QUEBECOR INC.

Annual Information Form

Year ended December 31, 2002

May 20, 2003

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DOCUMENTS INCORPORATED BY REFERENCE

Documents	Items of Annual Information Form in which documents are incorporated by reference
Parts of Annual Information Form of Quebecor World Inc. dated May 12, 2003;	Items 3.1 and 4.3
Parts of Annual Information Form of TVA Group Inc. dated May 2, 2003;	Item 3.4 and 4.3
Parts of Annual Information Form of Nurun Inc. dated May 14, 2003;	Items 3.7 and 4.3
Parts of Annual Information Form of Mindready Solutions Inc. dated May 13, 2003;	Items 3.7 and 4.3
Parts of Annual Information Form of Netgraphe Inc. dated May 15, 2003;	Items 3.8 and 4.3

Note: All dollar amounts in this Annual Information Form are in Canadian dollars, except as otherwise indicated and except in Appendix A pertaining to Quebecor World Inc. where the amounts are in U.S. dollars.

ITEM 1 CORPORATE STRUCTURE

1.1 Name and Incorporation of Quebecor Inc.

Quebecor Inc. (the "**Company**")[(1)] was incorporated under Part I of the *Companies Act* (Quebec) by letters patent dated January 8, 1965 and was continued under Part IA of the *Companies Act* (Quebec) by certificate of continuance dated June 6, 1983. Its authorized share capital was modified by a certificate of amendment dated September 4, 1986 redesignating the Common Shares as Class A Multiple Voting Shares ("**Class A Shares**") carrying ten votes per share and creating Class B Subordinate Voting Shares ("**Class B Shares**") carrying one vote per share.

The Articles of the Company provide that if, at any time, **the "Péladeau Group or an Acceptable Successor**"[(2)] does not own, directly or indirectly, a number of Class A Shares equal to at least 40% of all the Class A Shares outstanding or does not own, directly or indirectly, at least 8,000,000 Class A Shares (such number having been adjusted upwards to reflect a subdivision), then the Class A Shares will carry one vote per share for all time thereafter and all of the Company's directors will be elected by the holders of the Class A Shares and the Class B Shares voting together as a single class.

The Articles of the Company provide that if a take-over bid to purchase Class A Shares is made to the holders of Class A Shares and is not made at the same time and under the same conditions to the holders of Class B Shares, each Class B Share will become convertible, at the holder's option, as of the date the take-over bid is made, into one Class A Share, for the sole purpose of allowing the holder to accept the take-over bid. However, such right of conversion will be deemed not to come into force if the "Péladeau Group or an Acceptable Successor"[(2)] owns at that time a sufficient number of shares of any class to be able to exercise more than 50% of the votes attached to all of the Company's shares then carrying voting rights and does not accept the take-over bid before it expires. Moreover, the right of conversion will be deemed not to come into force if the take-over bid is withdrawn by the Offeror.

The Articles of the Company contain a definition of an offer giving rise to the right of conversion, provide for procedures to be followed in order to exercise such right and stipulate that, at the time such an offer is made, the Company or the transfer agent of the Class B Shares will communicate in writing with the holders of Class B Shares in order to provide them with full particulars of the manner in which their right of conversion can be exercised.

The Company's head office is located at 612 Saint-Jacques Street Montreal, Quebec, Canada H3C 4M8. The telephone number is (514) 380-1973 and the fax number is (514) 380-6097. The Company's Web site address is *www.quebecor.com*. The information found on the Company's Web site is, however, not part of this Annual Information Form.

1.2 Subsidiaries

The Company had over 115 direct and indirect subsidiaries as at December 31, 2002. The following organizational chart shows the principal subsidiaries of the Company at such date by industry segment, place of incorporation or continuation, and percentage of voting rights held directly or indirectly by the Company. Certain subsidiaries whose total assets did not represent more than 10% of the consolidated assets of the Company or whose sales and operating revenues did not represent more than

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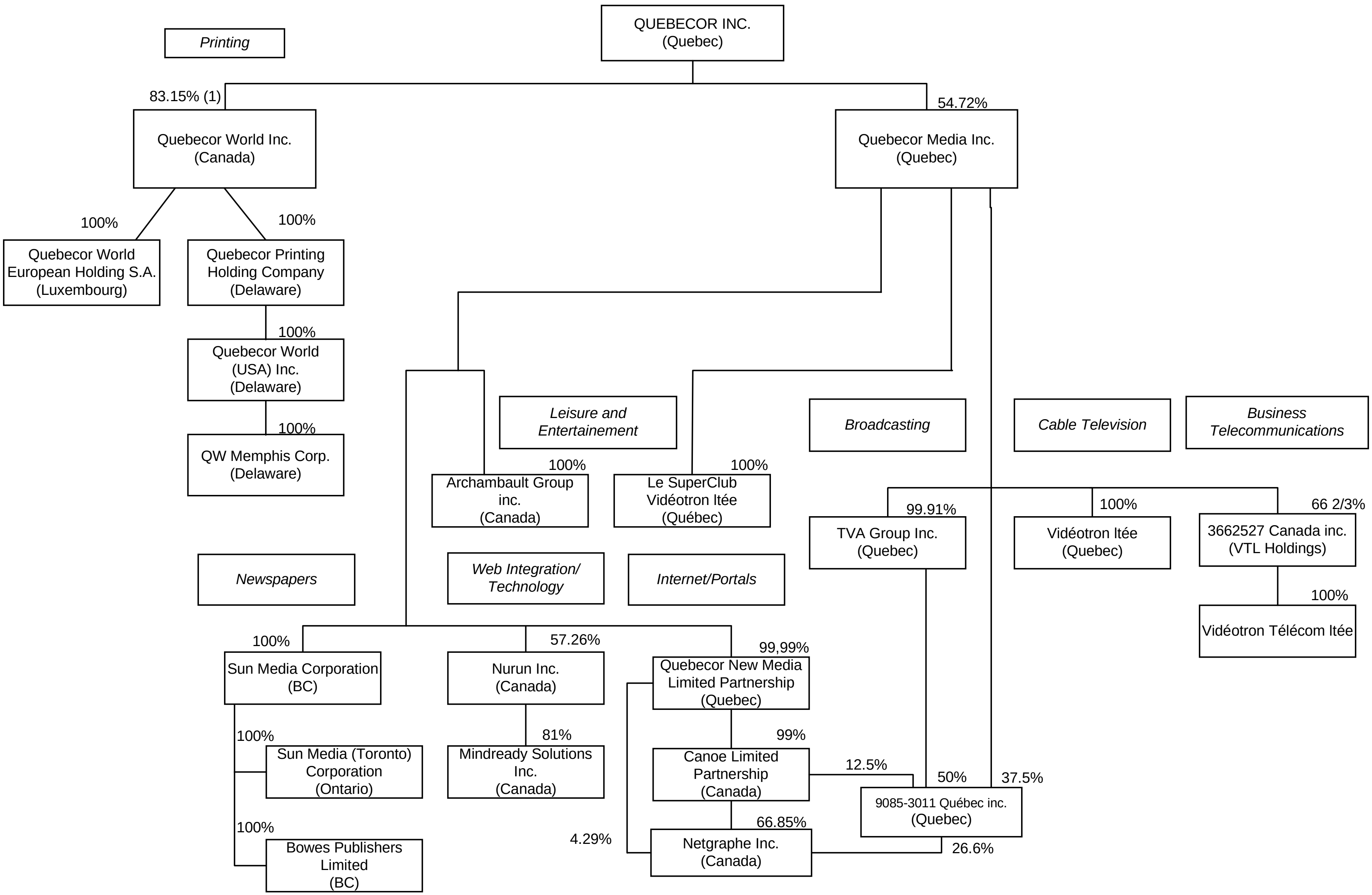
(1) In this Annual Information Form, unless the context indicates otherwise, "**Company**" refers to Quebecor Inc. and "**Quebecor**" refers to the Company, its subsidiaries and their divisions.

(2) As defined in the Articles of the Company.

10% of the consolidated sales and operating revenues of the Company as at December 31, 2002, have been omitted. The subsidiaries that have been omitted represented, as a group, less than 20% of the consolidated assets of the Company and less than 20% of the consolidated sales and operating revenues of the Company as at December 31, 2002.

Quebecor Communication Inc. ("**Quebecor Communications**") was liquidated on December 31, 2001, and all of its operations were transferred to its sole shareholder Quebecor Media Inc. ("**Quebecor Media**"); therefore, all reference made throughout this Annual Information Form to "Quebecor Communications" means its successor "Quebecor Media", as of January 1, 2002.



Note: This chart is as at December 31, 2002.

(1) On February 2001, Quebecor completed a private placement of exchangeable debentures which may be exchanged for subordinate voting shares of Quebecor World Inc. held by Quebecor. After giving effect to this transaction and assuming that all the exchangeable debentures are exchanged, Quebecor would hold 74.30% of the voting rights of Quebecor World Inc.

ITEM 2 GENERAL DEVELOPMENT OF THE BUSINESS

The Company is a holding company whose business is organized according to two operational poles: the industrial pole, spearheaded by the commercial printing operations of Quebecor World Inc. (“**Quebecor World**”), and the media pole, organized under Quebecor Media.

During the past three years, the general development of the operations of each of the Company's segment has been realized through acquisition of well-established entities.

At the end of 2000, Quebecor Media acquired Le Groupe Vidéotron ltée (“**Groupe Vidéotron**”) for $5.3 billion. At the time of this acquisition, the assets of Groupe Vidéotron included all of the shares of Vidéotron ltée (“**Vidéotron**”), the cable television subsidiary, 99.90% voting rights in TVA Group Inc. (“**TVA Group**”), the broadcasting subsidiary, Le SuperClub Vidéotron ltée **(“Le SuperClub Vidéotron**”), Protectron inc., a 66.7% voting interest in Vidéotron Télécom ltée (“**VTL**”), a 59.96% voting interest in Netgraphe Inc. (“**Netgraphe**”) and a minority interest in Microcell Telecommunications Inc. The transaction was financed with $0.9 billion in cash from the subscriptions by the Company in Quebecor Media and with $2.8 billion in cash from the subscriptions in Quebecor Media by Capital Communications CDPQ Inc. (“**Capital CDPQ**”), a wholly-owned subsidiary of Caisse de dépôt et placement du Québec, and borrowings under the $2.1 billion credit facility of Quebecor Media dated October 23, 2000. The Company’s subscriptions in Quebecor Media were funded from available credit facilities in the like amount.

Pursuant to Canadian law, at the close of the takeover bid for Groupe Vidéotron, all the shares of Vidéotron and TVA Group were deposited with trustees pending the approval by the Canadian Radio-Television and Telecommunications Commission (“**CRTC**”) of the transfer of the operating licenses owned by Vidéotron and TVA Group. Approval for the transfer of the Vidéotron operating licenses was received in May 2001. On July 5, 2001, the CRTC approval was received for the transfer of the TVA Group operating licenses to Quebecor Media. Such approval was subject to a condition requiring that by September 21, 2001: (i) TQS Inc. (“**TQS**”) be placed in trust and (ii) a third party not associated with Quebecor Inc. or any of its affiliates files an application with the CRTC to acquire TQS. In September 2001, the said condition was satisfied, the trust arrangement was terminated and the control of the shares of TVA Group was passed to Quebecor Media .

On February 23, 2001, Quebecor Inc. completed the sale of 2.5 million subordinate voting shares of Quebecor World for a cash consideration of $85 million and the issuance, through a private placement, of 25-year debentures in the amount of $425 million exchangeable for subordinate voting shares of Quebecor World. The net proceeds of $510 million from this stock sale and debenture issue were used to pay down the Company's bank debt.

On June 19, 2001, the Company sold 4 million shares of Abitibi-Consolidated Inc. (“**Abitibi-Consolidated**”) for a cash consideration of $49.5 million and issued 25-year debentures in the principal amount of $554.9 million, exchangeable for 44.8 million voting shares of Abitibi-Consolidated. The net proceeds of $604.4 million from this stock sale and debenture issue were used also to pay down Quebecor Inc.'s bank debt.

On June 21, 2001, Quebecor Media bought out the minority shareholders in its subsidiary Sun Media Corporation (“**Sun Media**”) for an amount of $375 million. To do so, the Company and Capital CDPQ made an injection of capital in the aggregate amount of $375 million into Quebecor Media. The Company’s portion of the capital injection was funded from available credit facilities. Following the buy-out of the minority shareholders, Quebecor Media’s ownership interest in Sun Media increased to 100%.

In July 2001, Quebecor Media issued US$715.0 million in aggregate principal amount of $11^{1}/_{8}$% Senior Notes and US$295.0 in aggregate principal amount of 13¾% Senior Discount Notes. Both the Senior Notes and the Senior Discount Notes are unsecured, and each are due July 15, 2011, with cash interest payable semi-annually in arrears on January 15 and July 15 of each year except that, in the case of the Senior Discount Notes, interest will accrue, prior to July 15, 2006, in the form of an increase in the accreted value, representing amortization of original issue discount of such Senior Discount Notes. The net proceeds thereof were used to reduce the Quebecor Media's indebtedness under the QMI Credit Facility.

On December 6, 2002, Groupe Vidéotron was liquidated into its parent company.

On December 9, 2002, Quebecor closed a secondary offering of 6.8 million subordinate voting shares of Quebecor World at a price of $36.00 per share for a total of $244.8 million. The purpose was to repay Quebecor's 54.72 % share of a $429.0 million term loan contracted by Quebecor Media, which falls due in April 2003. Immediately after the end of the 2002 financial year, the Company contributed $216.1 million to the share capital of Quebecor Media, enabling Quebecor Media to reduce its debt by the same amount.

On February 7, 2003, Sun Media closed a private placement of Senior Notes in the net amount of US$201.5 million and contracted new bank credit facilities totalling $425.0 million. The proceeds from the sale of Senior Notes and the new bank credit facilities were used to pay down in full all Sun Media loans and to pay a $260.0 million dividend to Quebecor Media, of which $150.0 million was used to reduce the long-term debt of Vidéotron.

During the financial year ended December 31, 2002, Quebecor proceeded with several business and asset acquisitions and disposals:

In January 2002, Nurun Inc. («**Nurun**»), closed the sale of Flow Systems Corporation for a cash consideration of $1.1 million.

In January 2002, Mindready Solutions Inc. (« **Mindready Solutions** »), acquired some of the assets of Nortel Networks Limited for a cash consideration of $0.3 million.

In February 2002, the Company closed the sale of 86.02% of TQS for a cash consideration of $60.7 million.

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 May 2002, Quebecor Media sold Publicor to Groupe TVA in order to bring all of the Company's magazine publishing operations together under TVA Publishing Inc.

In September 2002, Groupe TVA and Radio Nord Communications Inc. signed a 60%/40% agreement to purchase, subject to CRTC approval, certain radio broadcasting stations from Astral Media inc.

In September 2002, Netgraphe closed the sale of its interest in Canoa S.A., for a cash consideration of one dollar.

In September 2002, TVA Group, closed the sale of its 49% interest in Global Television Network Québec L.P. for a cash consideration of $1.0 million.

In November 2002, Quebecor Media, closed the sale of its 80% interest in the parent company of Wilson & Lafleur Ltée and Les Éditions Wilson & Lafleur Inc. for a cash consideration of $4.4 million.

In 2002, VTL, acquired some operating assets from 360networks Inc. and Stream Intelligent Networks Corporation for a total cash consideration of $4.1 million.

Also during the year ended December 31, 2002, Quebecor Media increased its ownership in some of its subsidiaries, part of the Leisure and Entertainment segment, for a cash consideration of $0.1 million and closed the sale of its interests in some of its subsidiaries in this segment for an equivalent amount.

The Company's Strategy

The Company's objective is to increase revenues and profitability by leveraging the integration and growth opportunities presented by the Company's collection of leading media assets and through Quebecor World's global commercial printing platform. The Company attributes its strong historical results and positive outlook for growth and profitability to its ability to develop and execute forward-looking business strategies. The key elements of the Company's strategy are to:

- *Introduce new and enhanced products and services.* The Company expects a significant portion of its growth in cable revenues to be driven by the introduction and continued adoption of new products and services such as digital cable services, high-speed Internet access, video-on-demand and interactive television. The Company also expects to increase its revenue per subscriber by focusing its sales and marketing efforts on the bundling of these value-added products and services.

- *Offer multi-platform media advertising solutions.* The Company's multi-platform media assets enables it to provide advertisers with an integrated advertising solution. The Company is able to provide flexible, bundled advertising packages that allow advertisers to reach local, regional and national markets, as well as special interest and specific demographic groups. The Company will focus on further integrating its television, newspaper and magazine publishing, and Internet advertising platforms to enable it to tailor advertising packages to its customers' needs.

- *Cross-promote the Company's brands, programs and other content.* The geographic overlap of the Company's cable, television, commercial printing, newspaper and magazine publishing, music and video store chains and Internet platforms enables it to cost effectively promote and co-brand its properties. The Company has already undertaken a number of initiatives to advance its cross-promotional activities, including the cross-promotion of its various businesses, cross-divisional advertising and shared infrastructures.

- *Leverage the Company's content across its media properties.* The Company is the largest broadcaster of French-language programming, through TVA and LCN, it is the largest private producer of French-language television programming in North America, it is the second largest newspaper publisher, and it has developed a leading English and French-language Internet news and information portal in Canada. The Company expects to accelerate the distribution of its content across its platform. For example, as one of the largest news organizations in Canada, the Company develops local, regional and national daily and weekly news which it distributes throughout its newspaper network and Internet news and information portals.

- *Geographic clustering.* Vidéotron holds cable licenses that cover approximately 80% of Quebec's 2.8 million homes passed by cable. Clusters facilitate bundled service offerings which allows Vidéotron to address unique demographic markets. The amount of capital necessary to deploy new and enhanced products and services is significantly reduced on a per home basis because of the large number of customers served by a single headend. The Company believes that the highly clustered nature of its distribution systems enables it to use its marketing dollars more efficiently and maximizes its ability to enhance customer awareness, increase use of its products and services and build brand support. The operation of newspaper publications in clusters allows the Company to realize operating efficiencies such as the consolidation and sharing of production and printing functions, management personnel and other general and administrative costs across contiguous newspaper markets.

- *Increase efficiency and reduce operating costs.* The Company will continue to focus on increasing its efficiency and controlling costs. It believes that operating margins are increased by implementing specific guidelines for staffing levels, employee productivity, automation of pre-press operations and regional production operations. The Company has established strict cost controls to maintain low overhead expenses and it continuously seeks to improve utilization of raw materials, equipment and services, including newsprint, ink, production equipment and telecommunication services. For example, in 1998, Quebecor World opened a global procurement office, in Fribourg, Switzerland. Global procurement will allow its commercial printing properties to achieve economies of scale for material and equipment.

- *Maximize customer satisfaction and build customer loyalty.* Across its media and commercial printing platforms, the Company believes that maintaining a high level of customer satisfaction is critical to future growth and profitability. An important factor in the Company's historical growth and profitability has been its ability to attract and satisfy its customers with high quality products and services.

- *Quebecor World's global commercial printing platform.* Quebecor World's globally linked, diversified network, in North America, Europe and Latin America creates significant cross-selling opportunities, leverages its global purchasing power and makes it less dependent on any one economy. Quebecor World, the Company's commercial printing subsidiary, will continue to focus on the competitive strength it acquired. Such advantages include (i) *broad geographic coverage*: Quebecor World is one of the few commercial printers that can service large customers in virtually all of their markets by providing them with simultaneous printing in several of its locations; (ii) *single sourcing*: by providing its customers a wide variety of printing, pre-press, post-press and distribution services, Quebecor World is able to become a more integral element in its customer's publishing process while simultaneously expanding its sources of revenues; (iii) *technological capabilities*: Quebecor World is committed to the effective use of state-of-the-art technology, including the development of new printing technologies, upgrade of existing printing assets and further development of integrated services. In 2003, capital expenditures will be made in order to maintain Quebecor World's existing assets and to invest in new projects for expansion in selected market; (iv) *economies of scale*: Quebecor World enjoys significant economies of scale which, in the opinion of management, provides it with a cost advantage. By consolidating platforms into fewer but larger and more specialized plants, Quebecor World reduces administrative costs and achieves better economies of scale. The growth of new media provides Quebecor World with further opportunities to exploit it economies of scale; and (v) *large manufacturing base*: management believes that further consolidation of the fragmented printing industry will occur due to the advantages of size, the high cost of capital equipment and technology and the demand of many large customers for broad, technologically advanced, continent-wide and international printing services. Quebecor Worlds's competitive and financial strengths and its substantial experience in integrating acquired businesses provide it with the ability to take advantage of this industry dynamic. Having established a critical size and the geographic and product diversity required to compete, Quebecor World is focused on continuing the expansion of its customer base, markets and scope of service in North America, Europe and Latin America.

Through its direct and indirect interests in several businesses, Quebecor operates in the following eight segments: 1) Printing, 2) Cable Television, 3) Newspapers, 4) Broadcasting, 5) Leisure and Entertainment, 6) Business Telecommunications, 7) Web Integration/Technology and 8) Internet/Portals.

In addition, Quebecor holds, directly or indirectly, controlling interests in five publicly held corporations: Quebecor World, Nurun , TVA Group, Netgraphe and Mindready Solutions. Quebecor Inc. also has a majority interest in Quebecor Media. Quebecor Media is the sole shareholder of Sun Media and Vidéotron.

Over the past few years, the general development of each segment in which the Company operates has primarily been achieved through the acquisition of businesses already active in their respective areas.

2.1 Printing Segment

Quebecor World, a diversified global commercial printing company, is the largest commercial print media services company in the world. Its 2002 revenues reached US$6.2 billion. Quebecor World offers its customers state-of-the-art web offset, gravure and sheetfed printing capabilities, in product categories including magazines, retail inserts, catalogues, specialty printing and direct mail, directories, as well as books, pre-media, logistics and other value-added services. Quebecor World is a market leader in most of its product categories. Quebecor World believes that the diversity of its customer base, geographic coverage and product segments enhance the overall stability and potential growth of its earnings and cash flow. Quebecor World's strategy for growth focuses on increasing its geographic coverage through selective business acquisitions and internal growth.

Quebecor World services its various markets and offers its products through a network of more than 165 printing and related services facilities capable of economically servicing virtually all major markets in the United States, Canada, France, the United Kingdom, Spain, Switzerland, Sweden, Finland, Austria, Belgium, Brazil, Chile, Argentina, Peru, Colombia, Mexico and India.

In an industry characterized by a high degree of fragmentation and consolidation opportunities, Quebecor World has grown historically and will continue to grow primarily through acquisitions.

Since its inception in 1988, Quebecor World has made more than 65 acquisitions valued at more than US$5.5 billion, 15 of which had an acquisition price in excess of US$50 million. The following table sets forth Quebecor World's most signification acquisitions since 1988.

Year	Acquisition	Country	Consideration* (US$ millions)
1988	BCE PubliTech Inc.	Canada	191.0
1990	Graphics Holding Enterprises, Inc.	U.S.A.	532.1
1994	Arcata Corporation (Book Group)	U.S.A.	180.9
1995	Financière Jean Didier	France	336.7
1997	AmerSig Graphics Inc.	U.S.A.	116.0
1997	Franklin Division of Brown Printing Company	U.S.A.	125.0
1998	TINA	Sweden and Finland	271.8
1999	World Color Press, Inc.	U.S.A.	2,723.7
2001	Retail Printing Corporation	U.S.A.	127.7
2002	European Graphic Group S.A., a subsidiary of Hachette Filipacchi Medias	France and Belgium	70.7

* including assumption of long-term debt net of cash and cash equivalent

In 1999, a subsidiary of Quebecor World merged with Greenwich, Connecticut-based World Color Press, Inc., the second largest commercial printer in the United States, which operated 58 facilities in the United States and had approximately 16,000 employees. Following this merger, Quebecor World became the largest commercial printer in the world.

In 2000, Quebecor World started building its first plant in Brazil, the largest country in Latin America, with a population of more than 164 million people. The decision to build a greenfield site was made in partnership with Editora Abril, S.A., South America's leading publisher of magazines, including *VEJA*, the world's fourth-largest news weekly. Under a ten-year agreement valued at US$170 million, Quebecor World will print 18 titles, or 83 million magazines, a year for Abril. The plant has been expanded to meet the needs of a second key customer, Listel Listas Telefonicas S.A., the largest and fastest growing directory publisher in Brazil, owned by BellSouth Corporation. The ten-year Listel contract is worth US$142 million, and Quebecor World will print 11.8 billion directory pages a year, more than half of all the directory pages printed by Quebecor World in Canada annually.

In 2000, Quebecor World completed its program initiated during 1998 to exit non-core operations. In 1998, it sold its cheque and credit card businesses. In 1999, this program continued with the sale of the operating assets of Quebecor World's BA Banknote Division. Finally, in 2000, Quebecor World sold its North American CD-ROM replicating and fulfillment facilities.

In order to focus on the integration of operations, from both a North American as well as an international perspective, and on the maximization of free cash flow, Quebecor World made no significant business acquisitions since the acquisition of World Color Press, Inc. in August 1999 through the close of 2000. Quebecor World resumed its external growth strategy in 2001. However the economic downtrend, compounded by the events of September 2001, prevented Quebecor World from moving forward with its external growth strategy. In addition to a handful of smaller acquisitions throughout the year, Quebecor World expanded its U.S. retail platform in July 2001 by acquiring Retail Printing Corporation, a web offset retail printer with locations in Nashville, Tennessee and Taunton, Massachussets for a cash consideration of US $ 97.6 million.

In September 2001, Quebecor World signed an agreement pending regulatory approval to purchase the European printing business of Hachette Filipacchi Medias (European Graphic Group, or E2G). The acquired assets include printing and bindery facilities in France, as well as Hachette's 50% ownership stake in the rotogravure printing plant of Helio Charleroi in Belgium. Hachette Filipacchi Medias is one of the world's top publishers with 210 magazine titles in 34 countries. All necessary regulatory approvals were obtained and this transaction closed in March 2002, for an aggregate purchase price of US $70.7 million. The transaction amount includes a purchase price balance for the 50% of Charleroi Group controlled by the Belgian businessman Albert Frère. As part of the transaction, Hachette has entered into a long-term agreement with Quebecor World for it to print many of Hachette's magazines in Europe, the value of which is estimated to be US $400 million (excluding paper) over the term of the contracts.

In the fourth quarter of 2002, the holders of the Series 2 Preferred Shares exercised their right to convert their shares on a one-for-one basis into Series 3 Preferred Shares. The Series 3 Preferred Shares are entitled to a fixed quarterly dividend of Cdn $0.3845 per share.

For more information on the Printing Segment, see item 3.1

2.2 **Cable Television Segment**

Vidéotron is the largest cable operator in the Province of Quebec and the third largest cable operator in Canada based on number of cable subscribers, with approximately 1.4 million basic cable subscribers. Vidéotron holds cable licenses that cover approximately 80% of Quebec’s 2.8 million homes passed by cable, including licenses for the Greater Montreal area, the second largest urban area in Canada.

The Greater Montreal area cluster represents the largest contiguous cluster in Canada and one of the largest contiguous clusters in North America. This concentration provides Vidéotron with improved operating efficiencies and is a key element in the development and launch of its bundled service offerings. In 1995, Vidéotron launched an aggressive modernization program to upgrade its network. The network modernization program, which was completed in 2001, has provided Vidéotron with one of the largest bi-directional hybrid fiber coaxial (HFC) networks in North America, with approximately 97% of the systems upgraded to two-way capability, and 72% of the systems upgraded to 750 MHz of capacity. Its broadband coverage is the most extensive in the Province of Quebec, allowing Vidéotron to become the largest provider of high-speed Internet access services in Quebec.

Vidéotron offers customers a bundled package of services including analog or digital television cable, high-speed and dial-up Internet access, premium programming and selected interactive television services. In addition to offering a wide range of English-language programming, Vidéotron is the largest distributor of French-language programming in Canada. It is estimated that over 80% of the Quebec population is French-speaking.

Following the acquisition of Vidéotron by Quebecor Media, a number of rationalization measures were decided upon and implemented, including cancellation of the IP telephony project, cuts in managerial and unionized staff, and some cost-containment measures. These measures were accompanied by a restructuring of marketing services in order to improve sales and raise the media visibility of Vidéotron's leading products.

At the end of September 2001, Vidéotron launched *illico*, its new interactive digital television service, and added more than 30 new optional specialty channels.

In May 2002, Vidéotron sold its cable television and Internet installation and repair operations to Alentron, a subsidiary of Entourage Technology Solutions Inc. Concurrently with the sale of the assets related to the installation and repair business of Vidéotron, Vidéotron and Alentron entered into a services agreement pursuant to which Alentron provided installation and repair services to Vidéotron.

On March 20, 2003, an agreement in principle has been reached between Vidéotron and its unionized employees for the renewal of the collective agreements for the Montreal and Quebec areas, thereby ending the strike which began on May 8, 2002. New collective agreements have been signed on

April 29, 2003. The Alentron service contract was terminated on May 12, 2003. All the employees that had been transferred to Alentron resumed working for Vidéotron.

For more information on the Cable Television Segment, see Item 3.2.

2.3 Newspaper Segment

Sun Media publishes and distributes daily, weekly and monthly newspapers and specialty publications throughout Canada. It is the largest newspaper publisher in the Province of Quebec and the second largest newspaper publisher in Canada, with a 21% market share in terms of weekly circulation according to statistics published by the Canadian Newspaper Association.

The take-over of Sun Media, which was completed on January 8, 1999, by 2944707 Canada Inc., an indirect wholly owned subsidiary of Quebecor Communications, had a major impact on the Newspaper Segment. On February 28, 1999, 2944707 Canada Inc. merged with Sun Media. The new entity uses the name Sun Media Corporation/Corporation Sun Media. At the end of 1998, all the newspapers published by Quebecor Communications and the related distribution operations had been transferred to 2944707 Canada Inc., so that all newspaper publishing and distribution operations are now consolidated in the new "Sun Media Corporation", forming the only national chain of tabloids and the second largest newspaper chain in Canada, with a 20.7% market share based on daily circulation. Quebecor Communications was liquidated on December 31, 2001, and all its operations have been transferred to its sole shareholder, Quebecor Media. Quebecor Media and Sun Media intend to continue core business developing, in Canada and abroad, in the sectors they already occupy.

On March 1, 1999, pursuant to an agreement entered into on December 20, 1998, Sun Media sold four broadsheet newspapers that it had acquired from Southam Corporation in September 1998, to Torstar Corporation.

In 1999, Bowes Publishers Limited, a subsidiary of Sun Media, acquired the *Stratford Beacon Herald* in Ontario, the last independent daily in that province. It also acquired weekly publications in Saskatchewan and Ontario. In 1999, Sun Media also sold *The Record*, a daily newspaper in Sherbrooke, Quebec.

In June 1999, the Company sold to three investors a 30% interest in Sun Media for total cash consideration of $260 million, which it used to repay a bank loan contracted to make a contribution to the capital of Sun Media. Subsequently, in June 2001, Sun Media became a wholly-owned subsidiary of Quebecor Media, when the Company bought out the minority shareholders for an amount of $375 million.

During the year 2000, Sun Media launched *Montréal Métropolitain*, a free daily paper for transit users in Montreal.

Sun Media implemented restructuring initiatives in the second and fourth quarters of 2001, in response to difficult market conditions. The initiatives resulted in a workforce reduction charge of $17.8 million in fiscal 2001, or $11.6 million net of taxes. In total over 350 employee terminations were made across all geographic regions and departments of Sun Media.

On February 7, 2003, Sun Media closed a private placement of Senior Notes maturing in 2013 and bearing interest at 7 5/8%, in the net amount of US$201.5 million and contracted new bank facilities totalling $425 million. The proceeds from the sale of Senior Notes and the new bank credit facilities were used to pay down in full all of Sun Media's debt and to pay a $260 million dividend to Quebecor Media, of which $150 was used to reduce the long-term debt of Vidéotron.

On May 5, 2003, Sun Media sold all its Florida Sun operations in the state of Florida, U.S.A. to Independent Publications of Bryn Mawr, Pennsylvania. The Florida Sun operations are based in Bradenton, Florida, and include seven weekly publications as well as a commercial web printing operation. Community newspapers owned and operated by the Florida Sun are*: The Osceola News-Gazette*; *The Sarasota Weekly*; *The South Orange News*; and *The Venice Weekly*. Shopping guides include *The Bradenton Shopping Guide*; *The Osceola Shopper*; and *The Sebring Shopping Guide*.

For more information on the Neswpaper Segment, see Item 3.3.

2.4 **Broadcasting Segment**

In September 1997, the Company, through Quebecor Communications in partnership with COGECO Inc., Les Communications par Satellite Inc. ("**Cancom**"), Radio-Nord Inc., Radio-Saguenay Ltée (now known as Gestion Baripra Inc.), Télévision MBS Inc. acquired a 100% interest in TQS, a television network that reaches an audience spread across almost the entire area of the province of Quebec.

Quebecor Communications' interest in TQS increased from 58.52% in 1997 to 70.17% as at December 31, 1998, and 79.09% as at December 31, 1999, reaching 85.99% on March 22, 2000, following acquisition of the shares of TQS held by Cancom.

Following the acquisition in October 2000 of all of the outstanding shares of Groupe Vidéotron, Quebecor Media applied to the CRTC for the transfer of the operating licences of TVA Group (broadcasting).

On July 5, 2001, the CRTC approved the acquisition of the broadcasting subsidiary, TVA Group, but stipulated that it was to remain under the control of a trustee until TQS was sold.

In September 2001, the Company reached an agreement to sell TQS to a consortium consisting of Cogeco Inc. and Bell Globemedia. Following the agreement, TQS was placed under the control of a trustee until the transaction closed on February 15, 2002, in accordance with the CRTC's directives. Having satisfied all the conditions set by the CRTC with respect to the acquisition of TVA Group, Quebecor acquired full control over that company in September 2001.

TVA Group operates mainly in the following sectors: television, publishing and distribution.

TVA Group, the largest private broadcaster in Quebec, owns six of the 10 stations comprising the TVA Network: CFTM-TV (Montreal), CFCM-TV (Quebec City), CFER-TV (Rimouski), CHLT-TV (Sherbrooke), CHEM-TV (Trois-Rivières) and CJPM-TV (Saguenay/Lac St-Jean). The TVA Network's signal reaches almost all of the French-speaking audience of Quebec, French-speaking communities in the neighbouring provinces of Ontario and New Brunswick and, since May 1, 1999, a substantial portion of the French-speaking population of the rest of Canada. In the Fall 2002, TVA Group had a 36% market share of French-speaking viewers in the Province of Quebec and 44% of the television advertising spending for French-speaking viewers in Quebec. In the Fall 2002, TVA Group also aired eight of the ten most popular TV programs in the Province of Quebec, including *KM/H*, *Histoires de filles*, *Les poupées russes* and *Juste pour rire*. Directly or through some of its subsidiaries, TVA Group is also a major producer of French-language entertainment, news and public affairs television programs intended primarily for its own broadcast use, as well as a distributor of audiovisual content intended mainly for the Canadian market. TVA Group also owns and operates *Le Canal Nouvelles (LCN)* and holds interests in the specialty services *mentv* (51%), *Mystery* (45.05%) and *Canal Évasion* (8.3%), as well as in the pay-per-view service *Canal Indigo* (20%).

TVA Group, through its subsidiaries, TVA Publishing Inc. and TVA Publishing II inc. also operates in the magazine and book publishing sector. TVA Group is the leading French-language magazine publisher in Quebec. In addition, TVA Group is active in the merchandising of various consumer products and in infomercials.

The major events that have affected the development of TVA Group during the past three years are as follows:

On January 17, 2000, TVA Group acquired all of the shares of Trustar Limitée (“**Trustar**”), the company whose name was changed to TVA Publishing Inc. in September 2000, mainly known for its weekly general-interest and entertainment magazines.

On May 12, 2000, TVA Group acquired all the shares of Motion International Inc. (which became TVA International Inc.) (“**TVA International**”) a major Canadian producer and distributor of films and television content intended mainly for the international market. This acquisition was carried out by TVA Acquisition Inc. (“**TVA Acquisition**”), which at the time was 70% owned by TVA Group and 30% by Capital CDPQ. TVA Group financed its share of the transaction by issuing 3,850,000 Class B shares for total gross proceeds of $100.1 million.

On September 5, 2000, Télé Inter-Rives Ltée, which is 45% owned by TVA Group, entered into an agreement for the purchase of CHAU-TV (Carleton), then owned by a subsidiary of Corus Entertainment Inc. This transaction was approved by the CRTC on November 21, 2000.

On November 24, 2000, the CRTC authorized TVA Group and its different partners, 11 of the new digital specialty services, including six Category One services (carried by all cable service provider), three French ones and three English ones, and five Category Two services (for which there is no distribution right guaranteed), two of which are French and three of which are English.

On December 11, 2000, Quebecor and Capital CDPQ entered into a shareholders' agreement regarding their interest in Quebecor Media. For more information on the aforesaid Shareholders' Agreement, see Item 2.9. The Shareholders' Agreement provides for, among other things, (a) a consent right for Capital CDPQ over certain major decisions affecting Quebecor Media and its subsidiaries, including TVA Group, such as any change in the articles, the merger of TVA Group and any sale by Quebecor Media of its shares in TVA Group's capital; and (b) a right of first refusal for Capital CDPQ in the case of an offer for substantially all of the shares of TVA Group or substantially all of its assets.

On January 16, 2001, TVA Group announced a writedown of TVA International's assets of about $71 million ($63 million after taxes), including $30 million in goodwill, and $23 million in production and distribution rights. This writedown as the result of the decision by TVA International to focus its activities on the distribution of audiovisual products and the production of youth programming and animation. TVA Group's share of this writedown was $50 million ($44 million after taxes).

On May 31, 2001, TVA Group's indirect interest in Netgraphe was diluted to 11% from 29%, following Netgraphe's acquisition of the assets of Canoe, a limited partnership that is part of the Quebecor Media group.

On July 5, 2001, the CRTC (CRTC decision 2001-385) renewed the licences of the TVA Network and CFTM-TV (Montreal) for a period of seven years, from September 1, 2001, to August 31, 2008.

On September 7, 2001, TVA Group and its partners launched two categories one digital specialty services, *mentv* and *Mystery,* aimed at the English-speaking market.

On September 12, 2001, TVA Group announced its decision to re-evaluate its investment and strategy in the audiovisual production and distribution sectors, and took a major writedown of certain TVA International assets. This decision resulted from TVA Group's determination that the overall profitability of TVA Group was still affected by TVA International's unsatisfactory financial performance ever since the Motion International Inc. acquisition, and that its growth perspectives were still below profitability objectives. This writedown was about $120 million after taxes, including $48 million in goodwill. TVA Group's share of this writedown was $95 million after taxes, which amounted to a complete writeoff of its investment in TVA International.

On December 21, 2001, TVA Group changed its fiscal year-end date from the last Sunday in August to December 31 such that the Company's transition year began on August 27, 2001 and ended on December 31, 2002.

On May 16, 2002, TVA Publishing II Inc. (formerly 4057597 Canada Inc.), a wholly-owned subsidiary of TVA Group, acquired Publicor, the magazines division of Quebecor Media, and the *Échos Vedettes* tabloid for $36 million in cash. An additional amount of $6 million may be payable during the years 2004, 2005 and 2006 at the maximum rate of $2.5 million per year, based on the achievement of certain pre-established financial objectives.

On September 3, 2002, TVA Group announced that a new undertaking formed by TVA Group and Radio Nord Communications Inc. ("**Radio Nord**") had entered into an agreement with Astral Media inc. for the acquisition of six (6) AM radio stations, including the Montreal station CKAC, and one Quebec City FM radio station, CFOM, at a cost of $12.8 million. The new enterprise is 60% owned by TVA Group and 40% by Radio Nord. The acquisition, which is subject to CRTC approval, could materialize during the year 2003 and allow TVA Group to add a new sector to its activities. Management of these assets has been entrusted to a trustee pending the CRTC approval.

On March 18, 2003, TVA Group purchased all of the shares of the capital stock of HSS Canada Inc. ("**HSS Canada**") owned by Home Shopping Service S.A., being 50 Class A Shares of the capital stock of HSS Canada representing 50% of all the issued and outstanding shares of the capital stock of HSS Canada, for $0.9 million. As a result of that transaction, TVA Group, which already owned 50% of the issued and outstanding shares, became the sole shareholder of HSS Canada.

Between February 16, and April 20, 2003, TVA Group aired the television program "*Star Académie*". The program's resounding success demonstrated the originality and scope of Quebecor Media's convergence strategy.

For more information on the Broadcasting Segment, see item 3.4.

2.5 Leisure and Entertainment Segment

This segment, consists primarily of distribution of music and retailing of books, magazines and music through Archambault Group Inc. (« **Archambault Group** »); rentals and sales of video cassettes and DVDs through Le SuperClub Vidéotron ltée chain of video stores; book publishing via 10 associates publishing houses and distribution through Québec-Livres.

In 2000, the Leisure and Entertainment Segment continued its growth, acquiring a 50% interest in Les Éditions Libre Expression Ltée, the other 50% of which Quebecor Media already held, acquiring all of the interests in the companies Occasions d'Affaires, Camelot-Info Inc. and Paragraph Book Store Inc.

In December 2001, St.Remy Media, an electronic publishing and contract publishing company was sold.

During the year 2002 , Éditions Quebecor Média reorganized its publishers of general literature, bringing them under one roof and a single management structure.

In November 2002, Quebecor Media closed the sale of its 80% interest in the legal publisher Wilson & Lafleur, a major Quebec publishing house.

On May 16, 2002, TVA Publishing II Inc., a wholly-owned subsidiary of TVA Group, acquired Publicor, the magazines division of Quebecor Media, and the *Écho Vedettes* tabloid.

For more information on the Leisure and Entertainment Segment, see item 3.5.

2.6 Business Telecommunications Segment

In 1989, as an initial response to its telecommunications needs in Quebec, Groupe Vidéotron created VTL. Since then, this undertaking has implemented a telecommunications network of over 10,000 km of fiber-optic routes covering approximately 80% of Quebec's and Ontario's markets for business telecommunications services. VTL has expanded its local access network in the Greater Montreal and Quebec City areas as well as in the Ottawa Valley, Sherbrooke, Granby, Saint-Hyacinthe, Trois-Rivières and Chicoutimi sectors. Its network has been expanded to Ottawa and Toronto, Ontario. VTL interconnected its network to Canadian and American telecommunications enterprises.

In 1998, VTL called on the power and capacity of its network to offer local telephone service in Montreal, Quebec City and several other cities. In addition to the basic Internet services, such as high-speed access and security, and hosting of Web sites, VTL also offers various telephone services including local services, long distance, and toll-free lines throughout Quebec since 1998.

On December 8, 1999, Carlyle VTL Holdings, L.P. ("**Carlyle**") subscribed for 5,000 Class C preferred shares of the capital stock of 3662527 Canada Inc. (« **VTL Holdings** ») which had, until that time, been an indirect, wholly-owned subsidiary of Groupe Vidéotron, for the sum of $200 million in cash. VTL Holdings is the sole shareholder of VTL.

The holders of Class C preferred shares are entitled to convert the Class C preferred shares into 5,000 voting common shares and 35,000 non-voting common shares, which represent 33.33% of the voting shares and 28.6% of the participating shares of VTL Holdings. The Class C preferred shares can be redeemed, at the discretion of the shareholder, from the fifth anniversary of the subscription date or following a change in control at VTL Holdings. The preferred shares issued by VTL are redeemable, partially or totally, at the option of the issuer at any time and at the option of Carlyle from December 31, 2004. The redemption price is the higher of the amount paid, plus a 9% annual return, and the fair value of the shares.

Concurrently with the subscription of these shares by Carlyle, Groupe Vidéotron granted VTL Holdings and VTL an exclusive license to use certain trademarks, including the "Vidéotron" trademark, for providing business telecommunications services, for a term of 30 months. Groupe Vidéotron, Carlyle and VTL Holdings entered into a non-competition agreement, VTL Holdings granted its shareholders certain registration rights, and Carlyle and Vidéotron Communications Inc. signed a shareholders' agreement.

At the beginning of 2001, VTL carried out a major restructuring of its business telecommunications operations and refocused VTL's primary mission on the offering of high-speed telecommunications services, voice services, Internet access services and WEB hosting based services to large business users and telecommunication carriers. As part of such restructuring, in May 2001, VTL sold its segment pertaining to the sale of business telecommunications equipment **(PABX)** and maintenance contracts, as well as its e-commerce business segment.

VTL is now focusing its development efforts on its core customer base, i.e. large telecommunications local and long distance customers that require networking services, hosting services and Internet provider services, wholesalers of long distance telecommunications services, wireless operators and Internet service providers, and other high-end users of business telecommunication services.

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

For more information on the Business Telecommunications Segment, see item 3.6.

2.7 Web Integration/Technology Segment

On September 30, 1999, the Company, Nurun and Intellia Inc. ("**Intellia**"), a subsidiary of Quebecor Communications, reached an agreement concerning the formation of a company which will provide e-business solutions services. This agreement led to the following transactions, which were completed on November 1, 1999. On that date, Quebecor Communications acquired 4,108,108 Common Shares of Nurun at a price of $9.25 per Common Share pursuant to a partial take-over bid. The take-over bid was conditional upon the acquisition by Nurun of all of the shares of Intellia, a subsidiary of Quebecor Communications, in consideration for which Nurun issued 12,214,286 Common Shares including 10,927,960 Common Shares to Quebecor Communications. Prior to this acquisition, Quebecor Communications made an additional contribution of $40 million to Intellia. Following these transactions, the Company, through its wholly owned subsidiary Quebecor Communications, held 15,036,068 common shares or over 58.23% of the then issued and outstanding shares of Nurun. The above transactions also granted a preemptive right to Quebecor Communications, which was renewed on January 31, 2000 by agreement between Quebecor Communications and Nurun. Quebecor Communications has been liquidated on December 31, 2001. Nurun is now a subsidiary of Quebecor Media.

Nurun is a company engaged in e-business services, Internet solutions development and Web integration. It offers services to private and public-sector clients located primarily in North America and Europe.

Through its subsidiary Mindready Solutions, Nurun is also active in the areas of test systems, manufacturing automation and embedded systems. Mindready Solutions's customers are original equipment manufacturers ("**OEM**"), electronic manufacturing services providers ("**EMS**"), and small and medium-sized electronics businesses. The vertical markets in which Mindready Solutions specializes are the aerospace, automotive, industrial, medical and telecommunications sectors. Its clients include companies such as Nortel Networks, Sanmina-SCI, Visteon, Renault, Peugeot, Alcatel, Solectron, FlightSafety International, Inc., BAE Systems Canada Inc., Boeing and Lockheed Martin Corporation.

In December 2000, Mindready Solutions became a public company whose shares are listed on The Toronto Stock Exchange.

During the first quarter of 2002, Mindready Solutions has implemented additional costs reduction measures in order to respond to the continued adverse market conditions within the telecommunications industry, Mindready Solutions' main market segment. The restructuring plan resulted in the termination of approximately 32% of the workforce. The reduction in personnel affected the United Kingdom, Montreal and United States operations. Through this restructuring plan, Mindready Solutions has consolidated the United Kingdom operations with the Northern Ireland operations center.

Nurun's goal is to enable its clients to capitalize fully on the opportunities offered by the Internet and Web technology so that they can develop new markets and marketing channels and improve the efficiency of their processes relating to customers, business partners and employees.

In 2000, Nurun entered into a strategic agreement with Quebecor World in order to establish its position in the e-business market. As part of this agreement, Quebecor World subscribed for $20,000,000 of Nurun's securities.

Nurun has rapidly pursued its growth as a Web integrator and interactive agency by acquiring the following companies: EntreVision Inc., one of Canada's leading organizations in e-business solutions; Cythère S.A., (now known as Nurun France S.A.) the largest independent Web solutions integrator in France; ditIT Interactive Inc., specialists in digital branding and marketing channel management; Chicago-based Flow Systems Corporation, specialists in catalogue content management and automated publishing solutions (APS) for manufacturers and distributors; MSM Interactive S.A., an e-business company based in Santiago, Chile, whose services include Web site design and development, e-commerce, Web-based training and wireless Internet technology; Quam S.r.l., now Nurun Italia S.r.l., an Italian new media agency with proven multimedia expertise; and Imagix Multi Média Inc., specialists in audio-visual communication and multimedia production.

In January 2002, Nurun sold its interest in Flow Systems Corporation for a cash consideration of $1.1 million as part of the process of divestiture of divisions not essential to its core business.

EntreVision Inc., digIT Interactive Inc. and Imagix Multi Média Inc. have transferred their respective assets to Nurun and have been, or are in the process of being dissolved and Nurun is now conducting their operations. MSM Interactive S.A. has been liquidated during the fourth quarter of 2002.

Nurun's clients include corporations, such as L'Oréal, Danone, General Motors, Bombardier Produits Récréatifs, Hydro Québec, Pfizer, Air Canada, Air France, the Quebec Workers' Compensation Board, Pleasant Holidays, Société de l'Assurance automobile du Québec, and the Ministry of Revenue of Québec,

For more information on the Web Integration/Technology Segment, see 3.7.

2.8 Internet/Portals Segment

Netgraphe is an integrated company offering various services such as e-commerce, information, communication and consulting in information technology. Netgraphe owns the CANOE network, which includes Canoe.ca, Canoe.qc.ca, La Toile du Quebec (Toile.com), Webfin.com, Megagiciel.com,. In addition, Netgraphe offers on-line e-commerce services in the fields of employment (Jobboom.com), automobiles (Autonet.ca and Autonet.qc.ca), personals (ReseauContact.com and MatchContact.com), on-line shopping (Shop.canoe.ca), and classifieds (ClasseesExtra.ca and ClassifiedExtra.ca). Through its subsidiary Progisia Informatique inc. ("**Progisia**"), Netgraphe also offers IT consulting services such as e-commerce, outsourcing, integration and secure transaction environments.

Netgraphe is with nearly 5.5 million unique on-line visitors per month according to MediaMetrix, Netgraphe is one of the leading Internet communications, commerce and media companies in Quebec and Canada. Netgraphe is the hub of interactivity in the vast universe of properties of Quebecor Media.

The CANOE network includes all of Netgraphe's public and commercial Web sites, as well as the employment and careers publisher Éditions Jobboom and the IT-consulting firm Progisia. These complementary operations form one of the most complete portfolios of Internet properties in Canada.

From its incorporation until June 1999, Netgraphe operated as a mining company. The following summarizes the principal milestones in the development of the activities of this Corporation since, in 1999, it was taken over by a Quebec-based private company operating in the Internet industry and changed its name to Netgraphe:

- September 1999: Netgraphe becomes a public company whose shares are listed on the Montreal Exchange under the symbol WWW.
- December 1999: Netgraphe acquires InfiniT.com and the Internet assets of TVA Group and Vidéotron Communications Inc. Netgraphe is listed on the Toronto Stock Exchange under the symbol WWW.
- December 1999: Netgraphe acquires a 66% interest in the financial Web site Webfin.
- December 1999: Netgraphe acquires a 75% interest in Jobboom Inc. ("**Jobboom**"), provider of the first specialized employment service site in Quebec.
- April 2000: Netgraphe increases its interest in Jobboom to 100% and acquires Ma Carrière Inc., a publisher specialized in career-management services.
- May 2000: Netgraphe increases its interest in Webfin to 100%.
- September 2000: Netgraphe acquires Progisia and its subsidiary, Force Informatique Inc., which specialize in systems integration, electronic commerce and IT consulting services.
- May 2001: Netgraphe completes the acquisition of the CANOE network assets, including the canoe.ca and canoe.qc.ca portals as well as a number of specialty Web sites, and certain related liabilities, from Quebecor New Media Limited Partnership and Canoe Limited Partnership, which are indirectly wholly-owned by Quebecor Media, in consideration for the issuance of 133,675,387 Common Shares of Netgraphe, which shares were subsequently changed into 133,675,387 Multiple Voting Shares of Netgraphe. As at December 31, 2002, Quebecor Media owns, directly and indirectly, approximately a 97.7% voting and 75.2% equity interest in Netgraphe.

2.9 Shareholders' Agreement

Quebecor Inc., Capital CDPQ and Quebecor Media, inter alia, entered into a shareholders' agreement, dated October 23, 2000, as consolidated and amended by a shareholders' agreement dated December 11, 2000 which sets forth the rights and obligations of Quebecor Inc. and Capital CDPQ as shareholders of Quebecor Media (the "**Shareholders' Agreement**"). Except as specifically provided in the Shareholders' Agreement, the rights thereunder apply only to shareholders holding at least 10% of the equity shares of Quebecor Media (the "**QMI Shares**"), on a fully-diluted basis.

The Shareholders' Agreement provides, among other things, for:

i) standard rights of first refusal with respect to certain transfers of QMI Shares;

ii) standard preemptive rights which permit shareholders to maintain their respective holdings of QMI Shares on a fully diluted basis in the event of issuances of additional QMI Shares or convertible securities of Quebecor Media;

iii) rights of representation on the Board of Directors of Quebecor Media in proportion to shareholdings, with Quebecor initially having five nominees and Capital CDPQ having four nominees to Quebecor Media's Board of Directors;

iv) consent rights in certain circumstances with respect to matters relating to Quebecor Media and its non-reporting issuer (public) subsidiaries, including (a) a substantial change in the nature of the business of Quebecor Media and its subsidiaries taken as a whole, (b) an amendment to the Articles of Quebecor Media or certain of its subsidiaries, (c) the merger or amalgamation of Quebecor Media or certain of its subsidiaries with a person other than an affiliate, (d) the issuance by Quebecor Media or certain of its subsidiaries of shares or of securities convertible into shares except in the event of an initial public offering of QMI Shares, (e) any transaction having a value of more than $75,000,000, other than the sale of goods and services in the normal course of business, (f) a business acquisition in a business sector unrelated to sectors in which Quebecor Media and certain of its subsidiaries are involved, and (g) in respect of capital expenditures in excess of certain amounts for each of the first five years of operations for Quebecor Media;

v) standard rights of first refusal in favor of Capital CDPQ with respect to the sale of all or substantially all of the shares or assets of TVA or Vidéotron;

vi) so long as Capital CDPQ holds at least 22.5% of the QMI Shares on a fully diluted basis, if the Péladeau family (as defined in the Shareholders' Agreement) ceases to control Quebecor Inc., Capital CDPQ shall have at its option either a "call" on Quebecor Inc.'s interest in Quebecor Media at fair market value, or a "put" right in respect of Capital CDPQ's interest in Quebecor Media to Quebecor or its new controlling shareholder at fair market value, provided that the "call" right shall not apply if the Péladeau family (as defined in the Shareholders' Agreement) has offered a standard right of first refusal on its Quebecor control block to Capital CDPQ before selling control of Quebecor Inc., and all of the rights in this item (vi) shall cease to apply five years following the approval by the CRTC of the acquisition by Quebecor Media of Groupe Vidéotron; and

vii) a non-competition covenant by Quebecor Inc. in respect of it and its affiliates pursuant to which Quebecor Inc. and its affiliates shall not compete with Quebecor Media and its subsidiaries in their areas of activity so long as Quebecor Inc. has "*de jure*" or "*de facto*" control of Quebecor Media, subject to certain limited exceptions.

The Shareholders' Agreement provides that once Quebecor Media becomes a reporting issuer and has a 20% public "float" of QMI Shares, certain provisions of the Shareholders' Agreement will cease to apply, including the consent rights described under items (iv) (d) and (e) above.

In a separate letter agreement, dated December 11, 2000, Quebecor Inc. and Capital CDPQ agreed, subject to applicable laws, fiduciary obligations and existing agreements, to attempt to apply the same board representation and consent rights as set forth in the Shareholders Agreement to Quebecor Media's reporting issuer (public) subsidiaries so long as Capital CDPQ holds at least 20% of the QMI Shares on a fully-diluted basis (10% as it relates to TVA Group).

2.10 Discontinuance of Operations in the Forest Products Segment

On February 11, 2000, Abitibi-Consolidated, Donohue Inc. ("**Donohue**") and the Company announced that they had entered into agreements whereby Abitibi-Consolidated offered to purchase all of the outstanding shares of Donohue in a cash and share transaction valued at $42.00 per Donohue share ($12.00 cash and 1.8462 common shares of Abitibi-Consolidated). The agreements included an irrevocable commitment by the Company to tender all of its Donohue shares in favour of Abitibi-Consolidated's offer.

The Company tendered its Donohue shares on April 18, 2000. The transaction was accounted for as a reverse take-over of Abitibi-Consolidated by Donohue, as the shareholders of Donohue received a sufficient number of shares of Abitibi-Consolidated in the exchange to give them a controlling interest. The Company's interest in the new corporation, both in terms of number of shares and number of votes, is approximately 11%. The gain arising from the transaction was recorded in the second quarter of 2000 and amounted to $235 million, net of the related income taxes. As the Company does not have control of or significant influence over the new corporation, this interest is accounted for as a portfolio investment and, consequently, the operations in the Forest Products segment were considered to have been discontinued as of the first quarter of 2000.

On June 19, 2001, the Company sold 4 million shares of Abitibi-Consolidated for a cash consideration of $49.5 million and issued 25-year debentures in the principal amount of $554.9 million exchangeable for 44.8 million voting shares of Abitibi-Consolidated.

2.11 Risk Factors

2.11.1 Substantial Debt and Significant Interest Payment Requirements

The Company currently has a substantial amount of debt and significant interest payment requirements. As of December 31, 2002, the Company had approximately $6.3 billion of consolidated long-term debt (excluding the exchangeable debentures, redeemable preferred shares and convertible notes). The Company's substantial indebtedness could have significant consequences, including the following: (i) increase the Company's vulnerability to general adverse economic and industry conditions; (ii) require the Company to dedicate a substantial portion of its cash flow from operations to make interest and principal payments on its indebtedness, reducing the availability of its cash flow to fund capital expenditures, working capital and other general corporate purposes; (iii) limit the Company's flexibility in planning for, or reacting to, changes in its businesses and the industries in which it operates; (iv) place the Company at a competitive disadvantage compared to its competitors that have less debt or greater financial resources; and (v) limit, along with the financial and other restrictive covenants in its indebtedness, among other things, the Company's ability to borrow additional funds. Any failure to pay such indebtedness or other liabilities when due could have a material adverse effect on the Company.

2.11.2 Additional Debt

The Company and its subsidiaries may be able to incur substantial additional debt in the future. If the Company or any of its subsidiaries do so, the risk described above could intensify. As of December 31, 2002, the Company and its subsidiaries would have had approximately $1.8 billion available for additional borrowings under the credit facilities.

2.11.3 Restrictive Covenants in Debt Instruments

The terms of the Company's outstanding debt instruments contain a number of restrictive covenants that impose significant operating and financial covenants on it including, among other things, restrictions on the Company's ability to: (i) incur additional debt; (ii) pay dividends and make restricted payments; (iii) create liens; (iv) use the proceeds from sales of assets and subsidiary stock; (v) enter into sale and leaseback transactions; (vi) enter into transactions with affiliates; and (vii) enter into certain mergers, consolidations and transfers of all or substantially all of its assets. The Company's failure to comply with the covenants contained in its outstanding debt instruments could result in an event of default which could materially and adversely affect the Company's operating results and its financial condition.

2.11.4 Refinancing

The Company may need to refinance certain of its existing debt instruments at their term. The Company's ability to obtain additional financing to repay its existing debt at maturity will depend upon a number of factors, including prevailing market conditions and its operating performance. There can be no assurance that the terms and conditions of such additional financing will be favorable to the Company or that any such financing will be available at all.

2.11.5 Operations in Highly Competitive Industries

The Company operates in highly competitive industries. Its cable operations face competition from direct broadcast satellite providers, multi-channel multipoint distribution systems, satellite master antenna television systems and over-air television broadcasters. In its Internet access business, the Company competes against other Internet service providers offering residential and commercial Internet access services. In its broadcasting and publishing operations, competition for advertising, subscribers, 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 its markets. Its commercial printing business in North America and in Europe is highly competitive in most product categories and geographic segments. In the printing business, competition is 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.

The Company's competitors include both privately-owned companies and government-owned market participants. In addition, there is increasing consolidation in the Canadian media industries, and the Company's competitors increasingly include market participants with interests in multiple industries and media. The Company cannot provide any assurance that its existing and future competitors will not pursue or be capable of achieving business strategies similar or competitive to the Company's. Some of the Company's competitors have greater financial and other resources than the Company does. The Company 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.

2.11.6 Rapid Growth

The Company has recently experienced substantial growth in its business and has significantly expanded its operations. The Company has made a number of other acquisitions in the past, and it plans to continue to make acquisitions in the future. Some of the Company's acquisitions have involved expansion into businesses in which the Company historically had limited or no involvement. The Company intends to continue to increase its business, make strategic acquisitions and further expand the types of businesses in which it participates. This growth and expansion has placed, and will continue to place, a significant demand on the Company's management. To manage growth effectively, the Company must maintain a high level of content quality, efficiency and performance and must continue to enhance its operational, financial and management systems, and attract, train, motivate and manage its employees. The Company may not be able to effectively manage this expansion, and its failure to do so could have a material adverse effect on its business, financial condition or results of operations

2.11.7 Advertising Revenue Is Subject to Cyclical and Seasonal Variations.

Some of the Company's businesses are cyclical in nature and have experienced significant seasonality due to, among other things, seasonal advertising patterns and seasonal influences on people's viewing, reading and listening habits. Because the Company depends upon the sale of advertising for a significant portion of its revenue, its operating results are also sensitive to prevailing economic conditions, including changes in local, regional and national economic conditions, particularly as they may affect advertising expenditures. In addition, newspaper publishing is labor intensive and, as a result, newspapers have relatively high fixed-cost structure. During periods of economic contraction, revenue may decrease while some of the Company's costs remain fixed, resulting in decreased earnings. Similarly, because a significant portion of the Company's revenue is derived from retail advertisers, which have historically been sensitive to general economic cycles, its business, financial condition or results of operations could be materially adversely affected by a downturn in the retail sector.

2.11.8 Fluctuations of the Foreign Exchange Rates, Interest Rates, and Commodity Prices

The Company is exposed to market risks associated with changes in interest and foreign exchange rates, as well as commodity prices. The Company manages those risks by entering into forwards contracts, interest rate swap and cross-currency swap agreements in order to protect the purchase price of raw material, the currency risk exposure of its revenues denominated in foreign currencies, and to manage the interest and foreign exchange risks associated with its liabilities.

Although those instruments expose the Company to the risk that counterparties do not meet their obligations, the Company does not foresee any failure by counterparties in meeting their obligations due to their financial position. These instruments are used solely to reduce or eliminate the market risks faced by the Company and are not used for trading or speculation purposes.

2.11.9 Extensive Government Regulation

Broadcasting operations are generally subject to extensive government regulation. Regulations govern the issuance, amendment, renewal, transfer, suspension, revocation and ownership of broadcast programming and distribution licenses. In Canada, there are significant restrictions on the ability of foreign entities to own or control broadcasting licenses. There are also indirect restrictions on the foreign ownership of Canadian newspapers by virtue of provisions of the Income Tax Act (Canada) which limit the deductibility by Canadian taxpayers of advertising expenditures relating to non-Canadian newspapers.

Changes to any of the regulations and policies governing broadcasting television, specialty channels and program distribution through cable and DTH satellite services, the introduction of new regulations or policies or terms of license or treatment of the tax deductibility of advertising expenditures could have a material adverse effect on the Company's business, financial condition or results of operations.

2.11.10 Renewal of the Existing Broadcast and Distribution Licenses or Granting of New Licenses

The Company's CRTC broadcasting and distribution licenses must be renewed from time to time, typically every seven years, and cannot be transferred without regulatory approval.

The Company's inability to renew any of its licenses or acquire new interests or licenses on acceptable terms, or at all, could have a material adverse effect on its business, financial condition or results of operations.

2.11.11 Environmental Laws and Regulations

The Company is subject to a variety of environmental laws and regulations. Failure to comply with present or future laws or regulations could result in substantial liability to the Company. Its properties, as well as areas surrounding those properties, particularly those in areas of long-term industrial use, may have had historic uses, or may have current uses, in the case of surrounding properties, which may affect the Company's properties and require further study or remedial measures. The Company cannot provide assurance that all environmental liabilities have been determined, that any prior owner of its properties did not create a material environmental condition not known to the Company, or that a material environmental condition does not otherwise exist at any of its properties.

ITEM 3 NARRATIVE DESCRIPTION OF THE BUSINESS

The following tables provide information on the revenues by industry segment and by geographic segment for the Company's eight continuing industry segments.

	Years ended December 31	
	2002	2001
	(in millions of Canadian dollars)	
Revenues by industry segment		
Quebecor World		
Printing	$ 9,799.4	$ 9,786.7
Quebecor Media		
Cable Television	715.6	476.5
Newspaper	853.6	838.1
Broadcasting	323.4	153.6
Leisure and Entertainment	244.6	260.1
Business Telecommunications	91.9	14.6
Web Integration/Technology	79.8	129.1
Internet/Portals	26.8	27.4
Head Office	2.2	6.5
Inter-segment		
Printing	(60.3)	(29.3)
Others	(63.0)	(30.0)
	$12,014.0	$11,633.3

	Years ended December 31	
	2002	2001
	(in millions of Canadian dollars)	
Revenues by geographic segment		
Revenues generated by:		
Canadian operations	$ 3,530.3	$ 3 ,460.6
U.S Operations	6,630.3	6,491.4
European Operations	1,566.1	1,430.7
Latin American Operations	287.3	249.9
Other	-	0.7
	12,014.0	$11,633.3

3.1 Printing Segment

The information on the Printing Segment contained in the Annual Information Form of Quebecor World dated May 12, 2003 is incorporated by reference herein and is included as Appendix A, on pages A-1 to A-12.

3.2 Cable Television

3.2.1 Cable Television Industry Overview

Cable television has been available in Canada for almost 50 years and, as such, it is a well developed market. As of August 31, 2001, there were approximately 8.2 million cable television customers in Canada, representing a basic cable penetration rate of 72% of homes passed. The Canadian cable television market is fairly concentrated as the four largest cable service providers serve approximately 7.7 million customers, or approximately 86% of total basic subscribers. As of August 31, 2001, total industry revenue was estimated to be over $3.6 billion and is expected to grow significantly going forward as Canadian cable operators have aggressively upgraded their networks and have begun deploying new products and services, such as high-speed Internet access and digital television services. The following table summarizes recent annual key statistics for the Canadian cable television industries.

	Year Ended December 31,				
	2001	2000	1999	1998	1997
	(Homes passed and basic cable subscribers in millions, dollars in billions)				
Canada					
Industry Revenue	$3.6	$3.3	$3.0	$2.7	$2.5
Homes Passed	10.0	9.9	9.7	9.5	9.4
Basic Cable Subscribers	7.2	7.3	7.3	7.2	7.2
Basic Penetration (%)	71.5 %	73.5%	74.8%	75.7%	76.7%

Source of Canadian data: CRTC.

A significant portion of Canada's cable television subscribers are based in Quebec. As of September 30, 2001, Quebec was home to approximately 24% of Canada's population and approximately 24% of basic cable subscribers. Basic cable penetration in Quebec, which was approximately 64% as of December 31, 2001, has traditionally been lower than in other populated province in Canada, principally due to the higher concentration of French-speaking Canadians in Quebec. It is estimated that over 80% of Quebec's population is French-speaking. Contrary to the English-Speaking provinces of Canada, where programming in English comes from all over North America, programming in French is available "off-air" in most of Quebec's French-speaking communities. The arrival of a variety of French-language specialty programming services not available on the air has contributed to a slight cable penetration increase in the 1990s.

3.2.2 Expansion of Digital Programming

In the last two years, the choice and range of television programming has expanded substantially in Canada. In November 2000, the CRTC released its decisions on the applications for new digital pay and specialty television channels. In total, the CRTC approved 21 Category One licenses (sixteen English-language and five French-language) and 262 Category Two licenses, as well as two pay-per-view and four video-on-demand applications. Cable service providers using digital technology will be required to carry all of the approved Category One services appropriate to their markets while Category Two licensees do not have guaranteed distribution rights and must negotiate with cable service providers for access. In June 2001, another 12 Category Two licenses were approved by the CRTC. The increase in programming content as a result of the launch of approximately fifty of these programming services is believed to be a key factor in driving increases in digital cable penetration in Canada. French-language digital programming services have not yet been launched .

In September 2001, Canadian cable service providers, including Vidéotron, significantly expanded their digital programming offering through the launch of many of the new digital channels licensed by the CRTC in November 2000. Since September 2001, Vidéotron has launched over 30 new English-language digital channels, significantly increasing the programming offered to its digital subscribers. Vidéotron also expects to launch additional French-language specialty channels in the third quarter of 2003. Vidéotron believes the launch of these digital channels and the future increase in French-language programming, will help to increase the penetration of the digital television service among Vidéotron's subscribers.

3.2.3 Products and Services

Vidéotron currently offers its customers analog cable television services and programming as well as new and advanced high-bandwidth products and services such as high-speed Internet access, digital television, premium programming and selected interactive television services. Vidéotron continues to focus on its high-speed Internet access and digital television services, both of which are increasingly desired by customers. In addition, in the third quarter of 2001, Vidéotron launched additional interactive services providing e-mail, Internet access and other functionality through the television receiver. With its interactive platform currently in place, Vidéotron will be able to successfully deploy additional value-added services such as video-on-demand and interactive programming and advertizing.

3.2.3.1 Traditional Cable Television Services

Customers subscribing to Vidéotron's traditional analog "basic" and analog "extended basic" services generally receive a line-up of between 49 and 59 channels of television programming, depending on the bandwidth capacity of their local cable system. Customers who pay additional amounts can also subscribe to additional channels, either individually or in packages. For any additional programming, customers must rent or buy a set top box. Vidéotron tailors its channels to satisfy the specific needs of the different customers segments served.

Vidéotron's analog cable television service offerings include the following:

- *Basic service.* All of Vidéotron's customers receive a package of basic programming, consisting of local broadcast television stations, the four U.S. commercial networks and PBS, selected Canadian specialty programming services and local and regional community programming. Vidéotron's basic service customers generally receive 32 channels on basic cable. Pricing of Vidéotron's analog basic cable service is regulated (see "Item 3.9 – Regulation"). The pricing of Vidéotron's other services is not regulated.

- *Extended basic service.* This expanded programming level of services includes a package of French and English-language specialty television programming and U.S. cable channels in addition to the basic service channel line-up described above. Branded as "TELEMAX", this service was introduced in almost all of Vidéotron's markets largely to satisfy customer demand for greater flexibility and choice.

- *Premium cable and pay-television services.* Through Vidéotron's Videoway analog set top boxes, a multimedia service which also offers limited interactive functionality, Vidéotron offers commercial-free movies, U.S. superstations and other special entertainment programming.

- *Pay-per-view service.* These channels allow customers to pay on a per event basis to view a single showing of a recently released movie, a special sporting event or a music concert on a commercial-free basis. Vidéotron offers both French-language and English-language pay-per-view services with the use of a digital set top box.

3.2.3.2 Advanced Products and Services

Cable's high bandwidth is a key factor in the successful delivery of advanced products and services. Several emerging technologies and increasing Internet usage by Vidéotron's customer base have presented it with significant opportunities to expand its sources of revenue. In most of its systems, Vidéotron currently offers a variety of advanced products and services including high-speed Internet access, digital television and selected interactive services. Vidéotron intends to continue to develop and deploy additional services to further broaden its service offering.

- *High-speed Internet access.* Leveraging its advanced cable infrastructure, Vidéotron offers high-speed Internet access to its residential customers primarily via cable modems attached to personal computers. Vidéotron provides this service at up to 100 times the speed of a conventional telephone modem. As of December 31, 2002, Vidéotron had over 305,600 high-speed Internet access subscribers, representing a penetration rate of approximately 21% of Vidéotron's existing basic cable subscribers. In addition, as of December 31, 2002, it had approximately 43,600 dial-up Internet access subscribers. Based on its existing high-speed Internet subscriber base, Vidéotron is a leading provider of high-speed Internet access services in Quebec with an estimated market share of 50% as of December 31, 2002. Vidéotron has expanded its Internet access services with offerings such as regular cable service, Extreme High Speed, and business packages.

- *Digital television.* As part of its network modernization program, Vidéotron has installed head-end equipment capable of delivering digitally encoded transmissions to a two-way digital set top box in the customer's home. This digital connection provides significant advantages. In particular, it increases channel capacity which allows Vidéotron to increase both programming and service offerings while providing increased flexibility in packaging its services. Vidéotron launched its digital television service in March 1999 with the introduction of digital video compression terminals in the Greater Montreal area, which covers 1.6 million homes passed by cable and is its largest market. Since introducing its digital television service in the Greater Montreal area, Vidéotron has also introduced the service in other major markets.

In September 2001, Vidéotron launched a new digital service offer under the "*illico*" brand. In addition to providing high quality sound and image, *illico* offers its subscribers significant programming flexibility. Vidéotron's basic digital package includes 21 television channels, 30 audio services providing CD quality music, an interactive programming guide as well as television-based e-mail capability. Vidéotron's extended digital basic television service, branded as "i Self-Service", offers subscribers the ability to select 100 additional channels of their choice, allowing them to customize their choices among many specialty channels. This service also offers subscribers significant programming flexibility including the option of French-language only, English-language only or a combination of French and English-language programming. Vidéotron also offers pre-packaged themed service tiers in the areas of news, sports, and discovery. Subscribers who purchase basic service and one customized package can also purchase channels on an "à la carte" basis at a specified cost per channel per month. The digital service also includes pay-per-view, which offers more than 50 movie channels. As part of Vidéotron's digital service offering, subscribers can also purchase near-video-on-demand services on a per event basis. Vidéotron's subscribers currently have the option to purchase or lease the digital set top boxes required for digital service.

As of December 31, 2002, Vidéotron had over 170,700 subscribers for its digital television service. Notwithstanding its digital television service, Vidéotron intends to continue to offer analog cable service to its subscribers.

- *Interactive services.* In September 2001, Vidéotron also launched digital interactive services under the "*illico* Interactive" brand. These services, which combine its digital television and Internet access services, will enable subscribers equipped with wireless keyboards to access interactive programming and the Internet and send and receive e-mail. In the near future, Vidéotron intends to provide additional functionality including e-commerce. Vidéotron believes interactive services will be increasingly desired by customers, and it intends to continue to develop and deploy advanced products and services to add greater functionality to its interactive services offering.

- *Other new business initiatives.* To maintain and enhance its market position, Vidéotron is focused on continuing to develop and deploy new value-added products and services including video-on-demand, and personal video recorders, as well as other high-value products and services.

- *Canal Vox.* This community channel serves mostly all the regions of Quebec and produces numerous interactive programming.

The following table summarizes Vidéotron's subscriber statistics for its analog and digital cable and advanced products and services.

	As of and for the Year Ended December 31,			
	2002	2001	2000	
Video services				
Basic analog cable				
Homes passed[1]............................	2,329,023	2,330,648	2,324,940	2,313,436
Basic subscribers[2].......................	1,440,184	1,519,172	1,559,446	1,565,321
Penetration[3]................................	61.8%	65.2%	67.1%	67.7%
Digital cable				
Digital subscribers........................	170,729	114,178	80,749	31,727
Penetration[4]................................	11.9%	7.5%	5.2%	2.0%
Number of digital terminals	182,010	121,210	85,756	33,888
Data services				
Dial-up Internet access				
Dial-up subscribers.......................	43,627	55,427	62,673	72,720
Penetration[4]................................	3.0%	3.6%	4.0%	4.6%
High-speed Internet access				
Cable modem subscribers.............	305,556	228,759	141,880	52,996
Penetration[4]................................	21.2%	15.1%	9.1%	3.4%

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(1) "Homes passed" means the number of residential premises, such as single dwelling units or multiple dwelling units, passed by the cable television distribution network in a given cable system service area in which the programming services are offered.

(2) Basic subscribers are subscribers who receive basic cable service in either the analog or digital mode.

(3) Represents subscribers as a percentage of homes passed.

(4) Represents subscribers for the digital service as a percentage of basic subscribers.

3.2.4 Pricing of Vidéotron's Products and Services

Vidéotron's revenues are derived principally from the monthly fees its customers pay for cable services. The rates Vidéotron charges vary based on the market served and level of service selected. Rates are usually adjusted annually. As of December 31, 2002, the average monthly fee for basic and extended basic service was $21.90 and $34.44, and the average monthly fee for basic and extended basic digital service was $10.47 and $44.70. A one-time installation fee, which may be waived in part during certain promotional periods, is charged to new customers. Monthly fees for converters and remote control tuning devices, and administrative fees for delinquent payments for service are also charged. Except in respect of Vidéotron's Internet access services, and certain digital cable services customers are typically free to discontinue service at any time without additional charge and may be charged a reconnection fee to resume service.

The CRTC only regulates rates for basic cable service. The fees for services offered in discretionary packages, including Canadian and U.S. specialty television services, are based upon rates negotiated between Vidéotron and the providers of programming services. In addition, fees for extended cable service (over and above basic cable service rates), pay-television and pay-per-view services, and rentals for set top boxes are priced by Vidéotron at market rates and are not regulated by the CRTC.

Although Vidéotron's service offerings vary by market, because of differences in the bandwidth capacity of the cable systems in each of its markets and competitive and other factors, Vidéotron's services, are typically offered at monthly price ranges as follows:

Service	Price Range
Basic analog cable	$15.10 - $26.85
Extended basic analog cable	$24.29 - $37.91
Basic digital cable	$ 9.99 - $11.99
Extended basic digital cable	$20.00 - $64.00
Pay-Television	$6.00 - $19.95
Pay-Per-View (per movie or event)	$ 3.99 - $79.95
Dial-up Internet access	$ 9.95 - $22.95
Modem cable	$29.95 - $119.95

3.2.5 Vidéotron's Network Technology

As of December 31, 2002, Vidéotron's cable systems consisted of approximately 7,500 km of fiber optic cable and 25,000 km of coaxial cable, passing over 2.3 million homes and serving approximately 1.4 million customers. Vidéotron's network is the largest broadband network in Quebec covering over 80% of cable homes passed, and one of the more advanced broadband networks in North America with over 97% two-way capability at present.

The following table summarizes the current technological state of Vidéotron's systems, based on the percentage of its customers who have access to the bandwidths listed below and two-way capability.

	Under 450 MHz	480 to 625 MHz	750 MHz	Two-Way Capability
December 31, 2000	7%	21%	72%	92%
December 31, 2001	3%	25%	72%	97%
December 31, 2002	3%	23%	74%	97%

Vidéotron's cable television networks are comprised of four distinct parts including signal acquisition networks, main headends, distribution networks and subscriber drops. The signal acquisition network picks up a wide variety of television, radio and multimedia signals. These signals and services originate from either a local source or content provider or are picked up from distant sites chosen for satellite or "off-air" reception quality and transmitted to the main headends by way of "off-air" links, coaxial links or fiber optic relay systems. Each main headend processes, modulates, scrambles and combines the signals in order to distribute them throughout the network. The first stage of this distribution consists of either a fiber optic link or a very high capacity microwave link which distributes the signals to distribution or secondary headends. The signal thereafter uses the hybrid fiber coaxial cable network made of wide-band amplifiers and coaxial cables capable of serving up to 30 km in radius from the distribution or secondary headends to the subscriber drops. The subscriber drop brings the signal into the subscriber's television set directly or, depending on the area or the services selected, through various types of subscriber equipment including set top boxes.

Since 1995, Vidéotron has invested in a modernization program to upgrade its network in order to develop and deploy new advanced products and services. Vidéotron's modernization program was completed in 2001. As a result, Vidéotron is now able to deliver simultaneously up to 75 analog channels and over 200 digital channels in the Greater Montreal area and in Western Quebec, and up to 49 analog channels and over 70 digital channels in other urban areas in Quebec, and provide two-way capability throughout its entire network. Vidéotron has adopted the hybrid fiber coaxial network architecture as the standard for its ongoing system upgrades. Hybrid fiber coaxial network architecture combines the use of fiber optic cable with coaxial cable. Fiber optic cable has excellent broadband frequency characteristics, noise immunity and physical durability and can carry hundreds of video and data channels over extended distances. Coaxial cable is less expensive and requires greater signal amplification in order to obtain the desired transmission levels for delivering channels. In most systems, Vidéotron delivers its signals via fiber optic cable from the headend to a group of nodes and by a coaxial cable to the homes passed served by that node. Vidéotron's system design provides for cells of approximately 1,000 homes each to be served by fiber optic cable. To allow for this configuration, secondary headends were put into operation in the Greater Montreal area and in the Greater Quebec City area. Remote secondary headends must also be connected with fiber-optic links. The loop structure of the two-way networks brings reliability through redundancy, the cell size improves flexibility and capacity, while the reduced number of amplifiers separating the home from the headend improves signal quality and reliability. Vidéotron's network design provides it with significant flexibility to offer customized programming to individual cells of 1,000 homes, which is critical to its ability to deploy certain advanced services in the future, including video-on-demand and the continued expansion of its interactive services.

Vidéotron believes that its network design provides high capacity and superior signal quality and will enable it to provide advanced cable services while also providing sufficient capacity for the continued expansion of its service offering in the future.

3.2.6 Marketing and Customer Care

Vidéotron's long-term marketing objective is to increase its cash flow through deeper market penetration of its services and continued growth in revenue per subscriber. Vidéotron believes that customers will come to view their cable connection as the best distribution channel to the home for a multitude of services. To achieve this objective, Vidéotron is pursuing the following strategies:

- continue to rapidly deploy advanced products and services such as high-speed Internet access and digital television;

- design product offerings that provide greater choices for customers entertainment and information;

Vidéotron plans to invest increasing amounts of time, effort and financial resources in marketing new and existing services. To increase customer penetration and increase the number of services used by its customers, Vidéotron will use coordinated marketing techniques, including door-to-door solicitation, telemarketing, media advertising, e-marketing and direct mail solicitation.

Maximizing customer satisfaction is a key element of Vidéotron's business strategy. In support of its commitment to customer satisfaction, it operates a 24-hour customer service hotline seven days a week for nearly all of its systems. Vidéotron currently has five operational call centers and is implementing various initiatives to improve customer service and satisfaction. For example, Vidéotron recently interconnected its call centers in two of its major regions (Montreal and Hull) to enhance its call handling capabilities and efficiency. Vidéotron's customer care representatives continue to receive extensive training to develop customer contact skills and product knowledge which are key contributors to high rates of customer retention as well as to selling additional services and higher levels of service to its customers. Vidéotron also is implementing Web-based customer service capabilities. To assist it in its marketing efforts, Vidéotron utilizes surveys, focus groups and other research tools as part of its efforts to determine and proactively respond to customer needs.

3.2.7 Programming

Vidéotron believes that offering a wide variety of conveniently scheduled programming is an important factor influencing a customer's decision to subscribe to and retain its cable services. Vidéotron devotes significant resources to obtaining access to a wide range of programming that it believes will appeal to both existing and potential customers. Vidéotron relies on extensive market research, customer demographics and local programming preferences to determine its channel and package offerings. The CRTC currently limits distribution of foreign content in Canada and, as a result, Vidéotron is limited in its ability to provide such programming to its customers (see “Item 3.9 Regulation”). Vidéotron obtains basic and premium programming from a number of suppliers, including TVA.

Since September 2001, Vidéotron significantly expanded the programming available to its customers through the launch of over 30 English-language channels in digital format. Furthermore, Vidéotron believes the recent launch of these digital channels, the continued launch of digital channels in the future and the increase in French-language programming, will help to increase the penetration of its digital television service among its customers.

Vidéotron's programming contracts generally continue for a fixed period of time, up to three years, and are subject to negotiated renewal. Programming tends to be made available to Vidéotron for a flat fee per customer. Vidéotron's overall programming costs have increased in recent years and are expected to continue to increase due to factors including, but not limited to, additional programming being provided to customers as a result of system rebuilds that increase channel capacity, increased costs to produce or purchase specialty programming and inflationary or negotiated annual increases.

Vidéotron's programming contracts generally cover a fixed period up to five years, and are subject to negotiation between the parties or are established by the CRTC for the basic services. The programming cost paid by Vidéotron are generally established in terms of fixed rates per client per month. In the past years, Vidéotron's general programming costs have increased and it is anticipated that the costs will continue to increase due to certain factors, including the demand for additional programming offered to clients as a result of the increase of subscribers to the digital programmation. Vidéotron expects to lower the rates paid to the specialized chains transmitted in the analogue programmation in order to better balance revenues among the various partners in the industry.

3.2.8 Competition

Vidéotron faces competition in the areas of price, service offerings and service reliability. Vidéotron competes with other providers of television signals and other sources of home entertainment. In addition, as it expands into additional services such as interactive services, it may face additional competition. Vidéotron operates in a competitive business environment which can adversely affect its business and operations. Its principal competitors include off-air television and providers of other entertainment, direct broadcast satellite, digital subscriber line, private cable and, other cable distribution and wireless distribution.

- *Off-air Television and Providers of Other Entertainment.* Cable television has long competed with broadcast television, which consists of television signals that the viewer is able to receive without charge using an "off-air" antenna. The extent of such competition is dependent upon the quality and quantity of broadcast signals available through “off-air” reception compared to the services provided by the local cable system. Cable systems also face competition from alternative methods of distributing and receiving television signals and from other sources of entertainment such as live sporting events, movie theaters and home video products, including videotape recorders and DVD players. The extent to which a cable television service is competitive depends in significant part upon the cable system’s ability to provide a greater variety of programming, superior technical performance and superior customer service than that are available over the air or through competitive alternative delivery sources.

- *Direct Broadcast Satellite.* Direct broadcast satellite, is a significant competitor to cable systems. It delivers programming via signals sent directly to receiving dishes from medium- and high-powered satellites, as opposed to broadcast, cable delivery or lower-powered transmissions. This form of distribution generally provides more channels than some of Vidéotron's television systems and is fully digital. This service can be received virtually anywhere in Canada through the installation of a small rooftop or side-mounted antenna. These systems use video compression technology to increase channel capacity and digital technology to improve the quality of the signals transmitted to their customers.

- *DSL.* The deployment of digital subscriber line technology, known as DSL, provides customers with Internet access at data transmission speeds greater than that which is available over conventional telephone lines. DSL service is comparable to high-speed Internet access over cable systems. No DSL television undertaking is currently operating in the province of Quebec.

- *Private Cable.* Additional competition is posed by satellite master antenna television systems known as "SMATV systems" serving multi-dwelling units, such as condominiums, apartment complexes, and private residential communities.

- *Other Cable Distribution.* Currently, a second cable operator offering analog television distribution and high speed Internet is serving multi-dwelling units in the Greater Montreal area.

- *Wireless Distribution.* Cable television systems also compete with wireless program distribution services such as multi-channel multipoint distribution systems. This technology uses microwave links to transmit signals from multiple transmission sites to line-of-sight antennas located within the customer's premises.

3.3 **Newspaper Segment**

3.3.1 Business Overview

Sun Media is the largest newspaper publisher in the Province of Quebec and the second largest newspaper publisher in Canada, with a 21% market share in terms of weekly circulation, according to statistics published by the Canadian Newspaper Association. It publishes 15 paid daily newspapers and serve eight of the top 11 urban markets in Canada. Each of Sun Media's eight urban daily newspapers ranks either first or second in its market in terms of paid circulation. Sun Media also publishes 168 weekly newspapers and shopping guides and 18 other specialty publications, including a free daily commuter newspaper.

For the year ended December 31, 2002, the newspaper operations generated revenues of $854 million and an operating income of $222 million. For this same period, Sun Media derived 68% of its revenues from advertising, 20% from circulation, and 12% from commercial printing and distribution operations.

3.3.2 Business Strategy

Sun Media's objective is to increase its profitability and cash flow by pursuing the following business and operating strategies:

- *Increase advertising revenue*. Sun Media plans to continue to diversify its advertising offerings to attract advertisers, and further target national and multi-market accounts with large spending budgets. Sun Media continues to integrate its urban and community newspapers to offer advertisers packages bundled by market instead of by publication. In connection with this integration, Sun Media is establishing centralized classified advertisement call centers to expand existing advertising business, as well as solicit new business. Sun Media also continues to expand its sales force and provide it with training programs to enhance its effectiveness. Sun Media is upgrading its software to enable its advertisement takers to upsell and increase yield per advertisement. In addition, it plans to expand its use of value-based pricing and marketing strategies, such as charging premiums for preferred positions in Sun Media's publications, to maximize advertising revenue.

- *Increase circulation revenue*. Sun Media plans to increase paid circulation of its newspapers by increasing the number of newspaper boxes and point-of-sale locations, as well as expanding home delivery service. It is further cultivating relationships with retail outlets to sell its newspapers. In addition, to increase readership, Sun Media continues to expand coverage of local news in its newspapers to differentiate their content from national publications and broaden their appeal and to target content for identified groups through the introduction of niche products, such as *At Home* magazine, *Amateur Sports* and *Votre Argent*. Sun Media also continues to invest in technology to enhance the effectiveness of its delivery and distribution operations.

- *Expand complementary products and services.* Sun Media plans to launch new products and services and capitalize on its existing assets to further increase its revenues. Sun Media will continue to leverage its newspaper brands by developing new specialty and niche products, such as targeted supplements, special interest pullouts and coupon books. It plans to continue to develop and roll out its new media services, which include complementary advertising vehicles, such as online classified and display advertisements, banner advertisements, virtual shopping malls and on-line auctions. In addition, by deploying additional sales and marketing resources, Sun Media intends to market more aggressively excess capacity in its existing printing facilities. It also plans to expand its distribution network, which currently has a potential reach of over nine million Canadian households, and more aggressively promote its distribution services to existing and new customers. Sun Media believes these initiatives will expand its revenue base, diversify its revenue streams and reduce its dependence on the advertising market.

- *Reduce costs*. Sun Media has expanded its implementation of "best practices" policies and benchmarking standards, including specific guidelines for staffing levels and employee productivity, throughout its operations. It also continues to seek lower cost alternatives for raw materials, equipment and services, and additional means to improve production efficiency, such as the reduction and standardization of paper sizes. In addition, Sun Media intends to control more rigorously the distribution of copies of its free newspapers by evaluating the needs of its advertising customers and improving the efficiency of its delivery operations. Finally, Sun Media seeks to reduce costs and improve productivity by intensifying its employee training programs and investing in new technologies, such as computer-to-plate technology which streamlines the production process.

- *Achieve efficiencies through geographic clustering*. The majority of Sun Media's community newspapers are geographically clustered around its eight urban dailies. Sun Media continues to concentrate its ownership of publications into regional clusters in order to realize operating efficiencies, such as the consolidation and sharing of production, printing and distribution functions, as well as management and administration costs. In addition, Sun Media believes that its clustering strategy enables it to maximize its production capacity and increase revenues by offering advertisers bundled packages encompassing some or all of its publications within a cluster.

- *Further integrate newspaper operations with the Quebecor Media group of companies*. Sun Media aims to increase circulation and readership and to attract advertisers by aggressively promoting its newspapers through Quebecor Media's television, cable affiliates and other media platforms, such as websites maintained for Sun Media's newspapers by Quebecor Media's web-based affiliate, Netgraphe. Sun Media also aims to leverage its access to the content of these platforms by offering, among other things, enhanced coverage of their events and programming in its newspapers. In addition, Sun Media intends to offer advertisers comprehensive advertising packages across Quebecor Media's platforms to increase the number and average size of its advertising contracts.

3.3.3 Canadian Newspaper Publishing Industry Overview

Newspaper publishing is the oldest and largest segment of the advertising-based media industry in Canada. The industry is dominated by a small number of major newspaper publishers of which Sun Media is the second largest in Canada with a combined weekly circulation (paid and unpaid) of more than ten million copies.

The newspaper market consists primarily of two segments, broadsheet and tabloid newspapers, which vary in format. With the exception of the broadsheet *The London Free Press*, all of Sun Media's urban paid daily newspapers are tabloids.

Newspaper companies derive revenue principally from advertising and circulation. According to industry sources, in 2001, the total Canadian daily newspaper industry revenue was $3.2 billion, with 79% derived from advertising and the remaining 21% coming from circulation. Total advertising revenue for the daily newspaper industry was $2.5 billion in 2001, which represented 23.7% of total Canadian advertising spending. Including revenues from non-daily newspapers, advertising revenues for the newspaper industry as a whole in 2001 were estimated to be approximately $3.3 billion, representing a 31% share of total Canadian advertising spending. From 1995 to 2000, advertising revenue for daily newspapers increased at an average annual growth rate of 6.3%. In 2001, as a result of a weakening economy and the events of September 11, daily newspaper advertising revenues declined by 3.1% compared to 2000. Zenith Media estimates that newspaper advertising revenues have remained flat in 2002. In 2001, total Canadian daily newspaper circulation revenue decreased by 1.5% to $682 million despite a marginal increase in circulation volume.

Circulation revenues are derived from single copy newspaper sales made through retailers and vending boxes and home delivery newspaper sales to subscribers.

Advertising revenues and, to a lesser extent, circulation revenues are cyclical and are generally affected by changes in national and regional economic conditions. Recent statistics indicate that economic growth in Canada increased in 2002 relative to 2001. In addition, recent forecasts by the Bank of Canada project that Canadian Real Gross Domestic Product will grow at an average annual rate of approximately 3.0% in 2003. Zenith Media forecasts that newspaper advertising revenues in Canada will grow at a compound annual growth rate of 2.5% between 2002 and 2004.

3.3.4 Newspaper Operations

Sun Media operates its newspaper businesses in urban and community markets. A majority of Sun Media's newspapers in the Community Newspaper Group are clustered around its eight urban dailies in the Urban Daily Group. Sun Media has strategically established its community newspapers near its regional printing facilities in suburban and rural markets across Canada. This geographic clustering enables Sun Media to realize operating efficiencies and economic synergies through sharing of management, accounting and human resources as well as production and printing functions. For the twelve-months ended December 31, 2002, the Urban Daily Group accounted for 75.1% of Sun Media's newspaper operating income with the Community Newspaper Group accounting for the remaining 24.9%.

The following table summarizes Sun Media's principal sources of revenue for the past three fiscal years (in millions).

	Fiscal Year Ended December 31, 2002		2001		2000	
			(in millions)			
Revenues						
Advertising	$584.2	68%	$561.9	67%	$564.0	66%
Circulation	$168.5	20%	$165.0	20%	175.5	21%
Commercial Printing and Other	$100.9	12%	$111.2	13%	110.6	13%
Total	$853.6		$838.1		$850.1	

3.3.4.1 The Urban Daily Group

On a combined weekly basis, the eight daily newspapers in Sun Media's Urban Daily Group (that are listed in the chart shown below) circulate approximately 6.4 million copies. These newspapers hold either the number one or number two position in each of their respective markets in terms of circulation. In addition, on a combined basis, over 50% of Sun Media's readers do not read Sun Media's principal competitor's newspaper in each of its urban daily markets, according to data from the NADbank® 2002 Study.

With the exception of the broadsheet *The London Free Press*, the Urban Daily Group newspapers are morning tabloids published seven days a week. These are mass circulation newspapers that provide succinct and complete news coverage with an emphasis on local news, sports and entertainment. The tabloid format makes generous use of color, photographs and graphics. Each newspaper contains inserts that feature subjects of interest such as fashion, lifestyle and special sections. During 2002, the Urban Daily Group launched a quarterly publication with a circulation of 500,000 copies to be distributed to its subscribers across Canada. In 2002, the Urban Daily Group also launched a free weekly newspaper in London, and it currently publishes a free Monday to Friday commuter newspaper in Montréal and two free weekly shopping guides. In addition, the Urban Daily Group includes the distribution businesses operated through Messageries Dynamiques and Dynamic Press Group.

Circulation is defined as average sales of a newspaper per issue. Readership (as opposed to paid circulation) is an estimate of the number of people who read or looked into an average issue of a newspaper and is measured by a continuous independent survey conducted by NADbank Inc. According to the NADbank® 2002 Study, the estimates of readership are based upon the number of people responding to the Newspaper Audience Databank survey circulated by NADbank Inc. who report having read or looked into one or more issues of a given newspaper during a given period equal to the publication interval of the newspaper.

The following chart lists Sun Media's paid daily newspapers and their respective readership in 2002 as well as their market position by paid circulation during that period:

Publication	2002 Average Daily Readership Saturday	Sunday	Mon-Fri	Market Position[1]
Le Journal de Montréal	706,600	454,800	660,300	1
Le Journal de Québec	225,600	151,500	194,500	1
The London Free Press	173,600	95,900	162,600	1
The Toronto Sun	699,300	1,018,900	896,900	2
The Edmonton Sun	160,000	193,900	183,800	2
The Calgary Sun	166,400	213,000	221,700	2
The Winnipeg Sun	116,300	121,200	138,400	2
The Ottawa Sun	109,200	93,800	128,400	2
Total Average Readership	2,357,000	2,343,000	2,586,600	

(1) Based on paid circulation data published by the Audit Bureau of Circulations with respect to non-national newspapers in each market.

Through *Le Journal de Montréal* and *Le Journal de Québec,* Sun Media has established market leading positions in Quebec's two main urban markets, Montreal and Quebec City. According to the Audit Bureau of Circulations, *Le Journal de Montréal* ranks second in paid circulation, after *The Toronto Star*, among non-national Canadian dailies and first among French-language dailies in North America.

The London Free Press is one of Canada's oldest daily newspapers and Sun Media's only daily that is a broadsheet newspaper. *The London Free Press* is the only local daily newspaper in its market.

The Toronto Sun is the third largest non-national daily newspaper in Canada in terms of circulation, according to the Audit Bureau of Circulations. The Toronto newspaper market is very competitive. *The Toronto Sun* competes with Canada's largest newspaper, *The Toronto Star*, and to a lesser extent with *The Globe and Mail* and *The National Post*. As a tabloid newspaper, *The Toronto Sun* has a unique format compared to these broadsheet competitors.

Sun Media's dailies in Edmonton, Calgary, Winnipeg and Ottawa have established a number two position and compete against a broadsheet newspaper in each of their respective markets.

Advertising and Circulation

Advertising revenue is the largest source of revenue for the Urban Daily Group. Advertising rates are based upon the size of the market in which each newspaper operates, circulation, readership, demographic composition of the market and the availability of alternative advertising media. Sun Media's strategy is to maximize advertising revenue by providing advertisers with a range of pricing and marketing alternatives to better enable them to reach their target audience. Sun Media's newspapers offer a variety of advertising alternatives, including full-run advertisements in regular sections of the newspaper targeted to different readers (including food, real estate and travel), geographically-targeted inserts, special interest pullout sections and advertising supplements.

Sun Media’s principal categories of advertising revenues are classified, retail and national advertising. Classified advertising has traditionally accounted for the largest share of Sun Media’s advertising revenues in its urban daily newspapers (44.4% in the year ended December 31, 2002) followed by retail advertising (35.6% in the same period) and national advertising (17.5% in the same period). Classified advertising is made up of four principal sectors: automobiles, private party, recruitment and real estate. Automobile advertising is the largest classified advertising category, representing about 45.7% of all of Sun Media’s classified advertising in terms of revenue for the year ended December 31, 2002. Retail advertising is display advertising principally placed by local businesses and organizations. Sun Media’s retail advertisers are principally department stores, electronics stores and furniture stores. National advertising is display advertising primarily from advertisers promoting products or services on a national basis. Sun Media’s national advertisers are principally in the automotive sector. During 1999, Sun Media implemented an advertising initiative to maximize national and multi-market advertising sales by its publications. As a result of the initiative, its newspaper network has attracted major customers in several sectors of the Canadian economy, including the automobile, financial services, microcomputers and telecommunications industries.

Sun Media believes that its advertising revenues are diversified not only by category (classified, retail and national), but also by customer and geography. For the year ended December 31, 2002, Sun Media’s top ten advertisers accounted for approximately 7% of the total advertising revenue and approximately 5% of overall revenue. In addition, because it sells advertising in numerous regional markets in Canada, the impact on Sun Media of a decline in any one market can be offset by strength in the others.

Circulation sales are the second-largest source of revenue for the Urban Daily Group. The Urban Daily Group's newspapers are available through newspaper boxes and retail outlets Monday through Sunday. Sun Media offers daily home delivery in every market, except in Toronto, where *The Toronto Sun* is home-delivered only on Sunday and in certain designated markets on Saturday. Sun Media’s circulation revenues are derived from single copy sales and subscription sales. Its strategy is to increase circulation revenue by adding newspaper boxes and point-of-sale locations, as well as expanding home delivery. In addition, to increase readership, Sun Media is expanding coverage of local news in its newspapers and targeting editorial content to identified groups through the introduction of niche products, such as *At Home* magazine, *Amateur Sports* and *Votre Argent*.

Competition

The Canadian newspaper industry is mature and dominated by a small number of major publishers. According to the Canadian Newspaper Association, Sun Media’s 21.0% market share of paid weekly newspaper circulation is exceeded only by CanWest Media Inc. with a 30.1% market share, and followed by Torstar Corporation (13.8%), Power Corporation (9.2%), Bell Globemedia (6.4%) and Osprey Media (4.7%). In addition to competing directly with other dailies published in their respective markets, each of Sun Media’s newspapers in the Urban Daily Group competes for advertising revenue with weekly newspapers, magazines, direct marketing, radio, television and other advertising media. Competition for newspaper advertising is largely based upon readership, circulation, demographic composition of the market, price and content of the newspaper. Competition for circulation is largely based on price, editorial content, quality of delivery service and availability of publications. The high cost associated with starting a major daily newspaper operation represents a barrier to entry by potential new competitors to Sun Media's Urban Daily Group.

3.3.4.2 The Community Newspaper Group

In total, the Community Newspaper Group consists of seven daily community newspapers (which are listed in the chart shown below), 165 community weekly newspapers and shopping guides, and 16 farming and other specialty publications. Sun Media also owns three additional community weekly newspapers and shopping guides, and two specialty publications which are included in the Urban Daily Group. The Community Newspaper Group also distributes coupons, product samples and other direct mail promotional material through NetMedia, its distribution sales arm.

The total average weekly circulation of the publications in Sun Media's Community Newspaper Group for the year ended December 31, 2002 was 2.8 million free copies and 548,200 paid copies. The table below sets forth the average daily paid circulation and geographic location of the daily newspapers published by the Community Newspaper Group in 2002:

Publication	**Location**	**Average Daily Paid Circulation**
The Brockville Recorder and Times.............	Brockville, Ontario	13,100
Stratford Beacon Herald.............................	Stratford, Ontario	11,300
The Daily Herald Tribune...........................	Grande Prairie, Alberta	9,200
St. Thomas Time-Journal.............................	St. Thomas, Ontario	8,400
Fort McMurray Today.................................	Fort McMurray, Alberta	7,100
The Daily Miner & News.............................	Kenora, Ontario	4,600
The Daily Graphic.......................................	Portage La Prairie, Manitoba	3,600
Total Average Daily Paid Circulation........		57,300

The weekly and specialty publications of the Community Newspaper Group are distributed throughout Canada. The number of weekly publications on a regional basis is as follows:

Province	**Number of Publications**
Alberta..	46
British Columbia	6
Manitoba...	12
Ontario..	38
New Brunswick	1
Quebec..	56
Saskatchewan	6
Total Publications..	165

Sun Media's community newspaper publications generally offer news, sports and special features, and place emphasis on local information. These newspapers cultivate reader loyalty and create franchise value by emphasizing local news, thereby differentiating themselves from national newspapers.

Advertising and Circulation

Substantially all of the Community Newspaper Group's advertising revenues are derived from local retailers and classified advertisers. Advertising rates and rate structures vary among the different publications of the Community Newspaper Group. The Community Newspaper Group publishes advertising supplements with specialized themes such as agriculture, tourism, home improvement and gardening to encourage advertisers to purchase additional linage in these special editions.

Circulation revenue in the Community Newspaper Group is generated from home delivery sales and single copy sales through retailers and vending racks. In 2002, nearly 85% of the community newspaper publications were distributed free of charge.

Competition

A majority of the Community Newspaper Group's publications maintain the number one positions in the markets that they serve. Sun Media’s community publications are generally located in small towns and are typically the only daily or weekly newspapers of general circulation published in their respective communities, although some face competition from daily or weekly publications published in nearby locations and circulated in markets where Sun Media publishes its daily or weekly publications. Historically, the Community Newspaper Group's publications have been a consistent source of cash flow.

3.3.5 Seasonality and Cyclicality

Canadian newspaper publishing company operating results tend to follow a recurring seasonal pattern with higher advertising revenue in the spring and in the fall. Accordingly, the second and fourth fiscal quarters are typically Sun Media’s strongest revenue quarters of the year, with the fourth quarter generally being the strongest. Due to the seasonal retail decline and generally poor weather, the first fiscal quarter has historically been Sun Media’s weakest revenue quarter.

Sun Media’s newspaper business is cyclical in nature. Because it is dependent upon advertising sales for a substantial portion of its revenue, Sun Media’s operating results are sensitive to prevailing economic conditions, including changes in regional and national economic conditions.

3.3.6 Production and Other Operations

Sun Media owns 26 Web press and eleven sheet fed press operations located throughout Canada. These operations provide commercial printing services for both its internal printing needs and for third parties. The Canadian printing facilities include 15 printing facilities for the daily publications, and 16 other printing facilities operated by the Community Newspaper Group in six provinces.

Sun Media’s third-party commercial printing provides it with an additional revenue source while using existing equipment with excess capacity. In its third-party commercial printing operations, Sun Media competes with other newspaper publishing companies as well as with commercial printers. However, it has the advantage of: (1) owning modern equipment;

(2) being able to price projects on a variable cost basis because its core newspaper business covers overhead expenses; and (3) being the only local provider of commercial printing service in some of its markets.

The Urban Daily Group includes the distribution businesses of Messageries Dynamiques and Dynamic Press Group. Messageries Dynamiques is a distributor of dailies, magazines and other electronic and print media and reaches approximately 250,000 households and 13,500 retail outlets through its operations. Sun Media holds Dynamic Press Group in partnership with a division of The Jim Pattison Group of Vancouver. Dynamic Press Group distributes English-language printed matter to more then 300 outlets in Quebec.

3.3.7 Raw Materials

Newsprint is Sun Media's second-largest expense, after personnel costs, and represents its largest raw material expense. Newsprint expense represented 19.7% of Sun Media's total operating expenses for the year ended December 31, 2001 and 16.4% of its total operating expenses for the year ended December 31, 2002. Sun Media seeks to manage the effects of newsprint price increases through a combination of, among other things, technology improvements, including Web width reduction, inventory management, incentive programs and, when possible, advertising and circulation price increases. In addition, to obtain more favorable pricing and to provide for a more secure supply, Sun Media has entered into a long-term agreement expiring December 31, 2005 with a newsprint manufacturer for the supply of most of its newsprint purchases. This agreement enables Sun Media to obtain more favorable pricing by combining its purchases with the Canadian purchases of Quebecor World Inc., the largest commercial printer and image management company in the world. This agreement provides for a discount to market prices above a minimum threshold. Sun Media is committed to purchase a minimum number of metric tonnes of newsprint per year under this agreement. This agreement will satisfy most of Sun Media's anticipated newsprint requirements through the end of 2005.

Aside from newsprint, the only raw materials of significance to Sun Media are ink and press plates, which together accounted for approximately 2.7% of the total operating expenses from Sun Media's newspaper publishing operations in 2002.

3.4 Broadcasting Segment

The information on the Broadcasting Segment contained in the Annual Information Form of TVA Group dated May 2, 2003 is incorporated by reference herein and is included as Appendix B, on pages B-1 to B-11.

3.5 Leisure and Entertainment Segment

The Company has established a leading retail and distribution presence in the Leisure and Entertainment segment with approximately 185 retail locations offering numerous cross-selling and cross-promotion opportunities. The activities in the Leisure and Entertainment sector include book publishing, book, music and multimedia distribution, the retail sale of magazines, books, videos, CDs, DVDs, games, software and video rentals. This segment consists of Québec-Livres, Le SuperClub Vidéotron, Archambault Group, and several other companies. The Leisure and Entertainment segment generated revenues of $245 million and operating income of $29 million for the twelve-month period ended December 31, 2002.

Archambault Group Inc. is the largest chain of music stores in Quebec with twelve stores, including eleven megastores. During the year 2000, Archambault Group also became one of the largest computer books and software retailers through the acquisition of Camelot-Info Inc. and the largest independent English-language bookstore in Quebec through the acquisition of Paragraphe Bookstore Inc. Archambault Group Inc.'s products are also distributed through its Websites *archambault.ca, Camelot.ca* and *paragraphbooks.com.*

In addition, Archambault Group Inc. is the largest independent music distributor in Canada through its two labels, Select and Musicor with over 800 artists, mostly French-speaking. Archambault Group Inc. is a wholesaler serving approximately 450 locations in Quebec through its Trans-Canada division. Quebecor Media owns approximately 94.5% of the issued and outstanding shares of Archambault Group Inc.

Through the acquisition of Groupe Vidéotron, Quebecor Media acquired Le SuperClub Vidéotron, the largest chain of stores specializing in the rental and retail sale of videocassettes in Quebec, with approximately 174 locations and a market share of approximately 30%. With nearly all of its service points located in markets serviced by the company's cable operations, Le SuperClub Vidéotron also serves as a showcase and a valuable distribution network for the growing array of products and services offered by the cable segment.

Quebecor Media is also involved in book publishing and distribution. Quebecor Media owns several publishing houses forming Quebec's largest book publishing group in general literature. In 2002, it published, reissued and reprinted a total of 928 titles and sold over 3.0 million copies. Through Québec-Livres, Quebecor Media operates a well-known book distributor in Quebec. Québec-Livres distributes software and French publications in approximately 1900 locations in Canada.

3.6 **Business Telecommunications**

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

VTL is a provider of telecommunications services offering a full range of business telecommunications services to customers that include businesses and governmental end users and other telecommunications service providers in Canada. VTL offers a variety of telecommunications services such as local switch dial tone, long distance, high-speed data transmission, Internet connectivity and Internet hosting.

The fiber-based network's strength lies in its extremely large data-transmission capacity. To achieve this, VTL uses Synchronous Optical Network (SONET) technology (OC-3 to OC-192), which could accommodate about any bandwidth requirements from customers. The network's ring architecture supports several services simultaneously and provides increased redundancy. This technology guarantees superior end-to-end reliability. This high-performance fibre based network has enabled VTL to serve its business customers and develop strong and durable relationships with them.

Network performance, reliability and reach have made VTL a leader in the Canadian wholesale market. VTL offers major customers and carriers an advantageous volume-based rate structure that lets them obtain or resell telecom services at lower cost. VTL's strong reputation with telecommunications carriers is based first and foremost on its high quality and reliable fiber based network. The wholesale unit is of major importance in VTL's outreach, supporting the development of long-term business relationships with carriers, resellers and interconnectors in the North American telecom market. Interconnected with the largest North American carriers, VTL is a major alternative for any carrier seeking to offer services in Ontario and Quebec. VTL extends its expertise in "intraprise" networking through a global approach to its telecommunications services offer for large and medium-sized businesses. It offers integrated solutions reflecting a client's actual service needs: Internet, hosting, telephone (local and long distance services), network solutions, or studio-quality audio and video solutions (broadcast). VTL offers these services through its very high-speed data transmission capability (10 Mbps, 100 Mbps, gigabits services).

In addition to growing its markets targeting telecommunications carriers and large or medium-sized firms, VTL provides its sister company, Vidéotron, with several accesses on its fibre optic network to carry broadcaster video signals. Strengthened by this business relationship forged in 1989, VTL has developed its partnership with Vidéotron by providing Internet cloud connectivity and dial-up accesses. From the outset, Vidéotron has used VTL expertise to transmit data and support its services. Furthermore, VTL signed in 2002 an agreement awarding it responsibility for operating and administering the Netgraphe hosting services. VTL won a similar arrangement with Nurun allowing it to become the supplier, operator and administrator of hosting services for the broad Quebecor Media group of companies. The success of these transactions demonstrates VTL's ability to integrate into Quebecor Media's convergence strategy. Its potential for meeting the full range of needs, electronic content transmission, Intranet, Extranet and database support (text, image), Internet access services, local and long-distance telephone services, web site hosting and video signal transmission – will leverage VTL's expertise and strengthen its presence within Quebecor Media.

3.7 **Web Integration/Technology Segment**

Through Nurun, this segment provides e-business services, Internet solutions development and Web integration with facilities in Canada, the United States and Europe.

The description of Nurun's business contained in its Annual Information Form dated May 14, 2003, as well as an outline of the trends, are incorporated by reference herein and are included as Appendix C, on pages C-1 to C-5.

Mindready Solutions, a subsidiary of Nurun, is a supplier of test systems manufacturing automation, and embedded systems. It became a public company in December 2000. The description of Mindready Solutions' business contained in its Annual Information Form dated May 13, 2003, is also incorporated by reference herein and is included as Appendix D, on pages D-1 to D-13.

3.8 **Internet/Portals Segment**

During 2001, Netgraphe refocused its operations and carried out several phases of rationalization in order to streamline its management structure, reduce the total workforce at its network of sites, and terminate the operations of certain Internet properties with poor prospects of profitability in the foreseeable future, including Canoe.fr in France and six FYI and ICI city sites in as many Canadian cities. The moves were all aimed at supporting growth going forward by putting in place a cost structure more in line with revenue prospects.

At the beginning of 2002, Netgraphe announced a strategic reorganization that eliminates approximately 50% of jobs at its general-interest portals in Montreal and Toronto, money-losing operations with uncertain prospects for profitability in the foreseeable future. Netgraphe's general-interest portals which were given a new mission during the year as the Internet hub for the wealth of content supplied by Quebec Media companies, optimized their processes and thereby increased both the quantity and quality of their online content. In addition, in the third quarter of 2002, Netgraphe sold its Micanoa.com portal in Spain. The move was in line with Netgraphe's strategy of concentrating on the development of its networks of sights in Quebec and Canada.

The description of Netgraphe's business contained in its Annual Information Form dated May 15, 2003, is incorporated by reference herein and is included as Appendix E, on pages E-1 to E-6.

3.9 Regulation

3.9.1 Ownership and Control of Canadian Broadcast Undertakings

Vidéotron, VTL, and TVA Group are subject to the jurisdiction of the CRTC. This section gives an overview of the environment in which they operate.

Subject to any directions issued by the Governor in Council (effectively the Federal Cabinet), the CRTC regulates and supervises all aspects of the Canadian broadcasting system.

The Governor in Council, through an Order-in-Council referred to as the Direction to the CRTC (*Ineligibility of Non-Canadians*), has directed the CRTC not to issue, amend or renew a broadcasting license to an applicant that is a non-Canadian. Canadian, a defined term in the CRTC Direction, means, among other things, a citizen or a permanent resident of Canada, a qualified corporation, a Canadian government, a non-share capital corporation of which a majority of the directors are appointed or designated by statute or governmental authorities, or a mutual insurance company, pension fund society or cooperative of which not less than 80% of the directors or members are Canadian. A qualified corporation is one incorporated or constituted in Canada, of which the chief executive officer or other presiding officer and 80% of the directors are Canadian, and not less than 80% of the issued and outstanding voting shares and not less than 80% of the votes are beneficially owned and controlled, directly or indirectly, by Canadians. In addition, in order for a subsidiary to be a qualified corporation, Canadians must beneficially own and control, directly or indirectly, not less than 66 $^{2}/_{3}$% of the issued and outstanding voting shares and not less than 66 $^{2}/_{3}$% of the votes of the parent company that controls the subsidiary, and neither the parent company nor its directors or similar officers may exercise control or influence over any programming decisions of the subsidiary if Canadians beneficially own and control less than 80% of the issued and outstanding shares and votes of the parent corporation, if the chief executive officer of the parent corporation is a non-Canadian or if less than 80% of the parent corporation's directors are Canadian. There are no specific restrictions on the number of non-voting shares which may be owned by non-Canadians. Finally, an applicant seeking to acquire, amend or renew a broadcasting license must not otherwise be controlled in fact by non-Canadians, a question of fact which may be determined by the CRTC in its discretion. Vidéotron, VTL and Group TVA are qualified Canadian corporations.

Regulations made under the *Broadcasting Act* require the prior approval of the CRTC of any transaction that directly or indirectly results in (i) a change in effective control of the broadcasting undertaking of a licensee, (ii) a person or a person and its associates acquiring control of 30% or more of the voting interests of a licensee or of a person who has, directly or indirectly, effective control of a licensee, or (iii) a person or a person and its associates acquiring 50% or more of the issued common shares of the licensee or of a person who has direct or indirect effective control of a licensee. In addition, if a transaction results in a person or a person and its associates acquiring control of at least 20% but less than 30% of the voting interests of a licensee, or of a person who has, directly or indirectly, effective control of the licensee, the CRTC must be notified of the transaction. If a transaction increases control to over 40%, the CRTC must be notified.

Largely similar foreign ownership restrictions to non-Canadians apply to telecommunications common carriers pursuant to regulations made under the *Telecommunications Act* (Canada).

3.9.2 Licensing of Canadian Broadcast Undertakings

The CRTC has responsibility for the issuance, amendment, renewal, suspension and revocation of Canadian broadcasting licenses. A television broadcasting license grants the right to a broadcaster to transmit a television signal on a specific frequency within a defined geographic area and at a set power level. The geographic area may be expanded if the television service is distributed as a "distant signal" by a distribution undertaking. A specialty television license grants the right to a programming undertaking to transmit programming to the public through a distribution undertaking such as cable or direct-to-home satellite service. Broadcasting licenses may be issued for periods not exceeding seven years and are usually renewed, except in cases of a serious breach of the conditions attached to the license or the regulations of the CRTC. The CRTC is required to hold a public hearing in connection with the issuance, suspension or revocation of a license and may hold public hearings in other circumstances.

In order to conduct their business, Vidéotron and TVA Group must maintain their licenses in good standing. Failure to meet the terms of their licenses may result in their short-term renewal, suspension, revocation or non-renewal. Conditions may be imposed by the CRTC on broadcasting licenses which may affect the licensee's profitability.

3.9.3 Jurisdiction over Canadian Broadcast Undertakings

Vidéotron's distribution undertaking and TVA Group's programming undertakings are subject to the *Broadcasting Act* and regulations made under the aforesaid Act that empowers the CRTC, subject to directions from the Governor in Council, to regulate and supervise all aspects of the Canadian broadcasting system in order to implement the policy set out in that Act. Certain of TVA Group's and Vidéotron's undertakings are also subject to the *Radiocommunication Act*, which empowers Industry Canada to establish and administer the technical standards that networks and transmission must respect, namely, maintaining the technical quality of signals.

The CRTC has, among other things, the power under the *Broadcasting Act* and regulations to issue, subject to appropriate conditions, amend, renew, suspend and revoke broadcasting licenses, approve certain changes in corporate ownership and control, and establish and oversee compliance with regulations and policies concerning broadcasting, including various programming and distribution requirements, subject to certain directions from the Federal Cabinet.

In a series of decisions the CRTC has determined that the carriage of "non-programming" services by cable companies results in the company being regulated as a carrier under the *Telecommunications Act.* This applies to a company serving its own customers or allowing a third party to use its distribution network to provide non-programming services to subscribers.

3.9.4 Canadian Broadcast Distribution (Cable Television)

3.9.4.1 Distribution of Canadian Content

The CRTC decided that it would not be in the interest of the Canadian broadcasting system to permit the distribution of certain non-Canadian pay-television movie channels and specialty programming services that could be considered competitive with licensed Canadian pay-television and specialty services. Therefore, pay-television movie channels and certain specialty programming services available in the United States are not approved for distribution in Canada. The CRTC has prepared a list of non-Canadian programming services eligible for distribution in Canada on a discretionary user-pay basis to be linked along with Canadian pay-television services or with Canadian specialty services. The CRTC currently permits the linkage of up to one non-Canadian service for one Canadian specialty service and up to five non-Canadian services for every one Canadian pay-television service. In addition, the number of Canadian services received by a cable television subscriber must exceed the total number of non-Canadian services received.

3.9.4.2 1998 Regulations

The Broadcasting Distribution Regulations enacted in 1998, also called the "**1998 Regulations**", apply to distributors of broadcasting services or broadcasting distribution undertakings in Canada. The Regulations promote competition between service providers and the development of new technologies for the distribution of such services while ensuring that quality Canadian programs are exhibited. The 1998 Regulations introduced important new rules, including the following:

- Competition, carriage rules and signal substitution

The 1998 Regulations provide equitable opportunities for all distributors of broadcasting services. As a general rule, new entrants have to meet the same signal carriage and substitution requirements that are imposed on existing cable television systems. The 1998 Regulations prohibit a distributor from giving an undue preference to any person, including itself, or subjecting any person to an undue disadvantage. This gives the CRTC the ability to address complaints of anti-competitive behavior on the part of certain distributors.

- Canadian programming and community expression financing rules

All distributors, except those with less than 2,000 subscribers, are required to contribute at least 5% of their gross annual broadcast revenues to the creation and presentation of Canadian programming including community programming. However, the allocation of these contributions can vary depending on the type and size of the distribution system involved.

- Inside wiring rules

The CRTC determined that the inside wiring portion of cable networks creates a bottleneck facility that could affect competition if open access is not provided to other distributors. Incumbent cable companies may retain the ownership of the inside wiring but must allow usage by competitive undertakings to which the cable company may charge a just and reasonable fee for the use of the inside wire.

On August 25, 2000, the CRTC initiated a proceeding to establish the regulatory framework for access to multi-dwelling units ("**MUDs**"), inside wire and riser space. On September 3, 2002, the CRTC established a fee of $0.52 per subscriber per month for the use of cable inside wire in MUDs (Public Notice CRTC 2002-51).

The CRTC directed the Inside Wire Sub-Committee of the CRTC Interconnection Steering Committee, or the "**CISC**", to draft a specific set of administrative and reporting procedures that reflect the determinations reached in its public notice and to propose procedures by June 2003. These would include the use of Customer Service Groups already developed for third party access to high speed Internet service, ensuring non-disclosure of competitors' clientele to Vidéotron's Marketing Department.

3.9.4.3 New Canadian Broadcast Distribution Policies for 2002

The following is a summary of recent CRTC pronouncements and determinations relating to Canadian broadcasting distribution:

- On May 9, 2002, the CRTC waived certain restrictions it had placed over cable operators relating to ownership of pay and specialty services (Public Notice CRTC 2002-24) thereby permitting cable companies and their related entities to purchase interests in Canadian analog pay and specialty programming services. The CRTC also eliminated the requirement that prior approval be obtained in situations where a broadcasting distribution undertaking acquires 10% or more of the voting interests of a specialty or a pay television service.

- On February 12, 2002, the CRTC announced its intention to permit DTH or DBS distributors, upon application, to engage in the practice of bulk billing in MUDs (Public Notice CRTC 2002-7), which had the effect of eliminating possible competitors' complaints of undue preference against incumbent cable operators in MUDs.

- On November 19, 2002, the CRTC announced certain amendments to the 1998 Regulations regarding the distribution of House of Commons proceedings (Public Notice CRTC 2002-72), which came into effect on September 1, 2002. This programming will be offered in both English-language and French-language to most cable and satellite subscribers throughout Canada.

- On November 19, 2002, cable networks with 2,000 subscribers or less were exempted from the obligation to hold a license (Notice CRTC 2002-74). Vidéotron operates 16 of these small cable networks.

- On October 10, 2002, the CRTC announced a revised policy framework for community-based media, in particular cable community channels (Public Notice CRTC 2002-61). Where more than one corporation is in operation in a licensed area, each corporation must be guaranteed a minimum of four hours of access programs per broadcast week, upon request. In the case of large cities like Montreal, renewal public hearings are to be held to study plans showing how cable community channels are to be spread throughout the various communities within the licensed areas in urban centers.

- The CRTC now permits licensees with between 6,000 and 20,000 subscribers to allocate the full 5% contribution to community programming instead of retaining a portion for a Canadian production fund.

- The CRTC created a new class of license for community-based television programming undertakings with two sub-categories: community-based low-power television undertakings and community-based digital services. The CRTC will require broadcasting distribution undertakings to carry licensed community-based television programming undertakings on the digital band, throughout the area reached by the over-the-air signals or the service area to be authorized by the CRTC. The CRTC will expect cable licensees operating in remote areas to carry any remote community-based television programming undertaking licensed to serve that area, on its analog basic service. Cable operators now have the option of distributing a community channel as part of their distribution licenses. In situations where the cable company does not provide a community channel, or does not operate a community channel, community groups may apply for a community programming service license. Such licensed community programming services will be accorded mandatory analog carriage as part of the basic service as well as the applicable percentage of the cable undertaking's gross revenues to be allocated to local expression. Vidéotron operates community channels in all networks of 2,000 and more subscribers.

- On August 16, 2002, the CRTC called for comments on the establishment of rules to govern the distribution of specialty services on digital basic cable service (Public Notice CRTC 2002-48) in order to determine (a) how many specialty services should be permitted on the digital basic cable service and (b) whether subscribers should be permitted to choose between French- and English-language digital basic cable service packages.

- On October 22, 2002, the CRTC called for comments regarding program-related interactive television services in Canada (Public Notice CRTC 2002-63) in an attempt to identify interactive activities that might fall within the definition of broadcasting under the *Broadcasting Act*.

- On June 12, 2002, the CRTC called for comments on a proposed policy framework for the distribution of digital television services, including high definition television (HDTV), as well as of the high definition versions of licensed pay and specialty services (Public Notice CRTC 2002-32). Digital television broadcasters would be expected to provide affected broadcasting distribution undertakings with reasonable notice of the date they intend to go on air. Distributors will be able to broadcast digital over-the-air services in their channel line-ups, without regard to their priority status, as long as the services are included as part of the basic service and, as such, available to all subscribers. A digital television signal distributed by a broadcasting distribution undertaking to subscribers should be of the same quality and in the same format as that received by the broadcasting distribution undertaking. A broadcasting distribution undertaking will not be required to distribute the analog version of a mandatory television service if all, or substantially all, of its subscribers are equipped with a digital television receiver or have a set top box capable of converting the digital version of the service to analog.

- On October 18, 2002, the CRTC called for comment on a proposal to issue an order exempting from regulation the operators of all cable licensees serving between 2,000 and 6,000 subscribers (Public Notice CRTC 2002-62). Vidéotron operates 10 of these networks.

3.9.4.4 Rates

Vidéotron's revenue related to cable television is derived mainly from a) monthly subscription fees for the basic cable service; b) fees for premium services such as specialty services, pay television and pay-per-view television; and c) installation and additional outlets charges.

The CRTC does not regulate the fees charged by new broadcast distribution undertakings and does not regulate the fees charged by cable providers for optional services. The fees charged by Class 1 (6,000 subscribers or more) cable providers are regulated by the CRTC until true competition exists in a particular service area, which occurs when the number of subscribers for basic cable service has decreased by at least 5% since the date on which a competitor started offering its basic cable service in the particular area.

Moreover, for all intents and purposes, the CRTC does not regulate installation fees; however, installation fees have to be limited to an amount that does not exceed the average actual cost incurred to install and connect the outlet.

A Class One cable distributor may, while respecting certain procedures, increase its rate so as to recover the pass-through portion, namely the charge that the firm collects from the subscribers for any particular programming service exhibited on Vidéotron's basic service. Moreover, in the event that distribution may be compromised as a result of the economic difficulties encountered by a Class One cable distributor, a request for a rate increase may be submitted to the CRTC. Any increase that satisfies the criteria then in effect will be approved.

3.9.4.5 Royalties for the retransmission of distant signals

Further to the implementation of the Canada-U.S. Free Trade Agreement in 1989, the *Copyright Act* (Canada) (the "**Copyright Act**") was amended to require retransmitters, including Canadian cable television operators, to pay royalties in respect of the retransmission of distant television and radio signals.

Since this legislative amendment, the *Copyright Act* empowers the Copyright Board of Canada to quantify the amount of royalties payable to retransmit these signals and to allocate them among collective societies representing the holders of copyright in the works thus retransmitted. Cable television operators cannot automatically recover such paid retransmission royalties from their customers, although such charges might be a component of an application for a basic cable service rate increase based on economic need.

Distant signal retransmission royalties vary from $0.20 per subscription per month for systems serving areas with fewer than 1,500 subscribers to $0.70 per subscriber per month for more than 6,000 subscribers, except in French-speaking markets where the maximum rate is $0.35 per subscriber per month. All of Vidéotron's undertakings operate in French-language markets.

The *Copyright Act* was amended, in particular, to define copyright as including the exclusive right to "communicate protected works to the public by telecommunication". Prior to the amendment, it was generally believed that copyright holders did not have an exclusive right to authorize the transmission of works carried on radio and television station signals when these signals were not broadcast but rather transmitted originally by cable television operators to their customers. However, at the request of the Society of Composers, Authors and Music Publishers of Canada, or "**SOCAN**", the Copyright Board approved Tariff 17A in 1996 in order to obtain the payment of royalties from transmitters including members of the Canadian Cable Television Association, which we refer to as the "**CCTA"**, that transmit musical works to the subscribers when transmitting television services on a subscription basis.

Tariff 17 fixed the monthly rate per subscriber, in the case of cable systems serving 6,001 or more subscribers, at $0.047, $0.055, $0.058, $0.064, $0.070 and $0.076, respectively, for each of the 1990 to 1995 calendar years. However, the Copyright Board of Canada did not establish the allocation of the payable royalties between cable television operators, pay television and specialty programming service providers. The CCTA and the programming service providers have signed agreements that establish the split with the Canadian specialty programming service providers and set up a royalty payment mechanism. These agreements do not cover royalties payable for American specialty programming and the Canadian pay television services, which correspond, according to Tariff 17, to 2.1% of affiliation payments during 1996 and 1.8% of 1996 monthly affiliation payments for the remainder of the tariff (i.e.1997-2000). The royalties payable with respect to these services, and the split with the programming service providers, are covered by another agreement.

The Copyright Board of Canada rendered a decision on February 16, 2001 regarding the rates that will apply under SOCAN's Tariff 17A for the calendar years 1996 to 2000. The royalty payable by small transmission systems is $10 per year. The monthly royalty payable by transmission systems (other than small transmission systems) for the signals of Canadian and American pay services is 2.1% of the transmitter's affiliation payments to these services in 1996 and 1.8% for the remainder of the tariff period. For all other signals transmitted, the monthly royalty payable by a transmitter is based on the total number of premises served in the system's licensed area and varies from $0.028 to $0.095 for 1996 to $0.044 to $0.155 for 2000. Royalties payable by a system located in a francophone market are calculated at a rate equal to 85% of the rate otherwise payable.

The Copyright Board of Canada also rendered a decision on March 16, 2002 regarding two new tariffs for the years 1997-1998 to 2002, which provide for the payment of royalties from programming and distribution undertakings focusing on pay audio services. It fixes the royalties payable to SOCAN and to the Neighboring Rights Collective of Canada, or "**NRCC"**, respectively, at 11.115% and 5.265% of the affiliation payments payable during a month by a distribution undertaking for the transmission for private or domestic use of a pay audio signal. The royalties payable to SOCAN and NRCC by a small cable transmission system, an unscrambled low or very low power television station or by equivalent small transmission systems are fixed by the Board at 5.56% and 2.63%, respectively, of the affiliation payments payable during a year by the distribution undertaking for the transmission for private or domestic use of a pay audio signal.

Tariffs of the Copyright Board of Canada are generally applicable until a public process is held and a decision of the Copyright Board is rendered for a renewed tariff. Renewed tariffs are often applicable retroactively. Provisions for possible tariff increases are taken by Vidéotron.

3.9.4.6 Access by third parties to HFC (hybrid fiber-coax)

On July 6, 1999, the CRTC required certain of the largest cable television operators, including Vidéotron, to submit tariffs for high-speed Internet access services, known as open access or third party access, in order to allow competing retail Internet service providers to offer such services over a cable infrastructure. Vidéotron's proposal was approved in part by the CRTC in August 2000. This decision approves the terms and per end-user rates to charge to Internet service providers for access to cable company facilities used to provide cable modem Internet services. Other technical, operational and business policies to implement access services are being addressed by the CISC.

Vidéotron took part in technical tests intended to interconnect the networks of the cable television operators with certain competing Internet service providers. These tests were successfully concluded in the third quarter of 2000. Vidéotron is also actively participating in the CISC Working Group responsible for implementing the technical and operational terms and conditions of interconnection. The work of the CISC Working Group is ongoing and some issues have been contentious. Once the conditions of facilities-based interconnection are approved by the CRTC, which could occur in 2003, actual access to the headend of our HFC network will be ordered by the CRTC and provided by Vidéotron at a regulated tariff.

Until facilities-based access to the cable network headend is provided, the CRTC is requiring cable distributors to allow third party retail Internet service providers to resell their retail high-speed Internet services at a discount of 25% off the lowest retail Internet service rate charged by Vidéotron to its cable subscribers during a one-month period. Vidéotron expects resale and facilities-based access to increase its penetration in certain markets for retail high-speed Internet services at lower customer acquisition costs, and is actively pursuing those business opportunities. The resale obligation will cease to be mandated once facilities-based access is available to Internet service providers.

3.9.4.7 Winback restrictions

In February 2001, the CRTC announced "winback" restrictions on certain cable television operators, including Vidéotron, in the Internet service market. The restrictions limit a cable operators' ability to "win back" Internet service subscribers who have chosen to switch to another Internet service provider within 90 days of the subscriber's switch.

3.9.4.8 Right to access for telecommunications and broadcast networks infrastructures

The CRTC has concluded that some provisions of the *Telecommunications Act* may be characterized as encouraging joint use of existing support structures to facilitate efficient deployment of cable distribution undertakings by Canadian carriers. Vidéotron accesses these support structures in exchange for a tariff that is regulated by the CRTC. If it were not possible to agree on the use or conditions of access with a support structure owner, Vidéotron could apply to the CRTC for a right of access to a supporting structure of a transmission line.

3.9.5 Canadian Telecommunications Services

3.9.5.1 Jurisdiction

With certain exceptions, companies that own or operate transmission facilities in Canada used to offer telecommunications services to the public for compensation are deemed "telecommunications common carriers" under the *Telecommunications Act* administered by the CRTC.

The *Telecommunications Act*, which came into force on October 25, 1993, as amended, provides for the regulation of facilities-based telecommunications common carriers under federal jurisdiction. Under the *Telecommunications Act*, the CRTC may exempt any class of Canadian telecommunications carriers from the application of the *Telecommunications Act* if the CRTC is satisfied that such an exemption is consistent with implementation of the Canada telecommunications policy objectives. The CRTC must refrain from regulating certain telecommunications services or classes of services provided by Canadian carriers, if it finds that such service or class is or will be subject to competition sufficient to protect the interests of users. The CRTC is prohibited from making a determination to refrain if refraining from regulation could likely impair unduly the establishment or continuance of a competitive market for a particular service or class of services.

3.9.5.2 Overview

Competition in the Canadian long-distance and local telephony markets is guided to a large extent by the principles set out in Telecom Decision CRTC 92-12, which removed the telephone companies' monopoly in the provision of public long-distance voice telecommunications services, Review of Regulatory Framework, Telecom Decision CRTC 94-19, which sets out the principles for a new, pro-competitive regulatory framework, and Local Competition Telecom Decision CRTC 97-8, which establishes the policy framework for local exchange competition. This latter decision, along with four others (Telecom Decision CRTC 97-9, CRTC Telecom Orders 97-590 and 97-591, as well as CRTC Public Notice 1997-49) comprise the Local Competition Decisions, which set out many of the terms and conditions for competitive entry in the market for local telephony services. A number of technical, operating and other details are being established through subsequent proceedings and meetings of the CISC.

3.9.5.3 Price-Cap regulation

On May 30, 2002, the CRTC issued a price cap decision (Telecom Decision CRTC 2002-34) in which it revised the initial price regulation regime governing the Incumbent Local Exchange Carriers ("**ILECs**") and established a new regime that will apply through 2006. The new price regulation regime includes a total of eight baskets and service groups and a number of service-specific rate element constraints. Competitor Services, which have been separated into two categories, are now subject to different treatment. Services in the Category I Competitor Services group, which are considered as essential services, generally are to be priced at cost plus a 15% mark-up and, with respect to rate increases, are limited to inflation less a productivity offset, except for a limited number of services that are already priced to reflect productivity gains. The rates for services in Category II Competitor Services are capped at existing levels and will be priced on a case-by-case basis. In addition, the CRTC introduced a competitor Digital Network Access service priced as an essential service and established a follow-up proceeding (Telecom Public Notice CRTC 2002-4) on related matters.

3.9.5.4 Amendments to the Affiliate rule

Following a complaint by VTL, the CRTC revised the affiliate rule and imposed regulatory safeguards with respect to (a) incumbent affiliates, (b) bundling by Bell Canada and related matters, and (c) conditions on access to all ILEC-tariffed services by ILEC affiliates who are not Canadian carriers and who are under common control with such ILEC. In order to prohibit an ILEC from using an affiliate to evade regulatory rules designed to promote competition, the provision of telecommunications services by a non-regulated ILEC affiliate (rather than the ILEC itself) must be approved by the CRTC. The rates, terms and conditions of service provided by the non-regulated ILEC affiliate must be identical to the rates, terms and conditions which would apply if the telecommunications services in question were provided to the public by the ILEC itself.

3.9.5.5 Local Interconnection Regime

In a proceeding initiated by Public Notice CRTC 2001-126, the CRTC has reviewed the existing rules regarding trunking arrangements and point of interconnection (“**POI”**). In lieu of requiring one POI per exchange and separate trunk groups for a variety of types of traffic, the CRTC is assessing if it may be desirable to establish rules that would require fewer POIs and permit alternative trunking arrangements to reduce the number of trunk groups required.

3.9.5.6 Contribution Regime Reform

When long-distance competition was established in Canada, the CRTC established a requirement for the payment of a subsidy or "contribution" by inter-exchange carriers and resellers to the ILECs for the maintenance of affordable local telephone service. In 2000, the CRTC replaced the per minute contribution regime with a revenue-based mechanism under which companies contribute a percentage of their eligible revenues. The revenue-based contribution mechanism was implemented as of January 1, 2001 using an interim 2001 revenue-percentage charge of 4.5%. The contribution applies to virtually all telecommunications service providers, although an exemption is provided for service providers with less than $10 million in gross Canadian telecommunications services revenues, inter-carrier payments and revenues from certain services (such as retail Internet access services). For both 2002 and 2003, the revenu percentage charge is 1.3%.

3.9.6 Canadian Broadcast Programming (Television Station)

3.9.6.1 Programming of Canadian Content

CRTC regulations require licensees of television stations to maintain a specified percentage of Canadian content in their programming. Television broadcasters are subject to regulatory requirements that, over the broadcast year and over any six-month period specified in the license, a minimum of 60% of the aggregate programming shown during the broadcast day (a continuous 18-hour period between 6:00 a.m. and

1:00 a.m. the following day) must be of Canadian origin. Canadian origin is most commonly achieved on the basis of a points system requiring that a number of creative and production staff be Canadian and that specified Canadian production expenditure levels be met. In addition, not less than 50% of the aggregate programming between the hours of 6:00 p.m. and 12:00 midnight over the broadcast year must be of Canadian origin. Specialty cable television channels also have to maintain a specified percentage of Canadian content in their programming, generally set forth in their conditions of license.

On September 1, 2000, the CRTC introduced a new policy regarding Canadian television. While the overall Canadian content requirements remain the same, under the new policy, broadcasters are required to broadcast a minimum of eight hours per week of priority programming during prime time, from 7:00 p.m. to 11:00 p.m. To permit greater flexibility in meeting these requirements, the definitions of priority programs and prime time have been expanded. Priority programming now includes Canadian-produced drama, music and dance, variety and long-form documentaries, but does not include news and information or sports programming. To permit greater flexibility in meeting these requirements, the definitions of priority programs and prime time have been expanded. However, the CRTC has eliminated quantitative commitments and general fixed spending requirements and has invited television broadcasting companies to request the removal of any spending requirements pertaining to specific Canadian programming categories embodied in the conditions of their respective licenses.

3.9.6.2 Advertising

The CRTC also regulates the quantity and content of television advertising. A television licensee shall not broadcast more than 12 minutes of advertising during any hour subject to certain exceptions for unpaid public service announcements and promotions for upcoming Canadian programs. Advertising content is regulated by various federal and provincial statutes and regulations, as well as by standards in the Canadian television broadcasting industry.

3.9.7 Canadian Publishing

Federal or provincial law does not directly regulate the publication of newspapers in Canada. There are, however, indirect restrictions on the foreign ownership of Canadian newspapers by virtue of certain provisions of the *Income Tax Act* (Canada). The Income Tax Act (Canada) limits the deductibility by Canadian taxpayers of advertising expenditures which are made in a newspaper other than a "Canadian issue of Canadian newspaper". For any given publication to qualify as a Canadian issue of a Canadian newspaper, the entity that publishes it, if publicly traded, must ultimately be controlled by Canadian citizens and, if a private company, must be at least 75% owned by Canadians. In addition, the publication must, with limited exceptions, be printed and published in Canada. All of Quebecor's newspapers qualify as "Canadian issues of Canadian newspapers" and, as a result, its advertisers generally have the right to deduct their advertising expenditures with it for Canadian tax purposes. The *Foreign Publishers Advertising Services Act* (Canada) prohibits "foreign publishers" of periodicals other than newspapers from supplying advertising services directed at the Canadian market to Canadian advertisers. As Quebecor is not a "foreign publisher", its magazines are not subject to such prohibition.

3.10 Paper Supply

Paper is the principal raw material used by the Newspaper segment and the Leisure and Entertainment segment, as well as in the Printing segment. As paper prices are volatile, the Company, directly or indirectly, uses its purchasing power as one of the largest buyers in the printing industry in order to obtain the best possible prices and terms, service and quality control. In addition, it negotiates with a limited number of suppliers to maximize its purchasing power. The Company believes that it has a large enough pool of suppliers of paper and ink to meet the needs of its customers.

To obtain more favorable pricing and to provide for a more secure supply, the Company has entered into a long-term agreement expiring December 31, 2005, with a newsprint manufacturer for the supply of most of its newsprint purchases. This agreement provides for a discount to market prices above a minimum threshold. The Company is committed to purchase a minimum number of metric tonnes of newsprint per year under this agreement. This agreement will satisfy most of the Company’s anticipated newsprint requirements through the end of 2005.

3.11 Human Resources

As at March 31, 2003, Quebecor had approximately 50,325 employees, in more than 17 countries, in the following industry segments:

Operations	Total number of employees	Number of employees under collective agreements	Number of collective agreements
Printing	39,000	10,541	74[(1)]
Cable Television	1,899	1,482	4[(2)]
Newspapers	5,677	1,706	46[(3)]
Broadcasting	1,239	792	10[(4)]
Leisure and Entertainment	1,084	241	6[(5)]
Business Telecommunications	522	185	2[(6)]
Web Integration/Technology	667	13	1
Internet/Portals	166	-	-[(6)]
Other	71	-	-

(1) Of these, 10 collective agreements covering 1,458 employees expire in 2003. These agreements are limited to single plants and groups of employees within these plants.

(2) Three collective agreements (representing approximately 1,430 employees) have expired prior to or on December 31, 2002. On March 21, 2003, Vidéotron and its unionized employees entered into an agreement in principle to renew the collective agreements for the Montreal and Quebec City regions, putting an end to the labour dispute that began on May 8, 2002. The new collective agreements which were finalized on April 29, 2003, not only make it possible to arrive at cost reductions and productivity gains, but also give Vidéotron increased flexibility in terms of operations management. A gradual return to work began on May 5. On April 29, 2003, Vidéotron cancelled the installation service contract entered into on May 13, 2002 with an affiliate of Entourage Technology Solutions Inc (Alentron) which means employees who were transferred there have returned to Vidéotron. The negotiations for a collective agreement (representing approximately 29 employees) have not yet started. One of the collective agreements for Vidéotron (representing approximately 52 employees) will expire on August 31, 2003.

(3) Nine collective agreements (representing approximately 361 employees) have expired prior to or on December 31, 2002 and seven agreements (representing approximately 229 employees) will expire prior to or December 31, 2003. Three unions are currently negotiating the renewal of their agreements (representing approximately 262 employees). One first collective agreement is currently under negotiation (representing approximately 110 employees) A collective agreement has been signed on April 16, 2003 (representing approximately 5 employees). One application for certification for approximately 70 employees is currently pending.

(4) Four collective agreements (representing approximately 538 employees) have expired prior to or on December 31, 2002. The renewal of these agreements is currently under negotiation. One collective agreement has been signed on

April 10, 2003 (representing approximately 493 employees). Three additional agreements (representing approximately 95 employees) will expire prior to or on December 31, 2003. There are four first collective agreements (representing approximately 32 employees) for which the negotiations have not yet started.

(5) A collective agreement representing approximately 49 employees will expire on August 10, 2003.

6) Certification for a group of two employees has been obtained but negotiation of the collective agreement has not yet started.

3.12 Environmental Regulations

Quebecor is subject to various laws, regulations and government policies relating to employee health and safety, to the generation, storage, transportation, disposal and environmental emission of various substances, and to environmental protection in general. Quebecor believes that it is in compliance with such laws, regulations and government policies in all material respects. Furthermore, Quebecor does not anticipate that compliance with such environmental statutes will have a material adverse effect upon its competitive or consolidated financial position.

ITEM 4 SELECTED CONSOLIDATED FINANCIAL DATA

4.1 Financial Data for the Last Three Years

(Audited)
(in millions of Canadian dollars, except per share amounts)

	Years ended December 31		
	2002	2001[1] [2]	2000[1][3]
Revenues	$ 12,014.0	$ 11,633.3	$ 10,914.8
Net income (loss)[4]	91.9	(248.7)	1,085.8
Per share data[4]			
Basic	$ 1.42	$ (3.85)	$ 16.81
Diluted	1.39	(3.85)	16.76
Dividends per share	-	0.39	0.51
Long-term debt	$ 5,681.8	$ 7,013.6	$ 4,333.5
Total assets	17,130.4	19,503.0	17,604.7

4.2 Quarterly Data

(Unaudited)
(in millions of Canadian dollars, except per share amounts)

2002	March	June	September	December
Revenues	$2,868.8	$2,853.3	$3,050.4	$3,241.5
Net income	23.4	27.1	37.8	3.6
Per share data				
Basic	0.36	0.42	0.59	0.06
Diluted	0.36	0.42	0.57	0.05

2001[1] [2]	March	June	September	December
Revenues	$2,718.1	$2,758.5	$3,012.6	$3,144.1
Net loss	(28.0)	(0.1)	(34.6)	(186.0)
Per share data				
Basic	(0.43)	-	(0.54)	(2.88)
Diluted	(0.43)	-	(0.54)	(2.88)

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(1) The comparative figures for the years 2001 and 2000 have been reclassified to conform with the definition adopted for the year ended December 31, 2002 and restated to reflect the impact of the implementation of Section 1650 of the Canadian Institute of Chartered Accountants Handbook, *Foreign Currency Translation*.

(2) Figures for the year ended December 31, 2001, include, for the last eight months, the figures of the cable television subsidiaries and for the last four months, the figures of TVA Group, as the transfer of the control over these regulated subsidiaries, acquired on October 23, 2000, has been obtained in May and September 2001, respectively. Before that date, regulated subsidiaries are shown at the consolidated value as they are under the control of trustees. Figures for the year ended December 31, 2001, also include for the last two months the contribution of VTL, a subsidiary of Vidéotron, acquired on October 23, 2000 and held for resale up to October 2001. This subsidiary is now consolidated as the management decided to keep and to develop its investment.

(3) Figures for the year ended December 31, 2000, include, for the last two months of the year, the contribution of non-regulated subsidiaries of Groupe Vidéotron acquired on October 23, 2000; the regulated subsidiaries are shown at the consolidated value as they are under the control of trustees. On April 18, 2000, pursuant to prior agreements between Abitibi-Consolidated, Donohue and Quebecor, Abitibi-Consolidated purchased all of the outstanding shares of Donohue in consideration for a cash payment and shares of Abitibi-Consolidated. Quebecor transferred its controlling interest in

Donohue in consideration of a sum of $317 million and an interest of approximately 11% in Abitibi-Consolidated. Following this transaction and as the Company does not have control of or significant influence over Abitibi-Consolidated, the operations of the Forest Products segment are considered to have been discontinued as of the first quarter of 2000. The results and the cash flows for the previous years have been restated accordingly.

(4) Net income and the corresponding per share amounts for the years 2002, 2001 and 2000 include unusual items and results associated with discontinued operations. If these items and operations had been excluded, net income and the corresponding basic per share amounts would have been as follows: net income of $129.4 million or $2.00 per basic share in 2002; net loss of $39.9 million or $0.62 per basic share in 2001; and net income of $137.7 million of $2.14 per basic share in 2000.

4.3 Dividends

Each Class A Share and each Class B Share is entitled to receive dividends as determined by the Board of Directors, in an identical amount, on the same date and in the same form as if such shares constituted shares of the same class. Certain agreements for bank credit entered into by certain subsidiaries of Quebecor contain restrictions on the payment of dividends by such subsidiaries in certain circumstances.

For the year ended December 31, 2002, no dividend has been declared.

For the year ended December 31, 2001, dividends declared and paid by the Company on Class A Shares and on Class B Subordinate Voting Shares totalled $0.39 per share and, for the year ended December 31, 2000, such dividends totalled $0.51 per share. In the third quarter of 2001, the Board of Directors of Quebecor Inc. decided to suspend the payment of dividends on the Company's shares in view of Quebecor Media's strong growth and the need to reinvest earnings in its development. The Company also considered it appropriate to preserve its capital and manage its cash assets prudently in the current difficult business environment.

Information concerning dividends and restrictions as to dividend payments i) with respect to Quebecor World contained in its Annual Information Form dated May 12, 2003, is incorporated by reference herein and is included as Appendix A (on page A-12); ii) with respect to TVA Group contained in its Annual Information Form dated May 2, 2003, is incorporated by reference herein and is included as Appendix B (on page B-11); and iii) with respect to Nurun and Mindready Solutions contained in their Annual Information Forms, respectively, dated May 14, 2003 and May 13, 2003, is incorporated by reference herein and is included as Appendices C (on page C-5) and D (on page D-13); and iv) with respect to Netgraphe contained in its Annual Information Form dated May 15, 2003, is incorporated by reference herein and is included as Appendix E (on page E-6).

ITEM 5 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

NOTE: The following is the text of the Management's Discussion and Analysis of Financial Condition and Results of Operations as contained in the Company's Annual Report 2002 and, therefore does not take into consideration any subsequent events. Certain notes have been added in the present item describing the subsequent events.

CORPORATE STRUCTURE

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

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

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

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

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

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

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

Recent Events

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

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

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

After the financial operations carried out in 2002 and the beginning of 2003, the Company has reduced its debt by more than $1.0 billion, using its cash flow and the proceeds from the sale of Quebecor World shares. Quebecor World's debt has been reduced by $530.9 million, Quebecor Media's debt by $429.7 million, and Quebecor Inc.'s debt by $81.9 million.

OPERATING RESULTS

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

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

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

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

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

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

2002/2001 COMPARISON

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

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

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

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

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

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

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

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

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

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

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

Printing

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

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

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

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

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

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

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

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

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

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

Cable Television

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

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

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

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

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

Note: On March 20, 2003, an agreement in principle has been reached between Vidéotron and its unionized employees for the renewal of the collective agreements for the Montreal and Quebec areas, thereby ending the strike which began on May 8, 2002. New collective agreements have been signed on April 29, 2003.

Newspapers

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

Note: On May 5, 2003, Sun Media sold all its Florida Sun operations in the state of Florida, U.S.A. to Independent Publications of Bryn Mawr, Pennsylvania. The Florida Sun operations are based in Bradenton, Florida, and include seven weekly publications as well as a commercial web printing operation. Community newspapers owned and operated by the Florida Sun are: *The Osceola News-Gazette*; *The Sarasota Weekly*; *The South Orange News*; and *The Venice Weekly*. Shopping guides include *The Bradenton Shopping Guide*; *The Osceola Shopper*; and *The Sebring Shopping Guide*. Sun Media now publishes 168 weeklies and shopping guides.

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

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

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

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

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

Broadcasting

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

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

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

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

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

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

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

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

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

Leisure and Entertainment

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

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

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

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

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

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

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

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

Business Telecommunications

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

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

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

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

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

Web Integration/Technology

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

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

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

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

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

Internet/Portals

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

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

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

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

During the 2002 financial year, Netgraphe carried out a reorganization of its properties. Its general-interest portals Canoe.ca and Canoe.qc.ca were converted into virtual gateways to Quebecor Media's properties. The refocusing of Netgraphe's operations necessitated a reserve for restructuring of $1.5 million and is expected to yield annual savings of over $7.0 million.

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

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

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

Financial Expenses

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

These factors were however partially offset by the inclusion of the results of the Cable Television and Business Telecommunications segments and of TVA Group Inc. for the full year, and the issuance in

July 2001 of Senior Notes in the principal amount of US$850.0 million by Quebecor Media, the proceeds from which were used to repay loans bearing lower interest.

2001/2000 COMPARISON

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

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

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

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

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

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

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

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

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

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

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

The Company reported a net loss of $248.7 million, or $3.85 per share, in 2001, compared with net income of $1.09 billion, or $16.81 per share, in 2000. The 2001 results were affected by higher amortization charges ($135.0 million), higher financial expenses ($226.1 million), certain unusual items, such as reserves for restructuring and special charges totalling $552.2 million, and write-downs of goodwill in an aggregate amount of $147.0 million, as described above. In 2000, net income included unusual items such as a gain on dilution of $816.1 million, primarily from the issuance of capital stock by subsidiary Quebecor Media, and income from discontinued operations of $246.1 million mainly due to a gain on the sale of Donohue Inc. to Abitibi-Consolidated Inc. Reserves for restructuring and special charges totalled $106.0 million in 2000.

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

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

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

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

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

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

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

Operating activities

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

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

Financing Activities

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

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

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

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

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

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

Investing Activities

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

Financial Position

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

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

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

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

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

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

RISKS AND UNCERTAINTIES

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

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

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

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

ACCOUNTING POLICIES

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

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

FORWARD-LOOKING STATEMENTS

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

ITEM 6 MARKET FOR SECURITIES

The Company's Class A Shares and Class B Shares are listed on The Toronto Stock Exchange.

ITEM 7 DIRECTORS AND OFFICERS

7.1 Directors

The Board of Directors of the Company currently consists of eleven (11) directors. The term of office of each director expires upon the election of his successor unless he resigns from office or his office becomes vacant by death, removal or other cause. The following table sets forth as at May 8, 2003, the names of the directors of the Company, their municipality of residence, their principal occupation and the year they became directors of the Company.

CLASS A DIRECTORS

Name and Municipality of Residence	Principal Occupation	Director Since
Alain Bouchard(1) (2) .... Ville Lorraine, Quebec	Chairman of the Board, President and Chief Executive Officer, Alimentation Couche-Tard Inc. (convenience store chain)	1997
Robert Dutton(2) .... Nuns' Island, Verdun, Quebec	President and Chief Executive Officer, RONA Inc. (hardware retailer)	2002
Pierre Laurin(1) .... Nuns' Island, Verdun, Quebec	Executive-in-Residence, École des hautes études commerciales (HEC) (University teaching)	1991
Raymond Lemay(1) (2)............................. Anjou, Quebec	Corporate director	1989
The Right Honourable .... Brian Mulroney, P.C., C.C., LL.D. Westmount, Quebec	Senior Partner, Ogilvy Renault (Barristers and solicitors) and Chairman of the Board of Quebecor World Inc.	1999
Jean Neveu .... Longueuil, Quebec	Chairman of the Board of the Company, Chairman of the Board of TVA Group Inc., President and Chief Executive Officer, Quebecor World Inc.	1988
Érik Péladeau .... Rosemère, Quebec	Vice Chairman of the Board of the Company, Vice Chairman of the Board of Quebecor Media and Vice Chairman of the Board and Senior Executive Vice President of Quebecor World Inc.	1988
Pierre Karl Péladeau .... Montreal, Quebec	President and Chief Executive Officer of the Company, President and Chief Executive Officer of Quebecor Media and Chairman of the Board of Nurun Inc.	1992

CLASS B DIRECTORS

Name and Municipality of Residence	Principal Occupation	Director Since
Françoise Bertrand................................ La Prairie, Quebec	Partner, Group Secor (management consulting firm)	2003
Jean La Couture, FCA .... Montreal, Quebec	President, Private Hearing Ltd. (counsellors in conflict and litigation) and President, Top Management Services Inc. (holding company)	2003
Pierre Parent .... Nun's Island,Verdun, Quebec	President General Manager, Windigo, s.e.c. (property and hotel management) and Chairman of the Board of Resort One Inc. (hotel management).	2003

(1) Member of the Audit Committee.
(2) Member of the Compensation Committee.

7.2 Senior Officers

The following table shows the names of the senior officers, their municipality of residence and their position within the Company as at May 8, 2003:

Name and Municipality of Residence	Position within the Company
Jean Neveu Longueuil, Quebec	Chairman of the Board
Érik Péladeau Rosemère, Quebec	Vice Chairman of the Board
Pierre Karl Péladeau Montreal, Quebec	President and Chief Executive Officer
Jacques Mallette Boucherville, Quebec	Executive Vice President and Chief Financial Officer
Luc Lavoie Montreal, Quebec	Executive Vice President, Corporate Affairs
Mark D'Souza Kirkland, Quebec	Vice President and Treasurer
Louis Saint-Arnaud Mont Saint-Hilaire, Quebec	Vice President, Legal Affairs and Secretary
Denis Sabourin Kirkland, Quebec	Senior Manager, Control
Claudine Tremblay Nuns' Island, Verdun, Quebec	Corporate Service Manager and Assistant Corporate Secretary

All the officers have held the positions and principal occupations indicated above or other occupations within Quebecor for the past five years, except Jacques Mallette, who was President and Chief Executive Officer, Cascades BoxBoard Group Inc., for which he first held the position of Vice President and Chief Financial Officer in 1994; Luc Lavoie, who was Executive Vice-President, National Public Relations (from August 1997 to December 2000); and Denis Sabourin, who was Corporate Controller of Compagnie Unimédia (formerly Unimédia inc.) (from 1994 to 2001).

As at March 31, 2003, the directors and officers of the Company, as a group, beneficially owned or exercised control or direction over 17,515,414 Class A Shares (or 76.80% of the Class A Shares) and 94,484 Class B Subordinate Voting Shares (or 0.22% of the Class B Subordinate Voting Shares) of the Company, 9,950 Subordinate Voting Shares (or 0,01% of the Subordinate Voting Shares) of Quebecor World.

ITEM 8 ADDITIONAL INFORMATION

Other information, including information on the remuneration and indebtedness of directors and officers, the principal holders of the Company's securities, stock options as well as the participation of insiders in material transactions, as the case may be, is contained in the Company's Management Proxy Circular prepared in connection with the Annual Meeting of Shareholders of the Company held on May 8, 2003. Other financial information is included in the comparative consolidated financial statements and notes thereto for the year ended December 31, 2002. Copies of these documents may be obtained from the Communications Department of the Company, at 612 Saint-Jacques Street, Montreal, Quebec, H3C 4M8, or by telephone at (514) 380-1973.

In addition, when the securities of the Company are in the course of a distribution pursuant to a short-form prospectus or when a preliminary short-form prospectus is filed, the following documents may be obtained free of charge from the Communications Department of the Company:

i) one copy of the Annual Information Form, together with one copy of any document or portion thereof incorporated by reference therein;

ii) one copy of the comparative financial statements of the Company for its most recently completed fiscal year together with the report of the auditors thereon and one copy of any interim financial statements of the Company subsequent to the financial statements for its most recently completed fiscal year;

iii) one copy of the Company's Management Proxy Circular for its most recent annual meeting of shareholders which involved the election of directors; and

iv) one copy of any other documents that are incorporated by reference in the preliminary short form prospectus or the short form prospectus.

At any other time, one copy of the documents referred to in sub-paragraphs i), ii) and iii) above will be provided free of charge, upon request to the Communications Department of the Company.

APPENDIX A

PARTS OF ANNUAL INFORMATION FORM OF QUEBECOR WORLD INC.

ITEM 3 – NARRATIVE DESCRIPTION OF THE BUSINESS

The Company has rotogravure, web offset and sheetfed printing capacity for a wide variety of printed materials, such as magazines, retail inserts, catalogs, specialty printing and direct mail, books, directories, pre-media, logistics and other value-added services. Printing services, including design, production and distribution, are offered from more than 165 printing and related services facilities located throughout the United States, Canada, France, the United Kingdom, Spain, Switzerland, Sweden, Finland, Austria, Belgium, Brazil, Chile, Argentina, Peru, Colombia, Mexico and India.

3.1 DESCRIPTION OF PRODUCTS AND SEGMENTS

Description of Segments

The Company operates in the printing industry. Its business units are located in three main geographic segments as follows:

	Years Ended December 31,			
	2002		2001	
	$	%	$	%
	($ in millions)			
Revenues:				
North America	5,078.6	81	5,268.1	83
Europe	982.3	16	891.3	14
Latin America	183.0	3	161.4	3
Other and Intersegment	(1.9)	-	(0.7)	-
Total	6,242.0	100	6,320.1	100
Operating income:*				
North America	527.3	94	564.5	91
Europe	39.5	7	53.9	9
Latin America	14.2	2	10.4	2
Other	(18.2)	(3)	(11.0)	(2)
Total	562.8	100	617.8	100

* *Before restructuring and other charges*

Commercial printing is a very fragmented, capital-intensive manufacturing industry. The North American and European printing industries are highly competitive in most product categories and geographic regions. In addition, with economic conditions and consumer spending in Latin America becoming increasingly favourable, the market for print and print advertising will expand dramatically in the near and medium terms. The Company believes that the ten largest competitors in the North American and European commercial printing markets have in aggregate less than 25% of the total share of each of their respective markets. In North America alone, there are more than 32,000 commercial printers.

Commercial printers tend to compete within each product category based on price, quality and the ability to service customers' specialized needs. Small competitors are generally limited to servicing customers for a specific product category within a regional market. Larger and more diversified commercial printers with greater geographic coverage have the ability to serve national and global customers across multiple product segments.

Management believes that both the North American and European printing markets are consolidating and that acquisition targets will continue to be available as larger commercial printers displace medium-size printers and regional competitors. Industry trends in Latin America, which are mirroring historical developments in North America, should also provide acquisition opportunities. Over the past decade, North American and European publishers have outsourced their printing operations. This trend began in the mid-1990s in Europe as demonstrated initially by the decision of Associated Newspapers in 1995 to outsource its printing to the Company and, more recently, by the Company's acquisition of the European printing assets of Hachette Filipacchi Media in France and Belgium. The Company's ongoing partnership with the Brazilian publisher Editora Abril, S.A., which commenced in 2000, is a reflection of a similar trend taking root in Latin America. This segregation of publishing and printing activity should provide independent printers greater acquisition opportunities and enable them to seek printing business with previously captive customers. Management believes that the Company is well positioned to continue to take advantage of the consolidation of the North American, European and Latin American commercial printing markets.

The Company is one of the few commercial printers that has the ability to serve customers on a regional, national and global basis. As a result, the Company has been able to build a substantial business within each of the American, Canadian and European segments and to pursue its expansion in Latin America.

In the United States, the Company is the largest commercial printer with more than 94 facilities and 23,520 employees operating in 31 states. The Company is a leader in the printing of books, magazines, retail inserts, catalogs, specialty printing, and direct mail.

The Company is the largest commercial printer in Canada, with 31 facilities in six provinces and more than 6,780 employees. It offers a diversified mix of printed products and related value-added services to the domestic market and internationally, including substantial exports to the United States.

In Europe, the Company operates in France, Belgium, Switzerland, the United Kingdom, Spain, Sweden, Austria and Finland, with 31 facilities and approximately 5,900 employees serving customers in 13 European countries. It is the largest independent commercial printer in Europe.

The Company also operates in Latin America with eight facilities and approximately 2,800 employees, as well as in India, where it has one facility and 60 employees.

Description of Business Group

The Company's operations are managed by eight distinct business groups. Each business group is accountable primarily for one product, group of products or geographic region. The Company's revenues by business group are as follows:

	Years Ended December 31,			
	2002		2001	
	$	%	$	%
	($ in millions)			
Magazines and Catalogs	1,671.5	27	1,785.4	28
Retail	1,172.5	19	1,074.1	17
Commercial and Direct	687.2	11	829.3	13
Book	512.5	8	532.1	8
Directory	473.8	7	500.9	8
Other Revenues	559.2	9	545.6	9
Europe	982.3	16	891.3	14
Latin America	183.0	3	161.4	3
Total	6,242.0	100.0	6,320.1	100.0

Magazines and Catalogs

The Company is the world's leading printer of consumer magazines. It prints more than 1,000 magazine titles, including: *Time*, *Sports Illustrated*, *People Weekly*, *Fortune*, *Money*, *TV Guide*, *Southern Living*, *Car and Driver*, *Le Figaro Magazine*, *Reader's Digest*, *Maclean's*, *L'Actualité*, *Châtelaine*, *Flare*, *7 Jours*, *T.V. Magazine*, *Ebony, ESPN, Woman's Day, Good Housekeeping, Elle, Rolling Stone, Newsweek, US News & World Report*, *Cosmopolitan, GQ, Vogue, Forbes, Veja, Aftonbladet TV/Sunday, Expressen TV/Sunday*, *American Profile*, *Cooking Light, Family Fun, Golf Digest, Maxim, Motor Trend, Parents, Self, Paris Match, Snej Dej* and *Version Femme* among other magazines, as well as all the magazines published by the Parent. The Company prints 45 percent of the top 125 magazine titles in North America. It operates a global print platform with operations in the United States, Canada, Europe and Latin America.

Management believes that the Company is the industry leader in producing weekend newspaper magazines. These are four-color magazines inserted in major-market weekend newspapers. The Company prints two syndicated weekend magazines, *Parade* and *USA Weekend*, as well as locally edited and distributed weekend newspaper magazines. In the United Kingdom, the Company is an important supplier of weekend supplements for *Associated Newspapers*, *Mirror Group Newspapers* and *Guardian Newspapers*.

The Company has invested in pre-media (computer-to-plate) and press technology to enhance its ability to service this market. For the production of medium to long-run magazines, the Company is at an advantage because its plants have selective-binding and ink-jet-imaging capabilities and can utilize the Company's mail analysis system.

The Company also prints comic books for leading companies such as *D.C. Comics, Marvel Entertainment, Image Comics and Archie Comic Publications*. In the comic book market, the Company operates an on-line computer management system that provides publishers with information regarding the production and distribution status of each of their titles.

The Company is the largest printer of catalogs in the world. It prints several hundred different catalogs on an annual basis for many of North America's direct mail retailers such as *L.L. Bean, Spiegel, Ikea, Victoria's Secret, BryLane, Office Depot, Scholastic, Blair, Sears, Avon, Circuit City, JC Penney, Oriental Trading Co.*, *Seton*, *United Stationers* and *Williams-Sonoma.* The Company offers special catalog services such as list services, to help customers compile effective lists for distribution, selective-binding capacity to allow customers to vary catalog content to meet their customers' demographic and purchase patterns, and ink-jet addressing and messaging to personalize messages for each recipient. This technology partially offsets postage-cost increases by eliminating pages of products that do not fit a buyer's demographic or purchasing profile. The Company's global network also allows the Company to offer its customers one-stop shopping for all of their catalog needs in North America, Europe and Latin America.

Retail

The Company's major retail inserts customers include large retailers, such as *Sears*, *Walgreen's*, *Home Depot, Staples, Rite-Aid*, *Wal-Mart*, *CVS*, *JC Penney*, *Shoppers Drug Mart*, *Canadian Tire*, *Radio Shack, Carrefour*, *RONA*, *Conforama*, *Leclerc, A & P, Albertsons, Casino, Castorama, Intermarché, Jean Coutu, Kvickly, Value City* and *Loblaw's*. In North America, the Company's 13 rotogravure process printing plants offer both the coast-to-coast manufacturing network and the long-run efficiencies required to serve the larger retail customers. The Company has five rotogravure process printing plants in France, one in Belgium and two in Nordic countries. In Canada, the Company prints inserts and circulars using heatset and coldset web offset and rotogravure processes in accordance with customer requirements. The Company also offers digital engraving and related pre-press processes, which both enhances quality and shortens time-to-market.

Commercial and Direct

Products in these categories include annual reports, corporate prospectuses, promotional literature, calendars, posters, direct-mail products, highly personalized catalog wraps and promotions for the auto industry and other custom items. The Company's web and sheetfed printing presses of a smaller size permit the Company to offer custom colors, coatings, finishes and specialized binding required to produce a wide variety of print products. The Company provides numerous print-related services to customers, including typesetting, pre-press, circulation fulfillment, list management, mailing and distribution, in particular through desktop-publishing and electronic pre-media technology.

Quebecor Merrill Canada Inc., a subsidiary of the Company, offers services of manufacturing operations to serve the market for financial documents, prospectuses, annual reports and related printing.

The Company's Direct division is established as international leader in the application of versioning, ink jet addressing, print-on-demand technology and computer-to-plate techniques which are critical to the customized production and compressed cycle times that customers demand today.

Book

The Company is the North American industry leader in book manufacturing. The Book Group is an industry leader in the application of new technologies for book production including electronic pre-media, information networking, digital printing, computer-to-plate and electronic data interchange. With plants in the United States, Spain, and Latin America, the Company serves internationally more than 1,000 publisher customers, including *Simon & Schuster, Scholastic, Thomas Nelson Publishers, AOL/Time Warner, McGraw-Hill, Pearson, Houghton-Mifflin*, *Harlequin*, *Reed Elsevier*, *MacMillan, Random House, Santillana, Thomson Publishing, Walt Disney* and *Reader's Digest.*

In keeping with its full-service approach, the Company also provides on-demand printing services for small quantities of books, brochures, technical documents and similar products to be produced quickly and at a relatively low cost.

Directory

The Company specializes in telephone directories and is the largest directory printer in Canada and among the largest directory printers in North America and Latin America. The presence of the Company's directory group in the North American market dates back to the late nineteenth century with the printing of Bell Canada's first directories. The Company prints telephone and other directories for a large number of companies including *Pacific Bell, Qwest-Dex, BellSouth, Listel, Telmex, Verizon Information Services*, *SBC Smart Yellow Pages Group, Telefonicà de España, TransWestern Publishing, MTS Advanced, Yellow Book USA* and *Yellow Pages Group Co*. In 1994, the Company began production of directories for the Indian domestic market at its directory facility near New Delhi, India.

Pre-Media, Logistics and Other Value-Added Services

The Company is a leader in the transition from conventional pre-press to an all-digital workflow, providing a complete spectrum of film, and digital preparation services, from traditional past-up and colour separation to state-of-the-art, all-digital pre-media, as well as digital emerging and digital archiving. Such pre-media services include the colour electronic pre-media system, which takes art work from idea to final product, and desktop publishing, giving the customer greater control over the finished product. These pre-media services are especially helpful to smaller customers, who may not have the capital to employ such equipment or who may have to rely on third-party vendors, which may result in coordination and delay problems. Our specialized digital and pre-media facilities, which are strategically located close to and, in certain cases, onsite at, customers' facilities, provide our customers high quality, twenty-four hour preparatory services linked directly to the Company's various printing facilities. In addition, our computer systems enable the Company to electronically exchange both images and textual material directly between the Company and the customers' business locations. The integrated pre-media operations provide the Company with competitive advantages over traditional pre-press shops that are not able to provide the same level of integrated services. Que-Net Media, a division of the Company, brings together the full range of digital technologies and pre-media assets within the Company that allows it to focus on providing a more comprehensive range of solutions to the customer base of the Company. Other value-added services, including mail list, shipping and distribution expertise, ink-jet personalizing and customer-targeted binding, are rapidly becoming requirements of numerous customers.

The establishment of Quebecor World Logistics Inc., a subsidiary of the Company, has made the Company the largest and most technologically advanced print transport company, as well as the largest customer by volume of the U.S. Postal Service. Quebecor World Logistics Inc. provides complete logistics services including customized door-to-door planning, management, transportation, delivery and tracking solutions, thereby providing customers with cost-effective, efficient and trackable distribution services.

3.2 MANUFACTURING

Description of Processes and Equipment

The Company uses principally two types of printing processes, rotogravure and offset, which are the most commonly used commercial printing processes. Both processes have undergone substantial technological advances over the past decade, resulting in significant improvements in speed and print quality. The Company estimates that in 2002 approximately 75 percent of its revenues by volume were printed using offset and the remainder using the rotogravure process.

Rotogravure

With 102 rotogravure presses, the Company is one of the largest world-wide printers using the rotogravure process. The process uses a copper-coated printing cylinder which is mechanically engraved using high-precision, computer-controlled and diamond-cutting heads. Although the engraving of the printing cylinder is relatively expensive, the printing cylinder itself is extremely durable and cost effective per long run. The rotogravure process has an excellent reputation for the quality of its four-color reproductions on various grades of paper and the very high speed at which it is capable of running.

The rotogravure process is well suited to long-run printing of advertising inserts and circulars, Sunday newspaper magazines and other high-circulation magazines and catalogs. The Company believes that its coast-to-coast network of rotogravure facilities in the United States offers both the capacity and locations required by large merchandisers and publishers. The acquisition in March 2002 of the European printing assets of Hachette Filipacchi Medias provides an advantageous position in the rotogravure market in Europe. The Company's advanced ability in rotogravure digital pre-media also ensures more efficient and accurate production of the same insert simultaneously in multiple locations, thereby offering the customer the efficiency and cost savings of manufacturing and distribution closer to its end-use markets in reduced time frames.

Offset

In the offset process, an inked impression from a thin metal plate is first made on a rubber cylinder, after which it is offset to paper. There are several types of offset printing processes: sheetfed and web, heatset and coldset. Sheetfed presses print on sheets of paper, whereas web presses print on rolls of paper. Short-run printing is generally best served by sheetfed offset, whereas web offset is generally the best process for longer runs.

Heatset web offset involves a press which uses an oven to instantly set or dry the oil-based inks. This permits high speed and better quality and is best suited for printing on glossier papers (coated paper). Heatset web offset is used to print retail inserts, magazines, catalogs and books. The Company owns 468 heatset web offset presses.

Coldset web offset involves a press that does not use an oven to dry the ink, instead using oil-based inks that are absorbed into the paper and dried by oxidation. Coldset web offset is used mainly to print newspapers, books, directories, and some retail inserts. The Company owns 60 coldset web offset presses.

The Company owns 193 sheetfed offset presses, which print books, promotional material and direct-mail products and form a network of smaller regional facilities that constitutes an advantage in the Company's overall business strategy. Most of these facilities are large suppliers in their local markets.

3.3 SALES AND MARKETING

The sales and marketing activities of the Company are highly integrated and reflect an increasingly global approach to meeting customers' needs that is complemented by product-specific sales efforts. Sales representatives are located in plants or in regional offices throughout North America, Europe, and Latin America, generally close to their customers and prospects. Each sales representative has the ability to sell into any plant in the Company's global network. This enables the customer to coordinate simultaneous printing throughout the Company's network through one sales representative. Certain of the larger customers centralize the purchase of printing services and, in this regard, the Company's ability to provide broad geographical services is clearly an advantage over smaller regional competitors.

Since 1995, the Company has proceeded to complete ISO 9000 series certification at various plants where it operates and it is continuing to ensure that more and more plants will be ISO 9000 series certified. The ISO 9000 series of international standards certify that a company meets quality control requirements in its production processes.

As of the date hereof, twelve of the Company's plants have received the ISO-14001 certification, an internationally recognized environmental management system, the goal of which is the continuous improvement in environmental management.

The Company supports its sales efforts with marketing programs that involve advertising and trade shows to reinforce the corporate image in the buyer's mind. It also provides technical seminars and printing consulting services to make customers aware of market opportunities and the Company's capabilities.

The Company believes that its size and network of locations throughout North America, Europe and Latin America is an advantage over smaller competitors in terms of shipping and distribution. Because of its volume, the Company is able to set up pool-shipping systems, which enable customers to ship their products at significant discounts. The discount is achieved through agreements with the postal services, which provides the mailer/customer with a discount if the mailer/customer pays the freight costs to transport the mail closer to the postal services delivery office. The Company uses its custom-built mail analysis system, which automatically combines different customers into truck-load shipments and analyzes the cost-savings benefit to the customer. The mail analysis system then generates the necessary forms, bills of lading and freight invoices for the customer.

Ink-jet personalizing is increasingly being used by many publishers and catalogers. Ink-jet addressing eliminates the additional process of printing paper labels and improves mailing efficiency. Catalogers use ink-jet personalizing in a number of ways. Ink-jet addressing allows both the cover and the order form to be labelled and to show customer-coding information. Furthermore, as catalogers continue to look for methods to increase the level of personalization, the ink-jet process is being used more frequently to add personal messages, specific inserts to frequent buyers, or unique coding information for order entry. Another advantage to ink-jet printing and selective binding is the Company's ability to merge lists of names for the same customer or to co-mail different customers to achieve increased postal pre-sort discounts.

3.4 COMPETITIVE STRENGTHS

Management believes it has certain competitive strengths which enable it to provide enhanced customer service while maintaining a low-cost position in the industry. Such advantages include broad geographic coverage, a single source of printing services, technological capabilities, economies of scale and a large manufacturing base.

Broad Geographic Coverage. Certain of the Company's largest customers utilize simultaneous printing in several of the Company's locations. The Company is one of the few commercial printers that can service these customers in virtually all of their markets, allowing them to coordinate their requirements. In addition, multi-plant simultaneous printing makes delivery more efficient and lowers distribution costs for national products such as *Parade* and *USA Weekend.*

Single Sourcing. By providing its customers a wide variety of printing, pre-press, post-press and distribution services, the Company is able to become a more integral element in its customers' publishing process while simultaneously expanding its sources of revenues. As large customers have centralized their purchasing of printing services, the Company's ability to provide a single source for comprehensive printing services and broad geographical coverage is a competitive advantage, since customers are not required to contract with numerous smaller specialized and regional competitors.

Technological Capabilities. The Company is committed to the effective use of state-of-the-art technology, including the development of new printing technologies, upgrade of existing printing assets and further development of integrated services. The Company's technological capabilities have enabled it to lower its cost position and to better serve its customers by improving quality, flexibility, speed and cost of production. Keeping pace with the technological developments in the industry requires substantial capital expenditures. Hence, in 2002, the Company spent $184.5 million on capital expenditures, including faster and more efficient presses and pre-press and post-press technologies. In 2003, capital expenditures will be made in order to maintain the Company's existing assets and to invest in new projects for expansion in selected markets. The breadth of the Company's business enables it to spread technological investments over numerous facilities and product segments and its size enables it to lower its relative cost position by spreading fixed capital investment over a greater base of revenues.

Economies of Scale. The Company enjoys significant economies of scale which, in the opinion of management, provides the Company with a cost advantage. The Company also purchases a significant amount of printing equipment. Management believes that such purchasing power enables the Company to purchase both raw materials, primarily paper and ink, and equipment, on enhanced terms. This purchasing power also ensures availability of raw materials in tight markets. In 1998, the Company opened a global procurement office in Fribourg, Switzerland. Global procurement allows the Company to achieve economies of scale for materials and equipment.

The Company has realized more cost savings from synergies resulting from its merger with World Color than it had originally anticipated. By consolidating platforms into fewer but larger and more specialized plants, the Company reduces administrative costs and achieves better economies of scale. In addition, increased plant specialization allows for greater efficiency and improved distribution reduces the final cost to customers and improves speed of delivery.

The growth of new media provides the Company with further opportunities to exploit its economies of scale. Increasingly, clients seek to repurpose information so that it can be used in both printed and electronic forms. The Company has implemented digital workflows and has provided tools such as its Digital Asset Management System and Automated Publishing System to facilitate the re-use of information in a more cost effective manner than its competitors.

Large Manufacturing Base. The Company's diversity and breadth of plant and press capability, product mix and large customer base facilitate greater capacity utilization. Most presses can produce a variety of printed products, and the Company frequently allocates orders among its facilities to optimize their equipment utilization. In addition, the Company's large manufacturing base combined with its technological capabilities frequently enable the Company to improve customer service and operating margins by transferring technology and maximizing the printing capabilities of its facilities.

Management believes that further consolidation of the fragmented printing industry will occur due to the advantages of size, the high cost of capital equipment and technology and the demand of many large customers for broad, technologically advanced, continent-wide and international printing services. The Company's competitive and financial strengths and its substantial experience in integrating acquired businesses provide it with the ability to take advantage of this industry dynamic. Having established a critical size and the geographic and product diversity required to compete, the Company is focused on continuing the expansion of its customer base, markets and scope of services in North America, Europe and Latin America.

3.5 CAPACITY UTILIZATION

The Company's diversity in plant and press capability, product mix and large customer base facilitate greater capacity utilization. Most presses can produce a variety of printed products and the Company will frequently allocate orders among its facilities to optimize their utilization. Because the Company serves a wide variety of markets, it is able to redeploy equipment, thereby maximizing its utility and extending its useful life. Diversity in plant and press capability enables the Company, through central scheduling of the Company's presses, to assign a particular order to the machine best suited for it. Through its most recent restructuring initiatives, the Company has relocated 20 pieces of equipment in an effort to maximize utility.

3.6 TECHNOLOGY

The Company is committed to the effective use of state-of-the-art technology to provide cost-effective customer service. The Company is active in, among others, the following areas: rotogravure computer-aided pre-press and cylinder processing, which improves time and cost efficiencies and the quality of pre-media page preparation and cylinder engraving; wide-web heatset web offset presses, where the Company collaborated on the engineering and subsequent installation of nine "Sunday Press" 54-inch, 48-page presses, which are twice as productive as standard 36-inch, 32-page presses; ink-jet-addressing and messaging systems, with the Company offering a 72-line messaging capability for the customization of catalogs and magazines.

The Company also cooperates with large suppliers in the area of research and development of new printing technologies, materials and processes. The Company's capital-improvement programs include adding, replacing and/or upgrading existing equipment.

The Company continues to invest in Target Bound™ selective binding equipment, which enables publishers and catalog merchandisers to produce multiple versions of a magazine or catalog in a single bindery run. It also acquired colour electronic pre-media and desktop-publishing equipment, invested in its mail analysis system, acquired new equipment for answer-card printing and insertion.

The Company has continued to invest in faster, more efficient and higher-quality presses. Pre-media has continued to witness dramatic enhancements in the digital electronic area, with new computer software and hardware installed to help customers create their pages more quickly and more efficiently. The Company has been an industry leader in bringing new imaging services on-line that streamline the process of preparing pages for print. The Company was one of the first printers to install desktop publishing, direct-to-film and computer-to-plate systems for offset printing, which eliminates entirely the costly and time-consuming film step in print production. It has furthermore established one of the industry's most sophisticated data communications networks, capable of transmitting a customer's publication files quickly and efficiently from the customer's location to multiple plant locations.

Management believes that only printers capable of investing and integrating new technology will continue to expand. One important technological change was the arrival of the "Sunday Press". These new machines compete with presses that run at 2,000 feet per minute on a 36 inch-wide cylinder by offering speeds of 3,000 feet per minute on 54 inch-wide cylinders. Using the same crew, these new presses have brought about a significant improvement at the margin level. The Company currently owns 16 Sunday presses.

The Company continues to upgrade its U.S. rotogravure network to produce magazines, catalogs, inserts and flyers, and Sunday Magazines. The Company became the first commercial printer to install the latest generation of short cut-off tabloid offset presses. These presses print more pages at faster speeds and use less paper than conventional tabloid presses. The Company has also invested in new and emerging digital and web-based technologies to improve services, cut costs and expand its range of products.

The Company operates a North American-wide telecommunications network, which enhances the Company's ability to move digital files between its facilities and customers quickly, share work among plants, and expand distribution and printing operations.

3.7 PURCHASING AND RAW MATERIALS

The principal raw materials used in the Company's products are paper and ink. In 2002, the Company spent approximately $2.3 billion on raw materials. The Company exercises its purchasing power to obtain pricing, terms, quality, quality control and service in line with its status as one of the largest industry customers.

The Company negotiates with a limited number of suppliers to maximize its purchasing power, but does not rely on any one supplier. Purchasing activity at both the local plant and corporate level is coordinated in order to increase and benefit from economies of scale. Inventory-control operations are also integrated into the purchasing functions of the Company, which has resulted in improvements in inventory turns. Plant inventories are also managed and tracked on a regional basis, increasing the utilization of existing inventories. In addition, most of the Company's long-term contracts with its customers include price-adjustment clauses based on the cost of materials in order to minimize the effects of fluctuation in the price of paper and ink.

The Company takes pride in offering world-wide procurement service to its customers. The procurement office, located in Fribourg, Switzerland, gives the Company a major competitive advantage. By consolidating the activities formerly carried out at four regional offices, the Company is able to reduce administrative costs, standardize procurement and provide customers with assured supply at attractive prices.

During 2000, the Company created a private web-enabled business-to-business (B2B) exchange, expanding on the Company's existing global procurement activities. Based in Fribourg, Switzerland, the exchange allows the Company to reduce costs and improve operating margins by aggregating demand for items such as ink and paper across the Company's 165-plant network, thereby creating a virtual warehouse for such items. The Company is currently evaluating a move beyond ink and paper to include additional materials in this global procurement activity.

3.8 COMPETITIVE ENVIRONMENT

The commercial printing business in North America and Europe is highly competitive in most product categories and geographic segments. Industry analysts consider most of the industry's markets to be currently oversupplied, and competition is significant. Competition is 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.

3.9 RISKS ASSOCIATED WITH CHANGES IN INTEREST RATES AND FOREIGN EXCHANGE

In the normal course of business, the Company is exposed to changes in interest rates. However, the Company manages this exposure by having a balanced schedule of debt maturities as well as a combination of fixed and variable rate obligations. In addition, the Company enters into interest rate swap agreements and cross-currency interest rate swap agreements to manage both its interest rate and foreign exchange exposure.

The Company also enters into foreign exchange forward contracts and interest rate swaps to hedge the settlement of raw materials and equipment purchases, to set the exchange rate for cross-border sales and to manage its foreign exchange exposure on certain liabilities, based in part on the Company's operations in a number of countries.

While the counterparties to these agreements expose the Company to credit loss in the event of non-performance, the Company believes that the possibility of incurring such a loss is remote due to the creditworthiness of the counterparties. The Company does not hold or issue any derivative financial instruments for trading purposes.

Concentrations of credit risk with respect to trade receivables are limited due to the Company's diverse operations and large customer base. As at March 31, 2003, the Company had no significant concentrations of credit risk.

3.10 CUSTOMERS

The Company believes that the product and geographical diversity of its customer base serve to reduce the impact on the Company of dramatic fluctuations in local markets or product-line demand. Many of the Company's large customers are under contract. These contracts include price adjustment clauses based on the cost of paper, ink and labor.

3.11 SEASONALITY OF THE COMPANY'S BUSINESS

The operations of the Company's business are seasonal, with approximately two-thirds of historical operating income recognized in the second half of the fiscal year, primarily due to the higher number of magazine pages, new product launches and back-to-school, retail and holiday catalog promotions.

3.12 HUMAN RESOURCES

As at December 31, 2002, the Company employed approximately 39,000 people, 10,541 of whom were covered by 74 separate collective agreements. Of these, ten collective agreements covering 1,458 employees will expire in 2003. These agreements are limited to single plants and groups of employees within these plants. In all its operations, the Company had 56 nonunionized plants at the end of its last financial year.

The Company believes that its relations with its employees and unions are generally good.

3.13 ENVIRONMENTAL REGULATIONS

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

Energy and pollution control is at the heart of the Company's commitment to the environment, and this has been particularly important in a year where energy costs have risen significantly. The Company has accelerated its program of replacing existing recuperative thermal oxidizer equipment with newer, more efficient regenerative thermal oxidizer equipment. This equipment not only reduces emissions, but also significantly reduces energy consumption.

ITEM 4 - SELECTED CONSOLIDATED FINANCIAL INFORMATION

4.3 DIVIDENDS

On April 24, 2003, the Company declared a dividend of \$0.13 per share on the Multiple Voting Shares and the Subordinate Voting Shares, a dividend of CA\$0.3845 per share on the Series 3 Preferred Shares, a dividend of CA\$0.4219 per share on the Series 4 Preferred Shares, and a dividend of

CA$0.43125 per share on the Series 5 Preferred Shares, which dividends are payable on June 2, 2003 to the shareholders of record at the close of business on May 16, 2003.

The Company has declared and paid semi-annual dividends since October 23, 1992 and quarterly dividends since 1998. The table below presents the annual dividends declared and paid by the Company on all of its shares since 1998:

	Multiple Voting Shares and Subordinate Voting Shares	**Series 2 Preferred Shares**	**Series 3 Preferred Shares**	**Series 4 Preferred Shares**	**Series 5 Preferred Shares**
1998	$0.24	CA$1.3151	N/A	N/A	N/A
1999	$0.28	CA$1.2500	N/A	N/A	N/A
2000	$0.33	CA$1.2500	N/A	N/A	N/A
2001	$0.46	CA$1.2500	N/A	CA$1.2703	CA$0.5069
2002	$0.49	CA$1.2500	N/A	CA$1.6876	CA$1.7250
As of March 1, 2003	$0.13	N/A	CA$0.3845	CA$0.4219	CA$0.43125

APPENDIX B

PARTS OF ANNUAL INFORMATION FORM OF TVA GROUP INC.

ITEM 4 - NARRATIVE DESCRIPTION OF THE BUSINESS

The following table provides information on revenues for each of TVA Group's business sectors.

REVENUES BY BUSINESS SECTOR
(in thousands of dollars)

	16 Months Ended December 31, 2002	12 Months Ended August 26, 2001
Television	$321,103	$226,768
Publishing	81,836	47,156
Distribution	38,755	74,601
Intersector items	(2,500)	(3,873)
TOTAL	$439,194	$344,652

4.1 TELEVISION

TVA Group owns and operates six (6) of the ten (10) stations comprising the TVA Network: CFTM-TV (Montreal), which is the Network's flagship station, and five (5) regional television stations: CFCM-TV (Quebec City), CHLT-TV (Sherbrooke), CHEM-TV (Trois-Rivières), CFER-TV (Rimouski-Matane-Sept-Îles) and CJPM-TV (Saguenay/Lac St-Jean) (the "regional stations"). In addition to these regional stations are four (4) affiliated stations: CHOT-TV (Gatineau) and CFEM-TV (Rouyn), owned by Radio Nord, as well as CIMT-TV (Rivière-du-Loup) and CHAU-TV (Carleton), owned by Télé Inter-Rives Ltée. TVA Group holds a 45% interest in Télé Inter-Rives Ltée. TVA Group also owns and operates *LCN* and the *Canal TVAchats*, in addition to holding stakes in the specialty television services *mentv*, *Mystery* and *Canal Évasion,* and the pay-per-view service *Canal Indigo*.

4.1.1 TELEVISION BROADCASTING

CFTM-TV (Montreal)

CFTM-TV (Montreal), which has been in operation since February 1961, operates from its television studios located at 1600 de Maisonneuve Boulevard East in Montreal, which also house TVA Group's administrative offices. CFTM-TV transmits its signal from an antenna located on the summit of Mount Royal.

CFTM-TV (Montreal)'s programming includes serials, drama, variety and service shows, magazine-style and quiz shows, films, news and public affairs programs. A major portion of CFTM-TV (Montreal)'s programming schedule is produced by TVA Group and its subsidiaries and is complemented by shows and films acquired from independent producers and third parties. This programming constitutes a considerable portion of the programming schedules of the TVA Network's member stations.

Regional stations

In 1982, TVA Group finalized the acquisition of CJPM-TV (Saguenay/Lac St-Jean). In 1990, TVA Group acquired Pathonic Network Inc. which then operated five (5) television stations broadcasting in various regions of Quebec, four (4) of which had been affiliated with the TVA Network for several years.

The programming of the regional stations comes primarily from CFTM-TV (Montreal) and is complemented by specific programming produced by each regional station that reflects their respective cultural, economic, political and social realities. CFCM-TV (Quebec City) produces 21 hours of local programming per week, a major portion of which is broadcast on the TVA Network. Each of the other regional stations produces and broadcasts more than three (3) hours of local programming per week. The TVA Network's stations carry numerous reports originating from local newscasts.

TVA Network

TVA Group is one of the founding members of the TVA Network and became its sole owner in 1992. TVA Group operates the TVA Network licence. The affiliation agreement between TVA Group and CHAU-TV (Carleton), owned by Télé Inter-Rives Ltée, will remain effective until August 2005, while the agreements with CHOT-TV (Gatineau) and CFEM-TV (Rouyn), owned by Radio Nord, will expire in August 2004. The affiliation agreement between TVA Group and CIMT-TV (Rivière-du-Loup), owned by Télé Inter-Rives Ltée, is currently being renegotiated.

4.1.2 SPECIALTY SERVICES

Le Canal Nouvelles (LCN)

Launched in September 1997, this all-news service broadcasts fifteen (15) minute information packages comprising news, sports and weather items that are updated on a regular basis. *LCN* reaches the vast majority of homes with cable service in Quebec.

LCN continued to grow over the past fiscal year, posting an increase of 37% in advertising revenues for the twelve (12) month period ended December 31, 2002 as compared with the previous twelve (12) month period. *LCN* reaches close to 2 million television viewers each week.

An audio version of *LCN*'s newscasts is also available on the *www.tva.canoe.com* Web site, in addition to being broadcast on the *Radio Info* 690 station from 10 p.m. to 5 a.m. and at night on the TVA Network.

mentv

On November 24, 2000, the CRTC granted TVA Group a national licence (CRTC decision 2000-464) for *mentv*, a new Category 1 English-language digital specialty service devoted to men's lifestyles. TVA Group holds a 51% interest in the general partnership created to operate *mentv* and Global Television Network Inc. holds the remaining 49%. *mentv* went on air on September 7, 2001. The service's licence will expire on August 31, 2007.

Mystery

On November 24, 2000, the CRTC granted TVA Group and its partners a national licence (CRTC decision 2000-469) for *13th Street* (whose name was later changed to *Mystery*), a new Category 1 English-language digital specialty service. TVA Group, Global Television Network Inc. and Rogers Broadcasting Limited are partners in Mystery General Partnership, created to operate this specialty service, with interests of 45.05%, 45.05% and 9.9% respectively. This service, devoted to mystery and suspense programming, was also launched on September 7, 2001 and its licence will expire on August 31, 2007.

Canal Évasion

This specialty service, launched in January 2000, is dedicated to travel, tourism and adventure. TVA Group holds an 8.3% interest in Canal Évasion Inc., which operates this service.

4.1.3 OTHER SPECIALTY SERVICES

On November 24, 2000, the CRTC granted TVA Group and its partners, in addition to licences for the *mentv* and *Mystery* specialty services, licences for the following:

i) Three (3) Category 1 French-language digital specialty services: *Télé Ha ! Ha !* (TVA Group, Film Rozon), devoted to humour and comedy; *LCN Affaires* (TVA Group, Publications Transcontinental, BCE Media), devoted to business and financial issues; and *Mystère* (formerly *13^e rue*) (TVA Group, Global Television Network Inc., Rogers Broadcasting Limited), devoted to mystery and suspense;

ii) One (1) Category 1 English-language digital specialty service: *Travel TV* (BCE Media, CTV, TVA Group), devoted to travel. On June 6, 2001, TVA Group, which held a 10.1% interest, retroceded its rights in that service to BCE Media;

iii) Five (5) Category 2 digital specialty services: *Première loge/Front Row* (TVA Group, Groupe Feeling, BCE Media), broadcasting in both French and English, and specializing in shows; *Digipix* (TVA Group), an English-language service specializing in fiction and digital video documentaries; and *Game One* (TVA Group, I Line), a service specializing in video games, in French and English.

With the consent of the CRTC, TVA Group and its partners postponed the launch of the three (3) Category 1 French-language digital specialty services *(Télé Ha! Ha!*, *LCN Affaires* and *Mystère)*, to the fall of 2003. As well, no date has yet been set for the launch of the Category 2 digital services *Première Loge/Front Row, Game One* and *Digipix*.

4.1.4 CANAL TVACHATS

On November 1, 1998, TVA Group acquired Canal Infopub, a channel combining infomercials with home shopping. Canal Infopub now operates under the name of *Canal TVAchats*. The sole infomercial and home shopping channel in Quebec, *Canal TVAchats* broadcasts promotional messages for products and services 24 hours a day, seven days a week, reaching approximately 1.4 million homes.

4.1.5 PAY-PER-VIEW TELEVISION

Canal Indigo

A consortium consisting of Cogeco Radio-Télévision inc., Réseau de télévision Quatre Saisons inc., Canal Première/Viewers' Choice Canada and TVA Group filed two (2) applications with the CRTC for pay-per-view television licences which were granted in 1995 (CRTC decisions 95-900 and 95-908). TVA Group holds a 20% interest in the general partnership created to operate *Canal Indigo*, which went on air in September 1996 and offers its viewers a very wide range of programming, including first-run movies, sports and cultural events.

4.1.6 PRODUCTION

JPL Production Inc. and JPL Production II Inc. ("JPL") produced close to 1,900 hours of original programming during the past sixteen (16) month fiscal period, including drama, variety shows, galas and quiz shows. The vast majority of JPL's production is produced for airing on the TVA Network.

4.1.7 HSS CANADA INC.

HSS Canada, now wholly owned by TVA Group, operates, among others, *Boutique TVA*, a home shopping show broadcast on TVA, with a variety of product offerings. *Boutique TVA* is a turnkey concept, including the full production of each program and all the necessary infrastructure to support sales, from order taking to the delivery of goods.

4.1.8 REVENUE SOURCES

Private television stations derive most of their revenues from the sale of air time for advertising. The rates set by stations depend largely on their audience share, on the demographic and socio-economic make-up of their audience and on other available media.

Air time on CFTM-TV (Montreal) and the regional stations is sold to advertising agencies on behalf of national advertisers by sales representatives employed by TVA Sales and Marketing Inc. Air time is also sold by local sales representatives to local retailers or advertisers.

The revenues of specialty services are for the most part derived from affiliation agreements with broadcasting distribution undertakings and, to a lesser extent, from the sale of air time to national advertisers. The primary source of the *Canal TVAchats* channel's revenue is the sale of its air time. The primary source of HSS Canada's revenue is the sale of consumer products.

4.1.9 LICENCES

Television stations and specialty services are all operated under licences issued by the CRTC. These activities are subject to the requirements and regulations of the *Broadcasting Act* (Canada), in particular the *Television Broadcasting Regulations, 1987* and the *Specialty Services Regulations, 1990*, as well as to CRTC policies and decisions published from time to time, and to the terms, conditions and expectations set out in the licence pertaining to each station or specialty service. These licences are issued for a fixed term and, before their expiry, TVA Group must apply to the CRTC for their renewal. Renewals are generally granted to companies that have complied with the terms and conditions of their licences. The acquisition or disposition of television broadcasting activities also requires regulatory approval. TVA Group believes it is fully compliant with all the terms and conditions of its various licences, and it has no reason to doubt that all its licences will be renewed upon their expiry.

The following table shows the broadcasting licences for each of the television stations belonging to TVA Group, as well as the licence for its wholly-owned specialty service.

Call letters	**Location**	**Expiry date**	**Decision number**
TVA Network	Canada	August 31, 2008	CRTC 2001-385
CFTM-TV	Montreal	August 31, 2008	CRTC 2001-385
CHLT-TV	Sherbrooke	August 31, 2005	CRTC 98-97
CHEM-TV	Trois-Rivières	August 31, 2005	CRTC 98-98
CFCM-TV	Quebec City	August 31, 2003 (1)	CRTC 98-108
CJPM-TV	Saguenay/Lac St-Jean	August 31, 2005	CRTC 98-95
CFER-TV	Rimouski	August 31, 2005	CRTC 98-96
Le Canal Nouvelles (LCN)	Montreal	August 31, 2003	CRTC 96-615

(1) To coincide with the renewals of the licences of all Quebec City television stations.

4.1.10 VIEWING AUDIENCE AND TELEVISION MARKET SHARE

Data pertaining to population and viewing audiences included in this section are taken from the Fall 2002 Bureau of Broadcast Measurement (BBM) surveys. The BBM is a not-for-profit organization composed of broadcasters, advertisers and advertising agencies that conducts periodic surveys to assess the demographics of viewers in Canadian television markets. The BBM conducts two (2) major viewer surveys, in the fall and spring. These surveys include an evaluation of the performance of most radio stations and all television stations in Canada.

While there are a variety of ways to evaluate the performance of television stations, advertisers tend to rely on the BBM studies to plan for an effective use of available media.

In the following tables, the “Reach” column indicates, for each station, the percentage of the population that watched the station for at least fifteen (15) minutes during a week. The “Total viewing hours” column indicates, for each station, the total number of hours spent watching the station by all viewers during a week.

4.1.10.1 CFTM-TV (MONTREAL)

CFTM-TV (Montreal) competes directly with three (3) other French-language television stations broadcasting from Montreal – CBFT-TV (Radio-Canada), CFJP-TV (Télévision Quatre Saisons) and CIVM-TV (Télé-Québec) – and with three (3) English-language Montreal television stations: CFCF-TV (CTV), CBMT-TV (CBC) and Global Quebec. Moreover, a large segment of CFTM-TV (Montreal)’s audience has access to several other television stations, including the American stations WPTZ (NBC), WCAX (CBS), WVNY (ABC), the FOX network and specialty services.

In terms of market share, CFTM-TV (Montreal) ranks first in Montreal’s extended French-speaking market. CFTM-TV (Montreal) also leads in terms of reach and total viewing hours in its extended market.

In addition, the viewing audience as a whole spends a total weekly average of 26,627,000 hours watching CFTM-TV (Montreal).

Stations	Market share	Reach	Total viewing hours
CFTM-TV	33%	76%	26,627,000
CBFT-TV	16%	71%	12,598,000
CFJP-TV	14%	61%	11,291,000
CIVM-TV	3%	32%	2,367,000
Others	34%	N/A	27,017,000

Source: BBM, Montreal extended market, Monday-Sunday, 6 a.m.-2 a.m., Fall 2002, 2+

4.1.10.2 CFCM-TV (Quebec City)

In the extended Quebec City market, CFCM-TV ranks first in terms of market share. CFCM-TV also leads in terms of reach and total viewing hours in its extended market. Its main direct competitors are CBVT-TV (Radio-Canada), CFAP-TV (Télévision Quatre Saisons) and CIVQ-TV (Télé-Québec).

Stations	Market share	Reach	Total viewing hours
CFCM-TV	34%	77%	8,542,000
CBVT-TV	14%	61%	3,511,000
CFAP-TV	14%	62%	3,437,000
CIVQ-TV	3%	27%	649,000
Others	35%	N/A	8,709,000

Source: BBM, Quebec City extended market, Monday-Sunday, 6 a.m.-2 a.m., Fall 2002, 2+

4.1.10.3 CHLT-TV (Sherbrooke)

In the Sherbrooke extended market, CHLT-TV ranks first in terms of market share and reach. CHLT-TV also leads in total viewing hours in its extended market. Its main direct competitors are CKSH-TV (Radio-Canada), CFKS-TV (Télévision Quatre Saisons) and CIVS-TV (Télé-Québec).

Stations	Market share	Reach	Total viewing hours
CHLT-TV	28%	61%	3,538,000
CKSH-TV	10%	50%	1,262,000
CFKS-TV	11%	49%	1,345,000
CIVS-TV	2%	20%	236,000
Others	49%	N/A	6,284,000

Source: BBM, Sherbrooke extended market, Monday-Sunday, 6 a.m.-2 a.m., Fall 2002, 2+

4.1.10.4 CFER-TV (Rimouski/Matane/Sept-Îles)

CFER-TV ranks first in terms of market share in the extended Rimouski/Matane/Sept-Îles market. CFER-TV also leads in terms of reach and total viewing hours in its extended market. Its main direct competitors are Radio-Canada, Télévision Quatre Saisons and Télé-Québec.

Stations	Market share	Reach	Total viewing hours
CFER-TV	34%	62%	2,122,000
CJBRT +	13%	54%	777,000
CJPC-TV	4%	21%	242,000
CIMV-TV	2%	23%	122,000
Other	47%	N/A	2,949,000

Source: BBM, Rimouski extended market, Monday-Sunday, 6 a.m.-2 a.m., Fall 2002, 2+

4.1.10.5 CHEM-TV (TROIS-RIVIÈRES)

In the extended Trois-Rivières market, CHEM-TV ranks first in terms of market share. CHEM-TV also leads in terms of reach and total viewing hours in its extended market. Its main direct competitors are CKTM-TV (Radio-Canada), CFKM-TV (Télévision Quatre Saisons) and CIVC-TV (Télé-Québec).

Stations	Market share	Reach	Total viewing hours
CHEM-TV	28%	59%	2,307,000
CKTM-TV	12%	55%	981,000
CFKM-TV	10%	47%	832,000
CIVC-TV	2%	22%	140,000
Others	48%	N/A	3,896,000

Source: BBM, Trois-Rivières extended market, Monday-Sunday, 6 a.m.-2 a.m., Fall 2002, 2+

4.1.10.6 CJPM-TV (SAGUENAY/LAC ST-JEAN)

In terms of market share, CJPM-TV (Saguenay/Lac St-Jean) ranks first in the extended market of Chicoutimi/Jonquière. CJPM-TV (Saguenay/Lac St-Jean) also leads in terms of reach and total viewing hours in its extended market. Its main direct competitors are CKTV-TV (Radio-Canada), CFRS-TV (Télévision Quatre Saisons) and CIVU-TV (Télé-Québec).

Stations	Market share	Reach	Total viewing hours
CJPM-TV	28%	73%	2,133,000
CKTV-TV	14%	64%	1,091,000
CFRS-TV	14%	58%	1,037,000
CIVU-TV	2%	22%	129,000
Others	42%	N/A	3,302,000

Source: BBM, Chicoutimi/Jonquière extended market, Monday-Sunday, 6 a.m.-2 a.m., Fall 2002, 2+

4.1.11 COMPETITION AND RISK FACTORS

The television sector competes directly with all other advertising media. The distribution of advertising dollars among these various media is determined by several factors, among them the economic climate, advertiser preferences and interest in the product offered.

In recent years, the television sector in Quebec has had to deal with a very competitive environment due to the multiplication of specialty services and the increase in sales of air time by government-owned stations. In addition to the larger number of television channels, viewers are increasingly solicited and attracted by the Internet and its peripheral services. However, the negative impacts of the new media on the television sector to date have been limited.

Enterprises in the television sector are subject to the cyclical fluctuations of the economy, which directly impact their profits because these firms have high fixed costs.

TVA Group’s revenues from the television sector depend on the value of available air time, which is largely determined by audience ratings, which in turn depend on programming content.

JPL benefits from government funding programs, some of which have recently changed. Modifications made to these programs in recent years have not significantly affected the operations or results of JPL.

4.1.12 SEASONAL VARIATIONS

The seasonal variations of retail business influence TVA Group's quarterly financial results.

4.2 PUBLISHING

4.2.1 TVA PUBLISHING INC.

Trustar, now called TVA Publishing Inc., joined TVA Group on January 17, 2000. TVA Magazines Inc., a subsidiary of TVA Publishing Inc., publishes the weekly magazines *7 jours*, *TV 7 jours*, *Le Lundi* and *Dernière Heure,* and the monthlies *Star inc*., *Cool!*, *femme d'aujourd'hui* and *Guide Internet*. TVA Publishing Inc. also has a 50% interest in Trustmedia Inc., which publishes *TV Hebdo*. TVA Book Publishers Inc., a TVA Publishing Inc. subsidiary, has nearly 100 titles in its catalogue.

4.2.2 TVA PUBLISHING II INC.

On May 16, 2002, TVA Publishing II Inc., a wholly-owned subsidiary of TVA Group, acquired Publicor, the magazines division of QMI, along with the *Échos Vedettes* tabloid. This transaction enabled TVA Group to add *Clin d'œil*, *Décoration Chez Soi*, *Filles d'aujourd'hui*, *Idées de ma maison*, *Échos Vedettes* and a number of other magazines to its list of offerings in this area, providing an exceptional complement to its existing titles.

4.2.3 REVENUE SOURCES

The main sources of revenue for the publishing sector are newsstand sales, subscriptions and advertising sales. Performance of this sector has improved steadily since the acquisition of Trustar in January 2000, despite a shrinking market and growing media diversity. Advertising sales have increased significantly as a result of changes introduced to make the magazines more attractive to advertisers while increasing their appeal to readers. Cost-cutting initiatives coupled with the synergies achieved as a result of the acquisition of Publicor during the fiscal year have resulted in the attainment of the profitability objectives that were anticipated.

4.2.4 COMPETITION AND RISK FACTORS

With the acquisition of Publicor, TVA Group's weeklies are read by more than 4.5 million readers each week, according to data compiled by the Print Measurement Bureau (PMB). The magazine *7 jours* alone, which features artistic and cultural events, has more than one million readers. In addition, TVA Group's monthlies are read by more than 5.3 million readers on a monthly basis. TVA Group is the newsstand sales leader, holding a share of more than 90% of the French-language market. In this market, TVA Group, with all of its magazines, obtains 57% of all subscriptions and newsstand sales.

The publishing sector's advertising revenues are subject to the cyclical fluctuations of the economy. Fluctuations in the price of paper affect magazine profitability and competition by other magazine publishers has an impact on newsstand sales.

4.3 DISTRIBUTION

4.3.1 TVA FILMS

The acquisition of Motion International Inc. in May 2000 did not produce the expected results, despite the significant investments made since the acquisition, as well as rationalization and cost-cutting initiatives.

In the fall of 2000, an in-depth analysis of the international production sector showed that the investments required to maintain operations would generate only weak profit margins in the long term. In January 2001, TVA International determined that it would be better to focus its activities in the sectors of distribution and production of animation and youth programming. This decision resulted in a $71 million writedown of the Company's assets ($63 million after taxes). TVA Group's share of this writedown was $50 million ($44 million after taxes).

In the following months, the TVA International management team continued to analyse the production and distribution sectors, in the context of increasingly difficult market conditions, especially with respect to the financing of its operations. TVA International retained the services of an investment bank in order to evaluate its options. Pursuant to this mandate, a process to sell the company's assets was initiated. The results of this process led TVA International to take a second writedown of $120 million after taxes. For TVA Group, this writedown amounted to a complete writeoff of its investment in TVA International. Discussions regarding the sale of TVA International's distribution business were commenced with different parties but no final agreement was reached. Faced with these conditions, TVA Group decided to create TVA Films, a division of TVA Group, and to give it a mandate to actively operate TVA International's rights catalogue while making targeted new product acquisitions. Following that decision, on August 25, 2002, TVA Group proceeded to wind up TVA Acquisition and its wholly-owned subsidiary TVA International along with most of their respective subsidiaries. These transactions resulted in TVA Group and certain of its subsidiaries becoming direct owners of the assets of these corporations and assuming their liabilities. Accordingly, TVA International's bank debt amounting to close to $20 million, of which $10 million was guaranteed by TVA Group, was repaid out of TVA Group's credit facilities. TVA Films continues to manage TVA International's rights catalogue. The winding-up of these entities allowed TVA Group to simplify its organizational structure and recognize a deferred tax asset of $21 million, which asset will be realized as TVA Group and certain of its subsidiaries generate taxable income.

4.3.2 REVENUE SOURCES

TVA Films acquires and exploits rights for the distribution of films and audiovisual productions in Canada. Revenue is derived from three (3) main sources: the showing of films in movie theatres, the rental and sale of video cassettes and DVDs and the sale of products comprised in its catalogue in the various TV windows (video-on-demand, pay-per-view, general interest and specialty TV channels).

4.3.3 COMPETITION AND RISK FACTORS

American film dominates the market in Canada with a market share ranging between 80% and 90% depending on the region concerned.

TVA Films, in addition to competing with American distributors, is in direct competition with all the Canadian film distributors, some of whom are larger than TVA Films.

The main risk factor has to do with choices made in connection with its acquisitions. As the number of films that TVA Films can acquire is limited, the commercial failure of one film acquired can have a significant impact on the revenues of TVA Films.

4.4 HUMAN RESOURCES AND LABOUR RELATIONS

At December 31, 2002, TVA Group and its subsidiaries had approximately 1,200 regular employees, which, with the inclusion of the employees from Publicor, represents a decline from the 2001 fiscal year. This decrease is the result of a reorganization of TVA Group and some of its subsidiaries undertaken during fiscal 2002, as well as the introduction of a special pre-retirement program.

TVA Group's labour relations with its television sector employees and with the employees of the *Échos Vedettes* tabloid are governed by eleven (11) collective agreements. Most of these collective agreements were renewed in fiscal 2002 while the collective agreement of the employees of CFTM-TV (Montreal) was renewed in March 2003. Four (4) new certifications were also granted by the governmental authorities in fiscal 2002. At this time, TVA Group anticipates no particular problems regarding the renewal of the remaining collective agreements.

4.5 ENVIRONMENTAL ISSUES

Because of the nature of TVA Group's activities, environmental laws have no material impact on its operations, nor are they expected to in the future.

ITEM 5

SELECTED CONSOLIDATED FINANCIAL INFORMATION

5.3 DIVIDENDS

The Company declares and pays dividends quarterly. Class A Shares and Class B Shares participate equally in any distribution of dividends approved by the Board of Directors.

APPENDIX C

PARTS OF ANNUAL INFORMATION FORM OF NURUN INC.

ITEM 3 – GENERAL DEVELOPMENT OF THE BUSINESS

3.3 Trends

The Corporation takes into account the following factors when evaluating its future growth. New competitors have appeared and e-business is ever changing and evolving. The pressure on prices is accentuated continuously. In essence, the unfavorable changes in the economy within Canada as well as outside the country may continue to have a negative impact on the Corporation's financial results. In spite of the encouraging prognosis that an economic recovery may soon be underway, the Corporation still detects certain prudence on behalf of its customers, consequently canceling or delaying approval of projects.

Also, for an outline of inherent risks and uncertainties associated with the Corporation's future results of operations, as well as a discussion of certain industry trends, reference is made to (i) the Management's discussion and analysis for the year ended December 31, 2002 (on pages 22 to 31 of the Corporation's 2002 Annual Report), which is incorporated herein by reference, (ii) "Item 4 – Narrative Description of the Business – e-Business Services Segment – Industry Background" of this Annual Information Form and (iii) Mindready's Annual Information Form dated May 13, 2003 (under "Item 3 – General Development of Business – Trends"), which is incorporated herein by reference.

ITEM 4 - NARRATIVE DESCRIPTION OF THE BUSINESS

4.1 e-business Services Segment

A. Industry Background

With the rapid growth of the Internet since 1994, the IT industry has undergone profound changes. A whole new segment of the global IT market has arisen, that of "Internet services and solutions".

IDC Research Institute predicted that the market for "e-business and Internet services" would expand significantly between 1998 and 2003, from $7.8 billion to about $78.6 billion in 2003, representing an average annual growth of 58%.

The growth of this market is characterized by a change in the types of projects that businesses are implementing. "Internet" projects have thus rapidly evolved from simple Web sites to achieve a presence on the World Wide Web to highly complex applications that support mission-critical activities. Increasingly, the size and complexity of the Internet projects implemented by businesses require a full spectrum of IT skills as well as skills in business strategy, marketing, new media and creativity.

This has given rise to a new and fast-growing market segment called "Web integrators": service providers who have succeeded in merging skills from a variety of disciplines to provide their clients with end-to-end services. Those clients seek partners who can offer multidisciplinary teams working in a fully integrated fashion, a challenge that a number of recently formed businesses are trying to meet by offering one-stop solutions for implementation of the new Internet projects.

After several years of strong growth, the difficult economic situation led to a slowdown in the demand for e-business services in North America as well as in Europe. The market has, thus, experienced a shift from rapid time-to-market demand to a slower sales cycle. Global 1000 clients have returned to their traditional, slower and more measured ways of making e-business service procurement decisions. Consultant contracting, evaluation and vendor management procedures are therefore going back to fundamentals. Secondly, the competition for e-business service firms is increasing, as traditional consulting firms and internal IT organizations have now developed Internet skills. Thirdly, the dot.com sector demand for Internet integration services has reduced significantly, as venture capital money is now being spent more cautiously than it was a year ago. Finally, companies working in the Internet field have had to adapt to a more demanding customer base asking an immediate and increased return on investment. Today, companies want to establish coherent interactive strategies linked to their overall business strategy.

B. Summary of the Corporation's Activities

Since the 2001 fiscal year, Nurun's service offering has evolved. Services related to Internet, intranet and extranet site creation, along with e-commerce solutions evolved towards a range of services integrated with the customer interaction planning cycle:

- Business intelligence
- Customer relationship management
- Web site design and development
- Online marketing
- Content management
- Online research
- Knowledge management
- Online government
- IT consulting

For more information on the e-business activities, refer to pages 12 to 19 of the Corporation's 2002 Annual Report, which is incorporated herein by reference.

As at December 31, 2002, the e-business Services segment of Nurun employed over 470 professionals in its offices in Montreal, Quebec City, Toronto, New York, Los Angeles, Detroit, Paris, Madrid, Barcelona and Milan.

C. The Corporation's Growth Strategy

Nurun intends to pursue an international growth strategy for its activities by leveraging its solutions, its penetration of targeted vertical markets, its existing multi-national customers and the synergy achieved with other Quebecor companies to offer unique solutions to businesses that are seeking to make the transition to Web-based e-commerce.

(i) Growth that reflects Quebecor's international presence and targets specific markets

Nurun intends to selectively deploy its operations in certain locations where Quebecor has business activities, in particular in the United States, Canada and Europe. In this manner it may benefit from existing business relations between Quebecor and Quebecor World and their customers.

It intends to establish relationships with other companies of the Quebecor group, in particular, Vidéotron ltd, Sun Media Corporation, Canada's second-largest newspaper chain in terms of average daily circulation; and Quebecor World, the world's largest commercial printer. These relationships may allow Nurun to offer unique solutions to put the advantages of the Internet to work for businesses, augmenting their use of print media.

(ii) Development of distinctive solutions based on a recurring earnings model

Nurun plans to gradually modify its earnings model to increase the percentage of recurring revenues, i.e., by earning revenues from long-term contracts, charging for its solutions on a "pay-per-use" basis or introducing user licenses for its products. These methods will be supported by long-term contracts that should increase the revenues earned from its products and their average life. The Corporation also intends to increase gross margins by adopting this business model.

(iii) A selective acquisition plan

Nurun's objective is to be one of the largest international Internet solutions providers focused on developing e-business strategies that integrate online and offline business activities. Nurun's strength lies in its strategic analysis and understanding of its clients' business and its ability to develop custom solutions tailored to their specific needs.

To this end, Nurun will selectively consider strategic acquisitions in the various horizontal or geographic markets where it hopes to establish a presence.

Any acquisition will be carefully planned to achieve the Corporation's strategic growth objectives and ensure a seamless fit between the various parts of the organization. Potential targets for acquisition will be businesses that allow Nurun to:

- position itself in new geographic markets
- offer value-added solutions in the targeted vertical markets
- acquire expertise specific to the targeted industries

In implementing this plan, Nurun can count on the support of Quebecor, which has developed acknowledged expertise in business acquisition and integration.

(iv) A preferred supplier for the companies in the Quebecor group

Nurun's goal is to assist each of the companies in the Quebecor group to leverage the potential of the Internet in order to optimize its internal processes and its dealings with customers, suppliers and business partners.

Nurun wishes to take advantage of its affiliation with the Quebecor group to become the preferred supplier of e-business and Internet solutions to these companies.

D. Competition

The Internet solutions industry is marked by a high degree of competition and there are a large number of players in the international, national, and regional markets. The Internet solutions industry is wide open and Nurun's competitors are communications and marketing service providers, advertising agencies offering Internet solutions, traditional systems integrators offering certain Internet solutions development services and, finally, graphic communications companies active in designing Web sites.

The Corporation's principal competitors are Burnstand Inc. and Cyberplex Inc. (in Canada), Digitas Inc., Modem Media Inc., Diamond Cluster International Inc., Avenue A Inc., (in the United States), and, in Europe, companies such as FI System and Valtech.

These competitors vary in technological knowledge, number of employees, and financial resources, but they are all subject to the same market factors when providing Internet solutions: functionality, performance and reliability of the solutions and methodology, depth of experience, availability and productivity of personnel, and cost. Based on its experience, the Corporation believes that it competes favorably with respect to these factors.

E. Intellectual Property

Nurun relies on a combination of copyright, trade secret and trademark laws, confidentiality procedures and contractual provisions to establish and protect its rights in its software and proprietary technology. The Corporation generally enters into non-disclosure agreements with employees and third parties and restricts access to its software-product source codes. The Corporation regards its source codes as proprietary information and attempts to protect the source code versions of its products, as well as documentation and other written materials, such as trade secrets and unpublished copyrighted works. The Corporation has entered into, and may be required from time to time to enter into, source-code escrow agreements with certain clients, providing for the release of its source codes in the event the Corporation is unable to fulfil its contractual obligations.

The Corporation does not possess any patent or copyright registrations in Canada or any other jurisdiction and no such applications are pending. Existing copyright and trade secret laws offer only limited protection and the laws of certain countries in which the Corporation's products are used do not protect the Corporation's products and intellectual property rights to the same extent as the laws of Canada. Certain provisions of license and strategic partnership agreements entered into by the Corporation, including provisions protecting against unauthorized use, transfer and disclosure, may be unenforceable under the laws of certain jurisdictions, and the Corporation is required to negotiate limits on these provisions from time to time.

The Corporation has registered trademarks in Canada and in United States but, to date, they have not had a significant impact on its activities.

F. Human Resources

Professionals working for the Corporation strive to deliver innovative, cost-effective solutions to clients with the help of a quality assurance program and structured training courses. Since 1995, the Corporation has been certified ISO 9001 for certain of its activities for the offices in Montreal and Quebec City. The quality assurance program is supplemented by training courses to keep personnel abreast of the latest developments in the appropriate areas. The Corporation has also established expert groups in various fields to provide support for its personnel. This concept enables professionals to manage complex projects within short periods of time. Thus, Nurun is able to respond to clients' changing business and technological needs.

As of December 31, 2002, the e-business Services segment of the Corporation had 474 employees and independent consultants, approximately 79% of who were professionals and almost 21% of who handled administrative tasks. Nurun's employees are not represented by any union nor have they entered into any collective agreements.

G. Risks Associated with Foreign Operations

For an outline of inherent risks and uncertainties associated with the Corporation's foreign operations, reference is made to the Management's Discussion and Analysis for the year ended December 31, 2002 (on pages 29 to 31 of the Corporation's 2002 Annual Report), which is incorporated herein by reference.

4.2 Test Engineering Solutions Segment

Reference is made to Mindready's Annual Information Form dated May 13, 2003 (under "Item 4 - Narrative Description of Business"), which is incorporated herein by reference, for a description of this area of the Corporation's business in which it is engaged in through its subsidiary Mindready.

4.3 Revenues for the Corporation's Principal Products or Services

During the fiscal year ended December 31, 2002, the e-business Services segment and the Test Engineering Solutions segment accounted for 68.8% and 31.2% of the Corporation's total revenues, respectively.

ITEM 5 - SELECTED CONSOLIDATED FINANCIAL INFORMATION

5.2 Dividends

The Corporation does not expect to pay dividends in the foreseeable future, as its intention is to reinvest its earnings to finance long-term growth. Any determination to pay any future dividends will remain at the discretion of the Board of Directors.

APPENDIX D

PARTS OF ANNUAL INFORMATION FORM OF MINDREADY SOLUTIONS INC.

ITEM 3 – GENERAL DEVELOPMENT OF THE BUSINESS

B - Trends

The trend set in 2001 continued during the fiscal year 2002 and impacted severely all high-tech companies. The collapse in investment spending by telecommunications companies impacted Mindready's 2002 results in particular. Management believes that a combination of various factors have combined to create market uncertainties that will likely extend through the 2003 fiscal year. These factors include a rationalizing trend in the telecommunications industry marked by excess inventories and reduced capital spending in the optical networking market, resulting in reduced demand, as well as a slowing of the growth rate of the U.S. and world economies in general. For the year ended December 31, 2002, Mindready derived 31% of its revenues from Nortel Networks. Nortel Networks has undergone throughout the year significant sales and revenue reductions and has implemented major cost reduction measures.

However, optical component manufacturers continue to invest in new product development to remain competitive through the design of next generation products. Through its competitive advantage, its advanced engineering capabilities, especially in test engineering and manufacturing automation, Mindready's products and services facilitate customers in accelerating their time-to-market and improving their quality, resulting in higher production yields and reduced costs. Mindready is well positioned to continue offering its customers the level of cutting-edge software and hardware solutions necessary to maintain their competitiveness.

For a discussion of additional trends reasonably expected to have a material effect on Mindready's business, financial condition or results of operations, see "Item 4 – Narrative Description of the Business – Industry Background" on page 7 of this Annual Information Form.

Also, for an outline of inherent risks and uncertainties associated with the Corporation's growth strategy, reference is made to (i) Management's Discussion and Analysis of the Financial Condition and Results Of Operations of the Corporation for the year ended December 31, 2002 of the Corporation's 2002 Annual Report (pages 7 to 15), which is incorporated herein by reference and (ii) Item 4 – Narrative Description of the Business – Risk Factors, on page 15 of this Annual Information Form.

ITEM 4 - NARRATIVE DESCRIPTION OF THE BUSINESS

A - Overview

Mindready is a provider of test, automation and embedded communications systems. Mindready's customers are original equipment manufacturers ("**OEM**"), electronic manufacturing services providers ("**EMS**") and small and medium-sized electronics businesses. The vertical markets in which Mindready specializes are the aerospace, automotive, industrial, medical and telecommunications sectors. With its expertise in designing, developing and integrating software and hardware systems, Mindready is well positioned to provide its customers with high-quality turnkey solutions.

One of the mainstays of its corporate strategy has been the establishment of strategic, technological and commercial ties with companies that are industry leaders. In that regard, Mindready consolidated its ties with National Instruments in 2002, in terms of both software integration and measurement instruments for the test engineering and automation systems Mindready delivers to its customers, and the use of National Instruments' sales and marketing team to promote Mindready's systems to its customers. Also in 2002, as a result of its partnership with the American corporation Texas Instruments, Mindready announced the availability of the first IDB-1394 standard reference platform. Mindready and Texas Instruments are thus positioning themselves as leaders in the emerging segment of communication platforms for automotive telematics networks.

The Corporation designs and implements electronics and optoeletronics test solutions for every step of the quality assurance process required by customers, including but not limited to x-ray, in-circuit, functional and environmental test solutions. Test engineering is a critical element of the manufacturing process. For the years ended December 31, 2001 and 2002, test engineering solutions represented approximately 90% and 72% of the Corporation's total sales respectively. Approximately 78% of the Corporation's test engineering activities are related to the optical networking and optical component industries.

The real-time communications business unit represented approximately 10% and 28% of Mindready's total sales for the years ended December 31, 2001 and 2002, respectively. Through this line of business, Mindready designs and develops specialized communications software, which is embedded into products of OEMs. In addition, the Corporation markets proprietary communications products based on the high-speed IEEE-1394/FireWire® communications standard. FireWire is a registered trademark of Apple Computer, Inc., registered in the United States and other countries.

As part of its original growth strategy, the Corporation has been acting as a market consolidator by acquiring and combining companies with related areas of competencies, including its competitors, which are typically small, regional, privately-owned companies. Mindready has successfully completed seven acquisitions since September 1999 and consolidated the local markets in Montreal, Canada, Paignton, England, Carrickfergus, Northern Ireland and Research Triangle Park (NC), USA. In 2002, Mindready consolidated its European activities, which had been based in Paignton, England, and moved them to Carrickfergus, Northern Ireland.

Mindready is a subsidiary of Nurun, which is, in turn, an indirect subsidiary of Quebecor. Nurun, whose shares are listed for trading on The Toronto Stock Exchange, is an interactive agency offering business solutions based on customer relationship management and customer data evaluation. Combining marketing strategies with interactive technologies, the applied solutions help build customer loyalty and boost profits. Nurun is an international network with more than 661 professionals in five countries across Europe and North America.

B - Industry Background

In the test engineering sector, Mindready benefits from a major outsourcing trend being observed among OEMs, which are increasingly relying on software/hardware vendors, consulting firms, EMS firms and contract manufacturers to help them meet their time-to-market constraints. While just a few years ago, OEMs were responsible for most of the development lifecycle of their products, these companies now turn to outside vendors for all aspects of the product development lifecycle, from system engineering, design and development, to manufacturing/assembly and testing. Test engineering is a critical element of the manufacturing process for advanced electronics products because of the complexity and high requirements for reliability associated with these products. OEMs and EMS firms rely on specialized software and hardware from test engineering solutions providers such as Mindready to maximize the throughput of final products that meet their quality standards.

The Corporation is a major presence in the real-time communications sector, specifically as regards the IEEE-1394/FireWire® communications protocol. The Corporation has expertise both in software for embedded systems and in the design, manufacturing and testing of electronic circuit boards based on the protocol. The Corporation's clients in the sector do not typically have the internal expertise to carry out their IEEE-1493/FireWire protocol projects within generally accepted time frames and budgets. The expertise, services and products offered by the Corporation are thus an attractive alternative for such clients to reduce the risks associated with emerging technologies. The types of clients who take advantage of the Corporation's offering vary widely from major multinationals to small and medium-sized businesses involved in specialized technological sectors.

The same is true of the automated systems business line. Over the years, the Corporation has developed unique expertise in the areas of micro-assembly and nanopositioning, for the optoelectronics and photonics industry. The Corporation is now putting this expertise to use in other areas, such as the medical, electronics and industrial sectors, because emerging technologies based on nanotechnology are resulting in increased demand for Mindready's type of skills.

C - Mindready's Solutions

Mindready is a leading supplier of test engineering and real-time communications solutions for OEMs and EMS providers in the advanced electronics industry. OEMs and EMS providers use Mindready's services and products to help them design, manufacture and test complex electronics products.

Test Engineering Solutions

OEMs and contract manufacturers need to ensure a high degree of quality for their electronics products at every step of the manufacturing process. To achieve this objective, they rely on test engineering processes, such as in-circuit testing and functional testing, which must be incorporated into their manufacturing processes. Due to the complexity of these advanced electronics products, test engineering plays an important role in product throughput and in the final quality of the products. In contrast to manufacturing a decade ago, testing now represents a mission-critical element of the manufacturing process for most advanced electronics manufacturers. For example, optical component manufacturing is time-consuming and is characterized by low yields due to the precision required by the manufacturing process. Mindready helps its clients improve product quality, yield and production volume by providing testing software development and test station integration services.

The Corporation's experience and expertise in the test engineering business has been strengthened and increased through the acquisitions of CGL, ECI, Beltron, ADA, CCS, Yelo and VTS. This business unit represented approximately 72% of Mindready's consolidated revenues for the year ended December 31, 2002.

Given that test engineering is a critical element of the manufacturing process, companies rely on Mindready to help them deliver their products ahead of their competitors. Mindready uses tight management control and frequent reporting to ensure that test engineering services will be delivered on time. Mindready's testing services are certified ISO-9001 and the Corporation has proven its ability to manage and deliver its test engineering services in a timely fashion.

The benefits provided by Mindready's test engineering solutions include:

- *Improving Quality.* The Corporation designs, develops and implements software solutions to test high end systems. These test engineering solutions help detect production anomalies in integrated circuit boards and ensure complex systems operate as intended.

- *Accelerating Time-to-Market.* The Corporation helps its clients shorten the product development lifecycle by recommending improvements to test procedures and by delivering its test engineering solutions in a timely fashion. Mindready continually develops and improves its tools and processes.

- *Improving Yield.* Mindready's focus on improving test procedures ultimately results in increased product output for its clients. In addition, the Corporation's test station replication services provide its clients with the equipment they need to accelerate the testing of complex electronics systems.

- *Improving the Manufacturing Process*. Mindready provides software development solutions that help clients improve manufacturing processes outside the scope of test engineering. For example, Mindready has been involved in the development of solutions for alignment rigs, which are micro-robots used to place very small optical components in laser transmitters. The software developed by Mindready significantly reduces the time needed to train operators in the use of alignment rigs and contributes to the standardization of a client's manufacturing process.

- *Delivering Full Service Solutions.* Clients can turn to Mindready for turnkey test engineering services. Mindready's test engineering services cover the design, development and implementation of software solutions for the entire test process, including x-ray, in-circuit, functional and environmental tests.

- *Providing Responsive Customer Service.* Mindready supports its clients with a qualified sales and service staff trained to understand technical requirements and recommends the best test engineering solutions for each specific client. Through frequent interaction with its clients, Mindready's sales and customer service engineers are able to keep pace with rapidly changing customer requirements.

Testing in the Manufacturing Process

A typical assembly line for electronics products includes x-ray, in-circuit and functional test stations, as well as stations for environmental testing. Mindready integrates the hardware, software and test engineering services that OEMs and EMS providers need to carry out tests at these different test stations. Mindready divides these services into two areas of expertise: (i) in-circuit test engineering, which covers services used on x-ray and in-circuit test stations, as well as (ii) functional test engineering, which covers the services needed at the functional and environmental test stations of the manufacturing process.

(i) In-circuit Test Engineering

OEMs and contract manufacturers need to test circuit boards for systems they are designing and planning to mass produce. The first phase of the in-circuit testing procedure is typically the x-ray test, which consists in taking a three-dimensional scan of a printed circuit board to detect component placement and soldering errors which cannot be identified by visual inspection. The x-ray testing phase is normally followed by the in-circuit testing phase, in which the board's circuitry is physically tested at different test points on the board. Mindready's in-circuit test engineering group designs, prepares and implements the data files and test applications required to test circuit boards.

In-circuit testing examines complex circuit boards electrically for production flaws, thereby providing the assurance that product assembly is unlikely the root of any flaws detected later on in the manufacturing process. Since it is a relatively rapid process that is easy to verify, in-circuit testing saves valuable time that could otherwise be lost during the more lengthy functional testing process. In-circuit testing is therefore a critical step in the production of electronics products.

Mindready's in-circuit test engineering service entails the design and development of software that will be used to test electronics products on the manufacturers' x-ray and in-circuit test stations. Mindready is equipped with a state-of-the-art in-circuit test station, or test head, which allows Mindready to develop and test the software that will eventually be deployed by electronics manufacturers to test circuit boards on the equipment at their premises during the production process. Mindready also verifies the testability of circuit boards by analyzing computer-aided design (CAD) specifications created by OEMs and contract manufacturers.

(ii) Functional Test Engineering

Once circuit boards have successfully passed the in-circuit testing phase during the production process, they then undergo functional testing, which determines whether the circuit board is functioning as it has been designed to. The two principal phases of functional testing include: (i) the functional test station, made up of various test instruments and scopes and (ii) the environmental or "burn-in" test, which is essentially an oven that exposes circuit boards to extreme temperatures while certain tests are conducted.

To test the functionality of circuit boards at these two different phases, OEMs and contract manufacturers require test software. Mindready designs and develops the software needed to perform the various verifications required at both steps of the functional test process.

Mindready also works closely with its clients to build the test stations that are needed to test new circuit boards or slightly modified versions of existing circuit boards. These test stations are equipped by Mindready with various test instruments, scopes and custom test fixtures supplied by outside vendors, as well as test software developed by Mindready. In fiscal 2001, Mindready delivered test stations to Nortel Networks, which uses them to test its optical networking cards on a mass production scale at its own facilities. The test stations are operational as soon as they arrive at the client's manufacturing facilities and will run constantly, except for periodic maintenance, as part of the mass production process.

Since functional testing takes longer than in-circuit testing, OEMs require many duplicates of the functional test stations, in some cases requiring dozens of test stations for a certain type of circuit board to avoid bottlenecks during production. For duplicates, Mindready's principal tasks are the procurement, assembly and electronic integration of the test stations — including test instruments, scopes, cables, computers, test fixtures, etc. — and the final testing and preparation of the system required before putting it into operation, which is known as commissioning. The creation of a duplicate test station takes approximately three to four weeks, since Mindready is not required to invest several months designing and developing test software for duplicates of existing test stations.

Real-time Communications Solutions

This business unit represented approximately 28% of Mindready's consolidated revenues for the year ended December 31, 2002. Through this line of business, Mindready designs and develops specialized communications software for various protocol standards including Internet Protocol, IEEE-1394 and proprietary products, which allows clients to create networking functionality for their embedded systems and electronics components.

This specialized communications software is used in a variety of non-PC (personal computer) devices that rely on embedded systems technology. These devices include personal digital assistants, cellular telephones, dashboard computers in automobiles and many other computing devices that do not have typical user interfaces, such as a keyboard and monitor. This trend towards non-PC devices is having a positive impact on the demand for software engineering services needed to build and support real-time embedded systems.

In addition, the Corporation markets proprietary communications software and hardware based on the IEEE-1394/FireWire® standard, which enables high-speed communications between various computing devices with a simple plug-in serial connector. These products, used in several markets including multimedia, automotive, aerospace and digital video technology, allow Mindready to complement its professional services offering with a visible product suite, which facilitates the marketing of the full line of Mindready's solutions to new OEMs and EMS providers. Mindready's clients for its 1394 products include Renault, Texas Instruments, Maxtor, Fujitsu Limited, Boeing, Lockheed Martin Corporation and Hewlett-Packard, to name just a few. Agreements entered into with clients in respect of the Corporation's 1394 products include licenses for these products and specialized integration and customization services.

Mindready's real-time communications services are rendered from its expertise center in Montreal and target the North American, Asian and European markets. Mindready benefits from a favourable exchange rate because most of these projects are billed in US dollars while the cost of performing these projects is in Canadian dollars.

D - Strategic Relationship with Nortel Networks

The Corporation believes that test engineering services are a critical element in making Nortel Networks a world leader in optical networking. Mindready is a key supplier of test engineering services to Nortel Networks' optical networking operations. Nortel Networks strengthened this relationship with Mindready on June 15, 2000 with the signing of a commercial agreement for Mindready's services and an investment of $10 million in the Corporation. In exchange for the $10 million investment, Mindready issued 1,000,000 units in the capital of the Corporation to Nortel Networks, each unit consisting of one First Preferred Share, Series A (all of which were converted, in accordance with their terms, on a share for share basis into Subordinate Voting Shares on December 21, 2000) and three quarters (0.75) of one warrant to acquire Subordinate Voting Shares (the "**Warrants**"). This strategic relationship constitutes a key element of the Corporation's growth strategy.

Within the scope of this strategic relationship, the Corporation, Nurun and Nortel Networks entered into a Shareholders' Agreement on June 15, 2000 (the "**Shareholders' Agreement**") setting out their mutual understanding as to the terms and conditions of their association within the Corporation.

Subject to compliance with applicable securities legislation, in the event of a third party offer or in the event a shareholder wishes to sell all or a portion of its securities, the Shareholders' Agreement provides for a right of first refusal with respect to the securities held by the selling shareholders. Subject to applicable securities legislation, in the event any offer is made to or by Nurun that would result in a person other than Nurun having the right to appoint or elect 50% or more of the board of directors of the Corporation (the "**Board of Directors**"), if such transaction were completed, provided Nortel Networks holds not less than 5% of the then outstanding shares of the Corporation (excluding the Warrants) (a "**Change of Control Offer**"), Nortel Networks shall have the right (but not the obligation) to purchase all but not less than all the shares and securities of the Corporation convertible into shares then held by Nurun upon the terms and conditions of such Change of Control Offer.

Pursuant to the Shareholders' Agreement, provided (i) Nortel Networks holds at least 5% of the equity of the Corporation (excluding the Warrants) and (ii) Nortel Networks or any of its affiliates remains in a commercial relationship with the Corporation that is material to the affairs of the Corporation, the approval of Nortel Networks is required in respect of the following matters:

(a) any direct or indirect investment by the Corporation in a Competitor (as defined below);

(b) the sale of all or substantially all of the assets of the Corporation or of any intellectual property rights that are material to the Corporation's business and have been used or developed pursuant to the Master Services Agreement (as defined hereinafter);

(c) the increase of the number of directors to be elected to the Board of Directors; and

(d) the merger, acquisition of shares or assets, consolidation, joint venture, partnership, limited partnership, reorganization or any other strategic alliance by the Corporation of or with any Competitor.

“**Competitor**” is defined under the Shareholders' Agreement as any company with more than $50 million in revenues derived from the sale of telecom or network equipment or any company selling or developing optical networking products.

In addition to those rights conferred by the Shareholders’ Agreement, Nortel Networks was granted certain registration rights which are exercisable under certain circumstances.

The following is a description of the commercial component of the Corporation's strategic relationship with Nortel Networks:

The Corporation and Nortel Networks entered into a master services agreement (the "**Master Services Agreement**") with respect to test engineering services to be provided by the Corporation to Nortel Networks and its subsidiaries. The specific services to be supplied by the Corporation under the Master Services Agreement are determined by Nortel Networks and the Corporation from time to time, on an as-required and purchase order basis at prices and upon general terms and conditions set forth in the Master Services Agreement. These services include instrument calibration, inventory tracking, functional test software development and test set replication.

The initial term of the Master Services Agreement is a period of 36 months from January 27, 2002, and it is renewable for an additional 24 months upon the mutual written agreement of the parties.

E - Customers

Mindready's test engineering solutions are currently mostly provided to Nortel Networks. However, due to the trend towards electronics manufacturing outsourcing, Mindready also finds itself increasingly providing products and services to contract manufacturers and EMS providers who in turn serve large OEMs. For example, Mindready works with key suppliers of Nortel Networks, such as Solectron, Sanmina-SCI and Celestica.

With respect to its real-time communications solutions offering, Mindready's customers are typically large OEMs of electronics products in the aerospace, automobile and telecommunications industries.

In the telecommunications industry, the Corporation's clients include Nortel Networks, Alcatel, SCI-Sanmina and Solectron.

In the aerospace industry, the Corporation's clients include Lockheed Martin Corporation, Boeing, FlightSafety International, Inc. and BAE Systems Canada Inc.

In the automotive industry, the Corporation's clients include Visteon, Renault, Peugeot and other major car equipment manufacturers.

F - Marketing and Sales

In the area of test engineering, Mindready implements a direct sales strategy to serve its targeted OEM and EMS clients. Mindready's strategic relationship with Nortel Networks is managed centrally from the Corporation's head office, while delivery and management of services are managed on a local basis.

With respect to its real-time communications solutions offering, the Corporation combines a direct sales approach with the use of a network of distributors and technical representatives in North Americas as well as system integrators capable of integrating the Corporation's services and solutions into larger projects.

In general, the Corporation's sales strategy targets the North American market from its Montreal and Raleigh, North Carolina locations. Mindready's clients benefit from a favourable exchange rate for the Canadian dollar and the lower cost of resources and materials in the Montreal market.

The Corporation also carries out a targeted marketing campaign aimed primarily at events and publications specializing in OEMs of real-time electronics products. Mindready attends a number of trade shows per year and publishes articles regularly in specialized trade magazines.

G - Competition

Test Engineering Solutions

Unlike the contract manufacturing market where there is a group of well-established companies operating internationally, the market in which Mindready operates is still composed mainly of relatively small, regional, privately-owned companies, but also increasingly of EMS providers. Competition is primarily at the local level and very few companies can offer the wide range of software and hardware development services which Mindready has the capability of offering.

Competitors of the Corporation in the test engineering services market include test instrumentation vendors, specialized consulting firms, EMS providers and internal test engineering departments within large OEMs.

The first category of competitors in the test engineering services market consists of vendors that provide professional services in addition to their proprietary test instrumentation products. Competitors in this category include EXFO Electro-Optical Engineering Inc., Flextronics Network Services, Sanmina-SCI Corporation, Solectron Corporation, Celestica and Tektronix, Inc. Typically, these companies offer support for their own products with some capability for customization and integration of other products, although most of the time they will use outside help from suppliers such as Mindready to implement test engineering solutions for their customers.

The second category of competitors in the test engineering services market consists of specialized consulting firms providing customized testing software for OEMs and microelectronics manufacturers. Most of these competitors have fewer than 200 employees and operate in a single local market. Examples of these competitors include MAXSYS Technologies Corporation, Averna, Datest Corporation, Symtx and Breconridge Manufacturing Solutions.

The third category of competitors includes internal testing services within large OEMs. In order to convince these OEMs to outsource their activities, Mindready must provide them with added value in the form of operational flexibility, expertise in the development of their testing infrastructure, reduced testing costs and time-to-market and also the capability of operating globally. In achieving these objectives, Mindready benefits from the outsourcing trend observed in the contract manufacturing market where its clients are already familiar with these advantages.

Real-time Communications Solutions

Competitors of the Corporation in the real-time communications solutions market include a wide range of software vendors and consulting firms with expertise on specific hardware platforms or on a specific operating system environment.

In the more specialized 1394 software market, the Corporation's main competitors are Unibrain S.A., Fraunhoffer IMPS, Apple, Wipro Limited, Systran Corporation and Intoto Inc. None of these competitors is capable of offering the full product range and service capabilities offered by the Corporation as regards the IEEE-1394 protocol. It should be noted that competition comes mainly from the internal design departments of Mindready's clients.

H - Intellectual Property

The Corporation possesses intellectual property rights for products based on the IEEE-1394/FireWire® communications standard, including "SEDNET", which is used in the marketing and sale of these products. SEDNET is a trademark of the Corporation, registered in both Canada and the United States. In addition, the Corporation has applied for registration in Canada and in the United States in respect of the trademark MINDREADY.

It is the Corporation's practice to enter into non-disclosure agreements with employees and third parties and to restrict access to its software-product source codes. The Corporation regards its source codes as proprietary information and attempts to protect the source code versions of its products, as well as documentation and other written materials, as trade secrets and unpublished copyrighted works. Despite the Corporation's precautions, it may be possible for unauthorized parties to copy or reverse-engineer portions of the Corporation's products or otherwise obtain and use information that the Corporation regards as proprietary.

I - Human Resources

As at December 31, 2002, the Corporation employed approximately 187 people, including approximately 137 people based in the greater Montreal regions in Quebec, Canada, and approximately 37 people and 11 people based in Carrickfergus, Northern Ireland, and Research Triangle Park, USA, respectively. Of the 187 employees, approximately 78% are engineers and technicians.

The Corporation's employees are not unionized nor have they entered into a collective agreement, except for the 13 unionized employees who were part of the transfer of the calibration activities the Corporation acquired from Nortel Networks on January 27, 2002. The Corporation has never experienced a work stoppage and believes that its relationship with its employees is very good.

Recruitment and Training

The Corporation intends to continue investing in training to maintain a high level of expertise, competence, productivity and growth.

Restructuring Measures

Throughout 2001 and 2002, the Corporation implemented various cost reduction programs in order to adjust the Corporation’s cost base in line with its revenue stream. Subsequent to the restructuring plans implemented during this period, Mindready's workforce has been reduced by more than 51% as compared to its overall headcount as of December 31, 2000.

For an outline of the restructuring undertaken by the Corporation during the fiscal year ended December 31, 2002, refer to the Management’s Discussion and Analysis of Financial Condition and Results of Operations for fiscal year ended December 31, 2002, (pages 8 and 10 of the Corporation's 2002 Annual Report, to the sections entitled *Restructuring Program and Cost-Cutting Measures* and *Restructuring Charges on pages 8 and 10 of the Corporation’s 2002 Annual Report*), which are incorporated herein by.reference.

ISO-9001 Certification

The Corporation has had ISO-9001:1994 certification in respect of its Montreal-based activities since April 2000 and ISO-9000:2000 certification for its Northern Ireland activities since December 2001. It is in the process of converting to the new ISO 9000:2000 standard for re-certification of its Montreal activities which will be accompalished by August 2003.

J - Risk Factors

In addition to the other information set forth elsewhere in this Annual Information Form, the following risk factors should be carefully reviewed by prospective investors:

Dependence on Nortel Networks

Sales from Nortel Networks accounted for a total of approximately 31% of sales for fiscal 2002. Mindready expects that sales attributable to Nortel Networks will continue to represent a significant percentage of its total sales for the foreseeable future and there can be no assurance Nortel Networks will continue to utilize Mindready's solutions. The loss of Nortel Networks' business or reduction in revenues derived from Nortel Networks, would have a material adverse effect on Mindready's business, financial condition and results of operations. Nortel Networks lifted the restriction whereby Mindready was limited from providing services of the nature of those covered by the Master Services Agreement to Nortel Networks’ competitors.

No Guarantee of Revenues and/or Business from Nortel Networks

Mindready entered into a strategic relationship with Nortel Networks on June 15, 2000. However, this agreement does not guarantee any revenues and/or business volume and is subject to the risk that Nortel Networks will decrease its use of Mindready's resources unrelated to the quality and price of, or demand for, Mindready's expertise, which could have a material adverse effect on its business, financial condition and results of operations.

Ability to Retain Key Personnel

Mindready's success will depend in part upon its ability to retain key senior management and skilled engineering, sales and marketing personnel. Although Mindready believes it will be able to hire qualified personnel for such purposes, its inability to do so could materially and adversely affect its ability to market and sell its services. Mindready's success will depend in part on the integration and performance of these individuals. The loss of key employees and its inability to hire and retain other qualified employees could have a material adverse effect on Mindready's business, financial condition and results of operations. Mindready acquired in the last year key senior and middle management individuals and believes such initiatives strengthened the Corporation’s management team in place and will allow the Corporation to manage more effectively.

Industry Dependence

The industries and markets in which the Corporation sells its products can be cyclical. These industry downturns have been characterized by diminished product demand, excess manufacturing capacity and subsequent erosion of average selling prices. Any significant downturn in Mindready’s customer markets would likely result in reduced demand for Mindready’s products and services.

Exposure to Foreign Exchange Fluctuations

Foreign sales are predominately denominated in British Pounds Sterling and US dollars. Sales in foreign currency represented more than 59% of sales, in fiscal 2002, as compared to 66% for fiscal 2001. The Corporation expects to maintain, or even increase, this ratio due to its continued development of vertical markets with customer bases in North America, Europe and Asia. Moreover, an increasing number of sales will be denominated in Euro currency for the Corporation’s operations centers located in Northern Ireland, thus exposing the Corporation to additional risks. As a result, the Corporation is exposed to, and is expected to be increasingly exposed to, fluctuations in the exchange rates between the Canadian dollar and the currency in which a particular sale is transacted. Mindready has not yet sought to hedge the risks associated with fluctuations in foreign exchange rates.

Technological Change

The markets in which Mindready operates are characterized by changing technology and evolving industry standards. Failure or delays by the Corporation to meet or comply with the requisite and evolving industry or user standards could have a material adverse effect on the Corporation's business, results and financial condition. The Corporation's ability to anticipate changes in technology, technical standards and product offerings will be a significant factor in the Corporation's success in expanding into new markets.

Potential for Liability

There is a risk that the Corporation's solutions may contain errors or defects. While the Corporation contractually limits its liability for damages arising from its provision of products and systems, there can be no assurance that such contractual limits will be enforceable in all circumstances or in all jurisdictions. Furthermore, litigation regardless of contracts could result in substantial cost to the Corporation, divert management's attention and resources from the Corporation's operations and result in negative publicity that may impair the Corporation's ongoing marketing efforts. Although the Corporation benefits from Quebecor's general liability insurance, there is no assurance that this insurance will cover the claims or that the claims will not exceed the insurance limit.

Competition

The Corporation faces potential competition from the test engineering operations of its current and potential OEMs and EMS customers, who continually assess the advantages of using internal resources rather than outsourcing (see “Item 4 — Narrative Description of the Business — Competition”). Mindready will face increasing competitive pressures to grow its business in order to remain competitive. Increased competition from existing or potential competitors could result in price reductions, fewer customer orders or loss of market share.

ITEM 5 - SELECTED CONSOLIDATED FINANCIAL INFORMATION

C - Dividends

The Corporation currently intends to retain future earnings, for use in the Corporation's business, and does not anticipate paying dividends in the foreseeable future. Any determination to pay any future dividends will remain at the discretion of the Board of Directors and will be made taking into account the Corporation's financial condition and other factors deemed relevant by the Board of Directors. In addition, the Corporation’s credit facility and bank loan agreement restrict the payment of dividends by the Corporation and its subsidiaries under certain circumstances.

APPENDIX E

PARTS OF ANNUAL INFORMATION FORM OF NETGRAPHE INC.

ITEM 4 DESCRIPTION OF THE BUSINESS

Overview

Netgraphe Inc., a subsidiary of Quebecor Media Inc., ("Quebecor Media") is an integrated company offering e-commerce, information, communication and IT consulting services. Netgraphe owns the CANOE network includes Canoe.ca, Canoe.qc.ca, La Toile du Québec (Toile.com), Webfin.com and Megagiciel.com. Netgraphe also operates a string of e-commerce sites: Jobboom.com (employment), Autonet.ca and Autonet.qc.ca (automobiles), MatchContact.com and ReseauContact.com (dating), Shop.canoe.ca (online shopping), ClassifiedExtra.ca and ClasseesExtra.ca (classifieds). Netgraphe's subsidiary Progisia Informatique offers IT consulting services in areas including e-commerce, outsourcing, integration and secure transaction environments.

With nearly 5.5 million unique on-line visitors per month according to MediaMetrix, Netgraphe is one of the leading Internet communications, commerce and media companies in Canada. The hub of interactivity in the vast universe of properties of Quebecor Media, the largest French-language media group in North America, CANOE, a bilingual, integrated media and Internet services network, is one of Canada's leading Internet portals.

Netgraphe's flagship property, the Canoe network, embraces all of the Company's public and commercial Web sites. With the employment and careers publisher Éditions Jobboom and the IT-consulting firm Progisia Informatique, Netgraphe's complementary operations form one of the most complete portfolios of Internet-related properties in Canada.

GENERAL INTERNET SERVICES SEGMENT

CANOE.QC.CA

Canoe.qc.ca is the online destination for Quebec Internet users. Combining general information (continuous news, reports on showbiz, movies, games, technology, etc.) with practical content (travel, better living, beauty, homes, gardening, etc.), Canoe.qc.ca is an indispensable daily source for people who want to know.

CANOE.CA

Canoe.ca, an Internet trailblazer in English Canada, is a vast network of verticals covering sports, culture, news, travel, health, fashion and more, outshining the dedicated sites in their categories.

TOILE.com

La Toile du Québec, a directory of Quebec Internet resources that includes more than 70,000 sites and 75 practical guides, is the place to find anything and everything on the Web. La Toile du Québec also supports searches of the entire Web through its partnership with Google.

WEBFIN.com

Webfin.com is the essential bilingual source for financial information. With everything for the savvy investor — financial and market information, practical advice and analysis, stock quotes, message boards for experienced and novice investors alike, and more — it is the most popular business destination among Canadian Internet users.

MEGAGICIEL.com

Megagiciel, a French-language directory that lists and evaluates available shareware and freeware titles, is the address to remember for free downloads. Whatever applications or games you are looking for, you will find them on Megagiciel.

CD.CANOE.com

Canoë Digital is a unique site for fans of Quebec music, a virtual jukebox where music lovers can listen to songs by hundreds of Quebec artists online features, including exclusive interviews, chat sessions, bios and video clips.

TVA.CANOE.com

Tva.canoe.com is the official site of the TVA television network. It serves up information on everyone's favourite shows, star pages, reports from popular columnists, access to the LCN all-news channel, and more. At Tva.canoe.com, Quebec's favourite television network is just a mouse-click away.

CANOË-TV

Canoe-TV delivers the best of Netgraphe's sites — news, movie schedules, business information — to subscribers to Vidéotron's illico interactive television service. Canoe-TV also brings interactive functionalities to the television screen: users can vote in television polls, access additional information related to the program they are watching, and participate in discussion forums.

SPECIALIZED INTERNET SERVICES SEGMENT

JOBBOOM.com

Jobboom.com is a unique Web-based employment site that provides job seekers with complete information, based on their profiles, and employers with a full line of services for publicizing their needs and contacting prospective employees.

MATCH CONTACT.com

With more than 500,000 registered members generating more than 3 million page view per day, MatchContact and is French-language counterpart ReseauContact.com are Canada's most Internet dating and friendship service.

AUTONET.ca

Autonet.ca and its French-language counterpart Autonet.qc.ca are Canada's standard-setting car sites. They let new- and used-car dealerships offer their products and services online and enable consumers to tap into information on a wide range of automotive products.

SHOP.CANOE.ca

Shop.canoe.ca is a virtual shopping mall where consumers can browse and purchase all manner of merchandise — from a fruit basket to game software to their favourite sports team's jersey — quickly and securely, in the comfort of their own homes.

CLASSIFIED EXTRA.ca

ClassifiedExtra and ClasseesExtra are the largest classified ads sites in Canada. Visitors can view a multitude of ads for merchandise, apartments to let and much more from 150 Canadian newspapers.

JOBBOOM publishing

Jobboom Publishing is Quebec's undisputed leader in employment and career publishing. Its large stable of publications includes Jobboom magazine, an important source of information on employment, career management and training.

CONSULTING SERVICES SEGMENT

PROGISIA INFORMATIQUE

Progisia Informatique is an information technology consulting firm with a staff of a hundred consultants specializing in e-commerce, outsourcing, integration, computer security and other IT-related fields.

Business Model

Netgraphe general internet services segment generate its revenues from two different types of activities. In respect of Netgraphe's "media" properties, advertising is the primary source of revenues. Banner advertisements are positioned and sold based on the demographics of the people visiting the different pages of the site. Sponsoring is sold to clients who want to associate their brand to larger sections of the site, and who prefer to be present more seemingly through such sections. Other forms of advertising include contests, where the users can win different prizes offered by Netgraphe's sponsors, and targeted e-mail, where users receive a message sponsored by a client.

For the specialized internet services segment, revenues are mostly generated from subscriptions, classified ads, commissions on transactions and the sale of content. In the case of Jobboom, the client (the enterprise in search of candidates) pays for the on-line service. Jobboom also sells books and advertisement in printed publications. In the case of RéseauContact / MatchContact, the user pays to access relationship and meeting services and to be in contact with other members. In the case of Autonet, the car dealer pays for the on-line service. On Shop.Canoe, a fee is charged to the on-line shop for sales made through the system. The "commission-based" revenue model is also used on some of Netgraphe's media properties.

For the consulting services segment, revenue are generated from outsourcing to client.

Sales and Marketing

Creating and maintaining sites is the main line of the business. To maximize traffic, marketing efforts are also necessary. Because it is part of the Quebecor Media group of companies, one of the largest Canadian media groups, Netgraphe is in a preferred position to market its products and services.

Using the Sun Media group of newspapers along with the TVA television network and the numerous magazines owned by Quebecor Media Inc., Netgraphe is able to get one of the best media coverages in the country. This marketing force is the base of Netgraphe global visibility and represents, in the view of management, a significant competitive advantage.

Partnerships

The content used to create the sites comes essentially from partners and suppliers, partnerships being key to Netgraphe's operations. In addition to partnering with other Quebecor Media companies, Netgraphe partners with companies and individuals in a multitude of domains, including content owners and service providers in exchange for on-line visibility. These partnerships enable Netgraphe to increase the value and depth of its sites and properties at a lower cost.

Technology

Netgraphe's technical infrastructure is based on well-proven, off-the-shelf hardware and software that is well-documented and widely used. The Corporation's systems are maintained by a solid technical team who also develops proprietary software that gives Netgraphe an advantage over its competitors in terms of content, service creation and distribution.

Intellectual Property

The Corporation uses a number of trademarks for its services. In addition to legal rights arising from the use of trademarks, many of the Corporation's trademarks are protected by registration in appropriate jurisdictions. Content on the Corporation's Web sites is either the property of Netgraphe or subject to proprietary rights of third parties. Please see the item " Partnerships". The Corporation has also registered a number of domain names under which its Web sites are operated.

Competition

Competition in the media and Internet industries is intense. The Corporation competes for users, viewers, advertisers and electronic commerce marketers with a significant number of providers of on-line navigation, specialty Web sites, information, e-commerce and broadcast services. The Corporation also competes with traditional advertising media, such as television, radio, cable and print, for various advertisers' total advertising budgets. The Corporation believes that its relationship with Quebecor Media Inc., its indirect controlling shareholder, reinforces its ability to compete in this highly competitive industry primarily by increasing the Corporation's ability to provide additional content and information to its various Web sites and to promote various content and information from the Quebecor Media group of companies.

Litigation

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

Employees

As of May 6, 2003, the Corporation had approximately 179 full-time employees including 33 contractual. Include in these employees, 27 in marketing and sales and 14 in finance and administration. Most of the other employees are involved in technology and editorial support. Prior to the acquisition of the CANOE network, an application for certification in respect of employees of the Canoe division of Canoe Limited Partnership was filed with Quebec's Labour Commissioner General. Following this application, two employees of the Corporation are now represented by a labour union.

Dividend policy and financial risk management

Netgraphe has not declared or paid dividends to date and does not expect to do so in the near future. The dividend policy is established by the Board of Directors.

In the normal course of business, Netgraphe and its subsidiaries are exposed to fluctuations in interest rates and exchange rates. However, these financial risks are not significant, in view of Netgraphe's low debt ratio and the fact that its balance sheet and operations are generally stated in Canadian currency. Therefore, Netgraphe has not seen fit thus far to use financial derivatives to shield itself against financial risk associated with interest rates and exchange rates.