A TRANSFORMATION ACCOMPLISHED

2004 ANNUAL REPORT

QUEBECOR INC.

TABLE OF CONTENTS

2004 ANNUAL REPORT • QUEBECOR INC.

2004 in Brief	2
Highlights	4
Message to Shareholders	5
Working Hand in Glove	8
Vidéotron	10
Sun Media Corporation	12
TVA Group	14
Archambault Group	16
Books Segment	17
Canoe	18
Nurun	20
Le SuperClub Vidéotron	21
Quebecor World	22
Financial Section	24
List of Directors and Officers of Quebecor Inc.	118
General Information	120

2004 IN BRIEF

A productive year in all our lines of business

January

- Quebecor World signs multiyear contract with ALLTEL Publishing to print more than 145 directories in 37 U.S. states

- *archambaultZIK.ca*, Canada's first French-language music download site with per-track fees, is launched

February

- Quebecor World expands and upgrades its digital printing facilities in the U.S.

March

- Quebecor World's multiyear contract with Valley Yellow Pages to print 46 directories is renewed

- Vidéotron becomes the first major cable company in Québec to offer high-definition personal video recorder (HD-PVR)

April

- Nurun acquires Ant Farm Interactive, an interactive marketing agency based in Atlanta, U.S.A., as part of repositionning begun with the sale of Mindready Solutions

May

- Vidéotron announces $40.0 million investment in its broadband network and Internet service infrastructure

- TVA Network dominates Québec ratings with a 36% share of the French-speaking audience, more than the other three general-interest networks combined (BBM – Spring 2004)

- Quebecor Media offers to buy all shares of Netgraphe

- Le SuperClub Vidéotron acquires Jumbo Entertainment, a cross-Canada chain of 105 video and game stores

June

- Vidéotron steps up roll-out of its WiFi service

July

- Quebecor World announces purchase of 22 new presses to upgrade its U.S. manufacturing platform
- Videotron Telecom signs first major outsourcing contract to host and manage Quebecor World's servers and communications software for North America

August

- TVA Group and Sun Media Corporation sign agreement to buy television station Toronto 1

September

- Quebecor World reorganizes its Nordic gravure platform in Scandinavia
- Netgraphe is taken private

October

- Vidéotron adds 10 digital time-shifting channels

November

- TVA Network has 27 of the top 30 television programs in Québec (BBM – Fall 2004)
- Groupe Archambault France, a new European producer and distributor of cultural content, is launched
- Refinancing raises borrowing limit on Vidéotron's revolving credit facility by $350.0 million and increases its ability to make distributions to Quebecor Media

December

- Acquisition of television station Toronto 1 closes
- Vidéotron's cable Internet access service passes the half-million customer mark
- Restructuring measures announced by Quebecor World cut 2,228 positions in 2004 with another 290 to be eliminated in 2005; 567 new positions will be created at other plants

January 2005

- Netgraphe changes its corporate name to Canoe Inc.
- Vidéotron becomes first major cable company in Canada to offer Voice over IP telephone service

HIGHLIGHTS

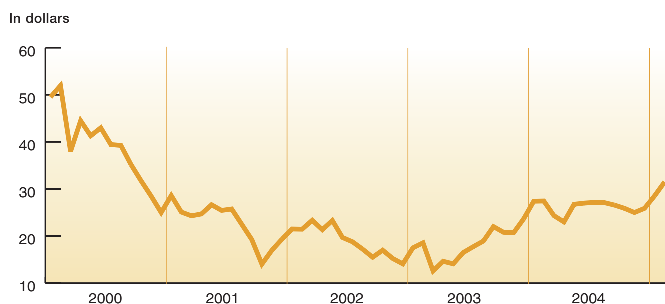
Financial years ended December 31, 2004, 2003 and 2002
(in millions of Canadian dollars, except per share data)

	2004	2003 [1]	2002 [1]
Operations			
Revenues	$ 10,982.4	$ 11,200.1	$ 12,038.6
Operating income [2]	1,759.4	1,529.8	1,933.4
Contribution to net income:			
Continuing operations	117.7	28.8	122.6
Gain on re-measurement of exchangeable debentures	36.4	–	–
Unusual items and write-down of goodwill	(41.3)	37.4	(35.1)
Discontinued operations	(0.6)	0.2	(4.3)
Net income	112.2	66.4	83.2
Cash flows provided by continuing operations	1,019.6	928.6	1,114.5
Basic per share data			
Contribution to net income:			
Continuing operations	$ 1.82	$ 0.44	$ 1.90
Gain on re-measurement of exchangeable debentures	0.57	–	–
Unusual items and write-down of goodwill	(0.64)	0.58	(0.54)
Discontinued operations	(0.01)	0.01	(0.07)
Net income	1.74	1.03	1.29
Weighted average number of shares outstanding (in millions)	64.6	64.6	64.6
Financial position			
Working capital	$ 4,888.2	$ 5,286.4	$ 5,681.8
Shareholders' equity	1,443.6	1,384.9	1,466.8
Total assets	14,404.5	15,180.2	17,097.5
Employees	47,000	49,000	54,000

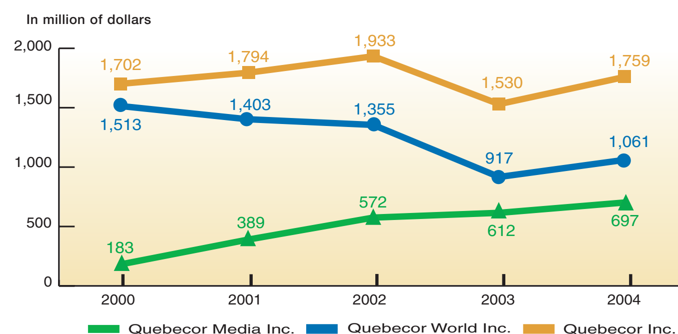
1 The comparative figures for the years 2003 and 2002 have been reclassified to conform with the definition adopted for the year ended December 31, 2004.

2 Operating income before amortization, financial expenses, reserves for restructuring of operations, impairment of assets and other special charges, gains (losses) on sales of businesses, shares of a subsidiary and other assets, gain on re-measurement of exchangeable debentures, net (loss) gain on debt refinancing and on repurchase of redeemable preferred shares of a subsidiary and write-down of goodwill.

Share Price (QBR.SV.B)



Operating Income



MESSAGE TO SHAREHOLDERS

In 2004, Quebecor reaped the fruits of several years of restructuring efforts at both of its major subsidiaries, Quebecor World and Quebecor Media.

The financial picture is positive: operating income was up $229.6 million (15%) to $1.76 billion in 2004. Revenues totalled $10.98 billion. Net income surged nearly 70% to $112.2 million ($1.74 per basic share), compared with $66.4 million ($1.03 per basic share) in 2003.

QUEBECOR'S TRANSFORMATION ACCOMPLISHED

2004 will go down in Quebecor's corporate history as the year we completed the repositioning launched at the beginning of the new millennium. The Company now has two operating subsidiaries, each an industry leader. At the end of the 1990s, Quebecor Printing became the world's largest commercial printer with the takeover of World Color Press. Quebecor World fell on hard times in 2002 and 2003, but management did what had to be done to turn the business around and set it back on the path to growth and success. In 2004, those changes started to pay off.

Meanwhile, the acquisition of Groupe Vidéotron in 2000, coming on the heels of the takeover of Sun Media Corporation at the beginning of 1999, led to the creation of Quebecor Media. The subsidiary subsequently implemented a successful convergence strategy that yielded improved results, a healthier balance sheet, and a string of achievements. Quebecor Media positions our Company firmly in the world of media, telecommunications and new technologies – the world of the future.

After selling the Company's controlling interest in Donohue and making a timely decision to pull out of the pulp and paper industry, management has therefore successfully rebalanced the Company's assets, setting Quebecor on track to continue its growth and profitability.

PIERRE KARL PÉLADEAU
President and Chief Executive Officer

JEAN NEVEU
Chairman of the Board

At Quebecor World, we have had to contend with obstacles thrown up by both the external environment and the subsidiary's internal structure over the last three years. These challenges galvanized the management team as at no time before during the previous 15 years. They forced our executives to make the hard decisions that needed to be taken to secure Quebecor World's future survival and growth. It was a daunting task but the 2004 results met our expectations.

Our business model has proven its worth and is paying dividends. We are not afraid of the competition in the markets in which we operate. We are number 1 in most of our lines of business. We play to win. That has always been the Quebecor credo.

To achieve its targets, Quebecor practises a management style based on enterprise and team work. The executives of our subsidiaries form a united team on which each player works to support the others. Since the success of the Quebecor family of companies is the ultimate objective of every team member, our executives work hand in glove on joint convergence and business development projects.

VIDÉOTRON, INNOVATIVE AND EFFICIENT

When we bought Groupe Vidéotron in 2000, the cable company was facing competition for the first time in its history. We thoroughly reviewed Vidéotron's business philosophy and overhauled its management systems. Before long, it took its place into one of Canada's most innovative and productive cable providers. Building on this success, in January 2005 Vidéotron became the first major cable company in Canada to offer residential telephone service. Customers can now turn to Vidéotron for cable television, Internet access and telephone service, all delivered by one experienced carrier and supported by one customer service department. Vidéotron has become a one-stop source for consumer communications and entertainment solutions.

Not only did Vidéotron survive the advent of satellite television, it is now ready to compete head-on with the telcos in their long-time private preserve, residential telephone service. It has shed its traditional corporate culture, the legacy of years of operation as a monopoly, and is now an agile, competitive organization that is responsive to consumer demand. Your Company effected this sea change in a remarkably short space of time.

QUEBECOR MEDIA'S SUBSIDIARIES SHINE

2004 was an excellent year for Quebecor Media in financial terms, with 7.1% revenue growth and a 14.0% increase in operating income. All subsidiaries contributed to the improvement, led by Vidéotron, which increased its operating income by 23.9% to post its best annual performance since becoming part of Quebecor Media. Vidéotron is now tackling new markets, including residential telephone service.

Sun Media Corporation held its leading position in 2004, posting a strong performance in an increasingly competitive marketplace. Revenues and operating income were both up. Stringent cost control and a constant search for new revenue streams have kept Sun Media one of the best managed and most profitable newspaper chains in Canada, year after year.

TVA Group continued to dominate the Québec television market. In a strategically important transaction, it gained a foothold in the English-Canadian television market by buying television station Toronto 1, in partnership with Sun Media Corporation.

Archambault Group and Quebecor Media's Books segment registered continued growth. To help Québec artists signed with Archambault Group break into European markets, the subsidiary expanded its reach with the creation of Groupe Archambault France S.A.S., a cultural production house and distributor based in France.

Videotron Telecom turned around its results in 2004 thanks to restructuring efforts and the positive impact of its first major outsourcing contract with Quebecor World. To integrate our telephone properties into a cohesive whole, we are folding Videotron Telecom into Vidéotron.

Nurun and Canoe also continued to improve their numbers. There were major transactions at both subsidiaries in 2004. Nurun sold its interest in Mindready Solutions to focus on its core business: e-business and interactive technology. Netgraphe was taken private and its corporate name was changed to Canoe Inc. It continues to effectively perform its role of Internet gateway in Quebecor Media's convergence strategy.

In short, all components of Quebecor Media are now capable of producing positive results, carried forward by the convergence strategy we developed from scratch and implemented over the past several years. We owe the excellent outcomes to the dedicated work of the Quebecor Media management team, one of the finest and most stable in the Canadian media and communications industry.

SIGNIFICANT IMPROVEMENT AT QUEBECOR WORLD

In 2004, Quebecor World recovered its capacity to generate strong financial results. Stated in U.S. dollars, its sales increased 3.6%, selling, general and administrative expense were slashed by 12.9%, and operating income jumped 25.6%. As the numbers show, restructuring initiatives, investment in the North American manufacturing platform, business development and general belt-tightening have paid off. Quebecor World boosted its sales in many of its markets and enhanced operational efficiencies across the organization.

Our management teams have gone back to the core principles that originally propelled Quebecor World to the number 1 position in its industry worldwide and are applying them day in, day out. Those principles are universal and timeless. They revolve around rigorous management, a commitment to efficiency at all times and in all places, uncompromising cost control, and accountability to the shareholders for the company's finances and accounting practices. Quebecor World's healthier financial picture in 2004 confirms the validity of this operating philosophy, rooted in basic principles of sound management, and points the way for the future.

We are proud of our dedicated executives, who understand the market and act decisively in the interests of the Company, its employees and its shareholders. They form one of the strongest and most able management teams anywhere.

Quebecor World's future success will be driven by targeted investments in facilities and new technology in order to increase operating margins. Quebecor World is poised to seize opportunities for growth. We are alert to development possibilities, through either internal growth or acquisitions, that can help strengthen Quebecor World's positioning. We will continue working to enhance our product, our sales teams and customer service, areas in which we have made considerable progress in recent years.

AN ENVIABLE POSITION

Quebecor's successful transformation since 2000 bodes well for your Company's future. While Quebecor is no more immune to economic ups and downs than any other business, your Company is now less sensitive to the risks associated with economic cycles than it once was. We made a commitment to turn around our two subsidiaries and make them into growing concerns again. We have been able to keep that promise, thanks to the efforts of our management teams, employees and directors at Quebecor Inc., Quebecor World Inc. and Quebecor Media Inc. By dint of courage and conviction, they got the job done. We are grateful for the work they have done in the best interests of the Company and its shareholders.

Jean Neveu
Chairman of the Board

Pierre Karl Péladeau
President and
Chief Executive Officer

WORKING HAND IN GLOVE

Bottom row:

SERGE GOUIN

- Chief Executive Officer and
  Chairman of the Board,
  Quebecor Media Inc.

PIERRE KARL PÉLADEAU

- President and
  Chief Executive Officer,
  Quebecor Inc.
  President and
  Chief Executive Officer,
  Quebecor World Inc.

ÉRIK PÉLADEAU

- Executive Vice President,
  Quebecor Inc.
  Vice Chairman of the Board,
  Quebecor Inc.
  Vice Chairman of the Board,
  Quebecor World Inc.
  Vice Chairman of the Board,
  Quebecor Media Inc.

The members of Quebecor's management team form a unified team that works together on business development projects. For years, Quebecor's convergence strategy has guided its planning and decision-making.

TEAM MEMBERS

Top row, previous page:

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

NATALIE LARIVIÈRE
- President and General Manager, Archambault Group Inc.

PIERRE FRANCŒUR
- President and Chief Operating Officer, Quebecor Media Inc. President and Chief Executive Officer, Sun Media Corporation

ROBERT DÉPATIE
- President and Chief Executive Officer, Vidéotron ltée

Above:

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

CLAIRE SYRIL
- President, TVA Publishing Inc.

BRUNO LECLAIRE
- President and Chief Executive Officer, Canoe Inc.

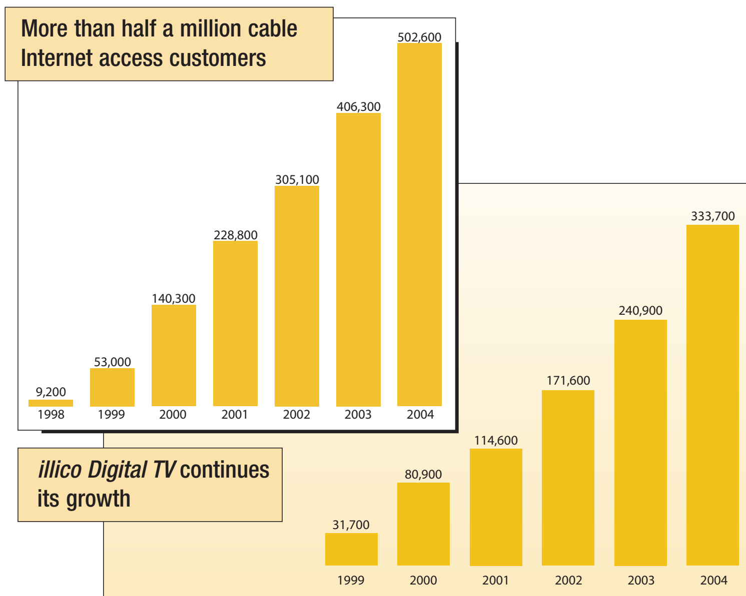
PIERRE DION
- President and Chief Executive Officer, TVA Group Inc.

As of March 30, 2005.

VIDÉOTRON

One-stop source for cable television, Internet access and telephone services

Vidéotron posted excellent financial results and strengthened its leadership position through innovation and responsiveness to changing consumer needs, as the launch of its new residential telephone service attests. As the first major cable operator in Canada to take up the challenge of telephony, Vidéotron is breaking new ground once again and honouring its commitment to always offer leading-edge products.



SUBSTANTIAL CUSTOMER BASE GROWTH

Consumers continued flocking to Vidéotron's value-added services in 2004, particularly cable Internet access and *illico Digital TV*.

The number of subscribers to the cable Internet access service passed the half-million mark in 2004, closing the year at 502,600, an increase of 96,300 (23.7%) from the previous year.

The *illico Digital TV* service had a customer base of 333,700 at year's end, an increase of 92,800 (38.5%), the largest annual growth in absolute terms since the service was launched in early 1999.

Finally, for the first time in five years, the *illico Digital TV* service gained more subscribers than the analog cable television service lost, resulting in a net gain of 28,400 customers for all of Vidéotron's cable television services combined in 2004.

NEW RESIDENTIAL TELEPHONE SERVICE

After successful trials with 2,000 Montréal South Shore customers in the fall of 2004, Vidéotron officially launched its Voice over IP (VoIP) service on January 24, 2005, in partnership with Videotron Telecom. The advantageous new cable telephone service is supported by Vidéotron's reliable, state-of-the-art fibre-optic network, which can carry huge quantities of data at low cost, and by Videotron Telecom's more than seven years of experience in telephone service.

$40 MILLION INVESTMENT IN NETWORK QUALITY

Vidéotron has always relied on the calibre of its network. In the year 2004 alone, Vidéotron invested approximately $40.0 million in its Internet access infrastructure and two-way hybrid network.

FASTER FILE TRANSFERS

When Vidéotron promises speed, it delivers: Vidéotron twice increased file transfer speeds on its Internet access services in 2004, in April and in September. Download speeds were boosted by 65% and 63% to 5.1 mbps and 6.5 mbps on the High-Speed and *Extreme*™ High-Speed services respectively.

QUEBECOR'S CABLE SEGMENT REPORTED NOTEWORTHY GROWTH IN REVENUES (+8.3%) AND OPERATING INCOME (+23.9%) IN 2004, POSTING ITS BEST FINANCIAL YEAR SINCE IT BECAME PART OF QUEBECOR MEDIA IN 2000.

ONE-STOP SOURCE

One customer service department to deal with, one technician, one telephone number, one bill: that's what consumers get when they turn to Vidéotron for their cable television, Internet access and telephone service needs. It's part of Vidéotron's commitment to deliver the best possible entertainment and telecommunications experience.

CUSTOMIZED CONSUMER SERVICES

Customization is a guiding principle for Vidéotron's service offerings. For example, *illico Digital TV* offers a wide range of service configurations tailored to individual tastes and preferences. Vidéotron's exclusive *Speed on Demand* service lets Internet access customers boost their file transfer speeds for periods as short as 48 hours. At Vidéotron, the customer gets to choose.

FIRST MAJOR OUTSOURCING CONTRACT FOR VIDEOTRON TELECOM

In 2004, Videotron Telecom Ltd. took an important step in its long-term development by signing its first major outsourcing contract with Quebecor World. The agreement calls for Videotron Telecom to host and manage Quebecor World's servers and communications software. It covers all of Quebecor World's North American facilities in 30 U.S. states and 6 Canadian provinces. The contract generated $9.2 million in revenues for Videotron Telecom in the second half of 2004 alone.

Videotron Telecom was already providing server hosting and business telephone services to major Canadian corporations, including Quebecor companies such as Vidéotron, Sun Media Corporation, Canoe, Archambault Group and Nurun. With the expertise it has developed for the Quebecor World contract, Videotron Telecom is now studying the possibility of offering outsourcing services to other large companies in Canada and the U.S.

Since the advent of digital technology, the industry has been dreaming of joining medium and content to set consumers free of the television networks' programming choices. For several years, Vidéotron has been working on turning that dream into reality. Video on Demand took off in 2004 and it is foreseeable that television viewers will soon be able to watch what they want when they want. Vidéotron's Video on Demand service provides a new outlet for a wide variety of content, including TVA Group productions. Customers will soon have access to original programming as well. We believe this is a development that will revolutionize the television viewing experience in the long term.

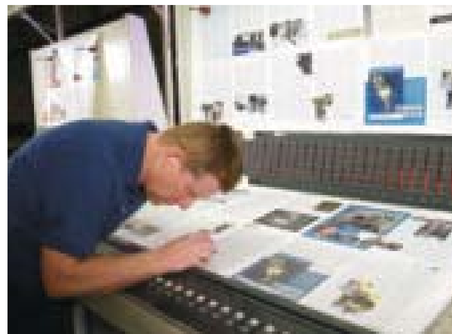
MORE ROBUST INFRASTRUCTURE TO SUPPORT FUTURE DEVELOPMENT

In the fall of 2004, Videotron Telecom upgraded its optical digital network and increased its carrying capacity between Montréal and Toronto to meet the new IP transmission needs of Vidéotron and business customers. Videotron Telecom is also pushing ahead with development of commercial products such as 900 service. For example, the 900 service was used for audience voting for *Star Académie*, the TVA Network's popular reality talent show.

SUN MEDIA CORPORATION

From coast to coast

Year after year, Sun Media Corporation, Canada's largest national chain of tabloids and community newspapers, posts glowing financial results, invariably ranking among the most profitable companies in the Canadian newspaper business. In 2004, Sun Media Corporation hiked its revenues by 5.0% in a fiercely competitive market. Advertising sales and circulation revenues were up 5.5% and 3.0% respectively.



THE READERS ADVERTISERS WANT TO REACH

Sun Media Corporation publishes daily newspapers in 8 of Canada's 10 largest urban markets. Its urban dailies, read by more than 4.5 million Canadians every week, reach the demographic targeted by advertisers.

- In the 18-34 age group, more people read Sun Media Corporation's eight urban dailies (1,533,800 readers per week) than the competition's (1,526,600 readers per week).*
- Sun Media Corporation's urban newspapers have increased their readership among white-collar workers (+1.4%), women (+3.3%) and people with a family income over $100,000 (+3.8%).*
- Readership of the Saturday edition of *Le Journal de Montréal*, Sun Media Corporation's flagship property, was up 10.7% to 752,000 in the Montréal area. Meanwhile, its two closest rivals, *La Presse* and *The Gazette*, were down 5.7% and 9.7% respectively. In fact, the Saturday *Journal de Montréal* broke all the records for a daily newspaper in the Montréal market.*

* Source: NADbank® 2003 and 2002.

ENTERTAINMENT WEEKLIES

MILLIONS OF COPIES PER WEEK

More than 8.4 million copies of Sun Media Corporation's eight urban dailies, two free dailies and nine community dailies are printed every week.

As well, Bowes Publishers Limited and Sun Media Corporation's Québec Community Newspapers division publish over 180 community weeklies and specialty publications with a combined weekly circulation of 3.7 million in five of Canada's largest provinces.

Canada's largest national chain of tabloids and community newspapers.

Eight urban dailies across Canada

Commuter dailies

More than 180 community newspapers

Cost control
Productivity
Innovation

A company cannot hold its competitive edge in the aggressive print media market without constantly searching for new ways to cut costs, improve productivity and increase revenues.

In 2004, Sun Media Corporation took a series of initiatives to reduce printing costs and save paper. It invested in new presses, brought in more advanced computer systems, and introduced computer-to-plate (CTP) technology at all its community newspapers. Many of the urban dailies and community newspapers enhanced their content and introduced innovations designed to increase revenues, including original promotion and distribution strategies.

Strategic partner in the acquisition of Toronto 1

In another example of the concrete benefits of convergence at Quebecor Media, Sun Media Corporation and TVA Group joined forces to buy television station Toronto 1. Sun Media Corporation now holds a 25.0% interest in the station. Toronto 1 will be integrated gradually and naturally to capitalize on complementary features. The linkage will provide Sun Media Corporation, TVA Group and Toronto 1 with opportunities for promotional synergies and a platform for cross-selling to consumers and advertisers in Canada's largest advertising market.

TVA GROUP

TVA Group expands its horizons

The TVA Network was number one in drama, reality television, public affairs, news and how-to shows in 2004. TVA topped the ratings morning, afternoon and evening, seven days a week.

CANADIAN CONTENT ON TELEVISION NETWORKS

Network	Canadian content
TVA	76%
CBC	74%
TQS	64%
Radio-Canada	59%
CTV	53%
Télé-Québec	47%
Global	44%

Source: BBM People Meter

QUÉBEC'S LEADING GENERAL-INTEREST BROADCASTER

The broadcasting market is witnessing dramatic change. The advent of digital television, the proliferation of channels, the repurposing of content for different media, which is being facilitated by convergence at Quebecor Media, and the introduction of Video on Demand are all growth opportunities for TVA Group.

Building on its consummate expertise in television production, TVA Group has decided to branch out and become a player in digitization and the development of new services.

- TVA's know-how in content acquisition and programming will be leveraged for the newly launched Mystère digital channel.
- The acquisition of Toronto 1 is TVA Group's largest venture ever outside Québec.
- Canal Argent, launched in February 2005, is a natural extension of the LCN all-news channel, which increased its advertising revenues by more than 17% in 2004.

STAR ACADÉMIE

In the spring 2004 season, the reality talent show *Star Académie* was again the most popular show on the TVA Network. The 10 Sunday-evening specials surpassed the ratings in the program's first year by nearly 13%, with average audiences of 2,719,000 compared with 2,409,000 in 2003. The show, which will be back in fall 2005, has become a social phenomenon in Québec and proof positive of the formidable power of Quebecor Media's convergence strategy.

TVA Group is the largest private investor in Canadian programming. According to a recent BBM survey, TVA is also the network that carries the most Canadian content: 76% of its schedule, 17 percentage points more than the French-language public broadcaster. In recent years, TVA Network has also become the largest private partner of Québec's independent producers. TVA Group is setting a standard for the entire Canadian broadcasting industry as a company that helps preserve, enrich and strengthen the country's cultural, social and economic structure, a broadcaster that delivers a wide variety of content that creatively reflects its audiences' attitudes, opinions, ideas and values. TVA makes daring programming choices and showcases Canadian talent.

TVA GROUP MOVES INTO ENGLISH CANADA

In 2004, TVA Group closed the acquisition of Toronto 1, in partnership with Sun Media Corporation. Toronto 1 holds the last analog general-interest television license granted in Toronto, Canada's largest advertising market.

The acquisition fits perfectly into TVA Group's development strategy and is a logical continuation of its investment in the English-language specialty channels MENTV and Mystery. Toronto 1 will be supported by the skills of the existing television and publishing teams in Toronto. Together, they will create an attractive value proposition for television audiences and advertisers in the Toronto metropolitan area.

The largest French-language broadcaster in North America and the largest magazine publisher in Québec.

MARKET DOMINANCE IN MAGAZINE PUBLISHING

With 42 titles and an 88% share of newsstand magazine sales in Québec, TVA Publishing dominates the Québec magazine market.

In a highly competitive market, TVA Publishing maintained its wide lead over its rivals in 2004. Changing consumer reading habits are forcing publishers to innovate and invest in new magazine concepts. TVA Publishing is finding new ways to appeal to advertisers – by leveraging synergies with TVA Network programming and developing joint advertising sales strategies.

TVA Publishing therefore launched a number of new products in 2004 and early 2005.

- *Star Système* magazine was launched to coincide with the TVA Network television program of the same name.
- *Shopping Clin d'œil* magazine, the new standard source on fashions and trends in Québec, will be published four times a year.
- In the decorating and renovation segment, *Votre maison*, a comprehensive guide for future home-owners, was launched.
- The new celebrity news weekly *Sensass!* hit the stands at the beginning of 2005.
- TVA Publishing is producing a new television show in conjunction with the TVA Network. The program *Côté cours… Côté jardins*, based in part on content from the magazine *Côté Jardins*, will premiere in the spring of 2005.

IN TUNE WITH THE PRESENT AND THE FUTURE

TVA Group is a growth driver and a linchpin of Quebecor Media's strategy. Its strength resides in its competencies and its knack for doing today the things that will keep it at the forefront tomorrow. Determined to keep the competition from picking up market share, TVA Group has consistently demonstrated a sure sense of its current audience and a clear vision of the future.

TVA FILMS: PARTNER IN GROWTH

TVA Films distributed 16 films for theatrical release in 2004, including the box-office hit *Dans une galaxie près de chez-vous*. Video releases of films, television programs (such as the series *Fortier*) and performances (such as the *Just for Laughs* comedy festival) provide an additional revenue stream for TVA Films.

Select, Archambault Group's distribution arm, is a strategic partner in developing this complementary market for the best content from the TVA Network and other Quebecor Media companies, as well as other content. Vidéotron's *illico on Demand* service provides another new distribution channel for these products.

ARCHAMBAULT GROUP

The place to go for cultural products in Québec

Archambault Group is a Québec leader in the retailing of CDs, books, DVDs, musical instruments and cultural products. Its chain of 14 superstores serves more than 6.7 million customers per year.

Select, the largest Québec-owned distributor of recorded music, had a 73% share of the Canadian market for French-language CDs in 2004.

Musicor was the top-selling music label in Québec in 2004.

Archambault Group is also engaged in e-commerce through its *archambault.ca* site, launched five years ago. In response to new trends in the music industry, it started *archambaultZIK.ca*, the first French-language music download site in Canada, at the beginning of 2004.

EFFECTIVE RIGOROUS MANAGEMENT

Archambault Group's retail segment opened a new store in Gatineau, Québec, moved its Chicoutimi store and downsized its Place des Arts store in Montréal. Archambault Group's retail sales increased 8.9% in 2004.

ACCENT ON PRODUCTION

Since its creation in 2003, Musicor has produced and released nine CDs related to the popular TVA Network television program *Star Académie*: the anthologies for the 2003 and 2004 seasons, a compilation, and solo albums by six contestants. Musicor also marketed five CDs produced under licence. In 2004, the best year of Musicor's young life, its CD sales topped 650,000.

UNCONTESTED LEADER IN CD DISTRIBUTION IN QUÉBEC

Once again, Select achieved an impressive increase in revenues and distribution operations in 2004. The progress was driven by the diverse, high-calibre catalogue of titles distributed exclusively by Select, many of which are Québec hits. Select distributed 15 of the top 20 French-language CDs of 2004 on the ADISQ charts, including albums by established artists and rising stars such as Marie-Élaine Thibert, Corneille, Isabelle Boulay and Laurence Jalbert, as well as the *Star Académie 2004* album and the CD from the musical comedy *Don Juan*. The *Star Académie* phenomenon continued to generate excellent sales.

Select received the 2004 Nielsen SoundScan Award during Canadian Music Week. The award is given each year to the distributor with the most Canadian artists among the year's 50 top-selling CDs. Select has also won the Québec music industry association's Félix award for distributor of the year 16 times in the last 20 years.

UNCONTESTED LEADER IN THE PRODUCTION, DISTRIBUTION AND RETAILING OF CULTURAL PRODUCTS.

ARCHAMBAULT GROUP SETS UP SHOP IN EUROPE

In 2004, Archambault Group gained a foothold in France with the creation of Groupe Archambault France S.A.S., in partnership with Warner Music France. The launch of the new producer, publisher and distributor of cultural content is part of a strategy designed to create a gateway between Europe and Québec, particularly for music.

The purpose of the partnership agreement with Warner Music France is to promote Archambault Group's signed artists and other talent in European markets and provide producers and artists who want to enter French-language markets overseas with a solid marketing platform. Archambault Group also plans to sign French-language artists in Europe and to produce and distribute their work in European markets, through its partnership with Warner Music France.

BOOKS SEGMENT

A tradition in Québec publishing

- Éditions Quebecor Média includes the general literature publishers Éditions Libre Expression, Éditions Internationales Alain Stanké, Éditions Logiques, Éditions du Trécarré, Éditions Quebecor and Publistar. Together, they are the largest publisher of books in Québec. Their products include how-to books, novels, travel guides and biographies.

- CEC Publishing is a leading Québec publisher of textbooks.
- Éditions Quebecor Média is also engaged in distribution through Québec-Livres.

TWO TITLES AT THE TOP OF THE BEST-SELLER LISTS

Best-sellers published by Quebecor publishing houses in 2004 included:

- *Ma vie en trois actes* by Janette Bertrand, published by Éditions Libre Expression: more than 161,000 copies sold in just three months.
- *Le Guide de l'auto*, published by Éditions du Trécarré: more than 115,000 copies sold. The popular car guide was previously published by a competitor.

CANOE

A cornerstone of convergence

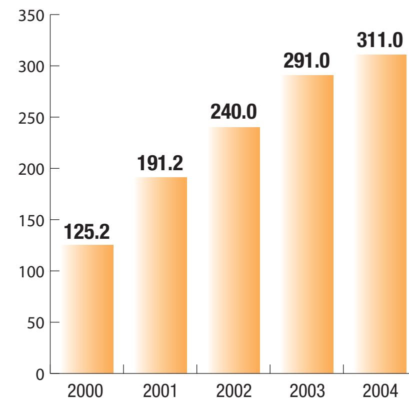
Canoe Inc. plays a pivotal role in Quebecor Media's convergence strategy. It serves as an online gateway that steers Internet users toward Quebecor's other media properties by sharing or repurposing content from TVA Network programs, Sun Media Corporation newspapers and TVA Publishing magazines, and through joint visibility strategies and cross-promotions for Vidéotron and Archambault Group products.

Canoe provides a multimedia platform that supports the archiving and repurposing of content from all Quebecor Media entities and creates added value by putting the products online. Canoe is a natural Internet complement to Quebecor Media's comprehensive value proposition.

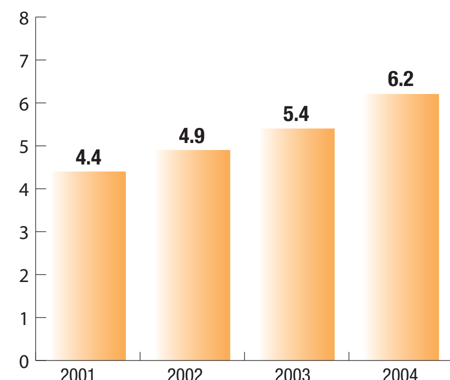
Traffic on Canoe sites increased substantially in 2004. Total page views climbed 7% from an average of 291.0 million per month in 2003 to 311.0 million in 2004. The number of unique visitors jumped 15% from an average of 5.4 million per month in 2003 to 6.2 million in 2004 (source: comScore Media Metrix, Total Canada, All locations).

TRAFFIC INDICATORS TRENDING UP

Page views per month (in millions)



Unique visitors per month (in millions)

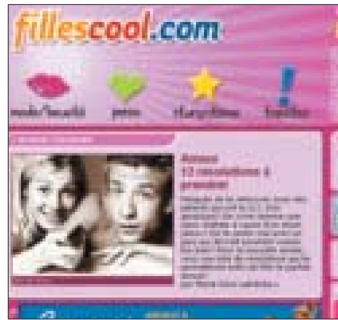


AT THE TOP

Canoe's properties are all leaders in their fields:

- Number 1 news site in Québec: *canoe.qc.ca*
- Number 1 jobs and careers site in Québec: *jobboom.com*
- Number 1 dating site in Québec: *reseaucontact.com*
- Number 1 independent car site in Canada: *autonet.ca*
- Number 1 online classifieds site in Canada: *classeesextra.ca* and *classifiedextra.ca*
- Number 1 search engine in Québec: La Toile du Québec (*toile.com*)
- Number 1 private television site in Québec: *tva.canoe.com*
- Number 1 financial site in Québec: Webfin Argent (*money.canoe.ca*)
- Number 2 English-Canadian portal: *canoe.ca*
- The Canadian leader in its niche: Jobboom Publishing

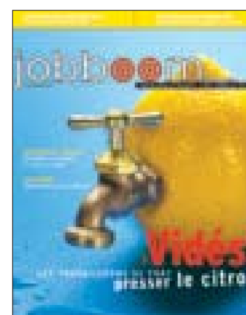
QUEBECOR MEDIA'S ONLINE GATEWAY STEERS VISITORS TOWARD QUEBECOR'S OTHER PROPERTIES.



CANOE'S MAIN ACHIEVEMENTS IN 2004

2004 was a year of growth and consolidation for Canoe and its properties.

- *jobboom.com* and *flirt.canoe.ca* were launched in English Canada.
- The video chat service was promoted and video messages were added to the services available on the *flirt.canoe.ca* and *reseaucontact.com* dating sites.
- The *fillescool.canoe.com* site was launched in collaboration with TVA Publishing.
- Jobboom Publishing increased the frequency of magazine *Jobboom* from 7 to 10 issues per year and released several new titles, including books on careers in the construction and agri-food industries.
- Canoe continued supporting the success of the TVA Network's most popular programs by designing and hosting television show sites such as *occupationdouble.com* and *staracademie.ca*.
- Traffic on the *lcn.canoe.com* news site increased and the new Webfin Argent financial site was developed in collaboration with the Argent specialty channel.
- New sections were launched on Canoe's general-interest portals (Summer Games, video game reviews, motorcycles, etc.)
- E-commerce sections were developed and online subscription was made available to TVA Publishing magazines, Sun Media Corporation newspapers and Jobboom publications.



NURUN

Focus on interactivity and e-business

In 2004, Nurun diversified its offerings with the acquisition of Ant Farm Interactive LLC of Atlanta, United States and the addition of its seasoned managers, skilled in relationship marketing, customer-relationship management and online media.

The successful integration of Ant Farm Interactive also provided Nurun with extensive expertise in financial services and strengthened its existing know-how in telecommunications. It added companies such as Equifax, TIAA-CREF and Cingular Wireless to Nurun's customer list.

BUSINESS DEVELOPMENT

During the year, many high-profile customers awarded Nurun contracts to develop and implement solutions that wed marketing strategies to the latest technology.

In Europe, Nurun carried out projects for companies such as:

- Canal+, the largest pay television service in France, and its specialty channels.
- Wanadoo, the Internet portal of France Télécom's ISP service.
- Blédina, France's leading baby food maker.
- Louis Vuitton, a world leader in luxury products.
- Thalès, an international electronics and systems group.

In North America, Nurun landed contracts for innovative projects with the Royal Canadian Mint, Contiki Holidays, the Canadian subsidiary of one of the world's largest tire manufacturers, and other customers.

Nurun continued developing its relationships with existing customers, including Club Med, the world leader in vacation packages, which chose Nurun to overhaul its U.S. Web site; the Danone Group, which had Nurun design a new portal and an e-newsletter; and Telecom Italia, which awarded Nurun the contract to redefine the visual identity and communications strategy of all its Web sites.

STRONGER RELATIONSHIPS WITH OTHER QUEBECOR COMPANIES

An agreement that couples Quebecor World's digital capabilities with Nurun's technological expertise, signed in 2000, was extended for an additional five years up to 2010.

The synergies with Quebecor World are an important engine of growth for Nurun, as two major contracts signed in 2004 confirm. One calls for implementation of an automated publishing system (APS) for the Canadian subsidiary of one of the largest electronics distributors in North America. The other involves online marketing and implementation of an e-commerce platform for the Canadian subsidiary of a world leader in home renovation supplies.

Nurun also continued advising other Quebecor Media subsidiaries, including Archambault Group and Vidéotron, on their strategic e-business development plans.

LE SUPERCLUB VIDÉOTRON

A Canadian national retail vehicle

The combination of the complementary assets of Le SuperClub Vidéotron and Jumbo Entertainment has created a 285-store network which is one of the largest video and games rental and retail chains in Canada.

In July 2004, Le SuperClub Vidéotron took a large step that will have a major impact on its long-term development by acquiring Jumbo Entertainment and its 105 video and games rental and retail stores to become a coast-to-coast retailer in Canada. It now operates in nine of the ten provinces under the Le SuperClub Vidéotron, Jumbo Video™, Microplay™ and Starstruck Entertainment™ names.

REVENUE-SHARING AGREEMENTS WITH A DOZEN MAJOR STUDIOS

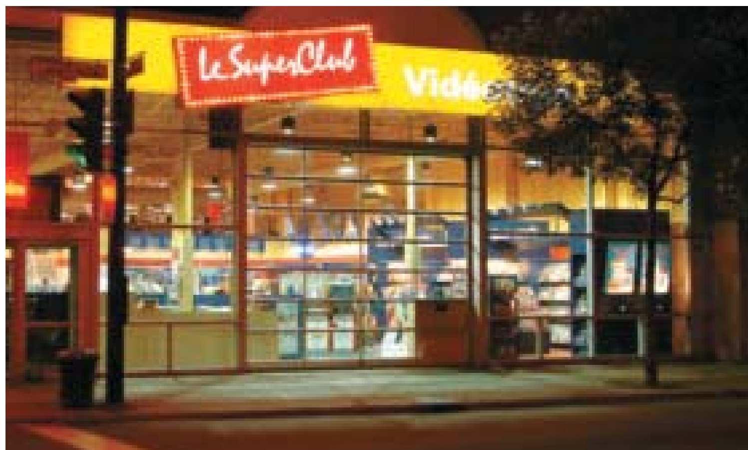
Le SuperClub Vidéotron signed a distribution agreement with a fifth major U.S. studio in 2004. To date, it also has agreements with five large Canadian distributors, including TVA Films. All the agreements are on revenue-sharing terms advantageous to Le SuperClub Vidéotron, enabling it to stock more copies of a given film at a lower cost and to share the financial risk more fairly. In 2004, nearly 75% of Le SuperClub Vidéotron's film rental revenues were generated under agreements of this type. In December 2004, all Jumbo Video™ stores switched to the revenue-sharing system.

MICROPLAY™ A NEW CONCEPT IN VIDEO GAME STORES

The booming video game market is attracting growing legions of fans of all ages. In 2004, Le SuperClub Vidéotron integrated the Microplay™ chain into its operations. The move was supported by a major media campaign designed to position the new concept in the marketplace. As of December 31, 2004, Microplay™ was operating 121 game stores across Canada, including 65 in Québec.

EXPANSION PLANS

The acquisition of Jumbo Entertainment opens a new phase in Le SuperClub Vidéotron's development. The subsidiary plans to build on the newly integrated chain to expand its retail network. Already, two new Jumbo Video™ stores are slated to open in the Ottawa area in the first quarter of 2005.



QUEBECOR WORLD

Successful restructuring and improved results

In 2004, Quebecor World started reaping the benefits of years of effort to maintain and increase business volume while aggressively controlling costs.

Quebecor World posted year-over-year increases in consolidated revenues, operating income and operating margins, stated in U.S. dollars, in 2004. North American operations, which still account for approximately 80% of Quebecor World's revenues, showed the greatest improvement.

AMBITIOUS RESTRUCTURING PROGRAM CONTINUES

Since 2003, Quebecor World has reverted to its core values in order to generate better financial results, regardless of market conditions.

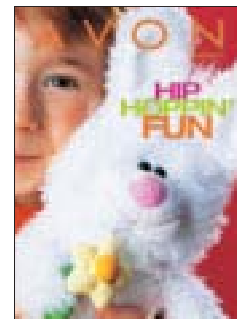
After a thorough review of the subsidiary's operations, Quebecor World's new management team introduced a series of initiatives to cut costs, improve efficiencies, maintain and increase volumes, and apply the latest technological innovations.

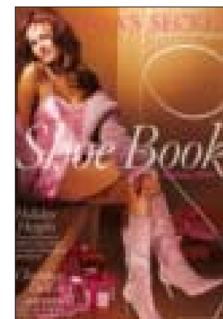
In 2004, as part of its restructuring program, Quebecor World reorganized its North American manufacturing platform. The magazine printing facility in Effingham, Illinois was closed and the book printing facility in Kingsport, Tennessee was downsized.

In Europe, Quebecor World pushed ahead with reorganization of its Nordic gravure platform. The Stockholm plant was closed and some of the equipment was transferred to Quebecor World facilities in Finland and Belgium.

Quebecor World also consolidated six smaller plants in North America and Europe, and brought in numerous other cost-cutting and workforce-reduction measures in the course of the year.

In all, these initiatives resulted in the elimination of 2,228 positions in 2004, with another 290 to be cut in 2005. At the same time, 567 new positions were created at other plants in 2004.

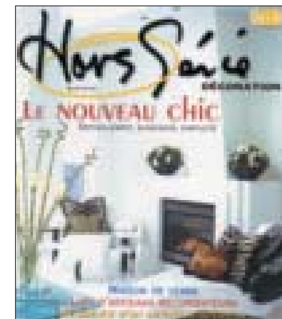




One of the largest commercial print media services companies in the world, with operations in 17 countries.

STRATEGIC INVESTMENT IN THE PURCHASE OF 22 PRESSES

In 2004, Quebecor World announced a major capital investment in the purchase of 22 new presses over the next three years for its U.S. manufacturing platform. The new equipment will make Quebecor World the technological leader in the North American printing industry. It will improve efficiency and reduce lead time, providing publishers and retailers with a more integrated and flexible manufacturing network.



INCREASED VOLUME

Quebecor World recorded increased volumes in most of its business groups in 2004. The performance reflects a gradual recovery in the first nine months of 2004 followed by stronger growth in the fourth quarter.

In North America, volumes were up in the Magazine and Catalog groups, which renewed existing contracts and signed new contracts to print magazines for publishers such as Hearst, Forbes, Bauer and Wenner, and catalogs for retailers such as JC Penney, Brylane and Oriental Trade Company.

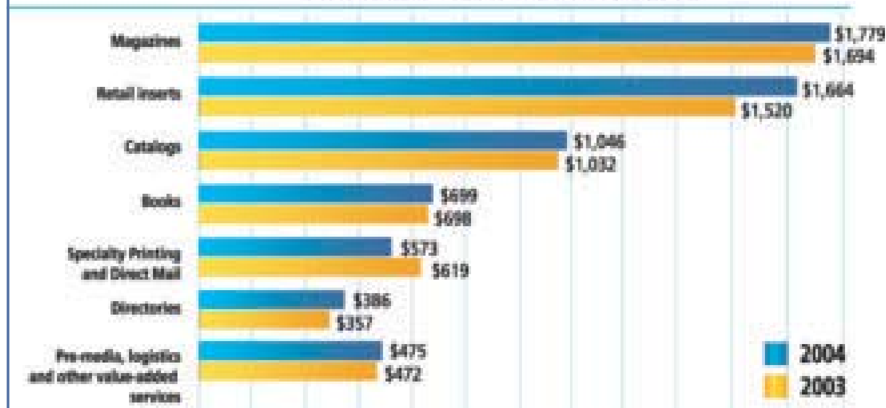
The Retail Group grew its sales to clients such as Home Depot, JC Penney, CVS and Lowe's.

Quebecor World increased its share of the directory printing market by renewing existing contracts and signing new contracts with independent publishers.

Sales were also up in the Pre-media and Canada groups, both of which signed new contracts with existing and new customers.

In Europe, volumes edged up 3.8%, mainly because of increases in the Retail and Magazine markets stemming in large part from the addition of new presses in Spain and Sweden.

In Latin America, volume rose 8.9%, propelled by impressive growth in the Book group in Argentina and Brazil.



FINANCIAL SECTION

ANNUAL REPORT 2004 • QUEBECOR INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS	26
Company Profile and Highlights	26
Operating Results	29
Liquidity and Capital Resources	43
Additional Information	49
SELECTED FINANCIAL DATA	59
SELECTED QUARTERLY FINANCIAL DATA	60
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS	61
AUDITOR'S REPORT TO THE SHAREHOLDERS OF QUEBECOR INC.	61
CONSOLIDATED FINANCIAL STATEMENTS	62
Consolidated Statements of Income	62
Consolidated Statements of Retained Earnings	63
Consolidated Statements of Cash Flows	64
Consolidated Balance Sheets	66
Segmented Information	68
Notes to Consolidated Financial Statements	72

COMPANY PROFILE AND HIGHLIGHTS

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, engaged in the following lines of business: Cable, Newspapers, Broadcasting, Leisure and Entertainment, Business Telecommunications, Interactive Technologies and Communications, and Internet/Portals.

OVERVIEW OF 2004

Quebecor Inc.

Quebecor's two operating subsidiaries, Quebecor World and Quebecor Media, both improved their results during the 2004 financial year. Despite a difficult market environment, Quebecor World increased its volumes in most of its business groups and maintained its revenue levels in 2004, while its operating income rose 25.6% from 2003 (in U.S. dollars). At Quebecor Media, all business segments reported higher revenues. Quebecor Media's operating income grew by 14.1%, mainly because of the excellent performance of the Cable segment.

Quebecor recorded revenues of $10.98 billion in 2004, a decrease of $217.7 million (1.9%) compared with 2003, due primarily to the impact of the conversion of Quebecor World's results into Canadian dollars. Operating income increased by $229.6 million (15.0%) to $1.76 billion. Net income was $112.2 million ($1.74 per basic share) compared with $66.4 million ($1.03 per basic share) in 2003, an increase of nearly 70.0%.

Quebecor World Inc.

The commercial print media services industry has been experiencing difficult economic conditions since 2001. Global overcapacity has created downward pressure on prices in all of Quebecor World's lines of business. In this challenging environment, the approach from this subsidiary's management has been to continue to secure and increase new and existing volume and to adopt an uncompromising focus on cost containment and cost-reduction.

Volumes increased in most of Quebecor World's business groups in 2004. Stated in U.S. dollars, revenues, operating income and operating margins were all higher than in the previous year. North American operations made the strongest contribution to the improvements. However, the downward pricing pressure caused by global overcapacity continued to impact revenues, cancelling the gains generated by the higher volume. Despite pricing pressures, Quebecor World maintained its revenue level in 2004. The year was marked by a gradual recovery during the first nine months, while the fourth quarter showed a significant improvement.

- Quebecor World continued its restructuring initiatives. Additional reserves for restructuring of operating activities and impairment of assets were recorded in 2004 in connection with the closing of facilities in North America and Europe, the downsizing of another facility in the United States, and work-force reductions across the organization. In all, the restructuring initiatives introduced in 2004 affected 2,518 positions, including those that will be eliminated in 2005, and created 567 new positions.
- In July 2004, Quebecor World announced a major capital investment involving the purchase of 22 new presses for its U.S. manufacturing platform as part of its long-term strategic plan. The new equipment will make Quebecor World the technological leader in the North American printing industry.

Quebecor World's revenues increased US$230.6 million (3.6%) to US$6.62 billion in 2004, mainly as a result of the impact of the conversion of currencies other than the U.S. dollar and the inclusion of an additional week in the 2004 financial year. Quebecor World's operating income was US$818.7 million, an increase of US$166.9 million (25.6%) compared with 2003.

Quebecor World generated net income of US$106.2 million (US$0.80 per basic share) compared with a net loss of US$67.9 million (US$0.50 per basic share) in 2003. Excluding unusual items, which include the reserve for restructuring, impairment of assets and other special charges and net gain or loss on debt refinancing and on the repurchase of redeemable Preferred Shares of a subsidiary, Quebecor World's net income would have been US$202.4 million (US$1.52 per basic share) in 2004 compared with US$21.4 million (US$0.16 per basic share) in the 2003 financial year.

Quebecor Media Inc.

In 2004, Quebecor Media expanded into new geographic markets, developed new products, introduced promising new services, and streamlined its corporate structure. Strategic planning and business decisions continued to be guided by Quebecor Media's convergence strategy.

- Following a trial period with 2,000 customers in the fall of 2004, Vidéotron ltée ("Vidéotron") and Videotron Telecom Ltd. ("Videotron Telecom") officially

launched a Voice over IP ("VoIP") telephone service on January 24, 2005. Videotron became the first major cable company in Canada to offer consumers residential telephone service over cable.

- TVA Group Inc. ("TVA Group") and Sun Media Corporation entered Canada's English-language television market with the acquisition of television station Toronto 1, while Le SuperClub Vidéotron ltée ("Le SuperClub Vidéotron") expanded its Canadian retail network by buying virtually all the assets of Jumbo Entertainment Inc. ("Jumbo Entertainment").
- Videotron Telecom landed a major outsourcing contract to host and manage Quebecor World's servers and communications software for North America.
- Quebecor Media took Netgraphe Inc. ("Netgraphe") private. Nurun Inc. ("Nurun") closed the sale of its interest in Mindready Solutions Inc. ("Mindready Solutions") in order to focus on its core interactive technologies and communications business, which was strengthened by the acquisition of Ant Farm Interactive LLC ("Ant Farm Interactive"), based in Atlanta, USA.
- Archambault Group Inc. ("Archambault Group") launched Groupe Archambault France S.A.S., a new producer, publisher and distributor of cultural content in Europe.
- Vidéotron paid down its term loan with the proceeds from a US$315.0 million issue of long-term notes, eliminating its mandatory debt payment commitments. Vidéotron also raised the borrowing limit on its revolving credit facility by $350.0 million and amended the terms and conditions in order to secure greater financial flexibility, particularly regarding the payment of dividends to Quebecor Media.

Quebecor Media generated revenues of $2.46 billion in 2004, an increase of $164.3 million (7.1%) compared with 2003. All segments without exception contributed to the higher revenues. Operating income grew by $85.4 million (14.0%) to $697.2 million, largely because of the Cable segment's strong performance. Quebecor Media recorded net income of $88.2 million in 2004, compared with $203.9 million in 2003. Excluding unusual items, which include a $153.7 million gain on the purchase of the Preferred Shares held by The Carlyle Group in Videotron Telecom, recorded in 2003, net income would have increased by $26.2 million (45.5%) in 2004.

The Cable segment's revenues grew by $66.6 million (8.3%) in 2004 and its operating income jumped by $65.9 million (23.9%). The customer base for Vidéotron's cable Internet access and *illico Digital TV* services grew by 96,300 (23.7%) and 92,800 (38.5%) respectively in 2004 to 502,600 and 333,700. Vidéotron recorded a net gain of 28,500 customers for all its cable television services combined in 2004, after posting net losses in the previous five years. The operating margin, expressed as a percentage, was 39.1% in 2004 compared with 34.2% a year earlier. Net monthly average revenue per user ("ARPU") rose 6.5% from $43.68 in 2003 to $46.50 in 2004.

The Newspapers segment increased its revenues by $42.2 million (5.0%) in 2004, mainly because of the favourable impact of the acquisition of the assets of Annex Publishing & Printing Inc. ("Annex Publishing & Printing"), which closed in November 2003, and higher advertising revenues. Operating income totalled $227.8 million in 2004 compared with $224.8 million in 2003. The performance of the urban dailies and community newspapers, combined with the acquisition of Annex Publishing & Printing, more than offset the operating losses of the free dailies *24 heures Montréal Métropolitain*MC in Montréal and *24 Hours*TM in Toronto.

The Broadcasting segment generated revenues of $358.0 million in 2004, a $17.1 million (5.0%) increase. Revenues from broadcasting operations grew by $25.6 million, primarily as a result of higher advertising revenues, which more than offset a decrease in revenues from distribution and publishing operations. Operating income was $80.5 million compared with $81.5 million in the 2003 financial year, reflecting the investments made in the Toronto 1 television station, the launch of the Mystère digital specialty channel, and two new magazines. The TVA Network had 27 of the 30 top-rated television programs in Québec in the 2004 fall season as compared to 20 of the 30 top-rated programs for the same period in 2003. According to BBM People Meter survey results, TVA Network's audience share reached 30%.

The Leisure and Entertainment segment posted total revenues of $241.7 million in 2004, a $36.7 million (17.9%) growth. Operating income rose $8.0 million (54.4%) from $14.7 million in 2003 to $22.7 million in 2004. These results were primarily due to increased revenues at Archambault Group and higher figures recorded for CEC Publishing Inc. ("CEC Publishing") following the increase of Quebecor Media's interest in the business from 50% to 100%.

In the Business Telecommunications segment, revenues increased by $0.9 million to $78.6 million and operating income by $8.2 million to $22.6 million, largely because of the impact of the outsourcing contract with Quebecor World.

The revenues of the Interactive Technologies and Communications segment rose $7.1 million (15.8%) to $51.9 million in 2004 and the segment's operating income doubled to $2.3 million.

The Internet/Portals segment's revenues increased $6.3 million (22.3%) to $34.5 million in 2004 and its operating income increased $1.4 million (45.2%) to $4.5 million, due to the excellent performance of the general-interest and special-interest portals, particularly *jobboom.com*.

CHANGES IN CORPORATE STRUCTURE

On December 2, 2004, TVA Group and Sun Media Corporation announced that they had closed the acquisition of television station Toronto 1 for $43.2 million, following approval by the Canadian Radio-television and Telecommunications Commission ("CRTC"). The transaction includes a total cash consideration of $35.2 million and the transfer of Sun Media Corporation's 29.9% interest in CablePulse24 ("CP24"), a Toronto all-news station. The acquisition positions Quebecor Media strategically in the Toronto market, the largest television market in Canada and one of the largest advertising markets in North America.

In November 2004, Quebecor World acquired the 50% interest it did not already hold in Helio Charleroi of Belgium, formerly a subsidiary of European Graphic Group S.A., for a cash consideration of $53.8 million.

On July 9, 2004, Le SuperClub Vidéotron closed the acquisition of virtually all the assets of Jumbo Entertainment for a cash consideration of $7.2 million. Jumbo Entertainment operates a cross-Canada chain of 105 video and games rental and retail stores.

On May 27, 2004, in response to a partial takeover bid for Mindready Solutions, a total of 6.75 million Common Shares of Mindready Solutions held by Nurun were sold for a cash consideration of $7.8 million, of which $4.4 million was received on the closing date of the bid and the balance in February 2005. As of December 31, 2004, Nurun retained a 9.6% interest in Mindready Solutions, which was subsequently sold in March 2005.

On May 25, 2004, Quebecor Media offered to acquire, through a wholly owned subsidiary, all of the outstanding Multiple Voting Shares and Subordinate Voting Shares of Netgraphe for $0.63 per share. In the course of a number of transactions carried out in 2004, minority interests in Netgraphe were acquired for an aggregate cash consideration of $25.2 million. Netgraphe shares were delisted from the Toronto Stock Exchange shortly thereafter. Since January 1, 2005, the subsidiary has been operating under the name Canoe Inc. ("Canoe").

On April 28, 2004, Nurun closed the acquisition of Ant Farm Interactive, an interactive marketing agency located in Atlanta (United States), for a cash consideration of $5.4 million, plus additional payments contingent on the achievement of performance targets in the next three years and, subject to certain conditions, the issuance of Nurun Common Shares in 2007 or an equivalent cash consideration, at Nurun's option.

During 2004, Quebecor World acquired minority interests in North America and Spain for cash considerations of US3.9 million and US$2.3 million respectively.

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 Videotron Telecom) for a consideration with an estimated value of $125.0 million.

On December 19, 2003, Videotron Telecom sold its Mensys Business Solutions Center Ltd. subsidiary ("Mensys Business Solutions Center") for a cash consideration of $2.0 million.

On November 3, 2003, Sun Media Corporation closed the acquisition of the press assets of Annex Publishing & Printing for a cash consideration of $34.2 million.

On October 15, 2003, Quebecor Media closed the acquisition of the 50% equity interest in CEC Publishing held by Hachette S.A., for a cash consideration of $15.0 million.

In the third quarter of 2003, the operations of Le SuperClub Vidéotron, previously part of the Leisure and Entertainment segment, were transferred to the Cable segment. Results for corresponding periods of 2003 and 2002 have been reclassified to reflect the change.

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.

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

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

In 2003, Quebecor Media increased its interest in Archambault Group from 94.5% to 100.0% for a cash consideration of $2.7 million.

Following business sales made by the Newspapers and Interactive Technologies and Communications segments in 2003 and 2004, the operating results and cash flows of the two segments for prior periods have been reclassified, in accordance with the recommendations in Section 3475, *Disposal of Long-Lived Assets and Discontinued Operations*, of the *Canadian Institute of Chartered Accountants Handbook* ("*CICA Handbook*"), in order to present the operating results and cash flows of Mindready Solutions, Sun Media Corporation's business operations in Florida and British Columbia, and Nurun Technologie S.A. as separate line items for discontinued operations on the income and cash flow statements.

In December 2002, Vidéotron increased its interest in Télé-Câble Charlevoix (1977) inc. for a cash consideration of $2.0 million.

In May 2002, following the sale of Publicor by Quebecor Media to TVA Group, all of the Company's magazines were brought together under TVA Publishing Inc. ("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.

In 2002, Videotron Telecom purchased some of the assets of 360networks inc. and Stream Intelligent Networks Corporation for a cash consideration of $4.1 million.

In 2002, Quebecor World acquired minority interests in operations in North America and Europe for a cash consideration totalling US$4.5 million.

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 38.32% at January 1, 2002, 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. As of December 31, 2004, its interest stood at 35.38%.

In October 2000, Quebecor transferred a 45.28% interest in Quebecor Media to Capital d'Amérique CDPQ inc. and retained a 54.72% interest, which remained unchanged through December 31, 2004. Quebecor's interest in Nurun's results has not varied significantly over the past three years. As of December 31, 2004, it was 31.86%. Quebecor's share, through its affiliated companies, in Canoe's results, which stood at 41.20% following the swap of CANOE's assets for shares of Netgraphe in March 2001, has been 50.18% since Netgraphe was taken private in September 2004. Since January 1, 2005, Netgraphe has been operating under the name Canoe Inc.

During the financial years ended December 31, 2004, 2003 and 2002, Quebecor Media's interest in TVA Group increased as a result of the subsidiary's share repurchase and cancellation programs. In 2004, 1,892,500 Class B Non-Voting Shares were repurchased under those programs. In 2003 and 2002, 1,452,200 and 557,100 Class B Shares were repurchased under the same programs. The share repurchases increased Quebecor's interest in TVA Group's results from 19.4% at January 1, 2002 to 21.7% at December 31, 2004.

Quebecor exercises direct and indirect controlling interests in three public companies. As of December 31, 2004, Quebecor held, directly or indirectly, 84.45%, 58.76% and 99.91% of the voting rights of Quebecor World, Nurun and TVA Group respectively.

OPERATING RESULTS

Definitions

In its analysis of operating results, the Company defines operating income (or loss) as earnings (or loss) before amortization, financial expenses, reserves for restructuring of operations, impairment of assets and other special charges, gains (losses) on sales of businesses, shares of a subsidiary and other assets, gains on re-measurement of exchangeable debentures, net (loss) gain on debt refinancing and on the repurchase of redeemable Preferred Shares of a subsidiary, write-down of goodwill, and income taxes. 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 first quarter of 2004, amortization charges applicable to deferred client incentives and expenses related to accounts receivable securitization programs have been deducted for the purpose of calculating operating income. Figures for 2003 and 2002 have been reclassified to reflect the changes in the definition of operating income.

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

The operating income and free cash flow from operations of Quebecor and its business segments are reported on pages 30 to 46 of this management's discussion and analysis.

The Company's financial year is normally 52 weeks in length. However, some of its subsidiaries may have a 53-week financial year for a given year once over a period of

approximately five years. In 2004, the Printing, Newspapers and Leisure and Entertainment segments included an additional week in the fourth quarter.

Change in accounting for exchangeable debentures

On July 1, 2004, the Company adopted the new consensus in Abstract EIC-56 of the *CICA Handbook*, which rescinds being able to use hedge accounting for the accounting of exchangeable debentures when the issuer's investment in the underlying shares is consolidated or accounted for by the equity method. Therefore, since July 1, 2004, in accordance with EIC-56, changes in the market value of floating rate debentures Series 2001, based on fluctuations in the value of the underlying 12.5 million shares of Quebecor World, have been recognized directly in income rather than deferred on the balance sheet.

As a result of the adoption of the amended EIC-56, an increase of $1.00 per share in the market value of Quebecor World will trigger a corresponding increase in the market value of the exchangeable debentures resulting in a loss of $12.5 million to be recorded in income. Conversely, a decrease of $1.00 per share in the market value of Quebecor World will trigger a corresponding decrease in the market value of the exchangeable debentures resulting in a gain of $12.5 million. The Company recorded a $45.0 million gain for the six-month period ended December 31, 2004 since the trading price of the underlying shares decreased by $3.60 per share between July 1, 2004 and December 31, 2004.

2004/2003 FINANCIAL YEAR COMPARISON

In 2004, the revenues of Quebecor totalled $10.98 billion, compared with $11.20 billion in 2003, a $217.7 million (1.9%) decrease. The $164.3 million increase in Quebecor Media's revenues only partially offset the unfavourable impact of the translation of Quebecor World's revenues into Canadian dollars.

Quebecor World's revenues decreased $366.2 million (4.1%) to $8.60 billion in 2004. Excluding the impact of currency translation, the Printing segment's revenues rose 0.4%, reflecting the impact of higher volumes in most of its business groups, which outweighed pricing pressures. Excluding the impact of the 53rd week, revenues decreased 1.0%.

Quebecor Media recorded revenues of $2.46 billion, an increase of $164.3 million (7.1%). All of the subsidiary's business segments without exception reported higher revenues: revenues rose $66.6 million (8.3%) in the Cable segment, $42.2 million (5.0%) in the Newspapers segment, $36.7 million (17.9%) in the Leisure and Entertainment segment, and $17.1 million (5.0%) in the Broadcasting segment.

The Company generated operating income in the amount of $1.76 billion in 2004, an increase of $229.6 million (15.0%) from $1.53 billion in 2003.

Quebecor World reported operating income of $1.06 billion in 2004. The $144.0 million (15.7%) increase was due, among other things, to the success of effective restructuring initiatives, and to work-force reductions and cost containment measures, as well as higher volume. In addition, specific charges decreased significantly from $110.5 million in 2003 to $24.6 million in 2004.

Quebecor Media's operating income grew $85.4 million (14.0%) from $611.8 million to $697.2 million, mainly because of a significant $65.9 million (23.9%) increase in operating income in the Cable segment due primarily to the increased profitability of the Internet access and *illico Digital TV* services. Most other segments also posted larger operating income, including the Business Telecommunications segment ($8.2 million), the Leisure and Entertainment segment ($8.0 million), and the Newspapers segment ($3.0 million).

Quebecor generated net income of $112.2 million ($1.74 per basic share) in 2004 compared with $66.4 million ($1.03 per basic share) in 2003. The improvement was due to higher operating income, a $63.9 million decrease in financial expenses, a $45.0 million gain on re-measurement of exchangeable debentures, a $35.3 million decrease in the amortization charge, and a gain on sale of businesses, shares of subsidiaries and other assets. These factors combined offset the unfavourable impact of a $104.4 million net gain on debt refinancing and on repurchase of Preferred Shares of a subsidiary recorded in 2003 (compared with a $7.4 million loss in 2004), a $26.2 million increase in reserves for restructuring of operations, impairment of assets and other special charges, and a $114.4 million increase in income tax expense.

Excluding unusual items, including the reserve for restructuring, impairment of assets and other special charges, the gain on re-measurement of exchangeable debentures, and the net (loss) gain on debt refinancing and on repurchase of Preferred Shares of a subsidiary, net of income tax and non-controlling interest, net income would have been $117.1 million in 2004 ($1.81 per basic share) compared with $29.0 million ($0.45 per basic share) in 2003.

The amortization charge decreased by $35.3 million from $698.0 million in 2003 to $662.7 million in 2004, mainly because of the favourable impact of currency translation on the amortization charges recorded by Quebecor World.

Financial expenses decreased by $63.9 million from $584.8 million in 2003 to $520.9 million in 2004. Quebecor World's financial expenses declined by $72.3 million, primarily because of the impact of currency translation, the impact of the refinancing of its Senior Notes in 2003 and 2004, combined with lower average long-term

debt, the favourable impact of the currency mix in the debt portfolio, and lower foreign exchange losses. The decrease was partially offset by a $14.5 million increase in financial expenses at Quebecor Media, where reduced financial expenses due to lower debt levels and other factors were outweighed by a $6.8 million loss on the value of a financial instrument which ceased to be effective, according to accounting policies, and a $1.2 million foreign-exchange loss (compared with a $22.0 million gain in 2003).

Quebecor recorded a net reserve for restructuring, impairment of assets and other special charges of $160.1 million in 2004, compared with $133.9 million in 2003.

Quebecor World continued its thorough review of operations and administration in 2004 with the aim of reducing its cost structure and increasing efficiency. A reserve for restructuring, impairment of assets and other special charges of $157.3 million was therefore recorded in 2004, compared with $132.1 million in 2003.

The reserve recorded in 2004 consisted of $107.4 million in non-cash items and $49.9 million in cash items. The latter included a $51.8 million charge related to restructuring initiatives implemented in 2004 and a $1.9 million reversal related to initiatives from prior periods. The reversal consisted of an $8.5 million entry for excess costs and reversal of a $10.4 million charge to cancel the elimination of 75 positions. Quebecor World estimates that cash items in the amount of $21.4 million related to 2004 restructuring initiatives remain to be recorded.

Restructuring initiatives taken in 2004 entailed the closing of some facilities, including the Effingham, Illinois, plant in the Magazine group and the Stockholm plant in Sweden, the consolidation of six smaller plants in North America and Europe, and a significant downsizing of the book printing plant in Kingsport, Tennessee. The carrying amount of under-performing or unused assets was reduced as a result of the restructuring initiatives. Quebecor World continued reducing its work-force across its platform throughout the 2004 financial year. As a result of those measures, 2,228 positions have been eliminated and another 290 will be eliminated in 2005; however, 567 new positions were created at other plants in 2004.

Quebecor Media also recorded in 2004 a reserve for restructuring of operations, impairment of assets and other special charges in the amount of $2.8 million, compared with $1.8 million in 2003. The 2004 figure included a $2.0 million charge for payment of compensation and legal expenses related to the implementation of the restructuring program launched in 2001 in the Business Telecommunications segment.

In 2004, Quebecor recorded a gain on disposal of businesses and other assets of $9.3 million, resulting mainly from a gain on the transfer of Sun Media Corporation's 29.9% interest in CP24 as a consideration in respect of the acquisition of the Toronto 1 television station. In 2003, a $1.1 million loss was recorded for this item.

In 2004, Quebecor recorded a $45.0 million gain on the re-measurement of the floating rate debentures Series 2001, following the adoption on July 1, 2004 of the new consensus in Abstract EIC-56, which rescinds being able to use hedge accounting for exchangeable debentures when the issuer's investment in the underlying shares is consolidated or accounted for by the equity method. (See "Change in accounting for exchangeable debentures" above.)

In 2004, the Company recorded a $7.4 million loss on debt refinancing and on repurchase of Preferred Shares of a subsidiary resulting primarily from recognition of financial instruments at fair value following refinancing in the Cable segment in October 2004. In 2003, the Company recorded a net gain of $104.4 million on debt refinancing and on repurchase of Preferred Shares of a subsidiary, including a net gain of $144.1 million recorded by Quebecor Media, which was partially offset by a $39.7 million loss at 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 Videotron Telecom.

Income tax expense amounted to $132.9 million in 2004, compared with $21.5 million in 2003, a difference of $114.4 million. Excluding the reserve for restructuring, impairment of assets and other special charges, the gain on re-measurement of the exchangeable debentures and the net (loss) gain on debt refinancing and on repurchase of Preferred Shares of a subsidiary, the income tax expense would have been $163.4 million in 2004, for an effective rate of 28.4%, compared with $78.8 million and an effective rate of 31.9% in 2003.

The effective tax rate decreased at Quebecor World in comparison with the previous year. In 2003, the consolidated income tax expense included a charge related to an adjustment of the average tax rate applied on cumulative temporary differences in various States in the United States in the amount of $36.8 million, and an additional charge of $32.9 million reflecting a revised expectation of tax asset recovery and liabilities from prior years. Excluding these items, the increase in the effective tax rate in 2004 was due to an increase in income before tax in countries with higher tax rates and to the recording of valuation allowances on tax assets.

The effective tax rates for Quebecor Media and Quebecor rose, mainly as a result of the recognition in 2003 of tax benefits related to previously unrecorded operating losses, including tax recovery in the amounts of $45.0 million recorded by Quebecor Media and $18.2 million recorded at the Quebecor Inc. level. Quebecor Media also recognized

previously unrecorded tax benefits in the amount of $23.7 million in 2004. The recognition of tax benefits in 2003 and 2004 reflects amended forecasts concerning the recovery of those benefits.

2004/2003 FOURTH QUARTER COMPARISON

Quebecor's revenues totalled $2.99 billion in the fourth quarter of 2004 compared with $2.92 billion in the same period of 2003. The $65.2 million (2.2%) increase stemmed primarily from the performance of Quebecor Media, which increased its revenues by $68.9 million (11.0%). All of Quebecor Media's business segments contributed to the higher revenues, including Cable ($22.0 million or 10.5%), Newspapers ($22.0 million or 9.8%), Leisure and Entertainment ($11.8 million or 17.1%), and Broadcasting ($9.4 million or 9.7%). Quebecor World's revenues, converted into Canadian dollars, were stable in comparison with the same quarter of 2003. However, excluding the effect of currency translation, Quebecor World's revenues increased by approximately 5.7%, mainly as a result of the impact of the extra week on fourth quarter 2004 results and higher volumes in North America, only partially offset by constant pricing pressures in all its business segments. Volumes increased considerably in the fourth quarter of 2004 in the Catalog (13.8%), Retail (11.1%), Directory (29.4%) and Premedia (55.0%) groups due to firmer demand, signs of which have been evident since the second quarter of 2004, and the effect of the extra week in the quarter.

Operating income amounted to $508.7 million compared with $411.3 million in the fourth quarter of 2003. The $97.4 million (23.7%) increase was due to higher operating income at Quebecor World ($72.7 million or 31.4%) and Quebecor Media ($24.3 million or 13.5%).

The rise in operating income at Quebecor World in the fourth quarter of 2004 was mainly due to the effect of cost-containment and work-force reduction efforts, and a decrease in specific charges, which were reduced from $30.1 million to $10.6 million. Excluding the impact of specific charges, operating margins increased from 19.1% in 2003 to 20.4% in 2004, and selling, general and administrative expenses decreased by $27.9 million.

At Quebecor Media, the increase in operating income was caused mainly by higher operating income in the Cable ($12.7 million), Business Telecommunications ($8.5 million) and Newspapers ($6.5 million) segments. These increases more than made up for a decrease in operating income in the Broadcasting segment ($3.1 million).

Net income totalled $59.4 million ($0.93 per basic share) in the fourth quarter of 2004, compared with $67.5 million ($1.04 per basic share) in the same period of 2003. The reduction was due to a $36.6 million increase in the reserve for restructuring of operations, impairment of assets and other special charges as a result of additional restructuring measures at Quebecor World, and a $4.8 million loss on debt refinancing recorded in the fourth quarter of 2004, compared with a $96.9 million gain in the same quarter of 2003. A $153.7 million gain on repurchase of Preferred Shares of a subsidiary was recognized in the fourth quarter of 2003, which was partially offset by losses resulting from debt refinancing by Vidéotron and Quebecor World in the same quarter. The unfavourable impact of these factors was however partially offset by the $97.4 million increase in operating income, a $30.0 million gain on the re-measurement of the floating rate debentures Series 2001, a gain on sale of businesses, shares of a subsidiary and other assets, and lower financial expenses and amortization charges.

Amortization charges decreased by $7.2 million, from $175.5 million in the fourth quarter of 2003 to $168.3 million in the fourth quarter of 2004, mainly because of the favourable impact of currency translation on amortization charges at Quebecor World.

Financial expenses were reduced by $19.6 million from $154.6 million in the fourth quarter of 2003 to $135.0 million in the same quarter of 2004, mainly because of the impact of currency translation, the impact of the refinancing of Senior Notes at Quebecor World in the fourth quarter of 2003 and 2004, combined with lower average long-term debt, the favourable impact of the currency mix in the debt portfolio, and lower foreign exchange losses. The decrease was partially offset by a $7.2 million increase in financial expenses at Quebecor Media, where reduced financial expenses due to lower debt levels were more than offset by an $8.3 million loss on the value of a financial instrument which ceased to be effective, according to accounting policies, and a $1.2 million foreign exchange gain (compared with a $4.1 million gain in 2003).

Quebecor World recorded a net reserve for restructuring, impairment of assets and other special charges of $64.6 million in the fourth quarter of 2004, compared with a $28.2 million charge in the same period of 2003. The reserve for the fourth quarter of 2004 included non-cash items of $47.1 million and cash items of $17.5 million.

Quebecor World continued its restructuring initiatives in the fourth quarter of 2004 and approved the consolidation of five small facilities in North America and Europe, as well as other work-force reductions across the organization. The fourth quarter initiatives affected 551 positions in total; however, Quebecor World estimated that 88 new jobs would be created in other facilities. As of December 31, 2004, 322 positions had been eliminated through these initiatives.

In the fourth quarter of 2004, the Company recorded a gain on disposal of businesses and other assets of $8.0 million

resulting mainly from a gain on the transfer of the interest in CP24, compared with a $1.1 million loss for this item in the same period of 2003.

As a result of the new consensus stated in EIC-56, according to which a change in the market value of floating rate debentures Series 2001 is to be recognized directly in income rather than deferred on the balance sheet, the Company recognized a $30.0 million gain on re-measurement of the debentures in the fourth quarter of 2004. Since the new policy took effect on July 1, 2004, no amount was recorded for this item in the fourth quarter of 2003. (See "Change in accounting for exchangeable debentures" above.)

The income tax charge was $41.8 million in the fourth quarter of 2004 compared with $24.2 million in the same period of 2003. In addition to the factors noted above in the discussion of the annual results, higher pre-tax income in the fourth quarter of 2004 than in the same quarter of 2003 also contributed to the increase in income tax expense.

SEGMENTED ANALYSIS

Printing segment

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 operates in the commercial print media services segment of the Printing industry. Its business units are located in three regions: North America (which historically has accounted for approximately 80% of Quebecor World's revenues), Europe and Latin America.

The two main economic factors that affect Quebecor World's business are consumer confidence and economic growth rate. Quebecor World uses the monthly figures on paid advertising space in U.S. magazines released by the Publishers Information Bureau as a key indicator of demand for printing products and related services. In recent months, this indicator has been giving signs of market recovery, showing year-over-year growth in page numbers ranging between 3% and 10% per month since May 2004.

In 2004, volumes increased in most of Quebecor World's business groups. Stated in U.S. dollars, Quebecor World's revenues, operating income and operating margins increased in 2004 from the previous year. North American operations made the largest contribution to the improvements. However, downward pressure on prices caused by global overcapacity continued to impact revenues, cancelling the gains generated by the higher volumes. Despite pricing pressures, Quebecor World maintained its revenue levels in 2004. Demand firmed up gradually in the first nine months of the year and the trend accelerated in the fourth quarter.

In this challenging environment, Quebecor World's approach has been to secure and increase volume and to adopt an uncompromising focus on cost containment, which led to work-force reductions, closing and downsizing facilities, decommissioning under-performing assets, and cutting overhead expenses by consolidating corporate functions, relocating sales and administrative offices into plants, and other measures. These efforts reduced Quebecor World's cost structure and enhanced the efficiency of its production platform.

As part of the strategic plan launched in the second quarter of 2004, Quebecor World announced its intention to invest in new equipment to reach the next productivity level and improve customer service. In July 2004, Quebecor World announced a major capital investment to purchase 22 new presses over the next three years for its U.S. manufacturing platform, which will make it the technological leader in the North American printing industry. The new-technology equipment will improve efficiency by providing publishers and retailers with a more integrated and flexible manufacturing network. Targeted investments have been made in specific markets where potential for growth has been identified.

In 2004, Quebecor World's revenues were US$6.62 billion, an increase of US$230.6 million (3.6%) from 2003. Excluding the favourable impact of the fluctuation of currencies other than the U.S. dollar (US$190.1 million), and the effect of the extra week in the 2004 financial year (US$90.9 million), revenues declined 0.8% in 2004, primarily as a result of pricing pressures.

Operating income increased by US$166.9 million (25.6%) from US$651.8 million in 2003 to US$818.7 million in 2004, mainly because of higher volumes, cost-containment measures and work-force reductions, as well as lower specific charges. Excluding the impact of specific charges, operating income increased by US$107.0 million (14.6%).

In 2004, Quebecor World recorded specific charges of US$18.9 million compared with US$78.8 million in 2003. The 2004 figure includes provisions for leases, favourable settlement of legal claims and compensation for employees following plant closures, particularly in North America. North American operations accounted for US$58.4 million of the specific charges recorded in 2003. The 2003 figure included a US$15.0 million adjustment related to rapid growth and systems issues in the Logistics business, a US$16.0 million allowance for doubtful accounts, and a US$9.3 million provision for operating leases. In Latin America and Europe, specific charges amounted to US$8.0 million and US$6.1 million respectively.

The cost of goods sold increased 2.6% in 2004 compared with 2003, mainly because of the 53rd week. Gross operating margins rose to 19.6% in 2004 compared with 18.8% in the previous year. Specific charges of US$8.8 million were recognized in cost of goods sold in 2004 compared with US$40.9 million in 2003. Excluding these charges and the unfavourable impact of currency translation, gross margins would have been 19.9% in 2004 and 19.5% in 2003. Despite higher volumes, labour costs decreased by US$11.6 million as a result of work-force reductions. Gains on other materials and higher revenues from scrap paper also contributed to an increase in gross operating margins of approximately US$50.7 million.

Selling, general and administrative expenses amounted to US$480.1 million in 2004 compared with US$550.9 million in 2003, a US$70.8 million (12.9%) decrease. Specific charges of US$8.7 million were recognized in selling, general and administrative expenses in 2004 compared with US$37.9 million in 2003. Excluding the US$29.2 million decrease in specific charges and the unfavourable impact of currency fluctuations, which amounted to US$16.0 million, selling, general and administrative expenses decreased US$57.6 million in 2004 from the previous year. The improvement was mainly due to work-force reductions, which resulted in lower labour costs, and to a decrease in travel and entertainment expenses.

Stated in Canadian dollars, Quebecor World posted revenues of $8.60 billion in 2004, a $366.2 million decrease from 2003 essentially due to the impact of the conversion of the subsidiary's results into Canadian dollars. Operating income totalled $1.06 billion, an increase of $144.0 million from 2003. Conversion into Canadian dollars had the effect of reducing the increase in operating income.

North American revenues grew 1.4% in comparison with 2003 to US$5.13 billion. Excluding the effect of the translation of currencies other than the U.S. dollar, revenues were stable compared with 2003. Revenues increased in some business groups, including Magazine (2.2%), Retail (7.3%), Canada (3.6%), and Logistics (13.1%), and decreased in others, including Catalog (1.9%), Commercial & Direct (10.8%), and Premedia (8.4%). In the Book & Directory group, revenues were relatively stable.

Volumes grew in the Magazine and Catalog groups due to contract renewals with existing customers and new contracts to print magazines for publishers such as Hearst, Forbes, Bauer and Wenner, and to print catalogues for retailers such as JC Penney, Brylane and Oriental Trade Company. In the Retail group, the strategic investments made in recent years have built a North American network that provides customers with a unique platform, leading to volume increases with customers such as Home Depot, JC Penney, CVS and Lowe's. Despite a 20.4% increase in its directory printing business, the Book & Directory group's total volume was stable in 2004. Directory increased its market share by extending some contracts and securing new contracts with independent publishers. Volumes decreased in the Commercial & Direct group due to vigorous competition. Volumes increased in the Premedia and Canada groups, both of which signed new contracts with existing and new customers.

Pricing pressures continued to affect almost all groups. Moreover, in the Catalog, Retail and Book & Directory groups, the product mix and loss of higher-rate contracts had an unfavourable impact on revenues. In the Magazine group and Direct market, the product mix had a positive impact on revenues.

Operating margins increased in the Retail, Book & Directory, Commercial & Direct, and Canada groups because of the positive impact of cost-cutting measures and improved productivity. In the Catalog group, the higher operating margin was also due to increased volume, particularly in the fourth quarter of the year. In the Logistics group, increased volume made up for the impact of higher transportation costs. In the Premedia group, operating margins decreased caused by the loss of higher-margin contracts. Operating margins also decreased in the Magazine group due to operational inefficiencies related to the closing of the Effingham, Illinois, facility. Selling, general and administrative expenses were reduced in all business groups, without exception.

Headcount was reduced by approximately 2,600 between the end of 2003 and the end of 2004. All groups in North America saw work-force reductions, ranging between 4% and 14%.

In Europe, revenues rose 12.7% to US$1.30 billion, due primarily to the favourable impact of currency fluctuations and increased volumes, which more than made up for the negative impact of price reductions. Excluding the favourable impact of currency translation, revenues increased 2.3%. Volumes grew 3.8%, with the largest increases in the Retail and Magazine markets, mainly because of the addition of two new presses in Spain and Sweden. Operating margins decreased in 2004, due primarily to the negative impact of the phase-out of a facility in Sweden and increased competition in Belgium. While its operating margin remained negative, the French operation continued to show improvement compared with 2003, reflecting the positive impact of restructuring initiatives. In the second quarter of 2004, an important printing contract at the Corby, U.K. plant was not renewed beyond 2005. Management is currently evaluating and developing sales strategies to replace the expected lost volume. Discussions were also begun with employee representatives concerning possible work-force reductions.

In Latin America, revenues increased 8.5% in comparison with 2003 to US$192.4 million, mainly as a result of 8.9%

growth in volume in 2004, particularly in the Book group in Argentina and at Recife, Brazil, partially offset however by decreases in Colombia and São Paulo, Brazil. In the Directory group, volumes increased in almost all markets. Prices were generally lower in all regions.

Quebecor World generated free cash flow from operations of US$319.4 million in 2004 compared with US$183.3 million in 2003 (*see Table 1*). The US$136.1 million growth was mainly due to a US$166.9 million increase in operating income, combined with a US$110.5 million decrease in additions to property, plant and equipment due to the acquisition in 2003 of 19 previously leased presses (US$71.0 million). These factors were, however, partially offset by a US$170.9 million increase in the use of funds for non-cash balances related to operations.

Cable segment

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 2.4 million homes and serves approximately 1.45 million subscribers, including 333,700 subscribers to its *illico Digital TV* service. Vidéotron is also involved in interactive multimedia development and ISP services, with nearly 527,000 subscribers to its cable modem and dial-up Internet access services. Its Le SuperClub Vidéotron stores are engaged in sales and rentals of DVDs, video cassettes and video games.

The Cable segment recorded revenues of $871.6 million in 2004 compared with $805.0 million in 2003, a $66.6 million (8.3%) increase.

Internet access services continued to post strong growth in 2004 with revenues of $222.5 million, an increase of $39.2 million (21.4%) from 2003. The improvement was mainly due to customer-base growth.

The revenues of the *illico Digital TV* service, excluding related services, rose $52.5 million (60.9%) to $138.7 million. In 2004, as in the second half of 2003, the strong performance of *illico Digital TV* more than compensated for decreased revenues from analog cable television services. The combined revenues of all cable television services increased by $17.9 million (3.2%) to $576.8 million due to the impact of customer-base growth, higher rates, sales of more lucrative packages and the favourable impact of the introduction of the *illico on-Demand* service. Those favourable factors were, however, partially offset by decreased equipment rental and other revenues and the unfavourable impact of the recognition of installation revenues over the average period of time customers subscribe to the cable service.

The year 2004 saw substantial growth in the customer base for Vidéotron's services. The number of customers for cable Internet access services totalled 502,600 at the end of 2004 compared with 406,300 one year earlier, an increase of 96,300 customers (23.7%). The *illico Digital TV* service registered an increase of 92,800 customers (38.5%), from 240,900 at the end of 2003 to 333,700 at the end of 2004, the largest annual customer-base growth, in absolute terms, since the service was launched at the beginning of 1999. Analog cable television services lost 64,400 customers in 2004, compared with decreases of 76,100 and 136,400 in 2003 and 2002 respectively. The combined customer base for all of Vidéotron's cable television services thus increased by 28,400 in 2004, compared with decreases of 7,000 and 79,300 in 2003 and 2002. It was the first net annual increase in customers for cable television services in five years. At the end of 2004, the *illico Digital TV* service had a penetration rate (number of subscribers as a proportion of total subscribers to all cable television services) of 23.0% compared with 16.7% one year earlier.

Vidéotron's net monthly ARPU ("average revenue per user") rose 6.5% to $46.50 in 2004 compared with $43.68 in 2003.

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

	2004	2003	2002
Cash flow from continuing activities before undernoted item	**$ 647.1**	$ 449.7	$ 679.4
Net change in non-cash balances related to operations	**(159.3)**	11.6	(166.0)
Cash flow from continuing operating activities	**487.8**	461.3	513.4
Dividends on Preferred Shares	**(38.8)**	(37.7)	(36.2)
Additions to property, plant and equipment	**(132.6)**	(243.1)	(184.5)
Proceeds from disposal of assets	**3.0**	2.8	27.1
Free cash flow from operations	**$ 319.4**	$ 183.3	$ 319.8

The Cable segment generated total operating income of $341.2 million. The $65.9 million (23.9%) increase was due primarily to the increase in the customer base, higher rates, and lower operating costs because of the reversal of reserves for legal disputes concerning copyrights ($4.7 million) and other factors. As well, operating margins were increased by lower bandwidth costs because of the renegotiation of the service agreement with Videotron Telecom ($5.9 million) and royalty adjustments ($3.7 million). These favourable factors more than offset the impact on profitability of decreases in other revenues and increases in some operating expenses, including advertising and promotion costs.

The segment's operating margin for all operations, stated as a percentage, increased to 39.1% in 2004 compared with 34.2% in the previous year.

Le SuperClub Vidéotron registered revenues of $48.3 million. The $8.0 million (19.8%) increase was mainly due to the favourable impact of the acquisition of Jumbo Entertainment. Higher royalties and annual fees, strong results at the Microplay™ video game stores, and higher retail revenues were also factors.

Le SuperClub Vidéotron generated operating income of $13.2 million in 2004 compared with $9.3 million in 2003. The $3.9 million (41.9%) increase was due in large part to the recognition in 2003 of a charge related to the shortening of the amortization period for videocassettes owned by Le SuperClub Vidéotron, as well as the impact of the acquisition of Jumbo Entertainment and the higher revenues from royalties and annual fees.

Under the Company's accounting policies, revenues and costs related to equipment sales to customers are entered in full in the results as the transactions are made. It is a common industry practice to sell equipment at less than cost, often as part of promotions, in order to promote customer recruitment and generate recurring revenues over an extended period. Table 2 below shows operating income before the cost of subsidies granted to subscribers on equipment sales and their impact on the segment's results.

The Cable segment generated free cash flow from operations of $189.0 million in 2004 compared with $88.7 million in 2003, a $100.3 million increase (*see Table 3*). The additional $135.0 million contribution from operating activities (including $65.9 million from higher operating income and $64.2 million from decreased use of funds for non-cash balances related to operations) more than offset the $32.8 million increase in additions to property, plant and equipment related to ongoing network expansion and upgrading programs, and the development of new services.

On January 24, 2005, Vidéotron and Videotron Telecom, the Business Telecommunications subsidiary, launched a Voice over IP ("VoIP") telephone service in Québec. Vidéotron became the first major cable company in Canada to offer consumers residential telephone service over cable. Capital investments for this project, excluding customer acquisition costs, are expected to total $80.0 million over four years. Client acquisition costs are estimated at $250 per customer. This project leverages the expertise and extensive infrastructures of Vidéotron and Videotron Telecom in Québec. Quebecor Media announced plans to integrate Videotron Telecom's operations into Vidéotron in order to accelerate the roll out of the new telephone service. Among other things, the move is subject to CRTC approval.

On July 9, 2004, Le SuperClub Vidéotron closed the acquisition of virtually all the assets of Jumbo Entertainment, which operates a cross-Canada chain of 105 video and games rental and retail stores under the Jumbo Video™, Jumbo Video New Releases™, Microplay™, and Starstruck™ names. The combination of the complementary properties of Le SuperClub Vidéotron and Jumbo Entertainment created one of Canada's largest video and games rental and retail chains.

In 2004, Vidéotron twice upgraded file transfer speeds on its High-Speed and Extreme™ High-Speed Internet services. These services now support download speeds of 5.1 mbps and 6.5 mbps respectively, faster by 65% and 63% than the previous speeds of 3.1 mbps and 4.0 mbps. Vidéotron made investments totalling nearly $40.0 million in its Internet access infrastructure and its two-way broadband HFC (hybrid fibre-optic/coaxial cable) network during 2004. Vidéotron's Internet access customers continue to enjoy service that ranks among the best and the most economical in North America. Vidéotron

Table 2: Cable segment
Operating income
(in million of Canadian dollars)

	2004	2003	2002
Operating income before cost of equipment subsidies to customers	**$ 377.9**	$ 310.9	$ 266.7
Cost of equipment subsidies to customers	**(36.7)**	(35.6)	(31.2)
Operating income	**$ 341.2**	$ 275.3	$ 235.5

also stepped up the roll out of its WiFi service, which makes it possible to connect to the Internet from any location where there is a Vidéotron wireless high-speed Internet access point. Finally, Vidéotron launched its Speed-on-Demand service, which lets Vidéotron's cable Internet customers increase their access speed for periods as short as 48 hours.

In the cable television segment, Vidéotron launched Super Écran sur demande and announced the addition of 39 new channels to *illico Digital TV*, including three French-language channels (Mystère, RIS and TFO), three English-language specialty services (Fine Living, Discovery Kids and Talk TV), three regional sports channels (Rogers Sportsnet Ontario, West and Pacific) and 15 Galaxie digital music channels.

Newspapers segment

In the Newspapers segment, Sun Media is Canada's largest national chain of tabloids and community newspapers. It publishes daily newspapers in 8 of the 10 largest markets in the country. In all, Sun Media Corporation publishes 17 dailies, 2 free dailies in Toronto and Montréal, and 183 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 holds a 25% interest in the Toronto 1 television station in Ontario, acquired at the end of 2004.

The Newspapers segment's revenues amounted to $888.1 million in 2004 compared with $845.9 million in 2003, an increase of $42.2 million (5.0%). Advertising and circulation revenues rose 5.5% and 3.0% respectively, while distribution revenues grew 7.7%. Revenues increased by $22.9 million (3.6%) at the urban dailies and by $25.4 million (10.3%) at the community newspapers. The latter increase was largely due to the acquisition of Annex Publishing & Printing in the fourth quarter of 2003, which added $13.0 million in revenues in 2004.

Operating income rose $3.0 million (1.3%) from $224.8 million in 2003 to $227.8 million in 2004. The urban dailies (excluding the free dailies) and the community newspapers increased their operating income by $6.0 million (3.3%) and $5.6 million (9.7%) respectively due to the strong performance of the publications and, in the case of the community newspapers, the contribution of newly acquired Annex Publishing & Printing. Seven of the eight urban dailies improved their operating profits. These strong results more than offset a $7.1 million increase in the operating losses of the free dailies *24 heures Montréal Métropolitain*MC in Montréal and *24 Hours*™ in Toronto. The launch of the Toronto paper in 2003 and the introduction of a new concept for the Montréal paper accounted for the larger losses. However, the two dailies increased their revenues significantly in 2004 on the strength of average quarterly growth rates of approximately 40.0% over the year.

In 2004, Sun Media Corporation generated free cash flow from operations in the amount of $159.2 million compared with $211.0 million in 2003 (*see Table 4*), a $51.8 million decrease. The change in non-cash balances related to operations translated into a $9.7 million injection in 2004, whereas it generated $25.2 million in 2003, a negative variation of $34.9 million. The decline in free cash flow from operations was also due to current income tax credits received in 2003.

As reported in greater detail under "Broadcasting" below, Sun Media Corporation closed the acquisition of a 25.0% interest in Toronto 1 on December 2, 2004, in consideration of which it paid $2.8 million in cash and transferred its 29.9% interest in the Toronto all-news station CP24 to CHUM Limited. The transaction generated a net gain of $8.0 million. The linkage between Toronto 1 and Sun Media Corporation's dailies will create numerous opportunities for promotional synergies and cross-selling to consumers and advertisers in Canada's largest advertising market. Toronto 1's results are included in the Broadcasting segment.

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

	2004	2003	2002
Cash flow from operating activities before undernoted item	**$ 291.7**	$ 220.4	$ 168.8
Net change in non-cash balances related to operations	**19.0**	(45.2)	57.8
Cash flow from operating activities	**310.7**	175.2	226.6
Additions to property, plant and equipment	**(123.1)**	(90.3)	(93.0)
Proceeds from disposal of assets	**1.4**	3.8	4.1
Free cash flow from operations	**$ 189.0**	$ 88.7	$ 137.7

Broadcasting segment

TVA Group Inc. is the largest private producer and broadcaster of French-language entertainment, information and public affairs programming in North America. It is sole owner of six of the ten television stations in the TVA Network, of the analog specialty channel Le Canal Nouvelles TVA ("LCN") and of the digital specialty channels Mystère and Argent. It holds a 75% interest in the English-language analog station Toronto 1.

TVA Group also holds interests in two other TVA affiliates, in the "Canal Évasion" specialty channel, the Indigo pay-per-view service, and the English-language digital specialty channels MENTV and Mystery. As well, TVA Group is 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's revenues increased by $17.1 million (5.0%) to $358.0 million in 2004. Revenues from broadcasting operations rose by $25.6 million, mainly because of growth in advertising revenues due primarily to higher rates and slightly more commercial airtime. The revenues of LCN and the English-language specialty channels also increased in 2004. In addition, the recognition of revenues from teleshopping activities and Toronto 1, as a result of the acquisition of 50% of TVAchats inc. in 2003 and of Toronto 1 in 2004, were a favourable factor in the broadcasting revenue increase. Distribution revenues, which had been exceptionally high in 2003 because of the significant impact of the hit film *The Pianist*, decreased by $6.6 million. However, the decline in revenues generated by the new TVA Films catalogue was moderated by the success of the film *Dans une galaxie près de chez-vous* in 2004. Revenues from the old TVA International catalogue were also lower in 2004 than in 2003. Publishing revenues decreased by $1.3 million due to lower newsstand sales, which were partially offset by increased sales of advertising.

Operating income amounted to $80.5 million in 2004 compared with $81.5 million in 2003. Operating income from broadcasting operations rose $3.7 million as a result of the growth in revenues, which more than offset higher programming costs, increases in some operating costs, and a decrease in subsidies and tax credits. The improvement in operating income from broadcasting operations would have been $5.0 million were operating losses associated with the launch of the digital channel Mystère and the acquisition of Toronto 1 excluded. Operating income generated by distribution operations declined $0.9 million, mainly as a result of the significant decrease in revenues, which was not entirely offset by reduced operating costs. Operating income from publishing operations decreased by $3.4 million in 2004 due primarily to the lower revenues, to costs associated with the launch of two new magazines during the year, and to higher distribution expenses.

On December 2, 2004, TVA Group and Sun Media Corporation announced the closing of the acquisition of the television station Toronto 1 for $43.2 million. TVA Group paid a cash consideration of $32.4 million for a 75.0% interest in the station; Sun Media Corporation covered the balance of the purchase price in consideration for a 25.0% interest. The Toronto advertising market offers attractive opportunities for growth. The acquisition is an important step in creating a platform for TVA Group outside its traditional markets and thus expanding its audiences and advertiser lists.

During the 12-week fall period from August 30 to November 21, 2004, 27 of the 30 top-rated shows in Québec were on the TVA Network as compared to 20 of the 30 top-rated programs for the same period in 2003. According to BBM survey results, the TVA Network had an audience

Table 4: Newspapers segment
Free cash flow from operations
(in millions of Canadian dollars)

	2004	2003	2002
Cash flow from continuing activities before undernoted item	**$ 187.1**	$ 199.8	$ 211.8
Net change in non-cash balances related to operations	**(9.7)**	25.2	(9.3)
Cash flow from continuing operating activities	**177.4**	225.0	202.5
Additions to property, plant and equipment	**(18.8)**	(14.3)	(9.9)
Proceeds from disposal of assets	**0.6**	0.3	2.3
Free cash flow from operations	**$ 159.2**	$ 211.0	$ 194.9

share of 30%, more than its two main rivals, Radio-Canada (15%) and TQS (13%) combined.

On October 21, 2004, TVA Group launched the digital specialty service Mystère, an all-fantasy/suspense channel which programs a wide selection of Canadian and foreign series. Mystère is wholly owned by TVA Group and is carried by most digital television distribution services.

The 2004 season of the popular variety series *Star Académie* helped TVA Group maintain its impressive television audience share. According to the BBM survey, the 10 Sunday-evening *Star Académie* galas attracted an average of 2,719,000 viewers compared with 2,409,000 in the previous year, an average increase of 12.9%.

Leisure and Entertainment segment

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

- Retailing CDs, books, videos, musical instruments and magazines through the Archambault chain of stores and the *archambault.ca* e-commerce site, online sales of downloadable music through the *archambaultzik.ca* service, distribution of CDs and videos (Select, a division of Archambault Group), and music recording (Musicor, a division of Archambault Group).
- Book publishing in the academic, literary and general literature categories (seven publishing houses: Éditions Libre Expression, Éditions Internationales Alain Stanké, Éditions Logiques, Éditions du Trécarré, Éditions Quebecor, TVA Publishing and CEC Publishing) and book distribution (Québec-Livres).

The Leisure and Entertainment segment recorded total revenues of $241.7 million in 2004, an increase of $36.7 million (17.9%) from $205.0 million in 2003 due primarily to higher revenues at Archambault Group and higher figures recorded for CEC Publishing since Quebecor Media increased its interest in the business from 50% to 100% in October 2003.

The revenues of Archambault Group rose 14.3% on the strength of a substantial 25.6% increase in revenues from distribution and recording operations and an 8.9% increase in retail sales. The increase in revenues from Archambault stores more than offset the adverse impact of the closing of two Camelot-Info stores at the end of 2003 and early 2004.

The strong performance of distribution operations was driven by the diverse, high-calibre catalogue of titles distributed exclusively by Select, many of which are Québec hits. According to the data compiled by Nielsen Soundscan, Select distributed 15 of the 20 top-selling French-language albums of 2004 and 26 of the top 40. Best-selling titles distributed by Select in 2004 included CDs released by established stars and up-and-coming artists, such as Marie-Élaine Thibert, Corneille, Jean-Pierre Ferland, Isabelle Boulay and Laurence Jalbert, as well as the *Star Académie* 2004 album and the CD from the musical comedy *Don Juan*. The *Star Académie* phenomenon continued to generate excellent sales figures in 2004; successful solo albums were released by several artists from the popular show, all produced by Musicor and distributed by Select.

The Books segment's revenues increased 34.6% in 2004 due primarily to higher figures recorded for CEC Publishing, the full results of which were recognized in 2004, versus 50% prior to the buyout in the fourth quarter of 2003 of the 50% interest held by Hachette S.A. CEC Publishing's revenues also increased 12.0% on a comparable basis in 2004 due to the favourable impact of educational reform in Québec. Revenues from distribution operations (Québec-Livres) rose 4.1% in 2004.

Operating income totalled $22.7 million in 2004 compared with $14.7 million in 2003, an increase of $8.0 million (54.4%). The strong growth stemmed mainly from the performance of CEC Publishing and the recognition of 100% of its results following the buyout of interest in the business in 2003, as well as the 22.2% increase in operating income generated by Archambault Group due primarily to the favourable impact of revenue growth, which more than compensated for increases in some operating costs, including selling and administrative expenses.

On November 1, 2004, Archambault Group announced a partnership with Warner Music France to launch Groupe Archambault France S.A.S., a new producer, publisher and distributor of cultural content in Europe. The establishment of Archambault Group's wholly owned European subsidiary is part of a strategy designed to create a gateway between Europe and Québec, particularly for music. The goals of the partnership agreement include promoting Archambault Group's signed artists and other talent in European markets and providing a solid marketing infrastructure for producers and artists who want to enter French-language markets in Europe.

The Books segment published numerous bestsellers in 2004. Noteworthy successes included *Ma vie en trois actes*, a biography of Québec television personality Janette Bertrand published by Éditions Libre Expression, which sold more than 161,000 copies in the first three months following its release, and *Le Guide de l'auto*, a perennial best-selling car guide previously published by a competitor and now published by Éditions du Trécarré, which sold more than 115,000 copies.

Business Telecommunications segment

Videotron Telecom Ltd. is a business telecommunications provider that offers advanced high-calibre services to Canada's large and medium-sized businesses, Internet Service Providers ("ISPs"), Application Service Providers ("ASPs"), broadcasters and carriers.

Videotron Telecom provides a wide range of network solutions, Internet services, application/server hosting, local and long-distance telephone service, and studio-quality audio-video services. Its 11,000-km fibre-optic network is available to most large and medium-sized users of telecom services in metropolitan areas of Québec and Ontario. Videotron Telecom occupies a strategic position in Ontario and reaches major U.S. border cities in New York State and Michigan.

The Business Telecommunications segment's revenues totalled $78.6 million in 2004 compared with $77.7 million in 2003. A decrease in revenues from traditional services was offset by a major outsourcing breakthrough: the segment signed a contract with Quebecor World to host and manage servers and communications software for North America and to provide other services. The contract generated $9.2 million in revenues in the second half of 2004. This favourable turn of events more than made up for the decrease in revenues caused by the renegotiation of the service agreement with Vidéotron, lower point-to-point revenues due to soft prices, the impact of the sale of the Mensys Business Solution Centre Ltd. subsidiary in December 2003, and other factors.

The segment's operating income increased $8.2 million (56.9%) from $14.4 million in 2003 to $22.6 million in 2004. Positive results in the last two quarters of 2004 due to the outsourcing contract with Quebecor World more than offset decreases in the first two quarters of the year. For the year as a whole, Videotron Telecom recorded higher gross margins, realized economies through work-force reduction, and achieved a favourable settlement of a dispute over access rights to office buildings in Ontario, enabling it to reverse a reserve held for that purpose. In 2003, operating income was affected by the recognition of dispute settlement costs.

Interactive Technologies and Communications segment

The Interactive Technologies and Communications segment consists of Nurun Inc., which is engaged in Web, intranet and extranet development; technological platforms for content management, e-commerce, interactive television and automated publishing; and e-marketing and customer-relationship management ("CRM") strategies.

In 2004, the revenues of the Interactive Technologies and Communications segment amounted to $51.9 million compared with $44.8 million in 2003. The $7.1 million (15.8%) increase was mainly due to the impact of the acquisition of Ant Farm Interactive in April 2004 and higher revenues at the Paris, Montréal, Québec City and Milan offices, primarily as a result of new contracts. These increases outweighed decreased revenues at the New York City office due to the postponement of some projects.

The segment's operating income doubled from $1.1 million in 2003 to $2.3 million in 2004 due to the above-noted increase in revenues, as well as better cost control as a result of restructuring initiatives carried out in 2003 and other efforts.

In response to a partial takeover bid for Mindready Solutions shares, a total of 6.75 million Common Shares held by Nurun were sold for a cash consideration of $7.8 million, of which $4.4 million was received on May 27, 2004, the closing date of the bid. The balance was received in February 2005. The transaction left Nurun with a 9.6% interest in Mindready Solutions, which was subsequently sold in March 2005. It fit into Nurun's overall strategy of focusing on its core e-business activities.

On April 28, 2004, Nurun closed the acquisition of Ant Farm Interactive, an interactive marketing agency located in Atlanta, Georgia, for a cash consideration of $5.4 million, plus additional payments contingent on the achievement of performance targets in the next three years and, subject to certain conditions, the issuance of Nurun Common Shares in 2007 or an equivalent cash consideration, at Nurun's option. The transaction strengthened Nurun's positioning in the U.S. market and enhanced its capabilities in the fields of interactive marketing and online customer relationship management. Ant Farm Interactive serves a prestigious customer list.

Internet/Portals segment

Canoe Inc. (formerly Netgraphe Inc.) is an integrated company offering e-commerce, information and communication services and IT consulting. Canoe operates the Internet portal network of the same name which serves over 6.2 million Internet users per month and includes *canoe.ca*, *canoe.qc.ca*, La Toile du Québec (*toile.com*) and *money.canoe.ca* (*argent.canoe.com* in French). Canoe 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, Canoe operates the *tva.canoe.com* and *lcn.canoe.com* sites, as well as two sites for popular TVA programs, *occupationdouble.com* and *staracademie.ca*. Canoe's subsidiary Progisia Informatique offers IT consulting services that include e-commerce, outsourcing, integration and secure transaction environments.

The Jobboom publishing division produces various print publications, including the magazine *Jobboom*, which has a print run of 100,000 copies and is distributed free 10 times a year, and career guides such as the bestseller *Carrières d'avenir*, which is sold in bookstores.

Canoe's revenues totalled $34.5 million in 2004, a $6.3 million (22.3%) increase from $28.2 million in 2003. The

combined revenues of the special-interest portals grew by $3.5 million, mainly as a result of a 36.0% increase in the revenues of *jobboom.com*. The *autonet.ca* and *reseaucontact.com/flirt.canoe.ca* portals recorded revenue increases of 20.2% and 16.4% respectively. The revenues of the general-interest portals rose by $1.2 million. The IT consulting subsidiary Progisia Informatique increased its revenues by $1.5 million. Progisia Informatique continued to benefit from firmer demand. As of December 31, 2004, its order book contained contracts worth $3.8 million, of which a significant portion were with Quebecor Media subsidiaries.

Canoe's operating income was $4.5 million in 2004 compared with $3.1 million in 2003. The increase was mainly due to the higher revenues, particularly at *jobboom.com*, and the improved profitability of the French-language general-interest portals resulting from lower operating costs and other factors.

In 2004, Quebecor Media offered to acquire, through a wholly owned subsidiary, all of the outstanding Multiple Voting Shares and Subordinate Voting Shares of Netgraphe at a price of $0.63 per share. In the course of a number of transactions carried out in 2004, minority interests in Netgraphe, directly owned by minority shareholders, were acquired for an aggregate consideration of approximately $25.2 million. Netgraphe shares were delisted from the Toronto Stock Exchange shortly thereafter. In the wake of these transactions, the subsidiary changed its name to Canoe Inc., as of January 1, 2005.

FINANCIAL EXPENSES

Financial expenses were reduced by $63.9 million from $584.8 million in 2003 to $520.9 million in 2004.

Quebecor Media's financial expenses totalled $314.6 million in 2004 compared with $300.1 million in 2003. The $14.5 million increase was mainly due to the recording of a $6.8 million loss on the value of a financial instrument which ceased to be effective, according to accounting policies, and a $1.2 million foreign-exchange loss on the unhedged portion of the long-term debt, as compared with a $22.0 million gain in 2003. These increases were partially offset by reductions in financial expenses resulting from lower debt levels and other factors. As well, the $26.9 million increase in the value of the additional amount payable in respect to the purchase of the Preferred Shares held by The Carlyle Group in Videotron Telecom was slightly less than the total charge for Preferred Shares recorded in 2003 ($29.0 million).

At Quebecor World, financial expenses were reduced by $72.3 million from $247.2 million in 2003 to $171.0 million to 2004, due in large part to the impact of the refinancing of Quebecor World's Senior Notes in the fourth quarter of 2003 and in 2004, which made it possible to pay down debt bearing higher interest. Lower average debt levels than in 2003, combined with the favourable impact of the mix of the debt portfolio and lower foreign exchange losses, also contributed to the decrease. Finally, the conversion of Quebecor World's financial expenses into Canadian dollars had the effect of further lowering financial expenses.

2003/2002 FINANCIAL YEAR COMPARISON

Operating results

For the 2003 financial year, the Company's revenues totalled $11.20 billion compared with $12.04 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.

In 2003, operating income was $1.53 billion compared with $1.93 billion in the previous year, a $403.6 million decrease. A $437.9 million decrease in Quebecor World's operating income was partially offset by a $39.4 million increase at Quebecor Media.

Quebecor posted 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.

Consolidated amortization charges were reduced from $721.2 million in 2002 to $698.0 million in 2003. The decrease was mainly due to the impact of currency translation on Quebecor World's amortization charge, which more than offset increases resulting from the acquisition of presses that were previously leased and other factors.

Financial expenses were reduced by $15.6 million from $600.4 million in 2002 to $584.8 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. A $22.0 million gain on exchange recorded in 2003 was also a factor in the decrease in financial expenses. The increase in Quebecor World's financial expenses was fully offset by the favourable effect of translation into Canadian currency.

Reserves for restructuring of operations, impairment of assets and other special charges totalled $133.9 million in 2003 (of which $132.1 million was recorded in the Printing segment), compared with $66.2 million in 2002. In 2002, the Company recorded reserves for restructuring totalling $43.8 million (including $29.3 million in the Printing segment), and write-downs of temporary investments and other assets totalling $22.4 million.

In 2002, the Company adopted the new recommendations in Section 3062 of the *CICA Handbook* concerning goodwill and recorded a $178.1 million charge for estimated goodwill impairment losses, including $107.6 million for the Business

Telecommunications segment and $68.0 million for the Cable segment.

In 2002, Quebecor realized gains on the sale of businesses, shares of subsidiaries and other assets 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.

The $104.4 million net gain on debt refinancing and on repurchase of Preferred Shares of a subsidiary recorded in 2003 included a net gain of $144.1 million realized by Quebecor Media, which was partially offset by a $39.7 million loss at Quebecor World. Quebecor Media's net gain derived primarily from a gain of $153.7 million, without any tax consequences, realized on the repurchase of the Preferred Shares held by The Carlyle Group in Videotron Telecom. Quebecor World's $39.7 million loss was related to debt refinancing.

The consolidated income tax expense in 2003 included a total charge of $69.7 million recorded by Quebecor World in connection with adjustment of the average tax rate in the United States and a revised expectation of tax asset recovery and liabilities from prior years. This charge was offset by the impact of the recognition by Quebecor Media and Quebecor of tax benefits related to previously unrecorded operating losses, including tax recovery in the amounts of $45.0 million recorded by Quebecor Media and $18.2 million recorded at the Quebecor Inc. level. In order to relate the income tax expense to pre-tax income in 2003, the $153.7 million gain on the purchase of Preferred Shares held by The Carlyle Group in Videotron Telecom, among other items, must be excluded from pre-tax income. This gain had no tax consequences.

Segmented analysis

Quebecor World's 2003 results were affected by a 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. In response to these challenges, Quebecor World management's approach was to secure and increase new and existing volume and to adopt an uncompromising focus on costs. This involved a general work-force reduction across the platform, the closure of four smaller facilities in North America and the decommissioning of under-performing assets.

Quebecor World's revenues increased US$119.8 million (1.9%) to US$6.39 billion in 2003 due to the favourable impact of the conversion of currencies other than the U.S. dollar and the effect of business acquisitions. Excluding these favourable factors, the Printing segment's revenues decreased in 2003 despite a general increase in volume, reflecting downward pricing pressures.

Quebecor World's operating income decreased by US$211.4 million to US$651.8 million in 2003. The combination of downward pricing pressures, decreased use of production capacity, specific charges totalling US$78.8 million, and increases in some other costs (pensions, medical benefits, utilities) contributed to the reduction in operating income. The specific charges included adjustments related to rapid growth and systems issues in the Logistics business in North America, an allowance for doubtful accounts and provisions for operating leases.

Excluding specific charges and the effect of currency fluctuations, selling, general and administrative expenses were reduced by US$32.6 million (6.2%) in 2003 as a result of cost-cutting measures.

Stated in Canadian dollars, the Printing segment's revenues were $8.96 billion in 2003, an $883.2 million decrease in comparison with 2002. Operating income was $917.0 million, a $437.9 million decrease. The negative impact of the exchange rate increased the decline in revenues and operating income.

In 2003, the Cable segment recorded revenues of $805.0 million compared with $781.0 million during the previous year, an increase of $24.0 million (3.1%). Internet access services and the *illico Digital TV* service, excluding related services, realized revenue increases of $47.8 million and $26.7 million for growth rates of 34.7% and 51.6% respectively, more than compensating for lower revenues from analog cable television and other services. The segment recorded total operating income of $275.3 million in 2003. The $39.8 million (16.9%) increase was due primarily to revenue growth, higher rates for Internet services, and the favourable impact on the gross margin of the renegotiation of the service agreement with Videotron Telecom. It also reflects the recording in 2002 of charges related to the labour dispute, which were partly offset however by the receipt of a refund of property tax paid on the network.

The positive 2003 performances in the Cable segment were 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 capitalization policy. 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 agreements will expire December 31, 2006.

The revenues of Le SuperClub Vidéotron rose 5.5% to $40.4 million in 2003, due primarily to higher in-store retail sales and higher revenues from the game boutiques sections. Operating income grew by 4.5% in 2003 because of the increased profitability of in-store rentals and sales and higher revenues from fees and discounts, which more than offset the unfavourable impact of the shortening of

the amortization period for videocassettes owned by Le SuperClub Vidéotron.

The Newspapers segment reported revenues of $845.9 million in 2003. The $14.3 million (1.7%) increase was mainly due to the 2.8% increase in advertising revenues. The segment generated operating income of $224.8 million, a $5.4 million (2.5%) increase. The launch of the free daily *24 Hours*™ in Toronto and the introduction of a new concept for the free daily *24 heures Montréal Métropolitain*MC had the effect of reducing the segment's consolidated operating income in 2003. The increase in operating income, excluding the impact of the two new publications, was caused by the higher revenues, the contribution of Annex Publishing & Printing, acquired in November 2003, a decrease in newsprint prices, and a reduction in operating expenses.

In the Broadcasting segment, TVA Group reported revenues of $340.9 million in 2003, an increase of $17.5 million or 5.4% due to growth in revenues from broadcasting and publishing operations as a result of increased sales and the acquisition of Publicor (sold to TVA Publishing by Quebecor Media in May 2002), and the acquisition in May 2003 of an additional 50% interest in TVAchats, the operator of the Boutique TVA teleshopping service. These favourable factors were partially offset by a decrease in distribution revenues. The segment generated $81.5 million in operating income in 2003, a $2.6 million (3.3%) increase due primarily to a larger contribution from publishing operations because of the inclusion of Publicor's results for the full year in 2003 and improved profits at the magazines that covered the first season of *Star Académie*. The launch of Star Académie was the highlight of the 2003 financial year at the TVA Network. At its peak, *Star Académie* was seen by more than three million viewers, an all-time record for a program carried by the TVA Network.

In the Leisure and Entertainment segment, revenues totalled $205.0 million in 2003 compared with $206.3 million in 2002. Increased revenues from retail sales, recording (Musicor) and distribution (Select) at Archambault Group were neutralized by the impact of the transfer of Publicor to TVA Publishing, decreased distribution revenues in the Books segment, and the sale of legal publishing house Wilson & Lafleur. Operating income was $14.7 million compared with $14.5 million in 2002, due to the improved profitability of Archambault Group and the Books segment.

Videotron Telecom's revenues decreased by $14.2 million in 2003 to $77.7 million, mainly because of a decline in Internet-related revenues as a result of the renegotiation of the services agreement with Vidéotron and other factors. Operating income amounted to $14.4 million in 2003 compared with $27.3 million in 2002. The decline was caused by the decreased revenues, lower operating margins resulting from the unfavourable market conditions, lower capitalization, and dispute settlement costs incurred in 2003. The 2002 results were affected by acts of vandalism committed during the labour dispute at Vidéotron.

The Interactive Technologies and Communications segment recorded revenues of $44.8 million in 2003 compared with $49.9 million in 2002. The decrease was due to soft demand in the IT and Internet advertising markets. As a result of the lower revenues and the sale of Flow System Corporation in 2002, the segment's operating income declined by $0.4 million to $1.1 million in 2003.

The Internet/Portals segment's revenues increased by $1.4 million (5.2%) to $28.2 million in 2003. Revenues increased by 18.1% and 14.8% at the special-interest portals and the general-interest portals respectively. These favourable factors more than offset the decrease in revenues at the Progisia Informatique consulting services subsidiary and the impact of the sale of the *micanoa.com* portal in Spain in 2002. The segment's operating income amounted to $3.1 million in 2003 compared with a $2.6 million loss in 2002, a $5.7 million improvement. The turnaround was mainly due to the higher revenues and the successful restructuring measures implemented since 2001. Netgraphe reported net income for the financial year as a whole for the first time since it was founded in 1999.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOW AND FINANCIAL POSITION

Operating activities

In 2004, cash flows provided by operating activities totalled $1.02 billion, an increase of $92.8 million from $927.4 million in 2003 due primarily to higher operating income. This was partially offset by increased use of funds for non-cash balances related to operations at Quebecor World as a result of a decrease in accounts payable and accrued liabilities and an increase in trade receivables, despite higher securitization levels. Quebecor World manages its trade payables in order to take advantage of early payment discounts. Non-cash balances related to operations were reduced at Quebecor Media, which had a favourable impact of $56.1 million compared with 2003.

Cash flows from continuing operating activities decreased by $185.9 million in 2003 compared with 2002, mainly because of Quebecor World's weaker operating results, which were partially offset by reduced use of funds for non-cash balances related to operations at Quebecor World. An increase in Quebecor World's trade payables was more than

offset by a positive variation caused by a higher level of securitization.

At the end of 2004, working capital was negative $91.1 million, compared with negative $214.2 million at the end of 2003. The increased injection of funds into non-cash balances related to operations at Quebecor World was partially offset by the use of funds by Quebecor Media to pay down long-term debt and make prepayments under cross-currency swap agreements.

Financing activities

During the 2004 financial year, Quebecor's consolidated debt, excluding the additional amount payable to The Carlyle Group, exchangeable debentures and convertible debentures, was reduced by $477.0 million.

Quebecor Media's consolidated debt, excluding the additional amount payable to The Carlyle Group, was reduced by $212.2 million. Quebecor Media made net debt repayments totalling $163.8 million, including mandatory payments of $37.5 million and $3.5 million by Vidéotron and Sun Media Corporation respectively. As well, voluntary net repayments of bank credit facilities in the amount of $97.0 million and $25.8 million were made by Quebecor Media and Sun Media Corporation respectively. The issuance of new Senior Notes by the Vidéotron subsidiary on November 19, 2004 increased its long-term debt by $78.1 million as of that date. The additional funds were used to pay a $54.6 million dividend to Quebecor Media and for other purposes. The positive impact of exchange rate fluctuations on the value of the debt denominated in foreign currency, partially offset by the effect of the amortization of discounts on the face value of debt, also contributed to debt reduction. The impact of the changes in the exchange rate was however offset by an equal change in the value of the cross-currency swap agreements entered under other liabilities.

Quebecor World's consolidated debt, excluding convertible debentures, was reduced by $265.2 million in 2004. Quebecor World made net debt repayments totalling $107.4 million during the year. The effect of conversion into Canadian dollars also contributed to the decrease in Quebecor World's long-term debt.

Because of the appreciation of the Canadian dollar against the U.S. dollar, Quebecor Media had to make prepayments of $197.7 million in 2004 and $123.6 million in 2003 under its cross-currency swap agreements. These prepayments were financed from Quebecor Media's cash assets and credit facilities, and were applied against other liabilities related to the cross-currency swap agreements.

On November 19, 2004, Vidéotron closed a private offering of US$315.0 million aggregate principal amount of 6 7/8% Senior Notes due 2014 and amended the terms of its credit facilities. The new notes form a single series with the US$335.0 million aggregate principal amount of Senior Notes issued in October 2003. The new notes were sold at a 5% premium to their face amount, resulting in gross proceeds of approximately US$331 million before accrued interest, and an effective interest rate of 6.15%.

The net proceeds from the sale of the notes were used to repay in full Vidéotron's term loan of approximately $318.1 million and to pay a $54.6 million dividend to Quebecor Media. Concurrent with this offering, Vidéotron also amended the terms of its credit facilities to increase its revolving credit facility by $350 million to $450 million, increase its capacity to make future distributions to Quebecor Media, and extend the maturity of its revolving credit facility to 2009.

On October 12, 2004, Sun Media Corporation's bank credit facility was amended to reduce the interest rates applicable on U.S. dollar advances made under its term loan "B" credit facility by 0.25% per year, with the possibility for a further reduction under certain circumstances. As of December 31, 2004, the aggregate amount outstanding under the term loan "B" credit facility was $241.6 million. This reduction in interest rates is expected to result in annual savings of approximately $0.6 million.

In October 2004, Quebecor World received approval from a bank syndicate to extend for an additional year two tranches of its revolving bank facility totalling US$750.0 million, maturing in 2006, and to renew for three years a US$250.0 million tranche maturing in 2004. As a result, all tranches will mature in November 2007.

Quebecor extended its $200.0 million bank credit facility during the third quarter. The floating interest rate on drawings under the facility, based on bankers' acceptance rate, was cut by 0.5% on an annual basis. As well, the security on this credit was amended to remove a portion of the shares held by Quebecor in its subsidiaries.

Quebecor World's 6 1/2% Senior Debentures due 2027 have been redeemable at the option of the holders at par value since August 1, 2004. As of December 31, 2004, US$146.8 million of these debentures had been tendered out of an aggregate principal amount of US$150.0 million. Quebecor World used its long-term bank credit facilities to redeem the Senior Debentures.

In February 2004, Quebecor World redeemed all of the remaining 7 3/4% Senior Notes callable on or after February 15, 2004 that had not been tendered in November 2003, for a total cash consideration of US$32.5 million.

During the 2003 financial year, Quebecor's consolidated long-term debt and consolidated bank debt were reduced by $956.2 million, primarily as a result 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 reduction at Quebecor Media largely 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 continuing operations, and the positive impact of exchange rate fluctuations on the value of the portion of the debt denominated in foreign currency.

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 Videotron Telecom, for a consideration with an estimated value of $125.0 million at closing. On the same date, a $55.0 million payment was made to The Carlyle Group. The additional amount payable, which is adjusted based on the value of Quebecor Media's Common Shares, is payable on demand from December 15, 2004 to no later than December 15, 2008.

On December 2, 2003, Sun Media Corporation's bank credit facility was amended to reduce the interest rates applicable on U.S. dollar advances made under its term loan "B" credit facility by 0.25% per year, with the possibility of a further reduction under certain circumstances.

On November 3, 2003, Quebecor World closed a private offering of US$200.0 million aggregate principal amount of 4 7/8% Senior Notes due 2008 and of US$400.0 million aggregate principal amount of 6 1/8% Senior Notes due 2013. The proceeds were used to repay debt bearing higher interest.

On October 8, 2003, Vidéotron completed the refinancing of its term credit facilities. The refinancing entailed the issuance of a private placement of 6 7/8% Senior Notes due January 15, 2014, with a face value of US$335.0 million. The refinancing also involved the establishment of new bank credit facilities consisting of a term loan and a five-year revolving credit facility totalling $468.1 million. 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 5/8% Senior Notes due 2013, and contracted new bank credit facilities totalling $425.0 million; more than 95% of the principal does not come due until 2008 or 2009. The proceeds from the sale of Senior Notes and the new bank credit facilities were used to pay down in full Sun Media Corporation's debt and to pay a $260.0 million dividend to Quebecor Media, $150.0 million of which was used to reduce Vidéotron's long-term debt.

Investing activities

In 2004, additions to property, plant and equipment and business acquisitions, including buyouts of minority interests, totalled $534.9 million, a decrease of $265.3 million from $800.2 million in 2003.

Additions to property, plant and equipment amounted to $362.4 million compared with $472.5 million in 2003, a $110.1 million decrease. Additions to property, plant and equipment were substantially lower in the Printing segment ($168.1 million), primarily because of the acquisition of previously leased presses in 2003. The main acquisitions made by Quebecor World in 2004 included those related to the continuation of phase 2 of the educational book market expansion, the purchase of gravure presses for North American plants and a 48-page press for the Sormlands, Sweden, facility, and capital investments related to the relocation of some equipment from the Effingham plant.

The decrease in additions to property, plant and equipment by Quebecor World was partially offset by a $49.9 million increase at Quebecor Media, mainly related to ongoing network expansion and upgrading programs, and the development of new services in the Cable segment.

Additions to property, plant and equipment rose from $426.1 million in 2002 to $472.5 million in 2003, mainly because of increases in the Printing and Newspapers segments.

Business acquisitions, including buyouts of minority interests, amounted to $172.5 million in 2004 compared with $327.7 million in 2003, a difference of $155.2 million. Major acquisitions closed in 2004 by Quebecor Media included the purchase of Toronto 1 for $43.2 million, the buyout of minority interests in Netgraphe for a cash consideration of $25.2 million and in TVA Group for $41.0 million, and the acquisition of Jumbo Entertainment for a cash consideration of $7.2 million and of Ant Farm Interactive for $5.4 million in cash and other considerations. Quebecor World acquired the 50.0% interest it did not already hold in Helio Charleroi of Belgium, formerly a subsidiary of European Graphic Group S.A., for a cash consideration of $53.8 million.

Between 2002 and 2003, business acquisitions, including buyouts of minority interests, increased by $307.7 million, from $20.0 million to $327.7 million. The increase mainly reflects the repurchase for cancellation of 10.0 million Subordinate Voting Shares by Quebecor World for a net cash consideration of $241.1 million. It was also due to the acquisition of Annex Publishing & Printing by Sun Media Corporation and the increase in Quebecor Media's interest in TVA Group.

Financial position

As of December 31, 2004, the Company and its subsidiaries had cash, cash equivalents and temporary investments in an aggregate amount of $264.7 million (including amounts held in trust), consisting mainly of short-term investments.

At December 31, 2004, consolidated debt, excluding the additional amount payable to The Carlyle Group,

exchangeable debentures and convertible notes, totalled $4.91 billion. Of the total debt, Quebecor World's long-term debt accounted for $2.21 billion, Quebecor Media's long-term debt for $2.55 billion, and consolidated bank debt for $0.8 million. Quebecor Media's long term debt included Sun Media Corporation's $484.3 million debt, Vidéotron's $888.9 million debt and TVA Group's $34.9 million debt, as well as Quebecor Media Senior Notes in an aggregate amount of $1.14 billion.

The $147.3 million balance of 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 to US$785.5 million as of December 31, 2004, compared with US$766.6 million at December 31, 2003.

In the third quarter of 2004, Quebecor resumed payment of quarterly dividends on its Class A and Class B shares at the rate of $0.04 per share. Quebecor declared no dividends in 2003 or in 2002 following the decision in the third quarter of 2001 to suspend the payment of dividends on the Company's shares. Quebecor World paid dividends of US$0.52 per share in 2004 and 2003, and US$0.49 in 2002.

Management believes that cash flows from continuing operating activities and available sources of financing should be sufficient to cover cash requirements for capital investment, working capital, interest payment, mandatory debt repayment, and pension plan contributions. Management believes that the financing activities carried out in 2004 and 2003, and discussed under "Financing activities" above, have enhanced the Company's financial flexibility by reducing its long-term debt, extending debt maturities on which substantial amortization payments were due in the coming years, and facilitating the circulation of liquid assets between the Company and its subsidiaries.

Pursuant to its financing agreements, the Company and its subsidiaries are required to maintain certain financial ratios. The key indicators listed in these agreements include the debt service coverage ratio, debt ratio (long-term debt over operating income) and debt/equity ratio. As of December 31, 2004, the Company was in compliance with all these financial ratios.

CONTRACTUAL OBLIGATIONS

As of December 31, 2004, material contractual obligations included future payments under long-term debt arrangements capital lease contracts, operating lease contracts and capital asset purchase and other commitments. These obligations are summarized in Table 5 below and are fully disclosed in notes 14, 16 and 22 to the Company's financial statements.

The Company rents premises and equipment under various operating leases. As of December 31, 2004, minimum payments under these leases over the next five years and thereafter were $655.8 million.

In July 2004, Quebecor World announced its intention to purchase, as part of its long-term strategic plan, 22 new presses for its magazine, catalog, retail and book platforms in the United States. The investment, which will total approximately $396.7 million over the next three years, will improve efficiency and enhance customer service. As of December 31, 2004, Quebecor World had confirmed orders for nine new presses, entailing payments of approximately $132.2 million.

Quebecor World had no major operating leases expiring in 2004. For major leases terminating in 2005, the terminal value that Quebecor World would pay to acquire equipment under lease is approximately US$60.0 million, of which US$36.0 million is guaranteed by Quebecor World. Historically, Quebecor World has acquired most of the equipment under lease when it is used for production. The total terminal value of the leases expiring after 2005 is approximately US$120.0 million, of which US$52.0 million is guaranteed.

The Cable segment's *illico Digital TV* service requires that customers be equipped with a digital set-top box. The segment therefore made a commitment to acquire 120,000 digital set-top boxes from a supplier during 2004 and 2005. As of December 31, 2004, the outstanding balance of the commitment was 99,780 digital set-top boxes.

Table 5 : Contractual obligations (in millions of Canadian dollars)

	Total	Less than a year	1-3 years	3-5 years	5 years and more
Long-term debt and convertible notes	$ **4,986.3**	$ 2.3	$ 1,399.5	$ 476.7	$ 3,107.8
Capital lease contracts	**54.0**	14.4	14.4	13.2	12.0
Operating lease contracts	**655.8**	166.3	216.5	114.2	158.8
Capital asset purchases and other commitments	**226.5**	175.1	50.1	1.3	–
Total contractual obligations	**$ 5,922.6**	**$ 358.1**	**$ 1,680.5**	**$ 605.4**	**$ 3,278.6**

Newsprint represents a significant input and component of operating costs for the Newspapers segment. The segment uses a newsprint producer to supply its requirements and has entered into an agreement with this company to supply the majority of its newsprint purchases up to December 2005. The contract provides for discounts from current market prices and contains a minimum annual purchase commitment of 125,000 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 well, the Broadcasting segment must make an additional injection of $14.5 million in connection with the acquisition of the Toronto 1 television station in 2004. As at December 31, 2004, the balance to be invested, including the capital required in relation to the acquisition of Toronto 1, amounted to $35.7 million.

OFF-BALANCE SHEET AGREEMENTS

Guarantees

In the normal course of business, the Company enters into numerous agreements containing features that contingently require the Company to make payments to the other party of 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 be also 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.

The major guarantees provided by the Company are described below.

Operating lease agreements

The Company has guaranteed a portion of the residual values of certain assets under operating leases with expiry dates between 2005 and 2009 for the benefit of the lessor. If the fair value of the assets, at the end of their respective lease term, is less than the guaranteed residual value, 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 $142.2 million. As at December 31, 2004, the Company had recorded a liability of $11.7 million associated with these guarantees.

Sub-lease agreements

The Company has entered into sub-lease agreements for some of its assets under operating leases with expiry dates between 2005 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 $7.2 million. As at December 31, 2004, the Company had 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. The Company could therefore recover any payments it could be required to make to the lessor.

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. However, following the sale of Mindready Solutions, Quebecor Media guaranteed a commitment under a lease for office space expiring in 2011, up to a maximum of $1.0 million. The Company has not accrued an amount in respect of this item in the consolidated balance sheet.

Withholding tax

Under the terms of certain debt agreements, the Company is committed to indemnify the lenders against changes in regulations relative to withholding taxes that may be introduced by tax authorities if such changes have the effect of reducing the amounts the lenders would receive to less than the amounts receivable without the changes. The amount of such guarantees is not limited and it is not possible for the Company to establish its maximum potential liability under the guarantees since its exposure is exclusively dependent on future actions, if any, by tax authorities. However, should such amounts become payable, the Company has the option, in most cases, of repaying the debt affected by the change in order to limit the negative impact.

Outsourcing companies and suppliers

In the normal course of business, 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 other cases, the Company provides indemnification to counterparties 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.

Securitization

Quebecor World entered into securitization agreements to sell, with limited recourse, and on a revolving basis, a portion of its Canadian, U.S., French and Spanish trade receivables to unrelated trusts. The program limits under each of the Canadian, U.S. and European securitization programs are $135.0 million, US$510.0 million and 153.0 million euro respectively. The amounts outstanding under each program as at December 31, 2004 were $126.0 million, US$500.0 million and 133.5 million euro respectively (compared with $132.0 million, US$488.0 million and 142.5 million euro as at December 31, 2003).

As at December 31, 2004, Quebecor World had a retained interest of US$150.6 million in trade receivables sold, which is recorded in the Company's trade receivables. As at December 31, 2004, an aggregate amount of US$936.1 million (US$902.2 million as at December 31, 2003) of accounts receivable had been sold under the securitization programs.

In September 2004, Quebecor World renewed and amended its U.S. trade receivables securitization program. The US$510.0 million program has been extended through September 2005. An amendment to the program gives Quebecor World the option to extend the term of the program for an additional year, increasing Quebecor World's liquidity horizon to 24 months.

Quebecor World is subject to certain requirements under the securitization programs that, if not met, could lead to the termination of one or more of the programs. The subsidiary is not aware of any event that might bring about a termination. However, if a termination were to occur, Quebecor World believes it would be able to meet its cash obligations from other financing sources, such as its revolving bank facility, the issuance of debt or the issuance of equity.

FINANCIAL INSTRUMENTS

The Company uses a number of financial instruments, mainly cash and cash equivalents, trade receivables, temporary investments, long-term investments, bank indebtedness, trade payables, accrued charges, an additional amount payable, long-term debt, convertible notes and exchangeable debentures. The carrying amount of these financial instruments, except for temporary investments, long-term investments, long-term debt, convertible notes and exchangeable debentures, approximates their fair value due to their short-term nature. The fair value of long-term debt, exchangeable debentures and convertible notes, as reported in this management discussion and analysis and in the consolidated financial statements, is estimated based on discounted cash flows using period-end market yields of similar instruments with the same maturity. The fair value of temporary investments and long-term investments is established based on market value.

The Company uses derivative financial instruments to reduce its exposure to fluctuations in interest and exchange rates, as well as commodity prices. The foreign exchange gains and losses on the hedged item are recorded in earnings. The foreign exchange gains or losses on the derivative instruments used for hedging are also recorded in earnings and compensate for the foreign exchange gains and losses on the hedged item, so long as the derivative instrument remains effective. Realized and unrealized gains or losses associated with derivative instruments, which have been terminated or have ceased to be effective prior to maturity, are deferred on the balance sheet and recognized in income during the period in which the underlying hedged transaction is recognized. In the event a designated hedged item is sold, extinguished or has matured prior to the termination of the related derivative instrument, any realized or unrealized gain or loss on such derivative instrument is recognized in income.

As of December 31, 2004, Quebecor World and Quebecor Media had interest rate swap agreements for a notional value of US$233.0 million and $230.0 million respectively.

Quebecor Media has entered into transactions to hedge the foreign currency risk exposure on almost all of its U.S. dollar-denominated long-term debt. The total notional value of these contracts was US$2.12 billion as of December 31, 2004.

During the second quarter of 2004, Quebecor Media determined that one of its cross-currency interest rate swap agreements had ceased to be an effective hedge according to the criteria established by accounting standards. Quebecor Media therefore ceased to use hedge accounting for this derivative instrument. The instrument has a notional value of US$155.0 million, covers the period 2008 to 2013, and has a nominal annual interest rate of 7 5/8%, and an effective annual interest rate equal to the three-month bankers' acceptance rate plus 3.7%.

In 2004, total losses recorded for foreign exchange forward contracts on Quebecor Media's long-term debt were $191.1 million ($351.9 million in 2003), which offset gains of $183.1 million on the hedged instruments ($373.9 million in 2003), for a net loss of $8.0 million (a net gain of $22.0 million in 2003), largely related to the above-mentioned ineffective instrument.

Quebecor World has also entered into foreign exchange forward contracts and cross-currency swaps to hedge foreign-denominated asset exposure. The contracts outstanding at December 31, 2004 had a notional value of US$228.2 million and US$121.0 million respectively and expire between 2005 and 2006. The total adjustment recorded to foreign exchange gain or loss related to these contracts for 2004 was a gain of US$28.3 million (a loss of US$16.9 million for 2003).

For Quebecor World, the total amount deferred as a liability in relation to terminated derivative instruments was US$8.9 million for 2004 (US$14.7 million for 2003) and the total amount recognized in income was US$5.7 million (US$6.2 million for 2003).

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 reduce the lender's exposure. The prepayments are offset by equal reductions in the Quebecor Media's future payments under the agreements. The portion of these reductions in future payments that is related to interest payments is accounted for as a reduction in financial expenses. Prepayments are applied against liabilities related to derivative financial instruments on the balance sheet.

In 2003, Quebecor Media renegotiated these cross-currency swap agreements to raise the negative 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 $241.9 million as of December 31, 2004. Because of the appreciation of the Canadian dollar against the U.S. dollar during the last half of 2004, Quebecor Media had to make prepayments under its swap agreements totalling $197.7 million. As of December 31, 2004, total prepayments of $321.3 million had been made. These prepayments were financed from Quebecor Media's cash assets and from its and its subsidiaries' existing credit facilities.

Quebecor Media has also entered into currency forward contracts for a notional value of US$19.9 million as of December 31, 2004 in order to hedge the planned purchase, in U.S. currency, of digital set-top boxes and modems in the Cable segment at different times in 2005, and for other purposes.

Quebecor World has entered into foreign-exchange forward contracts to hedge foreign-denominated sales and related receivables, raw materials and equipment. The contracts outstanding at December 31, 2004 had a notional value of US$296.6 million and expire between 2005 and 2007. The foreign exchange translation gains and losses and the deferred premiums and discounts are recognized as an adjustment to the corresponding revenues and exchange gain or loss when the transaction is recorded. The total amounts recorded to these accounts for 2004 for these contracts were revenues of US$17.4 million and a gain of US$1.6 million respectively (a revenue of US$9.5 million, and a gain of US$0.8 million respectively in 2003). For Canada and Europe, foreign-denominated revenues as a percentage of total revenues were approximately 30% and 10% respectively in 2004.

Quebecor World has entered into foreign exchange forward contracts to hedge one of its net investments in a foreign subsidiary. The contracts outstanding at December 31, 2004 had a notional value of US$312.0 million and expire between 2006 and 2007. The foreign exchange translation gains and losses, as well as any realized and unrealized gains and losses, are recorded in the translation adjustment account. The total amount recorded in the cumulative translation adjustment account for these contracts as at December 31, 2004, was a credit of US$62.6 million after income taxes.

Quebecor World has entered into natural gas swap contracts to manage its exposure to the price of this commodity. Contracts outstanding at December 31, 2004, cover a notional quantity of 219,000 gigajoules in Canada and 2,015,000 MMBTU in the United States. These contracts expire between January and December 2005. Natural gas cost is adjusted to include amounts payable or receivable under the commodity hedge agreements. Total adjustments of natural gas cost amounted to a gain of US$2.4 million in 2004, compared with a loss of US$0.7 million in 2003.

The fair value of the derivative financial instruments are estimated using period-end market rates and reflect the amount the Company would receive or pay if the instruments were closed out at those dates (*see Tables 6 and 7*).

CAPITAL STOCK

In accordance with Canadian financial reporting standards, information available at the latest practical date on the Company's capital stock is provided in Table 8 below.

ADDITIONAL INFORMATION

RELATED PARTY TRANSACTIONS

During the year, the Company made purchases and incurred rent charges with affiliated companies in the amount of $15.4 million ($15.3 million and $0.9 million, respectively, for the years ended December 31, 2003 and 2002), which is included in the cost of sales and selling and administrative expenses. The Company made sales to affiliated companies in the amount of $0.4 million ($0.3 million and none, respectively, for the years

ended December 31, 2003 and 2002). These transactions were concluded and accounted for at the exchange value.

RISKS AND UNCERTAINTIES

The Company operates in the communications and media industries, which entail a variety of risk factors and uncertainties. The Company's operating environment and financial results may be materially affected by the risks and uncertainties outlined below.

Seasonality

The Company's business is sensitive to general economic cycles and may be adversely affected by the cyclical nature of the markets the Company serves, as well as by local, regional, national and global economic conditions.

In addition, because the Company's operations are labour intensive, its cost structure is highly fixed. During periods of economic contraction, revenue may decrease while the cost structure remains stable, resulting in decreased earnings. In any given year, this seasonality could adversely affect the Company's cash flows and operating results.

A portion of the Company's business is seasonal. For example, two-thirds of Quebecor World's historical operating income is recognized in the third and fourth quarters of the financial year, primarily as a result of the higher number of magazine pages, new product launches and back-to-school, retail and holiday catalogue promotions.

Operational risks

The industry in which the Company operates is highly competitive in most product categories and geographic regions.

Quebecor World faces competition largely based on price, quality, range of services offered, distribution capabilities, customer service, availability of printing time on appropriate equipment and state-of-the-art technology. Quebecor World competes for commercial business not only with large national printers, but also with smaller regional printers. Over the past three years, the printing industry has experienced a reduction in demand for printed materials and is currently experiencing

Tableau 6 : Quebecor World Inc.
Fair market value of financial instruments
(in millions of U.S. dollars)

	December 31, 2004	
	Carrying amount asset (liability)	Fair value asset (liability)
Derivative financial instruments		
Interest rate swap agreements	$ –	$ 5.1
Foreign exchange forward contracts	72.8	109.8
Cross-currency interest rate swap agreements	(16.7)	(16.7)
Commodity swap contracts	(0.1)	(1.4)

Tableau 7 : Quebecor Media Inc.
Fair market value of financial instruments
(in millions of Canadian dollars)

	December 31, 2004	
	Carrying amount asset (liability)	Fair value asset (liability)
Derivative financial instruments		
Interest rate swap agreements	$ (4.6)	$ (4.6)
Foreign exchange forward contracts	(8.4)	(8.4)
Cross-currency interest rate swap agreements	(196.8)	(484.0)

excess capacity. Furthermore, some of the industries serviced by the subsidiary have been subject to consolidation efforts, leading to a smaller number of potential customers. Primarily as a result of this excess capacity and customer consolidation, there has been, and may continue to be, downward pricing pressure and increased competition in the printing industry. Any failure by the subsidiary to compete effectively in the markets it serves could have an adverse material effect on its operating results, financial condition and cash flows. The subsidiary is unable to predict market conditions and has only a limited ability to effect changes in market conditions for printing services. Quebecor World cannot be certain that prices and demand for printing services will not decline from current levels. Changes to the level of supply and demand could cause prices to continue to decline, and prolonged periods of low prices, weak demand and/or excess supply could have a material adverse effect on the subsidiary's business growth, results of operations and cash flow.

Quebecor Media operates in highly competitive industries. The Cable segment faces competition from direct broadcast satellite providers ("DBS"), multichannel multipoint distribution systems, or MDS, satellite master antenna television systems, or SMATV, and over-air television broadcasters. In addition, incumbent local exchange carriers ("ILECs") will soon begin distributing video signals using digital subscriber line ("DSL") technology. The Cable segment also faces competition from illegal providers of cable television services or pirate systems that enable customers to access programming services from U.S. and Canadian DBS without paying any fee. Its Internet access business competes against other Internet service providers offering residential and commercial Internet-access services. As well, the Cable segment is now required under CRTC decisions to make its Internet services infrastructure available to other providers of this type of service. Finally, the segment's new telephone service will face intense competition from ILECs, competitive local exchange carriers ("CLECs"), wireless telecom services and other VoIP providers. Depending on the future regulatory framework established by the CRTC, this competition could negatively impact the segment's results.

In addition, the Cable segment provides cable products and services through a primary headend and eight regional headends in a single clustered network. This characteristic means that a failure in one of the headends could prevent this segment from delivering some of its products and services throughout its network until the failure is resolved, which may result in significant customer dissatisfaction and could have a material adverse effect on its business or results of operations.

In Quebecor Media's broadcasting and publishing operations, competition for advertising, customers, viewers, listeners, readers and distribution is intense and comes from broadcast television stations and networks and specialty cable channels, radio, local, regional and national newspapers, magazines, direct mail, and other communications and advertising media that operate in the subsidiary's markets. Competitors include both privately owned companies and government-owned market participants. In addition, consolidation in Canadian media industries is creating competitors with interests in multiple industries and media. Quebecor Media cannot be sure that its existing and future competitors will not pursue or be capable of achieving similar business strategies. Quebecor Media may not be able to compete successfully in the future against existing or potential competitors, and increased competition could have a material adverse effect on its business, financial condition or results of operations.

Risks associated with capital investments

Because production technologies continue to evolve, Quebecor World must make capital expenditures to maintain its facilities and may be required to make significant capital

Tableau 8 : Capital stock
(in millions of shares and millions of Canadian dollars)

	As at February 11, 2005	
	Issued and outstanding	Book value
Class A (Multiple Voting Shares)	22.3	$ 10.0
Class B (Subordinate Voting Shares)	42.3	339.2
	Granted	
Stock options	1.7	

expenditures to remain technologically and economically competitive. If the subsidiary cannot obtain adequate capital, results of operations and financial condition could be adversely affected.

Quebecor World is also subject to certain risks associated with the installation of new technology and equipment, which may cause temporary disruptions to operations and losses from operational inefficiencies. Such disruptions are closely monitored in order to bring them under control within a short period of time.

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

Environmental risks

The Company is subject to various laws, regulations and government policies relating to the generation, storage, transportation and disposal of solid waste, the release of various substances into the environment, and to environmental protection in general.

The Company is also subject to various laws and regulations, which allow regulatory authorities to compel (or seek reimbursement for) the cleanup of environmental contamination at the Company's own sites and at off-site facilities where its waste is or has been disposed of. The Company has established a provision for expenses associated with environmental remediation obligations when such amounts can be reasonably estimated. The amount of the provision is adjusted as new information is known. The Company believes the provision is adequate to cover the potential costs associated with contamination issues.

Although the Company believes it is in compliance with such laws, regulations and government policies in all material respects, there is no assurance that all environmental liabilities have been determined.

Labour agreements

While relations with employees are currently stable, the Company cannot be certain that it will be able to maintain a productive and efficient labour environment. The Company cannot predict the outcome of any future negotiations to renew collective bargaining agreements, nor can it assure with certainty that work stoppages, strikes or other forms of labour protests will not occur pending the outcome of any future negotiations. Any strikes or other forms of labour protests in the future could disrupt the Company's operations and could have a material impact on business, financial condition or operating results.

From May 2002 to April 2003, Quebecor Media's Cable segment experienced a work stoppage when approximately 1,400 employees went on strike. As a result of the work stoppage, the segment experienced disrupted service and property damage in the first three months of the work stoppage. In April 2003, two new collective agreements were finalized with 1,700 unionized employees in the Montréal and Québec City regions, which ended the labour dispute that began in May 2002. The new collective bargaining agreements expire December 31, 2006.

Commodity risks

Newsprint, paper and ink are among the Company's largest raw material requirements. The price of paper and newsprint is volatile and may significantly affect the Company's net sales and cost of sales. The Company uses its purchasing power as one of the major buyers in the printing and publishing industry to obtain the best prices, terms, quality control and service. To maximize its purchasing power, the Company also negotiates with a limited number of suppliers. To mitigate such risks, Quebecor World negotiates long-term contracts with its customers that include price adjustment clauses based on the cost of materials.

Credit risks

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, 2004, 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 any potential change in its local market or product-line demand.

Financial risks

In the normal course of business, the Company and its subsidiaries are exposed to fluctuations in interest rates,

exchange rates and commodity prices. The Company and its subsidiaries manage this exposure through staggered maturities and an optimal balance of fixed and variable rate debt.

As at December 31, 2004, Quebecor World, Quebecor Media, Vidéotron and Sun Media Corporation were using derivative financial instruments to manage their exchange rate and interest rate exposure. Quebecor World has also entered into natural gas swap contracts to manage exposure on this commodity.

While these agreements expose the Company and subsidiaries to the risk of non-performance by a third party, the Company and 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 and subscribes to a financial risk management policy. A description of the financial derivatives is included in the "Financial instruments" section of this document.

Government regulation risks

The Company is subject to extensive government regulation, mainly through the Broadcasting Act and the Telecommunications Act, both administered by the CRTC. Changes to the regulations and policies governing broadcast television, speciality channels and program distribution through cable and DBS satellite services, the introduction of new regulations or policies or terms of license could have a material effect on the Company's business, financial condition or operating results.

The Cable segment rents certain infrastructures from utility companies for which rates were established by and under the CRTC's jurisdiction. In 2004, this federal responsibility was transferred to the provincial level. This transfer and the involvement of a new government body could lead to potential rate increases that could materially affect the Company's results.

CRITICAL ACCOUNTING POLICIES

Revenue recognition

Printing segment

The Printing segment provides a wide variety of print and print-related services and products to its customers, who usually require that the specifics be agreed upon prior to processing. 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.

When progress needs to be measured, the method used always reflects the output achieved. For example, one method is based on the number of units produced for each of the principal production processes, where a certain profit is attributed to each unit based on the stage of completion. Other methods may be based on the hours of labour recorded or costs incurred, but this is only allowed when it reflects the true output of the project. Underlying work in process is assessed on the basis of the billing value of work completed. The time lag between revenue recognition and billing is generally short

Cable segment

Installation revenues in the Cable segment are deferred and recognized into revenues over 30 months, which is the estimated average period customers remain connected to the network. Cable television, Internet access and video rental revenues are recognized when the services are delivered.

Broadcasting segment

Revenues realized by the Broadcasting segment from the sale of commercial airtime are recognized when the advertising is broadcast. Revenues from magazine advertising sales are recognized on delivery. Royalties generated by subscriptions to television specialty channels and to magazines are recognized as revenues when the service is performed. Magazine subscription revenues are recorded as deferred revenues and amortized over the duration of the subscription. Revenues from newsstand sales of magazines are recognized on delivery and calculated on the basis of gross revenues less an allowance for future returns.

Revenues from theatrical releases of films are recognized over the period during which the film is screened in theatres, based on a percentage of theatre receipts, subject to certain conditions. Video revenues are recognized in the month in which the film is released on video, based on deliveries less an allowance for future returns, or based on a percentage of the retailer's revenues, subject to certain conditions. Revenues from the sale of broadcast rights are recognized in the period in which the rights begin and the film is delivered to the broadcaster, subject to certain conditions. Revenues from product sales by the teleshopping service are recognized on product delivery.

Goodwill

Goodwill is tested for impairment annually on October 31 for Quebecor Media business units and on April 30 for Quebecor World business 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 fair value of a reporting unit is compared with its carrying amount. To determine the fair value of the reporting unit, the Company uses a combination of valuation methods including discounted future cash flows, operating income multiples, and market price.

The discounted cash flow method involves the use of estimates such as the amount and timing of the cash flows, expected variations in the amount or timing of those cash flows, the time value of money as represented by a risk-free interest rate, and the risk premium associated with the asset or liability.

The operating income multiples method requires the availability of fair values of enterprises with comparable and observable economic characteristics, as well as of recent operating income multiples.

The market price method must take into account the fact that the price of an individual share may not be representative of the fair value of the business unit as a whole, due to factors such as synergies, control premium and temporary market price fluctuations.

Determining the fair value of a reporting unit therefore requires judgement and involves complete reliance on estimates and assumptions.

When the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is carried out. The fair value of the reporting unit's goodwill is compared with its carrying amount in order to measure the amount of the impairment loss, if any.

The fair value of goodwill is determined in the same manner as in a business combination. The Company allocates the fair value of a reporting unit to all of the assets and liabilities of the unit, whether or not recognized separately, as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the price paid to acquire the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to its assets and liabilities is the fair value of goodwill.

The judgement used in determining the fair value of the reporting unit and in allocating this fair value to the reporting unit's assets and liabilities may affect the value of the goodwill impairment to be recorded.

The last impairment tests carried out by the Company indicated that goodwill was not impaired, based on the assumptions and estimates used.

Impairment of long-lived assets

The Company reviews the carrying amounts of its long-lived assets by comparing the carrying amount of the asset or group of assets with the projected undiscounted future cash flows associated with the asset or group of assets when events indicate that the carrying amount may not be recoverable. Examples of such events and changes include a significant decrease in the market price of an asset, the decommissioning of an asset, costs that significantly exceed the amount initially estimated for the acquisition or construction of an asset, and operating or cash flow losses associated with the use of an asset. In accordance with Section 3063 of the *CICA Handbook*, *Impairment of Long-Lived Assets*, an impairment loss is recognized when the carrying amount of an asset or group of assets held for use exceeds the sum of the undiscounted future cash flows expected from its use or disposal. The amount by which the asset's carrying amount exceeds its fair value is recognized as an impairment loss. The Company estimates future cash flows based on historical performance as well as on assumptions as to the future economic environment, pricing and volume. Quoted market prices are used as the basis for fair value measurement.

As a result of restructuring initiatives undertaken by Quebecor World in 2004, recoverability tests were performed for downsized plants and plants receiving transferred assets. Under-performing plants were also tested for recoverability. In cases where projected undiscounted future cash flows were not sufficient to recover the net book value of assets, an impairment was recorded to reflect the fair market value of those assets.

Pension plans and postretirement benefits

The Company maintains various flat-benefit plans and various final-pay plans with an indexation feature from none to 2%. Also, the Company's policy is to maintain its contribution at a level sufficient to cover benefits. Actuarial valuations of the Company's numerous pension plans were performed at different dates in the last three years and the next required valuations will be performed at various dates over the next three years. Pension plan assets are measured at fair value and consist of equities and corporate and government fixed-income securities.

The Company's obligations with respect to postretirement benefits are assessed on the basis of various economic and demographic assumptions, determined with the assistance of the Company's actuaries. Key assumptions relate to the discount rate, the expected return on plan assets, and the rate of increase in compensation.

The Company believes that the assumptions are reasonably based on information currently available. However, variances from these assumptions could have a material impact on pension and postretirement benefit expenses and obligations recognized in future periods.

Health care costs

The Company provides its North American employees with health care benefits, covering approximately 75% of costs covered by the plans. Health care plan costs and liabilities are estimated with the assistance of actuaries. The trend assumption is the most important factor in estimating future costs. The Company uses the claims filed in the past 12 to

24 months trended forward to estimate its obligations in the coming year.

Allowance for doubtful accounts

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

Business combination

Business acquisitions are accounted for using the purchase method of accounting. Under the purchase method, the purchase price is allocated to the acquired assets and assumed liabilities based on their estimated fair value at the date of acquisition. The excess of the purchase price over the sum of the values ascribed to the acquired assets and assumed liabilities is recorded as goodwill. The judgements made in determining the estimated fair value and the expected useful life of each acquired asset, and the estimated fair value of each assumed liability, can significantly impact net income, because, among other things, of the impact of the useful lives of the acquired assets, which may vary from projections. Also, future income taxes on temporary differences between the book and tax value of most of the assets are recorded in the purchase price equation, while no future income taxes are recorded on the difference between the book value and the tax value of goodwill. Consequently, to the extent that greater value is ascribed to long-lived than to shorter-lived assets under the purchase method, less amortization may be recorded in a given period.

Determining the fair value of certain acquired assets and liabilities requires judgement and involves complete reliance on estimates and assumptions. The Company primarily uses the discounted future cash flow approach in estimating the value of acquired intangible assets.

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

Future income taxes

The Company is required to assess the ultimate realization of future income tax assets generated from temporary differences between the book basis and tax basis of assets and liabilities and losses carried forward into the future. This assessment is judgemental in nature and is dependent on assumptions and estimates regarding the availability and character of future taxable income. The ultimate amount of future income tax assets realized could be slightly different from that recorded, since it is influenced by the Company’s future operating results.

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

Insurance

The Company is exposed to a variety of operational risks in the normal course of business, the most significant of which are transferred to third parties by way of insurance agreements. The Company has a policy of self-insurance when the foreseeable losses from self-insurance are low relative to the cost of purchasing third-party insurance.

U.S. workers’ compensation claims tend to be relatively low in value on a case-by-case basis, and Quebecor World self-insures against the majority of such claims. Quebecor World maintains third-party insurance coverage against workers’ compensation claims that are unusually large in nature and that provide a cap on total exposure to workers’ compensation claims. With respect to the workers’ compensation self-insurance, Quebecor World maintains liabilities for all open claims related to both current and past policies and relies on claims experience and the advice of its actuaries and plan administrators in determining an adequate liability for all open claims. The workers’ compensation liability is estimated based on reserves for claims that are established by an independent administrator and the reserves are increased to reflect the estimated future development of the claims based on subsidiary-specific factors provided by its actuaries. The liability for workers’ compensation claims is the estimated total cost of the claims on a fully developed basis. Some claims may take years to settle. Each year, the status of open claims is reviewed and the liability reassessed. The difference is recognized in results. While Quebecor World believes that the assumptions used are appropriate, significant changes in any of the assumptions could materially affect the workers’ compensation costs.

Quebecor World maintains insurance coverage for exposure related to property and casualty losses. It has also chosen to retain a portion of such losses in the form of a deductible, in order to reduce the all-in cost of protecting its assets. Quebecor World manages the self-insured portion of its property insurance program through its captive insurance subsidiary. As at December 31, 2004, Quebecor World’s potential exposure under its self-insured property program was

capped at US$5.0 million, subject to on-going deductibles and other factors related to the nature of each specific claim.

Quebecor Media and Quebecor maintain insurance coverage through third parties for property and casualty losses to which low deductibles apply.

The Company believes that it has in place a combination of third-party insurance and self-insurance to provide adequate protection against unexpected losses while minimizing costs.

CHANGES IN ACCOUNTING POLICIES

The Company makes changes to its accounting policies in order to conform to new Canadian Institute of Chartered Accountants ("CICA") accounting standards. The changes in accounting policies and the new accounting standards are described in greater detail in notes 1(b) and 1(c) of the notes to the Company's annual consolidated financial statements.

Revenue recognition and revenue arrangements with multiple deliverables

In 2004, the Cable segment reviewed and adopted a new accounting policy on the period in which reconnection-related revenues and expenses are recognized, based on Abstracts EIC-141 and EIC-142 released by CICA's Emerging Issues Committee. The Company adopted the new accounting policy on a prospective basis, without restatement of financial results for prior periods.

Since January 1, 2004, installation revenues in the Cable segment have been deferred and recognized under revenues over 30 months, which is the estimated average period customers remain connected to the network. Direct and indirect reconnection-related costs, of an amount not exceeding the revenues, are now deferred and recognized under operating expenses over the same 30-month period. Previously, reconnection expenses and direct and indirect costs were immediately recognized under revenues and operating expenses. This change in accounting policy had no effect on the reported amounts of operating income and net income.

Hedging relationships

In June 2003, the CICA issued amendments to Accounting Guideline 13 ("AcG-13"), *Hedging Relationships*. The amendments clarify certain requirements and provide additional guidance related to the identification, designation and documentation of hedging relationships, as well as the assessment of the effectiveness of hedging relationships. The requirements of the guideline are applicable to all hedging relationships in effect for financial periods beginning on or after July 1, 2003. Retroactive application is not permitted. All hedging relationships must be assessed as of the beginning of the first year of application to determine whether the hedging criteria in the guideline are met. Hedge accounting is to be discontinued for any hedging relationship that does not meet all the requirements of the guideline. The Company adopted the new standards as of January 1, 2004.

Customer equipment and reconnection costs

In the fourth quarter of 2003, the Company revised its accounting for equipment sales to customers and reconnection costs. Until the end of the third quarter of 2003, the cost of subsidies granted customers on equipment sold was capitalized and amortized over three years on a straight-line basis, and the cost of reconnecting customers, 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 incurred the cost of customer subsidies and the costs of reconnecting customers. These changes have been applied retroactively.

Stock-based compensation

Effective January 1, 2003, Quebecor World, TVA Group, Nurun 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.

On October 15, 2004, TVA Group amended its stock option plan and the stock option awards agreement for all participants, effective as of that date. Under the amended plan, all awards may now be settled in cash or other assets, at the employee's option.

Since October 15, 2004, the compensation cost related to employee stock awards has therefore been recorded in operating expenses and based on the vesting period. Changes in the fair value of the underlying shares between the award date (which is the date of the amendment of the stock option plan for all options granted prior to October 15, 2004) and the valuation date trigger a change in the assessed compensation cost.

Exchangeable debentures

The Emerging Issues Committee reached a consensus on the use of hedge accounting to recognize gains and losses arising

from the re-measurement of the carrying amount of exchangeable debentures. Abstract EIC-56 was therefore amended on March 19, 2004 to rescind being able to use hedge accounting when the issuer's investment in the underlying shares is consolidated or accounted for by the equity method.

As a result of this consensus, debentures exchangeable for shares of Quebecor World have no longer been eligible for hedge accounting since July 1, 2004.

According to EIC-56, a change in the market value of floating rate debentures Series 2001, based on fluctuations in the value of the underlying 12.5 million shares of Quebecor World, are recognized directly in income rather than deferred on the balance sheet. As required by EIC-56, the Company implemented this amendment on July 1, 2004. Any gain or loss on the exchangeable debentures previously deferred to July 1, 2004 continues to be carried forward for subsequent recognition in income in the period in which it is no longer probable that the underlying shares will be sold, or the period in which the underlying shares are sold.

With the application of EIC-56 as amended, a $1.00 increase in Quebecor World's stock price triggers a corresponding increase in the value of the exchangeable debentures, resulting in a $12.5 million loss to be recorded in the statement of income. Conversely, a $1.00 decrease in Quebecor World's stock price triggers a corresponding decrease in the value of the exchangeable debentures, resulting in a $12.5 million gain. The Company recorded a gain of $45.0 million for the six-month period ended December 31, 2004 since the trading price of the underlying shares decreased by $3.60 per share between July 1, 2004 and December 31, 2004.

Goodwill

In 2002, the Company completed the goodwill impairment tests for each of its operating units, in accordance with the new 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 losses in the Cable ($1.93 billion), Business Telecommunications ($165.0 million), Interactive Technologies and Communications ($20.4 million), and Internet/Portals ($41.8 million) segments.

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

RECENT ACCOUNTING DEVELOPMENTS IN CANADA

Consolidation of variable interest entities

In June 2003, CICA issued Accounting Guideline 15, *Consolidation of Variable Interest Entities*, ("AcG-15"), in order to address the consolidation of variable interest entities ("VIEs"). VIEs are entities that have insufficient equity and/or their equity investors lack one or more of the specified essential characteristics of a controlling financial interest. The guideline provides specific guidance for determining when an entity is a VIE and when it should be consolidated. Every enterprise that has a contractual, ownership, or other financial interest in or with any entity, special-purpose or otherwise, must determine whether that interest exposes the enterprise to expected losses or expected residual gains of the entity in or with which it has that interest. If the entity is a VIE, the enterprise with the majority of the expected losses or expected residual returns consolidates the VIE. The guideline applies to financial periods beginning on or after November 1, 2004. The Company does not believe this application will have any material impact on its consolidated financial statements.

Financial instruments, hedges and comprehensive income

In January 2005, CICA published Section 3855, *Financial Instruments – Recognition and Measurement*, Section 3865, *Hedges*, and Section 1530, *Comprehensive Income*.

Section 3855 stipulates standards governing when and in what amount a financial instrument is to be recorded on the balance sheet. Financial instruments are to be recognized at fair value in some cases, at cost-based value in others. The section also stipulates standards for reporting gains and losses on financial instruments.

Section 3865 is an optional application that allows entities to apply treatments other than those provided under Section 3855 to eligible operations they choose to designate, for accounting purposes, as being part of a hedging relationship. It expands on the guidance in Accounting Guideline 13, *Hedging Relationships*, and Section 1650, *Foreign Currency Translation*, specifying the application of hedge accounting and the information that is to be reported by the entity.

Section 1530 stipulates a new requirement that certain gains and losses be temporarily accumulated outside net income and recognized in other comprehensive income.

Application of these sections to interim and annual financial statements for financial periods beginning on or after October 1, 2006 will be mandatory. The Company is currently evaluating the impact of the new standards.

OTHER ADDITIONAL INFORMATION

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

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements that 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.

Montréal, Québec
February 15, 2005

Years ended December 31, 2004, 2003, 2002, 2001 and 2000
(in millions of Canadian dollars, except per share data)

	2004	2003 [1]	2002 [1]	2001 [1]	2000 [1]
Operations					
Revenues	**$ 10,982.4**	$ 11,200.1	$ 12,038.6	$ 11,746.9	$ 10,886.2
Operating income before amortization, financial expenses, reserves for restructuring of operations, impairment of assets and other special charges, gains (losses) on sale of businesses, shares of a subsidiary and other assets, gain on re-measurement of exchangeable debentures, net (loss) gain on debt refinancing and on repurchase of redeemable preferred shares of a subsidiary and write-down of goodwill	**1,759.4**	1,529.8	1,933.4	1,793.6	1,701.5
Contribution to net income:					
Continuing operations	**117.7**	28.8	122.6	60.6	201.2
Goodwill amortization	**–**	–	–	(105.2)	(66.2)
Gain on re-measurement of exchangeable debentures	**36.4**	–	–	–	–
Unusual items and write-down of goodwill	**(41.3)**	37.4	(35.1)	(204.1)	702.0
Discontinued operations	**(0.6)**	0.2	(4.3)	(2.9)	248.4
Net income (loss)	**112.2**	66.4	83.2	(251.6)	1,085.4
Cash flows provided by continuing operations	**1,019.6**	928.6	1,114.5	1,084.9	1,451.1
Basic per share data					
Contribution to net income:					
Continuing operations	**$ 1.82**	$ 0.44	$ 1.90	$ 0.94	$ 3.10
Goodwill amortization	**–**	–	–	(1.63)	(1.02)
Gain on re-measurement of exchangeable debentures	**0.57**				
Unusual items and write-down of goodwill	**(0.64)**	0.58	(0.54)	(3.16)	10.87
Discontinued operations	**(0.01)**	0.01	(0.07)	(0.04)	3.85
Net income (loss)	**1.74**	1.03	1.29	(3.89)	16.80
Dividends	**0.08**	–	–	0.39	0.51
Shareholders' equity	**22.35**	21.44	22.71	39.67	43.24
Weighted average number of shares outstanding (in millions)	**64.6**	64.6	64.6	64.6	64.6
Diluted per share data					
Contribution to net income:					
Continuing operations	**$ 1.81**	$ 0.44	$ 1.86	$ 0.94	$ 3.05
Goodwill amortization	**–**	–	–	(1.63)	(1.02)
Gain on re-measurement of exchangeable debentures	**0.57**	–	–	–	–
Unusual items and write-down of goodwill	**(0.64)**	0.58	(0.54)	(3.16)	10.87
Discontinued operations	**(0.01)**	0.01	(0.07)	(0.04)	3.85
Net income (loss)	**1.73**	1.03	1.25	(3.89)	16.75
Diluted weighted average number of shares (in millions)	**64.7**	64.7	64.6	64.6	64.8
Financial position					
Working capital	**$ (95.4)**	$ (214.2)	$ (599.3)	$ (244.9)	$ (1,785.8)
Long-term debt	**4,888.2**	5,286.4	5,681.8	7,013.6	4,333.5
Shareholders' equity	**1,443.6**	1,384.9	1,466.8	2,562.6	2,793.2
Capitalization [2]	**4,996.8**	5,037.0	5,568.8	7,365.1	7,395.4
Total assets	**14,404.5**	15,180.2	17,097.5	19,476.1	17,604.1

[1] The comparative figures for the years 2003, 2002, 2001 and 2000 have been reclassified to conform with the presentation adopted for the year ended December 31, 2004.

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

Years ended December 31, 2004 and 2003
(in millions of Canadian dollars, except per share data)

	Three-month periods ended				Three-month periods ended			
				2004				2003
	December 31	**September 30**	**June 30**	**March 31**	December 31	September 30	June 30	March 31
Operations								
Revenues	**$ 2,987.4**	**$ 2,711.9**	**$ 2,688.6**	**$ 2,594.5**	$ 2,922.2	$ 2,733.7	$ 2,685.2	$ 2,859.0
Operating income before amortization, financial expenses, reserves for restructuring of operations, impairment of assets and other special charges, gains (losses) on sale of businesses, shares of a subsidiary and other assets, gain on re-measurement of exchangeable debentures, net (loss) gain on debt refinancing and on repurchase of redeemable preferred shares of a subsidiary and write-down of goodwill	**508.7**	**427.7**	**453.0**	**370.0**	411.3	412.4	336.3	369.8
Contribution to net income:								
Continuing operations	**52.9**	**34.4**	**23.0**	**7.4**	6.4	14.8	(1.3)	8.9
Gain on re-measurement of exchangeable debentures	**24.3**	**12.1**	**–**	**–**	–	–	–	–
Unusual items and write-down of goodwill	**(17.8)**	**(5.5)**	**(16.0)**	**(2.0)**	62.5	1.9	(29.2)	2.2
Discontinued operations	**–**	**–**	**(0.4)**	**(0.2)**	(1.4)	–	1.7	(0.1)
Net income (loss)	**59.4**	**41.0**	**6.6**	**5.2**	67.5	16.7	(28.8)	11.0
Basic per share data								
Contribution to net income:								
Continuing operations	**$ 0.82**	**$ 0.53**	**$ 0.36**	**$ 0.11**	$ 0.09	$ 0.23	$ (0.02)	$ 0.14
Gain on re-measurement of exchangeable debentures	**0.38**	**0.19**	**–**	**–**	–	–	–	–
Unusual items and write-down of goodwill	**(0.27)**	**(0.09)**	**(0.25)**	**(0.03)**	0.97	0.03	(0.45)	0.03
Discontinued operations	**–**	**–**	**(0.01)**	**–**	(0.02)	–	0.03	–
Net income (loss)	**0.93**	**0.63**	**0.10**	**0.08**	1.04	0.26	(0.44)	0.17
Weighted average number of shares outstanding (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	**$ 0.81**	**$ 0.53**	**$ 0.36**	**$ 0.11**	$ 0.09	$ 0.23	$ (0.02)	$ 0.14
Gain on re-measurement of exchangeable debentures	**0.38**	**0.19**	**–**	**–**	–	–	–	–
Unusual items and write-down of goodwill	**(0.27)**	**(0.09)**	**(0.25)**	**(0.03)**	0.97	0.03	(0.45)	0.03
Discontinued operations	**–**	**–**	**(0.01)**	**–**	(0.02)	–	0.03	–
Net income (loss)	**0.92**	**0.63**	**0.10**	**0.08**	1.04	0.26	(0.44)	0.17
Weighted average number of diluted shares outstanding (in millions)	**64.7**	**64.7**	**64.7**	**64.7**	64.7	64.6	64.6	64.6

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

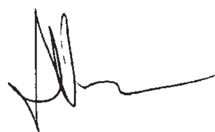
The accompanying consolidated financial statements of Quebecor Inc. and its subsidiaries are the responsibility of management and have been approved by the Board of Directors of Quebecor Inc.

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.

The 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 annual reports 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 audited by the auditors appointed by the shareholders, KPMG LLP, chartered accountants, and their report is presented hereafter.



Jean Neveu
Chairman of the Board

Jacques Mallette
Executive Vice President and Chief Financial Officer

Montréal, Canada
February 15, 2005

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, 2004 and 2003 and the consolidated statements of income, retained earnings and cash flows for the years ended December 31, 2004, 2003 and 2002. 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, 2004 and 2003 and the results of its operations and its cash flows for the years ended December 31, 2004, 2003 and 2002 in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Montréal, Canada
February 9, 2005

Years ended December 31, 2004, 2003 and 2002
(in millions of Canadian dollars, except earnings per share data)

	2004	2003	2002
Revenues	**$ 10,982.4**	$ 11,200.1	$ 12,038.6
Cost of sales and selling and administrative expenses	**9,223.0**	9,670.3	10,105.2
Operating income before undernoted items	**1,759.4**	1,529.8	1,933.4
Amortization	**(662.7)**	(698.0)	(721.2)
Financial expenses (note 2)	**(520.9)**	(584.8)	(600.4)
Reserve for restructuring of operations, impairment of assets and other special charges (note 3)	**(160.1)**	(133.9)	(66.2)
Gains (losses) on sale of businesses, shares of a subsidiary and other assets (note 7)	**9.3**	(1.1)	91.2
Gain on re-measurement of exchangeable debentures (note 1(b))	**45.0**	–	–
Net (loss) gain on debt refinancing and on repurchase of redeemable preferred shares of a subsidiary (note 4)	**(7.4)**	104.4	–
Write-down of goodwill (note 12)	**–**	(0.5)	(178.1)
Income before income taxes	**462.6**	215.9	458.7
Income taxes (note 5)	**132.9**	21.5	147.2
	329.7	194.4	311.5
Dividends on preferred shares of subsidiaries, net of income taxes	**(48.7)**	(44.4)	(45.3)
Non-controlling interest	**(168.2)**	(83.8)	(178.7)
Income from continuing operations	**112.8**	66.2	87.5
(Loss) income from discontinued operations (note 6)	**(0.6)**	0.2	(4.3)
Net income	**$ 112.2**	$ 66.4	$ 83.2
Earnings per share (note 8)			
Basic			
From continuing operations	**$ 1.75**	$ 1.02	$ 1.36
From discontinued operations	**(0.01)**	0.01	(0.07)
Net income	**1.74**	1.03	1.29
Diluted			
From continuing operations	**1.74**	1.02	1.32
From discontinued operations	**(0.01)**	0.01	(0.07)
Net income	**1.73**	1.03	1.25
Weighted average number of shares outstanding (in millions)	**64.6**	64.6	64.6
Diluted weighted average number of shares (in millions)	**64.7**	64.7	64.6

See accompanying notes to consolidated financial statements.

Years ended December 31, 2004, 2003 and 2002
(in millions of Canadian dollars)

	2004	2003	2002
Balance at beginning of year	**$ 1,128.3**	$ 1,061.9	$ 978.7
Net income	**112.2**	66.4	83.2
	1,240.5	1,128.3	1,061.9
Dividends	**(5.2)**	–	–
Balance at end of year	**$ 1,235.3**	$ 1,128.3	$ 1,061.9

See accompanying notes to consolidated financial statements.

Years ended December 31, 2004, 2003 and 2002
(in millions of Canadian dollars)

	2004	2003	2002
Cash flows related to operations			
Income from continuing operations	$ 112.8	$ 66.2	$ 87.5
Adjustments for:			
Amortization of property, plant and equipment	654.0	682.8	707.6
Amortization of deferred charges, other assets and write-down of goodwill	8.7	15.7	191.7
Amortization of deferred financing costs and long-term debt discount	61.9	63.0	62.1
Amortization of deferred client incentives	34.1	33.0	30.8
Impairment of assets and write-down of investments (note 3)	108.2	82.8	20.0
Losses (gains) on ineffective derivative instruments and on foreign currency translation on unhedged long-term debt	6.1	(2.0)	3.1
Losses (gains) on sale of businesses, property, plant and equipment, and other assets	3.0	19.5	(82.7)
Gain on re-measurement of exchangeable debentures	(45.0)	–	–
Loss on revaluation of the additional amount payable (note 13)	26.9	4.5	–
Net loss (gain) on debt refinancing and on repurchase of redeemable preferred shares of a subsidiary (note 4)	7.4	(104.4)	–
Future income taxes	64.4	(28.0)	94.3
Non-controlling interest	168.2	83.8	178.7
Interest on redeemable preferred shares of a subsidiary	–	24.5	21.7
Other	7.6	(2.5)	0.4
	1,218.3	938.9	1,315.2
Net change in non-cash balances related to operations	(198.7)	(10.3)	(200.7)
Cash flows provided by continuing operations	1,019.6	928.6	1,114.5
Cash flows provided by (used in) discontinued operations	0.6	(1.2)	(7.0)
Cash flows provided by operations	1,020.2	927.4	1,107.5
Cash flows related to financing activities			
Net repayments in bank indebtedness	(5.0)	(7.7)	(24.6)
Net borrowing (repayments) under revolving bank facilities and commercial paper	73.0	260.0	(519.8)
Issuance of long-term debt	389.2	2,323.5	224.2
Repayment of long-term debt	(658.4)	(2,840.6)	(583.0)
Net increase in prepayments under cross-currency swap agreements	(184.4)	(118.1)	–
Issuance of capital stock by subsidiaries	18.6	216.1	50.8
Dividends	(5.2)	–	–
Dividends paid to non-controlling shareholders	(73.1)	(71.1)	(76.0)
Repurchase of redeemable preferred shares of a subsidiary (note 4)	–	(55.0)	–
Other	0.6	8.0	–
Cash flows used in financing activities	(444.7)	(284.9)	(928.4)
Sub-total, balance carried forward	$ 575.5	$ 642.5	$ 179.1

Years ended December 31, 2004, 2003 and 2002
(in millions of Canadian dollars)

	2004	2003	2002
Sub-total, balance brought forward	**$ 575.5**	$ 642.5	$ 179.1
Cash flows related to investing activities			
Business acquisitions, net of cash and cash equivalents acquired (note 7)	**(172.5)**	(327.7)	(20.0)
Proceeds from disposal of businesses, net of cash and cash equivalents disposed	**(7.8)**	24.7	302.3
Additions to property, plant and equipment	**(362.4)**	(472.5)	(426.1)
Net (increase) decrease in temporary investments	**94.5**	(108.1)	(31.8)
Decrease (increase) in cash and cash equivalents and temporary investments held in trust	**0.5**	223.0	(217.8)
Proceeds from disposal of assets	**14.0**	8.2	44.9
Other	**(4.9)**	(2.8)	7.1
Cash flows used in investing activities	**(438.6)**	(655.2)	(341.4)
Net increase (decrease) in cash and cash equivalents	**136.9**	(12.7)	(162.3)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	**(75.8)**	(85.1)	13.1
Cash and cash equivalents at beginning of year	**93.1**	190.9	340.1
Cash and cash equivalents at end of year	**$ 154.2**	$ 93.1	$ 190.9
Cash and cash equivalents consist of			
Cash	**$ 35.7**	$ 62.3	$ 25.4
Cash equivalents	**118.5**	30.8	165.5
Cash and cash equivalents at end of year	**$ 154.2**	$ 93.1	$ 190.9
Additional information on the consolidated statements of cash flows			
Changes in non-cash balances related to operations (net of effect of business acquisitions and disposals):			
Accounts receivable	**$ (65.7)**	$ 232.2	$ (125.9)
Inventories and investments in televisual products and movies	**(22.3)**	59.1	(24.8)
Accounts payable and accrued charges	**(84.8)**	(259.4)	15.4
Other	**(25.9)**	(42.2)	(65.4)
	$ (198.7)	$ (10.3)	$ (200.7)
Non-cash transaction related to financing activities			
Issuance of additional amount payable	**$ –**	$ 70.0	$ –
Cash interest payments	**$ 405.5**	$ 526.3	$ 433.3
Cash payments (net of refunds) for income taxes	**90.3**	10.2	85.8

See accompanying notes to consolidated financial statements.

December 31, 2004 and 2003
(in millions of Canadian dollars)

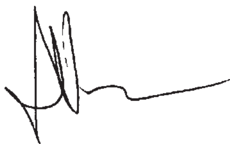
	2004	2003
Assets		
Current assets		
Cash and cash equivalents	**$ 154.2**	$ 93.1
Cash and cash equivalents and temporary investments held in trust (market value of $10.8 million ($11.3 million in 2003))	**10.8**	11.3
Temporary investments (market value of $99.7 million ($194.6 million in 2003))	**99.7**	194.2
Accounts receivable (note 9)	**824.8**	780.3
Income taxes	**63.9**	26.4
Inventories and investments in televisual products and movies (note 10)	**638.9**	649.2
Prepaid expenses	**51.9**	47.2
Future income taxes (note 5)	**122.6**	206.9
	1,966.8	2,008.6
Long-term investments (market value of $386.7 million ($467.5 million in 2003))	**352.6**	352.6
Property, plant and equipment (note 11)	**4,395.6**	4,940.7
Future income taxes (note 5)	**81.0**	104.7
Other assets	**520.1**	429.9
Goodwill (note 12)	**7,088.4**	7,343.7
	$ 14,404.5	$ 15,180.2

December 31, 2004 and 2003
(in millions of Canadian dollars)

	2004	2003
Liabilities and Shareholders' Equity		
Current liabilities		
Bank indebtedness	**$ 0.8**	$ 5.9
Accounts payable, accrued charges and deferred revenue	**1,870.0**	1,993.4
Income taxes	**68.0**	42.7
Future income taxes (note 5)	**5.3**	8.1
Additional amount payable (note 13)	**101.4**	74.5
Current portion of long-term debt and convertible notes (notes 14 and 16)	**16.7**	98.2
	2,062.2	2,222.8
Long-term debt (note 14)	**4,888.2**	5,286.4
Exchangeable debentures (note 15)	**692.7**	799.2
Convertible notes (note 16)	**135.4**	144.7
Other liabilities (note 17)	**843.8**	764.2
Future income taxes (note 5)	**785.4**	925.9
Non-controlling interest (note 18)	**3,553.2**	3,652.1
Shareholders' equity		
Capital stock (note 19)	**349.2**	348.5
Retained earnings	**1,235.3**	1,128.3
Translation adjustment (note 21)	**(140.9)**	(91.9)
	1,443.6	1,384.9
Commitments and contingencies (note 22)		
Guarantees (note 23)		
	$ 14,404.5	$ 15,180.2

See accompanying notes to consolidated financial statements.

On behalf of the Board of Directors,



Jean Neveu, Chairman of the Board

Jean La Couture, Director

Years ended December 31, 2004, 2003 and 2002
(in millions of Canadian dollars)

Quebecor Inc. (the "Company") operates in the following industry segments: Printing, Cable, Newspapers, Broadcasting, Leisure and Entertainment, Business Telecommunications, Interactive Technologies and Communications and Internet/Portals. The Printing segment includes the printing of magazines, retail inserts, catalogues, books, specialty printing, direct mail, and directories; it also offers digital premedia and logistics services. The Printing segment operates in the United States, Canada, Europe, Latin America and India. The Cable segment offers services in television distribution and telephony in Canada and operates in the Internet access provider industry and in the rental of videocassettes, digital video discs ("DVD" units) 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- and English-language general-interest television networks, specialized television networks, 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 enterprises, through its network, business-to-business connections, Internet connections, Website hosting and telephone services. The Interactive Technologies and Communications segment offers e-commerce solutions through a combination of strategies, technology integration, IP solutions and creativity on the Internet and is active in Canada, the United States and Europe. The Internet/Portals segment operates Internet sites in Canada, including French 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, gains (losses) on sale of businesses, shares of a subsidiary and other assets, gain on re-measurement of exchangeable debentures and net (loss) gain on debt refinancing and on repurchase of redeemable preferred shares of a subsidiary and write-down of goodwill.

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 inter-segment sales.

INDUSTRY SEGMENTS

	2004	2003	2002
Revenues			
Printing	**$ 8,596.5**	$ 8,962.7	$ 9,845.9
Cable	**871.6**	805.0	781.0
Newspapers	**888.1**	845.9	831.6
Broadcasting	**358.0**	340.9	323.4
Leisure and Entertainment	**241.7**	205.0	206.3
Business Telecommunications	**78.6**	77.7	91.9
Interactive Technologies and Communications	**51.9**	44.8	49.9
Internet/Portals	**34.5**	28.2	26.8
Head Office	**1.8**	2.3	2.2
Inter-segment	**(140.3)**	(112.4)	(120.4)
	$ 10,982.4	$ 11,200.1	$ 12,038.6

Years ended December 31, 2004, 2003 and 2002
(in millions of Canadian dollars)

INDUSTRY SEGMENTS (continued)

	2004	2003	2002
Operating income before amortization, financial expenses, reserve for restructuring of operations, impairment of assets and other special charges, gains (losses) on sale of businesses, shares of a subsidiary and other assets, gain on re-measurement of exchangeable debentures, net (loss) gain on debt refinancing and on repurchase of redeemable preferred shares of a subsidiary and write-down of goodwill			
Printing	**$ 1,061.0**	$ 917.0	$ 1,354.9
Cable	**341.2**	275.3	235.5
Newspapers	**227.8**	224.8	219.4
Broadcasting	**80.5**	81.5	78.9
Leisure and Entertainment	**22.7**	14.7	14.5
Business Telecommunications	**22.6**	14.4	27.3
Interactive Technologies and Communications	**2.3**	1.1	1.5
Internet/Portals	**4.5**	3.1	(2.6)
	1,762.6	1,531.9	1,929.4
General corporate (expenses) income	**(3.2)**	(2.1)	4.0
	$ 1,759.4	$ 1,529.8	$ 1,933.4

	2004	2003	2002
Amortization			
Printing	**$ 436.2**	$ 471.0	$ 496.0
Cable	**143.5**	141.8	139.0
Newspapers	**26.0**	27.6	26.5
Broadcasting	**11.9**	12.2	10.8
Leisure and Entertainment	**5.6**	4.1	4.1
Business Telecommunications	**33.6**	35.9	35.1
Interactive Technologies and Communications	**1.7**	2.4	3.1
Internet/Portals	**0.7**	1.3	3.8
Head Office	**3.5**	1.7	2.8
	$ 662.7	$ 698.0	$ 721.2

Years ended December 31, 2004, 2003 and 2002
(in millions of Canadian dollars)

INDUSTRY SEGMENTS (continued)

	2004	2003	2002
Additions to property, plant and equipment			
Printing	$ 172.8	$ 340.9	$ 290.3
Cable	123.1	90.3	93.0
Newspapers	18.8	14.3	9.9
Broadcasting	10.1	5.7	6.3
Leisure and Entertainment	3.3	1.3	4.2
Business Telecommunications	21.4	17.9	20.9
Interactive Technologies and Communications	1.2	0.9	1.3
Internet/Portals	0.8	0.3	0.1
Head Office	10.9	0.9	0.1
	$ 362.4	$ 472.5	$ 426.1

	2004	2003
Assets		
Printing	$ 7,482.0	$ 8,207.1
Cable	3,912.7	3,927.0
Newspapers	1,443.4	1,450.9
Broadcasting	549.7	477.9
Leisure and Entertainment	126.7	108.7
Business Telecommunications	266.3	318.7
Interactive Technologies and Communications	64.3	78.3
Internet/Portals	57.5	36.2
Head Office	501.9	575.4
	$ 14,404.5	$ 15,180.2

GEOGRAPHIC SEGMENTS

	2004	2003	2002
Revenues generated by			
Canada	$ 3,218.9	$ 3,505.1	$ 3,541.2
United States	5,812.8	5,823.4	6,628.9
Europe	1,701.1	1,623.1	1,580.5
Latin America	249.7	248.6	288.1
Other	(0.1)	(0.1)	(0.1)
	$ 10,982.4	$ 11,200.1	$ 12,038.6

Years ended December 31, 2004, 2003 and 2002
(in millions of Canadian dollars)

GEOGRAPHIC SEGMENTS (continued)

	2004	2003	2002
Operating income before amortization, financial expenses, reserve for restructuring of operations, impairment of assets and other special charges, gains (losses) on sale of businesses, shares of a subsidiary and other assets, gain on re-measurement of exchangeable debentures, net (loss) gain on debt refinancing and on repurchase of redeemable preferred shares of a subsidiary and write-down of goodwill			
Canada	**$ 774.8**	$ 737.4	$ 734.7
United States	**816.2**	673.3	1,049.0
Europe	**156.8**	122.3	139.5
Latin America	**15.6**	9.1	33.3
Other	**(0.8)**	(10.2)	(27.1)
	1,762.6	1,531.9	1,929.4
General corporate (expenses) income	**(3.2)**	(2.1)	4.0
	$ 1,759.4	$ 1,529.8	$ 1,933.4

	2004	2003
Property, plant and equipment		
Canada	**$ 1,884.0**	$ 1,949.9
United States	**1,795.5**	2,168.7
Europe	**612.6**	700.5
Latin America	**99.8**	118.3
Other	**3.7**	3.3
	4,395.6	4,940.7
Goodwill		
Canada	**3,952.8**	4,007.8
United States	**2,586.0**	2,810.1
Europe	**539.8**	515.7
Latin America	**9.8**	10.1
	7,088.4	7,343.7
Other assets		
Canada	**1,715.6**	1,808.7
United States	**569.9**	542.4
Europe	**334.8**	367.7
Latin America	**156.3**	142.4
Other	**143.9**	34.6
	2,920.5	2,895.8
	$ 14,404.5	$ 15,180.2

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 ("GAAP").

(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 2003 and 2002 have been reclassified to conform with the presentation adopted for the year ended December 31, 2004.

(b) New accounting standards

The Canadian Institute of Chartered Accountants ("CICA") adopted the following new standard, which have an effect on the Company's consolidated financial statements for the year ended December 31, 2004.

Hedging relationships

In June 2003, the CICA issued amendments to Accounting Guideline 13 ("AcG-13"), *Hedging Relationships.* The amendments neither change the basic principles nor the July 1, 2003 effective date of the original guideline. The amendments instead clarify certain of the requirements and provide additional implementation guidance related to the identification, designation and documentation of the hedging relationships, and an assessment of the effectiveness of the hedging relationships. All hedging relationships must be assessed as of the beginning of the first year of application to determine whether the hedging criteria in the guideline are met. Hedge accounting is to be discontinued for any hedging relationship that does not meet the requirements of the guideline. The requirements of the guideline are applicable to all hedging relationships in effect for financial period beginning on or after July 1, 2003. Retroactive application is not permitted. The Company adopted the new standard as of January 1, 2004

On March 19, 2004, the Emerging Issues Committee amended abstract EIC-56, *Exchangeable Debentures* ("EIC-56"), to rescind the use of hedge accounting to account for changes in the carrying amount of an exchangeable debenture if the issuer's investment in the underlying shares is consolidated or is accounted for by the equity method. As a result of the change to EIC-56, changes in the carrying amount of exchangeable debenture Series 2001, based on fluctuations in the market price of the underlying 12.5 million subordinate shares of Quebecor World Inc., are being recorded directly in the statement of income instead of being deferred on the balance sheet. As required by amended EIC-56, the Company implemented the accounting treatment in this Abstract on July 1, 2004. The gain of $57.5 million on exchangeable debentures already deferred as at that date continues to be deferred for subsequent recognition in income in the earlier of the period in which it is no longer probable that the underlying shares will be remitted as payment of the debt, or the period in which the underlying shares are remitted as payment of the debt.

As a result of the adoption of amended EIC-56, an increase of $1.00 per share in the market value of Quebecor World Inc. will trigger a corresponding increase in the market value of the exchangeable debentures resulting in a loss of $12.5 million to be recorded in income. On the other hand, a decrease of $1.00 per share in the market value of Quebecor World Inc. will trigger a corresponding decrease in the market value of the exchangeable debentures, resulting in a gain of $12.5 million. In the year ended December 31, 2004, the Company recorded a gain of $45.0 million since the market value per share of Quebecor World Inc. decreased by $3.60 from July 1, 2004 to December 31, 2004.

(c) Change in an accounting policy

Revenue recognition and revenue arrangements with multiple deliverables

In 2004, the Cable segment revised and adopted an accounting policy for the timing of revenue and expense recognition regarding connection fees based on the CICA Emerging Issues Committee Abstracts 141 and 142. The Company chose to adopt the new policy prospectively without restatement of prior periods.

Effective January 1, 2004, connection fee revenues are now deferred and recognized as revenues over thirty months, which is the estimated average period that subscribers are expected to remain connected to the network. The incremental and direct costs related to connection fees, in an amount not exceeding the revenue, are now deferred and recognized as an operating expense over the same 30-month period. Previously, the connection fees and the incremental and direct costs were recognized immediately in operating revenues and expenses, and the reconnecting costs were capitalized and amortized over a three-year period. This change in accounting policy had no effect on the amounts of reported operating income and net income.

(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.

Years ended December 31, 2004, 2003 and 2002
(in millions of Canadian dollars, except per share and per option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Use of estimates

The preparation of consolidated financial statements in conformity with Canadian GAAP 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 expected future cash flows to be generated by assets, the determination of the 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) Impairment of long-lived assets

When a triggering event occurs, the Company reviews, the carrying values of its long-lived assets by comparing the carrying amount of the asset or group of assets to the expected future undiscounted cash flows to be generated by the asset or group of assets. In accordance with CICA Section 3063, *Impairment of Long-Lived Assets*, an impairment loss is recognized when the carrying amount of an asset or group of assets held for use exceeds the sum of the undiscounted cash flows expected from its use and eventual disposition. The impairment loss is measured as the amount by which the asset's carrying amount exceeds its fair value.

(g) 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 segment

Connection fee revenues of the Cable segment are deferred and recognized as revenues over the estimated average 30-month period that subscribers are expected to remain connected to the network. The incremental and direct costs related to connection fees, in an amount not exceeding the revenue, are deferred and recognized as an operating expense over the same 30-month period (*see note 1(c)*). Operating revenue from cable 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 when services are provided. Promotion offers are accounted for as a reduction in the related service revenue when customers take advantage of the offer.

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 the Newspapers segment's historical rate of return.

Broadcasting segment

Revenues of the Broadcasting segment derived from the sale of advertising airtime are recognized when the advertising has been broadcast. Revenues derived from advertising from publishing activities are recognized when the publication is delivered. 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 to newsstands and are recorded using gross sales less a provision for expected returns.

Revenues derived from the sale and distribution of film and from television program rights are recognized when the following conditions are met: persuasive evidence of a sale or a licensing agreement with a customer 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 are recognized when the film is released and when all of the above conditions are met. Theatrical revenues are based on a percentage of revenues generated by movie theatres. Revenues generated from video are recognized at the time of delivery of the videocassettes and DVDs, less a provision for future returns, or are accounted for based on a percentage of retail sales and when the aforementioned conditions are met.

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

Years ended December 31, 2004, 2003 and 2002
(in millions of Canadian dollars, except per share and per option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Revenue recognition (continued)

Business Telecommunications segment

Revenues of the Business Telecommunications segment, such as telecommunication services, network access fees and point-to-point telephony, are recognized when services are provided. Revenues from service contracts and information technology management contracts are recognized on a straight-line basis over the term of the contracts. Fixed fee services, such as network access or fixed long distance fees, are taken into income ratably over the term of the subscription or contract. When customers are invoiced, the portion of unearned revenue is recorded under "Deferred revenue".

Interactive Technologies and Communications segment

The Interactive Technologies and Communications segment generates revenues primarily under long-term contracts related to the development of Web integration, e-commerce and automated publishing solutions. 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 is generally billed based on 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 revenues.

Internet/Portals segment

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

(h) Barter transactions

In the normal course of 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 the goods and services obtained.

For the year ended December 31, 2004, the Company recorded $13.1 million of barter advertising ($16.3 million and $13.3 million, respectively, in 2003 and 2002).

(i) 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 2.20% to 2.85% and maturing in January and February 2005.

(j) Temporary investments

Temporary investments are recorded at the lower of cost and market value. Temporary investments consist of commercial paper bearing interest from 2.10% to 2.50% and maturing between January and June 2005.

(k) 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 the sale and the fair value of the retained interest in such receivables on the date of transfer. Fair values are determined on a discounted cash flow basis. Costs, including losses on sales of trade receivables, are recognized in income in the period incurred and included in cost of sales and selling and administration expenses.

The Company evaluates its allowances for uncollectible trade accounts receivable based on customers' credit history, payment trends, and other factors specific to each customer.

(l) Tax credits and government assistance

The Broadcasting and Leisure and Entertainment segments can take advantage of several government programs designed to support production and distribution of televisual products and movies and magazine and book publishing in Canada. The financial aid for production is accounted for as reduction in expenses 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 or used directly to reduce operating expenses during the year. The financial aid for magazine and book publishing is accounted for in revenues when the conditions for acquiring the government assistance are met.

The Interactive Technologies and Communications and Leisure and Entertainment segments receive tax credits mainly related to their research and development activities and publishing activities. These 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 in related costs in the year the expenses are incurred, as long as there is reasonable assurance of their realization.

Years ended December 31, 2004, 2003 and 2002
(in millions of Canadian dollars, except per share and per option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Inventories

Inventories are valued at the lower of cost, determined by the first-in, first-out method or the weighted-average cost method, and market value. Retail inventories related to the Leisure and Entertainment and the Cable segments are valued using the retail inventory method. Net realizable value represents the market value for all inventories, except for raw materials and supplies, for which market value is replacement cost. The cost of work in process and finished goods related to the printing Printing segment includes the cost of raw materials, direct labour and factory overhead.

(n) Investment in televisual products and movies

(i) Programs produced and productions in progress

Programs produced and productions in progress related to broadcast activities 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. If a loss on a program can be estimated, a provision for such loss is recorded immediately.

(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 licence 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 material for the program, 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 or long term, based on management's estimates of the broadcast period. These rights are amortized upon the broadcast of televisual products and movies over the contract period, based on the estimated number of showings and future revenues. This amortization is presented in cost of sales and selling and administrative expenses. Broadcast rights payable are classified as current or long-term liabilities based on the payment terms included in the licence or based on the utilization period estimated by management; such estimates are revised at each reporting period.

(iii) Distribution rights

Distribution rights relate to the distribution of televisual products and movies. The costs include costs for film acquisition rights and marketing and other operating 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 televisual product and movie has been accepted in accordance with the conditions of the licence agreement, the televisual product or movie is available for broadcast and the cost of the licence is known or can be reasonably estimated.

Amounts paid for distribution rights, prior to the conditions of recording the asset being 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 revenues related to television products and movies are examined periodically by Broadcasting segment management 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. The amortization of distribution rights is presented in cost of sales and selling and administrative expenses.

(o) 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 rates on future income tax assets and liabilities is recognized in income in the period that includes the enactment or substantive enactment date. A valuation allowance is recorded if the realization of future income tax assets is not considered "more likely than not".

(p) 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.

Years ended December 31, 2004, 2003 and 2002
(in millions of Canadian dollars, except per share and per option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) 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, cost includes equipment, direct labour, overhead costs and financial expenses. Expenditures for additions, improvements and replacements are capitalized, whereas maintenance and repair expenditures are charged to cost of sales.

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

Asset	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 lease.

(r) 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 to its fair value. When the fair value of a reporting unit exceeds its carrying amount, then the 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 to 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 discontinued operations.

Intangible assets acquired, such as broadcasting licences, 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 to 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 and non-competition agreements, are amortized over their useful life using the straight-line method over a period of 3 to 10 years.

(s) Deferred start-up costs and financing fees

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 periodically reviews the value and amortization period of deferred start-up costs. Financing fees related to long-term financing are amortized using the interest rate method and the straight-line method over the term of the related long-term debt.

(t) 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 had the Company elected to settle the debentures with the underlying shares as at December 31, 2004.

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 shares, 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 holders of the exchangeable debenture Series Abitibi 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.

Years ended December 31, 2004, 2003 and 2002
(in millions of Canadian dollars, except per share and per option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Exchangeable debentures (continued)

Since July 1, 2004, the use of hedge accounting has been rescinded by the Emerging Issues Committee amended Abstract EIC-56, when the issuer's investment in the underlying shares is consolidated. Accordingly, changes in the carrying amount of exchangeable debenture Series 2001, based on fluctuations in the market price of the underlying 12.5 million subordinate shares of Quebecor World Inc., are being recorded directly in the statement of income instead of being recorded as a deferred amount on the balance sheet. The gain of $57.5 million on exchangeable debentures already deferred as at July 1, 2004 continues to be deferred for subsequent recognition in income in the earlier of the period in which it is no longer probable that the underlying shares will be remitted as payment of the debt, or the period in which the underlying shares are remitted as payment of the debt.

(u) Stock-based compensation

The Company uses the fair value method to account for all stock-based awards to employees. Under the fair value method, the compensation cost attributable to awards to employees that call for settlement in cash or other assets, at the option of the employee, is recognized in operating expenses over the vesting period. Changes in the fair value of the underlying shares between the grant date and the measurement date result in a change in the measure of compensation cost. Other stock options awards to employees are measured based on the fair value of the options at the grant date and a compensation expense is recognized over the vesting period of the options, with a corresponding increase to additional paid-in capital. When the stock options are exercised, capital stock is credited by the sum of the consideration paid, together with the related portion previously recorded to paid-in capital.

In the case of the employee share purchase plans of Company's subsidiaries, the contribution paid by the subsidiaries on behalf of their employees is considered a compensation expense. The contribution paid by employees for the purchase of shares is credited to the subsidiary's capital stock.

Deferred Stock Unit plans ("DSU") of the Company and its subsidiaries are recognized in compensation expense and accrued liabilities as they are awarded. The DSUs are re-measured at each reporting period, until settlement, using the trading price of the Company and its subsidiaries shares.

Quebecor World Inc., TVA Group Inc. and Nurun Inc. plans

Between January 1, 2002 and December 31, 2002, Quebecor World Inc., Printing segment, TVA Group Inc., Broadcasting segment and Nurun Inc., Interactive Technologies and Communications 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 the purchase of stock was credited to their capital stock and no compensation expense was recorded. Effective January 1, 2003, Quebecor World Inc., TVA Group Inc. and Nurun 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 method is applied only to employee stock options granted after January 1, 2003. However, pro forma net income and diluted earnings per share for awards granted in 2002 are disclosed in note 20(f) using the fair value method.

On October 15, 2004, TVA Group Inc. modified its stock option plan and stock option grant agreements for all optionees at that date. Under the modified stock option plan, all awards can be now settled in cash or other assets, at the option of the employee. Since October 15, 2004, the compensation cost attributable to awards to employees is recognized in operating expenses over the vesting period. Any change in the fair value of the underlying shares between the grant date (which is the modification date of the stock option plan for all options granted before October 14, 2004) and the measurement date result in a change in the measure of compensation cost.

(v) 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 trading purposes. The Company documents all relationships between derivatives and the hedged item, its strategy for using hedges and its risk-management objective. The Company assesses the effectiveness of derivatives when the hedge is put in place and on an ongoing basis.

The Company enters into foreign exchange forward contracts to hedge anticipated foreign-denominated sales and related receivables and raw material and equipment purchases. Under hedge accounting, foreign exchange translation gains and losses are recognized as an adjustment to revenues, cost of sales and property, plant and equipment, 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 to revenues, cost of sales and property, plant and equipment, respectively, when the transaction is recorded.

The Company enters into foreign exchange forward contracts to hedge its net investments in foreign subsidiaries. Under hedge accounting, foreign exchange translation gains and losses are recorded under translation adjustment. Any realized or unrealized gain or loss on such derivative 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. Under hedge accounting, foreign exchange translation gains and losses are recorded under other assets or other liabilities. The fees on forward foreign exchange contracts and on cross-currency swaps are recognized as an adjustment to interest expenses over the term of the agreement.

The Company also enters into foreign exchange forward 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 to interest expense over the term of the agreement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Derivative financial and commodity instruments (continued)

The Company also enters into interest rate swaps in order to manage the impact of fluctuations in 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 forecasted issuance of 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 designates its commodity hedge agreements as hedges of natural gas costs. Natural gas costs is adjusted to include amounts payable or receivable under the commodity hedge agreements.

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 lenders' exposure. Such prepayments are reimbursed by reductions in the Company's future payments under the agreements. The portion of these reimbursements related to interest is accounted for as a reduction in financial expenses. The prepayments are presented on the balance sheet as a reduction in the liability of the derivative instrument.

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.

Derivative instruments that are ineffective or that are not designated as hedges are reported on a market-to-market basis in the consolidated financial statements. Any change in the fair value of such derivative instruments is recorded in income.

(w) 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. Defined benefit 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, which incorporates management's best estimate of future salary levels, other cost escalations, retirement ages of employees and other actuarial factors. Pension plan expense is charged to operations and includes:

- Cost of pension plan benefits provided in exchange for employee services rendered during the year.
- Amortization of the initial net transition asset, prior service costs and amendments on a straight-line basis over the expected average remaining service period of the active employee group covered by the plans.
- Interest cost of pension plan obligations, expected return on pension fund assets, and amortization of cumulative unrecognized net actuarial gains and losses in excess of 10% of the greater of the benefit obligation or the fair value of plan assets over the expected average remaining service period of the active employee group covered by the plans.

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

The Company participates in a number of multi-employer defined benefit pension plans. These multi-employer plans are accounted for following the standards on defined contribution plans, since the Company has insufficient information to apply defined benefit plan accounting.

Actuarial gains and losses arise from the difference between the actual long-term rate of return on plan assets for a period and the expected long-term rate of return on plan assets for that period or from changes in actuarial assumptions used to determine the accrued benefit obligation.

The Company uses the fair value of plan assets as at the end of the year to evaluate plan assets for the purpose of calculating the expected return on plan assets, except for the Printing segment, which uses a market related value. The market-related value is based on a combination of rigorous historical performance analysis and the forward-looking views of the financial markets as indicated by the yield on long-term bonds and the price-to-earnings ratios of the major stock market indices.

(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.

Years ended December 31, 2004, 2003 and 2002
(in millions of Canadian dollars, except per share and per option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) 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 can be reasonably estimated, based on a specific plan of action in terms of the technology to be used and the extent of the corrective action required.

2. FINANCIAL EXPENSES

	2004	2003	2002
Interest on long-term debt, exchangeable debentures and convertible notes	$ 423.7	$ 493.4	$ 527.4
Interest on bank indebtedness	9.8	20.3	17.5
Amortization of deferred financing costs and long-term debt discount	61.9	63.0	62.1
Losses (gains) on ineffective derivative instruments and on foreign currency translation on unhedged long-term debt	6.1	(2.0)	3.1
Loss on revaluation of additional amount payable	26.9	4.5	–
Interest on redeemable preferred shares of a subsidiary	–	24.5	21.7
Investment income	(9.1)	(14.5)	(25.6)
Other	3.5	(1.1)	0.5
	522.8	588.1	606.7
Interest capitalized to the cost of property, plant and equipment	(1.9)	(3.3)	(6.3)
	$ 520.9	$ 584.8	$ 600.4

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

(a) Printing segment

2004

During the year ended December 31, 2004, Quebecor World Inc. recorded an impairment of assets, restructuring and other charges of $157.3 million. Non-cash items amounted to $107.4 million and cash items to $49.9 million. The cash portion was made up of a $51.8 million charge related to current year initiatives and a $1.9 million net reversal of prior years' initiatives.

The execution of the 2004 restructuring initiatives resulted in certain assets being permanently idled. In addition, other events triggered a recoverability test on other groups of assets. Accordingly, for the year ended December 31, 2004, Quebecor World Inc. recorded an impairment on long-lived assets of $95.8 million.

The impairment of long-lived assets has been measured as the excess of the carrying amount of an asset over its fair value, based on quoted market prices, when available, or calculated using the discounted cash flow method.

Quebecor World Inc. approved restructuring initiatives to improve asset utilization and enhance efficiency. The restructuring initiatives included the closure of the Stockholm facility in Sweden, the closure of the Effingham, Illinois, facility in the Magazine platform, a significant downsizing at the Kingsport, Tennessee, facility in the Book platform, the consolidation of five small facilities in North America and one in Europe, and other work-force reductions across Quebecor World Inc.

The cash cost of these of $51.8 million initiatives are mostly related to work-force reductions, lease obligation, facility carrying costs and dismantling of equipment. The non-cash cost of these initiatives includes $11.6 million for the curtailment of American pension plans.

In summary, as of December 31 2004, 2,228 positions had been eliminated under the 2004 initiatives; 290 will be completed in 2005 and 567 new jobs will be created in other facilities. In 2005, excluding the pension obligation related to the Effingham multi-employer benefit plan, $21.4 million in cash restructuring charges for the 2004 initiatives remains to be recorded when the liability related to the initiatives will have been contracted.

Years ended December 31, 2004, 2003 and 2002
(in millions of Canadian dollars, except per share and per option data)

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

(a) Printing segment (continued)

2004 (continued)

In 2004, the review and execution of prior year's initiatives resulted in a net reversal of $1.9 million, comprised of a cash overspending of $8.5 million and a $10.4 million reversal of prior years' restructuring and other charges, mostly due to the cancellation of the termination of 75 positions.

Under prior years initiatives, 6,178 positions had been eliminated as at December 31, 2004 and 5 will be eliminated in 2005.

2003

During the year ended December 31, 2003, Quebecor World Inc. recorded an impairment of assets, restructuring and other charges of $132.1 million. Non-cash items amounted to $81.5 million and cash items to $50.6 million.

Quebecor World Inc. initiated restructuring initiatives following continued volume declines in certain business segments for a total cost of $50.6 million. A cash charge of $52.0 million was taken, consisting of $44.1 million in work-force reduction costs and $7.9 million in additional closure costs for four smaller facilities. The total cost also included a reversal of $1.4 million related to 2001-2002 initiatives, comprised of a cash overspending of $17.4 million and a $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.

Quebecor World Inc. also reviewed the status of assets that became permanently idle following current and prior years' restructuring initiatives and difficult economic conditions. Quebecor World Inc. determined that these assets would not be redeployed as had originally been contemplated under an economic recovery scenario or would not generate sufficient cash flow, and thus recorded an impairment of assets of $81.5 million.

2002

In 2002, Quebecor World Inc. reported restructuring and other charges of $29.3 million. The charges are detailed and discussed below:

- 2002 initiatives amounted to $69.4 million, while overspending on 2001 initiatives stood at $19.9 million for a total cost of $89.3 million.
- The reversal of unused reserves for restructuring from 2001 amounts to $60.0 million and was applied against the 2002 charges.

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 $69.4 million consisted of $9.7 million relating to impaired property, plant and equipment, $44.8 million in work-force reduction costs and other restructuring charges, and $14.9 million related mostly to the write-down of the investment in Q-Media Services Corporation, which went into receivership at the end of 2002.

The execution of the 2001 initiatives resulted in an overspending of $19.9 million recorded in the 2002 restructuring and other charges.

In 2002, the continuation of a customer contract previously expected to be terminated provided sufficient work to utilize equipment originally targeted for shut down. As a result, Quebecor World Inc. decided to cancel one plant shutdown, which explains the balance of the 2001 restructuring reserve, reversed in 2002, of $60.0 million, consisting of $27.7 million in asset impairment and $32.3 million in related restructuring charges.

Continuity of the reserve for restructuring and other special charges

The following table sets forth Quebecor World Inc.'s restructuring reserve activities and the other special charges of 2004 against the reserve carried forward from 2003:

	Restructuring charges	Other special charges	Total
Balance as at December 31, 2003	$ 58.3	$ 1.6	$ 59.9
Overspending of previous years initiatives	8.5	–	8.5
Reversal of previous years' reserves	(10.4)	–	(10.4)
New initiatives in 2004	51.8	–	51.8
Reserve utilized in 2004	(64.6)	(1.2)	(65.8)
Foreign currency changes	(1.7)	–	(1.7)
Balance as at December 31, 2004	**$ 41.9**	**$ 0.4**	**$ 42.3**

Years ended December 31, 2004, 2003 and 2002
(in millions of Canadian dollars, except per share and per option data)

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

(a) Printing segment (continued)

The reserve is expected to be utilized as follows:

	Work-force reduction costs	Leases, closed facility carrying costs and other	Total
2005	$ 25.6	$ 7.4	$ 33.0
2006	–	4.2	4.2
2007	–	3.1	3.1
2008	–	1.3	1.3
2009 and thereafter	–	0.7	0.7
	$ 25.6	$ 16.7	$ 42.3

(b) Other segments

During the year ended December 31, 2004, the Company and its subsidiaries recorded reserve for restructuring of operations and impairment of assets of $2.8 million, including write-down of deferred costs of $0.8 million in the Broadcasting segment, and an additional charge of $2.0 million in the Business Telecommunications segment for the settlement of a litigation related to the 2001 operations restructuring program.

During the year ended December 31, 2003, the Company and its subsidiaries recorded reserves for restructuring of operations and impairment of assets of $1.8 million, including assets write-down totalling $1.3 million and severance costs and other restructuring charges totalling $0.5 million, net of a reversal of $0.1 million.

During the year ended December 31, 2002, write-downs of temporary and portfolio investments totalling $13.4 million and a write-down of $9.0 million on one property were recognized by the Company in order to record these assets at the lower of cost and fair market value or net realizable value. Also, the Interactive Technologies and Communications segment recorded a non-monetary compensation charge of $5.7 million related to escrowed shares to be remitted to selling shareholders of acquired companies. Finally, in 2002 the Newspapers, Broadcasting, Business Telecommunications, Interactive Technologies and Communications and Internet/Portals segments recorded reserves for restructuring of operations totalling $8.8 million, net of reversals of $2.3 million related to prior years program reserves. These reserves included severance costs related to work-force reductions, asset write-downs and other restructuring charges.

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

	Restructuring charges	**Other special charges**	**Total**
Balance as at December 31, 2003	**$ 5.7**	**$ 1.4**	**$ 7.1**
Additional reserve	**–**	**2.0**	**2.0**
Utilized in 2004:			
Cash	**(1.2)**	**(3.4)**	**(4.6)**
Balance as at December 31, 2004	**$ 4.5**	**$ –**	**$ 4.5**

The remaining balance of restructuring reserve is expected to be used over future years until 2010.

Years ended December 31, 2004, 2003 and 2002
(in millions of Canadian dollars, except per share and per option data)

4. NET (LOSS) GAIN ON DEBT REFINANCING AND ON REPURCHASE OF REDEEMABLE PREFERRED SHARES OF A SUBSIDIARY

(a) Quebecor World Inc.

In November 2003, Quebecor World Inc., Printing segment, repurchased 89.6% of the 7.75% Senior Notes (*see note 14(xi)*) pursuant to a tender offer. The remaining Senior Notes were redeemed in February 2004. In December 2003, Quebecor World Inc. also redeemed all of the 8.375% Senior Notes. These debt extinguishments resulted in a loss of $2.6 million ($39.7 million in 2003) and consisted of premiums paid, write-off of discounts and deferred costs related to these transactions.

(b) Vidéotron ltée

On November 19, 2004, the net proceeds from the issuance of a second series of the 6.875% Senior Notes (*see note 14(xvii)*) were used to repay in full Vidéotron ltée's term loan credit facility "C" (*see note 14(xvi)*). As a result of the refinancing of the term loan, Vidéotron ltée recorded a loss of $4.8 million, comprised of a loss of $4.6 million for the marked-to-market of a derivative instrument and the write-off of $0.2 million in deferred financing costs.

On October 8, 2003, net proceeds from the issuance of a first series of the 6.875% Senior Notes (*see note 14(xvii)*) 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. As a result of the debt refinancing, 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, net proceeds from the issuance of the 7.625% Senior Notes (*see note 14(xx)*) and from the new credit facilities (*see note 14(xix)*) were used to reimburse, in its entirety, the Senior Bank Credit facility of Sun Media Corporation in place as at December 31, 2002, and to reimburse the two series of Senior Subordinated Notes in place as at December 31, 2002.

As a result of the debt refinancing, Sun Media Corporation recorded a net gain of $7.5 million in 2003, comprised of a cash gain of $10.3 million from the unwind of hedging contracts, offset by the write-off of the related deferred financing costs.

(d) Videotron Telecom Ltd.

On December 22, 2003, Quebecor Media Inc. repurchased the redeemable preferred shares issued by Videotron Telecom Ltd., Business Telecommunications segment, for a cash consideration of $55.0 million and an additional amount payable of $70.0 million (*see note 13*). As the carrying value of these preferred shares, classified as a liability instrument, was $278.7 million at the date of the transaction, 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.

5. INCOME TAXES

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

	2004	2003	2002
Domestic	$ 181.1	$ 187.8	$ (121.7)
Foreign	281.5	28.1	580.4
	$ 462.6	$ 215.9	$ 458.7

Total income tax expenses were allocated as follows:

	2004	2003	2002
Continuing operations	$ 132.9	$ 21.5	$ 147.2
Discontinued operations	0.1	3.1	1.4
Dividends on preferred shares of subsidiaries	4.9	4.4	4.7
	$ 137.9	$ 29.0	$ 153.3

Years ended December 31, 2004, 2003 and 2002
(in millions of Canadian dollars, except per share and per option data)

5. INCOME TAXES (continued)

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

	2004	2003	2002
Current:			
Domestic	**$ 23.5**	$ 26.8	$ 3.3
Foreign	**45.0**	22.7	49.6
	68.5	49.5	52.9
Future:			
Domestic	**17.9**	(61.4)	(20.6)
Foreign	**46.5**	33.4	114.9
	64.4	(28.0)	94.3
	$ 132.9	$ 21.5	$ 147.2

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:

	2004	2003	2002
Domestic statutory tax rate	**31.0 %**	33.1 %	35.2 %
Effect of provincial and foreign tax rate differences	**(7.7)**	(27.8)	(16.3)
	23.3	5.3	18.9
Increase (reduction) resulting from:			
Effect of non-deductible charges and/or a tax rate reduction	**1.6**	15.3	10.9
Effect of non-taxable revenue	**(0.9)**	–	(4.4)
Change in valuation allowance	**5.2**	9.5	3.4
Large corporation and American State taxes	**1.1**	4.4	2.6
Other	**(1.6)**	(2.3)	0.7
Effective tax rate before the following item	**28.7**	32.2	32.1
Effect of the non-taxable net gain on debt refinancing and on repurchase of redeemable preferred shares	**–**	(22.2)	–
Effective tax rate	**28.7 %**	10.0 %	32.1 %

5. INCOME TAXES (continued)

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

	2004	2003
Loss carryforwards	**$ 520.2**	$ 645.9
Tax credit carryforwards	**16.8**	33.2
Accounts payable, accrued charges and deferred revenue	**87.6**	52.3
Pension plan liability, postretirement and workers' compensation benefits	**40.3**	74.1
Acquisition and reserve for restructuring of operations	**16.9**	40.9
Property, plant and equipment	**(682.5)**	(963.1)
Long-term investments	**(143.7)**	(103.9)
Goodwill and other assets	**(85.7)**	(50.1)
Inventories	**(39.3)**	(57.9)
Other	**(30.3)**	18.6
	(299.7)	(310.0)
Valuation allowance	**(287.4)**	(312.4)
Net future income tax liabilities	**$ (587.1)**	$ (622.4)

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

	2004	2003
Future income tax assets:		
Current	**$ 122.6**	$ 206.9
Long-term	**81.0**	104.7
	203.6	311.6
Future income tax liabilities:		
Current	**(5.3)**	(8.1)
Long-term	**(785.4)**	(925.9)
	(790.7)	(934.0)
Net future income tax liabilities	**$ (587.1)**	$ (622.4)

The 2004 and 2003 amounts shown above include a valuation allowance of $287.4 million and $312.4 million, respectively, related to loss carryforwards and other tax benefits available. The net change in the total valuation allowance for the year ended December 31, 2004 is primarily due to the $23.9 million ($20.4 million in 2003) allocated to income from operations as an increase in the valuation allowance, the $20.3 million recognized as future income tax assets as part of the purchase price allocation related to the acquisition of minority interest in Canoe Inc. and the Ant Farm Interactive LLC acquisition, the $12.5 million recognized as a reduction in goodwill (*see note 12*) in 2004, and the $6.4 million related to tax losses of Mindready Solutions Inc., disposed of in 2004.

Subsequent recognition of tax benefits relating to the valuation allowance as at December 31, 2004 will be reported in the consolidated statement of income in an amount of $257.4 million and $30.0 million will be allocated to goodwill.

As at December 31, 2004, the Company had loss carryforwards for income tax purposes including $858.1 million available to reduce future taxable income, expiring from 2005 to 2024, and $443.4 million and $312.3 million available to reduce future operating income and capital gains, respectively, that can be carried forward indefinitely. The Company also has net state operating losses and state tax credits of $48.6 million in the United States, which expire from 2006 to 2024.

The Company has not recognized a future income tax liability for the undistributed earnings of its subsidiaries in the current or prior years since the Company does not expect to sell or repatriate funds from those investments, in which case the undistributed earnings may become taxable. Any such liability cannot reasonably be determined at the present time.

Years ended December 31, 2004, 2003 and 2002
(in millions of Canadian dollars, except per share and per option data)

6. DISCONTINUED OPERATIONS

On May 27, 2004, Nurun Inc., Interactive Technologies and Communications segment, closed the sale of 84% of its interest in Mindready Solutions Inc. for a cash consideration of $4.4 million and a balance of sale receivable of $3.4 million. The sale resulted in a loss on disposal of $0.3 million (net of non-controlling interest of $0.4 million). After this disposal, the Company still owned 1.2 million shares of Mindready Solutions Inc. that can only be sold in whole to the purchaser at any time until June 27, 2005 at a price of $1.165 per share, less the cash distribution of $1.1 million paid to Nurun Inc. on August 18, 2004.

On March 14, 2003, Nurun Inc. 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 and non-controlling interest). 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 Section 3475, *Disposal of Long-lived Assets and Discontinued Operations,* of the *CICA Handbook* and, accordingly, the results of the disposed businesses were reclassified and disclosed in the consolidated statements of income as "(Loss) income from discontinued operations", while the cash flows related to the operations of the disposed businesses were reclassified and disclosed in the consolidated statements of cash flows as "Cash flows provided by (used in) discontinued operations".

The following tables provide additional financial information related to the operations from the above discontinued operations for the years ended December 31, 2004, 2003 and 2002, as well as information on the assets and liabilities of these discontinued operations at the date of disposal.

Combined and consolidated statements of income

	2004	2003	2002
Revenues	**$ 8.0**	$ 29.5	$ 51.9
Cost of sales and selling and administrative expenses	**9.7**	29.0	61.2
Operating (loss) income before undernoted items	**(1.7)**	0.5	(9.3)
Amortization	**(0.3)**	(1.1)	(2.1)
Financial income	**0.2**	–	0.6
Write-down of goodwill	**–**	–	(8.9)
Reserve for restructuring of operations and other special charges	**–**	0.2	(2.5)
Loss before income taxes	**(1.8)**	(0.4)	(22.2)
Income taxes	**0.1**	0.3	1.4
	(1.9)	(0.7)	(23.6)
Non-controlling interest	**1.6**	0.7	19.3
(Loss) gain on disposal of businesses (net of income taxes and of non-controlling interest)	**(0.3)**	0.2	–
(Loss) income from discontinued operations	**$ (0.6)**	$ 0.2	$ (4.3)

Combined and consolidated balance sheet

	2004	2003
Current assets	**$ 20.2**	$ 6.1
Long-term assets	**2.2**	17.7
Current liabilities	**(7.3)**	(4.2)
Non-controlling interest	**(12.0)**	–
Net assets	**$ 3.1**	$ 19.6

Years ended December 31, 2004, 2003 and 2002
(in millions of Canadian dollars, except per share and per option data)

7. BUSINESS ACQUISITIONS AND DISPOSALS

Business acquisitions

During the years ended December 31, 2004, 2003 and 2002, the Company acquired or increased its interest in several businesses and has accounted for these by the purchase method. The purchase price allocation related to the acquisition of Toronto 1 is preliminary and based on the Company's best estimates. The final purchase price allocation is expected to be completed as soon as Company's management has gathered all the significant information believed to be available and considered necessary in order to finalize this allocation. The results of operations of these businesses have been included in the Company's consolidated financial statements from their date of acquisition.

2004 acquisitions

The Printing segment made the following acquisitions:

- In March and September 2004, Quebecor World Inc. acquired minority interests in its North American operations for a cash consideration of $3.9 million, resulting in additional goodwill of $2.7 million.
- In April 2004, Quebecor World Inc. acquired minority interests in its Spanish operations for a cash consideration of $2.3 million, of which $2.0 million has been recorded in goodwill.
- In November 2004, Quebecor World Inc. purchased the remaining 50% of the issued and outstanding shares of Helio Charleroi in Belgium, a former subsidiary of European Graphic Group S.A., for a cash consideration of $53.8 million, of which $19.8 million has been recorded in goodwill.

Other segments made the following acquisitions:

- During the year ended December 31, 2004, Quebecor Media Inc. increased its interest in TVA Group Inc., Broadcasting segment, through the subsidiary's Share Repurchase and Cancellation Program. A total of 1,892,500 Class B non-voting Common Shares were repurchased for a cash consideration of $41.0 million, resulting in additional goodwill of $10.2 million.
- On April 28, 2004, Nurun Inc., Interactive Technologies and Communications segment, acquired Ant Farm Interactive LLC, which specializes in interactive marketing, for a cash consideration of $5.4 million. In addition, Nurun Inc. will issue and deliver 996,170 Common Shares to the sellers in 2007, or, at its option, will pay an amount in cash equal to the share value at the time of the payment. This issuance and delivery of shares or payment in cash to the sellers is conditional upon such sellers being employed by the Company at the time of the payment and, consequently, the estimated amount of remuneration is accrued over time into income. Also, the agreement includes an additional contingent consideration up to a maximum of $4.9 million based on specific performance objectives being achieved in the future. This acquisition resulted in additional goodwill of $2.8 million. Any contingent considerations based on performance will be recorded as an increase of goodwill.
- Following several transactions during the year ended December 31, 2004, all minority interests in Canoe Inc. (formerly Netgraphe Inc.), Internet/Portals segment, directly owned by minority shareholders, were acquired for a cash consideration of $25.2 million, resulting in additional goodwill of $4.8 million. Shares of Canoe Inc. were delisted from the Toronto Stock Exchange shortly after these transactions.
- In July, 2004, Le SuperClub Vidéotron ltée, Cable segment, acquired substantially all the assets of Jumbo Entertainment Inc. for a cash consideration of $7.2 million, resulting in additional goodwill of $5.2 million. Jumbo Entertainment Inc. operates 105 video rental and sales stores across Canada.
- On December 2, 2004, TVA Group Inc. and Sun Media Corporation, two subsidiaries of Quebecor Media Inc., completed the acquisition of Toronto 1. The purchase price paid at the closing was $43.2 million, $32.4 million of which was paid in cash by TVA Group Inc. for its 75% interest in Toronto 1. Sun Media Corporation paid $2.8 million in cash and transferred to CHUM Limited its 29.9% interest in CablePulse24, a 24-hour news station in Toronto, for its 25% interest in Toronto 1. The acquisition resulted in goodwill of $11.2 million. Also, the transfer of Sun Media Corporation's interest in CablePulse24 to CHUM Limited resulted in a gain on disposal of $8.0 million.
- Finally, during the year ended December 31, 2004, Quebecor Media Inc. acquired all minority interests in TVA Book Publishers Inc., and Sun Media Corporation acquired a regional newspaper. These transactions were acquired for a cash consideration of $0.7 million and resulted in additional goodwill of $0.8 million.

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 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 $10.4 million, resulting in additional goodwill of $7.3 million.

Years ended December 31, 2004, 2003 and 2002
(in millions of Canadian dollars, except per share and per option data)

7. BUSINESS ACQUISITIONS AND DISPOSALS (continued)

2003 acquisitions (continued)

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.
- 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, which was reduced by $5.5 million when the purchase price allocation was finalized in 2004.
- 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.

2002 acquisitions

The Printing segment made the following acquisitions:

- In March 2002, Quebecor World Inc. purchased all of the issued and outstanding shares of European Graphic Group S.A. ("E2G"), a subsidiary of Hachette Filipacchi Médias in France, for a cash consideration of $5.2 million. The agreement included contingent considerations of a maximum of 6.1 million euros, based on achieving a specific future performance level. The contingent considerations, if any, will be recorded as an increase in plant, property and equipment. 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.
- During the year ended December 31, 2002, under the Normal Course Issuer Bid Program initiated in 2001, Quebecor World Inc. repurchased for cancellation a total of 148,500 of its own Subordinate Voting Shares for a net cash consideration of $5.2 million, resulting in additional goodwill 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 $7.2 million, of which $2.3 million has been recorded as goodwill.

Other segments made the following acquisitions:

- In 2002, Videotron Telecom Ltd., 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 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 year ended December 31, 2002, Quebecor Media Inc. increased its ownership in some of its subsidiaries in the Leisure and Entertainment segment, for a cash consideration of $0.2 million, resulting in additional goodwill of $0.5 million.

Years ended December 31, 2004, 2003 and 2002
(in millions of Canadian dollars, except per share and per option data)

7. BUSINESS ACQUISITIONS AND DISPOSALS (continued)

Business acquisitions are summarized as follows:

	2004	2003	2002
Assets acquired			
Cash and cash equivalents	**$ 2.2**	$ 2.4	$ 11.8
Non-cash current operating assets	**11.4**	10.0	43.9
Property, plant and equipment	**29.5**	2.6	104.0
Other assets	**33.0**	22.7	0.5
Future income taxes	**20.3**	–	–
Goodwill	**59.5**	43.4	5.1
Non-controlling interest	**58.8**	262.2	3.8
	214.7	343.3	169.1
Liabilities assumed			
Non-cash current operating liabilities	**(16.1)**	(5.9)	(41.2)
Long-term debt	**–**	–	(88.4)
Future income taxes	**(11.1)**	(7.2)	(0.1)
Other liabilities	**(4.8)**	(0.1)	(7.6)
	(32.0)	(13.2)	(137.3)
Net assets acquired at fair value	**$ 182.7**	$ 330.1	$ 31.8
Consideration			
Cash	**$ 174.7**	$ 330.1	$ 31.8
Investment in CablePulse24	**8.0**	–	–
	$ 182.7	$ 330.1	$ 31.8

Business disposals

- In December 2003, Videotron Telecom Ltd., Business Telecommunications segment, sold the assets of its subsidiary, Mensys Business Solution Center Ltd., for a cash consideration of $2.0 million, resulting in a loss on disposal of $1.1 million.
- In January 2002, Nurun Inc., Interactive Technologies and Communications 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, Canoe Inc., Internal/Portals segment, sold its interest in Canoe S.A. for a cash consideration of one 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 LP 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.
- In December 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.
- Also, during the year ended December 31, 2002, Quebecor Media Inc. sold its interests in some of its subsidiaries in 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, 2004, 2003 and 2002
(in millions of Canadian dollars, except per share and per option data)

8. EARNINGS PER SHARE

Earnings per share are calculated by dividing net income by the weighted daily average number of shares outstanding during the year. Diluted earnings per share are calculated by dividing the net income adjusted to include the potentially dilutive effect of convertible notes and stock options by the weighted average number of shares outstanding, adjusted to include the potentially dilutive effect of convertible notes and stock options.

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

	2004	2003	2002
Income from continuing operations	**$ 112.8**	$ 66.2	$ 87.5
Impact of assumed conversion of convertible notes and stock options, net of applicable income taxes	**(0.4)**	(0.3)	(2.3)
Income from continuing operations, adjusted for dilution effect	**$ 112.4**	$ 65.9	$ 85.2
Net income	**$ 112.2**	$ 66.4	$ 83.2
Impact of assumed conversion of convertible notes and stock options, net of applicable income taxes	**(0.4)**	(0.3)	(2.3)
Net income, adjusted for dilution effect	**$ 111.8**	$ 66.1	$ 80.9
Weighted average number of shares outstanding (in millions)	**64.6**	64.6	64.6
Effect of dilutive stock options (in millions)	**0.1**	0.1	–
Weighted average number of diluted shares outstanding (in millions)	**64.7**	64.7	64.6

Diluted earnings per share calculation did not take into consideration the potential dilutive effect of the exchangeable debentures Series 2001 (*see note 15(i)*) and the dilutive effect of certain options, since their impact is anti-dilutive. The number of the Company excluded options for the diluted earnings per share calculation was 1,347,000, 1,518,349 and 1,750,849 for the years ended December 31, 2004, 2003 and 2002 respectively.

9. ACCOUNTS RECEIVABLE

	2004	2003
Trade	**$ 754.5**	$ 702.9
Other	**70.3**	77.4
	$ 824.8	$ 780.3

Assets securitization

In September 2004, Quebecor World Inc., Printing segment, renewed and amended its 1999 agreement to sell, with limited recourse, a portion of its U.S. trade receivable on a revolving basis (the “U.S. Program”). The amendment provides Quebecor World Inc. the option to extend the term of the U.S. Program for an additional year. The U.S. Program limit is US$510.0 million. As at December 31, 2004, the amount outstanding under the U.S. Program was US$500.0 million (US$488.0 million as at December 31, 2003).

In 2004, Quebecor World Inc. sold, with limited recourse, a portion of its Canadian trade receivables on a revolving basis under the terms of a Canadian securitization agreement dated March 2003 (the “Canadian Program”). The Canadian Program limit is $135.0 million. As at December 31, 2004, the amount outstanding under the Canadian Program was $126.0 million ($132.0 million as at December 31, 2003).

Also in 2004, Quebecor World Inc. sold, with limited recourse, a portion of its French and Spanish trade receivables on a revolving basis under the terms of European securitization agreement dated June 2001 (the “European Program”). The European Program limit is 153.0 million euros. As at December 31, 2004, the amount outstanding under the European Program was 133.5 million euros (142.5 million euros as at December 31, 2003).

Quebecor World Inc. has retained 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.

Years ended December 31, 2004, 2003 and 2002
(in millions of Canadian dollars, except per share and per option data)

9. ACCOUNTS RECEIVABLE (continued)

Assets securitization (continued)

At December 31, 2004, an aggregate of $1,125.2 million ($1,179.5 million as at December 31, 2003) of accounts receivable had been sold under the three programs, of which $181.0 million ($177.3 million as at December 31, 2003) was kept by Quebecor World Inc. as retained interest, resulting in a net aggregate consideration of $944.2 million ($1,002.3 million as at December 31, 2003) 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 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 securitization trusts and Quebecor World Inc. in 2004 totalled $6.2 billion ($6.6 billion in 2003).

10. INVENTORIES AND INVESTMENTS IN TELEVISUAL PRODUCTS AND MOVIES

	2004	2003
Raw materials and supplies	**$ 357.8**	$ 353.3
Work in process	**182.0**	215.4
Finished goods	**63.3**	51.6
Investments in televisual products and movies	**35.8**	28.9
	$ 638.9	$ 649.2

11. PROPERTY, PLANT AND EQUIPMENT

			2004
	Cost	**Accumulated amortization**	**Net amount**
Land	**$ 146.1**	**$ –**	**$ 146.1**
Buildings and leasehold improvements	**1,237.6**	**361.4**	**876.2**
Machinery and equipment	**5,408.2**	**3,128.0**	**2,280.2**
Receiving, distribution and telecommunication networks	**1,384.2**	**359.2**	**1,025.0**
Projects under development	**68.1**	**–**	**68.1**
	$ 8,244.2	**$ 3,848.6**	**$ 4,395.6**

			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	5,601.1	2,905.8	2,695.3
Receiving, distribution and telecommunication networks	1,263.7	190.0	1,073.7
Projects under development	53.2	–	53.2
	$ 8,345.0	$ 3,404.3	$ 4,940.7

Years ended December 31, 2004, 2003 and 2002
(in millions of Canadian dollars, except per share and per option data)

11. PROPERTY, PLANT AND EQUIPMENT (continued)

As at December 31, 2004, the cost of property, plant and equipment and the corresponding accumulated amortization balance included amounts of $222.4 million ($505.4 million as at December 31, 2003) and $93.8 million ($305.0 million as at December 31, 2003), respectively, for assets held under capital leases. Amortization expenses for property, plant and equipment held under capital leases amounted to $9.1 million in 2004, $24.7 million in 2003 and $30.5 million in 2002.

12. GOODWILL

For the years ended December 31, 2004, 2003 and 2002, the changes in the carrying amounts of goodwill are as follows:

							2004
	Balance as at December 31, 2003	**Business acquisitions (disposals)**	**Discontinued operations**	**Translation adjustments**	**Write-down**	**Adjustment of purchase price and other**	**Balance as at December 31, 2004**
Printing	**$ 3,436.0**	**$ 24.5**	**$ –**	**$ (224.6)**	**$ –**	**$ –**	**$ 3,235.9**
Cable	**2,661.1**	**5.2**	**–**	**–**	**–**	**(84.5) [1]**	**2,581.8**
Newspapers	**1,012.1**	**0.4**	**–**	**–**	**–**	**–**	**1,012.5**
Broadcasting	**165.0**	**20.3**	**–**	**–**	**–**	**–**	**185.3**
Leisure and Entertainment	**43.8**	**1.0**	**–**	**–**	**–**	**(5.5)**	**39.3**
Interactive Technologies and Communications	**–**	**2.8**	**–**	**0.3**	**–**	**–**	**3.1**
Internet/Portals	**25.7**	**4.8**	**–**	**–**	**–**	**–**	**30.5**
Total	**$ 7,343.7**	**$ 59.0**	**$ –**	**$ (224.3)**	**$ –**	**$ (90.0)**	**$ 7,088.4**

[1] Recognition of future tax assets related to unrecognized tax benefits as at the business acquisition date, of which $12.5 million was included in the valuation allowance.

							2003
	Balance as at December 31, 2002	Business acquisitions (disposals)	Discontinued operations	Translation adjustments	Write-down	Adjustment of purchase price and other	Balance as at December 31, 2003
Printing	$ 3,989.5	$ 12.7	$ –	$ (566.1)	$ –	$ (0.1)	$ 3,436.0
Cable	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

Years ended December 31, 2004, 2003 and 2002
(in millions of Canadian dollars, except per share and per option data)

12. GOODWILL (continued)

							2002
	Balance as at January 1, 2002, as restated	Business acquisitions (disposals)	Discontinued operations	Translation adjustments	Write-down	Adjustment of purchase price and other	Balance as at December 31, 2002
Printing	$ 3,978.2	$ (3.8)	$ –	$ 15.1	$ –	$ –	$ 3,989.5
Cable	2,730.9	–	–	–	(68.0)	(0.2) [1]	2,662.7
Newspapers	1,001.8	(0.4)	–	–	–	–	1,001.4
Broadcasting	164.3	1.6	–	–	–	(7.3) [1]	158.6
Leisure and Entertainment	35.7	(0.5)	–	–	–	(0.1) [1]	35.1
Business Telecommunications	108.5	–	–	–	(107.6)	–	0.9
Interactive Technologies and Communications	8.8	–	(8.9)	0.1	–	–	–
Internet/Portals	28.7	–	–	–	(2.5)	–	26.2
Total	$ 8,056.9	$ (3.1)	$ (8.9)	$ 15.2	$ (178.1)	$ (7.6)	$ 7,874.4

[1] Recognition of future tax assets related to unrecognized tax benefits as at the business acquisition date.

13. ADDITIONAL AMOUNT PAYABLE

The value of the additional amount payable resulting from the repurchase of the redeemable preferred shares (*see note 4(d)*) fluctuates based on the market value of Quebecor Media Inc. 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 an initial value of $70.0 million. As at December 31, 2004, the additional amount payable is valued at $101.4 million ($74.5 million as at December 31, 2003). Change in the amount payable is recorded as a financial expense in the statement of income. The additional amount payable matures on December 15, 2008. The holder has the right to require payment at any time since 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 in cash, for a period of thirty 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. to the holder.

Years ended December 31, 2004, 2003 and 2002
(in millions of Canadian dollars, except per share and per option data)

14. LONG-TERM DEBT

	Effective interest rate as at December 31, 2004	Years of maturity	2004	2003
Quebecor Inc.				
Revolving bank credit facility (i)	4.56 to 5.05 %	2006	**$ 141.0**	$ 139.0
Other debt	5.21 %	2006	**6.3**	7.0
			147.3	146.0
Quebecor World Inc. and its subsidiaries (ii)				
Revolving bank credit facility (iii)	3.39 and 3.57 %	2007	**502.2**	365.2
Senior Notes (iv)	4.88 and 6.13 %	2008-2013	**717.8**	780.3
Senior Debentures (v)	7.25 %	2007	**180.3**	196.1
Senior Notes (vi)	8.42 and 8.52 %	2010-2012	**300.5**	326.9
Senior Notes (vii)	8.54 and 8.69 %	2015-2020	**145.4**	158.2
Senior Notes (viii)	7.20 %	2006	**300.5**	326.9
Senior Debentures (ix)	6.50 %	2027	**3.9**	196.1
Commercial paper – Repaid in 2004 (x)	–	–	**–**	0.4
Senior Notes – Repaid in 2004 (xi)	–	–	**–**	40.1
Obligations under capital leases and other debt (xii)	0.00 to 10.80 %	2005-2016	**58.2**	83.8
			2,208.8	2,474.0
Quebecor Media Inc. (ii)				
Credit facility (xiii)	–	2006	**–**	97.0
Senior Notes (xiv)	11.50 %	2011	**844.7**	917.2
Senior Discount Notes (xv)	13.75 %	2011	**296.0**	279.6
			1,140.7	1,293.8
Vidéotron ltée and its subsidiaries (ii)				
Credit facility (xvi)	–	2009	**–**	355.7
Senior Notes (xvii)	6.59 %	2014	**796.6**	430.4
Senior Secured First Priority Notes (xviii)	7.59 %	2007	**92.3**	100.6
			888.9	886.7
Sun Media Corporation and its subsidiaries (ii)				
Credit facilities (xix)	4.14 %	2008-2009	**241.6**	288.0
Senior Notes (xx)	7.88 %	2013	**242.7**	263.7
			484.3	551.7
TVA Group Inc. and its subsidiaries (ii)				
Revolving bank loan loan (xxi)	2.56 %	2006	**34.9**	24.4
Other subsidiaries of Quebecor Media Inc. (ii)				
Miscellaneous debt	–	2004	**–**	0.2
Total long-term debt, balance carried forward			**$ 4,904.9**	$ 5,376.8

Years ended December 31, 2004, 2003 and 2002
(in millions of Canadian dollars, except per share and per option data)

14. LONG-TERM DEBT (continued)

	2004	2003
Total long-term debt, balance brought forward	**$ 4,904.9**	$ 5,376.8
Less current portion		
Quebecor Inc.	–	7.0
Quebecor World Inc. and its subsidiaries	**13.9**	23.4
Quebecor Media Inc.	–	6.3
Vidéotron ltée and its subsidiaries	–	50.0
Sun Media Corporation and its subsidiaries	**2.8**	3.5
Other subsidiaries of Quebecor Media Inc.	–	0.2
	16.7	90.4
	$ 4,888.2	$ 5,286.4

(i) As at December 31, 2004 and 2003, these borrowings were drawn on a revolving bank credit facility of $200.0 million. The bank credit facility is a one-year revolving facility that can be extended on a yearly basis. In the event it were not 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 with a market value of at least 200% of the borrowed amounts (including the drawn portion of the Quebecor Media Inc. 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 Quebecor Media Inc. credit facility, which recourse is limited to the Company's ownership interest in Quebecor Media Inc.

(iii) In October 2004, Quebecor World Inc. extended its existing revolving bank credit facility for an additional year. The revolving bank credit facility is comprised of three tranches, each maturing in November 2007, and totalling US$1.0 billion. All three tranches can be extended on a yearly basis. The revolving bank credit facility contains certain restrictions, including the obligation to maintain some financial ratios. The facility can be used for general corporate purposes. Quebecor World Inc. paid fees for the unused portion of $1.6 million in 2004 ($1.4 million in 2003). The revolving bank credit facility bears interest at variable rates based on the London Interbanking Offered Rate ("LIBOR") or bankers' acceptance rates.

(iv) 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.

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

(vi) The Senior Notes, for a principal amount of US$250.0 million, are 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 that are generally less restrictive than those on the revolving bank credit facility.

(vii) The Senior Notes, for a principal amount of US$121.0 million, are 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 that are generally less restrictive than those of the revolving bank credit facility.

(viii) The Senior Notes, for a principal amount of US$250.0 million, mature in March 2006. A US$33.0 million portion of the notes bears a floating interest rate, but this has been swapped to a fixed rate, at the same rate as the coupon on the fixed rate portion (*see note 24(a)(ii)*). These notes contain certain restrictions that are generally less restrictive than those on the revolving bank credit facility.

(ix) These Senior Debentures, due on August 1, 2027, were redeemable at the option of the holder at their par value. On August 1, 2004. US$146.8 million Senior Debentures were tendered and redeemed out of a principal amount of US$150.0 million.

(x) In 2004, Quebecor World Inc. discontinued its Canadian commercial paper program.

(xi) In February 2004, Quebecor World Inc. redeemed these notes (*see note 4(a)*).

(xii) Other debts and capital leases are partially secured by assets. An amount of $27.6 million ($38.7 million in 2003) is denominated in euros, an amount of $4.0 million ($5.5 million in 2003) is repayable in Swedish kronas, and $1.7 million is denominated in Canadian dollars ($2.5 million in 2003).

Years ended December 31, 2004, 2003 and 2002
(in millions of Canadian dollars, except per share and per option data)

14. LONG-TERM DEBT (continued)

(xiii) The credit facility of $135.0 million, available for general liquidity purposes, is a one-year revolving credit facility that can be extended on a yearly basis. In the event it were not be extended, the outstanding borrowed amounts would be converted into a one-year term loan. The credit facility is secured by a first ranking moveable hypothec on all tangible and intangible assets, current and future, of Quebecor Media Inc. As at December 31, 2004, the carrying value of assets guaranteeing the credit facility is $6,509.2 million. The credit facility in aggregate is secured by Quebecor Media Inc.'s shareholders. The borrowed amounts bear interest at floating rates based on bankers' acceptance rate or bank prime rate.

(xiv) The Senior Notes with a principal amount of US$715.0 million were issued at discount 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. Notes contain certain restrictions for Quebecor Media Inc., including limitations on its ability to incur additional indebtedness, and are unsecured. 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 interest rate swap agreement, under which Quebecor Media Inc. has set all payments in Canadian dollars.

(xv) The Senior Discount Notes with a principal amount of US$295.0 million were issued at discount 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. 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 interest rate swap agreement, under which Quebecor Media Inc. has set all payments in Canadian dollars.

(xvi) The bank credit facility ("credit facility") comprises a revolving credit facility as at December 31, 2004. In November 2004, the revolving credit facility was increased from $100.0 million to $450.0 million and the term loan credit facility "C", which had been included in the bank credit facilities since 2003, was reimbursed (*see note 4(b)*). The new revolving credit facility, maturing in November 2009, bears interest at bankers' acceptance or LIBOR rates, plus a margin, depending on Vidéotron ltée's leverage ratio. The credit facility is secured by a first ranking hypothec on the universality of all tangible and intangible assets, current and future, of Vidéotron ltée and its subsidiaries, with some restrictions regarding CF Cable TV Inc. and its subsidiaries' assets. As at December 31, 2004, the carrying value of assets guaranteeing the credit facility of Vidéotron ltée and the Senior Secured First Priority Notes of CF Cable TV Inc. was $1,630.4 million. The credit facility contains covenants such as maintaining certain financial ratios and some restrictions on the payment of dividends and asset acquisitions and dispositions.

(xvii) In October 2003, a first series of Senior Notes was issued at discount for net proceeds of US$331.9 million, before issuance fees of US$5.7 million. In November 2004, a second series of Senior Notes was sold at premium on their face amount of US$315.0 million resulting in gross proceeds of US$331.0 million before accrued interest and issuance fees of US$6.2 million. These notes bear interest at a rate of 6.875%, payable every six months 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 rate 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 3.43% in 2009 to nil on January 15, 2012.

(xviii) 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 is amortized over the remaining term of the Notes. As at December 31, 2004, the unamortized balance of the premium was $1.4 million. The Notes are redeemable at the option of CF Cable TV Inc. 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. 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. As at December 31, 2004, the carrying value of assets guaranteeing the Notes and the bank credit facilities of Vidéotron ltée was $1,630.4 million.

(xix) The bank credit facilities comprise 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 are 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 that restrict the declaration and payment of dividends and other distributions, as well as financial ratios. As at December 31, 2004, the carrying value of assets guaranteeing the bank credit facilities was $2,413.9 million. Any amount borrowed under the revolving credit facility bears interest at Canadian bankers' acceptance and/or Canadian prime rate plus an applicable margin determined by financial ratios. On October 12, 2004, the bank credit facilities were amended such that advances under the term loan "B" credit facility bear interest at LIBOR plus a margin of 2.00% per annum, or at U.S. prime rate plus a margin of 1.00% per annum, with the possibility of such margins being reduced under certain circumstances. Sun Media Corporation entered into cross-currency interest rate swaps to hedge foreign exchange fluctuations related to the interest and capital payments of the term loan "B" credit facility denominated in a foreign currency. As at December 31, 2004, no amount had been drawn on the revolving credit facility, while the term loan "B" credit facility was in use for an amount of US$201.0 million.

(xx) The Senior Notes were issued at discount 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. The Senior Notes are guaranteed by specific subsidiaries of Sun Media Corporation Inc. Sun Media Corporation entered into cross-currency interest rate swaps to hedge foreign exchange fluctuations related to the interest and capital payments.

Years ended December 31, 2004, 2003 and 2002
(in millions of Canadian dollars, except per share and per option data)

14. LONG-TERM DEBT (continued)

(xxi) The credit agreement consists of a revolving term bank loan of a maximum of $65.0 million ($135.0 million in 2003), which bears interest at the prime rate of a Canadian chartered bank and bankers' acceptances rate, plus a variable margin depending on the ratio of total debt to cash flow. As at December 31, 2004, the outstanding balance includes $34.9 million of bankers' acceptance bearing interest at 2.56% ($18.9 million at 2.76% as at December 31, 2003), with no amount drawn on the credit line bearing interest at 4.25% ($5.5 million at 4.5% as at December 31, 2003). 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 property, plant and equipment, 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, 2004, the Company and its subsidiaries were in compliance with all debt covenants.

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

2005	$ 16.7
2006	496.1
2007	782.4
2008	249.7
2009	240.2
2010 and thereafter	3,119.8

15. EXCHANGEABLE DEBENTURES

	Effective interest rate as at December 31, 2004	Years of maturity	**2004**	2003
Series 2001 (i)	3.57%	2026	**$ 322.5**	$ 334.4
Series Abitibi (ii)	2.31%	2026	**370.2**	464.8
			$ 692.7	$ 799.2

(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 any time, at the option of the holder, for the underlying shares at the fixed conversion ratio. The Company may, at its option, satisfy its obligation by payment of a cash amount equal to the fair value of the underlying shares at the time of the request. As at December 31, 2004, the market value of the underlying shares was $25.80 per share ($26.75 per share as at December 31, 2003). 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 dividend rate on the underlying shares. Had the debentures been reimbursed by the underlying shares as at December 31, 2004, Quebecor Inc.'s interest in Quebecor World Inc. would have decreased from 35.38% to 25.95% (35.55% to 26.08% as at December 31, 2003). Cash and cash equivalents held in trust as at December 31, 2004 include an amount of $7.6 million ($8.1 million as at December 31, 2003) 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 any time, at the option of the holder, for the underlying shares at the fixed conversion ratio. The Company may, at its option, satisfy its obligation by payment of a cash amount equal to the fair value of the underlying shares at the time of the request. As at December 31, 2004, the market value of the underlying shares was $8.26 per share ($10.37 per share as at December 31, 2003). 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 dividend rate on the underlying shares. Cash and cash equivalents held in trust, as at December 31, 2004, include an amount of $3.2 million related to the interest payment on this debenture ($3.2 million as at December 31, 2003).

Years ended December 31, 2004, 2003 and 2002
(in millions of Canadian dollars, except per share and per option data)

16. CONVERTIBLE NOTES

	Maturity	2004	2003
Convertible Senior Subordinated Notes of a subsidiary, 6.0% (a)	2007	$ 135.4	$ 144.7
Convertible Subordinated Debentures of a subsidiary, 7.0% (b)	–	–	7.8
		135.4	152.5
Less current portion		–	7.8
		$ 135.4	$ 144.7

(a) The Convertible Senior Subordinated Notes (the "Notes") mature on October 1, 2007. 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. 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 any time at the option of the holder 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 on 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, 2004, was US$119.5 million (US$119.5 million as at December 31, 2003). 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 35.38% to 34.31% (35.55% to 34.59% as at December 31, 2003).

(b) In May 2004, Quebecor World Inc. repaid the Convertible Subordinated Debentures.

17. OTHER LIABILITIES

	2004	2003
Cross-currency interest rate swap agreements and other derivative instruments	$ 240.2	$ 244.2
Deferred gain on the marked-to-market of exchangeable debentures	242.2	180.7
Accrued postretirement benefits liability	117.7	117.9
Accrued pension benefit liability	84.5	93.8
Workers' compensation accrual	36.4	23.6
Reserve for environmental matters	19.1	21.2
Accrued stock based compensation	24.7	14.0
Deferred revenues	27.8	17.7
Other	51.2	51.1
	$ 843.8	$ 764.2

Years ended December 31, 2004, 2003 and 2002
(in millions of Canadian dollars, except per share and per option data)

18. 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, 2004, the most significant non-controlling interests were as follows:

Subsidiary	Segment	Non-controlling interest
Quebecor World Inc.	Printing	64.62 %
Quebecor Media Inc.	Cable, Newspapers, Broadcasting, Leisure and Entertainment, Business Telecommunications, Interactive Technologies and Communications and Internet/Portals	45.28 %
TVA Group Inc. [1]	Broadcasting	60.27 %
Nurun Inc. [1]	Interactive Technologies and Communications	42.74 %

[1] Nurun Inc. and TVA Group Inc. are subsidiaries of Quebecor Media Inc. The non-controlling interest percentage represents the interests of non-controlling shareholders in the participating shares of Quebecor Media Inc. subsidiaries.

19. 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 10 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, 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
A shares converted into B shares	(309,804)	(0.1)	309,804	0.1
Shares issued following the exercise of options	–	–	25,000	0.7
Balance as at December 31, 2004	**22,307,671**	**$ 10.0**	**42,343,451**	**$ 339.2**

Years ended December 31, 2004, 2003 and 2002
(in millions of Canadian dollars, except per share and per option data)

20. SHARE PURCHASE PLANS

(a) Quebecor Inc. plans

(i) Stock option plan

Under a stock option plan established by the Company, 6,500,000 Class B Shares have been set aside for officers, senior employees and other key employees of the Company and its subsidiaries. The exercise price of each option is equal to the weighted average transaction price of the Company Class 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. Options usually vest as follows: 1/3 after one year, 2/3 after two years, and 100% three years after the original grant. Holders of options under the Company stock option plan have the choice, when they want to exercise their options, to acquire the Company Class B Shares at the corresponding option exercise price or receive a cash payment from the Company equivalent to the difference between the market value of the underlying shares and the exercise price of the option. The Company believes that employees will choose to receive cash payments on the exercise of stock options. The Board of Directors of the Company 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, 2004 and 2003:

		2004		2003
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Balance at beginning of year	**1,778,349**	**$ 30.75**	1,750,849	$ 30.97
Granted	**–**	**–**	30,000	16.86
Exercised	**(25,000)**	**17.85**	–	–
Cancelled	**(10,000)**	**16.86**	(2,500)	17.85
Balance at end of year	**1,743,349**	**$ 31.01**	1,778,349	$ 30.75
Vested options at end of year	**1,654,183**	**$ 31.57**	1,543,432	$ 32.13

The following table gives summary information on outstanding options as at December 31, 2004:

		Outstanding options			**Vested options**
Range of exercise price	**Number**	**Weighted average years to maturity**	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
$ 16.86 to 20.51	**225,000**	**7.2**	**$ 20.18**	**143,334**	**$ 20.34**
25.87 to 33.08	**1,198,349**	**5.2**	**31.37**	**1,190,849**	**31.39**
36.82 to 41.89	**320,000**	**4.8**	**37.28**	**320,000**	**37.28**
$ 16.86 to 41.89	**1,743,349**	**5.4**	**$ 31.01**	**1,654,183**	**$ 31.57**

For the year ended December 31, 2004, a charge of $1.0 million (charge of $0.6 million and a charge reversal of $0.1 million in 2003 and 2002) 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. deferred stock unit (“DSU”) plan is for the benefit of the Company’s directors. Under this plan, a portion of each director’s compensation package is received in the form of DSUs. The value of a DSU is based on the weighted average trading price of the Company’s B shares. Subject to certain limitations, the DSUs 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 DSU shall correspond to the fair market value of the Company’s B shares on the date of redemption. As at December 31, 2004 and 2003, the total number of DSUs outstanding under this plan was 49,409 and 43,639, respectively. The compensation expense related to the plan amounted to $0.5 million and $0.6 million for the years ended December 31, 2004 and 2003, respectively.

Years ended December 31, 2004, 2003 and 2002
(in millions of Canadian dollars, except per share and per option data)

20. SHARE PURCHASE PLANS (continued)

(b) Quebecor World Inc. plans

(i) Employee share purchase plans

The Employee Stock Purchase Plan gives eligible Quebecor World Inc. employees in the United States the opportunity to acquire shares of Quebecor World Inc. capital stock for up to 4% of their gross salary and to have Quebecor World Inc. contribute, on the employee's behalf, a further amount equal to 17.5% of the total amount invested by the employee. The number of Quebecor World Inc. shares that may be issued and sold under the plan is limited to 2,000,000 Subordinate Voting Shares of Quebecor World Inc., subject to adjustments in the event of stock dividends, stock splits or similar events. As at December 31, 2004, 4,107 employees (6,559 as at December 31, 2003) were participating in the plan. The total number of plan shares issued on behalf of employees, including Quebecor World Inc.'s contribution, was 417,769 in 2004, including Quebecor World Inc.'s contribution of 62,221 (600,310 shares in 2003, including Quebecor World Inc.'s contribution of 89,408), which represents compensation expenses amounting to $1.4 million in 2004 ($2.7 million in 2003 and $2.6 million in 2002).

The Employee Share Investment Plan gives eligible Quebecor World Inc. employees in Canada the opportunity to subscribe for up to 4% of their gross salary to purchase shares of Quebecor World Inc.'s capital stock and to have Quebecor World Inc. invest, on the employee's behalf, a further 20% of the amount invested by the employee. The number of Quebecor World Inc. shares that may be issued and sold under this plan is limited to 3,000,000 Subordinate Voting Shares of Quebecor World Inc., subject to adjustments in the event of stock dividends, stock splits or similar events. As at December 31, 2004, 1,403 employees (2,281 employees as at December 31, 2003) were participating in the plan. The total number of shares issued on behalf of employees under this plan was 166,705 in 2004, including the Company's contribution of 25,930 (179,189 in 2003, including Quebecor World Inc.'s contribution of 30,085) which represents compensation expenses amounting to $0.6 million in 2004 ($0.6 million in 2003 and $0.6 million in 2002).

(ii) Stock option plan

A total of 7,519,796 Subordinate Voting Shares of Quebecor World Inc. has been reserved for participants in the stock option plan. As at December 31, 2004, the number of Subordinate Voting Shares of Quebecor World Inc. related to stock options outstanding was 4,542,045. 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 grant date.

The number of stock options outstanding has fluctuated as follows:

		2004		2003
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Balance at beginning of year	**3,699,061**	**US$ 22.52**	3,525,376	US$ 20.42
Granted	**1,181,023**	**23.83**	916,911	22.54
Exercised	**(55,363)**	**14.28**	(27,346)	13.93
Cancelled	**(282,676)**	**24.40**	(715,880)	23.01
Balance at end of year	**4,542,045**	**US$ 23.81**	3,699,061	US$ 22.52
Vested options at end of year	**2,306,882**	**US$ 23.81**	1,939,486	US$ 22.21

During the second quarter of 2004, the Board of Directors approved a special option grant to buy 1,000,000 Subordinate Voting Shares of Quebecor World Inc. The subscription price was equal to the share market price at grant date and the options will be eligible for vesting on the anniversary date. Of the 1,000,000 options granted, half will time vest over four years based on current policy. The other half will performance vest over four years as follows: 300,000 options will vest at a rate of 25% per year, based on targeted annual growth of 15%, as measured by the growth in earnings per share, as per the December 31 audited consolidated financial statements of each year (the target earnings per share ranges between US$1.70 and US$2.08); and 200,000 options will vest at 25% per year, based on targeted compounded annual growth of 10%, as measured by the growth in the 30-day average share price preceding each anniversary date (the target prices ranges between $28.55 and $37.99). Should the targets not be met, the annual portion will not vest but may vest on any following anniversary date if the targets are achieved. Performance options can vest on an annual or a cumulative basis, so that if an annual vesting target is missed, options can still vest based on cumulative compounded annual growth. The Board of Directors may use its discretion to extend the vesting, on a cumulative basis, beyond 2007.

Years ended December 31, 2004, 2003 and 2002
(in millions of Canadian dollars, except per share and per option data)

20. SHARE PURCHASE PLANS (continued)

(b) Quebecor World Inc. plans (continued)

(ii) Stock option plan (continued)

The following table summarizes information on stock options outstanding and vested at December 31, 2004:

			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	36,511	0.14	US$ 12.53	36,511	US$ 12.53
15.01 to 18.00	100,103	2.32	16.73	100,103	16.73
18.01 to 21.00	444,161	6.01	19.02	230,411	19.19
21.01 to 24.00	1,609,238	5.44	22.49	1,002,243	22.43
24.01 to 29.00	2,315,027	7.23	26.02	919,106	27.55
29.01 to 31.00	37,005	7.15	30.93	18,508	30.93
US$ 11.00 to 31.00	4,542,045	6.31	US$ 23.81	2,306,882	US$ 23.81

Had the vested options been exercised as at December 31, 2004, Quebecor Inc.'s interest in Quebecor World Inc. would have decreased from 35.38% to 34.77% (35.55% to 35.03% as at December 31, 2003).

The compensation cost charged against income for the Quebecor World Inc. plan was $5.6 million for the year ended December 31, 2004 ($2.7 million in 2003). The fair value of options granted during 2003 was estimated using the Black-Scholes option pricing model. In 2004, the fair value of options granted during the year was estimated using the binomial option pricing model. The following weighted average assumptions were used:

	2004	2003
Weighted average fair value of options at grant date	US$ 7.01	US$ 5.74
Risk-free interest rate	4.01 to 4.59 %	4.61 to 4.73 %
Dividend yield	2 to 3 %	2 to 4 %
Expected volatility	30 %	26 to 28 %
Expected life	7 years	7 years

(iii) Deferred stock unit plan

The Quebecor World Inc. deferred stock unit ("DSU") 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 DSU is based on the weighted average trading price of the Subordinate Voting Shares of Quebecor World Inc. Subject to certain limitations, the DSUs will be redeemed by Quebecor World Inc. when the director ceases to be a plan participant. For the purpose of redeeming DSUs, the value of a DSU 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, 2004, the total number of DSUs outstanding under this plan was 153,948 (83,972 in 2003). The compensation expense amounted to $2.0 million for the year ended December 31, 2004 ($1.3 million in 2003 and $0.9 million in 2002).

20. SHARE PURCHASE PLANS (continued)

(c) Quebecor Media Inc. 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 of the Common Shares of Quebecor Media Inc. at the date of grant, as determined by its Board of Directors (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 Quebecor Media Inc. Compensation Committee in the context of a change of control, 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 may exercise their right, between January 1 and January 31, each year, to receive the difference between the fair market value, as determined by Quebecor Media Inc's Board of Directors, and the exercise price of their vested options in cash. Except under specific circumstances, and unless the Compensation Committee decides otherwise, options vest over a five-year period in accordance with one of the following vesting schedules as determined by the Compensation Committee at the time of grant: (i) equally over five years with the first 20% vesting on the first anniversary of the date of the grant; (ii) equally over four years with the first 25% vesting on the second anniversary of the date of grant; and (iii) equally over three years with the first 33% vesting on the third anniversary of the date of grant. All options outstanding as of December 31, 2004 had been granted to senior executives of Quebecor Media Inc. and its subsidiaries.

The following table gives summary information on outstanding options granted as at December 31, 2004 and 2003:

	2004		2003	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Balance at beginning of year	**2,607,537**	**$ 16.93**	2,138,291	$ 16.37
Granted	**663,930**	**21.84**	827,060	18.21
Cancelled	**(136,427)**	**16.48**	(357,814)	16.51
Balance at end of year	**3,135,040**	**$ 17.99**	2,607,537	$ 16.93
Vested options at end of year	**268,282**	**$ 16.51**	52,304	$ 16.20

The following table gives summary information on outstanding options as at December 31, 2004:

	Outstanding options			**Vested options**	
Range of exercise price	**Number**	**Weighted average years to maturity**	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
$ 15.19 to 22.98	**3,135,040**	**8.0**	**$ 17.99**	**268,282**	**$ 16.51**

For the year ended December 31, 2004, a charge of $15.1 million related to the plan was included in net income ($6.6 million in 2003) since the exercise price of the options was lower than the fair market value of Quebecor Media Inc. Common Shares, as determined by the Board of Directors of Quebecor Media Inc.

Had the vested options been exercised as at December 31, 2004, the Company's interest in Quebecor Media Inc. would have decreased from 54.72% to 54.60% (54.72% to 54.70% in 2003).

Years ended December 31, 2004, 2003 and 2002
(in millions of Canadian dollars, except per share and per option data)

20. SHARE PURCHASE PLANS (continued)

(d) TVA Group Inc. plans

(i) Stock option plan for senior executives

In 1999, TVA Group Inc., Broadcasting segment, replaced the Class B stock option plan introduced in 1990 (hereafter "the 1990 plan"), except for options already granted but not exercised. For these options, the terms of the 1990 plan still apply. As at December 31, 2004, no option is outstanding under the 1990 plan (50,000 options as at December 31, 2003). Under the terms of the plan introduced in 1999 for senior executives of TVA Group Inc. and its subsidiaries (hereafter "the 1999 plan"), the granting, terms and conditions of options granted are determined by TVA Group Inc.'s Remuneration Committee. The subscription price of each Class B share under an option cannot be less than the closing price on the stock market the day before the option is granted. Moreover, the duration of the options cannot exceed 10 years. A maximum of 1,400,000 Class B shares has been reserved for the purposes of the 1999 plan.

On October 15, 2004, TVA Group Inc. modified its stock option plan and stock option grant agreements for all optionees at that date so that all awards can now be settled in cash or other assets, at the option of the employee.

The following table gives details on changes to outstanding options for the years ended December 31, 2004 and 2003:

	2004		2003	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Balance at beginning of year	**300,300**	**$ 16.55**	397,050	$ 16.10
Granted	**126,500**	**20.75**	–	–
Exercised	**(161,800)**	**16.52**	(86,750)	13.44
Cancelled	**(50,000)**	**13.24**	(10,000)	25.20
Balance at end of year	**215,000**	**$ 19.81**	300,300	$ 16.55
Vested options at end of year	**73,500**	**$ 19.39**	195,300	$ 18.90

The following table gives summary information on outstanding options as at December 31, 2004:

	Outstanding options			**Vested options**	
Range of exercise price	**Number**	**Weighted average years to maturity**	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
$ 14.00 to 18.85	**53,500**	**5.7**	**$ 15.64**	**38,500**	**$ 16.29**
18.86 to 25.50	**161,500**	**8.9**	**21.19**	**35,000**	**22.80**
$ 14.00 to 25.50	**215,000**	**8.0**	**$ 19.81**	**73,500**	**$ 19.39**

Had the vested options been exercised as at December 31, 2004, the Company's interest in TVA Group Inc. would have decreased from 21.74% to 21.69% (20.58% to 20.46% as at December 31, 2003).

The compensation cost charged against income for the TVA Group Inc. plan was $0.2 million for the year ended December 31, 2004 (none in 2003).

(ii) Share purchase plan for executives and employees

In 1998, TVA Group Inc. introduced a share purchase plan relating to 375,000 TVA Group Inc. Class B shares for its executives and a share purchase plan relating to 375,000 TVA Group Inc. Class B shares for its employees. The plans provide that participants can acquire shares on certain terms related to their salary. The shares can be acquired at a price equal to 90% of the average closing market price of TVA Group Inc. Class B shares. The plans also provide financing terms at no interest. No Class B shares were issued under the plans during the years ended December 31, 2004 and 2003. The remaining balance that may be issued under the share purchase plan for executives is 332,643 TVA Group Inc. Class B shares as at December 31, 2004 and 2003. The remaining balance that may be issued under the share purchase plan for employees is 229,753 TVA Group Inc. Class B shares as at December 31, 2004 and 2003.

Years ended December 31, 2004, 2003 and 2002
(in millions of Canadian dollars, except per share and per option data)

20. SHARE PURCHASE PLANS (continued)

(d) TVA Group Inc. plans (continued)

(iii) Deferred share unit plan

In 2000, TVA Group Inc. introduced a long-term profit sharing plan for certain members of senior management of TVA Group Inc. The deferred share units ("DSU"s) are redeemable only on the discontinuance of a participant's employment. The redemption price is payable in cash or, at TVA Group Inc.'s discretion, in Class B shares of TVA Group Inc. or in a combination of cash and shares. Under this plan, a maximum of 25,000 Class B shares of TVA Group Inc. can be issued. No DSUs were issued under this plan during the years ended December 31, 2004 and 2003.

(e) Nurun Inc. stock option plan

Under this stock option plan, 3,237,992 Common Shares of Nurun Inc., Interactive Technologies and Communications segment, 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 the basis of 25% per year over a period of four years.

The following table gives details on changes to outstanding options for the years ended December 31, 2004 and 2003:

	2004		2003	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Balance at beginning of year	**684,000**	**$ 7.38**	634,950	$ 13.78
Granted	**251,500**	**1.87**	324,500	1.32
Exercised	**(6,250)**	**0.97**	–	–
Cancelled	**(116,750)**	**12.90**	(275,450)	14.98
Balance at end of year	**812,500**	**$ 4.93**	684,000	$ 7.38
Vested options at end of year	**292,625**	**$ 10.50**	190,626	$ 17.19

The following table gives summary information on outstanding options as at December 31, 2004:

		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	**188,750**	**8.0**	**$ 1.02**	**62,375**	**$ 1.01**
1.61 to 2.79	**467,500**	**8.5**	**1.90**	**90,750**	**2.07**
5.75 to 6.27	**75,200**	**5.9**	**6.20**	**58,950**	**6.18**
9.00 to 9.30	**22,500**	**4.9**	**9.20**	**22,000**	**9.20**
11.48 to 12.15	**11,550**	**5.8**	**11.53**	**11,550**	**11.53**
44.89 to 56.35	**47,000**	**5.1**	**45.13**	**47,000**	**45.13**
$ 0.96 to 56.35	**812,500**	**7.8**	**$ 4.93**	**292,625**	**$ 10.50**

Had the vested options been exercised as at December 31, 2004, the Company's interest in Nurun Inc. would have decreased from 31.86% to 31.58% (32.15% to 31.97% as at December 31, 2003).

20. SHARE PURCHASE PLANS (continued)

(e) Nurun Inc. stock option plan (continued)

The compensation cost charged against income for the Nurun Inc. plan was $0.1 million for the year ended December 31, 2004 (none in 2003). The fair value of the options granted in 2004 and 2003 was calculated using the Black-Scholes option-pricing model with the following assumptions and results:

	2004	2003
Weighted average fair value of options at grant date	$ 1.39	$ 1.02
Risk-free interest rate	3.6 to 3.9 %	4.3 %
Dividend yield	0 %	0 %
Expected volatility	65 to 97 %	90 %
Expected life	5 years	5 years

(f) Pro forma net income

On January 1, 2003, Quebecor World Inc., TVA Group Inc. and Nurun Inc. adopted the fair value method to record compensation costs related to stock options granted after this date. Had the fair value method been used for awards granted by these subsidiaries in 2002, the Company's net income would have been reduced by $0.1 million for the year ended December 31, 2004 ($0.2 million in 2003 and $0.4 million in 2002).

Also, the basic net income per share would have been reduced by $0.01 and $0.02 for the years ended December 31, 2003 and 2002 (no impact in 2004) and the diluted net income per share would have been reduced by $0.01 for the year ended December 31, 2003 (no impact in 2002 and 2004).

21. TRANSLATION ADJUSTMENT

The change in the translation adjustment included in shareholders' equity is the result of the fluctuation in 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 net investments.

The net change in translation adjustment is as follows:

	2004	2003
Balance at beginning of year	$ (91.9)	$ 56.4
Effect of exchange rate variation on translation of net assets of self-sustaining foreign operations	(51.7)	(151.0)
Portion included in income as a result of reductions in net investments in self-sustaining foreign operations	2.7	2.7
Balance at end of year	$ (140.9)	$ (91.9)

Years ended December 31, 2004, 2003 and 2002
(in millions of Canadian dollars, except per share and per option data)

22. COMMITMENTS AND CONTINGENCIES

(a) Leases

The Company rents premises and equipment under operating leases and has entered into long-term commitments to purchases services, capital equipment, and distribution and broadcasting rights that call for total payments of $882.3 million. The minimum payments for the coming years are as follows:

	Leases	Other commitments
2005	$ 166.3	$ 175.1
2006	122.0	45.5
2007	94.5	4.6
2008	63.7	1.0
2009	50.5	0.3
2010 and thereafter	158.8	–

Operating lease rentals amounted to $148.5 million, $157.4 million and $235.1 million for the years ended December 31, 2004, 2003 and 2002, respectively.

(b) Long-term agreement

Newsprint represents a significant component of operating costs for the Newspapers segment. Sun Media Corporation uses one newsprint manufacturer to supply its requirements, and has entered into a long-term agreement with this supplier, expiring December 31, 2005. The terms of the agreement provide the Company with an ongoing discount to market prices and require Sun Media Corporation to purchase an annual minimum of 125,000 tonnes of newsprint from the supplier.

(c) Other commitments

In 2001, 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 Canadian TV content and the development of communications. Also, with the acquisition of Toronto 1, the Broadcasting segment has additional commitments to invest $14.5 million in the Canadian TV industry. As at December 31, 2004, $35.7 million remained to be invested.

(d) 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.

(e) Contingencies

In November 2001, Vidéotron ltée, Cable segment, terminated a sales-service agreement with a supplier and is being sued for $4.4 million for breach of contract. It is not possible to determine the outcome of the claim at this time.

On March 13, 2002, legal action was initiated by the shareholders of a cable company against Vidéotron ltée, Cable 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 management claims the suit is not justified and intends to vigorously defend its case in Court.

A number of other legal proceedings are still outstanding against the Company and its subsidiaries. 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.

23. GUARANTEES

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

Operating leases

The Company has guaranteed a portion of the residual value of certain assets under operating leases with expiry dates between 2005 and 2009 to the benefit of the lessor. If the fair value of these assets at the end of their respective lease terms is less than the guaranteed residual value, 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 $142.2 million. As at December 31, 2004, the Company had recorded a liability of $11.7 million associated with these guarantees.

Sub-lease agreements

In the case of some of its assets under operating leases, the Company has entered into sub-lease agreements with expiry dates between 2005 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 $7.2 million. As at December 31, 2004, the Company had 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. Also in connection with the sale of Mindready Solutions Inc., the Company has guaranteed, up to a maximum amount of $1.0 million, that Company's commitments related to a lease of premises that expires in 2011. The Company has not accrued any amount in respect of these items in the consolidated balance sheet.

Long-term debt

Under the terms of their respective U.S. indebtedness, certain 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 those 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 indemnifications in the event of legal procedures initiated against them. In other cases, the Company provides indemnification to counterparties 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.

Years ended December 31, 2004, 2003 and 2002
(in millions of Canadian dollars, except per share and per option data)

24. FINANCIAL INSTRUMENTS

The Company issued debt in foreign currency and 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 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:

	2004		2003	
Currencies (sold/bought)	**Average rate [1]**	**Notional amount [2]**	Average rate [1]	Notional amount [2]
US$/$				
Less than 1 year	**0.6534**	**$ 144.4**	0.6666	$ 168.8
Between 1 and 3 years	**0.6323**	**441.1**	0.6263	342.1
Between 3 and 5 years	**–**	**–**	0.6219	175.1
Euro/US$				
Less than 1 year	**0.7477**	**223.7**	0.8084	122.9
SEK/US$				
Less than 1 year	**6.6918**	**50.6**	7.3237	20.5
GBP/Euro				
Less than 1 year	**0.6956**	**26.2**	0.7058	25.4
Between 1 and 3 years	**0.7068**	**2.2**	0.7166	1.8
Other				
Less than 1 year	**–**	**106.4**	–	23.1
Between 1 and 3 years	**–**	**11.3**	–	0.6

Cross-currency interest rate swaps:

	2004		2003	
Currencies (sold/bought)	**Average rate [1]**	**Notional amount [2]**	Average rate [1]	Notional amount [2]
Euro/US$				
Less than 1 year	**0.7461**	**$ 100.1**	1.0440	$ 128.5
Between 1 and 3 years	**0.8226**	**41.6**	0.9521	120.2
SEK/US$				
Less than 1 year	**7.4**	**3.7**	8.8565	28.1

[1] Rates are expressed as the number of units of the currency sold for one unit of currency bought.

[2] Exchange rates as at December 31, 2004 and 2003 were used to translate amounts in foreign currencies.

Years ended December 31, 2004, 2003 and 2002
(in millions of Canadian dollars, except per share and per option data)

24. FINANCIAL INSTRUMENTS (continued)

(a) Description of derivative financial instruments (continued)

(i) Management of foreign exchange risk (continued)

Quebecor Media Inc. and its subsidiaries

Foreign exchange forward contracts:

			2004
Currencies (sold/bought)	Maturing	Exchange rate	Notional amount
Sun Media Corporation			
$/US$	February 15, 2013	1.5227	US$ 205.0
$/US$	Less than 1 year	1.2016	US$ 1.4
Vidéotron ltée and its subsidiaries			
$/US$	Less than 1 year	1.3201	US$ 72.0

Years ended December 31, 2004, 2003 and 2002
(in millions of Canadian dollars, except per share and per option data)

24. FINANCIAL INSTRUMENTS (continued)

(a) Description of derivative financial instruments (continued)

(i) Management of foreign exchange risk (continued)

Quebecor Media Inc. and its subsidiaries (continued)

Cross-currency interest rate 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 U.S. dollar
Quebecor Media Inc.						
Senior Notes	2001 to 2011	US$	715.0	12.30 %	11.125 %	1.5255
Senior Discount Notes	2001 to 2011	US$	295.0	14.60 %	13.75 %	1.5822 [1]
Vidéotron ltée and its subsidiaries						
Senior Notes	2004 to 2014	US$	190.0	Bankers' acceptances 3 months + 2.80%	6.875 %	1.2000
Senior Notes	2004 to 2014	US$	125.0	7.45 %	6.875 %	1.1950
Senior Notes	2003 to 2014	US$	200.0	Bankers' acceptance 3 months + 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 + 3.70%	7.625 %	1.5227
Senior Notes	2003 to 2013	US$	50.0	Bankers' acceptance 3 months + 3.70%	7.625 %	1.5227
Term loan “B” credit facility	2003 to 2009	US$	201.0	Bankers' acceptance 3 months + 2.48%	LIBOR + 2.00%	1.5175

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

24. 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.'s commitments under the agreements. Because of the appreciation of the Canadian dollar against the U.S. dollar in 2004 and 2003, Quebecor Media Inc. had to make prepayments of $197.7 million in 2004 and $123.6 million in 2003. These prepayments were financed from Quebecor Media Inc.'s available cash and from its existing credit facilities. Quebecor Media Inc. may have to make additional prepayments in the future if the fair market value of the cross-currency swap agreement fluctuates to a negative value of over $282.0 million, in which case, Quebecor Media Inc. may have to make additional prepayments to bring the negative fair market value up 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, 2004, 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 months + 1.36%
November 2008	US$	200.0	Pay floating/ receive fixed	4.88 %	LIBOR 3 months + 1.53%
Vidéotron ltée and its subsidiaries					
March 2005	$	135.0	Pay fixed/ receive floating	4.01 %	Bankers' acceptance 3 months
May 2006	$	90.0	Pay fixed/ receive floating	5.41 %	Bankers' acceptance 3 months
September 2007	$	5.0	Pay fixed/ receive floating	3.75 %	Bankers' acceptance 3 months

Years ended December 31, 2004, 2003 and 2002
(in millions of Canadian dollars, except per share and per option data)

24. FINANCIAL INSTRUMENTS (continued)

(b) Fair value of financial instruments

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

Financial instruments with a fair value that is different from their carrying amount as at December 31, 2004 and 2003 are as follows:

	2004		2003	
	Carrying value	**Fair value**	Carrying value	Fair value
Quebecor Inc.				
Long-term debt [1]	**$ (147.3)**	**$ (147.3)**	$ (146.0)	$ (146.0)
Exchangeable debentures	**(692.7)**	**(692.7)**	(799.2)	(799.2)
Deferred gain on the marked-to-market of the exchangeable debentures	**(242.2)**	**–**	(180.7)	–
Quebecor World Inc. and its subsidiaries				
Long-term debt [1]	**(2,208.8)**	**(2,336.2)**	(2,474.0)	(2,622.5)
Convertible Notes [1]	**(135.3)**	**(146.5)**	(152.5)	(166.6)
Interest rate swaps	**–**	**(6.1)**	–	(4.2)
Foreign forward exchange contracts	**87.5**	**132.0**	55.7	95.8
Cross-currency interest rate swaps	**(20.1)**	**(20.1)**	(61.7)	(70.9)
Commodity swaps	**(0.1)**	**(1.7)**	–	1.3
Quebecor Media Inc.				
Long-term debt [1]	**(1,140.7)**	**(1,332.9)**	(1,293.8)	(1,518.9)
Cross-currency interest rate swaps	**(3.9)**	**(241.9)**	(80.9)	(221.7)
Vidéotron ltée and its subsidiaries				
Long-term debt [1]	**(888.9)**	**(901.1)**	(886.7)	(912.1)
Interest rate swaps	**(4.6)**	**(4.6)**	–	(9.5)
Cross-currency interest rate swaps	**(45.5)**	**(72.3)**	(15.3)	(21.5)
Foreign exchange forward contract	**(8.4)**	**(8.4)**	–	–
Sun Media Corporation and its subsidiaries				
Long-term debt [1]	**(484.3)**	**(507.7)**	(551.7)	(574.8)
Cross-currency interest rate swaps and foreign exchange forward contract	**(147.4)**	**(169.8)**	(89.7)	(122.8)

[1] Including current portion.

The fair values of the financial liabilities is estimated based on discounted cash flows using year-end market yields or market value of similar instruments with the same maturity. The fair value of the derivative financial instruments is estimated using year-end market rates, and reflects 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 Inc. is committed to exchange, on a monthly basis, the difference between a fixed price and a floating Canadian natural gas price index on a notional quantity of 219,000 gigajoules (at an average price of US$5.76/gigajoules as at December 31, 2004) for 2005, and the difference between a fixed price and a floating U.S. natural gas price index on a notional quantity of 2,015,000 MMBTU for 2005 (at an average price of US$6.89/MMBTU as at December 31, 2004).

Years ended December 31, 2004, 2003 and 2002
(in millions of Canadian dollars, except per share and per option data)

24. 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 contracts, the counterparties are international and Canadian banks that have a minimum credit rating of A- from Standard & Poor's or A3 from Moody's and are subject to concentration limits. The Company does not foresee any failure by counterparties in meeting their obligations.

In the normal course of business, the Company continuously monitors the financial condition of its customers and reviews the credit history of each new customer. As at December 31, 2004, 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 and historical trends.

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

25. RELATED PARTY TRANSACTIONS

During the year, the Company made purchases and incurred rent charges with affiliated companies in the amount of $15.4 million ($15.3 million and $0.9 million, respectively, for the years ended December 31, 2003 and 2002), included in the cost of sales and selling and administrative expenses. The Company made sales to affiliated companies in the amount of $0.4 million ($0.3 million and none, respectively, for the years ended December 31, 2003 and 2002). These transactions were concluded and accounted for at the exchange value.

26. PENSION PLANS AND POSTRETIREMENT BENEFITS

The Company maintains various flat-benefit plans and various final-pay plans with indexation features from none to 2%. Also, the Company's policy is to maintain its contribution at a level sufficient to cover benefits. Actuarial valuations of the Company's numerous pension plans were performed at different dates in the last three years and the next required valuations will be performed at various dates over the next 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 the fair value of plan assets for the years ended December 31, 2004 and 2003, and a statement of the funded status as at those dates. For data of the Printing segment, the measurement dates were September 30, 2004 and 2003:

	Pension benefits		Postretirement benefits	
	2004	2003	**2004**	2003
Change in benefit obligations				
Benefit obligations at beginning of year	**$ 1,681.5**	$ 1,632.0	**$ 159.7**	$ 171.7
Service costs	**61.1**	57.7	**3.5**	3.1
Interest costs	**101.9**	100.9	**9.4**	10.3
Plan participants' contributions	**14.2**	13.5	**2.7**	2.9
Actuarial (gain) loss	**(14.5)**	144.4	**(18.5)**	9.5
Benefits and settlements paid	**(98.0)**	(105.1)	**(12.7)**	(12.8)
Plan amendments	**(1.7)**	5.6	**(16.9)**	(0.4)
Curtailment loss (gain)	**1.6**	2.4	**(7.8)**	(1.0)
Acquisition	**–**	2.1	**–**	–
Other	**–**	0.8	**1.9**	0.1
Foreign currency changes	**(71.0)**	(172.8)	**(6.4)**	(23.7)
Benefit obligations at end of year	**$ 1,675.1**	$ 1,681.5	**$ 114.9**	$ 159.7

Years ended December 31, 2004, 2003 and 2002
(in millions of Canadian dollars, except per share and per option data)

26. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

	Pension benefits		Postretirement benefits	
	2004	2003	**2004**	2003
Change in plan assets				
Fair value of plan assets at beginning of year	**$ 1,005.9**	$ 953.7	**$ –**	$ –
Actual return on plan assets	**113.2**	147.4	**–**	–
Employer contributions	**174.1**	71.7	**10.0**	9.8
Plan participants' contributions	**14.2**	13.5	**2.7**	2.9
Transfer from another plan	**–**	2.0	**–**	–
Acquisition	**–**	2.0	**–**	–
Benefits and settlements paid	**(98.0)**	(105.1)	**(12.7)**	(12.8)
Foreign currency changes	**(43.4)**	(79.3)	**–**	0.1
Fair value of plan assets at end of year	**$ 1,166.0**	$ 1,005.9	**$ –**	$ –

As at December 31, 2004, plan assets included shares of the Company and its subsidiaries, representing an amount of $2.1 million ($1.1 million as at December 31, 2003).

The plan assets are comprised of:

	2004	2003
Equity securities	**58.8 %**	63.0 %
Debt securities	**37.5**	34.7
Other	**3.7**	2.3
	100.0 %	100.0 %

	Pension benefits		Postretirement benefits	
	2004	2003	**2004**	2003
Reconciliation of funded status				
Excess of benefit obligations over fair value of plan assets at end of year	**$ (509.1)**	$ (675.6)	**$ (114.9)**	$ (159.7)
Unrecognized actuarial loss	**475.4**	559.2	**12.6**	42.0
Unrecognized net transition (asset) obligation	**(11.8)**	(13.4)	**0.6**	0.7
Unrecognized prior service cost (benefit)	**36.2**	41.0	**(18.2)**	(3.0)
Adjustment for fourth quarter contributions	**4.3**	61.4	**2.2**	2.2
Valuation allowance	**(16.4)**	(13.8)	**–**	–
Other	**(0.1)**	(0.2)	**–**	(0.1)
Net amount recognized	**$ (21.5)**	$ (41.4)	**$ (117.7)**	$ (117.9)

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	
	2004	2003	**2004**	2003
Benefit obligations	**$ (1,502.8)**	$ (1,520.9)	**$ (114.9)**	$ (159.7)
Fair value of plan assets	**984.8**	837.6	**–**	–
Funded status – Plan deficit	**$ (518.0)**	$ (683.3)	**$ (114.9)**	$ (159.7)

Years ended December 31, 2004, 2003 and 2002
(in millions of Canadian dollars, except per share and per option data)

26. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

Amounts recognized in the consolidated balance sheets are as follows:

	Pension benefits		Postretirement benefits	
	2004	2003	**2004**	2003
Accrued benefit liability	**$ (84.5)**	$ (93.8)	**$ (117.7)**	$ (117.9)
Deferred pension charge	**63.0**	52.4	**–**	–
Net amount recognized	**$ (21.5)**	$ (41.4)	**$ (117.7)**	$ (117.9)

Components of the net benefit costs are as follows:

	Pension benefits			Postretirement benefits		
	2004	2003	2002	**2004**	2003	2002
Service costs	**$ 61.1**	$ 57.7	$ 58.7	**$ 3.5**	$ 3.1	$ 2.6
Interest costs	**101.9**	100.9	106.2	**9.4**	10.3	9.7
Actual (return) loss on plan assets	**(113.2)**	(147.4)	94.8	**–**	–	–
Current actuarial (gain) loss	**(14.5)**	144.4	46.8	**(18.5)**	9.5	31.0
Current prior service costs	**0.3**	2.3	7.2	**–**	(0.3)	(0.6)
Curtailment loss, plan amendments and other	**3.9**	6.1	10.0	**(15.0)**	–	–
Elements of net benefit costs before adjustments to recognize the long-term nature and valuation allowance	**39.5**	164.0	323.7	**(20.6)**	22.6	42.7
Difference between actual and expected return on plan assets	**18.1**	52.4	(200.8)	**–**	–	–
Deferral of amount arising during the period:						
Actuarial (gain) loss	**14.5**	(144.4)	(46.8)	**18.5**	(9.5)	(31.0)
Prior service costs	**(0.3)**	(2.3)	(7.2)	**–**	0.3	0.6
Plan amendments and other	**2.0**	(3.0)	(10.0)	**16.9**	–	–
Amortization of previously deferred amounts:						
Actuarial loss	**16.4**	8.4	3.9	**2.6**	2.2	0.3
Prior service costs (benefits)	**3.0**	1.2	3.8	**(0.4)**	(0.3)	(1.2)
Transitional obligations	**(1.5)**	(1.5)	(0.9)	**–**	0.1	–
Total adjustments to recognize the long-term nature of benefit costs	**52.2**	(89.2)	(258.0)	**37.6**	(7.2)	(31.3)
Valuation allowance	**2.6**	1.1	0.2	**–**	–	–
Net benefit costs	**$ 94.3**	$ 75.9	$ 65.9	**$ 17.0**	$ 15.4	$ 11.4

The expense related to defined contribution pension plans amounted to $26.8 million in 2004 ($36.3 million in 2003 and $42.6 million in 2002). The defined contribution pension plan benefit cost included contributions to multi-employer plans of $9.4 million for the year ended December 31, 2004 ($11.0 million in 2003 and $12.7 million in 2002) and an $3.5 million pension obligation related to the Effingham multi-employer benefit plan, Printing segment, as described in note 3.

The total cash amount paid or payable for employee future benefits for all plans, consisting of cash contributed by the Company to its funded pension plans, cash payments directly to beneficiaries for its unfunded other benefit plans, and cash contributed to its defined contribution plans, totalled $137.4 million for the year ended December 31, 2004 ($127.5 million in 2003 and $140.8 million in 2002).

26. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

The weighted average rates used in the measurement of the Company's benefit obligations as at December 31 and current periodic benefit costs are as follows:

	Pension benefits			Postretirement benefits		
	2004	2003	2002	**2004**	2003	2002
Benefit obligations						
Rates as at year-end:						
Discount rate	**5.9 %**	6.0 %	6.7 %	**6.0 %**	5.9 %	6.8 %
Rate of compensation increase	**3.5**	3.4	3.4	**–**	–	–
Current periodic costs						
Rates as at preceding year-end:						
Discount rate	**6.0 %**	6.7 %	7.0 %	**5.9 %**	6.8 %	7.1 %
Expected return on plan assets [1]	**7.8**	8.1	8.1	**–**	–	–
Rate of compensation increase	**3.4**	3.4	3.4	**–**	–	–

[1] After management and professional fees.

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligations was 9.9% for Quebecor World Inc. plans and 8.2% for Quebecor Media Inc. plans at the end of 2004. The cost, as per the estimate, is expected to decrease gradually for the next five to eight years to 5% and to remain at that level thereafter, for both the Quebecor World Inc. and Quebecor Media Inc. plans. 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	$ 1.5	$ (1.3)
Effect on benefit obligation	12.2	(10.0)

LIST OF DIRECTORS AND OFFICERS OF QUEBECOR INC.*

BOARD OF DIRECTORS

Françoise Bertrand (2) (3)
President,
Fédération des chambres de commerce du Québec

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

Robert Dutton
President and Chief Executive Officer,
RONA Inc.

Jean La Couture, FCA (1)
President,
Private Hearing Ltd.

Pierre Laurin (3)
Executive in Residence,
HEC Montréal

Raymond Lemay (1) (3)
Corporate Director

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

Jean Neveu
Chairman of the Board,
Quebecor Inc.
Chairman of the Board,
TVA Group Inc.

Pierre Parent (1) (2)
President,
R.O. Canada Inc.

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

Pierre Karl Péladeau
President and Chief Executive Officer,
Quebecor Inc.
President and Chief Executive Officer,
Quebecor World Inc.

OFFICERS

Jean Neveu
Chairman of the Board

Érik Péladeau
Executive Vice President and
Vice Chairman of the Board

Pierre Karl Péladeau
President and Chief Executive Officer

Luc Lavoie
Executive Vice President,
Corporate Affairs

Jacques Mallette
Executive Vice President and
Chief Financial Officer

Louis St-Arnaud
Senior Vice President,
Legal Affairs and Secretary

Mark D'Souza
Vice President and Treasurer

Michel Ethier
Vice President, Taxation

Roger Martel
Vice President, Internal Audit

Denis Sabourin
Vice President and Corporate Controller

Claudine Tremblay
Senior Director, Corporate Secretariat and
Assistant Secretary

Frédéric Despars
Senior Director, Legal Affairs

(1) Member of the Audit Committee
(2) Member of the Human Resources Committee
(3) Member of the Corporate Governance and Nominating Committee
* As of March 30, 2005.

ANNUAL MEETING
Shareholders are invited to attend the Annual Meeting of Shareholders to be held at 10:30 a.m. on Wednesday, May 11, 2005 at Studio A, TVA Group Inc., 1425, rue Alexandre-DeSève, 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.MV.A and QBR.SV.B.

REGISTRAR AND TRANSFER AGENT
Computershare Trust Company of Canada
1500, rue University
Bureau 700
Montréal (Québec) H3A 3S8

TRANSFER OFFICES
– Toronto
– Vancouver

CO-TRANSFER AGENT
Computershare Trust Company, Inc. – Denver, Colorado

AUDITORS
KPMG LLP

INFORMATION
For further information or to obtain copies of the Annual Report or the Management Proxy Circular, please contact the Company's Corporate Communications at (514) 380-1973, or address correspondence to:
612, rue Saint-Jacques
Montréal (Québec) H3C 4M8
Web site: www.quebecor.com or through SEDAR at www.sedar.com

Vous pouvez vous procurer une version française 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) 982-7555 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
Graphic design: Suzanne Vincent
Photography: Daniel Auclair
Printing: Quebecor World Graphique-Couleur

ISBN : 2-922430-15-4
Legal deposit – Bibliothèque nationale du Québec, 2005
Legal deposit – National Library of Canada, 2005

Printed in Canada