of goodwill was reduced by $2,163.1 million and opening retained earnings were reduced by $1,173.4 million, net of non-controlling interest of $989.7 million.

Years ended December 31, 2002, 2001 and 2000
(in millions of Canadian dollars, except per share data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Changes in accounting policies (continued)

(i) Business combinations, goodwill and other intangible assets (continued):

The opening balance of goodwill for each industry segments is reduced as follows:

	Balance as at January 1, 2002, as previously reported	Restatement due to a change in accounting policy	Balance as at January 1, 2002, as restated
Printing	$ 3,978.2	$ –	$ 3,978.2
Cable Television	4,604.2	(1,936.0)	2,668.2
Newspapers	1,001.8	–	1,001.8
Broadcasting	164.3	–	164.3
Leisure and Entertainment	98.4	–	98.4
Business Telecommunications	273.4	(164.9)	108.5
Web Integration/Technology	29.2	(20.4)	8.8
Internet/Portals	70.5	(41.8)	28.7
Total	$ 10,220.0	$ (2,163.1)	$ 8,056.9

(ii) Foreign currency translation

In November 2001, the CICA approved changes to Section 1650 of the *CICA Handbook*, *Foreign Currency Translation*, to eliminate the deferral and amortization of foreign currency translation gains and losses on long-lived monetary items. These changes harmonize Canadian and United States generally accepted accounting principles concerning translation gains and losses on long-lived monetary items. During the year ended December 31, 2002, the Company adopted the new recommendations retroactively and the comparative figures have been restated. The effect of adopting the new recommendation resulted, as at December 31, 2001, in a decrease in other assets of $10.2 million and a decrease in retained earnings at this date of $5.6 million (net of the non-controlling interest of $4.6 million). Opening retained earnings in 2001 increased by $1.4 million (net of the non-controlling interest of $1.1 million) and the net loss for the year ended December 31, 2001 increased by $7.0 million (net of the non-controlling interest of $5.8 million). Net loss for the year ended December 31, 2000 increased by $1.4 million (net of the non-controlling interest of $1.1 million). The net income for the year ended December 31, 2002 decreased by $0.7 million (net of the non-controlling interest of $2.4 million) with the adoption of this change in accounting policy.

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

Other foreign currency transactions are translated using the temporal method. Translation gains and losses are included in income.

(iii) Stock-based compensation

Effective January 1, 2002, the Company adopted the new recommendations of Section 3870 of the *CICA Handbook*, *Stock-based Compensation and Other Stock-based Payments*, with respect to the accounting for stock-based compensation. The new recommendations are applied prospectively to all stock-based payments to employee awards that are direct awards of stock or call for settlement in cash or other assets, at the option of the employee, including stock appreciation rights, granted on or after January 1, 2002. In the case of grants outstanding at January 1, 2002, the new recommendations are applied retroactively, without restatement. This modification had no impact on retained earnings as at January 1, 2002.

In conformity with the new recommendations, the Company accounts for all stock-based payments to employee awards that are direct awards of stock or call for settlement in cash or other assets, including stock appreciation rights, by the fair value method. No compensation cost is recorded for all other stock-based employee compensation awards and in this case, consideration paid by employees on the exercise of stock options is recorded as capital stock. Under the fair-value based method, compensation cost attributable to awards to employees that call for settlement in cash or other assets is recognized over the vesting period in each year as operating expenses. Changes in the fair value between the grant date and the measurement date result in a change in the measure of compensation cost. For the employees share purchase plans of subsidiaries of the Company, the contribution paid by these subsidiaries on behalf of employees is considered as a compensation expenses. The contribution paid by employees for the purchase of shares is credited to capital stock.

Years ended December 31, 2002, 2001 and 2000
(in millions of Canadian dollars, except per share data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Consolidation and long-term investments

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

Investments in joint ventures are accounted for using the proportionate consolidation method. Joint ventures represent a negligible portion of the Company's operations. Investments in companies subject to significant influence are accounted for by the equity method. Investments in other affiliated companies are accounted for by the cost method.

(c) Use of estimates

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, related amounts of revenues and expenses and disclosure of contingent assets and liabilities. Significant areas requiring the use of management estimates relate to the determination of pension and other employee benefits, reserves for environmental matters and for the restructuring of operations, the useful life of assets for amortization and evaluation of net recoverable amount, the determination of fair value of assets acquired and liabilities assumed in business combinations, implied fair value of goodwill, provisions for income taxes and the determination of the fair value of financial instruments. Actual results could differ from these estimates.

(d) Revenue recognition

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

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

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

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

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

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

(e) Cash and cash equivalents

Cash and cash equivalents include highly liquid investments purchased three months or less from maturity and are stated at cost, which approximates market value.

(f) Temporary investments

Temporary investments are recorded at the lower of cost and market value. Temporary investments consist of commercials papers bearing interest from 2.61% to 2.87% and matures in April and May 2003.

Years ended December 31, 2002, 2001 and 2000
(in millions of Canadian dollars, except per share data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Trade receivables

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

(h) Inventories

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

(i) Investment in televisual products and movies

(i) Programs produced and productions in progress

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

(ii) Broadcast rights

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

(iii) Productions and distribution rights

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

(j) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment or substantively enactment date. Future income tax assets are recognized and, if realization is not considered "more likely than not," a valuation allowance is provided.

(k) Property, plant and equipment

Property, plant and equipment are stated at cost, net of government grants and investment tax credits which are accounted for when qualified expenditures are incurred. Cost represents acquisition or construction costs including preparation, installation and testing charges and interest incurred with respect to the property, plant and equipment until they are ready for commercial production. In the case of construction and connecting programs for the receiving and distribution networks of cable television, cost includes equipment, direct labour, administrative overhead and financial expenses relating to projects to construct and connect receiving and distribution networks. Expenditures for additions, improvements and replacements are capitalized, whereas maintenance and repair expenditures are charged to operating expenses.

Years ended December 31, 2002, 2001 and 2000
(in millions of Canadian dollars, except per share data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Property, plant and equipment (continued)

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

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

Leasehold improvements are amortized over the terms of the leases.

(l) Deferred charges, financing fees, subsidies on equipment and non-monetary compensation charges

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

The financing fees related to long-term financing are amortized using the straight-line method over the term of the related long-term debt. Subsidies on equipment obtained after deducting from the equipment cost the selling price sold to customers are deferred and amortized on a straight-line basis over a three-year period. The deferred non-monetary compensation charges, representing a part of the purchase price of a company payable in shares, which are escrowed and are transferred when the minimum period of employment from selling shareholders ends, is amortized proportionally over the minimum period of employment from selling shareholders.

(m) Broadcasting licenses

Licenses represent the acquisition cost of acquiring rights to operate broadcasting stations. Management reviews periodically the unamortized amount of its licenses to determine whether it will be able to recover them in the long-term, by comparing them with future discounted cash flows.

(n) Exchangeable debentures

The carrying amount of the exchangeable debentures is based on the market price, at the balance sheet date, of the underlying 12.5 million subordinate shares of Quebecor World Inc. and of the 44.8 million common shares of Abitibi-Consolidated Inc. (the “underlying shares”) that would have satisfied the debentures’ liability if the Company had elected to settle the debentures with the underlying shares as at December 31, 2002.

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

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

(o) Derivative financial and commodity instruments

The Company uses various derivative financial instruments to manage its exposure to fluctuations in foreign currency exchange rates, interest rates and commodity pricing. The Company does not hold or use any derivative instruments for speculative trading purposes.

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific assets and liabilities or to specific firm commitments or forecasted transactions. The Company also formally assesses, both at the hedge’s inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Years ended December 31, 2002, 2001 and 2000
(in millions of Canadian dollars, except per share data)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

(o) Derivative financial and commodity instruments (continued)

The Company enters into foreign exchange forward contracts to hedge anticipated foreign denominated sales and raw material and equipment purchases. Foreign exchange translation gains and losses are recognized as an adjustment of the revenues, of the cost of sales and of the fixed assets respectively when the transaction is recorded. The portion of the forward premium or discount on the contract relating to the period prior to consummation of the transaction is also recognized as an adjustment of the revenues, the cost of sales and of the fixed assets respectively when the transaction is recorded.

The Company also enters into foreign exchange forward contracts and cross-currency swaps to hedge its net investments in foreign subsidiaries. Foreign exchange translation gains and losses are deferred and recorded under translation adjustment. The forward premium or discount on forward foreign exchange contracts and the interest component of the cross currency swap is amortized as an adjustment of interest expenses over the term of the forward contract.

The Company also enters into interest rate swaps in order to manage the impact of fluctuating interest rates on its short-term and long-term debt. These swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. The Company designates its interest rate hedge agreements as hedges of the underlying debt. Interest expense on the debt is adjusted to include the payments made or received under the interest rate swaps.

The Company also entered into a commodity swap to manage a portion of its Canadian natural gas exposure. The Company is committed to exchange, on a monthly basis, the difference between a fixed price and a floating Canadian natural gas price index. The Company designated its commodity hedge agreements as a hedge of the natural gas cost. Natural gas cost is adjusted to include the payments made or received under the commodity hedge agreements.

Realized and unrealized gains or losses associated with derivative instruments, which have been terminated or cease to be effective prior to maturity, are deferred under other current or non-current assets or liabilities on the balance sheet and recognized in income in the period in which the underlying hedged transaction is recognized. In the event a designated hedged item is sold, extinguished or matures prior to the termination of the related derivative instrument, any realized or unrealized gain or loss on such derivative instrument is recognized in income.

(p) Pension plans and postretirement benefits

(i) Pension plans

The Company offer to certain of its employees, defined benefit pension plans and defined contribution pension plan. Pension plan costs are determined using actuarial methods and are funded through contributions determined in accordance with the projected benefit method pro rated on service. Pension plan expense is charged to operations and includes:

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

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

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

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

(ii) Postretirement benefits

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

(q) Environmental expenditures

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

(r) Comparative figures

Certain comparative figures for the years 2001 and 2000 have been reclassified to conform with the presentation adopted for the year ended December 31, 2002.

Years ended December 31, 2002, 2001 and 2000
(in millions of Canadian dollars, except per share data)

2. INVESTMENTS IN NON-CONSOLIDATED SUBSIDIARIES

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

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

Assets:	
Current assets	$ 274.7
Property, plant and equipment	1,303.9
Goodwill	4,840.0
Other assets	207.5
	6,626.1
Liabilities:	
Current liabilities	386.4
Long-term debt	1,017.2
Future income taxes	264.5
Non-controlling interest	103.6
	1,771.7
Net assets	$ 4,854.4

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

Years ended December 31, 2002, 2001 and 2000
(in millions of Canadian dollars, except per share data)

2. INVESTMENTS IN NON-CONSOLIDATED SUBSIDIARIES (continued)

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

	2001 (restated, note 1(a)(ii))	2000 (restated, note 1(a)(ii))
Revenues	$ 463.1	$ 211.1
Operating expenses	333.3	151.2
Amortization	49.8	24.7
Financial expenses	30.7	11.6
Income before income taxes	49.3	23.6
Income taxes (credit) [1]	21.8	(7.5)
	27.5	31.1
Non-controlling interest	(4.4)	(4.0)
Income before amortization of goodwill	23.1	27.1
Amortization of goodwill, net of non-controlling interest	(41.5)	(24.3)
Net (loss) income and equity (loss) income from non-consolidated subsidiaries	$ (18.4)	$ 2.8

[1] Includes an adjustment in 2000 to reflect the reduction in income tax rates.

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

3. FINANCIAL EXPENSES

	2002	2001 (restated, note 1(a)(ii))	2000
Interest on long-term debt and convertible notes	**$ 527.4**	$ 603.3	$ 398.7
Interest on redeemable preferred shares	**21.7**	3.4	–
Interest on bank indebtedness	**17.5**	12.1	10.7
Securitization fees and others	**24.5**	44.8	49.2
Investment income	**(25.6)**	(44.4)	(20.0)
Amortization of deferred financing costs and long-term debt discount	**57.6**	65.6	15.7
Exchange rate losses on long-term debt	**3.1**	20.3	–
Other	**4.2**	(7.9)	(1.7)
	630.4	697.2	452.6
Interest capitalized to the cost of property, plant and equipment and to investments	**(6.3)**	(31.8)	(13.3)
	$ 624.1	$ 665.4	$ 439.3

Years ended December 31, 2002, 2001 and 2000
(in millions of Canadian dollars, except per share data)

4. RESERVE FOR RESTRUCTURING OF OPERATIONS AND OTHER SPECIAL CHARGES

(a) Printing segment

In 2002, Quebecor World Inc. reported restructuring and other charges of US$18.6 million. The charges are detailed as follows and discussed below:

- 2002 initiatives amount to US$46.4 million, while overspending on 2001 initiatives stands at US$13.3 million for total costs of US$59.7 million.
- The reversal of unused reserves for restructuring from 2001 amounts to US$40.1 million and was applied against the 2002 charges.

2002 restructuring initiatives

In 2002, Quebecor World Inc. initiated new restructuring initiatives in France due to difficult market conditions, severe price competition and a decrease in sales volume. In addition, work-force reduction programs were initiated in North America and will be completed in 2003. This initiative to reduce the work-force was the result of volume declines in certain business segments and overlapping activities across the platform.

The charges of US$46.4 million consist of US$6.5 million totally utilized in 2002 relating to impaired property, plant and equipment, US$30.0 million in work-force reduction costs and other restructuring charges (of which US$5.9 million was utilized in 2002), and US$9.9 million mostly for the write-down of the investment in Q-Media Services Corporation, which went into receivership at the end of 2002. The US$30.0 million in work-force reduction costs and other restructuring charges includes US$18.6 million for France and US$8.6 million for North America.

As at December 31, 2002, 545 employees had been terminated under these new restructuring initiatives and 364 are expected to be terminated in 2003.

2001 and 2000 restructuring initiatives

As at December 31, 2002, the restructuring initiatives announced in 2001 were substantially completed. Nearly 3,000 employee positions were eliminated, 10 facilities closed, and more than 30 pieces of equipment successfully relocated.

In 2002, Quebecor World Inc. utilized US$73.3 million from restructuring reserves set up for 2001 initiatives; a cash portion of US$66.0 million for severance payments for employee terminations and other restructuring charges, US$5.9 million for other special charges and a non-cash portion of US$1.4 million for additional plant and equipment write-downs. These costs do not reflect the progress of the restructuring due to trailing severance payments, future lease payments and other delayed exit costs.

The continuation of a contract with a customer, previously expected to be terminated, is providing sufficient work to utilize equipment originally targeted for shutdown. As a result, Quebecor World Inc. decided to halt one plant shutdown which mainly explains the balance of the 2001 restructuring reserve of US$40.1 million reversed in 2002 consisting of US$18.4 million in asset impairment and US$21.7 million for related restructuring charges. In addition, the execution of the 2001 initiatives resulted in an overspending of US$13.3 million recorded in the 2002 restructuring and other charges.

In 2001, in response to difficult market conditions, Quebecor World Inc. embarked on restructuring initiatives aimed at eliminating non-competitive assets and consolidating its platform into fewer facilities. These initiatives focused Quebecor World Inc.'s efforts on reducing operating expenses and maximizing capacity utilization in larger and more specialized facilities.

Quebecor World Inc. therefore recorded restructuring and other charges of US$273.2 million. The restructuring plan consisted of US$114.0 million relating primarily to impaired property, plant and equipment as a result of planned facility closures, together with other associated closure costs, US$115.5 million in work-force reduction costs resulting from planned closures and other headcount reductions and restructuring charges, and US$43.7 million in other related restructuring and exit costs.

The other special charges of US$43.7 million included an additional charge of US$13.1 million relating to an increase in costs associated with implementing the 1999 restructuring plan and to the costs of exiting unfavourable contracts.

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

In 2000, as a result of changing market conditions, and particularly strong growth in North American volumes, Quebecor World Inc. decided not to implement some planned facility closures, but concluded that other restructuring initiatives relating to Europe, and to its digital strategy should be recorded. These initiatives included US$10.1 million in asset write-downs, utilized in 2000, and US$17.9 million in severance costs, of which US$3.4 million was utilized in 2000, with the balance being utilized in 2001.

Years ended December 31, 2002, 2001 and 2000
(in millions of Canadian dollars, except per share data)

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

(a) Printing segment (continued)

The following table sets forth the Quebecor World Inc. 2002 restructuring reserve and activities against the reserves carried forward from 2001:

	Write-down of assets	Restructuring charges	Other special charges	Total
Balance as at December 31, 2001	$ 26.4	$ 156.6	$ 17.2	$ 200.2
Additional reserve	12.4	63.7	16.1	92.2
Utilized in 2002				
Cash	–	(112.9)	(9.3)	(122.2)
Non-cash	(12.4)	–	(14.0)	(26.4)
Reversal				
Cash	–	(29.0)	(5.0)	(34.0)
Non-cash	(26.1)	–	(2.8)	(28.9)
Translation adjustment	(0.3)	0.1	(0.3)	(0.5)
Balance as at December 31, 2002	$ –	$ 78.5	$ 1.9	$ 80.4

(b) Web Integration/Technology segment

During the year ended December 31, 2002, the Web Integration/Technology segment recorded reserves for the restructuring of its operations in response to the continued adverse market conditions existing within the telecommunications industry. The reserve for the restructuring amounts to $5.6 million ($3.7 million and $3.1 million respectively for the years ended December 31, 2001 and 2000) and includes severance costs, asset write-downs, and other restructuring charges. Also, during the course of 2002, the Web Integration/Technology segment reversed an amount of $0.8 million, part of the 2001 reserve for restructuring, since the 2001 program was nearly completed. Accordingly, during the year ended December 31, 2002, the Web Integration/Technology segment utilized $5.7 million of the reserve for restructuring of its operations. ($5.3 million for the year ended December 31, 2001). Amounts of $0.5 million and $1.4 million, respectively were still included in accounts payable and accrued charges regarding this reserve for restructuring of operations as at December 31, 2002 and 2001. The remaining balance is expected to be paid within one year.

During the year ended December 31, 2002, the Web Integration/Technology segment also recorded a non-monetary compensation charge of $5.7 million ($25.4 million and $40.2 million for the years ended December 31, 2001 and 2000, respectively) relative to escrowed shares to be remitted to selling shareholders of acquired companies. The escrowed shares are transferred when the minimum period of employment from selling shareholders comes to an end.

(c) Internet/Portals segment

During the year ended December 31, 2002, the Internet/Portals segment recorded a reserve for the restructuring of operations of $1.5 million ($5.4 million and $8.2 million respectively for the years ended December 31, 2001 and 2000). The reserve is in connection with the reorganization of the business segment. This reserve include severance costs, asset write-downs and other restructuring charges. As at December 31, 2002, $0.3 million ($1.4 million as at December 31, 2001) is still included in accounts payable and accrued charges regarding this reserve for the restructuring of operations.

Also, during the year ended December 31, 2002, the Internet/Portals segment reversed a portion of the reserve for the restructuring of its operations, amounting to $0.7 million related to the 2001 and 2000 restructuring programs, since these programs were nearly completed.

In addition, during the course of 2002, the Internet/Portals segment concluded an agreement with the Société de Développement de Montréal regarding the legal soundness of its Cité du Multimédia lease. Accordingly, the Internet/Portals segment reversed a reserve amounting to $0.8 million regarding this litigation.

Years ended December 31, 2002, 2001 and 2000
(in millions of Canadian dollars, except per share data)

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

(d) Broadcasting segment

During the year ended December 31, 2002, the Broadcasting segment recorded a reserve for the restructuring of its operations of $3.0 million in connection with the reorganization of its operations. This reserve included costs related to severance payments to employees. As at December 31, 2002, the entire reserve for the restructuring of operations had been used.

(e) Newspapers segment

During the year ended December 31, 2002, the Newspapers segment implemented restructuring initiatives, which resulted in the termination of approximately 60 employees throughout several divisions. As at result, the Newspapers segment recorded a restructuring charge of $2.2 million for the year ended December 31, 2002, related to severance and other personnel-related costs. As at December 31, 2002, a restructuring accrual of $1.2 million was included in accounts payable and accrued charges, for the 2002 restructuring program.

During the year ended December 31, 2001, the Newspapers segment also recorded, a reserve for the restructuring of operations due to market conditions prevailing in this business segment. This reserve has been created as a result of a work-force reduction and amounts to $17.8 million. The work-force reduction affects all geographic areas and all departments of the segment, as well as employees at all levels. This reserve includes primarily amounts paid in severance payments, related employee benefits, and other amounts payable to these employees. As at December 31, 2002, an amount of $7.2 million still remains recorded in accounts payable and accrued charges regarding this reserve for the restructuring of operations related to the 1994, 1996 and 1997 restructuring programs.

(f) Business Telecommunications segment

During the year ended December 31, 2002, the Business Telecommunications segment recorded a reserve for litigations amounting to $1.4 million. This reserve is related to litigations following the implementation of the 2001 restructuring of operations program, and includes an accrual for legal fees and an accrual for settlements. As at December 31, 2002, this reserve is included in the accounts payable and accrued charges, and is expected to be paid out within one year.

(g) Head office and others

During the year ended December 31, 2002, a write-down of temporary investments of $12.9 million ($99.8 million and $58.6 million for the years ended December 31, 2001 and 2000, respectively) and of a portfolio investments of $0.4 million were recognized in order to record these assets at the lower of cost and fair market value.

Also, during the year ended December 31, 2002, the Company recorded a write-down of $9.0 million on one of its properties, in order to record this property at the lower of amortized cost and net realizable value.

(h) Write-down of goodwill

During the year ended December 31, 2002, management wrote off a portion of the goodwill related to Mindready Solutions Inc., Web Integration/Technology segment, in an amount of $8.9 million, following the restructuring program for this subsidiary.

As at October 31, 2002, the Company completed its annual goodwill test for impairment and recorded an impairment loss for each of its reporting units having a carrying amount exceeding its fair value. This impairment loss amounted to $68.0 million, $107.6 million and $2.5 million, respectively, for its Cable Television segment, Business Telecommunications segment and its Internet/Portals segment.

During the year ended December 31, 2001, management decided, given the economic slowdown affecting its Internet/Portals segment, that a portion of the goodwill related to this segment had to be written down. A total amount of $118.5 million ($54.0 million in 2000), before the non-controlling interest of $57.4 million ($23.3 million in 2000), was recorded.

During 2001, management determined, given the economic slowdown, that a portion of the goodwill related to different business units of the Web Integration/Technology segment had to be written down. In 2000, a write-down was also taken, following the decision to close some business units in this segment. A total amount of $28.5 million ($72.9 million in 2000), before the non-controlling interest of $21.1 million ($42.5 million in 2000), was recorded.

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

During the year ended December 31, 2002, the Company sold 6.8 million shares of Quebecor World Inc. for a cash consideration of $235.0 million, net of transaction fees of $9.8 million, or $34.56 net per share, resulting in a gain on disposal of $67.4 million. As at December 31, 2002, cash and cash equivalents and temporary investments held in trust include an amount of $216.1 million related to this transaction that the Company injected into its subsidiary, Quebecor Media Inc. immediately after year end.

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

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

Years ended December 31, 2002, 2001 and 2000
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6. INCOME TAXES

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

	2002	2001	2000
Domestic	$ (111.5)	$ (317.8)	$ 671.6
Foreign	571.4	199.1	707.4
	$ 459.9	$ (118.7)	$ 1,379.0

Total income tax expense was allocated as follows:

	2002	2001	2000
Income taxes	$ 156.2	$ 76.1	$ 227.9
Goodwill amortization	–	(8.1)	(5.5)
Discontinued operation	–	–	121.9
	$ 156.2	$ 68.0	$ 344.3

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

	2002	2001	2000
Current			
Domestic	$ 3.7	$ 82.1	$ 32.5
Foreign	49.2	68.1	54.4
	52.9	150.2	86.9
Future			
Domestic	(12.7)	(18.8)	5.7
Foreign	116.0	(55.3)	135.3
	103.3	(74.1)	141.0
	$ 156.2	$ 76.1	$ 227.9

Years ended December 31, 2002, 2001 and 2000
(in millions of Canadian dollars, except per share data)

6. INCOME TAXES (continued)

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

	2002	2001	2000
Domestic statutory tax rate	**35.2 %**	37.2 %	38.2 %
Effect of provinces and foreign tax rates difference	**(15.5)**	2.7	(6.0)
	19.7	39.9	32.2
Increase (reduction) resulting from:			
Effect of non-deductible charges and/or resulting from tax rate reduction	**10.3**	(40.1)	5.3
Effect of non-taxable revenue	**(4.2)**	11.1	–
Change in valuation allowance	**5.0**	(54.4)	1.2
Large corporation and state taxes	**2.5**	(12.8)	1.2
Other	**0.7**	(8.3)	(0.8)
Effective tax rate before the following item	**34.0**	(64.6)	39.1
Effect of the non-taxable gains on dilution	**–**	0.5	(22.6)
Effective tax rate	**34.0 %**	(64.1) %	16.5 %

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

	2002	2001
Future tax assets:		
Loss carryforwards	**$ 390.3**	$ 361.6
Tax credit carryforwards	**17.0**	67.4
Acquisition and reserve for the restructuring of operations	**47.1**	85.7
Pension expenses and postretirement benefits	**91.5**	117.8
Accrued compensation	**19.9**	31.6
Goodwill and intangible assets	**–**	1.6
Differences between book and tax bases of investments	**4.0**	–
Other	**187.4**	120.2
	757.2	785.9
Valuation allowance	**(257.0)**	(240.1)
	500.2	545.8
Future tax liabilities:		
Differences between book and tax bases of property, plant and equipment	**(891.4)**	(813.1)
Differences between book and tax bases of investments	**(99.2)**	(94.6)
Goodwill and intangible assets	**(26.0)**	–
Other	**(163.1)**	(186.5)
	(1,179.7)	(1,094.2)
Net future tax liabilities	**$ (679.5)**	$ (548.4)

Years ended December 31, 2002, 2001 and 2000
(in millions of Canadian dollars, except per share data)

6. INCOME TAXES (continued)

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

	2002	2001
Future tax assets:		
Current	**$ 75.5**	$ 114.7
Long-term	**97.9**	84.9
	173.4	199.6
Future tax liabilities:		
Current	**(1.0)**	(1.0)
Long-term	**(851.9)**	(747.0)
	(852.9)	(748.0)
Net future tax liabilities	**$ (679.5)**	$ (548.4)

The 2002, 2001 and 2000 amounts above include a valuation allowance of $257.0 million, $240.1 million and $72.3 million respectively, relating to loss carryforwards and other tax benefits available. The net change in the total valuation allowance for the year ended December 31, 2002 is the result, among other things, of an amount of $23.0 million allocated to income. The net change in the total valuation allowance for the year ended December 31, 2001 is the result, among other things, of an amount of $64.5 million allocated to income and $72.7 million from the consolidation of previously non-consolidated subsidiaries and $27.0 million from tax reorganization. In 2000, the net change in the valuation allowance is the result of $16.1 million allocated to income from operations.

Subsequent recognition of tax benefits relating to the valuation allowance for future tax assets as at December 31, 2002 will be allocated as follows:

Income tax benefit that would be reported in the consolidated statement of income	$ 170.2
Goodwill	86.8
	$ 257.0

As at December 31, 2002, the Company had loss carryforwards for income tax purposes available to reduce future taxable income of $859.9 million, expiring from 2003 to 2017, and $437.0 million which can be carried forward indefinitely. The Company also has state net operating losses and tax credits of $396.1 million in the United States and in Europe, which expire from 2004 to 2020.

The Company has not recognized a future tax liability for the undistributed earnings of its subsidiaries in the current and prior years, because the Company does not expect to sell those investments and that those undistributed earnings would become taxable. Such liability cannot reasonably be determined at the present time.

Years ended December 31, 2002, 2001 and 2000
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7. EARNINGS PER SHARE

Earnings per share are calculated by dividing net income (loss) by the weighted daily average number of shares outstanding during the year.

Diluted earnings per share are calculated by using the net income (loss) adjusted to include the potentially dilutive effect of convertible notes and stock options by the weighted average number of shares outstanding adjusted to include the potentially dilutive effect of convertible notes and stock options.

The following table sets forth the computation of basic and diluted earnings per share:

	2002	2001 (restated, note 1(a)(ii))	2001 (restated, note 1(a)(ii)) (pro forma, note 2)	2000 (restated, note 1(a)(ii))
Net income (loss)	**$ 91.9**	$ (248.7)	$ (248.7)	$ 1,085.8
Income (loss) impact on assumed conversion of convertible notes and stock option net of applicable income taxes	**(2.3)**	–	–	–
Net income (loss), adjusted for dilution effect	**$ 89.6**	$ (248.7)	$ (248.7)	$ 1,085.8
Weighted average number of shares outstanding (in millions)	**64.6**	64.6	64.6	64.6
Effect of dilutive stock options (in millions)	**–**	–	–	0.2
Weighted average number of diluted shares outstanding (in millions)	**64.6**	64.6	64.6	64.8
Earning per share				
Basic	**$ 1.42**	$ (3.85)	$ (3.85)	$ 16.81
Diluted	**$ 1.39**	$ (3.85)	$ (3.85)	$ 16.76

8. DISCONTINUED OPERATION

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

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

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

8. DISCONTINUED OPERATION (continued)

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

Condensed Consolidated Statements of Operations

		2000
Revenues	$	760.2
Income before income taxes	$	89.5
Income taxes		(27.7)
Non-controlling interest		(50.7)
Contribution of the discontinued operation		11.1
Gain on disposal		235.0
Net income from the discontinued operation	$	246.1

9. BUSINESS AND ASSET ACQUISITIONS AND DISPOSALS

Business and asset acquisitions

During the years ended December 31, 2002, 2001 and 2000, the Company acquired businesses, which have been accounted for by the purchase method. Results of these businesses are included from the date of acquisition in the financial statement of the Company.

2002 acquisitions

The Printing segment made the following acquisitions:

- In March 2002, Quebecor World Inc. purchased all of the issued and outstanding shares of European Graphic Group S.A. ("E2G"), a subsidiary of Hachette Filipacchi Médias in France, for a cash consideration of US$3.3 million. The purchase price will be adjusted by contingent consideration of a maximum of 6.1 million Euro, based on achieving a specific performance level, and will be payable in 2004 and 2007. The contingent considerations, if any, will be recorded as an increase in the fixed assets. E2G owns printing and bindery facilities in France and Belgium, and a 50% ownership of Bayard Hachette Routage in France. No goodwill resulted from the acquisition. The purchase price allocation process was not completed as at December 31, 2002, and the amounts assigned to the assets and liabilities may be adjusted at a later date.
- During the year ended December 31, 2002, Quebecor World Inc. repurchased for cancellation under the Normal Course Issuer Bid Program initiated in 2001 a total of 148.500 of its own Subordinate Voting Shares for a net cash consideration of $5.2 million, resulting in additional goodwill in the amount of 0.7 million.
- During the year, Quebecor World Inc. also acquired minority interests in North America and Europe for a cash consideration of US$4.5 million, of which US$1.3 million has been recorded as goodwill.

Other segments made the following acquisitions:

- On January 27, 2002, Mindready Solutions Inc., Web Integration/Technology segment, acquired some of the assets of Nortel Networks Limited for a cash consideration of $0.3 million. No goodwill resulted from the acquisition.
- In 2002, Vidéotron Télécom ltée, Business Telecommunications segment, acquired some operating assets from 360networks Inc. and Stream Intelligent Networks Corporation for a total cash consideration of $4.1 million. No goodwill resulted from these acquisitions.
- During the year ended December 31, 2002, the Company increased its interest in TVA Group Inc., Broadcasting segment, through the subsidiary's Share Repurchase and Cancellation Program. A total of 557,100 Class B Non-Voting Common shares were repurchased and cancelled, for a cash consideration of $7.9 million, resulting in additional goodwill of $1.6 million.

Years ended December 31, 2002, 2001 and 2000
(in millions of Canadian dollars, except per share data)

9. BUSINESS AND ASSET ACQUISITIONS AND DISPOSALS (continued)

2002 acquisitions (continued)

Other segments made the following acquisitions (continued)

- In December 2002, Vidéotron ltée, Cable Television segment, increased its ownership in Télécable Charlevoix (1977) inc. for a cash consideration of $2.0 million. No goodwill resulted from this transaction.
- Also, during the year ended December 31, 2002, Quebecor Media Inc. increased its ownership in some of its subsidiaries part of its Leisure and Entertainment segment, for a cash consideration of $0.1 million, resulting in additional goodwill of $0.5 million.

2001 acquisitions

- In February 2001, Quebecor World Inc., Printing segment, acquired a 70% controlling interest in Espacio y Punto S.A., in Spain, for a cash consideration of US$8.2 million.
- In March 2001, Quebecor World Inc. acquired a 75% controlling interest in Grafica Melhoramentos S.A., in Brazil, for a cash consideration of US$3.3 million.
- In March 2001, Quebecor World Inc. also acquired minority interests in its Latin American operations for a cash consideration of US$15.0 million, a convertible subordinated debenture of US$6.0 million and a promissory note of US$2.0 million.
- In July 2001, Quebecor World Inc. acquired Retail Printing Corporation of Massachusetts in the United States, to expand its North American retail network, for a cash consideration of US$97.6 million.
- In August 2001, Quebecor World Inc. purchased the manufacturing assets of Grupo Serla, in Mexico, for a total cash consideration of US$13.0 million.
- During the year ended December 31, 2001, Quebecor World Inc. also completed other business acquisitions for a total cash consideration of US$1.8 million.
- During the year ended December 31, 2001, the Company has increased its interest in Quebecor World Inc. through the subsidiary's Share Repurchase and Cancellation Program, which amounted to $258.9 million. This increase has resulted in additional goodwill in the amount of $36.4 million.
- On June 21, 2001, Quebecor Communications Inc., a wholly-owned subsidiary of Quebecor Media Inc., acquired the remaining 30% interest in 3535991 Canada Inc., the parent company of Sun Media Corporation, Newspaper segment, for a cash consideration of $375.0 million. The acquisition of these non-controlling interests has resulted in additional goodwill of $252.1 million.
- In July 2001, Nurun Inc., Web Integration/Technology segment, acquired Velocity Test Systems Inc., in the United States, for a cash consideration of $3.2 million and a purchase price balance payable of $1.5 million, resulting in additional goodwill of $0.3 million.
- The Company also increased its interest in certain subsidiaries of the Leisure and Entertainment segment for a cash consideration of $1.1 million, resulting in additional goodwill of $0.8 million.

2000 acquisitions

- During the year ended December 31, 2000, the Company acquired some businesses, including Le Groupe Vidéotron ltée and TVA Group Inc., for a total consideration of $5,274.7 million.

Years ended December 31, 2002, 2001 and 2000
(in millions of Canadian dollars, except per share data)

9. BUSINESS AND ASSET ACQUISITIONS AND DISPOSALS (continued)

Business and asset acquisitions (continued)

Business acquisitions are summarized as follows:

	2002	2001	2000
Assets acquired			
Cash and cash equivalents	$ 11.8	$ 11.7	$ 10.8
Temporary investments	–	–	222.1
Non-cash current operating assets	43.9	50.6	51.1
Investments in subsidiaries held for resale	–	–	389.0
Property, plant and equipment	104.0	114.0	66.7
Investments in non-consolidated subsidiaries	–	–	5,007.8
Goodwill	5.1	440.8	327.0
Future income taxes	–	–	22.7
Non-controlling interest	3.8	356.0	37.7
Other	0.5	1.2	85.6
Liabilities assumed			
Bank indebtedness	–	(3.5)	(346.6)
Non-cash current operating liabilities	(41.2)	(41.4)	(164.6)
Amounts payable to non-consolidated subsidiaries	–	–	(91.0)
Long-term debt	(88.4)	(47.8)	(9.3)
Convertible notes	–	(4.0)	–
Future income taxes	(0.1)	(4.8)	(0.7)
Non-controlling interest	–	–	(140.7)
Other	(7.6)	(0.8)	(0.1)
Net assets acquired at fair value	$ 31.8	$ 872.0	$ 5,467.5
Consideration			
Cash	$ 31.8	$ 862.5	$ 5,462.2
Notes payable	–	8.0	–
Balance of purchase price payable	–	1.5	5.3
	$ 31.8	$ 872.0	$ 5,467.5

Years ended December 31, 2002, 2001 and 2000
(in millions of Canadian dollars, except per share data)

9. BUSINESS AND ASSET ACQUISITIONS AND DISPOSALS (continued)

Business and asset disposals

2002 disposals

- In January 2002, nurun Inc., Web Integration/Technology segment, closed the sale of Flow Systems Corporation for a cash consideration of $1.1 million, resulting in a gain on disposal of $0.8 million.
- In February 2002, the Company closed the sale of 86.02% of TQS Inc. for a cash consideration of $60.7 million, net of transaction fees of $1.3 million, resulting in a gain on disposal of $20.0 million.
- In September 2002, Netgraphe Inc., Internal/Portals segment, closed the sale of its interest in Canoa S.A., for a cash consideration of 1 dollar, resulting in a loss on disposal of $0.7 million.
- In September 2002, TVA Group Inc., Broadcasting segment, closed the sale of its 49% interest in Global Television Network Québec L.P. for a cash consideration of $1.0 million, resulting in a gain on disposal of $0.8 million.
- In November 2002, Quebecor Media Inc., closed the sale of its 80% interest in 3064743 Canada Inc. (parent company of Wilson & Lafleur Ltée and Les Éditions Wilson & Lafleur inc., Leisure and Entertainment segment) for a cash consideration of $4.4 million, resulting in a gain on disposal of $2.6 million.
- Also, during the year ended December 31, 2002, Quebecor Media Inc. closed the sale of its interests in some of its subsidiaries, part of the Leisure and Entertainment segment, for a cash considerations totalling $0.1 million, resulting in a gain on disposal of $0.1 million.

2000 disposals

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

10. ACCOUNTS RECEIVABLE

	2002	2001
Trade	**$ 951.7**	$ 914.9
Other	**115.6**	13.2
	$ 1,067.3	$ 928.1

During 2002, Quebecor World Inc., Printing segment, sold, with limited recourse, a portion of its Canadian trade receivables on a revolving basis under the terms of a Canadian securitization agreement dated March 1998 (the "Canadian Program"). The Canadian Program limit is $125.0 million. As at December 31, 2002, the amount outstanding under the Canadian program was $125.0 million ($116.0 million as at December 31, 2001).

During 2002, Quebecor World Inc. also sold, with limited recourse, a portion of its US trade receivables on a revolving basis under the terms of a US securitization agreement dated December 1999 (the "US Program"). The US Program limit is US$510.0 million. As at December 31, 2002, the amount outstanding under the US Program was US$435.0 million (US$500.0 million as at December 31, 2001).

During 2002, Quebecor World Inc. also sold, with limited recourse, a portion of its French and Spanish trade receivables on a revolving basis under the terms of an European securitization agreement dated June 2001 (the "European Program"). The European Program limit is 153.0 million euro. As at December 31, 2002, the amount outstanding under the European Program was 129.5 million euro (140.4 million euro as at December 31, 2001).

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

At December 31, 2002, an aggregate of US$747.2 million (US$802.0 million as at December 31, 2001) accounts receivable has been sold under the three programs, of which US$97.5 million (US$105.0 million as at December 31, 2001) were kept by Quebecor World Inc. as retained interest, resulting in a net aggregate consideration of US$649.7 million (US$697.0 million as at December 31, 2001) on the sale. The retained interest is recorded in Quebecor World Inc.'s accounts receivable, and its fair market value approximates its cost, given the short nature of the collection period of the accounts receivable sold. The rights of Quebecor World Inc. on the retained interest are subordinated to the rights of the investors under the programs. There is no recourse under the programs on Quebecor World Inc.'s other assets for failure of debtors to pay when due, other than Quebecor World Inc. remaining interest.

Years ended December 31, 2002, 2001 and 2000
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10. ACCOUNTS RECEIVABLE (continued)

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

Proceeds from revolving sales between the securization trusts and Quebecor World Inc. in 2002 totalled US$4.5 billion (US$4.5 billion in 2001).

11. INVENTORIES AND INVESTMENTS IN TELEVISUAL PRODUCTS AND MOVIES

	2002	2001
Raw materials and supplies	**$ 403.5**	$ 369.1
Work in process	**283.3**	284.8
Finished goods	**51.0**	53.1
Investments in televisual products and movies	**61.7**	59.4
	$ 799.5	$ 766.4

12. INVESTMENTS IN SUBSIDIARIES HELD FOR RESALE

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

Given the uncertainty in the telecommunications industry, Quebecor Media Inc. has not been able to conclude the sale of its investment under favorable terms. The subsidiary, has therefore, decided to keep its investment and to develop it to its maximum potential. As a result of this decision, the investment in Vidéotron Télécom ltée has been consolidated since October 31, 2001. The financial position of this subsidiary, given the comprehensive revaluation of assets and liabilities done following the purchase price allocation, when management decided to keep its investment, in October 2001, and the results for the period from January 1 to October 31, 2001 are presented below :

Condensed Statement of Income
Period from January 1 to October 31, 2001

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

Years ended December 31, 2002, 2001 and 2000
(in millions of Canadian dollars, except per share data)

12. INVESTMENTS IN SUBSIDIARIES HELD FOR RESALE (continued)

Condensed Balance Sheet

October 31, 2001

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

13. PROPERTY, PLANT AND EQUIPMENT

			2002
	Cost	**Accumulated amortization**	**Net amount**
Land	**$ 171.8**	**$ –**	**$ 171.8**
Buildings and leasehold improvements	**1,428.1**	**312.3**	**1,115.8**
Machinery and equipment	**6,074.7**	**2,785.5**	**3,289.2**
Receiving, distribution and telecommunication networks	**1,225.5**	**161.6**	**1,063.9**
Projects under development	**142.5**	**–**	**142.5**
	$ 9,042.6	**$ 3,259.4**	**$ 5,783.2**

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

As at December 31, 2002, the cost of property, plant and equipment and the corresponding accumulated amortization balance included amounts of $557.3 million ($465.1 million as at December 31, 2001) and $297.1 million ($236.6 million as at December 31, 2001), respectively, for assets held under capital leases. Depreciation expense for property, plant and equipment held under capital leases amounted to $30.5 million in 2002 ($27.0 million in 2001 and $23.8 million in 2000).

Years ended December 31, 2002, 2001 and 2000
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14. GOODWILL

For the year ended December 31, 2002, the changes in the carrying amounts of goodwill are as follows:

	Balance as at January 1, 2002 as restated (note 1(a)(i))	Purchases (disposal) of business/ shares of a subsidiary	Transfer between segments/ Adjustment to purchase price allocation [1]	Write-down	Translation adjustments	Balance as at December 31, 2002
Printing	$ 3,978.2	$ (3.8)	$ –	$ –	$ 15.1	$ 3,989.5
Cable Television	2,668.2	–	(0.2)	(68.0)	–	2,600.0
Newspapers	1,001.8	(0.4)	–	–	–	1,001.4
Broadcasting	164.3	1.6	(7.3)	–	–	158.6
Leisure and Entertainment	98.4	(0.5)	(0.1)	–	–	97.8
Business Telecommunications	108.5	–	–	(107.6)	–	0.9
Web Integration/Technology	8.8	–	–	(8.9)	0.1	–
Internet/Portals	28.7	–	–	(2.5)	–	26.2
Total	$ 8,056.9	$ (3.1)	$ (7.6)	$ (187.0)	$ 15.2	$ 7,874.4

[1] Recognition of a future income tax asset subsequent to the date of acquisition, applied to reduce goodwill.

15. LONG-TERM DEBT

	Effective interest rate as at December 31, 2002	Years of maturity	2002	2001
Quebecor Inc.				
Revolving bank credit facility (i)	5.32 to 5.42 %	2004	$ 131.9	$ 213.4
Other debt	4.69 %	2003	7.5	7.9
			139.4	221.3
Quebecor World Inc. and its subsidiaries (ii)				
Revolving bank credit facility (iii)	2.17 %	2005-2007	54.6	426.0
Commercial paper (iv)	1.86 to 3.30 %	2005-2007	160.0	233.8
Senior Subordinated Notes (v)	8.38 %	2008	405.7	411.2
Senior Subordinated Notes (vi)	7.75 %	2009	459.5	463.9
Senior Debentures (vii)	7.25 %	2007	235.4	238.5
Senior Debentures (viii)	6.50 %	2027	235.4	238.5
Senior Notes (ix)	8.42 and 8.52 %	2010-2012	392.4	397.6
Senior Notes (x)	8.54 and 8.69 %	2015-2020	189.9	192.4
Senior Notes (xi)	7.20 %	2006	392.4	397.6
Obligations under capital leases and other debt (xii)	0 to 10.26 %	2003-2016	154.0	211.0
			2,679.3	3,210.5
Sub-total long-term debt, balance carried forward			$ 2,818.7	$ 3,431.8

Years ended December 31, 2002, 2001 and 2000
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15. LONG-TERM DEBT (continued)

	Effective interest rate as at December 31, 2002	Years of maturity	2002	2001
Sub-total long-term debt, balance brought forward			**$ 2,818.7**	$ 3,431.8
Quebecor Media Inc. (ii)				
Credit facility (xiii)	4.83 to 5.50 %	2003	**429.0**	429.0
Senior Notes (xiv)	11.50 %	2011	**1,099.5**	1,112.5
Senior Discount Notes (xv)	13.75 %	2011	**291.6**	256.6
			1,820.1	1,798.1
Vidéotron ltée and its subsidiaries (ii)				
Credit facility (xvi)	4.28 to 5.00 %	2005-2009	**995.8**	1,157.3
Senior Secured First Priority Notes (xvii)	7.59 %	2007	**123.8**	130.3
			1,119.6	1,287.6
Sun Media Corporation and its subsidiaries (ii)				
Senior Bank Credit Facility (xviii)	3.80 %	2004-2005	**300.5**	337.8
Senior Subordinated Notes (xix)	8.60 %	2007	**214.6**	216.7
			515.1	554.5
TVA Group Inc. and its subsidiaries (ii)				
Revolving-term bank loan (xx)	2.81 to 4.50 %	2005	**51.2**	43.6
Other subsidiaries of Quebecor Media Inc. (ii)				
Miscellaneous debt	6.80 to 9.70 %	2003-2005	**0.6**	11.6
Total long-term debt			**6,325.3**	7,127.2
Less current portion				
Quebecor Inc.			**7.5**	7.9
Quebecor World Inc. and its subsidiaries			**60.4**	90.6
Quebecor Media Inc.			**429.0**	–
Vidéotron ltée and its subsidiaries			**86.1**	4.3
Sun Media Corporation and its subsidiaries			**60.0**	5.0
TVA Group Inc. and its subsidiaries			**–**	–
Other subsidiaries of Quebecor Media Inc.			**0.5**	5.8
			643.5	113.6
			$ 5,681.8	$ 7,013.6

Years ended December 31, 2002, 2001 and 2000
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15. LONG-TERM DEBT (continued)

(i) As at December 31, 2002, these borrowings were drawn on a bank credit facility of $201.0 million ($300.0 million as at December 31, 2001). The bank credit facility is a one-year revolving facility that can be extended on a yearly basis. In the event it would not be extended, the outstanding borrowed amounts would convert into a one-year term loan. The credit agreement governing this bank credit facility contains certain covenants, including the obligation to maintain investments in publicly traded companies having a market value of at least 200% of the borrowed amounts (including the drawn portion of the Quebecor Media Inc.'s credit facility guaranteed by the Company). The borrowed amounts bear interest at floating rates based on Bankers' Acceptance rate or bank prime rate. The bank credit facility is secured by shares owned in certain Company subsidiaries.

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

(iii) In April 2002, Quebecor World Inc. restructured its existing revolving bank facility of US$1.0 billion composed of three tranches. The first and second tranches of US$250.0 million each mature in 2005, while the third tranche of US$500.0 million matures in 2007. All tranches are fully revolving until their maturity dates. Quebecor World Inc. paid fees on the unused portion of US$1.0 million in 2002 (US$0.9 million in 2001). The credit agreement contains certain restrictions, including the obligation to maintain certain financial ratios. The facility can be used for general corporate purposes and as liquidity back-up for Quebecor World Inc.'s commercial paper program.

The revolving bank credit facility bears interest at variable rates based on the London Interbanking Offered Rate ("LIBOR") or Bankers' Acceptance rates. As at December 31, 2002, the drawings under this facility are denominated in US dollars only.

(iv) As at December 31, 2002, $156.4 million ($226.3 million as at December 31, 2001) and US$2.3 million (US$4.7 million as at December 31, 2001) of notes are outstanding under the commercial paper program, bearing interest between 2.85% to 3.30% for the tranche in Canadian dollars and 1.86% for the tranche in US dollars. The program limit is US$350.0 million. As at December 31, 2002, the commercial paper program was classified as long-term, since Quebecor World Inc. has the ability and intent to maintain such debt on a long-term basis, and has long-term bank facilities available (see 15(iii)) to replace such debt, if necessary. Included in the outstanding balance is an amount of $10.0 million held by Quebecor Media Inc. and is presented in the balance sheet as a temporary investment.

(v) The Senior Notes mature on November 15, 2008, and are redeemable at the option of Quebecor World Inc. at a decreasing premium between November 2003 and November 2006, and thereafter, at par value until their final maturity. The notes were issued by World Color Press, Inc. ("WCP") for an original aggregate principal of US$300.0 million. They were subsequently revalued in order to reflect their fair value at the time WCP was acquired, based on Quebecor World Inc.'s borrowing rate for similar financial instruments. During 2000, Quebecor World Inc. repurchased US$42.4 million at face value thereof on the open market. The aggregate principal amount of the notes, as at December 31, 2002, is US$257.6 million (US$257.6 million as at December 31, 2001). In August 2001, Quebecor World Inc. obtained the consent of the noteholders to have the restrictions on the Notes generally conform with the Quebecor World Inc.'s other Senior Debentures. At the same time, the Notes, which were Senior Subordinate Notes, became Senior Notes.

(vi) The Senior Notes mature on February 15, 2009. The aggregate principal amount of the notes is US$300.0 million as at December 31, 2002 ($300.0 million as at December 31, 2001) and the notes are redeemable at the option of Quebecor World Inc. at a decreasing premium between February 2004 and February 2007, and thereafter, at par value until their final maturity. The notes were issued by WCP and revalued in order to reflect their fair value at the time WCP was acquired based on Quebecor World Inc.'s borrowing rate for similar financial instruments. In August 2001, Quebecor World Inc. obtained the consent of the noteholders to have the restrictions on the Notes generally conform with Quebecor World Inc.'s other Senior Debentures. At the same time, the Notes, which were Senior Subordinate Notes, became Senior Notes.

(vii) These debentures are repayable in US dollars and mature on January 15, 2007.

(viii) These debentures mature on August 1, 2027 and are redeemable in US dollar at the option of the holder at their par value on August 1, 2004.

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

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

(xi) In March 2001, Quebecor World Inc. issued Senior Notes for a principal amount of US$250.0 million maturing in March 2006. A US$33.0 million portion of the Notes bears a floating interest rate, but this has been swapped to fixe it at the same rate as the coupon on the fixed-rate portion (see note 25 (a) (ii)). These Notes contain certain restrictions which are generally less restrictive than those on the revolving bank facility.

(xii) Other debts and capital leases are partially secured by assets. In addition, a $59.0 million portion ($61.4 million in 2001) is repayable in euro, a $29.5 million portion ($29.9 million as at December 31, 2001) is repayable in British pounds and a $7.7 million portion ($8.1 million in 2001) is repayable in Swedish krona.

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15. LONG-TERM DEBT (continued)

(xiii) The credit facility of $579.0 million is composed of three tranches: (a) a credit facility of $100.0 million to support cross-currency swap arrangements; (b) a credit facility of $50.0 million for general liquidity purposes; (c) a $429.0 million term loan. Credits facilities (a) and (b) are secured by a first ranking moveable hypothec on all tangible and intangible assets, current and future, of Quebecor Media Inc., and are one-year revolving facilities. Should they not be extended, the outstanding borrowed amounts would be converted into a one-year term loan. Credit (c) is secured by Vidéotron Télécom ltée's shares, Business Telecommunications segment, and by temporary investments for a value of $0.4 million. The credit facility in aggregate is secured by Quebecor Media Inc.'s shareholders. The borrowed amounts bear interest at floating rates based on Bankers' Acceptance rate or bank prime rate.

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

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

(xvi) The credit facility, bearing interest at Bankers' Acceptance rates plus a premium based on certain financial ratios, is secured by a first ranking hypothec on the universality of all tangible and intangible assets, current and future, of Vidéotron ltée and its subsidiaries (with some restrictions regarding CF Cable TV Inc. and its subsidiaries' assets) and of Le SuperClub Vidéotron ltée. The credit facility is composed of the following credits:

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

(b) Term Facility A, for a maximum amount of $737.0 million, decreasing quarterly starting on March 1, 2003, until maturity on December 1, 2008;

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

As at December 31, 2002, the outstanding balances include Bankers' Acceptance based-advances of $629.4 million ($734.9 million as at December 31, 2001), prime rate based advances of $1.4 million ($1.1 million as at December 31, 2001) and LIBOR-based advances of US$231.4 million (US$263.7 million as at December 31, 2001).

The credit facility requires Vidéotron ltée to make mandatory repayments based, on an excess cash flow formula whereby 50% of this excess, calculated on a quarterly basis, has to be remitted until December 31, 2002. The estimated last repayment of the excess cash flow for the last quarter of 2002 is estimated at $8.5 million. In 2003, and thereafter, the portion of the excess cash flow that has to be remitted with be based on Vidéotron ltée leverage ratio.

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

(xvii) The Senior Secured First Priority Notes are recorded at their fair value of US$75.6 million (US$77.8 million as at December 31, 2001), calculated on the effective interest rate at the acquisition date. The Notes are redeemable at the option of Vidéotron ltée on or after July 15, 2005 at 100% of the principal amount. In May 2002, Vidéotron ltée repurchased US$2.2 million of these notes for cancellation. These Notes, together with Vidéotron ltée credit facility, to the extend permited under the Notes Trust Indenture, are secured by first ranking hypothecs on substantially all of the assets of CF Cable TV Inc. and certain of its subsidiaries.

(xviii) The Senior Bank Credit Facility ("credit facility") is comprised of a revolving credit facility of $75.0 million maturing in March 2003, and a term reducing loan maturing in 2005. The revolving credit facility was used for an amount of $0.3 million as at December 31, 2002 ($1.1 million as at December 31, 2001) while the term reducing loan was used for an amount of $300.2 million as at December 31, 2002 ($336.7 million as at December 31, 2001). The revolving credit facility may be extended for an additional 364-day period. If is not extended, any amount borrowed under the credit facility would be converted into a one-year term credit maturing in March 2004. Sun Media Corporation may borrow at interest rates based on Banker's Acceptance and/or bank prime plus an applicable margin (the "margin"), with the margin tied to financial ratios. The credit facility is collateralized by liens on all of the property and assets of Sun Media Corporation and its operating subsidiaries, now owned or hereafter acquired. The credit facility contains certain restrictions, including the obligation to maintain certain financial ratios.

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

As at December 31, 2002, the outstanding principal amount was US$97.5 million and US$53.5 million, respectively (US$97.5 million and US$53.5 million, respectively as at December 31, 2001). The Notes were recorded at their fair market value on January 7, 1999, which was determined based on quoted market prices and the fair value of the Sun Media Corporation's related financial instruments. The difference between the fair market value and the principal amount in Canadian dollars is being amortized over the term of the Notes. As at December 31, 2002, the unamortized balance of the premium was $8.9 million ($11.1 million as at December 31, 2001).

Years ended December 31, 2002, 2001 and 2000
(in millions of Canadian dollars, except per share data)

15. LONG-TERM DEBT (continued)

(xx) The credit agreement consists of a revolving-term bank loan of a maximum of $135.0 million ($90.0 million as at December 31, 2001), which bears interest at the prime rate of a Canadian chartered bank and Bankers' acceptances rate plus a variable margin depending on the ratio of total debt to cash flow. As at December 31, 2002, the outstanding balances include $44.8 million of Bankers' Acceptance bearing interest at 2.81% and $6.4 million of credit line bearing interest at 4.0%. The revolving-term bank loan is secured by a hypothec of $230.0 million ($120.0 million as at December 31, 2001) on the universality of TVA Group Inc.'s moveable and immovable, tangible and intangible, current and future property. The credit facility contains certain restriction, including the obligation to maintain certain financial ratios. In addition, TVA Group Inc. is limited with regard to amounts for the acquisition of fixed assets, investments, dividends and other payments to shareholders. This credit agreement matures on February 11, 2005.

On December 31, 2002, the Company and its subsidiaries were not in default on any debt covenants.

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

2003	$ 643.5
2004	355.9
2005	343.0
2006	556.6
2007	945.5
2008 and thereafter	3,480.8

16. EXCHANGEABLE DEBENTURES

	Effective interest rate as at December 31, 2002	Years of maturity	**2002**	2001
Series 2001 (i)	3.75 %	2026	**$ 425.0**	$ 425.0
Abitibi (ii)	4.73 %	2026	**554.9**	554.9
			$ 979.9	$ 979.9

(i) Each floating rate debenture, Series 2001, with a principal amount of $1,000, is exchangeable for 29.41 Subordinate Voting Shares of Quebecor World Inc. presently held by the Company, or 12.5 million Subordinate Shares in total (the "underlying shares"). The debentures are secured by the underlying shares and may be exchanged at the option of the holder, at any time, for the underlying shares at the fixed conversion ratio. The Company may, at its option, satisfy its obligation by payment of a cash amount equal to the fair value of the underlying shares at the time of the request. As at December 31, 2002, the market value of the underlying shares was $35.00 per share ($35.16 per share as at December 31, 2001). Redemption of the debentures before 10 years from the date of issuance may trigger a penalty for the initiator. These debentures bear interest, payable semi-annualy, at a rate of 1.5% plus a floating percentage based on the rate of dividends on the underlying shares. Had the debentures been reimbursed by the underlying shares as at December 31, 2002, Quebecor Inc.'s interest in Quebecor World Inc. would have decreased from 33.24% to 24.38% (38.32% to 29.40% as at December 31, 2001). Cash and cash equivalents held in trust as at December 31, 2002, include an amount of $8.0 million related to the interest payment on this debenture.

(ii) Each floating rate debenture, the Abitibi Debentures, with a principal amount of $1,000 is exchangeable for 80.8 common shares of Abitibi-Consolidated Inc. presently held by the Company, or 44,821,024 common shares in total (the "underlying shares"). The debentures are secured by the underlying shares and may be exchanged at the option of the holder, at any time, for the underlying shares at the fixed conversion ratio. The Company may, at its option, satisfy its obligation by payment of a cash amount equal to the fair value of the underlying shares at time of the request. As at December 31, 2002, the market value of the underlying shares was $12.10 per share ($11.40 per share as at December 31, 2001). Redemption of the debentures before 10 years from the date of issuance may trigger a penalty for the initiator. These debentures bear interest, payable quarterly, at a rate of 1.5%, plus a floating percentage based on the rate of dividends on the underlying shares. Cash and cash equivalents held in trust, as at December 31, 2002, include an amount of $6.8 million related to the interest payment on this debenture.

Years ended December 31, 2002, 2001 and 2000
(in millions of Canadian dollars, except per share data)

17. REDEEMABLE PREFERRED SHARES

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

18. CONVERTIBLE NOTES

	Maturity	2002	2001
Convertible Senior Subordinated Notes of a subsidiary, 6.0% (a)	2007	**$ 171.1**	$ 170.6
Convertible Subordinated Debentures 7.0% (b)	2004	**9.4**	9.6
		$ 180.5	$ 180.2

(a) The Convertible Senior Subordinated notes mature on October 1, 2007. The notes were issued by WCP and revalued in order to reflect their fair value at the time WCP was acquired, based on Quebecor World Inc.'s borrowing rate for similar financial instruments. The equity component of the notes, which corresponds to the option of the holder to convert the notes into equity shares of Quebecor World Inc., was valued at the date of acquisition and classified as a non-controlling interest. Since the acquisition of WCP by Quebecor World Inc., each US$1,000 tranche is convertible into 30.5884 Subordinate Voting Shares of Quebecor World Inc., which corresponds to a price of US$26.24 per share and US$197.25 in cash. The notes are convertible at the option of the holder at any time, and redeemable at the option of Quebecor World Inc. at a decreasing premium from October 2000 to final maturity. Certain conditions apply to a redemption between October 2000 and October 2002. Pursuant to the terms of the convertible notes, Quebecor World Inc. repurchased US$7.6 million of the notes in 1999 following a tender offer at par for 100% of the face value of US$151.8 million. Quebecor World Inc. subsequently repurchased notes for the principal amount of US$24.7 million on the open market in 2000. The aggregate principal amount of the notes, as at December 31, 2002, is US$119.5 million (US$119.5 million as at December 31, 2001). The number of equity shares of Quebecor World Inc. to be issued upon conversion of the convertible notes would be 3,656,201, and Quebecor Inc.'s interest would decrease from 33.24% to 32.40% (38.32% to 37.34% as at December 31, 2001).

(b) In March 2001, a subsidiary of Quebecor World Inc. issued Convertible Subordinated Debentures maturing in May 2004. These debentures are convertible in Subordinate Voting Shares of Quebecor World Inc. at a conversion price of US$25.00. The debentures are not redeemable prior to maturity. The aggregate principal of the debentures as at December 31, 2002 and 2001 is US$6.0 million. The number of equity shares to be issued upon conversion of the debentures would be 240,000 shares of Quebecor World Inc.

19. OTHER LIABILITIES

	2002	2001
Pension plan liability	**$ 103.0**	$ 115.6
Postretirement benefits	**135.7**	142.8
Reserve for unfavourable leases acquired	**55.9**	67.3
Workers' compensation accrual	**25.6**	38.2
Reserve for environmental matters	**28.7**	26.7
Other	**66.2**	58.0
	$ 415.1	$ 448.6

Years ended December 31, 2002, 2001 and 2000
(in millions of Canadian dollars, except per share data)

20. NON-CONTROLLING INTEREST

Non-controlling interest includes the interest of non-controlling shareholders in the participating shares of Quebecor Inc.'s subsidiaries. As at December 31, 2002, the most significant non-controlling interests were as follows:

Subsidiary	Segment	Non-controlling interest
Quebecor World Inc.	Printing	66.76 %
Quebecor Media Inc.	Cable Television, Newspapers, Broadcasting, Leisure and Entertainment, Business Telecommunications, Web Integration/Technology and Internet/Portals	45.28 %
TVA Group Inc. [1]	Broadcasting	63.90 %
Nurun Inc. [1]	Web Integration/Technology	41.24 %
Netgraphe Inc. [1]	Internet/Portals	24.82 %

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

21. CAPITAL STOCK

(a) Authorized capital stock

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

An unlimited number of B shares, convertible into A shares on a one-for-one basis only if a takeover bid regarding A shares is made to holders of A shares without being made concurrently and under the same terms to holders of B shares.

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

(b) Issued capital stock

	A shares		B shares	
	Number	Amount	Number	Amount
Balance as at December 31, 2000	24,052,683	$ 10.7	40,573,439	$ 337.8
A shares converted into B shares	(548,014)	(0.2)	548,014	0.2
Balance as at December 31, 2001	23,504,669	10.5	41,121,453	338.0
A shares converted into B shares	(380,799)	(0.2)	380,799	0.2
Balance as at December 31, 2002	23,123,870	$ 10.3	41,502,252	$ 338.2

Years ended December 31, 2002, 2001 and 2000
(in millions of Canadian dollars, except per share data)

22. SHARE PURCHASE PLANS

(a) Quebecor Inc.'s stock option plan

Under a stock option plan established by Quebecor Inc., 6,202,612 B shares have been set aside for officers, senior employees and other key employees of the Company. The exercise price of each option is equal to the weighted average transaction price of B shares on the Toronto Stock Exchange in the five days preceding the grant. Each option may be exercised during a period not exceeding ten years from the date granted. Options usually vest as follows: 1/3 after one year, 2/3 after two years and 100% three years after the original grant. The Board of Directors may, at its discretion, affix different vesting periods at the time of each grant.

The following table gives details on changes to outstanding options for the years ended December 31, 2002 and 2001:

	2002		2001	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Balance at beginning of year	**1,588,849**	**$ 32.43**	1,442,849	$ 33.38
Granted	**205,000**	**20.51**	246,000	26.05
Exercised	**–**	**–**	(15,000)	17.85
Cancelled	**(43,000)**	**35.10**	(85,000)	32.71
Balance at end of year	**1,750,849**	**$ 30.97**	1,588,849	$ 32.43
Vested options at end of year	**1,270,182**	**$ 33.02**	780,732	$ 33.35

The following table gives summary information on outstanding options as at December 31, 2002:

		Outstanding options			**Vested options**
Range of exercise price	**Number**	**Weighted average years to maturity**	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
$ 15 to 20	**27,500**	**1.6 year**	**$ 17.85**	**27,500**	**$ 17.85**
20 to 25	**205,000**	**9.1 years**	**20.51**	**–**	**–**
25 to 30	**211,000**	**8.2 years**	**26.01**	**78,667**	**26.01**
30 to 35	**987,349**	**6.9 years**	**32.52**	**850,682**	**32.63**
35 to 40	**300,000**	**6.7 years**	**36.97**	**300,000**	**36.97**
40 to 45	**20,000**	**7.3 years**	**41.89**	**13,333**	**41.89**
$ 15 to 45	**1,750,849**	**7.1 years**	**$ 30.97**	**1,270,182**	**$ 33.02**

For the year ended December 31, 2002, a charge reversal of $0.1 million (charge reversals of $0.3 million and $1.8 million, respectively as at December 31, 2001 and 2000) relative to the plan was included under "Selling and administrative expenses" in the consolidated statement of income.

Years ended December 31, 2002, 2001 and 2000
(in millions of Canadian dollars, except per share data)

22. SHARE PURCHASE PLANS (continued)

(b) Quebecor World Inc.'s plans

(i) Employee share plans

The Employee Stock Purchase Plan gives eligible Quebecor World Inc. employees in the United States the opportunity to acquire shares of Quebecor World Inc.'s capital stock for up to 4% of their gross salary and to have Quebecor World Inc. contribute, on the employees' behalf, a further amount equal to 17.5% of the total amount invested by the employee. The number of Quebecor World Inc. shares that may be issued and sold under this plan is limited to 2,000,000 Subordinate Voting Shares of Quebecor World Inc., subject to adjustments in the event of stock dividends, stock splits or similar events. At December 31, 2002, 6,199 employees (6,372 as at December 31, 2001) were participating in this plan. The total number of plan shares issued on behalf of employees, including Quebecor World Inc.'s contribution, was 468,267 in 2002, (270,843 in 2001), which represents compensation expenses amounting to US$1.6 million in 2002 (US$1.0 million in 2001 and US$1.0 million in 2000).

The Employee Share Investment Plan gives eligible Quebecor World Inc. employees in Canada the opportunity to subscribe for up to 4% of their gross salary to purchase shares of Quebecor World Inc.'s capital stock and to have Quebecor World Inc. invest, on the employee's behalf, a further 20% of the amount invested by the employee. The number of Quebecor World Inc. shares that may be issued and sold under this plan is limited to 3,000,000 Subordinate Voting Shares of Quebecor World Inc., subject to adjustments in the event of stock dividends, stock splits or similar events. At December 31, 2002, 2,249 employees (2,072 as at December 31, 2001) were participating in this plan. The total number of shares issued on behalf of employees under this plan, including Quebecor World Inc.'s contribution, was 117,162 in 2002, (120,494 in 2001 and 121,975 in 2000), which represents compensation expenses amounting to US$0.4 million in 2002 (US$0.4 million in 2001 and US$0.3 million in 2000).

(ii) Stock option plans

A total of 7,602,049 Subordinate Voting Shares of Quebecor World Inc. has been reserved for participants in the stock option plans. As at December 31, 2002, the number of Subordinate Voting Shares of Quebecor World Inc. related to stock options outstanding was 3,525,376. The subscription price is equal to the share market price at the date the options are granted. The options may be exercised during a period not exceeding ten years from the date granted.

The number of stock options outstanding has fluctuated as follows:

	2002			2001		
	Options		**Weighted average exercise price**	Options		Weighted average exercise price
Balance, beginning of year	**4,563,330**	**US$**	**20.07**	4,297,478	US$	19.73
Issued	**474,321**		**22.51**	651,276		22.01
Exercised	**(525,069)**		**16.77**	(385,424)		12.91
Cancelled	**(987,206)**		**22.33**	–		–
Balance, end of year	**3,525,376**	**US$**	**20.42**	4,563,330	US$	20.07
Options exercisable, end of year	**1,271,529**	**US$**	**19.54**	2,444,969	US$	19.05

Years ended December 31, 2002, 2001 and 2000
(in millions of Canadian dollars, except earnings per share data)

22. SHARE PURCHASE PLANS (continued)

(b) Quebecor World Inc.'s plans (continued)

The following table summarizes information on stock options outstanding and exercisable at December 31, 2002:

	Outstanding options			Vested options	
Range of exercise price	Number	Weighted average years to maturity	Weighted average exercise price	Number	Weighted average exercise price
US$ 9 to 12	60,004	1.77 year	US$ 10.50	60,004	US$ 10.50
12 to 15	31,992	1.15 year	13.21	31,992	13.21
15 to 18	752,707	5.15 years	16.71	326,753	16.36
18 to 21	647,760	6.17 years	20.49	249,521	20.52
21 to 24	2,032,913	7.72 years	22.17	603,259	22.09
US$ 9 to 24	3,525,376	6.89 years	US$ 20.42	1,271,529	US$ 19.54

Had the exercisable options been exercised as at December 31, 2002, Quebecor Inc.'s interest in Quebecor World Inc. would have decreased from 33.24% to 32.94%.

(c) Quebecor Media Inc.'s stock option plan

Under a stock option plan initiated by Quebecor Media Inc., 433,000,000 common shares of Quebecor Media Inc. were set aside for officers, senior employees and other key employees of Quebecor Media Inc. and its subsidiaries. Each option may be exercised within a maximum period of ten years following the date of grant at an exercise price not lower than, as the case may be, the fair market value, at the date of grant, of the Common Shares of Quebecor Media Inc., as determined by the Board of Directors of Quebecor Media Inc. (if the Common Shares of Quebecor Media Inc. are not listed on a stock exchange at the time of the grant) or the trading price of the Common Shares of Quebecor Media Inc. on the stock exchanges where such shares are listed at the time of the grant. Unless authorized by the Compensation Committee of Quebecor Media Inc. for a change in control transaction, no options may be exercised by an optionee if the shares of Quebecor Media Inc. have not been listed on a recognized stock exchange. At December 31, 2007, if the shares of Quebecor Media Inc. have not been so listed, optionees will have until January 31, 2008 to exercise their right to receive the difference between the fair market value and the exercise price of the options in cash. Except under specific circumstances and unless the Compensation Committee of Quebecor Media Inc. decides otherwise, options vest over a five-year period in accordance with one of the following vesting schedules as determined by the Compensation Committee of Quebecor Media Inc. 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 the grant, and (iii) equally over three years with the first 33% vesting on the third anniversary of the date of the grant. All options outstanding as of December 31, 2002, were granted to senior executive officers of Quebecor Media Inc. and its subsidiaries during the year ended December 31, 2002. No options were vested at the end of the period. During the year ended December 31, 2002, 584,400 options, at an exercised price of $0.231 were cancelled.

The following table gives summary information on outstanding options granted as at December 31, 2002:

	Outstanding options	
Exercise price	Number	Weighted average years to maturity
$ 0.231	143,598,300	9.27 years
0.238	987,400	9.32 years
0.311	5,096,400	9.23 years
$ 0.234	149,682,100	9.27 years

For the year ended December 31, 2002, no charge related to the plan was included in net income, since the exercise price of the options was higher than the fair market value of Quebecor Media Inc.'s shares, as determined by the Board of Directors of Quebecor Media Inc.

Years ended December 31, 2002, 2001 and 2000
(in millions of Canadian dollars, except per share data)

22. SHARE PURCHASE PLANS (continued)

(d) TVA Group Inc.'s plans

(i) Executive Class B stock option plan

In October 1999, TVA Group Inc. introduced a new stock option plan for the benefit of certain designated executives of TVA Group Inc. and its subsidiaries. Under the terms of the plan, the granting, terms and conditions of options granted are determined by TVA Group Inc.'s Corporate Governance and Human Resources Committee. However, the subscription price of each Class B share under an option cannot be less than the closing price on the stock market the day before the option is granted. Moreover, the duration of the option cannot exceed 10 years. A maximum of 1,400,000 shares of TVA Group Inc. will be reserved for purposes of the plan. During the year ended December 31, 2002, TVA Group Inc. did not grant any Class B stock options (none in 2001) whose exercise depends on the performance of the Class B share price on the stock market over periods running until 2010 ("performance options"). In addition, TVA Group Inc. granted 60,000 stock options (110,000 stock options in 2001) exercisable on the basis of 25% of the shares involved annually ("conventional options"), as of the second anniversary of their granting date.

As at December 31, 2002, they were 347,050 conventional options and 50,000 performance options outstanding. Of these outstanding options, 219,550 conventional options and 50,000 performance options were exercisable at December 31, 2002. The weighted average exercise price of these options was $15.69 and $18.85 respectively as at December 31, 2002. Moreover, when the conditions are met, a maximum of 200,000 additional TVA Group Inc. Class B stock options will be granted on different dates until 2010 at exercise prices set at the time of granting.

(ii) Class B stock option plan for executives and employees

In 1998, TVA Group Inc. introduced a stock option plan setting aside 750,000 TVA Group Inc. Class B shares for its executives and employees. Under the plan, participants can acquire shares on certain terms related to their salary. The shares can be acquired at a price equal to 90% of the average closing market price of TVA Group Inc. Class B shares. The plans also provide financing terms at no interest. During the year ended December 31, 2002, no Class B shares (none in 2001) were issued under the plan. The remaining balance that may be granted is 562,396 TVA Group Inc. Class B shares as at December 31, 2002 and 2001.

(iii) Deferred share unit plan

In 2000, TVA Group Inc. introduced a long-term profit sharing plan for certain members of senior management of TVA Group Inc. The deferred share units are redeemable (in cash or in shares of TVA Group Inc. or in a combination of cash and shares) only on discontinuance of a participant's job. Under this plan, the maximum number of TVA Group Inc. shares that can be issued is 25,000. During the year ended December 31, 2002, TVA Group Inc. did not issue any units (none in 2001).

Had the exercisable options been exercised as at December 31, 2002, Quebecor Media Inc.'s interest in TVA Group Inc. would have decreased from 36.10% to 35.81%.

(e) Nurun Inc.'s stock based compensation plan

Under a stock option plan, 3,237,992 Common Shares of Nurun inc. have been set aside for senior management, senior executives and other key employees of Nurun inc. The term of each option, the number of shares included, as well as the authorized frequency at which options may be exercised, will be determined by the Compensation Committee of the Board of Directors of Nurun inc. These options expire no later than 10 years after their date of grant. These options can generally be exercised on a basis of 25% per year over a period of four years.

As at December 31, 2002 and 2001, there were, respectively 634,950 and 556,616 options outstanding. Of the outstanding options, 186,050 and 136,653 options were exercisable at December 31, 2002 and 2001, respectively. The weighted average exercise price of these options was of $13.78 and $22.42, respectively as at December 31, 2002 and 2001.

Had the exercisable options been exercised as at December 31, 2002, Quebecor Media Inc.'s interest in Nurun Inc. would have decreased from 58.76% to 58.44%.

(f) Mindready Solutions Inc.'s stock-based compensation plan

Under a stock option plan approved on June 30, 2000, Mindready Solutions Inc. can grant stock options to its senior managers, senior executives, directors, other key employees and consulting services firm. The term of each option, the number of shares included, as well as the authorized frequency at which options may be exercised, will be determined by the Compensation Committee of the Board of Directors of Mindready Solutions Inc. According to the terms of the plan, a total of 1,000,000 Subordinated Shares can be granted.

These options expire no later than 10 years after their date of grant. These options can generally be exercised on a basis of 25% per year over a period of four years. All these options are non-seizable.

As at December 31, 2002 and 2001, there were respectively, 316,341 and 624,650 options outstanding. Of the outstanding options, 120,739 and 90,992 options were exercisable at December 31, 2002 and 2001 respectively. The weighted average exercise price of these options was $8.12 and $8.73 respectively, as at December 31, 2002 and 2001.

Had the exercisable options been exercised as at December 31, 2002, Nurun's interest in Mindready Solutions Inc. would have decreased from 66.67% to 66.01%.

Years ended December 31, 2002, 2001 and 2000
(in millions of Canadian dollars, except per share data)

22. SHARE PURCHASE PLANS (continued)

(g) Netgraphe Inc.'s stock option plan

Netgraphe Inc.'s stock option plan was created for the benefit of Netgraphe Inc. directors, managers, employees and persons or companies hired to provide ongoing management or consulting services to Netgraphe Inc. and its subsidiaries. According to this plan, Netgraphe Inc. can grant stock options for up to 9,193,267 Netgraphe Inc. Subordinated Voting Shares. The purchase price of shares acquired through options granted under the plan cannot be less than the highest closing price of Netgraphe's shares the day prior to the grant date on any stock exchange where Netgraphe Inc. shares are traded. The options cannot be exercised more than six years after the grant date. Options can be exercised within a range of 10% to 40% per year. The Board of Directors of Netgraphe Inc. may, at its discretion, determine other exercise terms and conditions at the time of granting the options.

The Board of Directors of Netgraphe Inc. may, at its sole discretion, determine the number of options granted to each holder. However, a holder may not have options for more than 5% of Netgraphe Inc.'s issued shares. Moreover, the maximum number of shares that can be issued under the plan to Netgraphe Inc.'s insiders within a one-year period is 10% of Netgraphe Inc.'s issued shares.

As at December 31, 2002 and 2001, there were respectively, 278,109 and 682,829 options outstanding. Of the outstanding options, 200,939 and 311,914 options were exercisable as at December 31, 2002 and 2001, respectively. The weighted average exercise price of these options was of $9.90 and $5.49, respectively, as at December 31, 2002 and 2001.

Had the exercisable options been exercised as at December 31, 2002, Quebecor Media Inc.'s interest in Netgraphe Inc. would have decreased from 75.18% to 75.11%.

(h) Pro forma net income

Had compensation costs for stock option plans been determined based on the fair value at the grant date for 2002 awards under the terms of all plans, the Company's net income would had been adjusted to the pro forma amounts indicated below for the year ended December 31, 2002.

		2002
Pro forma net income	$	91.5
Pro forma earnings per share		
Basic	$	1.42
Diluted	$	1.38

The pro forma disclosure omits the effect of awards granted before January 1, 2002.

23. TRANSLATION ADJUSTMENT

		2002		2001
Balance at beginning of year	$	62.0	$	15.8
Effect of exchange rate variation on translation of net assets of self-sustaining foreign operations		2.2		48.0
Portion included in income as a result of reductions in net investments in self-sustaining foreign operations		(7.8)		(1.8)
Balance at end of year	$	56.4	$	62.0

Years ended December 31, 2002, 2001 and 2000
(in millions of Canadian dollars, except per share data)

24. COMMITMENTS AND CONTINGENCIES

(a) Leases

The Company rents premises and equipment under operating leases which expire at various dates up to 2027 and for which minimum lease payments totaled $934.2 million. Minimum payments under these leases for the next years are as follows:

2003	$ 195.2
2004	161.0
2005	139.3
2006	115.1
2007	89.5
2008 and thereafter	234.1

Operating leases rentals amounted to $235.1 million, $175.7 million and $189.7 million for the years ended December 31, 2002, 2001 and 2000, respectively.

(b) Long-term agreement

Newsprint represents a significant input and component of operating costs for the Newspapers segment. The Company uses several newsprint manufacturers to supply its requirements, and has entered into a long-term agreement with one company to supply the majority of its newsprint purchases up to December 2005. The Company's annual minimum purchase requirement under the agreement is approximately 125,400 tonnes of newsprint.

(c) Other commitments

The Broadcasting segment made a commitment to invest $48.9 million over an eight-year period in the Canadian TV industry and in the Canadian communications industry to promote TV content and the development of communications. As at December 31, 2002, the balance to be invested amounted to $45.6 million.

(d) Equipment

As at December 31, 2002, Quebecor World Inc. had commitments to purchase equipment valued at approximately US$11.9 million representing the Canadian equivalent of $18.7 million.

(e) Environment

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

(f) Business acquisitions

In September 2002, TVA Group Inc.'s, Broadcasting segment, and one of its partners signed a 60%/40% agreement to purchase, subject to CRTC approval, some radio broadcasting stations from Astral Media Inc. The transaction, which amounts to $12.8 million, is subject to the approval of the CRTC.

Also, in September 2002, Quebecor World Inc.'s Printing segment signed a binding agreement to purchase, in September 2004, the remaining 50% of Hélio Charleroi of Belgium, a subsidiary of European Graphic Group S.A. The transaction should amount to 24.9 million euro, adjusted by a contingent consideration based on achieving a specific performance level over the period ending September 2004.

(g) Contingencies

On March 13, 2002, legal action proceeding were initiated by Investissement Novacap inc., Telus Québec inc. and Paul Girard against Vidéotron ltée. The suit contends that Vidéotron ltée did not respect its commitment related to a stock purchase agreement signed in August 2000. The plaintiffs are requesting compensation totaling $26.0 million. Vidéotron ltée management claims the suit is not justified and intends to defend its case before the Court.

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

Years ended December 31, 2002, 2001 and 2000
(in millions of Canadian dollars, except per share data)

25. FINANCIAL INSTRUMENTS

The Company has operations in, and exports its products to several countries and is therefore exposed to risks related to foreign exchange fluctuation and also subject to risks related to interest rate fluctuations. To reduce these risks, Quebecor Inc. and its subsidiaries make a portion of their borrowings in foreign currencies and use derivative financial instruments. None of these instruments are held or issued for speculative purposes.

(a) Description of derivative financial instruments

(i) Management of foreign exchange risk

Quebecor World Inc. and its subsidiaries

Foreign exchange forward contracts:

	2002		2001	
Currencies (sold/bought)	**Average rate**	**Notional amount [1]**	Average rate	Notional amount [1]
US$ / $				
Less than 1 year	**0.6528**	**$ 182.4**	0.6981	$ 197.3
Between 1 and 3 years	**0.6269**	**222.7**	0.6526	183.8
Between 3 and 5 years	**0.6213**	**391.3**	–	–
Euro / US$				
Less than 1 year	**1.0056**	**48.0**	0.9155	37.1
SEK / US$				
Less than 1 year	**8.9200**	**20.2**	10.5615	31.2
GBP / Euro				
Less than 1 year	**0.6370**	**10.0**	0.6238	21.1
Other				
Less than 1 year	**–**	**50.0**	–	63.3

Cross-currency interest rate swaps:

	2002		2001	
Currencies (sold/bought)	**Average rate**	**Notional amount [1]**	Average rate	Notional amount [1]
Euro / US$				
Less than 1 year	**1.0760**	**$ 110.6**	1.1151	$ 81.3
Between 1 and 3 years	**1.0961**	**188.0**	1.1144	129.9
SEK / US$				
Less than 1 year	**10.5600**	**22.3**	9.8450	24.2
Between 1 and 2 years	**9.2400**	**25.4**	10.5600	22.6

[1] Exchange rates as at December 31, 2002 and 2001 were used to translate amounts in foreign currencies.

Years ended December 31, 2002, 2001 and 2000
(in millions of Canadian dollars, except per share data)

25. FINANCIAL INSTRUMENTS (continued)

(a) Description of derivative financial instruments (continued)

(i) Management of foreign exchange risk (continued)

Quebecor Media Inc. and its subsidiaries

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

		Notional amount	Annual effective interest rate	Annual nominal interest rate	Exchange rate of interest and capital payments per CDN dollar for one US dollar
Quebecor Media Inc.					
Senior Notes	US$	715.0	12.3 %	11.9 %	1.5255
Senior Discounted Notes	US$	295.0	14.6 %	14.6 %	1.5822 [1]
Vidéotron ltée and its subsidiaries					
Term Credit B	US$	231.4	Banker's acceptance 3 months plus 3.11%	Banker's acceptance 3 months plus 3.11%	1.5389
Sun Media Corporation and its subsidiaries					
Subordinated Notes	US$	118.5	9.51 %	9.50 %	1.3622
Subordinated Notes	US$	32.5	Banker's acceptance plus 2.94%	9.50 %	1.3622

[1] As per the agreement, the exchange rate includes an exchange fee.

Years ended December 31, 2002, 2001 and 2000
(in millions of Canadian dollars, except per share data)

25. FINANCIAL INSTRUMENTS (continued)

(a) Description of derivative financial instruments (continued)

(ii) Management of interest rate risk

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

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

Maturity	Notional amount		Pay/receive	Fixed rate	Floating rate
Quebecor World Inc. and its subsidiaries					
Less than 1 year	US$	550.0	Pay fixed/ receive floating	1.67 to 5.30 %	LIBOR 1 month/ LIBOR 3 months
Between 1 and 4 years	US$	33.0	Pay fixed/ receive floating	7.20 %	LIBOR 3 months plus 1.36 %
Quebecor Media Inc.					
February 2003	$	100.0	Pay fixed/ receive floating	2.65 %	Banker's acceptance 3 months
Vidéotron ltée and its subsidiaries					
March 2005	$	135.0	Pay fixed/ receive floating	4.01 to 5.05 %	Banker's acceptance 3 months
May 2004	$	90.0	Pay fixed/ receive floating	5.49 %	Banker's acceptance 3 months
May 2006	$	90.0	Pay fixed/ receive floating	5.41 %	Banker's acceptance 3 months

Years ended December 31, 2002, 2001 and 2000
(in millions of Canadian dollars, except per share data)

25. FINANCIAL INSTRUMENTS (continued)

(b) Fair value of financial instruments

The carrying amount of cash and cash equivalents, accounts receivable and accounts payable and accrued charges approximate their fair values as these items will be realized or paid within one year.

Financial instruments with a fair value different than their carrying amount as at December 31, 2002 and 2001 are as follows:

	2002		2001	
	Carrying value	**Fair value**	Carrying value	Fair value
Quebecor Inc.				
Long-term debt [1]	$ (139.4)	$ (139.4)	$ (221.3)	$ (221.3)
Exchangeable debentures	(979.9)	(979.8)	(979.9)	(950.5)
Quebecor World Inc. and its subsidiaries				
Long-term debt [1]	(2,679.3)	(2,921.6)	(3,210.5)	(3,297.9)
Convertible notes [1]	(180.5)	(194.3)	(180.2)	(190.0)
Interest rate swap agreements	–	(12.9)	–	(18.6)
Foreign forward exchange contracts	–	(14.0)	–	(27.8)
Cross-currency interest rate swap agreements	–	(46.6)	–	4.8
Commodity swaps	–	–	–	(2.7)
Quebecor Inc.				
Long-term debt [1]	(1,820.1)	(1,706.8)	(1,798.1)	(1,915.6)
Cross-currency interest rate swap agreements	39.0	103.4	55.0	(20.6)
Interest rate swap agreements	–	0.1	–	–
Vidéotron ltée and its subsidiaries				
Long-term debt [1]	(1,119.6)	(1,121.7)	(1,287.6)	(1,291.5)
Cross-currency swap agreement	8.9	8.3	15.3	11.2
Interest rate swap agreement	–	(13.4)	–	(13.2)
Sun Media Corporation and its subsidiaries				
Long-term debt [1]	(515.1)	(543.4)	(554.5)	(582.8)
Interest rate swap agreements	–	–	–	(1.2)
Interest rate cap agreements	–	–	0.2	–
Cross-currency interest rate swap agreement	–	55.4	–	43.4

[1] Including current portion

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

(c) Commodity risk management

Quebecor World Inc.'s, Printing segment, has entered into a commodity swap to manage a portion of its Canadian natural gas exposure. Quebecor World Inc. is committed to exchange, on a monthly basis, the difference between a fixed price and a floating Canadian natural gas price index on a notional quantity of 323,000 gigajoules in total for 2003.

Years ended December 31, 2002, 2001 and 2000
(in millions of Canadian dollars, except per share data)

25. FINANCIAL INSTRUMENTS (continued)

(d) Credit risk management

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

When the Company enters into derivative financial instruments, the counterparties are international and Canadian banks with a minimum credit rating of A- by Standard & Poor's or of A3 by Moody's and are subject to concentration limits. The Company does not foresee any failure by counterparties in meeting their obligations.

The Company, in the normal course of business, continuously monitors the financial condition of its customers and reviews the credit history of each new customer. As at December 31, 2002, no customer balance represents a significant portion of the Company's consolidated trade receivables. The Company establishes an allowance for doubtful accounts that corresponds to the specific credit risk of its customers, historical trends and other information on the state of the economy.

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

26. RELATED PARTY TRANSACTIONS

During the course of 2000, the Company purchased raw materials from Donohue Inc. up to the date of control over Donohue Inc. ceased. The purchases amounted to $29.5 million. Those transactions were concluded at prices and conditions similar to those prevailing on the open market and recorded at the exchanged amount.

27. PENSION PLANS AND POSTRETIREMENT BENEFITS

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

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

The following tables give a reconciliation of the changes in the plans' benefit obligations and fair value of plan assets for the years ended December 31, 2002 and 2001, and a statement of the funded status as at those dates, except for the Printing segment for which the measurement dates were September 30, 2002 and 2001:

	Pension benefits		Postretirement benefits	
	2002	2001	**2002**	2001
Change in benefit obligations				
Benefit obligations at beginning of year	**$ 1,509.2**	$ 1,118.6	**$ 142.6**	$ 116.9
Change in measurement date	**–**	(40.9)	**–**	1.7
Service costs	**58.7**	46.3	**2.6**	2.6
Interest costs	**106.2**	92.8	**9.7**	9.7
Plan participants' contributions	**12.7**	11.0	**3.4**	3.1
Plan amendments	**17.8**	14.1	**(1.0)**	2.6
Acquisition (disposals)	**2.5**	149.3	**–**	3.2
Curtailment loss (gain)	**0.1**	1.6	**–**	(4.2)
Settlement loss	**–**	–	**–**	–
Actuarial loss	**53.3**	114.2	**30.0**	13.4
Change in assumptions	**(6.5)**	8.2	**1.0**	0.4
Benefits and settlements paid	**(115.5)**	(79.8)	**(15.2)**	(13.3)
Transfer to another plan	**–**	(1.4)	**–**	–
Foreign currency changes	**(5.1)**	75.2	**(1.4)**	6.5
Others	**(1.4)**	–	**–**	–
Benefit obligations at end of year	**$ 1,632.0**	$ 1,509.2	**$ 171.7**	$ 142.6

Years ended December 31, 2002, 2001 and 2000
(in millions of Canadian dollars, except per share data)

27. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

	Pension benefits		Postretirement benefits	
	2002	2001	**2002**	2001
Changes in plan assets				
Fair value of plan assets at beginning of year	**$ 1,104.6**	$ 1,032.2	**$ –**	$ –
Change in measurement date	**–**	73.9	**–**	–
Actual return on plan assets	**(94.8)**	(185.8)	**–**	–
Employer contributions	**49.0**	34.0	**11.6**	10.2
Plan participants' contributions	**12.7**	11.0	**3.6**	3.1
Curtailment loss	**1.1**	–	**–**	–
Acquisition	**–**	154.4	**–**	–
Benefits and settlements paid	**(115.5)**	(79.8)	**(15.2)**	(13.3)
Foreign currency changes	**(3.4)**	64.7	**–**	–
Fair value of plan assets at end of year	**$ 953.7**	$ 1,104.6	**$ –**	$ –

	Pension benefits		Postretirement benefits	
	2002	2001	**2002**	2001
Reconciliation of funded status				
Excess of benefit obligations over fair value of plan assets at end of year	**$ (678.3)**	$ (404.6)	**$ (171.7)**	$ (142.6)
Unrecognized actuarial loss (gain)	**551.8**	310.3	**42.7**	12.1
Unrecognized net transition (asset) obligation	**(8.0)**	(16.2)	**–**	0.9
Unrecognized prior service cost	**35.3**	21.4	**(3.1)**	(2.6)
Adjustment for fourth quarter contributions	**–**	6.5	**–**	2.2
Valuation allowance	**12.3**	(11.5)	**2.7**	–
Foreign currency changes	**–**	8.4	**–**	0.4
Net amount recognized	**$ (86.9)**	$ (85.7)	**$ (129.4)**	$ (129.6)

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

	Pension benefits		Postretirement benefits	
	2002	2001	**2002**	2001
Benefit obligation	**$ (1,491.3)**	$ (1,228.1)	**$ (171.7)**	$ (142.6)
Fair value of plan assets	**805.8**	796.1	**–**	–
Funded status – Plan deficit	**$ (685.5)**	$ (432.0)	**$ (171.7)**	$ (142.6)

Years ended December 31, 2002, 2001 and 2000
(in millions of Canadian dollars, except per share data)

27. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

Amounts recognized in the consolidated balance sheets are as follows:

	Pension benefits		Postretirement benefits	
	2002	2001	**2002**	2001
Accrued benefit liability	**$ (146.1)**	$ (134.0)	**$ (129.4)**	$ (129.6)
Prepaid benefit costs	**59.2**	48.3	**–**	–
Net amount recognized	**$ (86.9)**	$ (85.7)	**$ (129.4)**	$ (129.6)

Components of the net periodic benefit costs are as follows:

	Pension benefits			Postretirement benefits		
	2002	2001	2000	**2002**	2001	2000
Service costs	**$ 58.7**	$ 46.3	$ 36.5	**$ 2.6**	$ 2.6	$ 2.5
Interest costs	**106.2**	92.8	79.3	**9.7**	9.7	8.9
Expected return on plan assets	**(106.0)**	(110.0)	(92.8)	**–**	–	–
Amortization of prior service costs	**3.8**	1.1	0.3	**(1.2)**	(1.7)	–
Amortization of transitional obligations	**(0.9)**	(1.1)	(0.7)	**–**	–	–
Curtailment loss (gain)	**–**	1.8	–	**–**	(1.1)	(0.7)
Valuation allowance	**0.2**	–	(3.5)	**–**	–	–
Amortization of actuarial loss (gain)	**3.9**	(2.1)	(2.8)	**0.3**	–	–
Net periodic costs	**$ 65.9**	$ 28.8	$ 16.3	**$ 11.4**	$ 9.5	$ 10.7

The expense related to defined contribution pension plans amounts to $5.3 million in 2002 ($5.3 million in 2001 and $2.3 million in 2000).

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

	Pension benefits			Postretirement benefits		
	2002	2001	2000	**2002**	2001	2000
Discount rate	**6.7 %**	7.0 %	7.7 %	**6.8 %**	7.1 %	7.7 %
Expected return on plan assets	**8.1**	9.3	9.7	**–**	–	–
Rate of compensation increase	**3.4**	3.4	3.7	**0 to 3.3**	0 to 4.0	0 to 4.5

Years ended December 31, 2002, 2001 and 2000
(in millions of Canadian dollars, except per share data)

27. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligations was 8.8% at the end of 2002. The cost, as per an estimate, is expected to decrease gradually for the next 8 years to 5.8% and remain at that level thereafter. A one-percentage point change in the assumed health care cost trend would have the following effects:

	Postretirements benefits	
Sensitivity analysis	1 % increase	1 % decrease
Effect on service and interest costs	$ 4.5	$ (3.5)
Effect on benefit obligation	10.9	(9.2)

28. SUBSEQUENT EVENTS

(a) Reimbursement of Quebecor Media Inc.'s credit facility

Immediately after year end, using part of the cash and cash equivalents held in trust by the Company, Quebecor Media Inc. reimbursed a $216.1 million portion of its credit facility maturing in April 2003 (see note 15(xiii)).

(b) Refinancing of Sun Media Corporation

On February 7, 2003, Sun Media Corporation completed the private placement of Senior Notes amounting to US$205.0 million and the conclusion of new bank credit facilities amounting to US$ 230.0 million and $75.0 million.

The Senior Notes have been issued at a discount rate of 98.3% for net proceeds of US$201.5 million, excluding issuance fees of US$4.1 million. These Notes bear interest at a rate of 7.625% and mature in 2013. The Notes contain certain restrictions for Sun Media Corporation, including limitations on its ability to incur additional indebtedness and are not secured.

The new bank credit facility is composed of a renewable credit facility amounting to $75.0 million maturing in 2008 and a term-loan credit amounting to US$230.0 million maturing in 2009. The renewable credit facility bears interest at a rate based on Sun Media Corporation level of indebtedness. The term-loan credit bears interest at LIBOR plus 2.50%. The credit facility requires Sun Media Corporation to make mandatory annual repayments representing 1% of the borrowed sums. The credit facility is secured by a first ranking hypothec on the universality of all tangible and intangible assets, current and future, of Sun Media Corporation and its subsidiaries. The credit facility contains certain covenants such as maintaining certain financial ratios. Also, Sun Media Corporation will be limited with regard to amounts for the acquisition of fixed assets, investments, dividends and other payments to shareholders.

Net proceeds from the Senior Notes and the new credit facility will be used in order to reimburse, in its entirety, the Senior Bank Credit Facility of Sun Media Corporation within the credit facility in place at December 31, 2002, as described in note 15(xviii), to reimburse the two series of Senior Subordinated Notes in place at December 31, 2002, as described in note 15(xix) and to pay a dividend of $260.0 million to Quebecor Media Inc. Of this dividend, $150.0 million will be used to reduce the long-term debt of Vidéotron ltée.

Board of Directors

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

Charles G. Cavell
Deputy Chairman of the Board,
Quebecor World Inc.

Robert Dutton (2)
President and Chief Executive Officer,
RONA Inc.

Pierre Laurin (1)
Executive in Residence,
HEC Montréal

Raymond Lemay (1) (2)
Corporate Director

The Right Honourable Brian Mulroney, P.C., C.C., LL.D
Senior Partner,
Ogilvy Renault and
Chairman of the Board,
Quebecor World Inc.

Jean Neveu
Chairman of the Board,
Quebecor Inc. and TVA Group Inc. and
President and Chief Executive Officer (interim),
Quebecor World Inc.

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

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

(1) Member of the Audit Committee
(2) Member of the Compensation Committee
* As of March 31, 2003

Officers

Jean Neveu
Chairman of the Board

Érik Péladeau
Vice Chairman of the Board

Pierre Karl Péladeau
President and Chief Executive Officer

Jacques Mallette
Executive Vice President and
Chief Financial Officer

Luc Lavoie
Executive Vice President, Corporate Affairs

Mark D’Souza
Vice President and Treasurer

Louis Saint-Arnaud
Vice President, Legal Affairs and Secretary

Julie Tremblay
Vice President, Human Resources

Denis Sabourin
Senior Manager, Control

Claudine Tremblay
Manager, Corporate Services and
Assistant Corporate Secretary