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A subsidiary of Quebecor Media Inc.

TVA Group Inc. Annual Report 2005

TRULY EVOLVING

Annual Report 2005

TVA

QUEBECOR MEDIA

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Truly Evolving

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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 editing 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 ten stations, comprising the TVA Network, namely: CFTM-TV (Montréal), CFCM-TV (Québec), 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% ownership. TVA Network signals 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 Sun TV, a conventional station based in Toronto. Moreover, TVA holds an interest in specialty services such as Le Canal Nouvelles (LCN) (100%), Argent (100%), Mystère (100%), Prise 2 (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 Publications Inc. and TVA Publications II Inc. (TVA Publications), 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 televisual and films products mainly for the canadian market. TVA owns rights which it sells through different platforms: cinema, video, video on demand, pay tv and generalist and specialty television.

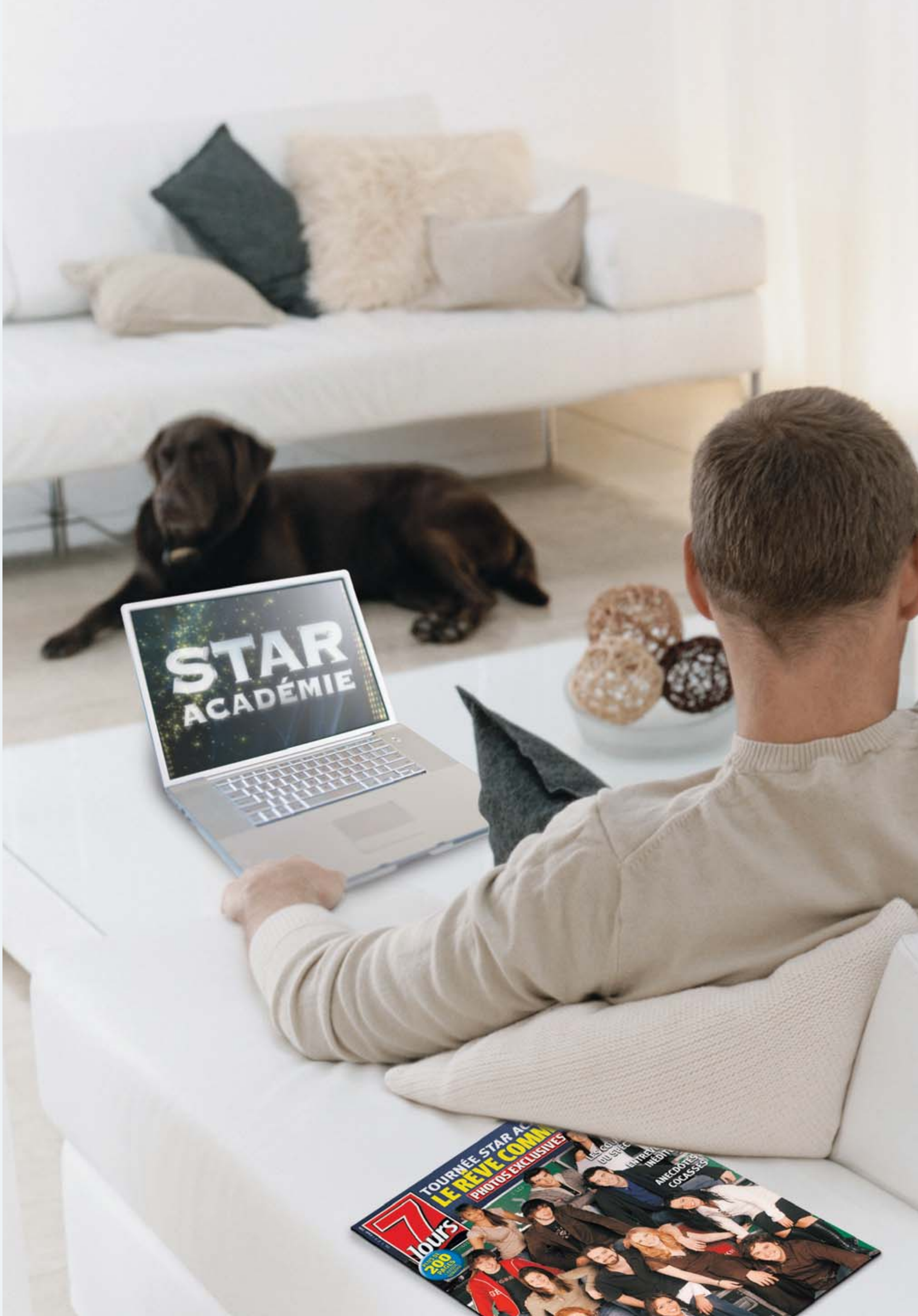
Financial Highlights

(in thousands of dollars, except for amounts pertaining to shares)

	2005	2004
Operating revenues	**$401,352**	$357,960
Operating income before depreciation, amortization, financing charges and other items	**52,991**	80,503
Net income	**28,373**	51,368
Cash flows provided by current operations	**36,561**	66,371
Total assets	**$523,736**	$457,119
Long-term debt	**107,098**	34,929
Shareholders' equity	**$189,898**	$249,225
Net income per share	**$ 0.98**	$ 1.61
Book value per share	**$ 7.02**	$ 8.10
Debt ratio	**36%**	12%
Weighted average number of shares outstanding *(in thousands)*	**28,910**	31,882
Number of shares outstanding *(in thousands)*	**27,035**	30,774
STOCK PRICE - TVA.NV.B (TSX)		
High	**$ 23.00**	$ 25.24
Low	**$ 15.20**	$ 17.90
Close	**$ 16.00**	$ 20.34
NUMBER OF FULL-TIME EMPLOYEES (TVA Group Inc. and its 100% subsidiaries)	**1,418**	1,384

NUMBER OF SHARES (as of december 31, 2005) *(in thousands)*	**Total**	Quebecor Media Inc. shareholding	
Class A shares (with voting rights)	**4,320**	4,317	99.9%
Class B shares (without voting rights)	**22,715**	7,911	34.8%
TOTAL	**27,035**	12,228	45.2%

Tailored content available e



everywhere and on demand

Truly stimulating!

Year-in and year-out, in an increasingly complex and competitive media universe, TVA remains an exemplary company, both in terms of its ability to understand the markets it serves and to respond to their needs, and its long-term, growth-focused vision.

TVA is clearly in an investment mode, responding to the explosion of new content-delivery platforms, we are now resolutely engaged in the strategy of multimedia content, rolling out new specialty television channels so as to help develop this expanding market, and carrying out projects in promising markets outside Québec. TVA is also proceeding with enhancements to the content and look of its publications. TVA is becoming a strong player in the film distribution and audio-visual products in Quebec and in Canada.

For all of our activities, 2005 was a watershed year. Whether in our Television, Publishing or Distribution sectors, our teams last year devoted enormous effort to consolidating TVA's gains in a fast-changing market. But they also laid important cornerstones for the future in a bid to ensure the Company remains on the road to sustained growth.

The digital revolution driving our evolution

The year 2005 also saw unprecedented acceleration in the emergence of multiple-content delivery platforms, a worldwide trend that in turn has considerable impact on the television industry as we have known it up to now.

Faced with ongoing fragmentation of conventional television audiences, digital growth, competition for advertising dollars and the increasing cost of content production and acquisition, TVA is now forced to adopt a new business model that properly takes into account this paradigm shift.

Given a context in which consumers are increasingly in a position to choose when, where and how they view the media content available to them, TVA must no longer only be a broadcaster, but also a creator; a provider and a distributor of quality television content in the fields of entertainment, news and information, and services.

TVA therefore intends to deliver more and more of its content via all possible platforms - be it conventional or specialty television, the Internet, video-on-demand, video/DVD, mobile telephony, portable TV players or any other storage medium that technology may bring to market in the future. Wherever consumers wish to have access to quality content, whatever their needs and whatever type of screen they choose to view it on, TVA will be there.

Similarly, TVA seeks to assist its advertisers in their efforts to reach consumers wherever they are. From this perspective, we intend to demonstrate all the creativity necessary to furnish them with advertising models adapted to each of these content-delivery platforms.

In this regard, TVA is fortunate to belong to a group - Quebecor Media - that operates in all these media sectors and thus offers infinite potential for synergy and convergence, both in terms of program content and advertising.

In short, TVA can no longer afford to think only in terms of television: it must fully leverage its role as a content provider so as to maximize the growth opportunities inherent in all of the various content-delivery platforms and, in so doing, enable TVA Network to reap the benefits of this convergence. This is the only business model that is viable over the medium and long terms.

However, currently, the rules of the game in financing, business contracting, and the nature of partnerships are based on old realities, which creates considerable hurdles when it comes to redistribution of works on new platforms. Under these circumstances, we embarked on a consensus-building approach with all industry stakeholders - entrepreneurs, producers, distributors, broadcasters, artists and creators - with a view to establishing a new business model in which everyone is a winner. This partnership and pooling approach is the only one that can ensure ongoing maintenance not only of our cultural industries' financial health, but also - and especially - Québec's creative dynamism and vitality.

Thus, while continuing to make investments with a view to preserving our share of the conventional television market, TVA is firmly engaged in the shift toward a multimedia universe.

Television: Uniquely positioned in North America

During fiscal 2005, TVA held on-unchallenged-to its position as Québec's television industry leader. Our strong programming lineup earned TVA Network a share of more than 28% of the television viewing audience in Québec, or nearly double that of its nearest rival. As well, 27 of our programs made the list of the 30 most-watched programs in Québec, an even better result than that recorded the previous year.

Once again this year, *Star Académie* garnered excellent ratings while proving to be an exemplary model for convergence within the Quebecor Media family of companies. Paul Arcand's exclusive interview with Nathalie Simard and the *Gala Métrostar* were the two other programs on Québec airwaves that last year drew audiences of over two million viewers; TVA was the sole Québec broadcaster to achieve that level in 2005.

As well, thanks to the unflagging quality of its product, TVA can be proud to have maintained its competitive edge in news and information - even beating Canada's public broadcaster on its "home turf" when it drew nearly twice as many election-night viewers as did its rival.

This ratings performance by TVA - of a scale unequaled anywhere in North America - is all the more remarkable given that it was achieved in a context of audience and advertising-revenue fragmentation, not to mention marked efforts by the competition to attack our market shares. This is particularly true of the public-broadcaster, which continues to use the large subsidies to which it is entitled to bend the rules of the game and thus exert upward pressure on private-broadcaster operating costs and downward pressure on advertising rates.

Investments to sustain growth

To sustain TVA's dominant market position, as well as future growth, last year, we proceeded to make several investments in such areas as programming, launches of new specialty channels, migration of our equipment to the digital realm and improvements to our management systems.

Specifically, the Company proceeded with the integration of the television station Toronto 1, acquired in December 2004, and rebranded it Sun TV to enhance its relaunch impact. Sun TV is presently in its development phase in the Toronto market. Operating in the heart of the fifth-largest advertising market in North America, Sun TV indeed offers excellent development potential. Its programming, both entertaining and bold, features productions from foreign markets as well as original content. Audiences can enjoy local independent productions as well as in-house productions focusing on cultural and sports activities and socioeconomic trends in Ontario's capital.

Our new station will also benefit immensely, both in terms of content and advertising, from the multiple convergence opportunities afforded by the proximity of Sun Media's other companies, such as the Toronto Sun, Canoe.ca and 24 Hours. To this end, these Quebecor Media properties will be pooling their vast resources starting this year to offer news and information consumers in the Greater Toronto Area an unprecedented media experience thanks to convergence and new technologies.

The challenge of bringing profitability to a new conventional TV station in the competitive market of Toronto is very important and we are putting all of our efforts in order to succeed.

Specialty channels in tune with audience tastes

During the year, TVA successfully maintained its market positioning in the specialty channels universe.

Thus, changes were made to the programming of LCN, which posted a healthy ratings increase and saw its reach expand more and more in the all-news market. LCN is also carving out a choice niche for itself as a Web content provider, a role that we plan to leverage even more in the future.

TVA also saw the débuts of two brand-new digital specialty channels, Mystère and Argent. While Mystère had a better-than-expected ratings performance as soon as it launched, changes had to be made to Argent in a bid to attract a wider, less specialized audience. The two channels were offered free as part of basic cable service until February 2006. Since then, we have begun collecting subscriber fees and expect that both stations will quickly reach their profitability objective.

Additionally, in October 2005 the Canadian Radio-television and Telecommunications Commission (CRTC) approved our requests to create four new digital specialty channels: Prise 2, Télé-Service, Humour and Tapis Rouge. Following approval, in February 2006 we launched Prise 2, devoted to programs and series produced over 15 years ago, and feature films made more than 25 years ago. Since its début, Prise 2 has generated ratings in excess of our expectations. Prise 2's free-broadcast period will end in early summer 2006, after which we will rely on subscriber revenues. Launches for Télé-service, Humour and Tapis Rouge are currently under study.

Publishing: Still number one despite fierce competition

With its 43 magazines, led by banner titles *7 Jours*, *Star Système*, *Clin d'œil* (which last year celebrated its 25th anniversary) and *Les Idées de ma maison*, TVA Publications is Québec's largest magazine publisher.

For our Publishing sector, the year 2005 was marked by the arrival of a new competitor to the weekly magazines market, which led to considerable changes to the playing field. Sizable investments were necessary to meet the challenge posed by the new competition and retain our market shares. These translated into, among other things, significantly more content, format changes for key titles and added value for the consumer. We also adopted an aggressive pricing strategy in order to maintain - and in some cases increase - sales volumes.

Although the profitability of this sector has suffered, the latest available statistics from the Audit Bureau of Circulation (ABC) show that our strategy has proven successful, as *7 Jours*, TVA Publications flagship, saw its circulation increase by 29% for the last six months of 2005 compared with the same period in 2004.

TVA Publications also pursued its magazine-television convergence initiatives during the year. We strengthened the market position of arts and entertainment weekly *Star Système*, whose companion program on TVA Network attracts nearly 800,000 viewers, and, as part of the same initiatives, launched the magazine *Tout Simplement Clodine*, a major success that is proving to be the perfect print complement to the program of the same name.

We also launched three new titles: *Sensass!*, a lifestyle magazine for modern women; *Shopping Déco*, a fashion and décor consumer guide; and *Cool Extrême*, aimed at teens.

Therefore, despite competition, we succeeded in improving the positioning of each of our magazine titles. This investment strategy in our products will continue in 2006, and we will pursue our efforts to improve our profitability in that sector.

Distribution: Remarkable successes

On the heels of the great success of the film *C.R.A.Z.Y.* in Québec and solid box office for *White Noise* in English Canada, TVA Films is in the midst of expansion and is already clearly positioned among the key players in the Québec film and home video/DVD distribution business.

Besides our catalogue of new releases, which accounts for the bulk of revenues, TVA Films also enjoyed major success last year with the launch of some twenty titles on the home video/DVD market (sales and rentals), which was more than twice the number of releases the prior year. In addition to the popular soap-opera spoof *Le Cœur a ses raisons*, our division distributed products derived from comedy shows, as well as other TV productions, on this market.

Distribution of this type of product in video/DVD format definitely represents excellent potential for future growth. In addition, thanks to deals concluded in 2005 with Distribution Sélect (a division of Groupe Archambault) and Sony Pictures Home Entertainment (for distribution of its new titles on the English Canada home video/DVD market), TVA Films is now clearly playing from a position of strength from which it can maximize sales in the years to come.

Maintaining its commitment to quality, TVA Films will be releasing new titles in 2006 that should be found in favour or our audiences. They include *Délivrez-moi*, the new film from director Denis Chouinard starring Céline Bonnier and Geneviève Bujold, and *Le Guide de la petite vengeance*, the latest collaboration by Jean-François Pouliot and Ken Scott, who first came to prominence with *La Grande Séduction* (*Seducing Dr. Lewis*) in 2004.

Results that reflect our investments

The financial results for fiscal 2005 provide strong evidence of the many investments that TVA was required to make in our three main industry segments in order to maintain our market shares and ensure growth in a rapidly evolving and highly competitive market.

For the fiscal year ended December 31, 2005, TVA reported consolidated operating revenues of $401 million, up 12% from the $358 million posted the previous year. Earnings stood at $53 million, as compared with $81 million for 2004. That profitability drop is attributable to the operating losses recorded by new services Sun TV, Mystère and Argent, and to the investments made in Publishing to our retain market shares and position.

During the fiscal year, TVA also repurchased 3,739,599 Class B non-voting shares for cancellation, for a total net cash consideration of $82 million.

Acknowledgements

That TVA succeeds year after year in maintaining its position at the summit of its industry is due first and foremost to our employees' skill and dedication, and to the depth of their commitment. We offer them warmest thanks for their constant contributions to the Company's success.

Our thanks also go to the members of the Board of Directors, who share with us their expertise and vision in a complex business environment characterized by the rapid pace of change. A special acknowledgement to François Laurin, who left the Board in 2005; and a welcome to Michel Lavigne, who agreed to replace him.

Thanks as well to all our shareholders for their trust and support, most especially Quebecor Media, whose collaboration is invaluable to us in the pursuit of our business objectives.

This year, as we celebrate the 45th anniversary of Télé-Métropole, TVA Network's forerunner station in Montréal, the constantly renewed loyalty of our audiences is more important to us than ever. We will always strive to offer them content that continually keeps pace with their demands when it comes to entertainment, information and services. Lastly, we thank our advertisers, whose confidence in us is also an unending source of motivation.

Pierre Dion
President and Chief Executive Officer

Jean Neveu
Chairman of the Board

TVA is definitely in full evolution and its management team is determined to bring it to new heights.

Pierre Dion
President and Chief Executive Officer

Philippe Lapointe
Senior Vice-President, Programming

Jocelyn Poirier
President, TVA Publications Inc.

Yves Dion
President, TVA Films

Gaétane Wagner
Vice-President, Human Resources

Paul Buron
Senior Vice-President and Chief Financial Officer

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

Reneault Poliquin
Senior Vice-President, Sales

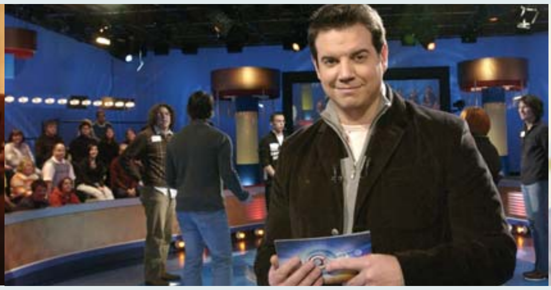
TVA : True presence, true excellence

Building on an unwavering tradition of excellence, TVA Network continued its domination of the airwaves across all time slots during 2005. The network weathered repeated assaults by the competition, yet saw its share of the Québec market reach 28.1%, a total that exceeds those of its two closest rivals combined. This remarkable achievement is yet more proof of the richness of TVA's programming, so strongly rooted in the values and tastes of audiences in all of Québec's regions.

Among the 30 most-watched programs in the province last year, 27 aired on TVA Network. Three of them—Paul Arcand's exclusive interview with Nathalie Simard, *Star Académie 2005* and *Gala Métrostar*—even topped the two-million-viewer mark. The fact that TVA was the sole Québec broadcaster to achieve that standard in 2005 is all the more remarkable given the current context of accelerated audience fragmentation.

Truly talented!

Truly breathtaking!



Truly romantic!

Again this year, the Sunday evening *Star Académie* galas enjoyed a degree of loyalty among Québec viewers that has been attained by only a handful of television programs in the past. Not surprisingly, over the ten weeks that the galas aired, they completely dominated the competition.

Moreover, the popularity of established series continued unabated, with *Km/h*, *Annie et ses hommes*, *Les Poupées russes* and *Histoires de filles* each scoring average ratings considerably in excess of one million viewers. Meanwhile, new arrivals *Le Négociateur*, *Nos Étés* and *Le Cœur a ses raisons* built loyal followings in their début seasons, frequently drawing over a million viewers per episode.

Finally, the most recent series from writer-producer Mrs. Fabienne Larouche, *Un Homme mort*, débuted in February 2006. For this show, TVA Network displayed innovation once more by teaming up with the Canoë Web portal to produce an online game that lets viewers do their own interactive investigating on their computer screens as they follow the twists and turns of the plot on the small screen. They also score points by finding clues in select Quebecor Media publications. This joint venture doubtless represents a key avenue for TVA's future growth.

News & information: Truly credible

It is not only thanks to entertainment programming that TVA has become the public's favourite, year-in, year-out. Our newscasts are the most-watched in Québec, all time slots considered.

Each weekday at 5 p.m., more than 700,000 television viewers tune to TVA for *Le 17 heures*, as Pierre Bruneau and Claude Charron deliver the highest standards of professionalism as they provide in-depth coverage and analysis of the day's events. *Le TVA Réseau*, the late-evening newscast anchored by Sophie Thibault, also attracts more viewers than its two main rivals combined.

Now more than ever, TVA Network's distinguishing hallmark is the quality of its news, information and public affairs programming—quality that today enjoys widespread recognition. If the TVA way of bringing viewers the news resonates so profoundly with them, this is due not only to the skills and abilities of our journalists and regular contributors in pinpointing news that matters and reporting stories clearly, but also to the unmatched credibility that our news and information service has built over the years.

There is no finer illustration of this than TVA's coverage of the most recent federal election campaign, capped off with the most-watched election night special in Québec. The Bruneau-Charron duo drew an average of 940,000 viewers for its coverage of the vote—double the score obtained by rival state-owned television, which was clearly beaten on what is traditionally considered its "home turf."

Our journalists' professionalism was also clearly manifested during coverage of the major international news stories of 2005, from the death of Pope John Paul II and the election of his successor, Benedict XVI, to the tragic devastation wrought by Hurricane Katrina in New Orleans.

Also last year, TVA became the only television news service in Québec to equip itself with a helicopter exclusively dedicated to covering news in the Montreal region and elsewhere in Québec. This investment has already enabled TVA to deliver its audiences a number of scoops and exclusives.

TELEVISION
review of operations

Truly moving!

Truly entertaining!

Truly generous!

TVA: Truly present in the everyday life of its audiences.

Truly present—everywhere

TVA network reaches all of Québec's regions, thanks to the ten regional stations it comprises. TVA owns six of these stations: CFTM Montreal, CFCM Québec City, CHLT Sherbrooke, CHEM Trois-Rivières, CJPM Saguenay and CFER Rimouski. The company also holds a 45% interest in Télé Inter-Rives ltée, operator of affiliated stations CIMT in Rivière-du-Loup, and CHAU, transmitting from Carleton. The other two affiliates are CFEM, in Rouyn, and CHOT, in Gatineau. Over its entire broadcast area, TVA offers quality services and its production and other teams are deeply committed to social, economic and community life in their respective regions.

The TVA signal reaches almost the entire francophone viewing audience in Québec, as well as the French-speaking communities of Ontario and New Brunswick. TVA is also broadcasted from coast to coast in Canada, enabling francophones outside Québec to benefit from its programming to the same degree as those in Québec and its neighbouring provinces.

Truly more choices

With renowned expertise in television, TVA is well positioned to take full advantage of the growth opportunities afforded by development of specialty channels. The Company again expanded its TV offering, proceeding with the launch of two brand-new digital specialty channels—Mystère and Argent—and securing approval from the Canadian Radio-television and Telecommunications Commission (CRTC) for the launch of four more: Prise 2, Télé-Service, Humour and Tapis Rouge. They joined existing specialty channels LCN (TVA's all-news channel), Shopping TVA, and the English-language digital channels Mentv and Mystery, owned in partnership with CanWest MediaWorks Inc.

LCN: Breaking news that truly matters

With blocks of newscasts aired at regular intervals, LCN fully meets the needs of viewers who want to watch the news at any time of day—and night. For those seeking more in-depth examination of the impact of the day's news stories, the channel also offers regular analysis by seasoned contributors.

LCN once again improved its ratings performance during 2005. Its average audience is in the vicinity of 20,000, compared to 14,000 the previous year. The channel now reaches more than 3.4 million viewers per week, versus 2.7 million in 2004. That increase expressed in terms of market share was from 1.3% to 1.7%—an outstanding result considering the strong competition in today's specialty-channel market.

In recent months, LCN also significantly enhanced its Web presence by, among other strategies, offering downloadable clips of its news stories to users via the Canoë portal.

In addition, the CRTC recently authorized a change to LCN's broadcasting licence whereby it will no longer be restricted to airing 15-minute news blocks. The change opens the door to production by LCN of 20 hours of original programming per week, in which news will be debated and opinions will be expressed in a bid to boost total hours tuned, which should also translate into a ratings increase.

Argent: For a true understanding of economic issues

Launched in February 2005, Argent is a specialty news channel covering economic, business and personal finance. With content provided by the TVA news and information service's team and drawing from the network's presence in all of Québec's regions, Argent also features prestige on-air contributors who explain and contextualize the economic and financial news of the day.

Despite being a unique product in the Québec television universe, Argent has yet to settle into its deserved market niche. Improvements continue to be made to its programming, which will allow the channel to reach a wider audience and achieve profitability in a near future.

Mystère: Truly mysterious

The Mystère channel exceeded our most optimistic expectations within weeks of going on air in October 2004, despite the fact that it is available only to households with digital cable decoders. With solid ratings potential, Mystère appeals to the fascination of a large segment of the audience for mystery and suspense shows. Offering popular episodic series fare such as *Omerta*, *Fortier*, *Las Vegas* and *Kingdom Hospital*, the channel is clearly meeting those needs.

Both Mystère and Argent ceased free broadcasting in February 2006, and now rely on subscriber revenues to meet profitability objectives.

Mentv and Mystery: Truly captivating
TVA holds a 51% and 50% interest, respectively, in the English-language digital specialty channels Mentv and Mystery, in partnership with CanWest MediaWorks Inc. In 2005, both channels pursued growth curves, eventually beaming into one million homes and attaining profitability—proof that our investment in these two channels is an exceedingly wise one over both the medium and long terms.

Shopping TVA: True shopping
Inaugurated in 2003 as STV and renamed Shopping TVA in January 2005, our home-shopping specialty channel has been a success from its earliest days, especially among viewers who have limited physical access to department stores. Although Shopping TVA did not realise the growth we hoped for in 2005, we remain convinced of its strong growth potential over the short, medium and long terms, particularly in the perspective of a development strategy built on Web roll-outs. Following the hiring of Alain Létourneau, a renowned marketing specialist, as Vice-President and General Manager, we proceeded with redefinition of the Shopping TVA development strategy and made decisions that will assist in meeting its growth objectives.

Prise 2: Truly nostalgic
Prise 2 is the latest in TVA's family of digital specialty channels to go on air; it made its début in February 2006. Building on the marked public enthusiasm for TV's bygone days, Prise 2 boasts a program schedule heavy on cult classics from Québec and U.S. television alike, including *Le Clan Beaulieu*, *Kojak* and *Les Filles de Caleb*, as well as a host of movies from past decades. We were convinced of the great interest for this service and its ratings proves us right. Therefore, we are certain Prise 2 will realize its profitability potential in the near future.

Sun TV: True convergence
Acquired by TVA at year-end 2004 in partnership with Sun Media Corporation, television station Toronto 1 was rebranded Sun TV in 2005, and is the last major conventional television broadcast licence granted for the Toronto area—the largest advertising market in Canada and fifth-largest in North America. Sun TV offers an attractive fit with the current growth strategy founded on the expertise of TVA, as well as the immense convergence potential created thanks to the Toronto Sun, the Canoe.ca portal and the free newsdaily 24 Hours. The Toronto public will have the opportunity in weeks to come to enjoy convergence at its best as part of a never-before-seen project that will pool the resources and know-how of these four media outlets and feature a strong interactivity component uniting readers, TV viewers and Web users.

JPL Production and TVAccès: Truly growing
More than ever before, TVA's production subsidiary JPL Production is a major content producer for the network's programming. JPL handles production for many of TVA's most popular programs including *Salut Bonjour!*, *Tout simplement Clodine*, *100 détours*, *Les Poupées russes*, *Les Retrouvailles* and the *Gala Métrostar*. JPL Production, which has access to several state-of-the-art production studios along with competent and enthusiastic personnel, had another record year in 2005, producing close to 1,700 hours of programming, compared with an output of 1,500 the previous year.

TVAccès, which groups TVA Network's Montreal and Québec City commercial-production operations, was set up in 2003. Specialized in production of advertising spots, corporate videos and infomercials, it has recorded outstanding growth since its inception and has already taken over as the number-two company in Québec in its industry segment. In three years, revenues have increased by 73%, and earnings by an impressive 103%.

Truly efficient
Despite the continuing trend toward audience fragmentation and the emergence of new media, TVA remains one of the most effective advertising channels anywhere. Our reach, our content-production expertise and our operational flexibility allow us to offer local and national advertisers myriad high-performance options for the promotion of their products, services and brands. Whether via traditional commercials, product placement or media creativity initiatives, TVA offers a wide spectrum of options for an advertiser to derive a maximum advertising impact and to associate itself to specific content.

Truly ready for the challenges of multimedia
Faced with the challenges posed by audience fragmentation in the conventional television arena and the multiplication of content-

LCN LE CANAL NOUVELLES TVA — ARGENT RICHE EN INFORMATION — MYSTÈRE L'ÉTRANGE TÉLÉ — mentv — MYSTERY — Shopping TVA — PRISE 2 LA TÉLÉ QU'ON AIME ENCORE — SUN TV delivery platforms, TVA has decided to view them as opportunities for growth. While retaining its commitment to conventional broadcasting and continuing to offer its audiences rich and diversified programming, to ensure growth TVA will also rely increasingly upon roll-outs of new specialty services as well as on its singular expertise in content production, both of which dovetail with consumer tastes as well as advertiser needs.

In assuming this new role, TVA will clearly leverage its ownership by Quebecor Media, Québec's leader in the field of new media. This pooling of our resources and savoir-faire will ensure not only that we remain the leader of our television industry, but that we continue to nurture all the vitality that we recognize in Québec's culture.

Truly practical!

Truly touching!

Truly scheming!

Truly captivating magazines!

With its 43 magazines, TVA Publications remains by far the largest magazine publisher in Québec, accounting for more than 74% of newsstand sales. Led by flagship titles *7 Jours*, *Star Système*, *Clin d'Oeil* and *Les Idées de ma maison*, our weeklies and monthlies reach a wide readership which finds in each issue a fresh new source of entertainment and information delivered in a quality package.

A year of investments

Fiscal 2005 was marked by the entry of a new competitor to the market, which led to considerable changes to the magazine-publishing playing field and exerted pressure on our market shares. Sizable investments were therefore necessary in order to preserve our positioning: these entailed a major reinvigoration of our entire product line, achieved through significant additions

to content, format changes for key titles and added value for the consumer. We also adopted an aggressive pricing strategy with a view to maintain, and in some cases increase, sales volumes.

Up to now, these investments in our magazines have resulted in clear improvements to our products but also in larger print runs for some titles, notably *7 Jours*, for which the number of issues printed increased by 29% for the last six months of 2005 over the same period in 2004, according to the latest available statistics from the Audit Bureau of Circulation (ABC). Considering these results, our strategy meets our objectives to protect our share market and positioning.

New product offerings

In early 2005, TVA Publications launched a new weekly, *Sensass!*, a lifestyle magazine aimed at a young, contemporary female readership and focused on people, trends and stars. Exploitation of this new niche naturally complements some of our other publications such as the more family oriented *7 Jours*.

On the heels of *Shopping Clin d'œil*, created in 2004, the past year saw the launch of *Shopping Déco* magazine, helping consolidate our position in the fast-growing consumer publishing sector. Designed as practical consumer guides covering fashion and home décor respectively, these two titles have been quick to find loyal audiences.

Our youth-oriented magazines also underwent a rejuvenation, if you will, with *Filles d'Aujourd'hui* benefiting from huge improvements in terms of format, quality and content and a rebranding as *Filles : Clin d'œil*. The target readership for this new title was quickly conquered, and advertising revenues jumped accordingly. Meanwhile, in a similar vein, TVA Publications in the fall launched *Cool Extrême*, a title for teenagers offering more "guy-oriented" content than *Cool*, its reference product.

Enhanced synergies with TVA

TVA's integration of its magazine and television properties has so far proven to be a very profitable venture indeed, as evidenced especially by the solid success of *Star Système*, our international-flavour arts-and-entertainment weekly, whose companion program on TVA Network draws nearly 800,000 viewers.

To accompany that integration, we further boosted synergies between our publishing division and our television service with the launch of *Tout simplement Clodine*, the perfect print complement to the program of the same name, which has been a ratings winner for several years now. The new magazine, which features in-depth articles detailing many of the topics covered on the show, is already showing promising signs of success, and is shaping up to be an excellent product for us.

Content tailored for the consumer

TVA Publications dedicated teams continually track tastes and trends so as to deliver content that perfectly meets the expectations and demands of readers and advertisers alike. In this market that has attained a degree of maturity and is still characterized by lively competition, we plan to continue dedicating all necessary efforts to the production of magazines that both inform and entertain, with a view to consolidating gains and entering new markets.

Most popular films!

Riding the growth curve

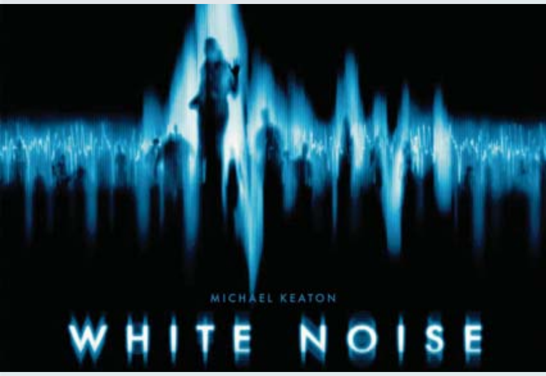
TVA Films enjoyed another flush year in 2005, due in no small measure to the runaway success of *C.R.A.Z.Y.*, the biggest Canadian film of the year with a box-office take in excess of $6 million, and to *White Noise*, which grossed close to $5 million in theatres.

Under the aegis of new President Yves Dion, TVA Films posted excellent results last year, seeing its earnings jump by 65% and strengthening its position as a major player in the Québec film distribution arena.

The rapidly expanding home video/DVD market

In addition to the successes recorded in distribution of its new theatrical releases, TVA Films is also increasingly reliant on the burgeoning market for purchase and rental of its properties on video and DVD to drive growth: in 2005, it launched some twenty titles in this market, more than double the number of

TVA films will aim at deriving benefit from the new content-delivery platforms opportunities in the future.



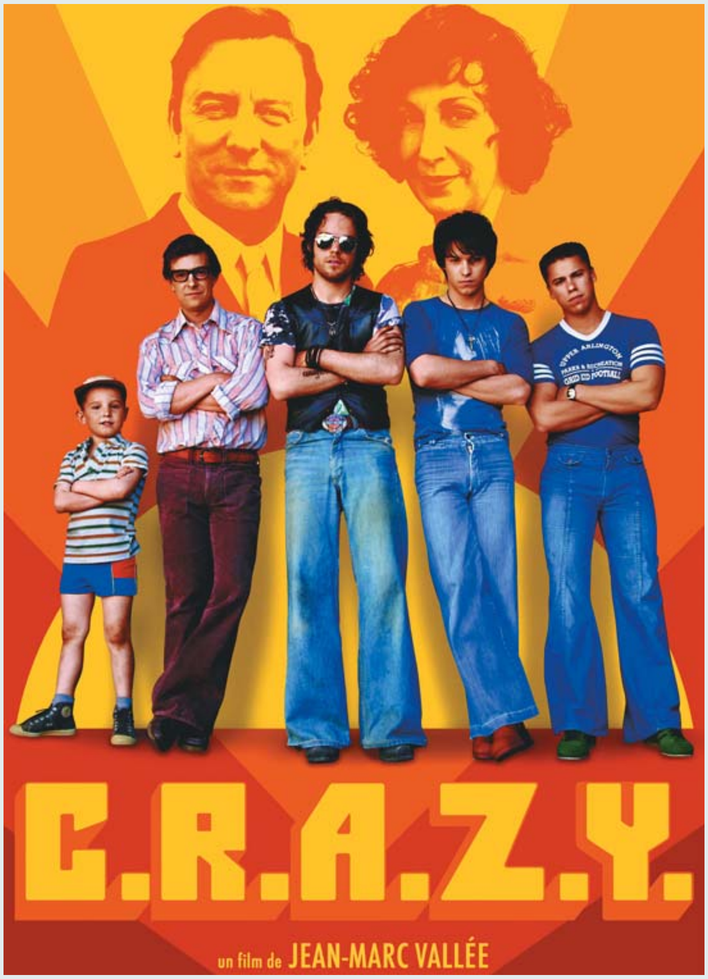
releases the previous year. These included specials and episodic series that have already enjoyed successful broadcast runs on the TVA Network, among them *Le Cœur a ses raisons*, *Le Négociateur*, *Caméra Café* and *Vice Caché*. TVA Films also now offers many titles in its feature-film catalogue to digital subscribers via video-on-demand. This type of content delivery, which last year accounted for more than a third of earnings, shows excellent potential—all the more so given that the division also recently signed deals with Distribution Sélect (a division of Groupe Archambault) as well as with Sony Pictures Home Entertainment for distribution of its new titles on the home video/DVD market in English Canada.

A promising slate of big-screen releases for 2006

Recent acquisitions by TVA Films are a harbinger of another triumphant year at the box office. Movie-goers will soon be able to see two new made-in-Québec features that have been generating a lot of buzz: *Délivrez-moi*, the new film from director Denis Chouinard starring Céline Bonnier and Geneviève Bujold, and *Le Guide de la petite vengeance*, the latest collaboration by director Jean-François Pouliot and screenwriter Ken Scott, who first garnered popular acclaim with 2004's *La Grande Séduction* (*Seducing Dr. Lewis*). Our catalogue of foreign films slated for release during 2006 includes *Les Bronzés 3*, which boasts some of the biggest names in French cinema, including Thierry Lhermitte, Gérard Jugnot, Josiane Balasko and Michel Blanc; the comedy is currently a huge hit in France.

A favourable outlook

The efforts deployed over the past few years by TVA Films have begun to bear fruit, and the outlook for the division is one of sustained growth in all its markets. Following the lead of TVA Network, we will be increasingly building on the potential offered not only by theatrical and home video/DVD distribution, but also by all emerging content-delivery platforms.



Truly amazing!

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 five specialty channels and a general-interest station in Toronto. In the Publishing sector, TVA produces 43 specialty magazines, including seven 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

After acquiring the Sun TV television station and launching the Mystère specialty channel in late 2004, we launched a new magazine, *Sensass!*, in January 2005 and another new specialty channel, Argent, a month later. These major investments in TVA's growth were, and remain, necessary to protect and improve our long-term position in Canada's media industry, which is now marching to the tune of digital technology and changing consumer habits. So this expansion of our activities is occurring in an ever-changing and increasingly competitive environment. In Toronto, the battle for television market share has never before been so fierce, while the advertising market has been shrinking; and in Québec a new competitor has appeared in Québec's already saturated magazine sector. In this difficult but exciting context, TVA Network — which, unlike its main competitors, must rely on the advertising market for the majority of its revenues — maintained its performance. According to Bureau of Broadcast Measurement (BBM) ratings, TVA Network aired 27 of the year's 30 best-watched programs during the year, including *Star Académie III*, *Annie et ses hommes*, *L'École des fans* and *Le top bloopers TVA*, to name just a few. TVA Films also significantly improved its position in the distribution market with two huge hits: C*.R.A.Z.Y.*, a Québec-made movie starring Michel Côté, and *White Noise*, an American film featuring Michael Keaton. Through its investments in its Television sector and its acquisitions of distribution rights, TVA began its transformation toward expanding its content offering and better positioning itself as the leader in the acquisition, creation, integration, broadcasting and distribution of quality entertainment, information and service content on many media platforms. This positioning of TVA as even more content-focused, combined with its multimedia orientation, will ensure that the Company effectively responds to constantly and rapidly changing market needs, in order to provide consumers with true freedom of choice.

OPERATING RESULTS

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

Operating revenues (in thousand of dollars)

	Year ended December 31, 2005	Year ended December 31, 2004
Television	$306,774	$271,216
Publishing	77,129	76,268
Distribution	21,789	13,242
Intersegment items	(4,340)	(2,766)
	$401,352	**$357,960**

TVA's operating revenues continued to rise in fiscal 2005, reaching $401,352,000 for the year, up 12% over the $357,960,000 reported for the previous year. All three of TVA's sectors posted operating revenue growth, but especially its Television sector, with an increase in its operating revenues of $35,558,000, or 13%. The large part of this growth came from the new services — Sun TV, Mystère and Argent — and to a lesser extent from higher advertising sales.

Operating revenues for the Distribution sector rose by $8,547,000, to reach $21,789,000 for the year, up 65% from 2004, thanks in particular to the box-office success and excellent marketing of the films *C.R.A.Z.Y.* and *White Noise*. The Publishing sector, for its part, recorded slight growth in its advertising revenues but a small decline in newsstand revenues because of lower average prices in 2005 compared with 2004.

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

	Year ended December 31, 2005	Year ended December 31, 2004
Television	$ 52,377	$ 66,617
Publishing	273	15,651
Distribution	341	(1,765)
	$ 52,991	**$ 80,503**

EBITDA, as defined above, is not a measure of results that is consistent with Canadian generally accepted accounting principles, nor is it intended to be regarded as an alternative to other financial operating performance measures. It is not intended to represent funds available for debt servicing, dividend payments, reinvestment or other discretionary uses, and should not be considered separately or as a substitute for measures of performance prepared in accordance with Canadian generally accepted accounting principles. EBITDA is used by the Company because management believes it is a meaningful measure of performance. EBITDA is commonly used by the investment community to analyze and compare the performance of companies in the industries in which the Company is active. The Company's definition of EBITDA may not be identical to similarly titled measures reported by other companies.

Because of the impact of the new services on the financial results, plus the investments made in the content and format of our magazines in order to protect our market shares, earnings before interest, income taxes, depreciation, amortization and other items (EBITDA) declined to $52,991,000 for the year ended December 31, 2005, compared with $80,503,000 for the year ended December 31, 2004. However, the Distribution sector significantly improved its profitability, reporting EBITDA of $341,000 for the year, compared with an operating loss of $1,765,000 for fiscal 2004.

TELEVISION

Operating revenues for the Television sector rose by 13% in 2005 over 2004, to $306,774,000. This growth is obviously due to the operating revenues reported by our new services, Sun TV, Argent and Mystère, but also to the very solid improvement in sales of advertising on TVA Network and the solid growth of our commercial-production sales. The increase in TVA Network's advertising revenues is attributable in large part to its very strong programming in 2005. In fact, according to BBM ratings, TVA Network broadcast 27 of its market's 30 best-watched programs in 2005, compared with 25 of 30 in 2004. And so, despite the current fragmentation in the television sector, TVA Network continues to produce audience ratings that allow it to hold its position as the Québec market leader by far. The programming changes made in 2005 in an effort to better align our television shows with available audiences and advertising demand — and taking into account BBM's replacement of viewer diaries with PeopleMeters — clearly had a favorable impact on audience ratings. These positive viewership results did not, however, generate the hoped-for advertising revenues, as the advertising market remained more difficult throughout the entire year. Ontario's television advertising market even shrunk somewhat during the year, which, when combined with Sun TV's lower-than-anticipated audience ratings, resulted in advertising revenues for the station that were below forecasts. On the other hand, our commercial-production division made a solid contribution to our growth, with a 34% increase in sales for fiscal 2005 over the prior year.

EBITDA for the broadcasting sector was $52,377,000 for fiscal 2005, against $66,617,000 for 2004. If not for the Sun TV, Mystère and Argent losses, EBITDA would have been $67,787,000 for the year, against $67,924,000 on an equivalent basis in 2004. This slight decline in EBITDA is due mainly to an 8.5% rise in content costs for TVA Network in 2005. The higher content costs, together with a relatively significant increase in investments made to promote our shows through promotional exchanges in order to better support our programming and our new specialty channels, plus a slight rise in non-content-related operating expenses, could not be totally offset by the higher advertising revenues. However, these additional investments in our content ensured that we were able to provide better-quality, more varied programming over longer time periods — taking into account the different audience measurement method — including the drama series *Nos étés* and a new reality show, *Tout pour toi*, both of which aired in the spring of 2005. Obviously, the inflationary environment created by our competitor, the State-owned television, continues to have an impact on our content costs.

PUBLISHING

Operating revenues for the Publishing sector were $77,129,000 for the year ended December 31, 2005, compared with $76,268,000 for the year ended December 31, 2004. This 1.1% increase in operating revenues is the result of higher advertising revenues, despite a more difficult market, which more than compensated for the decline in newsstand sales. Newsstand sales dropped because of the impact of a more aggressive pricing policy implemented during the year, which, despite the introduction of two new magazines — *Star Système* in 2004 and *Sensass!* in early 2005 — was not offset by the higher number of copies sold. Despite this decline in sales and the fierce competition that prevails in this market, TVA still holds about 75% of the newsstand sales market for

French-language magazines in Québec. Competition comes mainly from other media, including the internet, specialty channels and daily newspapers, which are printing an increasing number of special sections, and even magazines. The arrival during the year of a new competitor publishing an arts weekly has further increased competition in this market. Responding to this new competition, we have increased our investments in our magazines' content and design in order to safeguard our market shares and our leadership position. We will continue to change and improve our various publications to ensure that they are constantly being better adapted to consumers' expectations and preferences, while making every possible effort to improve their profitability.

The Publishing sector recorded EBITDA for 2005 of $273,000, compared with $15,651,000 for the previous year. This significant decline is mainly the result of the decisions made during the year to invest more in our weekly magazines' content and design in order to make them more attractive and to protect our market shares in the face of the new competition. The lower newsstand prices had only a slight impact on total revenues because they were offset by the greater number of copies sold, but this evidently incurred higher printing costs. This helps explain this sector's reduced profitability.

DISTRIBUTION

Operating revenues for the Distribution sector were $21,789,000 for fiscal 2005, against $13,242,000 for the year ended December 31, 2004. This sector performed very well in 2005, with cinema and video distribution revenues more than doubling from 2004. The films *White Noise*, starring Michael Keaton, and C*.R.A.Z.Y.*, starring Michel Côté, were huge hits in both theatres and on video during the year, following on the heels of the 2004 success of the movie *Dans une galaxie près de chez vous*. In addition to the aforementioned successes, TVA Films also successfully distributed shows, in video, it obtained from TVA Network, including *Fortier 3*, *Fortier 4*, *Fortier 5*, *Caméra Café*, *Le cœur a ses raisons*, *Vice caché* and *Juste pour Rire*, to name only a few. On the strength of all of these achievements, TVA Films is increasingly positioning itself as a top-quality major distributor in both the Québec and English-Canadian markets.

EBITDA for the Distribution sector was $341,000 for the year ended December 31, 2005, compared with an operating loss of $1,765,000 for fiscal 2004. During the year, TVA Films continued to acquire distribution rights and expects to distribute another ten films in cinemas in 2006. All in all, we are very pleased with the results produced by the new management team appointed early in the year.

Comparative results (in thousand of dollars)

	Year ended December 31, 2005	Year ended December 31, 2004
Operating revenues	$401,352	$357,960
Operating expenses	348,361	277,457
EBITDA	**52,991**	**80,503**
Amortization	13,740	11,853
Financial expenses	2,764	678
Other items	(276)	11
Income before the following items	**36,763**	**67,961**
Income taxes	11,943	17,181
Non-controlling interest	(2,747)	(147)
Equity in income of companies subject to significant influence	(806)	(441)
Net income	**$ 28,373**	**$ 51,368**

AMORTIZATION

Amortization of fixed assets and deferred startup costs totaled $13,740,000 for the year, compared with $11,853,000 for the previous year. The increase in amortization expenses is due mainly to expenses recorded by Sun TV over a 12-month period, compared with one month in 2004.

FINANCIAL EXPENSES

Financial expenses were $2,764,000 for fiscal 2005, against $678,000 for the prior year. This increase in financial expenses is mainly the result of the higher debt level following the Sun TV acquisition and the major share repurchase the Company conducted last July.

OTHER ITEMS

In the course of the year, the Company recorded an additional gain on disposal amounting to $44,000 following the final settlement of the sale of Les Éditions TVA inc., one of its subsidiaries. The Company also recorded a charge of $591,000 due to the revaluation of its distribution rights written off acquired through its subsidiary, TVA Acquisition Inc. and recorded a gain of $1,257,000 due to the recovery of an amount receivable initially written off. In addition, the Company recorded a charge of $434,000 due to the revaluation of its restructuring reserve related to the production activities of its former subsidiary, TVA Acquisition Inc. A total gain amounting to $276,000 is therefore disclosed under the heading *Other items* in the income statement.

During the previous fiscal year, the Company had recorded an expense of $765,000 to write off the costs related to the start-up of digital specialty channels, projects which were abandoned, and a $754,000 profit on the sale of a subsidiary, Les Éditions TVA inc., to Quebecor Media Inc., for a preliminary consideration of $1,619,000 in cash, which was also recorded under *Other Items*. A total loss amounting to $11,000 was therefore disclosed under the heading *Other items* in the income statement in 2004.

INCOME TAXES

In fiscal 2002, the Company recorded $21,000,000 of future income tax assets related mainly 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 a 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 these future income tax assets. At December 31, 2005, the balance of the deferred credit amounted to $1,684,000, compared with $2,257,000 at the same date in 2004.

Income taxes totaled $11,943,000 for fiscal 2005, equivalent to a tax rate of 32.5%, compared with $17,181,000, or a tax rate of 25.3%, for 2004. The tax rate increase is explained in large part by the use of fewer deferred credits recorded in 2002 at the time of the winding-up of TVA Acquisition Inc., TVA International and some of its subsidiaries and by the impact of the announcement of the increase in corporate tax rates in Québec, following which the Company had to report an income tax expense of $2,058,000. During the year, the Company also recorded a tax recovery related to its donations of audiovisual products to the national archives.

During the year, the Company obtained from Quebecor World Inc., a company under the common control of its ultimate parent, Quebecor Inc., tax deductions representing income taxes of approximately $1,927,000. Tax benefits of $737,000 related to this transaction for fiscal 2005 and $1,820,000 for fiscal 2004, for which tax deductions total led to $6,163,000, will be entered into the Company's results when the rate applying to these benefits will be officially enacted by the legislative authorities. These benefits are currently recorded as income tax liabilities. In 2004, tax deduction acquisition transactions with Quebecor World Inc. allowed the Company to realize a profit of $187,000, which was recorded as contributed surplus.

NON-CONTROLLING INTEREST

Non-controlling interest was $2,747,000 for fiscal 2005, representing Sun Media Corporation's share of Sun TV's net loss. This share was $147,000 for fiscal 2004.

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 2005 was $806,000, compared with $441,000 for the previous year.

NET INCOME

TVA reported net income of $28,373,000, or $0.98 per share, for its year ended December 31, 2005, compared with net income of $51,368,000, or $1.61 per share, for the previous year. As a result, return on shareholders' equity was 13% for the year, against 21% for fiscal 2004.

Calculation of per-share amounts is based on weighted averages of 28,917,369 diluted shares outstanding for the fiscal year ended December 31, 2005, and 31,899,585 diluted shares outstanding for the year ended December 31, 2004.

CASH FLOWS AND FINANCIAL RESOURCES

Comparative results (in thousand of dollars)

	Year ended December 31, 2005	Year ended December 31, 2004
Net income	$ 28,373	$ 51,368
Non-cash items	8,188	15,003
Cash flows provided by current operations	**36,561**	**66,371**
Net change in non-cash items	(21,815)	10,861
Cash flows from operating activities	**14,746**	**77,232**
Proceeds from disposal of a business	–	1,619
Addition to fixed assets	(12,887)	(10,118)
Business acquisitions	–	(34,177)
Deferred charges	(742)	(1,003)
Acquisition of a note receivable from an affiliated company	(37,300)	–
Other changes in investment	2,342	759
Cash flows from investing activities	**(48,587)**	**(42,920)**
Bank indebtedness	12,284	(617)
Increase in long-term debt	72,169	10,565
Deferred financing charges	(441)	–
Issuance of redeemable preferred shares	37,300	–
Issuance of Class B shares	–	2,639
Share redemption	(81,934)	(41,028)
Dividends paid	(5,766)	(6,330)
Cash flows from financing activities	**33,612**	**(34,771)**
Net change in cash	**(229)**	**(459)**
Cash at beginning	1,986	2,445
Cash at end	**$ 1,757**	**$ 1,986**

OPERATIONS

Cash flows provided by operations totaled $14,746,000 for fiscal 2005, compared with $77,232,000 for the previous year. This significant decrease in cash flows provided by operations is due to decline in the Company's profitability and to the increase in non-cash items during the year, especially in the Distribution sector, where revenues grew strongly.

INVESTING

On December 2, 2004, following the CRTC's approval, the Company (75%) and Sun Media Corporation (25%), a company under the common control of its ultimate parent, Quebecor Inc., acquired from CHUM Limited all shares of 3095531 Nova Scotia Company, which owns Sun TV television licence (previously Toronto 1), for an acquisition price of $46,790,000, comprising an initial price agreed of $46,000,000, plus a working-capital adjustment of $157,000, and transaction fees of $633,000. The finalization of the transaction and the final payment are subject to the settlement between the parties of the working capital adjustment. Of the purchase price, $32,387,000 and $2,795,000 were paid in cash by the Company and Sun Media Corporation, respectively. Moreover, Sun Media Corporation delivered over to CHUM Limited its 29.9% interest valued at $8,000,000, in Cable Pulse 24 ("CP24"), a 24-hour local news channel in Toronto.

On July 12, 2005, Sun TV entered into a fiscal consolidation transaction with the Company and its non-controlling shareholder, Sun Media Corporation. To realize this transaction, Sun TV issued 149,300 preferred shares redeemable at the option of the holder, carrying a 10.85% fixed cumulative dividend, of which 37,300 shares at $1,000 were issued to Sun Media Corporation. In return, Sun TV invested $149,300,000, of which $37,300,000 in Sun Media Corporation in the form of 15-year term convertible bonds bearing interest at an annual rate of 10.5%, payable semi-annually and maturing on July 6, 2020. This transaction will have the effect of reducing the Company's and Sun Media Corporation's income tax obligation, since the interest expense on the convertible bonds is deductible for income tax purposes, while the dividend income on preferred shares is non-taxable. This transaction results for the Company on a consolidated level, in a long-term investment in convertible bonds of $37,300,000 in Sun Media Corporation and an equivalent amount in redeemable preferred shares disclosed under the heading *Non-controlling interest and redeemable preferred shares*.

FINANCING

On May 19, 2005, the Company filed an issuer bid to redeem for cancellation up to 3,500,000 of its participating Class B non-voting shares at a price of no less than $19.50 and no more than $22.00 per Class B share. On July 6, 2005, the Company took up 3,449,199 Class B shares of its capital stock relating to this issuer bid, for an aggregate consideration of $75,882,000, plus $201,000 of transaction fees, financed by the credit agreement, representing $22.00 per Class B share.

During the year, TVA filed a new notice of intent to repurchase for cancellation, between August 4, 2005 and August 3, 2006, in the normal course of its activities a maximum of 1,137,722 of Class B shares, which represents approximately 5% of the Company's outstanding Class B shares. During the previous fiscal year, TVA Group had also filed an issuer bid in order to redeem for cancellation, in the normal course of its activities, a maximum of 1,585,593 Class B shares. During fiscal 2005, the Company redeemed 290,400 Class B shares under this program for a net cash consideration of $5,850,000. During the previous fiscal year, TVA had redeemed 1,892,500 shares under this program for a total consideration of $41,028,000.

During the year, the Company renewed its credit agreement consisting of a revolving-term bank loan for a maximum amount of $160,000,000, bearing interest at floating rates based on banker's acceptance rates or the bank prime rate, plus a variable margin based on the ratio of total debt to EBITDA. The maturity and reimbursement date of the credit agreement is June 15, 2010.

At December 31, 2005, the unused and available balance of the revolving credit stood at $52,344,000.

FINANCIAL SITUATION

TVA Group's financial situation is good. At December 31, 2005, the consolidated debt ratio — as measured by the debt-to-capitalization ratio — stood at 38:62, compared with 12:88 at December 31, 2004. The main reason for the higher ratio is the impact on the debt and shareholders' equity of the share redemptions conducted during the year.

The Company's long-term debt rose to $107,098,000 at December 31, 2005, from $34,929,000 at December 31, 2004, an increase of $72,169,000 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 the prior fiscal year.

Quarterly Financial Data (in thousands of dollars, except for amounts pertaining to shares)
For the three-month periods ended

	2005			
	December 31	**September 30**	**June 30**	**March 31**
Operations				
Operating revenues	**$119,546**	**$ 81,042**	**$104,084**	**$ 96,680**
Operating income before amortization, financing expenses and other items	**$ 16,756**	**$ 4,812**	**$ 24,669**	**$ 6,754**
Net income	**$ 8,706**	**$ 2,671**	**$ 14,101**	**$ 2,895**
Basic per-share data				
Net income	**$ 0.32**	**$ 0.10**	**$ 0.46**	**$ 0.09**
Weighted average number of shares outstanding (in thousands)	**27,061**	**27,416**	**30,524**	**30,629**
Diluted per-share data				
Net income	**$ 0.32**	**$ 0.10**	**$ 0.46**	**$ 0.09**
Weighted average number of diluted shares outstanding (in thousands)	**27,065**	**27,425**	**30,527**	**30,643**

	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	$ 0.26	$ 0.55	$ 0.26
Weighted average number of diluted shares outstanding (in thousands)	31,177	31,834	32,098	32,588

Financial Data for the Past Three Years (in thousands of dollars, except for amounts pertaining to shares)

	Year ended December 31, 2005	Year ended December 31, 2004	Year ended December 31, 2003
Operating revenues	**$ 401,352**	**$ 357,960**	**$ 340,945**
Net income	28,373	51,368	54,513
Basic and diluted net income per share	0.98	1.61	1.65
Total assets	523,736	457,119	389,861
Long-term debt	107,098	34,929	24,364
Dividends per share			
Classe A shares	$ 0.20	$ 0.20	$ 0.20
Classe B shares	0.20	0.20	0.20

The increase in operating revenues from 2003 to 2004 was due essentially to the growth in advertising revenues for the Television sector. On the other hand, the increased content costs and a higher taxation rate reduced the Company's net income from $54,513,000, or $1.65 per share, in 2003 to $51,368,000, or $1.61 per share in 2004.

The increase in total assets and long-term debt in 2004 over 2003 is mainly due to the Sun TV acquisition on December 2, 2004 (see Note 2 of the Annual Financial Statements).

The increase in the long-term debt from 2004 to 2005 is explained mainly by the share buybacks conducted during the year, which were financed directly from the revolving loan agreement. The growth in total assets from 2004 to 2005 is the result of the higher working capital and the fiscal consolidation transaction conducted with Sun TV and explained in the *Investing* section.

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, which call for total payments of $72,440,000 until 2012. The minimum payments for the coming fiscal years are as follows:

2006	$ 37,214,000
2007	$ 13,220,000
2008	$ 9,209,000
2009	$ 7,714,000
2010	$ 2,999,000
2011 and beyond	$ 2,084,000

In addition, as part of the acquisition of Toronto's Sun TV television station, 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 $8,996,000 under the terms of the former owner's licence that the Company is required to assume over a period of four to seven years. At December 31, 2005, the balance of the Company's commitments under licence conditions imposed by the Canadian Radio-Television and Telecommunications Commission ("CRTC") was $10,818,000.

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 approximately $608,000. As at December 31, 2005, 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 flows 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 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 in October of 2005 found there was no impairment.

LICENCES

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

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 unfavorable 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 flows 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 in October of 2005 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 probability of the 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 those recorded, as it is influenced by future operating results of the Company.

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 labor 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 a 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, 2005, no customer balance represented a significant portion of the Company's consolidated trade receivables.

GOVERNMENT REGULATION RISKS

The Company is subject to extensive government regulation 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.

DISCLOSURE CONTROLS AND PROCEDURES

In accordance with *Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings*, an evaluation of the effectiveness of the Company's disclosure controls and procedures was conducted. Based on this evaluation, the President and Chief Executive Officer and the Senior Vice-President and Chief Financial Officer have concluded that disclosure controls and procedures were effective as of December 31, 2005 and more specifically that the design of such controls and procedures provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared.

ADDITIONAL INFORMATION

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

FORWARD LOOKING INFORMATION DISCLAIMER

The statements in the present management report that are not historical facts are forward-looking statements and are subject to important known and unknown risks, uncertainties and assumptions which could cause the Company's actual results for future periods to differ materially from those set forth in the forward-looking statements. Certain factors that may cause actual results to differ from current expectations include seasonality, operational risks (including pricing actions by competitors), capital investment risks, environmental risks, credit risks, financial risks, government regulation risks, governmental assistance risks and general changes in the economic environment. Investors and others are cautioned that the foregoing list of factors that may affect future results is not exhaustive and that undue reliance should not be placed on any forward-looking statements. For more information on the risks, uncertainties and assumptions that could cause the Company's actual results to differ from current expectations, please refer to the Company's public filings available at www.sedar.com and www.tva.canoe.com including, in particular, the *Risks and Uncertainties* section of the Company's management's discussion and analysis for the year ended December 31, 2005.

The forward-looking statements in the present management report reflect the Company's expectations as of February 3rd 2006 and are subject to change after this date. The Company expressly disclaims any obligation or intention to update or revise any forward looking statements, whether as a result of new information, future events or otherwise.

February 3, 2006
Montreal, Québec

Management's Report

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

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 provides reasonable assurance that financial records are reliable and form 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 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

Paul Buron
Senior Vice-President and
Chief Financial Officer

Montreal, Canada
February 3, 2006

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of TVA Group Inc. as at December 31, 2005 and 2004 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, 2005 and 2004 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, 2006

Consolidated Statements of Income

Years ended December 31, 2005 and 2004
(in thousands of dollars, except per share amounts)

	2005	2004
Operating revenues	**$401,352**	$357,960
Operating, selling and administrative expenses	**348,361**	277,457
Operating income before amortization, financial expenses and other items	**52,991**	80,503
Amortization of fixed assets	**12,753**	11,213
Amortization of deferred start-up costs	**987**	640
Financial expenses (note 3)	**2,764**	678
Other items (note 4)	**(276)**	11
	16,228	12,542
Income before income taxes, non-controlling interest and equity in income of companies subject to significant influence	**36,763**	67,961
Income taxes (note 5)	**11,943**	17,181
Non-controlling interest	**(2,747)**	(147)
Equity in income of companies subject to significant influence	**(806)**	(441)
Net income	**$ 28,373**	$ 51,368
Basic and diluted earnings per share (note 15)	**$ 0.98**	$ 1.61

See accompanying notes to consolidated financial statements.

Consolidated Statements of Retained Earnings

Years ended December 31, 2005 and 2004
(in thousands of dollars)

	2005	2004
Balance, at beginning	**$111,680**	$ 98,265
Net income	**28,373**	51,368
Dividends paid	**(5,766)**	(6,330)
Share redemption - excess of purchase price over net carrying value (note 15)	**(63,007)**	(31,623)
Balance, at end	**$ 71,280**	$111,680

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

December 31, 2005 and 2004
(in thousands of dollars)

	2005	2004
Assets		
Current assets		
Cash	**$ 1,757**	$ 1,986
Accounts receivable (note 8)	**105,023**	93,107
Investments in televisual products and films (note 9)	**45,145**	35,823
Inventories and prepaid expenses	**5,607**	4,963
Future tax assets (note 5)	**9,156**	5,297
	166,688	141,176
Investments in televisual products and films (note 9)	**28,040**	22,237
Investments (note 10)	**57,840**	22,076
Fixed assets (note 11)	**77,173**	77,999
Future tax assets (note 5)	**3,478**	3,122
Other assets (note 12)	**6,870**	6,348
Licences (note 2)	**101,159**	101,159
Goodwill (note 2)	**82,488**	83,002
	$523,736	$457,119
Liabilities and Shareholders' Equity		
Current liabilities		
Bank indebtedness	**$ 12,284**	$ –
Accounts payable and accrued liabilities (note 13)	**74,628**	75,660
Broadcast and distribution rights payable	**26,466**	20,012
Deferred revenue	**5,620**	5,096
Deferred credit (note 5)	**1,394**	1,860
	120,392	102,628
Broadcast rights payable	**2,532**	4,899
Long-term debt (note 14)	**107,098**	34,929
Future tax liabilities (note 5)	**57,422**	54,376
Deferred credit (note 5)	**290**	397
Non-controlling interest and redeemable preferred shares (note 10)	**46,104**	10,665
	333,838	207,894
Shareholders' equity		
Capital stock (note 15)	**115,187**	134,114
Contributed surplus (note 5)	**3,431**	3,431
Retained earnings	**71,280**	111,680
	189,898	249,225
Commitments, guarantees and contingencies (note 20)		
	$523,736	$457,119

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Jean Neveu
Chairman of the Board

Fernand Belisle
Director

Consolidated Statements of Cash Flows

Years ended December 31, 2005 and 2004
(in thousands of dollars)

	2005	2004
Cash flows from operating activities		
Net income	**$ 28,373**	$ 51,368
Non-cash items		
Equity in income of companies subject to significant influence	**(806)**	(441)
Amortization	**13,879**	12,309
Future income taxes (note 5)	**(1,588)**	3,034
Non-controlling interest	**(2,747)**	(147)
Other items	**(550)**	248
Cash flows provided by current operations	**36,561**	66,371
Net change in non-cash items (note 7)	**(21,815)**	10,861
	14,746	77,232
Cash flows from investing activities		
Additions to fixed assets	**(12,887)**	(10,118)
Deferred charges	**(742)**	(1,003)
Business acquisitions (note 2)	**–**	(34,177)
Proceeds from the disposal of a business (note 2)	**–**	1,619
Acquisition of a note receivable from an affiliated company (note 10)	**(37,300)**	–
Other changes in investments (note 10)	**2,342**	759
	(48,587)	(42,920)
Cash flows from financing activities		
Bank indebtedness	**12,284**	(617)
Deferred financing charges	**(441)**	–
Increase in long-term debt	**72,169**	10,565
Issuance of Class B shares (note 15)	**–**	2,639
Issuance of redeemable preferred shares (note 10)	**37,300**	–
Share redemption (note 15)	**(81,934)**	(41,028)
Dividends paid	**(5,766)**	(6,330)
	33,612	(34,771)
Net change in cash	**(229)**	(459)
Cash, at beginning	**1,986**	2,445
Cash, at end	**$ 1,757**	$ 1,986

See accompanying notes to consolidated financial statements.

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

1. Significant accounting policies

(a) Principles of consolidation and long-term investments
The consolidated financial statements include the accounts of the Company and all of its subsidiaries from the date of acquisition of control to the date of the balance sheet. The equity in the joint ventures is accounted for using the proportionate consolidation method.

Investments in companies subject to significant influence are accounted for using the equity method and all other investments are accounted for using the cost method.

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

(c) 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;
- 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.

1. Significant accounting policies (continued)

(f) Broadcast rights and broadcast rights payable (continued)
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 non-amortized 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 non-amortized 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%

(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) Impairment of long-lived assets
Long-lived assets, including property, plant and equipment and intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(k) 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.

1. Significant accounting policies (continued)

(k) Licences and goodwill (continued)
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 in October 2005 and 2004.

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

The following accounting policies are applied for all defined benefit plans:

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

(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.

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

m) Revenue recognition
Advertising revenues
Revenues derived from the sale of advertising airtime in the television sector are recognized once the broadcasting of the advertisement 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 received in exchange for the rights.

1. Significant accounting policies (continued)

m) Revenue recognition (continued)
Distribution revenues (continued)

- (ii) The film is complete and has been delivered or is available for delivery.
- (iii) The licence period of the arrangement has begun and the customer can begin its exploitation, exhibition, broadcasting or sale.
- (iv) The arrangement fee of the Company is fixed or can be reasonably determined.
- (v) Collection of the Company's arrangement fee of the Company 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 deliveries of videocassettes and digital video discs (DVD), less a provision for future returns or based on a percentage of the retailer's 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.

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

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

(p) 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.

(q) 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.

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

2. Business acquisitions and disposal

Business acquisitions

Sun TV (previously Toronto 1)

On December 2, 2004, following CRTC's approval, the Company (75%) and Sun Media Corporation (25%), a company under common control of its ultimate parent, Quebecor Inc., acquired from CHUM Limited all shares of 3095531 Nova Scotia Company, which owns Sun TV television licence. The purchase price is $46,790,000, which represents the $46,000,000 initial purchase price agreed plus a working capital adjustment of $157,000 and transaction fees of $633,000 (preliminary established at $700,000 in 2004). The finalization of the transaction and the final payment are subject to the settlement between the parties of the working capital adjustment. Of the purchase price, $32,387,000 and $2,795,000 was paid in cash by the Company and Sun Media Corporation, respectively. Moreover, Sun Media Corporation delivered over to CHUM Limited its 29.9% interest valued at $8,000,000 in Cable Pulse 24 ("CP24"), a 24-hour local news channel in Toronto.

Effective December 2, 2004, 100% of Sun TV's operating income has been included in the Company's consolidated statement of income. During the year, the Company changed the Toronto 1 corporate name to Sun TV.

The adjusted allocation of the acquisition price is detailed as follows:

	Adjusted	Preliminary
Assets acquired		
Accounts receivable	$ 3,033	$ 4,500
Prepaid expenses	228	226
Broadcast rights	80	4,295
Fixed assets	14,818	14,374
Licence	30,826	30,826
Goodwill	10,622	11,134
Liabilities assumed		
Accounts payable and accrued liabilities	1,532	5,000
Broadcast rights payable	150	5,972
Future tax liabilities	11,134	11,134
Non controlling interest	11,698	10,812
Net assets acquired at fair value and consideration paid and to be paid	$ 35,093	$ 32,437

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 provided 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 pre-set levels.

As at December 31, 2005 and 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 an equivalent amount in accounts payable and accrued liabilities. This amount was paid on March 1, 2004.

Mystery

On April 30, 2004, the Company acquired an additional 4.95% interest in its joint venture Mystery General Partnership ("Mystery"), 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 the 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.

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

2. Business acquisitions and disposal (continued)

Business acquisitions (continued)

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.

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 preliminary cash consideration of $1,619,000. The transaction was recognized at the exchange value and enabled the Company to record a gain on disposal in 2004 of $754,000. During the year ended December 31, 2005, the Company recorded an additional gain of $44,000 due to the final price adjustment. The final consideration now amounts to $1,710,000. In respect of this transaction, the Company reduced its goodwill by $530,000.

3. Financial expenses

	2005	2004
Interest on long-term debt	**$ 2,686**	$ 588
Dividend on redeemable preferred shares (note 10)[1]	**1,852**	–
Interest revenue on receivable note from an affiliated company (note 10)[1]	**(1,792)**	–
Interest revenue	**(193)**	(839)
Amortization of deferred financing charges	**140**	456
Other	**71**	473
	$ 2,764	$ 678

[1] Of these amounts, dividends of $1,785,000 were paid and an amount of $1,728,000 was received as interest revenue.

4. Other items

(a) Television segment

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

(b) Publishing segment

In the course of the year, the Company recorded an additional gain on disposal amounting to $44,000 ($754,000 in 2004) following the sale of Les Éditions TVA inc., one of its subsidiaries (see note 2).

(c) Distribution segment

During the year, the Company recorded a charge of $591,000 due to the revaluation of its distribution rights written off acquired through its subsidiary, TVA Acquisition Inc. and also recorded a gain of $1,257,000 due to the recovery of an amount receivable initially written off. The Company also recorded a charge of $434,000 due to the revaluation of its restructuring reserve related to the production activities of its former subsidiary, TVA Acquisition Inc.

(d) Restructuring reserve

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 the year 2005, the Company used $1,169,000 ($494,000 in 2004) of the reserve. Based on new information available to the Company, a revaluation of the reserve was made and resulted in an additional charge of $434,000. The balance of this sector's restructuring reserve amounts to $5,190,000 as at December 31, 2005 ($5,925,000 as at December 31, 2004).

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

5. Income taxes

The income tax expense is presented as follows:

	2005	2004
Current income taxes	**$ 13,531**	$ 14,147
Future income taxes	**(1,588)**	3,034
	$ 11,943	$ 17,181

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

	2005	2004
Canadian statutory tax rate	**31.0%**	31.0%
Impact of provincial tax rate	**(1.6)**	0.1
	29.4	31.1
Increase (decrease) resulting from:		
Effect of non-deductible charges	**1.5**	0.5
Effect of Quebec's future tax rate increase	**5.6**	–
Change in deferred credit	**(1.6)**	(3.6)
Other	**(2.4)**	(2.7)
Effective tax rate	**32.5%**	25.3%

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

	2005	2004
Future tax assets		
Loss carryforwards	**$ 22,622**	$ 18,797
Restructuring reserve	**1,394**	1,789
Goodwill and licences	**4,151**	4,097
Difference between book and tax bases of fixed assets and investments	**4,260**	3,325
Other	**2,303**	2,317
	34,730	30,325
Valuation allowance	**(22,096)**	(21,906)
	12,634	8,419
Future tax liabilities		
Goodwill and licences	**(37,051)**	(34,225)
Difference between book and tax bases of fixed assets and investments	**(1,317)**	(1,674)
Other	**(19,504)**	(18,477)
	(57,422)	(54,376)
Net future tax liabilities	**$ (44,788)**	$ (45,957)

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

5. Income taxes (continued)

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

	2005	2004
Future tax assets		
Current	$ 9,156	$ 5,297
Long-term	3,478	3,122
	12,634	8,419
Future tax liabilities		
Long-term	(57,422)	(54,376)
Net future tax liabilities	$ (44,788)	$ (45,957)

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, 2005, the deferred credit balance amounted to $1,684,000 ($2,257,000 in 2004).

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 $1,927,000 ($6,163,000 in 2004). Tax benefits amounting to $737,000 related to the 2005 transaction, and $1,820,000 related to the 2004 transaction, will be recognized into the Company's income when the legislative authorities will officially enact the rate applying to this tax deduction.

During the year, a total tax amount of $10,018,000 was received, an amount of $7,461,000 was paid to Quebecor World Inc. and, as at December 31, 2005, a total amount of $2,557,000 is recorded as a current income tax liability and will be added to the results when the rate applying to this tax deduction will be officially enacted by the legislative authorities. During the previous year, acquisitions of tax deductions from Quebecor World Inc. allowed the Company to realize a gain of $187,000, which was recorded as contributed surplus. In 2004, the Company also accounted for an additional amount of $56,000 as contributed surplus related to an adjustment to Quebecor World Inc.'s tax deduction transaction of 2003.

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, or that the retained earnings will become taxable.

Figures in the tables presented previously for 2005 and 2004 include a valuation allowance of $22,096,000 and $21,906,000 respectively, relating to loss carryforwards and other available tax benefits. The net change in the valuation allowance for the year ended December 31, 2005 is explained mainly by a reduction of an amount of $992,000 ($5,094,000 in 2004) from the use of fiscal losses for which a valuation allowance was recognized and by an increase in the investments valuation allowance following the increase in the provincial income tax rate amounting $1,120,000.

As at December 31, 2005, the Company had loss carryforwards for income tax purposes of approximately $20,572,000 ($10,338,000 in 2004) available to reduce future taxable income, expiring as follows:

2006	$ 594
2008	1,245
2009	1,784
2014	2,277
2015	14,672

The Company also has available capital losses in the amount of $81,659,000 ($81,659,000 in 2004) that can be carried forward indefinitely and for which no future income tax asset was recorded.

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

6. Joint ventures

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

	2005	2004
Consolidated statements of income		
Operating revenues	$ 9,541	$ 9,866
Operating, selling and administrative expenses	8,717	9,411
Operating income before the following items	824	455
Amortization	629	622
Financial expenses (interest revenues)	(28)	(2)
Income taxes	79	276
Net income (loss)	$ 144	$ (441)
Consolidated balance sheets		
Current assets	$ 4,938	$ 3,916
Long-term assets	1,307	1,934
Current liabilities	2,387	2,027
Consolidated statements of cash flows		
Cash flows from operating activities	56	(161)
Cash flows from investing activities	–	–
Cash flows from financing activities	(125)	(1,100)

7. Information on 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:

	2005	2004
Decrease (increase) in assets		
Accounts receivable	$ (15,799)	$ 4,894
Investments in televisual products and films	(19,340)	(5,011)
Inventories and prepaid expenses	(642)	(1,155)
Increase (decrease) in liabilities		
Accounts payable and accrued liabilities	5,794	2,466
Deferred revenues	524	(259)
Broadcast and distribution rights payable	9,909	993
Current income tax assets and liabilities	(2,107)	9,427
Other	(154)	(494)
	$ (21,815)	$ 10,861

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

7. Information on cash flows (continued)

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

	2005	2004
Interest paid	**$ 2,120**	$ 1,116
Net income taxes paid	**13,556**	5,825

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

	2005	2004
Acquisition of fixed assets financed by accounts payable and accrued liabilities	**$ 1,246**	$ 2,559

8. Accounts receivable

	2005	2004
Trade accounts	**$ 75,823**	$ 74,776
Receivables from companies under common control	**19,349**	9,598
Tax credits and government assistance receivable	**5,954**	2,048
Current income tax assets	**3,897**	6,685
	$105,023	$ 93,107

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

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

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

9. Investments in televisual products and films

			2005
	Short-term	**Long-term**	**Total**
Programs produced and in progress	**$ 5,867**	**$ –**	**$ 5,867**
Broadcast rights	**39,278**	**20,704**	**59,982**
Distribution rights	**–**	**7,336**	**7,336**
	$ 45,145	**$ 28,040**	**$ 73,185**

			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

10. Investments

	2005	2004
Companies subject to significant influence		
Télé Inter-Rives Ltée, 45% interest	**$ 6,376**	$ 5,573
Other investments		
Canoë Inc. 13.8% interest (c)	**11,262**	11,262
Note receivable from an affiliated company (a)	**37,300**	–
Term loan (b)	**–**	2,339
Other portfolio investments	**2,902**	2,902
	$ 57,840	$ 22,076

a) On July 12, 2005, a subsidiary of the Company, 3095531 Nova Scotia Company, owned at 75% and operating the television channel Sun TV, entered into a fiscal consolidation transaction with the Company and its non-controlling shareholder, Sun Media Corporation, a company under common control of its ultimate parent, Quebecor Inc. To realize this transaction, 3095531 Nova Scotia Company issued 149,300 preferred shares redeemable at the option of the holder carrying a 10.85% fixed cumulative dividend, of which 37,300 shares at $1,000 were issued to Sun Media Corporation. In return, 3095531 Nova Scotia Company invested $149,300,000, of which $37,300,000 in Sun Media Corporation in the form of 15-year term convertible bonds bearing interest at an annual rate of 10.5%, payable semi-annually, and maturing on July 6, 2020.

This transaction will have the effect of reducing the Company's and Sun Media's Corporation income tax obligation, since the interest expense on the convertible bonds is deductible for income tax purposes, while the dividend income on preferred shares is not taxable.

This transaction results for the Company, on a consolidated level, in a long-term investment in convertible bonds of $37,300,000 in Sun Media Corporation, and an equivalent amount in redeemable preferred shares disclosed under the heading *Non-controlling interest and redeemable preferred shares*.

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

10. Investments (continued)

b) During the year ended December 31, 2005, the term loan bearing interest at the rate of 8% maturing August 1, 2007 and amounting to $2,048,000 on the payment date was totally reimbursed to the Company.

(c) On October 31, 2004, due to Canoë inc.'s privatization, the Company's interest lowered to 13.8%. As at October 31, 2004, the Company ceased accounting for its investment under the equity method and now uses the cost method.

11. Fixed assets

			2005
	Cost	**Accumulated amortization**	**Net book value**
Land	**$ 3,168**	**$ –**	**$ 3,168**
Buildings	**67,222**	**44,124**	**23,098**
Equipment	**172,516**	**129,169**	**43,347**
Projects in progress	**7,560**	**–**	**7,560**
	$250,466	**$173,293**	**$ 77,173**

			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

12. Other assets

	2005	2004
Accrued benefit assets (note 18)	**$ 4,238**	$ 3,773
Deferred charges		
Deferred financing charges, net of accumulated amortization	**393**	92
Deferred start-up costs for specialty channels net of accumulated amortization	**2,239**	2,483
	$ 6,870	$ 6,348

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

13. Accounts payable and accrued liabilities

	2005	2004
Trade accounts payable and accrued liabilities	**$ 58,456**	$ 57,118
Accounts payable to companies under common control and affiliated	**11,477**	8,972
Current income tax liabilities	**4,695**	9,570
	$ 74,628	$ 75,660

14. Long-term debt

During the year, the Company renewed its credit agreement consisting in a revolving-term bank loan for a maximum amount of $160,000,000, bearing interest at floating rates based on banker's acceptance rates or bank prime rate plus a variable margin based on the ratio of total debt to earnings before interests, taxes, amortization and other items. The maturity date of the credit agreement is June 15, 2010.

As at December 31, 2005, the borrowed amounts represent $107,098,000 ($34,929,000 in 2004) in banking acceptances, bearing interest at an average rate of 4.02% (3.56% in 2004).

Under the credit agreement, the Company is subject to certain covenants, including maintaining certain financial ratios. As at December 31, 2005, the Company is in compliance with these covenants.

As at December 31, 2005, the Company has outstanding letters of credit amounting to $558,000 ($425,000 in 2004).

15. 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.

	2005	2004
Issued and fully paid		
4,320,000 Class A common shares	**$ 72**	$ 72
22,714,648 Class B shares (26,454,247 in 2004)	**115,115**	134,042
	$115,187	$134,114

15. Capital stock (continued)

Substantial issuer bid
On May 19, 2005, the Company filed an issuer bid to redeem for cancellation up to 3,500,000 of its participating Class B non-voting shares at a price of no less than $19.50 per Class B share and no more than $22.00 per Class B share. On July 6, 2005, the Company took up 3,449,199 Class B shares of its capital stock relating to this issuer bid, for an aggregate consideration of $75,882,000 plus $201,000 of transaction fees, financed by the credit agreement, representing $22.00 per Class B share. The Class B shares redeemed for cancellation under this issuer bid represented 13.16% of the 26,203,647 Class B shares issued and outstanding.

Issuer bid in the normal course of activities
During the year, the Company has also filed a new notice of intent to repurchase for cancellation between August 4, 2005 and August 3, 2006, in the normal course of its activities, a maximum of 1,137,722 Class B shares which represent approximately 5% of the Company’s outstanding Class B shares. The Company repurchases its shares at the market price plus brokerage fees.

During the year, pursuant to its normal course issuer bid programs, the Company redeemed for cancellation a total of 290,400 Class B shares (1,892,500 shares in 2004) for a net cash consideration of $5,850,000 ($41,028,000 in 2004). Of this amount, 16,200 shares had not been cancelled as at December 31, 2005.

During the previous year, the Company filed an 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 issuer bid enabled the Company to redeem 1,259,400 Class B shares.

Shares issuance
During the previous year, the Company issued 159,300 Class B shares following the exercising of stock options, for a cash consideration of $2,639,000.

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 previous 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. During the previous year, a compensation expense of $180,000 in respect of the plan was recorded during the year with the offset to contributed surplus.

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 115,630 conventional options under the plan (126,500 in 2004).

A reversal of compensation charge of $75,000 (total charge of $357,000 in 2004) was recorded considering the market value of TVA Group inc. as at December 31, 2005 was lower than its market value as at December 31, 2004.

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

15. 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, 2005 and 2004 of the conventional options and any changes that occurred during the years then ended:

	2005		2004	
Conventional options	**Number**	**Weighted average exercise price (in dollars)**	Number	Weighted average exercise price (in dollars)
Balance at beginning of year	**215,000**	**$ 19.81**	250,300	$ 16.09
Granted	**115,630**	**20.85**	126,500	20.75
Exercised	**(6,000)**	**14.00**	(111,800)	15.48
Cancelled	**(14,453)**	**20.85**	(50,000)	13.24
Balance at end of year	**310,177**	**$ 20.27**	215,000	$ 19.81
Vested options at end of year	**72,500**	**$ 18.50**	73,500	$ 19.39

	Outstanding options			Vested options	
Exercise price range (in dollars)	Number of outstanding options as at December 31, 2005	Weighted average remaining contractual life (years)	Weighted average exercise price (in dollars)	Number of vested options as at December 31, 2005	Weighted average exercise price (in dollars)
$14.00 to $18.85	47,500	4.67	$ 15.85	47,500	$ 15.85
$18.86 to $25.50	262,677	8.49	21.06	25,000	23.52
	310,177	7.91	$ 20.27	72,500	$ 18.50

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 50,000 outstanding performance options with an average exercise price of $18.85 as at December 31, 2003 were exercised in 2004 and no options were issued in 2004 and 2005.

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 2004) were issued under the plans. As at December 31, 2005 and 2004, the balance of shares issuable under the employee plan stood at 229,753 Class B shares and the balance of shares issuable under the executive plan is 332,643 shares as at December 31, 2005 and 2004.

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

15. Capital stock (continued)

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 Class B shares issuable is 25,000. During the year, the Company did not issue any units (nil in 2004). No units were outstanding at December 31, 2005 and 2004.

Earnings per share

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

	2005	2004
Net income	**$ 28,373**	$ 51,368
Weighted average number of shares outstanding	**28,910,015**	31,881,731
Effect of dilutive stock options	**7,354**	17,854
Weighted average number of diluted shares	**28,917,369**	31,899,585
Basic and diluted earnings per share (in dollars)	**$ 0.98**	$ 1.61

262,677 (15,000 in 2004) Class B stock options were not included in the calculation of the diluted earnings per share considering the exercise price was higher than the share average market value in 2005.

16. 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, between January 1 and January 31 of each year, starting January 1, 2008, their right to receive an amount in cash equal to 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. 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.

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

16. Quebecor Media Inc. stock option plan (continued)

The Company recorded a compensation expense of $375,000 in respect of this plan, for the year ended December 31, 2005 ($170,000 in 2004), as the exercise price of the options was lower than the fair value of the Quebecor Media Inc. shares as at December 31, 2005 and 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, 2005 and 2004:

	2005		2004	
Conventional options	**Number**	**Weighted average exercise price (in dollars)**	Number	Weighted average exercise price (in dollars)
Balance at beginning of year	**86,784**	**$ 19.16**	85,806	$ 16.17
Granted	**13,458**	**27.86**	38,083	22.98
Exercised	**–**	**–**	(27,828)	16.17
Cancelled	**–**	**–**	(9,277)	16.17
Balance at end of year	**100,242**	**$ 20.33**	86,784	$ 19.16
Vested options at end of year	**24,351**	**$ 16.17**	12,175	$ 16.17

	Outstanding options		Vested options
Exercise price (in dollars)	Number of outstanding options as at December 31, 2005	Weighted average remaining contractual life (years)	Number of vested options as at December 31, 2005
$16.17	48,701	6.23	24,351
22.98	38,083	8.69	–
27.86	13,458	9.24	–
	100,242	7.57	24,351

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

17. Tax credits and government assistance

Government assistance in the amount of $3,559,000 ($1,819,000 in 2004) is applied against production expenses, of which tax credits account for $2,629,000 ($971,000 in 2004) and production financing account for $930,000 ($848,000 in 2004).

Operating revenues for the publishing sector include an amount of $1,204,000 ($1,247,000 in 2004) in government assistance for editing. Government assistance for magazine distribution amounted to $1,968,000 ($2,209,000 in 2004) and was recorded as a reduction of operating expenses.

Operating expenses for the distribution sector include non-refundable government assistance in the amount of $1,287,000 ($1,085,000 in 2004). As at December 31, 2005, advances received amount to $2,243,000 ($1,121,000 in 2004) and are presented under distribution rights payable.

18. Pension plans and post-retirement 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.

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, 2004	December 31, 2007
TVA Group Union Members' Plan	December 31, 2004	December 31, 2007
TVA Group Senior Management Plan	December 31, 2003	December 31, 2006
TVA Publishing Employee Plan	December 31, 2004	December 31, 2007

Total cash amounts recognized in 2005 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 post-retirement benefit plan amounted to $4,865,000 ($4,081,000 in 2004).

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, 2005 and 2004:

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

18. Pension plans and post-retirement benefits (continued)

	2005		2004	
	Pension plans	**Other plans**	Pension plans	Other plans
Accrued benefit obligations				
Balance, beginning of year	**$122,564**	**$ 1,585**	$115,717	$ 1,614
Participants' contributions	**2,186**	**–**	1,339	–
Current service cost	**2,786**	**4**	1,427	3
Interest cost	**7,604**	**64**	7,174	69
Plan amendment	**5,574**	**–**	–	–
Benefits paid	**(5,553)**	**(141)**	(7,398)	(132)
Actuarial loss	**18,039**	**741**	474	–
Assumption modification	**–**	**–**	3,831	31
Balance, end of year	**$153,200**	**$ 2,253**	$122,564	$ 1,585

	2005		2004	
	Pension plans	**Other plans**	Pension plans	Other plans
Plan assets				
Fair value of plan assets, beginning of year	**$124,536**	**$ –**	$116,335	$ –
Actual return on plan assets	**13,813**	**–**	12,704	–
Employer contributions	**2,870**	**–**	1,556	–
Participants' contributions	**2,186**	**–**	1,339	–
Benefits paid	**(5,553)**	**–**	(7,398)	–
Fair value of plan assets, end of year	**$137,852**	**$ –**	$124,536	$ –

The plan assets are allocated to the following asset categories:

	2005	2004
Equity securities	**54.7%**	52.0%
Debt securities	**44.4%**	46.7%
Other	**0.9%**	1.3%
Total	**100.0%**	100.0%

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

18. Pension plans and post-retirement benefits (continued)

As at December 31, 2005 and 2004, common shares of the ultimate parent Company, Quebecor Inc., were included in the above-mentioned equity securities and accounted for $457,000 (0.3% of the plan assets) and $266,000 (0.2% of the plan assets), respectively.

The amounts presented 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:

	2005		2004	
	Pension plans	**Other plans**	Pension plans	Other plans
Accrued benefit obligations	**$153,200**	**$ 2,253**	$ 4,392	$ 1,585
Fair value of plan assets	**137,852**	**–**	2,940	–
Funded status - deficit	**$ 15,348**	**$ 2,253**	$ 1,452	$ 1,585

	2005		2004	
	Pension plans	**Other plans**	Pension plans	Other plans
Reconciliation of funded status				
Excess of assets (obligations) over obligations (assets), at end of year	**$ (15,348)**	**$ (2,253)**	$ 1,972	$ (1,585)
Unamortized past service cost	**10,803**	**(53)**	6,050	(29)
Unamortized net actuarial loss	**23,387**	**1,115**	9,935	398
Unamortized transitional obligation (asset)	**(5,648)**	**511**	(6,150)	587
Accrued benefit asset (obligation)	**13,194**	**(680)**	11,807	(629)
Valuation allowance	**(8,956)**	**–**	(8,034)	–
Accrued benefit asset (obligation), net of valuation allowance	**$ 4,238**	**$ (680)**	$ 3,773	$ (629)

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

18. Pension plans and post-retirement benefits (continued)

The amounts recorded in the Company's balance sheets as at December 31, 2005 and 2004 are as follows:

	2005		2004	
	Pension plans	**Other plans**	Pension plans	Other plans
Accrued benefit assets, under other assets	**$ 4,238**	**$ –**	$ 3,773	$ –
Accrued benefit obligations, under accounts payable and accrued liabilities	**–**	**(680)**	–	(629)
Net amount recognized	**$ 4,238**	**$ (680)**	$ 3,773	$ (629)

The following table details the components of the Company's defined benefit plan expense for the years 2005 and 2004:

	2005		2004	
	Pension plans	**Other plans**	Pension plans	Other plans
Current service cost	**$ 2,786**	**$ 4**	$ 1,427	$ 3
Interest cost	**7,604**	**64**	7,174	69
Expected return on plan assets	**(9,320)**	**–**	(8,841)	–
Amortization of past service cost	**821**	**25**	486	25
Amortization of transitional obligation (asset)	**(502)**	**75**	(502)	82
Change in valuation allowance	**922**	**–**	1,806	–
Amortization of net actuarial loss	**10**	**24**	121	29
Benefit plan expense	**$ 2,321**	**$ 192**	$ 1,671	$ 208

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

18. Pension plans and post-retirement benefits (continued)

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

	2005	2004
Obligations		
Year-end discount rate	**5.00%**	6.00%
Rate of compensation increase	**3.25%**	3.25%
Current periodic cost		
Discount rate	**6.00%**	6.25%
Expected rate of return on plan assets	**7.50%**	7.75%
Rate of compensation increase	**3.25%**	3.25%

For measurement purposes, a 9% annual rate of increase in the per capita cost of covered health care post-retirement 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:

	Post-retirement benefits	
	1% increase	1% decrease
Effect on service and interest costs	$ 8	$ (6)
Effect on benefit obligation	180	(148)

Defined contribution plan

The total expense for the Company's defined contribution pension plan for the year ended December 31, 2005 was $1,994,500 ($2,394,600 in 2004).

19. Related party transactions

During the year ended December 31, 2005, 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 $22,973,000 ($21,286,000 in 2004) to companies under common control.

Operating, selling and administrative expenses

The Company paid management fees to the parent company in the amount of $3,250,000 ($1,850,000 in 2004).

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

19. Related party transactions (continued)

Operating, selling and administrative expenses (continued)
The Company incurred, from companies under common control and affiliated, amortization expenses for broadcast rights, expenses in respect of information systems, communications, printing and filming services, access rights as well as professional services, for a total of $54,827,000 ($42,732,000 in 2004). The balance sheet includes broadcast rights amounting to $803,000 ($824,000 in 2004) and broadcast rights payable totaling $486,000 ($522,000 in 2004) from these companies.

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 $72,440,000 until 2012. The minimum payments for the coming years are as follows:

2006	$ 37,214
2007	13,220
2008	9,209
2009	7,714
2010	2,999
2011 and thereafter	2,084

In addition, as part of the acquisition of Toronto's Sun TV television station, 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 $8,996,000 under the terms of the former owner's licence that the Company is required to assume over a period of four to seven years. As at December 31, 2005, the balance of the Company's commitments under licence conditions imposed by the CRTC was $10,818,000.

(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 approximately $608,000. As at December 31, 2005, 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, 2005, 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, 2005, the fair value of the long-term debt was equivalent to the book value because it bears a variable-rate interest. The fair value of the receivable note from an affiliated company was not determined due to the unavailability, on the market, of a financial instrument with essentially the same economical characteristics. The fair value of other investments was also not determined because there is no quote available on an organized market for these types of investment.

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., Sun TV 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.

Other items represent the elimination of intersegment transactions on the statement of income and the investment in Canoe Inc. on the balance sheet.

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 strategies.

The segments' accounting policies are the same as those followed by the Company as a whole (see note 1).

The following tables include information on income, as well as information on assets:

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

22. Segmented information (continued)

					2005
	Television	**Publishing**	**Distribution**	**Other items**	**Total**
Operating revenues	**$306,774**	**$ 77,129**	**$ 21,789**	**$ (4,340)**	**$401,352**
Operating, selling and administrative expenses	**254,397**	**76,856**	**21,448**	**(4,340)**	**348,361**
Operating income before amortization, financial expenses and other items	**$ 52,377**	**$ 273**	**$ 341**	**$ –**	**$ 52,991**
Additions to fixed assets	**$ 12,664**	**$ 223**	**$ –**	**$ –**	**$ 12,887**
Goodwill	**$ 13,159**	**$ 69,329**	**$ –**	**$ –**	**$ 82,488**
Total assets	**$399,531**	**$ 89,769**	**$ 23,174**	**$ 11,262**	**$523,736**

					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
Additions to 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

Financial Information per Period

Years ended December 31, 2005 and 2004
(Amounts presented in the tables are expressed in thousands of dollars.)

Income summary 2005

QUARTERLY CONSOLIDATED INCOME* (in thousands of dollars, except for amounts pertaining to shares)	**First quarter**	**Second quarter**	**Third quarter**	**Fourth quarter**	**2005 Total**
Operating revenues	**$ 96,680**	**$104,084**	**$ 81,042**	**$119,546**	**$401,352**
Operating income before depreciation, amortization, financing charges and other items	**6,754**	**24,669**	**4,812**	**16,756**	**52,991**
Net income	**2,895**	**14,101**	**2,671**	**8,706**	**28,373**
Net income per share	**$ 0.09**	**$ 0.46**	**$ 0.10**	**$ 0.32**	**$ 0.98**
Cash flows provided by current operations	**4,547**	**17,173**	**5,361**	**9,480**	**36,561**
Weighted average number of shares outstanding	**30,629**	**30,524**	**27,416**	**27,061**	**28,910**
Stock price at the Toronto Stock Exchange					
High	**$ 21.99**	**$ 21.99**	**$ 23.00**	**$ 20.40**	**$ 23.00**
Low	**$ 19.75**	**$ 18.75**	**$ 19.49**	**$ 15.20**	**$ 15.20**
Close	**$ 21.70**	**$ 20.16**	**$ 19.51**	**$ 16.00**	**$ 16.00**

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

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

Six-Year Review

Years ended December 31, 2005 and 2004
(Amounts presented in the tables are expressed in thousands of dollars.)

Consolidated results (in thousands of dollars)	**2005**	2004	2003	2002 (16 months)	2001	2000
Operating revenues	**$401,352**	$357,960	$340,945	$439,194	$344,652	$289,288
Operating, selling and administrative expenses	**348,361**	277,457	259,486	331,577	274,102	226 475
Operating income before depreciation, amortization, financing expenses and other items	**52,991**	80,503	81,459	107,617	70,550	62,813
Depreciation and amortization	**13,740**	11,853	11,980	15,165	14,190	11,414
Financing expenses	**2,764**	678	1,111	2,693	9,498	4,434
Other items	**(276)**	11	418	2,396	183,949	(9,867)
Income (loss) before income taxes, non-controlling interest and equity in income (loss) of companies subject to significant influence	**36,763**	67,961	67,950	87,363	(137,087)	56,832
Income taxes	**11,943**	17,181	13,928	19,273	18,810	21,884
Income (loss) before non-controlling interest and equity in income (loss) of companies subject to significant influence	**24,820**	50,780	54,022	68,090	(155,897)	34,948
Non-controlling interest	**2,747**	147	–	–	50,034	1,107
Equity in income (loss) of companies subject to significant influence	**806**	441	491	(4 889)	(11 623)	5 805
Income (loss) before amortization of goodwill	**28,373**	51,368	54,513	63,201	(117,486)	41 860
Amortization of goodwill	**–**	–	–	–	3,876	1,653
Net income (loss)	**$ 28,373**	$ 51,368	$ 54,513	$ 63,201	($121,362)	$ 40,207

Financial data and ratios (in thousands of dollars, except for amounts pertaining to shares)	**2005**	2004	2003	2002 (16 months)	2001	2000
Cash flows prodived by current operations	**$ 36,561**	$ 66,371	$ 73,297	$ 84,563	$ 16,362	$ 38,417
Additions to fixed assets	**(12,887)**	(10 118)	(5,742)	(7,747)	(7,786)	(12,856)
Fixed assets	**77,173**	77,999	62,863	67,929	76,287	84,805
Total assets	**523,736**	457,119	389,861	425,941	408,870	582,409
Long-term debt	**107,098**	34,929	24,364	51,220	53,875	112,451
Shareholders' equity	**189,898**	249,225	242,153	218,628	169,097	321,618
Debt ratio	**36%**	12%	9%	19%	24%	26%
Per share						
Net earnings (loss)	**$ 0.98**	$ 1.61	$ 1.65	$ 1.84	($3.55)	$ 1.31
Book value	**$ 7.02**	$ 8.10	$ 7.45	$ 6.45	$ 4.91	$ 9.49

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(2) Member of the Compensation Committee

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Annual Meeting
The Annual Meeting
of Shareholders of TVA Group Inc.
will be held on;
May 5, 2006 at 10:30 a.m. at
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