Annual Report 2004

the present

A KEEN SENSE OF THE PRESENT, A CLEAR VISION FOR THE FUTURE

the future

TVA Group Inc. • Annual Report 2004

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A subsidiary of Quebecor Media Inc.

TVA
QUEBECOR MEDIA

A keen sense of the

present

a clear vision for

the future

PROFILE

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

Television

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. 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 owns a 75% interest in Toronto, 1, a general-interest television station based in Toronto. Moreover, TVA holds an interest in specialty services such as Le Canal Nouvelles (LCN) (100%), Argent (100%), Mystère (100%), Mentv (51%) Mystery (50%) and Canal Évasion (8%), as well as Canal Indigo pay-per-view channel (20%). TVA is also active in the merchandising of different products and in infomercials.

Publishing

TVA operates in the publishing sector through its subsidiaries, TVA Publishing Inc. and TVA Publishing II Inc. (TVA Publishing), whose general-interest and entertainment weeklies and monthlies make it the leading French-language magazine publisher in Québec.

Distribution

TVA is also active in the distribution of television and films products, mainly for the Canadian market. TVA owns rights which it sells through different platforms : cinema, video, video-on-demand, pay-TV, general-interest and specialty television.

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Financial Highlights

Financial Highlights	2004	2003
(in thousands of dollars, except for amounts pertaining to shares)		
Operating revenues	**$357,960**	$340,945
Operating income before amortization, financing charges and other items	**80,503**	81,459
Net income	**51,368**	54,513
Cash flows provided by current operations	**66,371**	73,297
Total assets	**457,119**	389,861
Long-term debt	**34,929**	24,364
Shareholders' equity	**$249,225**	$242,153
Net income per share	**$1.61**	$1.65
Book value	**$8.10**	$7.45
Debt ratio	**12 %**	9 %

Shares Outstanding		
(in thousands)		
Weighted average number of shares outstanding	**31,882**	33,053
Number of shares outstanding	**30,774**	32,507

Stock Price - TVA.NV.B (TSX)		
High	**$25.24**	$23.00
Low	**$17.90**	$14.10
Close	**$20.34**	$20.98

Number of Full-Time Employees		
(TVA Group and its subsidiaries)	**1,384**	1,244

Number of Shares

(as of December 31, 2004)	Total	Quebecor Media Inc. shareholding	
(in thousands)			
Class A shares (with voting rights)	**4,320**	4,317	99.9 %
Class B shares (without voting rights)	**26,454**	7,911	29.9 %
TOTAL	**30,774**	12,228	39.7 %

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A keen sense of the present, a clear vision for the future

Unique assets for meaningful growth

Once again defying the competition, **TVA** accomplished the exceptional feat of placing 25 of its shows on the selective list of the 30 most-watched programs of 2004, according to the **Bureau of Broadcast Measurement** (BBM) ratings. This performance was unmatched anywhere else in North America. Confounding all those skeptical of **TVA**'s enviable position, this accomplishment occurred in an environment in which competition for ways to boost audience ratings has never before been as intense and persistent. This is true not only for specialty services and privately owned general-interest broadcasters, but also — and even more so — for public television, which, despite all of its protestations to the contrary, has access to far more significant public funding than the financial resources available to private broadcasters. And public television does not hesitate to use this money with the obvious goal of competing directly with all private broadcasters for market share.

A sense of television

Once again, **STAR ACADÉMIE** led the way for TVA in the spring of 2004, when it matched — and even surpassed — the audience ratings posted by its first edition. The show, which will return in the fall of 2005, has become a true television phenomenon whose popularity far exceeds that of a successful variety show. The show absolutely radiates the energy of its participants' desire to excel, to be imaginative and creative, to succeed and to win — all values with which the viewing public proudly identifies.

TVA improved in every sphere during 2004, remaining the uncontested leader in all programming genres: drama, reality TV, public affairs, news and public service shows. TVA is number one in the morning, afternoon and evening, seven days a week.

TVA is evolving along with the demands of its public, and it remains abreast of everything that is new in television. Driven by a longstanding culture of success that inspires all of its artists and contributors, time after time TVA succeeds unerringly in introducing major changes to its programming lineup that precisely meet the needs and expectations of its audiences. 2004's performance provides a perfect illustration of the extent to which TVA's teams have both a keen understanding of the present and a crystal clear vision of the television of tomorrow.

TVA also has a sense of growth

TVA is a growth generator and one of the most important drivers of convergence at **QUEBECOR MEDIA**. Its great strength is investing in skills, taking initiatives today that will ensure it maintains its enviable leadership tomorrow — without, for all that, conceding an iota of the position it holds today.

Thus it was that at the very moment TVA was experiencing the best year in its television programming history that the Group decided to launch new digital specialty channels and to acquire **TORONTO 1**. The timing could not have been better: TVA Group has ample resources to make these investments. More important, these investments are in the business that TVA knows best — good television — and in areas that will guarantee the Company greater return on the development of its content.

Therefore, the digital channel **MYSTÈRE**, launched October 21, 2004, represents a genuine opportunity to leverage our great expertise in content acquisition and programming. **ARGENT** is, for its part, a natural extension of LCN, and is certain to benefit from the ambition and great talent of our newsroom teams. Finally, **TORONTO 1** will allow us to demonstrate once again all of our television programming know-how, while taking into consideration the distinctiveness of the anglophone market. So growth, yes, but also — and above all — enhancement of our expertise.

Message to shareholders

A sense of publishing

The management teams of our publications are motivated by the same spirit. In a mature and extremely competitive market, **TVA PUBLISHING** largely succeeded in outpacing the competition once again in 2004. The entire magazine publishing market suffered in 2004 from shrinking revenues, mainly as a result of lower newsstand sales. **TVA PUBLISHING** did not avoid this trend but its profit margins remain among the best in the industry. Changing consumer habits, particularly regarding newsstand sales, require that we constantly reinvent our offering, invest in new magazine formulas and solicit advertisers more by, among other things, fully exploiting content synergy with the TVA Network and pooling advertising sales strategies. With this in mind, in 2004 **TVA PUBLISHING** launched two new magazines, **STAR SYSTÈME** and **SHOPPING CLIN D'ŒIL**, in addition to preparing the inauguration of another publication, **SENSASS**, introduced early in 2005. Once again, **TVA PUBLISHING**'s teams demonstrated a keen sense of the present, combined with an intuitive vision of tomorrow's market.

A sense of distribution

Again relying on the production of quality content, TVA renewed its confidence in the distribution market and in its **TVA FILMS** division, which was still being developed in 2004. Its catalogue of new films remains relatively modest and is very sensitive to their performance in cinemas, which serves generally as an investment for eventually benefiting from the lucrative video and DVD market. As a result, the major films in **TVA FILMS**' new catalogue will be distributed more extensively on video and DVD in fiscal 2005. The fact remains that some of the movies, such as **INTERN'S ACADEMY** and **ETERNAL**, performed disappointingly in cinemas and the success of the Québec cult film **DANS UNE GALAXIE PRÈS DE CHEZ VOUS** was unable to make up for this. We remain determined to make this division a Québec distribution leader and that is why in 2004 we recruited an acknowledged industry professional, Yves Dion, to put his vast experience to work to transform TVA FILMS into a leading Canadian distributor.

A sense of cultural reality

Increasingly, the most popular television with Québec's general public is also becoming the preferred viewing of all of the province's communities. As TVA grows, it wants to constantly better reflect the multiethnic nature of its audience. In 2004, a committee chaired by Honey A. Dresher and composed of 15 well-known figures from 10 different ethnocultural communities was formed to advise our management teams on ways to achieve this goal.

Nearly 100 actors and artists from Québec's ethnocultural communities took part in TVA programs in 2004. Stars such as Herby Moreau and Alexandra Diaz joined our teams and this trend is expected to continue in 2005.

A sense of how to change while staying the same

There were major changes within TVA's management team in 2004, including the departure of Raynald Brière, who had led the Company for four years filled with challenges and decisive developments affecting TVA's positioning for the future. On the heels of Mr. Brière's departure, Serge Gouin was appointed President and Chief Executive Officer, followed by the appointments of Pierre Dion as Executive Vice-President and Chief Operating Officer until his recent promotion to President and Chief Executive Officer, Philippe Lapointe as Senior Vice-President, Programming, Claire Syril as President, TVA Publishing, France Lauzière as General Manager, Programming, Serge Fortin as Vice-President, Information and Public Affairs, **TVA** and **LCN**, Serge Bellerose as Senior Vice-President, Specialty Channels and Business Development, Gaétane Wagner as Vice-President, Human Resources, Jocelyn Poirier as Vice-President, Legal Affairs, and Yves Dion as President of **TVA Films**. This reorganization was intended to be a happy mixture of promotion from within and recruitment of the best people available in our market. Major changes unquestionably, but a sole business plan, a sole passion and an across-the-board belief in TVA Group's culture of performance.

Solid results from a strong, growth-oriented company

Once again in 2004, we are proud of the financial results produced by a Company that succeeded in maintaining its market dominance, even though we had to increase investments in our content in order to develop solid foundations for our future performance. Again this year, our advertising revenues — up 8.2% for our Television sector (excluding Toronto 1) and 8.4% for our Publishing business — grew by more than the advertising market average. Obviously, these results are testimony to the admirable performance of our programming and our magazines, but they also speak to the creativity of our sales teams, which are increasingly adept at leveraging our membership in the QUEBECOR MEDIA family. Our television content costs increased by 9.2 % in 2004, in order to support our position and our growth.

TVA Group reported consolidated operating revenues of $358.0 million for the fiscal year ended December 31, 2004, compared with $340.9 million for the previous year. The Company generated consolidated operating income of $80.5 million for the year — or $81.8 million if the operating losses incurred by **TORONTO 1** and **MYSTÈRE** are not included — against $81.5 million for the prior year. In addition, after having invested $32.4 million in the **TORONTO 1** acquisition and used $41.0 million to repurchase 1,892,500 Class B non-voting shares for cancellation, the Company had long-term debt of only $34.9 million at December 31, 2004, compared with $24.4 million at the same date of 2003.

Acknowledgements

Our employees — skilled, dedicated and proud to be part of the TVA Group — are the envy of our competitors and we are pleased to have the privilege of sharing with them our passion for success. We want to take this opportunity to express our sincere gratitude to them.

Special thanks to Serge Gouin for having served as President of the Company following Raynald Brière's departure, and for having guided a faultless transition to Pierre Dion.

Our thanks also to the members of the Board of Directors for their professionalism and diligence. They make an invaluable contribution to ensuring that we always emerge winners in an increasingly complex and competitive industry. We would like to extend special thanks to Pierre Karl Péladeau, André Bourbonnais and Sylvain Toutant, all of whom left the Board in 2004, and bid a warm welcome to Érik Péladeau, François Laurin and André Tranchemontagne, who joined the Board during the year.

We want to express our appreciation to our shareholders for constantly renewing their confidence in us, and particularly QUEBECOR MEDIA, whose contribution is a significant asset in the attainment of our profitability and growth objectives.

The public's loyalty remains unwavering and inspires us to continue to provide content that best meets the needs and expectations of our various audiences. We want to thank this faithful public and our advertisers, who are able to appreciate the relationship of trust that we have built with our viewers and readers.

This relationship-building is ongoing, and we remain committed to renewing our successes on all of the new platforms on which we deliver our content.

Jean Neveu
Chairman of the Board

Pierre Dion
President and Chief Executive Officer

Pierre Dion

Jean Neveu

Gaétane Wagner
Vice-President,
Human Resources

Philippe Lapointe
Senior Vice-President,
Programming

Serge Bellerose
Senior Vice-President,
Specialty Channels
and Corporate Development

Reneault Poliquin
Senior Vice-President,
Sales

Pierre Dion
President and
Chief Executive Officer

Claire Syril
President,
TVA Publishing Inc.

Jocelyn Poirier
Vice-President,
Legal Affairs

Paul Buron
Senior Vice-President
and Chief Financial Officer

Yves Dion
President,
TVA FILMS

Gaétane, Philippe, Serge, Reneault, Pierre, Claire, Jocelyn, Paul, Yves and their respective teams share a common passion for a job well done and for TVA's excellence, neither of which could be achieved without uniting their skills to serve the Company for the benefit of its shareholders, customers, publics, suppliers and employees. They are all very proud of what they are accomplishing together.

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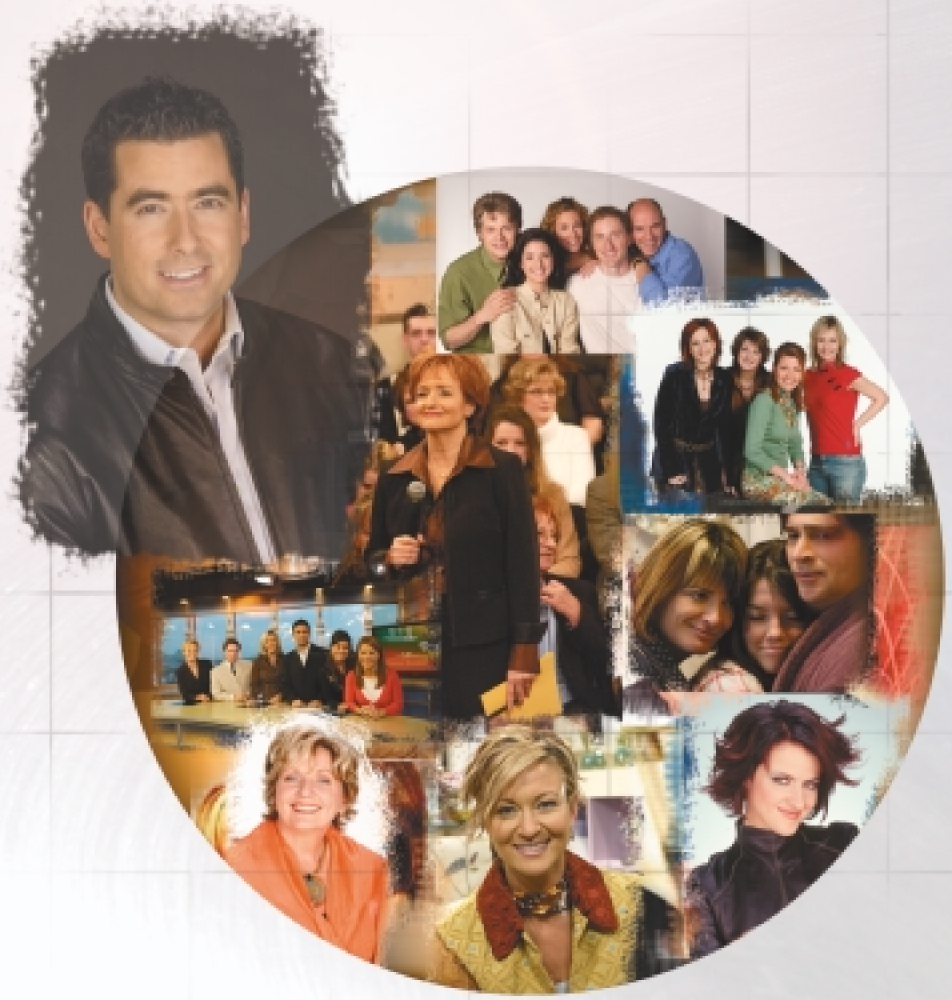

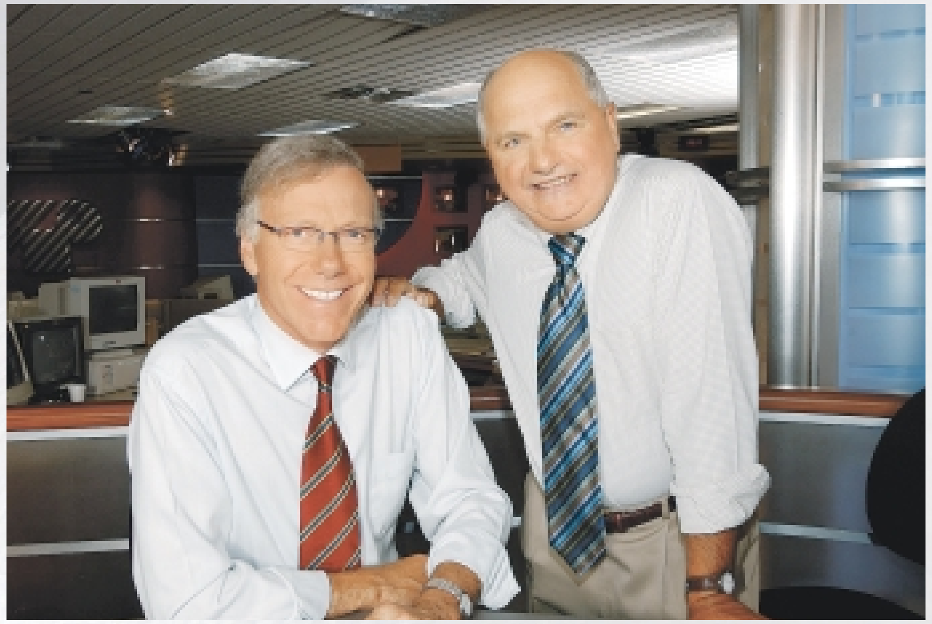

Le 17 heures
Pierre Bruneau and Claude Charron

TVA Réseau
Sophie Thibault

On the strength of a network that is better than ever, TVA is focused on growth

The art of creating events

The TVA Network broadcast 28 of the 30 best-watched shows during one season in 2004 and 25 of the top 30 for the two biggest viewing seasons of the year — now that's something! It is, in fact, an amazing feat that reflects the enormous value of the programming that TVA offers its viewers during the spring and fall seasons. TVA also managed the stunning achievement of increasing the number of its shows that attract more than a million viewers.

The second edition of ***Star Académie*** was the television event of 2004, with more than three million viewers tuning in to the Sunday shows and an average of more than two million watching on weekdays. Many other TVA programs also became must-see events in their respective time slots: the fifth season of *Fortier* was watched by audiences averaging 1.6 million, as was *Lance et Compte; la reconquête*. Series such as *Histoires de filles*, *Km/H* and *Les Poupées Russes* are regularly seen by more than a million followers. The reality show *Occupation Double* dominated the ratings with a record audience of 2.1 million. Every edition of *Demandes Spéciales* attracts more than 1.3 million viewers. All in all, TVA broadcast more than 48 "millionaire" shows in 2004. Radio-Canada, despite massive recourse to public funds, had only five and TQS had none.

In addition, the great majority of our shows are the leaders in their time slots, including *Salut Bonjour !*, *Sucré Salé*, *Ma maison Rona* and *Le 17 heures*, and our new programs become popular from their very first weeks. These include *100 Détours* and *Clin d'œil*, as well as *Le Négociateur*, *Vice Caché* and *Le Cœur a ses raisons*, all introduced early in 2005.

Still the leader

TVA is still the leader, regardless of changes made to audience-measurement methodology. One of the most important challenges that TVA successfully tackled in 2004 was adapting its programming to the BBM's new survey methodology using the Portable PeopleMeter (PPM) technology. With this new methodology, the BBM is now able to provide broadcasters and advertisers with audience ratings for every minute of every show — the day after it airs. Broadcasters are no longer captive to two main surveys conducted in the spring and fall. This spells the end of the famous viewing diaries whose results would significantly impact programming strategies. TVA had to adapt to this new audience-measurement system and, as a result, re-examine its programming strategy. The results are conclusive: not only has TVA maintained its leadership, it has widened its lead over its main competitors!

Although TVA's newscasts have dominated the competition for several years, the results for 2004 took us to new heights. Pierre Bruneau and Claude Charron regularly attract nearly a million viewers for their 5 p.m. show and their colleague Sophie Thibault outdraws all competitors in the late evening. But even more important than the audience ratings, the quality of TVA's information and public affairs shows has finally been recognized for their true value: this was demonstrated in their coverage of the sad events in Haiti, as well as federal election night and the other major events that marked the news during the year.

Arcand
Paul Arcand

Annie et ses hommes
Souyan Jetten-Duchesneau, Denis Bouchard, Guylaine Tremblay and Philippe Charbonneau

TVA: A growing network

In 2004, **TVA** was much more than North America's largest French-language broadcaster, because **TVA** is now also three French-language specialty channels, (**LCN, ARGENT AND MYSTÈRE**), two English-language specialty channels, (**MENTV AND MYSTERY**), one English-language general-interest station (**TORONTO 1**), a home-shopping channel (**SHOPPING TVA**), a subsidiary that produces television shows (**JPL**) and another (**TVACCÈS**) involved in commercial production. The **TVA NETWORK** is also 10 regional stations: six owned by **TVA** and four affiliates. Thus, TVA's offering in terms of content and advertising opportunities is expanding rapidly.

A strong regional presence

TVA Group owns six of the 10 regional stations that make up the **TVA NETWORK**. They are: **CFTM** (Montréal), **CFCM** (Québec City), **CHLT** (Sherbrooke), **CHEM** (Trois-Rivières), **CJPM**(Saguenay) and **CFER** (Rimouski). Of thefour other affiliated stations, two belong to **TÉLÉ INTER-RIVES LTÉE**, in which **TVA** holds a 45% interest. It is worth noting that the **TVA** station is by far the most popular in every one of these regions. The **TVA NETWORK** signal reaches almost all of Québec's French-speaking audience, as well as francophone communities in the neighbouring provinces of Ontario and New Brunswick. **TVA** also broadcasts across the rest of Canada, offering francophones outside Québec the opportunity to see the very best of television in their own language. We receive many compliments about the quality of the services we provide to Québec's regions and these results motivate our teams to increase their presence in every area of the economic and social lives of the communities they serve.

TVA's presence in regional Québec is important to the network and we are constantly building on the information we provide and on a strong involvement in community activities in order to reach our audiences and meet their needs effectively.

Our own production team

TVA's production subsidiary, **JPL PRODUCTION**, produced nearly 1,500 hours of programming for all of our stations in 2004, including the very popular shows *Salut, Bonjour!* and *Les Poupées russes*, as well as the *Gala MétroStar*, *100 Détours*, *Devine qui vient ce soir* and *Star Système*. Created in 1965, **JPL PRODUCTION** has extensive experience in all areas of television production, including live shows, dramas, variety shows, game shows and awards galas. In addition to helping fill the specific and very distinctive needs of our programming schedule, one of JPL's strengths is its optimal leveraging of the huge production capacity of **TVA**, which has several excellently equipped recording studios staffed by competent artists and artisans who love their work.

Because it is determined to constantly improve service to its clienteles, late in 2003 **TVA** grouped its Montréal and Québec City commercial production units within one division, **TVACCÈS**. This reorganization brings a more direct, customer-focused approach. Assembling all this know-how and talent helped this division grow its revenues from commercial production by nearly 21% and its operating income by more than 90% in 2004.

New specialty channels

On the strength of its successes, its know-how and its expertise, TVA took advantage of some attractive growth opportunities in 2004. For instance, it added a new digital specialty channel, *MYSTÈRE*, to its television portfolio. This channel features movies and made-for-TV series that are focused on mystery and suspense. Launched on October 21, 2004, *MYSTÈRE* is already surpassing our audience expectations. Another digital specialty channel recently appeared on the Québec television landscape. Called *Argent*, it was launched February 21, 2005, and covers all aspects of the economy, business and personal finance. These two new digital specialty channels join our all-news channel, *LCN*, as well as *MENTV* and *MYSTERY*, two English-language digital specialty channels owned in partnership with CanWest Global.

LCN

LCN, our all-news channel, continued to improve in 2004, and now reaches more than two million viewers weekly. With its continually updated 15-minute blocks of news, sports and weather, *LCN* is ideally adapted to the information needs of a growing segment of the public that wants to know what is happening in the world at any time of the day or night. *LCN*'s popularity and its powerful marketing approach developed by our sales teams resulted in an increase of more than 17% in its advertising revenues in 2004.

In order to rejuvenate itself and to prepare for the arrival of our new digital channel Argent, several millions of dollars were invested in 2004 to strengthen *LCN*s supporting infrastructure and to improve the all-news channel's broadcast image. These investments were also needed at the time of *ARGENT*'s launch on February 21, 2005.

Argent

A new digital specialty channel, *ARGENT* covers all of the economic, business and personal finance news. Obviously, this channel benefits from the expertise and knowledge of TVA's news team, as well as TVA's presence in every Québec region. *ARGENT* is developing a unique niche by offering a business-focused product that has never before been attempted in Québec's television market. We are convinced that *ARGENT* is providing an essential service in Québec's economy by promoting its enterprises — from small to large — and at the same time explaining and commenting on the business and financial news that will impact our economic future.

Mentv and Mystery

MENTV (51%) and *MYSTERY* (50%), two English-language specialty channels launched in 2001 in partnership with CanWest Global, continued to progress in accordance with our forecasts in the smaller, but steadily growing, universe of digital television. At year-end, more than 750,000 homes subscribed to these two channels, which are constantly gaining in popularity. Although the advertising revenues produced by these two channels remain insignificant, the low level of their operating losses for 2004 leads us to believe that both *MENTV* and *MYSTERY* will be excellent investments in the medium or long terms.

Mystère

Wholly owned by TVA, this sister channel to Mystery was launched October 21, 2004, and features mystery and suspense programming such as *OMERTA*, *SCOOP*, *FORTIER*, *LAS VEGAS*, *KINGDOM HOSPITAL*, and more. After only a few months on the air, we are very happy with the audience ratings for this channel, which has carved itself a market share of about 0.3%, despite the fact that only the approximately 800,000 households in Québec equipped with a digital decoder are able to receive it.

Argent
François Gagnon, Monique Grégoire and Georges Pothier

Shopping TVA

In 2003, we launched a home-shopping channel, STV, which provides viewers with information on a variety of exclusive products, as well as the opportunity to buy them without leaving the comfort of their home. This type of service is very successful in regions where the public has less access to big-box stores. STV, whose 2004 growth was excellent with a 58% increase in operating revenues and a 16% rise in operating income, was renamed *SHOPPING TVA* early in 2005. The name change was accompanied by several programming and management modifications that are aimed at raising public awareness of this channel.

TELEVISION Review of operations

Martin Cloutier
General Manager,
LCN, Argent

Richard Renaud
Vice-President,
Regional Stations

Sylvain Jeannotte
General Manager,
Engineering and Broadcasting

Philippe Lapointe
Senior Vice-President,
Programming

Pierre Mercier
General Manager,
TVAchats inc.

Serge Bellerose
Senior Vice-President,
Specialty Channels
and Corporate Development

Paule Genest
General Manager,
TVA news

Serge Fortin
Vice-President,
TVA News, LCN, Argent
and Public Affairs

France Lauzière
General Manager,
Programming

Reneault Poliquin
Senior Vice-President,
Sales

Sylvie Tremblay
General Manager,
Content acquisitions

François Birtz
General Manager,
Operations

Luc Sauvageau
Vice-President,
Operations

Réal Germain
General Manager,
JPL Productions

A NEW ACQUISITION: TORONTO 1

We are also very proud of our acquisition late in the year of Toronto 1, which holds the last analogue, general-interest television licence granted in the Toronto area, Canada's largest advertising market. This acquisition, made in partnership with our sister company, Sun Media Corporation, fits perfectly with our growth strategy and is a logical continuation of our investments in *Mentv* and *Mystery*. We already know that we can rely on an experienced management team and competent, passionate employees to make Toronto 1 — with the help of all of TVA's support and expertise — a station that will quickly assume its place with the Toronto viewing public and meet the needs of advertisers. Likewise, the Toronto 1 teams can count on the skills of our Toronto-based television and publishing sales teams. We are convinced that these investments of time, energy and money in our growth and in our expertise will enable us to create long-term value for the benefit of our shareholders, advertisers, suppliers and employees.

Investing in our expertise and in our growth

Clearly, the television business is the heart of TVA's growth and development strategy, but it is also the focus of the convergence strategy of our parent company, Quebecor Media. We will continue to invest in this technologically fast-changing industry that is forever altering the public's consuming habits — and by extension, the way television is made — because we believe that investing in our expertise is the best approach we can offer our shareholders. For the past 40 years, our expertise has enabled us to develop and maintain a very high quality of television in an increasingly competitive market. And it is this expertise and know-how that will ensure we are able to continue offering a very high quality of television in the years to come, not only in Québec, but also in English-speaking Canada's key markets.

In the coming years, viewers will not only see their choices multiply, they will be able to decide what hours they want to watch their favourite programs. The communications companies that will succeed in this universe of choice will inevitably be the ones with the most experience in content; those who are able to create events that truly unify people — in short, those that have invested in their own expertise.

At TVA, we understand content and performance.

Michel Grégoire
Vice-President, Finance and Administration

Tony Esposito
General Manager, Diffusion and Marketing

Sandra Cliche
Publisher, Women and Youth Sectors

Sylvie Bourgeault
Publisher, Weeklies

Benoit Sauriol
General Manager, Creativity

Claude Leclerc
Publisher, Decoration Sector

Claire Syril
President

Pierre-Luc Bourget
General Manager, Sales

Straight ahead

With its 42 titles, **TVA Publishing** is Québec's largest magazine publisher. Each of its flagship magazines, including *7 jours*, *Échos-Vedettes*, *TV Hebdo*, *Le Lundi*, *Cool !*, *Clin d'œil*, *Décoration chez-soi* and *Les Idées de ma maison*, is among the most popular in its category. We publish more than 88% of the magazines sold on Québec's newsstands. Our magazine creators are constantly searching for new ways to provide our readers with quality content that is both appealing and at the leading edge of the latest trends in the fashion, decor, youth and arts markets.

New products

The move to renew our product line, which began in 2003, continued in 2004. Our flagship magazines all received a facelift, including a new layout, new format or an entire new look. New magazines were also created to better meet the demands and changing tastes of our readership.

Star Système: a magazine and a TVA show

Last fall, we launched a new weekly entertainment and show business magazine called *Star Système* that offers new insight into the lives of the rich and famous, both here at home and abroad. This magazine is targeted at the 18-35 age group. Its content is more international than local and is made up of 80% photos and 20% text. *Star Système* is inspired by a new type of magazine that is currently enjoying strong growth in both the United States and Europe. *Star Système* was launched simultaneously with the TVA Network show of the same name. They are wonderfully complementary and quickly captivated the public's imagination.

Clin d'œil: a TVA Network show and a magazine

Bolstered by the success and interest generated by the *Clin d'œil* show and magazine and following the global trend, we introduced a new magazine, *Shopping Clin d'œil*, to meet the expectations of the modern young woman. This magazine provides a multitude of suggestions on the latest fashion trends in a unique and practical format. It also provides advertisers with a unique platform for reaching young women. *Shopping Clin d'œil* is published four times yearly and has become the reference for fashion and trends in Québec.

Decor: the homeowner's guide

The home decoration and renovation industries have been experiencing major growth in recent years and our magazines *Les Idées de ma maison*, *Décoration chez-soi* and *Côté Jardins*, along with their special editions, reflect Québecers' passion for this trend. However, in order to even better meet our readers' needs and to provide our advertisers with a complementary medium to promote their products, we have launched a complete guide for future homeowners. *Votre Maison* has more than 300 pages and is published twice yearly.

New magazines in development

In the coming year, we will pursue the association between television and magazines. Early in 2005, we launched a new arts weekly called *Sensass*. This "life & style" magazine is designed to meet the needs of the modern young woman and features people, trends and stars. In addition, the very popular television host Clodine Desrochers has joined the *Sensass* team and will be presenting a 16-page weekly special section on cooking, home decor and shopping ideas. Finally, together with the TVA Network, we will be producing a new gardening show, *Côté Cours... Côté Jardins*, based in part on the content of our *Côté Jardins* magazine. It will begin airing in April 2005.

Understanding content

Just as with television, understanding content is the key to the success of magazines. Our teams are constantly keeping an eye out for interesting news and trends, and they know how to make use of this content to produce magazines that appeal to our readers and our advertisers.

Johanne Sénécal
Vice-president, Distribution

Yves Dion
President

Dans une galaxie près de chez vous,
Claude Desrosiers

Eternal,
Wilhelm Liebenberg, Federico Sanchez

Le virtuose,
Kaige Chen

TVA FILMS: a partner in growth

TVA FILMS' 2004 results were not as satisfactory as hoped. An excellent performance by the film *Dans une galaxie près de chez-vous* in movie theatres and on video could not compensate for the disappointing box-office returns of *Eternal* and *Intern's Academy*, which had extensive launches in cinemas across Québec and Canada.

These results will not, however, alter our game plan. TVA FILMS is a young organization that in 2004 demonstrated its professionalism in distribution and, especially, its ability to attract the best talent. The arrival of Yves Dion, one of the industry's most respected professionals, at the helm of TVA FILMS should ensure that this organization quickly reaches its cruising speed.

Building on solid foundations

This rhythm has already been attained in the cinema market in Québec and Canada. In 2004, TVA FILMS released 16 films in theatres and the same number of launches is planned for this year, including the highly anticipated *C.R.A.Z.Y.*, starring Michel Côté, *White Noise*, with Michael Keaton and *Slither* with Michael Rooker which will be released on more than 2,000 screens across the United States, and *Chaos*, with Wesley Snipes, which is also expected to be shown in a large number of cinemas in the U.S. These films will set the tone for the coming year: a solid critical mass of quality movies launched right across Canada, with good revenue potential in the video market.

The growing video/DVD market

Because of the significant investments required to launch a movie in theatres, profits in the distribution business are made mainly in the video market. TVA FILMS believes that in 2005 it will strike the right balance between the number of movies released in cinemas and the number of movies released for the video market as movies released in 2004 in cinemas should be released in 2005 in the video market in addition to a growing number of movies developed specifically for the video market.

Increasingly, the video market is becoming the best place to leverage spinoffs from television or shows. We experimented extensively with this concept in 2004 with the video releases of the TV series *Fortier*, *Omerta*, *Dans une galaxie près de chez-vous*, the first instalment of a *Juste pour Rire* collection, and the popular Daniel Pinard shows *Les Pieds Dans Les Plats*.

SÉLECT, the distribution subsidiary of GROUPE ARCHAMBAULT, is turning out to be a top-notch strategic partner in this area. On the strength of this association, TVA FILMS will continue to grow this complementary market, which is composed largely of the best products developed by the TVA Network and Quebecor Media's subsidiaries.

All of these products are finding another distribution platform with the growth of video-on-demand. TVA FILMS will be particularly well positioned to benefit from this development.

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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 addition to operating three specialty channels and a general-interest station in Toronto. In the Publishing sector, TVA produces 42 specialty magazines, including six weeklies, making it Québec's largest publisher of French-language magazines. In the Distribution sector, TVA manages a large rights catalogue on all platforms: cinemas, video, pay television and specialty and general-interest television.

GENERAL

TVA experienced a period of growth in 2004, with the Toronto 1 acquisition and the launch of our new digital channel, *Mystère*. While *Mystère* is succeeding beyond our expectations, another digital channel, *Argent*, will be officially launched on February 21, 2005. As for Toronto 1, acquired December 2, 2004, in partnership with our sister company Sun Media Corporation, the revival of this station and the introduction of targeted, interesting programming will require a lot of consideration. On the strength of our current operations and the talent of our management team, we are anticipating this challenge with plenty of enthusiasm and passion.

Following the obvious success of *Star Académie* and *Occupation Double* in 2003, we brought them back in 2004 with as much success and two new reality TV shows, *Facteurs de Risque* and *Pour le meilleur et pour le pire* were added. In the fiction category, the fall programming lineup included *Lance et Compte : La Reconquête*, the continuation of a series that, with the world of professional hockey as its background, instantly recaptured viewer loyalty. Despite increasingly strong competition in the entertainment industry, TVA remained the frontrunner in 2004. The Bureau of Broadcast Measurement (BBM) PeopleMeter showed that TVA broadcast 25 of the 30 best-watched shows in its market in 2004. But these phenomenal results were not achieved without significant investments in programming, and particularly in the locally produced shows that viewers so desire. However, increasing content costs are of concern, especially because of the decline in government assistance and the inflationary environment created by the state-owned Radio-Canada, which constantly outbids its competition when acquiring content. To fight this completely unbalanced competition, TVA must constantly improve and continually produce and commission better-quality shows, and it must do so with, with far fewer financial resources.

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 consolidated financial statements.

Operating revenues (in thousands of dollars)

	Year ended December 31, 2004	Year ended December 31, 2003
Television	$ 271,216	$ 245,643
Publishing	76,268	77,606
Distribution	13,242	19,872
Intersegment items	(2,766)	(2,176)
	$ 357,960	**$ 340,945**

TVA's operating revenues reached a new high of $357,960,000 in fiscal 2004, up 5% over the $340,945,000 reported for the previous year. This increase comes essentially from the Television sector, whose revenues rose by more than 10% over fiscal 2003, an increase of $25,573,000. The Publishing business, for its part, saw its revenues decline slightly, mainly as a result of the far less significant spinoffs from the *Star Académie* television phenomenon. Revenues for the Distribution sector declined because of the lower revenues generated by TVA International's catalogue, which is now providing only a fraction of this business's total revenues. In addition, after having launched the movie *Dans une galaxie près de chez vous*, which generated very good box office receipts, revenues generated by the other movies launched during the year, including *Eternal, Intern's Academy, Clean, Le Littoral* and *Jeux d'enfants*, were below our expectations.

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

	Year ended December 31, 2004	Year ended December 31, 2003
Television	$ 66,617	$ 63,228
Publishing	15,651	19,079
Distribution	(1,765)	(848)
	$ 80,503	**$ 81,459**

Earnings before interest, income taxes, depreciation and amortization (EBITDA) were $80,503,000 for the year ended December 31, 2004, compared with $81,459,000 for the year ended December 31, 2003. This decline is due mainly to the Publishing sector's poorer performance. In the Television business, despite the impact on earnings of the Toronto 1 acquisition on December 2, 2004, and of the *Mystère* launch on October 21, 2004, EBITDA grew by more than 5% during the year. However, the disappointing performance by the films released in cinemas during the year is the main reason for the loss recorded by the Distribution sector.

TELEVISION

The growth of 10.4% in the Television sector's operating revenues is explained by, among other things, the excellent 8.8% increase in advertising revenues, supported by a programming lineup that produced an average audience increase for 2004 over the prior year, and by an advertising market that remained favourable throughout the entire year. The end of the BBM's use of TV viewing diaries this past fall in the Montréal area and their replacement by PeopleMeters, which measure viewership day after day, now allow us to better program our television shows on the basis of available audience and advertising demand. This change in audience measurement methodology opens up new possibilities as well as new challenges. Our entire programming strategy was reviewed in 2004 to take this new reality into account. Sales generated by the home shopping business also advanced strongly during the fiscal year, posting a 58% growth over the previous year. Better marketing of our products and a more varied offering helped us achieve these results. Our commercial production division also contributed to our growth, with a 21% improvement in its sales for 2004 over the previous year.

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EBITDA for the Broadcasting business was $66,617,000 for fiscal 2004, against $63,228,000 for 2003. If not for the Toronto 1 and *Mystère* losses, EBITDA would have been $67,923,000, an improvement of 7.4% over 2003. Content costs increased by more than 9% in 2004 over the prior year. These additional investments in our content ensure that we are providing better-quality, more varied programming over longer time periods than before, taking into account the different audience measurement method. The decline in government assistance for television programming production is also responsible for some of the increased costs, as is inflation caused by our competitor Société Radio-Canada. Other operating costs remained relatively stable, aside from variable costs related to revenues, such as sales commissions, the cost of products sold through home shopping, as well as costs related to commercial production.

PUBLISHING

Operating revenues for the Publishing Sector were $76,268,000 for the year ended December 31, 2004, compared with $77,606,000 for the year ended December 31, 2003. This slight decrease in operating revenues is the result of newsstand sales that dropped 6.3% from the previous year, despite the positive impact of the launch of two new publications, *Star Système* and *Shopping Clin d'œil*, in 2004. The decline in newsstand sales from 2003 was felt especially during the second quarter, the period in 2003 when our arts magazines benefited hugely from the *Star Académie* impact. Even though this television show remained a huge hit in its second year on air, viewers read far fewer related magazine stories in 2004. Despite this drop, TVA still holds about 88% of the market for newsstand sales of French-language magazines in Québec. Competition comes mainly from other media, including the Internet, specialty channels and daily newspapers. We will therefore continue to improve our different publications in order to ensure that they continue to better meet consumers' changing needs and expectations. Advertising revenues continued to grow in 2004, climbing by more than 8% over those for the prior year. The significant drop of $993,000 in government support in the form of assistance for writing also directly affected our results.

The Publishing business therefore posted EBITDA for 2004 of $15,651,000, compared with $19,079,000 for the previous year. Weaker newsstand sales, reduced government assistance, the launch of two new magazines, as well as new distribution costs imposed by the major retail chains and posted in the fourth quarter, all combined to bring down the profitability of the Publishing sector.

DISTRIBUTION

Operating revenues for the Distribution sector were only $13,242,000 for fiscal 2004, against $19,872,000 for the year ended December 31, 2003. These lower revenues are mainly the result of the rationalization decisions made in 2001, but also due partly to the lower-than-anticipated sales performance by the main films released in 2004. In 2003, a portion of operating revenues came from the films *The Pianist* and *Gloups, je suis un poisson*, both of which generated excellent sales figures in cinemas and on video. In 2004, while the film *Dans une galaxie près de chez vous* was a big hit in both theatres and on video, the films *Eternal, Clean, Intern's Academy, Jeux d'enfants* and *Le Littoral* did not produce the hoped-for revenues.

The operating loss for the year was $1,765,000 in the Distribution sector, compared with a loss of $848,000 for 2003. Every possible promotional effort was made to support the sale of our products, and this operating loss is entirely due to the lower-than-projected revenues from the above mentioned films. On the other and, following changes made to the management structure, administrative costs in 2004 declined by nearly 15% from 2003.

Despite these somewhat disappointing results, the quality of TVA Films' marketing services is slowly but surely earning this division an enviable place in the Québec distribution market. We remain convinced that we have the ability to excel in this business, just as we already do in the television and publishing markets. The arrival of Yves Dion, who has more than 20 years of experience in film distribution, as new head of TVA's Distribution business, is an indication of our desire to rally together all of the elements necessary for us to attain our growth and profitability objectives in this market.

Comparative results (in thousands of dollars)

	Year ended December 31, 2004	Year ended December 31, 2003
Operating revenues	$357,960	$340,945
Operating expenses	277,457	259,486
EBITDA	**80,503**	**81,459**
Amortization	11,853	11,980
Financial expenses	678	1,111
Other items	11	418
Income before the following items	**67,961**	**67,950**
Income taxes	17,181	13,928
Non-controlling interest	(147)	–
Equity in income of companies subject to significant influence	(441)	(491)
Net income	**$51,368**	**$54,513**

AMORTIZATION

Amortization of fixed assets and startup costs totalled $11,853,000 for the year, compared with $11,980,000 for the previous year.

FINANCIAL EXPENSES

Financial expenses were $678,000 for fiscal 2004, against $1,111,000 for the prior year. This decrease in financial expenses is explained mainly by the significant lowering of the Company's average long-term debt level, which increased in December 2004 to finance our share of the Toronto 1 acquisition.

OTHER ITEMS

During the year, the Company recorded an expense of $765,000 to write off the costs related to the start-up of digital specialty channels, projects which were abandoned. We also recorded a $754,000 profit on the sale of a subsidiary, Les Éditions TVA inc., to Quebecor Media Inc., for a consideration of $1,619,000 in cash.

INCOME TAXES

In August 2002, the Company wound up TVA Acquisitions Inc., TVA International Inc. and some of its subsidiaries. This allowed TVA Group to record $21 million in future income tax assets, benefits that are realized whenever TVA Group and some of its subsidiaries report taxable profits. As a result of the realization of these future income tax assets, income taxes for the year were $17,181,000, representing a tax rate of about 25%, compared with an income tax expense of $13,928,000 for fiscal 2003, or a tax rate of 20%. This higher tax rate is due to the lower use of future income tax benefits during the year.

During the year, the Company acquired tax deductions representing income taxes of about $6,163,000 from Quebecor World Inc., a company under the common control of its ultimate parent corporation, Quebecor Inc. The entire amount was recorded as current income tax assets. Additional tax benefits of $1,820,000 will be recorded in the Company's results when a new deduction multiple applied to tax deductions acquired in 2004 is officially enacted. This transaction allowed the Company to realize a profit of $187,000, which was recorded as contributed surplus. At December 31, 2004, the Company has an account payable of $5,539,000 to Quebecor World Inc.

NON-CONTROLLING INTEREST

Non-controlling interest is $147,000, representing Sun Media Corporation's share of the Toronto 1 net loss.

EQUITY IN INCOME OF COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE

Following the closure of Netgraphe inc.'s capital on October 31, 2004, and the subsequent reorganization, TVA owns 13.8% of the outstanding shares of Netgraphe, now known as Canoe inc. TVA has therefore no longer been reporting equity in Netgraphe's results since October 31, 2004. Even so, equity in income of companies subject to significant influence for fiscal 2004 was $441,000, compared with $491,000 for the previous year.

NET INCOME

TVA Group reported net income of $51,368,000, or $1.61 per share, for its year ended December 31, 2004, compared with net income of $54,513,000, or $1.65 per share, for the previous year. As a result, return on shareholders'equity was 21% for the year, against 24% for fiscal 2003.

Calculation of per-share amounts is based on weighted averages of 31,899,585 diluted shares outstanding for the fiscal year ended December 31, 2004, and 33,115,073 diluted shares outstanding for the year ended December 31, 2003.

CASH FLOWS AND FINANCIAL RESOURCES

Comparative results (in thousands of dollars)

	Year ended December 31, 2004	Year ended December 31, 2003
Net income	$ 51,368	$ 54,513
Non-cash items	15,003	18,784
Cash flows provided by current operations	**66,371**	**73,297**
Net change in non-cash items	10,861	(1,416)
Cash flows from operating activities	**77,232**	**71,881**
Proceeds from the disposal of a business	1,619	–
Acquisition of fixed assets	(10,118)	(5,742)
Business acquisitions	(34,177)	(620)
Deferred charges	(1,003)	–
Disposal of fixed assets	–	263
Changes in investments	759	737
Cash flows from investing activities	**(42,920)**	**(5,362)**
Bank indebtedness	(617)	(6,804)
Repayment of bank loans	–	(1,837)
Increase (decrease) in long-term debt	10,565	(26,856)
Issuance of shares	2,639	1,166
Share redemption	(41,028)	(25,772)
Dividends paid	(6,330)	(6,611)
Cash flows from financing activities	**(34,771)**	**(66,714)**
Net change in cash	**(459)**	**(195)**
Cash at beginning	2,445	2,640
Cash at end	**$ 1,986**	**$ 2,445**

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OPERATIONS

Cash flows provided by operations totalled $77,232,000 for fiscal 2004, compared with $71,881,000 for 2003. This increase in cash flows provided by operations is due to changes in non-cash items that generated less cash last year.

INVESTING

On December 2, 2004, following a decision by the Canadian Radio-Television and Telecommunications Commission (CRTC), the Company (75%) and Sun Media Corporation (25%), a company under the common control of its ultimate parent corporation, Quebecor Inc., acquired from CHUM Limited all of the shares of 3095531 Nova Scotia Company, which owns the operating licence for the Toronto 1 television station, for an acquisition price of $43,249,000, comprising an agreed-upon acquisition price of $46,000,000, less a preliminary working capital adjustment of $3,451,000, plus transaction costs of $700,000. Of this amount, $32,437,000 was paid in cash by the Company, giving it a 75% interest in Toronto 1. Sun Media Corporation paid $2,812,000 in cash and transferred to CHUM Limited its 29.9% interest, valued at $8,000,000, in Cable Pulse 24 (CP24), a Toronto all-news station, thereby giving it a 25% interest in Toronto 1. Given that the allocation of the purchase price was not completed as at December 31, 2004, the amounts allocated to assets and liabilities may be modified at a later date.

FINANCING

During the year, TVA Group Inc. filed a new offer to repurchase for cancellation, in the normal course of its activities between June 3, 2004, and June 2, 2005, a maximum of 1,585,593 of the Company's Class B shares, or about 10% of the total number of Class B shares outstanding and not held by insiders at the opening of the offer. During the previous fiscal year, TVA Group had also filed notice of intent to repurchase for cancellation, in the normal course of its activities, a maximum of 1,797,708 Class B shares. During fiscal 2004, the Company redeemed 1,892,500 shares as part of this program for total proceeds of $41,028,000. During the previous fiscal year, TVA Group had redeemed 1,452,200 shares for total proceeds of $25,772,000.

On February 11, 2002, the Company reached a new credit agreement consisting of a revolving-term bank loan of a maximum amount 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. During the year, the Company reduced to $65,000,000 from $135,000,000 the amount it can borrow under this credit agreement. As well, the term of this credit agreement had been extended by one year during fiscal 2003, bringing it to February 11, 2006. At December 31, 2004, the unused and available balance of revolving credit stood at $29,646,000.

During the year, the Company used $32,437,000 of its revolving credit to finance the Toronto 1 acquisition.

FINANCIAL SITUATION

TVA Group's financial situation is excellent. At December 31, 2004, the consolidated debt ratio — as measured by the debt-to-capitalization ratio — stood at 12:88, compared with 9:91 at December 31, 2003, and this despite an amount of $41,028,000 invested to repurchase shares and an amount of $34,177,000 invested in business acquisitions. For ratio calculation purposes, the debt includes bank loans, net of cash, and long-term debt.

The Company's long-term debt stood at $34,929,000 at December 31, 2004, against $24,364,000 at the same date a year earlier, an increase of just $10,565,000 as a result of the aforementioned items.

The Company paid dividends of $0.20 per share during the fiscal year, the same amount paid during fiscal 2003.

QUARTERLY FINANCIAL DATA
(in thousands of dollars, except for amounts pertaining to shares)
For the three-month periods ended

	2004			
	December 31	**September 30**	**June 30**	**March 31**
Operations				
Operating revenues	**$ 106,388**	**$ 71,274**	**$ 94,383**	**$ 85,915**
Operating income before amortization, financing expenses and other items	**$ 25,469**	**$ 12,955**	**$ 29,699**	**$ 12,380**
Net income	**$ 17,375**	**$ 8,116**	**$ 17,585**	**$ 8,292**
Basic per-share data				
Net income	**$ 0.56**	**$ 0.26**	**$ 0.55**	**$ 0.26**
Weighted average number of shares outstanding (in thousands)	**31,168**	**31,820**	**32,021**	**32,508**
Diluted per-share data				
Net income	**$ 0.56**	**$ 0.25**	**$ 0.55**	**$ 0.25**
Weighted average number of diluted shares outstanding (in thousands)	**31,177**	**31,834**	**32,098**	**32,588**

QUARTERLY FINANCIAL DATA
(in thousands of dollars, except for amounts pertaining to shares)
For the three-month periods ended

	2003			
	December 31	**September 30**	**June 30**	**March 31**
Operations				
Operating revenues	$ 97,008	$ 67,265	$ 92,396	$ 84,276
Operating income before amortization, financing expenses and other items	$ 28,580	$ 11,664	$ 26,666	$ 14,549
Net income	$ 21,458	$ 6,421	$ 17,637	$ 8,997
Basic per-share data				
Net income	$ 0.66	$ 0.20	$ 0.53	$ 0.27
Weighted average number of shares outstanding (in thousands)	32,639	32,839	33,141	33,593
Diluted per-share data				
Net income	$ 0.66	$ 0.20	$ 0.53	$ 0.27
Weighted average number of diluted shares outstanding (in thousands)	32,708	32,884	33,181	33,631

FINANCIAL DATA FOR THE PAST THREE YEARS (in thousands of dollars, except for amounts pertaining to shares)

	12-month fiscal year ended December 31, 2004	12-month fiscal year ended December 31, 2003	16-month fiscal year ended December 31, 2002
Operating revenues	**$ 357,960**	**$ 340,945**	**$ 439,194**
Net income	51,368	54,213	63,601
Basic and diluted net income per share	1.61	1.65	1.84
Total assets	457,119	389,861	425,941
Long-term debt	34,929	24,364	51,220
Dividends per share			
Class A shares	$ 0.20	$ 0.20	$ 0.25
Class B shares	0.20	0.20	0.25

The Company's fiscal 2002 comprised 16 months, following a change to the fiscal year-end to December 31 in order for TVA Group to have the same fiscal year as its ultimate parent, Quebecor Inc.

The decline in operating revenues, net income, net income per share and dividends per share from fiscal 2002 to fiscal 2003 is essentially due to the difference in the length to the two fiscal years.

The increase in total assets and long-term debt in 2004 compared with 2003 is mainly due to the Toronto 1 acquisition, completed on December 2, 2004 (see note 3 of financial statements).

OFF-BALANCE SHEET COMMITMENTS

CONTRACTUAL COMMITMENTS

The Company is committed under operating leases, mainly for services and office space and also for distribution and broadcasting rights, to total payments of $46,206,000 until 2011. The minimum payments for the coming fiscal years are as follows:

2005	$ 23,088
2006	$ 7,548
2007	$ 5,731
2008	$ 3,355
2009	$ 2,605
2010 and beyond	$ 3,879

In addition, as part of the acquisition of Toronto 1, the Company is committed to investing a total amount of $4,600,000 as tangible benefits in the Canadian television industry over a period of five to seven years. This amount is in addition to the balance of commitments of $9,890,000 under the terms of the former owner's licence that the Company is required to assume over a period of four to seven years.

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 has 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.

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 $789,000. As at December 31, 2004, the Company did not record any liability related to these guarantees.

CRITICAL ACCOUNTING POLICIES

GOODWILL

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

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

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

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

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

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

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

The last impairment test conducted as at October 31, 2004, found there was no impairment.

LICENCES

Licences include broadcast licences and magazine trademark licences for Canadian operations.

Broadcast licences represent the cost of acquiring rights to operate broadcasting stations and have an indefinite useful life.

These licences are tested for impairment annually or are re-evaluated where events or changes in circumstances so require. The carrying value of the licence is compared with its fair value and any unfavourable variances are charged to the Company's results.

The Company uses a combination of valuation methods, including discounted future cash flows and operating income multiples.

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

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

The impairment test conducted as at October 31, 2004, found no loss of value.

PENSION PLANS AND POST-RETIREMENT BENEFITS

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

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

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

FUTURE INCOME TAXES

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

ACCOUNTING POLICIES

CHANGES IN ACCOUNTING POLICIES

On January 1, 2004, the Company adopted, on a prospective basis, the recommendations in Section 3063 of the CICA Handbook entitled *Impairment of Long-Lived Assets*. These recommendations establish standards for the recognition, measurement and disclosure of the impairment of long-lived assets and stipulate that an impairment loss should be recognized when the carrying value of a long-lived asset intended for use exceeds the sum of the undiscounted cash flows expected from its use and eventual disposition. The impairment loss is to be measured as the excess of the carrying value of the asset over its fair value. The adoption of the new recommendations had no impact on the Company's results for the fiscal year ended December 31, 2004.

In December 2002, the CICA issued the revised Section 3475 of the CICA Handbook, *Disposal of Long-Lived Assets and Discontinued Operations*. This section supersedes the write-down and disposal provisions of Section 3061, *Property, Plant and Equipment*, for assets to be disposed of by sale or otherwise as well as former Section 3475, *Discontinued Operations*, of the CICA Handbook. Section 3475 provides specified criteria for classifying an asset as held-for-sale and requires assets classified as held-for-sale to be accounted for at the lower of their carrying amount or fair value, less selling costs. Section 3475 also broadens the scope of businesses that qualify for reporting by including as discontinued operations any disposals of a component of an entity for which operating results and cash flows can be clearly distinguished from the rest of the Company, and changes the timing of loss recognition on such operations. The revised standards in Section 3475 on disposal of long-lived assets and discontinued operations are applicable to disposal activities initiated under an exit plan committed to on or after May 1, 2003. The adoption of these standards did not have an impact on the Company's consolidated financial statements for the fiscal year ended December 31, 2004.

RISKS AND UNCERTAINTIES

The Company operates in the communications industry, which has a variety of risk factors and uncertainties. Due to the risks and uncertainties outlined below, the Company's operating environment and financial results may be materially affected.

SEASONALITY

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

OPERATIONAL RISKS

Competition for advertising, customers, viewers, listeners, readers and distribution is intense and comes from broadcast television stations and networks and specialty cable channels, radio, local, regional and national newspapers, magazines, direct mail, and other communications and advertising media that operate in the Company's markets. Competitors include both privately-owned companies and government-owned market participants. In addition, there is increasing consolidation in the Canadian media industries, and competitors increasingly include market participants with interests in multiple industries and media.

ENVIRONMENTAL RISKS

The Company is subject to a variety of environmental laws and regulations. Failure to comply with present or future laws or regulations could result in substantial liability. Although the Company believes it is in compliance with such laws, regulations and government policies in all material respects, there is no assurance that all environmental liabilities have been determined.

CREDIT RISKS

The concentration of credit risks with respect to trade receivables is limited due to the Company's diverse operations and customer base. As at December 31, 2004, no customer balance represented a significant portion of the Company's consolidated trade receivables.

GOVERNMENT REGULATION RISKS

The Company is subject to extensive government regulations mainly through the *Broadcasting Act* and the *Telecommunications Act*, both administered by the Canadian Radio-television and Telecommunications Commission ("CRTC"). Changes to the regulations and policies governing television, the introduction of new regulations or policies or terms of licence could have a material effect on the Company's business, financial condition or results of operations.

GOVERNMENT ASSISTANCE RISKS

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

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

MANAGEMENT'S REPORT

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

These financial statements have been prepared by management in conformity with Canadian generally accepted accounting principles and include amounts that are based on best estimates and judgments.

The management of the Company and of its subsidiaries, in furtherance of the integrity and objectivity of the data in the financial statements, has developed and maintains systems of internal accounting controls and supports a program of internal audit. Management believes that these systems of internal accounting controls provide reasonable assurance that financial records are reliable and form a proper basis for the preparation of the financial statements and that assets are properly accounted for and safeguarded, and that the preparation and presentation of other financial information are consistent with the financial statements.

The Board of Directors carries out its responsibility for the financial statements principally through its Audit Committee, consisting solely of outside directors. The Audit Committee reviews the Company's annual and interim consolidated financial statements, and annual reports and recommends them to the Board of Directors for approval. The Audit Committee meets with the Company's management, internal auditors and external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues and formulates the appropriate recommendations to the Board of Directors. The auditors appointed by the shareholders have full access to the Audit Committee, with and without management being present.

These financial statements have been examined by the auditors appointed by the shareholders, KPMG LLP, chartered accountants, and their report is presented hereafter.

Jean Neveu

Chairman of the Board

Montréal, Canada
February 3, 2005

Paul Buron

Senior Vice-President and
Chief Financial Officer

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of TVA Group Inc. as at December 31, 2004 and 2003 and the consolidated statements of income, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Montreal, Canada
February 3, 2005

Consolidated Statements of Income

Years ended December 31, 2004 and 2003
(in thousands of dollars, except per share amounts)

	2004	2003
Operating revenues	**$ 357,960**	$ 340,945
Operating, selling and administrative expenses	**277,457**	259,486
Operating income before amortization, financial expenses and other items	**80,503**	81,459
Amortization of fixed assets	**11,213**	11,389
Amortization of deferred start-up costs	**640**	591
Financial expenses (note 4)	**678**	1,111
Other items (note 5)	**11**	418
	12,542	13,509
Income before income taxes, non-controlling interest and equity in income of companies subject to significant influence	**67,961**	67,950
Income taxes (note 6)	**17,181**	13,928
Non-controlling interest	**(147)**	–
Equity in income of companies subject to significant influence	**(441)**	(491)
Net income	**$ 51,368**	$ 54,513
Basic and diluted earnings per share (note 16)	**$ 1.61**	$ 1.65

See accompanying notes to consolidated financial statements.

Consolidated Statements of Retained Earnings

Years ended December 31, 2004 and 2003
(in thousands of dollars)

	2004	2003
Balance, at beginning	**$ 98,265**	$ 68,919
Net income	**51,368**	54,513
Dividends paid	**(6,330)**	(6,611)
Share redemption - excess of purchase price over net carrying value (note 16)	**(31,623)**	(18,556)
Balance, at end	**$ 111,680**	$ 98,265

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

December 31, 2004 and 2003
(in thousands of dollars)

	2004	2003
Assets		
Current assets		
Cash	**$ 1,986**	$ 2,445
Accounts receivable (note 9)	**93,107**	90,189
Investments in televisual products and films (note 10)	**35,823**	28,884
Inventories and prepaid expenses	**4,963**	3,773
Future tax assets (note 6)	**5,297**	5,893
	141,176	131,184
Investments (note 11)	**22,076**	22,394
Fixed assets (note 12)	**77,999**	62,863
Investments in televisual products and films (note 10)	**22,237**	19,795
Licences (note 3)	**101,159**	69,853
Goodwill (note 3)	**83,002**	72,398
Future tax assets (note 6)	**3,122**	4,204
Other assets (note 13)	**6,348**	7,170
	$ 457,119	$ 389,861
Liabilities and Shareholders' Equity		
Current liabilities		
Bank indebtedness	**$ –**	$ 617
Accounts payable and accrued liabilities (note 14)	**75,660**	54,774
Broadcast and distribution rights payable	**20,012**	14,081
Deferred revenue	**5,096**	5,370
Deferred credit (note 6)	**1,860**	4,200
	102,628	79,042
Broadcast rights payable	**4,899**	3,865
Long-term debt (note 15)	**34,929**	24,364
Future tax liabilities (note 6)	**54,376**	39,900
Deferred credit (note 6)	**397**	537
Non-controlling interest	**10,665**	–
	207,894	147,708
Shareholders' equity		
Capital stock (note 16)	**134,114**	140,880
Contributed surplus (note 6)	**3,431**	3,008
Retained earnings	**111,680**	98,265
	249,225	242,153
Commitments, guarantees and contingencies (note 20)		
	$ 457,119	$ 389,861

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Fernand Belisle

Jean Neveu
Chairman of the Board

Fernand Belisle
Chairman of the Audit Committee

Consolidated Statements of Cash Flows

Years ended December 31, 2004 and 2003
(in thousands of dollars.)

	2004	2003
Cash flows from operating activities		
Net income	**$ 51,368**	$ 54,513
Non-cash items		
Equity in income of companies subject to significant influence	**(441)**	(491)
Amortization	**12,309**	12,433
Future income taxes (note 6)	**3,034**	6,934
Non-controlling interest	**(147)**	–
Other items	**248**	(92)
Cash flows provided by current operations	**66,371**	73,297
Net change in non-cash items (note 8)	**10,861**	(1,416)
	77,232	71,881
Cash flows from investing activities		
Acquisition of fixed assets	**(10,118)**	(5,742)
Deferred charges	**(1,003)**	–
Business acquisitions (note 3)	**(34,177)**	(620)
Proceeds from the disposal of a business (note 3)	**1,619**	–
Disposal of fixed assets	**–**	263
Changes in investments	**759**	737
	(42,920)	(5,362)
Cash flows from financing activities		
Bank indebtedness	**(617)**	(6,804)
Repayment of bank loans	**–**	(1,837)
Increase (decrease) in long-term debt	**10,565**	(26,856)
Issuance of shares (note 16)	**2,639**	1,166
Share redemption (note 16)	**(41,028)**	(25,772)
Dividends paid	**(6,330)**	(6,611)
	(34,771)	(66,714)
Net change in cash	**(459)**	(195)
Cash, at beginning	**2,445**	2,640
Cash, at end	**$ 1,986**	$ 2,445

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years ended December 31, 2004 and 2003
(Amounts presented in the tables are expressed in thousands of dollars.)

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

1. Changes in accounting policies

(a) Impairment of long-lived assets

Effective January 1, 2004, the Company adopted, on a prospective basis, recommendations of Section 3063 of the CICA Handbook, *Impairment of Long-Lived Assets*. These recommendations establish standards for the recognition, measurement and disclosure of the impairment of long-lived assets and stipulate that an impairment loss should be recognized when the carrying value of a long-lived asset intended for use exceeds the sum of the undiscounted cash flows expected from its use and eventual disposition. The impairment loss is to be measured as the excess of the carrying value of the asset over its fair value. The adoption of the new recommendations had no impact on the Company's results for the year ended December 31, 2004.

(b) Long-lived assets and discontinued operations

In December 2002, the CICA issued Section 3475, *Disposal of Long-Lived Assets and Discontinued Operations*, of the CICA Handbook. This section supersedes the write-down and disposal provisions of Section 3061, *Property, Plant and Equipment*, in respect of assets to be disposed of, as well as former Section 3475, *Discontinued Operations*, of the *CICA Handbook*.

The new Section 3475 provides specified criteria for classifying an asset as held-for-sale and requires assets classified as held-for-sale to be accounted for at the lower of their carrying amount or fair value, less selling costs. Section 3475 also broadens the scope of businesses that qualify for reporting as discontinued operations by including any disposals of a component of an entity for which operating results and cash flows can be clearly distinguished from the rest of the Company, and changes the timing of loss recognition on such operations.

The revised standards in Section 3475 on disposal of long-lived assets and discontinued operations are applicable to disposal activities initiated under an exit plan committed to on or after May 1, 2003. The adoption of these standards did not have an impact on the Company's consolidated financial statements for the years ended December 31, 2003 and 2004.

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.

2. Significant accounting policies (continued)

(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) Tax credits and government assistance

The Company may take advantage of several government programs designed to support production and distribution of televisual products and films as well as magazine publishing in Canada.

Government assistance for televisual productions is accounted for in reduction of the production costs. In the publishing sector, government assistance for editing is accounted for as operating revenue and is amortized during the year in which the Company meets the assistance requirements. Government assistance for magazine distribution is accounted for as a reduction of related charges.

Government assistance for the distribution of films is subject to specific terms in respect of the operation of the distribution and, should the Company fail to comply with such terms, it may be required to reimburse the assistance or a portion thereof. The non-refundable portion of the government assistance for marketing costs is accounted for as a cost reduction. The refundable portion is accounted for as an advance and is refundable in whole or in part when the film achieves a certain level of profitability. In the event the film fails to reach the income levels provided for, all or part of such advances shall not be refundable by the Company and shall be accounted for as a reduction of the Company's operating expenses.

(d) Inventories

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

(e) Programs produced and in progress

Programs produced and in progress relate to television activities. Programs produced and 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 program. The cost of each program is charged to operating expenses when the program is broadcasted or when a loss can be estimated.

(f) Broadcast rights and broadcast rights payable

Broadcast rights are essentially contractual rights allowing limited or unlimited broadcast of televisual products or films. The Company records an asset for the broadcast rights acquired and a liability for an obligation incurred under an acquisition contract for broadcast rights when the broadcast 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;

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2004 and 2003
(Amounts presented in the tables are expressed in thousands of dollars.)

2. Significant accounting policies (continued)

(f) Broadcast rights and broadcast rights payable (continued)

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

iii) The programs, films or series are available for their first showing or telecast.

Amounts paid for broadcast rights, prior to the above conditions for recording the asset being 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 films over the contract period, based on the estimated number of showings, using an amortization 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 terms included in the acquisition contract.

(g) Distribution rights and distribution rights payable

Distribution rights refer to the distribution of televisual products and films. 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 for distribution rights and a liability for obligations incurred under an acquisition contract for distribution rights when the film has been accepted in accordance with the conditions of the contract, when the film is available for broadcast and the cost of the rights are known or can be reasonably determined.

Amounts paid for distribution rights, prior to the above conditions for recording the asset being met, are recorded as prepaid distribution rights, in the distribution rights.

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

Revenue estimates for each film are examined periodically by management and revised as necessary based on management's assessment of current market conditions. Distribution rights are valued at the lower of unamortized cost and net realizable value.

(h) Fixed assets

Fixed assets are recorded at cost.

The Company calculates amortization using the following methods and rates:

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

2. Significant accounting policies (continued)

(i) Deferred charges

Deferred charges represent start-up costs for the specialty channels and deferred financing charges. Deferred charges related to specialty channels are amortized using the straight-line method over five years from the commencement of commercial operations and those related to financing are amortized using the straight-line method over the related debt duration. Deferred charges are presented under the caption, Other Assets.

(j) Licences and goodwill

Licences include broadcast licences and magazines trademark licences for Canadian operations. Broadcast licences represent the cost of acquiring rights to operate television 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 not amortized, 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 as a consequence of the annual impairment tests performed on October 31, 2004 and 2003.

(k) 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.

(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 fair value.

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

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2004 and 2003
(Amounts presented in the tables are expressed in thousands of dollars.)

2. Significant accounting policies (continued)

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

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.

(l) Revenue recognition

Advertising revenues

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

Subscription revenues

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 at newsstands

Revenues from the sale of magazines at newsstands are recognized at the time they are delivered to the 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 licensing 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 covered and (iii) the consideration to be exchanged.

(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 can be reasonably determined.

(v) Collection of the arrangement fee is reasonably assured.

Theatrical revenues are 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 videos are recognized in the month during which the film is released in video and are based on the delivery of videocassettes and digital video discs (DVD), less a provision for future returns or based on a percentage of the retailer sales, when the aforementioned conditions are met.

Sale of products

Revenues generated from the sale of products on the Shopping TV service are recognized at the time of delivery.

2. Significant accounting policies (continued)

(m) 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 amortization, which is translated at the historical rate. Gains and losses are included in income for the year.

(n) 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 reverse.

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

On October 15, 2004, the Company modified the stock option arrangement with all the beneficiaries. Under the modified arrangement, beneficiaries may opt to receive from the Company a cash payment equal to the increase in value when exercising their options. Following this amendment, the Company modified its accounting policy and, since that date, has been using the intrinsic value method for all stock options awarded to employees that require settlement in cash or other assets, to be determined by the employee. According to this method, the compensation expense related to the awards to employees who intend to settle in cash or other assets is recorded over the vesting period of the options for each year under operating costs. Changes in the fair value of the underlying shares between the award date (which, for options granted prior to this date, corresponds to the date on which the plan was modified) and the measurement date modify the assessment of the compensation expense whose consideration is accounted for in accounts payable and accrued liabilities. 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.

(p) Earnings per share

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

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2004 and 2003
(Amounts presented in the tables are expressed in thousands of dollars.)

3. Business acquisitions and disposal

<u>*Business acquisitions*</u>

Mystery

On April 30, 2004, the Company acquired an additional 4.95% interest in its joint venture Mystery General Partnership, for a cash contribution of $5. This transaction increases the Company's interest in the joint venture to 50%. The joint venture owns a licence from the Canadian Radio- Television and Telecommunications Commission (CRTC) to operate Category 1 specialty digital service "Mystery".

This acquisition was recorded using the purchase method and the Company accounts for its investment in the joint venture using the proportionate consolidation method. The allocation of the purchase price generated a licence cost of $280,000.

Argent

On September 23, 2004, the partners in the specialty digital television licence for the French-language channel "Argent" informed the Company of their intention to withdraw from the partnership. The Company recorded a cost of $200,000 in respect of the settlement of this withdrawal as a licence cost.

Toronto 1

On December 2, 2004, following a CRTC ruling, the Company (75%) and Sun Media Corporation (25%), a company under common control of its ultimate parent, Quebecor Inc., acquired from CHUM Limited all the shares of the company 3095531 Nova Scotia Company which holds the operating licence for the Toronto 1 television station, for a total of $43,249,000, being an agreed purchase price of $46,000,000, less a preliminary adjustment of $3,451,000 in working capital, plus transaction costs of $700,000. Of the total amount, the Company paid $32,437,000 in cash for a 75% interest in the station. Sun Media Corporation paid $2,812,000 in cash and transferred its 29.9% interest in Cable Pulse 24 (CP24), a 24-hour Toronto news channel, valued at $8,000,000, to CHUM Limited for a 25% interest in Toronto 1. Given that the allocation of the purchase price was not complete as at December 31, 2004, the amounts charged to the assets and liabilities may be modified at a later date.

The preliminary allocation of the purchase price is detailed as follows:

Assets acquired	
Accounts receivable	$ 4,500
Prepaid expenses	226
Broadcast rights	4,295
Fixed assets	14,374
Licence	30,826
Goodwill	11,134
Liabilities assumed	
Accounts payable and accrued liabilities	5,000
Broadcast rights payable	5,972
Future income tax liabilities	11,134
Non-controlling interest	10,812
Net assets acquired at fair value and consideration paid	$ 32,437

3. Business acquisitions and disposal (continued)

Business acquisitions (continued)

TVAchats inc. (previously HSS Canada Inc.)

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

The allocation of the purchase 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 acquired	(305)
Consideration paid, net of cash 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.

The purchase agreement provides for a maximum purchase price adjustment of $6,000,000 over three years, with a maximum payment 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, 2004, the Company has not accounted for the purchase price adjustment as the criteria for such an adjustment have not been met. As at December 31, 2003, the Company had recorded a $1,540,000 purchase price adjustment as additional goodwill and as a liability. This amount was paid on March 1, 2004.

Disposal of a business

Les Éditions TVA inc.

On December 31, 2004, the Company sold its 100% interest in Les Éditions TVA inc., a book publishing company, to Quebecor Media Inc., its parent company, for a cash consideration of $1,619,000. The transaction was recognized at the exchange value and enabled the Company to record a gain on disposal of $754,000. In respect of this transaction, the Company reduced its goodwill by $530,000.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2004 and 2003
(Amounts presented in the tables are expressed in thousands of dollars.)

4. Financial expenses

	2004	2003
Interest on long-term debt	**$ 588**	$ 1,597
Interest revenues	**(839)**	(937)
Amortization of deferred financing charges	**456**	450
Loss (gain) on foreign currency translation	**62**	(71)
Other	**411**	72
	$ 678	$ 1,111

5. Other items and restructuring reserve

Other items

(a) Television segment

During the year, the Company wrote off $765,000 corresponding to costs incurred for the start-up of specialty digital services as these projects were abandoned.

Last year, the Company wrote off $418,000 in costs related to four FM radio licence requests and expenses related to the transaction of acquisition of Astral Media's AM and FM radio stations, following the refusal by the Canadian Radio-Television and Telecommunications Commission (CRTC) to grant these licences to the Company.

(b) Publishing segment

In the course of the year, the Company recorded a gain on disposal amounting to $754,000 following the sale of Les Éditions TVA inc., one of its subsidiaries (see note 3).

Restructuring reserve

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 reserves following a repositioning in this sector.

During 2004, the Company used an amount totalling $494,000 ($1,913,000 in 2003) and, as at December 31, 2004, the balance of the restructuring reserve for this sector totals $5,925,000 ($6,419,000 in 2003).

6. Income taxes

The income tax expense is presented as follows:

	2004	2003
Current income taxes	**$ 14,147**	$ 6,994
Future income taxes	**3,034**	6,934
	$ 17,181	$ 13,928

6. Income taxes (continued)

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

	2004	2003
Domestic statutory tax rate	**31.1 %**	33.1 %
Increase (decrease) resulting from:		
Effect of non-deductible charges and tax rate reduction	**0.5**	(1.1)
Change in deferred credit	**(3.6)**	(9.0)
Other	**(2.7)**	(2.5)
Effective tax rate	**25.3 %**	20.5 %

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

	2004	2003
Future tax assets		
Loss carryforwards	**$ 18,797**	$ 25,116
Restructuring reserve	**1,789**	2,475
Goodwill and licences	**4,097**	3,446
Difference between book and tax bases of fixed assets and investments	**3,325**	3,893
Other	**2,317**	3,191
	30,325	38,121
Valuation allowance	**(21,906)**	(28,024)
	8,419	10,097
Future tax liabilities		
Goodwill and licences	**(34,225)**	(22,516)
Difference between book and tax bases of fixed assets and investments	**(1,674)**	(3,196)
Other	**(18,477)**	(14,188)
	(54,376)	(39,900)
Net future tax liabilities	**$ (45,957)**	$ (29,803)

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

	2004	2003
Future tax assets		
Current	**$ 5,297**	$ 5,893
Long-term	**3,122**	4,204
	8,419	10,097
Future tax liabilities		
Long-term	**(54,376)**	(39,900)
Net future tax liabilities	**$ (45,957)**	$ (29,803)

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2004 and 2003
(Amounts presented in the tables are expressed in thousands of dollars.)

6. Income taxes (continued)

In 2002, 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 offset 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 assets. As at December 31, 2004, the deferred credit balance amounted to $2,257,000 ($4,737,000 in 2003).

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 approximately $6,163,000 ($347,000 in 2003). The total amount has been recorded as a current income tax asset. Tax benefits amounting to $1,820,000 will be recognized into income when the new deduction multiple applied on the tax benefits bought in 2004 will be officially enacted. In addition, the transaction allows the Company to realize a gain of $187,000 ($107,000 in 2003), which is recorded as contributed surplus. The Company also accounted for an additional amount of $56,000 ($122,000 in 2003) as contributed surplus related to an adjustment to Quebecor World Inc.'s $191,000 tax deduction transaction of the previous year. As at December 31, 2004, the Company has an account payable of $5,539,000 ($240,000 in 2003) to Quebecor World Inc.

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

Figures in the tables presented previously for 2004 and 2003 include a valuation allowance of $21,906,000 and $28,024,000, respectively, relating to loss carryforwards and other available tax benefits. The net change in the valuation allowance for the year ended December 31, 2004 is explained mainly by a reduction of an amount of $5,094,000 ($7,465,000 in 2003) from the use of fiscal losses for which a valuation allowance was recognized.

As at December 31, 2004, the Company had loss carryforwards for income tax purposes of approximately $10,338,000 ($30,903,000 in 2003) available to reduce future taxable income, expiring as follows:

2005	$ 2,826
2006	667
2007	671
2008	1,384
2009	1,786
2010	101
2011	2,903

The Company also has available capital losses in the amount of $81,659,000 ($81,659,000 in 2003) that can be carried forward indefinitely 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:

	2004	2003
Consolidated statements of income		
Operating revenues	**$ 9,866**	$ 10,194
Operating, selling and administrative expenses	**9,411**	9,683
Operating income before the following items	**455**	511
Amortization	**622**	602
Financial expenses (interest revenues)	**(2)**	81
Income taxes	**276**	294
Net loss	**$ (441)**	$ (466)
Consolidated balance sheets		
Current assets	**$ 3,916**	$ 6,466
Long-term assets	**1,934**	2,476
Current liabilities	**2,027**	3,320
Consolidated statements of cash flows		
Cash flows from operating activities	**(161)**	(8,822)
Cash flows from investing activities	**–**	55
Cash flows from financing activities	**(1,100)**	9,430

8. Information on the consolidated statements of cash flows

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

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

	2004	2003
Decrease (increase) in assets		
Accounts receivable	**$ 4,894**	$ 9,322
Investments in televisual products and films	**(5,011)**	3,990
Inventories and prepaid expenses	**(1,155)**	(1,244)
Increase (decrease) in liabilities		
Accounts payable and accrued liabilities	**2,466**	(23,708)
Deferred revenues	**(259)**	(396)
Broadcast and distribution rights payable	**993**	(4,316)
Current income tax assets and liabilities	**9,427**	14,813
Other	**(494)**	123
	$ 10,861	$ (1,416)

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

	2004	2003
Interest paid	**$ 1,116**	$ 1,576
Income taxes paid (received)	**5,825**	(8,020)

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2004 and 2003
(Amounts presented in the tables are expressed in thousands of dollars.)

8. Information on the consolidated statements of cash flows (continued)

(c) Non-cash transactions:

The consolidated statements of cash flows exclude the following non-cash transactions:

	2004	2003
Acquisition of fixed assets financed by accounts payable and accrued liabilities	**$ 2,559**	$ 691

9. Accounts receivable

	2004	2003
Trade accounts	**$ 74,776**	$ 73,237
Receivables from companies under common control	**9,598**	9,273
Tax credits and government assistance receivable	**2,048**	5,405
Current income tax assets	**6,685**	2,274
	$ 93,107	$ 90,189

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.

10. Investments in televisual products and films

			2004
	Short-term	**Long-term**	**Total**
Programs produced and in progress	**$ 2,597**	**$ –**	**$ 2,597**
Broadcast rights	**33,226**	**16,596**	**49,822**
Distribution rights	**–**	**5,641**	**5,641**
	$ 35,823	**$ 22,237**	**$ 58,060**

			2003
	Short-term	Long-term	Total
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

11. Investments

	2004	2003
Companies subject to significant influence		
Télé Inter-Rives Ltée, 45% interest	**$ 5,573**	$ 5,330
9085-3011 Québec inc. (a)	**–**	2,748
Other investment in companies subject to significant influence	**–**	(25)
	5,573	8,053
Other investments		
Canoë Inc. (formerly 9085-3011 Québec inc.) (a)	**11,262**	–
Term loan (b)	**2,339**	2,939
Note receivable from 9085-3011 Québec inc. (a)	**–**	8,500
Portfolio investments	**2,902**	2,902
	$ 22,076	$ 22,394

(a) On October 31, 2004, as part of the restructuring of Netgraphe Inc., the Company converted its note receivable, as well as interest receivable on said note, into common shares of 9085-3011 Québec inc. Following Netgraphe's privatization and merger with 9085-3011 Québec inc., TVA Group Inc. holds a 13.8% interest in this company. As at October 31, 2004, the Company ceased accounting for its investment under the equity method and now uses the cost method. 9085-3011 Québec inc. changed its corporate name to Canoë Inc.

Last year, 9085-3011 Québec inc. was a company owned at 50% by TVA Group Inc. and 50% by companies under common control. 9085-3011 Québec inc. had a 22.4% interest in Netgraphe Inc. The note receivable bore interest at prime rate plus 4% and was payable on demand.

(b) The term loan of $2,339,000 bears interest at the rate of 8% and matures on August 1, 2007.

12. Fixed assets

			2004
	Cost	**Accumulated amortization**	**Net book value**
Land	**$ 3,168**	**$ –**	**$ 3,168**
Buildings	**65,506**	**40,947**	**24,559**
Equipment	**159,934**	**119,831**	**40,103**
Projects in progress	**10,169**	**–**	**10,169**
	$ 238,777	**$ 160,778**	**$ 77,999**

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2004 and 2003
(Amounts presented in the tables are expressed in thousands of dollars.)

12. Fixed assets (continued)

			2003
	Cost	Accumulated amortization	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

13. Other assets

	2004	2003
Accrued benefit assets (note 18)	**$ 3,773**	$ 3,819
Deferred charges		
Deferred financing charges	**92**	550
Deferred start-up costs for specialty channels	**2,483**	2,801
	$ 6,348	$ 7,170

14. Accounts payable and accrued liabilities

	2004	2003
Trade accounts payable and accrued liabilities	**$ 57,118**	$ 48,126
Accounts payable to companies under common control	**8,972**	4,524
Current income tax liabilities	**9,570**	2,124
	$ 75,660	$ 54,774

15. Long-term debt

During the year, the Company reduced the maximum amount it could borrow under its Credit Agreement from $135,000,000 to $65,000,000. The credit agreement bears interest at floating rates based on bankers' acceptance rates or bank prime rate plus a variable margin based on the ratio of total debt to cash flows. The maturity date is February 11, 2006.

As at December 31, 2004, the borrowed amounts include $34,929,000 ($18,914,000 in 2003) in banking acceptances, bearing interest at a rate of 2.56% (2.76% in 2003) and nil ($5,450,000 in 2003) in advances on the revolving credit, bearing interest at a rate of 4.25% (4.5% in 2003).

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 properties.

Under the credit agreement, the Company is subject to certain covenants, including maintaining certain financial ratios. As at December 31, 2004, the Company is in compliance with these covenants. In addition, the Company is limited with regard to amounts applicable to dividends and payments to shareholders.

As at December 31, 2004, the Company has outstanding letters of credit amounting to $425,000 ($712,000 in 2003).

16. 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.

	2004	2003
Issued and fully paid		
4,320,000 Class A common shares	**$ 72**	$ 72
26,454,247 Class B shares (28,187,447 in 2003)	**134,042**	140,808
	$ 134,114	$ 140,880

During the year, the Company issued 159,300 Class B shares (86,750 shares in 2003), following the exercising of stock options, for a cash consideration of $2,639,000 ($1,166,000 in 2003).

Issuer bid in the normal course of activities

During the year, the Company filed a new issuer bid in order to redeem for cancellation between June 3, 2004 and June 2, 2005, in the normal course of its activities, a maximum of 1,585,593 Class B shares, representing approximately 10% of the Company's outstanding Class B shares not held by insiders 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.

During the year, 1,892,500 Class B shares (1,452,200 shares in 2003) were redeemed for cancellation for a net cash consideration of $41,028,000 ($25,772,000 in 2003). As at December 31, 2004, all the shares redeemed in the course of the year had been cancelled.

Last year, the Company had filed an issuer bid 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, representing approximately 10% of the Company's outstanding Class B shares not held by insiders at the beginning of the issuer bid.

The issuer bid which ended on June 2, 2004 enabled the Company to redeem 1,515,500 Class B shares between June 3, 2003 and June 2, 2004.

Executive Class B stock option plan for managers

In 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. The terms of the 1990 plan continue to apply to these options. All the options under the 1990 plan were exercised during the course of the year. Under the terms of the plan introduced in 1999 (hereafter the 1999 plan) for executives of the Company and its subsidiaries, the granting, terms and conditions of options granted are determined by the Company's compensation 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 have been reserved for the purposes of the plan. A compensation expense of $180,000 (nil in 2003) in respect of the plan was recorded during the year with the offset to contributed surplus.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2004 and 2003
(Amounts presented in the tables are expressed in thousands of dollars.)

16. Capital stock (continued)

Executive Class B stock option plan for managers (continued)

On October 15, 2004, the Company modified its stock option arrangements for all beneficiaries to allow them, at the time of exercising their options, to opt to receive from the Company a cash payment equal to the number of shares corresponding to the options exercised, multiplied by the difference between the market value and the purchase price of the shares under the option. The market value is defined by the average closing market price of the share for the last five trading days preceding the date on which the option was exercised. During the year, the Company granted 126,500 conventional options under the plan (nil in 2003).

Following the modifications to the stock option arrangements, an additional compensation expense of $177,000 was recorded as the exercise price of the options was lower than the fair value of TVA Group's shares as at December 31, 2004.

Under the 1999 plan, the Company may apply different criteria or terms to the granting of options. In 1999, the Company granted options whose exercise depended on the performance of the Class B share price on the stock market ("performance options"). The Company did not grant any performance options in the course of the year (nil in 2003).

The following table provides a summary of the situation as at December 31, 2004 and 2003 of the conventional options and any changes that occurred during the years then ended:

	2004		2003	
Conventional options	**Number**	**Weighted average exercise price (in dollars)**	Number	Weighted average exercise price (in dollars)
Balance at beginning of year	**250,300**	**$ 16.09**	347,050	$ 15.69
Granted	**126,500**	**20.75**	–	–
Exercised	**(111,800)**	**15.48**	(86,750)	13.44
Cancelled	**(50,000)**	**13.24**	(10,000)	25.20
Balance at end of year	**215,000**	**$ 19.81**	250,300	$ 16.09
Vested options at end of year	**73,500**	**$ 19.39**	145,300	$ 18.92

	Outstanding options			Vested options	
Exercise price range (in dollars)	Number of outstanding options as at December 31, 2004	Weighted average remaining contractual life (years)	Weighted average exercise price (in dollars)	Number of vested options as at December 31, 2004	Weighted average exercise price (in dollars)
$14.00 to $18.85	53,500	5.69	$ 15.64	38,500	$ 16.29
$18.86 to $25.50	161,500	8.78	21.19	35,000	22.80
	215,000	8.01	$ 19.81	73,500	$ 19.39

16. 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, 2004 and 2003 of performance options and any changes that occurred during the years then ended:

	2004		2003	
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**	50,000	$ 18.85
Exercised	**(50,000)**	**18.85**	–	–
Balance at end of year	**–**	**$ –**	50,000	$ 18.85
Vested options at end of year	**–**	**$ –**	50,000	$ 18.85

Class B stock purchase plan for executives and employees

In 1998, the Company introduced a stock purchase plan relating to 375,000 Class B shares for its employees and a stock purchase plan relating to a total of 375,000 Class B shares for its executives. 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 2003) were issued under the plans. As at December 31, 2004, the balance of shares issuable under the employee plan stood at 229,753 Class B shares (229,753 in 2003) and the balance of shares issuable under the executive plan was 332,643 shares (332,643 in 2003).

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, at the option of the Company, in Class B shares or in a combination of cash and shares) only upon discontinuation of the participant's employment. Under this plan, the maximum number of shares issuable is 25,000. During the year, the Company did not issue any units (nil in 2003). No units were outstanding at December 31, 2004 and 2003.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2004 and 2003
(Amounts presented in the tables are expressed in thousands of dollars.)

16. Capital stock (continued)

Quebecor Media Inc. stock option plan

Under a stock option plan established by Quebecor Media Inc., 6,185,714 common shares of Quebecor Media Inc. were set aside for officers, senior employees and other key employees of Quebecor Media and its subsidiaries. Each option may be exercised within a maximum period of ten years following the date of grant at an exercise price no lower than, as the case may be, the fair market value of the common shares of Quebecor Media Inc., at the date of grant, as determined by its Board of Directors (if the common shares of Quebecor Media Inc. are not listed on a stock exchange at the time of the grant) or the trading price of the common shares of Quebecor Media Inc. on the stock exchanges where such shares are listed at the time of the grant. Unless authorized by the Quebecor Media Inc. Compensation Committee, in the context of a change of control, no options may be exercised by an optionee if the shares of Quebecor Media Inc. have not been listed on a recognized stock exchange. As at December 31, 2007, if the shares of Quebecor Media Inc. have not been so listed, optionees may exercise their rights, between January 1 and January 31, each year, to receive the difference between the fair market value, as determined by Quebecor Media Inc.'s Board of Directors, and the exercise price of their vested options, in cash. Except under specific circumstances, and unless the Compensation Committee decides otherwise, options vest over a five-year period in accordance with one of the following vesting schedules as determined by the Compensation Committee at the time of grant: (i) equally over five years with the first 20% vesting on the first anniversary of the date of the grant, (ii) equally over four years with the first 25% vesting on the second anniversary of the date of 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 at December 31, 2004 were granted to senior executives of Quebecor Media Inc. and its subsidiaries.

The Company recorded a compensation expense of $170,000 ($300,000 in 2003) in respect of this plan, for the year ended December 31, 2004, as the exercise price of the options was lower than the fair value of the Quebecor Media Inc. shares as at December 31, 2004, as determined by the Board of Directors of Quebecor Media Inc.

The following table provides summary information regarding outstanding options granted to the Company's senior management, executive employees and other key employees as well as changes made in the years ended December 31, 2004 and 2003:

	2004		2003	
Conventional options	**Number**	**Weighted average exercise price (in dollars)**	Number	Weighted average exercise price (in dollars)
Balance at beginning of year	**85,806**	**$ 16.17**	85,806	$ 16.17
Granted	**38,083**	**22.98**	–	–
Exercised	**(27,828)**	**16.17**	–	–
Cancelled	**(9,277)**	**16.17**	–	–
Balance at end of year	**86,784**	**19.16**	85,806	$ 16.17
Vested options at end of year	**12,175**	**$ 16.17**	–	$ –

16. Capital stock (continued)

Quebecor Media Inc. stock option plan (continued)

	Outstanding options		Vested options
Exercise price range (in dollars)	Number of outstanding options as at December 31, 2004	Weighted average remaining contractual life (years)	Number of vested options as at December 31, 2004
$16.17	48,701	7.23	12,175
$22.98	38,083	9.68	–
	86,784	8.31	12,175

Earnings per share

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

	2004	2003
Net income	**$ 51,368**	$ 54,513
Weighted average number of shares outstanding	**31,881,731**	33,053,045
Effect of dilutive stock options	**17,854**	62,028
Weighted average number of diluted shares	**31,899,585**	33,115,073
Basic and diluted earnings per share (in dollars)	**$ 1.61**	$ 1.65

17. Tax credits and government assistance

Government assistance in the amount of $1,819,000 ($2,558,000 in 2003) is applied against production expenses, of which tax credits account for $971,000 ($1,389,000 in 2003) and production financing account for $848,000 ($1,169,000 in 2003).

Operating revenues for the publishing sector include an amount of $1,247,000 ($2,240,000 in 2003) in government assistance for editing. Government assistance for magazine distribution amounted to $2,209,000 ($2,298,000 in 2003) and was recorded as a reduction of operating expenses.

Operating expenses for the distribution sector include non-refundable government assistance in the amount of $1,085,000 ($74,000 in 2003). As at December 31, 2004, advances received amount to $1,121,000 ($450,000 in 2003) and are presented under distribution rights payable.

18. Pension plans and postretirement benefits

Pension plans offered to management and union members of TVA Group include defined benefit plans, based on career earnings indexed before and after retirement, as well as a defined contribution plan. TVA Group offers its senior management an end-of-career earnings pension plan that is indexed before and after retirement, as well as an unindexed surplus plan after retirement for which the benefits offset the tax limit effect. Employees of TVA Publishing are offered a career-earnings based pension plan that is indexed before and after retirement.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2004 and 2003
(Amounts presented in the tables are expressed in thousands of dollars.)

18. Pension plans and postretirement benefits (continued)

The Company's various retirement plans have undergone actuarial valuations in the past 3 years.

Below are the effective dates of the valuations for funding purposes:

	Most recent valuation date	Date of next required valuation
TVA Group Management Plan	December 31, 2001	December 31, 2004
TVA Group Union Members' Plan	December 31, 2001	December 31, 2004
TVA Group Senior Management Plan	December 31, 2003	December 31, 2006
TVA Publishing Employee Plan	December 31, 2001	December 31, 2004

Total cash amounts recognized in 2004 as paid or payable for employee future benefits, consisting of employer contributions to the defined benefit pension plans, the defined contribution pension plan, and the postretirement benefit plan amounted to $4,081,000 ($3,792,000 in 2003).

The tables below provide information on the defined benefit plans and reconcile the changes in the plans' accrued benefit obligations and the fair value of the plan assets for the years ended December 31, 2004 and 2003:

	2004		2003	
	Pension plans	**Other plans**	Pension plans	Other plans
Accrued benefit obligations				
Balance, beginning of year	**$ 115,717**	**$ 1,614**	$ 100,246	$ 1,535
Participants' contributions	**1,339**	**–**	712	–
Current service cost	**1,427**	**3**	1,041	–
Interest cost	**7,174**	**69**	6,629	70
Plan amendment	**–**	**–**	1,259	–
Business acquisitions	**–**	**–**	2,678	76
Benefits paid	**(7,398)**	**(132)**	(7,594)	(122)
Actuarial loss	**474**	**–**	–	–
Assumption modification	**3,831**	**31**	10,746	55
Balance, end of year	**$ 122,564**	**$ 1,585**	$ 115,717	$ 1,614

	2004		2003	
	Pension plans	**Other plans**	Pension plans	Other plans
Plan assets				
Fair value of plan assets, beginning of year	**$ 116,335**	**$ –**	$ 104,370	$ –
Actual return on plan assets	**12,704**	**–**	15,190	–
Employer contributions	**1,556**	**–**	1,010	–
Participants'contributions	**1,339**	**–**	712	–
Benefits paid	**(7,398)**	**–**	(7,594)	–
Business acquisitions	**–**	**–**	2,647	–
Fair value of plan assets, end of year	**$ 124,536**	**$ –**	$ 116,335	$ –

18. Pension plans and postretirement benefits (continued)

The plan assets are allocated to the following asset categories:

	2004	2003
Equity securities	**52.0 %**	48.3 %
Debt securities	**46.7 %**	50.9 %
Other	**1.3 %**	0.8 %
Total	**100.0 %**	100.0 %

As at December 31, 2004 and 2003, common shares of the ultimate parent Company, Quebecor Inc., were included in the above-mentioned equity securities and accounted for $266,000 (0.2% of the plan assets) and $221,000 (0.19% of the plan assets), respectively.

The amounts presented above in respect of accrued benefit obligations, and the fair value of the plan assets at the end of the year include the following amounts in respect of plans that have not been fully funded:

	2004		2003	
	Pension plans	**Other plans**	Pension plans	Other plans
Accrued benefit obligations	**$ 4,392**	**$ 1,585**	$ 75,996	$ 1,614
Fair value of plan assets	**2,940**	**–**	74,249	–
Funded status - deficit	**$ 1,452**	**$ 1,585**	$ 1,747	$ 1,614

	2004		2003	
	Pension plans	**Other plans**	Pension plans	Other plans
Reconciliation of funded status				
Excess of assets (obligations) over obligations (assets), at end of year	**$ 1,972**	**$ (1,585)**	$ 618	$ (1,614)
Unamortized past service cost	**6,050**	**(29)**	6,536	88
Unamortized net actuarial loss	**9,935**	**398**	9,545	342
Unamortized transitional obligation (asset)	**(6,150)**	**587**	(6,652)	669
Accrued benefit asset (obligation)	**11,807**	**(629)**	10,047	(515)
Valuation allowance	**(8,034)**	**–**	(6,228)	–
Accrued benefit asset (obligation), net of valuation allowance	**$ 3,773**	**$ (629)**	$ 3,819	$ (515)

In the course of the previous year, the Company transferred the accrued benefit obligations and plan assets applicable to Publicor employees whom had been transferred during 2003.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2004 and 2003
(Amounts presented in the tables are expressed in thousands of dollars.)

18. Pension plans and postretirement benefits (continued)

The amounts recorded in the Company's balance sheets as at December 31, 2004 and 2003 are as follows:

	2004		2003	
	Pension plans	**Other plans**	Pension plans	Other plans
Accrued benefit assets, under other assets	**$ 3,773**	**$ –**	$ 3,819	$ –
Accrued benefit obligations, under accounts payable and accrued liabilities	**–**	**(629)**	–	(515)
Net amount recognized	**$ 3,773**	**$ (629)**	$ 3,819	$ (515)

The following table details the components of the Company's defined benefit plans expense for the years 2004 and 2003:

	2004		2003	
	Pension plans	**Other plans**	Pension plans	Other plans
Current service cost	**$ 1,427**	**$ 3**	$ 1,041	$ –
Interest cost	**7,174**	**69**	6,629	70
Expected return on plan assets	**(8,841)**	**–**	(7,936)	–
Amortization of past service cost	**486**	**25**	411	33
Amortization of transitional obligation (asset)	**(502)**	**82**	(502)	82
Change in valuation allowance	**1,806**	**–**	1,315	–
Amortization of net actuarial loss	**121**	**29**	98	20
Benefit plan expense	**$ 1,671**	**$ 208**	$ 1,056	$ 205

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

	2004	2003
Obligations		
Year-end discount rate	**6.00 %**	6.25 %
Rate of compensation increase	**3.25 %**	3.25 %
Current periodic cost		
Discount rate	**6.25 %**	6.25 %
Expected rate of return on plan assets	**7.75 %**	7.75 %
Rate of compensation increase	**3.25 %**	3.25 %

18. Pension plans and postretirement benefits (continued)

For measurement purposes, a 9% annual rate of increase in the per capita cost of covered health care postretirement benefits was assumed for 2002. The rate was assumed to decrease gradually to 5% over a ten-year period and remain at that level thereafter. A 1% change in the above rate would have the following impact:

	Postretirement benefits	
	1% increase	1% decrease
Effect on service and interest costs	$ 8	$ (7)
Effect on benefit obligation	118	(111)

Defined contribution plan

The total expense for the Company's defined contribution pension plan for the year ended December 31, 2004 was $2,394,600 ($2,658,700 in 2003).

19. Related party transactions

During the year ended December 31, 2004, the Company concluded the following transactions with related companies in the normal course of its operations. Transactions with related companies are recorded at the exchange value determined by contract.

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 $21,286,000 ($16,122,000 in 2003) to companies under common control.

Operating, selling and administrative expenses

The Company paid management fees to the parent company in the amount of $1,850,000 ($1,500,000 in 2003).

The Company incurred, from companies under common control and an affiliated company, amortization expenses for broadcast rights, expenses in respect of information systems, communications, printing and filming services as well as access rights for a total of $42,732,000 ($44,470,000 in 2003). The balance sheet includes broadcast rights amounting to $824,000, ($661,000 in 2003) and broadcast rights payable totalling $522,000 ($356,000 in 2003) from these companies.

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2004 and 2003
(Amounts presented in the tables are expressed in thousands of dollars.)

20. 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 $46,206,000 until 2011. The minimum payments for the coming years are as follows:

2005	$ 23,088
2006	7,548
2007	5,731
2008	3,355
2009	2,605
2010 and thereafter	3,879

In addition, under the acquisition of the television station Toronto 1, the Company committed to invest a total of $4,600,000 in tangible benefits in the Canadian television industry over a period of five to seven years. Said amount is in addition to the balance of commitments under the licence held by the former owner in the amount of $9,890,000 that the Company is required to assume for a period of four to seven years.

(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 $789,000. As at December 31, 2004, the Company did not record any liability related to these guarantees.

In the normal course of its operations, the Company provides indemnification agreements to third parties in transactions such as purchase contracts, service agreements and leasing transactions. These indemnification agreements require the Company to compensate the third party 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 third party as a consequence of the transaction. The terms of these indemnification agreements 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 third parties. Historically, the Company has not made any significant payments under such indemnification agreements. 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, the results or cash flows of the Company.

21. Financial instruments

Credit risk management

The Company is exposed to credit losses resulting from defaults by third parties. 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, 2004, no customer balance represented a significant portion of the Company's consolidated trade receivables. The Company establishes an allowance for doubtful accounts that corresponds to the specific credit risk of its customers. The balance of accounts receivable is divided among various clients, principally advertising agencies.

Fair value of financial instruments

The carrying amount of cash, 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. As at December 31, 2004 and 2003, the fair value of long-term debt was equivalent to the book value because it bears a variable-rate interest. The fair value of other investments is comparable to their carrying value.

22. Segmented information

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

• The television segment includes the activities of the TVA Network, analog and digital specialty services, the production firm JPL Production Inc., Toronto 1 and home shopping TV services;

• 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 others;

• The distribution segment includes all activities of distribution of televisual products and films.

The other income item represents the elimination of intersegment transactions and the other balance sheet item represents the investment in Canoe inc. (formerly known as 9085-3011 Quebec Inc.).

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).

Notes to Consolidated Financial Statements (continued)

Years ended December 31, 2004 and 2003
(Amounts presented in the tables are expressed in thousands of dollars.)

22. Segmented information (continued)

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

					2004
	Television	**Publishing**	**Distribution**	**Other items**	**Total**
Operating revenues	**$ 271,216**	**$ 76,268**	**$ 13,242**	**$ (2,766)**	**$ 357,960**
Operating, selling and administrative expenses	**204,599**	**60,617**	**15,007**	**(2,766)**	**277,457**
Operating income before amortization, financial expenses and other items	**$ 66,617**	**$ 15,651**	**$ (1,765)**	**$ –**	**$ 80,503**
Acquisition of fixed assets	**$ 9,891**	**$ 227**	**$ –**	**$ –**	**$ 10,118**
Goodwill	**$ 13,673**	**$ 69,329**	**$ –**	**$ –**	**$ 83,002**
Total assets	**$ 343,192**	**$ 89,375**	**$ 13,290**	**$ 11,262**	**$ 457,119**

					2003
	Television	Publishing	Distribution	Other 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 amortization, financial 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

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FINANCIAL INFORMATION PER PERIOD

Income summary 2004

QUARTERLY CONSOLIDATED INCOME * (in thousands of dollars, except for amounts pertaining to shares)	**First quarter**	**Second quarter**	**Third quarter**	**Fourth quarter**	**2004 Total**
Operating revenues	**$ 85,915**	**$ 94,383**	**$ 71,274**	**$ 106,388**	**$ 357,960**
Operating income before depreciation, amortization, financing charges and other items	**12,380**	**29,699**	**12,955**	**25,469**	**80,503**
Net income	**8,292**	**17,585**	**8,116**	**17,375**	**51,368**
Net income per share	**$ 0.26**	**$ 0.55**	**$ 0.26**	**$ 0.56**	**$ 1.61**
Cash flows provided by current operations	**10,603**	**23,700**	**12,641**	**19,427**	**66,371**
Weighted average number of shares outstanding	**32,508**	**32,021**	**31,820**	**31,168**	**31,882**
Stock price at the Toronto Stock Exchange					
High	**$ 25.24**	**$ 24.15**	**$ 22.87**	**$ 21.23**	**$ 25.24**
Low	**$ 20.15**	**$ 21.45**	**$ 18.60**	**$ 17.90**	**$ 17.90**
Close	**$ 23.55**	**$ 23.25**	**$ 19.08**	**$ 20.34**	**$ 20.34**

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
Operating revenues	$ 84,276	$ 92,396	$ 67,265	$ 97,008	$ 340,945
Operating income before depreciation, amortization, financing charges and other items	14,549	26,666	11,664	28,580	81,459
Net income (loss)	8,997	17,637	6,421	21,458	54,513
Net income (loss) 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
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	$ 23.00
Low	$ 14.10	$ 15.65	$ 17.82	$ 19.40	$ 14.10
Close	$ 15.80	$ 19.00	$ 20.85	$ 20.98	$ 20.98

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

SIX-YEAR REVIEW

Consolidated results (in thousands of dollars)	**2004**	2003	2002 (16 months)	2001	2000	1999
Operating revenues	**$ 357,960**	$ 340,945	$ 439,194	$ 344,652	$ 289,288	$ 239,051
Operating, selling and administrative expenses	**277,457**	259,486	331,577	274,102	226,475	175,249
Operating income before depreciation, amortization, financing expenses and other items	**80,503**	81,459	107,617	70,550	62,813	63,802
Depreciation and amortization	**11,853**	11,980	15,165	14,190	11,414	11,341
Financing expenses	**678**	1,111	2,693	9,498	4,434	1,783
Other items	**11**	418	2 396	183,949	(9 867)	
Income (loss) before income taxes, non-controlling interest and equity in income of companies subject to significant influence	**67,961**	67,950	87,363	(137,087)	56,832	50,678
Income taxes	**17,181**	13,928	19,273	18,810	21,884	20,390
Income (loss) before non-controlling interest and equity in income of companies subject to significant influence	**50,780**	54,022	68,090	(155,897)	34,948	30,288
Non-controlling interest	**147**			50,034	1,107	
Equity in income (loss) of companies subject to significant influence	**441**	491	(4 889)	(11 623)	5 805	181
Income (loss) before amortization of goodwill	**51,368**	54,513	63,201	(117,486)	41,860	30,469
Amortization of goodwill				3,876	1,653	80
Net income (loss)	**$ 51,368**	$ 54,513	$ 63,201	($ 121,362)	$ 40,207	$ 30,389

Financial data and ratios (in thousands of dollars, except for amounts pertaining to shares)	**2004**	2003	2002 (16 months)	2001	2000	1999
Cash flows prodived by current operations	**$ 66,371**	$ 73,297	$ 84,563	$ 16,362	$ 38,417	$ 43,887
Acquisitions of fixed assets	**(10,118)**	(5,742)	(7,747)	(7,786)	(12,856)	(15,472)
Fixed assets	**77,999**	62,863	67,929	76,287	84,805	73,132
Total assets	**457,119**	389,861	425,941	408,870	582,409	259,778
Long-term debt	**34,929**	24,364	51,220	53,875	112,451	19,599
Shareholders' equity	**249,225**	242,153	218,628	169,097	321,618	168,578
Debt ratio	**12%**	9%	19%	24%	26%	10%
Per share						
Net earnings (loss)	**$ 1.61**	$ 1.65	$ 1.84	($ 3.55)	$ 1.31	$ 1.06
Book value	**$ 8.10**	$ 7.45	$ 6.45	$ 4.91	$ 9.49	$ 5.86

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(2) Member of the Compensation Committee

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** As of March 31,2005*

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