

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(in millions of Canadian dollars)

	Three months ended December 31		Twelve months ended December 31	
	2007 (unaudited)	2006 (unaudited)	2007 (audited)	2006 (audited)
REVENUES				
Cable	\$ 427.3	\$ 362.9	\$ 1,552.6	\$ 1,309.5
Newspapers	306.5	246.7	1,028.1	928.2
Broadcasting	124.1	119.9	415.5	393.3
Leisure and Entertainment	103.4	105.1	329.8	315.8
Interactive Technologies and Communications	20.1	20.0	82.0	73.9
Internet/Portals	13.7	11.6	48.3	41.6
Head office and inter-segment	(30.2)	(22.0)	(90.4)	(63.7)
	<u>964.9</u>	<u>844.2</u>	<u>3,365.9</u>	<u>2,998.6</u>
Cost of sales and selling and administrative expenses	677.7	605.9	2,402.0	2,199.0
Amortization	75.9	68.3	290.4	260.7
Financial expenses	72.2	57.6	240.0	224.6
Reserve for restructuring of operations and other special charges	(3.5)	9.5	11.6	18.9
Loss on debt refinancing	1.0	0.5	1.0	342.6
Gain on sale of businesses and other assets	-	(1.2)	(0.4)	(2.2)
Impairment of goodwill and other intangible assets	5.4	180.0	5.4	180.0
	<u>136.2</u>	<u>(76.4)</u>	<u>415.9</u>	<u>(225.0)</u>
INCOME (LOSS) BEFORE INCOME TAXES AND NON-CONTROLLING INTEREST				
Income taxes:				
Current	14.0	1.3	11.3	5.4
Future	1.6	27.3	63.5	(59.1)
	<u>15.6</u>	<u>28.6</u>	<u>74.8</u>	<u>(53.7)</u>
	<u>120.6</u>	<u>(105.0)</u>	<u>341.1</u>	<u>(171.3)</u>
Non-controlling interest	(8.2)	6.8	(19.2)	(0.4)
	<u>112.4</u>	<u>(98.2)</u>	<u>321.9</u>	<u>(171.7)</u>
INCOME (LOSS) FROM CONTINUING OPERATIONS				
Income from discontinued operations	-	1.1	5.2	2.0
	<u>-</u>	<u>1.1</u>	<u>5.2</u>	<u>2.0</u>
NET INCOME (LOSS)	<u>\$ 112.4</u>	<u>\$ (97.1)</u>	<u>\$ 327.1</u>	<u>\$ (169.7)</u>

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

SEGMENTED INFORMATION

(in millions of Canadian dollars)

	Three months ended December 31		Twelve months ended December 31	
	2007 (unaudited)	2006 (unaudited)	2007 (audited)	2006 (audited)
Income before amortization, financial expenses, reserve for restructuring of operations and other special charges, loss on debt refinancing, gain on sale of businesses and other assets, and impairment of goodwill and other intangible assets				
Cable	\$ 175.7	\$ 139.8	\$ 642.7	\$ 512.5
Newspapers	76.6	63.5	225.9	207.6
Broadcasting	22.8	18.9	59.4	42.1
Leisure and Entertainment	10.3	10.0	27.0	19.3
Interactive Technologies and Communications	-	3.3	2.8	7.5
Internet/Portals	2.8	1.5	6.9	10.1
General corporate (expenses) revenue	(1.0)	1.3	(0.8)	0.5
	\$ 287.2	\$ 238.3	\$ 963.9	\$ 799.6
Amortization				
Cable	\$ 55.6	\$ 52.1	\$ 219.4	\$ 198.4
Newspapers	13.6	9.2	44.7	36.5
Broadcasting	3.4	3.8	13.2	14.3
Leisure and Entertainment	1.9	1.7	7.9	7.2
Interactive Technologies and Communications	0.8	1.1	3.0	2.3
Internet/Portals	0.5	0.5	1.6	1.1
Head Office	0.1	(0.1)	0.6	0.9
	\$ 75.9	\$ 68.3	\$ 290.4	\$ 260.7
Additions to property, plant and equipment				
Cable	\$ 94.3	\$ 85.8	\$ 330.1	\$ 302.6
Newspapers	63.7	15.9	111.4	116.3
Broadcasting	6.5	3.6	16.2	9.0
Leisure and Entertainment	1.5	1.1	2.9	3.4
Interactive Technologies and Communications	0.7	0.9	3.3	1.8
Internet/Portals	1.5	0.7	4.6	1.9
Head Office	0.1	0.2	0.2	0.5
	\$ 168.3	\$ 108.2	\$ 468.7	\$ 435.5

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of Canadian dollars)

	Three months ended December 31		Twelve months ended December 31	
	2007 (unaudited)	2006 (unaudited)	2007 (audited)	2006 (audited)
Net income (loss)	\$ 112.4	\$ (97.1)	\$ 327.1	\$ (169.7)
Other comprehensive income, net of income taxes				
Unrealized (loss) gain on translation of net investments in foreign operations	-	1.0	(2.0)	1.2
Unrealized gain on derivative instruments, net of income tax of \$6.7 million in the three-month period ended December 31, 2007 and including income tax recovery of \$11.5 million in the twelve-month period ended December 31, 2007	30.3	-	48.0	-
	<u>30.3</u>	<u>1.0</u>	<u>46.0</u>	<u>1.2</u>
COMPREHENSIVE INCOME (LOSS)	<u>\$ 142.7</u>	<u>\$ (96.1)</u>	<u>\$ 373.1</u>	<u>\$ (168.5)</u>

CONSOLIDATED STATEMENTS OF DEFICIT

(in millions of Canadian dollars)

	Three months ended December 31		Twelve months ended December 31	
	2007 (unaudited)	2006 (unaudited)	2007 (audited)	2006 (audited)
Deficit at beginning of period, as previously reported	\$ 2,576.1	\$ 2,620.7	\$ 2,731.5	\$ 2,538.1
Cumulative effect of changes in accounting policies	-	-	14.3	-
Deficit at beginning of period, as restated	<u>2,576.1</u>	<u>2,620.7</u>	<u>2,745.8</u>	<u>2,538.1</u>
Net (income) loss	<u>(112.4)</u>	<u>97.1</u>	<u>(327.1)</u>	<u>169.7</u>
	<u>2,463.7</u>	<u>2,717.8</u>	<u>2,418.7</u>	<u>2,707.8</u>
Dividends	65.0	13.7	110.0	23.7
Deficit at end of period	<u>\$ 2,528.7</u>	<u>\$ 2,731.5</u>	<u>\$ 2,528.7</u>	<u>\$ 2,731.5</u>

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars)

	Three months ended December 31		Twelve months ended December 31	
	2007 (unaudited)	2006 (unaudited)	2007 (audited)	2006 (audited)
Cash flows related to operations				
Net income (loss) from continuing operations	\$ 112.4	\$ (98.2)	\$ 321.9	\$ (171.7)
Adjustments for:				
Amortization of property, plant and equipment	69.6	65.2	275.4	251.2
Amortization of deferred charges and of other assets	6.3	3.1	15.0	9.5
Impairment of goodwill and intangible assets	5.4	180.0	5.4	180.0
Net loss (gain) on derivative instruments and on foreign currency translation of financial instruments	2.1	(3.0)	4.7	1.2
Loss on revaluation of the Additional Amount payable	-	8.1	5.2	10.5
Loss (gain) on sale of businesses, property, plant and equipment, and other assets	4.7	(0.4)	4.7	(0.4)
Loss on debt refinancing	1.0	0.5	1.0	342.6
Repayment of accrued interest on Senior Discount Notes	-	-	-	(197.3)
Amortization of financing costs and long-term debt discount	1.8	1.0	4.8	7.3
Future income taxes	1.6	27.3	63.5	(59.1)
Non-controlling interest	8.2	(6.8)	19.2	0.4
Other	(0.7)	(1.2)	(1.4)	0.3
	<u>212.4</u>	<u>175.6</u>	<u>719.4</u>	<u>374.5</u>
Net change in non-cash balances related to operations	74.2	47.9	32.7	(22.2)
Cash flows provided by continuing operations	<u>286.6</u>	<u>223.5</u>	<u>752.1</u>	<u>352.3</u>
Cash flows provided by discontinued operations	-	1.2	1.4	2.1
Cash flows provided by operations	<u>286.6</u>	<u>224.7</u>	<u>753.5</u>	<u>354.4</u>
Cash flows related to investing activities				
Additions to property, plant and equipment	(168.3)	(108.2)	(468.7)	(435.5)
Business acquisitions, net of cash and cash equivalents	(2.1)	(1.2)	(438.6)	(10.5)
Proceeds from disposal of a business	0.8	0.5	8.5	0.5
Net decrease (increase) in temporary investments	-	(1.3)	1.2	39.2
Proceeds from disposal of assets	2.5	0.9	6.1	9.4
Acquisition of tax deductions from parent company	(14.9)	-	(14.9)	(16.1)
Decrease in advance receivable from parent company	-	-	-	15.9
Other	(0.3)	(0.8)	(1.5)	(3.4)
Cash flows used in investing activities	<u>(182.3)</u>	<u>(110.1)</u>	<u>(907.9)</u>	<u>(400.5)</u>
Cash flows related to financing activities				
Net increase (decrease) in bank indebtedness	9.2	(2.6)	(6.6)	7.9
Net (repayments) borrowings under revolving and bridge bank facilities	(556.9)	(85.0)	(56.7)	38.4
Issuance of long-term debt, net of financing fees	745.3	0.1	756.1	1,225.8
Repayment of long-term debt and unwinding of hedging contracts	(281.9)	(28.3)	(301.3)	(1,201.2)
Repayment of the Additional Amount payable	-	-	(127.2)	-
Net decrease in prepayments under cross-currency swap agreements	-	-	-	21.6
Dividends and reduction of Common Shares paid-up capital	(65.0)	(13.7)	(110.0)	(105.0)
Dividends paid to non-controlling shareholders	(1.1)	(1.2)	(4.0)	(4.5)
Other	-	0.2	(3.1)	(0.6)
Cash flows (used in) provided by financing activities	<u>(150.4)</u>	<u>(130.5)</u>	<u>147.2</u>	<u>(17.6)</u>
Net decrease in cash and cash equivalents	(46.1)	(15.9)	(7.2)	(63.7)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currencies	-	0.5	(0.8)	0.4
Cash and cash equivalents at beginning of period	72.2	49.5	34.1	97.4
Cash and cash equivalents at end of period	<u>\$ 26.1</u>	<u>\$ 34.1</u>	<u>\$ 26.1</u>	<u>\$ 34.1</u>
Cash and cash equivalents consist of				
Cash	\$ 6.8	\$ 13.9	\$ 6.8	\$ 13.9
Cash equivalents	19.3	20.2	19.3	20.2
	<u>\$ 26.1</u>	<u>\$ 34.1</u>	<u>\$ 26.1</u>	<u>\$ 34.1</u>
Cash interest payments	\$ 99.1	\$ 47.6	\$ 243.3	\$ 446.3
Cash income tax payments (net of refunds)	2.0	(1.6)	(0.5)	7.0

QUEBECOR MEDIA INC. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars)

	December 31	December 31
	2007	2006
	(audited)	(audited)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 26.1	\$ 34.1
Temporary investments	0.2	1.4
Accounts receivable	496.0	426.2
Income taxes	10.5	17.3
Amounts receivable from parent company and companies under common control	1.9	-
Inventories and investments in televisual products and movies	169.0	158.7
Prepaid expenses	32.7	24.4
Future income taxes	153.6	65.9
	890.0	728.0
PROPERTY, PLANT AND EQUIPMENT	2,110.2	1,830.1
FUTURE INCOME TAXES	57.4	61.1
OTHER ASSETS	422.0	243.6
GOODWILL	4,081.3	3,721.1
	\$ 7,560.9	\$ 6,583.9
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Bank indebtedness	\$ 16.3	\$ 20.6
Accounts payable and accrued charges	756.0	592.4
Deferred revenue	202.7	177.6
Income taxes	19.2	8.8
Amounts payable to parent company and companies under common control	-	11.9
Additional Amount payable	-	122.0
Current portion of long-term debt	24.7	23.1
	1,018.9	956.4
LONG-TERM DEBT	3,002.8	2,773.0
DERIVATIVE FINANCIAL INSTRUMENTS	538.7	231.3
OTHER LIABILITIES	103.5	125.2
FUTURE INCOME TAXES	292.5	118.9
NON-CONTROLLING INTEREST	154.2	142.1
SHAREHOLDERS' EQUITY		
Capital stock	1,752.4	1,752.4
Contributed surplus	3,217.2	3,217.2
Deficit	(2,528.7)	(2,731.5)
Accumulated other comprehensive loss	9.4	(1.1)
	2,450.3	2,237.0
	\$ 7,560.9	\$ 6,583.9