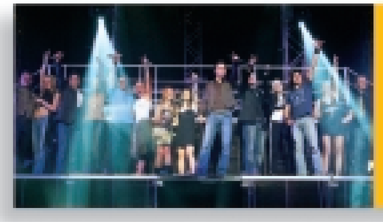
THE POWER OF THE GROUP

TVA
QUEBECOR MEDIA

ANNUAL REPORT 2003



The 14 finalists for the 2003 edition of Star Académie

TEN INTENSELY EMOTIONAL WEEKS

From mid-February to early April 2003, some 2.5 million Québecers tuned in eagerly to the TVA Network to follow the progress of 14 young artists in their quest for stardom. Evening after evening, week after week, ***Star Académie*** gave these 14 young people — chosen from among more than 4,000 who auditioned — an opportunity to hone their skills as entertainers while they charmed all of Québec with their talent. ***Star Académie***, a genuine television phenomenon, achieved previously unheard-of audience ratings, while injecting a new vitality into Québec song and creating new celebrities. ***Star Académie 2***, which premiered on February 15, 2004, seems destined to be an even more spectacular success.

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THE POWER GROUP

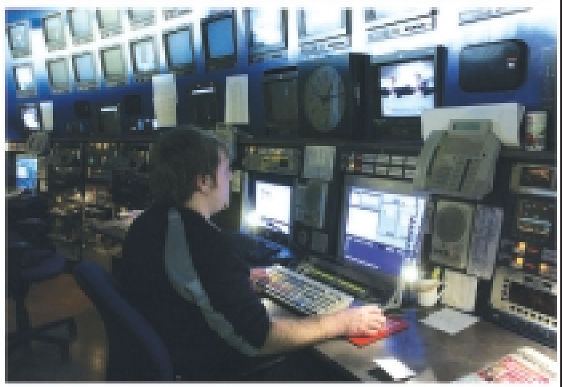
PROFILE

TVA Group Inc., founded in 1961 under the name Télé-Métropole Corporation, is an integrated communications company with operations in television, magazine editing and publishing and the distribution of audiovisual content.

TVA is the largest private-sector producer and broadcaster of French-language entertainment, news and public affairs programming in North America. TVA owns six of the 10 stations comprising the TVA Network, namely: CFTM-TV (Montréal), CFCM-TV (Québec City), CFER-TV (Rimouski), CHLT-TV (Sherbrooke), CHEM-TV (Trois-Rivières) and CJPM-TV (Saguenay). The four remaining TVA Network affiliated stations are: CFEM-TV (Rouyn), CHOT-TV (Hull), CHAU-TV (Carleton) and CIMT-TV (Rivière-du-Loup). The latter two stations are owned by Télé Inter-Rives Ltée, in which TVA has a 45% interest. The TVA Network signal reaches nearly the entire French-speaking audience in the Province of Québec and a significant portion of French-speaking viewers in the rest of Canada. TVA also holds interests in analogue specialty channels such as Le Canal Nouvelles (LCN) (100%) and Canal Évasion (8%), digital specialty channels mentv (51%) and Mystery (45%), and in the Canal Indigo pay-per-view channel (20%). TVA is also active in the merchandising of various products and in infomercials.

TVA is involved in the publishing sector through its subsidiaries TVA Publishing Inc. and TVA Publishing II Inc. (TVA Publishing), whose weekly and monthly general-interest and entertainment magazines make it the leading French-language magazine publisher in Québec.

FINANCIAL HIGHLIGHTS



Financial highlights (in thousands of dollars, except for amounts pertaining to shares)	2003 (12 months)	2002 (16 months)
Operating revenues	$ 340,945	$ 439,194
Operating income before depreciation, amortization, financing charges and other items	81,459	107,617
Net income before non-recurring items	54,845	65,597
Net income	54,513	63,201
Cash flows provided by current operations	73,297	84,563
Total assets	389,861	425,941
Long-term debt	24,364	51,220
Shareholders' equity	$ 242,153	$ 218,628
Net income before non-recurring items per share	$ 1.66	$ 1.91
Net income per share	$ 1.65	$ 1.84
Cash flows provided by current operations per share	$ 2.22	$ 2.46
Book value	$ 7.45	$ 6.45
Debt ratio	9%	19%
Weighted average number of shares outstanding (in thousands)	33,053	34,336
Number of shares outstanding (in thousands)	32,507	33,873
STOCK PRICE - TVA.B (TSX)		
High	$ 23.00	$ 17.15
Low	$ 14.10	$ 8.07
Close	$ 20.98	$ 13.95
NUMBER OF FULL-TIME EMPLOYEES (TVA Group and its 100% subsidiaries)	1,244	1,232

NUMBER OF SHARES (as at December 31, 2003)	Total	Quebecor Media Inc. shareholding	
(in thousands)			
Class A shares (with voting rights)	4,320	4,316	99.9%
Class B shares (without voting rights)	28,187	7,911	28.1%
TOTAL	32,507	12,227	37.6%

MESSAGE
TO SHAREHOLDERS

IMPRESSIVE DEMONSTRATION OF THE POWER OF OUR GROUP

Raynald Brière, President and Chief Executive Officer

Fiscal 2003 provided a good illustration of the extent of the opportunities possible when TVA Group's various businesses, along with its parent company, Quebecor Media Inc., pool their efforts. The stunning success of ***Star Académie***, the first true television reality show produced in Québec, offered spectacular proof of the effectiveness of convergence and the strength of a group such as ours. In fact, nearly three million viewers — fully 40% of the population of Québec — watched the closing show of ***Star Académie***'s inaugural season. The size of this audience is all the more impressive because, relatively speaking, its numbers exceeded anything ever seen elsewhere — not only in Canada, but right across North America.

When we launched ***Star Académie***, we bet on our certainty that such a concept, based on Québec's truly unique star system, would help us increase synergies between our different business sectors. Our closeness to the Québec public and our awareness of its tastes and needs showed that, once again, we were right on the money: viewers really did want to learn more about ***Star Académie***'s personalities. And they were able to do so by reading articles about them in our magazines and in newspapers, particularly those of Quebecor Media. The reverse was also true — these stories and feature reports helped boost the television show's popularity even further. Quebecor Media also made a significant contribution to the success of ***Star Académie***, because, in addition to the media coverage in Quebecor newspapers, Vidéotron's bandwidth and Netgraphe's technical expertise allowed the public to follow, live, the progress of these young artists and vote for those they liked best.

Naturally, this unparalleled success — a first in Québec in several senses — helped make fiscal 2003 a remarkable year for TVA Group. Remarkable both in terms of the successful content we provided our publics and in terms of our financial results. In fact, we managed to produce a 24% return on shareholders' equity, despite the very substantial investments we made in our programming content.

RESULTS THAT CONFIRM OUR LEADERSHIP

We are proud of our financial results for the year ended December 31, 2003. These numbers confirm TVA Group's excellent financial situation, as well as our Company's accomplishments and leadership. Our great popularity with the public is the cornerstone of our success, because we derive our revenues essentially from advertising, and the advertising rates that we are able to charge are directly tied to a program's ability to draw a huge audience. Thus, our very high audience ratings helped us offset, through higher advertising revenues, the significant increase in our programming costs. In fact, we needed to make substantial investments in top-quality new shows while at the same time having to face a significant reduction in government financial assistance for television production.

In our Annual Report one year ago, we explained that, exceptionally, our fiscal year 2002 was 16 months long. That allowed us to set December 31 as our fiscal year-end henceforth, corresponding with the calendar year. The numbers contained in the following pages of this year's Annual Report are therefore for a normal year, and we will compare them with those for the corresponding 12 months of the previous year in order to make the comparison more relevant.

TVA reported consolidated operating revenues of $340.9 million for the year ended December 31, 2003, compared with $323.4 million for the corresponding 12 months of the previous year. The Company generated consolidated operating income of $81.5 million for fiscal 2003, against $78.9 million for the same 12 month-period of 2002. We also reduced our long-term debt by 52% and repurchased 1,452,200 TVA shares for cancellation for a total consideration of $25.8 million.

INVEST EVEN MORE IN WHAT MAKES US STRONG: OUR PROGRAMMING CONTENT

This very positive financial situation strengthens our foundations; it will allow us not only to continue growing, but also to take advantage, when appropriate, of opportunities that may arise, and to create additional value for our shareholders, our employees and, ultimately, all those involved in TVA's development.

We plan to maintain our financial performance, which is among the best in Canada, and to conserve our leadership in all of the markets in which we operate.

TRULY THE BEST OF TELEVISION

TVA Group continues to assert its role as Québec's television leader, with a 38% share of the French-speaking market, according to the spring 2003 BBM audience ratings. Year-in and year-out, we demonstrate innovation in content, expertise in production and distribution, and an extraordinary understanding of Québecers' needs and expectations. These audiences remain loyal to the stars they love and our ratings show that, season after season, they find on our network what they really want to watch.

Long recognized primarily for the quality and popularity of its entertainment programming, TVA Group is now showing just-as-imposing leadership in news and information. Our newscasts are the best-watched at all hours, every day. The popularity of LCN, Québec's only true all-news channel, has continued to grow unabated since its 1997 creation, and it has made its own contribution to affirming TVA Group's leadership in information. Obviously, we are especially proud of the progress we have made in this business sector in recent years.

Our hugely successful programming helped us further increase our market shares in 2003 — the only general-interest television broadcaster in North America to do so. The fact of the matter is that the popularity of general-interest television is on the wane everywhere, in favour of specialty services. But our audience ratings have resisted this trend by rising — so much so that they equal those of the three other French-language general-interest networks together and very significantly exceed the combined audiences of all the specialty and pay-TV channels.

Maintaining such popularity and an exemplary level of quality obviously requires major investments in our programming content, all the more so in light of the fact that production costs have continued to rise for the past three years and competition is becoming increasingly intense. The advent of digital broadcasting, the proliferation of specialty channels and the growing popularity of the Internet are all challenges with which we are confronted daily. We are, however, successfully maintaining our leadership — and even strengthening it — through a very rigorous management approach that allows us to invest even more in what makes us strong: our programming content.

RADIO: ON HOLD FOR NOW

A year ago, we very clearly stated our interest in entering the radio business, which we believe is a natural extension of our television and magazine content. This conviction led us to acquire RadioMédia's radio stations, in partnership with Radio-Nord Communications inc., in September 2002 and to apply for three radio licences for the Montréal, Sherbrooke and Trois-Rivières markets. We were certain that our expertise in news and information, as well as the radio experience of several of our senior managers and our membership in the Quebecor Media family, would all be arguments in our favour.

In February 2003, the Canadian Radio-television and Telecommunications Commission (CRTC) held public hearings to review the transaction and consider a variety of submissions, and finally rejected our applications. This decision by the CRTC was all the more disappointing because we were confident that we had made a proposal that truly responded to market needs and that fit well with our growth strategy. Despite this outcome, we are not abandoning our plans to eventually acquire radio stations, either in Québec or elsewhere in Canada. The market is constantly changing and it is very probable that conditions will eventually become more favourable to our entry into this important sector.

RESPECT OUR SHAREHOLDERS' INTERESTS AND REMAIN TRUE TO OUR MISSION

PUBLISHING: OUR MAGAZINES TOUCH A CHORD WITH THE PUBLIC

In May 2002, we acquired the Publicor magazines that had previously belonged to Quebecor Media. We are pleased to report that these magazines have been successfully integrated into the Group and that TVA Publishing now has 45 different titles which, combined, reach nearly two-thirds of Québec's magazine readers.

What this means is that, in publishing as in television, our closeness to Québecers helps us assess their needs very accurately and give them the information they want to read.

We have a small but very experienced team at the helm of TVA Publishing, and they demonstrate all the flexibility necessary to be able to quickly provide the readers of their magazines with exactly the kind of information they want.

This flexibility has helped us reinforce the synergies between our magazines and our television shows, particularly with ***Star Académie*** and ***Occupation double***, two shows whose central characters have gained a strong public following and quickly become new stars.

Conversely, the popularity of some of our magazines has led to the creation of two televisions shows: ***Ma Maison Rona***, a reality show about home renovation, and ***Clin d'œil***, the TV counterpart to our leading women's magazine.

DISTRIBUTION: WE ARE BUILDING SOLID FOUNDATIONS

TVA Films is a new subsidiary, created only in 2002 to continue productively managing TVA International's large rights catalogue following the rationalization of the latter's operations.

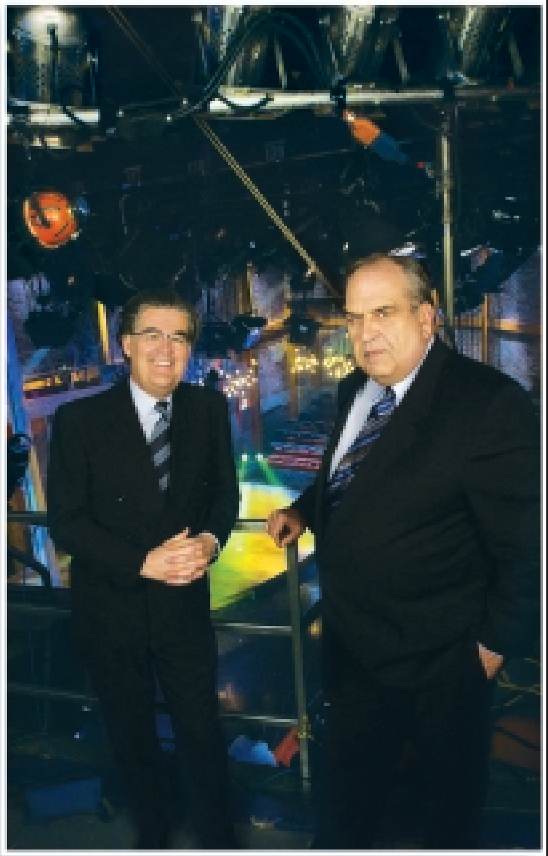
Although TVA Films' new catalogue is relatively small, this division has already achieved some very impressive successes, which bode well for an extremely promising future. After being involved in distributing ***Le Fabuleux destin d'Amélie Poulain***, a film that was a huge hit in 2002, TVA Films benefited from the immense popularity of Roman Polanski's ***The Pianist***, not only in cinemas but on video. Films such as ***Together***, ***Help! I'm a Fish*** and ***Annie Brocoli dans les fonds marins*** also received excellent reviews and were successful with movie-goers, confirming once again the relevance of the selections made by our team of specialists.

We are planning to make TVA Films an increasingly important player in the development and, particularly, distribution of Québec movies.

WE HAVE THE WIND IN OUR SAILS

With its solid financial foundations, recognized success in television and magazines and productive partnership with Quebecor Media, TVA Group truly has everything necessary not only to maintain its growth, but to accelerate it. There are some very attractive opportunities available to us and we now have the means to achieve our ambitions. We also have the experience and disciplined thinking that will help us grow, while at the same time we respect our shareholders' interests and remain true to our mission.

In this sense, our membership in the Quebecor group opens enormous possibilities for us, as evidenced by the convergence successes of 2003, which greatly benefited all partners. Quebecor also owns solidly established newspapers in English-speaking Canada, and it is expected that the convergence model created here might one day be an attractive option for the rest of the country. We will, however, move ahead with such developments only if the required investments are reasonable and value creation certain.



Raynald Brière • Jean Neveu

OUR EMPLOYEES SHARE OUR PASSION

At every step of the decision-making and production process, TVA Group can rely on the expertise of people who share a passion for producing quality content that meets the public's real needs. When he founded Télé-Métropole in 1960, Alexandre de Sève emphasized the importance of staying in touch with what the public wants and thinks, as well as the need to offer it quality programming it can identify with. TVA Group's employees and management have never abandoned this ideal and they remain enthusiastic about transforming their passion into action.

We are exceptionally fortunate to be able to count on employees who have limitless production skills and abilities, and who share our objectives. Their contribution to TVA's development has never diminished and plays a major role in our success.

Because we care about maintaining the best possible relationships with our employees, we make a constant effort to provide them with working conditions that match their level of competence, while obviously very rigorously respecting our duty to produce profitability and growth. In this regard, in 2003 we were pleased to sign a first collective agreement with the new Montréal union group, which replaced four separate bargaining units. The agreement is a good one for employees and gives TVA Group the flexibility it needs to face the new challenges of market fragmentation.

ACKNOWLEDGEMENTS

Naturally, we wish to first and foremost thank our employees and managers, without whom nothing that we accomplished would have been possible.

Thanks also to the members of our Board of Directors, who demonstrate exemplary professionalism and diligence in carrying out their duties as representatives of all our shareholders. We want to especially acknowledge the contributions of Michel Décarie and Yves Fortier, who left the Board during the year, and to extend a very warm welcome to Sylvain Toutant and Marc Courtois, two new Board members.

We also wish to thank all of our shareholders for their unshakable trust in us, and particularly our majority shareholder, Quebecor Media, which supports our decisions and continually demonstrates its confidence in us. Without Quebecor Media and without the cohesiveness that makes the entire group strong, our convergence initiatives would have had far less impact and successes such as ***Star Académie*** would have been, quite simply, impossible.

Finally, thanks to the people who watch our shows, read our magazines and go to see the movies we distribute, and to our advertisers, whose number one choice for reaching consumers is TVA. This is, after all, a world of freedom of choice, and we remain committed to doing our utmost to continue to find and produce the kind of content that will entertain and inform the public.

Raynald Brière
President and Chief Executive Officer

Jean Neveu
Chairman of the Board

TELEVISION

OUR SHOWS DOMINATE ALL THE SURVEYS

From the start to the end of fiscal 2003, every BBM Canada audience ratings survey reconfirmed TVA's leadership and its dominance across the board. Nine of the 10 best-watched shows of spring 2003 were ours. TVA dominated once again in the fall, again with nine of the top 10. For the year overall, 40 of the 50 most popular shows were broadcast on the TVA Network. Television is changing and we are changing with it. True to its original mission, TVA Group continues to offer Québecers and other French-speakers elsewhere in Canada programming that captivates them, featuring top-quality content that, day after day, builds loyalty among the vast majority of viewers.

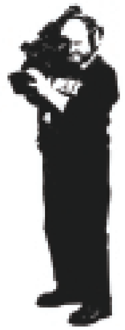
If TVA's recipe for success had to be summed up, it could be done in four words: closeness, emotion, quality and innovation. Closeness, because you have to be close to people in order to really sense what they like, and to give them both entertainment and information programming that they can identify with. Emotion, because people need to share the experiences that arouse their feelings. Quality, because Québecers have developed a habit going back more than 40 years of watching shows that reflect their values. Finally, innovation, because people change and we want to continue to meet their expectations. Therefore, in order to maintain our leadership, we have to constantly offer something more than our competitors. The numbers don't lie: they are proof that the television shows we offer Québecers accurately reflect their day-to-day lives.

THE **STAR ACADÉMIE** PHENOMENON

The immense popularity of ***Star Académie***, already acknowledged as a phenomenon and a model of original, quality television, eloquently illustrates TVA's ability to effectively reach its publics. An unprecedented audience-ratings success, ***Star Académie*** also provided a convincing demonstration of the enormous possibilities of convergence.

Star Académie, the first Canadian reality television show to see its content spun off to media including print, compact disc, the stage and the Web, provided a spectacular kickoff to Year One of convergence and won over all of its viewers. In addition to attracting an audience of three million for its closing gala show, the weekly episode attracted an average of 2.5 million viewers during its first season, while more than 1.5 million Québecers followed the daily lives of the young contestants throughout the entire 10-week broadcast period.

Besides providing viewers with exceptional entertainment, the ***Star Académie*** concept is making a solid contribution to building Québec's unique star system by developing a new generation of "vedettes". Fourteen finalists made the cut for the inaugural



season, following more than 4,000 auditions held across Québec, and 6,000-plus young people auditioned for the second season, which premiered on February 15, 2004. Québec is bursting at the seams with talented young singers, and ***Star Académie*** gives them a unique opportunity to become better known, and for the cream of the crop to rise to the ranks of its star system.

The success of ***Star Académie*** swept Québec like a tidal wave. This is a show that unifies viewers and stimulates the culture industries, particularly French-language song. To achieve such a degree of success, TVA had to call upon the support not only of TVA Publishing, but of all its Quebecor Media business partners, including Vidéotron, Netgraphe and Archambault, not to mention the Quebecor daily newspapers. All of these made a major contribution to the popularity of this phenomenon with the general public.

The fact that ***Star Académie*** was the event of our fiscal 2003 takes none of the shine away from the successes of our regular programs. ***Salut Bonjour!***, ***Fortier***, ***Histoires de filles***, ***Km/h***, ***Tribu.com***, ***Emma*** and ***Les Poupées russes***, to name just a few, once again stood proudly atop the list of Québec's best-watched shows. Our new show ***Occupation double***, as well as ***Clin d'œil*** and ***Ma Maison Rona***, both launched in collaboration with our magazines, were also very successful. All together, our programs increased our market shares — quite a feat at a time when audiences for general-interest television are shrinking everywhere. The great popularity of our programming helped us attain another important goal of seeing our advertising revenues increase significantly. We are all the happier about this in light of the fact that, in order to continue offering innovative, top-quality content, we had to invest substantially more in our programming.

INFORMATION: STILL AMONG OUR TOP PRIORITIES

A television network is defined first and foremost by the quality of its news and information service. TVA's progress in this area over the years — and particularly in the past three — has been remarkable. Our news and information programs, built around television personalities with whom Québecers have developed an affinity, are lively, direct and totally focused on the priorities of our publics. That is doubtless the reason why audience ratings for our newscasts surpass those of our competitors. Here again, such popularity illustrates the success of our formula based on closeness and quality; people appreciate our simple, direct way of delivering the news and they implicitly trust the TVA journalists and anchors who bring it to them.

Two people in particular embody this exceptional trustworthiness: Pierre Bruneau and Sophie Thibault. Anchor of ***TVA 18 h*** and co-host of ***17 h***, Pierre Bruneau has been the most popular journalist in French-speaking Québec for the past quarter-century. Conveying to viewers a sense of reassurance and intimacy, he gives the news a human touch and is consistently able to measure the impact of a news report on people's lives. Sophie Thibault, for her part, is the first woman to have been appointed anchor of a prime-time nightly newscast in Québec. With her natural empathy and unique news delivery technique, she is perfectly attuned to her audience.

The majority of Québecers tune in to TVA for their major daily newscasts because they know that this is where they will find the complete information that answers their questions and deals with their concerns. All of our newscasts strengthened their leadership in 2003, from ***Salut Bonjour!***, with Guy Mongrain and his team, at 6 a.m., until ***TVA Réseau*** at 10 p.m. We are also very proud to have been chosen by Québecers, for the first time in our history, as their network of choice for provincial election night coverage in spring 2003.

LCN AND THE SPECIALTY CHANNELS

The ongoing success and growth of LCN, our all-news specialty channel, ever since its 1997 creation is due in large part to the emphasis that we place on news and information. LCN's advertising revenues rose by 21% in 2003. At any time of the day or night, in less than 15 minutes, viewers can find all the important news. LCN also offers — and generally faster than competing channels — a full range of practical information on road conditions, the weather and everything else that can directly affect Québecers' daily lives.

LCN's membership in TVA Group means that we are able to reach two million viewers each week at very reasonable cost. The TVA and LCN news teams are perfectly integrated, in fact, which enhances the impact of their work while at the same time reducing production costs.

This is a very effective model, and one that we plan to apply to other areas of news and information. For example, we expect to launch the LCN Affaires channel in 2004 to provide financial news and various other business-related information.

Also in 2003 we launched a home-shopping channel, STV, which offers viewers information on a variety of exclusive products and a simple, innovative way to purchase them from the comfort of their living rooms. This creative approach to shopping is attracting a lot of interest and we plan to develop it in the coming years.

Our English-language digital specialty channels mentv and Mystery, which we own in partnership, continue to progress according to our forecasts. These channels, which target rapidly expanding markets, should be excellent medium-term investments. We hold several more licences for digital television, a market that appears to be on the point of attaining a significant critical mass and which, very soon, will serve as a launch pad for new channels.

PRODUCTION

TVA's production subsidiary, JPL Production, produces an average of 1,400 hours of programming for all of our stations every year. The 2003 productions included the very popular shows ***Salut, Bonjour!*** and ***Les Poupées russes***, as well as the ***Gala MétroStar***. Founded in 1965, JPL Production has extensive experience in television production, including live shows, drama, variety shows, games and galas. With a view to offering the highest quality standards, JPL Production has access to a pool of some of the best creators and artists in the industry, as well as to the TVA Network's technical facilities.

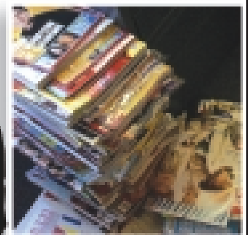
DEMONSTRATING BOLDNESS AND OPTIMISM TINGED WITH REALISM

It is clear that over the coming years, viewers' programming choices — both from Québec and abroad — will increase significantly. Those who ultimately succeed in this universe of selection will be those with the most experience in content and who are able to create events that truly bring people together.

The experience and the successes that we have amassed in the past 40-plus years have prepared us well to tackle these new challenges. Our knowledge of the public and its needs, and our established expertise in producing innovative, quality content, are assets that will help us continue to deal with the increasingly intense competition. In particular, the success of our first experiments with convergence provides a good indication of our ability to adapt to a constantly changing reality.

We therefore remain very confident about the future and we plan to maintain the leadership for which we have become known. Our equipment, our studios and, above all, our teams endow us with significant production capacity. And, within Quebecor Media, we are the very hub of a convergence approach that ensures we will have the additional means to continue demonstrating a bold sense of innovation.

PUBLISHING



FOUR AND A HALF MILLION READERS WEEKLY

TVA Publishing, Québec's magazine publishing leader, puts out 45 popular titles, the best known of which are ***7 Jours***, ***Le Lundi***, ***Dernière Heure***, ***Clin d'œil***, ***Femme d'aujourd'hui***, ***Les Idées de ma maison***, ***Star inc.***, ***TV Hebdo*** and ***Cool!*** Our weekly magazines reach more than 4.5 million readers and TVA Publishing's sales represent nearly 78% of total newsstand sales of French-language magazines in Québec. In addition to its weekly and monthly magazines, TVA Publishing produces books and special, occasional or seasonal publications including ***Côté Jardins***, ***Déco Internationale***, ***Recevoir***, ***Album Mixmania*** and the official ***Star Académie*** magazine.

MISSION ACCOMPLISHED

In 2003, we successfully completed the integration of the magazines we acquired from Publicor in 2002 and conducted an in-depth review of the content and look of each of our magazines. This exercise was all the more important in light of the general weakening of newsstand sales of magazines throughout North America and Europe. Competition in the magazines market is increasingly intense. The abundance of special sections in the weekend editions of the major daily newspapers and the proliferation of information sources available on the Internet are putting mounting pressure on magazine sales, and TVA Publishing is obviously not avoiding this trend.

Therefore, in order to slow down the erosion of newsstand sales, we have decided to invest more in promoting our magazines and making them even more attractive.

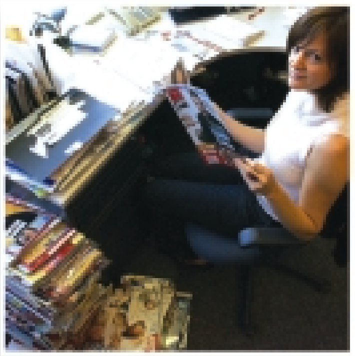
MAKEOVER

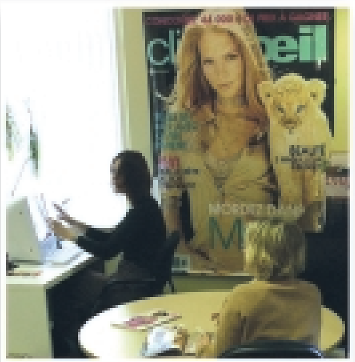
Écho-Vedettes, among others, is now being published in a brand new, all-colour format that better meets its readers' expectations. This weekly show business magazine, now 40 years old, fulfils a steady demand for information about Québec's star system and that is clearly the reason for its success among nearly 600,000 readers each week.

Besides revitalizing our publications, in 2003 we launched a new magazine, ***Vous***, and published special ***Star Académie*** and ***Occupation double*** issues to respond to the public enthusiasm created by these two hugely popular shows. Published six times a year, plus two special issues, ***Vous*** is aimed particularly at people aged 45 and over, an ever-increasing proportion of Québec's population. Because this new magazine has received excellent reviews, we plan to increase our efforts to build its readership among a target audience that is especially attractive to advertisers. The ***Star Académie*** and ***Occupation double*** specials were key elements of the convergence initiative that accompanied the launch of Québec's very first true TV reality shows.

MAGAZINES AND TELEVISION: PROMISING SYNERGIES

Our links with the TVA Network create many synergies, including the opportunity to profitably combine magazines and television shows. ***Star Académie*** and ***Occupation double*** offered viewers powerful and innovative content that was spun off to the aforementioned special magazine issues that provided the public with even more insight into the young stars of these new-concept television shows.





The shows also stimulated newsstand sales of some of our magazines, despite the trend to the contrary that affected most of our competitors.

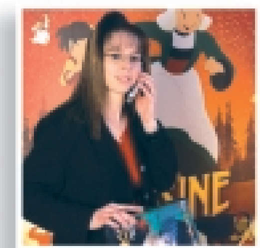
For their part, our magazines have generated two new TVA Network shows: ***Clin d'œil*** is devoted to fashion, beauty and new trends, with its content drawn directly from our magazine of the same name, while ***Ma Maison Rona*** complements and adds value to the content of our renovation and do-it-yourself magazines.

Although the launches of these special issues necessitated increased editorial costs, the money and effort we devoted were very good investments because some of our magazines saw their newsstand sales increase by as much as 44% during the periods when TVA was broadcasting these hit shows.

This remarkable sales growth for some of our publications, combined with very strict management of our production costs, helped us attain our profitability objectives for 2003 despite the market difficulties. We also demonstrated that better co-ordination between TVA's programming and our magazines can result in extraordinary synergies and produce very positive results.

Television is an everyday reality for most people and the success of our products is closely linked to this fact. In 2004, we therefore plan to maintain our efforts to adapt to readers' needs and to increase opportunities for synergies with all of our partners. The dedication and considerable expertise of the members of our teams will ensure that we remain closely in touch with events that interest our readers and provide advertisers with exceptional means for reaching their target publics.

DISTRIBUTION



TVA FILMS WILL SOON ATTAIN ITS CRUISING SPEED

For TVA Films, created only in 2002, fiscal 2003 was essentially a year of consolidation.

The TVA Films catalogue is still new; it's true influence will be measurable only in a year or two. The movie market is a slow-moving one, with results becoming clear over time — it takes an average of three years from the acquisition of a film's distribution rights to the time it appears in cinemas. In the meantime, however, TVA Films is proactively managing the former TVA International's rights catalogue, which provided better-than-anticipated returns in 2003. The film ***The Pianist***, for example, was among the titles that contributed to TVA Films' success during the year.

CERTAIN VALUE

TVA Films will continue managing TVA International's catalogue while also acquiring new films. After reaping the benefits of distributing ***The Pianist***, ***Le Fabuleux Destin d'Amélie Poulain*** and ***Jet Lag***, TVA Films had other successes in 2003 with, among others, ***Together***, ***Help! I'm a Fish*** and ***Annie Brocoli dans les fonds marins***; the latter two films, particularly, were big hits with young people. TVA Films has seamlessly integrated its distribution and television rights acquisition operations, while strictly respecting its acquisition budgets.

In fiscal 2004, TVA Films should complete the transition phase that followed its creation, after which it should attain its cruising speed relatively quickly. Films that will reach cinemas by late this year will include ***Eternal***, starring Caroline Néron, and ***Crazy***, a new comedy with Michel Côté. Both movies contain all the elements that should make them hits, all the more so because they are likely to benefit from Québecers' current interest in Québec-made films. For its part, the Afghan film ***Osama***, launched in Québec in early 2004, should benefit from the awards and accolades it received in Cannes, London and Hollywood.

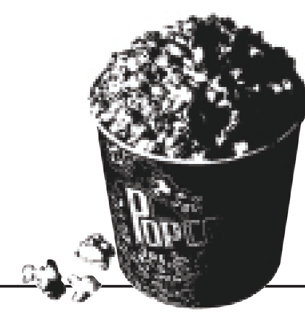
TVA Films is also associated with some movies that have strong chances of success in English-speaking Canada, particularly the comedy ***Intern's Diary***.

Fiscal 2004 should therefore be a good year for TVA Films, confirming the increasingly important role that it wants to play in the development and, especially, distribution of Québec movies. Small though it may be, the TVA Films team is a very experienced one that in a mere two years has earned the confidence of producers and been able to negotiate excellent distribution partnerships. The versatility of the team members enhances their chances of succeeding in a universe where it is not easy to build a diversified catalogue that combines popular, genre and personal films, which are often less popular immediately upon their release but destined for a longer life on the video market.

The distribution of films on video, and particularly on DVD, which is making spectacular market inroads, is in fact becoming an increasingly significant and profitable business opportunity. TVA Films is also working with its partners — first and foremost the TVA Network — on marketing video versions of series that have been especially popular with television viewers.

A KEY PARTNER

The future of TVA Films looks very promising. Its targeted acquisitions strategy should reduce the particular risks inherent in this business sector, while strengthening its determination to increase its presence in the made-in-Québec movie market and its cooperation with the television sector. TVA Films intends to increase the pace of its development and become a leading partner in the distribution of Québec and Canadian movies.



MANAGEMENT'S DISCUSSION AND ANALYSIS

CORPORATE STRUCTURE

TVA Group Inc. is a communications company with operations in three business sectors: Television, Publishing and Distribution. In the Television sector, TVA produces and broadcasts entertainment, information and public affairs programming, in addition to its commercial production and home shopping operations. It is the privately owned operator of North America's largest French-language television network. In the Publishing sector, TVA produces 45 specialty magazines, including five weeklies, making it Québec's largest publisher of French-language magazines. In the Distribution sector, TVA manages a large rights catalogue on all platforms: film, video, pay television and specialty and general-interest television.

GENERAL

Fiscal 2003 was another excellent year for TVA, in every respect. In the Television sector, TVA's market shares grew throughout the year, despite increased competition, particularly from specialty channels. TVA's extremely exciting and varied programming lineup captured and held the attention of a very satisfied audience. In fact, 40 of the year's 50 best-watched shows in Québec were broadcast on the TVA Network. Throughout the year, TVA maintained its strategy of optimizing the use of both its human and financial resources to produce and acquire content. Even the major increase in programming investments, necessary to remain competitive and to absorb the significant reduction in government financial assistance for television production, was partly offset by a reduction in other operating expenses.

During the first quarter, TVA acquired HSS France's interest in the HSS Canada Inc. home shopping joint venture, making HSS Canada Inc. a wholly owned subsidiary of TVA Group Inc. This subsidiary's name was changed to TVAchats Inc. on June 27, 2003. Since this acquisition, important changes have been made to the management and marketing of the home shopping operations in order to further grow this high-potential business.

The Publishing sector also delivered a solid performance, despite newsstand sales that remain under pressure because of the over-abundance of content on the market, including via the Internet and in local and national newspapers, both of which are offering an increasing number of special sections. TVA's magazines optimized the content of some of TVA Network's television shows, thus reaping the full benefit of what is known in the industry as convergence. Seeking to constantly provide readers with magazines that meet their needs and expectations, TVA launched the new magazine ***Vous*** in 2003, designed particularly for women baby boomers. This new magazine, combined with a solid performance by all the other publications, even helped the Publishing sector record a slight increase in newsstand sales. In addition, the advertising sales department was totally reorganized following the acquisition of Publicor in 2002, which helped boost this sector's 2003 advertising revenues.

The Distribution sector maintained its progress in 2003, with continued development of the TVA Films catalogue through the acquisition of profitable distribution rights. Management of the former TVA International catalogue continued as planned.

It was also in 2003 that TVA considered adding radio to its portfolio. The Company planned to acquire six AM stations and one FM station during the year, but the Canadian Radio-television and Telecommunications Commission (CRTC) unfortunately did not approve this transaction. This sector remains an important area of interest for TVA, however, and we will remain on the lookout for any possible future opportunity.

OPERATING RESULTS

The following Management's Discussion and Analysis of the financial position and results of TVA Group's operations should be read in conjunction with the Company's audited consolidated financial statements.

In light of the particularity of the 16-month 2002 fiscal year, the Management's Discussion and Analysis will compare fiscal 2003 with fiscal 2002, but more specifically will compare the results for fiscal 2003 with those for the 12-month period a year earlier.

Operating revenues (in thousands of dollars)

	12 months ended December 31, 2003	12 months ended December 31, 2002	16 months ended December 31, 2002
Television	$ 245,643	$ 233,303	$ 321,103
Publishing	77,606	64,771	81,836
Distribution	19,872	26,910	38,755
Intersegment items	(2,176)	(1,629)	(2,500)
	$ 340,945	**$ 323,355**	**$ 439,194**

Earnings before interest, income taxes, depreciation, amortization and other items (EBITDA) (In thousands of dollars)

	12 months ended December 31, 2003	12 months ended December 31, 2002	16 months ended December 31, 2002
Television	$ 63,228	$ 62,154	$ 87,302
Publishing	19,079	16,744	20,315
Distribution	(848)	-	-
	$ 81,459	**$ 78,898**	**$ 107,617**

Consolidated operating revenues for TVA Group totalled $340,945,000 for the 12-month fiscal year ended December 31, 2003, a 5.4% increase over the $323,355,000 for the 12-month period ended December 31, 2002. This increase in consolidated operating revenues is mainly due to the solid performance of advertising sales in the Television sector, as well as by the impact of the acquisition of the Quebecor Media magazines in May 2002. Revenues for the Distribution business declined by $7 million as a result of the rationalization decisions made in 2001. The decrease in consolidated operating revenues from the $439,194,000 reported for the fiscal year ended December 31, 2002, is essentially due to the difference in the length of the two fiscal years.

Earnings before interest, income taxes, depreciation, amortization and other items (EBITDA) were $81,459,000 for the fiscal year ended December 31, 2003, compared with $78,898,000 for the 12-month period ended December 31, 2002. This growth is mainly the result of the increased EBITDA for the Publishing sector, which benefited from the contribution of the magazines acquired from Quebecor Media for the entire year, compared with a little less than eight months of the 12-month period a year earlier. The EBITDA decline from the $107,617,000 reported for the 16-month prior fiscal year is mainly due to their different durations.

TELEVISION

Operating revenues for the Television sector totalled $245,643,000 for fiscal 2003, compared with $233,303,000 for the corresponding 12-month period ended December 31, 2002. This $12-million increase in operating revenues is the result of higher advertising revenues and the 'impact of the acquisition of HSS France's interest in TVAchats Inc. (formerly HSS Canada Inc.), which manages the Company's home shopping operations. The advertising market grew steadily during the first half of fiscal 2003 and TVA took advantage of it with a solid programming lineup that included ***Star Académie***, Québec's very first true reality show produced and broadcast with the significant participation of TVA's parent company, Quebecor Media Inc. The spring 2003 BBM audience ratings surveys (Québec francophone, Monday to Sunday, 6 a.m. to 2 a.m., All 2+) clearly reflected the huge success of TVA's programming, with a 38% market share and nine of the 10 best-watched shows. However, the advertising market slowed significantly during the second half of the year, with the result that the advertising potential of the programming lineup and new shows could not be fully leveraged. Despite this, TVA received more excellent news in the fall ratings, obtaining a 32% market share and once again broadcasting nine of the 10 most popular shows. The specialty channels continued to grow in 2003, with LCN (the French-language all-news analogue channel) increasing its advertising sales by 21%, while mentv and Mystery, two digital specialty channels that TVA owns in partnership with CanWest Global, saw their revenues, mainly from subscriptions, climb by more than 40%. As for home shopping, a new approach and new programming were developed during the second quarter and the results of these efforts began to be felt in the fourth quarter. The decrease in operating revenues for the Television operations from the $321,103,000 reported for the 16-month 2002 fiscal year is mainly explained by the difference in the lengths of the two fiscal years.

EBITDA for the Television sector was $63,228,000 for the year, against $62,154,000 for the same 12 months of the previous year. More than 50% of this sector's operating costs are directly related to content. Costs of content increased by more than 10% during the year because of the significant reduction in government assistance for television programming production, as well as inflation related to content acquisition, where demand is increasingly strong, and additional strategic investments made by TVA in order to provide its viewers and advertisers with the most interesting and powerful programming possible. In addition, all of our programming complies with the CRTC's licence conditions, including the tangible benefits imposed by the CRTC at the time of the licence transfer to Quebecor Media Inc. in October 2001. Other operating costs remained relatively stable, despite the increase in variable costs based on operating revenues. Strict cost control and ongoing improvement of our business processes have helped TVA generally improve its efficiency and productivity. The lower EBITDA compared with the $87,302,000 reported for the 16-month 2002 fiscal year is mainly explained by the difference in the durations of the two fiscal years.

PUBLISHING

Operating revenues for the Publishing sector were $77,606,000 for the fiscal year, against $64,771,000 for the 12-month period ended December 31, 2002. This growth in operating revenues is mainly due to the impact of the May 16, 2002, acquisition of the Quebecor Media magazines, but also to a slight increase in newsstand sales and the solid growth of advertising revenues. During the year, TVA Publishing Inc. drew much of its content from TVA's television programming, with the result that its magazines were able to offer their readers extremely varied and interesting content while at the same time they provided additional support for the television lineup. From ***Star Académie*** to ***Occupation Double***, from ***Clin d'œil*** to ***Ma Maison Rona***, this convergence of content definitely captivated TVA's audiences, because newsstand sales managed to rise despite the extremely fierce competition in this sector. The addition of the new ***Vous*** magazine during the year also helped to boost newsstand sales. The combining of the Publicor and TVA Publishing sales teams in 2002 and the reorganization that followed in 2003 have definitely paid dividends because the growth of advertising revenues exceeded the estimated growth of the magazine advertising market. The decrease in operating revenues for the Publishing sector from the $81,836,000 reported for the 16-month 2002 fiscal year is mainly explained by the difference in the lengths of the two fiscal years.

EBITDA for the Publishing business was $19,079,000 for the year, compared with $16,744,000 reported for the 12-month period ended December 31, 2002. The main reason for the increased EBITDA in this sector was the contribution of the magazines acquired from Quebecor Media, but also playing a part were revenue growth and very stringent management of press runs and operating expenses, which more than compensated for the anticipated operating loss incurred by the new magazine. The decrease in government aid to support Canadian magazine publishing had only a minor impact on the results for the year, and the bulk of its effects will be felt starting in fiscal 2004. As a result, the profit margin dropped to 25% for fiscal 2003 from 26% for the 12-month period ended December 31, 2002. This slight decrease is due essentially to the impact of the new magazine, combined with a generally lower profit margin generated by the monthly magazines acquired from Quebecor Media. The lower EBITDA compared with the $20,315,000 reported for the 16-month 2002 fiscal year is mainly explained by the difference in the lengths of the two fiscal years.

DISTRIBUTION

Operating revenues for the Distribution sector totalled $19,872,000 for the year, against $26,910,000 for the 12-month period ended December 31, 2002. The rationalization decisions taken in 2001 were the main reason for this sector's lower operating revenues. Management of the TVA International catalogue produced very good results, particularly with the movies ***The Pianist*** and ***Help! I'm a Fish***. The TVA Films rights catalogue continued to expand during the year, but modestly as expected. However, the huge success of Québec films during the year reduced anticipated operating revenues from the movies that TVA Films released in cinemas during the year, which were mainly French and European products. The decrease in operating revenues for the Distribution sector from the $38,755,000 reported for the 16-month year ended December 31, 2002, is explained not only by the impact of the rationalization decisions made in 2001, but by the difference in the durations of the two fiscal years.

This sector reported an operating loss of $0.8 million for the year, compared with nil for both the 12 months ended December 31, 2002, and for the 16-month period ended the same date. The realization of TVA International's assets continues to require time, effort and energy from those who manage this sector. However, the assets are being realized in accordance with our financial forecasts and, as such, their performance does not reflect the operating loss reported for the year. TVA's distribution strategy is excellent and TVA Films is continuing to build an enviable place in this business segment in Québec.

COMPARATIVE RESULTS (in thousands of dollars)

	12 months ended December 31, 2003	12 months ended December 31, 2002	16 months ended December 31, 2002
Operating revenues	$ 340,945	$ 323,355	$ 439,194
Operating expenses	259,486	244,457	331,577
EBITDA	**81,459**	**78,898**	**107,617**
Depreciation and amortization	11,980	11,542	15,165
Financing expenses	1,111	2,297	2,693
Other items	418	2,396	2,396
Income before the following items	**67,950**	**62,663**	**87,363**
Income taxes	13,928	10,131	19,273
Equity in income (loss) of companies subject to significant influence	491	(164)	(4 889)
Net income	**$ 54,513**	**$ 52,368**	**$ 63,201**

DEPRECIATION AND AMORTIZATION

Depreciation of fixed assets and amortization of startup costs totalled $11,980,000 for the year, slightly higher than the $11,542,000 reported for the 12-month period ended December 31, 2002. Depreciation and amortization expenses for the 16-month fiscal year ended December 31, 2002, were $15,165,000, as a result of the difference in the lengths of the two fiscal years.

FINANCING EXPENSES

Financing expenses were $1,111,000 for the fiscal year, compared with $2,297,000 for the 12 months ended December 31, 2002. This decrease in financing expenses is mainly explained by the significant lowering of the Company's average long-term debt level, but also by interest income received during the year on tax credits and refunds. The reduction in financing expenses from the $2,693,000 reported for the 16-month fiscal year ended December 31, 2002, is also due to the difference in the durations of the two fiscal years.

OTHER ITEMS

The Company recorded a writeoff of $418,000 during the year for expenses related to the applications for three FM radio licences, as well as for costs pertaining to the planned acquisition of Astral Media's AM and FM radio stations following the CRTC's refusal to grant TVA the licences. Other items totalled $2,396,000 for the 16-month year ended December 31, 2002, the same amount as for the 12-month period ended the same date. This charge is the result of the pre-retirement program introduced during the previous fiscal year and of the writeoff of a portfolio investment, offset by an $804,000 gain on disposal of an investment.

INCOME TAXES

In August 2002, the Company wound up TVA Acquisition Inc., TVA International Inc. and some of its subsidiaries. This allowed TVA Group to record $21 million in future income tax assets, that are realized whenever TVA Group and some of its subsidiaries report taxable profits. As a result, income taxes for the year were $13,928,000, representing a tax rate of about 21%, compared with an income tax expense of $10,131,000 for the 12-month period ended December 31, 2002, or a tax rate of 16%. The increased tax rate is due to the slower use of future income tax assets during the year than during the prior 12-month period. Income taxes for the 16-month fiscal year ended December 31, 2002, were $19,273,000, or a tax rate of 22%. This higher rate is a result of the use of fewer future income tax assets, since their use began during the last quarter of fiscal 2002.

EQUITY IN INCOME (LOSS) OF COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE

The results of companies subject to significant influence improved considerably during the year. While the loss for the 16-month fiscal year ended December 31, 2002, was $4,889,000, TVA reported income from companies subject to significant influence of $491,000 for fiscal 2003. This major improvement is essentially the result of the improved financial results of Netgraphe Inc., a public company in which TVA Group holds an indirect interest of about 11%. The loss was only $164,000 for the 12-month period ended December 31, 2002.

NET INCOME

TVA Group reported net income of $54,513,000, or $1.65 per share, for the year ended December 31, 2002, compared with net income of $52,368,000, or $1.53 per share, for the 12-month period ended December 31, 2002. As a result, return on shareholders' equity was 24% for the year. The decrease in net income for fiscal 2003 from the $63,201,000 reported for the 16-month year ended December 31, 2002, is mainly due to the difference in the lengths of the two fiscal years.

Calculation of per-share amounts is based on weighted averages of 33,053,045 shares outstanding for the fiscal year ended December 31, 2003; 34,303,877 shares for the 12-month period ended December 31, 2002; and 34,336,013 shares for the 16-month fiscal year ended December 31, 2002.

CASH FLOWS AND FINANCIAL RESOURCES

COMPARATIVE RESULTS (in thousands of dollars)

	12 months ended December 31, 2003	12 months ended December 31, 2002	16 months ended December 31, 2002
Net income	$ 54,513	$ 52,368	$ 63,201
Non-cash items	18,784	12,373	21,362
Cash flows generated by current operations	**73,297**	**64,741**	**84,563**
Net change in non-cash items	(1,416)	10,666	6,297
Cash flows from operating activities	**71,881**	**75,407**	**90,860**
Acquisition of investments	-	(816)	(1,987)
Acquisition of fixed assets	(5,742)	(6,299)	(7,747)
Business acquisition	(620)	(36,225)	(36,225)
Deferred charges	-	(1,881)	(3,749)
Disposal of fixed assets	263	208	1,784
Disposal of investments	737	2 039	2,185
Cash flows from investing activities	**(5,362)**	**(42,974)**	**(45,739)**
Bank indebtedness	(6,804)	6,343	7,421
Repayment of bank loans	(1,837)	(30,267)	(33,231)
Addition (repayment) of long-term debt	(26,856)	7,645	(4,590)
Issue of shares	1,166	7	7
Repurchase of shares	(25,772)	(7,866)	(7,866)
Dividends paid	(6,611)	(6,869)	(8,590)
Cash flows from financing activities	**(66,714)**	**(31,007)**	**(46,849)**
Net change in cash and cash equivalents	**(195)**	**1,426**	**(1,728)**
Cash and cash equivalents, beginning of period	2,640	1,214	4,368
Cash and cash equivalents, end of period	**$ 2,445**	**$ 2,640**	**$ 2,640**

OPERATIONS

Cash flows provided by operations totalled $71,881,000 for the fiscal year, compared with $75,407,000 for the 12 months ended December 31, 2002. This slight decrease is due to reduced cash flows from changes in non-cash items that generated more cash last year as a result of a greater contribution of cash from the management of TVA International's working capital. The decrease in cash flows provided by operations from the $90,860,000 generated for the 16-month period ended December 31, 2002, is due mainly to the difference in the length of the two fiscal years.

INVESTING

On March 18, 2003, TVA acquired 50 more Class A shares in its TVAchats Inc. (formerly HSS Canada Inc.) home shopping joint venture, thereby increasing its interest from 50% of shares outstanding to 100%, for total net consideration of $620,000 (see Note 3).

On May 16, 2002, the Company acquired Publicor, the magazines division of Quebecor Media Inc., for $36,225,000 in cash and an additional amount of $6 million payable if certain profitability levels are attained during the next three years. This acquisition was financed directly from the Company's credit facilities. In accordance with this agreement, TVA recorded an account payable of $1,540,000 at December 31, 2003, as a business acquisition. This sum is payable on March 1, 2004.

During the year, TVA Group Inc. filed a new offer to repurchase for cancellation, in the normal course of its activities between June 3, 2003, and June 2, 2004, a maximum of 1,797,708 of the Company's non-voting Class B shares ("Class B shares") not held by insiders, or about 10% of the total number of Class B shares outstanding at the opening of the offer. During the year, the Company redeemed 1,452,200 shares, for total proceeds of $25,772,000. During the previous fiscal year, the Company redeemed 557,100 shares as part of this program, for a total amount of $7,866,000. TVA Group had also filed notice of intent to repurchase for cancellation, in the normal course of its activities, a maximum of 1,917,335 Class B shares. These redemptions will end by June 2, 2004.

FINANCING

On February 11, 2002, the Company reached a new credit agreement consisting of a revolving-term bank loan of a maximum of $135,000,000, bearing interest at the prime rate of a Canadian chartered bank, plus a variable margin based on the ratio of total debt to cash flows. The term of this credit agreement was extended by one year during fiscal 2003, bringing it to February 11, 2006.

FINANCIAL SITUATION

TVA Group's financial situation is excellent. At December 31, 2003, the consolidated debt ratio — as measured by the debt-to-capitalization ratio — had declined to 9:91, compared with 21:79 at December 31, 2002, and this despite an amount of $25,772,000 invested to repurchase shares. For ratio calculation purposes, the debt includes bank indebtedness and bank loans, net of cash and cash equivalents, and long-term debt.

The Company's long-term debt dropped to $24,364,000 at December 31, 2003, from $51,220,000 at December 31, 2002, a reduction of $26,856,000.

The Company paid dividends of $0.20 per share during the fiscal year, compared with $0.25 per share for the 16-month fiscal year ended December 31, 2002, but the same as the $0.20 per share paid for the 12-month period ending the same date.

RISKS AND UNCERTAINTIES

For its operating needs, the Company must maintain in good standing the licences granted to it by the CRTC and comply with their conditions. Failure to do so could result in revocation or non-renewal of these licences. TVA is currently in full compliance with these requirements and intends to remain so. During the year, the CRTC renewed LCN's licence for another seven-year period. In 2001, the CRTC renewed the licence of TVA's flagship Montréal station, CFTM-TV, for an additional seven years.

Major technological developments in recent years have intensified competition in the communications industry. Viewers are increasingly solicited by a greater number of television channels, films on video and DVD, compact discs and the Internet. In addition, advertising revenues are subject to fluctuations related to the economic situation, audience ratings, new sources of competition and, in the case of the Publishing business, newsstand sales.

Revenues for the Television sector (the TVA Network) depend on the value of available airtime, which is determined to a large extent by audience ratings, which in turn are influenced by programming content. The method for measuring audience ratings has itself changed from a booklet that was completed weekly during the audience ratings periods to a population sampling taken with an electronic "people meter" that calculates viewership on an ongoing basis. Advertising revenues are seasonal.

AUDITOR'S REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of TVA Group Inc. as at December 31, 2003 and 2002 and the consolidated statements of income, retained earnings and cash flows for the year ended December 31, 2003 and for the sixteen-month period ended December 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the year ended December 31, 2003 and for the sixteen-month period ended December 31, 2002 in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Montréal, Canada, January 26, 2004

MANAGEMENT'S REPORT

The consolidated financial statements of TVA Group Inc., as well as overall information contained in the Annual Report, are the responsibility of management and were approved by the Board of Directors. Management's responsibility includes the selection of appropriate accounting practices in accordance with generally accepted accounting principles, and the preparation of reasonable estimates. Financial data contained elsewhere in this report are consistent with the financial statements.

Management, in keeping with its responsibilities, maintains an internal control system, designed among other things to provide reasonable assurance that TVA's assets are properly safeguarded and that the accounting records form an appropriate basis for the preparation of reliable financial statements.

Every year, the Board of Directors appoints an Audit Committee. This Committee reviews the annual consolidated financial statements of the Company and recommends their adoption by the Board of Directors. The Committee also studies reports on the Company's accounting methods and policies and internal control systems.

In the opinion of management, these financial statements incorporate, within reasonable limits, all important elements and data available when they were prepared.

Paul Buron

Senior Vice-President and Chief Financial Officer
Montréal, January 26, 2004

CONSOLIDATED STATEMENT OF INCOME

Years ended December 31, 2003 and 2002
(in thousands of dollars, except per share amounts)

	2003 (12 months)	2002 (16 months)
Operating revenues	$ 340,945	$ 439,194
Operating, selling and administrative expenses	259,486	331,577
Operating income before depreciation, amortization, financing expenses and other items	81,459	107,617
Depreciation of fixed assets	11,389	14,541
Amortization of start-up costs	591	624
Financing expenses (note 4)	1,111	2,693
Other items (note 5)	418	2,396
	13,509	20,254
Income before income taxes and equity in income (loss) of companies subject to significant influence	67,950	87,363
Income taxes (note 6)	13,928	19,273
Equity in income (loss) of companies subject to significant influence	491	(4,889)
Net income	$ 54,513	$ 63,201
Basic and diluted net income per share (note 17)	$ 1.65	$ 1.84

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Years ended December 31, 2003 and 2002
(in thousands of dollars)

	2003 (12 months)	2002 (16 months)
Balance at beginning	$ 68,919	$ 19,406
Net income	54,513	63,201
Dividends paid	(6,611)	(8,590)
Share redemption - excess of purchase price over net accounting value (note 17)	(18,556)	(5,098)
Balance at end	$ 98,265	$ 68,919

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

December 31, 2003, with comparative figures for 2002
(in thousands of dollars)

	2003	2002
Assets		
Current assets		
Cash and cash equivalents	$ 2,445	$ 2,640
Accounts receivable (note 9)	90,189	112,495
Investments in televisual products and movies (note 10)	28,884	28,988
Inventories and prepaid expenses	3,773	2,210
Future tax assets (note 6)	5,893	9,091
	131,184	155,424
Investments (note 11)	22,394	22,640
Fixed assets (note 12)	62,863	67,929
Investments in televisual products and movies (note 10)	19,795	23,681
Licences	69,853	69,853
Goodwill (note 3)	72,398	70,075
Future tax assets (note 6)	4,204	8,079
Other assets (note 13)	7,170	8,260
	$ 389,861	$ 425,941
Liabilities and Shareholders' Equity		
Current liabilities		
Bank indebtedness	$ 617	$ 7,421
Bank loans (note 14)	–	1,837
Accounts payable and accrued liabilities (note 15)	54,774	75,418
Broadcast and distribution rights payable	14,081	18,101
Deferred revenue	5,370	5,766
Deferred credit (note 6)	4,200	6,981
	79,042	115,524
Broadcast and distribution rights payable	3,865	4,161
Long-term debt (note 16)	24,364	51,220
Future tax liabilities (note 6)	39,900	32,515
Deferred credit (note 6)	537	3,893
	147,708	207,313
Shareholders' equity		
Capital stock (note 17)	140,880	146,930
Contributed surplus (note 6)	3,008	2,779
Retained earnings	98,265	68,919
	242,153	218,628
Commitments, guarantees and contingencies (note 21)		
	$ 389,861	$ 425,941

See accompanying notes to consolidated financial statements.

On behalf of the Board,

Jean Neveu
Chairman of the Board

Fernand Belisle

Fernand Belisle
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

Years ended December 31, 2003 and 2002
(in thousands of dollars)

	2003 (12 months)	2002 (16 months)
Cash flows from operating activities		
Net income	$ 54,513	$ 63,201
Non-cash items:		
Equity in (income) loss of companies subject to significant influence	(491)	4,889
Depreciation and amortization	12,433	15,554
Future income taxes	6,934	1,329
Other items	(92)	(410)
Cash flows provided by current operations	73,297	84,563
Net change in non-cash items (note 8)	(1,416)	6,297
	71,881	90,860
Cash flows from investing activities		
Acquisition of investments	–	(1,987)
Acquisition of fixed assets	(5,742)	(7,747)
Deferred charges	–	(3,749)
Business acquisitions (note 3)	(620)	(36,225)
Disposal of fixed assets	263	1,784
Disposal of investments	737	2,185
	(5,362)	(45,739)
Cash flows from financing activities		
Bank indebtedness	(6,804)	7,421
Repayment of bank loans	(1,837)	(33,231)
Repayment of long-term debt	(26,856)	(4,590)
Issue of shares (note 17)	1,166	7
Repurchase of shares (note 17)	(25,772)	(7,866)
Dividends paid	(6,611)	(8,590)
	(66,714)	(46,849)
Net change in cash and cash equivalents	(195)	(1,728)
Cash and cash equivalents at beginning	2,640	4,368
Cash and cash equivalents at end	$ 2,445	$ 2,640

See accompanying notes to consolidated financial statements.

The Company, incorporated under Part 1A of the Companies Act (Québec), is involved mainly in television broadcasting, distribution of televisual products and movies, as well as in the publishing of specialized magazines.

During the year 2002, the Company changed its year-end for December 31 to adjust it with the year-end of its ultimate parent, Quebecor inc.

1. Changes in accounting policies

a) Stock-based compensation and other stock-based payments

Effective January 1, 2003, the Company adopted the new recommendations of Section 3870 of the CICA Handbook, Stock-based Compensation and Other Stock-based Payments. This Section establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. These new recommendations require that compensation for all awards, including stock appreciation rights, direct awards of stock, and awards that call for settlement in cash or other assets, be measured and recorded in the financial statements at fair value. This Section applies to awards granted for fiscal year beginning on or after January 1, 2002, which is for the Company the fiscal year from January 1 to December 31, 2003.

The compensation expense of stock options is measured at the date of the grant and is recorded over the vesting period of the awards. When an employee exercises its options, any consideration paid by employees on exercise of stock options as well as the correspondent portion of the compensation expense recorded and charged to contributed surplus is credited to capital stock. For the executive and employee share plan, the Company's contribution on the employee's behalf is recognized as a compensation expense. Any consideration paid by executives and employees on purchase of stock is credited to capital stock. Awards to members of senior management related to the deferred share unit plan and to Quebecor Media Inc.'s stock-based compensation plan are measured and recorded in the financial statements at fair value. Under this method, the change in fair value of the share unit as well as Quebecor Media Inc.'s stock option modifies the compensation expense recorded over the vesting period of the awards

b) Guarantees

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

In the normal course of business, the Company entered into numerous agreements that may contain features that meet the AcG-14's definition of a guarantee. AcG-14 defines a guarantee to be a contract (including an indemnity) that contingently requires the Company to make payments (either in cash, financial instruments, other assets, shares of our stock or provision of services) to a third party based on (i) changes in an underlying interest rate, foreign exchange rate, equity or commodity instrument, index, fair value or other variable, that is related to an asset, a liability or an equity security of the counterparty, (ii) failure of another party to perform under an obligating agreement or (iii) failure of another third party to pay its indebtedness when due.

1. Changes in accounting policies (continued)

c) Broadcast rights and distribution rights

During the last quarter of fiscal year 2003, the Company fully adopted U.S. accounting standard Statement of Financial Accounting Standard No. 63 (SFAS No. 63) "Financial Reporting by Broadcaster" for its television sector and Statement of position No. 00_2 (SOP 00_2) "Accounting by Producers or Distributors of Films" for its distribution sector. These two standards establish principles for recognition, measure and disclosure for revenues, expenses, assets, liabilities and commitments.

The Company has restated its broadcast rights and broadcast rights payable figures as at December 31, 2002 to reflect these new accountings policies. As at December 31, 2002, total broadcast rights and broadcast rights payable have both been reduced by $9,035,000 and commitments have been increased by the same amount. No significant impact has been recognized in the Company's statement of income nor on cash flows for fiscal year 2002.

2. Significant accounting policies

a) Principles of consolidation and long-term investments

The consolidated financial statements include the accounts of the Company and all of its subsidiaries from the date of acquisition of control to the date of the balance sheet. The equity in the joint ventures is accounted for using the proportionate consolidation method. Investments in companies subject to significant influence are accounted for using the equity method and all other investments are accounted for using the cost method.

b) Use of estimates

The preparation of financial statements requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities shown on the balance sheet and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses on the statement of income during the reporting period. Actual results could differ from those estimates.

c) Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid investments with an initial maturity of less than or equal to three (3) months.

d) Tax credits and government assistance

The Company may take advantage of several government programs designed to support production and distribution of televisual products and movies and magazine publishing in Canada. The government aid for televisual production is accounted for in reduction of the production costs. The government aid for distribution of films and televisual products is also accounted for as a cost reduction. Government aid for publishing is accounted for as an operating revenue and amortized during the year in which the Company meets the aid requirements.

e) Inventories

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

2. Significant accounting policies (continued)

f) Programs produced and productions in progress

Programs produced and productions in progress relate to television activities. Programs produced and productions in progress are accounted for at the lower of cost and net realizable value. Cost includes direct charges for goods and services and the share of labour and general expenses relating to each production. The cost of each program is charged to operating expenses when the program is broadcasted or when a loss can be estimated.

g) Broadcast rights and broadcast rights payable

Broadcast rights are essentially contractual rights allowing limited or unlimited broadcast of televisual products or movies. The Company records an asset and a liability for the broadcast rights acquired and obligation incurred under a licence agreement when the licence period begins and all of the following conditions have been met:

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

ii) The program material, films or series have been accepted by the Company in accordance with the conditions of the licence agreement;

iii) The program, films or series are available for their first showing or telecast;

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

Broadcast rights are classified as short term or long term based on management's estimates of the broadcast period.

These rights are amortized upon the broadcast of televisual products and movies over the contract period, based on the estimated number of showing, using a depreciation method based on estimated future revenues. This amortization is presented in operating, selling and administrative expenses. Broadcast rights are valued at the lower of unamortized cost or net realizable value.

Broadcast rights payable are classified as current liabilities or long-term liabilities based on the payment term included in the licence contract.

h) Distribution rights and distribution rights payable

Distribution rights refer to the distribution of televisual products and movies. The costs include the cost for film acquisition rights, publicity and other operating costs incurred which provide probable future economic benefit. The net realizable value of distribution rights represents the Company's share of future estimated revenues to be derived, net of future costs. The Company records an asset and a liability for the distribution rights and obligations incurred under a licence agreement when the film has been accepted in accordance with the conditions of the contract and when the film is available for broadcast.

Amounts paid for distribution rights prior to the conditions of recording the asset are recorded as prepaid distribution rights in the distribution rights.

Distribution rights are amortized using the individual film-forecast-computation method with a depreciation method based on actual revenues realized over total estimated revenues. The distribution rights amortization is presented in operating, selling and administrative expenses.

2. Significant accounting policies (continued)

h) Distribution rights and distribution rights payable (continued)

Estimates of revenues are examined periodically by management and revised as necessary based on management's assessment of current market conditions. The value of amortized costs is reduced to net realizable value, as necessary, based on this assessment.

i) Fixed assets

Fixed assets are recorded at cost. The Company calculates depreciation using the following methods and rates:

Asset	Method	Rate
Buildings	Straight-line	2.5 % à 4 %
Equipment	Straight-line and diminishing balance	6.6 % à 33.3 %

j) Deferred charges

Deferred charges represent start-up costs for the specialty channels and deferred financing charges. The deferred charges related to specialty channels are amortized over five years from the commencement of commercial operations and those related to financing are amortized over the related debt duration. The deferred charges are presented in the section Other assets.

k) Licences and goodwill

Licences include broadcast licences and magazines trademark licence for Canadian operation. Broadcast licences represent the cost of acquiring rights to operate broadcasting stations. These licences have an indefinite useful life.

Goodwill represents the excess of the purchase price over net assets acquired related to business acquisitions.

Licences which have an indefinite useful life and goodwill are no longer amortized since September 1, 2001, but are tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. The Company did not recognize any impairment following the transitional impairment test performed on September 1, 2001, nor during the annual impairment tests performed on October 31, 2003 and 2002.

l) Pension plans and other retirement benefits

The Company has defined benefit and defined contribution pension plans for its employees. In addition, the Company has health, life and dental insurance plans for certain retired employees with respect to an old plan. The active employees of the Company no longer benefit from this type of protection. The difference between the employee benefit expense and employer contributions paid into the plans is recorded as an accrued benefit asset or liability.

The following accounting policies are applied for 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 the employees. The calculations take into account management's best estimates of expected pension plan investment performance, salary escalation, retirement ages of employees and expected health care.

2. Significant accounting policies (continued)

l) Pension plans and other retirement benefits (continued)

ii) For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.

iii) Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.

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

v) The long-term expected return on plan assets is based on a value related to fair value.

The pension expense of defined contribution plans recorded in income represents the contributions that the Company must pay during the period in exchange for services rendered by the employees during the period.

m) Revenue recognition

Advertising revenues

Revenues derived from the sale of advertising airtime in the television sector are recognized once the broadcasting of the advertisement has occurred. In the publishing sector, revenues derived from advertising area in magazines are recognized at the time the advertisement is published; that is, at the magazine publication date.

Subscription revenues

Subscription revenues derived from specialty television channel subscriptions are recognized on a monthly basis at the time the service is rendered.

Revenues derived from magazine subscriptions are recognized as the service is rendered. Amounts received for magazine subscriptions are accounted for as deferred revenues and are amortized over the duration of the subscription.

Revenues from the sale of magazines in newsstands

Revenues from the sale of magazines in newsstands are recognized at the time they are delivered in newsstands and are recorded using gross sales less a provision for future returns.

Distribution revenues

Revenues derived from the sale of distribution of film and television program rights are recognized when the following conditions are met:

i) Persuasive evidence of a licencing arrangement with a customer exists and is provided solely by a contract or other legally enforceable documentation that sets forth, at a minimum (i) the licence period, (ii) the film or group of films affected and (iii) the consideration to be exchanged.

2. Significant accounting policies (continued)

m) Revenue recognition (continued)

ii) The film is complete and has been delivered or is available for delivery.

iii) The licence period of the arrangement has begun and the customer can begin its exploitation, exhibition, broadcasting or sale.

iv) The arrangement fee is fixed or determinable.

v) Collection of the arrangement fee is reasonably assured.

Theatrical revenues begin to be recognized in the months during which the film is released in theatres based on a percentage of revenues generated by movie theatres, when all of the above conditions are met. Revenues generated from video are recognized in the month during which the film is released in the video market and are based on the delivery of videocassettes and digital video discs “DVD” units less a provision for future returns or based on a percentage of the retailer sales and when the aforementioned conditions are met.

Sales of products

Revenue derived from the sales of products of the Shopping TV service are recognized at the time of delivery.

n) Foreign currency translation

Monetary assets and liabilities in foreign currency are translated at exchange rates in effect at the balance sheet date. Other assets and liabilities are translated at exchange rates in effect at transaction dates. Revenues and expenses in foreign currency are translated at the average rate in effect during the year, with the exception of depreciation and amortization, which are translated at the historical rate. Gains and losses are included in income for the year.

o) Income taxes

The Company uses the liability method of accounting for income taxes. According to this method, future income tax assets and liabilities are determined by temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes, computed on rates and provisions of enacted or substantially enacted tax law, at the date of the financial statements for the years in which temporary differences are expected to be recovered or settled.

p) Barter transactions

In the normal course of its business, the Company broadcasts advertising spots in exchange for goods and services. The revenues thus earned are recorded on the basis of the fair market value of the goods and services obtained.

q) Earnings per share

Earnings per share are calculated with the weighted average number of shares outstanding during the year. The Company uses the treasury stock method for determining the dilutive effects of options when calculating diluted earnings per share.

(Amounts presented in the tables are expressed in thousands of dollars.)

3. Business acquisitions

TVAchats inc. (previously HSS Canada inc.)

On March 18, 2003, the Company acquired 50 additional Class A shares of its joint venture, HSS Canada inc., a company in the home shopping TV area, changing its ownership from 50% to 100% of outstanding shares, for an amount of $925,000. 100% of TVAchats inc.'s operating income was included in the Company's consolidated statement of income since March 18, 2003 (50% before that date). June 27, 2003, the Company changed HSS Canada's designation for TVAchats inc.

The allocation of the acquisition price is detailed as follows:

Current assets	$ 826
Fixed assets	15
Current liabilities	(699)
Net assets acquired	142
Goodwill	783
Acquisition price	925
Less cash and cash equivalents acquired	(305)
Consideration paid, net of cash and cash equivalents acquired	$ 620

Publicor

On May 16, 2002, the Company acquired all the assets and liabilities of Publicor, a division of its parent company Quebecor Media inc., operating in the publishing business in exchange for a cash consideration of $36,225,000 including transaction fees and employee severances. This value was established by an external appraisal and approved by an independent committee. This acquisition has been recorded using the purchase method. Employee severance cost represents $192,000. The operating income of Publicor is included in the Company's consolidated statement of income as of May 16, 2002.

The purchase agreement also contemplates a maximum purchase price adjustment of $6,000,000 over three years, a maximum of $2,500,000 per year, if profits in the Publishing sector in 2003, 2004 and 2005 rise above certain preset levels.

As at December 31, 2003, the Company recorded a $1,540,000 purchase price adjustment as additional goodwill and as a liability. This amount is payable on March 1, 2004.

(Amounts presented in the tables are expressed in thousands of dollars.)

3. Business acquisitions (continued)

Publicor (continued)

The allocation of the acquisition price is detailed as follows:

2002	
Initial acquisition price	$ 36,225
Current assets	5,397
Fixed assets	209
Current liabilities	(4,244)
Net assets	1,362
Initial goodwill	$ 34,863
2003	
Purchase price adjustment recorded as goodwill	1,540
Goodwill	$ 36,403

No changes will be made to the purchase price allocation related to the assets acquisition of Publicor, with the exception of the purchase price adjustments.

4. Financing expenses

	2003 (12 months)	2002 (16 months)
Interest on long-term debt	**$ 1,597**	$ 2,496
Interest revenues	**(937)**	(924)
Amortization of deferred financing charges	**450**	386
(Gain) loss on foreign currency translation	**(71)**	55
Other	**72**	680
	$ 1,111	$ 2,693

5. Other items and reserve for restructuring

a) Television segment

During the year, the Company wrote off $418,000 of costs related to three FM radio licences requests and expenses related to the transaction of acquisition of Astral Media's AM and FM radio stations, which licences were refused by the Canadian Radio Television and Telecommunication Commission (CRTC).

Last year, the Company recorded employee severance costs amounting to $2,800,000 related to the pre-retirement program implemented during the year for which a balance of $400,000 was payable as at December 31, 2002. These costs were all paid as at December 31, 2003. The Company also realized a $804,000 gain on the sale of its investment in CKMI-TV and accounted for $400,000 to write off a portfolio investment.

(Amounts presented in the tables are expressed in thousands of dollars.)

5. Other items and reserve for restructuring (continued)

b) Distribution segment

During the year 2001, the Company, through its subsidiary TVA Acquisition Inc., recognized an impairment in the value of assets and accounted for restructuring fees following a repositioning in this sector.

As at December 31, 2002, an amount of $,8,332,000 was not utilized. During the year 2003, the Company used an amount of $1,913,000, and the balance of the reserve for restructuring was $6,419,000 as at December 31, 2003.

6. Income taxes

The income tax expense is presented as follows :

	2003	2002
	(12 months)	(16 months)
Current income taxes	**$ 6,994**	$ 17,944
Future income taxes	**6,934**	1,329
	$ 13,928	$ 19,273

The following table reconciles the difference between domestic statutory tax rate and the effective tax rate used by the Company in the determination of the consolidated net income:

	2003	2002
	(12 months)	(16 months)
Domestic statutory tax rate	**33.1 %**	35.1 %
Increase (decrease) resulting from:		
Effect of non-deductible charges and resulting from tax rate reduction	**(1.1)**	(2.8)
Change in deferred credit	**(9.0)**	(11.6)
Other	**(2.5)**	1.4
Effective tax rate	**20.5 %**	22.1 %

(Amounts presented in the tables are expressed in thousands of dollars.)

6. Income taxes (continued)

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

	2003	2002
Future tax assets		
Loss carryforwards in the future	$ 9,450	$ 22,041
Reserve for restructuring	2,475	3,691
Goodwill and licences	3,446	3,749
Difference between book and tax bases of property, fixed assets and investments	3,893	3,573
Other	3,191	4,197
	22,455	37,251
Valuation allowance	(12,358)	(20,081)
	10,097	17,170
Future tax liabilities		
Goodwill and licences	(22,516)	(20,798)
Difference between book and tax bases of property, fixed assets and investments	(3,196)	(5,074)
Other	(14,188)	(6,643)
	(39,900)	(32,515)
Net future tax liabilities	$ (29,803)	$ (15,345)

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

	2003	2002
Future tax assets		
Current	$ 5,893	$ 9,091
Long-term	4,204	8,079
	10,097	17,170
Future tax liabilities		
Long-term	(39,900)	(32,515)
Net future tax liabilities	$ (29,803)	$ (15,345)

Last year, the Company recognized $21,000,000 of future income tax assets related to deferred tax losses following the winding-up of certain companies in the production and distribution sector. The counterpart of these future income tax assets is showed as deferred credit in the liabilities of the Company. This deferred credit is amortized to the income tax expense in proportion to the net reduction of the related future income tax asset. As at December 31, 2003, the deferred credit balance represents $4,737,000 ($10,874,000 in 2002).

During the year, the Company obtained from Quebecor World Inc., a company under common control of its ultimate parent, Quebecor Inc., tax deductions representing income taxes of about $347,000 ($12,679,000 in 2002). All this amount has been recorded as income tax asset. This transaction allows the Company to realize a gain of $107,000 ($2,779,000 in 2002), which is recorded as a contributed surplus. The Company also accounted for an additional amount of $122,000 as contributed surplus related to an adjustment to Quebecor World inc.'s 2002 tax deductions transaction. As at December 31, 2003, the Company has an account payable of $240,000 ($9,900,000 in 2002) to Quebecor World Inc.

(Amounts presented in the tables are expressed in thousands of dollars.)

6. Income taxes (continued)

The Company has not recognized a future tax liability for the undistributed earnings of its subsidiaries in the current and prior years because the Company currently does not expect to sell these investments and because these undistributed earnings become taxable.

Figures in the tables presented previously for 2003 and 2002 include a valuation allowance of $12,358,000 and $20,081,000, respectively, relating to loss carryforwards and other available tax benefits. The net change in the valuation allowance for the year ended December 31, 2003 is explained mainly by a reduction of an amount of $7,465,000 from the use of fiscal losses for which a valuation allowance was accounted for. For the year ended December 31, 2002, the net change in valuation allowance was mainly explained by a reduction of $7,717,000 recorded against the deferred credit in the wind-up of certain subsidiaries of the production and distribution segment.

As at December 31, 2003, the Company had available, for income tax purposes, loss carryforwards of approximately $30,903,000 ($68,591,000 in 2002) that can be used to reduce its future taxable income, expiring from 2004 to 2010, and $81,659,000 ($78,529,000 in 2002) of capital losses without time limit and for which no future income tax was recorded.

7. Joint ventures

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

	2003	2002
	(12 months)	(16 months)
Consolidated statements of income		
Operating revenues	**$ 10,194**	$ 16,885
Operating, selling and administrative expenses	**9,683**	17,608
Operating income (loss) before the following items	**511**	(723)
Depreciation and amortization	**602**	712
Financing expenses	**81**	253
Income taxes	**294**	758
Net loss	**$ (466)**	$ (2,446)
Consolidated balance sheets		
Current assets	**$ 6,466**	$ 4,253
Long-term assets	**2,476**	3,103
Current liabilities	**3,320**	12,432
Consolidated statements of cash flows		
Cash flows from operating activities	**(8,822)**	5,867
Cash flows from investing activities	**55**	(1,869)
Cash flows from financing activities	**9,430**	–

(Amounts presented in the tables are expressed in thousands of dollars.)

8. Information on the consolidated statements of cash flows

Additional information regarding consolidated statement of cash flows is detailed as follows:

a) Net changes in non-cash items are detailed as follows:

	2003 (12 months)	2002 (16 months)
Decrease (increase) in assets		
Accounts receivable	$ 9,322	$ 4,449
Investments in televisual products and movies	3,990	8,875
Inventories and prepaid expenses	(1,244)	4,718
Increase (decrease) in liabilities		
Accounts payable and accrued liabilities	(23,708)	(14,121)
Deferred revenues	(396)	18
Broadcast and distribution rights payable	(4,316)	(1,477)
Current income tax assets and liabilities	14,813	4,523
Other	123	(688)
	$ (1,416)	$ 6,297

b) Interest paid and income taxes paid and presented as operating activities are detailed as follows:

	2003 (12 months)	2002 (16 months)
Interest paid	$ 1,576	$ 4,628
Income taxes paid (received)	(8,020)	12,417

c) Non-cash transactions:
The consolidated statement of cash flows excludes the following non-cash transactions:

	2003 (12 months)	2002 (16 months)
Publicor purchase price adjustment	$ 1,540	$ –
Acquisition of fixed assets financed by accounts payable and accrued liabilities	691	–

9. Accounts receivable

	2003	2002
Trade accounts	$ 73,237	$ 81,448
Receivables from companies under common control	9,273	7,821
Tax credits receivable	5,405	7,718
Current income tax assets	2,274	15,508
	$ 90,189	$ 112,495

Receivables from companies under common control benefit from the same conditions as trade accounts receivable.

Companies under common control represent subsidiaries of the ultimate parent company, Quebecor inc.

(Amounts presented in the tables are expressed in thousands of dollars.)

10. Investments in televisual products and movies

	Short term	Long term	Total
			2003
Programs produced and in progress	**$ 2,502**	**$ –**	**$ 2,502**
Broadcast rights	**26,382**	**13,810**	**40,192**
Distribution rights	**–**	**5,985**	**5,985**
	$ 28,884	**$ 19,795**	**$ 48,679**

	Short term	Long term	Total
			2002
Programs produced and in progress	$ 3,178	$ –	$ 3,178
Broadcast rights	25,810	14,348	40,158
Distribution rights	–	9,333	9,333
	$ 28,988	$ 23,681	$ 52,669

11. Investments

	2003	2002
Companies subject to significant influence		
Télé Inter-Rives Ltée, 45% interest	**$ 5,330**	$ 4,901
9085-3011 Québec Inc. (a)	**2,748**	2,868
Other investment in companies subject to significant influence	**(25)**	(25)
	8,053	7,744
Other investments		
Term loan (b)	**2,939**	3,494
Note receivable from 9085-3011 Québec inc. (a)	**8,500**	8,500
Portfolio investments	**2,902**	2,902
	$ 22,394	$ 22,640

a) 9085-3011 Québec inc. is a company 50% owned by TVA Group Inc. and 50% owned by companies under common control. 9085-3011 Québec inc. has a 22.4% interest in Netgraphe Inc. The note receivable bears interest at prime rate plus 4% and is payable on demand.

b) The term loan of $2,939,000 bears interest at the rate of 8% since August 1, 2001 (6% before that date) and matures on August 1, 2007.

(Amounts presented in the tables are expressed in thousands of dollars.)

12. Fixed assets

			2003
	Cost	Accumulated depreciation	Net book value
Land	$ 3,168	$ –	$ 3,168
Buildings	62,519	38,585	23,934
Equipment	147,030	114,995	32,035
Projects in progress	3,726	–	3,726
	$ 216,443	$ 153,580	$ 62,863

			2002
	Cost	Accumulated depreciation	Net book value
Land	$ 3,168	$ –	$ 3,168
Buildings	61,929	36,444	25,485
Equipment	144,781	106,723	38,058
Projects in progress	1,218	–	1,218
	$ 211,096	143,167	$ 67,929

13. Other assets

	2003	2002
Accrued benefit assets (note 19)	$ 3,819	$ 3,864
Deferred charges		
Deferred financing charges	550	987
Start-up costs for the specialty channels	2,801	3,409
	$ 7,170	$ 8,260

14. Bank loans

Bank loans represent bank term loans which have been fully reimbursed during the year 2003.

15. Accounts payable and accrued liabilities

	2003	2002
Trade accounts payable and accrued liabilities	$ 48,126	$ 61,675
Accounts payable to companies under common control	4,524	11,604
Current income tax liabilities	2,124	2,139
	$ 54,774	$ 75,418

(Amounts presented in the tables are expressed in thousands of dollars.)

16. Long-term debt

Last year, the Company reached a new credit agreement consisting of a revolving-term bank loan of a maximum of $135,000,000 bearing interest at floating rates based on bankers' acceptances rates or bank prime rate plus a variable margin based on the ratio of total debt to cash flows.

During the year, the Company exercised its right to extend for an additional period of one year its credit agreement. The new maturity date is February 11, 2006.

As at December 31, 2003, the borrowed amounts include $18,914,000 ($44,820,000 in 2002) of banking acceptances, bearing interest at a rate of 2.76% (2.81% in 2002) and $5,450,000 ($6,400,000 en 2002) of lines of credit advances, bearing interest at a rate of 4.5% (4.5% in 2002).

The revolving-term bank loan is secured by a hypothec for $230,000,000 on the universality of the Company's movable and immovable, tangible and intangible, current and future property.

Under the credit agreement, the Company is subject to certain covenants, including maintaining certain financial ratios. As at December 31, 2003, the Company is in compliance with these covenants. In addition, the Company is limited with regard to amounts for the acquisition of fixed assets, investments, dividends and other payments to shareholders.

As at December 31, 2003, the Company has outstanding letters of credit amounting to $712,000 ($486,000 in 2002).

17. Capital stock

Authorized:

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

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.

	2003	2002
Issued and fully paid		
4,320,000 Class A common shares	**$ 72**	$ 72
28,187,447 Class B shares (29,552,897 in 2002)	**140,808**	146,858
	$ 140,880	$ 146,930

During the year, the Company issued 86,750 Class B shares (1,000 shares in 2002), following the exercising of share purchase options, for a cash consideration of $1,166,000.

Issuer bid in the normal course of activities

During the year, the Company has filed a new issuer bid in order to redeem for cancellation between June 3, 2003 and June 2, 2004, in the normal course of its activities, a maximum of 1,797,708 Class B shares not held by insiders - approximately 10% of the Company's outstanding Class B shares at the beginning of the issuer bid. The Company redeemed these Class B shares at market price at the time of purchase, plus brokerage fees.

17. Capital stock (continued)

During the year, 1,452,200 shares (557,100 shares in 2002) were redeemed for cancellation for a cash consideration of $25,772,000 ($7,866,000 in 2002). A total of 168,500 (96,500 in 2002) of these 1,452,200 shares redeemed were still not cancelled on December 31, 2003.

Last year, the Company had filed an issuer bid to redeem for cancellation between June 3, 2002 and June 2, 2003, in the normal course of its activities, a maximum of 1,917,335 Class B shares not held by insiders - approximately 10% of the Company's outstanding Class B shares at the beginning of the issuer bid.

The issuer bid which ended on June 2, 2003 allowed the Company to redeem 1,377,500 Class B shares between June 3, 2002 and June 2, 2003, the maximum permitted was 1,917,335 shares.

Executive Class B stock option plan for managers

On October 18, 1999, the Company replaced the Class B stock option plan introduced in 1990 (hereafter the 1990 plan), except for options already granted but not exercised. For these options, the terms of the 1990 plan still apply. The 1990 plan had been created for certain designated executives. Under the plan, the subscription price for a Class B share covered by an option is equal to the average closing market price of the share during the last five days preceding the date of grant of the option. No option may be exercised before the second anniversary of the date the options were granted; as of that date, the options may be exercised on the basis of 25% of the shares involved annually ("conventional options"). The term of the option is 10 years. During the year, the Company granted no conventional options under this plan.

Under the terms of the plan, introduced for executives of the Company and its subsidiaries, the granting, terms and conditions of options granted are determined by the Company's corporate governance and human resources committee. However, the subscription price of each Class B share under an option cannot be less than the closing price on the stock market the day before the option is granted. Moreover, the duration of the options cannot exceed 10 years. A maximum of 1,400,000 shares will be reserved for the purposes of the plan. Furthermore, upon meeting conditions, a maximum of 200,000 additional Class B stock options will be granted at various dates until 2010 at fixed exercise prices at the time of grant. During the year, the Company did not grant any Class B stock options (none in 2002) whose exercise depends on the performance of the Class B share price on the stock market over periods lasting until 2010 ("performance options"). In addition, the Company did not grant any stock options (60,000 stock options in 2002) exercisable on the basis of 25% of the shares involved annually ("conventional options"), starting at the second anniversary of their granting date.

(Amounts presented in the tables are expressed in thousands of dollars.)

17. Capital stock (continued)

Executive Class B stock option plan for managers (continued)

The following table provides a summary of the situation as at December 31, 2003 and 2002 of the conventional options and any changes that occurred during the years then ended:

	2003 (12 months)		2002 (16 months)	
Conventional options	**Number**	**Weighted average exercise price (in dollars)**	Number	Weighted average exercise price (in dollars)
Balance at beginning of year	**347,050**	**$ 15.69**	378,050	$ 17.86
Granted	**–**	**–**	60,000	10.82
Exercised	**(86,750)**	**13.44**	(1,000)	6.88
Cancelled	**(10,000)**	**25.20**	(90,000)	21.65
Balance at end of year	**250,300**	**$ 16.09**	347,050	$ 15.69
Vested options at end of year	**145,300**	**$ 18.92**	219,550	$ 17.55

	Outstanding options			Vested options	
Exercise price range (in dollars)	Number of vested options as at December 31, 2003	Weighted average remaining contractual life (years)	Weighted average exercise price (in dollars)	Number of vested options as at December 31, 2003	Weighted average exercise price (in dollars)
$3.43 $ à $7.72	1,800	1.64	$ 3.58	1,800	$ 3.58
$7.73 $ à $11.59 $	64,000	6.03	10.82	4,000	10.87
$11.60 $ à $17.40 $	77,500	6.92	14.00	32,500	14.00
$17.41 $ à $25.50 $	107,000	6.40	20.97	107,000	20.97
	250,300			145,300	

(Amounts presented in the tables are expressed in thousands of dollars.)

17. Capital-stock (continued)

Executive Class B stock option plan for managers (continued)

The following table provides a summary of the situation as at December 31, 2003 and 2002 of performance options and any changes that occurred during the year then ended:

		2003 (12 months)		2002 (16 months)
Performance options	**Number**	**Weighted average exercise price (in dollars)**	Number	Weighted average exercise price (in dollars)
Balance at beginning of year	**50,000**	**$ 18.85**	90,000	$ 21.81
Cancelled	**–**	**–**	(40,000)	25.50
Balance at end of year	**50,000**	**$ 18.85**	50,000	$ 18.85
Vested options at end of year	**50,000**	**$ 18.85**	50,000	$ 18.85

	Outstanding options			Vested options	
Exercise price range (in dollars)	Number of vested options as at December 31, 2003	Weighted average remaining contractual life (years)	Weighted average exercise price (in dollars)	Number of vested options as at December 31, 2003	Weighted average exercise price (in dollars)
$ 18.85	50,000	0.80	$ 18.85	50,000	$ 18.85

Class B stock option plan for executives and employees

In 1998, the Company introduced stock options plans relating to 750,000 Class B shares for its executives and employees. The plans provide that participants can acquire shares under certain terms related to their salary. The shares can be acquired at a price equal to 90% of the average closing market prices. The plans also provide financing terms at no interest. During the year, no Class B shares (nil in 2002) were issued under the plans. The remaining balance which may be granted is 562,396 shares as at December 31, 2003 (562,396 in 2002).

Deferred share unit plan

During the year ended August 27, 2000, the Company introduced a long-term profit sharing plan for certain members of senior management. The deferred share units are redeemable (in cash or in shares or in a combination of cash and shares) only upon discontinuation of the participant's job. Under this plan, the maximum number of shares which can be issued is 25,000. During the year, the Company did not issue any units (none in 2002). No units are outstanding at December 31, 2003 and 2002.

17. Capital-stock (continued)

Quebecor Media Inc.'s stock-based compensation plan

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

Under a stock option plan established by Quebecor Media Inc., 6,185,714 common shares of Quebecor Media Inc. were set aside for officers, senior employees and other key employees of Quebecor Media and its subsidiaries. Each option may be exercised within a maximum period of ten years following the date of grant at an exercise price not lower than, as the case may be, the fair market value of the common shares of Quebecor Media Inc. as determined by the Board of Directors of Quebecor Media Inc. (if the common shares of Quebecor Media Inc. are not listed on a stock exchange at the time of the grant) or the trading price of the common shares of Quebecor Media Inc. on the stock exchanges where such shares are listed at the time of the grant. Unless authorized by the Compensation Committee of Quebecor Media Inc. for a change in control transaction, no option may be exercised by an optionee if the shares of Quebecor Media Inc. have not been listed on a recognized stock exchange. At December 31, 2007, if the shares of Quebecor Media Inc. have not been so listed, optionees will have until January 31, 2008 to exercise their rights to receive in cash the stock appreciation of their options. At December 31, 2009, if the shares of Quebecor Media Inc. have not been so listed, optionees will have until January 31, 2010 to exercise their rights to receive in cash the stock appreciation of their options. Except under specific circumstances and unless the Compensation Committee of Quebecor Media Inc. decides otherwise, options vest over a five-year period in accordance with one of the following vesting schedules as determined by the Compensation Committee of Quebecor Media Inc. at the time of grant: (i) equally over five years with the first 20% vesting on the first anniversary of the date of the grant, (ii) equally over four years with the first 25% vesting on the second anniversary of the date of the grant, and (iii) equally over three years with the first 33% vesting on the third anniversary of the date of the grant.

All options outstanding as of December 31, 2003 were granted during the year ended December 31, 2002. No option is vested at the end of the period. During the year ended December 31, 2003, no option has been cancelled. During the year 2003, the Company recorded a $300,000 remuneration expense (none in 2002) and an account payable to Quebecor Media Inc. related to these stock options.

(Amounts presented in the tables are expressed in thousands of dollars.)

17. Capital-stock (continued)

Quebecor Media Inc.'s stock-based compensation plan (continued)

The following table provides summary information regarding outstanding options granted to the Company's top management, executive employees and other key employees, as at December 31, 2003 and 2002:

Weighted average exercise price (in dollars)	Number	Exercise value (in dollars)	Weighted average remaining contractual life (years)
$ 16.17	85,806	$ 1,387,483	8.20

Earnings per share

The following tables provide calculation for basic and diluted income per share:

	2003 (12 months)	2002 (16 months)
Net income	**$ 54,513**	$ 63,201
Weighted average number of shares outstanding	**33,053,045**	34,336,013
Effect of dilutive stock options	**62,028**	12,373
Weighted average number of diluted shares	**33,115,073**	34,348,386
Net income basic and diluted per share (in dollars)	**$ 1.65**	$ 1.84

18. Tax credits and government aid

Included in income are amounts for government assistance totalling $2,240,000 ($2,513,000 in 2002), which represent $2,240,000 ($1,549,000 in 2002) for writing aid and nil ($964,000 in 2002) in the form of refundable tax credits. Government assistance in the amount of $2,558,000 ($4,454,000 in 2002) was applied against production expenses, being $1,389,000 ($2,602,000 in 2002) in refundable tax credits and $1,169,000 ($1,852,000 in 2002) for production financing.

(Amounts presented in the tables are expressed in thousands of dollars.)

19. Pension plans and other retirement benefits

Information about the Company's defined benefit plans, in aggregate, is as follows:

	2003		2002	
	Pension plans (12 months)	Other plans (12 months)	Pension plans (16 months)	Other plans (16 months)
Accrued benefit obligations				
Balance at beginning of year	$ 100,246	$ 1,535	$ 101,559	$ 1,073
Participants' contribution	712	–	887	–
Current service cost	1,041	–	1,619	–
Interest cost	6,629	70	9,304	71
Plan modification	1,259	–	3,218	163
Business acquisition	2,678	76	–	–
Benefits paid	(7,594)	(122)	(10,264)	(112)
Actuarial loss	–	–	–	340
Assumption modification	10,746	55	(6,077)	–
Balance at end of period	$ 115,717	$ 1,614	$ 100,246	$ 1,535

	2003		2002	
	Pension plans (12 months)	Other plans (12 months)	Pension plans (16 months)	Other plans (16 months)
Plan assets				
Fair value of plan assets at beginning of year	$ 104,370	$ –	$ 110,868	$ –
Actual return on plan assets	15,190	–	86	–
Employer contributions	1,010	–	2,793	–
Plan participant's contributions	712	–	887	–
Benefits paid	(7,594)	–	(10,264)	–
Business acquisition	2,647	–	–	–
Fair value of plan assets at end of year	$ 116,335	$ –	$ 104,370	$ –

(Amounts presented in the tables are expressed in thousands of dollars.)

19. Pension plans and other retirement benefits (continued)

	2003		2002	
	Pension plans (12 months)	Other plans (12 months)	Pension plans (16 months)	Other plans (16 months)
Excess of fair value of plan assets (obligations) over benefit obligations (assets) at end of year	$ 618	$ (1,614)	$ 4,124	$ (1,535)
Unamortized past service cost	6,536	88	5,676	121
Unamortized net actuarial loss	9,545	342	6,131	340
Unamortized transitional obligation (asset)	(6,652)	669	(7,154)	750
Accrued benefit asset (liability)	10,047	(515)	8,777	(324)
Valuation allowance	(6,228)	–	(4,913)	–
Accrued benefit asset (liability), net of valuation allowance	$ 3,819	$ (515)	$ 3,864	$ (324)

Following the acquisition of all assets and liabilities of Publicor on May 16, 2002 (see note 3), the Company transferred the accrued benefit liability and the plan assets related to the employees transferred during the year 2003.

	2003		2002	
	Pension plans (12 months)	Other plans (12 months)	Pension plans (16 months)	Other plans (16 months)
Current service cost	$ 1,041	$ –	$ 1,619	$ –
Interest cost	6,629	70	9,304	71
Expected return on plan assets	(7,936)	–	(10,758)	–
Amortization of past service cost	411	33	3,322	44
Amortization of transitional obligation (asset)	(502)	82	(669)	109
Change in valuation allowance	1,315	–	81	–
Amortization of net actuarial loss	98	20	–	49
Benefit plan expense	$ 1,056	$ 205	$ 2,899	$ 273

(Amounts presented in the tables are expressed in thousands of dollars.)

19. Pension plans and other retirement benefits (continued)

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows:

	2003	2002
Discount rate	**6.25 %**	6.75 %
Expected long-term rate of return on plan assets	**7.75 %**	7.75 %
Rate of compensation increase	**3.25 %**	3.25 %

For measurement purposes, a 9% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2003. The rate was assumed to decrease gradually to 5% over a ten-year period and remain at that level thereafter.

For the year ended December 31, 2003, the total expense for the Company's defined contribution pension plans is $2,658,700 ($3,320,000 for the 16 months period in 2002).

20. Related party transactions

During the year ended December 31, 2003, the Company concluded the following transactions with related companies in the normal course of its operations. Amounts of transactions with related companies are determined on the basis of contracts signed between the parties and in which the value of services rendered was determined at the exchange value.

Operating revenues

The Company has a policy of providing airtime, selling programs and offering technical production and postproduction services to companies under common control at market value. The Company sold airtime and leased production and postproduction technical services amounting to $16,122,000 ($19,760,000 in 2002) to companies under common control.

Operating, selling and administrative expenses

The Company paid management fees to the parent company in the amount of $1,500,000 ($1,867,000 in 2002). The Company received information systems, communications, access rights and printing services for a total amount of $33,250,000 ($36,978,000 in 2002) from companies under common control.

21. Commitments, guarantees and contingencies

a) Commitments

The Company is committed under operating leases, mainly for services and office space and also for distribution and broadcasting rights, which call for total payments of $35,374,000 until 2011. The minimum payments for the coming years are as follows:

2004	$ 14,535
2005	6,423
2006	4,513
2007	2,843
2008	2,221
2009 and thereafter	4,839

21. Commitments, guarantees and contingencies (continued)

b) Guarantees

The Company 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 Company must, under certain conditions, compensate the lessor for a portion of the shortfall. The maximum exposure in respect of these guarantees is $790,000. As at December 31, 2003, the Company did not record any liability related to these guarantees.

In the normal course of its operations, the Company provides indemnification agreements to counterparties in transactions such as purchase contracts, service agreements and leasing transactions. These indemnification agreements require the Company 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 Company from making a reasonable estimate of the maximum potential amount it could be required to pay to counterparties. Historically, the Company have not made any significant payments under such indemnification. No amounts have been accrued since the Company does not expect to make any payments pertaining to these agreements.

c) Contingencies

In the normal course of its operations, various lawsuits and claims are pending against the Company. It is the opinion of management that final determination of these claims will not have a material adverse effect on the financial position or results of the Company.

22. Financial instruments

Credit risk management

The Company is exposed to credit losses resulting from defaults by counterparties. The Company, in the normal course of business, continuously monitors the financial condition of its customers and reviews the credit history of each new customer. As at December 31, 2003, no customer balance represented a significant portion of the Company's consolidated trade receivables. The Company establishes an allowance for doubtful accounts that corresponds to the specific credit risk of its customers, historical trends, and other information on the state of the economy. The balance of accounts receivable is divided among various clients, principally advertising agencies.

Fair value of financial instruments

The carrying amount of cash and cash equivalents, accounts receivable, bank indebtedness and accounts payable and accrued liabilities approximates their fair value as these items will be realized or paid within one year. The fair value of long-term debt is equivalent to the book value because it bears variable-rate interest. The fair value of other investments is comparable to their carrying value.

(Amounts presented in the tables are expressed in thousands of dollars.)

23. Segmented information

The Company's operations are composed of the following sectors:

- The television segment includes the activities of the TVA Network, specialized channels analogical and digital, the production firm JPL Production Inc. and home shopping TV services.
- The distribution segment includes all activities of distribution of televisual products and movies;
- The publishing segment includes the activities of TVA Publishing Inc. and its subsidiaries and TVA Publishing II Inc., French-language magazine publishers specializing in arts and entertainment, television, fashion, decoration and other.

The unallocated items comprise the investment in 9085-3011 Quebec Inc. and the elimination of interseg-ment transactions.

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

The segments' accounting policies are the same as those followed by the Company as a whole (see note 2).

The following tables include information on the consolidated statements of income, as well as information on assets:

					2003 (12 months)
	Television	Publishing	Distribution	Unallocated items	**Total**
Operating revenues	$ 245,643	$ 77,606	$ 19,872	$ (2,176)	**$ 340,945**
Operating, selling and administrative expenses	182,415	58,527	20,720	(2,176)	**259,486**
Operating income before depreciation, amortization financing expenses and other items	$ 63,228	$ 19,079	$ (848)	$ –	**$ 81,459**
Acquisition of fixed assets	$ 5,544	$ 198	$ –	$ –	**$ 5,742**
Goodwill	$ 2,539	$ 69,859	$ –	$ –	**$ 72,398**
Total assets	$ 274,975	$ 86,636	$ 17,002	$ 11,248	**$ 389,861**

(Amounts presented in the tables are expressed in thousands of dollars.)

23. Segmented information (continued)

	2002 (16 months)				
	Television	Publishing	Distribution	Unallocated items	Total
Operating revenues	$ 321,103	$ 81,836	$ 38,755	$ (2,500)	$ 439,194
Operating, selling and administrative expenses	233,801	61,521	38,755	(2,500)	331,577
Operating income before depreciation, amortization financing expenses and other items	$ 87,302	$ 20,315	$ –	$ –	$ 107,617
Acquisition of fixed assets	$ 6,384	$ 1,363	$ –	$ –	$ 7,747
Goodwill	$ 1,755	$ 68,320	$ –	$ –	$ 70,075
Total assets	$ 304,136	$ 84,513	$ 25,924	$ 11,368	$ 425,941

24. Comparative figures

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

FINANCIAL INFORMATION PER PERIOD

Income summary 2003

QUARTERLY CONSOLIDATED INCOME * (in thousands of dollars, except for amounts pertaining to shares)	First quarter	Second quarter	Third quarter	Fourth quarter	**2003 Total (12 months)**
Operating revenues	$ 84,276	$ 92,396	$ 67,265	$ 97,008	**$ 340,945**
Operating income before depreciation, amortization, financing expenses and other items	14,549	26,666	11,664	28,580	**81,459**
Net income	8,997	17,637	6,421	21,458	**54,513**
Net income per share	$ 0.27	$ 0.53	$ 0.20	$ 0.66	**$ 1.65**
Cash flows provided by current operations	11,508	23,858	10,210	27,721	**73,297**
Cash flows provided by current operations per share	$ 0.34	$ 0.72	$ 0.31	$ 0.85	**$ 2.22**
Weighted average number of shares outstanding	33,593	33,141	32,839	32,639	**33,053**
Stock price at the Toronto Stock Exchange					
High	$ 16.09	$ 19.15	$ 21.75	$ 23.00	
Low	$ 14.10	$ 15.65	$ 17.82	$ 19.40	
Close	$ 15.80	$ 19.00	$ 20.85	$ 20.98	

* Retail seasonal variations influence TVA's financial results, as demonstrated by the above figures

Income summary 2002

CONSOLIDATED INCOME PER PERIOD * (in thousands of dollars, except for amounts pertaining to shares)	First period (4 months) (Dec. 31)	Second period (3 months) (March 31)	Third period (3 months) (June 31)	Fourth period (3 months) (Sept. 31)	Fifth period (3 months) (Dec. 31)	2002 Total (16 months)
Operating revenues	$ 115,839	$ 77,316	$ 80,625	$ 68,148	$ 97,266	$ 439,194
Operating income before depreciation, amortization, financing expenses and other items	28,719	13,320	21,732	13,012	30,834	107,617
Net income	10,833	6,530	11,991	6,792	27,055	63,201
Net income per share	$ 0.31	$ 0.19	$ 0.35	$ 0.20	$ 0.80	$ 1.84
Cash flows provided by current operations	19,822	9,956	14,908	11,013	28,864	84,563
Cash flows provided by current operations per share	$ 0.58	$ 0.29	$ 0.43	$ 0.32	$ 0.85	$ 2.46
Weighted average number of shares outstanding	34,429	34,429	34,429	34,406	34,023	34,336
Stock price at the Toronto Stock Exchange						
High	$ 13.95	$ 13.50	$ 17.15	$ 15.40	$ 14.25	
Low	$ 8.07	$ 10.80	$ 13.00	$ 12.20	$ 12.10	
Close	$ 10.80	$ 13.50	$ 14.20	$ 12.25	$ 13.95	

* Retail seasonal variations influence TVA's quarterly financial results, as demonstrated by the above figures

SIX-YEAR REVIEW

Consolidated results (in thousands of dollars)	2003	2002 (16 months)	2001	2000	1999	1998
Operating revenues	**$ 340,945**	$ 439,194	$ 344,652	$ 289,288	$ 239,051	$ 212,784
Operating, selling and administrative expenses	**259,486**	331,577	274,102	226,475	175,249	157,292
Operating income before depreciation, amortization, financing expenses and other items	**81,459**	107,617	70,550	62,813	63,802	55,492
Depreciation and amortization	**11,980**	15,165	14,190	11,414	11,341	10,224
Financing expenses	**1,111**	2,693	9,498	4,434	1,783	2,545
Other items	**418**	2,396	183,949	(9,867)	–	(1,126)
Income (loss) before income taxes, non-controlling interest and equity in income (loss) of companies subject to significant influence	**67,950**	87,363	(137,087)	56,832	50,678	43,849
Income taxes	**13,928**	19,273	18,810	21,884	20,390	18,150
Income (loss) before non-controlling interest and equity in income (loss) of companies subject to significant influence	**54,022**	68,090	(155,897)	34,948	30,288	25,699
Non-controlling interest	**–**	–	50,034	1,107	–	–
Equity in income (loss) of companies subject to significant influence	**491**	(4,889)	(11,623)	5,805	181	111
Income (loss) before amoritzation of goodwill	**54,513**	63,201	(117,486)	41,860	30,469	25,810
Amortization of goodwill	**–**	–	3,876	1,653	80	–
Net income (loss)	**$ 54,513**	$ 63,201	($ 121,362)	$ 40,207	$ 30,389	$ 25,810

Financial data and ratios (in thousands of dollars, except for amounts pertaining to shares)	2003	2002 (16 months)	2001	2000	1999	1998
Cash flows prodived by current operations	**$ 73,297**	$ 84,563	$ 16,362	$ 38,417	$ 43,887	$ 39,734
Acquisitions of fixed assets	**(5,742)**	(7,747)	(7,786)	(12,856)	(15,472)	(13,815)
Fixed assets	**62,863**	67,929	76,287	84,805	73,132	65,915
Total assets	**389,861**	425,941	408,870	582,409	259,778	238,868
Long-term debt	**24,364**	51,220	53,875	112,451	19,599	10,636
Shareholders' equity	**242,153**	218,628	169,097	321,618	168,578	139,101
Debt ratio	**9%**	19%	24%	26%	10%	7%
Per share						
Net earnings (loss)	**$ 1.65**	$ 1.84	($ 3.55)	$ 1.31	$ 1.06	$ 0.90
Cash flow prodived by current operations	**$ 2.22**	$ 2.46	$ 0.48	$ 1.26	$ 1.53	$ 1.39
Book value	**$ 7.45**	$ 6.45	$ 4.91	$ 9.49	$ 5.86	$ 4.85

Market share evolution

(Province of Québec francophone market)
(Monday to Sunday, 6 a.m. to 2 a.m., BBM, All 2+)

	2003		2002 (16 months)			2001		2000		1999		1998	
Spring / Fall (%)	**F03**	**S03**	F02	S02	F01	S01	F00	S00	F99	S99	F98	S98	F97
French-language stations													
TVA Network	**34**	**38**	36	36	35	36	37	36	38	40	40	38	41
Société Radio-Canada	**13**	**16**	17	18	20	19	20	21	22	22	23	23	22
Réseau TQS	**17**	**12**	14	15	14	14	14	13	12	11	10	11	10
Télé-Québec	**3**	**3**	3	3	2	2	2	2	2	2	2	1	1
English-language stations	**4**	**4**	4	4	4	4	4	4	3	3	4	4	4
American stations	**3**	**3**	2	2	3	3	3	3	3	3	3	4	3
Specialty and pay TV channels	**20**	**19**	19	17	17	19	17	16	14	13	13	14	13
Others	**6**	**5**	5	5	5	3	3	5	6	6	5	5	6

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Annual Assembly
The Annual Meeting of Shareholders of TVA Group Inc. will be held on April 28, 2004 at 10 a.m. at 1425 Alexandre-de-Sève, Montréal, Québec

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