ONE VISION
ONE TEAM

ANNUAL REPORT 2003

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 6, 2004 at Studio G, TVA Group Inc., 1600 de Maisonneuve Boulevard East, Montréal, Québec.

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

REGISTRAR AND TRANSFER AGENT
Computershare Trust Company of Canada
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: 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) 982-7800 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

Financial years ended December 31, 2003, 2002 and 2001
(in millions of Canadian dollars, except per share data)

	2003	2002 [1] (restated [2])	2001 [1] (restated [2])
Operations			
Revenues	$ 11,221.6	$ 12,063.5	$ 11,806.7
Operating income before amortization, financial expenses, reserve for restructuring of operations, impairment of assets and other special charges, write-down of goodwill, (losses) gains on sale of businesses, shares of a subsidiary and a portfolio investment, gains on dilution and net gain on debt refinancing and on repurchase of redeemable preferred shares of a subsidiary:	1,583.0	1,977.5	1,869.5
Contribution to net income:			
Continuing operations	29.4	119.8	61.8
Goodwill amortization	–	–	(105.9)
Unusual items and write-down of goodwill	36.7	(37.4)	(208.8)
Discontinued operations	0.3	0.8	1.3
Net income (loss)	66.4	83.2	(251.6)
Cash flows provided by continuing operations	927.5	1,106.3	1,096.1
Basic per share data			
Contribution to net income:			
Continuing operations	$ 0.45	$ 1.86	$ 0.96
Goodwill amortization	–	–	(1.64)
Unusual items and write-down of goodwill	0.57	(0.58)	(3.23)
Discontinued operations	0.01	0.01	0.02
Net income (loss)	1.03	1.29	(3.89)
Dividends	–	–	0.39
Shareholders' equity	21.44	22.71	39.67
Weighted average number of shares outstanding (in millions)	64.6	64.6	64.6
Financial position			
Working capital	(245.4)	(599.3)	(244.9)
Shareholders' equity	1,384.9	1,466.8	2,562.6
Total assets	15,115.1	17,097.5	19,476.1
Employees	49,000	50,000	54,000
Return on average equity			
Continuing operations	2.1 %	5.9 %	2.3 %
Total	4.7 %	4.1 %	(9.4) %

1 The corresponding figures for the 2002 and 2001 financial years have been reclassified in line with the presentation used for the financial year ended December 31, 2003.

2 Please refer to note 1(c) to the consolidated financial statements for the year ended December 31, 2003.

The Year in Brief

January

- Quebecor World signs new Latin American contracts with Telefónica de España and Reader's Digest

February

- *Star Académie,* the television phenomenon of the year, premieres on the TVA network

- Sun Media Corporation refinances its debt in full

March

- The Canoë network, the second most popular French-language Internet property in Canada, logs more than 2.9 million visits

April

- Vidéotron signs collective agreements with its employees in the Montréal and Québec City areas
- The *Star Académie* CD is certified quintuple platinum with over 500,000 copies sold

- Vidéotron launches Video on Demand

May

- Sun Media Corporation sells Bowes Publishers' assets in British Columbia and its interest in Florida Sun Publications

June

- Quebecor World signs multi-year US$70.0 million contract with Yellow Book USA

July

- Netgraphe reports quarterly net income for the first time in its history
- Quebecor Media increases its interest in CEC Publishing from 50% to 100%
- Quebecor World extends multi-year contract with Verizon Information Services – Canada

August

- Quebecor World renews multi-year contract with Bauer Publishing

September

- Jobboom Recruiting site passes 1 million member mark
- Vidéotron reverses the trend and makes first quarterly net gain in customer base for cable television in two years
- Nurun launches first online travel catalogue in Flash MX for Club Med
- *Le Journal de Montréal* launches Sherbrooke and Trois-Rivières inserts in its Saturday edition

October

- Vidéotron refinances portion of its debt
- *24 heures*, a free commuter daily, is launched in Montréal

November

- Sun Media Corporation acquires press assets of Annex Publishing & Printing in Ontario
- *24 Hours*, a free commuter daily, is launched in Toronto
- Quebecor World issues private placement of Senior Notes in principal amount of US$600.0 million
- Advertising campaign against music piracy, led by Archambault Group, is launched

December

- Quebecor Media buys preferred shares of Videotron Telecom held by The Carlyle Group
- Archambault Group signs a distribution agreement for its Video on Demand service with Vivafilm
- Vidéotron signs up 400,000th subscriber to its high-speed cable Internet service, up from 305,000 at the beginning of the year
- Workforce reduction measures announced by Quebecor World in 2003 result in the elimination of 2,272 positions

Snapshot of Quebecor Inc.

(All revenue figures are for the 2003 financial year)

Quebecor Media Inc.

Quebecor Media Inc., created in 2000, includes all of Quebecor's media properties. The complementary nature of Quebecor Media companies and the potential for synergies underpin an effective convergence strategy that sets Quebecor apart and is yielding tangible results. Most Quebecor Media companies are the Canadian or Québec industry leaders. They generate combined annual revenues of over $2.3 billion.

CABLE TELEVISION

REVENUES: $805.0 M

Vidéotron ltée

- Largest cable operator in Québec and third largest in Canada
- 1.4 million customers, including 240,000 subscribers to the *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 406,000 subscribers
- Canal Vox: community channel serving most parts of Québec
- Le SuperClub Vidéotron ltée: chain of 180 locations that rent and sell video cassettes, DVDs and video games

NEWSPAPERS

REVENUES: $845.9 M

Sun Media Corporation

- Canada's largest national chain of tabloids and community newspapers
- 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:
  - 9 local dailies and 187 community weeklies and specialty publications across Canada
- National printing and production services
- Two free commuter dailies, *24 heures* in Montréal and *24 Hours* in Toronto
- Messageries Dynamiques: largest print media distributor in Québec

BROADCASTING

REVENUES: $340.9 M

TVA Group Inc.

- Largest French-language private broadcaster in North America
- Owner of 6 of the 10 stations in the TVA network
- Owner of all-news channel LCN (Le Canal Nouvelles)
- Interest in the Canal Évasion, MENTV and Mystery specialty channels and the Indigo pay-per-view service
- Engaged in teleshopping
- TVA Films: distributor of films and television content across Canada
- TVA Publishing: top magazine publisher in Québec:
  - Main publications: *7 Jours, Le Lundi, TV Hebdo, Dernière Heure, Femmes d'aujourd'hui, Clin d'œil, Filles d'aujourd'hui, Femmes, Vous, Les idées de ma maison, Décoration Chez-Soi, Recevoir, Rénovation-Bricolage, Star inc., Cool!, Échos Vedettes*

LEISURE AND ENTERTAINMENT

REVENUES: $205.0 M

Archambault Group Inc.

- Largest chain of music stores in eastern Canada
- 13 Archambault stores selling CDs, books, videos, musical instruments and magazines
- Retailer of computer books and accessories (Camelot-Info) and of English-language books (Paragraphe Bookstore)
- E-commerce sites: *archambault.ca, camelot.ca, paragraphbooks.com*
- *archabambaultzic.ca*: music download service
- Select: largest independent distributor of music and videos in Canada
- Musicor: music recording operations
- Trans-Canada: largest wholesaler of CDs and videos in Québec

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 Média
  - Textbooks: CEC Publishing
- 583 titles released and over 3 million copies sold in 2003
- Québec-Livres: major Canadian distributor and marketer of French-language books

BUSINESS TELECOMMUNICATIONS

REVENUES: $77.7 M

Videotron Telecom Ltd.

- 11,000 km fibre-optic network in Québec and Ontario
- Passes most businesses in major metropolitan areas in Québec and Ontario
- Direct connectivity with networks in Ontario, eastern Québec, the Maritimes and the United States

WEB INTEGRATION/TECHNOLOGY

REVENUES: $66.3 M

Nurun Inc.

- Web consulting agency
- Institutional communications, branding, Web design and animation, Intranet and Extranet site development, e-commerce, online advertising, marketing and promotion
- Complementary services: customer relationship management (CRM), business intelligence, content management, automated publishing (APS) solutions, online training, interactive television
- Network of offices in major North American and European cities serving large 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: $28.2 M

Netgraphe Inc.

- CANOE network: *canoe.ca*, *canoe.qc.ca*, La Toile du Québec (*toile.com*), *money.canoe.ca* and *webfin.com*, *megagiciel.com*
- E-commerce services: *jobboom.com*, *autonet.ca*, *flirt.canoe.ca* and *reseaucontact.com*, *classifiedextra.ca* and *classeesextra.ca*
- Other properties: *tva.canoe.com*, *lcn.canoe.com*, *occupationdouble.com*, *staracademie.ca*

Quebecor World Inc.

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

Lines of business

- Largest printer of magazines in the world: approximately 4.5 billion copies per year
- Prints more than 250 million copies of telephone directories per year
- World leader in printing catalogs for major Western retailers
- Prints approximately one billion books per year for major publishing houses
- Specialist in retail inserts and newspaper supplements, with total print runs of up to 40 million:
  - Produces 38 billion retail inserts and Sunday magazines annually, distributed via newspapers, stores and direct mail
- Direct mail: full range of direct marketing services
- Digital printing: complete pre-press, printing, direct mail and distribution services
- Quebecor World Logistics: a leader in the distribution of catalogs, periodicals and direct mail materials:
  - Mails 9 billion pieces through the US Postal Service per year. The world leader in the distribution of catalogs, magazines (subscriber and newsstand copies) and newspaper inserts
- Quebecor World Premedia (formerly Que-Net Media): complete digital and conventional solutions for printing and publishing

NORTH AMERICA

REVENUES: $7,099.6 M

- More than 100 printing plants and service facilities in 30 US states and 6 Canadian provinces

CANADA **UNITED STATES**

- One of the top commercial print media services companies in North America by revenue, production capacity and technological expertise
- Facilities interlinked by Quebecor World Premedia fibre-optic network

EUROPE

REVENUES: $1,614.5 M

- 30 printing plants and service facilities

AUSTRIA	**SPAIN**
BELGIUM	**SWEDEN**
FINLAND	**UNITED KINGDOM**
FRANCE	

- 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: $248.6 M

- 8 printing plants and service facilities

ARGENTINA	**COLOMBIA**
BRAZIL	**MEXICO**
CHILE	**PERU**

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

MESSAGE
TO SHAREHOLDERS

In 2003, Quebecor Inc. crossed several important thresholds that will boost the Company's long-term growth and profitability:

- Quebecor Media Inc. improved its results significantly, making a stronger contribution to the parent company's earnings.
- Several subsidiaries refinanced their debt to reduce their financial expenses and stagger their debt-repayment obligations.
- Quebecor Media bought out The Carlyle Group's interest in Videotron Telecom, which will enable it to more effectively develop its telecommunications strategy in the future.
- The management teams of Quebecor World Inc.'s subsidiaries implemented significant cost-cutting measures throughout the year in order to establish an operating structure that is aligned with recent market developments in its industry.

Quebecor generated net income of $66.4 million ($1.03 per basic share) in 2003, compared with $83.2 million ($1.29 per basic share) in 2002. The Company's revenues totalled $11.22 billion in 2003, compared with $12.06 billion in 2002. Operating income decreased by $394.5 million to $1.58 billion.

A BANNER YEAR AT QUEBECOR MEDIA

In 2003, Quebecor Media emerged as an earnings driver, with a 9% year-over-year increase in operating income and a net income of $203.9 million. The strong performance maintained the parent company's profitability at a reasonable level at a time when its other major subsidiary, Quebecor World, was facing much less favourable market conditions than in the past. Quebecor Media's contribution to Quebecor's profits in 2003 confirmed the soundness of the Company's asset-diversification strategy.

All Quebecor Media subsidiaries reported excellent results, including the Internet businesses Nurun Inc. and Netgraphe Inc., which turned around their financial results and posted operating income for the year. Netgraphe also generated net income, on an annual basis, for the first time in its history.

During 2003, Vidéotron reclaimed its position as the industry leader in Québec. Since it settled a nearly year-long labour dispute in April 2003, Vidéotron has resumed its growth. By focussing on sales and marketing, new products and customer service, the subsidiary achieved its best performance since it became part of Quebecor Media. Vidéotron's results were powered by the growing popularity of value-added services such as high-speed Internet access, the *illico*™ digital television service, and the Video on Demand service launched in April 2003.

After several years of net losses in the subscriber base for its cable television services, Vidéotron reversed the trend in the second half of 2003. The erosion had been aggravated by competition from satellite services, some of which are using cross-financing methods that we consider to be unfair competition and turning a blind eye to the theft of their signals, an issue we have raised before the Canadian Radio-television and Telecommunications Commission. Nevertheless, Vidéotron posted net gains in its cable customer base in the third and fourth quarters of 2003, the first consecutive quarterly increases in four years.

STAR ACADÉMIE: PROOF POSITIVE OF THE POWER OF CONVERGENCE

The stellar success of the TVA television network's reality talent show *Star Académie* was the most outstanding event of the year at Quebecor. The program not only drew record audiences for TVA (approaching an 80% audience share) but was also the springboard for a common project for the Quebecor family: every Quebecor company played a part in its success.

For example, TVA Publishing released a book on the *Star Académie* phenomenon and several of its magazines covered the show, reaping a bonanza in newsstand sales. The *Star Académie* CD and DVD

JEAN NEVEU
Chairman of the Board

PIERRE KARL PÉLADEAU
President and Chief Executive Officer

were produced by Musicor, distributed by Select, and sold at Archambault and Le SuperClub Vidéotron stores, among other locations. More than 500,000 copies of the CD were sold. Subscribers to Vidéotron's high-speed Internet access service enjoyed round-the-clock access to Académie feeds, spotlighting a value-added product that none of our competitors can offer. Netgraphe derived additional revenues from designing and hosting the official *Star Académie* Web site and developing an online voting and video platform. Other Quebecor companies also benefited, including Sun Media Corporation's newspapers and Multicom, which operated the telephone voting system.

Star Académie demonstrated what can be accomplished when management capitalizes on the full potential of the multitude of possible cross-media tie-ins. The program's second season premiered on February 15, 2004, and at the time of writing, ratings were running ahead of the same point last year.

REDUCTION OF SCHEDULED DEBT PAYMENTS

Quebecor Media paid down more than three-quarters of a billion dollars in debt in 2002 and 2003. Furthermore, in 2003, Vidéotron and Sun Media Corporation refinanced their debt on advantageous terms, reducing their current debt-repayment obligations. Under the new financial structure, the two subsidiaries are allowed to distribute surplus cash to Quebecor Media, provided certain financial ratios are maintained.

Meanwhile, Quebecor World restructured its revolving bank credit facilities and closed a private placement in the principal amount of US$600.0 million. The proceeds were used to pay down debt at higher interest. The refinancing is expected to yield annual pre-tax savings of an estimated US$12.0 million.

QUEBECOR MEDIA BECOMES SOLE SHAREHOLDER IN VIDEOTRON TELECOM

When Quebecor Media acquired Groupe Vidéotron ltée in 2000, the Videotron Telecom subsidiary was being kept afloat by massive injections of capital to cover its operating expenses. We quickly took the situation in hand and overhauled Videotron Telecom's operations. It is now one of the few Competitive Local Exchange Carriers (CLECs) that generates operating income and free cash flow from operations, and has never undergone a major financial restructuring. However, because of its ownership structure, Videotron Telecom's position remained uncertain and its role within Quebecor Media ill-defined.

The situation was regularized by the purchase by Quebecor Media on December 22, 2003 of the preferred shares of Videotron Telecom held by an American investor, The Carlyle Group. The buyout enabled Quebecor Media to integrate its telecommunications and cable television operations and capture additional synergies in network maintenance, administration and purchasing. More importantly still, Videotron Telecom's technical and marketing expertise will give us a significant edge in developing residential telephone services, which, if launched, could enhance the competitive advantages of our existing and future cable offerings.

BACK TO THE BASICS

Over the past two years and more, Quebecor World has faced a tough business environment because of reduced spending on advertising and overcapacity in the printing industry. The management teams of Quebecor World's subsidiaries launched a number of initiatives in 2003 to alleviate the adverse impact of the economic conditions. They focused on securing new clients, increasing sales to existing customers and, to offset the impact of price erosion, they reviewed all operations, closed underperforming facilities, and cut operating costs and financial expenses. Quebecor World also intends to invest in its Magazine & Catalog production platform, which accounts for more than 40% of its revenues.

Quebecor World is going back to the basics of Quebecor's corporate culture, the foundations on which its success was built in the past. As our shareholders know, that culture is rooted in the values of financial discipline, enterprise, respect for the customer, and an uncompromising commitment to quality. The new *modus operandi,* which all employees will be asked to adopt, will centre on controlling all cost drivers. Quebecor World's senior management, which has been fortified by some of Quebecor's most talented people, is determined to restore the subsidiary to its rightful place as the industry leader as quickly as possible. Among the changes at the senior level, Pierre Karl Péladeau was appointed to the position of President and Chief Executive Officer by the Board of Directors of Quebecor World on March 12, 2004. Serge Gouin has taken over from Mr. Péladeau as President and Chief Executive Officer of Quebecor Media and Érik Péladeau has become Chairman of the Board of Quebecor Media.

We succeeded in quickly turning Quebecor Media into a thriving company, using a bold and unique business model which many of our competitors are now trying to imitate. Given our track record with Quebecor Media, we are confident we will be able to do the same at Quebecor World. The scope of its operations, spread across 17 countries on 3 continents, makes the job a complicated process, one that cannot be completed in a matter of months. However, our initial restructuring efforts, begun in 2002, are starting to bear fruit and are impacting positively on our operating results in some parts of the world – notably France, where our results have improved substantially.

In conclusion, we want to thank our shareholders for the trust they have shown in us over the past several years – even during the rough patches our two major subsidiaries have traversed at various times since 2000. We also want to express our gratitude to our employees for their excellent work and their dedication to the Company's progress. Finally, we wish to thank our Directors for their professionalism and integrity in the performance of their governance duties.

(signed)

Jean Neveu
Chairman of the Board

(signed)

Pierre Karl Péladeau
President and Chief Executive Officer

ONE VISION
ONE TEAM

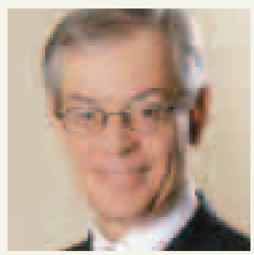
Since its beginnings, Quebecor has endeavoured to position itself as a leader in all its lines of business. To do so, the Company pursues business strategies that target customer satisfaction, operational efficiency, readiness to seize profitable growth opportunities, and careful, rigorous management of the balance sheet. This is our corporate vision.

We are immensely proud of our management teams, which are working day by day to make this vision a reality. They are made up of professionals endowed with the experience, competence, commitment, stability and dedication to shared values that make for agile leadership.

Since it was founded in 2000, Quebecor Media has become the largest media company in Québec and one of the leading diversified media organizations in Canada. It has emerged as one of the few media companies in North America that has been able to make convergence pay. Together, Quebecor Media's properties reach 95% of Québec's French-speaking population every week.

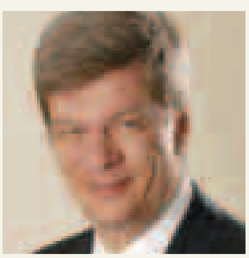
RAYNALD BRIÈRE
President and Chief Executive Officer, TVA Group Inc.

ROBERT DÉPATIE
President and Chief Executive Officer, Vidéotron ltée



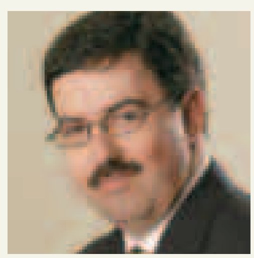
PIERRE FRANCŒUR
President and Chief Executive Officer, Sun Media Corporation

NATALIE LARIVIÈRE
President and General Manager, Archambault Group Inc.

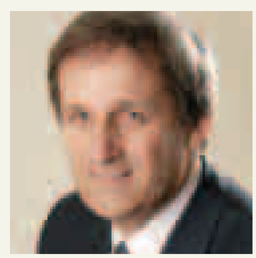


LUC LAVOIE
Executive Vice President, Corporate Affairs, Quebecor Inc.

BRUNO LECLAIRE
President and Chief Executive Officer, Netgraphe Inc.

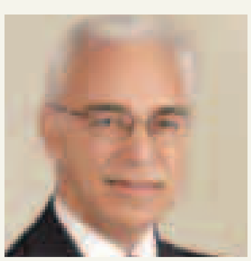


JACQUES MALLETTE
Executive Vice President and Chief Financial Officer, Quebecor Inc. and Quebecor Media Inc.



MICHEL PELLETIER
Managing Director, Videotron Telecom Ltd.

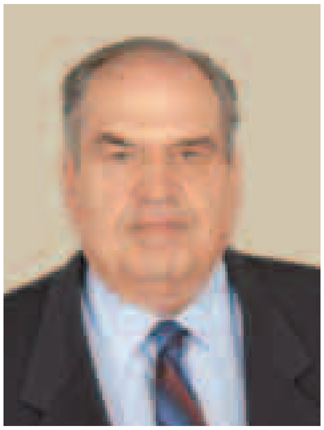
JACQUES-HERVÉ ROUBERT
President and Chief Executive Officer, Nurun Inc.



LOUIS SAINT-ARNAUD
Vice President, Legal Affairs and Secretary, Quebecor Inc. and Quebecor Media Inc.

RICHARD SOLY
President, Le SuperClub Vidéotron, and President, Music and Retail Group, Quebecor Media Inc.

CLAIRE SYRIL
Senior Vice President and Managing Director, TVA Publishing Inc.



JEAN NEVEU
Chairman of the Board, Quebecor Inc. and TVA Group Inc.

PIERRE KARL PÉLADEAU
President and Chief Executive Officer, Quebecor Inc. and Quebecor World Inc.

ÉRIK PÉLADEAU
Chairman of the Board, Quebecor Media Inc. and Vice Chairman of the Board, Quebecor Inc. and Quebecor World Inc.

SERGE GOUIN
President and Chief Executive Officer, Quebecor Media Inc.

Left to right:

CLAUDE HÉLIE
Executive Vice President and Chief Financial Officer, Quebecor World Inc.

DAVID BLAIR
Senior Vice President, Manufacturing, Environment and Technology, Quebecor World Inc.

JULIE TREMBLAY
Vice President, Human Resources, Quebecor World Inc.

Quebecor World is one of the largest commercial print media services companies in the world. Its exponential growth over the last 15 years has been driven by a skilful strategy that combines acquisitions with internal development. For slightly more than two years, the print media business has been beset by overcapacity and price erosion. To deal with the market softness, Quebecor has called in some of its most talented managers to help steer Quebecor World through the troubled waters. Their mission is to establish an appropriate cost structure so our flagship subsidiary can thrive in the competitive industry environment.

Quebecor has a single corporate culture to which all our subsidiaries subscribe. It holds the customer supreme and values disciplined management as an absolute priority. That approach has enabled us to maintain our leadership position in all our lines of business over the years.

All the executives of all Quebecor subsidiaries embrace the principles of our culture. They respect its spirit and its letter by striving every day to meet the customer's needs, achieve financial targets and control costs. Our handpicked management teams are made up of people who are committed to their work, believe in what they do, and share the same drive and desire for success.

Our philosophy can be summed up in four words: one vision, one team. The following pages show what that means in practice.

QUÉBEC IDOL
SWEEPS THE RATINGS

THE REALITY TALENT CONTEST *STAR ACADÉMIE* WAS THE TELEVISION hit of the year in Québec. The show resonated across the cultural landscape, achieving a rare cultural impact during its 10-week run. Synergies among Quebecor Media properties were leveraged to derive maximum commercial benefit from the success.

• *Video* •

OVER
120,000
DVDs & VHS CASSETTES DISTRIBUTED

• *Books* •

MORE THAN
54,000
COPIES SOLD
of the *Star Académie* book published by TVA Publishing

• *Music* •

500,000 CDs SOLD

• *Television* •

AVERAGE AUDIENCE

of 1.75 million on weekdays and

2.41 MILLION

on Sundays, peaking at 2.12 million
and 3.02 million respectively

• *Internet* •

OVER

6 MILLION VISITORS

to the site

• *Magazines* •

44% INCREASE

in sales of 7 *Jours* magazine during
the program's run

MORE THAN

360,000 COPIES

of the two *Star Académie* special editions sold

• *Concert tour* •

46 DATES

in Québec, Ontario, New Brunswick and France

NUMBER 1 IN TICKET SALES

according to the July 19, 2003 issue of *Billboard*

QUEBECOR WORLD

Official printer for *Star Académie*

Vidéotron

CONSUMERS EMBRACE THE INFINITE POWER OF CABLE

VIDEO ON DEMAND – Subscribers to the *illico*™ digital television service can order hundreds of films and special events.

Vidéotron got back on track in 2003. The subsidiary continued reshaping itself as it returns to the entrepreneurial spirit of its founders and pursues its new focus on sales and marketing. The former monopoly has been transformed into a competitive organization, attentive to cost containment, customer service, and personal attention to clients. It is aggressively promoting its one-stop service, which gives customers one contact and one bill.

Settlement of labour dispute

On the labour relations front, Vidéotron reached agreements with all its unionized personnel. After signing new collective agreements with employees in Montréal and Québec City on April 29, 2003, employees in Ville Saguenay on October 30, 2003, and employees in Gatineau on January 20, 2004, the organization was able to turn towards the future and face the challenges of the day.

Popular feature products

Vidéotron convinced growing numbers of consumers of the superiority of its products and services in 2003. Its sales drive was spearheaded by its feature products: high-speed Internet, *illico*™ digital television and Video on Demand.

Net gains in customer base for cable television

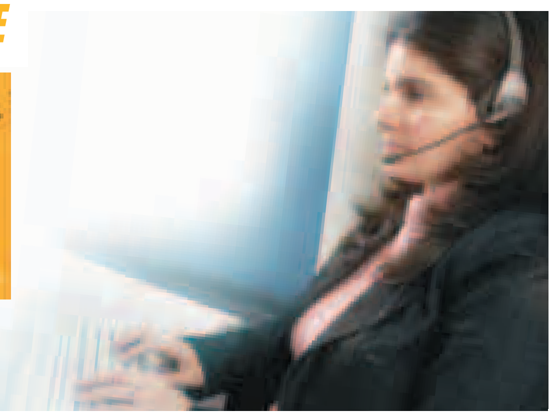
In 2003, Vidéotron signed up 69,000 subscribers to its *illico*™ digital television service, a 40% increase from 2002. Sales and rentals of digital set-top boxes increased at a compound annual rate of 50% over the last 30 months. As of December 31, 2003, Vidéotron had 240,000 *illico*™ subscribers.

In the fourth quarter of 2003, Vidéotron registered a net gain of 10,000 subscribers to its cable television services as a whole, the first time in four years that the cable customer base has increased in two consecutive quarters.

During the last six months of 2003, Vidéotron gained almost twice as many customers to *illico*™ as it lost to its analog cable service, for a net gain of 22,000 customers. On an annual basis, Vidéotron posted a net loss of only 7,000 cable television subscribers in 2003, a dramatic improvement over the net loss of 79,000 subscribers in 2002.

High-speed Internet: galloping growth

The customer base for high-speed cable modem Internet access, another feature product, continued to burgeon. Vidéotron recruited more than 101,000 new subscribers in 2003, for a 33% year-over-year increase. Vidéotron now has over 406,000 customers for



SERVICE QUALITY IS THE PRIORITY – Monira Shedeed, Vidéotron Customer Service Representative, in Montréal, since February 2000.

high-speed Internet access and 13,000 for its *Extreme™* high-speed service, a new product launched in 2003.

Video on Demand: a high value-added product

Video on Demand (VoD), now available over more than 96% of Vidéotron's service area, is another high-growth product supported by Vidéotron's unique hybrid fibre-optic/coaxial cable two-way broadband network and its *illico™* digital platform. In March 2004, the VoD service was offering *illico™* subscribers exclusive access to nearly 450 films and events. Under the responsibility of Archambault Group, distribution agreements were signed with MGM, Alliance Atlantis and several independent studios. Agreements were also reached with the producer of *Star Académie* to broadcast content related to the popular television show. *illico™* subscribers also have access to free repeat broadcasts of some of the best TVA programs.

Increased penetration for Vidéotron products

Vidéotron reviewed its distribution strategies and increased its presence in major retail chains. Vidéotron set-top boxes and modems are now available at more than 530 locations, including the stores of a dozen large electronics chains.

Focus on customer service

Vidéotron has devoted considerable effort to improving customer service. Since the end of the labour dispute in 2003, a 93% timely response rate to customer calls has been achieved, compared with 70% in 2001.

Fighting piracy

Vidéotron was one of the first cable operators in Canada to alert Canadian regulatory authorities to the devastating effects of signal theft. In view of the seriousness of the problem, industry stakeholders took a series of energetic measures, including awareness-raising campaigns, legal action and electronic means to fight the use of illegal devices.

Sun Media Corporation

ONE OF CANADA'S MOST PROFITABLE NEWSPAPER CHAINS

EIGHT URBAN DAILIES – Sun Media Corporation is Canada's largest chain of tabloids.

In 2003, Sun Media Corporation registered operating margins of 26.6%, compared with 26.4% in 2002, maintaining its position as one of the most profitable press groups in Canada.

Still one of the most effective advertising vehicles

Despite the proliferation of new competitors, particularly electronic media outlets, newspapers collect 23% of advertising revenues in the Canadian market. Sun Media Corporation's metropolitan newspapers boast Canada's largest concentration of readers aged 18 to 49, an economically powerful demographic with growing purchasing power that is courted by advertisers.

Tried-and-true business strategy

Sun Media Corporation is implementing a well-oiled business strategy of concentration in target urban centres across Canada, allowing for production efficiencies and lower administrative expenses. Sun Media Corporation can therefore offer its customers advertising packages that combine the power of the metropolitan dailies with the reach of the community weeklies. Advertisers receive visibility in a chain of big-city dailies with a weekly print run of 8.6 million and a group of local papers and specialty publications with a print run of 3.6 million.

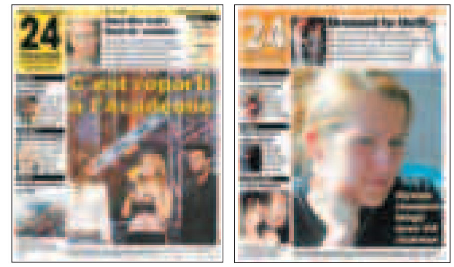
Clearer geographic positioning

Sun Media Corporation disposed of non-core assets in British Columbia and Florida in 2003. Meanwhile, in November 2003, it acquired the assets of Annex Printing & Publishing Inc., a chain of 11 publications serving southwestern Ontario. The takeover bolstered Sun Media Corporation's already strong positioning in one of Canada's most densely populated regions.

The culture of cost-containment

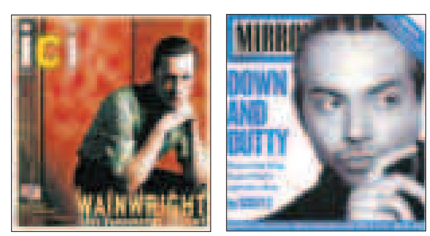
Always seeking new ways to reduce costs, Sun Media Corporation digitalized the *Toronto Sun*'s classified ads sales system. Operations in southern Ontario were consolidated to enhance quality and efficiency.

Following the successful implementation of computer-to-plate (CTP) technology at the metropolitan dailies, Sun Media Corporation is



24 HEURES AND *24 HOURS*
– Free commuter dailies in Toronto and Montréal.

BOWES PUBLISHERS AND QUÉBEC COMMUNITY NEWSPAPERS – Nearly 200 dailies, weeklies and specialty publications.



ARTS AND ENTERTAINMENT WEEKLIES – *ICI* and *Montreal Mirror* cover the alternative scene in the Montréal metropolitan area.

planning to introduce CTP at its community newspapers. That project and the development of a new distribution system for the dailies are expected to generate combined savings of $2.5 million per year.

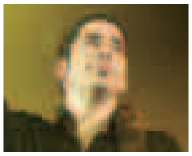
Robust performance by community newspapers

The community newspapers published by Bowes Publishers and Sun Media Corporation's Québec weeklies continued to post strong results in 2003. Counting the favourable impact of the businesses acquired in 2003, total revenues were up 4.6%.

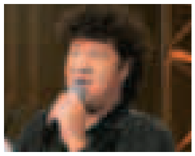
SUN MEDIA
QUEBECOR MEDIA

TVA Group

BIG RESULTS ON THE SMALL SCREEN


Dany Bédar


Ariane Moffatt


Robert Charlebois

STAR ACADÉMIE – The media event of the year in Québec.


Sophie Thibault, Anchorwoman, TVA news

NUMBER 1 – TVA ranks first in TV news in Québec.


Clin d'œil
Mitsou, Show Host and Editor

Year after year, TVA Group is deepening its television content and extending its domination of Québec's magazine market. The two distinct lines of business complement Quebecor Media's other operations: in 2003, TVA Group emerged as a linchpin of Quebecor Media's convergence strategy.

The resounding success of *Star Académie*

The runaway success of *Star Académie* was the signal event of 2003 at TVA Group. The contest featuring talented young performers propelled TVA's ratings to levels unprecedented in the network's history.

Star Académie was a cultural phenomenon that brought people together in a way that is seldom seen. It was also a compelling demonstration of the power of Quebecor Media's convergence strategy. During the program's 10-week run, the Sunday-evening galas drew an average audience of 2.4 million and peaked at 3 million. *Star Académie*'s share of the Sunday-evening French-language television audience increased from 44% in the first week to 83% for the grand finale, an almost unheard-of figure in the history of Québec television and a rare occurrence anywhere in the Western world. In the program's new season, which premiered on February 15, 2004, 2.87 million viewers tuned in for the first Sunday gala.

Maintaining audience share

Despite market fragmentation and the proliferation of specialty channels, the TVA network is maintaining its huge audience share. In the wake of *Star Académie*, TVA increased its share of Québec's French-speaking television audience to 38% (spring 2003 BBM People Meter survey), one of its best seasonal scores in recent years.

Number 1 in news

The TVA news remained the top-rated newscast in Québec, a field long dominated by the public broadcaster. On the evening of the Québec election in April 2003, TVA's ratings were twice as high as Radio-Canada's, a historic first for election-night coverage.

A clear vision of the future

TVA's strategy is to serve viewers and advertisers that want to reach a mass audience by airing high-quality content with mass appeal. The network's 2003 schedule and the excellent ratings response demonstrate that it is producing quality popular programming and has become a "must" vehicle for advertisers.

TVA
QUEBECOR MEDIA
tva.canoe.com

TVA Publishing

OUT FRONT IN QUÉBEC'S MAGAZINE MARKET

SYNERGY – Content from the magazines is repurposed for the TVA network's how-to and variety programs.

FRONT-COVER TREATMENT – *Star Académie* received prominent coverage in TVA Publishing's celebrity weeklies in 2003.

TVA Publishing, which since 2002 includes the operations of Quebecor's former magazine subsidiary Publicor, is now a major Québec publisher with a stable of 44 publications, including 8 weeklies and 36 monthlies.

Crushing market domination

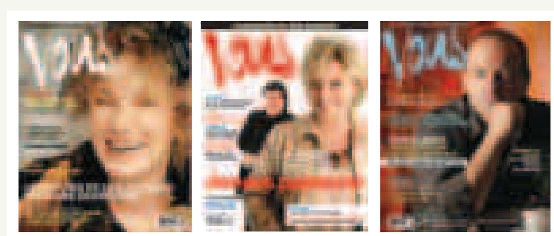
TVA Publishing is the top magazine publisher in Québec, with annual sales of approximately 18 million copies and 86% of all newsstand sales of French-language magazines. In the decorating magazine segment, TVA Publishing has 80% of Québec's French-language market. Its five celebrity news weeklies and television guides occupy almost the entire market.

A strategic partner of the TVA network

In 2003, TVA Publishing helped create the buzz around *Star Académie* and collected some of the immense business benefits. TVA Publishing's celebrity weeklies covered *Star Académie* and its young stars before, during and after the program's run. They contributed to building the television audience for the show, and indirectly to the record sales of the CD and the success of the *Star Académie* tour. Conversely, sales of *7 Jours* magazine swelled 44% while *Star Académie* was on the air, compared with the same period of 2002.

Building the brand

Increasingly, editorial content drawn from TVA Publishing's magazines is being used to enrich the TVA network's how-to programs and variety shows. In spring 2003, for example, *Les idées de ma maison* magazine sponsored the television show *Ma maison Rona*. In another example of how repurposing mass circulation magazines for television can reinforce the brand and boost TVA Publishing's credibility with advertisers, TVA Publishing developed, jointly with the TVA network, a magazine/television project called *Clin d'œil*, which aired in the summer of 2003. Finally, *7 Jours* magazine was part of the *Occupation Double* reality television show, broadcast on the TVA network in the fall of 2003.



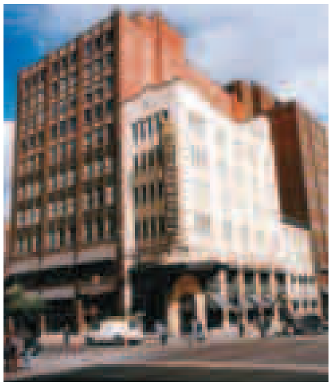
New magazine

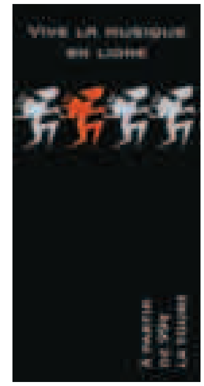
In September 2003, TVA Publishing launched the innovative magazine *Vous*, targeted at baby boomers, a huge, economically powerful demographic that advertisers target. *Vous* magazine, published eight times a year, demonstrates TVA Publishing's determination to stay at the forefront of its industry.

TVA Publishing

Archambault Group

A RETAIL AND DISTRIBUTION POWERHOUSE





A QUÉBEC INSTITUTION – Archambault stores are the leaders in the retailing of CDs, books and cultural products.

ARCHAMBAULTZIK

Archambault Group has long been a Québec leader in the retailing of CDs, books, musical instruments and cultural products. It operates 13 Archambault stores, including the Archambault l'Entrepôt warehouse store, which opened in November 2003. Select, its distribution arm, remains the largest distributor of CDs in Québec and the largest independent distributor of CDs and videos in Canada.

New record label an instant success

In 2003, Archambault Group added another arrow to its quiver when its Musicor division moved into music recording. It produced the *Star Académie* CD and the album released by contest winner Wilfred Le Bouthillier. The *Star Académie* CD sold more than 500,000 copies in Québec, reaching the half-million mark in record time in the history of Canadian music sales. Musicor's business plan calls for 8 new releases in 2004, fulfilling Archambault Group's commitment to support Québec artists at every stage of their careers.

The numbers tell the story

Archambault Group is the largest retailer of CDs and second-largest retailer of books in Québec. It ranks fourth in Canada in CD sales, behind three giant multinationals.

Select is the largest Québec-owned music distributor, with close to 70% of the French-language market in Canada; 90% of the No. 1 albums on the French-language charts in 2003 were distributed by Select. Select has won the Québec music industry association's Félix award for distributor of the year 16 times in the last 19 years.

Fighting music piracy on the Internet

In November 2003, Archambault Group took the lead in the battle against the illegal downloading of music by mounting an awareness-raising campaign featuring a number of Québec artists. It was given prominent play by Quebecor Media's outlets.

In January 2004, following the media blitz, Archambault Group launched a music download service with fees starting at 99¢ per track. The *archambaultzik.ca* download section of the *archambault.ca* site will soon offer over 300,000 tracks and albums in all musical styles. The service was launched in cooperation with Québec's main independent labels and the international majors (Universal, Sony, BMG, Warner and EMI), which have made their catalogues available on the site. New titles will be added to the initial selection on an ongoing basis as new CDs are released and agreements are signed with other labels.

ARCHAMBAULT.ca

Éditions Quebecor Média

ALTERNATIVE TO PIRACY – The *archambaultzik.ca* music download service was officially launched in January 2004.

QUÉBEC STARS SPEAK OUT – Anti-piracy campaign coordinated by Archambault Group.

THE LARGEST BOOK PUBLISHER IN QUÉBEC

Éditions Quebecor Média's stable of respected publishing houses together are the leading publisher of books in Québec. Last year, they published 583 titles in the general literature, how-to, self-help and academic categories, and sold more than 3 million copies.

Sequel to *Les Filles de Caleb*

In 2003, Éditions Libre Expression, an Éditions Quebecor Média company, scored a major success with the release of the bestseller *L'abandon de la mésange* by Arlette Cousture, the third volume in the *Les Filles de Caleb* series.

Larger interest in textbook publishing

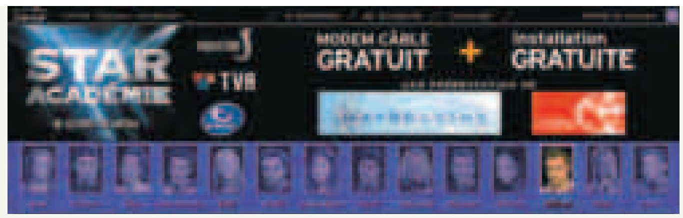
Éditions Quebecor Média's textbook publishing house, CEC Publishing, has been a standard-setter in academic publishing for nearly half a century. In 2003, Quebecor Media acquired the 50% equity interest held by Hachette Livre SA to become the sole shareholder in CEC Publishing.

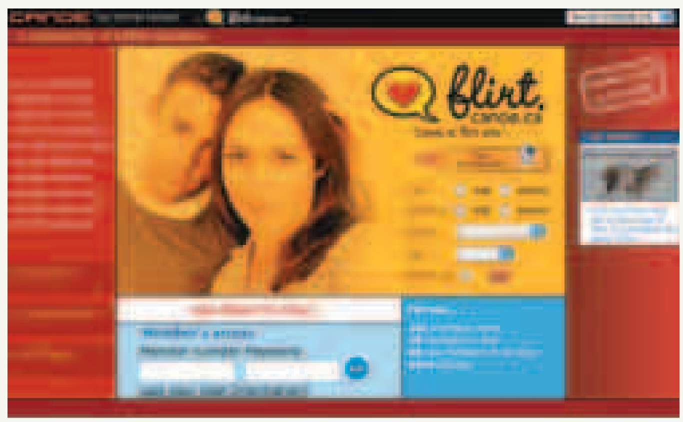
Netgraphe

AN INTERNET COMPANY THAT MAKES MONEY

CANOE.CA CANOE money LCN lcn.canoe.com jobboom.com

MORE CLICKS, MORE REVENUES, MORE PROFIT – All the properties in the CANOE network contributed to Netgraphe's excellent performance in 2003.





Netgraphe Inc., a Canadian Internet leader, is an integrated company offering information, e-commerce and IT consulting services.

First net profit ever

In 2003, Netgraphe reported net income for the first time in its history. The breakthrough came as a result of radical restructuring measures implemented since 2001. Netgraphe was one of the first Internet companies in Canada, and indeed in North America, to align its cost structure with the new revenue outlook in the Internet economy. After two years of intense effort, the subsidiary is now reaping the benefits of careful management and succeeding where many of its competitors in the new economy have failed.

Partner in the success of *Star Académie*

Netgraphe played an important role in the success of *Star Académie*: it developed the program's official site, which included a video and voting platform, interactive tools and a chat function that enabled visitors to communicate with the contestants. Over the duration of the media event, the site logged more than 300,000 registered members and over 6 million visitors.

Traffic up in 2003

The CANOE network posted excellent traffic figures in 2003, peaking at a record 6.2 million unique visitors in the fall of 2003 (source: comScore Media Metrix, "All Locations," October 2003), a 19% increase from 2002. Page views rose 38% from 244 million in October 2002 to over 338 million in October 2003. Traffic was up at all Netgraphe properties.

Video chat added on *reseaucontact.com*

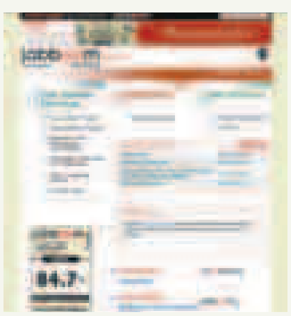
Reseaucontact.com, the undisputed leader among Québec dating sites, continued to increase in popularity. In October 2003, the site passed the 1 million unique visitor mark, more than doubling its traffic from the previous year. A video chatting feature that lets members see each other on webcam was also launched in 2003.

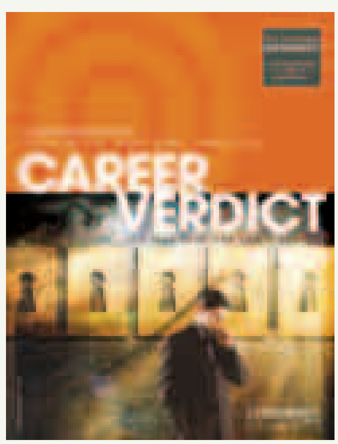
Jobboom.com diversifies

Jobboom.com is the largest employment and careers site in Québec with 1 million members and nearly half a million unique visitors per month. In 2003, Jobboom moved into the continuous training field with its new Jobboom Formation product, developed in cooperation with Emploi-Québec, the Government of Québec's employment development agency. As well, the Jobboom Publishing division launched a number of new career guides in various fields and published seven issues of *Jobboom* magazine, with a print run of 100,000 copies.

Competitive edge

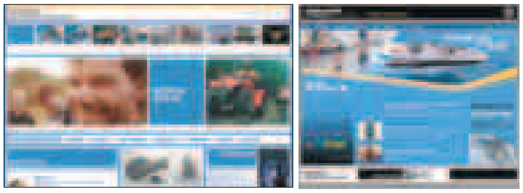
Netgraphe possesses significant competitive advantages: state-of-the-art technology, exclusive partners that supply high-quality content, a solid financial position, and a creative, seasoned management team.



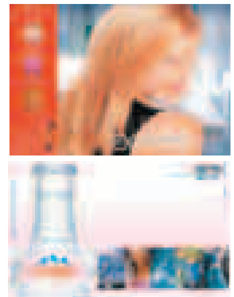


Nurun

CANADA'S LEADING WEB AGENCY



GLOBAL CUSTOMER BASE – Nurun helps a roster of blue-ribbon clients implement online communications strategies.



Nurun's complementary communications and hi-tech services have made it the leading Internet consulting firm in Canada. Nurun has extensive experience in designing and implementing complex Web sites that incorporate high value-added e-commerce services and link Web interfaces to existing corporate systems.

A productive year

Nurun picked up an important account in 2003 with the signing of a three-year exclusive international contract with Bombardier Recreational Products. It also leveraged its expertise in the travel and tourism niche, redesigning the e-commerce sites of Air Canada Vacations, Pleasant Holidays and Thomas Cook Canada. Nurun developed new interfaces in Flash MX to revolutionize user experience on content-rich sites such as the Club Med and Europcar sites.

A recognized specialist in online institutional communications, Nurun boasts a large portfolio of local and international customers in fields including finance (AGF Asset Management and Barep-Société Générale in France), industry (Lafarge, Dassault Aviation, Alstom, Pfizer) and media (MTV Italia, Telecom Italia, Imax). Nurun also serves important public sector clients, including the Government of Québec and many of its agencies.

Nurun's professionals in North America and Europe help clients such as L'Oréal brands (Helena Rubinstein, L'Oréal Paris, Kérastase) and, in Canada, Biotherm and Lancôme conduct online advertising and e-marketing campaigns.

Nurun again demonstrated its expertise in the consumer goods segment with projects for Chupa Chups, Remy Amériques, the Aldo Group and La Senza. Having worked with the Danone group for eight years in Europe and the United States, Nurun landed the Danone (dairy products) and Evian accounts in Canada.

International team of experts

Nurun's ability to handle a host of complementary media enables it to develop integrated multi-channel strategies for major local and international customers.

Synergies within the Quebecor family

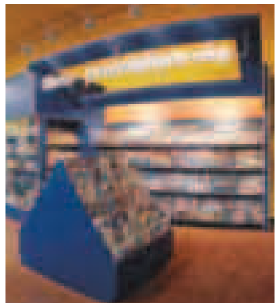
Nurun has long provided services to other Quebecor companies, such as Archambault Group and the TVA Group. Cooperation continued in 2003 with the addition of new services to the Vidéotron site and the development of a music downloading application for the *archambaultzic.ca* site. Nurun was also involved in developing the *ultimatum.ca* site, which repurposes for the Web a popular game show carried on the TVA television network.

Nurun worked with sales teams at Quebecor World's Quebecor World Premedia subsidiary to develop a joint proposal for an Automated Publishing System (APS), which led to a large commission from the retail giant Toys "R" Us Canada.

nurun
QUEBECOR MEDIA

Le SuperClub Vidéotron

TONS OF EFFORT – TO SATISFY CUSTOMERS



Le SuperClub Vidéotron, a chain of 180 stores that sell and rent films and games, is a well-known name in Québec. Its locations logged 24 million rentals last year and have 1.35 million active members. Le SuperClub Vidéotron has a market share of over 32%, four times that of its nearest rival.

DVDs booming in popularity

Revenues from DVD rentals outstripped VHS rentals for the first time early in 2004. The trend is expected to continue as consumers switch to the more versatile technology.

Another showcase for Quebecor Media products

Consumers made 40,000 purchases of Vidéotron cable packages and Internet access kits at their local neighbourhood Le SuperClub Vidéotron stores in 2003. The network of video stores also served to boost sales of Sun Media Corporation newspapers and TVA Publishing magazines.

Agreements with distributors

As of December 31, 2003, Le SuperClub Vidéotron had signed distribution agreements with four major US studios and five large Canadian distributors, including TVA Films, all on advantageous revenue-sharing terms. Le SuperClub Vidéotron can now offer customers more copies of a given film. The agreements also provide for a more equitable risk-sharing formula.

The games shop: concept of the future

Le SuperClub Vidéotron is benefiting from the popularity of video games, which grew at an annual rate of 30% in 2003. To capitalize on the surge, which is part of a long-term trend in the industry, Le SuperClub Vidéotron launched a new concept, opening game sections called "La Boutique Jeux" inside its stores. Plans call for more than 60 by the end of 2004.

QUEBECOR MEDIA

Videotron Telecom

A BIG STEP FORWARD

In the business telecommunications sector, Videotron Telecom operates one of the most extensive networks in its service area (Québec and Ontario). Its cable passes most large and medium-sized businesses located in the metropolitan areas of Canada's two largest provinces. In recent years, Videotron Telecom has further expanded its fibre-optic network, which is now strategically placed in Ontario and reaches major American border cities in New York State and Michigan.

Clarifying business objectives

On December 22, 2003, a key stage in Videotron Telecom's development was accomplished at last when Quebecor Media closed a deal to acquire the preferred shares held by The Carlyle Group and became the sole shareholder in Videotron Telecom.

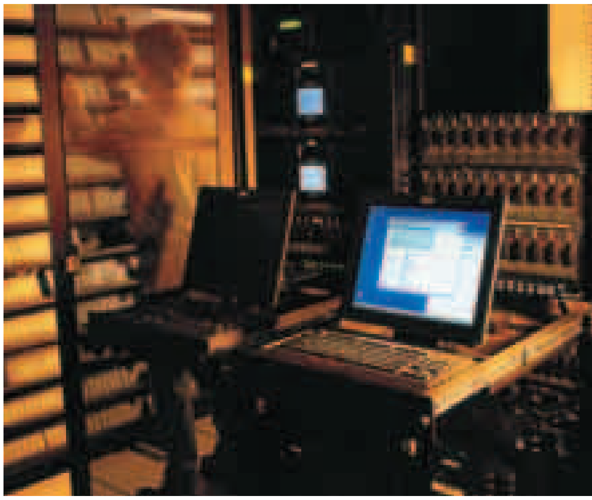
The buyout cleared up the ambiguity surrounding Videotron Telecom's ownership and its long-term development plans. It also helped align Videotron Telecom's business objectives with those of Quebecor Media as a whole. Finally, it eliminated the uncertainty about Videotron Telecom's telecommunications offerings.

Videotron Telecom is now positioned to generate new synergies with other Quebecor Media properties and speed up the development of the telephony, Internet access and data transmission services that customers are asking for.

Videotron

Quebecor World

A WORLD LEADER IN PRINT MEDIA



STATE-OF-THE-ART – Quebecor World's ultramodern equipment improves quality and reduces costs.

Quebecor World is one of the largest commercial print media services companies in the world. It is firmly established in North America, Europe and Latin America, serving the largest multinational publishers and retailers.

Tailoring strategies to market conditions

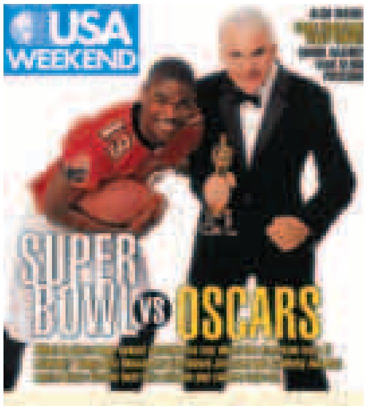
In recent years, the print media market has been in a down cycle as reduced spending on advertising has caused overcapacity and price erosion. Quebecor World has taken a series of initiatives in response to the tough business environment.

Cost-cutting

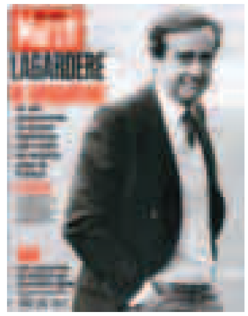
Cost-containment is an ongoing process at Quebecor World. The subsidiary systematically reviews all operations to reduce its cost base. The main targets are procurement; manufacturing and operations; selling, general and administrative expenses; and financial charges.

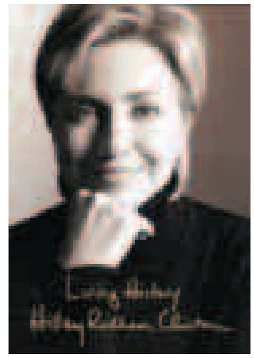
Reduction of financial expenses

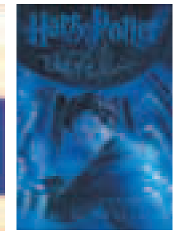
In 2003, Quebecor World closed a private placement of Senior Notes and used the proceeds to pay down higher-interest debt. The refinancing is expected to yield estimated pre-tax savings of US$12.0 million per year.



PRINTER FOR THE PLANET – Quebecor World prints magazines, books and newspaper supplements for the world's largest retailers and publishers.





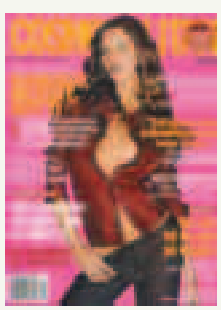


Focus on sales

Quebecor World stepped up its sales efforts in order to maintain production volumes. It signed contract extensions, made new gains, and strengthened long-term business relationships with major customers in most of its lines of business, including Williams-Sonoma, United Stationers, Bauer Publishing, Dex Media East and QwestDex, Verizon, Yellow Book USA, *New York Daily News*, Hachette Filipacchi Media US and *USA Weekend*. The contracts signed in 2003, in difficult market conditions, reflect Quebecor World's ability to deliver uncompromising quality at very competitive prices.

Investing in the future

Quebecor World will continue investing to cut production costs and keep its technological platform among the most modern in the industry. It is also working with suppliers to develop and test new technologies.



Advantages of geographic diversification

Regardless of market conditions, Quebecor World seeks to maintain its revenues in its core lines of business. With a network spanning 17 countries, the subsidiary is equipped to service the world's largest publishers and retailers.

Return to core values

Quebecor World is drawing on the fundamental values and the Quebecor corporate culture that made it a major global player in the first place. That culture is based on rigorous financial discipline, market leadership and strong entrepreneurial values.

Management is therefore promoting a return to the sources of Quebecor World's past success at all levels of the organization. A single culture will prevail in all regions and all countries where Quebecor World operates. Most importantly, cost reduction will be the order of the day at Head Office and across Quebecor World's production platform.

Financial Section

Quebecor Inc. ("Quebecor" or "the Company") is a communications company with operations in North America, Europe, Latin America and India. It has two operating subsidiaries:

- Quebecor World Inc. ("Quebecor World"), one of the world's largest commercial print media services companies;
- Quebecor Media Inc. ("Quebecor Media"), one of Canada's largest media companies; its principal lines of business are Cable Television, Newspapers, Broadcasting, Leisure and Entertainment, Business Telecommunications, Web Integration/Technology, and Internet/Portals.

2003 OVERVIEW

A decrease in Quebecor World's operating income in 2003 as a result of various factors, including adverse market conditions in the print media industry, was partially offset by a strong performance by Quebecor Media, which increased its operating income by 9%. Quebecor's long-term development strategy, based on balanced asset diversification, therefore yielded dividends in the last financial year and can be expected to continue generating positive results going forward.

In 2003, Quebecor Media experienced significant progress, particularly in the Cable Television segment, which achieved major advances in growth of its customer base and in labour relations. During the year, the Vidéotron ltée ("Vidéotron") subsidiary recruited 101,000 new subscribers to its cable Internet access service and 69,000 subscribers to its *illico*™ digital television service, increases of 33% and 40% respectively in comparison with 2002. During the last six months of the 2003 financial year, Vidéotron gained almost twice as many customers to *illico*™ as it lost to its analog cable service; the net gain of 22,000 customers was the first in two years. The settlement in 2003 of the labour dispute between Vidéotron and its unionized employees in the Montréal and Québec City areas is also noteworthy. With the signing of the new collective agreements, Vidéotron now enjoys greater flexibility in operational management and benefits from a more efficient cost structure.

The refinancing of Vidéotron and Sun Media Corporation on highly advantageous terms was another highlight of the 2003 financial year. The two financial operations optimized Quebecor Media's capital structure and reduced its short-term debt repayment obligations. Following the refinancings, Vidéotron and Sun Media Corporation can now distribute their cash surpluses to Quebecor Media in full, subject to compliance with certain financial ratios. Moreover, the two subsidiaries' combined debt repayment obligations have been reduced to only $53.5 million per year for the next four years. Following the refinancing operations, Standard & Poor's upgraded the corporate credit ratings of Quebecor Media and its Vidéotron and Sun Media Corporation subsidiaries one level to BB- in all three cases.

Finally, the resounding success of *Star Académie*, a variety program featuring talented young singers, confirmed the lead of TVA Group Inc. ("TVA Group") in the Québec television market. The program attracted audiences of over three million and captured an audience share as high as 83%. This media phenomenon had a powerful impact on some of the Company's other segments: the celebrity weeklies published by TVA Publishing Inc. ("TVA Publishing") achieved record sales; the Musicor and Select units of Archambault Group Inc. ("Archambault Group"), which produced and distributed the *Star Académie* CD, increased their revenues; Vidéotron's high-speed Internet access service, which offered exclusive backstage webcam feeds, grew its customer base; Netgraphe Inc. ("Netgraphe") realized increased revenues for the development of online voting and video tools. *Star Académie* therefore provided an opportunity for Quebecor Media to capitalize on its convergence strategy.

Quebecor World's results were affected by the very difficult economic environment in the print media industry. Weak advertising spending and global overcapacity in the industry resulted in significant price erosion. This environment negatively impacted results in all Quebecor World's markets. To face these challenges, management's approach has been to secure and increase new and existing volume and to adopt an uncompromising focus on cost reduction and cost-containment.

Early in 2003 and throughout the year, Quebecor World's new management implemented additional cost-reduction measures, including a general workforce reduction across the platform, the closure of four smaller facilities in North America, the consolidation of corporate functions, the relocation of certain sales offices into plants and the decommissioning of underperforming assets. Quebecor World also took advantage of lower interest rates to refinance a portion of its debt with the proceeds from a new US$600.0 million issuance of long-term debt. Ultimately, all of these cost reduction measures will lower the cost base and allow Quebecor World to harvest the benefits when markets recover.

Quebecor's interest in Quebecor World increased from 33.14% to 35.65% following the repurchase by Quebecor World of 10.0 million Subordinate Voting Shares in June 2003.

Quebecor realized revenues of $11.22 billion in the 2003 financial year, compared with $12.06 billion in 2002, a 7.0% decrease. Operating income decreased by $394.5 million to $1.58 billion. Quebecor's net income amounted to $66.4 million ($1.03 per basic share), compared with $83.2 million ($1.29 per basic share) in 2002.

Other highlights of 2003 at Quebecor and its subsidiaries included:

- Purchase of preferred shares in Vidéotron Télécom ltée ("Vidéotron Télécom") held by The Carlyle Group for a

- consideration with an estimated value of $125.0 million, generating a gain of $153.7 million, without any tax consequences;
- Total debt repayment of $549.0 million by Quebecor Media in 2003, in addition to the $215.0 million repaid in 2002;
- $39.8 million (16.9%) increase in operating income at Vidéotron, which registered a 34.2% operating income margin in 2003, compared with 30.2% in 2002;
- Strengthening of Sun Media Corporation's position in its geographic markets through business acquisitions and sales;
- 34% share of French-language television audience for TVA Group, according to BBM surveys for the fall 2003 season;
- Reserves for restructuring and impairment of assets in the amount of $132.1 million in the Printing segment in 2003: 1,769 positions were eliminated in 2003 and another 503 will be eliminated by the end of the first quarter of 2004 under the restructuring program launched in 2003.

CHANGES IN ACCOUNTING POLICIES IN THE CABLE TELEVISION SEGMENT

During the fourth quarter of 2003, the Company revised its accounting for equipment sales to subscribers and hook-up costs in the Cable Television segment. Until the end of the third quarter of 2003, the cost of subsidies granted to subscribers on equipment sold was capitalized and amortized over three years on a straight-line basis, and the cost of reconnecting subscribers was capitalized to fixed assets and depreciated over three or four years on a straight-line basis.

The Company has changed its accounting policies in order to expense, as they are incurred, the costs of subscribers' subsidies and the costs of reconnecting subscribers. These changes have been applied retroactively. They are described in greater detail under "Changes in Accounting Policies" below. The effects of the changes for the financial years ended December 31, 2003, 2002 and 2001 can be summarized as follows:

- Revenues increased by $19.4 million, $25.4 million and $10.9 million;
- Operating income decreased by $42.2 million, $37.7 million and $11.3 million;
- Net income decreased by $7.9 million and $8.7 million in 2003 and 2002 respectively, and the net loss increased by $2.9 million in 2001.

The Company chose to implement these changes in accounting policy in the fourth quarter of 2003, in accordance with the provisions of the *Canadian Institute of Chartered Accountants* ("CICA") *Handbook*, Section 1506, *Accounting Changes*, which require that changes in accounting policies be applied retroactively, except where certain conditions apply. Had the Company not made this accounting change in 2003, it would have been required to do so on January 1, 2004, the date on which the new *CICA Handbook* Section 1100, *Generally Accepted Accounting Principles*, came into effect. Under the provisions of Section 1100, the change would have been applied on a prospective basis and would have complicated year-over-year comparisons of operating results for periods in which different accounting principles were used.

CHANGES IN CORPORATE STRUCTURE

On November 3, 2003, Sun Media Corporation, the Company's subsidiary in the Newspapers segment, closed the acquisition of the press assets of Annex Publishing & Printing Inc., for a cash consideration of $34.2 million. The acquisition of the business, concentrated in southern Ontario, added two dailies, nine other publications and a commercial printing facility to Sun Media Corporation's assets.

In the third quarter of 2003, the operations of Le SuperClub Vidéotron ltée ("Le SuperClub Vidéotron"), previously part of the Leisure and Entertainment segment, were transferred to the Cable Television segment. Results for prior periods of 2003 and for the 2002 and 2001 financial years have been reclassified to reflect the change.

On July 24, 2003, the Company increased its interest in CEC Publishing Inc. ("CEC Publishing"), part of the Leisure and Entertainment segment, from 50% to 100% for a cash consideration of $15.0 million.

In May 2003, Sun Media Corporation closed the sale of its interests in businesses it operated in Florida, United States and British Columbia for a cash consideration of $22.4 million. The purpose of the transactions was to refocus the subsidiary's operations on Canadian geographic markets where it is already firmly established.

On March 14, 2003, Nurun Inc. ("Nurun") disposed of its interest in Nurun Technologie S.A., for a cash consideration of $0.3 million.

In accordance with the new recommendations contained in Section 3475, *Disposal of Long-Lived Assets and Discontinued Operations* of the *CICA Handbook*, the operating results and cash flows of the Newspapers and Web Integration/Technology segments for prior periods of 2003 and for the 2002 and 2001 financial years have been reclassified in order to present the operating results and cash flows of the divested businesses as separate line items for discontinued operations on the income and cash flow statements.

In March and May 2003, Quebecor World acquired minority interests in operations in both Spain and North America, for a cash consideration totalling US$7.5 million.

In May 2002, following the sale of Publicor by Quebecor Media to TVA Group, all the group's magazines were brought together under TVA Publishing. The move strengthened

TVA Publishing's position as the largest magazine publisher in Québec.

In March 2002, Quebecor World purchased all of the issued and outstanding shares of European Graphic Group S.A., a subsidiary of Hachette Filipacchi Médias in France, for a cash consideration of US$3.3 million.

Quebecor World also acquired minority interests in operations in North America and Europe for a cash consideration totalling US$4.5 million during the financial year ended December 31, 2002.

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 38.46% at January 1, 2001, did not change significantly in 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. At the end of 2003, Quebecor's share in Quebecor World had increased to 35.55%, mainly as a result of the repurchase for cancellation of 10.0 million Subordinate Voting Shares by Quebecor World in June 2003.

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, 2003. Quebecor's share in Nurun's results was 31.45% at January 1, 2001 and has not changed materially since; as of December 31, 2003, it stood at 32.15%. Quebecor's share in Sun Media Corporation, which was 38.30% in January 2001, 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, 2003. 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 41.29% at December 31, 2003.

Quebecor exercises direct and indirect controlling interests in five public companies. At December 31, 2003, Quebecor held, directly or indirectly, 84.55%, 57.26%, 99.91%, 97.75% and 80.95% of the voting rights of Quebecor World Inc., Nurun Inc., TVA Group Inc., Netgraphe Inc. and Mindready Solutions Inc., respectively.

OPERATING RESULTS

In its analysis of operating results, the Company defines operating income (or loss) as earnings (or loss) before amortization (including amortization of deferred client incentives), financial expenses, reserves for restructuring of operations, impairment of assets and other charges, non-monetary compensation charges, write-down of goodwill, gains (losses) on sales of businesses, of shares of subsidiaries and of a portfolio investment, gains on dilution resulting from the issuance of shares by subsidiaries, net gain on debt refinancing and on repurchase of redeemable preferred shares of a subsidiary, and income taxes. Equity income (or loss) from non-consolidated subsidiaries, dividends on preferred shares of subsidiaries, non-controlling interest and the results of discontinued operations are not considered in the computation of operating income. Since the third quarter of 2003, amortization charges applicable to videocassettes owned by the Le SuperClub Vidéotron subsidiary, previously recorded under amortization, have been entered under cost of sales. Operating income (or loss) for prior periods of 2003 and for the 2002 and 2001 financial years has been reclassified to reflect the change.

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 (or loss) may not be identical to similarly titled measures reported by other companies.

The Company uses free cash flow from operations as a measure of liquidity. Free cash flow from operations is used to represent funds available for business acquisitions, the payment of equity dividends and the repayment of long-term debt. Free cash flow from operations is not a measure of liquidity 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. The Company's definition of free cash flow from operations may not be identical to similarly titled measures reported by other companies.

2003/2002 FINANCIAL YEAR COMPARISON

Quebecor recorded revenues of $11.22 billion in the financial year ended December 31, 2003, compared with $12.06 billion in 2002. The 7.0% decrease was due entirely to the unfavourable impact of the translation of the Quebecor World subsidiary's revenues into Canadian dollars.

Quebecor World's revenues increased by US$119.8 million in 2003, including the favourable impact of the translation into US dollars of sales denominated in other currencies, which amounted to US$260.8 million, and the effect of business acquisitions, which amounted to US$24.1 million. Excluding these favourable factors, the Printing segment's revenues decreased in 2003 despite a general increase in volume, reflecting downward pricing pressures.

Quebecor Media's revenues rose $41.7 million in 2003, primarily as a result of revenue growth in the Cable Television ($24.0 million), Broadcasting ($17.5 million) and Newspapers ($14.3 million) segments. These increases were partially offset by decreases in the Business Telecommunications and Web Integration/Technology segments.

Quebecor generated operating income of $1.58 billion in 2003, compared with $1.98 billion in the previous year, a decrease of $394.5 million.

Quebecor World's operating income decreased by US$208.6 million (CA$440.1 million, including the impact of currency translation) to US$689.8 million (CA$970.3 million) in 2003. The combination of downward pricing pressures, decreased use of production capacity and specific charges totalling US$78.8 million contributed to the reduction in operating income.

Quebecor Media's operating income rose 9.0% ($50.7 million) to $611.7 million, due mainly to a $39.8 million (16.9%) increase in operating income in the Cable Television segment, as well as improved results in the Web Integration/Technology, Newspapers, Internet/Portals and Broadcasting segments. These increases were partially offset by lower operating income in the Business Telecommunications segment.

Quebecor generated net income of $66.4 million ($1.03 per basic share) in 2003, compared with $83.2 million ($1.29 per basic share) in 2002.

Quebecor World posted a net loss of US$31.4 million in 2003, compared with net income of US$279.3 million in 2002, a negative difference of US$310.7 million. Stated in Canadian dollars, the negative difference in Quebecor World's net income was $473.7 million, or $180.1 million net of non-controlling interest. The decrease was due to the lower operating income, the recording of a charge for impairment of assets, restructuring and other expenses totalling US$98.3 million (compared with US$19.6 million in 2002), to adjustments totalling US$53.0 million which had the effect of increasing the income tax expense, and to a US$30.2 million debt refinancing charge recorded in 2003.

Quebecor Media's net income increased by $433.7 million, or $237.3 million net of non-controlling interest, in 2003. The increase mainly reflects the rise in operating income, the recording of a $144.1 million net gain on settlement of debt and repurchase of redeemable preferred shares of a subsidiary, as well as decreases in financial expenses, in reserves for restructuring and special charges, and in income tax. Quebecor Media also recorded a write-down of goodwill in the amount of $187.0 million in 2002.

In 2002, Quebecor realized gains on the sale of businesses, shares of subsidiaries and a portfolio investment totalling $91.2 million, of which $67.4 million derived from the sale of subordinate shares of Quebecor World and $20.0 million from the sale of the Company's interest in TQS Inc.

Consolidated amortization charges were reduced from $753.5 million in 2002 to $731.9 million in 2003. An increase in amortization charges at Quebecor World as a result of new capital expenditures, including the purchase of presses that were previously under operating leases, was outweighed by the effect of currency translation.

Consolidated financial expenses decreased from $624.9 million in 2002 to $605.0 million in 2003. The $19.9 million reduction was primarily due to lower debt levels at Quebecor Media. Higher financial expenses at Quebecor World were offset by the favourable impact of translation into Canadian currency.

Items that impacted consolidated net income included reserves for restructuring of operations, impairment of assets, other expenses and special charges totalling $133.7 million in 2003, of which $132.1 million (US$98.3 million) represents a reserve recognized by the Printing segment. In 2002, the Company recorded reserves for restructuring totalling $40.4 million in the Printing ($29.2 million or US$19.6 million), Newspapers ($2.2 million), Broadcasting ($3.0 million), Business Telecommunications ($1.4 million) and Web Integration/Technology ($4.6 million) segments. It also recognized write-downs of temporary investments and other assets totalling $22.3 million. In addition, Quebecor Media's Web Integration/Technology segment recorded a $5.7 million non-monetary compensation charge in connection with shares subject to escrow agreements with shareholders/sellers of certain acquired businesses.

In 2002, the Company adopted the new recommendations in Section 3062 of the *CICA Handbook* concerning goodwill and recorded a $187.0 million charge for the goodwill impairment losses 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.

The $104.4 million net gain, on a consolidated basis, on settlement of debt and repurchase of preferred shares of a subsidiary realized in 2003 included the $144.1 million net gain realized by Quebecor Media, which was partially offset by the $39.7 million (US$30.2 million) loss recorded by Quebecor World. Quebecor Media's net gain included a gain of $153.7 million, without any tax consequences, realized on the repurchase of the preferred shares held by The Carlyle Group in Vidéotron Télécom, a gain of $7.5 million on the refinancing of Sun Media Corporation, and a $17.1 million loss related to the refinancing of Vidéotron. Quebecor World's $39.7 million loss was related to debt refinancing.

For the purpose of analysis of the consolidated income tax charge, the gain of $153.7 million, without any tax consequences, realized on the repurchase of the preferred shares held by The Carlyle Group should be excluded from the calculation of income before income tax. The consolidated income tax expense includes a charge of $69.7 million (US$53.0 million) recorded by Quebecor World in respect of an adjustment of the average tax rate applied on cumulative temporary differences within different states in the United States in the amount of US$28.0 million, and an additional charge of US$25.0 million reflecting a revised expectation of tax asset recovery and liabilities from prior years. The charge recorded by Quebecor World was offset by the impact of the recognition of tax benefits related to previously unrecorded operating losses, including tax recovery in the amounts of $45.4 million recorded by Quebecor Media and $18.2 million recorded at the corporate level by Quebecor, reflecting amended forecasts concerning the recovery of those tax benefits.

SEGMENTED ANALYSIS

Printing

Quebecor World Inc. is one of the largest commercial print media services companies in the world. It is the market leader in most of its product categories and geographies, a position that has been built through strategic acquisitions, investment in key strategic technologies and a commitment to long-term partnerships with customers. Quebecor World has facilities in 17 countries.

Quebecor World's 2003 results were affected by the very difficult economic environment in the print media industry. Weak advertising spending and global overcapacity resulted in significant price erosion in all of the subsidiary's markets.

To face these challenges, management's approach has been to secure and increase new and existing volume and to adopt an uncompromising focus on costs. Quebecor World competed aggressively and this is reflected in a volume increase achieved through contract extensions and new gains at market prices. To mitigate the pricing decline, Quebecor World continued to focus on cost reduction and cost containment.

Early in 2003 and throughout the year, new management performed a detailed review of the subsidiary's operations. Through this review, management identified additional restructuring initiatives to address the competitive environment. This involved a general workforce reduction across the platform, the closure of four smaller facilities in North America and the decommissioning of underperforming assets.

In addition, progress was made in terms of streamlining the workforce and cutting overhead expenses, achieved through the consolidation of corporate functions and relocation of certain sales offices into plants. To further reduce costs, Quebecor World took advantage of lower interest rates to refinance debt with the proceeds of a new US$600.0 million issuance of long-term debt.

Ultimately, all of these cost-reduction measures will lower the cost base and allow Quebecor World to harvest the benefits when markets recover.

Quebecor World's revenues were US$6.39 billion, a year-over-year increase of US$119.8 million (1.9%) essentially explained by the favourable impact of currency translation and the acquisition of the printing assets of Hachette Filipacchi Médias. The reduction in revenues when these factors are excluded, reflects the pricing pressure in all business segments, despite overall volume increase.

Quebecor World posted operating income of US$689.8 million in 2003, compared with US$898.4 million in 2002. The US$208.6 million decrease was due to reduced capacity utilization, pricing pressures, and the effect of increases in pension, utilities and medical expenses. Operating income was also reduced by specific charges totalling US$78.8 million, of which US$58.4 million related to North America and included an adjustment (US$15.0 million) caused by the rapid growth and systems issues in the North American Logistics business, a provision for doubtful accounts (US$16.0 million) and lease provisions (US$9.3 million). In Latin America and Europe, specific charges amounted to US$8.0 million and US$6.1 million, respectively.

Selling, general and administrative expenses increased by US$29.4 million to US$536.4 million. Excluding specific charges and the impact of currency translation totalling US$60.9 million, selling, general and administrative expenses improved by US$31.5 million (6.2%). This resulted from the workforce reduction and other cost-containment measures, despite increases in employee benefit expenses.

In 2003, Quebecor World recorded a US$98.3 million charge for impairment of assets, restructuring and other charges, including non-cash items of US$60.4 million and cash items of US$37.9 million. The non-cash portion consisted mainly of a US$54.4 million charge for impairment of assets for write-downs of underperforming assets resulting from the overcapacity and the decision not to redeploy the assets. The cash items consisted primarily of restructuring charges resulting from measures introduced in 2003 in order to reduce the workforce by 1,769 in 2003 and by an additional 503 in the first quarter of 2004. In all, workforce reduction efforts have lowered Quebecor World's employees count by 5,730 since 2001.

Stated in Canadian dollars, Quebecor World's revenues were $8.96 billion in 2003, an $883.2 million decrease. Operating income declined by $440.1 million from the previous year to $970.3 million in 2003. The negative impact of the exchange rate increased the decline in revenues and operating income.

In North America, price erosion was the main factor responsible for the decrease in revenues, operating income and operating margins in 2003.

Revenues decreased by 3% in the Magazine & Catalog Group due to price erosion and lower volumes as a result of weakness in the magazines segment. Magazine & Catalog, Quebecor World's largest group by revenues, extended current contracts and entered into new contracts with major customers such as Viacom, Dennis Publishing, Bauer, Viking, Office Depot, Avon, Williams-Sonoma and Ethan Allen.

In the Book and Directory groups, which were combined in 2003 to maximize efficiencies, revenues declined by 8.2%, due to strong price competition. Business volume increased in the directory market as a result of new contracts with independent publishers.

Revenues increased in the Logistics (+31%), Retail (+3%), and Commercial & Direct (+2%) groups. Despite fierce competition, Retail increased its volume with prestigious customers such as Staples, Office Depot, Home Depot and JC Penney.

All units of Quebecor World in North America concentrated their efforts on cost reduction and containment in 2003, and workforce was reduced in most groups.

In Europe, revenues increased by 14.8%, mainly because of the positive impact of currency fluctuations and the acquisition of the printing assets of Hachette Filipacchi Médias. These factors outweighed the effect of price reductions. Quebecor World's European operations performed well, particularly the facilities in the United Kingdom, Belgium and Austria. In France, revenues declined 1.2%, excluding the effect of currency fluctuations. Efforts to reduce administrative expenses in France continued.

Revenues decreased by 3.8% in Latin America in 2003. Overcapacity, coupled with economic pressure within the region and currency devaluation all had a negative impact on prices. However, production volume increased by 13%. Volume was up in all countries except for the Recife facility in Brazil. In response to the adverse market conditions, Quebecor World reduced its workforce in the region by 18%.

Quebecor World generated free cash flow from operations of US$183.3 million in 2003, compared with US$319.8 million in 2002 and US$287.2 million in 2001 (*see Table 1 below*). The decrease in 2003 compared with 2002 was primarily due to the lower net income and higher capital expenditures in 2003, which were offset by the positive net change in non-cash balances related to operations in 2003 compared with 2002. The increase in free cash flow from operations in 2002 over 2001 was due to the improvement in net income and lower capital expenditures, which were offset by the negative net change in non-cash balances related to operations in 2002.

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 passes 2.3 million homes and serves approximately 1.4 million subscribers, including 240,000 subscribers to its *illico*™ digital television service. Vidéotron is also involved in interactive multimedia development and ISP services, with 406,000 subscribers to its high-speed cable modem Internet access service and 29,000 subscribers to its dial-up Internet access service. Its Le SuperClub Vidéotron stores are engaged in sales and rentals of DVDs, video cassettes and video games.

In 2003, Vidéotron recorded revenues of $805.0 million, compared with $781.0 million in the previous year, an increase of $24.0 million (3.1%). Internet access services and the *illico*™ digital television service realized significant revenue increases of $47.8 million and $26.7 million respectively, for growth rates of 35% and 51%. These increases more than offset the decrease in revenues from analog cable television and other services, including rental and installation. The revenues of

Table 1: Printing segment
Free cash flow from operations
(in million of US dollars)

	2003	2002	2001
Cash flow from continuing operating activities before undernoted items	$ 449.7	$ 679.4	$ 531.9
Net change in non-cash balances related to operations	11.6	(166.0)	44.6
Cash flow from continuing operating activities	461.3	513.4	576.5
Dividends on preferred shares	(37.7)	(36.2)	(20.5)
Additions to property, plant and equipment	(243.1)	(184.5)	(278.3)
Proceeds from disposal of assets	2.8	27.1	9.5
Free cash flow from operations	$ 183.3	$ 319.8	$ 287.2

Le SuperClub Vidéotron rose 5.5% to $40.4 million, due in large part to higher in-store retail sales and higher revenues from game stores.

The higher revenues from Vidéotron's Internet and *illico™* digital television services stemmed mainly from growth of its customer base as a result of successful new marketing strategies for value-added products, as well as higher rates. The number of subscribers to cable Internet access services increased by 101,000 (33%), from 305,000 to 406,000, outstripping the 77,000 subscriber increase in 2002. As of December 31, 2003, there were 240,000 subscribers to *illico™*, compared with 171,000 at the same date in 2002; the increase of 69,000 (40%) was also an improvement over 2002, when 57,000 new customers were recruited.

While Vidéotron signed up 69,000 new subscribers to *illico™* in 2003, it lost 76,000 subscribers to its analog cable service, for a net loss of 7,000 subscribers, a substantial improvement over the net loss of 79,000 customers in 2002. Vidéotron's performance in the last two quarters of 2003 is particularly noteworthy. During the third and fourth quarters of 2003, Vidéotron's cable television services posted net customer growth for the first time since the third quarter of 2001, that is, in exactly two years. In fact, in the last six months of 2003, Vidéotron gained nearly twice as many subscribers to *illico™* (46,000) as it lost to its analog cable television service (24,000), for a net gain of 22,000 customers.

Vidéotron capitalized on its network's two-way capabilities in 2003 by successfully rolling out its Video on Demand ("VoD") service, which is now available to more than 90% of households in Vidéotron's service area. VoD is an interactive service that gives customers access to hundreds of films and special events. Vidéotron became the first company in Québec to offer the service on a large scale. The innovative product promises to spur the development of the *illico™* service by setting it apart from competitive services.

Net monthly ARPU (average revenue per user) rose 7.3% to $43.40 as of December 31, 2003, compared with $40.45 on the same date of the previous year.

The Cable Television segment recorded total operating income of $275.3 million in 2003. The increase of $39.8 million (16.9%) from the $235.5 million figure reported in 2002 was due primarily to the growth in the customer base for high-speed Internet access and *illico™* services, higher rates for Internet services, and the favourable impact on the gross margin of the renegotiated service agreement with Vidéotron Télécom. It also reflects the recording in 2002 of $18.5 million in charges related to the labour dispute, which were, however, partly offset by receipt of an $8.3 million refund of property tax paid on the network. Finally, the favourable settlement of disputes concerning fees and the reduction of other operating expenses also contributed to the increase. The positive 2003 performance was partially offset by the effect on operating income of decreased revenues from analog cable television, rentals and installation services, and the unfavourable impact of the change in the capitalization policy.

Le SuperClub Vidéotron's operating income rose 4.5%. The increased profitability of in-store rentals and sales, and higher revenues from fees and discounts, more than offset the unfavourable impact of the shortening of the amortization period for videocassettes owned by Le SuperClub Vidéotron.

Vidéotron's average profit margin for all operations increased to 34.2% in 2003, compared with 30.2% one year earlier.

Vidéotron generated free cash flow from operations of $88.4 million in 2003, compared with $136.6 million in 2002 and $50.8 million in 2001. The impact of the net change in non-cash balances related to operations reduced free cash flow from operations by $45.2 million in 2003, whereas the impact was positive by $57.8 million in 2002. The increase in free cash flow from operations between 2002 and 2003, excluding the impact of the net change in non-cash balances related to operations, was due primarily to the improved results. When excluding these same elements, the reduction in additions to property, plant and equipment explains the increase from 2001 to 2002. Vidéotron's capacity to generate free cash flow from operations, first demonstrated in early 2001, was maintained in 2003, as shown in Table 2. Key financial ratios (debt/operating income, interest coverage) continued to show improvement during 2003; by these measures, Vidéotron ranks among the industry leaders in North America.

With respect to labour relations, Vidéotron and its employees in the Montréal and Québec City areas signed a new collective agreement on April 29, 2003, ending the labour dispute that began in May 2002. The new labour contracts enable Vidéotron to reduce costs, enhance productivity, and exercise greater flexibility in the management of its operations. On May 12, 2003, Alentron, a subsidiary of Entourage Technology Solutions, and Vidéotron agreed to cancel the services contract signed in May 2002. Among other things, the agreement called for the managers and unionized employees who had been transferred to Alentron at the time of the business sale, concurrent with the signing of the services contract, to return to Vidéotron.

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. In all, Sun Media Corporation publishes 19 metropolitan dailies and 187 community weeklies and specialty publications across Canada. Sun Media Corporation is also engaged in the distribution of newspapers and magazines. In addition, it offers commercial printing and related services to other publishers through its national printing and production platform. Sun Media Corporation also has an interest in the southern Ontario all-news channel CablePulse 24.

The Newspapers segment reported total revenues of $845.9 million in 2003, compared with $831.6 million in 2002, a $14.3 million (1.7%) increase. The 2.8% growth in advertising revenues more than made up for a 1.7% decrease in circulation revenues. Revenues increased 1.2% at the metropolitan dailies and 4.6% at the community newspapers, including the favourable impact of the businesses acquired in 2003. Within the metropolitan dailies segment, the newspapers in the Eastern Group (*Le Journal de Montréal*, *Le Journal de Québec* and *The Ottawa Sun*) realized an average revenue increase of 2.6%.

Operating income amounted to $224.8 million in the Newspapers segment in 2003, compared with $219.4 million in the previous year, an increase of $5.4 million or 2.5%. Sun Media Corporation launched two new free commuter dailies, *24 heures* in Montréal and *24 Hours* in Toronto. The operating losses incurred by the two publications reduced the segment's consolidated operating income in 2003. The increase in operating income, excluding the impact of the two new publications, was due to higher revenues, the contribution of the acquired businesses, a decrease in newsprint prices, and a reduction in operating expenses. Among the metropolitan dailies, *The Edmonton Sun* and *Le Journal de Québec* posted profitability increases of 6.6% and 5.2% respectively.

In 2003, Sun Media Corporation also launched two new weeklies, which are inserted in the Saturday edition of *Le Journal de Montréal* distributed in the Sherbrooke and Trois-Rivières areas, two of the largest urban centres in Québec.

Sun Media Corporation generated free cash flow from operations of $211.0 million in 2003, compared with $194.9 million in 2002 and $121.4 million in 2001 (*see Table 3*). The favourable difference of $27.5 million in 2003 over 2002 due to the change in non-cash balances related to operations should be noted. The increase in 2002 over 2001 derived mainly from higher operating income in 2002 and from disbursements related to restructuring programs in 2001. Sun Media Corporation continues to post operating margins that are among the best in the industry in Canada.

In 2003, Sun Media Corporation completed certain transactions in order to divest itself of non-core assets and to strengthen its operations in Canadian geographic markets where it is already firmly established.

In May 2003, Sun Media Corporation announced the sale of its interest in Florida Sun Publications, Inc. to US-based Independent Publications. Florida Sun Publications operated seven weekly publications and a commercial printing plant. In the same month, Bowes Publishers Limited, a wholly owned subsidiary of Sun Media Corporation, announced the sale of its assets in British Columbia, which included five weeklies and a printing plant, to Black Press Ltd. Total proceeds from disposals were of $22.4 million. The sales generated a $0.5 million gain on sale of businesses, after a $2.8 million tax charge.

Then, in November 2003, Sun Media Corporation closed the acquisition of the press assets of Annex Publishing & Printing Inc. for a cash consideration of $34.2 million. The properties, located in southern Ontario, Canada, include two dailies, a semi-weekly publication, six weeklies and two newspaper supplements, as well as a commercial printing facility with rotary presses.

With respect to technological development, the Newspapers segment completed its computer-to-plate ("CTP") project, as planned, with the addition of CTP equipment at its metropolitan dailies in Toronto, Edmonton and Calgary. *Le Journal de Montréal* and *Le Journal de Québec* already have this state-of-the-art equipment.

Broadcasting

TVA Group Inc. is the largest privately-owned producer and broadcaster of French-language entertainment, information and public affairs programming in North America. It is the sole owner of 6 of the 10 television stations in the TVA network and of the analog specialty channel Le Canal Nouvelles ("LCN"). TVA Group also holds interests in two other TVA network affiliated stations, as well as in the Canal Évasion specialty channel, the Indigo pay-per-view service, and the

Table 2: Cable Television segment
Free cash flow from operations
(in million of Canadian dollars)

	2003	2002 (restated)	2001 (restated)
Cash flow from continuing operating activities before undernoted item	**$ 220.4**	$ 168.8	$ 190.1
Net change in non-cash balances related to operations	**(45.2)**	57.8	(4.6)
Cash flow from continuing operating activities	**175.2**	226.6	185.5
Additions to property, plant and equipment, and deferred charges	**(90.6)**	(94.1)	(140.3)
Proceeds from disposal of assets	**3.8**	4.1	5.6
Free cash flow from operations	**$ 88.4**	$ 136.6	$ 50.8

English-language digital specialty channels MENTV and Mystery. TVA Group is also engaged in teleshopping services. Its TVA Publishing subsidiary, the largest publisher of French-language magazines in Québec, publishes general-interest and entertainment weeklies and monthlies. Its TVA Films subsidiary distributes films and television products in Canada's English- and French-language markets.

The Broadcasting segment reported revenues of $340.9 million in 2003, an increase of $17.5 million or 5.4% from revenues of $323.4 million in 2002. The improvement was caused primarily by a $12.3 million (5.3%) increase in broadcasting revenues resulting mainly from higher advertising revenues, as well as the full inclusion of the revenues of TVAchats inc., operator of the Boutique TVA teleshopping service, since May 2003 (TVA Group previously held a 50% interest). Publishing revenues rose by $12.8 million (19.8%), mainly because of the inclusion of Publicor's results following the sale of Publicor by Quebecor Media to TVA Publishing in May 2002, as well as increased magazine sales propelled by the success of *Star Académie* and *Occupation Double*, two popular television programs which aired on the TVA network in 2003. The strong results posted by the broadcasting and publishing operations outweighed a decrease in distribution revenues, which had been expected in view of TVA Group's repositioning in that field.

The segment's operating income amounted to $81.5 million, compared with $78.9 million in 2002. The 3.3% increase stemmed from a 13.9% improvement in operating income from publishing operations, which resulted from the inclusion of Publicor's results and higher profit margins at the magazines that covered the *Star Académie* phenomenon. The broadcasting operation's higher revenues were mostly offset by increased operating expenses, including programming costs.

The highlight of the 2003 financial year at TVA Group was the program *Star Académie*, broadcast on the TVA network from February 16 to April 20, 2003. At its height, *Star Académie* was seen by nearly half the French-speaking population of Québec. One of the Sunday evening specials broke through the three-million viewer mark, setting an all-time record for a program carried by the TVA network. In the fall of 2003, TVA scored another resounding success with the reality television show *Occupation Double*.

The BBM People Meter ratings for the Fall 2003 season, released at the beginning of 2004, again confirmed TVA's strong competitive advantage in Québec. The TVA network ranked first in reality television, news, drama, comedy and variety programming. *Occupation Double* was the top-rated show of the season. TVA had 9 of the top 10 programs, 15 of the top 20, and 20 of the top 30. Its audience share of 34% again exceeded that of its two main rivals, TQS (17%) and Radio-Canada (13%), combined. TVA was first in the morning, daytime and evening dayparts, seven days a week.

Leisure and Entertainment

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

- Music recording operation (Musicor, a division of Archambault Group), distribution of CDs and videos (Select, a division of Archambault Group), retailing of CDs, books, videos, musical instruments and magazines through the Archambault chain of stores and the *archambault.ca* e-commerce site, and online sales of downloadable music through the *archambaultzik.ca* service;
- Book publishing (six associated publishing houses) and distribution (Québec-Livres).

In 2003, the Leisure and Entertainment segment's revenues totalled $205.0 million, compared with $206.3 million in 2002. Archambault Group's revenues grew 10.4%; sales at Archambault retail outlets increased 7.4%, partly as a result of the addition of new points of sale.

The new music recording operation and the distribution operations, conducted by Musicor and Select respectively, accounted for nearly half the increase in Archambault Group's revenues. The strong performance derived in large part from the success of the *Star Académie* CD, which was the top-selling CD in Québec in 2003 and was certified quintuple platinum, with more than 500,000 copies sold, and of the CD released by

Table 3: Newspapers segment
Free cash flow from operations
(in million of Canadian dollars)

	2003	2002	2001
Cash flow from continuing operating activities before undernoted item	$ 206.8	$ 211.8	$ 142.8
Net change in non-cash balances related to operations	18.2	(9.3)	(3.2)
Cash flow from continuing operating activities	225.0	202.5	139.6
Additions to property, plant and equipment, and deferred charges	(14.3)	(9.9)	(18.9)
Proceeds from disposal of assets	0.3	2.3	0.7
Free cash flow from operations	$ 211.0	$ 194.9	$ 121.4

Wilfred Le Bouthillier, the winner of the first season of *Star Académie*. In the case of distribution revenues, the success of the soundtrack of the musical comedy *Don Juan* was also a factor.

Increased revenues at Archambault Group were partially offset by decreased distribution revenues in the Books segment, the impact of the transfer of Publicor to TVA Publishing, the sale of legal publishing house Wilson & Lafleur limitée, and the closing of DM Diffusion Multimédia. The latter three events occurred in 2002.

The Leisure and Entertainment segment generated operating income of $14.7 million in 2003, compared with $14.5 million in 2002. Archambault Group and the Books segment increased their operating income by 11.6% and 18.3% respectively. The higher operating income at Archambault Group was mainly due to the contribution of the new music recording activities, the increased profitability of distribution activities, and the contribution of the new retail points of sale. The positive impact resulting from the reorganization of the group of publishing houses was the main reason for the rise in operating income in the Books segment.

On October 15, 2003, the Company announced that it had acquired the 50% equity interest in CEC Publishing held by Hachette Livre S.A. for a cash consideration of $15.0 million and had become the sole shareholder of CEC Publishing, a standard-setter in textbook publishing in Québec for nearly 50 years.

In January 2004, Archambault Group launched a new music download service with per-track fees. The *archambaultzik.ca* section of the *archambault.ca* site, which will offer more than 300,000 tracks and albums of all kinds, is intended to address the problem of music piracy. The service was launched in cooperation with Québec's main independent labels and the international majors, Universal, Sony, BMG, Warner and EMI.

Business Telecommunications

Vidéotron Télécom ltée is a business telecommunications provider with a 11,000-km network that reaches more than 80% of businesses located in Québec's metropolitan areas and most businesses in Ontario's largest metropolitan centres. Vidéotron Télécom's extensive network supports direct connectivity with networks in Ontario, eastern Québec, the Maritimes and the United States. Through partnerships, Vidéotron Télécom can serve customers around the world.

Vidéotron Télécom's revenues decreased by $14.2 million in 2003 to $77.7 million. The decline was primarily due to a decline in Internet-related revenues as a result of the renegotiation of the services agreement with Vidéotron and other factors, as well as lower point-to-point revenues in Québec because of decreased demand, and lower revenues from telephone services.

Operating income amounted to $14.4 million, compared with $27.3 million in 2002. The decline was due to decreased revenues, lower profit margins resulting from the unfavourable market conditions, lower capitalization, and the dispute settlement costs incurred in 2003. However, the 2002 results were affected by acts of vandalism committed during the labour dispute at Vidéotron.

In 2003, Vidéotron Télécom won one of its legal disputes with Ontario property management firms. In February 2003, Vidéotron Télécom filed suit against two Toronto-area developers, including Oxford Properties Group Inc. ("Oxford"), which were charging Vidéotron Télécom access fees it considered arbitrary, discriminatory and unreasonable. On June 6, 2003, the Ontario Superior Court issued an injunction requiring Oxford to allow Vidéotron Télécom access to its buildings so it can offer tenants business telecommunications services.

On December 19, 2003, Vidéotron Télécom sold its Mensys Business Solution Center Ltd. subsidiary, a provider of software solutions for municipalities that did not fit into the Company's operations, for a cash consideration of $2.0 million.

Finally, on December 22, 2003, Quebecor Media closed an agreement to acquire the preferred shares held by The Carlyle Group in 3662527 Canada Inc. (the parent company of Vidéotron Télécom) for a consideration with an estimated value of $125.0 million. The transaction will help align Vidéotron Télécom's business objectives with those of Quebecor Media as a whole. It removes the uncertainty surrounding Vidéotron Télécom's offering of business and residential telecommunications services and is expected to create additional synergies with the Company's other properties. Finally, it will permit the harmonization of the Company's business strategies in the telecommunications field and faster development of telephony, Internet access and data transmission services.

Web Integration/Technology

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

In 2003, the Web Integration/Technology segment recorded revenues of $66.3 million, compared with $74.8 million in 2002. The decrease was caused by soft demand in the IT and Internet advertising markets, particularly in the Toronto, Canada and Milan, Italy markets, combined with lower revenues at Mindready Solutions. Mindready Solutions' decreased revenues from test systems were partly offset by increased revenues from embedded systems.

The highlight of the 2003 financial year in the Web Integration/Technology segment was the turnaround in profitability. The segment generated $1.0 million in operating income, compared with a $9.9 million operating loss in 2002. It was the first time the segment was operating income positive, on an annual basis, in its history as a component of Quebecor Media.

The turnaround was mainly due to improved results at Mindready Solutions, which reduced its operating loss from $11.4 million in 2002 to $0.1 million in 2003 by increasing its gross margin from 27% in 2002 to 35% in 2003 and reducing its administrative, selling, and research and development expenses. In 2002, Mindready Solutions' results were also affected by a write-down of current assets and a charge for unoccupied office space.

In view of the adverse market conditions, the Web Integration/Technology segment sold Paris-based Nurun Technologies S.A. and closed Mindready Solutions' Paignton office (United Kingdom) during 2003 in order to reduce costs and streamline operations.

Nurun's e-Business Services segment generated operating income of $1.1 million in 2003, compared with $1.4 million in 2002. Increased operating income at Nurun's Montréal, New York, Paris and Milan offices, coupled with lower corporate expenses, did not entirely offset the impact of the sale of Flow System Corporation in 2002 and reversals of reserves recorded in the same year. Those reversals were made necessary by the reappraisal in 2002 of the risk factors that had been determined as of December 31, 2001. Despite the difficult and constricted business environment for Web agencies around the world, Nurun's e-Business Services segment has succeeded in generating operating income for the past seven quarters.

Internet/Portals

Netgraphe Inc. is an integrated company offering e-commerce, information, communication and IT consulting services. Netgraphe owns the CANOE network, which serves over 6.2 million Internet users per month and includes *canoe.ca*, *canoe.qc.ca*, La Toile du Québec (*toile.com*), *money.canoe.ca* and *megagiciel.com*. Netgraphe also operates a string of e-commerce sites: *jobboom.com* (employment), *autonet.ca* (automobiles), *flirt.canoe.ca* and *reseaucontact.com* (dating), *classifiedextra.ca* and *classeesextra.ca* (classifieds).

In addition, Netgraphe operates the *tva.canoe.com* and *lcn.canoe.com* sites, as well as two sites for popular TVA programs, *occupationdouble.com* and *staracademie.ca*. Netgraphe's subsidiary, Progisia Informatique, offers IT consulting services in areas including e-commerce, outsourcing, integration and secure transaction environments.

Netgraphe's revenues grew 5.2% from $26.8 million in 2002 to $28.2 million in 2003. Revenues increased by 18.1% at the special-interest portals and by 14.8% at the general-interest portals. The special-interest portal *flirt.canoe.ca/reseaucontact.com* continued its growth with a 64% revenue increase. Revenues from Netgraphe's general-interest portals in Montréal rose 25.2%. These factors more than offset the decrease in the Progisia Informatique consulting services subsidiary's revenues due to fierce competition in that market, as well as the impact of the sale of the *micanoa.com* portal in Spain in 2002, which no longer fitted into Netgraphe's long-term strategic positioning.

Operating income amounted to $3.1 million, compared with a $2.6 million loss in 2002, a $5.7 million improvement. The excellent performance was mainly due to higher revenues, the successful restructuring measures implemented since the second quarter of 2001, and the strict cost controls that ensued. At the special-interest sites, gross margin increased from 29.5% in 2002 to 36.8% in 2003.

Netgraphe reported net income in the last three quarters of the 2003 financial year. It also generated net income for the financial year as a whole for the first time since it was founded in 1999.

Financial Expenses

Financial expenses were reduced by $19.9 million from $624.9 million in 2002 to $605.0 million in 2003, due primarily to Quebecor Media's lower debt levels, which resulted from, among other things, the repayment of a $429.0 million term loan which came due in April 2003.

The increase in Quebecor World's financial expenses was essentially due to the change in the currency mix of the debt portfolio, the increased proportion of its debt denominated in US dollars, and losses on foreign exchange related to the weaker US dollar. The increase in Quebecor World's financial expenses was fully offset by the effect of translation into Canadian currency.

2002/2001 FINANCIAL YEAR COMPARISON

In October 2000, Quebecor Media acquired all the outstanding shares of Le Groupe Vidéotron ltée ("Groupe Vidéotron"). 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.

In accordance with Canadian generally accepted accounting principles, the results of the Cable Television segment and of TVA Group have been included in the consolidated results since May 2001 and September 2001, respectively. The investments in these subsidiaries were accounted for on an equity basis from the date of the acquisition of Groupe Vidéotron.

At the time of the acquisition of Groupe Vidéotron, management's intention was to divest itself of the Vidéotron Télécom subsidiary. 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 Vidéotron Télécom and develop its full potential. The investment in Vidéotron Télécom, which was recorded at realizable value until October 2001, has therefore been included in the Company's consolidated results since that date.

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, of TVA Group from September to December 2001, and of Vidéotron Télécom from November to December 2001. The following discussion of segmented results reports the results of these segments on a comparable basis and therefore considers the operating results for full 12-month periods in 2002 and 2001.

During the financial year ended December 31, 2001, the Company's interest in Quebecor World was increased by the latter's repurchase for cancellation of shares in the amount of $258.9 million.

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

Also in March 2001, Quebecor World acquired minority interests in 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 acquired Retail Printing Corporation, in Massachusetts, United States, for a cash consideration of US$97.6 million in order to expand its North American retail network.

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

Quebecor recorded revenues of $12.06 billion during the financial year ended December 31, 2002, compared with $11.81 billion in 2001. The 2.1% increase was due primarily to the inclusion of the results of the Cable Television segment, TVA Group and the Business Telecommunications segment for the full year in 2002, as well as higher revenues in the Newspapers segment. These factors, combined with the positive impact of the conversion into Canadian currency of sales denominated in US dollars, more than offset lower sales in the Printing (in US dollars) and Web Integration/Technology segments.

The Company generated operating income of $1.98 billion in 2002, compared with $1.87 billion in 2001, a 5.9% increase, due mainly to the contribution of the previously non-consolidated segments, described above, and the substantial improvement in the operating results of the Newspapers, Web Integration/Technology and Internet/Portals segments. Lower newsprint prices and effective cost-containment measures contributed to the improvement. These factors more than made up for the 4.7% decrease in operating income in the Printing segment (stated in Canadian dollars) due to lower sales and lower operating margins caused by reduced capacity utilization and pricing pressures.

Net income amounted to $83.2 million ($1.29 per basic share) for the 2002 financial year, compared with a net loss of $251.6 million ($3.89 per basic share) in 2001, or $122.3 million ($1.89 per basic share), excluding amortization of goodwill, net of non-controlling interest.

Amortization charges increased by $76.1 million to $753.5 million in 2002, mainly because of the inclusion of the results of the Cable Television, Broadcasting and Business Telecommunications segments.

Financial expenses were reduced by $41.1 million between 2001 and 2002 as a result of lower interest rates, lower debt levels at the subsidiaries and the negative impact of exchange rate fluctuations in 2001 on the portion of the debt denominated in foreign currency.

Reserves for restructuring of operations and special charges totalled $68.5 million in 2002, compared with $552.2 million in 2001. In 2001, the Company recorded a charge of $99.8 million for the mark-to-market of temporary investments, as well as charges and reserves for restructuring totalling $427.0 million, including $400.1 million in the Printing segment. It recognized a non-monetary compensation charge of $25.4 million in 2001.

The Company recorded a $187.0 million charge for the estimated value of goodwill impairment in 2002, compared with $147.0 million in 2001. Finally, in 2002, the Company realized gains on the sale of businesses, shares of a subsidiary and a portfolio investment in the amount of $91.2 million from the sale of 6.8 million subordinate shares of Quebecor World and the Company's interest in TQS Inc., compared with a gain of $44.7 million in 2001, primarily from the sale of shares of Abitibi-Consolidated Inc. and Quebecor World.

The Printing segment posted revenues of $9.85 billion in 2002, compared with $9.98 billion in 2001. Exchange rate fluctuations which favoured sales in US dollars and the contributions of the newly acquired businesses offset lower sales in North America. Quebecor World reported operating income in the amount of $1.41 billion in 2002, compared with $1.48 billion in 2001. During the 2002 financial year, Quebecor World experienced sustained pressure on volumes and prices due to overcapacity in the industry.

In the Cable Television segment, revenues increased by $15.6 million or 2.0%, on a comparable basis, to $781.0 million in 2002. The impact of aggressive competition from satellite television operators and difficulties caused by the labour dispute between the subsidiary and its unionized employees were more than offset by increased revenues from cable Internet access services. Operating income declined by $28.4 million or 10.8%, again on a comparable basis, to $235.5 million in 2002. Efficiencies yielded by Quebecor Media's operating cost-containment program were not enough to offset certain additional costs incurred during the year, including costs related to the labour dispute and costs related to subscriber equipment.

The Newspapers segment generated revenues of $831.6 million in 2002, an increase of $16.7 million or 2.0%, due mainly to increases in advertising revenues (4.0%) and circulation revenues (2.1%). Operating income rose $21.6 million (10.9%) to $219.4 million, due primarily to lower newsprint prices, effective cost-containment efforts and higher revenues, partially offset by higher operating costs.

In the Broadcasting segment, TVA Group's revenues were $323.4 million in 2002, versus $322.8 million in 2001, on a comparable basis. Higher broadcasting and publishing revenues were almost entirely offset by lower revenues from production and international distribution operations. TVA Group generated $78.9 million in operating income in 2002, versus $69.5 million in the previous year, on a comparable basis. The increase in operating income in 2002 stemmed primarily from higher revenues, the increased profitability of TVA's broadcasting operations, and the inclusion of Publicor's results in the Broadcasting segment's consolidated results.

In the Leisure and Entertainment segment, revenues amounted to $206.3 million in 2002, compared with $223.5 million in the previous year. The $17.2 million decrease mainly reflects the transfer of Publicor magazines from the Leisure and Entertainment segment to the Broadcasting segment. As a result of the strong performance of Archambault Group and the Books segment, operating income increased to $14.5 million from $14.2 million in 2001, despite the transfer of Publicor.

Vidéotron Télécom's revenues totalled $91.9 million in 2002 versus $96.7 million in 2001, on a comparable basis. Operating income increased by $3.9 million, or 16.7%, from $23.4 million in 2001 to $27.3 million in 2002, mainly because of lower labour costs and higher operating margins, which outweighed the impact of the decrease in revenues and of costs related to acts of vandalism against Vidéotron Télécom's network during the labour dispute at Vidéotron. In 2002, Vidéotron Télécom acquired Toronto-based Stream Intelligent Networks Corporation and two fibre-optic routes stretching across southern Ontario and into the United States in order to expand its business into the Ontario market.

The Web Integration/Technology segment's revenues were $74.8 million in 2002, compared with $122.1 million in 2001. The decrease derived mainly from the sharp decline in the revenues of Mindready Solutions as a result of the collapse in demand from telecommunications companies, lower demand in the e-Business Services segment, and the discontinuance of some operations. The operating loss was $9.9 million, compared with $15.6 million in 2001. The smaller operating loss in 2002 was mainly due to reduced operating expenses, the recording of special charges for the restructuring of operations in 2001, and higher operating margins.

The Internet/Portals segment's revenues were virtually unchanged in 2002, at $26.8 million. A decline in revenues from general-interest portals was offset by a significant increase in revenues from the special-interest sites. The segment's operating loss was reduced from $21.5 million in 2001 to $2.6 million in 2002, a favourable variance of $18.9 million. This strong performance stemmed from the success of the restructuring process launched in 2001. Lower payroll and advertising/promotion expenses, combined with increased revenues from the special-interest sites, contributed to the dramatic improvement. In 2002, Netgraphe reorganized its properties and converted the *canoe.ca* and *canoe.qc.ca* general-interest portals into virtual gateways to Quebecor Media's other properties.

The $41.1 million year-over-year decrease in financial expenses in 2002 was due to lower interest rates, lower debt levels at the subsidiaries, and the unfavourable impact in 2001 of currency translation adjustment.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

Continuing operating activities provided cash flows totalling $927.5 million in 2003, compared with $1.11 billion in 2002. The $178.8 million decrease mainly reflects weaker operating results at Quebecor World, which were offset by lower investments in working capital by this subsidiary. An increase in Quebecor World's trade payables was more than offset by a favourable variance caused by a higher level of securitization.

There was a $10.2 million improvement in cash flows provided by continuing operating activities in 2002 as compared with 2001, due primarily to the inclusion of the cash flows of the Cable Television, Broadcasting and Business Telecommunications segments for the full year in 2002, combined with improved results. These factors more than offset the decrease in cash flows provided by Quebecor World's operating activities resulting from expenditures under the restructuring program and lower investment in working capital in 2001 than in 2002.

At December 31, 2003, working capital was negative $245.4 million, compared with negative $599.3 million at the same date in 2002. The difference mainly reflects the impact of the repayment of the $429.0 million term loan at Quebecor Media that came due in April 2003. The refinancing of Sun Media Corporation and Vidéotron, which reduced short-term debt repayment obligations, also contributed to the improvement in working capital.

Financing Activities

Quebecor's consolidated long-term debt and consolidated bank debt were reduced by $956.2 million, primarily because of a $758.7 million reduction in Quebecor Media's long-term debt and bank debt, and the favourable impact of the conversion of Quebecor World's debt into Canadian dollars.

The $758.7 million debt reduction at Quebecor Media reflects the repayment of the $429.0 million term loan that came due in April 2003, debt repayments of $120.0 million in aggregate made from free cash flow from operations, and the positive impact of exchange rate fluctuations on the value of the portion of the debt denominated in foreign currency. However, the impact of the last factor was offset by an equal change in the value of the cross-currency swap agreements used to hedge that debt against exchange rate fluctuations. The carrying value of the cross-currency swap agreements was $185.9 million at the end of 2003 and is accounted for under short-term liabilities and other liabilities.

Some of Quebecor Media's cross-currency swap agreements are subject to a floor limit on negative fair value, below which Quebecor Media can be required to make prepayments to restore the fair value. Such prepayments are offset by equal reductions in Quebecor Media's commitments under the agreements. Because of the appreciation of the Canadian dollar against the US dollar in 2003, Quebecor Media had to make prepayments totalling $137.1 million under their swap agreements. These prepayments were financed from the Company's cash assets and from the existing credit facilities of the Company and its subsidiary.

In 2003, Quebecor Media renegotiated the cross-currency swap agreements to raise the fair value floor by $182.0 million to $282.0 million. The fair value of Quebecor Media's cross-currency swap agreements subject to prepayments was negative $221.7 million as of December 31, 2003.

Quebecor World's long-term debt and bank indebtedness, stated in US dollars, increased by US$192.2 million. The additional debt was used to finance the repurchase for cancellation of 10.0 million Subordinate Voting Shares for a cash consideration of $241.1 million.

Quebecor and its subsidiaries carried out a number of financing and refinancing operations during the 2003 financial year.

On December 22, 2003, Quebecor Media closed an agreement to acquire all the preferred shares held by The Carlyle Group in 3662527 Canada Inc., the parent company of Vidéotron Télécom, for a consideration with an estimated value of $125.0 million. The preferred shares acquired were recorded on the balance sheet at a value of $278.7 million and entered under liabilities. Following the transaction, a $153.7 million gain without any tax consequences was recorded on Quebecor Media's consolidated statements of income.

On November 3, 2003, Quebecor World closed a private placement of US$200.0 million aggregate principal amount of 4.875% Senior Notes due in 2008, and US$400.0 million aggregate principal amount of 6.125% Senior Notes due in 2013. The proceeds were used to repay debt bearing higher interest, including Senior Notes bearing interest of 7.75% and 8.375%.

On October 8, 2003, Vidéotron successfully completed the refinancing of its term credit facilities. The refinancing entailed the issuance of a private placement of 6.875% Senior Notes due January 15, 2014, which yielded net proceeds of US$331.9 million. The refinancing also involved the establishment of new bank credit facilities totalling $468.1 million for a five-year term. The proceeds from the refinancing were used to repay in full Vidéotron's borrowings under its previous credit facilities.

On February 7, 2003, Sun Media Corporation closed a private placement of US$201.5 million aggregate principal amount of 7.625% Senior Notes due 2013, and contracted new bank credit facilities totalling $425.0 million, more than 95% of the principal of which 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 off Sun Media Corporation's debt, on which substantial amortization payments would have been due in 2003 through 2005, and which was repayable in full in 2007, as well as to pay a $260.0 million dividend to Quebecor Media, of which $150.0 million was used to reduce Vidéotron's long-term debt.

These refinancing operations completed another important stage in the optimization of Quebecor Media's capital structure. By virtue of these operations, Vidéotron and Sun Media Corporation extended the maturity dates of their long-term debt and significantly reduced their short-term debt repayment obligations. As a result of the Vidéotron refinancing, Standard & Poor's upgraded the corporate credit ratings of Quebecor Media and its Sun Media Corporation and Vidéotron subsidiaries by one level to BB- in all three cases.

Finally, early in the 2003 financial year, Quebecor Media shareholders injected a total of $431.9 million into Quebecor Media's share capital, enabling Quebecor Media to repay the $429.0 million term loan that came due in April 2003.

In 2002, Quebecor's consolidated long-term debt and consolidated bank debt were reduced by $826.5 million.

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.

Investing Activities

Business acquisitions (including buyouts of minority interests) and additions to property, plant and equipment increased by $355.5 million from $445.3 million in 2002 to $800.8 million in 2003.

The $307.7 million increase in business acquisitions was primarily due to the repurchase for cancellation by Quebecor World of a total of 10.0 million Subordinate Voting Shares for a net cash consideration of $241.1 million under the Substantial Issuer Bid announced on April 24, 2003. It also reflects the acquisition of Annex Publishing & Printing Inc. by Sun Media Corporation in 2003 for a cash consideration of $34.2 million, and the increase in Quebecor Media's interest in TVA Group under TVA Group's share repurchase and cancellation program. In 2003, 1,452,200 TVA Group Class B Non-Voting Shares were repurchased for $25.8 million in cash (compared with $7.9 million in 2002).

Additions to property, plant and equipment, which had totalled $425.3 million in 2002, amounted to $473.1 million in 2003, mainly because of increases in the Printing and Newspapers segments.

In 2001, business acquisitions totalled $850.8 million, including the buyout of minority interests in Sun Media Corporation for $375.0 million, the repurchase for cancellation of shares by Quebecor World in the amount of US$258.9 million, and the purchase of shares of Retail Printing Corporation by Quebecor World for US$97.6 million.

Additions to property, plant and equipment decreased from $562.8 million in 2001 to $425.3 million in 2002. The inclusion of the expenditures of the Cable Television, Broadcasting and Business Telecommunications segments for the full year in 2002 were more than offset by decreased capital expenditures in the Printing, Newspapers, Web Integration/Technology and Internet/Portals segments.

Financial Position

At December 31, 2003, the Company and its subsidiaries had cash, cash equivalents and temporary investments in the aggregate amount of $298.6 million (including amounts held in trust), consisting mainly of short-term investments.

At December 31, 2003, the consolidated debt, including the short-term portion of the long-term debt, but excluding exchangeable debentures and convertible debentures, totalled $5.38 billion. Of the total long-term debt, $2.47 billion was attributable to Quebecor World and $2.76 billion to Quebecor Media. Quebecor Media's debt included Sun Media Corporation's $551.7 million debt, Vidéotron's $886.7 million debt and TVA Group's $24.4 million debt, as well as Quebecor Media Senior Notes in an aggregate amount of $1.20 billion and Quebecor Media's $97.0 million revolving credit facility.

The $146.0 million balance of the consolidated debt consists of Quebecor's debt, including advances under the Company's authorized $200.0 million revolving credit facility.

Quebecor World's accounts receivable securitization programs amounted US$766.6 million at December 31, 2003 and US$649.7 million at December 31, 2002.

Quebecor World paid dividends of US$0.52 per share during the 2003 financial year, compared with US$0.49 in 2002 and US$0.46 in 2001.

Quebecor did not pay dividends on its Class A and Class B shares in 2003 or in 2002. Dividends totalled $0.39 per share in 2001. 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 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 in 2003 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 were due in the coming years, and facilitating the circulation of liquid assets between Quebecor Media and its subsidiaries.

CONTRACTUAL OBLIGATIONS

As of December 31, 2003, material contractual obligations included commitments for future payments under long-term debt arrangements and operating lease arrangements. These obligations are summarized in Table 4 and are fully disclosed in notes 18 and 27 to the Company's consolidated financial statements.

The Company rents premises and equipment under various operating leases. As of December 31, 2003, minimum payments under these leases over the next five years and thereafter totalled $758.0 million in aggregate.

Newsprint represents a significant input and component of operating costs for the Newspapers segment. The Company uses several newsprint producers 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 purchases under the agreement are approximately 125,400 tonnes of newsprint.

The Broadcasting segment made a commitment to invest $48.9 million over an 8-year period in the Canadian television industry and the Canadian telecommunications industry in order to promote television content and the development of communications. As at December 31, 2003, the balance to be invested amounted to $32.9 million.

As at December 31, 2003, Quebecor World had commitments to purchase equipment valued at approximately US$11.1 million, representing the Canadian equivalent of $14.5 million. It had also signed a binding agreement to purchase, in September 2004, the remaining 50% of Helio Charleroi, in Belgium, a subsidiary of European Graphic Group, S.A. The transaction should amount to 24.9 million euros ($34.0 million), adjusted by a contingent consideration based on achieving a specific performance level over the period ending September 30, 2004.

Quebecor Media and its subsidiaries have incurred expenses for commercial printing services with Quebecor World. Quebecor Media conducts all of its business with Quebecor World on a commercial, arm's length basis and records the transactions at exchange value. Such commercial printing services are undertaken in the ordinary course of business. Quebecor Media's total expenses for commercial printing services with Quebecor World amounted to $58.3 million in 2003, compared with $57.9 million in 2002 and $54.8 million in 2001.

RISKS AND UNCERTAINTIES

In the normal course of business, Quebecor and its subsidiaries are exposed to fluctuations in interest rates, exchange rates and commodity prices. Quebecor manages this exposure through staggered maturities and an optimal balance of fixed and variable rate obligations. As at December 31, 2003, Quebecor World, Quebecor Media, Vidéotron and Sun Media Corporation, were using derivative financial instruments to reduce their exchange rate and interest rate exposure. Quebecor World has also entered into natural gas swap contracts to manage the exposure on this commodity.

While these agreements expose the Company and the subsidiaries to risk of non-performance by a third party, the Company and the subsidiaries believe that the possibility of incurring such loss is remote due to the creditworthiness of the parties with whom they deal. The Company does not hold or issue any derivative financial instruments for trading purposes. A description of the financial derivatives used by the Company as at December 31, 2003 is included in note 1(t) to the consolidated financial statements.

Concentration of credit risk with respect to trade receivables is limited due to the Company's diverse operations and large customer base. As of December 31, 2003, the Company had no significant concentration of credit risk. The Company believes that the product and geographic diversity of its customer base contributes to reducing its credit risk, as well as the impact of a potential change in its local market or product-line demand.

CHANGES IN ACCOUNTING POLICIES

In 2003, 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 notes 1(b) and 1(c) to the Company's annual consolidated financial statements.

In the fourth quarter of 2003, the Company revised its accounting for equipment sales to subscribers and hook-up costs. Until the end of the third quarter of 2003, the cost of subsidies granted to subscribers on the equipment sold was capitalized and amortized over three years on a straight-line basis, and the cost of reconnecting subscribers, which included material, direct labour and certain overhead charges, was capitalized to fixed assets and depreciated over three or four years on a straight-line basis.

The Company has changed its accounting policies in order to expense, as they are incurred, the costs of subscribers' subsidies and the costs of reconnecting subscribers. These changes have been applied retroactively and had the following effects for the financial years ended December 31, 2003, 2002 and 2001:

- Operating revenues increased by $19.4 million, $25.4 million and $10.9 million;

Table 4: Contractual obligations, by period
(in million of Canadian dollars)

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt	$ 5,376.8	$ 90.4	$ 1,079.6	$ 782.0	$ 3,424.8
Operating leases	758.0	176.9	250.4	144.1	186.6
Total contractual cash obligations	**$ 6,134.8**	**$ 267.3**	**$ 1,330.0**	**$ 926.1**	**$ 3,611.4**

- Cost of sales, and selling and administrative expenses, increased by $61.6 million, $63.1 million and $22.2 million;
- Operating income decreased by $42.2 million, $37.7 million and $11.3 million;
- The depreciation expense decreased by $21.4 million, $14.0 million and $5.4 million;
- The income tax credit increased by $6.3 million in 2003, the income tax expense decreased by $7.9 million in 2002, and the income tax credit increased by $2.1 million in 2001;
- Equity loss from non-consolidated subsidiaries increased by $1.5 million in 2001;
- Non-controlling interest decreased by $6.6 million, $7.1 million and $2.4 million;
- Net income decreased by $7.9 million in 2003 and by $8.7 million in 2002, and the net loss increased by $2.9 million in 2001.

At December 31, 2003, property, plant and equipment, other assets, income tax and other taxes payable, future income tax liabilities and non-controlling interest decreased by $5.9 million, $47.6 million, $4.4 million, $12.9 million and $16.3 million, respectively, while retained earnings decreased by $19.9 million. At December 31, 2002, other assets, property, plant and equipment, future income tax liabilities and non-controlling interest decreased by $29.1 million, $3.8 million, $11.2 million and $9.7 million respectively, while retained earnings decreased by $12.0 million. Consequently, retained earnings decreased by $3.3 million and $0.4 million as of December 31, 2001 and January 1, 2001 respectively.

Effective January 1, 2003, Quebecor World, TVA Group, Nurun, Mindready Solutions and Netgraphe changed the method of accounting for stock option plans and decided to adopt the fair value based method on a prospective basis for employee stock option awards. Employee stock option awards granted, modified or settled prior to January 1, 2003 are not recognized according to the fair value method but according to the settlement method. Thus, the fair value method is applied only to employee stock options granted after December 31, 2002.

In 2002, the Company completed the goodwill impairment tests for each of its operating units, in accordance with the recommendations in Section 3062, *Goodwill and Other Intangible Assets*, of the *CICA Handbook*, and charged $1.17 billion to 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 ($1.936 billion), Business Telecommunications ($164.9 million), Web Integration/Technology ($20.4 million) and Internet/Portals ($41.8 million) segments.

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

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.

Selected Financial Data

Years ended December 31, 2003, 2002, 2001, 2000 and 1999
(in millions of Canadian dollars, except per share data)

	2003	2002 [1] (restated [2])	2001 [1] (restated [2])	2000 [1] (restated [2])	1999 [1]
Operations					
Revenues	**$ 11,221.6**	$ 12,063.5	$ 11,806.7	$ 10,932.2	$ 8,449.4
Operating income before amortization, financial expenses, reserve for restructuring of operations, impairment of assets and other special charges, write-down of goodwill, (losses) gains on sale of businesses, shares of a subsidiary and a portfolio investments, gains on dilution and net gain on debt refinancing and on repurchase of redeemable preferred shares of a subsidiary	**1,583.0**	1,977.5	1,869.5	1,784.8	1,302.3
Contribution to net income:					
Continuing operations	**29.4**	119.8	61.8	203.3	180.5
Goodwill amortization	**–**	–	(105.9)	(66.8)	(41.1)
Unusual items and write-down of goodwill	**36.7**	(37.4)	(208.8)	702.0	296.0
Discontinued operations	**0.3**	0.8	1.3	246.9	41.9
Net income (loss)	**66.4**	83.2	(251.6)	1,085.4	477.3
Cash flows provided by continuing operations	**927.5**	1,106.3	1,096.1	1,447.6	1,105.9
Basic per share data					
Contribution to net income:					
Continuing operations	**$ 0.45**	$ 1.86	$ 0.96	$ 3.15	$ 2.78
Goodwill amortization	**–**	–	(1.64)	(1.03)	(0.63)
Unusual items and write-down of goodwill	**0.57**	(0.58)	(3.23)	10.86	4.57
Discontinued operations	**0.01**	0.01	0.02	3.82	0.65
Net income (loss)	**1.03**	1.29	(3.89)	16.80	7.37
Dividends	**–**	–	0.39	0.51	0.48
Shareholders' equity	**21.44**	22.71	39.67	43.24	26.57
Weighted average number of shares outstandings (in millions)	**64.6**	64.6	64.6	64.6	64.8
Diluted per share data					
Contribution to net income:					
Continuing operations	**$ 0.45**	$ 1.82	$ 0.96	$ 3.13	$ 2.78
Goodwill amortization	**–**	–	(1.64)	(1.03)	(0.63)
Unusual items and write-down of goodwill	**0.57**	(0.58)	(3.23)	10.84	4.56
Discontinued operations	**0.01**	0.01	0.02	3.81	0.65
Net income (loss)	**1.03**	1.25	(3.89)	16.75	7.36
Diluted weighted average number of shares (in millions)	**64.7**	64.6	64.6	64.8	64.9
Financial position					
Working capital	**$ (245.4)**	$ (599.3)	$ (244.9)	$ (1,785.8)	$ 556.3
Long-term debt	**5,286.4**	5,681.8	7,013.6	4,333.5	5,860.4
Shareholders' equity	**1,384.9**	1,466.8	2,562.6	2,793.2	1,716.0
Capitalization [3]	**5,037.0**	5,568.8	7,365.1	7,395.4	5,364.1
Total assets	**15,115.1**	17,097.5	19,476.1	17,604.1	15,246.9

1 The comparative figures for the years 2002, 2001, 2000 and 1999 have been reclassified to conform with the definition adopted for the year ended December 31, 2003.

2 Please refer to note 1 (c) to the consolidated financial statements for the year ended December 31, 2003.

3 Included in the capitalization are shareholders' equity and non-controlling interest.

Selected Quarterly Financial Data

Years ended December 31, 2003 and 2002
(in millions of Canadian dollars, except per share data)

	Three-month periods ended				Three-month periods ended			
				2003				2002
	March 31 (restated [1])	June 30 (restated [1])	September 30 (restated [1])	December 31	March 31 (restated [1])	June 30 (restated [1])	September 30 (restated [1])	December 31 (restated [1])
Operations								
Revenues	**$ 2,864.1**	**$ 2,691.8**	**$ 2,739.2**	**$ 2,926.5**	$ 2,897.2	$ 2,849.7	$ 3,062.6	$ 3,254.0
Operating income before amortization, financial expenses, reserve for restructuring of operations, impairment of assets and other special charges, write-down of goodwill, (losses) gains on sale of businesses, shares of a subsidiary and a portfolio investments, gains on dilution and net gain on debt refinancing and on repurchase of redeemable preferred shares of a subsidiary	**383.8**	**348.8**	**425.1**	**425.3**	424.5	476.8	516.8	559.4
Contribution to net income:								
Continuing operations	**8.7**	**(1.2)**	**15.0**	**6.9**	6.1	28.9	38.7	46.1
Unusual items and write-down of goodwill	**2.2**	**(29.2)**	**1.8**	**61.9**	14.9	(4.3)	(2.0)	(46.0)
Discontinued operations	**0.1**	**1.6**	**–**	**(1.4)**	0.2	0.3	0.1	0.2
Net income (loss)	**11.0**	**(28.8)**	**16.8**	**67.4**	21.2	24.9	36.8	0.3
Basic per share data								
Contribution to net income:								
Continuing operations	**$ 0.13**	**$ (0.02)**	**$ 0.23**	**$ 0.11**	$ 0.09	$ 0.45	$ 0.61	$ 0.71
Unusual items and write-down of goodwill	**0.03**	**(0.45)**	**0.03**	**0.96**	0.23	(0.07)	(0.03)	(0.71)
Discontinued operations	**–**	**0.04**	**–**	**(0.03)**	–	0.01	–	–
Net income (loss)	**0.16**	**(0.43)**	**0.26**	**1.04**	0.32	0.39	0.58	–
Weighted average number of shares outstandings (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:								
Continuing operations	**$ 0.13**	**$ (0.02)**	**$ 0.23**	**$ 0.11**	$ 0.09	$ 0.45	$ 0.58	$ 0.70
Unusual items and write-down of goodwill	**0.03**	**(0.45)**	**0.03**	**0.96**	0.23	(0.07)	(0.03)	(0.71)
Discontinued operations	**–**	**0.04**	**–**	**(0.03)**	–	0.01	–	–
Net income (loss)	**0.16**	**(0.43)**	**0.26**	**1.04**	0.32	0.39	0.55	(0.01)
Diluted weighted average number of shares (in millions)	**64.6**	**64.6**	**64.6**	**64.7**	64.6	64.6	64.6	64.6

[1] Please refer to note 1(c) to the consolidated financial statements for the year ended December 31, 2003.

Management's Responsibility For Financial Statements

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

These 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 maintains systems of internal accounting controls and supports 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, and that the preparation and presentation of other financial information are consistent with the financial statements.

The Board of Directors carries out its responsibility for the financial statements principally through its Audit Committee, consisting solely of outside directors. The Audit Committee reviews the Company's annual consolidated financial statements, and management's discussion and analysis and recommends them to the Board of Directors for approval. The Audit Committee meets with the Company's management, internal auditors and external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues and formulates the appropriate recommendations to the Board of Directors. The 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.

(signed)

Pierre Karl Péladeau
President and Chief Executive Officer

(signed)

Jacques Mallette
Executive Vice President and Chief Financial Officer

Montréal, Canada
February 6, 2004

Auditor's Report to the Shareholders of Quebecor Inc.

We have audited the consolidated balance sheets of Quebecor Inc. and its subsidiaries as at December 31, 2003 and 2002 and the consolidated statements of income, retained earnings and cash flows for the years ended December 31, 2003, 2002 and 2001. 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, 2003 and 2002 and the results of its operations and its cash flows for the years ended December 31, 2003, 2002 and 2001 in accordance with Canadian generally accepted accounting principles.

kpmg llp
Chartered Accountants

Montréal, Canada
February 6, 2004

Consolidated Statements of Income

Years ended December 31, 2003, 2002 and 2001
(in millions of Canadian dollars, except earnings per share data)

	2003	2002 (restated, note 1(c))	2001 (restated, note 1(c))
Revenues	$ 11,221.6	$ 12,063.5	$ 11,806.7
Cost of sales and selling and administrative expenses	9,638.6	10,086.0	9,937.2
Operating income before undernoted items	1,583.0	1,977.5	1,869.5
Amortization	(731.9)	(753.5)	(677.4)
Financial expenses (note 2)	(605.0)	(624.9)	(666.0)
Reserve for restructuring of operations, impairment of assets and other special charges (note 3)	(133.7)	(68.5)	(552.2)
Write-down of goodwill (note 4)	(0.5)	(187.0)	(147.0)
(Losses) gains on sale of businesses, shares of a subsidiary and a portfolio investment (notes 5 and 10)	(1.1)	91.2	44.7
Gains on dilution from issuance of capital stock by subsidiaries	–	–	1.5
Net gain on debt refinancing and on repurchase of redeemable preferred shares of a subsidiary (note 6)	104.4	–	–
Income (loss) before income taxes	215.2	434.8	(126.9)
Income taxes (note 7)	21.6	148.0	74.1
	193.6	286.8	(201.0)
Equity loss from non-consolidated subsidiaries (note 8)	–	–	(19.9)
Dividends on preferred shares of subsidiaries, net of income taxes	(44.4)	(45.3)	(33.9)
Non-controlling interest	(83.1)	(159.1)	107.8
Income (loss) before amortization of goodwill	66.1	82.4	(147.0)
Amortization of goodwill, net of income taxes and of non-controlling interest	–	–	(105.9)
Income (loss) from continuing operations	66.1	82.4	(252.9)
Income from discontinued operations (note 9)	0.3	0.8	1.3
Net income (loss)	$ 66.4	$ 83.2	$ (251.6)
Earnings per share (note 11)			
Basic			
Before amortization of goodwill	$ 1.02	$ 1.28	$ (2.28)
From continuing operations	1.02	1.28	(3.91)
From discontinued operations	0.01	0.01	0.02
Net income (loss)	1.03	1.29	(3.89)
Diluted			
Before amortization of goodwill	$ 1.02	$ 1.24	$ (2.28)
From continuing operations	1.02	1.24	(3.91)
From discontinued operations	0.01	0.01	0.02
Net income (loss)	1.03	1.25	(3.89)
Weighted average number of shares outstanding (in millions)	64.6	64.6	64.6
Diluted weighted average number of shares (in millions)	64.7	64.6	64.6

See accompanying notes to consolidated financial statements.

Consolidated Statements of Retained Earnings

Years ended December 31, 2003, 2002 and 2001
(in millions of Canadian dollars)

	2003	2002 (restated, note 1(c))	2001 (restated, note 1(c))
Balance at beginning of year			
As previously reported	**$ 1,073.9**	$ 2,155.4	$ 2,429.3
Restatement due to a change in accounting policies (note 1(c))	**(12.0)**	(3.3)	(0.4)
As restated	**1,061.9**	2,152.1	2,428.9
Reduction due to a change in accounting policy regarding goodwill, net of non-controlling interest of $989.7 million	**–**	(1,173.4)	–
	1,061.9	978.7	2,428.9
Net income (loss)	**66.4**	83.2	(251.6)
	1,128.3	1,061.9	2,177.3
Dividends	**–**	–	(25.2)
Balance at end of year	**$ 1,128.3**	$ 1,061.9	$ 2,152.1

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31, 2003, 2002 and 2001
(in millions of Canadian dollars)

	2003	2002 (restated, note 1(c))	2001 (restated, note 1(c))
Cash flows related to operations			
Income (loss) from continuing operations	**$ 66.1**	$ 82.4	$ (252.9)
Adjustments for:			
Amortization of property, plant and equipment	**683.7**	709.1	639.7
Amortization of deferred charges and write-down of goodwill	**48.7**	231.4	422.2
Amortization of deferred financing costs and long-term debt discount	**63.0**	62.1	65.6
Reserve for restructuring of operations, impairment of assets and other special charges	**81.4**	(2.3)	200.3
Non-monetary compensation charges	**–**	5.7	25.4
Write-down of temporary and portfolio investments and of a property	**0.9**	22.3	99.8
Interest on redeemable preferred shares of a subsidiary	**24.5**	21.7	3.4
(Gains) losses on foreign currency translation of long term debt	**(2.0)**	3.1	20.3
Losses (gains) on sale of assets and gains on dilution from issuance of capital stock by subsidiaries	**19.5**	(82.7)	(43.8)
Net gain on debt refinancing and on repurchase of redeemable preferred shares of a subsidiary (note 6)	**(104.4)**	–	–
Future income taxes	**(28.0)**	95.4	(76.1)
Equity loss from non-consolidated subsidiaries	**–**	–	19.9
Non-controlling interest	**83.1**	159.1	(239.4)
Others	**(3.3)**	(5.3)	(4.5)
	933.2	1,302.0	879.9
Net change in non-cash balances related to operations	**(5.7)**	(195.7)	216.2
Cash flows provided by continuing operations	**927.5**	1,106.3	1,096.1
Cash flows (used in) provided by discontinued operations (note 9)	**(0.1)**	1.2	1.6
Cash flows provided by operations	**927.4**	1,107.5	1,097.7
Cash flows related to financing activities			
Net decrease in bank indebtedness	**(7.7)**	(24.6)	(14.2)
Net borrowing (repayments) under revolving bank facilities and commercial paper	**260.0**	(519.8)	(479.4)
Issuance of long-term debt	**2,323.5**	224.2	3,399.6
Repayment of long-term debt	**(2,840.6)**	(583.0)	(3,072.7)
Repurchase of redeemable preferred shares of a subsidiary (notes 6 and 20)	**(55.0)**	–	–
Payments under cross-currency swap agreements	**(118.1)**	–	–
Issuance of capital stock by subsidiaries	**216.1**	50.8	581.6
Dividends	**–**	–	(25.2)
Dividends paid to non-controlling shareholders	**(71.1)**	(76.0)	(66.0)
Other	**8.0**	–	–
Cash flows (used in) provided by financing activities	**(284.9)**	(928.4)	323.7
Sub-total, balance carried forward	**$ 642.5**	$ 179.1	$ 1,421.4

Consolidated Statements of Cash Flows | continued

Years ended December 31, 2003, 2002 and 2001
(in millions of Canadian dollars)

	2003	2002 (restated, note 1(c))	2001 (restated, note 1(c))
Sub-total, balance brought forward	**$ 642.5**	$ 179.1	$ 1,421.4
Cash flows related to investing activities			
Business acquisitions, net of cash and cash equivalents acquired (note 10)	**(327.7)**	(20.0)	(850.8)
Proceeds from disposal of businesses (note 10)	**24.7**	6.6	–
Additions to property, plant and equipment	**(473.1)**	(425.3)	(562.8)
Additions to temporary investment and to other assets	**(195.5)**	(51.0)	(16.0)
Additions to long-term investments	**(1.5)**	–	–
Acquisition of cash and cash equivalents and temporary investments held in trust (net of proceeds from disposal)	**223.0**	(217.8)	(13.7)
Proceeds from disposal of assets	**95.6**	359.8	268.9
Others	**(0.7)**	6.3	(52.6)
Cash flows used in investing activities	**(655.2)**	(341.4)	(1,227.0)
Net (decrease) increase in cash and cash equivalents	**(12.7)**	(162.3)	194.4
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**(85.1)**	13.1	23.9
Cash and cash equivalents at beginning of year	**190.9**	340.1	121.8
Cash and cash equivalents at end of year	**$ 93.1**	$ 190.9	$ 340.1
Cash and cash equivalents consist of:			
Cash	**$ 62.3**	$ 25.4	$ 240.1
Cash equivalents	**30.8**	165.5	100.0
Cash and cash equivalents at end of year	**$ 93.1**	$ 190.9	$ 340.1
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	**$ 231.9**	$ (124.4)	$ 318.5
Inventories and investments in televisual products and movies	**58.8**	(23.1)	130.5
Accounts payable and accrued charges	**(255.1)**	17.2	(120.7)
Other	**(41.3)**	(65.4)	(112.1)
	$ (5.7)	$ (195.7)	$ 216.2
Non-cash transaction related to financing activities			
Issuance of additional amount payable	**$ 70.0**	$ –	$ –
Cash interest payments	**$ 526.3**	$ 433.3	$ 572.0
Cash payments (net of refunds) for income taxes	**10.2**	85.8	191.2

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

December 31, 2003 and 2002
(in millions of Canadian dollars)

	2003	2002 (restated, note 1(c))
Assets		
Current assets		
Cash and cash equivalents (note 1(h))	$ 93.1	$ 190.9
Cash and cash equivalents and temporary investments held in trust (market value of $11.3 million ($234.3 million in 2002))	11.3	234.3
Temporary investments (market value of $194.6 million ($88.7 million in 2002)) (note 1(i))	194.2	88.7
Accounts receivable (note 12)	771.5	1,067.3
Income taxes receivable	26.4	62.8
Inventories and investments in televisual products and movies (note 13)	649.2	799.5
Prepaid expenses	47.2	58.1
Future income taxes (note 7)	206.9	75.5
	1,999.8	2,577.1
Long-term investments (market value of $467.5 million ($561.7 million in 2002))	352.6	355.5
Property, plant and equipment (note 15)	4,942.8	5,779.3
Future income taxes (note 7)	104.7	97.9
Other assets	371.5	413.3
Goodwill (note 16)	7,343.7	7,874.4
	$ 15,115.1	$ 17,097.5

Consolidated Balance Sheets | continued

December 31, 2003 and 2002
(in millions of Canadian dollars)

	2003	2002 (restated, note 1(c))
Liabilities and Shareholder's Equity		
Current liabilities		
Bank indebtedness	**$ 5.9**	$ 13.6
Accounts payable, accrued charges and deferred revenue	**1,966.2**	2,397.2
Income and other taxes	**98.1**	121.1
Future income taxes (note 7)	**8.1**	1.0
Additional amount payable (note 17)	**68.7**	–
Current portion of long-term debt and convertible notes (notes 18 and 21)	**98.2**	643.5
	2,245.2	3,176.4
Long-term debt (note 18)	**5,286.4**	5,681.8
Exchangeable debentures (note 19)	**979.9**	979.9
Redeemable preferred shares of a subsidiary (note 20)	**–**	254.2
Convertible notes (note 21)	**144.7**	180.5
Other liabilities (note 22)	**496.0**	415.1
Future income taxes (note 7)	**925.9**	840.8
Non-controlling interest (note 23)	**3,652.1**	4,102.0
Shareholders' equity		
Capital stock (note 24)	**348.5**	348.5
Retained earnings	**1,128.3**	1,061.9
Translation adjustment (note 26)	**(91.9)**	56.4
	1,384.9	1,466.8
Guarantees (note 1(b)(iii))		
Commitments and contingencies (note 27)		
	$ 15,115.1	$ 17,097.5

See accompanying notes to consolidated financial statements.

On behalf of the Board of Directors,

(signed)

Jean Neveu, Director

(signed)

Jean La Couture, Director

Segmented Information

Years ended December 31, 2003, 2002 and 2001
(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, retail inserts, catalogues, books, specialty printing, direct mail, directories and provides digital premedia and logistics services. 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 operates in the internet access provider industry and the rental of videocassettes, DVDs and games and retail stores. The Newspapers segment includes the publishing and distribution of daily and weekly newspapers in Canada. The Broadcasting segment operates French-language general-interest television networks, specialized television networks and magazine publishing and movie distribution in Canada. The Leisure and Entertainment segment, which has operations solely in Canada, combines book publishing and distribution, and music production and 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. The Web Integration/Technology segment offers e-commerce solutions through a combination of strategies, technology integration, IP solutions and creativity on the Internet and is active in Canada, the United States 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, impairment of assets and other special charges, write-down of goodwill, (losses) gains on sale of businesses, shares of a subsidiary and a portfolio investment, gains on dilution and net gain on debt refinancing and on repurchase of redeemable preferred shares of a subsidiary.

During the year ended December 31, 2003, the Company changed its organizational structure. Accordingly, the operations of Le SuperClub Vidéotron ltée, which were previously included in the Leisure and Entertainment segment, are now included in the Cable Television segment. The Company reclassified the figures for the previous years in its consolidated financial statements to reflect this change.

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

	2003	2002 (restated, note 1(c))	2001 (restated, note 1(c))
Revenues			
Printing	**$ 8,962.7**	$ 9,845.9	$ 9,976.5
Cable Television	**805.0**	781.0	525.5
Newspapers	**845.9**	831.6	814.9
Broadcasting	**340.9**	323.4	153.6
Leisure and Entertainment	**205.0**	206.3	223.5
Business Telecommunications	**77.7**	91.9	14.6
Web Integration/Technology	**66.3**	74.8	122.1
Internet/Portals	**28.2**	26.8	27.4
Head Office	**2.3**	2.2	6.5
Inter-segment:			
Printing	**(58.4)**	(59.6)	(29.3)
Other	**(54.0)**	(60.8)	(28.6)
	$ 11,221.6	$ 12,063.5	$ 11,806.7

Segmented Information | continued

Years ended December 31, 2003, 2002 and 2001
(in millions of Canadian dollars)

INDUSTRY SEGMENTS (continued)

	2003	2002 (restated, note 1(c))	2001 (restated, note 1(c))
Operating income before amortization, financial expenses, reserve for restructuring of operations, impairment of assets and other special charges, write-down of goodwill, (losses) gains on sale of businesses, shares of a subsidiary and a portfolio investment, gains on dilution and net gain on debt refinancing and on repurchase of redeemable preferred shares of a subsidiary			
Printing	**$ 970.3**	$ 1,410.4	$ 1,479.7
Cable Television	**275.3**	235.5	180.7
Newspapers	**224.8**	219.4	197.8
Broadcasting	**81.5**	78.9	28.0
Leisure and Entertainment	**14.7**	14.5	14.2
Business Telecommunications	**14.4**	27.3	4.1
Web Integration/Technology	**1.0**	(9.9)	(15.6)
Internet/Portals	**3.1**	(2.6)	(21.5)
	1,585.1	1,973.5	1,867.4
General corporate (expenses) income	**(2.1)**	4.0	2.1
	$ 1,583.0	$ 1,977.5	$ 1,869.5

	2003	2002 (restated, note 1(c))	2001 (restated, note 1(c))
Amortization			
Printing	**$ 504.0**	$ 526.8	$ 523.1
Cable Television	**141.8**	139.0	96.2
Newspapers	**27.6**	26.5	25.2
Broadcasting	**12.2**	10.8	5.8
Leisure and Entertainment	**4.1**	4.1	5.6
Business Telecommunications	**35.9**	35.1	5.9
Web Integration/Technology	**3.3**	4.6	5.3
Internet/Portals	**1.3**	3.8	6.7
Head Office	**1.7**	2.8	3.6
	$ 731.9	$ 753.5	$ 677.4

Years ended December 31, 2003, 2002 and 2001
(in millions of Canadian dollars)

INDUSTRY SEGMENTS (continued)

	2003	2002 (restated, note 1(c))	2001 (restated, note 1(c))
Additions to property, plant and equipment			
Printing	$ 340.9	$ 290.3	$ 430.9
Cable Television	90.8	91.8	96.9
Newspapers	14.4	10.3	19.2
Broadcasting	5.7	6.3	3.7
Leisure and Entertainment	1.3	4.2	3.1
Business Telecommunications	17.9	20.9	4.2
Web Integration/Technology	0.9	1.3	3.6
Internet/Portals	0.3	0.1	0.9
Head Office	0.9	0.1	0.3
	$ 473.1	$ 425.3	$ 562.8

	2003	2002 (restated, note 1(c))
Assets		
Printing	$ 8,150.8	$ 9,761.0
Cable Television	3,927.0	3,950.9
Newspapers	1,450.9	1,539.5
Broadcasting	477.9	507.4
Leisure and Entertainment	108.7	126.3
Business Telecommunications	318.7	325.3
Web Integration/Technology	78.3	89.7
Internet/Portals	36.2	33.2
Head Office	566.6	764.2
	$ 15,115.1	$ 17,097.5

GEOGRAPHIC SEGMENTS

	2003	2002 (restated, note 1(c))	2001 (restated, note 1(c))
Revenues generated by			
Canadian operations	$ 3,513.1	$ 3,551.4	$ 3,158.4
United States operations	5,832.9	6,635.4	6,943.4
European operations	1,627.0	1,588.6	1,453.7
Latin American operations	248.6	288.1	250.5
Other	–	–	0.7
	$ 11,221.6	$ 12,063.5	$ 11,806.7

Segmented Information | continued

Years ended December 31, 2003, 2002 and 2001
(in millions of Canadian dollars)

GEOGRAPHIC SEGMENTS (continued)

	2003	2002 (restated, note 1(c))	2001 (restated, note 1(c))
Operating income before amortization, financial expenses, reserve for restructuring of operations, impairment of assets and other special charges, write-down of goodwill, (losses) gains on sale of businesses, shares of a subsidiary and a portfolio investment, gains on dilution and net gain on debt refinancing and on repurchase of redeemable preferred shares of a subsidiary			
Canada	**$ 746.3**	$ 734.6	$ 642.2
United States	**705.6**	1,082.6	1,049.9
Europe	**131.6**	149.0	161.8
Latin America	**9.7**	34.1	28.8
Other	**(8.1)**	(26.8)	(15.3)
	1,585.1	1,973.5	1,867.4
General corporate (expenses) income	**(2.1)**	4.0	2.1
	$ 1,583.0	$ 1,977.5	$ 1,869.5

	2003	2002 (restated, note 1(c))
Property, plant and equipment		
Canada	**$ 1,952.0**	$ 2,073.3
United States	**2,168.7**	2,784.3
Europe	**700.5**	769.9
Latin America	**118.3**	148.2
Other	**3.3**	3.6
	4,942.8	5,779.3
Goodwill		
Canada	**4,007.8**	3,976.1
United States	**2,810.1**	3,373.3
Europe	**515.7**	513.7
Latin America	**10.1**	11.3
	7,343.7	7,874.4
Other assets		
Canada	**1,741.5**	1,816.7
United States	**542.4**	878.4
Europe	**367.7**	554.5
Latin America	**142.4**	178.5
Other	**34.6**	15.7
	2,828.6	3,443.8
	$ 15,115.1	$ 17,097.5

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) Basis of presentation

The consolidated financial statements include the accounts of Quebecor Inc. and all its subsidiaries (the "Company"). Intercompany transactions and balances are eliminated on consolidation.

Certain comparative figures for the years 2002 and 2001 have been reclassified to conform with the presentation adopted for the year ended December 31, 2003.

(b) New accounting standards

The Canadian Institute of Chartered Accountants ("CICA") recently adopted the following new standards, which have an effect on the Company's consolidated financial statements.

(i) Long-Lived Assets and Discontinued Operations

In December 2002, the CICA issued the revised Section 3475, *Disposal of Long-Lived Assets and Discontinued Operations*, of the *CICA Handbook*. This section supersedes the write-down and disposal provisions of Section 3061, *Property, Plant and Equipment*, for assets to be disposed of by sale or otherwise as well as former Section 3475, *Discontinued Operations*, of the *CICA Handbook*.

Section 3475 provides specified criteria for classifying an asset as held-for-sale and requires assets classified as held-for-sale to be accounted for at the lower of their carrying amount or fair value, less selling costs. Section 3475 also broadens the scope of businesses that qualify for reporting by including as discontinued operations any disposals of a component of an entity for which operating results and cash flows can be clearly distinguished from the rest of the Company, and changes the timing of loss recognition on such operations.

The revised standards in Section 3475 on disposal of long-lived assets and discontinued operations are applicable to disposal activities initiated under an exit plan committed to on or after May 1, 2003; however, early application is permitted. The Company adopted the revised standards of Section 3475 as of January 1, 2003. The adoption of these standards did not have a material impact on the Company's consolidated financial statements for the year ended December 31, 2003.

(ii) Termination Benefits and Costs Associated with Exit and Disposal Activities

In March 2003, the Emerging Issues Committee released Abstracts EIC-134, *Accounting for Severance and Termination Benefits* ("EIC-134"), and EIC-135, *Accounting for Costs Associated with Exit and Disposal Activities (Including Costs Incurred in a Restructuring)* ("EIC-135"). EIC-134 provides interpretive guidance to the accounting requirements for the various types of severance and termination benefits covered in *CICA Handbook* Section 3461, *Employee Future Benefits*. EIC-135 provides interpretive guidance for the timing of the recognition of a liability for costs associated with an exit or disposal activity. The new guidance requires that the liability be recognized for those costs only when the liability is incurred, that is, when it meets the definition of a liability in *CICA Handbook* Section 1000, *Financial Statement Concepts*.

These new EICs also establish fair value as the objective for initial measurement of liabilities related to exit or disposal activities. The Company adopted the new recommendations effective April 1, 2003.

(iii) Guarantees

In February 2003, the CICA issued Accounting Guideline 14 ("AcG-14"), *Disclosure of Guarantees*, which requires that certain disclosures be made by a guarantor about its obligations under guarantees in its interim and annual consolidated financial statements for interim periods beginning on or after January 1, 2003.

A guarantee is a contract or an indemnification agreement that contingently requires the Company to make payments to the other party to the contract or agreement based on changes in an underlying that is related to an asset, a liability or an equity security of the other party, or based on a third party failure to perform under an obligating agreement. It could also be an indirect guarantee of the indebtedness of another party, even though the payment to the other party may not be based on changes in an underlying that is related to an asset, a liability or an equity security of the other party.

A liability will be recorded when the Company considers probable that a payment relating to a guarantee will have to be made to the other party of the contract or agreement, considering recourse against any third party.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New accounting standards (continued)

(iii) Guarantees (continued)

In the normal course of business, the Company enters into numerous agreements containing features that meet the AcG-14 criteria for a guarantee including the following:

Operating leases

The Company has guaranteed a portion of the residual values of certain assets under operating leases with expiry dates between 2004 and 2010, to the benefit of the lessor. If the fair value of the assets, at the end of their respective lease terms, is less than the residual value guaranteed, then the Company must, under certain conditions, compensate the lessor for a portion of the shortfall. The maximum exposure in respect of these guarantees is $155.6 million. As at December 31, 2003, the Company has recorded a liability of $6.8 million associated with these guarantees.

Sub-lease agreements

The Company has, for some of its assets under operating leases, entered into sub-lease agreements with expiry dates between 2004 and 2008. If the sub-lessee defaults under the agreement, the Company must, under certain conditions, compensate the lessor for the default. The maximum exposure in respect of these guarantees is $5.8 million. As at December 31, 2003, the Company has not recorded a liability associated with these guarantees, since it is not probable that the sub-lessee will default under the agreement. Recourse against the sub-lessee is also available, up to the total amount due.

Business and asset disposals

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

Long-term debt

Under the terms of their respective U.S. indebtedness, certain of the Company's subsidiaries have agreed to indemnify their respective lenders against changes in withholding taxes. These indemnifications extend for the term of the indebtedness and do not have a limit on the maximum potential liability. The nature of the indemnification agreement prevents the Company from estimating the maximum potential liability it could be required to pay to lenders. Should such amounts become payable, the Company and its subsidiaries would have the option of repaying these debts. No amount has been accrued in the consolidated financial statements with respect to these indemnifications.

Outsourcing companies and suppliers

In the normal course of its operations, the Company enters into contractual agreements with outsourcing companies and suppliers. In some cases, the Company agrees to provide indemnification in the event of legal procedures initiated against them. In some other cases, the Company provides indemnification to courterparties for damages resulting from the outsourcing companies and suppliers. The nature of the indemnification agreements prevents the Company from estimating the maximum potential liability it could be required to pay. No amount has been accrued in the consolidated financial statements with respect to these indemnifications.

(iv) Stock-based compensation

Effective January 1, 2002, the Company adopted the fair value method to account for all stock-based awards to employees that are awards of stock or that call for settlement in cash or other assets, at the option of the employee. Under the fair value method, the compensation cost attributable to awards to employees that call for settlement in cash or other assets is recognized as operating expenses over the vesting period in each year. Changes in the fair value between the grant date and the measurement date result in a change in the measure of compensation cost. In the case of the Company's employee share purchase plans and those of its subsidiaries, the contribution paid by the subsidiaries on behalf of employees is considered a compensation expense. The contribution paid by employees for the purchase of the entities' shares is credited to its capital stock. Between January 1, 2002 and December 31, 2002, Quebecor World Inc., Printing segment, TVA Group Inc., Broadcasting segment, Nurun Inc. and Mindready Solutions Inc., Web Integration/Technology segment and Netgraphe Inc., Internet/Portals segment, applied the settlement method of accounting for their employee stock options. Under the settlement method, any consideration paid by employees on the exercise of stock options or purchase of stock was credited to non-controlling interest and no compensation expense was recorded.

Quebecor World Inc.'s, TVA Group Inc.'s, Nurun Inc.'s, Mindready Solutions Inc.'s and Netgraphe Inc.'s plans

Effective January 1, 2003, Quebecor World Inc., TVA Group Inc., Nurun Inc., Mindready Solutions Inc. and Netgraphe Inc. changed their method of accounting for employee stock options and decided to adopt the fair value method on a prospective basis. Under the prospective method, awards granted, modified or settled prior to January 1, 2003 are not given recognition. Thus, the fair value based method is applied only to employee stock options granted after January 1, 2003.

The compensation cost that has been charged against income for the plans of the subsidiaries was $2.7 million for the year ended December 31, 2003.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New accounting standards (continued)

(iv) Stock-based compensation (continued)

The compensation cost was calculated using the Black-Scholes option-pricing model with the following assumptions and results:

	Quebecor World Inc.	Nurun Inc.	Mindready Solutions Inc.
Weighted average fair value of options at grant date	$US 5.74	$ 1.02	$ 1.71
Risk free interest rate	4.61-4.73 %	4.25 %	4.25 %
Dividend yield	2-4 %	0 %	0 %
Expected volatility	26-28 %	90 %	90 %
Expected life	7 years	5 years	5 years

No options were granted by TVA Group Inc. and Netgraphe Inc. during the course of 2003.

(c) Change in accounting policies

(i) Equipment to subscribers and hook-up costs

During the three-month period ended December 31, 2003, the Cable Television segment revised its accounting policies for the sale of equipment to subscribers and the hook-up costs. Up to the end of the nine-month period ended September 30, 2003, the cost of subsidies granted to the subscribers on the equipment sold was capitalized and amortized over a three-year period on a straight-line basis and the cost of reconnecting subscribers, which included material, direct labor, and certain overhead charges was capitalized to the fixed assets and depreciated over a three-year or a four-year period on a straight-line basis.

The Company changed its accounting policy to expense, as they are incurred, the cost related to subscribers' subsidies as well as the cost of reconnecting subscribers. These changes have been applied retroactively and had the following effects for the years ended December 31, 2003, 2002 and 2001:

- The revenues increased by $19.4 million, $25.4 million and by $10.9 million;
- The costs of sales and selling and administrative expenses increased by $61.6 million, $63.1 million and by $22.2 million;
- The amortization expense decreased by $21.4 million, $14.0 million and $5.4 million;
- The income tax credit increased by $6.3 million in 2003, the expense decreased by $7.9 million in 2002 and the credit increased by $2.1 million in 2001;
- The equity loss from non-consolidated subsidiaries increased by $1.5 million in 2001;
- The non-controlling interest decreased by $6.6 million, $7.1 million and $2.4 million;
- The net income decreased by $7.9 million and $8.7 million in 2003 and 2002, while net loss increased by $2.9 million in 2001.

As at December 31 2003, fixed assets decreased by $5.9 million, other assets decreased by $47.6 million, while income and other taxes liabilities decreased by $4.4 million, long-term future income tax liabilities decreased by $12.9 million, non-controlling interest decreased by $16.3 million and retained earnings decreased by $19.9 million. As at December 31, 2002, fixed assets decreased by $3.8 million, other assets decreased by $29.1 million, while long-term future income tax liabilities decreased by $11.2 million, non-controlling interest decreased by $9.7 million and retained earnings decreased by $12.0 million. Consequently, retained earnings decreased by $3.3 million and by $0.4 million as at December 31, 2001 and January 1, 2001.

(ii) Investments in televisual products and movies

During the three-month period ended December 31, 2003, the Broadcasting segment adopted the accounting standards provided in the U.S. SFAS 63, *Financial Reporting by Broadcaster* and the U.S SOP 00.2, *Accounting by Producers or Distributors of Films*. These standards provide criteria for recognition, measurement and disclosure of revenues, expenses, assets, liabilities and contractual commitments of Broadcasters, producers and distributors of films.

The Broadcasting segment restated its investments in televisual products and movies and accounts payable in the balance sheet as at December 31, 2002, in order to reflect theses revised standards. Consequently, the investments in televisual products and movies and accounts payable decreased by $9.0 million, while contractual commitments increased by the same amount. The adoption of these standards did not have a material impact on the net income and cash flows for the year ended December 31, 2002.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Foreign currency translation

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

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

(e) Use of estimates

The preparation of consolidated financial statements in conformity 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, key economic assumptions used in determining the allowance for doubtful accounts, the provision for obsolescence, 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 determination of future income tax assets and liabilities and the determination of the fair value of financial instruments. Actual results could differ from these estimates.

(f) Revenue recognition

Printing segment

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 process. Sales are recognized 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.

Cable Television segment

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 average period that subscribers are expected to remain connected to the network. Direct selling costs include commissions, the portion of the salesperson's compensation for obtaining new subscribers, local advertising targeted for the acquisition of new subscribers and the cost of processing documents related to new subscribers acquired. Operating revenue from cable television and other services, such as internet access, is recognized when services are provided. When subscribers are invoiced, the portion of unearned revenue is recorded under "Deferred revenue". Revenues from video rentals are recorded as revenue as services are provided.

Newspapers segment

Revenues of the Newspapers segment, derived from circulation and advertising from publishing activities, are recognized when the publication is delivered. Prepaid subscription revenue is deferred and taken into income ratably over the term of the subscription. Revenue from the distribution of publications and products is recognized upon delivery, net of provisions for estimated returns. Revenue from commercial printing contracts is recognized once the product is delivered. Allowance for sales returns is based on Newspapers segment's historical rate of return.

Broadcasting segment

Revenues of the Broadcasting segment derived from the sale of advertising airtime are recognized once the broadcast of the advertising has occurred. Revenues derived from advertising area in magazines are recognized at the time the advertising is published; that is, at the magazine publication date. Revenues derived from specialty television channels and from magazine subscriptions are recognized on a monthly basis at the time the service is rendered. Amounts received for magazine subscriptions are accounted for as deferred revenues and are amortized over the duration of the subscription. Revenues from the sale of magazines in newsstands are recognized at the time they are delivered in newsstands and are recorded using gross sales less a provision for expected returns.

Revenues derived from the sale of distribution of film and television program rights are recognized when the following conditions are met: persuasive evidence of a sale or a licensing agreement with a customer exists, a pervasive evidence exists and is provided solely by a contract or other legally enforceable documentation that sets forth, at a minimum (i) the licence period, (ii) the film or group of films affected, (iii) the consideration to be received for the rights transferred; the film is complete and has been delivered or is available for delivery; the licence period of the arrangement has begun and the customer can begin its exploitation, exhibition, or sale; the arrangement fee is fixed or determinable; the collection of the arrangement fee is reasonably assured. Theatrical revenues is recognized when the film is released and when the all of the above conditions are met. The theatrical revenues based on a percentage of revenues generated by movie theaters. Revenues generated from video rentals are recognized at the time of the delivery of the videocassettes and DVDS units less a provision for future returns or are accounted for based on a percentage of the retailer sales and when the conditions aforementioned are met.

Revenues from the sale of distribution rights to broadcasters are recognized when the rights begin and when the film has been delivered and when all of the conditions aforementioned are met. Revenues derived from the sales of products of the Shopping TV service are recognized at the time they are delivered.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Revenue recognition (continued)

Business Telecommunications

Revenues of the Business Telecommunications segment, such as telecommunications services, network access fees and point-to-point telephony, is recognized when services are provided. When customers are invoiced, the portion of unearned revenue is recorded under "Deferred revenue".

Web Integration/Technology

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

Internet/Portals segment

Advertising revenues and specialized services of the Internet/Portals segment are recognized upon delivery of the services. Revenues from consulting and outsourcing services are generally billed based on time incurred to perform the services. The Internet/Portals segment capitalizes work-in-process editing expenses until delivery of publication.

(g) Barter transactions

In the normal course of their operations, the Newspapers, the Broadcasting and the Internet/Portals segments offer advertising in exchange for goods and services. Revenues thus earned and expenses incurred are accounted for on the basis of the fair value of goods and services obtained.

For the year ended December 31, 2003, the Company recorded $16.3 million of barter advertising ($13.3 million and $13.4 million, respectively, in 2002 and 2001).

(h) 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. These highly liquid investments consist of commercial paper and bankers' acceptance bearing interest from 2.73% to 2.78% and maturing in January 2004.

(i) Temporary investments

Temporary investments are recorded at the lower of cost and market value. Temporary investments consist of commercial paper bearing interest from 2.05% to 2.95% and maturing between January and April 2004.

(j) Trade receivables

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

The Company evaluates its allowances for uncollectable trade accounts receivable based on customers' credit history, payment trends, and other economic factors.

(k) Tax credits and government assistance

The Broadcasting segment may take advantage of several government programs designed to support production and distribution of televisual products and movies and magazines publishing in Canada. The financial aid for production is accounted for as revenue in compliance with the subsidiary's accounting policy for the recognition of revenue from completed televisual products and movies. The financial aid for broadcast rights is applied against investments in televisual products and used directly to reduce operating expenses during the year. The financial aid for magazines publishing is deferred and accounted for as income when the Broadcasting segment meets the aid requirements.

The Web Integration/Technology segment receives tax credits related to its research and development activities. These tax credits and other tax credits are accounted for using the cost reduction method. Under this method, tax credits related to eligible expenses are accounted for as a reduction of related costs in the year the expenses are incurred, as long as there is reasonable assurance of their realization.

(l) Inventories

Inventories are valued at the lower of cost, determined by the first-in, first-out method, or market value, except for some retail inventories related to the Leisure and Entertainment and the Cable Television segments which are valued at net realizable value less standard margin. Net realizable value represents the market value for all inventories, except for raw materials and supplies for which market value is replacement cost. Work in process is valued at the pro rata billing value of the work completed.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Investment in televisual products and movies

(i) Programs produced and productions in progress

Programs produced and productions in progress relate to broadcast activities and 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 cost of sales when the program is broadcast or when a loss can be estimated.

(ii) Broadcast rights

Broadcast rights are essentially contractual rights allowing limited broadcast of televisual products and movies. The Broadcasting segment records an asset and a liability for the broadcast rights acquired and obligations incurred under a licence agreement when the broadcast license period begins and all of the following conditions have been met: The cost of each program, film or series is known or can be reasonably determined; the program material, film or series has been accepted in accordance with the conditions of the broadcast licence agreement; the program, films or series are available for the first showing or telecast.

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

Broadcast rights are classified as short term or long tem based on managements estimates of the broadcast period. These rights are amortized upon the broadcast of televisual products and movies over the contract period, based on agreement the estimated number of showing, using a depreciation method based on estimated futures revenues. This amortization is presented in cost of sales and selling and administrative expenses. The broadcast rights payable are determined based on the payment schedule included in the license agreement or based on the utilization period. Broadcast rights payable are classified as currents liabilities or long-term liabilities based on the payment terms included in the licence or based on the utilization period estimated by the management.

(iii) Productions and distribution rights

Film distribution rights relates to the distribution of televisual products and movies. The distributors rights are recorded at the lowest of the unamortized cost and its not realizable value. The costs include costs for film acquisition rights, marketing costs and other costs incurred which provide future economic benefits. The net realizable value of distribution rights represents the Broadcasting segment's share of future estimated revenues to be derived, net of future costs. The Broadcasting segment records an asset and a liability for the distribution rights and obligations incurred under a licence agreement when the film has been accepted in accordance with the conditions of the licence agreement and when the film is available for broadcast and when the cost of the license is known or can be reasonably estimated.

Amounts paid for distribution rights prior to the conditions of recording the asset are met, are recorded as prepaid distribution rights. Distribution rights are amortized using the individual-film-forecast-computation method with a depreciation method based on actual revenues realized over total expected revenues.

Estimates of the television products and movies are examined periodically by the management of the Broadcasting segment and revised as necessary based on management's assessment of current market conditions. The value of unamortized costs is reduced to net realizable value, as necessary, based on this assessment. This distribution rights amortization is presented in cost of sales and selling and administrative expenses.

(n) 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 of a change in tax rate on future income tax assets and liabilities is recognized in income in the period that includes the enactment or substantive enactment date. Future income tax assets are recognized and a valuation allowance is provided if realization is not considered "more likely than not".

(o) Long-term investments

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. Portfolio investments are accounted for by the cost method.

(p) 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 projects to construct and connect receiving and distribution networks of cable television, cost includes equipment, direct labour, administrative overhead and financial expenses. Expenditures for additions, improvements and replacements are capitalized, whereas maintenance and repair expenditures are charged to cost of sales.

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

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

(p) 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 term of the leases.

The Company regularly reviews the carrying values of its fixed assets by comparing the carrying amount of the asset to the expected future undiscounted cash flows to be generated by the asset. If the carrying value exceeds the amount recoverable, a write-down equal to the excess is charged to the consolidated statement of income.

(q) Goodwill and other intangible assets

Goodwill and intangible assets with indefinite useful lives are not amortized.

Goodwill is tested for impairment annually on October 31 for Quebecor Media Inc.'s reporting units and on April 30 for Quebecor World Inc.'s reporting units, 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, then goodwill of the reporting unit is considered not to be impaired and the second step is not required. The second step of the impairment test 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 item in the income statement before extraordinary items and discontinued operations.

Intangible assets acquired, such as broadcasting licenses, that have an indefinite useful life, 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 the statement of income for the excess, if any.

Intangible assets with definite useful lives, such as customer relationships, are amortized over their useful life using the straight-line method over a period of 3 to ten 10 years and are carried at the lower of amortized cost or net recoverable amount.

(r) Deferred start-up costs, financing fees and non-monetary compensation charges

Deferred start-up costs are recorded at cost and include development costs related to new specialty services and pre-operating expenditures and 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 start-up costs. A permanent decline, if any, 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. The deferred non-monetary compensation charges, which represent part of the purchase price paid for a company in shares, which are held under escrow and transferred when the minimum period of employment from selling shareholders comes to an end, are amortized proportionally over the minimal period of employment of the selling shareholders.

(s) 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., Printing segment, 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, 2003.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) 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 enters into foreign exchange forward contracts to hedge anticipated foreign denominated sales and related receivables 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, of the cost of sales and of the fixed assets respectively when the transaction is recorded.

The Company also enters into foreign exchange forward contracts to hedge its net investments in foreign subsidiaries. Foreign exchange translation gains and losses are recorded under translation adjustment. Any realized or unrealized gain or loss on such derivatives instruments is also recognized in translation adjustment.

The Company enters into foreign exchange forward contracts and cross-currency swaps to hedge some of its long-term debt. Foreign exchange translation gains and losses are recorded under other assets or other liabilities. The exchange fees on forward foreign exchange contracts and the interest component of the cross-currency swaps are recognized as an adjustment to interest expenses over the term of the forward contract.

The Company also enters into foreign exchange forwards contracts and cross-currency swaps to hedge foreign denominated asset exposures. Foreign exchange translation gains and losses are recorded in income. Changes in the spot rates on the derivative instruments are recorded in income. The forward premium or discount on forward exchange contracts and the interest component of the cross-currency swaps are recognized as an adjustment of interest expense over the term of the contract.

The Company also enters into interest rate swaps in order to manage the impact of fluctuating interest rates on its 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 interest cost on the underlying debt. Interest expense on the debt is adjusted to include the payments made or received under the interest rate swaps on an accrual basis.

The Company uses Treasury Lock Agreements in order to manage the impact of fluctuating interest rates on its short-term and long-term debts. The Company designates its Treasury Lock Agreements as hedges of the future interest payments resulting from the issuance of long-term debts. The single payment from the derivative instrument at its maturity date is deferred and amortized over the term of the long-term debt.

The Company also entered into a commodity swap to manage a portion of its natural gas exposure. The Company is committed to exchange, on a monthly basis, the difference between a fixed price and a floating 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 on an accrual basis.

Some of the Company’s cross-currency swap agreements are subject to a floor limit on negative fair market value, below which the Company can be required to make prepayments to reduce the lender’s exposure. Such prepayments are offset by equal reductions in the Company’s commitments under the agreements. The portion of these prepayments related to interest payments will be amortized and accounted for as a reduction in financial expenses over the length of the hedged financial instrument, while the portion of these prepayments related to the capital repayments of the hedged financial instrument, will be accounted for as a reduction in capital repayments.

Realized and unrealized gains or losses associated with derivative instruments, that 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.

(u) Pension plans and postretirement benefits

(i) Pension plans

The Company offers defined benefit pension plans and defined contribution pension plans to some of its employees. 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 and amendments on a straight-line basis over the expected average remaining service life of the employee group covered by the plans.
- The interest cost of pension plan obligations, the expected 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.

The Company uses the fair value of plan assets, except for the Printing segment that uses a market related value, to evaluate plan assets for the purpose of calculating the expected return on plan assets.

Years ended December 31, 2003, 2002 and 2001
(in millions of Canadian dollars, except per share data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Pension plans and postretirement benefits (continued)

(ii) Postretirement benefits

The Company offers health, life and dental insurance plans to some of its retired employees. The Company accrues the cost of postretirement benefits, other than pensions. These benefits are funded by the Company as they become due. 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.

(v) 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.

2. FINANCIAL EXPENSES

	2003	2002	2001
Interest on long-term debt and convertible notes	**$ 493.4**	$ 527.4	$ 603.3
Interest on redeemable preferred shares	**24.5**	21.7	3.4
Interest on bank indebtedness	**20.3**	17.5	12.1
Securitization fees and others	**20.3**	24.5	44.8
Investment income	**(14.6)**	(25.6)	(44.4)
Amortization of deferred financing costs and long-term debt discount	**63.0**	62.1	65.6
(Gains) losses on foreign currency translation on unhedged long-term debt	**(12.3)**	3.1	20.3
Other	**13.7**	0.5	(7.3)
	608.3	631.2	697.8
Interest capitalized to the cost of property, plant and equipment and to investments in subsidiaries held for resale	**(3.3)**	(6.3)	(31.8)
	$ 605.0	$ 624.9	$ 666.0

3. RESERVE FOR RESTRUCTURING OF OPERATIONS, IMPAIRMENT OF ASSETS AND OTHER SPECIAL CHARGES

(a) Printing segment

During the year ended December 31, 2003, Quebecor World Inc. recorded an impairment of assets, restructuring and other charges of US$98.3 million ($132.1 million). Non-cash items amounted to US$60.4 million and cash items to US$37.9 million ($50.6 million). The non-cash portion included an impairment of assets of US$54.4 million and other charges of US$2.8 million related to the 2003 initiatives and US$3.2 million related to previous years' initiatives.

Impairment of assets

During the year ended December 31, 2003, Quebecor World Inc. reviewed the status of assets that became permanently idle following the prior years' restructuring initiatives and difficult economic conditions. Quebecor World Inc. determined that these assets would not be redeployed as it had originally contemplated under an economic recovery scenario or would not generate sufficient cash flow, and as such, recorded an impairment of assets of US$54.4 million.

3. RESERVE FOR RESTRUCTURING OF OPERATIONS, IMPAIRMENT OF ASSETS AND OTHER SPECIAL CHARGES (continued)

(a) Printing segment (continued)

2003 restructuring initiatives

During the year ended December 31, 2003, Quebecor World Inc. initiated new restructuring initiatives and other charges following the continued volume declines in certain business segments for a total of US$48.7 million. A cash charge of US$38.9 million ($52.0 million) was taken consisting of US$33.1 million in work-force reduction costs and US$5.8 million of additional closure costs of four smaller facilities. The charges also include US$9.8 million for impairment of assets and a reversal of US$1.5 million related to 2001-2002 initiatives. Under these new initiatives, 1,769 employee positions have been eliminated, under the 2003 restructuring initiatives and 503 will be completed in 2004. The work-force reductions affected all fixed cost areas of Quebecor World Inc., both at the plant and corporate levels.

2002 and 2001 restructuring initiatives

During the year ended December 31, 2003, the review and the execution of the 2002 and 2001 initiatives resulted in a net reversal of US$1.0 million comprised of a cash overspending of US$12.9 million ($17.4 million) and a US$13.9 million ($18.8 million) reversal of prior year restructuring and other charges. The cash overspending is related to the costs of closed facilities not yet disposed of, office leases not yet subleased, and other completed initiatives. Under the 2002 and 2001 initiatives, 3,961 employee positions were eliminated as at December 31, 2003 and 23 will be eliminated in 2004, of which 18 terminations in Europe to be completed when all the legal procedures and requirements are met.

In 2002, Quebecor World Inc. reported restructuring and other charges of US$19.6 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 a 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.

In 2001, Quebecor World Inc. recorded restructuring and other charges of US$270.0 million, net of a US$3.2 million reversal from the 2000 initiatives.

2002 restructuring initiatives

The 2002 restructuring initiatives were initiated 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. This initiative to reduce headcount was the result of volume declines in certain business segments and overlapping activities across the platform.

The charges of US$46.4 million consisted of US$6.5 million relating to impaired property, plant and equipment, US$30.0 million in work-force reduction costs and other restructuring charges, 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.

2001 restructuring initiatives

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

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 stop one plant shutdown which mainly explains the balance of the 2001 restructuring reserve, reversed in 2002, of US$40.1 million 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. had committed itself to 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 of 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 millions of Canadian dollars, except per share data)

3. RESERVE FOR RESTRUCTURING OF OPERATIONS, IMPAIRMENT OF ASSETS AND OTHER SPECIAL CHARGES (continued)

(a) Printing segment (continued)

Continuity of the reserve for restructuring and other special charges

The following table sets forth the Quebecor World Inc.'s 2003 restructuring reserve and activities against the reserves carried forward from 2002:

	Restructuring charges	Other special charges	Total
Balance as at December 31, 2002	$ 78.5	$ 1.9	$ 80.4
Overspending of 2001-2002 initiatives	15.0	2.4	17.4
Reversal of previous years' reserves	(18.8)	–	(18.8)
New initiatives in 2003	49.7	2.3	52.0
	45.9	4.7	50.6
Reserve utilized in 2003	(60.0)	(4.9)	(64.9)
Translation adjustment	(6.1)	(0.1)	(6.2)
Balance as at December 31, 2003	**$ 58.3**	**$ 1.6**	**$ 59.9**

The utilization of the reserve is estimated to be as follows:

	Work-force reduction costs	Leases, closed facilities carrying costs and other	Total
2004	$ 28.8	$ 13.9	$ 42.7
2005	–	6.9	6.9
2006	–	4.3	4.3
2007	–	3.0	3.0
2008	–	1.8	1.8
2009 and thereafter	–	1.2	1.2
	$ 28.8	$ 31.1	$ 59.9

(b) Other segments

(i) 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 a 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.

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 was created as a result of work-force reductions and amounted to $17.8 million. The work-force reductions affected all geographic areas and all departments of the segment, as well as employees at all levels. This reserve included primarily amounts paid in severance payments, related employee benefits, and other amounts payable to these employees.

As at December 31, 2003, an amount of $5.5 million ($8.4 million as at December 31, 2002) still remains recorded in accounts payable and accrued charges regarding the reserve for the restructuring of operations.

3. RESERVE FOR RESTRUCTURING OF OPERATIONS, IMPAIRMENT OF ASSETS AND OTHER SPECIAL CHARGES (continued)

(b) Other segments (continued)

(ii) Broadcasting segment

During the year ended December 31, 2003, the Broadcasting segment wrote off $0.4 million in deferred costs related to the acquisition of AM and FM radio stations from Astral Media Inc., and to licence requests for four FM radio stations, following the unfavourable decision of the CRTC not to grant these licences to TVA Group Inc.

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

(iii) 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 relates 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, 2003, an amount of $1.4 million ($1.4 million as at December 31, 2002) still remains recorded in accounts payable and accrued charges regarding this reserve.

(iv) Web Integration/Technology segment

During the year ended December 31, 2003, the Web Integration/Technology segment recorded reserves for the restructuring of its operations in response to the continued adverse market conditions existing in the telecommunications industry. The reserve for restructuring amounts to $0.6 million ($5.4 million and $3.7 million, respectively for the years ended December 31, 2002 and 2001) and includes severance costs, asset write-downs and other restructuring charges. 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. During the year ended December 31, 2003, the Web Integration/Technology segment utilized $0.7 million of the reserve for the restructuring of its operations ($5.7 million for the year ended December 31, 2002). Also, during the year ended December 31, 2003, the Web Integration/Technology segment reversed a portion of the reserve for the restructuring of its operations amounting to $0.2 million related to the 2002 programs, since these programs were nearly completed. As at December 31, 2003 and 2002, $0.2 million and $0.5 million, respectively, were still included in accounts payable and accrued charges regarding this reserve. The remaining balance is expected to be used 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 for the year ended December 31, 2001) relative to escrowed shares to be remitted to selling shareholders of acquired companies. The escrowed shares are remitted when the minimum period of employment of the selling shareholders is completed.

(v) 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 for the year ended December 31, 2001). The reserve was in connection with the reorganization of the business segment. This reserve included severance costs, asset write-downs and other restructuring charges. As at December 31, 2002, $0.3 million were included in accounts payable and accrued charges. As at December 31, 2003, the entire reserve for the restructuring of operations had been used.

Also, during the years ended December 31, 2003 and 2002, the Internet/Portals segment reversed a portion of the reserve for the restructuring of its operations, amounting to $0.1 million and $0.7 million, respectively, related to the 2002, 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 Multimédia lease. Accordingly, the Internet/Portals segment reversed a reserve amounting to $0.8 million regarding this litigation.

(vi) Head office and other

During the year ended December 31, 2003, a write-down of temporary investments of $0.4 million ($12.9 million and $99.8 million for the years ended December 31, 2002 and 2001, respectively) was recognized in order to record these assets at the lower of cost and fair market value. Also, during the year ended December 31, 2003, the Company recorded a write-down of $0.5 million on one of its properties ($9.0 million on another property for the year ended December 31, 2002), in order to record this property at the lower of amortized cost and net realizable value.

A write-down of a portfolio investment of $0.4 million was recognized during the year ended December 31, 2002 to record this asset at the lower of cost and fair market value.

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

3. RESERVE FOR RESTRUCTURING OF OPERATIONS, IMPAIRMENT OF ASSETS AND OTHER SPECIAL CHARGES (continued)

(b) Other segments (continued)

The following table sets forth the Company's other segments of its 2003 restructuring reserve activities and the other special charges against the reserve carried forward from 2002:

	Restructuring charges	Other special charges	Total
Balance as at December 31, 2002	$ 9.2	$ 1.4	$ 10.6
Additional reserve of 2003	0.6	1.3	1.9
Utilized in 2003:			
Cash	(3.8)	–	(3.8)
Non-cash	–	(1.3)	(1.3)
Reversal:			
Non-cash	(0.3)	–	(0.3)
Balance as at December 31, 2003	**$ 5.7**	**$ 1.4**	**$ 7.1**

The utilization of the reserve is expected to be as follows:

	Restructuring charges	Other special charges	Total
2004	$ 1.2	$ 1.4	$ 2.6
2005	0.8	–	0.8
2006	0.8	–	0.8
2007	0.6	–	0.6
2008	0.5	–	0.5
2009 and thereafter	1.8	–	1.8
	$ 5.7	$ 1.4	$ 7.1

4. WRITE-DOWN OF GOODWILL

As at October 31, 2003, Quebecor Media Inc. and its subsidiaries completed their 2003 annual goodwill test for impairment and recorded an impairment loss for one of its Internet/Portals reporting units with a carrying amount that exceeded its fair value. This write-down of goodwill amounted to $0.5 million.

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, Quebecor Media Inc. and its subsidiaries completed its 2002 annual goodwill test for impairment and recorded an impairment loss for each of its reporting units with a carrying amount that exceeded their fair value. These write-downs of goodwill amounted to $68.0 million, $107.6 million and $2.5 million, respectively, for its Cable Television, Business Telecommunications and its Internet/Portals segments.

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 write-down of $118.5 million, before the non-controlling interest of $57.4 million, was recorded.

Also, 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. A total write-down of $28.5 million, before the non-controlling interest of $21.1 million, 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., Printing segment, 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., Printing segment, 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.

6. NET GAIN ON DEBT REFINANCING AND ON REPURCHASE OF REDEEMABLE PREFERRED SHARES OF A SUBSIDIARY

(a) Quebecor World Inc.

During 2003, Quebecor World Inc., Printing segment, has repurchase 89.6% of the US$300.0 million aggregate principal amount of the 7.75% Senior Notes (*see note 18(vi)*) pursuant to a tender offer. Quebecor World Inc. has also exercised its option to redeem all US$257.6 million aggregate principal amount of the 8.375% Senior Notes (*see note 18(xii)*). These extinguishments of debt which resulted in a loss of US$30.2 million (CA$39.7 million) consisted of a premium paid, a write-off of discounts and deferred costs and professional fees.

(b) Vidéotron ltée

On October 8, 2003, Vidéotron ltée, Cable Television segment, completed a private placement of Senior Notes amounting to US$335.0 million (*see note 18(xviii)*) and put in place new bank credit facilities totalling $468.1 million (*see note 18(xvii)*). Net proceeds were used to repay Vidéotron ltée's term-loan credit facilities "A" and "B", in place as at December 31, 2002, as well as amounts outstanding on its revolving credit facilities (*see note 18(xx)*).

As a result of the refinancing of the debts, Vidéotron ltée recorded a loss of $17.1 million, comprised of a loss on the unwinding of hedging contracts and the write-off of deferred financing costs.

(c) Sun Media Corporation

On February 7, 2003, Sun Media Corporation, Newspapers segment, completed a private placement of Senior Notes amounting to US$205.0 million (*see note 18(xxii)*) and put in place new bank credit facilities amounting to US$230.0 million and $75.0 million (*see note 18(xxi)*). Net proceeds from the issuance of Senior Notes and the new credit facilities were used to reimburse, in its entirety, the Senior Bank Credit facility (*see note 18(xxiii)*) of Sun Media Corporation in place as at December 31, 2002, and to reimburse the two series of Senior Subordinated Notes (*see note 18(xxiv)*) in place as at December 31, 2002.

As a result of the refinancing of the debts, Sun Media Corporation recorded a net gain of $7.5 million, comprised of a cash gain of $10.3 million resulting from the unwind of hedging contracts on redemption of Sun Media Corporation's Senior Subordinated Notes, net of a redemption premium and a foreign exchange loss, offset by the write-off of the related deferred financing costs.

(d) Vidéotron Télécom ltée

On December 22, 2003, Quebecor Media Inc. repurchased the redeemable preferred shares issued by Vidéotron Télécom ltée, Business Telecommunications segment, for a cash consideration of $55.0 million and an additional amount payable of $70.0 million (*see notes 17 and 20*). As the carrying value of these preferred shares was $278.7 million at the date of the transaction, classified as a liability instrument, a gain of $153.7 million was recorded in the consolidated statement of income. Since these preferred shares are now held by Quebecor Media Inc., the shares are eliminated on consolidation.

Years ended December 31, 2003, 2002 and 2001
(in millions of Canadian dollars, except per share data)

7. INCOME TAXES

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

	2003	2002 (restated, note 1(c))	2001 (restated, note 1(c))
Domestic	**$ 187.5**	$ (136.6)	$ (326.0)
Foreign	**27.7**	571.4	199.1
	$ 215.2	$ 434.8	$ (126.9)

Total income tax expenses were allocated as follows:

	2003	2002 (restated, note 1(c))	2001 (restated, note 1(c))
Continuing operations	**$ 21.6**	$ 148.0	$ 74.1
Goodwill amortization	**–**	–	(8.1)
Discontinued operations	**0.2**	0.6	0.3
Dividends on preferred shares of subsidiaries	**0.8**	4.7	3.3
	$ 22.6	$ 153.3	$ 69.6

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

	2003	2002 (restated, note 1(c))	2001 (restated, note 1(c))
Current:			
Domestic	**$ 26.8**	$ 3.3	$ 82.1
Foreign	**22.8**	49.3	68.1
	49.6	52.6	150.2
Future:			
Domestic	**(61.4)**	(20.6)	(20.8)
Foreign	**33.4**	116.0	(55.3)
	(28.0)	95.4	(76.1)
	$ 21.6	$ 148.0	$ 74.1

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

7. 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 income (loss):

	2003	2002 (restated, note 1(c))	2001 (restated, note 1(c))
Domestic statutory tax rate	33.1 %	35.2 %	37.2 %
Effect of provincial and foreign tax rates differences	(27.8)	(16.3)	2.5
	5.3	18.9	39.7
Increase (reduction) resulting from:			
Effect of non-deductible charges and/or a tax rate reduction	15.3	10.9	(38.3)
Effect of non-taxable revenue	–	(4.4)	10.4
Change in valuation allowance	9.5	5.3	(50.8)
Large corporation and American state taxes	4.4	2.6	(12.0)
Other	(2.3)	0.7	(7.8)
Effective tax rate before the following item	32.2	34.0	(58.8)
Effect of the non-taxable gains on dilution	–	–	0.4
Effect of the non-taxable net gain on debt refinancing and on repurchase of redeemable preferred shares	(22.2)	–	–
Effective tax rate	**10.0 %**	34.0 %	(58.4) %

Years ended December 31, 2003, 2002 and 2001
(in millions of Canadian dollars, except per share data)

7. INCOME TAXES (continued)

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

	2003	2002 (restated, note 1(c))
Future income tax assets:		
Loss carryforwards	**$ 627.9**	$ 390.3
Tax credit carryforwards	**33.2**	16.9
Property, plant and equipment	**37.1**	30.2
Deferred charges	**23.0**	1.0
Accounts payable, accrued charges and deferred revenue	**52.3**	44.4
Trade receivables	**27.3**	32.9
Acquisition and reserve for restructuring of operations	**40.9**	58.1
Pension plan liability, postretirement and workers compensation benefits	**74.1**	91.5
Goodwill and other assets	**50.2**	50.6
Long-term investments	**2.4**	4.0
Other	**130.7**	134.4
	1,099.1	854.3
Valuation allowance	**(294.4)**	(257.0)
	804.7	597.3
Future income tax liabilities:		
Property, plant and equipment	**(1,000.2)**	(920.5)
Long-term investments	**(106.3)**	(103.2)
Deferred charges	**–**	(2.7)
Inventories	**(57.9)**	–
Goodwill and other assets	**(100.3)**	(76.6)
Other	**(162.4)**	(162.7)
	(1,427.1)	(1,265.7)
Net future income tax liabilities	**$ (622.4)**	$ (668.4)

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

	2003	2002 (restated, note 1(c))
Future income tax assets:		
Current	**$ 206.9**	$ 75.5
Long-term	**104.7**	97.9
	311.6	173.4
Future income tax liabilities:		
Current	**(8.1)**	(1.0)
Long-term	**(925.9)**	(840.8)
	(934.0)	(841.8)
Net future income tax liabilities	**$ (622.4)**	$ (668.4)

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

7. INCOME TAXES (continued)

The 2003, 2002 and 2001 amounts above include a valuation allowance of $294.4 million, $257.0 million and $240.1 million, respectively, relating to loss carryforwards and other tax benefits available. The net change in the total valuation allowance for the years ended December 31, 2003 and 2002 is the result, among other things, of an amount of $20.4 million and $23.0 million allocated to income from operations, respectively. 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 from operations and $72.7 million from the consolidation of previously non-consolidated subsidiaries and $27.0 million from tax reorganization.

Subsequent recognition of tax benefits relating to the valuation allowance for future tax assets as at December 31, 2003 will be reported in the consolidated statement of income for an amount of $243.5 million and allocated to goodwill for an amount of $50.9 million.

As at December 31, 2003, the Company had loss carryforwards for income tax purposes available to reduce future taxable income of $671.8 million, expiring from 2004 to 2010, and $849.8 million which can be carried forward indefinitely. The Company also has net operating losses and tax credits of $371.5 million in the United States, in South America and in Europe, which expire from 2004 to 2023 and federal alternative minimum tax credits of $19.1 million in the United States which can be carried forward indefinitely.

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

8. INVESTMENTS IN NON-CONSOLIDATED SUBSIDIARIES

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

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.

Operating results of non-consolidated subsidiaries for the year ended December 31, 2001 are presented below. These results include results for periods when the Company did not have the ability to exercise control over non-consolidated subsidiaries.

	2001 (restated, note 1(c))
Revenues	$ 468.5
Cost of sales and selling and administrative expenses	(344.4)
Amortization	(46.4)
Financial expenses	(30.7)
Income before income taxes	47.0
Income taxes	21.0
	26.0
Non-controlling interest	(4.4)
Income before amortization of goodwill	21.6
Amortization of goodwill, net of non-controlling interest	(41.5)
Net loss and equity loss from non-consolidated subsidiaries	$ (19.9)

Years ended December 31, 2003, 2002 and 2001
(in millions of Canadian dollars, except per share data)

9. DISCONTINUED OPERATIONS

On March 14, 2003, Nurun Inc., Web Integration/Technology segment, closed the sale of its interest in Nurun Technologies S.A. for a cash consideration of $0.3 million, resulting in a loss on disposal of $0.1 million (net of non-controlling interest of $0.1 million).

On May 5 and 8, 2003, Sun Media Corporation, Newspapers segment, concluded the sale of its operating businesses in Florida and British Columbia, for a total cash consideration of $22.4 million, resulting in a gain on disposal of $0.3 million (net of income taxes of $2.8 million and non-controlling interest of $0.2 million). The Florida operations included seven weekly publications as well as a commercial printing operation, while the British Columbia operations included six weekly publications as well as a commercial printing plant.

These transactions were recorded in accordance with revised Section 3475, *Disposal of Long-lived Assets and Discontinued Operations*, of the *CICA Handbook* (*see note 1(b)(i)*) and, accordingly, the results of the disposed businesses were reclassified and disclosed in the consolidated statements of income as "Income from discontinued operations", while the cash flows of the disposed businesses were reclassified and disclosed in the consolidated statements of cash flows as "Cash flows provided by discontinued operations".

The following tables provide additional financial information related to the results and cash flows from the above discontinued operations for the years ended December 31, 2003, 2002 and 2001, as well as information on assets and liabilities of these discontinued operations at the date of their disposals.

Combined and consolidated statements of income

	2003	2002	2001
Revenues	**$ 8.0**	$ 27.0	$ 30.2
Cost of sales and selling and administrative expenses	**(7.4)**	(24.9)	(27.0)
Operating income before undernoted items	**0.6**	2.1	3.2
Amortization	**(0.2)**	(0.6)	(0.6)
Financial (expenses) income	**(0.1)**	0.4	0.2
Reserve for restructuring of operations	**–**	(0.2)	–
Income before income taxes	**0.3**	1.7	2.8
Income taxes	**0.2**	0.6	0.3
	0.1	1.1	2.5
Non-controlling interest	**–**	(0.3)	(1.2)
Gain on disposal of businesses (net of income taxes of $2.8 million and of non-controlling interest of $0.1 million)	**0.2**	–	–
Income from discontinued operations	**$ 0.3**	$ 0.8	$ 1.3

Combined and consolidated balance sheet

	2003
Accounts receivable	**$ 5.5**
Inventories	**0.5**
Prepaid expenses	**0.1**
Property, plant and equipment	**5.6**
Goodwill	**10.1**
Other assets	**2.0**
Total assets	**23.8**
Accounts payable and accrued charges	**(4.2)**
Net assets	**$ 19.6**

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

9. DISCONTINUED OPERATIONS (continued)

Combined and consolidated statements of cash flows

	2003	2002	2001
Cash flows related to operations			
Income from discontinued operation	**$ 0.3**	$ 0.8	$ 1.3
Adjustments for:			
Amortization	**0.2**	0.6	0.6
Non-controlling interest	**0.1**	0.3	1.2
Other	**0.3**	(0.1)	0.1
Net changes in non-cash balances related to operations	**(1.0)**	(0.4)	(1.6)
Cash flows (used in) provided by discontinued operations	**$ (0.1)**	$ 1.2	$ 1.6

10. BUSINESS ACQUISITIONS AND DISPOSALS

Business acquisitions

During the years ended December 31, 2003, 2002 and 2001, the Company acquired or increased its interest in several businesses and has accounted for these by the purchase method. The results of operations of these businesses have been included in the Company's consolidated financial statements from their date of acquisition.

2003 acquisitions

The Printing segment made the following acquisitions:

- In June 2003, Quebecor World Inc. repurchased for cancellation, under a Substantial Issuer Bid Program initiated April 24, 2003, a total of 10,000,000 of its own Subordinate Voting Shares for a net cash consideration, including redemption fees, of $241.1 million, resulting in additional goodwill in the amount of $5.4 million.
- In March and May 2003, Quebecor World Inc. also acquired minority interests in Spain and in North America, for a cash consideration totalling US$7.5 million, resulting in additional goodwill in the amount of US$5.2 million.

Other segments made the following acquisitions:

- During the year ended December 31, 2003, Quebecor Media Inc. increased its interest in TVA Group Inc., Broadcasting segment, through the subsidiary's 2003 and 2002 Share Repurchase and Cancellation Programs. A total of 1,452,200 Class B Non-Voting Common Shares were repurchased under both programs for a cash consideration of $25.8 million, resulting in additional goodwill of $5.9 million.

  During the year ended December 31, 2003, TVA Group Inc., Broadcasting segment, filed a new Issuer Bid Program to redeem for cancellation in its normal course of business, between June 3, 2003 and June 2, 2004, a maximum of 1,797,708 Class B Non-Voting Common Shares of TVA Group Inc., representing approximately 10% of TVA Group Inc.'s Class B Non-Voting Common Shares issued and outstanding at the beginning of the Issuer Bid Program. TVA Group Inc. will redeem its Class B Non-Voting Common Shares at market price at the date of the redemption, plus brokers' commissions.
- On March 18, 2003, TVA Group Inc., Broadcasting segment, increased its interest in TVAchats Inc. from 50% to 100%, for a cash consideration of $0.9 million, resulting in additional goodwill of $0.8 million.
- On October 15, 2003, Quebecor Media Inc. increased its interest in CEC Publishing Inc., Leisure and Entertainment segment, from 50% to 100%, for a cash consideration of $15.0 million, resulting in additional goodwill of $9.4 million.
- On November 3, 2003, Sun Media Corporation, Newspapers segment, completed the acquisition of the newspaper operations of Annex Publishing & Printing Inc., for a cash consideration of $34.2 million, subject to certain purchase equation adjustments, resulting in additional goodwill of $20.8 million. The newspaper operations are located in Southern Ontario and include two daily newspapers, one semi-weekly and six weekly publications, two shopping guides, as well as a commercial printing operation.
- During the year ended December 31, 2003, Quebecor Media Inc. increased its ownership in Archambault Group Inc., Leisure and Entertainment segment, from 94.5% to 100%, for a cash consideration of $2.7 million, resulting in a reduction in goodwill of $0.7 million.

10. BUSINESS ACQUISITIONS AND DISPOSALS (continued)

Business acquisitions (continued)

2002 and 2001 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 euros, 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 completed as at March 31, 2003 and the effect of these adjustments did not have a significant impact on the consolidated financial statements.
- 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 ended December 31, 2002, 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.
- On January 27, 2002, Mindready Solutions Inc., Web Integration/Technology segment, acquired some assets from 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 from 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 2002 and 2001 Share Repurchase and Cancellation Programs. 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.
- In December 2002, Vidéotron ltée, Cable Television segment, increased its ownership in Télé-Câble Charlevoix (1977) inc. for a cash consideration of $2.0 million. No goodwill resulted from this transaction.
- Also, during the years ended December 31, 2002 and 2001, Quebecor Media Inc. increased its ownership in some of its subsidiaries part of Leisure and Entertainment segment, for a cash consideration of $0.1 million and $1.1 million, respectively, resulting in additional goodwill of $0.5 million and $0.8 million, respectively.
- 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 (*see note 21(b)*) and a promissory note of US$2.0 million.
- In July 2001, Quebecor World Inc. acquired Retail Printing Corporation, in Massachusetts, United States, to expand its North American retail network, for a cash consideration of US$97.6 million.
- In August 2001, Quebecor World Inc. purchased the manufacturing assets of Grupo Serla, in Mexico, for a cash consideration of US$13.0 million.
- During the year ended December 31, 2001, Quebecor World Inc. also completed other business acquisitions for a 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 Media Inc. acquired the remaining 30% interest in 3535991 Canada Inc., the parent company of Sun Media Corporation, Newspapers segment, for a cash consideration of $375.0 million. The acquisition of this non-controlling interest has resulted in additional goodwill in the amount 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.

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

10. BUSINESS ACQUISITIONS AND DISPOSALS (continued)

Business acquisitions (continued)

2002 and 2001 acquisitions (continued)

Business acquisitions are summarized as follows:

	2003	2002	2001
Assets acquired			
Cash and cash equivalents	**$ 2.4**	$ 11.8	$ 11.7
Non-cash current operating assets	**10.0**	43.9	50.6
Property, plant and equipment	**2.6**	104.0	114.0
Goodwill	**48.9**	5.1	440.8
Non-controlling interest	**262.2**	3.8	356.0
Other	**14.7**	0.5	1.2
	340.8	169.1	974.3
Liabilities assumed			
Bank indebtedness	**–**	–	(3.5)
Non-cash current operating liabilities	**(5.9)**	(41.2)	(41.4)
Long-term debt	**–**	(88.4)	(47.8)
Convertible notes	**–**	–	(4.0)
Future income taxes	**(4.7)**	(0.1)	(4.8)
Other	**(0.1)**	(7.6)	(0.8)
	(10.7)	(137.3)	(102.3)
Net assets acquired at fair value	**$ 330.1**	$ 31.8	$ 872.0

	2003	2002	2001
Consideration			
Cash	**$ 330.1**	$ 31.8	$ 862.5
Notes payable	**–**	–	8.0
Balance of purchase price payable	**–**	–	1.5
	$ 330.1	$ 31.8	$ 872.0

Business disposals

- In December 2003, Vidéotron Télécom ltée, Business Telecommunications segment, sold the assets of its subsidiary, Mensys Business Solution Centre Ltd., for a cash consideration of $2.0 million, resulting in a loss on disposal of $1.1 million.
- In January 2002, Nurun Inc., Web Integration/Technology segment, sold 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 sold 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, sold 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, sold 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., sold its 80% interest in 3064743 Canada Inc. (parent company of Wilson & Lafleur limitée 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. sold its interests in some of its subsidiaries, part of the Leisure and Entertainment segment, for a cash consideration totalling $0.1 million, resulting in a gain on disposal of $0.1 million.

Years ended December 31, 2003, 2002 and 2001
(in millions of Canadian dollars, except per share data)

11. 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 dividing 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. Diluted earnings per share calculation did not take into consideration the potential dilutive effect of the exchangeable debentures Series 2001 (*see note 19(i)*), since their impact is anti-dilutive.

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

	2003	2002 (restated, note 1(c))	2001 (restated, note 1(c))
Income (loss) from continuing operations	**$ 66.1**	$ 82.4	$ (252.9)
Income (loss) impact on assumed conversion of convertible notes and stock options, net of applicable income taxes	**(0.3)**	(2.3)	–
Income (loss) from continuing operations, adjusted for dilution effect	**$ 65.8**	$ 80.1	$ (252.9)
Net income (loss)	**$ 66.4**	$ 83.2	$ (251.6)
Income (loss) impact on assumed conversion of convertible notes and stock options, net of applicable income taxes	**(0.3)**	(2.3)	–
Net income (loss), adjusted for dilution effect	**$ 66.1**	$ 80.9	$ (251.6)
Weighted average number of shares outstanding (in millions)	**64.6**	64.6	64.6
Effect of dilutive stock options (in millions)	**0.1**	–	–
Weighted average number of diluted shares outstanding (in millions)	**64.7**	64.6	64.6

12. ACCOUNTS RECEIVABLE

	2003	2002
Trade	**$ 702.9**	$ 951.7
Other	**68.6**	115.6
	$ 771.5	$ 1,067.3

Assets securitization

In March 2003, Quebecor World Inc., Printing segment, renewed its 1998 agreement to sell, with limited recourse, a portion of its Canadian trade receivables on a revolving basis (the “Canadian Program”). The Canadian Program limit has been increased to $135.0 million from $125.0 million in 2002. As at December 31, 2003, the amount outstanding under the Canadian Program was $132.0 million ($125.0 million as at December 31, 2002).

During 2003, Quebecor World Inc. also sold, with limited recourse, a portion of its U.S. trade receivables on a revolving basis under the terms of a U.S. securitization agreement dated December 1999 (the “US Program”). The US Program limit is US$510.0 million. As at December 31, 2003, the amount outstanding under the US Program was US$488.0 million (US$435.0 million as at December 31, 2002).

During 2003, 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 euros. As at December 31, 2003, the amount outstanding under the European Program was 142.5 million euros (129.5 million euros as at December 31, 2002).

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

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

12. ACCOUNTS RECEIVABLE (continued)

At December 31, 2003, an aggregate of US$902.2 million (US$747.2 million as at December 31, 2002) of accounts receivable have been sold under the three programs, of which US$135.6 million (US$97.5 million as at December 31, 2002) was kept by Quebecor World Inc. as retained interest, resulting in a net aggregate consideration of US$766.6 million (US$649.7 million as at December 31, 2002) 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. to the retained interest are subordinated to the rights of the investors under the programs. There is no recourse under the programs to the Quebecor World Inc.'s other assets for failure of debtors to pay when due, other than the Quebecor World Inc. retained interest.

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 2003 totalled US$4.7 billion (US$4.5 billion in 2002).

13. INVENTORIES AND INVESTMENTS IN TELEVISUAL PRODUCTS AND MOVIES

	2003	2002
Raw materials and supplies	**$ 353.3**	$ 403.5
Work in process	**215.4**	283.3
Finished goods	**51.6**	51.0
Investments in televisual products and movies	**28.9**	61.7
	$ 649.2	$ 799.5

14. INVESTMENTS IN SUBSIDIARIES HELD FOR RESALE

As part of the acquisition of Le Groupe Vidéotron ltée, Quebecor Media Inc. acquired Vidéotron Télécom ltée, 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 based on the estimated net realizable value at the acquisition date.

Given the uncertainty in the telecommunications industry, Quebecor Media Inc. was not able to conclude the sale of its investment under favorable terms. Therefore, Quebecor Media Inc. 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 results for the period from January 1 to October 31, 2001 are presented below:

Condensed statements of income

Period from January 1 to October 31, 2001:

Revenues	$ 82.1
Cost of sales and selling and administrative 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 tax credit	5.8
Loss before amortization of goodwill	(20.4)
Amortization of goodwill	(0.9)
Net loss	$ (21.3)

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

15. PROPERTY, PLANT AND EQUIPMENT

			2003
	Cost	Accumulated amortization	Net amount
Land	$ 155.2	$ –	$ 155.2
Buildings and leasehold improvements	1,271.8	308.5	963.3
Machinery and equipment	5,610.8	2,913.4	2,697.4
Receiving, distribution and telecommunication networks	1,263.7	190.0	1,073.7
Projects under development	53.2	–	53.2
	$ 8,354.7	$ 3,411.9	$ 4,942.8

			2002 (restated, note 1(c))
	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	1,203.6	143.6	1,060.0
Projects under development	142.5	–	142.5
	$ 9,020.7	$ 3,241.4	$ 5,779.3

As at December 31, 2003, the cost of property, plant and equipment and the corresponding accumulated amortization balance included amounts of $505.4 million ($557.3 million as at December 31, 2002) and $305.0 million ($297.1 million as at December 31, 2002), respectively, for assets held under capital leases. Amortization expenses for property, plant and equipment held under capital leases amounted to $24.7 million in 2003 ($30.5 million in 2002 and $27.0 million in 2001).

16. GOODWILL

For the years ended December 31, 2003 and 2002, the changes in the carrying amounts of goodwill are as follows:

							2003
	Balance as at December 31, 2002	Business acquisitions (disposals)	Discontinued operations	Translation adjustments	Write-down	Other	Balance as at December 31, 2003
Printing	$ 3,989.5	$ 12.7	$ –	$ (566.1)	$ –	$ (0.1)	$ 3,436.0
Cable Television	2,662.7	–	–	–	–	(1.6)	2,661.1
Newspapers	1,001.4	20.8	(10.1)	–	–	–	1,012.1
Broadcasting	158.6	6.7	–	–	–	(0.3)	165.0
Leisure and Entertainment	35.1	8.7	–	–	–	–	43.8
Business Telecommunications	0.9	(0.9)	–	–	–	–	–
Internet/Portals	26.2	–	–	–	(0.5)	–	25.7
Total	$ 7,874.4	$ 48.0	$ (10.1)	$ (566.1)	$ (0.5)	$ (2.0)	$ 7,343.7

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

16. GOODWILL (continued)

						2002
	Balance as at January 1, 2002 as restated	Business acquisitions (disposals)	Translation adjustments	Write-down	Other	Balance as at December 31, 2002
Printing	$ 3,978.2	$ (3.8)	$ 15.1	$ –	$ –	$ 3,989.5
Cable Television	2,730.9	–	–	(68.0)	(0.2)	2,662.7
Newspapers	1,001.8	(0.4)	–	–	–	1,001.4
Broadcasting	164.3	1.6	–	–	(7.3)	158.6
Leisure and Entertainment	35.7	(0.5)	–	–	(0.1)	35.1
Business Telecommunications	108.5	–	–	(107.6)	–	0.9
Web Integration/Technology	8.8	–	0.1	(8.9)	–	–
Internet/Portals	28.7	–	–	(2.5)	–	26.2
Total	$ 8,056.9	$ (3.1)	$ 15.2	$ (187.0)	$ (7.6)	$ 7,874.4

17. ADDITIONAL AMOUNT PAYABLE

The value of the additional amount payable resulting from the repurchase of the redeemable preferred shares (*see notes 6 and 20*) is subject to variation on the basis of the valuation of Quebecor Media Inc.'s Common Shares. Until Quebecor Media Inc. is listed on a stock exchange, the value of the additional amount payable is based on a formula established in the agreement. At the date of the transaction, both parties had agreed to a value of $70.0 million. As at December 31, 2003, the additional amount payable is valued at $68.7 million. The additional amount payable matures on December 15, 2008. The holder has the right to require payment at any time after December 15, 2004. If Quebecor Media Inc. files a prospectus for an initial public offering, the holder has the right to require Quebecor Media Inc. to pay the additional amount by delivering 3,740,682 Common Shares of Quebecor Media Inc. Quebecor Media Inc. holds an option to pay this additional amount payable in cash, at its fair value for a period of 30 days following each June 15, 2007 and June 15, 2008. Quebecor Media Inc. may, under certain conditions and if its shares are publicly traded at that time, pay the additional amount by delivering 3,740,682 Common Shares of Quebecor Media Inc.

Years ended December 31, 2003, 2002 and 2001
(in millions of Canadian dollars, except per share data)

18. LONG-TERM DEBT

	Effective interest rate as at December 31, 2003	Years of maturity	2003	2002
Quebecor Inc.				
Revolving Bank Credit Facility (i)	2.75 to 6.00 %	2005	$ **139.0**	$ 131.9
Other debt	4.69 %	2004	**7.0**	7.5
			146.0	139.4
Quebecor World Inc. and its subsidiaries (ii)				
Revolving Bank Credit Facility (iii)	1.92 and 3.53 %	2004-2006	**365.2**	54.6
Commercial paper (iv)	3.00 %	2004-2006	**0.4**	160.0
Senior Notes (v)	4.88 and 6.13 %	2008-2013	**780.3**	–
Senior Notes (vi)	7.75 %	2009	**40.1**	459.5
Senior Debentures (vii)	7.25 %	2007	**196.1**	235.4
Senior Debentures (viii)	6.50 %	2027	**196.1**	235.4
Senior Notes (ix)	8.42 and 8.52 %	2010-2012	**326.9**	392.4
Senior Notes (x)	8.54 and 8.69 %	2015-2020	**158.2**	189.9
Senior Notes (xi)	7.20 %	2006	**326.9**	392.4
Senior Notes – Repaid in full in 2003 (xii)	–	–	**–**	405.7
Obligations under capital leases and other debt (xiii)	0 to 10.21 %	2004-2016	**83.8**	154.0
			2,474.0	2,679.3
Quebecor Media Inc. (ii)				
Credit Facility (xiv)	4.19 to 4.35 %	2004-2005	**97.0**	429.0
Senior Notes (xv)	11.50 %	2011	**917.2**	1,099.5
Senior Discount Notes (xvi)	13.75 %	2011	**279.6**	291.6
			1,293.8	1,820.1
Vidéotron ltée and its subsidiaries (ii)				
Credit Facilities (xvii)	3.86 to 5.00 %	2008	**355.7**	–
Senior Notes (xviii)	7.00 %	2014	**430.4**	–
Senior Secured First Priority Notes (xix)	7.59 %	2007	**100.6**	123.8
Credit Facilities – Repaid in full in 2003 (xx)	–	–	**–**	995.8
			886.7	1,119.6
Sun Media Corporation and its subsidiaries (ii)				
Credit Facilities (xxi)	3.41 %	2008-2009	**288.0**	–
Senior Notes (xxii)	7.88 %	2013	**263.7**	–
Senior Credit Facility – Repaid in full in 2003 (xxiii)	–	–	**–**	300.5
Senior Subordinated Notes – Repaid in full in 2003 (xxiv)	–	–	**–**	214.6
			551.7	515.1
TVA Group Inc. and its subsidiaries (ii)				
Revolving-Term Bank Loan (xxv)	2.76 and 4.5 %	2006	**24.4**	51.2
Other subsidiaries of Quebecor Media Inc. (ii)				
Miscellaneous debt	6.8 to 9.7 %	2004	**0.2**	0.6
Total long-term debt, balance carried forward			**5,376.8**	6,325.3

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

18. LONG-TERM DEBT (continued)

	2003	2002
Total long-term debt, balance brought forward	**$ 5,376.8**	$ 6,325.3
Less current portion:		
Quebecor Inc.	**7.0**	7.5
Quebecor World Inc. and its subsidiaries	**23.4**	60.4
Quebecor Media Inc.	**6.3**	429.0
Vidéotron ltée and its subsidiaries	**50.0**	86.1
Sun Media Corporation and its subsidiaries	**3.5**	60.0
Other subsidiaries of Quebecor Media Inc.	**0.2**	0.5
	90.4	643.5
	$ 5,286.4	$ 5,681.8

(i) As at December 31, 2003, these borrowings were drawn on a bank credit facility of $200.0 million ($201.0 million as at December 31, 2002). 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 2003, Quebecor World Inc. extended for an additional year its existing Revolving Bank Credit Facility. Subsequently, in November 2003, Quebecor World Inc. restructured the facility. The new facility is comprised of three tranches. The first tranche of US$250.0 million mature in 2004, while the second tranche of US$250.0 million and the third tranche of US$500.0 million mature in 2006. All three tranches can be extended on a yearly basis. The facility 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. Quebecor World Inc. paid fees for the unused portion of US$1.0 million in 2003 (US$1.0 million in 2002). The Revolving Bank Credit Facility bears interest at variable rates based on the London Interbanking Offered Rate ("LIBOR") or Bankers' Acceptance rates.

(iv) As at December 31, 2003, $0.4 million ($156.4 million as at December 31, 2002) of notes in Canadian dollars were outstanding under the Commercial paper program bearing interest at 3.00% (2.85% to 3.30% as at December 31, 2002). No notes in US dollars (US$2.3 million as at December 31, 2002) were outstanding as at December 31, 2003. The program limit is US$350.0 million. As at December 31, 2003, 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 note 18(iii)*) to replace such debt, if necessary. As at December 31, 2002, included in the outstanding balance is an amount of $10.0 million held by Quebecor Media Inc. which is presented in the balance sheet as a temporary investment.

(v) In November 2003, Quebecor World Inc. issued Senior Notes for a principal amount of US$600.0 million comprised of two tranches. The first tranche of US$200.0 million matures on November 15, 2008 and was issued at a discount, for net proceeds of US$199.8 million. The second tranche of US$400.0 million matures on November 15, 2013 and was issued at a discount, for net proceeds of US$397.0 million. Issuance costs of US$4.8 million have been paid on that transaction.

(vi) In November 2003, following a tender offer at a premium for 100% of the face value of US$300.0 million, Quebecor World Inc. repurchased 89.6% of the Notes or US$268.7 million. The aggregate principal amount of the notes is US$31.3 million as at December 31, 2003 (US$300.0 million as at December 31, 2002). The remaining Senior Notes mature on February 15, 2009 and 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 World Color Press, Inc. ("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 generally conform the restrictions on the Notes with Quebecor World Inc.'s other Senior public Debentures. At the same time, the Notes, which were Senior Subordinate Notes, became Senior Notes.

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

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

18. LONG-TERM DEBT (continued)

(ix) In July 2000, Quebecor World Inc. issued Senior Notes for a principal amount of US$250.0 million comprised of two tranches. 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 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 fixed at the same rate as the coupon on the fixed rate portion (*see note 28(a)(ii)*). These Notes contain certain restrictions which are generally less restrictive than those on the Revolving Bank Credit Facility.

(xii) In December 2003, Quebecor World Inc. exercised its option to redeem all of these Senior Notes at a premium. The notes were issued by WCP for an original aggregate principal of US$300.0 million. They were subsequently revalued in order to reflect their fair value at the time WCP was acquired, based on Quebecor World Inc.'s borrowing rate for similar financial instruments. During 2000, Quebecor World Inc. repurchased US$42.4 million at face value thereof. The aggregate principal amount of the Notes, as at December 31, 2002, was US$257.6 million.

(xiii) Other debts and capital leases are partially secured by assets. An amount of $38.7 million ($59.0 million in 2002) is denominated in euros, no debt or capital leases are denominated in British pounds ($29.5 million as at December 31, 2002), an amount of $5.5 million ($7.7 million in 2002) is repayable in Swedish kronas and an amount of $2.5 million is denominated in Canadian dollars (none in 2002).

(xiv) The Credit Facility of $143.6 million is composed of two tranches: (a) a credit facility of $97.8 million to support cross-currency swap agreements; (b) a credit facility of $45.8 million for general liquidity purposes. A $429.0 million term loan "C" which expired on April 22, 2003, repaid in full during the course of 2003, was also part of the original Credit Facility. 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. As at December 31, 2003, the carrying value of assets guaranteeing the Credit Facility is $5,153.5 million. Should they not be extended, the outstanding borrowed amounts would be converted into a one-year term loan. 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.

(xv) 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 unsecured. A portion of US$250.3 million of the Notes is redeemable until July 15, 2004, with the proceeds of an initial public offering by Quebecor Media Inc. The Notes are redeemable at the option of Quebecor Media Inc. at a decreasing premium commencing on July 15, 2006. Quebecor Media Inc. has fully hedged the foreign currency risk associated with the Senior Notes by using a cross-currency swap agreements under which Quebecor Media Inc. has set all payments in Canadian dollars.

(xvi) 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. These Notes contain certain restrictions for Quebecor Media Inc., including limitations on its ability to incur additional indebtedness, and are unsecured. A portion of US$103.3 million of the Notes is redeemable until July 15, 2004, with the proceeds of an initial public offering by Quebecor Media Inc. The Notes are redeemable at the option of Quebecor Media Inc. at a decreasing premium commencing on 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.

(xvii) The Bank Credit Facilities (the "credit facilities") include a term-loan credit facility "C" amounting originally to $368.1 million, and of a revolving credit facility of $100.0 million. The credit facilities, maturing in October 2008, bear interest at Banker's Acceptance or LIBOR rates, plus a margin depending on Vidéotron ltée's leverage ratio, and require Vidéotron ltée to make mandatory annual repayments on its term-loan credit facility "C" representing $50.0 million, with a bullet payment at maturity of $118.1 million. The credit facilities are 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. As at December 31, 2003, the carrying value of assets guaranteeing the credit facilities of Vidéotron ltée and the Senior Secured First Priority Notes of CF Cable TV Inc. (*see note 18(xix)*) was $1,570.5 million. The credit facilities contain covenants such as maintaining certain financial ratios and certain restrictions as to the payment of dividends and to asset acquisitions and dispositions. As at December 31, 2003, $355.6 million had been borrowed under credit facility "C", at an effective interest rate varying from 3.86% to 5.0%, while no amount had been borrowed under the Revolving Bank Credit Facility.

(xviii) The Senior Notes were issued at a discount rate of 99.0806% for net proceeds of US$331.9 million, before issuance fees of US$5.7 million. These Notes bear interest at a rate of 6.875%, payable every six month on January 15 and July 15, and mature in January 2014. The Notes contain certain restrictions for Vidéotron ltée, including limitations on its ability to incur additional indebtedness, and are unsecured. Vidéotron ltée entered into cross-currency interest swaps to hedge foreign exchange fluctuations related to the interest and capital payments of these Notes. The Notes are redeemable, in whole or in part, at any time on or after January 15, 2009, with a premium decreasing from 2009 of 3.44% to nil on January 15, 2012.

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

18. LONG-TERM DEBT (continued)

(xix) The Senior Secured First Priority Notes (the "Notes") were recorded at their fair market value at the date of acquisition, which was determined based on quoted market prices. The difference between the fair market value and the principal amount in Canadian dollars was amortized over the term of the Notes. As at December 31, 2003, the unamortized balance of the premium was $2.6 million. The Notes are redeemable at the option of Vidéotron ltée on or after July 15, 2005 at 100% of the principal amount. These Notes are secured by first ranking hypothecs on substantially all of the assets of CF Cable TV Inc. and certain of its subsidiaries, Cable Television segment. In addition, CF Cable TV Inc. and its subsidiaries have provided, to the extent permitted under the Notes Trust Indentures, guarantees in favour of the lenders under Vidéotron ltée's credit agreement. In May 2002, Vidéotron ltée repurchased US$2.2 million of these Notes for cancellation. As at December 31, 2003, the carrying value of assets guaranteeing the Notes and the Bank Credit Facilities of Vidéotron ltée (*see note 18(xvii)*) was $1,570.5 million.

(xx) The credit facility has been reimbursed and cancelled in full during the course of 2003. The credit facility was bearing interest at Bankers' Acceptance rates and LIBOR rates, or other agreed-upon interest rates, plus, in each case, a premium based on certain financial ratios. As at December 31, 2002, the outstanding balances include Bankers' Acceptance based advances of $629.4 million, prime rate based advances of $1.4 million and LIBOR based advances of US$231.4 million.

(xxi) The bank credit facilities are comprised of a revolving credit facility amounting to $75.0 million, maturing in 2008, and a term-loan "B" credit facility amounting to US$230.0 million, excluding issuance fees of US$0.5 million, maturing in 2009, and 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 bank credit facilities contain covenants which restrict the declaration and payment of dividends and other distributions, as well as financial ratios. As at December 31, 2003, the carrying value of assets guaranteeing the bank credit facilities is $3,335.9 million. Any amount borrowed under the revolving credit facility bears interest at the Canadian Banker's Acceptance and/or Canadian prime rate plus an applicable margin determined by financial ratios. The term-loan "B" credit facility is subject to repayment of US$2.3 million annually, payable quarterly, during the term of the loan, commencing on April 2003, with the balance payable in February 2009. On December 2, 2003, the Bank Credit Facilities were amended such that advances under the term-loan "B" credit facility bear interest at LIBOR plus a margin of 2.25% per annum, or the US prime rate plus a margin of 1.25% per annum, with the possibility for such margins to be reduced under certain circumstances. Sun Media Corporation entered into cross-currency swaps to hedge foreign exchange fluctuations related to the interest and capital payments of the term-loan "B" credit facility denominated in foreign currency. As at December 31, 2003, no amount had been drawn on the revolving credit facility except for an amount of $0.1 million which was used for outstanding letters of credit, while the term-loan "B" credit facility was used for an amount of US$220.3 million.

(xxii) The Senior Notes were issued at a discount rate of 98.3% for net proceeds of US$201.5 million, before 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 unsecured. Sun Media Corporation entered into cross-currency swaps to hedge foreign exchange fluctuations related to the interest and capital payments.

(xxiii) The Senior Credit Facility (the "credit facility") was repaid in full during the course of 2003. The credit facility was 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 in an amount of $0.3 million as at December 31, 2002, at an interest rate of 3.8%, while the term reducing loan was used in an amount of $300.2 million as at December 31, 2002, at an interest rate of 3.8%.

(xxiv) The Senior Subordinated Notes (the "Notes") were comprised of two series bearing interest of 9.5%, due in February 2007 and May 2007, respectively. The Notes were repaid in full during the course of 2003. Interest was payable semi-annually. As at December 31, 2002, the principal amounts outstanding were US$97.5 million and US$53.5 million, respectively.

(xxv) The credit agreement consists of a revolving-term bank loan of a maximum of $135.0 million, which bears interest at the prime rate of a Canadian chartered bank and Bankers' Acceptance rate, plus a variable margin depending on the ratio of total debt to cash flow. As at December 31, 2003, the outstanding balances include $18.9 million of Bankers' Acceptance bearing interest at 2.76% ($44.8 million at 2.81% as at December 31, 2002) and $5.5 million of credit line bearing interest at 4.5% ($6.4 million at 4.5% as at December 31, 2002). The revolving-term bank loan is secured by an hypothec of $230.0 million on the universality of TVA Group Inc.'s moveable and immovable, tangible and intangible, current and future property. The credit facility contains certain restrictions, 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. During the year ended December 31, 2003, TVA Group Inc. modified the maturity of its revolving-term loan to extend it from 2005 to 2006.

On December 31, 2003, the Company and its subsidiaries was in compliance with all significant debt covenants.

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

2004	$	90.4
2005		297.8
2006		781.8
2007		355.3
2008		426.7
2009 and thereafter		3,424.8

Years ended December 31, 2003, 2002 and 2001
(in millions of Canadian dollars, except per share data)

19. EXCHANGEABLE DEBENTURES

	Effective interest rate as at December 31, 2003	Years of maturity	2003	2002
Series 2001 (i)	3.75 %	2026	**$ 425.0**	$ 425.0
Series 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., Printing segment, 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 request. As at December 31, 2003, the market value of the underlying shares was $26.75 per share ($35.00 per share as at December 31, 2002). Redemption of the debentures before 10 years from the date of issuance may trigger a penalty for the initiator. These debentures bear interest, payable semi-annually, at a rate of 1.5% plus a floating percentage based on the rate of dividends on the underlying shares. Had the debentures been reimbursed by the underlying shares as at December 31, 2003, Quebecor Inc.'s interest in Quebecor World Inc. would have decreased from 35.55% to 26.08% (33.24% to 24.38% as at December 31, 2002). Cash and cash equivalents held in trust as at December 31, 2003 include an amount of $8.1 million ($8.0 million as at December 31, 2002) related to the interest payment on this debenture.

(ii) Each floating rate debenture, Series Abitibi, 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 the time of request. As at December 31, 2003, the market value of the underlying shares was $10.37 per share ($12.10 per share as at December 31, 2002). 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, 2003, include an amount of $3.2 million related to the interest payment on this debenture ($6.8 million as at December 31, 2002).

20. REDEEMABLE PREFERRED SHARES OF A SUBSIDIARY

The redeemable preferred shares issued in 1999 by Vidéotron Télécom ltée, Business Telecommunications segment, were repurchased by Quebecor Media Inc. in December 2003 (*see note 6(d)*). They were convertible at the option of the holder, 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 was the higher of the amount paid, plus a 9% annual return, and the fair value of the shares.

21. CONVERTIBLE NOTES

	Maturity	2003	2002
Convertible Senior Subordinated Notes of a subsidiary, 6.0% (a)	2007	**$ 144.7**	$ 171.1
Convertible Subordinated Debentures, 7.0% (b)	2004	**7.8**	9.4
		152.5	180.5
Less current portion		**7.8**	–
		$ 144.7	$ 180.5

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

21. CONVERTIBLE NOTES (continued)

(a) The Convertible Senior Subordinated Notes (the "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 2002 to final maturity. 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 the Notes in the open market in 2000 for the principal amount of US$24.7 million thereof. The aggregate principal amount of the Notes, as at December 31, 2003, was US$119.5 million (US$119.5 million as at December 31, 2002). 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 35.55% to 34.59% (33.24% to 32.40% as at December 31, 2002).

(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, 2003 is US$6.0 million (US$6.0 million as at December 31, 2002). The number of equity shares to be issued upon conversion of the debentures would be 240,000 shares of Quebecor World Inc., and Quebecor Inc.'s interest would decrease from 35.55% to 35.49% (33.24% to 33.18% as at December 31, 2002).

22. OTHER LIABILITIES

	2003	2002
Pension plan liability	$ 66.5	$ 103.0
Postretirement benefits	117.9	135.7
Reserve for unfavourable leases acquired	7.1	55.9
Workers' compensation accrual	23.6	28.7
Reserve for environmental matters	21.2	25.6
Cross-currency interest swap agreements	187.9	–
Other	71.8	66.2
	$ 496.0	$ 415.1

23. 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, 2003, the most significant non-controlling interests were as follows:

Subsidiary	Segment	Non-controlling interest
Quebecor World Inc.	Printing	64.45 %
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	62.39 %
Nurun Inc. [1]	Web Integration/Technology	41.24 %
Netgraphe Inc. [1]	Internet/Portals	24.55 %

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

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

24. CAPITAL STOCK

(a) Authorized capital stock

An unlimited number of Class A Multiple Voting Shares (herein after referred to as "A shares") with voting rights of ten votes per share, 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, 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
A shares converted into B shares	(506,395)	(0.2)	506,395	0.2
Balance as at December 31, 2003	**22,617,475**	**$ 10.1**	**42,008,647**	**$ 338.4**

25. SHARE PURCHASE PLANS

(a) Quebecor Inc.'s plan

(i) 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 10 years from the date granted. Option usually vest as follows: 1/3 after one year, 2/3 after two years and 100% three years after the original grant. Holders of options under the Company's stock option plan have the choice, when they want to exercise their options, to acquire B shares at the corresponding option exercise price or receive a cash payment from the Company's equivalent to the difference between the market value of the underlying shares and the exercise price of the option. The Company believes that the employees will choose to receive cash payments on exercise of stock options. 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, 2003 and 2002:

	2003		2002	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Balance at beginning of year	**1,750,849**	**$ 30.97**	1,588,849	$ 32.43
Granted	**30,000**	**16.86**	205,000	20.51
Cancelled	**(2,500)**	**17.85**	(43,000)	35.10
Balance at end of year	**1,778,349**	**$ 30.75**	1,750,849	$ 30.97
Vested options at end of year	**1,543,432**	**$ 32.13**	1,270,182	$ 33.02

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

25. SHARE PURCHASE PLANS (continued)

(a) Quebecor Inc.'s stock option plan (continued)

(i) Stock option plan (continued)

The following table gives summary information on outstanding options as at December 31, 2003:

		Outstanding options			Vested options
Range of exercise price	Number	Weighted average years to maturity	Weighted average exercise price	Number	Weighted average exercise price
$ 15.00 to 20.00	55,000	5.25	$ 17.31	25,000	$ 17.85
20.01 to 25.00	205,000	8.13	20.51	68,333	20.51
25.01 to 30.00	211,000	7.15	26.01	142,750	25.94
30.01 to 35.00	987,349	5.94	32.52	987,349	32.52
35.01 to 40.00	300,000	5.73	36.97	300,000	36.97
40.01 to 45.00	20,000	6.32	41.89	20,000	41.89
$ 15.00 to 45.00	1,778,349	6.28	$ 30.75	1,543,432	$ 32.13

For the year ended December 31, 2003, a charge of $0.6 million (charge reversals of $0.1 million and $0.3 million, respectively as at December 31, 2002 and 2001) relative to the plan was included under "Selling and administrative expenses" in the consolidated statement of income.

(ii) Deferred stock unit plan

The Quebecor Inc.'s deferred stock unit plan is for the benefits of the Company's Directors. Under this plan, a portion of each director's compensation package is received in the form of units. The value of a unit is based on the weighted average trading price of the Company's B shares. Subject to certain limitations, the units will be redeemed by the Company when the director ceases to be a plan participant. For the purpose of redeeming units, the value of a unit shall correspond to the fair market value of the Company's B shares on the date of redemption. As at December 31, 2003 and 2002, the total number of units outstanding under this plan was 43,639.1 and 27,145.9, respectively. The compensation expense related to the plan amounted to $0.6 million and $0.4 million for the years ended December 31, 2003 and 2002, respectively.

(b) Quebecor World Inc.'s plans

(i) Employee share plans

The Employee Stock Purchase Plan gives eligible Quebecor World Inc.'s employees in the United States the opportunity to acquire shares of Quebecor World Inc.'s capital stock for up to 4% of their gross salaries 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.'s shares that may be issued and sold under the plan is limited to 2.0 million Subordinate Voting Shares of Quebecor World Inc., subject to adjustments in the event of stock dividends, stock splits or similar events. At December 31, 2003, 6,559 employees (6,199 as at December 31, 2002) were participating in the plan. The total number of plan shares issued on behalf of employees, including Quebecor World Inc.'s contribution, was 600,310 in 2003, (468,267 in 2002), which represents compensation expenses amounting to US$1.9 million in 2003 (US$1.6 million in 2002 and US$1.0 million in 2001).

The Employee Share Investment Plan gives eligible Quebecor World Inc.'s employees in Canada the opportunity to subscribe for up to 4% of their gross salaries 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 3.0 million Subordinate Voting Shares of Quebecor World Inc., subject to adjustments in the event of stock dividends, stock splits or similar events. At December 31, 2003, 2,281 employees (2,249 as at December 31, 2002) were participating in the plan. The total number of shares issued on behalf of employees under this plan, including Quebecor World Inc.'s contribution, was 179,189 in 2003 (117,162 in 2002 and 120,494 in 2001), which represents compensation expenses amounting to US$0.6 million in 2003 (US$0.4 million in 2002 and US$0.4 million in 2001).

(ii) Stock option plans

A total of 7,575,159 Subordinate Voting Shares of Quebecor World Inc. has been reserved for participants in the stock option plans. As at December 31, 2003, the number of Subordinate Voting Shares of Quebecor World Inc. related to stock options outstanding was 3,699,061. The subscription price was usually equal to the share market price at the date the options were granted. The options are vested over either four or five years. The options may be exercised during a period not exceeding 10 years from the date they have been granted.

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

25. SHARE PURCHASE PLANS (continued)

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

(ii) Stock option plans (continued)

The number of stock options outstanding has fluctuated as follows:

	2003			2002		
	Options	Weighted average exercise price		Options	Weighted average exercise price	
Balance at beginning of year	**3,525,376**	**US$**	**20.42**	4,563,330	US$	20.07
Issued	**916,911**		**22.54**	474,321		22.51
Exercised	**(27,346)**		**13.93**	(525,069)		16.77
Cancelled	**(715,880)**		**23.01**	(987,206)		22.33
Balance at end of year	**3,699,061**	**US$**	**22.52**	3,525,376	US$	20.42
Vested options at end of year	**1,939,486**	**US$**	**22.21**	1,271,529	US$	19.54

The following table summarizes information on stock options outstanding and vested at December 31, 2003:

		Outstanding options				Vested options		
Range of exercise price		Number	Weighted average years to maturity	Weighted average exercise price		Number	Weighted average exercise price	
US$	**11.00 to 15.00**	**72,671**	**0.71**	**US$**	**12.28**	**72,671**	**US$**	**12.28**
	15.01 to 18.00	**362,080**	**5.87**		**16.93**	**217,080**		**17.14**
	18.01 to 21.00	**564,636**	**4.27**		**20.47**	**314,636**		**20.18**
	21.01 to 24.00	**1,468,180**	**7.13**		**22.55**	**646,513**		**22.42**
	24.01 to 29.00	**1,231,494**	**6.34**		**25.67**	**688,586**		**25.60**
US$	**11.00 to 29.00**	**3,699,061**	**6.27**	**US$**	**22.52**	**1,939,486**	**US$**	**22.21**

Had the exercisable options been exercised as at December 31, 2003, Quebecor Inc.'s interest in Quebecor World Inc. would have decreased from 35.55% to 35.03% (33.24% to 32.94% as at December 31, 2002).

(iii) Deferred stock unit plan

The Quebecor World Inc.'s deferred stock unit plan is for the benefit of Quebecor World Inc.'s directors. Under this plan, a portion of each director's compensation package is received in the form of units. The value of a unit is based on the weighted average trading price of the Subordinate Voting Shares of Quebecor World Inc. subject to certain limitations. The units will be redeemed by Quebecor World Inc. when the director ceases to be a plan participant. For the purpose of redeeming units, the value of a unit shall correspond to the fair market value of a Subordinate Voting Share of Quebecor World Inc. on the date of redemption.

As at December 31, 2003, the total number of units outstanding under this plan was 83,972 (31,260 in 2002). The compensation expense amounted to US$0.9 million for the year ended December 31, 2003 (US$0.7 million in 2002).

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

On December 5, 2003, Quebecor Media Inc. consolidated its Common Shares (also known as a reverse stock split) at a consolidation ratio of one post-consolidation Common Share for every 70 pre-consolidation Common Shares. Accordingly, all the information regarding Quebecor Media inc. stock option plan was reclassified for all periods to reflect that reverse stock split.

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

25. SHARE PURCHASE PLANS (continued)

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

Under a stock option plan established by Quebecor Media Inc., 6,185,714 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 10 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 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 their vested options in cash. At December 31, 2009, if the shares of Quebecor Media Inc. have not been so listed, optionees will have until January 31, 2010 to exercise their right to receive the difference between the fair market value and the exercise price of their vested 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 at December 31, 2003 were granted to senior executive officers of Quebecor Media Inc. and its subsidiaries.

The following table gives summary information on outstanding options granted as at December 31, 2003 and 2002:

	2003		2002	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Balance at beginning of year	**2,138,291**	**$ 16.37**	–	$ –
Granted	**827,060**	**18.21**	2,146,639	16.37
Cancelled	**(357,814)**	**16.51**	(8,348)	16.17
Balance at end of year	**2,607,537**	**$ 16.93**	2,138,291	$ 16.37
Vested options at end of year	**52,304**	**$ 16.20**	–	$ –

The following table gives summary information on outstanding options as at December 31, 2003:

	Outstanding options		**Vested options**	
Exercise price	**Number**	**Weighted average years to maturity**	**Number**	**Exercise price**
$ 15.19	**313,293**	**9.41**	**–**	**$ –**
16.17	**1,747,603**	**8.27**	**49,483**	**16.17**
16.66	**14,105**	**8.32**	**2,821**	**16.66**
19.46	**271,064**	**9.60**	**–**	**–**
21.42	**199,461**	**9.93**	**–**	**–**
21.77	**62,011**	**8.23**	**–**	**–**
$ 15.19 to 21.77	**2,607,537**	**8.67**	**52,304**	**$ 16.20**

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

25. SHARE PURCHASE PLANS (continued)

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

For the year ended December 31, 2003, a charge of $6.6 million related to the plan was included in net income (none for the year ended December 31, 2002), since the exercise price of the options was lower than the fair market value of Quebecor Media Inc.'s Common Shares, as determined by the Board of Directors of Quebecor Media Inc.

Had the vested options been exercised as at December 31, 2003, the Company's interest in Quebecor Media Inc. would have decreased from 54.72% to 54.70%.

(d) TVA Group Inc.'s plans

(i) Executive Class B conventional 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 plan, the subscription price for a Class B share of TVA Group Inc. covered by an option is equal to the average closing market price of the share during the last five days preceding the issue of the option. No option may be exercised before the second anniversary of the date the options were granted; as of that date, the options may be exercised on the basis of 25% of the shares involved annually. The term of the option is 10 years. During the year, TVA Group Inc. granted no conventional options under this plan (60,000 options in 2002).

The following table gives details on changes to outstanding conventional options for the years ended December 31, 2003 and 2002:

	2003		2002	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Balance at beginning of year	**347,050**	**$ 15.69**	378,050	$ 17.86
Granted	**–**	**–**	60,000	10.82
Exercised	**(86,750)**	**13.44**	(1,000)	6.88
Cancelled	**(10,000)**	**25.20**	(90,000)	21.65
Balance at end of year	**250,300**	**$ 16.09**	347,050	$ 15.69
Vested options at end of year	**145,300**	**$ 18.92**	219,550	$ 17.55

The following table gives summary information on outstanding options as at December 31, 2003:

	Outstanding options			**Vested options**	
Range of exercise price	**Number**	**Weighted average years to maturity**	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
$ 3.43 to 7.72	**1,800**	**1.64**	**$ 3.58**	**1,800**	**$ 3.58**
7.73 to 11.59	**64,000**	**6.03**	**10.82**	**4,000**	**10.87**
11.60 to 17.40	**77,500**	**6.92**	**14.00**	**32,500**	**14.00**
17.41 to 25.50	**107,000**	**6.40**	**20.97**	**107,000**	**20.97**
$ 3.43 to 25.50	**250,300**	**6.43**	**$16.09**	**145,300**	**$ 18.92**

(ii) Executive Class B performance stock option plan

Under the terms of the plan introduced for executives of TVA Group Inc., 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 of TVA Group Inc. 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 options cannot exceed 10 years. A maximum of 1.4 million Class B shares of TVA Group Inc. will be reserved for the purposes of the plan. During the year, TVA Group Inc. did not grant any Class B stock options (none in 2002) whose exercise depends on the performance of the Class B share price on the stock market over periods lasting until 2010.

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

25. SHARE PURCHASE PLANS (continued)

(d) TVA Group Inc.'s plans (continued)

(ii) Executive Class B performance stock option plan (continued)

The following table gives details on changes to outstanding performance options for the years ended December 31, 2003 and 2002:

		2003		2002
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Balance at beginning of year	**50,000**	**$ 18.85**	90,000	$ 21.81
Cancelled	**–**	**–**	(40,000)	25.50
Balance at end of year	**50,000**	**$ 18.85**	50,000	$ 18.85
Vested options at end of year	**50,000**	**$ 18.85**	50,000	$ 18.85

The following table gives summary information on outstanding options as at December 31, 2003 and 2002:

			Outstanding options		**Vested options**
Exercise price	**Number**	**Weighted average year to maturity**	**Exercise price**	**Number**	**Exercise price**
$ 18.85	**50,000**	**0.80**	**$ 18.85**	**50,000**	**$ 18.85**

(iii) Share purchase plan for executives and employees

In 1998, TVA Group Inc. introduced a share purchase 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 plan also provides financing terms at no interest. No Class B shares were issued under the plan during the years ended December 31, 2003 and 2002. The remaining balance that may be granted was 562,396 TVA Group Inc. Class B shares as at December 31, 2003 and 2002.

(iv) 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 the discontinuance of a participant's job. Under this plan, the maximum number of TVA Group Inc. shares that can be issued is 25,000. No units were issued under this plan during the years ended December 31, 2003 and 2002.

Had the exercisable options been exercised as at December 31, 2003, the Company's interest in TVA Group Inc. would have decreased from 20.58% to 20.46% (19.75% to 19.60% as at December 31, 2002).

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

Under this 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.

Years ended December 31, 2003, 2002 and 2001
(in millions of Canadian dollars, except per share data)

25. SHARE PURCHASE PLANS (continued)

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

The following table gives details on changes to outstanding options for the years ended December 31, 2003 and 2002:

	2003		2002	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Balance at beginning of year	634,950	$ 13.78	556,616	$ 22.42
Granted	324,500	1.32	351,500	1.86
Cancelled	(275,450)	14.98	(273,166)	16.05
Balance at end of year	684,000	$ 7.38	634,950	$ 13.78
Vested options at end of year	190,626	$ 17.19	186,050	$ 23.26

The following table gives summary information on outstanding options as at December 31, 2003:

	Outstanding options			Vested options	
Range of exercise price	Number	Weighted average years to maturity	Weighted average exercise price	Number	Weighted average exercise price
$ 0.96 to 1.05	213,000	5.0	$ 1.02	18,250	$ 0.96
1.61 to 2.79	283,000	4.8	1.95	40,750	2.34
5.75 to 6.27	75,200	3.1	6.20	42,700	6.15
9.00 to 9.30	24,500	2.0	9.19	22,500	9.20
11.48 to 12.15	11,550	2.8	11.53	8,863	11.54
44.89 to 56.35	76,750	2.1	45.04	57,563	45.04
$ 0.96 to 56.35	684,000	4.6	$ 7.38	190,626	$ 17.19

Had the exercisable options been exercised as at December 31, 2003, the Company's interest in Nurun Inc. would have decreased from 32.15% to 31.97% (32.15% to 31.98% as at December 31, 2002).

(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 firms. 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 may be granted.

The maximum number of options to purchase Subordinate Voting Shares of Mindready Solutions Inc. that can be issued to a single individual cannot exceed 5% of Mindready Solutions Inc.'s issued and outstanding Subordinate Voting Shares. The exercise price is set by the Compensation Committee of the Board of Directors of Mindready Solutions Inc., and is based on the average share price for the five days preceding the attribution date.

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.

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

25. SHARE PURCHASE PLANS (continued)

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

The following table gives details on changes to outstanding options for the years ended December 31, 2003 and 2002:

	2003		2002	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Balance at beginning of year	**316,341**	**$ 8.12**	624,650	$ 8.73
Granted	**120,809**	**1.61**	56,500	2.57
Cancelled	**(69,563)**	**8.53**	(364,809)	8.29
Balance at end of year	**367,587**	**$ 5.90**	316,341	$ 8.12
Vested options at end of year	**155,726**	**$ 8.67**	120,739	$ 9.24

The following table gives summary information on outstanding options as at December 31, 2003:

	Outstanding options			Vested options	
Range of exercise price	**Number**	**Weighted average years to maturity**	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
$ 1.00 to 1.74	**118,659**	**9.5**	**$ 1.61**	**3,291**	**$ 1.00**
2.00 to 2.89	**49,790**	**8.3**	**2.66**	**16,295**	**2.71**
4.98	**40,220**	**7.6**	**4.98**	**20,110**	**4.98**
9.98 to 12.00	**158,918**	**6.7**	**10.36**	**116,030**	**10.37**
$ 1.00 to 12.00	**367,587**	**7.1**	**$ 5.90**	**155,726**	**$ 8.67**

Had the exercisable options been exercised as at December 31, 2003, the Company's interest in Mindready Solutions Inc. would have decreased from 20.89% to 20.62% (20.89% to 20.56% as at December 31, 2002).

(g) Netgraphe Inc.'s stock option plan

The 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 Inc.'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.

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

25. SHARE PURCHASE PLANS (continued)

(g) Netgraphe Inc.'s stock option plan (continued)

The following table gives details on changes to outstanding options for the years ended December 31, 2003 and 2002:

		2003		2002
	Options	Weighted average exercise price	Options	Weighted average exercise price
Balance at beginning of year	**278,109**	**$ 10.31**	682,829	$ 6.11
Cancelled	**(19,939)**	**3.44**	(404,720)	3.22
Balance at end of year	**258,170**	**$ 10.84**	278,109	$ 10.31
Vested options at end of year	**255,769**	**$ 10.88**	200,939	$ 9.90

The following table gives summary information on outstanding options as at December 31, 2003:

			Outstanding options		Vested options
Range of exercise price	**Number**	**Weighted average years to maturity**	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
$ 2.05	**7,684**	**0.60**	**$ 2.05**	**7,684**	**$ 2.05**
5.15	**1,282**	**0.87**	**5.15**	**1,282**	**5.15**
6.80 to 9.40	**150,204**	**0.49**	**8.43**	**147,803**	**8.46**
15.25	**99,000**	**0.25**	**15.25**	**99,000**	**15.25**
$ 2.05 to 15.25	**258,170**	**0.40**	**$ 10.84**	**255,769**	**$ 10.88**

Had the exercisable options been exercised as at December 31, 2003, the Company interest in Netgraphe Inc. would have decreased from 41.28% to 41.24% (41.14% to 41.10% as at December 31, 2002).

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

25. SHARE PURCHASE PLANS (continued)

(h) Pro forma net income

Had compensation costs for stock option plans of Quebecor World Inc., TVA Group Inc., Nurun Inc. and its subsidiary, Mindready Solutions Inc., been determined based on the fair value at the grant date for awards granted in 2002 under the terms of all plans, the Company's net income would had been adjusted to the pro forma amounts indicated below for the years ended December 31, 2003 and 2002:

	2003	2002 (restated, note 1(c))
Pro forma		
Income from continuing operations:		
Basic	$ 65.9	$ 82.0
Diluted	65.6	79.7
Net income:		
Basic	66.2	82.8
Diluted	65.9	80.5
Pro forma earnings per share		
Income from continuing operations:		
Basic	1.02	1.27
Diluted	1.01	1.23
Net income:		
Basic	1.03	1.28
Diluted	1.02	1.25

The pro forma disclosure omits the effect of awards granted before January 1, 2002; furthermore, because the Company has adopted the fair value method from January 1, 2003, the stock-based compensation resulting, from options granted after that date is already considered in net income in 2003.

26. TRANSLATION ADJUSTMENT

The change in the translation adjustment included in shareholders' equity is the result of the fluctuation of the exchange rates on translation of net assets of self-sustaining foreign operations, exchange gains or losses on intercompany account balances that form part of the net investments and foreign exchange gains or losses related to derivative financial instruments used to hedge the net investments.

The net change in translation adjustment is as follows:

	2003	2002
Balance at beginning of year	$ 56.4	$ 62.0
Effect of exchange rate variation on translation of net assets of self-sustaining foreign operations	(151.0)	2.2
Portion included in income as a result of reductions in net investments in self-sustaining foreign operations	2.7	(7.8)
Balance at end of year	$ (91.9)	$ 56.4

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

27. COMMITMENTS AND CONTINGENCIES

(a) Leases

The Company is committed under operating leases, mainly for services and office space, and for distribution and broadcasting rights, which call for total payments of $758.0 million. The minimum payments for the coming years are as follows:

2004	$ 176.9
2005	139.2
2006	111.2
2007	84.4
2008	59.7
2009 and thereafter	186.6

Operating lease rentals amounted to $157.4 million, $235.1 million and $175.7 million for the years ended December 31, 2003, 2002 and 2001, respectively.

(b) Long-term agreement

Newsprint represents a significant input and component of operating costs for the Newspapers segment. Sun Media Corporation 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. Sun Media Corporation'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, 2003, the balance to be invested amounted to $32.9 million.

(d) Machinery and equipment

As at December 31, 2003, Quebecor World Inc. had commitments to purchase equipment valued at approximately US$11.1 million representing the Canadian equivalent of $14.5 million.

(e) Environment

The Company is subject to various laws, regulations and government policies, principally in North America and Europe, relating to health and safety, to the generation, storage, transportation, disposal and environmental emissions of various substances, and to environment protection 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 maintaining compliance with such environmental statutes will have a material adverse effect upon its competitive or consolidated financial position.

(f) Business acquisitions

Quebecor World Inc., Printing segment, signed a binding agreement to purchase, in September 2004, the remaining 50% of Helio Charleroi in Belgium, a subsidiary of European Graphic Group, S.A. The transaction should amount to 24.9 million euros ($34.0 million), adjusted by a contingent consideration based on achieving a specific performance level over the period ending September 30, 2004.

(g) Contingencies

In 1999, the purchaser of a subsidiary sold by Vidéotron ltée, Cable Television segment, initiated an arbitration by which it claims an amount of $8.6 million as a reduction of the purchase price of the business. It is not possible at this stage to determine the outcome of this claim.

In November 2001, Vidéotron ltée, Cable Television segment, terminated a sale service agreement with a supplier and is being sued for breach of contract for an amount of $4.7 million. It is not possible to determine the outcome of the claims.

On March 13, 2002, a legal action was initiated by the shareholders of a cable company against Vidéotron ltée, Cable Television segment. They contend that Vidéotron ltée did not honor its commitment related to a stock purchase agreement signed in August 2000. The plaintiffs are requesting compensation totalling $26.0 million. Vidéotron ltée's management claims the suit is not justified and intends to defend vigorously its case in Court.

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

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

28. FINANCIAL INSTRUMENTS

The Company has operations in, and exports its products to several countries and is therefore exposed to risks related to foreign exchange fluctuations 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:

		2003		2002
Currencies (sold/bought)	**Average rate**	**Notional amount [1]**	Average rate	Notional amount [1]
US$ / $				
Less than 1 year	**0.6666**	**$ 168.8**	0.6528	$ 182.4
Between 1 and 3 years	**0.6263**	**342.1**	0.6269	222.7
Between 3 and 5 years	**0.6219**	**175.1**	0.6213	391.3
Euro / US$				
Less than 1 year	**0.8084**	**122.9**	0.9944	48.0
SEK / US$				
Less than 1 year	**7.3237**	**20.5**	8.9188	20.2
GBP / Euro				
Less than 1 year	**0.7058**	**25.4**	0.6370	10.0
Between 1 and 3 years	**0.7166**	**1.8**	–	–
Other				
Less than 1 year	**–**	**23.1**	–	50.0
Between 1 and 3 years	**–**	**0.6**	–	–

[1] Exchange rates as at December 31, 2003 and 2002 were used to translate amounts in foreign currencies.

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

28. FINANCIAL INSTRUMENTS (continued)

(a) Description of derivative financial instruments (continued)

(i) Management of foreign exchange risk (continued)

Quebecor World Inc. and its subsidiaries (continued)

Cross-currency interest rate swaps:

		2003		2002
Currencies (sold/bought)	**Average rate**	**Notional amount [1]**	Average rate	Notional amount [1]
Euro / US$				
Less than 1 year	**1.0440**	**$ 128.5**	1.0760	$ 110.6
Between 1 and 3 years	**0.9521**	**120.2**	1.0961	188.0
SEK / US$				
Less than 1 year	**8.8565**	**28.1**	10.5606	22.3
Between 1 and 2 years	**–**	**–**	9.2375	25.4

[1] Exchange rates as at December 31, 2003 and 2002 were used to translate amounts in foreign currencies.

Quebecor Media Inc. and its subsidiaries

Foreign exchange forward contracts:

			2003
Currencies (sold/bought)	**Maturing**	**Exchange rate**	**Notional amount**
Sun Media Corporation			
$ / US$	**February 15, 2013**	**1.5227**	**US$ 205.0**

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

28. FINANCIAL INSTRUMENTS (continued)

(a) Description of derivative financial instruments (continued)

(i) Management of foreign exchange risk (continued)

Quebecor Media Inc. and its subsidiaries (continued)

Currency swaps:

	Period covered		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	2001 to 2011	US$	715.0	12.4 %	12.0 %	1.5255
Senior Discounted Notes	2001 to 2011	US$	295.0	14.6 %	14.6 %	1.5822[1]
Vidéotron ltée and its subsidiaries						
Senior Notes	2003 to 2014	US$	200.0	Bankers' Acceptance 3 months plus 2.73%	6.875 %	1.3425
Senior Notes	2003 to 2014	US$	135.0	7.66 %	6.875 %	1.3425
Sun Media Corporation and its subsidiaries						
Senior Notes	2003 to 2008	US$	155.0	8.17 %	7.625 %	1.5227
Senior Notes	2008 to 2013	US$	155.0	Bankers' Acceptance 3 months plus 3.70%	7.625 %	1.5227
Senior Notes	2003 to 2013	US$	50.0	Bankers' Acceptance 3 months plus 3.70%	7.625 %	1.5227
Term-loan "B" credit facility	2003 to 2009	US$	220.3	Bankers' Acceptance 3 months plus 2.69%	LIBOR plus 2.25%	1.5175

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

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

28. FINANCIAL INSTRUMENTS (continued)

(a) Description of derivative financial instruments (continued)

(i) Management of foreign exchange risk (continued)

Quebecor Media Inc. and its subsidiaries (continued)

Some of these cross-currency swap agreements are subject to a ceiling on negative fair market value, below which Quebecor Media Inc. may be required to make prepayments to limit the exposure of the counterparties. Such prepayments are offset by equal reductions in Quebecor Media Inc. commitments under the agreements. Because of the appreciation of the Canadian dollar against the US dollar in 2003, Quebecor Media Inc. and its subsidiary Vidéotron ltée had to make prepayments of $123.6 million and $13.5 million, respectively under their swap agreements. These prepayments were financed from Quebecor Media Inc.'s available cash and from the existing credit facilities of Quebecor Media Inc. and Vidéotron ltée. The $13.5 million prepayment on Vidéotron ltée's cross-currency swap agreements was fully repaid when the swap agreements were redeemed as part of the refinancing of Vidéotron ltée (*see note 6(b)*). Quebecor Media Inc. may have to make additional prepayments in the future if the fair market value of the cross-currency swap agreements fluctuates to a negative value of over $282.0 million. In such case, Quebecor Media Inc. may have to make additional prepayments to bring the negative fair market value to 90% of $282.0 million.

(ii) Management of interest rate risk

The Company's subsidiaries have entered into interest rate swaps to manage their interest rate exposure and have 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 as at December 31, 2003, 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					
March 2006	US$	33.0	Pay fixed/ receive floating	7.20 %	LIBOR 3 month/ plus 1.36%
Vidéotron ltée and its subsidiaries					
March 2005	$	135.0	Pay fixed/ receive floating	4.01 to 5.05 %	Bankers' Acceptance 3 months
May 2004	$	90.0	Pay fixed/ receive floating	5.49 %	Bankers' Acceptance 3 months
May 2006	$	90.0	Pay fixed/ receive floating	5.41 %	Bankers' Acceptance 3 months

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

28. FINANCIAL INSTRUMENTS (continued)

(b) Fair value of financial instruments

The carrying amount of cash and cash equivalents, accounts receivable, bank indebtedness and accounts payable and accrued charges approximates 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, 2003 and 2002 are as follows:

	2003		2002	
	Carrying value	**Fair value**	Carrying value	Fair value
Quebecor Inc.				
Long-term debt [1]	**$ (146.0)**	**$ (146.0)**	$ (139.4)	$ (139.4)
Exchangeable debentures	**(979.9)**	**(795.2)**	(979.9)	(979.8)
Quebecor World Inc. and its subsidiaries				
Long-term debt [1]	**(2,474.0)**	**(2,622.5)**	(2,679.3)	(2,921.6)
Convertible notes [1]	**(152.5)**	**(166.6)**	(180.5)	(194.3)
Interest rate swap agreements	**–**	**(4.2)**	–	(12.9)
Foreign forward exchange contracts	**55.7**	**95.8**	–	(14.0)
Cross-currency interest rate swap agreements	**(61.7)**	**(70.9)**	–	(46.6)
Commodity swaps	**–**	**1.3**	–	–
Quebecor Media Inc.				
Long-term debt [1]	**(1,293.8)**	**(1,518.9)**	(1,820.1)	(1,706.8)
Cross-currency interest rate swap agreements	**(80.9)**	**(221.7)**	39.0	103.4
Interest rate swap agreements	**–**	**–**	–	0.1
Vidéotron ltée and its subsidiaries				
Long-term debt [1]	**(886.7)**	**(912.1)**	(1,119.6)	(1,121.7)
Cross-currency swap agreements	**–**	**–**	8.9	8.3
Interest rate swap agreements	**–**	**(9.5)**	–	(13.4)
Cross-currency interest rate swap agreements	**(15.3)**	**(21.5)**	–	–
Sun Media Corporation and its subsidiaries				
Long-term debt [1]	**(551.7)**	**(574.8)**	(515.1)	(543.4)
Cross-currency interest rate swap agreements	**(89.7)**	**(122.8)**	–	55.4

[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 with 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., Printing segment, has entered into commodity swap agreements to manage a portion of its North American natural gas exposure. Quebecor World 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 300,000 gigajoules (at an average price of US$4.42/gigajoules as at December 31, 2003) in total for 2004, and the difference between a fixed price and a floating US natural gas price index on a notional quantity of 2,200,000 MMBTU for 2004 (at an average price of US$5.09/MMBTU as at December 31, 2003).

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

28. 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 that have 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, 2003, no customer balance represented 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.

29. 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 employee's 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, 2003 and 2002, and a statement of the funded status as at those dates, except for the Printing segment for which the measurement dates were September 30, 2003 and 2002:

	Pension benefits		Postretirement benefits	
	2003	2002	**2003**	2002
Change in benefit obligations				
Benefit obligations at beginning of year	**$ 1,632.0**	$ 1,509.2	**$ 171.7**	$ 142.6
Service costs	**57.7**	58.7	**3.1**	2.6
Interest costs	**100.9**	106.2	**10.3**	9.7
Plan participants' contributions	**13.5**	12.7	**2.9**	3.6
Plan amendments	**5.6**	17.8	**(0.4)**	(1.0)
Acquisition	**2.1**	2.5	**–**	–
Curtailment loss (gain)	**2.4**	0.1	**(1.0)**	–
Actuarial loss	**119.3**	53.3	**7.5**	30.0
Change in assumptions	**25.1**	(6.5)	**2.0**	1.0
Benefits and settlements paid	**(105.1)**	(115.5)	**(12.8)**	(15.2)
Foreign currency changes	**(172.8)**	(5.1)	**(23.7)**	(1.4)
Other	**0.8**	(1.4)	**0.1**	(0.2)
Benefit obligations at end of year	**$ 1,681.5**	$ 1,632.0	**$ 159.7**	$ 171.7

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

29. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

	Pension benefits		Postretirement benefits	
	2003	2002	**2003**	2002
Change in plan assets				
Fair value of plan assets at beginning of year	**$ 953.7**	$ 1,104.6	**$ –**	$ –
Actuarial gain	**4.8**	–	**–**	–
Actual return on plan assets	**142.6**	(94.8)	**–**	–
Employer contributions	**71.7**	49.0	**9.8**	11.6
Plan participants' contributions	**13.5**	12.7	**2.9**	3.6
Curtailment loss	**–**	1.1	**–**	–
Transfer from another plan	**2.0**	–	**–**	–
Settlement loss	**0.1**	–	**–**	–
Acquisition	**2.0**	–	**–**	–
Benefits and settlements paid	**(105.1)**	(115.5)	**(12.8)**	(15.2)
Foreign currency changes	**(79.4)**	(3.4)	**0.1**	–
Fair value of plan assets at end of year	**$ 1,005.9**	$ 953.7	**$ –**	$ –

As at December 31, 2003, plan assets included shares of the Company, representing an amount of $1.2 million.

	Pension benefits		Postretirement benefits	
	2003	2002	**2003**	2002
Reconciliation of funded status				
Excess of benefit obligations over fair value of plan assets at end of year	**$ (675.6)**	$ (678.3)	**$ (159.7)**	$ (171.7)
Unrecognized actuarial loss	**559.2**	551.8	**42.0**	42.7
Unrecognized net transition (asset) obligation	**(13.4)**	(8.0)	**0.7**	–
Unrecognized prior service cost	**41.0**	35.3	**(3.0)**	(3.1)
Adjustment for fourth quarter contributions	**61.4**	31.1	**2.2**	2.7
Valuation allowance	**(13.8)**	(18.8)	**–**	–
Other	**(0.2)**	–	**(0.1)**	–
Net amount recognized	**$ (41.4)**	$ (86.9)	**$ (117.9)**	$ (129.4)

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	
	2003	2002	**2003**	2002
Benefit obligations	**$ (1,520.9)**	$ (1,491.3)	**$ (159.7)**	$ (171.7)
Fair value of plan assets	**837.6**	805.8	**–**	–
Funded status – Plan deficit	**$ (683.3)**	$ (685.5)	**$ (159.7)**	$ (171.7)

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

29. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

Amounts recognized in the consolidated balance sheets are as follows:

	Pension benefits		Postretirement benefits	
	2003	2002	**2003**	2002
Accrued benefit liability [1]	**$ (93.8)**	$ (146.1)	**$ (117.9)**	$ (129.4)
Prepaid benefit costs	**52.4**	59.2	**–**	–
Net amount recognized	**$ (41.4)**	$ (86.9)	**$ (117.9)**	$ (129.4)

[1] Current portion recorded as accrued liabilities and long-term portion recorded as other liabilities.

Components of the net periodic benefit costs are as follows:

	Pension benefits			Postretirement benefits		
	2003	2002	2001	**2003**	2002	2001
Service costs	**$ 57.7**	$ 58.7	$ 46.3	**$ 3.1**	$ 2.6	$ 2.6
Interest costs	**100.9**	106.2	92.8	**10.3**	9.7	9.7
Expected return on plan assets	**(95.0)**	(106.0)	(110.0)	**–**	–	–
Amortization of prior service costs (benefit)	**1.2**	3.8	1.1	**(0.3)**	(1.2)	(1.7)
Amortization of transitional obligations	**(1.5)**	(0.9)	(1.1)	**0.1**	–	–
Curtailment loss (gain)	**2.7**	–	1.8	**–**	–	(1.1)
Valuation allowance	**1.1**	0.2	–	**–**	–	–
Amortization of actuarial loss (gain)	**8.4**	3.9	(2.1)	**2.2**	0.3	–
Other	**0.4**	–	–	**–**	–	–
Net periodic costs	**$ 75.9**	$ 65.9	$ 28.8	**$ 15.4**	$ 11.4	$ 9.5

The expense related to defined contribution pension plans amounts to $23.0 million in 2003 ($27.0 million in 2002 and $29.6 million in 2001).

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

	Pension benefits			Postretirement benefits		
	2003	2002	2001	**2003**	2002	2001
Discount rate	**6.0 %**	6.7 %	7.0 %	**5.9 %**	6.8 %	7.1 %
Expected return on plan assets [1]	**8.1**	8.1	9.3	**–**	–	–
Rate of compensation increase	**3.4**	3.4	3.4	**–**	–	–

[1] After management and professional fees.

29. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligations was 8.5% for Quebecor Media Inc.'s plans and 10.2% for Quebecor World Inc.'s plans at the end of 2003. The cost, as per an estimate, is expected to decrease gradually for the next 7 years to 5% and remain at that level thereafter. A one-percentage point change in the assumed health care cost trend would have the following effects:

	Postretirement benefits	
Sensitivity analysis	1% increase	1% decrease
Effect on service and interest costs	$ 1.3	$ (1.4)
Effect on benefit obligation	15.7	(13.2)

List of Directors and Officers of Quebecor Inc.*

Board of Directors

Françoise Bertrand (3)
President,
Federation of Quebec Chambers of Commerce

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

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

Jean La Couture, FCA (1)
President,
Top Management Services Inc.

Pierre Laurin (3)
Executive in Residence,
HEC Montréal

Raymond Lemay (1) (3)
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.

Pierre Parent (1) (2)
Chairman of the Board,
Resort One Inc.

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

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

(1) Member of the Audit Committee
(2) Member of the Human Resources Committee
(3) Member of the Corporate Governance Committee
* As of March 25, 2004

Officers

Jean Neveu
Chairman of the Board

Érik Péladeau
Vice Chairman of the Board

Pierre Karl Péladeau
President et Chief Executive Officer

Luc Lavoie
Executive Vice President,
Corporate Affairs

Jacques Mallette
Executive Vice President and
Chief Financial Officer

Mark D'Souza
Vice President and Treasurer

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Claudine Tremblay
Manager,
Corporate Services and
Assistant Corporate Secretary