TVA

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A Quebecor Media Company

ANNUAL FINANCIAL RESULTS ENDED DECEMBER 31ST, 2010

TVA GROUP INC.

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MESSAGE TO THE SHAREHOLDERS

Montreal, March 7, 2011

TVA Group Inc. (the "Corporation") announces that it recorded net income of $19.8 million, or $0.83 per share, for the last quarter of 2010, compared with $21.1 million, or $0.89 per share, in the corresponding quarter of 2009. Excluding the favourable adjustment related to Canadian Radio-television and Telecommunications Commission ("CRTC") Part II licence fees recorded in the last quarter of 2009, the Corporation's operating income[1] was $29.8 million, compared with $23.2 million in the same quarter of 2009, an increase of 28.6%.

<u>Fourth quarter operating highlights</u>:

- The Television sector's normalized operating income[1] increased by $6,035,000, or 28.2%, compared with the same quarter of last year, mainly because of the following factors:
    - ⇒ a 26.6% increase in the TVA Network's normalized operating income, due to a 5.5% decrease in operating expenses and stable advertising revenues;
    - ⇒ 19.5% growth in advertising revenues and 14.2% growth in the specialty services' subscription revenues;
    - ⇒ recognition of operating income for the TVA Films division, compared with an operating loss of $2,809,000 in the same quarter of 2009;
- The Publishing sector's operating income increased by 34.0% compared with the same quarter of last year, from $1,772,000 in 2009 to $2,374,000 in 2010.

We are pleased with the financial results for the fourth quarter and the financial year overall, as we posted growth in normalized operating income in both of those periods. In the last quarter of 2010, TVA Network's advertising revenues grew slightly by 0.4%, while those of our specialty services increased by 19.5%, compared with the same quarter of 2009. For the period of September 27, 2010 to January 2, 2011, TVA Network achieved 26.2 market shares, which greatly exceeds our competitors. Our specialty services grew their market shares by 26.9%, in particular LCN, which achieved 3.9 market shares, and addikTV, with 1.1 share.

The 6.3% growth in operating revenues for the Publishing sector, in particular the 9.0% growth in advertising revenues, enabled us to offset a 3.3% increase in operating expenses and significantly increase our operating income for the quarter. The profit margin for the quarter was 12.3%, compared with 9.8% in the same quarter of 2009.

Cash flows provided by operating activities remained relatively stable at $10.5 million for the quarter, compared with $10.7 million in the same quarter of 2009.

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1 See definitions below.

Growth in 2010

For the fiscal year ended December 31, 2010, the Corporation's consolidated normalized operating income was $76.2 million, compared with $71.0 million for the previous fiscal year, a 7.2% increase. Consolidated operating revenues totalled $448.2 million, compared with $439.0 million in 2009, a 2.1% increase. For the same period, the Corporation generated net income of $38.2 million, or $1.61 per share, compared with $49.1 million, or $2.05 per share, in 2009.

The Corporation

TVA Group Inc., a subsidiary of Quebecor Media Inc., is an integrated communications company involved in the creation, the production and distribution of audiovisual products, and in magazine publishing. TVA Group Inc. is one of the largest private sector producers and the largest private sector broadcaster of French-language entertainment, information and public affairs programming, and magazine publishing in North America. TVA Group Inc. also operates SUN TV, a conventional station in Toronto. The Corporation’s Class B shares are listed on the Toronto Stock Exchange under the ticker symbol TVA.B.

The audited consolidated financial statements with notes and the annual Management’s Discussion and Analysis can be consulted on TVA Group Inc.’s Web site at: www.tva.canoe.ca.

Definitions

Operating income or operating loss

In its analysis of operating results, the Corporation defines operating income (loss) as earnings (loss) before amortization of property, plant and equipment and intangible assets, financial expenses, restructuring costs of operations, impairment of assets and other, income taxes, minority interest and share of income of company subject to significant influence. Operating income (loss) as defined above is not a measure of results that is consistent with Canadian Generally Accepted Accounting Principles (“GAAP”). Neither is it intended to be regarded as an alternative to other financial performance measures or to the statement of cash flows as a measure of liquidity. This measure is not intended to represent funds available for debt service, dividend payment, reinvestment or other discretionary uses, and should not be considered in isolation or as a substitute for other performance measures prepared in accordance with Canadian GAAP. Operating income (loss) is used by the Corporation because management believes it is a meaningful measure of performance.

This measure is used by senior management and the Board of Directors to evaluate the consolidated results of the Corporation and the results of its sectors. Measurements such as operating income and operating loss–are also commonly used by the investment community to analyze and compare the performance of companies in the industries in which the Corporation is active. The Corporation’s definition of operating income (loss) may not be identical to similarly titled measures reported by other companies.

Normalized operating income (loss)

Normalized operating income (loss) is defined as operating income adjusted for adjustments related to CRTC Part II licence fees. Normalized operating income (loss) presents operating results had the adjustments related to CRTC Part II licence fees for the periods in question been excluded. Normalized operating income (loss) as defined above is not a measure of results that is consistent with Canadian GAAP.

Neither is it intended to be regarded as an alternative to other financial performance measures or to the statement of cash flows as a measure of liquidity. This measure is not intended to represent funds available for debt service, dividend payment, reinvestment or other discretionary uses, and should not be considered in isolation or as a substitute for other performance measures prepared in accordance with Canadian GAAP. Normalized operating income (loss) is used by the Corporation because management believes it is a meaningful measure of performance. The Corporation's definition of normalized operating income (loss) may not be identical to similarly titled measures reported by other companies.

For a reconciliation of operating income and normalized operating income to the net income measure used in the Corporation's financial statements, please refer to our Management's Discussion and Analysis for the financial year ended December 31, 2010, available on the www.sedar.com and www.tva.canoe.ca websites.

Pierre Dion
President and Chief Executive Officer

Consolidated Financial Statements of

TVA GROUP INC.

For the years ended December 31, 2010 and 2009

INDEPENDENT AUDITORS' REPORT

To the Shareholders of **TVA Group Inc.**

We have audited the accompanying consolidated financial statements of **TVA Group Inc**., which comprise the consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated statements of income, comprehensive income, retained earnings and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **TVA Group Inc.** as at December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in Canadian generally accepted accounting principles.

Ernst & Young LLP[1]

March 7, 2011
Montréal, Canada

Chartered Accountants

TVA GROUP INC.
Consolidated Statements of Income

Years ended December 31, 2010 and 2009
(in thousands of dollars, except per share amounts)

	2010	2009
Operating revenues *(notes 17 and 19)*	$ 448,192	$ 438,969
Operating, selling and administrative expenses *(notes 8, 15, 16, 17, 18, 19, and 20)*	372,040	358,942
Amortization of property, plant and equipment and intangible assets *(notes 10 and 11)*	15,061	14,274
Financial expenses *(note 2)*	5,621	2,960
Restructuring costs of operations, impairment of assets and other *(note 3)*	9,138	(794)
Income before income taxes, minority interest and share of income of company subject to significant influence	46,332	63,587
Income taxes *(note 4)*	9,929	17,098
Minority interest *(note 19)*	(653)	(1,906)
Share of income of company subject to significant influence	(1,116)	(728)
Net income	$ 38,172	$ 49,123
Basic and diluted earnings per share *(note 15)*	$ 1.61	$ 2.05

Consolidated Statements of Comprehensive Income

Years ended December 31, 2010 and 2009
(in thousands of dollars)

	2010	2009
Net income	$ 38,172	$ 49,123
Gain on derivative financial instrument *(note 21)*	–	434
Income taxes related to a derivative financial instrument	–	(130)
Comprehensive income	$ 38,172	$ 49,427

See accompanying notes to consolidated financial statements.

TVA GROUP INC.
Consolidated Statements of Retained Earnings

Years ended December 31, 2010 and 2009
(in thousands of dollars)

	2010	2009
Balance, beginning of year	$ 134,303	$ 98,511
Net income	38,172	49,123
Adjustment to transactions with related companies *(note 19)*	(2,000)	(7,247)
Dividends paid	(4,754)	(4,786)
Share redemption – excess of purchase price over net carrying amount *(note 15)*	-	(1,298)
Balance, end of year	$ 165,721	$ 134,303

See accompanying notes to consolidated financial statements.

TVA GROUP INC.
Consolidated Balance Sheets

December 31, 2010 and 2009
(in thousands of dollars)

	2010	2009
Assets		
Current assets		
Cash	$ 5,605	$ 1,924
Accounts receivable *(note 7)*	133,161	121,593
Programs, broadcast and distribution rights and inventories *(notes 3, 8 and 19)*	60,122	54,774
Prepaid expenses and other current asset *(note 19)*	2,240	4,754
Future income tax assets *(note 4)*	2,710	4,818
	203,838	187,863
Broadcast and distribution rights *(notes 3 and 8)*	34,058	38,950
Investments *(note 9)*	12,527	11,637
Property, plant and equipment *(notes 3, 10 and 17)*	86,208	79,123
Licences and other intangible assets *(note 11)*	89,214	86,789
Goodwill	71,981	71,981
Accrued benefit asset *(note 18)*	16,426	8,900
Future income tax assets *(note 4)*	25	280
	$ 514,277	$ 485,523
Liabilities and shareholders' equity		
Current liabilities		
Bank overdraft	$ 3,557	$ 974
Accounts payable and accrued liabilities *(notes 3 and 12)*	80,878	87,328
Broadcast and distribution rights payable *(notes 17 and 19)*	25,879	28,611
Deferred revenues *(note 17)*	7,122	7,401
	117,436	124,314
Long-term debt *(note 13)*	90,338	88,580
Future income tax liabilities *(note 4)*	28,551	28,951
Other liabilities *(note 14)*	4,928	6,583
Minority interest *(note 19)*	4,511	–
	245,764	248,428
Shareholders' equity		
Capital stock *(note 15)*	98,647	98,647
Contributed surplus *(note 19)*	4,145	4,145
Retained earnings	165,721	134,303
	268,513	237,095
Commitments, guarantees and contingencies *(note 20)*		
	$ 514,277	$ 485,523

See accompanying notes to consolidated financial statements.

On behalf of the Board:

(signed)
Jean Neveu, Chairman of the Board

(signed)
Marc A. Courtois, Director

TVA GROUP INC.
Consolidated Statements of Cash Flows

Years ended December 31, 2010 and 2009
(in thousands of dollars)

	2010	2009
Cash flows provided by (used in) operating activities		
Net income	$ 38,172	$ 49,123
Non-cash items		
Amortization *(notes 2, 10 and 11)*	15,419	14,418
Restructuring costs of operations, impairment of assets and other *(note 3)*	7,696	–
Share of income of company subject to significant influence	(1,116)	(728)
Future income taxes *(note 4)*	1,940	(3,984)
Minority interest *(note 19)*	(653)	(1,906)
Cash flows from current operations	61,458	56,923
Net change in non-cash items *(note 6)*	(38,911)	(27,813)
Cash flows provided by operating activities	22,547	29,110
Cash flows provided by (used in) investing activities		
Additions to property, plant and equipment	(18,352)	(16,261)
Additions to intangible assets	(5,893)	(6,710)
Disposal of an item of property, plant and equipment *(note 3)*	760	–
Business disposal *(note 19)*	–	105
Net change in investments *(note 19)*	226	11,977
Cash flows used in investing activities	(23,259)	(10,889)
Cash flows provided by (used in) financing activities		
Net change in bank overdraft	2,583	827
Net change in revolving term loan *(note 13)*	1,361	(78,907)
Term loan *(note 13)*	–	75,000
Deferred financing costs *(note 13)*	39	(1,362)
Minority interest *(note 19)*	5,164	–
Redemption of redeemable preferred shares *(note 19)*	–	(9,750)
Share redemption *(note 15)*	–	(2,581)
Dividends paid	(4,754)	(4,786)
Cash flows provided by (used in) financing activities	4,393	(21,559)
Net change in cash	3,681	(3,338)
Cash, beginning of year	1,924	5,262
Cash, end of year	$ 5,605	$ 1,924

See accompanying notes to consolidated financial statements.

TVA Group Inc. ("TVA Group" or the "Corporation") was incorporated under Part 1A of the *Companies Act* (Québec) by certificate and articles of continuance dated December 17, 1981. As of its effective date of February 14, 2011, the Corporation is governed by the Québec *Business Corporations Act*. TVA Group is an integrated communications company with two operating segments: television and publishing *(note 22)*.

1. Significant accounting policies

(a) Basis of presentation

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and include the accounts of the Corporation and its subsidiaries. All intercompany balances and transactions were eliminated on consolidation.

Certain comparative figures for the year ended December 31, 2009 have been reclassified to conform to the presentation adopted for the year ended December 31, 2010.

(b) Use of estimates

The preparation of consolidated financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, related amounts of revenues and expenses, and disclosure of contingent assets and liabilities. Given that these estimates are based on management's best knowledge of events, actions or amounts, actual results could differ from these estimates. Significant areas are requiring more extensive use of management's estimates and assumptions relate to the following:

- Impairment testing of goodwill, property, plant and equipment and intangible assets;
- Costs, assets and liabilities related to pension plans and other retirement benefits;
- Allowance for doubtful accounts and allowance for sales returns;
- Expected use of broadcast rights;
- Estimated future revenues from and expected net realizable value of broadcast and distribution rights;
- Provisions such as legal contingencies and operational restructuring;
- Residual value and useful life of assets subject to amortization;
- Future income taxes;
- Government assistance and tax credits;
- Stock-based compensation.

1. Significant accounting policies (continued)

(c) Tax credits and government assistance

The Corporation is eligible for several government programs designed to support televisual product programming and production, film distribution, magazine publishing and investment projects. Government assistance is recorded in revenues as a reduction of the related expenses or the cost of property, plant and equipment in the year in which the costs are incurred, provided that management has reasonable assurance that the conditions attached to such assistance programs have been met.

Assistance under the Local Programming Improvement Fund (“LPIF”) is recorded in operating revenues, whereas assistance for television productions is recorded as a reduction of production costs, which are reported in operating, selling and administrative expenses. In the publishing segment, government assistance for content production is accounted for as deferred revenue and is amortized during the year in which the Corporation meets the government assistance requirements. Government assistance for magazine distribution is accounted for as a reduction of the related expenses. As of April 1, 2010, the two assistance programs that the publishing segment benefitted from were replaced by a financial assistance fund for the Canadian magazine and non-daily newspaper industries so they can continue to produce and distribute Canadian content. All assistance related to this new program is now recognized under operating revenues. Government assistance is initially reported in deferred revenues and amortized over the period covered by the program.

Government assistance for film distribution is subject to specific conditions with respect to distribution operations; if the Corporation fails to comply with these conditions, it may be required to repay the assistance in whole or in part. The non-refundable portion of the government assistance for marketing costs is accounted for as reduction of such costs. The refundable portion is accounted for as an advance and is repayable in whole or in part when the film reaches certain profitability levels. If the film fails to reach the expected revenue levels, all or part of such advances would not be refundable by the Corporation and would be accounted for as a reduction of the Corporation’s operating expenses.

1. Significant accounting policies (continued)

(d) Programs, broadcast and distribution rights and inventories

Programs produced and productions in progress

Costs of programs produced and productions in progress related to broadcast operations include direct costs for goods and services and the share of labour and overhead costs related to each production. The cost of each program is charged to operating, selling and administrative expenses when broadcast.

Broadcast rights and broadcast rights payable

Broadcast rights are contractual rights allowing limited or unlimited broadcasting of televisual products or films. The Corporation recognizes an acquired broadcast rights inventory and records obligations incurred under broadcast rights acquisition contracts as a liability when the broadcast period begins and the following conditions have been met:

(i) The cost of each program, film or series is known or can be reasonably determined.

(ii) The programs, films or series have been accepted by the Corporation in accordance with the conditions of the broadcast rights acquisition contract;

(iii) The programs, films or series are available for their initial broadcast.

Prior to all the above asset recognition conditions being met, the amounts paid for broadcast rights are accounted for as prepaid broadcast rights under "Programs, broadcast and distribution rights and inventories" and "Broadcast and distribution rights."

Broadcast rights are classified as current or long-term assets based on management's estimate of the broadcast period.

The broadcast rights are recognized in operating, selling and administrative expenses upon broadcast of televisual products or films over the contract period using a method based on estimated future revenues and the estimated number of airings.

Broadcast rights payable are classified as current or long-term liabilities based on the payment terms set out in the acquisition contract.

1. Significant accounting policies (continued)

(d) Programs, broadcast and distribution rights and inventories (continued)

Distribution rights and distribution rights payable (continued)

Distribution rights relate to the distribution of televisual products and films. Costs include the cost of film acquisition rights and the costs incidental to such rights. The Corporation recognizes a distribution rights inventory and records obligations incurred under distribution rights acquisition contracts as a liability when the televisual product or film has been accepted under the terms set out in the broadcast rights acquisition contract and is available for distribution and the cost of the distribution rights is known or can be reasonably determined.

Prior to all the above asset recognition conditions being met, the amounts paid for distribution rights are accounted for as prepaid distribution rights under “Programs, broadcast and distribution rights and inventories” and “Broadcast and distribution rights”.

Distribution rights are recognized in operating, selling and administrative expenses using the individual-film-forecast-computation method. Under this method, each distribution right is expensed based on actual gross revenues over total anticipated gross revenues.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the first in, first out method.

Net realizable value

Revenue estimates, used to determine the realizable values of inventories related to the broadcast and distribution of televisual products and films, are reviewed periodically by management and revised as necessary based on management’s assessment of current market conditions. The carrying amounts of programs produced and productions in progress, and broadcast and distribution rights are reduced to their net realizable values, where necessary, based on that assessment.

The net realizable value of product inventories is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

1. Significant accounting policies (continued)

(e) Investments

Interests in the joint ventures are accounted for using the proportionate consolidation method. The investment in companies subject to significant influence is accounted for using the equity method. Under this method, the share of operating income of the company subject to significant influence is accounted for in the consolidated statement of income. Other investments are recorded at cost. The carrying amount of an investment is reduced to its estimated fair value if a decline in value of said investment is other than temporary.

(f) Property, plant and equipment

Property, plant and equipment are recorded at cost. Cost represents acquisition costs, net of related government grants and tax credits, development costs, including any preparation, installation and testing costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Future expenditures, such as maintenance and repair costs, are recorded in operating, selling and administrative expenses as incurred.

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

Asset	**Estimated useful life**
Buildings	10 to 40 years
Equipment	4 to 15 years

Leasehold improvements are amortized over the shorter of the term of the lease or economic life of the leased asset.

(g) Deferred financing costs

Deferred financing costs related to long-term financing are capitalized as a reduction of long-term debt and are amortized using the effective interest method. Amortization of deferred financing costs is included under financial expenses in the consolidated statements of income.

1. Significant accounting policies (continued)

(h) Impairment of long-lived assets

Long-lived assets, including property, plant and equipment and intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverability of assets to be held and used is measured by comparing the carrying amount of the asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds the estimated future cash flows, an impairment charge is recognized corresponding to the amount by which the asset's carrying amount exceeds its fair value.

(i) Intangible assets and goodwill

Intangible assets

Intangible assets with indefinite useful lives consist of broadcast licences and a trademark and are not amortized through income; however, they are tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired.

Other intangible assets consist of software and a client list. They are amortized on a straight-line basis over the following estimated useful lives:

Asset	**Estimated useful life**
Software	5 to 10 years
Client list	3 years

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets of acquired businesses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the fair value of a reporting unit is compared with its carrying amount. When the fair value of a reporting unit exceeds its carrying amount, then the goodwill of the reporting unit is considered not to be impaired and the second step is not required. The second step of the impairment test is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the implied fair value of the reporting unit's goodwill is compared to its carrying amount to measure the amount of the impairment loss, if any. When the carrying amount of the reporting unit's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess.

1. Significant accounting policies (continued)

(j) Pension plans and other retirement benefits

The Corporation has established defined benefit and defined contribution pension plans for employees.

Defined contribution pension plans

The defined contribution pension plan expense recorded in the statements of income represents the contributions the Corporation must make in exchange for services rendered by the employees.

Defined benefit pension plans and other retirement benefits

The following accounting policies apply to all defined benefit plans:

(i) The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and is charged to income as services are provided by employees. The calculations take into account management's best estimates of expected return on pension plan assets, salary escalation, retirement ages of employees and expected healthcare costs.

(ii) For purposes of calculating the expected return on pension plan assets, the assets are measured at fair value.

(iii) Past service costs arising from plan amendments (with the exception of certain pension plans for which past service costs are recognized in income as incurred) are amortized on a straight-line basis over the active employees' average remaining service period at the amendment date.

(iv) The excess of the net actuarial gain (net actuarial loss) over 10% of the greater of the accumulated benefit obligation or the fair value of plan assets is amortized over the active employees' average remaining service period of 12 years.

(v) The initial net transitional asset is amortized on a straight-line basis over the expected remaining service life of the employee group covered by the plans.

1. Significant accounting policies (continued)

(j) Pension plans and other retirement benefits (continued)

Defined benefit pension plans and other retirement benefits (continued)

Under a former plan, the Corporation also provides health, life and dental insurance benefits to certain retired employees. The Corporation's active employees no longer qualify for these post-retirement benefits. The cost of other retirement benefits is calculated using an accounting methodology similar to that used for defined benefit pension plans. The related expense is funded by the Corporation as it becomes payable. The difference between employer contributions and the recorded employee benefit expense is accounted for as an accrued benefit asset or obligation.

(k) Operating revenue recognition

Advertising revenues

Revenues from the sale of advertising airtime and space on the Corporation's websites are recognized when the advertisement airs or is displayed online. Revenues from the sale of advertising space in magazines are recognized when the advertisement is published, i.e. at the magazine publication date.

Subscription revenues

Fee revenues from specialty television channel subscriptions are recognized on a monthly basis when the service is rendered.

Amounts received for magazine subscriptions are accounted for as deferred revenues and are amortized over the subscription term.

Revenues from newsstand magazine sales

Revenues from newsstand magazine sales are recognized when the magazines are delivered to newsstands and are calculated using an amount of revenue less an allowance for future returns.

1. Significant accounting policies (continued)

(k) Operating revenue recognition (continued)

Distribution revenues

Revenues from the sale of film and audiovisual product distribution rights are recognized when the following conditions have been met:

(i) There is persuasive evidence of a sales transaction with a client. Evidence is persuasive only if there is a contract or other legally enforceable document setting forth, as a minimum, (i) the licence period, (ii) the product or group of products covered and (iii) the consideration to be received in exchange for the rights;

(ii) The product has been completed and delivered or is available for delivery;

(iii) The licence period has begun and the client can begin the operation, screening, broadcasting or selling process;

(iv) The Corporation's fee is fixed or can be reasonably determined;

(v) Collection of the Corporation's fee is reasonably assured.

Theatrical revenues are recognized in the months during which the film is shown in theatres, based on a percentage of box office receipts, provided that the above conditions have been met. Revenues from videos are recognized during the month in which the film is released on video and are based on DVD/Blu-ray deliveries, less a provision for future returns, or based on a percentage of retail sales, provided that the above conditions have been met.

Sale of products on the home shopping TV channel

Revenues from the sale of products on the home shopping TV channel are recognized when the products are delivered less an allowance for future returns.

(l) Foreign currency translation

Monetary assets and liabilities in foreign currencies are translated at the exchange rate in effect at the balance sheet date. Other assets and liabilities are translated at the exchange rate in effect at the transaction date. Revenues and expenses in foreign currencies are translated at the average rate in effect during the year, with the exception of amortization, which is translated at the historical rate. Translation gains and losses are included in the statements of income for the year under Financial expenses.

1. Significant accounting policies (continued)

(m) Income taxes

The Corporation uses the liability method to account for income taxes. Under this method, future income tax assets and liabilities are determined according to differences between the carrying amounts of the assets and liabilities and their tax bases; they are measured by applying the tax rates and provisions that are enacted or substantially enacted at the financial statement date for the years in which temporary differences are expected to reverse.

In the course of the Corporation's operations, there are a number of uncertain tax positions due to the complexity of certain transactions and to the fact that related tax interpretations and legislation are continually changing. When a tax position is uncertain, the Corporation recognizes an income tax benefit or reduces an income tax liability only when it is probable that the tax benefit will be realized in the future or the income tax liability is no longer probable.

(n) Stock-based compensation and other stock-based payments

The Corporation uses the intrinsic value method for all stock options of the Corporation awarded to employees that require settlement in cash or other assets, at the employee's option. Under this method, the compensation expense related to awards to employees that provide for a settlement in cash or other assets is recorded each year under operating, selling and administrative expenses over the vesting period of the options. Changes in the fair value of the underlying shares under option or deferred share units occurring between the award date and the measurement date result in changes in the amount of the compensation expense with a corresponding entry in accounts payable and accrued liabilities for the current portion and in other liabilities for the long-term portion. For the executive and employee share plan, the Corporation's contributions on the employees' behalf are recorded as an operating, selling and administrative expense. Any consideration paid by executives and employees to purchase stock is credited to capital stock. Awards to senior management under the deferred share unit plan and stock option plan of Quebecor Media Inc. ("Quebecor Media") are also measured and recorded in the financial statements using the intrinsic value method. Under this method, changes in the fair value of Quebecor Media's share units and stock options affect the compensation expense which is recorded over the vesting period of the awards under operating, selling and administrative expenses.

1. Significant accounting policies (continued)

(o) Earnings per share

Basic earnings per share are calculated based on the weighted average number of common shares outstanding during the year. The Corporation uses the treasury stock method to determine the dilutive effects of options when calculating diluted earnings per share.

(p) Barter transactions

In the normal course of business, the Corporation broadcasts and publishes advertising in exchange for goods and services. The related revenues earned and expenses incurred are accounted for based on the fair value of the goods and services obtained.

For the year ended December 31, 2010, the Corporation recognized revenues from barter transactions totalling $10,442,000 ($10,498,000 in 2009) and operating expenses related to barter transactions totalling $10,032,000 ($10,424,000 in 2009).

(q) Financial instruments

Classification, recognition and measurement

Financial instruments are classified as held for trading, available for sale, held to maturity, loans and receivables or other financial liabilities. Measurement of financial instruments in subsequent periods depends on their classification. The Corporation has classified its financial instruments as follows:

Held for trading	**Loans and receivables**	**Available for sale**	**Other financial liabilities**
• Cash • Bank overdraft	• Accounts receivable • Receivables from companies under common control and affiliated companies	• Portfolio investments included under “Investments”	• Accounts payable and accrued liabilities • Broadcast and distribution rights payable • Long-term debt • Other non-current financial liabilities

1. Significant accounting policies (continued)

(q) Financial instruments (continued)

Classification, recognition and measurement (continued)

Financial instruments held for trading are measured at fair value with changes recognized through income. Available-for-sale portfolio investments are measured at fair value or at cost for investments in shares that do not have a quoted market price in an active market. Changes in fair value are recorded through comprehensive income. Financial assets classified as loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method.

Derivative financial instruments are recognized at fair value as financial assets or liabilities. Changes in fair value of derivatives are recognized through income, with the exception of derivatives designated in an effective cash flow hedge for which hedge accounting is used.

Derivative financial instrument and hedge accounting

The Corporation can use a derivative financial instrument, such as an interest rate swap, to hedge the interest rate risk on a portion of its long-term debt. When the Corporation uses this swap, it is designated as a cash flow hedge because a floating rate is converted to a fixed rate. The effective portion of the hedge is recorded as an unrealized gain (loss) on financial instrument in the consolidated statement of comprehensive income, while the ineffective portion is recognized in the consolidated statement of income as a financial expense. The effective portion of the hedging relationship reported in accumulated other comprehensive income is recognized in income during the period in which the hedged item affects income. When a cash flow hedge is discontinued, the amounts previously recognized in accumulated other comprehensive income are reclassified to income during the periods in which the change in cash flows of the hedged item affects income.

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

2. Financial expenses

	2010	2009
Interest on long-term debt (*notes 13 and 21*)	$ 5,418	$ 2,591
Dividends on redeemable preferred shares (*note 19)*[(1)]	–	513
Interest income on convertible bonds issued by an affiliated company *(note 19)*[(1)]	–	(496)
Interest income	(189)	(177)
Amortization of deferred financing costs	358	144
Foreign exchange loss	2	342
Other interest	32	43
	$ 5,621	$ 2,960

(1) During the year ended December 31, 2010, no dividends on redeemable preferred shares were paid ($545,000 in 2009) and no interest income on convertible bonds was received ($527,000 in 2009).

3. Restructuring costs of operation, impairment of assets and other

	2010	2009
Restructuring costs	$ 1,442	$ (794)
Impairment of assets	8,201	–
Other	(505)	–
	$ 9,138	$ (794)

In fiscal 2010, the Corporation and Sun Media Corporation, a subsidiary of Quebecor Media Inc., announced the creation of a new partnership (51% TVA and 49% Sun Media Corporation) for the purpose of setting up and launching a news and opinion specialty channel called SUN News in the English-Canadian market in spring 2011. The Corporation had also announced its intention to cease operation of its existing conventional television station, SUN TV, when the new specialty service begins broadcasting. Following this repositioning, the Corporation recorded a $5,966,000 impairment charge for fiscal 2010 related to its broadcast rights inventories, a $2,235,000 impairment charge related to certain equipment and $479,000 provision for restructuring costs of operations.

In fiscal 2010, the Corporation also recorded a $963,000 provision for restructuring costs of operations following the elimination of several positions.

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

3. Restructuring costs of operations, impairment of assets and other (continued)

In fiscal 2009, new information came to light prompting the Corporation to remeasure its provision for restructuring costs related to the production operations of a former subsidiary and recognize a downward adjustment totalling $794,000.

In fiscal 2010, costs of $649,000 ($1,021,000 in 2009) were charged against this provision.

Accordingly, the balance of the provision for restructuring costs of operations amounted to $1,774,000 as at December 31, 2010 ($981,000 as at December 31, 2009) and is included in accounts payable and accrued liabilities.

In addition, in fiscal 2010, the Corporation received $760,000 following an insurance settlement related to property, plant and equipment. The Corporation recorded a $505,000 gain related to that event.

4. Income taxes

Income tax expense is detailed as follows:

	2010	2009
Current	$ 7,989	$ 21,082
Future	1,940	(3,984)
	$ 9,929	$ 17,098

The following table reconciles the Canadian statutory income tax rate and the effective income tax rate used by the Corporation to calculate consolidated net income:

	2010	2009
Canadian statutory tax rate	29.9%	30.9%
Impact of provincial tax rate differences	(0.4)	(0.3)
	29.5	30.6
Increase (decrease) resulting from:		
Tax impact of non-deductible charges	1.4	1.2
Tax impact of Ontario future tax rate decrease	-	(0.3)
Change in deferred credit	-	(0.2)
Other[1]	(9.5)	(4.4)
Effective tax rate	21.4%	26.9%

[1] Includes reductions in future income tax liabilities of 10.5% (4.5% in 2009) in light of changes in tax audit matters, jurisprudence and tax legislation.

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

4. Income taxes (continued)

The tax impact of significant items comprising the Corporation's net future income tax liabilities is as follows:

	2010	2009
Future income tax assets		
Loss carryforwards	$ 24,570	$ 15,960
Provision for restructuring costs	271	272
Goodwill	526	565
Difference between carrying amount and tax basis of property, plant and equipment and investments	(95)	110
Other	2,005	1,795
	27,277	18,702
Valuation allowance	(24,542)	(13,604)
	2,735	5,098
Future income tax liabilities		
Goodwill, licences and other intangible assets	(22,054)	(20,381)
Difference between carrying amount and tax basis of property, plant and equipment	632	1,253
Other	(7,129)	(9,823)
	(28,551)	(28,951)
Net future income tax liabilities	$ (25,816)	$ (23,853)

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

	2010	2009
Future income tax assets		
Current	$ 2,710	$ 4,818
Long-term	25	280
	2,735	5,098
Future income tax liabilities		
Long-term	(28,551)	(28,951)
Net future income tax liabilities	$ (25,816)	$ (23,853)

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

4. Income taxes (continued)

The Corporation recorded no future income tax liabilities with respect to its subsidiaries' retained earnings during the current year or in prior years because it does not expect to sell these investments or that these retained earnings will become taxable.

Figures in the preceding tables for 2010 and 2009 include a valuation allowance of $24,542,000 and $13,604,000, respectively, relating to loss carryforwards and other available income tax benefits.

As at December 31, 2010, the Corporation had loss carryforwards for income tax purposes of approximately $1,601,000 ($9,031,000 in 2009) available to reduce its future taxable income. These loss carryforwards expire as follows:

2026	$ 122,000
2029	927,000
2030	552,000

The Corporation also has capital losses amounting to $179,582,000 ($96,217,000 in 2009) that may be carried forward indefinitely and for which a valuation allowance for future income tax assets was recorded.

5. Joint ventures

The share of operations in the joint ventures included in the Corporation's consolidated financial statements is detailed as follows:

	2010	2009
Consolidated Statements of Income		
Operating revenues	$ 8,668	$ 8,203
Operating, selling and administrative expenses	7,270	7,313
Operating income before interest income	1,398	890
Interest expense (income)	1	(10)
Net income	$ 1,397	$ 900
Consolidated Balance Sheets		
Current assets	$ 6,545	$ 6,642
Long-term assets	533	272
Current liabilities	2,412	2,751
Long-term liabilities	135	28
Consolidated Statements of Cash Flows		
Cash flows provided by operating activities	982	1,288
Cash flows used in financing activities	(1,000)	(2,010)

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

6. Supplementary cash flow information

Supplementary information regarding the Consolidated Statements of Cash Flows is detailed as follows:

(a) Changes in non-cash working capital items related to operating activities are as follows:

	2010	2009
Decrease (increase) in assets		
Accounts receivable	$ (6,231)	$ (18,125)
Programs, broadcast and distribution rights and inventories	(6,422)	(4,776)
Prepaid expenses and other current asset	514	(2,090)
Accrued benefit asset	(7,526)	(411)
Increase (decrease) in liabilities		
Accounts payable and accrued liabilities	(257)	(14,761)
Broadcast and distribution rights payable	(4,916)	4,308
Current income tax assets and liabilities	(14,345)	8,068
Other liabilities	272	(26)
	$ (38,911)	$ (27,813)

(b) Interest and income taxes paid and classified in operating activities are detailed as follows:

	2010	2009
Net interest paid	$ 5,225	$ 2,213
Net income taxes paid	22,331	13,006

(c) Non-cash transactions

The Consolidated Statements of Cash Flows exclude the following non-cash transactions:

	2010	2009
Additions to property, plant and equipment and intangible assets funded by accounts payable and accrued liabilities	$ 5,293	$ 3,166
Government assistance and other receivables credited to property, plant and equipment	-	(688)

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

7. Accounts receivable

	2010	2009
Trade accounts receivable *(note 21b)*	$ 98,569	$ 91,463
Receivables from companies under common control and affiliated companies	22,510	21,536
Tax credits and government assistance receivable	4,978	7,516
Current income tax assets	7,104	1,078
	$ 133,161	$ 121,593

Receivables from companies under common control and affiliated companies are subject to the same conditions as trade accounts receivable. Companies under common control are subsidiaries of the parent company, Quebecor Media.

8. Programs, broadcast and distribution rights and inventories

			2010
	Short-term	Long-term	Total
Programs and productions produced and in progress	$ 7,800	$ –	$ 7,800
Broadcast rights	46,146	32,079	78,225
Distribution rights	2,711	1,979	4,690
Inventories	3,465	–	3,465
	$ 60,122	$ 34,058	$ 94,180

			2009
	Short-term	Long-term	Total
Programs and productions produced and in progress	$ 5,391	$ –	$ 5,391
Broadcast rights	42,805	33,275	76,080
Distribution rights	2,951	5,675	8,626
Inventories	3,627	–	3,627
	$ 54,774	$ 38,950	$ 93,724

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

8. Programs, broadcast and distribution rights and inventories (continued)

The cost of goods sold and costs related to programs, and broadcasting and distribution rights included in operating, selling and administrative expenses totalled $248,839,000 in 2010 ($238,783,000 in 2009). An impairment charge totalling $668,000 related to inventories, programs and broadcast and distribution rights was recorded in cost of sales in 2010 ($2,995,000 in 2009).

9. Investments

	2010	2009
Tele Inter-Rives Ltd., company subject to significant influence, 45% ownership interest	$ 9,626	$ 8,736
Other investments	2,901	2,901
	$ 12,527	$ 11,637

10. Property, plant and equipment

			2010
	Cost	Accumulated amortization	Net book value
Land	$ 3,168	$ –	$ 3,168
Buildings and leasehold improvements	83,437	60,416	23,021
Equipment	141,406	93,011	48,395
Projects in progress	11,624	–	11,624
	$ 239,635	$ 153,427	$ 86,208

			2009
	Cost	Accumulated amortization	Net book value
Land	$ 3,168	$ –	$ 3,168
Buildings and leasehold improvements	80,581	57,880	22,701
Equipment	127,072	81,703	45,369
Projects in progress	7,885	–	7,885
	$ 218,706	$ 139,583	$ 79,123

Amortization of property, plant and equipment totalled $11,984,000 in 2010 ($12,346,000 in 2009).

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

11. Licences and other intangible assets

			2010
	Cost	Accumulated amortization	Net book value
Broadcast licences	$ 92,849	$ 23,260	$ 69,589
Software	36,955	19,406	17,549
Other intangible assets	150	50	100
Projects in progress	1,976	–	1,976
	$ 131,930	$ 42,716	$ 89,214

			2009
	Cost	Accumulated amortization	Net book value
Broadcast licences	$ 92,849	$ 23,260	$ 69,589
Software	24,474	16,140	8,334
Other intangible assets	150	40	110
Projects in progress	8,756	–	8,756
	$ 126,229	$ 39,440	$ 86,789

Broadcast licences are no longer amortized since September 1, 2001. Amortization of intangible assets amounted to $3,077,000 in 2010 ($1,928,000 in 2009).

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

12. Accounts payable and accrued liabilities

	2010	2009
Accounts payable and accrued liabilities	$ 73,350	$ 70,108
Accounts payable to companies under common control and affiliated companies	7,086	8,458
Current income tax liabilities	171	8,490
Other	271	272
	$ 80,878	$ 87,328

13. Long-term debt

	2010	2009
Term loan(i)	$ 75,000	$ 75,000
Bankers' acceptances issued(ii)	15,986	14,927
Advance on revolving credit facility(ii)	302	–
Deferred financing costs, net of accumulated amortization	(950)	(1,347)
Long-term debt	$ 90,338	$ 88,580

(i) On December 11, 2009, the Corporation completed the refinancing of its bank debt consisting of a $75,000,000 five-year term loan and renewed its $100,000,000 revolving term loan for a three-year term. The term loan bears interest at annual rate of 5.54%, payable on June 15 and December 15 of each year. The revolving term loan bears interest at floating rates based on the bankers' acceptance rate or bank prime rate, plus a variable margin based on the ratio of total debt to operating income before interest, income taxes, amortization and other items. The term loan matures on December 11, 2014 and is repayable in full on that date. The revolving term loan matures on December 11, 2012 and is repayable in full on that date.

(ii) As at December 31, 2010, borrowings under the revolving term loan amounted to $15,986,000 ($14,927,000 in 2009) in bankers' acceptances, bearing interest at a weighted average rate of 4.07% (3.53% in 2009), as well as a $302,000 advance (none in 2009) on the revolving credit facility, bearing interest at 5.63%.

Under its credit agreements, the Corporation is subject to certain covenants including maintenance of certain financial ratios. As at December 31, 2010, the Corporation was in compliance with all terms of its credit agreements.

As at December 31, 2010, the Corporation had outstanding letters of credit amounting to $425,000 ($485,000 in 2009).

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

14. Other liabilities

	2010	2009
Broadcast rights payable *(note 17)*	$ 2,934	$ 5,118
Other retirement benefit obligation *(note 18)*	1,059	1,019
Stock-based compensation *(notes 15 and 16)*[1]	870	359
Other	65	87
	$ 4,928	$ 6,583

[1] The current portion of stock-based compensation amounting to $9,000 is included in accounts payable and accrued liabilities (nil as at December 31, 2009).

15. Capital stock

Authorized

An unlimited number of Class A common shares, participating, voting, without par value.

An unlimited number of Class B shares, participating, non-voting, without par value.

An unlimited number of preferred shares, non-participating, non-voting, with a par value of $10 each, issuable in series.

	2010	2009
Issued and fully paid		
4,320,000 Class A common shares	$ 72	$ 72
19,450,906 Class B shares	98,575	98,575
	$ 98,647	$ 98,647

Normal course issuer bid

On March 17, 2010 and 2009, the Corporation filed a normal course issuer bid to redeem a maximum of 5% of the number of Class B shares of the Corporation at the offer date for cancellation for a period of one year following the offer date. The Corporation redeems its Class B shares at the market price at the time of redemption, plus brokerage fees. In fiscal 2010, no Class B shares were redeemed (253,300 Class B shares were redeemed for cancellation in fiscal 2009 for a net cash consideration of $2,581,000).

15. Capital stock (continued)

Class B stock option plan for officers

Under the plan, option grants and their related terms and conditions are determined by the Corporation's Compensation Committee. However, the purchase price of each Class B share under option cannot be less than the closing market price the day before the option is granted. In addition, the option term cannot exceed ten years. The number of Class B shares issuable under the terms of the Class B stock option plan for officers is 2,200,000.

When exercising options, holders may elect to receive from the Corporation a cash payment equal to the number of shares underlying the options exercised, multiplied by the difference between the market value and the exercise price of the shares under option or, subject to certain terms and conditions, subscribe for Class B shares of the Corporation at the exercise price. Market value is defined as the average closing market price of the shares over the last five trading days preceding the date on which the option was exercised. Options granted prior to January 2006 normally vest equally over four years, with the first 25% portion vesting as of the second anniversary of the grant date. Since January 2006, except in certain circumstances and unless the Compensation Committee decides otherwise at the time of grant, options are exercisable over a five-year period subject to the following terms and conditions determined by the Compensation Committee at the grant date:

(i) Equally over five years, with the first 20% portion vesting as of the first anniversary of the grant date;

(ii) Equally over four years, with the first 25% portion vesting as of the second anniversary of the grant date;

(iii) Equally over three years, with the first 33% portion vesting as of the third anniversary of the grant date.

In fiscal 2010 and 2009, no new options were granted by the Corporation under this plan.

The Corporation recognized a $9,000 compensation expense in connection with this plan for the year ended December 31, 2010 (nil in 2009).

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

15. Capital stock (continued)

Class B stock option plan for officers (continued)

The following table provides summary information as at December 31, 2010 and 2009 concerning the stock options outstanding and the changes that occurred during the years then ended:

	2010		2009	
	Number	Weighted average exercise price (in dollars)	Number	Weighted average exercise price (in dollars)
Balance, beginning of year	975,155	$ 16.16	975,155	$ 16.16
Cancelled	(141,545)	15.04	–	–
Balance, end of year	833,610	$ 16.35	975,155	$ 16.16
Exercisable options, end of year	560,952	**$** 17.05	428,383	$ 17.47

	Outstanding options			Exercisable options	
Exercise price range (in dollars)	Number of outstanding options as at December 31, 2010	Weighted average remaining contractual life (years)	Weighted average exercise price (in dollars)	Number of exercisable options as at December 31, 2010	Weighted average exercise price (in dollars)
$14.50 to $16.40	639,479	6.40	$ 14.97	366,821	$ 15.01
$20.50 to $21.38	194,131	3.86	20.90	194,131	20.90
$14.50 to $21.38	833,610	5.81	$ 16.35	560,952	$ 17.05

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

15. Capital stock (continued)

Class B stock purchase plan for executives and employees

The stock purchase plan reserves a total of 375,000 Class B shares for the Corporation's employees and 375,000 Class B shares for its executives. Under these plans, participants may acquire shares under certain compensation-related terms and conditions. The shares may be acquired at a price equal to 90% of the average closing market price for the five trading days preceding the exercise date. The plans also include interest-free financing terms. In fiscal 2010 and 2009, no Class B shares were issued under these plans. As at December 31, 2010 and 2009, the balance of Class B shares issuable under the employee and executive plans stood at 229,753 and 332,643, respectively.

Deferred share unit plan

Deferred share units under the long-term incentive plan for certain senior executives are redeemable (in cash or, at the Corporation's option, in Class B shares or in a combination of cash and shares) only upon termination of the participants' employment. Under this plan, no more than 25,000 Class B shares may be issued. In fiscal 2010 and 2009, no units were issued by the Corporation and no units were outstanding as at December 31, 2010 and 2009.

Earnings per share

The following tables show calculations for basic and diluted earnings per share:

	2010	2009
Net income	$ 38,172	$ 49,123
Weighted average number of basic and diluted shares outstanding	23,770,906	23,916,945
Basic and diluted earnings per share (in dollars)	$ 1.61	$ 2.05

A total of 833,610 Class B stock options (975,155 in 2009) were not included in the calculation of diluted earnings per share, given that the exercise price was higher than the average share price in 2010.

16. Quebecor Media Inc. stock option plan

Under the stock option plan established by Quebecor Media, options have been granted to the senior executives of TVA Group. Each option may be exercised within ten years of the grant date at an exercise price no lower than the fair value of the common shares of Quebecor Media at the grant date, as determined by Quebecor Media's Board of Directors (should the common shares of Quebecor Media not be listed on a recognized stock exchange at the grant date), or the weighted average price over the last five trading days preceding the grant date of the common shares of Quebecor Media on the stock exchanges where such shares are listed at the grant date. So long as the common shares of Quebecor Media are not listed on a recognized stock exchange, option holders may exercise their vested options during the following periods: March 1–March 30, June 1–June 29, September 1–September 29 and December 1–December 30. Holders of options under the stock option plan may elect on exercising their options to: (i) receive an amount in cash (equal to the difference between either the five-day weighted average market price ending on the day preceding the date of exercise of the common shares of Quebecor Media on the stock exchange(s) where such shares are listed at the exercise date or the fair value of the common shares, as determined by Quebecor Media's Board of Directors, and the exercise price of the exercisable options) or (ii) subject to certain conditions, purchase common shares of Quebecor Media at the options' exercise price.

Except in specific circumstances, and unless the Compensation Committee of Quebecor Media decides otherwise, options vest over a five-year period using one of the following methods, as determined by the Committee at the grant date: (i) equally over five years, with the initial 20% portion vesting on the first anniversary of the grant date; (ii) equally over four years, with the initial 25% portion vesting on the second anniversary of the grant date; and (iii) equally over three years with the initial 33% portion vesting on the third anniversary of the grant date.

The Corporation recognized a $600,000 compensation expense in connection with this plan for the year ended December 31, 2010 ($424,000 in 2009).

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

16. Quebecor Media stock option plan (continued)

The following table provides summary information about the outstanding stock options granted to the Corporation's executives as at December 31, 2010 and 2009 and the changes that occurred during the years then ended:

	2010		2009	
	Number	Weighted average exercise price (in dollars)	Number	Weighted average exercise price (in dollars)
Balance, beginning of year	226,649	$ 45.58	245,984	$ 43.96
Granted	205,500	46.48	-	-
Exercised	(7,866)	36.50	(19,335)	24.95
Cancelled	(36,801)	44.64	-	-
Balance, end of year	387,482	$ 46.33	226,649	$ 45.58
Exercisable options, end of year	92,232	$ 45.90	57,068	$ 45.55

During the year ended December 31, 2010, 7,866 stock options of Quebecor Media were issued for a cash consideration of $89,000 (19,335 stock option issued for $325,000 in 2009).

		Outstanding options		Exercisable options	
Exercise price range (in dollars)	Number of outstanding options as at December 31, 2010	Weighted average remaining contractual life (years)	Weighted average exercise price (in dollars)	Number of exercisable options as at December 31, 2010	Weighted average exercise price (in dollars)
$27.86 to $31.92	11,256	4.93	$ 29.84	6,865	$ 29.27
$44.45 to $47.29	376,226	8.09	46.83	85,367	47.24
$27.86 to $47.29	387,482	8.00	$ 46.33	92,232	$ 45.90

17. Tax credits and government assistance

Operating revenues included $10,954,000 ($3,253,000 in 2009) in government assistance for local programming in small markets, publishing content and Canadian content production and exhibition in magazines.

Tax credits and government assistance amounting to $3,940,000 ($4,944,000 in 2009) were recorded as a reduction of program production expenses, magazine distribution and film marketing costs included in operating, selling and administrative expenses.

In fiscal 2010, government assistance recorded as a reduction of property, plant and equipment totalled $61,000 ($434,000 in 2009).

As at December 31, 2010, advances received under government assistance amounted to $1,543,000 ($1,764,000 in 2009) and were reported in distribution rights payable under "Other liabilities". Deferred revenues included $1,118,000 (nil in 2009) in financial assistance for Canadian content and exhibition in magazines.

18. Pension plans and other retirement benefits

Pension plans provided to the management and unionized employees of TVA Group include a defined benefit portion based on career earnings indexed before and after retirement, as well as a defined contribution portion. The Corporation offers its senior management an end-of-career earnings pension plan indexed before and after retirement, as well as a non-indexed supplemental post-retirement plan for which the benefits offset the tax limit effect. Certain TVA Publishing employees are provided with a career-earnings pension plan indexed before and after retirement. The Corporation's policy is to maintain contributions at sufficient levels to meet benefit payment obligations.

The Corporation also offers other retirement benefits to eligible retired employees. Benefit costs, primarily for healthcare benefits, are accounted for during the employee's active service period.

The Corporation's various pension plans have undergone actuarial valuations over the past three years, and the next valuations will be required annually.

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

18. Pension plans and other retirement benefits (continued)

The Corporation recognized a total of $11,767,000 in 2010 ($6,462,000 in 2009) as paid or payable during the fiscal year in connection with employee future benefits, including employer contributions to the defined benefit pension plans, the defined contribution pension plans and the other retirement benefit plan.

The following tables provide information on the defined benefit plans and reconcile the changes in the plans' accrued benefit obligations and the fair value of plan assets for the years ended December 31, 2010 and 2009, and the funded status as at these dates:

	Pension benefits		Other retirement benefits	
	2010	2009	2010	2009
Change in accrued benefit obligations				
Accrued benefit obligations, beginning of year	$ 150,576	$ 122,233	$ 1,572	$ 1,490
Participants' contributions	2,713	2,727	–	–
Current service cost	2,132	934	3	2
Interest cost	9,478	9,165	63	69
Plan amendments	–	182	–	–
Benefits paid	(9,944)	(7,109)	(91)	(84)
Actuarial loss	28,016	22,444	83	95
Accrued benefit obligations, end of year	$ 182,971	$ 150,576	$ 1,630	$ 1,572

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

18. Pension plans and other retirement benefits (continued)

	Pension benefits		Other retirement benefits	
	2010	2009	2010	2009
Change in plan assets				
Fair value of plan assets, beginning of year	$ 148,703	$ 130,861	$ –	$ –
Actual return on plan assets	13,851	18,806	–	–
Employer contributions	8,513	3,418	–	–
Participants' contributions	2,713	2,727	–	–
Benefits paid	(9,944)	(7,109)	–	–
Fair value of plan assets, end of year	$ 163,836	$ 148,703	$ –	$ –

Plan assets are allocated as follows:

	2010	2009
Equity securities	61.6%	59.3%
Debt securities	37.3%	39.2%
Other	1.1%	1.5%
	100.0%	100.0%

Plan assets were valued as at December 31, 2010 and 2009.

As at December 31, 2010 and 2009, common shares of the ultimate parent entity, Quebecor Inc. ("Quebecor"), were included in the above-mentioned equity securities and accounted for $858,000 (0.5% of plan assets) and $638,000 (0.4% of plan assets), respectively.

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

18. Pension plans and other retirement benefits (continued)

The amounts shown in the above tables with respect to accrued benefit obligations and the fair value of plan assets at year-end include the following amounts relating to plans that have not been fully funded:

	Pension benefits		Other retirement benefits	
	2010	2009	2010	2009
Accrued benefit obligations	$ 170,338	$ 110,005	$ 1,630	$ 1,572
Fair value of plan assets	(150,829)	(105,007)	–	–
Funded status – deficit	$ 19,509	$ 4,998	$ 1,630	$ 1,572

	Pension plans		Other retirement benefits	
	2010	2009	2010	2009
Reconciliation of funded status				
Plan deficits	$ (19,135)	$ (1,873)	$ (1,630)	$ (1,572)
Unrecognized past service cost (benefit)	326	430	(33)	(42)
Unrecognized net actuarial loss	42,267	17,875	388	320
Unrecognized transitional (asset) obligation	(3,141)	(3,641)	216	275
Accrued benefit asset (obligation)	20,317	12,791	(1,059)	(1,019)
Valuation allowance	(3,891)	(3,891)	–	–
Accrued benefit asset (obligation), net of valuation allowance	$ 16,426	$ 8,900	$ (1,059)	$ (1,019)

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

18. Pension plans and other retirement benefits (continued)

The amounts recorded in the Corporation's balance sheets as at December 31, 2010 and 2009 are as follows:

	Pension benefits		Other retirement benefits	
	2010	2009	2010	2009
Accrued benefit asset	$ 16,426	$ 8,900	$ –	$ –
Accrued benefit obligation, under Other liabilities	–	–	(1,059)	(1,019)
Net amount recognized	$ 16,426	$ 8,900	$ (1,059)	$ (1,019)

The following table breaks down the Corporation's employee benefit expense under defined benefit plans for fiscal 2010 and 2009:

	Pension benefits		Other retirement benefits	
	2010	2009	2010	2009
Current service cost	$ 2,132	$ 934	$ 3	$ 3
Interest cost	9,478	9,165	63	69
Expected return on plan assets	(10,585)	(9,418)	–	–
Amortization of past service cost	104	83	(8)	(8)
Amortization of transitional (asset) obligation	(500)	(502)	59	59
Change in valuation allowance	–	2,664	–	–
Amortization of recognized net actuarial loss	345	81	15	8
Employee benefit expense	$ 974	$ 3,007	$ 132	$ 131

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

18. Pension plans and other retirement benefits (continued)

The significant assumptions considered most likely by management and used to measure the Corporation's accrued benefit obligations are as follows:

	2010	2009
Accrued benefit obligations		
Year-end discount rate	5.25%	6.25%
Rate of compensation increase	3.25%–3.50%	3.25%
Current period cost		
Discount rate	6.25%	7.50%
Expected return on plan assets	7.00%	7.00%
Rate of compensation increase	3.50%–3.75%	3.25%

For the purpose of calculating the other retirement benefit obligation, the annual rate of increase in healthcare costs was assumed to be 8.2% in 2010. Based on forecasts, plan costs are expected to decrease gradually over the next eight years to 5.0% and remain at that level thereafter. A 1.0% change in this rate would have the following impact:

	Other retirement benefits	
	Increase of 1%	Decrease of 1%
Impact on service and interest costs	$ 6	$ (5)
Impact on accrued benefit obligations	92	(81)

Defined contribution plans

Total expense for the Corporation's defined contribution pension plans for the year ended December 31, 2010 was $3,163,000 ($2,960,000 in 2009).

19. Related party transactions

During the year ended December 31, 2010, the Corporation entered into the following transactions with related parties in the normal course of business. Related party transactions in the normal course of the Corporation's business are measured at the exchange amount, which is the amount of consideration agreed by the parties.

Operating revenues

During fiscal 2010, the Corporation sold advertising space and content to companies under common control and affiliated companies, provided production, post-production and other services, and recognized subscription revenues for an aggregate amount of $57,049,000 ($55,669,000 in 2009).

Operating, selling and administrative expenses

The Corporation recognized management fees paid to the parent company amounting to $4,350,000 ($4,224,000 in 2009).

The Corporation recorded broadcast rights expense, communications service costs, advertising space acquisition costs and professional service fees arising from transactions with companies under common control and affiliated companies, totalling $18,604,000 ($18,906,000 in 2009). The balance sheet does not include any broadcast rights of companies under common control or affiliated companies ($50,000 included in current portion of broadcast rights in 2009). The balance sheet includes distribution rights recognized in current liabilities amounting to $100,000 ($120,000 in 2009) payable to these same companies.

World Color Press Inc. ("World Color Press")

In fiscal 2009, the Corporation acquired $1,364,000 in receivables owed by World Color Press from subsidiaries of Quebecor Media in exchange for a $1,334,000 payment. Subsequent to these transactions, the Corporation recognized a $30,000 gain, which was accounted for in contributed surplus.

Other transactions

As disclosed in note 3, in fiscal 2010, the Corporation and Sun Media Corporation, a company under common control of the parent company, Quebecor Media, established the new general partnership SUN News. The Corporation holds a 51% ownerships interest, while Sun Media Corporation owns 49%. The results of this partnership are fully consolidated in the Corporation's results and the interest of Sun Media Corporation is recorded in "Minority interest" in the consolidated statement of income. In fiscal 2010, a total capital contribution of $10,539,000 was made by the partners of which $5,164,000 was made by Sun Media Corporation.

19. Related party transactions (continued)

Other transactions (continued)

On December 25, 2010, the Corporation undertook to become sole owner of the assets of TV station SUN TV in connection with a corporate reorganization that ultimately resulted in the winding up of Sun TV Company, an entity that was formerly 75% owned by TVA Group and 25% by Sun Media Corporation. The Corporation already paid Sun Media Corporation the $2,000,000 consideration for the acquisition in June 2009 as a commitment. All of the transactions arising from this reorganization were accounted for at the carrying amount of the assets transferred between the parties and resulted in a $2,000,000 adjustment recognized in retained earnings.

In 2009, given that the minority interest in Sun TV was reduced to nil in the fourth quarter of fiscal 2009, the Corporation recognized 100% of SUN TV's losses in its consolidated results as of that quarter.

On June 27, 2009, SUN TV Company, which was then 75% owned by the Corporation and which operated television station SUN TV, entered into a transaction to reduce the tax consolidation scheme implemented on July 12, 2005 with its non-controlling shareholder Sun Media Corporation. To effect this transaction, SUN TV Company received full repayment of the convertible bonds of Sun Media Corporation amounting to $9,750,000. In return, SUN TV Company repurchased from Sun Media Corporation all of the preferred shares redeemable at the holder's option with 10.85% cumulative fixed dividend for $9,750,000. On a consolidated level, this transaction resulted in a $9,750,000 reduction in a long-term investment in convertible bonds for the Corporation, and an equivalent reduction in redeemable preferred shares.

In fiscal 2009, parent company Quebecor Media wound up Canoë Inc. ("Canoë"), which was 86.2% owned by Quebecor Media. and 13.8% by TVA Group Inc., and its assets were distributed proportionally to shareholders. All of the transactions arising from this winding up were recorded at the carrying amount of the assets transferred between the related companies and a $7,247,000 adjustment was recorded directly in the Corporation's retained earnings. This adjustment represents the difference between the $11,262,000 carrying amount of TVA Group's investment in Canoë and the $4,015,000 net carrying amount of the assets received on wind up, consisting of $2,000,000 in cash, three portals valued at $700,000 including the Argent/Money site and $1,315,000 in related tax benefits.

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

19. Related party transactions (continued)

Other transactions (continued)

Canal Indigo

On December 1, 2009, subsequent to Canadian Radio-television and Telecommunications Commission ("CRTC") approval, the Corporation sold the operating licence and assets of Canal Indigo S.E.N.C. to a company under common control of parent company Quebecor Media for $105,000. As a result of this transaction, the Corporation recognized a $70,000 gain, which was accounted for in contributed surplus.

20. Commitments, guarantees and contingencies

(a) Leases and purchasing agreements

The Corporation has commitments under operating leases, mainly for services and premises, and under distribution and broadcast rights acquisition contracts, calling for payments totalling $91,664,000, including $12,573,000 with related companies. Minimum payments for the coming years are as follows:

2011	$ 49,009
2012	26,746
2013	5,490
2014	3,204
2015	2,055
2016 and thereafter	5,160

(b) Guarantees

The Corporation has guaranteed a portion of the residual values of certain assets under operating leases for the benefit of the lessor. If the fair value of the assets at the end of their respective lease terms is less than their guaranteed residual value, the Corporation is required to compensate the lessor for a portion of the shortfall, subject to certain conditions. As at December 31, 2010, the maximum liability in respect of these guarantees totalled approximately $299,000 ($591,000 as at December 31, 2009), and the Corporation has recognized no amount in the consolidated balance sheet in relation to these guarantees. In previous years, the Corporation has made no payments in respect of these guarantees.

20. Commitments, guarantees and contingencies (continued)

(b) Guarantees (continued)

In the normal course of business, the Corporation enters into indemnification agreements with third parties as part of certain transactions, including acquisition contracts, service agreements and leases. These indemnification agreements require the Corporation to compensate the third parties for costs incurred as a result of statutory and regulatory changes (including changes to tax laws) or as a result of legal action or regulatory penalties stemming from these transactions. The terms of these indemnification agreements vary from transaction to transaction, based on the contract terms. The nature of these indemnification agreements prevents the Corporation from making a reasonable estimate of the maximum potential amount it could be required to pay to third parties. The Corporation has recorded no amount in the consolidated balance sheet in respect to these agreements, as the Corporation expects no payments to be required thereunder.

(c) Contingencies

In the normal course of business, various legal actions, proceedings and claims are pending against the Corporation. In management's opinion, the settlement of these legal actions, proceedings and claims will not have a material adverse impact on the Corporation's financial position, operating results or cash flows.

Dispute with a printing company

Legal proceedings have been brought against the Corporation by a third party relative to the cancellation of printing and related services provided by the third party to the Corporation. This third party also sought a declaration of invalidity for the transfer of receivables acquired by the Corporation from subsidiaries of Quebecor Media and the nettings that resulted therefrom. The entities that transferred the receivables have undertaken to fully indemnify the Corporation should the nettings and transfers be declared invalid. The total amount claimed in relation to these legal proceedings is approximately $15,870,000. There can be no assurance as to the outcome of these recourses. However, management believes these recourses to be unfounded and intends to vigorously defend its position. Proceedings were still pending as at December 31, 2010.

20. Commitments, guarantees and contingencies (continued)

(c) Contingencies (continued)

Settlement of a dispute

In 2003 and 2004, a number of companies, including TVA Group Inc., brought a suit against the Crown in Federal Court, and the Federal Court of Appeal and applied for leave to appeal to the Supreme Court of Canada alleging that the Part II licence fees ("Part II fees") that broadcasters are required to pay the CRTC annually constitute, in fact and in law, unlawful taxes under the Broadcasting Act. On October 7, 2009, the parties to this case, including the Corporation, signed an out-of-court settlement whereby, in particular, the plaintiff companies withdrew their legal challenge and monetary claims, and the government agreed not to claim the unpaid Part II fees for the period from September 1, 2006 through August 31, 2009. Following this settlement, in 2009, the Corporation reversed a provision of $9,012,000 representing unpaid Part II fees as at August 31, 2009.

21. Financial instruments and financial risk management

The Corporation's risk management policy is established to identify and analyze the Corporation's risk exposures, set appropriate risk limits and controls, and monitor risks and adherence to limits. The risk management policy is reviewed, when necessary, to reflect changes in market conditions and the Corporation's operations.

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

21. Financial instruments and financial risk management (continued)

Due to its use of financial instruments, the Corporation and its subsidiaries are exposed to credit risk, liquidity risk and market risk related to foreign exchange and interest rate fluctuations. To manage risk exposure to interest rate fluctuations, the Corporation may occasionally use interest rate swaps. The Corporation used a derivative financial instrument in 2009, namely an interest rate swap. On December 16, 2009, subsequent to long-term debt refinancing, the swap was bought back by the Corporation for $161,000 and this amount was recognized under financial expenses. The Corporation also reversed the unrealized loss on this swap previously accounted for in comprehensive income in the amount of $434,000. The Corporation used an interest rate swap to hedge the interest rate risk on a portion of long-term debt. The interest rate swap was designated as a cash flow hedge because a floating rate was converted to a fixed rate. The Corporation elected to apply cash flow hedge accounting for this derivative financial instrument. The Corporation had not used this derivative financial instrument for speculative purposes.

The Corporation held no interest rate swaps as at December 31, 2010.

(a) Fair value of financial instruments

The carrying amount of accounts receivable from external and related parties (classified as loans and receivables) and accounts payable and accrued liabilities to external and related parties as well as broadcast and distribution rights payable (classified as other financial liabilities) approximates their fair value since these items will be realized or paid within one year or are payable on demand. The fair value of investments could not be determined because there are no quoted market prices in an organized market for these types of investments.

The carrying amount and fair value of the long-term debt as at December 31, 2010 and 2009 are as follows:

	2010		2009	
	Carrying amount	Fair value	Carrying amount	Fair value
Bankers' acceptances	$ 15,986	$ 15,986	$ 14,927	$ 14,927
Advance on revolving credit facility	302	302	–	–
Term loan	75,000	76,100	75,000	75,000

The fair value of financial liabilities is based on the calculation of discounted cash flows using rates of return or market prices at year-end for financial instruments with the same maturity.

21. Financial instruments and financial risk management (continued)

(a) Fair value of financial instruments (continued)

In accordance with CICA Section 3862, *Financial Instruments – Disclosures*, the Company has considered the following fair value hierarchy that reflects the significance of the inputs used in measuring its financial instruments accounted for at fair value in the balance sheet:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of cash and bank overdraft classified as held for trading is determined using Level 1 inputs.

(b) Credit risk management

Credit risk is the risk of the Corporation incurring a financial loss should a client or third party related to a financial asset fail to meet its contractual obligations.

In the normal course of business, the Corporation regularly evaluates the financial position of its clients and reviews the credit history of each new client. As at December 31, 2010, no clients had balances representing a significant portion of the Corporation's consolidated trade receivables. The Corporation establishes an allowance for doubtful accounts in response to the specific credit risk of its clients. The Corporation has trade accounts receivable from numerous clients, primarily advertising agencies. As a result, the Corporation does not believe that it is exposed to an unusual or significant level of credit risk. As at December 31, 2010, 4.60% of accounts receivable were over 120 days past due (2.72% as at December 31, 2009). Moreover, as at December 31, 2010, the Corporation's allowance for doubtful accounts amounted to $3,035,000 ($2,749,000 as at December 31, 2009).

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

21. Financial instruments and financial risk management (continued)

(b) Credit risk management (continued)

The following table shows the changes in the allowance for doubtful accounts for the fiscal years ended December 31, 2010 and 2009:

	2010	2009
Balance, beginning of year	$ 2,749	$ 3,978
Change recognized in the consolidated statement of income	885	1,083
Drawn down	(599)	(2,312)
Balance, end of year	$ 3,035	$ 2,749

(c) Liquidity risk management

Liquidity risk is the risk that the Corporation and its subsidiaries will be unable to meet its financial obligations as they fall due or that it will be required to meet them at excessive cost. The Corporation and its subsidiaries ensure that they have sufficient cash flows from continuing operations and available sources of financing to meet future cash requirements for long-term investments, working capital, interest payments and debt servicing, pension plan contributions, dividends and share redemptions.

As at December 31, 2010, the obligations and maturities of financial liabilities of the Corporation were detailed as follows:

	Total	Under 1 year	1 to 3 years	3 to 5 years
Bank overdraft	$ 3,557	$ 3,557	$ –	$ –
Accounts payable and accrued liabilities	80,607	80,607	–	–
Broadcast and distribution rights payable	28,813	25,879	2,934	–
Long-term debt	91,288	–	16,288	75,000
Interest payments [1]	19,198	5,444	9,599	4,155
Total	$ 223,463	$ 115,487	$ 28,821	$ 79,155

[1] The estimated interest payable on floating-rate long-term debt was based on the interest rates in effect as at December 31, 2010.

21. Financial instruments and financial risk management (continued)

(d) Market risk

Market risk is the risk that changes in market prices due to foreign exchange rates and interest rates could affect the Corporation's operating revenues or the value of its financial instruments. The objective of market risk management is to mitigate and control exposures within acceptable parameters.

Foreign exchange risk

The Corporation is exposed to limited foreign exchange risk on revenues and expenses denominated in a foreign currency, that is, other than Canadian dollars, due to the insubstantial volume of such transactions. The majority of these transactions are denominated in U.S. dollars, mainly for the acquisition of certain distribution rights, for capital expenditures and for certain foreign denominated sales. In light of the insubstantial volume of foreign currency transactions, the Corporation has determined foreign exchange hedging to be unwarranted. Accordingly, the Corporation has limited sensitivity to changes in foreign exchange rates. The impact on net income of a 1.0% increase or decrease in the exchange rate between the Canadian dollar and its U.S. counterpart would be less than $100,000 on a yearly basis.

Interest rate risk

The Corporation is exposed to interest rate risk on its long-term debt. The Corporation completed the refinancing of its long-term debt on December 11, 2009; as a result, a significant portion of its long-term debt now has a fixed rate, which substantially limits its risk exposure to interest rate changes. As at December 31, 2010, the Corporation's long-term debt included an 82% portion of fixed-rate debt (83% as at December 31, 2009) and an 18% portion of floating-rate debt (17% as at December 31, 2009).

An increase (decrease) of 100 basis points in the Canadian bankers' acceptance rate at the end of the current fiscal year on the balance of floating-rate long-term debt as at December 31, 2010 would have resulted in a $163,000 increase (decrease) in financial expenses for the year ($150,000 in 2009).

The Corporation regularly reviews its position to ensure that its exposure to these risks has not changed.

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

21. Financial instruments and financial risk management (continued)

(e) Capital management

The Corporation's primary objectives in managing capital are to:

- Safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders;
- Maintain an optimal capital base in order to support the capital requirements of its various operating segments, including growth opportunities and maintaining investor and creditor confidence.

The Corporation manages its capital structure in accordance with the characteristics of its segments' underlying assets and applicable requirements, if any. The Corporation has the ability to manage its capital structure by issuing new debt or repaying existing debt with cash generated internally, controlling the amounts it returns to shareholders through dividends or share redemptions or issuing capital stock in the marketplace and making adjustments to its capital expenditure program. The Corporation's strategy is unchanged from the previous year.

The Corporation's capital structure consists of shareholders' equity, bank overdraft, long-term debt, minority interest, less cash.

The capital structure is as follows:

	2010	2009
Bank overdraft	$ 3,557	$ 974
Long-term debt	91,288	89,927
Minority interest	4,511	–
Cash	(5,605)	(1,924)
Net debt	$ 93,751	$ 88,977
Shareholders' equity	$ 268,513	$ 237,095

Excluding maintenance of certain financial ratios under its credit agreements, the Corporation is not subject to any other externally imposed capital requirements. As at December 31, 2010, the Corporation was fully complied with all terms of its credit agreements.

22. Segmented information

The Corporation's operations consist of the following segments:

– The television segment includes the TVA Network, specialty channels, SUN TV, marketing of the websites of the different televisual brands, the various television production companies including TVA Productions Inc., commercial productions including the TVA Accès division, home and online shopping services of the TVA Boutiques division, production and distribution of audiovisual products and films produced by the TVA Films division;

– The publishing segment includes the operations of TVA Publications Inc., the publisher of various French-language magazines specializing in arts, entertainment, television, fashion, decoration and others; marketing of websites of the different brands related to the magazines and the operations of the TVA Studio division specializing in customized publishing, commercial printed productions and premedia services.

The intersegment items represent the elimination of normal course business transactions between the Corporation's business segments regarding revenues and expenses.

Historically, the Corporation's business activities have been conducted in three operating segments. As a result of changes made to the Corporation's management structure during the first quarter of fiscal 2010, the former Distribution segment is now considered part of the Television segment. Prior year disclosures have been restated to reflect this new presentation.

The reportable segments determined by the Corporation's management are strategic operating units that provide various goods and services. They are managed separately because, among other reasons, each segment requires different marketing strategies.

The segments' accounting policies are the same as those used by the Corporation as a whole *(see note 1)*.

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

22. Segmented information (continued)

The following tables provide information about results and assets:

				2010
	Television	Publishing	Intersegment items	Total
Operating revenues	$ 377,283	$ 75,004	$ (4,095)	$ 448,192
Operating, selling and administrative expenses	312,848	63,287	(4,095)	372,040
Income before amortization, financial expenses, restructuring costs of operations, impairment of assets and other, income taxes, minority interest and share of income of company subject to significant influence	$ 64,435	$ 11,717	$ –	$ 76,152
Additions to property, plant and equipment	$ 18,183	$ 169	$ –	$ 18,352
Additions to intangible assets	$ 5,145	$ 748	$ –	$ 5,893
Goodwill	$ 2,539	$ 69,442	$ –	$ 71,981
Total assets	$ 429,933	$ 84,344	$ –	$ 514,277

(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts.)

22. Segmented information (continued)

				2009
	Television	Publishing	Intersegment items	Total
Operating revenues	$ 368,325	$ 73,974	$ (3,330)	$ 438,969
Operating, selling and administrative expenses	299,371	62,901	(3,330)	358,942
Income before amortization, financial expenses, restructuring costs of operations, impairment of assets and other, income taxes, minority interest and share of income of company subject to significant influence	$ 68,954	$ 11,073	$ –	$ 80,027
Additions to property, plant and equipment	$ 15,961	$ 300	$ –	$ 16,261
Additions to intangible assets	$ 6,519	$ 191	$ –	$ 6,710
Goodwill	$ 2,539	$ 69,442	$ –	$ 71,981
Total assets	$ 401,040	$ 84,483	$ –	$ 485,523

23. Subsequent event

On March 7, 2011, the Board of Directors of the Corporation declared a quarterly dividend of $0.05 per share for Class A and B shares. This dividend will be paid on April 6, 2011 to shareholders of record at the close of business on March 22, 2011. This dividend is designated as an eligible dividend under subsection 89(14) of the Canadian Income Tax Act and its provincial counterpart.

TVA GROUP INC.
Management's Discussion and analysis
For the years ended December 31, 2010 an 2009

COMPANY PROFILE

TVA Group Inc. ("TVA Group" or the "Corporation", a subsidiary of Quebecor Media Inc. ("QMI")), is a communication company with operations in two business sectors: television and publishing. In the Television sector, the Corporation creates, produces and broadcasts entertainment, information and public affairs programming and distributes audiovisual products and films, in addition to its commercial production and home shopping operations. It operates North America's largest private French-language television network, as well as nine specialty services and an English-language general-interest television station in Toronto. TVA Group also holds a minority interest in the *Canal Évasion* specialty channel. In the Publishing sector, TVA produces over 70 magazines, making it Quebec's largest publisher of French-language magazines. It also offers custom publishing and commercial printed production services that promote customers' trademarks through the print media. The Corporation's class B shares are listed on the Toronto Stock Exchange under the ticker symbol TVA.B.

All the amounts presented in this Management's Discussion and Analysis are in Canadian dollars. The financial statements of the year ended December 31, 2010 have been prepared in accordance with Canadian GAAP.

BUSINESS SECTORS

Management made changes to the Corporation's management structure in the first quarter of 2010. As a result of those changes, the audiovisual product distribution activities have been incorporated into the Television sector's activities. This structure fits in perfectly with the Corporation's brand management strategy. Financial information for the corresponding periods of 2009 and 2008 has been restated to take into account the new presentation.

Henceforth, the Corporation's business sectors will be as follows:

- The Television sector includes the activities of TVA Network (including the subsidiaries and divisions TVA Productions Inc., TVA Sales and Marketing Inc., TVA Accès, TVA Création, TVA Nouvelles, TVA Interactif), the specialty services, the English-language general-interest station SUN TV, the home and online shopping services of the division TVA Boutiques, as well as the audiovisual and film distribution operations of the division TVA Films.
- The Publishing sector includes the activities of TVA Publications Inc. ("TVA Publications"), a content provider specializing in publishing French-language magazines in the arts, entertainment, television, fashion, decoration and others, as well as its new division TVA Studio specializing in custom publishing activities, commercial printed productions and premedia services.

HIGHLIGHTS SINCE END OF 2009

- On November 26, 2010, the Canadian Radio-television and Telecommunications Commission ("CRTC") approved the application filed by the Corporation on behalf of the SUN TV News general partnership ("SUN News") for a licence to operate a national English-language Category 2 news and opinion specialty service. This new SUN News service should begin its operations in spring 2011.

- On October 13, 2010, the CRTC approved the Corporation's applications for licences to operate two French-language Category 2 specialty services. The first will offer programming dedicated to fashion, beauty and personal well-being and is anticipated to be on air in spring 2011. The second will offer programming devoted to showbiz and celebrity news, the entertainment industry and humour.

- On September 7, 2010, TVA Group signed a new collective agreement with its employees in Montreal. The agreement expires on December 31, 2012.

- On June 15, 2010, the Corporation and Sun Media Corporation, a subsidiary of QMI, announced that they have established a partnership (51% TVA and 49% Sun Media Corporation) to set up the SUN News specialty service.

- On April 1, 2010, a new specialty service aimed exclusively at preschoolers ("YOOPA") was launched.

- On March 17, 2010, the Corporation renewed its normal course issuer bid for its Class B shares.

- On February 26, 2010, the CRTC approved the Corporation's application for licence to operate a Category 2 specialty service devoted to sports and, in particular, Canadian mainstream professional sports.

NON STANDARDIZED MEASURES UNDER CANADIAN GAAP

To evaluate its financial performance, the Corporation uses certain measures that are not calculated on the basis of Canadian Generally Accepted Accounting Principles ("GAAP"). The Corporation uses these non-GAAP financial measures because it believes that they are meaningful measures of its performance. The Corporation's method of calculating non-GAAP financial measures may differ from the methods used by other companies and, as a result, the financial measures presented in this Management's Discussion and Analysis may not be comparable to other measures reported by other companies with similar standards.

Operating income (loss)

In its analysis of operating results, the Corporation defines operating income (loss) as net income (net loss) before amortization of property, plant and equipment and intangible assets, financial expenses, restructuring costs of operations, impairment of assets and other, income taxes, minority interest and share of income of company subject to significant influence. Operating income (loss) as defined above is not a measure of results that is consistent with Canadian GAAP. Neither is it intended to be regarded as an alternative to other financial performance measures or to the statement of cash flows as a measure of liquidity. This measure is not intended to represent funds available for debt service, dividend payment, reinvestment or other discretionary uses, and should not be considered in isolation or as a substitute for other performance measures prepared in accordance with Canadian GAAP. Operating income (loss) is used by the Corporation because management believes it is a meaningful measure of performance. This measure is used by senior management and the Board of Directors to evaluate the consolidated results of the Corporation and the results of its sectors. Measurements such as operating income (loss) are also commonly used by the investment community to analyze and compare the performance of companies in the industries in which the Corporation is active. The Corporation's definition of operating income (loss) may not be identical to similarly titled measures reported by other companies.

Table 1 shows the reconciliation between the operating income and the net income used in the consolidated financial statements of the Corporation.

Table 1
Reconciliation between the operating income measure used in this report and the net income measure used in the consolidated financial statements
(in thousands of dollars)

	Years ended December 31			Three months ended December 31	
	2010	2009	2008	**2010**	2009
Operating income:					
Television	**$ 64,435**	$ 68,954	$ 56,644	**$ 27,472**	$ 30,449
Publishing	**11,717**	11,073	9,306	**2,374**	1,772
Operating income total	**76,152**	80,027	65,950	**29,846**	32,221
Amortization of property, plant and equipment and intangible assets	**15,061**	14,274	13,468	**4,147**	3,911
Financial expenses	**5,621**	2,960	1,760	**1,419**	1,017
Restructuring costs of operations, impairment of assets and other	**9,138**	(794)	184	**792**	-
Income taxes	**9,929**	17,098	8,317	**4,518**	7,013
Minority interest	**(653)**	(1,906)	(1,802)	**(449)**	(254)
Share of income of company subject to significant influence	**(1,116)**	(728)	(889)	**(406)**	(531)
Net income	**$ 38,172**	$ 49,123	$ 44,912	**$ 19,825**	$ 21,065

Definition of normalized operating income or loss

Normalized operating income (loss) is defined as operating income adjusted for adjustments related to CRTC Part II licence fees. Normalized operating income (loss) presents operating results had the adjustments related to CRTC Part II licence fees for the periods in question been excluded. Normalized operating income (loss) as defined above is not a measure of results that is consistent with Canadian GAAP. Neither is it intended to be regarded as an alternative to other financial performance measures or to the statement of cash flows as a measure of liquidity. This measure is not intended to represent funds available for debt service, dividend payment, reinvestment or other discretionary uses, and should not be considered in isolation or as a substitute for other performance measures prepared in accordance with Canadian GAAP. Normalized operating income (loss) is used by the Corporation because management believes it is a meaningful measure of performance. Please refer to Table 5 in the **Television** section for reconciliation. The Corporation’s definition of normalized operating income (loss) may not be identical to similarly titled measures reported by other companies.

Normalized operating expenses

Normalized operating expenses are defined as operating expenses adjusted for adjustments related to CRTC Part II licence fees. Normalized operating expenses present operating expenses had the adjustments related to CRTC Part II licence fees for the periods in question been excluded. Normalized operating expenses as defined above is not a measure of expenses that is consistent with Canadian GAAP. Neither is it intended to be regarded as an alternative to other financial performance measures or to the statement of cash flows as a measure of liquidity. This measure should not be considered in isolation or as a substitute for other performance measures prepared in accordance with Canadian GAAP. Please refer to Table 5 in the **Television** section for a reconciliation of normalized operating expenses. The Corporation’s definition of normalized operating expenses may not be identical to similarly titled measures reported by other companies.

2010/2009 FINANCIAL YEAR COMPARISON

Analysis of consolidated results of TVA Group

Operating revenues: $448,192,000, an increase of $9,223,000 (2.1%).

- Increase of $8,958,000 (2.4%) in the Television sector (Table 2) primarily due to an 18.5% increase in operating revenues from specialty services and to a 28.5% increase in operating revenues from TVA Accès and partially offset by the loss of revenues as a result of the sale of "Canal Indigo" on December 1, 2009.
- Increase of $1,030,000 (1.4%) in the Publishing sector (Table 2) primarily due to an increase in grant revenues as a result of changes to government assistance programs for magazines and partially offset by a decrease of 6.7% in newsstand sales.

Table 2
Operating revenues
(in thousands of dollars)

	Years ended December 31			Three months ended December 31	
	2010	2009	2008	**2010**	2009
Television	**$ 377,283**	$ 368,325	$ 360,955	**$ 115,516**	$ 111,342
Publishing	**75,004**	73,974	78,606	**19,260**	18,121
Intersegment items	**(4,095)**	(3,330)	(2,838)	**(1,389)**	(1,009)
	$ 448,192	$ 438,969	$ 436,723	**$ 133,387**	$ 128,454

Operating income: $76,152,000, a decrease of $3,875,000 (-4.8%).

- In the Television sector, operating income decreased by $4,519,000 (-6.6%) (Table 3) mainly due to a 9.9% decrease in TVA Network's operating income and a 12.2% decrease in the specialty services' operating income, owing to the reversal of CRTC Part II licence fees in the last quarter of 2009. In this fiscal year, the TVA Films division reduced its operating loss by 75.8% compared with the previous year.
- In the Publishing sector, operating income increased by $644,000 (5.8%) (Table 3), mainly due to an increase in grant revenues and duplication of government assistance programs for magazines, combined with a 3.8% decrease in operating expenses related to printing and content production costs, despite a 6.7% decline in newsstand revenues.

Table 3
Operating income
(in thousands of dollars)

	Years ended December 31			Three months ended December 31	
	2010	2009	2008	**2010**	2009
Television	**$ 64,435**	$ 68,954	$ 56,644	**$ 27,472**	$ 30,449
Publishing	**11,717**	11,073	9,306	**2,374**	1,772
	$ 76,152	$ 80,027	$ 65,950	**$ 29,846**	$ 32,221

Net income: $38,172,000 ($1.61 per diluted share) compared with $49,123,000 ($2.05 per diluted share) for the same period of 2009.

- The negative variance of $10,951,000 ($0.44 per diluted share) is mainly due to:
  - A decrease of $3,875,000 in operating income;
  - A negative variance of $9,932,000 in restructuring costs of operations, impairment of assets and other;
  - An increase of $2,661,000 in financial expenses;

  Partially offset by:
  - A decrease of $7,169,000 in income taxes.
- The calculation of per-share amounts was based on a weighted average of 23,770,906 outstanding diluted shares for the year ended December 31, 2010, and on a weighted average of 23,916,945 outstanding diluted shares for the year ended December 31, 2009.

Amortization expense of property, plant and equipment and intangible assets: $15,061,000, an increase of $787,000 (5.5%).

- The increase mainly reflects increased acquisitions of property, plant and equipment and intangible assets in the two past years, particularly in connexion with the Corporation's capital expenditures plan for transition to high definition ("HD") broadcasting and production, and the installation of application software in its Television sector.

Financial expenses: $5,621,000, an increase of $2,661,000 primarily due to higher credit costs following the December 2009 renewal of the credit agreement.

Restructuring costs of operations, impairment of assets and other: $9,138,000 for the year ended December 31, 2010 compared with a charge reversal of $794,000 for the previous year.

- The negative variance of $9,932,000 is coming from the following factors:
  - During the second quarter of 2010, the Corporation and Sun Media Corporation, a subsidiary of QMI, had announced the creation of a new partnership (51% TVA and 49% Sun Media Corporation) for the purpose of setting up and launching a new news and opinion specialty service called SUN News in the English-Canadian market. The Corporation had also announced its intention to cease operation of its existing conventional television station, SUN TV in spring 2011 after the launching of the new specialty service. As a result of the repositioning, the Corporation recorded, in 2010, an impairment expense related to its broadcast right inventories in the amount of $5,966,000 and an impairment expense for certain equipment in the amount of $2,235,000 as well as restructuring costs of $479,000;
  - Restructuring costs of operations of $963,000 ($532,000 recorded in the first quarter of 2010 and $431,000 in the third quarter of 2010) following the elimination of a number of positions;
  - A $794,000 downward adjustment to the provision for restructuring costs related to the production activities of a former subsidiary recorded in 2009;

  Partially offset by:

  - A $505,000 gain in the first quarter of 2010 related to an insurance claim for an event that caused the total loss of a capital asset in the fourth quarter of 2009.

- The balance of the provision for restructuring costs of operations was $1,774,000 as at December 31, 2010 ($981,000 as at December 31, 2009). In 2010, costs of $649,000 ($1,021,000 in 2009) was charged against the provision.

Income tax expense: $9,929,000 (effective tax rate of 21.4%) in 2010 compared with $17,098,000 (effective tax rate of 26,9%) for the previous year.

- During 2010, in light of the evolution of tax auditing, jurisprudence and tax legislation, the Corporation reduced its future tax liabilities by $4,847,000 ($2,894,000 in 2009). Excluding the tax savings, the tax rate for 2010 would have been 31.9% (31.4% in 2009). The tax rate was higher than the Corporation's statutory tax rate of 29.9% (30.9% in 2009) mainly because of permanent differences related to non-deductible items as well as the effect of the fiscal consolidation and liquidation of Sun TV Company in 2010.

Minority interest: $653,000 in 2010 compared with $1,906,000 in 2009.

- Minority interest for 2010 represents Sun Media Corporation's share in SUN News' net loss. Minority interest for 2009 represents Sun Media Corporation's share in Sun TV Company's net loss.

- Since the period in which Sun Media Corporation's minority interest in Sun TV Company was reduced to nil, i.e. the fourth quarter of 2009, the Corporation has been reporting 100% of SUN TV's results in its consolidated results.

Share of income of company subject to significant influence: $1,116,000, an increase of $388,000, due to better operating results of a television company, compared with the same period of 2009.

Segmented analysis

Television

Operating revenues: $377,283,000 or an increase of $8,958,000 (2.4%), primarily due to the following factors:

- A 25.7% increase of the specialty services' advertising revenues:
  - An increase of 17.3% at "LCN" news service;
  - The new "YOOPA" service launched on April 1, 2010 accounted for 16.0% of the total growth in advertising revenues; whereas
  - The growth generated by the other specialty services was 34.6%;
- A 14.1% increase in subscription revenues from specialty services:
  - Both "addikTV" and "Prise 2" recorded a 23.8% increase as well as "CASA" (previously "Les idées de ma maison") recorded an increase of 42.3%;
  - The new " YOOPA" service accounted for 25.3% of the total growth in subscription revenues;
- An increase in TVA Network's operating revenues from the Local Programming Improvement Fund ("LPIF") in view of the 12 months of eligibility in 2010 compared with the three months in 2009;
- A 19.6% increase in revenues from commercial production activities;

Partially offset by:

- The downward impact on revenues from the sale of “Canal Indigo“ pay-per-view service on December 1, 2009;
- The decrease of 1.3% in TVA Network’s advertising revenues.

French-language market ratings

For the period of January 1 to December 31, 2010, TVA’s Network market shares dropped 2.0 shares compared with the same period of 2009 while the market shares of the V Network increased by 0.6, and Société Radio-Canada (“SRC”) decreased by 0.6. TVA Network remains in the lead with 25.1 market shares, more than twice as much as SRC and three times as much as the V Network. In addition, most of our specialty services grew their market share, in particular “addikTV”, “Prise 2” and “CASA”, all of which posted increases of 0.2 share, and “LCN”, which posted an increase of 0.4 share, to reach 3.9 shares, compared with 2.7 shares for “RDI”. Our new specialty service “YOOPA” captured a 0.4 share for the year 2010.

Combined market shares for the TVA Group’s French-language specialty services amounted to 6.2 shares in 2010, compared with 4.9 shares in 2009, an increase of 1.3 share or 26.5%. TVA Group's total market shares remained relatively stable at 31.3 shares in 2010, compared with 32.0 shares in 2009, despite strong competition in the television market. TVA Network broadcast 23 of the 30 most-watched programs in Quebec during the year, including two of the most-watched: *Le Banquier - spécial Lance et compte* and *Des nouvelles de Céline*, both of which drew audiences of more than 2.1 million.

Table 4
French-language market ratings

Year 2010 vs 2009 Market shares (%)	2010	2009	Var. %	Difference
French-language conventional broadcasters:				
TVA	**25.1**	27.1	- 7.4%	- 2.0
SRC	**12.4**	13.0	- 4.6%	- 0.6
V	**7.3**	6.7	+ 9.0%	+ 0.6
Total	**44.8**	46.8	- 4.3%	- 2.0
French-language specialty				
TVA	**6.2**	4.9	+26.5%	+1.3
Other	**40.9**	40.9	-	-
Total	**47.1**	45.8	+2.8%	+1.3
Total English-language and others	**8.1**	7.4	+ 9.5%	+0.7
TVA Group	**31.3**	32.0	- 2.2%	- 0.7

Source: BBM Ratings. French Quebec, January 1 to December 31, 2010, l-d, 2h-2h, t2+.

Normalized operating expenses and normalized operating income

In 2003 and 2004, a number of companies, including the Corporation, brought a suit against the Crown in Federal Court and the Federal Court of Appeal and applied for leave to appeal to the Supreme Court of Canada, alleging that the Part II licence fees ("Part II Licence Fees") to be paid annually to the CRTC by broadcasters and distribution companies were, in fact and in law, unlawful taxes under the *Broadcasting Act*. On October 7, 2009, the parties to this case signed an out-of-court settlement whereby, in particular, the plaintiff companies withdrew their legal challenge and monetary claims, and the government agreed not to claim the unpaid Part II fees for the period from September 1, 2006 through August 31, 2009. Following this settlement, the Corporation reversed in the fourth quarter of 2009 a $9,012,000 provision representing unpaid Part II Licence Fees as at August 31, 2009.

Below is a table of normalized operating results for this business sector that takes into account the above-mentioned adjustment relating to this dispute and the impact on the Corporation's results for the year 2009. This table presents the operating income and operating expenses had the adjustment related to CRTC Part II Licence Fees for the period in question been excluded. Management uses this measure to obtain comparable data in order to evaluate the performance of the sector and Corporation.

Table 5
Reconciliation between normalized operating expenses and normalized operating income
(in thousands of dollars)

Television sector	**Years ended December 31**			**Three months ended December 31**	
	2010	2009	2008	**2010**	2009
Operating revenues	**$ 377,283**	$ 368,325	$ 360,955	**$ 115,516**	$ 111,342
Operating expenses	**312,848**	299,371	304,311	**88,044**	80,893
Adjustment (Part II)	-	9,012	(4,139)	-	9,012
Normalized operating expenses	**312,848**	308,383	300,172	**88,044**	89,905
Normalized operating income	**$ 64,435**	$ 59,942	$ 60,783	**$ 27,472**	$ 21,437

Normalized operating expenses: $312,848,000, an increase of $4,465,000 (1.4%).

- The increase is primarily due to :
  - A 31.1% increase in normalized operating expenses at the specialty services, primarily due to increased programming expenditures at most services and the operating expenses of the new "YOOPA" service launched on April 1, 2010;
  - A 16.7% increase in the operating expenses of activities related to commercial production due to a higher volume;
  - The upward impact on expenses of the pre-operating expenses of the SUN News specialty service;

  Partially offset by:
  - A 17.8% decrease in operating expenses at TVA Films due to lower volume and a down-sized administrative structure; and

- the downward impact on expenses of the sale of the "Canal Indigo" pay-per-view service on December 1, 2009.

Normalized operating income: $64,435,000 or an increase of $4,493,000 (7.5%), mainly due to:

- The decrease of 75.8% of TVA Films' operating loss;
- A 31.8% increase in operating income for commercial production, due to increased volume and an improved profit margin;

Partially offset by:

- The impact of SUN News pre-launching operating expenses and;
- The operating loss related to the launching of "YOOPA" service.

Analysis of the normalized operating costs/revenues ratio: normalized operating costs for all activities of the Television sector (expressed as a percentage of revenues) of 82.9% during 2010 against 83.7% in 2009. The decrease in costs as a percentage of revenues is primarily due to close cost controls at TVA Network in a context in which revenues are relatively stable from one year to the next, and significantly lower operating expenses for the TVA Films division, despite an 8.2% increase in its revenues.

Publishing

Operating revenues: $75,004,000 or an increase of $1,030,000 (1.4%), primarily due to the following factors:

- An increase of $3,285,000 in grant revenues during 2010 as a result of changes to government magazine publishing assistance programs (see "New Canada Periodical Fund" ("CPF"));
- An increase of 1.2% in advertising revenues;

Partially offset by:

- A 6.7% decrease in newsstand revenues due to a decrease of the number of sold showbiz and celebrity magazines;
- A 5.4% decrease in subscription revenues mainly for the "TV Hebdo".

New Canada Periodical Fund ("CPF")

The Government of Canada launched the Canada Periodical Fund ("CPF") on April 1, 2010. The CPF provides financial assistance to the Canadian magazine and non-daily newspaper industries so they can continue to produce and distribute Canadian content. It replaces the Publications Assistance Program ("PAP") and the Canada Magazine Fund ("CMF"), which ended on March 31, 2010. All assistance related to this new program is now recorded in full under operating revenues. The old PAP program provided assistance for magazine distribution and was applied against distribution expenses (approximately $550,000 per quarter) while the FCM program was recorded under operating revenues.

Readership and market share statistics

- Our weeklies reach close to 3 million readers per week according to the data compiled by PMB (Print Measurement Bureau – autumn 2010). The showbiz and celebrity magazine “7 Jours” alone has 891,000 readers.
- TVA Group is the leader in newsstand sales, holding over 73% of the newsstand market for French-language magazines in Quebec and 51% of unit sales of French-language magazines in Quebec (source: Audit Bureau of Circulation as at December 31,2010).

Operating expenses: $63,287,000, or an increase of $386,000 (0.6%), primarily due to the following factors:

- The increase in magazine distribution costs as a result of changes in accounting treatment of government assistance following the changes to government programs.

Partially offset by:

- A 4.2% decrease in printings costs due to a reduction in the number of pages and close management of print copy numbers;
- A 3.4% decrease of editorial expenses.

Operating income: $11,717,000, or an increase of $644,000 (5.8%), from an increase of advertising revenues and other income combined with the favourable impact of new grant programs that have helped offset a 0.6% growth of operating expenses and then increased the operating income.

Analysis of the costs /revenues ratio: operating costs for activities of the Publishing sector (expressed as a percentage of revenues) relatively stable from 85.0% during the twelve-month period ended December 31, 2009 to 84.4% in the same period of 2010.

2010/2009 FOURTH QUARTER COMPARISON

TVA Group consolidated results analysis

Operating revenues: $133,387,000, an increase of $4,933,000 (3.8%).

- A $4,174,000 (3.7%) increase in the Television sector (Table 2) primarily due to the 16.4% increase of operating revenues of specialty services and the 2.5% increase of operating revenues of TVA Network.
- An $1,139,000 (6.3%) increase in the Publishing sector (Table 2) principally due to a 9.0% increase in advertising revenues and to an increase in subscription revenues as a result of changes in government assistance magazine programs.

Operating income: $29,846,000, a decrease of $2,375,000 (-7.4%).

- A $2,977,000 (-9.8%) decline in the Television sector (Table 3) due primarily to an increase in operating expenses for TVA Network and the specialty services owing to the reversal of CRTC Part II Licence Fees in the fourth quarter of 2009. The decline is partially offset by an increase in operating revenues and a significant improvement in TVA Films division’s profitability compared with the same quarter of 2009.
- An increase of $602,000 (34.0%) in the Publishing sector (Table 3) primarily due to the operating revenues growth.

Net income: $19,825,000 ($0.83 per diluted share) during the fourth quarter of 2010, compared with $21,065,000 ($0.89 per diluted share) in the same period of 2009.

- The negative impact of $1,240,000 ($0.06 per diluted share) is mainly due to:
  - The decrease of $2,375,000 in operating income;
  - The negative variance of $792,000 in restructuring costs of operations, impairment of assets and other, essentially because of the strategic repositioning of our television operations in English Canada;
  - A $402,000 increase in financial expenses;

  Partially offset by:
  - A positive variance of $2,495,000 in income tax expense.

- The calculation of per-share amounts was based on a weighted average of 23,770,906 outstanding diluted shares for the quarter ended December 31, 2010, and on weighted average of 23,770,906 outstanding diluted shares for the quarter ended December 31, 2009.

Amortization expense of property, plant and equipment and intangible assets**:** $4,147,000, or an increase of $236,000.

- This increase is mainly due to the growth in acquisitions of property, plant and equipment and intangible assets in the Television sector related to the established investment plan.

Financial expenses: $1,419,000, an increase of $402,000.

- This increase was primarily due to the same factors mentioned in the section "2010/2009 Financial year comparison".

Restructuring costs of operations, impairment of assets and other: $792,000 during the fourth quarter of 2010 compared with a nil expense at the same quarter of 2009, or a negative variance of $792,000.

- As a result of the repositioning of SUN TV, the Corporation recorded an impairment expense related to its broadcast right inventories in the amount of $538,000 and a provision for restructuring costs of its operations in the amount of $254,000 in the fourth quarter of 2010.

Income tax expense: $4,518,000 (effective tax rate of 19.2%) during the fourth quarter of 2010 compared with $7,013,000 (effective tax rate of 25.7%) at the same period of 2009.

- During the fourth quarter of 2010, in light of the evolution of tax auditing, jurisprudence and tax legislation, the Corporation reduced its future tax liabilities by $3,366,000 ($1,296,000 in 2009). Excluding the tax saving, the tax rate for the fourth quarter of 2010 would have been 33.6% (30.4% in 2009).

Minority interest: $449,000 during the fourth quarter of 2010 compared with $254,000 at the same period of 2009, was primarily due to the same factors mentioned in the section "2010/2009 Financial year comparison".

Share of income of company subject to significant influence: $406,000, or a decrease of $125,000.

- Decrease of results compared with these at the same period in 2009 for a television company.

Segmented analysis

Television

Operating revenues: $115,516,000, or an increase of $4,174,000 (3.7%), mainly due to the following factors:

- A 2.5% increase of TVA Network's operating revenues mainly from program production activities and video on demand;
- A 14.2% increase of subscription revenues and a 19.5% increase of advertising revenues from the specialty services;
- A 29.1% increase of revenues from commercial production activities;

Partially offset by:

- A 34.4% decrease of SUN TV revenues, as a result of programming changes related to the upcoming launch of SUN News;
- The downward impact on revenues from the sale of the "Canal Indigo" pay-per-view service on December 1, 2009.

French-language market ratings

For the period from September 27, 2010 to January 2, 2011, TVA Network's market shares dropped 1.0 share compared with the same period of 2009. The market shares of the V Network and Société Radio-Canada ("SRC") also decreased by 0.1 share and 0.2 share respectively. However, most of our specialty services achieved an increase in their market share, in particular "addikTV", which now has 1.1 market share, and "LCN", which recorded an increase of 0.3 share to reach 3.9 market shares, compared with 2.7 shares for "RDI".

Combined market shares for the TVA Group's French-language specialty services amounted to 6.6 shares, compared with 5.2 shares for the same quarter of 2009, an increase of 1.4 share or 26.9%. TVA Group's total market shares was 32.8 shares compared with 32.4 shares in the same period of 2009.

Table 6
French-language market ratings

Autumn 2010 vs Autumn 2009
Market shares (%)

	2010	**2009**	**Var. %**	**Difference**
French-language conventional broadcasters:				
TVA	**26.2**	27.2	- 3.7%	- 1.0
V	**7.0**	7.1	-1.4%	- 0.1
SRC	**13.2**	13.4	-1.5%	- 0.2
Total	**46.4**	47.7	- 2.7%	- 1.3
French-language specialty				
TVA	**6.6**	5.2	+26.9%	+1.4
Other	**39.3**	39.7	-1.0%	-0.4
Total	**45.9**	44.9	+2.2%	+1.0
Total English-language and others	**7.7**	7.4	+4.1%	+0.3
TVA Group	**32.8**	32.4	+1.2%	+0.4

Source: BBM Ratings. French Quebec , September 27 to January 2, l-d, 2h-2h, t2+.

Normalized operating expenses: $88,044,000, or a decrease of $1,861,000 (- 2.1%).

- The decrease was due primarily to:
  - A 5.5% decrease of TVA Network’s normalized operating expenses related to a close management of operating expenses during the fourth quarter.
  - The downward impact on expenses from the sale of the “Canal Indigo” pay-per-view service on December 1, 2009;
  - A decrease of 41.1% in operating expenses at the TVA Films division, primarily due to:
    - a decrease in the number of theatrical releases in the fourth quarter of 2010 compared with the corresponding quarter of 2009;
    - an impairment expense of $994,000 of rights in inventory during the corresponding quarter of 2009;

  Partially offset by:

  - A 39.5% increase in normalized operating expenses for the specialty services, as explained in the annual comparison;
  - A 29.4% increase in operating expenses for commercial production due to increased volume.

Normalized operating income: $27,472,000, or an increase of $6,035,000 (28.2%), primarily due to:

- A 26.6% increase of TVA Network’s normalized operating income related to the decrease of its operating expenses and the stability in advertising revenues;

- The achieving of an operating income for the TVA Film division while during the corresponding quarter in 2009, it has recorded a $2,809,000 operating loss;

Partially offset by:

- A 27.5% decrease in normalized operating income from the specialty services due primarily to higher content costs at LCN and to the operating loss posted by the new "YOOPA" service.

Analysis of the normalized operating costs/revenues ratio: normalized operating costs for activities of the Television sector (expressed as a percentage of revenues) of 76.2% in the fourth quarter of 2010 compared with 80.7% in the same period of 2009. The decrease of costs as a proportion of revenues is due to the lower relative importance of the operating costs of TVA Network considering the maintenance of advertising revenues and the increase of profitability of TVA Films, partially offset by the increase of specialty service costs, including the operating expenses of the new "YOOPA" service, the decreased profitability of SUN TV and the pre-operating expenses of the new SUN News service.

Publishing

Operating revenues: $19,260,000, or an $1,139,000 (6.3%) increase, primarily due to the following factors:

- An $1,094,000 increase in grant revenues during the quarter as a result of changes to government magazine publishing assistance programs (see "New Canada Periodical Fund" under "2010/2009 Financial Year Comparison");
- A 9.0% increase in advertising revenues;

Partially offset by:

- A 4.5% decrease of newsstand revenues mainly for monthly service magazines;
- A 14.1% decrease of subscription revenues mainly for "TV Hebdo" magazine.

Operating expenses: $16,886,000, or a $537,000 (3.3%) increase.

- This increase was mainly due to the increase of magazines distribution costs as a result of the change in accounting treatment of government assistance following the changes to government programs.

Operating income: $2,374,000, or a $602,000 (34.0%) increase primarily due to:

- The positive impact of an increase in operating revenues compared with operating expenses, which generated an improvement of the profit margin from 9.8% for the fourth quarter of 2009 to 12.3% for the fourth quarter of 2010.

Analysis of the costs/revenues ratio: operating costs for activities of the Publishing sector (expressed as a percentage of revenues) of 87.7% during the fourth quarter of 2010 compared with 90.2% for the same period of 2009. The decrease in costs as a proportion of revenues is mainly due to the impact of new government assistance programs.

2009/2008 FINANCIAL YEAR COMPARISON

TVA Group consolidated analysis results

Operating revenues: $438,969,000, an increase of $2,246,000 (0.5%).

- A $7,370,000 (2.0%) increase in the Television sector (Table 2) due to higher revenues in all sectors except SUN TV, which recorded a 7.3% decrease in revenues, TVA Boutiques, with a 6.4% decline in operating revenues and TVA Films, with a 35.4% drop in its revenues.
- A $4,632,000 (-5.9%) decrease in the Publishing sector (Table 2), primarily due to a 10.2% decrease in advertising revenues.

Operating income : $80,027,000, a $14,077,000 (21.3%) increase.

- Increase of $12,310,000 (21.7%) in the Television sector (Table 3), primarily due to higher operating revenues, as noted above. TVA Network also recorded lower operating expenses due to the reversal of CRTC Part II Licence Fees in the fourth quarter of 2009. In 2008, operating income for this sector included a negative adjustment related to these licence fees. These increases are partially offset by operating losses of SUN TV and TVA Films.
- A $1,767,000 (19.0%) increase in the Publishing sector (Table 3) primarily due to a close management of operating expenses which has over offset the decrease of operating revenues.

Net income: $49,123,000 $ ($2.05 per diluted share) for 2009 compared with $44,912,000 ($1.78 per diluted share) in 2008.

- The $4,211,000 positive variance ($0.27 per diluted share) is primarily due to :
    - A $14,077,000 increase in operating income;
    - A favourable variance of $978,000 in restructuring costs of operations, impairment of assets and other, primarily due to the downward adjustment of the provision for restructuring costs related to the activities of a former subsidiary in 2009;

  Partially offset by :
    - An $8,781,000 negative variance of income tax expenses;
    - An $1,200,000 negative variance of financial charges; and
    - An $806,000 negative variance of amortization of property, plant and equipment and intangible assets.
- The calculation of per-share amounts was based on a weighted average of 23,916,945 outstanding diluted shares for the year ended December 31, 2009 and on a weighted average of 25,293,708 outstanding diluted shares for the year ended December 31, 2008.

Amortization expense for property, plant and equipment and intangible assets: $14,274,000, an increase of $806,000.

- This increase is primarily due to acquisition of tangible and intangible assets in the Television sector related to the established investment plan.

Financial expenses: $2,960,000, or an $1,200,000 increase.

- The increase is primarily due to a significant decrease in interest income in 2009 of $1,147,000, due mainly to interest income related to a tax refund resulting from a favourable decision on a tax matter and the receipt of production tax credits in 2008.

Restructuring costs of operations, asset impairment and other: Reversal of $794,000 in fiscal 2009 compared to a charge of $184,000 for fiscal 2008, representing a favorable variance of $978,000.

- During 2009, based on new information, the Corporation remeasured its provision for restructuring costs related to the operations of a former subsidiary and adjusted the balance downward by $794,000. In the previous year, the Corporation recorded a $184,000 provision for restructuring costs for severance pay following the elimination of a position in the Television sector.

Income tax expense: $17,098,000 (effective tax rate 26.9%) for 2009 compared with $8,317,000 (effective tax rate 16.5%) for 2008.

- During the fiscal year 2010, in the light of the evolution of tax auditing, jurisprudence and tax legislation, the Corporation has reduced its future tax liabilities by $2,894,000 ($6,794,000 in 2008). In addition, in 2008, the Corporation has recorded a $657,000 gain as a result of favourable decision in a fiscal record. Excluding the tax savings, the tax rate for 2009 was 31.4% (31.2% in 2008).

Minority interest: $1,906,000 in 2009 compared with $1,802,000 during the same period of 2008.

- Minority interest represents Sun Media Corporation's share in SUN TV's net loss. The favourable variance in 2009 is due to a higher net loss recorded in 2009 than in 2008.

Share of income of company subject to significant influence: $728,000, or a $161,000 decrease, reflecting lower financial results from a television company compared to the corresponding period of 2008.

Segmented analysis

Television

Operating revenues: $368,325,000, or a $7,370,000 (2.0%) increase, primarily due to the following factors:

- A 2.5% increase in TVA Network's operating revenues, driven by 1.4% growth in advertising revenues and a 12.8% growth in other revenues. The growth in other revenues is due to revenues from the "LPIF" created by the CRTC on September 1, 2009 and our programming and marketing agreements with our affiliated stations;
- A 19.4% increase in subscription revenues and a 14.1% increase of advertising revenues generated by specialty services;
- An 11.3% increase in revenues from commercial production activities;
- Inclusion of income from the operation of the television service "Canal Indigo" for the period from September 1, 2008 to November 30, 2009;

Partially offset by:

- A 9.3% decline in advertising revenues from SUN TV as a direct result of the economic downturn, which more heavily affected the conventional English-language television advertising market in Ontario;

- A 35.4% decline in TVA Films' revenues, mainly attributable to video and the sale of television rights as a result of lower DVD sales volumes and the financial situation among some Canadian broadcasters in the television market.

Normalized operating expenses: $308,383,000 or an increase of $8,211,000 (2.7%).

- This increase was due primarily to:
    - a 19.0% increase in the specialty services' normalized operating expenses, due to programming investments in all French-language services;
    - growth in variable operating expenses due to commercial production volume and the inclusion of operating expenses for the "Canal Indigo" pay-per-view service from September 1, 2008 to November 30, 2009; and
    - a 6.4% increase of Sun TV normalized operating expenses primarily in programming.

Normalized operating income: $59,942,000 or a decrease of $841,000 (-1.4%), primarily due to:

- A 39.7% increase of SUN TV's normalized operating loss;
- A decrease in operating income for TVA Films activities;

Partially offset by:

- A 14.3% growth in TVA Network's normalized operating income due to the increase in its revenues and maintaining its normalized operating expenses;
- A 13,9% increase of specialty services normalized operating income;
- An increase in operating income from commercial production.

Analysis of the normalized operating costs/revenues ratio: normalized operating costs for activities of the Television sector (expressed as a percentage of revenues) of 83.7% in 2009 compared with 83.2% in 2008. The year-over-year stability is primarily due to the fact that the 2009 cost increase kept pace with revenue growth.

Publishing

Operating revenues: $73,974,000, a decrease of $4,632,000 (-5.9%), primarily due to the following factors:

- A 10.2% decrease of advertising revenues. This decrease has been noticed especially in decoration and showbiz magazines;
- A 12.8% decrease of subscription revenues, mainly for "TV Hebdo" magazine with a 10.5% decline and the closing of "Filles Clin d'oeil" magazine; and
- A 2.8% decrease of newsstand revenues.

Operating expenses: $62,901,000, a decrease of $6,399,000 (-9.2%).

- The decrease in operating expenses is primarily due to lower printing and packaging costs resulting from lower page count at some magazines, some format changes and lower printing rates, despite the addition of new magazines in 2009. The Corporation also reduced the bonuses offered in its magazines and its labour costs through improved efficiencies, and downsized some advertising and promotional campaigns.

Operating income: $11,073,000, an increase of $1,767,000 (19.0%), primarily due to:

- The reduction in operating expenses over the decline in revenues that has enabled the sector to achieve this growth in operating income.

Analysis of the costs/revenues ratio: operating costs for activities of the Publishing sector (expressed as a percentage of revenues) of 85.0% in 2009 compared with 88.2% in 2008. The decrease in costs as a proportion of revenues is primarily due to the various measures introduced to cut operating expenses.

CASH FLOWS AND FINANCIAL POSITION

Table 7 shows a summary of cash flows provided by operating activities, investing activities and financing activities.

Table 7
Summary of the Corporation's cash flows
(in thousands of dollars)

	Year ended December 31			**Three months ended December 31**	
	2010	2009	2008	**2010**	2009
Cash flows from operating activities	**$ 22,547**	$ 29,110	$ 45,593	**$ 10,530**	$ 10,707
Additions to property, plant and equipment and intangible assets	**(24,245)**	(22,971)	(21,881)	**(8,306)**	(6,066)
Share redemption	-	(2,581)	(51,415)	-	-
Dividends paid	**(4,754)**	(4,786)	(5,105)	**(1,188)**	(1,188)
Others	**5,792**	2,188	(456)	**4,838**	27
Reimbursement (increase) in net debt	**$ (660)**	$ 960	$ (33,264)	**$ 5,874**	$3,480

	Dec. 31 2010	Dec. 31 2009	Dec. 31 2008
<u>Position at the end</u>:			
Long-term debt	**$ 90,338**	$88,580	$ 93,705
Bank overdraft	**3,557**	974	147
Less: cash	**(5,605)**	(1,924)	(5,262)
Net debt	**$ 88,290**	$ 87,630	$ 88,590

<u>Operating activities</u>

Year 2010

Cash flows provided by operating activities: $22,547,000 in 2010, compared with $29,110 000 at the same period of 2009, a decrease of $6,563,000.

- This decrease is mainly attributable to higher tax payments in 2010 for the 2009 fiscal year and instalment payments related to income taxes for the year 2010, in addition to broadcast rights payments increase.

- The decrease is partially offset by a positive variance of accounts receivable, accounts payable and accrued liabilities.

Working capital for TVA Group totalled $86,402,000 as at December 31, 2010, compared with $63,549,000 for the same period of 2009, an increase of $22,853,000.

- The increase was mainly due to the increase of programs, broadcast and distribution rights and inventories, the increase in accounts receivable and the reduction in current income tax liabilities.

Year 2009

Cash flows provided by operating activities: $29,110,000 in 2009, compared with $45,593,000 in 2008, a decrease of $16,483,000.

- This decrease is mainly due to higher needs for working capital of $21,022,000 offset by an increase in activities related to current operations of $4,539,000.

Working capital for TVA Group totalled $63,549,000 as at December 31, 2009, compared with $42,959,000 for the same period of 2008, an increase of $20,590,000.

- The increase is primarily due to higher accounts receivable, particularly in respect of certain clients, such as advertising agencies, as at December 31, 2009, and temporary differences in the payment of accounts payable and accrued liabilities, offset by lower expenditures for current income tax expenses by the Corporation.

Investment activities

Year 2010

Acquisition of property, plant and equipment and intangible assets: $24,245,000 in 2010, compared with $22,971,000 for the same period of 2009, an increase of $1,274,000 (5.5%).

- Capital expenditures consisted mainly of significant spending in the Television sector, specifically for technical equipment. The capital expenditures were made in connection with projects involving the transition to digital and high definition in both production and broadcasting, as well as the implementation of information and management software for the operation of the sector's conventional television stations and specialty services. The Corporation is on schedule and proceeding apace with its capital expenditures plan aimed at completing the transition to digital and high definition, which will entail continued capital expenditures in the order of $30,000,000 between now and the end of 2013.

Year 2009

Acquisition of property, plant and equipment and intangible assets: $22,971,000 in 2009, compared with $21,881,000 for the same period of 2008, an increase of $1,090,000 (5.0%).

- The increase is mainly due to the same factors mentioned in the section "2010/2009 Financial year comparison".

Financing activities

Year 2010

Long-term debt: an increase of $1,361,000, as at December 31, 2010 compared with December 31, 2009:

- This increase was mainly due to significant current income taxes totalling $11,778,000 paid in the first quarter of 2010 and additions to property, plant and equipment and intangible assets, which forced the Corporation to use bank debt.

Year 2009

Long-term debt: a decrease of $3,907,000 as at December 31, 2009 compared with December 31, 2008:

- The decrease is mainly due to the fact that in 2008 the Corporation has used its debt to carry out a significant share purchase.

Financial Position at December 31, 2010

Net available liquid assets: $79,716,000, consisting in an unused revolving credit facility.

Long-term debt of the Corporation, excluding deferred financing costs, increased by $1,361,000 from $89,927,000 at December 31, 2009 to $91,288,000 at December 31, 2010 (see "Financing activities" above).

Table 8
TVA Group minimum principal payment on long-term debt
12-month periods ended December, 31
(in thousands of dollars)

2011	$	-
2012		16,288
2013		-
2014		75,000
2015		-
2016 and thereafter		-
Total	$	91,288

The weighted average term of TVA Group's debt was approximately 3.5 years at December 31, 2010 (4.5 years at December 31, 2009). The debt consisted of approximately 82% fixed rate debt (83% at December 31, 2009) and 18% floating rate debt (17% at December 31, 2009).

As at December 31, 2010, the consolidated debt ratio, as measured by the debt-to-shareholders' equity ratio, stood at 25:75, or 0.33, (0.37 at December 31, 2009).

The Corporation's management believes that the cash flows generated on an annual basis by the operating activities pursued and the sources of financing available should be sufficient to meet its commitments in regard to capital investment, working capital, interest payments, debt repayment, pension plan contributions and dividend payments (or distribution of capital) in the future.

Under its credit agreements, the Corporation is subject to certain restrictions, including requirements to maintain certain financial ratios. As at December 31, 2010, the Corporation was in compliance with all the terms of its credit agreements.

Dividends declared by TVA Group's Board of Directors: On March 7, 2011, the Board of Directors of TVA Group declared a quarterly dividend of $0.05 per share on Class A and B shares, payable on April 6, 2011 to shareholders of record at the close of business on March 22, 2011. The dividend is designated to be an eligible dividend under subsection 89(14) of Canada's *Income Tax Act* and its provincial counterpart.

Analysis of consolidated balance sheet as at December 31, 2010

Table 9
Consolidated balance sheet of TVA Group
Analysis of main variances between December 31, 2010 and December 31, 2009
(in thousands of dollars)

	Dec. 31 2010	Dec. 31 2009	Difference	Main reasons for difference
Assets				
Accounts receivable	**$ 133,161**	$ 121,593	$ 11,568	Impact of current variances in activity and increase in taxes receivable due to high instalment payments compared to taxable income in 2010.
Programs, broadcast and distribution rights and inventories	**60,122**	54,774	5,348	Programming strategies and investments for TVA Network and specialty services, including "YOOPA" and the new specialty service anticipated to air in spring 2011.
Property, plant and equipment	**86,208**	79,123	7,085	Increased acquisitions as part of the Corporation's investment plan and addition of infrastructure and equipment for SUN News
Accrued benefit asset	**16,426**	8,900	7,526	Impact of additional contributions paid for some pension plans.
Liabilities				
Accounts payable and accrued liabilities	**$ 80,878**	$ 87,328	$ (6,450)	Variation in current income taxes.

ADDITIONAL INFORMATION

Contractual obligations

At December 31, 2010, material contractual obligations of operating activities included capital repayment and interest on long-term debt, payments under distribution and broadcasting right acquisition contracts, and payments under other contractual commitments, such as operating leases for services and office space. These contractual obligations are summarized in Table 10.

Table 10
Material contractual obligations of TVA Group as of December 31, 2010
(in thousands of dollars)

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Long-term debt	$ -	$ 16,288	$ 75,000	$ -	$ 91,288
Payment of interests[1]	5,444	9,599	4,155	-	19,198
Broadcast and distribution rights	62,593	27,677	1,155	30	91,455
Other commitments	12,295	7,493	4,104	5,130	29,022
Total	$ 80,332	$ 61,057	$ 84,414	$ 5,160	$ 230,963

[1] *Estimated interest payable on floating rate long-term debt is based on interest rates as of December 31, 2010.*

Related party transactions

During the year 2010, the Corporation sold advertising spaces and content, recorded subscription revenues and provided production, postproduction and other technical services to companies under common control and affiliated companies in the total amount of $57,049,000 ($55,669,000 in 2009). Transactions with related companies are measured at the exchange amount, as negotiated by the parties.

For 2010, the Corporation recorded charges for broadcast rights, communication services, advertising spaces and professional services under transactions with companies under common control and affiliated companies totalling $18,604,000 ($18,906,000 for 2009).

The Corporation also recorded management fees to the parent company in the amount of $4,350,000 in 2010 ($4,224,000 in 2009).

<u>SUN News</u>

During the year 2010, the Corporation and Sun Media Corporation, a subsidiary of QMI, have established a new general partnership, SUN News. The Corporation holds 51%, while Sun Media Corporation owns 49%. The results of this partnership are fully consolidated in the Corporation's results and the interest of Sun Media Corporation is recorded in "Minority interest" in the consolidated statement of income. During the year 2010, a total capital contribution of $10,539,000 was made by the partners of which $5,164,000 was made by Sun Media Corporation.

Sun TV Company

On December 25, 2010, the Corporation undertook to become sole owner of the assets of SUN TV station in connection with a corporate reorganization that ultimately resulted in the winding up of Sun TV Company, an entity that was formerly 75% owned by TVA Group and 25% by Sun Media Corporation. The Corporation already paid Sun Media Corporation the $2,000,000 consideration for the acquisition in June 2009 as a commitment. All of the transactions arising from this reorganization were accounted for at the carrying amount of the assets transferred between the parties and resulted in a $2,000,000 adjustment recognized in retained earnings.

On June 27, 2009, Sun TV Company, which was then 75% owned by the Corporation and which operated television station SUN TV, entered into a transaction to reduce the tax consolidation scheme implemented on July 12, 2005 with its non-controlling shareholder Sun Media Corporation. To effect this transaction, Sun TV Company received full repayment of the convertible bonds of Sun Media Corporation amounting to $9,750,000. In return, Sun TV Company repurchased from Sun Media Corporation all of the preferred shares redeemable at the holder's option with 10.85% cumulative fixed dividend for $9,750,000. On a consolidated level, this transaction resulted in a $9,750,000 reduction in a long-term investment in convertible bonds for the Corporation, and an equivalent reduction in redeemable preferred shares.

Canoë Inc.

In fiscal 2009, parent company Quebecor Media wound up Canoë Inc. ("Canoë"), which was 86.2% owned by Quebecor Media and 13.8% by TVA Group Inc., and its assets were distributed proportionally to shareholders. All of the transactions arising from this winding up were recorded at the carrying amount of the assets transferred between the related companies and a $7,247,000 adjustment was recorded directly in the Corporation's retained earnings. This adjustment represents the difference between the $11,262,000 carrying amount of TVA Group's investment in Canoë and the $4,015,000 net carrying amount of the assets received on wind up, consisting of $2,000,000 in cash, three portals including the Argent/Money site and related tax benefits.

World Color Press Inc. (formerly Quebecor World Inc.)

During the first quarter of 2009, the Corporation acquired from subsidiaries of its parent company, QMI, receivables from World Color Press Inc. totalling $1,364,000 in consideration of a payment of $1,334,000. Following these transactions, the Corporation recorded a gain of $30,000, which was accounted for as contributed surplus.

Legal proceedings were brought against the Corporation by World Color Press Inc. in connection with the termination of the printing and related services provided to the Corporation by World Color Press Inc. World Color Press Inc. is also asking that the transfers of receivables from other QMI subsidiaries to the Corporation, and the related payments, be declared invalid. The entities that transferred the receivables have undertaken to compensate the Corporation in full if the transfers and payments should be declared invalid. The total amount being claimed in these legal proceedings is approximately $15,870,000. The outcome of these proceedings cannot be determined with certainty. However, management believes that the claims are without merit and intends to defend its position vigorously. As of December 31, 2010, the proceedings were still in progress.

Guarantees

In the normal course of its operations, the Corporation provides indemnification agreements to counterparties in transactions such as purchase contracts, service agreements and leasing transactions. These indemnification agreements require the Corporation to compensate the counterparties for costs incurred as a result of changes in laws and regulations (including tax legislation) or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnification agreements will vary based upon the contract. The nature of the indemnification agreements prevents the Corporation from making a reasonable estimate of the maximum potential amount it could be required to pay to counterparties. No amounts have been recorded in the consolidated balance sheets, since the Corporation does not expect to make any payments pertaining to these agreements.

The Corporation has guaranteed a portion of the residual values of certain assets under operating leases to the benefit of the lessor. If the fair value of the assets, at the end of their respective lease terms, is less than the residual value guaranteed, then the Corporation must, under certain conditions, compensate the lessor for a portion of the shortfall. The maximum exposure in respect of these guarantees is approximately $299,000 ($591,000 as at December 31, 2009), and the Corporation did not record any liability related to these guarantees.

Decision CRTC 2011-48

On January 26, 2011, in Decision CRTC 2011-48 (“the Decision”), the CRTC set out its findings on complaints filed by TELUS and Bell concerning exclusive TVA content on Videotron’s illico on Demand (“VOD”) service. The CRTC found that TVA and/or Videotron had contravened applicable regulations that prohibit them from giving an undue preference or subjecting any person to an undue disadvantage. To remedy the violations, the CRTC set out requirements including that TVA programs distributed on VOD be provided without delay to TELUS and to Bell and that, within thirty days following the date of the Decision, the parties negotiate an agreement for the provision of TVA programming by VOD services or agree on a process for determining a reasonable fee and reasonable terms and conditions for the provision of TVA programming by VOD services. On February 25, 2011, TVA and Videotron filed with the CRTC two separate reports on the progress of negotiations with TELUS and Bell. An application for leave to appeal the Decision has been filed with the Federal Court of Appeal.

Capital stock

In accordance with Management’s Discussion and Analysis Canadian reporting standards, Table 11 below presents the information on the Corporation’s capital stock as at January 31, 2011.

Table 11
Number of shares outstanding as at January 31, 2011
(in shares and thousands of dollars)

	Issued and outstanding	Book value
Class A common shares	4,320,000	$0.02
Class B shares	19,450,906	$5.07

On March 17, 2010, the Corporation filed a normal course issuer bid to redeem a maximum of 5% of the number of Class B shares of the Corporation at the offer date for cancellation for a period of one year following the offer date. The Corporation redeems its Class B shares at the market price at the time of redemption, plus brokerage fees. In fiscal 2010, no Class B shares were redeemed (253,300 Class B shares were redeemed for cancellation in fiscal 2009 for a net cash consideration of $2,581,000).

As at January 31, 2011, 833,610 conventional Class B stock options and 387,482 Quebecor Media Inc. stock options were outstanding. Of the options outstanding as at January 31, 2011, 560,952 conventional Class B stock options at an average exercise price of $17.05 and 92,232 Quebecor Media Inc. stock options at an average price of $45.90 could be exercised.

During the twelve-month period ended December 31, 2010, the Corporation recorded a compensation expense of $9,000 in relation to the Corporation's conventional Class B stock options (nil in 2009). In addition, during 2010, the Corporation recorded a compensation expense of $600,000 in relation to the Quebecor Media Inc. stock options ($424,000 in 2009).

Risks and uncertainties

The Corporation operates in the communications industry, which has a variety of risk factors and uncertainties. Due to the risks and uncertainties outlined below, the Corporation’s operating environment and financial results may be materially affected. These risks are not the only ones that may affect the Corporation. Other risks and uncertainties, which the Corporation is unaware of or deems negligible at this time, could also have a considerable negative impact on its financial situation, its operating results, its cash flows or its activities.

Seasonality

The Corporation’s business is sensitive to general economic cycles and may be adversely affected by the cyclical nature of the markets the Corporation serves, as well as by local, regional, national and global economic conditions. Seasonal variations in retail business influence the Corporation’s financial results. In addition, because the Corporation’s operations are labour intensive, its cost structure is highly fixed. During periods of economic contraction, revenue may decrease while the cost structure remains stable, resulting in decreased earnings.

Operational risks

Competition for advertising, customers, viewers, listeners, readers and distribution is intense and comes from conventional television stations and networks, specialty channels, radio, local, regional and national newspapers, magazines, direct mail and other traditional communications and advertising media that operate in the Corporation's markets. The arrival of new technologies, including video-on-demand, the Internet, personal video recorders and high-definition television and 3D; also influences the Corporation’s operations. The markets in which the Corporation operates are dealing with the multiplication of possible distribution platforms, including the Internet, wireless telephony, video-on-demand, mobile television and any other future technology that may be marketed in future. This evolving technology can, however, open up business possibilities for the Corporation, creating the opportunity for it to distribute its content on all available platforms. Its competitors include both private companies and government-owned players. In addition, increasing consolidation in the Canadian media sector is creating competitors with interests in different industries and media.

In addition, the broadcast signals of the Corporation’s specialty channels may be stolen sometimes, thereby representing a risk. Lastly, the Corporation’s migration from an analog signal to a high-definition (HD) signal also presents certain challenges in regard to execution and involves major investments. A delay in implementing the HD technology could have a negative effect on the Corporation’s operations and financial situation.

Risks related to changes in economic conditions and fragmentation of the media landscape

Advertising revenue is the primary source of revenue for the Corporation. Its revenues and operating results depend on the relative strength of the economy in its markets as well as the strength or weakness of local, regional and national economic factors, since these economic factors affect the levels of television and magazines advertising revenue. Continuing or deepening softness in the Canadian or U.S. economy could further adversely affect key national advertising.

The proliferation of cable and satellite channels, advances in mobile and wireless technology, the migration of television audiences to the Internet and the viewing public's increased control over the manner, content and timing of their media consumption through personal video recording devices, have resulted in greater fragmentation of the television viewing audience and a more difficult advertising sales environment.

Risks related to the possibility that our content may not attract large audiences, which limit our ability to generate advertising revenues

The revenues of the Corporation are derived in large part from advertising revenues. Advertising revenues are largely dependent upon audience acceptance, which is in large part a function of the content and quality offered, and is influenced by factors such as reviews by critics, promotions, quality and acceptance of other competing content in the marketplace, availability of alternative forms of entertainment, general economic conditions, public tastes generally and other intangible factors. In addition, the increase in narrowcast programming or specialty services in Canada has caused the conventional television audience to become increasingly fragmented. These factors continue to evolve rapidly and many are beyond our control. The Corporation is also working to generate advertising revenues by launching services and products in a new niche and market where the business landscape differs from the environment in which the Corporation normally operates. Lack of audience acceptance for our content or shrinking or fragmented audiences could limit our ability to generate advertising revenue. If our television operations' ability to generate advertising revenue is limited, we may need to develop new or alternative financing sources in order to be able to continue providing attractive television programming for broad audiences. There can be no assurance that we would be able to develop any such new financing sources, and any such limitation of our ability to generate revenue together with an inability to generate new financing sources could have a material adverse effect on our business, financial condition and results of operations.

Risks related to the fact that programming may become more expensive to acquire and production costs may increase

The most significant costs in television broadcasting are programming and production costs. Increased competition in the television broadcasting industry, developments affecting producers and distributors of programming content, changes in viewer preferences and other developments could impact both the availability and the cost of programming content and the cost of production. Future increases or volatility in programming and production costs could adversely affect the results of operations of the Corporation. Developments in cable, satellite or other forms of distribution could also affect both the availability and the cost of programming and production and increase competition for advertising expenditures.

Government regulations risks

The Corporation is subject to extensive government regulation mainly through the *Broadcasting Act* and the *Telecommunications Act*, both administered by the CRTC. Changes to the regulations and policies governing broadcasting, the introduction of new regulations or policies or terms of licence could have a material effect on the Corporation's business, financial condition or results of operations. Furthermore, the CRTC is the government authority responsible for issuing and renewing broadcasting licences and for the regulations governing the Canadian broadcasting system. The Corporation is subject to the CRTC's decisions in these areas and any decision made by this organization that runs counter to the Corporation's positions and interests may negatively affect its activities and operating results.

Government assistance risks

The Corporation takes advantage of several government programs designed to support production and distribution of televisual products and movies and magazine publishing in Canada. Any future changes in the rules of application of these government programs may have a significant impact on the Corporation's operating results.

Distributors risks

For the distribution of its specialty channels, the Corporation relies on broadcasting distribution undertakings (BDU) (including cable and direct-to-home satellite broadcasting services as well as multichannel multipoint distribution systems). Operating revenues could be negatively affected if affiliation agreements with BDUs are not renewed according to terms and conditions similar to those in effect at this time. Affiliation agreements with BDUs extend over several years and come to term at different times. The Corporation is confident that it will be able to renew its agreements according to terms and conditions that are satisfactory to all parties.

Risks related to the impact on the Corporation's business of the loss of key management and other personnel, or inability to attract, retain and motivate such management and other personnel

The Corporation depends on its management team and other key personnel to run its business. The loss of any of these individuals could adversely affect the operations of the Corporation. Due to the specialized nature of its business, the Corporation believes that its future success will also depend, in a large part, upon its ability to continue to attract, retain and motivate highly-skilled management, programming, technical and marketing personnel. Competition for highly-skilled individuals is intense, and there can be no assurance that the Corporation will be successful in attracting, retaining and motivating such individuals in the future.

Risks related to litigation and other claims

In the normal course of business, the Corporation is involved in various legal proceedings and other claims relating to the conduct of its business. Although, in the opinion of management of the Corporation, the outcome of current pending claims and other litigation is not expected to have a material adverse effect on its results, liquidity or financial position. However, a negative outcome in respect of any such claim or litigation could have such an adverse effect. Moreover, the cost of defending against lawsuits and diversion of management's attention could be significant.

Financing risks

The Corporation is fully financed for its current activities and has access to a $100,000,000 credit facility (the "facility") that will mature on December 11, 2012 as well as a $75,000,000 term loan repayable on December 11, 2014 at a 5.54% fixed interest rate. However, risk factors such as capital market upheavals could reduce the amount of capital available or increase the cost of this capital for a portion of our capital. There is no guarantee that additional funds will be made available to the Corporation or that if they are, that they will be provided within a time frame and under conditions that are acceptable to the Corporation. Not being able to obtain this additional financing, at the required time and if necessary, could have a significant negative effect on the Corporation. However, this risk is mitigated by the fact that the Corporation has access until December 11, 2012 to the unused portion of this facility, which stood at $79,716,000 as at December 31, 2010. The Corporation could also finance its future capital needs using cash provided by operations or by a public issue of shares.

Economic environment risks

The Corporation's operating revenues and results are and will continue to be influenced by the general economic environment. During an economic slowdown or a recession, buyers of the advertising have historically reduced their advertising budget. As a result, there is no means of guaranteeing that the Corporation's operating results, outlook and financial situation are protected against any and all negative effects.

Labour relations risks

As of December 31, 2010, approximately 56% of the Corporation's employees were unionized. The Corporation is party to 13 collective agreements. As of December 31, 2010, two collective agreements arrived at term, and they covered about 2% of the unionized employees of the Corporation.

The Corporation has in the past experienced labour disputes which have disrupted its operations and impaired its growth and operating results. The Corporation cannot predict the outcome of current or future negotiations with respect to labour disputes, union representation or the renewal of collective agreements. Nor can the Corporation assure you that it will not experience work stoppages, strikes, property damage or other forms of labour protests pending the outcome of any current or future negotiations. If TVA Group's unionized workers engage in a strike or if there is any other form of work stoppage, the Corporation could experience a significant disruption of its operations, damage to its property and/or service interruption, which could adversely affect its business, assets, financial position and results of operations. Even if the Corporation does not experience strikes or other forms of labour protests, the outcome of labour negotiations could adversely affect its business, including if current or future labour negotiations or contracts were to further restrict TVA Group's ability to maximize the efficiency of its operations. In addition, TVA Group's ability to make short-term adjustments to control compensation and benefits costs is limited by the terms of its collective bargaining agreements.

Pension plan liability risks

The economic cycle could also have a negative impact on the funding of TVA's defined benefit pension plans and the related expenditures. There is no guarantee that the expenditures and contributions required to fund these pension plans will not increase in the future and therefore negatively impact the Corporation's operating results and financial position. Risks related to the funding of defined benefit plans may materialize if total obligations with respect to a pension plan exceed the total value of its trust fund. Shortfalls may arise due to lower-than-expected returns on investments, changes in the discount rate used to assess the pension plan's obligations, and actuarial losses. This risk is mitigated by policies and procedures instituted by TVA Group and its pension committees to monitor investment risk and pension plan funding. It is also mitigated by the fact that some of the Corporation's defined benefit pension plans are no longer offered to new employees.

Risks associated with an increase in paper, printing and postage costs

A significant proportion of the Publishing sector's operating expenses is comprised of paper, printing and postage costs. The sector is dependent on external suppliers for its entire paper supply and has no control over paper prices, which may vary considerably. The Publishing sector uses third parties for all of its printing services and printing costs accounted for approximately 26% of operating expenses in 2010. Further, distribution of its publications to subscribers is handled by the Canada Post Corporation. Any interruption in distribution services could negatively affect the Publishing sector's operating results and its financial position, and a significant increase in paper or postage costs could be detrimental to the sector's activities and operating results.

Financial Risks

The Corporation's risk management policies have been established in order to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and in the Corporation's activities.

Due to its use of financial instruments, the Corporation and its subsidiaries are exposed to credit risk, liquidity risk and market risk relating to foreign exchange and interest rate fluctuations. To manage its interest rate risk exposure, the Corporation may occasionally use interest rate swaps. As at December 31, 2010, the Corporation held no interest rate swaps.

Fair value of financial instruments

The carrying amount of accounts receivable from external and related parties (classified as loans and receivables) and accounts payable and accrued liabilities to external and related parties (classified as other liabilities) approximates their fair value, since these items will be realized or paid within one year or are due on demand. The fair value of other investments could not be determined, because there are no quoted market prices in an organized market for these types of investments. The carrying value and fair value of long-term debt as at December 31, 2010 and 2009 are as follows:

Table 12
Fair value of long-term debt
(in thousands of dollars)

	December 31, 2010		December 31,2009	
	Book value	**Fair value**	Book value	Fair value
Bankers' acceptances	**$15,986**	**$15,986**	$14, 927	$ 14,927
Advance on revolving credit facility	**302**	**302**	–	–
Term loan	**75,000**	**76,100**	75,000	75,000

The fair value of financial liabilities is based on the calculation of discounted cash flows using rates of return or market price at year-end of financial instruments with the same maturity.

Credit risk

Credit risk is the risk of the Corporation incurring a financial loss should a client or third party related to a financial asset fail to meet its contractual obligations.

In the normal course of business, the Corporation regularly assesses the financial condition of its customers and reviews the credit history of each new customer. At December 31, 2010, no customer balance represents a significant portion of consolidated trade accounts receivable of the Corporation. The Corporation establishes an allowance for doubtful accounts to meet the specific credit risk of its customers. The balance of accounts receivable of the Corporation shall be distributed among many clients, mostly advertising agencies. The Corporation does not believe it is exposed to a level of credit risk unusual or important. As at December 31, 2010, 4.60% of accounts receivable were outstanding for more than 120 days after the billing date (2.72% as at December 31, 2009). In addition, as at December 31, 2010, the allowance for credit losses represents an amount of $3,035,000 ($2,749,000 as at December 31, 2009).

Table 13 shows the variation of the provision for doubtful accounts for year ended December 31, 2010 and December 31, 2009:

Table 13
Change in the allowance for doubtful accounts
(in thousands of dollars)

	December 31, 2010	December 31, 2009
Balance, beginning of year	**$ 2,749**	$ 3,978
Change recognized in the consolidated statement of income	**885**	1,083
Drawn down	**(599)**	(2,312)
Balance, end of year	**$ 3,035**	$ 2,749

Liquidity risk

Liquidity risk is the risk that the Corporation and its subsidiaries will not be able to meet their financial obligations as they fall due or the risk that those financial obligation have to be met at excessive cost. The Corporation and its subsidiaries ensure that they have sufficient cash flows from current operations and available sources of financing to meet future cash requirements for long-term investment, working capital, interest payments and debt servicing, pension plan contributions, dividends and share redemptions.

Market risk

Market risk is the risk that changes in market prices due to foreign exchange rates and interest rates will affect the Corporation's operating revenues or the value of its financial instruments. The objective of market risk management is to mitigate and control exposures within acceptable parameters.

Foreign exchange risk

The Corporation is exposed to limited foreign currency risk on its revenues and expenses, due to the low volume of transactions made in foreign currencies, i.e. other than the Canadian dollar. The foreign currency the most frequently used is the American dollar and exchanges are primarily used to purchase certain distribution rights, make capital expenditures and collect income from certain clients. In light of the low volume of transactions denominated in foreign currencies, the Corporation does not feel it is necessary to engage in hedging. Accordingly, the Corporation's sensitivity to fluctuations in foreign exchange rates is limited. A 1.0% increase or decrease in the Canadian and US dollar exchange rate would have an impact on net income on the order of less than $100,000 on an annual basis.

Interest rate risk

The Corporation is exposed to interest rate risk in relation to its long-term debt. The Corporation refinanced its long-term debt on December 11, 2009 and now holds a significant portion of its long-term debt at a fixed rate, which significantly limits the risk due to fluctuations in interest rates. As at December 31, 2010, the Corporation’s long-term debt consisted of 82% fixed rate debt (83% as at December 31, 2009) and 18% floating rate debt (17% as at December 31, 2009).

A 100 basis-point increase (decrease) in the year-end Canadian Bankers' acceptance rates on the floating rate long-term debt as at December 31, 2010 would result in an annual increase (decrease) in financial expenses of $163,000.

Capital Management

The Corporation's primary objectives in managing capital are to preserve the Corporation's ability to pursue its operations in order to continue providing a return to its shareholders and to maintain an optimal capital base in order to support the capital requirements of its various sectors, including growth opportunities and maintenance of investor and creditor confidence.

In managing its capital structure, the Corporation takes into account the asset risk characteristics of its sectors and any applicable requirements. The Corporation has the ability to manage its capital structure by issuing new debt or repaying existing debt using cash generated internally, by controlling the level of distributions to shareholders in the form of dividends or share redemptions, by issuing new shares on the market and by making adjustments to its capital expenditure program. The Corporation's strategy remains unchanged from last year.

The Corporation's capital structure is composed of shareholders' equity, a bank overdraft, long-term debt and minority interest, less cash. The capital structure is as follows:

Table 14
TVA Group capital structure
(in thousands of dollars)

	December 31, 2010	December 31, 2009
Bank overdraft	**$ 3,557**	$ 974
Long-term debt	**91,288**	89,927
Minority interest	**4,511**	-
Cash	**(5,605)**	(1,924)
Net debt	**$ 93,751**	$ 88,977
Shareholders' equity	**$ 268,513**	$ 237,095

Except for the requirements of financial ratios required in its credit agreements, the Corporation is not subject to any other externally imposed capital. As at December 31, 2010, the Corporation meets all the conditions relating to its credit agreements.

Contingencies

In the normal course of its operations, the Corporation is involved in various legal actions, proceedings and claims. In the opinion of management, the settlement of such legal actions, proceedings and claims is not expected to have a material adverse effect on the Corporation's financial position, operating results or cash flow.

Critical accounting policies

Goodwill

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps.

In the first step, the fair value of a reporting unit is compared with its carrying amount. To determine the fair value of the reporting unit, the Corporation uses a combination of valuation methods, including discounted future cash flows and operating income multiples.

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

The operating income multiples method requires the availability of information pertaining to the fair value of companies with comparable and observable economic characteristics, as well as of recent operating income multiples.

Therefore, determining the fair value of a reporting unit requires judgment and involves complete reliance on estimates and assumptions.

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

The fair value of goodwill is determined in the same manner as a business combination. The Corporation allocates the fair value of a reporting unit to all of the assets and liabilities of the unit, as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the price paid to acquire the reporting unit.

The excess of the fair value of the reporting unit over the amounts assigned to its assets and liabilities is the fair value of goodwill.

The Corporation performed its impairment tests for goodwill on April 1, 2010 and concluded that there was no impairment to be recorded. Furthermore, despite current economic conditions, management did not detect any of the triggers that would require the annual tests for impairment to be performed earlier than usual.

Licences

Licences, which include broadcast licences, represent the cost of acquiring rights to operate broadcasting stations and have an indefinite useful life.

These licences are tested for impairment annually or are re-evaluated when events or changes in circumstances arise. The carrying value of the licences are compared with their fair value and any unfavourable variances are charged to the Corporation's results. The Corporation uses the “Greenfield” valuation method to determine the fair value of its broadcast licences. This method involves calculating the costs that a new player would incur to operate its licence in a context where the licence is the only asset it has at start-up.

These costs must take into consideration the investment needed to build the network or station, including pre-operating costs to establish the brand and the sales force. This approach separates the value of the licence from the value of other assets based on the following assumptions:

- The only asset owned by the Corporation at the date of the valuation is the broadcast licence itself. The Corporation has not started to broadcast, and no network exists for it to carry out its operations. It must therefore acquire programming rights and put in place the broadcast infrastructure required for its operation.
- Investments and expenses related to other assets on the balance sheet (e.g., working capital, qualified personnel, and software) must be taken into account in the forecasted cash flows.
- The level of financial performance must correspond to the level that the industry in general is able to achieve.

Furthermore, terminal cash flows are fully attributable to the licence held on the date of the valuation.

This approach is based on the assumption that a potential market exists. The only constraint is the time that it will take the Corporation to reach its mature market share.

This method takes into account the significant costs involved in marketing and the acquisition of programming rights. General, sales and administrative, and pre-operating costs must also be included in the calculation in order to evaluate the cash flows attributable to the licence. Lastly, the cash flows must be actualized to determine the final value attributable to the licence.

The Corporation performed its impairment tests for broadcasting licences on April 1, 2010 and concluded that there was no impairment to be recorded. Furthermore, despite current economic conditions, management did not detect any of the triggers that would require the annual tests for impairment to be performed earlier than usual.

Pension plans and other retirement benefits

The Corporation offers its employees defined benefit and defined contribution pension plans. The Corporation’s policy is to maintain its contributions at a sufficient level to cover benefits. Actuarial valuations have been performed of the Corporation’s various pension plans in the last three years. Pension plan assets, based on fair value, consist of equities and corporate and government fixed-income securities.

The Corporation’s obligations with respect to post-retirement benefits are assessed on the basis of a number of economic and demographic assumptions, which are established with the assistance of the Corporation’s actuaries. Key assumptions relate to the discount rate, the expected return on the plan’s assets, and the rate of increase in compensation.

The Corporation considers the assumptions used to be reasonable in view of the information available at this time. However, variances from these assumptions could have a material impact on the costs and obligations of pension plans and post-retirement benefits in future periods.

Future income taxes

The Corporation is required to assess the probability to realize future income tax assets generated from temporary differences between the book basis and tax basis of assets and liabilities and losses carry-forward in the future. This assessment is judgmental in nature and dependent on assumptions and estimates regarding the availability and character of future taxable income. The ultimate amount of future income tax assets realized could be materially different from those recorded, as it is influenced by future operating results of the Corporation.

Recent accounting developments in Canada

Beginning on January 1, 2011, Canadian GAAP, as used by publicly accountable enterprises, will be fully converged to IFRS, as issued by the International Accounting Standards Board ("IASB"). For its 2011 interim and annual financial statements, the Corporation will be required to report under IFRS and to provide IFRS comparative information for the 2010 financial year.

IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement, presentation and disclosures. As part of the IFRS conversion project, the Corporation has established an implementation team, which includes a project manager, senior levels of management from all relevant departments and subsidiaries, and a steering committee to oversee the project. An external expert advisor has also been hired to assist.A follow-up on the IFRS conversion project is provided on regular basis to senior management and to the Audit Committee.

The conversion project consists of four phases :

"Diagnostic" Phase – This phase involved a detailed review and initial scoping of accounting differences between Canadian GAAP and IFRS, a preliminary evaluation of IFRS 1 exemptions for first-time IFRS adopters, and a high-level assessment of potential consequences on financial reporting, business processes, internal controls, and information systems.

"Design and Solutions Development" Phase – This phase involved prioritizing accounting treatment issues and preparing a conversion plan, quantifying the impact of converting to IFRS, reviewing and approving accounting policy choices, performing a detailed impact assessment and designing changes to systems and business processes, developing IFRS training material, and drafting IFRS financial statement content.

"Implementation" Phase – This phase involves embedding changes to systems, business processes and internal controls, determining the opening IFRS transition balance sheet and tax impacts, parallel accounting under Canadian GAAP and IFRS, and preparing detailed reconciliations of Canadian GAAP to IFRS financial statements relating to comparative figures of 2010 in financial statements of 2011.

"Post-Implementation" Phase – This phase involves conversion assessment, evaluating improvements for a sustainable operational IFRS model, and testing the internal controls environment.

The Corporation is completing its project implementation strategy. Comprehensive training has been given to key employees throughout the divisions who will be affected by the changeover to IFRS. The progress of the Corporation's changeover plan continues to be communicated to internal and external stakeholders.

Management has assessed the exemptions from full retrospective application available under IFRS 1, *First-Time Adoption of International Financial Reporting Standards*, and their potential impacts on the Corporation's financial position. On adoption of IFRS, the significant exemptions the Corporation intends to elect at transition with their related impacts in the opening balance sheet are as follows:

Exemption	Application of exemption
Business Combinations	The Corporation expects to elect not to restate any business combinations that occurred prior to January 1, 2010. No impact is expected in the transitional balance sheet.
Pension plans and other retirement benefits	On transition, the Corporation will elect to recognize immediately cumulative actuarial gains and losses arising from all of its defined benefit plans as at the transition date in opening retained earnings, with a corresponding increase in pension liabilities.
Borrowing costs	On transition, the Corporation will elect to capitalize borrowing costs as calculated under IFRS on qualifying assets which conception or development started after January 1, 2010. No impact is expected in the transitional balance sheet.

In addition to the elective exemptions described above, IFRS does not permit the retrospective application of IFRS in the determination of prior period estimates. As such, estimates calculated under Canadian GAAP will be used for the purpose of preparing the IFRS transitional balance sheet.

Management has finalized the process of quantifying the expected material differences between IFRS and the current accounting treatment under Canadian GAAP. Tables 15 to 17 show the preliminary impact of these differences on shareholders' equity as at January 1, 2010 and as at December 31, 2010, and on the income statement and comprehensive income for the year ended December 31, 2010.

Table 15
Equity reconciliation
(in thousands of dollars)

	Differences	December 31, 2010	January 1, 2010
Shareholders' equity under Canadian GAAP		**$ 268,513**	$ 237,095
IFRS adjustments:			
Pension plans and other retirement benefits	(i)	**(35,414)**	(27,080)
Stock option plans	(ii)	**(3,677)**	(3,638)
Broadcasting licences	(iii)	**23,260**	23,260
Income taxes	(iv)	**16,749**	14,494
IFRS presentation:			
Minority interest	(vi)	**4,511**	-
Equity under IFRS		**$ 273,942**	$ 244,131
Equity attributable to:			
Shareholders		**$ 269,431**	$ 244,131
Minority interest		**4,511**	-

Table 16
Reconciliation of statement of income
(in thousands of dollars)

		Year ended December 31, 2010		
	Differences	**Canadian GAAP**	**IFRS adjustments**	**IFRS**
Operating revenues		$ 448,192	$ -	**$ 448,192**
Operating, selling and administrative expenses	(i) and (ii)	372,040	1,275	**373,315**
Amortization of property, plant and equipment and intangible assets		15,061	-	**15,061**
Financial expenses		5,621	-	**5,621**
Operational restructuring costs, asset impairment and other		9,138	-	**9,138**
Income (loss) before income taxes, minority interest and share of income of company subject to significant influence		46,332	(1,275)	**45,057**
Income taxes	(iv)	9,929	(346)	**9,583**
Minority interest	(vi)	(653)	653	**-**
Share of income of company subject to significant influence		(1,116)	-	**(1,116)**
Net income (loss)		$ 38,172	(1,582)	**$ 36,590**
Net income (loss) attributable to:				
Shareholders		$ 38,825	(1,582)	**$ 37,243**
Minority interest		(653)	-	**(653)**

Table 17
Reconciliation of the Statement of Comprehensive Income (loss)
(in thousands of dollars)

	Differences	Year ended December 31, 2010 Canadian GAAP	IFRS adjustments	IFRS
Net income (loss)		$ 38,172	$ (1,582)	**$ 36,590**
Other elements of comprehensive income (loss):				
Pension plans and other retirement benefits	(i)	-	(7,098)	**(7,098)**
Future income taxes	(iv)	-	1,909	**1,909**
Comprehensive income (loss)		38,172	(6,771)	**31,401**
Comprehensive income (loss) attributable to:				
Shareholders		$ 38,825	(6,771)	**$ 32,054**
Minority interest		(653)	-	**(653)**

The main differences in accounting policies adopted on and after transition to IFRS, with respect to the recognition, measurement, presentation and disclosure of financial information, along with the related financial statement impacts, are expected to be in the following key accounting areas:

Key accounting areas	Differences with potential impact for the Corporation
(i) Employee Benefits (IAS 19 and IFRIC 14)	• As noted above, the immediate recognition of all actuarial variations related to its defined pension benefit plans in the opening retained earnings at the date of transition to IFRS, with a corresponding increase in pension liability retirement, except for past service costs for which the rights of benefits are not granted. • Recognition of past service cost, where benefit entitlements are acquired, in the results for subsequent periods. Under Canadian GAAP, the costs of past services for which entitlements are earned or not, were recorded linearly on the expected average remaining service period of employees participating or recognized immediately in income as incurred in certain cases. • After transition, the Corporation has chosen to recognize actuarial gains and losses as they occur in OCI, with no impact on income. Previously, under Canadian GAAP, actuarial gains and losses were amortized to income using the corridor method. • This change in accounting policy will result in the recognition of pension costs and other retirement benefits potentially different than otherwise recognized under Canadian GAAP. • The limit to which an accrued benefit asset can be recognized under IFRS is calculated differently, which may result in the recognition of additional liabilities and a decrease in opening retained earnings at transition and in other comprehensive income in future reporting periods.

Key accounting areas	Differences with potential impact for the Corporation
(ii) Share-based Payment (IFRS 2)	• Liabilities related to share-based payments made to employees that call for settlement in cash are recognized at fair value at the initial grant date and re-measured at fair value at end of each subsequent reporting period, as opposed to at intrinsic value under Canadian GAAP. When vesting occurs over multiple periods, each instalment is accounted for as a separate arrangement. • This difference is expected to increase liabilities and compensation costs on transition and in subsequent reporting periods.
(iii) Intangible Assets (IAS 38)	• Accumulated amortization recorded on intangible assets with indefinite useful lives prior to 2002 under Canadian GAAP shall be reversed on the initial adoption of IFRS to satisfy retrospective application of IAS 38. • On transition, the Corporation expects to reverse previously recorded accumulated amortization on its broadcasting licences.
(iv) Income Taxes (IAS 12)	• The manner intended to recover the value of assets with indefinite lives for the calculation of deferred tax under IFRS is different. The deferred tax liability is reduced during the transition. • Deferred income taxes in the transitional balance sheet will also be ajusted to take into account changes in other accounting principles at transition to IFRS. • Subsequent changes to deferred income taxes in the balance sheet related to transactions previously recorded in equity or other comprehensive income are also recorded directly in equity or other comprehensive income, under IFRS as compared to through earnings under Canadian GAAP.
(v) Related party transactions	• Recognition and measurement criteria for related party transactions may differ under IFRS. • This will result in reclassifications within equity accounts in the opening balance sheet.
(vi) Business Combinations and Non-controlling interests (IFRS 3R)	• Non-controlling interests are recognised at fair value and presented as a separate component of shareholders' equity. • Acquisition-related and restructuring costs expensed as incurred and contingent consideration recorded at its fair value on acquisition date; subsequent changes in fair value of a contingent consideration classified as a liability recognized in earnings. • Changes in ownership interests in a subsidiary that do not result in a loss of control accounted for as equity transactions. • These differences may result in financial statement impacts prospectively from transition on the occurrence of a future acquisition.
(vii) Presentation of Financial Statements (IAS 1)	• Presentation diffrences and additional disclosures in the notes to financial statements are required under IFRS.

Management has analyzed the impact of the transition on information and disclosure systems as well as on internal controls and no significant modifications were necessary during the transition. The accounting and budgeting processes were adapted in view of adopting IFRS.

The Corporation has also analyzed the contractual and business implications of the new accounting policies on financing arrangements and other similar obligations. Under the current circumstances, the Corporation has not identified any contentious issues arising from the adoption of IFRS.

Further, the Corporation has prepared preliminary IFRS financial statements in accordance with IAS 1, *Presentation of Financial Statements*.

The Corporation could alter its intentions or review the preliminary impacts as a result of changes to international standards currently in development, or in light of external factors that could arise between now and the release of the Corporation's first financial statements prepared in accordance with IFRS.

Disclosure controls and procedures

In accordance with Multilateral Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*, an evaluation of the effectiveness of the Corporation's disclosure controls and procedures (DC&P) and its internal control over financial reporting (ICFR) was conducted. Based on this evaluation, the President and Chief Executive Officer, and the Vice-President and Chief Financial Officer, have concluded that DC&P and ICFR were effective as of the end of the year ended December 31, 2010, and that, as a result, ICFR design provides reasonable assurance that material information relating to the Corporation, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared, and the information that the Corporation must present in its annual documents, its interim documents or in other documents it files or submits under securities regulations is recorded, processed, condensed and presented within the time frames prescribed by this legislation. Furthermore, ICFR design provides reasonable assurance that the Corporation's financial information is reliable and that its financial statements have been prepared, for the purpose of publishing financial information, in accordance with the GAAP.

Lastly, no changes to the ICFR that have had or are likely to have a significant effect on this control mechanism were identified by management during the accounting period beginning on October 1, 2010 and ending on December 31, 2010.

Additional information

The Corporation is a reporting issuer under the securities acts of all the provinces of Canada; it is therefore required to file financial statements, an information circular and an annual information form with the various securities regulatory authorities. Copies of said documents may be obtained free of charge on request from the Corporation or on the Internet at www.sedar.com.

Forward-looking Information Disclaimer

The statements in this Management's Discussion and Analysis that are not historical facts may be forward-looking statements and are subject to important known and unknown risks, uncertainties and assumptions which could cause the Corporation's actual results for future periods to differ materially from those set forth in the forward-looking statements.

Forward-looking statements generally can be identified by the use of the conditional, the use of forward-looking terminology such as “propose,” “will,” “expect,” “may,” “anticipate,” “intend,” “estimate,” “plan,” “foresee,” “believe” or the negative of these terms or variations of them or similar terminology. Certain factors that may cause actual results to differ from current expectations include seasonality, operational risks (including pricing actions by competitors), programming content and production cost risks, credit risk, government regulation risks, governmental assistance risks, changes in the economic conditions and fragmentation of the media landscape and labour relation risks.

The forward-looking statements in this document are made to give investors and public a better understanding of the Corporation’s circumstances and are based on assumptions it believes to be reasonable as of the day on which they were made. Investors and others are cautioned that the foregoing list of factors that may affect future results is not exhaustive and that undue reliance should not be placed on any forward-looking statements.

For more information on the risks, uncertainties and assumptions that could cause the Corporation’s actual results to differ from current expectations, please refer to the “Risks and Uncertainties” section of this Management’s Discussion and Analysis report and other public filings available at www.sedar.com and www.tva.canoe.ca.

The forward-looking statements in this Management’s Discussion and Analysis reflect the Corporation’s expectations as of March 7, 2011, and are subject to change after this date. The Corporation expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by the applicable securities laws.

Montreal (Quebec)
March 7, 2011

TVA Group Inc.
SELECTED FINANCIAL DATA
Years ended December 31, 2010, 2009, 2008
(in thousands of dollars, except for amounts pertaining to shares)

	2010	2009	2008
Operations			
Operating revenues	**$ 448,192**	$ 438,969	$ 436,723
Operating income	**$ 76,152**	$ 80,027	$ 65,950
Net income	**$ 38,172**	$ 49,123	$ 44,912
Basic per-share data			
Net income	**$ 1.61**	$ 2.05	$ 1.78
Weighted average number of outstanding shares (in thousands)	**23,771**	23,917	25,294
Diluted per-share data			
Net income	**$ 1.61**	$ 2.05	$ 1.78
Weighted average number of outstanding diluted shares (in thousands)	**23,771**	23 917	25,294

- Most of the Corporation's operating revenues are derived from the sale of advertising or advertising services.
- Operating expenses in the Television sector vary, mainly as a result of programming costs which are directly related to the programming strategies whereas in the Publishing sector, operating costs fluctuate according to the arrival of magazines on newsstands.

TVA Group Inc.
SELECTED QUATERLY FINANCIAL DATA
(in thousands of dollars, except for amounts pertaining to shares)

	2010			
	Dec. 31	Sept. 30	June 30	March 31
Operations				
Operating revenues	**$ 133,387**	$ 94,277	$ 110,894	$ 109,634
Operating income	**$ 29,846**	$ 13,340	$ 26,165	$ 6,801
Net income	**$ 19,825**	$ 5,655	$ 11,179	$ 1,513
Basic per-share data				
Net income	**$ 0.83**	$ 0.24	$ 0.47	$ 0.06
Weighted average number of outstanding shares (in thousands)	**23,771**	23,771	23,771	23,771
Diluted per-share data				
Net income	**$ 0.83**	$ 0.24	$ 0.47	$ 0.06
Weighted average number of outstanding diluted shares (in thousands)	**23,771**	23,771	23,771	23,771

	2009			
	Dec. 31	Sept.	June 30	March 31
Operations				
Operating revenues	$ 128,454	$ 89,185	$ 111,531	$ 109,799
Operating income	$ 32,221	$ 10,341	$ 25,125	$ 12,340
Net income	$ 21,065	$ 6,390	$ 15,173	$ 6,495
Basic per-share data				
Net income	$ 0.89	$ 0.27	$ 0.63	$ 0.27
Weighted average number of outstanding shares (in thousands)	23,771	23,894	23,979	24,024
Diluted per-share data				
Net income	$ 0.89	$ 0.27	$ 0.63	$ 0.27
Weighted average number of outstanding diluted shares (in thousands)	23,771	23,894	23,979	24,024

- The advertising revenues are usually seasonal and are impacted by the cyclical nature and economic character of the industry and of the markets in which the advertisers operate. The Corporation's second and fourth quarters are customarily the most favourable periods for advertising revenues, especially for the Television sector.