TVA

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A Quebecor Media Company

ANNUAL REPORT 2007

Table of contents

Tva at the Heart of the Digital Revolution

Profile

TVA Group Inc. (TVA Group, TVA or the Company), established in 1960 under the name Télé-Métropole corporation, is an integrated communications company with operations in television, magazine editing and the distribution of audiovisual content.

TELEVISION

TVA is one of the largest private-sector French-language producer and the largest private-sector 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 (Gatineau), 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.

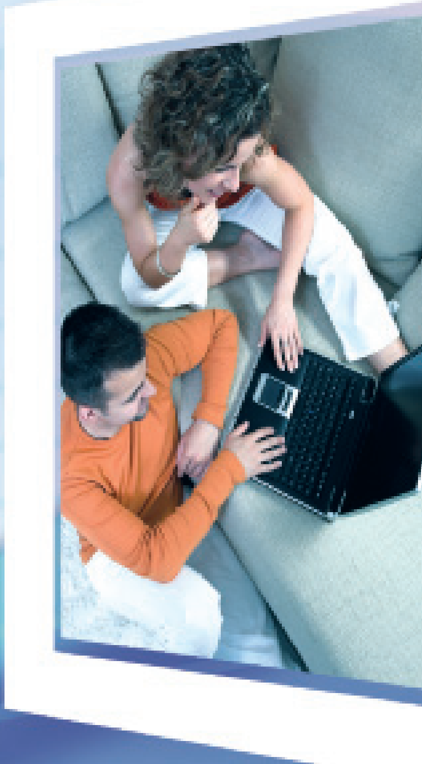
Furthermore, TVA owns speciality services such as Le Canal Nouvelles (LCN), Argent, Mystère, Prise 2, Les idées de ma maison (since February 2008), and has interests in mentv (51%), Mystery (50%) and Canal Évasion (8%), as well as in the Indigo à la carte television service (20%). On February 15, 2008, TVA Group made an offer to purchase all shares owned by the other partners of the Indigo channel. This offer was accepted. However, the acquisition is conditional upon the CRTC's approval. TVA is also active in marketing a variety of products and in infomercials (Shopping TVA).

PUBLISHING

TVA operates in the publishing sector through its subsidiary, TVA Publications Inc., 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.



Financials Highlights

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

	2007	2006
Operating revenues	$ 415,486	$ 393,312
Operating income before amortization, financial expenses, restructuring costs of operations, depreciation of intangible assets, gain on business acquisition and disposal, (recovery) income taxes, non-controlling interest, equity of income subject to significant influence	59,381	42,056
Net income (net loss)	38,384	(3,140)
Cash flows provided by current operations	38,098	29,991
Total assets	457,762	477,901
Long-term debt	56,333	96,515
Shareholders' equity	$ 214,519	$ 181,492
Base Net income (net loss) per share	$ 1.42	$ (0.12)
Book value per share	$ 7.94	$ 6.72
Debt ratio	21 %	35 %
Weighted average number of shares outstanding *(in thousands)*	27,025	27,026
Number of shares outstanding *(in thousands)*	27,025	27,025
STOCK PRICE - TVA.B (TSX)		
High	$ 18.51	$ 17.50
Low	$ 13.89	$ 13.96
Close	$ 14.52	$ 14.90
NUMBER OF FULL-TIME EMPLOYEES (TVA Group Inc. and its subsidiaries)	1,372	1,374

NUMBER OF SHARES (as of december 31, 2007) *(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)	22,705	7,911	34.8 %
TOTAL	27,025	12,228	45.2 %

A Major Flagship in the Quebec Media World

In a context where the proliferation of distribution platforms, the popularity of the Internet and the fragmentation of the audiovisual market pursue their relentless advance, TVA remains a force to be reckoned with in Québec's media world: it has maintained its stronghold in conventional television while diversifying its offering through a complementary range of specialty channels.

Whether it be in terms of its ratings, readership or sustained reach in all the regions and communities in which it is active, TVA Group enjoyed an excellent year in 2007, confirming the strength of its expertise in all of its business segments and its ability to adapt to an industry undergoing a complete transformation. However, there is no denying that these results stem from the implementation of a diversification strategy: as a conventional broadcaster, TVA Network is achieving declining results. The increase in operating income is essentially due to the contribution of all the TVA Group's other divisions.

The success achieved under conditions characterized by profound changes in the media markets is no coincidence. It is largely due to a strategic plan that is in the process of being implemented. The plan, which stemmed from a clear vision and is being executed by a revamped management team, is based on one of Group TVA's key strategies: the creation and production of content deployed on multiple platforms to give consumers access to its content when and where they want it.

MAKING THE VISION A REALITY

For TVA Group, fiscal 2007 was marked by the accelerated pursuit of the strategic plan initiated in 2005. The business model born of this strategic plan—the only viable model for the fragmented media universe we operate in—is based on TVA's need to act not only as a broadcaster, but as a creator, producer and supplier of content on all available platforms.

Several concrete steps were taken over the last year to make this vision a reality. The Company established a new division of TVA Group, TVA Création, whose purpose is to develop concepts and content intended primarily for television and the Internet and for which TVA Group will own all operating rights on all available platforms, in Canada and abroad. The leadership of this important division was entrusted to Ginette Viens, who has many years of experience and solid expertise in advertising, creative media and programming management in the variety area. TVA Création will call on internal personnel as well as external resources to design and develop new content exclusive to TVA. Besides, starting next September, TVA Network will broadcast the first programs created entirely by this new entity.

To underscore this new vision, JPL Productions was completely restructured. The division, renamed TVA Productions, now has a more functional and efficient structure that will allow it to increase the quantity and scope of the content it produces. TVA Productions is headed by Sylvia Côté, who has a proven track record in television production. In the last few years, this division has played a growing role in producing some of TVA Network's more popular programs, including *Salut Bonjour !*, *Les Retrouvailles*, the *Gala Artis*, and more recently, *Occupation Double*

and *Le Banquier*, whose success in Québec has greatly surpassed that of other versions of the original concept, *Deal or No Deal*, produced elsewhere in the world. Having gained this experience, TVA Productions is now ready to take on even more elaborate levels of production. TVA Productions will therefore be entirely responsible for supervising *La classe de 5^{e}*, a Québec-based adaptation of the highly successful international quiz show *Are You Smarter Than a 5^{th} Grader*, to be broadcast on TVA Network starting next fall.

With TVA Création and TVA Productions, TVA Group has provided itself with two essential tools that will help it realize its vision of a multi-platform media company involved in the creation, production and distribution of audiovisual content on all existing distribution platforms (Web and mobile networks) and platforms of the future. It goes without saying that being part of the converging Quebecor Media universe is another asset in attaining these objectives.

TVA NETWORK: UNRIVALLED LEADERSHIP

In an audiovisual landscape that is increasingly fragmented at the expense of conventional broadcasters, TVA Network's principal challenge in 2007 was to stay strong while maintaining its leadership on Québec's francophone airwaves and stabilizing its market share and advertising sales. We were successful in taking on this challenge. The network even achieved the feat of growing its market share, particularly in the regions and during prime time, increasing its share from 28 to 29 and exceeding its two main rivals' combined market share of 25. For the full year, 25 of the 30 best-watched programs on French-language television in Québec were broadcast on TVA, including *Dieu merci !*, *Occupation Double*, *Taxi 0-22* and *Le Banquier*, which attracted over 2 million viewers on more than one occasion. The special *Le Banquier saisit Julie*, broadcast on Sunday, September 23, 2007, drew close to 3 million viewers.

TVA Network's renewed success stems from a thorough knowledge of the Québec audience and its ability to offer viewers anchor points and common meeting grounds in television that create veritable events. In addition to consolidating existing brands such as *Occupation Double*, *Annie et ses hommes* and *La Promesse*, TVA Network established strong new brands such as *Le Banquier*, *Dieu merci !* and *Taxi 0-22*. Similarly, it put the strength of convergence to work for it to extend the success achieved by several of these programs on television to other distribution platforms.

In this regard, *Le Banquier* is a model worthy of being reproduced by TVA Group. It is a strong brand, produced entirely in-house, that has obtained the highest ratings for the last two seasons and been transferred to other platforms with resounding success: Video-on-demand with exclusive complementary content; a highly effective Web strategy also including exclusive content; derived products; a French-language version of the game for mobile phones; a lottery and special episodes of *Le Banquier* produced in collaboration with Loto-Québec.

TVA Group is pursuing the deployment of its programming on the Web with growing success. Already, all of TVA's news programs are broadcast simultaneously on the Internet and several other programs were added to the list in recent months, including *Deux filles le matin*, *Tout simplement Clodine* and *Le Banquier*. TVA plans to step up these efforts by making some of its other programs available on the Web in the coming months.

Likewise, an ever-increasing number of viewers are taking advantage of the option of watching and re-watching TVA Network's most popular programs on *illico* digital television.

Add to this long list of achievement the fact that TVA Network's news and public affairs department had an exceptional

year in 2007, on conventional television, on the LCN specialty channel and on the Web. All of TVA Network's news programming, whether it be *Salut Bonjour !* or its daily newscasts, saw their ratings rise for all seven days of the week. On some 15 occasions, TVA's newscasts drew more than one million viewers, which speaks volumes about the popularity and credibility they enjoy. Furthermore, LCN deserves special mention for its spectacular progression; its market share has now surpassed that of its main competitor, RDI. On the Web, LCN's performance has been just as stunning, with the number of pages viewed on the LCN site between September and December jumping from 7 million to 11 million! More than ever before, news is an essential anchor point for TVA Network's programming, rooted in credibility, quality content, the strength of the images and the closeness of viewers. This achievement is a source of constant pride for all of TVA's artisans.

SPECIALTY CHANNELS: SPECTACULAR GROWTH

Another source of pride: TVA Group's specialty channels saw their audience and market shares grow tremendously in 2007. Apart from LCN, whose phenomenal performance over the last fiscal year we just mentioned, all of the specialty channels recorded growth. In fact, operating income for all of TVA Group's specialty channels rose 50% over the previous year.

The *Mystère* channel, with programming centred on suspense and police drama, achieved average viewer growth of over 200%, while *Prise 2*, with major programs that have marked television history, continued to consolidate its subscriber core, attracting many new lovers of classic programs. As for *Argent*, the economics and finance news channel offering content that is also continuously broadcast on the Internet, it stabilized its position, even recording positive operating income for the fourth quarter of 2007—a first since its launch in the fall of 2004.

Home-shopping specialty division Shopping TVA had an excellent year, posting operating income growth of 164%. Needless to say, the investments made in 2006 in the digitization of Shopping TVA's infrastructures and its expanded presence on the Internet contributed to this success.

Finally, on February 19, 2008, TVA Group launched *Les idées de ma maison*, a new specialty channel offering programming that deals with renovation, do-it-yourself, cooking, design and lifestyle. It bears mentioning that the four main cable operators in Québec have agreed to broadcast this new channel, which offers excellent perspectives for growth and should achieve profitability more quickly than the majority of other specialty channels, while also benefiting from a wealth of opportunities for convergence with the magazine and Web site of the same name.

It goes without saying that TVA Group will continue to explore any new development opportunities that may arise in the very promising specialty television market.

SUN TV: MAKING HEADWAY TOWARD PROFITABILITY

After seeing its financial situation improve dramatically in 2006, our conventional station in Toronto, SUN TV, continued to make progress last year, with growth of almost 12% in revenues and an increase in market share, particularly during prime time.

Last September, the CRTC issued a licence authorizing the installation of the station's retransmitters in the Ottawa and London-Kitchener markets. The retransmitters are expected to be operational as of next fall, enabling SUN TV to extend its reach by changing its status from that of a local station to that of a regional station.

TVACCÈS: NUMBER ONE IN COMMERCIAL PRODUCTION IN QUÉBEC

Once again last year, TVAccès, the entity that brings together the commercial production activities of TVA Network - Montréal, saw tremendous growth in its operating revenues of more than 38%. Founded almost five years ago, TVAccès climbed rapidly to become the top commercial production company in Québec, in both number of productions (147 in 2007) and sales.

In addition to producing conventional advertising, TVAccès is developing unique expertise in advertising production adapted to new media, such as wireless telephony, DVD, video-on-demand, the Web and digital display networks.

PUBLISHING: A SHARP INCREASE IN PROFITABILITY

In 2007, TVA Publications saw respectable growth in terms of profitability, with operating income of $7.8 million against $1.4 million in 2006. These excellent results stem directly from the decisions made over several quarters to preserve market share, strengthen our competitive position and ensure stringent management of operations and all operational processes.

With close to 50 titles and some 74% of the newsstand sales market for French-language magazines in Québec, TVA Publications continues to dominate the Québec magazine publishing sector by far. Over the last year, all of the division's titles saw an increase in sales. This was particularly true for monthlies, which benefited from an energetic investment strategy that has clearly paid off. The magazines *Décoration chez soi*, *Clin d'œil* and *Les idées de ma maison* saw a rise in readership of 13%, 12% and 10%, respectively.

Some poorly performing titles, such as *Shopping Clin d'œil*, *Femme +* and *Cool Extrême,* were withdrawn from the market while others were repositioned. Two new magazines were added to TVA Publications' portfolio, namely *Espace Parents.ca* and *Animal*, which are already growing and occupy very promising niches.

The year 2007 was also punctuated, particularly in the fourth quarter, by a strong promotional offensive in the weekly arts and entertainment magazine sector. The strategy was successful, with sales of *Lundi* and *Dernière Heure* increasing 62% and 51%, respectively, over the same period of 2006. As for *7 Jours,* whose Web site was launched last year and has been enjoying a fair amount of success since then, it is clearly winning the battle undertaken in 2005 against a new competitor, whose readership now barely represents a little more than half of its own.

TVA Publications' customized editions continued to grow, with several new customers being added to the customer base.

TVA Publications remains strongly oriented toward growth and is always on the lookout for acquisition opportunities, in Québec and the rest of Canada.

DISTRIBUTION: GREATLY IMPROVED RESULTS

After a more difficult year in 2006, TVA Films returned to profitability in the last quarter, with operating income of $1.3 million against an operating loss of $1.7 million the previous year.

Such hits as *Because I Said So* (*Cherche homme parfait*) and *La vie en rose,* with $5 million and almost $3 million, respectively, in box office revenues, largely contributed to tripling movie theatre revenues, alone generating more than 75% of the division's operating revenues.

On the video front, in 2007, TVA Films distributed some 40 DVD products—a record—and the operating revenues from this segment climbed 31.1%, due to strong DVD sales and rentals of *Because I Said So* and *La vie en rose*, as well as to the success of comedy titles, such as Lise Dion's *Vingt ans après* and Martin Matte's *Comment devenir excellent*. DVD sales for several programs broadcast on TVA (*Nos Étés*, *Taxi 0-22*, Le *cœur a ses raisons)* were quite solid. Sales of titles from TVA Films' television catalogue also grew slightly.

For 2008, TVA Films has high hopes for a number of movies slated for release in the coming months. These include *Borderline* by Lyne Charlebois, *Dans une galaxie près de chez vous II* by Philippe Gagnon and *Then She Found Me*, a movie in which Helen Hunt makes her debut as director and stars with Bette Midler, Colin Firth and Matthew Broderick.

A YEAR OF CONSOLIDATION

After recording a loss of $3.1 million in 2006, TVA Group posted net income of $38.4 million. During the last fiscal year, the Company saw its operating income grow 41% over 2006, with its three major business segments (television, publishing and distribution) each posting respectable levels of growth.

Once again, these results stem from a strong strategy to diversify the Group's business including, among others, its increasingly solid foothold in the world of specialty channels, publications, and movie and DVD distribution.

However, TVA Network's operating income continued on its downward trend, in spite of the Part II licence fees paid to the CRTC for the period from September 1, 2006 to December 31, 2007 being reversed and excellent ratings being achieved throughout the year.

In many respects, 2007 was a year of consolidation for TVA Group. It was an opportunity for the Company to complete the implementation of a management team fully devoted to executing a strategic plan focused on the creation, production and distribution of multi-platform content.

Last year also saw the putting in place of a three-year investment plan that is needed for the deployment of high-definition television. As of fall 2008, TVA Network will offer a considerably expanded HD offering.

THE NEEDED REFORM OF BROADCASTING REGULATIONS

While TVA Network is proud of having stabilized its market shares and advertising revenues in fiscal 2007, its operating income is nonetheless down and the situation in the conventional television market remains unsteady. The unsteadiness will persist as long as the rules currently governing this market are maintained.

As indicated by the statistical and financial statements of the Canadian Radio-Television and Telecommunications Commission (CRTC), the earnings before tax and interest (EBIT) margin of conventional stations in Québec in 2007 was only 5.07%[3], a decrease of 17.4%[3] against 2006, while the EBIT margins of French-language specialty channels was 26.27%[3], representing growth of 9.4%[3] compared with 2006[1].

As announced on November 5, 2007[2], the CRTC is now prepared to re-evaluate the subscription fee for conventional channels like TVA and to look at the means that will allow them to prosper financially so that they can continue contributing to broadcasting original content and to the vitality of Québec and Canadian culture. For this reason, at a time when the CRTC is close to concluding its review of the regulatory frameworks for broadcasting distribution undertakings and discretionary programming services, TVA Group has high hopes for the implementation of new and more equitable game rules.

ACKNOWLEDGEMENTS

TVA Group's ability to maintain its leadership year after year, despite the difficult conditions prevailing in several sectors of the industry, is due, first and foremost, to its employees' competence, expertise and renewed passion for a job well done. They deserve our respect, gratitude and admiration for the manner in which they continually take on the challenges with which we entrust them, with both devotion and creativity.

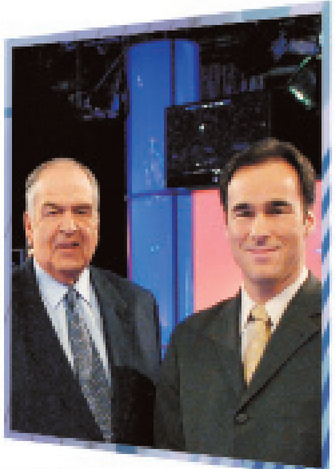
Our thanks also go out to all the members of our Board of Directors for their valuable advice and support last year. In a media world that is increasingly complex and in constant upheaval, their experience and extensive knowledge of the challenges and the business environment in general are extremely valuable to us. We particularly wish to recognize the contribution of Mr. Erik Péladeau, who stepped down from the Board in 2007, and to acknowledge two new members of the Board, Mr. Pierre Karl Péladeau and Jean-Marc Léger.

The continued trust of our shareholders, and especially our majority shareholder, Quebecor Media, is our constant source of inspiration and motivation.

In closing, we would like to express our gratitude toward our audience and our advertisers, whose loyalty serves no purpose if not to encourage our desire to always do better.

Jean Neveu
Chairman of the Board

Pierre Dion
President and Chief Officer



[1] The financial data for specialty channels is preliminary data.

[2] Broadcasting Notice of Public Hearing CRTC 2007-10-3

[3] Source: CRTC website

A Dynamic Team

A_**Pierre Dion**
President and Chief Executive Officer

B_**Denis Rozon**
Vice-President
and Chief Financial Officer

C_**France Lauzière**
Vice-President, Programming

D_**Yves Dion**
President, TVA Films

E_**Serge Fortin**
Vice-President, News

F_**Edith Perreault**
Vice-President, Sales and Marketing

G_**Maxime Bédard**
Director, Legal Affairs

H_**Jocelyn Poirier**
President, TVA Publications Inc.
and Shopping TVA

I_**Claire Syril**
Vice-President, Specialty Channels

J_**Yves Beaupré**
Vice-President, Operations

K_**Marie Comtois**
Vice-President, Communication
and New Medias

L_**Richard Gauthier**
Vice-President, Human Resources

M_**Alain Létourneau**
Vice-President, Shopping TVA

N_**Jim Nelles**
Vice-President and General Manager, SUN TV

O_**Richard Renaud**
Vice-President, Regional Stations

Undisputed Leadership and Outreach

In spite of market conditions and regulation that remains unfavourable to conventional television, the TVA Network maintained its undisputed leadership and reach in 2007, not only in the face of competition from other networks but also in the entire Québec media universe. With the increasing fragmentation of broadcast platforms, in 2007 TVA succeeded in maintaining its television market share and stabilizing its advertising sales.

As it did at its beginnings, the TVA Network clearly dominated the Québec television airwaves in the fall of 2007, with a 29% share, compared to 28% the previous year, or four points higher than its two closest competitors combined.

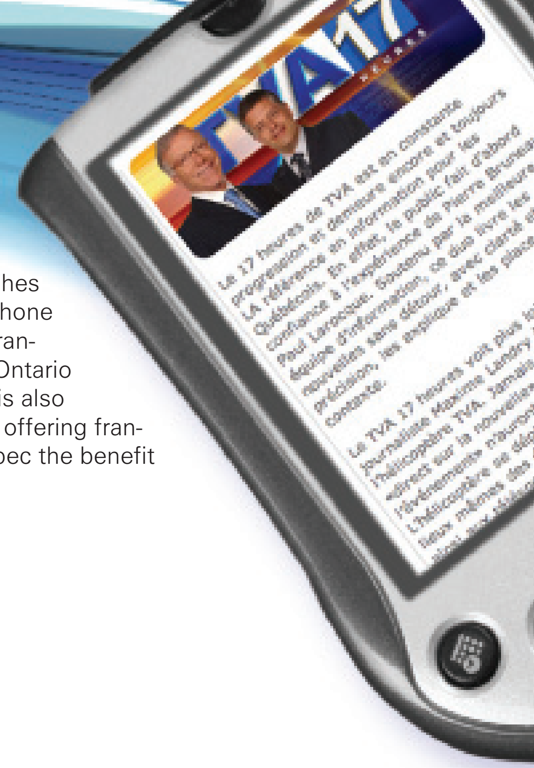
During the year, a large majority of the most popular Québec francophone TV shows were broadcast by TVA. These include *Le Banquier*, *Occupation Double* and *Taxi 0-22* as well as serial dramas and television series that attracted a large, faithful audience of over one million, including *Annie et ses hommes* and *La Promesse*. The immediate popularity of new shows such as *Dieu Merci!*, *Les Sœurs Elliot* and *Destinées* clearly testifies to the TVA programming team's ability to continue to innovate and offer its audience quality entertainment it enjoys.

The multi-platform deployment of strong TVA brands is one of our most effective strategies. The objective is to provide consumers with a multi-platform experience for a show, or a "brand," that they can enjoy with complementary choices on each new technological platform possible.

More than ever in 2007, the success of TVA shows was duplicated on the Internet, through simultaneous broadcast or complementary features on the Web for some of its most popular shows, in particular *Le Banquier*, *Taxi 0-22* and *Le Cercle*.

NEWS: AN INCREDIBLE YEAR

TVA Network's news and public affairs shows continue to gain credibility and popularity, forming a pillar of programming at set points throughout the day. The year 2007 again illustrated this decisively. Not only did the daily news shows achieve larger audiences than their two competitors combined, as they do every year, but also they improved ratings, exceeding the one-million-viewer mark on many occasions.



Supported by a large team of seasoned reporters and well-regarded, experienced anchors, including the team of Pierre Bruneau and Paul Larocque for *Le TVA 17 Heures* or Sophie Thibault for *Le TVA 22 heures,* news on TVA is a benchmark more than ever in television journalism in Québec.

TVA is always at the heart of events and was once again witness to the major news stories of 2007. These included the mission of Canadian troops in Afghanistan, with Richard Latendresse and Maryse Gagnon each making extended visits in turn, the American presidential campaign and the start of Céline Dion's world tour in South Africa. During the Québec electoral campaign last spring, TVA's information service team innovated by chartering a bus that travelled through all regions of Québec, and commentator Jean Lapierre's daily reports generated a great deal of interest, in addition to having a major impact on the campaign. On the night of the election, Pierre Bruneau and Claude Charron once again easily outdistanced the competition, drawing an average of 1.3 million viewers.

In the last year, TVA also acquired two new hybrid transmission trucks (microwave and satellite) to provide more frequent and effective live reporting of events.

A SOLID PRESENCE THROUGHOUT QUÉBEC

The TVA Network has ten regional stations that provide it a solid presence in all regions of Québec and beyond. TVA Group is the sole owner of six of these: CFTM in Montréal, CFCM in Québec, CHLT in Sherbrooke, CHEM in Trois-Rivières, CJPM in Saguenay and CFER in Rimouski. The Company also has a 45% interest in Télé Inter-Rives ltée, which operates affiliates: CIMT in Rivière-du-Loup and CHAU in Carleton. It also has two other affiliates: CFEM in Rouyn and CHOT in Gatineau, an RNC Media inc. property. In every region it serves, TVA offers quality service and an exemplary commitment to social, economic and community life.

TVA Network's signal reaches virtually the entire francophone audience in Québec and francophone communities in Ontario and New Brunswick. TVA is also broadcast across Canada, offering francophones outside of Québec the benefit of its programming.

SPECIALTY CHANNELS: STRONG GROWTH

The performance of TVA Group's specialty channel was particularly strong in 2007, with operating revenues growing by almost 20%, both in terms of advertising and subscription revenue. The growth in subscriber revenues from channels launched in recent years (*Mystère, Argent* and *Prise 2*) was in the order of 81% compared with the previous year, and their operating losses dropped by over 50%.

The *Mystère* and *Prise 2* channels solidified their position in their respective niches, while the Argent channel stabilized its position and Shopping TVA more than doubled its operating income.

Pursuing its development strategy in a rapidly growing sector, TVA Group launched *Les Idées de ma maison* last February, a new specialty channel for renovations, do-it-yourself work, cooking, design and lifestyle. This new channel should see swift success, in part because of the excellent potential for convergence offered by other Quebecor Media platforms that address the same audience and new original productions.

The LCN Team

Clodine Desrochers

LCN: THE BENCHMARK IN CONTINUOUS NEWS

LCN, TVA's continuous news channel, last year performed exceptionally well on all fronts. The theme "*Le Réflexe LCN*" is now fait accompli. In fact, LCN is now *the* specialty news channel, consistently beating out its main competitor, RDI.

LCN has consolidated its positioning thanks to the quality and professionalism of its anchors and journalists, the popularity of contributors and hosts such as Denis Lévesque and Claude Poirier and a strategy based on the instantaneity and power of the image.

This positioning has also provided equally impressive growth on the Internet with the complete redesign of the lcn.canoe.ca site. The renewed site, which went live in September 2007, gained a great deal of popularity between September and December of last year, when the number of page views on the channel's site more than doubled, growing from 7 to 11 million. These results are the fruit of an investment strategy meant to promote rapid access to a multitude of quality images.

Both on television and the Web, LCN is *the* definitive benchmark in continuous news in Québec today.

ARGENT

After going through a number of adjustments in its programming since its launch in 2004, the Argent channel has finally achieved profitability, with positive operating income in the fourth quarter of 2007.

Devoted to economic and financial news, the channel's programming was reoriented in recent months to make way for more concrete reports on wealthy people and advice for personal financial management. This strategy has been successful, and Argent has seen a 17% increase in the number of subscribers, which grew from 555,000 to 650,000.

Argent is also available in continuous simultaneous broadcast on the Internet.

MYSTÈRE

The digital channel Mystère, which offers programming oriented toward intrigue and suspense, saw a 200% increase in its average audience and a 26% increase in the number of subscribers.

With Canadian and foreign series such as *24 Heures chrono*, *Dr House* and *Le dernier chapitre*, Mystère has earned itself a loyal audience that is now almost 350,000 strong.

PRISE 2

Aimed at fans of nostalgia, Prise 2 offers subscribers programming that centres on cult series and movies that have marked the history of television and film, such as *Entre chien et loup*, *Le Clan Beaulieu*, *Batman* and *La Belle et la Bête*.

Following immediate success after its launch in 2005, Prise 2 once again maintained a strong rate of growth last year, increasing the number of subscribers by 24%, from 268,000 to 332,000.

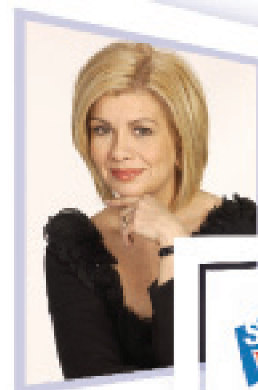
SHOPPING TVA

The Shopping TVA division, which specializes in home shopping, last year showed incredibly strong performance, with a 164% increase in its operating income.

These excellent results are largely due to investments made in 2006, which provided it with major gains in productivity and created production infrastructures to produce shows for all platforms. Shopping TVA sales through the site www.shopping.tva alone grew by 106%.

The Argent Channel Studio

"Heroes" Broadcasted on Mystère



Louise-Josée Mondoux on Shopping TVA

SUN TV: TOWARD PROFITABILITY

The conventional Toronto station SUN TV, acquired in 2004 by TVA Group in partnership with Sun Media Corporation, continued its growth, dropping its operating loss by 31% through the combined effects of an increase in revenue in the order of 11.8% and a decrease in operating costs of 4.3%.

Last fall, the CRTC authorized SUN TV to operate provisional analogue television and digital television retransmitters in the Ottawa and London markets. This decision, which should be completely implemented by fall 2008, will allow the station to extend its reach and broadcast over most of Ontario.

TVACCÈS: NUMBER ONE IN ITS MARKET

TVAccès's mandate involves the commercial production activities of the TVA Network in Montréal. Since its creation, TVAccès has seen incredible growth and in 2007 became the number-one production house for short programs and ad content in Québec, both in terms of revenue and the number of productions.

In 2007, TVAccès recorded growth of over 38% in its operating revenues, easily surpassing its objectives.

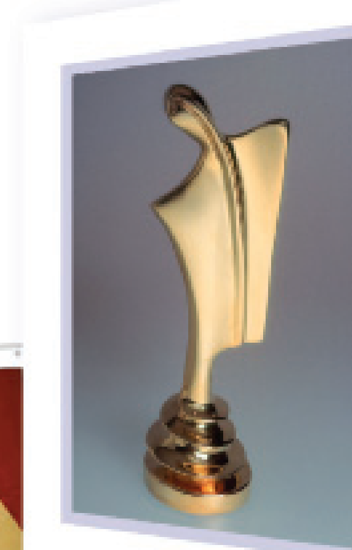
In addition to producing conventional advertising, TVAccès is also developing unique expertise in producing ad content for new media, which will allow it to maintain a substantial rate of growth.

TVA PRODUCTIONS

Previously known as JPL Productions, TVA Productions reorganized its operations in December 2007 as part of TVA's new business model based not only on its role as broadcaster but also as a creator, producer and distributor of television content for all distribution platforms.

In recent years, this division has played a growing role in TVA programming, producing popular shows such as *Le Banquier*, *Salut Bonjour!*, *Occupation Double* and the *Gala Artis*. The new structure will allow it to be even more functional and efficient and to produce a wider variety of content.

The Gala Artis Trophy



TVA CRÉATION: TOWARD A NEW BUSINESS MODEL

In 2007 TVA Group also put a new division in place, TVA Création, the role of which is to develop audiovisual concepts, mainly for television and the Web, providing the company with all the rights to operate on the different broadcast platforms in all national and international markets. This initiative marks the deployment of the new business model by which TVA is positioned as a creator and producer of multi-platform content.

With TVA Création and TVA Productions, TVA Group now has two essential tools for expanding its horizons and reaching its audiences wherever they are to bring advertisers to them, thereby maintaining its position as the leader in multimedia.

CREATIVE SOLUTIONS FOR ADVERTISERS

In an increasingly fragmented media industry, television remains an essential pillar of success for advertising campaigns. However, increasingly, complementary solutions are emerging so that advertisers can set themselves apart in a highly complex multi-platform universe.

To meet the expectations and needs of its advertisers, the TVA sales team now offers innovative and integrated multi-platform proposals by combining the undeniable strength of television with that of the Web, magazines and, increasingly, new platforms such as video-on-demand, and soon, mobility.

Furthermore, television, confronted with increasingly creative competition, must change its practices to reflect new realities. This is precisely what the TVA Group sales team is striving for through innovative solutions for integrating advertising, new ways for advertisers to differentiate themselves.

The Largest French Magazine Publisher in Quebec

TVA Publications remains far and away the largest publisher of French-language magazines in Québec, with almost 50 titles and 25 million copies sold, or around 74% of the market of newsstand sales and half of total sales. Its most popular titles include arts magazines such as *7 Jours*, *Échos Vedettes* and *Le Lundi*, women's publications such as *Clin d'œil*, *Moi et cie* and *Tout simplement Clodine* and "lifestyle" magazines such as *Décoration chez-soi* and *Les idées de ma maison*.

INCREASE IN PROFITABILITY

In 2007, TVA Publications showed very strong performance through growth in sales and profitability, with operating revenue of $7.8 million, compared to $1.4 million during the previous year. This marked increase in profitability is the result of the tight management of resources and major investments in recent years to retain market share and reinforce the positioning of its magazines in a highly competitive market.

All titles saw an increase in newsstand sales, in particular the monthly magazines *Décoration chez-soi*, *Clin d'œil* and *Les Idées de ma maison*, which increased their circulation respectively by 13%, 12% and 10% over the last year, while the arts weekly *7 Jours* continued its growth at the expense of its main competitor, whose circulation continued to collapse. *Dernière Heure* and *Échos Vedettes* also made a major contribution to growth in operating income, particularly during the fourth quarter.

NICHES THAT WILL DELIVER GROWTH

Last July, TVA Publications acquired Animal Hebdo inc., the operating company for the magazine *Animal*, a publication devoted to pets. In March, TVA Publications also launched *EspaceParents.ca,* a magazine about family matters. These two titles, which occupy niches with excellent potential, offer a strong outlook for growth, and their advertising sales are already outstripping initial projections.

We withdrew three underperforming titles from the market: *Shopping Clin d'œil*, *Femme +* and *Cool Extrême*.

TVA Publications' customized publishing activities also continued to grow, contributing to the increase in revenues. In addition to promotional magazines for Videotron and Rona, the division won publishing contracts during the year for the quarterly magazine *Destination Centre Ville* and the Université de Sherbrooke's magazine.

AN EFFECTIVE INTERNET STRATEGY

After launching the 7jours.canoe.ca site in 2006, TVA Publications continued to roll out its Internet development strategy last year, offering readers of these magazines complementary products, offering added value on the Web.

The EspaceParents.ca magazine and Web site were launched simultaneously, in close collaboration with Canoe. The EspaceParents.canoe.ca site has quickly become the top French-language site for families.

Similarly, the recent launch of the specialty channel *Les Idées de ma maison* offers excellent potential for convergence between the magazine, the Web site and the new channel with the same name and targets the same audience.

STILL GROWING

Even though opportunities did not arise in the last year and although Québec is still a priority market, TVA Publications is still seeking out external opportunities for growth, particularly in English Canada and will study any project likely to meet this objective with interest.

Successful Movie and Video Products

TVA Films returned to profitability in 2007, posting an increase of 38% in operating revenue, mainly due to the greater number of hits in the theatres and on video. The division's, operating revenue was $1.3 million compared to an operating loss of $1.7 million in 2006.

MAJOR HITS IN FILM AND VIDEO

TVA Films' film revenue more than tripled for the last year, in particular because of the success of films *Cherche homme parfait (Because I Said So),* which took in $5 million at the box office, and *La vie en rose* with close to $3 million in box office receipts. These two films alone generated over 75% of operating revenue in this sector of activity.

Operating revenue was also strong for video, with an increase of 31.1%. These results are explained by a number of strong performances, including by *Cherche homme parfait*, *La vie en rose* and *Noël Noir* and by a higher sales volume for video during the year. DVD sales of certain series broadcast on TVA, such as *Nos étés*, *Taxi 0-22*, *Le coeur a ses raisons,* and comedies such as *Comment devenir excellent* by Martin Matte and *20 ans après* by Lise Dion, successfully rounded out this division's revenue in 2007.

Furthermore, sales of titles in the TVA Films catalogue saw growth of 2.3%.

PROMISING FILMS FOR 2008

Several titles that TVA Films holds the distribution rights for offer excellent potential for commercial success in 2008.

Then She Found Me, Helen Hunt's first film as a director, and three Québec films should also enjoy success on the big screen and on video. These are Lyne Charlebois' *Borderline*, Philippe Gagnon's *Dans une galaxie près de chez vous 2* and *Dédé à travers les brumes*, a biographical drama on the life of the Colocs lead man Dédé Fortin, directed by Jean-Philippe Duval.

The Strength of the Multimedia Group

While continuing in its role as leader in the television broadcasting industry, TVA Group looks with confidence to the challenges of the future. Whether it be in conventional television, which is a major challenge, specialty television, Internet, video-on-demand, wireless telephony or any other medium, TVA will be ever more involved in creating and producing content that will entertain and inform consumers on the platform they want, when they want.

The TVA team is highly motivated by these challenges and more than ever will make the most of being part of the strength of Quebecor Media and of its partnership with its sister companies that are part of the Quebecor Media group.

MANAGEMENT'S DISCUSSION AND ANALYSIS

for the years ended December 31, 2007 and 2006

CORPORATE PROFILE

TVA Group Inc. ("TVA Group" or the "Company", a subsidiary of Quebecor Media 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 operates North America's largest private French-language television network, in addition to operating six specialty channels and an English-language general-interest television station in Toronto. TVA Group also holds minority interests in the Canoë Internet portal, the *Canal Évasion* specialty channel, as well as the *Canal Indigo* pay-per-view service. In the Publishing sector, TVA produces some 40 consumer magazines, making it Québec's largest publisher of French-language magazines. In the Distribution sector, TVA Group owns a large catalogue of distribution rights that it operates on all media platforms: cinema, video, pay and pay-per-view television, as well as specialty and conventional television. The Company's shares are listed on the Toronto Stock Exchange under the ticker symbol TVA.B.

OVERVIEW OF 2007

In 2007, TVA Group recorded an increase of 41% in its operating income over 2006. The Company's three business segments posted respectable growth in their operating income for the last year. The Company posted net income of $38,384,000 for 2007, compared with a net loss of $3,140,000 for 2006. Among the financial highlights of 2007:

- Growth in operating income in the Television sector of $7,394,000, or 17.2%, over operating income for 2006. This growth is essentially explained by the following factors:
    - Growth of 50% in the operating income for specialty channels.
    - Decrease of 31% in the operating loss of SUN TV, resulting from a combination of growth in its revenues and a drop in its operating expenses.
    - Growth of 53% in operating income provided by commercial production and home shopping operations.
    - TVA Network's operating income continued on its downward trend in spite of the cancellation of the Part II licence fees paid to the CRTC for the period from September 1, 2006 to December 31, 2007 being reversed and excellent ratings being achieved throughout the year.

- Considerable growth of the Publishing sector's profitability in 2007 for the second consecutive year, representing operating income of $7,829,000 in 2007, compared with operating income of $1,358,000 in 2006.

- Return to profitability for the Distribution sector, turning around from an operating loss of $1,707,000 in 2006 to operating income of $1,295,000 in 2007 due essentially to the more profitable exploitation of video products.

GENERAL

The Company's largest business segment, the Television sector, continues to experience a certain amount of upheaval. The conventional television market is the most affected, as the industry's many actors can confirm. On December 18, 2007, the French-language television network TQS obtained an order by the Québec Superior Court under the *Companies' Creditors Arrangement Act*. This situation is the direct result of a market context that is unacceptable for the future of the country's general-interest broadcasters.

On November 5, 2007, the Canadian Radio-television and Telecommunications Commission "CRTC" announced that it was broadening the review of its policies on broadcasting distribution and discretionary services, in order to study the possibility of establishing a subscription fee for the carriage of local conventional television stations. This announcement came less than six months after the same Commission had already decided not to impose royalties on distributors in favour of conventional television stations. In light of this work and the potential repercussions of its conclusions on the renewal of the broadcasting licences of conventional stations set for August 31, 2008, the CRTC extended the licences that were up for renewal by one year, until August 31, 2009.

GENERAL (continued)

The CRTC's publication of the 2006 financial results of all privately owned conventional television stations in Canada last year revealed that the earnings before tax and interest (EBIT) of these stations across Canada dropped by more than 62% compared with the previous year. The EBIT margin fell below 5% to 4.14%, this being much lower than the 11.4% average of the previous four years. During this time, specialty channels achieved an EBIT margin of 22.2% for fiscal 2006, the same as their averages for 2004, 2005 and 2006, while having access to royalties and advertising revenues. These statistics support the statements of conventional broadcasters who, for several months now, have been affirming the need to gain access to other revenue streams, not only to ensure their financial viability but also to continue making the significant contribution they make to developing and keeping Canadian content in the country's broadcasting system.

In spite of this difficult market situation, TVA Network has maintained its leadership position in Québec's French-language television market. During the fall 2007 season, TVA network grew its market share to 29, representing more than the combined share of 25 of TQS and SRC (Source: BBM, Monday to Sunday, 2 years and +, from August 27 to December 9, 2007). Also, during the same period, TVA broadcast 25 of its market's 30 best-watched programs, including *Le Banquier*, *Dieu merci !* and *Occupation Double*. The situation is almost identical for the winter-spring 2007 season, with a market share of 27 for TVA Network and 24 of the 30 best-watched programs (Source: BBM, Monday to Sunday, 2 years and +, from January 8 to April 29, 2007). With these ratings, TVA Network succeeded in limiting the decrease in its advertising revenues to less than 1% against the previous year.

TVA Group's specialty channels saw their audience and market shares grow impressively during the last fiscal year. In this regard, the *Mystère* channel saw its average audience grow more than 200% and the LCN news channel now has a market share that is greater than that of its main competitor, RDI (Source: BBM, Monday to Sunday, 2 years and +, from August 27 to December 9, 2007). Furthermore, the operating income of all of TVA Group's specialty channels rose 50% over the previous year. For the fourth quarter of 2007, the *Argent* channel generated positive operating income for the first time since it was launched on October 21, 2004. During the quarter, TVA Group also planned and organized the creation of a new specialty channel, *Les idées de ma maison*, to be launched on February 19, 2008. The new channel's four main themes are renovation and do-it-yourself, cooking, design and décor, and lifestyle.

The Publishing sector also saw its profitability improve considerably during the last year. This performance was achieved through a direct cost reduction strategy for our "weekly" product category while continuing to put strong pressure on the competition in order to maintain our market share. As a result, the profitability of this category improved significantly during the year. A review of our magazine portfolio and an analysis of market opportunities led to the closing of *Femme +* magazine and the launch in March 2007 of a magazine devoted to family called *Espace Parents.ca*. We also completed the acquisition of *Animal* magazine, which is part of a promising niche. The advertising sales generated by these two new titles surpassed our initial projections. Finally, this business segment's operational processes are reviewed regularly with a view to improving productivity and profit margins.

The Distribution sector had its best year in financial terms since 2002. The video business was particularly effective in the last year, and movie sales for the television market were very strong in the fourth quarter. In addition, the exploitation of the movie *Because I Said So (Cherche Homme Parfait)* on three platforms (movie theatre, video and television) during the same fiscal year contributed positively to last year's results. This sector is starting to achieve an increasingly greater level of activity and quality of its distributed products that should allow it to further exploit products on the three platforms during the same fiscal year.

TVA Group continued to make structural and organizational changes in its three business segments last year with the goal of constantly boosting performance and adapting to the profound changes taking place in the different industries in which it operates. Its ultimate goal is to offer its audience and business customers the best content available, when they want it, and in the media of their choice.

OPERATING RESULTS

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

Operating revenues (in thousands of dollars)

	Three month periods ended December 31		Years ended December 31	
	2007	2006	**2007**	2006
Television	**$ 98,748**	$ 96,040	**$ 321,045**	$ 309,317
Publishing	**19,992**	20,461	**79,878**	78,125
Distribution	**6,725**	5,475	**19,828**	14,369
Intersegment items	**(1,392)**	(2,039)	**(5,265)**	(8,499)
	$ 124,073	$ 119,937	**$ 415,486**	$ 393,312

Consolidated operating revenues for TVA totalled $415,486,000 for 2007, compared with $393,312,000 for the previous year. All of the Company's business segments contributed to this 5.6% increase in consolidated operating revenues. The Television sector saw the largest increase in absolute value, representing $11,728,000 (3.8%), while the largest increase as a percentage was experience by the Distribution sector, which saw its operating revenues climb 38% or $5,459,000. The increase in the Television sector's operating revenues stemmed from all our businesses, except TVA Network, which saw stable operating revenues due to revenues from the production of programs by its subsidiary, TVA Productions Inc. (formerly JPL Productions Inc.). The growth of the Distribution sector is essentially due to its revenues from movie theatre releases and the greater volume of products distributed on video. Revenues from the Publishing sector rose by $1,753,000 or 2.2% over 2006, due mainly to the recognition of 100% of the results of Trustmedia inc., which produces the magazines *TV Hebdo* and *TV 7 Jours*, for the twelve months of 2007; in 2006, 50% of revenues were recognized according to the proportionate consolidation method until November 10, 2006. The drop in operating revenues of $3,234,000 from intersegment items in 2007 compared with 2006 reflects the smaller number of transactions between the Television and Publishing sectors, primarily in contra advertising.

Comparison of the fourth quarter of 2007 versus 2006

Consolidated operating revenues totalled $124,073,000 for the fourth quarter of 2007, compared with $119,937,000 for the corresponding period of 2006. This 3.4% increase is due to the growth of revenues in the Television (2.8%) and Distribution (22.8%) sectors, essentially generated by the sale of movie rights in the television market. The Publishing sector saw its operating revenues decrease 2.3%, including an 8.6% drop in newsstand revenues, resulting from a strong offensive in newsstand prices for our weekly arts magazines in order to counter the competition. The increase in the revenues of the Television sector was generated by our specialty channels (12.1%), our Shopping TVA division (18.6%) and commercial production (18.6%). Advertising revenues from our conventional stations declined by 2.6% for the fourth quarter of 2007, against the same period of 2006.

Operating income (in thousands of dollars)

	Three month periods ended December 31		Years ended December 31	
	2007	2006	**2007**	2006
Television	**$ 19,609**	$ 19,040	**$ 50,357**	$ 42,963
Publishing	**1,594**	305	**7,829**	1,358
Distribution	**1,502**	(502)	**1,295**	(1,707)
Intersegment items	**89**	16	**(100)**	(558)
	$ 22,794	$ 18,859	**$ 59,381**	$ 42,056

OPERATING RESULTS (continued)

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

	Three month periods ended December 31		Years ended December 31	
	2007	2006	**2007**	2006
Net income (net loss)	**$ 15,606**	$ (12,994)	**$ 38,384**	$ (3,140)
Amortization of fixed assets, intangible assets and start-up costs	**3,305**	3,419	**12,942**	13,905
Financial expenses	**1,063**	1,359	**4,477**	5,308
Depreciation of intangible assets	**–**	31,084	**–**	31,828
Restructuring costs of operations	**(357)**	(647)	**1,382**	507
Gain on business acquisition	**–**	(368)	**–**	(368)
Income taxes (recovery)	**3,722**	(2,792)	**5,714**	(2,591)
Non-controlling interest	**(474)**	(631)	**(2,651)**	(3,252)
Equity in (income) loss of companies subject to significant influence	**(71)**	429	**(867)**	(141)
Operating income	**$ 22,794**	$ 18,859	**$ 59,381**	42,056

TVA Group reported operating income of $59,381,000 for 2007, compared with operating income of $42,056,000 for the previous year, representing an increase of $17,325,000 or 41.2%.

In the Television sector, operating income for 2007 increased by $7,394,000, or 17.2%, compared with 2006. All businesses in this sector saw an increase in operating income, except for TVA Network, whose operating income decreased slightly by 1.8%. The major portion of this growth comes from our specialty channels, which together saw a 50% increase in their operating income, and from SUN TV that saw its operating loss drop by 31% against the previous year.

In the Publishing segment, despite sustained competition, profit margins improved from 1.7% in 2006 to 9.8% in 2007, enabling the sector to generate operating income of $7,829,000 for 2007, against $1,358,000 for 2006. The improvement in profit margins was particularly apparent for "weekly" magazines.

In the Distribution sector, the volume and quality of the products distributed by TVA Films last year in the video market explain the improvement in this sector's operating results from an operating loss of $1,707,000 in 2006 to operating income of $1,295,000 in 2007.

Comparison of the fourth quarter of 2007 versus 2006

For the fourth quarter of 2007, TVA Group reported operating income of $22,794,000, compared with operating income of $18,859,000 for the same quarter of 2006, representing growth of 20.9%. In the Television sector, operating income increased by $569,000 or 3.0%. This increase is mainly due to the improvement in the operating results of SUN TV, which reduced its operating loss by 40.6%, and those of Shopping TVA, which more than tripled its operating income during the quarter. TVA Network posted a decrease of 3.8% in its operating income for the current quarter against the same quarter of 2006, in spite of the cancellation of Part II licence fees payable to the CRTC.

OPERATING RESULTS (continued)

Comparison of the fourth quarter of 2007 versus 2006 (continued)

In the Publishing sector, operating income totalled $1,594,000, for an increase of $1,289,000 over the corresponding quarter of 2006. This increase was achieved in spite of an aggressive pricing strategy designed to counter the competition. The stringent management of operating costs, specifically in regard to printing costs and the added value sometimes offered with our magazines, more than offset the effect of this offensive. Consequently, the Publishing sector recorded a profit margin of 8.0% during the fourth quarter of 2007, compared with 1.5% for the same period a year ago, while continuing to protect its market shares.

In the Distribution sector, the successful exploitation of video products and the higher volume of rights sold in the television market largely explain the growth of $2,004,000 in operating income during the fourth quarter over the corresponding quarter of 2006. Furthermore, in the same quarter of 2006, operating results were heavily affected by the release of the movie *Le guide de la petite vengeance* in theatres.

TELEVISION

Operating revenues for the Television sector rose by $11,728,000, or 3.8%, for fiscal 2007 over the previous year, amounting to $321,045,000. The major portion of this growth comes from the operating revenues generated by TVA Group's specialty channels, which climbed by close to 20% in terms of both advertising revenues and subscription revenues. Subscription revenues from the new channels launched last years (*Mystère*, *Argent* and *Prise 2*) jumped by 81% over the previous year. Commercial production activities across Québec saw their operating revenues grow by more than 20%, strongly influenced by the operations of our TVAccès division in the Montréal market, which saw its operating revenues rise by more than 38% during the last year.

Our conventional station in Toronto, SUN TV, posted an increase of 11.8% in its revenues for 2007, a direct result of the programming strategy deployed and the expansion of its digital distribution in Ontario. On September 14, 2007, the CRTC approved the Company's application to allow SUN TV to operate retransmitters for analog television and transitional digital television in the Ottawa and London (Ontario) markets. The digital retransmitters should be implemented by fall 2008 and will enable SUN TV to extend its reach.

In regard to TVA Network, its total operating revenues were stable in 2007 compared with 2006. The Network's advertising revenues decreased 0.8% compared with the previous year, in spite of solid programming and market shares that stabilized in 2007. Our production company, TVA Productions Inc. (formerly JPL Productions Inc.), saw its operations revenues increase, a direct result of TVA Group's new and broader role as a creator, producer and broadcaster of multi-platform content. In December 2007, the Company established a new division, TVA Création, that fits with its new business model.

Operating expenses for the Television business were $270,688,000 for fiscal 2007, against $266,354,000 for 2006. The $4,334,000 or 1.6% increase in the sector's operating expenses is essentially due to the 8.9% rise in operating expenses for specialty channels and the increase in production costs related to commercial production volume and our expanded operations as a producer of multi-platform content. SUN TV's operating expenses continued to drop, with a decrease of 4.3% compared with expenses for 2006.

On October 1, 2007, the CRTC issued a document, stating that it would comply with the requirements of a decision rendered on December 14, 2006 regarding the payment of Part II licence fees and that it would not collect the fees payable on November 30 of each year unless a Superior Court overturned the Federal Court decision. Consequently, during the third quarter of 2007, the Company reversed expenses for the CRTC's Part II licence fees totalling $3,238,000 for the period from September 1, 2006 to September 30, 2007. For the fourth quarter of 2007, the reduction of these fees in the operating expenses amounts to $901,000, bringing the decrease in expenses for 2007 to $4,139,000. The decision was appealed and the Federal Court of Appeal heard the appeal in early December 2007. A decision is expected toward the end of the second quarter of 2008. Depending on the outcome, the Company may be required to pay these fees for 2007 and subsequent years. Nevertheless, the Company considers it more unlikely than not that the decision will be overturned.

TELEVISION (continued)

Operating income generated by the Television sector was $50,357,000 for 2007, compared with operating income of $42,963,000 for the previous year, representing an increase of nearly 17%. The 50% increase in the operating income of specialty channels and the 31.4% decrease in SUN TV's loss largely explain the improvement in operating income. SUN TV posted an operating loss of $5,881,000 for 2007, compared with a loss of $8,574,000 for 2006. The Shopping TVA division also had an excellent year, with a jump of 164% in its operating income, while commercial production posted an increase in its operating income of close to 20% over the previous year. TVA Network's profitability deteriorated once again in spite of the considerable decrease in operating expenses relating to the CRTC's Part II licence fees. However, TVA Network continues to have excellent programming and is working ceaselessly to improve quality in order to offer programs that meet the expectations of a public that is increasingly influenced by new trends and new technologies. We are pursuing our efforts to diversify our sources of revenues by guiding our announcers to new distribution platforms while developing new tools to measure the effectiveness of our actions in media creativity and the integration of products into our programs.

Comparison of the fourth quarter of 2007 versus 2006

During the fourth quarter of 2007, the Television sector's operating revenues grew by $2,708,000, or 2.8%, over the same quarter of 2006, and increased from $96,040,000 in 2006 to $98,748,000 in 2007. Advertising revenues from our specialty channels climbed by more than 16% for the fourth quarter of 2007, against the same period of 2006. *Mystery*, the English-language channel, largely contributed to this growth and to ratings results subsequent to the investments made in its programming over more than one year. Our revenues from our home shopping operations grew 22% during the quarter, including a 106% increase through our www.shoppingtva.ca Web site. The increase of more than 35% in operating revenues from our TVAccès division explains the growth of our commercial production operations. These good performances were offset by an overall decrease of 2.6% in advertising revenues from our conventional stations, TVA Network and SUN TV.

Operating expenses for the Television business were $79,139,000 for the fourth quarter of 2007, against $77,000,000 for the corresponding 2006 period. This $2,139,000 or 2.8% rise in operating expenses is primarily the result of investments made in specialty channels and the higher volume of our content production and commercial production operations. The greater volume of home shopping business also contributed to the increase in operating expenses.

The operating income generated by the Television sector during the fourth quarter of 2007 totalled $19,609,000, against operating income of $19,040,000 in the fourth quarter of 2006. This increase of 3.0% is reflected in the same businesses that saw a rise in their operating revenues, namely specialty channels, Shopping TVA and commercial production. SUN TV also saw its operating loss decrease by 40.6%, totalling $550,000 for the fourth quarter of 2007, compared with $926,000 for the same period of 2006.

PUBLISHING

Operating revenues for the Publishing sector were $79,878,000 for 2007, against $78,125,000 for the year ended December 31, 2006. This 2.2% increase in operating revenues is mainly due to subscription revenues, which rose more than 18%, stemming primarily from *TV Hebdo* magazine. Advertising revenues saw a slight decrease of 1.3% in 2007, while newsstand revenues remained relatively stable, decreasing less than 1% on the 2006 level. The latter decrease is of little significance, given the variation in retail prices during 2007 compared with 2006. The goal is more to optimize the number of copies sold combined with the actual selling price in order to optimize operating income by publication, which is something we were able to achieve over the last year. In addition, the combination of products offered during the year could generate similar revenues but with operating income that is somewhat different depending on the mix of publications sold. TVA Group still has approximately 74% of the newsstand sales market for French-language magazines in Québec and 49% of the units sold for French-language magazines in Québec (source: Audit Bureau of Circulation).

PUBLISHING (continued)

Operating expenses for the Publishing sector totalled $72,049,000 for 2007, against operating expenses of $76,767,000 for the previous year, representing a decrease of 6.1%, in spite of the negative effect on operating expenses resulting from the full consolidation of Trustmedia for full-year 2007 compared with the situation in 2006. This decrease in operating expenses comes as a result of the stringent management of our publications business and all of our operational processes during 2007. We continued to tightly manage the number of copies printed and thereby increased the percentage of copies sold. The withdrawal of poorly performing titles such as *Shopping Clin d'œil*, *Femme +* and *Cool Extrême*, the repositioning of other titles and the addition of new publications such as *Espace Parents.ca* and *Animal* largely contributed to lowering our printing costs during the year. We also lowered the frequency of the bonuses offered in our magazines compared with 2006. Nonetheless, the Publishing sector invested in its main monthly titles to grow readership. The strategy produced results when *Décoration Chez-Soi*, *Clin d'œil* and *Les idées de ma maison* saw their readership increase by 13%, 12% and 10%, respectively (according to the Audit Bureau of Circulation as at June 30, 2007).

Operating income for the Publishing sector was $7,829,000 for the year, against $1,358,000 for last year. This improvement in profitability is a result of the decisions made over several quarters with a view to protecting our market shares and strengthening our position in the face of ever-present competition in this market. We are constantly on the lookout for growth opportunities in this sector, both in Québec and the rest of Canada. We intend to pursue our efforts and continue investing to maintain or increase the very high quality of our magazine content and formats in order to grow our market shares.

Comparison of the fourth quarter of 2007 versus 2006

Operating revenues for the Publishing sector were $19,992,000 for the fourth quarter of 2007, against $20,461,000 for the same quarter of 2006, representing a decrease of 2.3%. This quarter was marked by a strong offensive to counter the competition in the weekly arts magazine sector. In this regard, we applied an aggressive pricing strategy during periods varying from two to seven weeks depending on the publication. Nonetheless, prices returned to normal, and in certain cases, even increased in December. Excluding newsstand revenues, operating revenues grew 3.6% for the quarter over the same quarter of 2006, mainly due to the rise in advertising sales and in revenues from customized editions.

Operating expenses for this sector in the fourth quarter were $18,398,000, against operating expenses of $20,156,000 for the same quarter of 2006, representing a decrease of 8.7%. This decrease in operating expenses is the result of steps take throughout 2007 and explained above.

For the fourth quarter of 2007, operating income for this sector was $1,594,000, against operating income of $305,000 for the same quarter of 2006. The magazine *Moi & Cie* saw a significant improvement in profitability after having been launched in the fourth quarter of 2006. In addition to the supplementary contribution stemming from the full consolidation of Trustmedia Inc.'s results, the magazines *Dernière Heure* and *Échos Vedettes* also contributed to this sector's increased operating income for the quarter.

DISTRIBUTION

Operating revenues for the Distribution sector were $19,828,000 for 2007, against $14,369,000 for the year ended December 31, 2006. This 38.0% increase is mainly the result of higher operating revenues from movie theatres and videos, while revenues from the sale of television broadcast rights were up 2.3% over 2006. Box office revenues more than tripled due to the success of the movies *Because I Said So (Cherche homme parfait)* and *La vie en rose*, which were released in 2007 and together generated over 75% of the operating revenues for this business segment. In 2006, none of the movies distributed by TVA Films achieved a comparable level of box office revenues. For videos, operating revenues increased 31.1% due to the good performance of several movies, namely *Because I Said So (Cherche homme parfait)* and *Black Christmas*, and to a much higher volume of video sales in 2007 compared with 2006. DVD sales for certain programs broadcast on TVA, such as *Nos étés*, *Taxi 0-22*, *Le cœur a ses raisons*, as well as various comedy shows, including *Martin Matte – Comment devenir excellent,* successfully rounded out this business segment's revenues in 2007. In 2006, the movies *Good Night and Good Luck* and *C.R.A.Z.Y*. generated the best results along with Gregory Charles' *Noir et Blanc* concert and various comedy shows. Sales of television rights grew slightly by 2.3%, after seeing a 10% rise in 2006 over 2005. Some of these sales were made to entities that are members of our Television sector. The operating loss that appears under the heading "Intersegment items" in the note on segmented information represents the unrealized portion of the profit recognized for the Distribution sector's sales in 2007 less the realized profits of previous years.

Operating income for 2007 was $1,295,000, compared with an operating loss of $1,707,000 for last year. The considerable improvement of $3,002,000 in operating income is due not only to the quantity of new products distributed last year, but also to the commercial success of these products. The distribution and success of the movie *Because I Said So (Cherche homme parfait)* in the three business segments during the same fiscal year contributed significantly to the rise in operating income. In 2006, operating income was affected by the disappointing results of the movies *Incisions* and *The Little Book Revenge (Guide de la petite vengeance)*.

Comparison of the fourth quarter of 2007 versus 2006

Operating revenues for the Distribution sector totalled $6,725,000 for the fourth quarter of 2007, compared with $5,475,000 for the same period of 2006. This 22.8% increase is mainly due to a much larger rights sales volume in the television market during the quarter, with the volume having more than doubled over the same period of 2006. Operating revenues from the video and movie markets were comparable to those generated in the same quarter of 2006.

The operating income generated during the quarter totalled $1,502,000, against an operating loss of $502,000 for the same period of 2006. The increase in operating income arising from the sale of rights in the television market represents slightly less than half of the increase in this sector's operating income. In the movie market, the release of the movie *Le guide de la petite vengeance* in November 2006 did not achieve the anticipated level of success and significantly affected operating income for the quarter.

Comparative results (in thousands of dollars)

	Three month periods ended December 31		Years ended December 31	
	2007	2006	**2007**	2006
Operating revenues	**$ 124,073**	$ 119,937	**$ 415,486**	$ 393,312
Operating, selling and administrative expenses	**101,279**	101,078	**356,105**	351,256
Operating income	**22,794**	18,859	**59,381**	42,056
Amortization	**3,305**	3,419	**12,942**	13,905
Financial expenses	**1,063**	1,359	**4,477**	5,308
Depreciation of intangible assets	**–**	31,084	**–**	31,828
Restructuring costs of operating	**(357)**	(647)	**1,382**	507
Gain on business acquisition	**–**	(368)	**–**	(368)
Income (loss) before these following elements	**18,783**	(15,988)	**40,580**	(9,124)
Income taxes (recovery)	**3,722**	(2,792)	**5,714**	(2,591)
Non-controlling interest	**(474)**	(631)	**(2,651)**	(3,252)
Equity in (income) loss of companies subject to significant influence	**(71)**	429	**(867)**	(141)
Net income (net loss)	**$ 15,606**	$ (12,994)	**$ 38,384**	$ (3,140)

AMORTIZATION

The amortization of fixed assets and deferred start-up costs totalled $12,942,000 for the year, compared with $13,905,000 for 2006.

Amortization of fixed assets and deferred start-up costs totalled $3,305,000 for the fourth quarter of 2007, against an expense of $3,419,000 for the same quarter of 2006.

This decrease, both for the fourth quarter and the full year, is due to the fact that certain capital assets and the start-up costs for the *MenTV* and *Mystery* channels are now fully amortized.

FINANCIAL EXPENSES

Financial expenses totalled $4,477,000 for the year, compared with $5,308,000 for the previous year.

For the fourth quarter of 2007, financial expenses were $1,063,000, against expenses of $1,359,000 for the same quarter of 2006.

This decrease for both the fourth quarter and the full year is due to the Company’s lower average debt level in 2007, compared with the same periods of the previous year, in spite of average interest rates being slightly higher in 2007.

DEPRECIATION OF INTANGIBLE ASSETS

In the fourth quarter of 2006 and based on the results of its annual tests, the Company recorded a total depreciation expense of $31,084,000, of which $23,119,000 was for SUN TV's broadcast licence and $7,965,000 for goodwill. This depreciation became necessary following the review of SUN TV's business plan in light of the market experience over the two previous years and due to pressure being exerted on the advertising revenues of conventional broadcasters, including, among other things, the fragmentation of the television market.

This depreciation charge was in addition to the depreciation of another intangible asset recorded during 2006 representing the Company's share of the operating licence for a co-owned magazine in its Publishing sector amounting to $744,000. The total depreciation of intangible assets for 2006 was $31,828,000.

RESTRUCTURING COSTS OF OPERATIONS

In 2007, the Company recorded a provision for restructuring cost of $1,382,000. A provision of $1,281,000 was recorded following the elimination of positions in the Television and Publishing sectors, and a provision of $952,000 was recorded for prosecution and legal fees to reflect new litigation relating to the production activities of its former subsidiary, TVA Acquisition Inc. In addition, the Company lowered the balance of liabilities initially established for some of its former subsidiary's productions by $851,000.

In 2006, the Company recorded a provision for restructuring cost of $1,404,000 following the elimination of some 30 positions in its Television sector. This provision was lowered by the recording of revenues from the reversal of a portion of the provision for restructuring cost related to the production activities of its former subsidiary, TVA Acquisition inc., in the amount of $897,000 following the settlement of certain matters and based on the new information available to the Company.

In the fourth quarter of 2007, the Company recorded a provision for restructuring cost of $303,000 following the elimination of positions in its Television sector and re-evaluated the initially established balance of liabilities downward for an amount of $660,000 following the settlement of certain matters and based on the new information available to the Company.

During the same quarter of 2006, the Company recorded a provision for restructuring cost of $250,000 following the announcement of the elimination of some 10 positions in its Television sector, and it reversed a portion of the provision for restructuring cost related to the production activities of its former subsidiary, TVA Acquisition inc., for an amount of $897,000 following the settlement of certain matters and based on the new information available to the Company.

GAIN ON BUSINESS ACQUISITION

On November 10, 2006, the Company acquired the totality of the shares in Trustmedia Inc., 50% of which was held by a co-owning shareholder, making it the sole shareholder in this company. Following this acquisition, the Company posted a gain of $368,000 in 2006, given that the purchase price was lower than the fair value of the net assets acquired. The cash overage acquired in the transaction on the consideration paid was $818,000. No taxes were recorded on this gain since it results in a permanent difference.

INCOME TAXES (RECOVERY)

The Company reported an income tax expense of $5,714,000, equivalent to a tax rate of 14.1%, for fiscal 2007, compared with an income tax recovery of $2,591,000, or a rate of 28.4%, for 2006. During the year, following the federal government's adoption of Bill C-33, which provides for the modification of the deduction multiple for tax deductions, the Company recognized into income tax benefits an amount of $3,670,000 relating to tax deductions acquired in recent years from Quebecor World Inc., a company under the common control of its ultimate parent, Quebecor Inc. Also during the year, following reductions in federal income taxes for 2008 and subsequent years, and in light of the evolution of tax auditing, jurisprudence and tax legislation, the Company reduced its future tax liabilities by $4,762,000. Excluding the tax savings reported for the fiscal year results in an income tax rate of 34.9% for 2007. The increase in income tax rates compared with the Company's statutory income tax rate is mainly due to the effect of the fiscal consolidation implemented at SUN TV.

INCOME TAXES (RECOVERY) (continued)

During the previous year, the lower tax rate was due to the favourable effect of an amount of $3,223,000 recorded against future income tax expenses due to the lower federal income tax rate enacted on June 22, 2006. The effect of this lower tax rate was offset by the cumulative effect of the fiscal consolidation implemented at SUN TV and the permanent difference generated by the depreciation of SUN TV's goodwill.

The Company reported an income tax expense of $3,722,000, equivalent to a tax rate of 19.8%, for the fourth quarter of 2007, compared with an income tax recovery of $2,792,000, or a rate of 17.4%, for the corresponding quarter of 2006. This lower tax rate is due to the favourable effect of an amount of $2,592,000 recorded against future income tax expenses due to the lower federal income tax rate enacted by Bill C-28 on December 14, 2007. The decrease in the income tax recovery rate during the same period of 2006 on the Company's tax rate was largely due to the permanent difference generated by the depreciation of SUN TV's goodwill.

NON-CONTROLLING INTEREST

Non-controlling interest for 2007 was $2,651,000, against $3,252,000 for last year. Non-controlling interest for the fourth quarter of 2007 was $474,000, compared with $631,000 for the same quarter a year ago. Non-controlling interest represents Sun Media Corporation's share in SUN TV's net loss. These variances are due to SUN TV's favourable results for the corresponding quarters, which decreases the share in the loss resulting from the non-controlling interest.

EQUITY IN INCOME OF COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE

Equity in income of companies subject to significant influence was $867,000 for 2007, compared with $141,000 for the previous year. Equity in income of companies subject to significant influence was $71,000 for the fourth quarter, against equity in losses of companies subject to significant influence of $429,000 for the same quarter of 2006. This increase is due to the improved results of certain companies in the television industry over the corresponding periods of 2006.

NET INCOME (NET LOSS)

TVA reported net income of $38,384,000, or $1.42 per diluted share, for the year ended December 31, 2007, compared with a net loss of $3,140,000, or $0.12 per diluted share, for the previous year.

The calculation of per-share amounts was based on a weighted average of 27,034,645 outstanding diluted shares for the year ended December 31, 2007, and on a weighted average of 27,026,199 outstanding diluted shares for the year ended December 31, 2006.

This increase in net income is due to a considerable improvement in operating income of $17,325,000, as well as to more substantial tax savings in 2007 than in the previous year. Furthermore in 2006, net income was negatively affected by the depreciation expense on the broadcasting licence and SUN TV's goodwill less related income taxes for a net effect of $23,454,000 or $0.87 per diluted share.

Comparison of the fourth quarter of 2007 versus 2006

TVA reported net income of $15,606,000, or $0.58 per diluted share, for the fourth quarter of 2007, compared with a net loss of $12,994,000, or $0.48 per diluted share, for the corresponding period of 2006. The same item changes as for the annual results explain the improvement in net income.

Calculation of per-share amounts was based on a weighted average of 27,034,269 outstanding diluted shares for the fourth of 2007 and on a weighted average of 27,024,848 outstanding diluted shares for the same quarter of 2006.

CASH FLOWS AND FINANCIAL RESOURCES

OPERATIONS

Cash flows provided by operations amounted to $60,044,000 for 2007, compared with $32,333,000 for the previous year. This increase of $27,711,000 in cash flows, provided by operations, is essentially due to an increase of $8,107,000 in cash flows generated by regular operations and to a favourable change of $17,212,000 in current income taxes.

During the fourth quarter, cash flows provided by operations amounted to $20,997,000, compared with $8,184,000 for the same period of 2006. This increase is essentially generated by the net change in non-cash items, mainly due to a favourable change in accounts payable combined with a favourable change in current income taxes.

INVESTMENT

On July 30, 2007, the Company acquired all of the issued and outstanding shares in Animal Hebdo Inc., the company that publishes *Animal* magazine, for a total consideration of $274,000.

On December 20, 2007, a subsidiary of the Company, Sun TV Company, owned at 75% and operating the SUN TV television channel, entered into a fiscal consolidation transaction with the Company and non-controlling interest, Sun Media Corporation, a company under common control of its ultimate parent, Quebecor Inc., in order to reduce the fiscal consolidation put in place on July 12, 2005. To realize this transaction, Sun TV Company received a partial repayment of the convertible bonds of the shareholding companies in the amount of $98,600,000 ($11,700,000 in 2006), of which Sun Media Corporation for $24,625,000 ($2,925,000 in 2006). In return, Sun TV Company repurchased 98,600 preferred shares (11,700 in 2006) redeemable at the option of the holder, carrying a 10.85% fixed cumulative dividend, of which 24,625 preferred shares (2,925 in 2006) from Sun Media Corporation for $24,625,000 ($2,925,000 in 2006). This transaction results for the Company, on a consolidated level, in a reduced long-term investment in convertible bonds of $24,625,000 ($2,925,000 in 2006), and an equivalent reduction in redeemable preferred shares disclosed under the heading "Non-controlling interest and redeemable preferred shares."

On December 8, 2006, the Company (75%) and Sun Media Corporation (25%), a company under common control of its ultimate parent, Quebecor Inc., reached an agreement with CHUM Limited in respect of the final settlement of the working capital adjustment that was part of the purchase price for Sun TV Company. Following this settlement, the Company recorded its share in the favourable adjustment of the working capital of $81,000. The final purchase price for the Company's interest in SUN TV Company was $35,012,000, which represents the $34,500,000 initial purchase price agreed plus a working capital adjustment of $37,000 and transaction fees of $475,000. The Company made the final payment of the purchase price, including the working capital adjustment, of $2,625,000 on January 8, 2007.

In 2007, the acquisition of fixed assets climbed 79% for a total of $16,200,000 compared with $9,028,000 in 2006. This growth is a result of investments made in technical equipment, specifically for high-definition broadcasting, and in the replacement of our microwave and satellite transmission equipment for our news and public affairs department. In addition, the company completing the implementation of a new integrated information system for operating all of its conventional stations and specialty channels. The Company has finalized its investment plan for completing the Television sector's transition to digital and high definition; the plan calls for investments of $80 million over the five coming years. Despite these investments being greater than the amounts invested annually in previous years for the acquisition of assets, the Company does not anticipate any negative material effects on its future results in regard to these investments and has sufficient financial resources to carry them out. In addition, these investments are also being made with a view to improving the organizational efficiency of the entire Television sector.

CASH FLOWS AND FINANCIAL RESOURCES (continued)

FINANCING

The Company did not file any new issuer bid during 2007. During fiscal 2006, however, TVA Group Inc. filed a new offer to redeem for cancellation, in the normal course of its operations between August 4, 2006 and August 3, 2007, a maximum of 1,135,242 of the Company's Class B shares, or about 5% of the total number of Class B shares issued and outstanding not held by insiders at the opening of the issuer bid. No shares were redeemed as a result of this offer.

During fiscal 2005, TVA Group Inc. filed a new offer to redeem for cancellation, in the normal course of its operations between August 4, 2005 and August 3, 2006, a maximum of 1,137,722 of the Company's Class B shares, or about 5% of the total number of Class B shares issued and outstanding not held by insiders at the opening of the issuer bid. A total of 9,800 Class B shares were redeemed under this program during fiscal 2006, for a total net cash consideration of $154,000.

During 2007, a subsidiary of the Company, Sun TV Company, owned at 75% and operating the SUN TV television channel, obtained from its non-controlling shareholder, Sun Media Corporation, a company under common control of its ultimate parent, Quebecor Inc., an additional investment in its share capital of $2,400,000 ($5,149,000 in 2006).

At December 31, 2007, the unused and available balance of the revolving credit stood at $102,564,000, compared with $61,499,000 at December 31, 2006.

FINANCIAL SITUATION

TVA Group's financial situation is good. As at December 31, 2007, the consolidated debt ratio as measured by the debt-to-shareholders' equity ratio stood at 21:79 or 0.27, compared with 34:66 or 0.52 at December 31, 2006. The improvement in this ratio is mainly due to the effect of the decrease in the debt combined with the improvement in net income.

The Company's long-term debt was reduced by $40,182,000, decreasing from $96,515,000 at December 31, 2006 to $56,333,000 at December 31, 2007.

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

CASH FLOWS AND FINANCIAL RESOURCES (continued)

FINANCIAL SITUATION (continued)

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

	2007			
	Dec. 31	**Sept. 30**	**June 30**	**March 31**
Operations				
Operating revenues	**$ 124,073**	**$ 91,620**	**$ 106,467**	**$ 93,326**
Operating income	**$ 22,794**	**$ 11,824**	**$ 22,039**	**$ 2,724**
Net income	**$ 15,606**	**$ 5,274**	**$ 16,568**	**$ 936**
Basic per-share data				
Net income	**$ 0.58**	**$ 0.20**	**$ 0.61**	**$ 0.03**
Weighted average number of shares outstanding (in thousands)	**27,025**	**27,025**	**27,025**	**27,025**
Diluted per-share data				
Net income	**$ 0.58**	**$ 0.20**	**$ 0.61**	**$ 0.03**
Weighted average number of diluted shares outstanding (in thousands)	**27,034**	**27,031**	**27,043**	**27,025**

	2006			
	Dec. 31	Sept. 30	June 30	March 31
Operations				
Operating revenues	$ 119,937	$ 79,014	$ 103,437	$ 90,924
Operating income (loss)	$ 18,859	$ 4,765	$ 18,827	$ (395)
(Net loss) net income	$ (12,994)	$ (820)	$ 13,413	$ (2,739)
Basic per-share data				
(Net loss) net income	$ (0.48)	$ (0.03)	$ 0.50	$ (0.10)
Weighted average number of shares outstanding (in thousands)	27,025	27,025	27 ,025	27,028
Diluted per-share data				
(Net loss) net income	$ (0.48)	$ (0.03)	$ 0.50	$ (0.10)
Weighted average number of diluted shares outstanding (in thousands)	27,025	27,025	27,030	27,031

CASH FLOWS AND FINANCIAL RESOURCES (continued)

FINANCIAL SITUATION (continued)

Most of the Company's revenues come from the sale of advertising. These advertising revenues are usually seasonal in nature and are impacted by the cyclic and economic character of the industry and the markets in which advertisers operate. The Company's second and fourth quarters are customarily the most favourable periods for advertising revenues, especially for the Television sector.

Operating expenses in the Television sector vary, mainly as a result of programming costs. In the Company's Publishing and Distribution sectors, operating costs fluctuate according to, respectively, the arrival of magazines on newsstands and the release of films on the market.

In recent years, growing use of the Internet, fragmentation of television audiences and content digitization have opened new content-distribution platforms and changed consumer habits. This reality has resulted in a fragmentation of the advertising market, to the detriment of conventional television and traditional media. In order to respond to this trend, TVA relies on its ability to create, develop and produce quality content in all areas, for every possible platform, and invests significantly in launching specialty channels so that it can continue to reach the broadest possible audience and constantly meet its advertisers' needs.

CAPITAL STOCK

The following table provides data on the Company's capital stock as at December 31, 2007.

Number of shares outstanding as at December 31, 2007

Class A common shares	4,320 000
Class B shares shares	22,704 848
	27,024 848

Stock options outstanding for the year ended December 31, 2007

	Conventional Class B Stock options	Quebecor Media Inc. stock options
Balance as at December 31, 2006	489,695	129,118
Granted	561,875	204,563
Cancelled	(67,877)	(5,522)
Balance as at December 31, 2007	983,693	328,159

Of the options outstanding as at December 31, 2007, 84,082 conventional Class B stock options at an average exercise price of $20.61 and 61,395 QMI stock options at an average exercise price of $17.58 can be exercised.

FINANCIAL INFORMATION OVER 3 YEARS

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

	Year ended December 31, 2007	Year ended 31 December, 2006	Year ended 31 December, 2005
Operating revenues	**$ 415,486**	$ 393,312	$ 401,352
Net income (net loss)	**38,384**	(3,140)	28,373
Basic and diluted income (loss) per share	**1.42**	(0.12)	0.98
Total assets	**457,762**	477,901	513,374
Long-term debt	**56,333**	96,515	107,098
Dividends per share			
Class A shares	**0.20**	0.20	0.20
Class B shares	**0.20**	0.20	0.20

This decrease in operating revenues between 2005 and 2006 stems mainly from the Distribution sector, which saw less activity and lower box office revenues than in 2005, when the sector grew 65% with the success of the movies *C.R.A.Z.Y.* and *Interférences*. TVA Network's advertising revenues also dropped 3.6%. The depreciation expense for the broadcast licence and SUN TV's goodwill less related income taxes in large part explains the shift from net income in 2005 to a net loss in 2006. In addition, the decline in TVA Network's profitability largely explains the decrease in operating income from 2005 to 2006.

The long-term debt has continually decreased since fiscal 2005, mainly due to the increase in the funds generated by the Company's operations.

The total decrease in assets between December 31, 2006 and December 31, 2005 is essentially due to the depreciation of the intangible assets of SUN TV following the annual impairment tests conducted by the Company, as explained under the heading "Depreciation of intangible assets." The decrease in assets between December 31, 2007 and December 31, 2006 is essentially due to the reduction of the fiscal consolidation put in place at SUN TV.

RELATED-PARTY TRANSACTIONS

During the year ended December 31, 2007, the Company sold advertising space, recorded subscription revenues and provided production, postproduction and other technical services to companies under common control for a total of $39,803,000 ($27,835,000 for 2006). Transactions with related companies are recorded at exchange value, as established by the parties.

For the year ended December 31, 2007, the Company recorded an amortization expense for broadcast rights, expenses for information and communication systems, printing and filming services, charges for access rights and charges for professional services, all from transactions concluded with companies under common control and affiliated companies, for a total of $37,460,000 ($48,831,000 for 2006).

The Company also recorded management fees to the parent company in the amount of $3,800,000 for 2007 ($3,700,000 for 2006).

OFF-BALANCE SHEET COMMITMENTS

CONTRACTUAL COMMITMENTS

In the normal course of its operations, the Company is committed under operating leases, mainly for services and office space, and also under distribution and broadcasting rights acquisition contracts, for total payments of $72,450,000.

The minimum payments for the coming fiscal years are as follows:

2008	$ 39,850,000
2009	$ 21,510,000
2010	$ 7,513,000
2011	$ 2,310,000
2012	$ 647,000
2013 and thereafter	$ 620,000

OTHER COMMITMENTS

As part of the acquisition of the SUN TV television station in Toronto, the Company has 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. On January 11, 2007, the Canadian Radio-Television and Telecommunications Commission (CRTC) approved an application to amend the conditions of the licence of SUN TV in regard to the tangible benefits to be invested. This decision serves to reduce the tangible benefits the Company must invest by $4,339,000. Following this decision, as at December 31, 2007, the balance of the Company's commitments under licence conditions imposed by the CRTC was $591,000, of which $176,000 is to be invested by August 31, 2008 and $415,000 by August 31, 2011.

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 $938,000. As at December 31, 2007, 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 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.

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

The fair value of goodwill is determined in the same manner as a business combination. The 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.

During the second quarter of 2007, the Company changed the date of its annual impairments tests for goodwill from October 1 to April 1. Accordingly, the Company performed its impairment tests for goodwill on April 1, 2007 and concluded that there was no impairment to be recorded. Furthermore, management did not detect any of the triggers that would require the annual tests for impairment to be performed earlier than expected.

For the year ended December 31, 2006, the Company wrote off the goodwill of SUN TV, its television station in Toronto, for $7,965,000.

LICENCES

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

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

The Company uses the Greenfield valuation method to determine the fair value of its broadcast licences. This method involves calculating the costs that a new player would incur to operate its licence in a context where the licence is the only asset it has at start-up.

CRITICAL ACCOUNTING POLICIES (continued)

LICENCES (continued)

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

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

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

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

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

During the second quarter of 2007, the Company changed the date of its annual impairments tests for its broadcasting licences from October 1 to April 1. Accordingly, the Company performed its impairment tests for broadcasting licences on April 1, 2007 and concluded that there was no impairment to be recorded. Furthermore, management did not detect any of the triggers that would require the annual tests for impairment to be performed earlier than usual.

For the year ended December 31, 2006, the Company wrote off the broadcast licence of SUN TV, its television station in Toronto, for $23,119,000.

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 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.

CRITICAL ACCOUNTING POLICIES (continued)

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.

CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 1530, *Comprehensive Income,* and Section 3855, *Financial Instruments – Recognition and Measurement*. Changes in accounting policies in conformity with these new accounting standards are as follows:

a) Comprehensive Income
Section 1530 introduces comprehensive income, which is calculated by adding other comprehensive income to net income. Other comprehensive income represents changes in shareholders' equity arising from transactions and other events with non-owner sources, such as unrealized gains and losses on financial assets classified as available-for-sale.

b) Financial Instruments
Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and derivatives. Under these standards, financial instruments are now classified as held-for-trading, available-for-sale, held-to-maturity, receivables, or other financial liabilities and measurement in subsequent periods depends on their classification. Transaction costs are expensed as incurred for financial instruments classified as held-for-trading. For other financial instruments, transaction costs are capitalized on initial recognition and presented in reduction of the underlying financial instruments.

Financial assets and financial liabilities held-for-trading are measured at fair value with changes recognized in income. Available-for-sale financial assets are measured at fair value or at cost, in the case of financial assets that do not have a quoted market price in an active market, and changes in fair value are recorded in comprehensive income. Financial assets held-to-maturity, receivables, and other financial liabilities are measured at amortized cost using the effective interest method of amortization. The Company classified its cash and cash equivalent as held-for-trading. Trade receivables and receivables from related parties were classified as receivables. Portfolio investments included in investments were classified as available-for-sale. All of the Company's financial liabilities were classified as other liabilities.

Derivative instruments are recorded as financial assets or liabilities, including those derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts. Changes in the fair values of the derivatives are recognized in financial expenses, with the exception of derivatives designated in a cash flow hedge for which hedge accounting is used. In accordance with the new standards, the Company selected January 1, 2003 as its transition date for embedded derivatives.

The adoption of these new sections did not have a significant effect on the consolidated financial statements.

RECENT ACCOUNTING DEVELOPMENTS IN CANADA

The *Canadian Institute of Chartered Accountants* ("*CICA*") issued a new standard, Section 1535 *Capital Disclosures*, which requires a company to disclose qualitative and quantitative information to enable users of the financial statements to evaluate its capital management objectives, policies and procedures. This section applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2007. The Company does not anticipate any significant effect on the Company's consolidated financial statements further to the adoption of this new standard.

The *Canadian Institute of Chartered Accountants* ("*CICA*") issued two new standards, Section 3862 *Financial Instruments – Disclosures* and Section 3863 *Financial Instruments – Presentation,* which require that additional information be provided regarding financial instruments. The new sections apply to interim and annual financial statements for fiscal years beginning on or after October 1, 2007. The Company does not anticipate any significant effect on the Company's consolidated financial statements further to the adoption of this new standard.

The *Canadian Institute of Chartered Accountants* ("*CICA*") issued a new standard, Section 3031 *Inventories*, which requires that additional details be provided regarding the determination and recognition of inventories and the information to be presented. This section applies to interim and annual financial statements for fiscal years beginning on or after January 1, 2008. The Company does not anticipate any significant effect on the Company's consolidated financial statements further to the adoption of this new standard.

In January 2008, the *Canadian Institute of Chartered Accountants* ("*CICA*") issued a new standard, Section 3064 *Goodwill and Intangible Assets*, which will replace Section 3062 *Goodwill and Other Intangible Assets* and will result in the withdrawal of Section 3450 *Research and Development Costs* as well as Emerging Issues Committee (EIC) 27 *Revenues and Expenditures During the Pre-operating Period* and Accounting Guideline (AcG) 11 *Entreprises in the Development Stage.* This standard provides guidelines on the recognition of intangible assets according to the definition of an asset, according to the criteria for recognizing an asset as well as clarification regarding the application of the matching of costs against revenues, whether these assets were acquired or developed internally. This section applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2008. The Company is currently evaluating the effects of this new standard on the consolidated financial statements.

RISKS AND UNCERTAINTIES

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

SEASONALITY

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

OPERATIONAL RISKS

Competition for advertising, customers, viewers, listeners, readers and distribution is intense and comes from conventional television stations and networks, specialty cable channels, radio, local, regional and national newspapers, magazines, direct mail and other traditional communications and advertising media that operate in the Company's markets. The arrival of new technologies, including video-on-demand, the Internet, personal video recorders and high-definition television, also influences the Company's operations. The markets in which the Company operates are dealing with the multiplication of possible distribution platforms, including the Internet, cellular telephony, video-on-demand, mobile television and any other future technology that may be marketed in future. This evolving technology can, however, open up business possibilities for the Company, creating the opportunity for it to distribute its content on all available platforms.

OPERATIONAL RISKS (continued)

Its competitors include both private companies and government-owned players. In addition, increasing consolidation in Canadian media sectors is creating competitors with interests in different industries and media. One of the Company's main suppliers in the Publishing sector is experiencing financial difficulties. The Company is in the process of finalizing alternate procurement solutions in preparation for any eventuality. It is possible that operations may be affected by any resulting events.

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 risk with respect to trade receivables is limited due to the Company's diverse operations and customer base. As at December 31, 2007, 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 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 Corporation's disclosure controls and procedures was conducted. Based on this evaluation, the President and Chief Executive Officer, and the Vice-President and Chief Financial Officer have concluded that disclosure controls and procedures were effective as of December 31, 2007, and, more specifically, that the design of such controls and procedures provides reasonable assurance that material information relating to the Corporation, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared.

The purpose of internal controls on financial information is to provide reasonable assurance in regard to the Company's financial information and the preparation of financial statements according to GAAP. No change to internal controls for financial information that has had or that is likely to have a significant effect was identified by management during the fiscal year ended December 31, 2007.

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 www.sedar.com.

DEFINITION OF OPERATING INCOME AND OPERATING LOSS

In its analysis of operating results, the Company defines operating income or operating loss as earnings (loss) before amortization, financial expenses, restructuring costs of operations, impairment of intangible assets, gain on acquisition and disposal of business, income taxes (recovery), non-controlling interest and equity in income of companies subject to significant influence. Operating income or operating loss, as defined above, is not a measure of results that is consistent with Canadian Generally Accepted Accounting Principles "GAAP". Neither is it intended to be regarded as an alternative to other financial performance measures or to the statement of cash flows as a measure of liquidity. This measure is not intended to represent funds available for debt service, dividend payment, reinvestment or other discretionary uses, and should not be considered in isolation or as a substitute for other performance measures prepared in accordance with Canadian GAAP. Operating income and operating loss are used by the Company because management believes they are meaningful measurements of performance. This measure is commonly used by senior management and the Board of Directors to evaluate the consolidated results of the Company and its sector's results. Measurements such as operating income and operating loss are also commonly used by the investment community to analyze and compare the performance of companies in the industries in which the Company is active. The Company's definition of operating income and operating loss may not be identical to similarly titled measures reported by other companies.

FORWARD-LOOKING INFORMATION DISCLAIMER

The statements in this Management's Discussion and Analysis 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. Forward-looking statements generally can be identified by the use of the conditional, the use of forward-looking terminology such as "propose," "will," "expect," "may," "anticipate," "intend," "estimate," "plan," "foresee," "believe" or the negative of these terms or variations of them or similar terminology. Certain factors that may cause actual results to differ from current expectations include seasonality, operational risks (including pricing actions by competitors), capital investment risks, environmental risks, credit 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 "Risks and Uncertainties" section of this Management's Discussion and Analysis and to the Company's public filings at www.sedar.com and www.tva.canoe.ca.

The forward-looking statements in this Management's Discussion and Analysis reflect the Company's expectations as of February 18, 2008, 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, unless required by the applicable securities laws.

Montréal, Québec
February 18, 2008

MANAGEMENT'S REPORT

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

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

Denis Rozon
Vice-President and
Chief Financial Officer

Montréal, Canada
February 18, 2008

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of TVA Group Inc. as at December 31, 2007 and 2006 and the consolidated statements of income and comprehensive 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 that the financial statements are free of material misstatements. 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, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG s.r.l./s.e.n.c.r.l.

Chartered Accountants

Montreal, Canada
February 4, 2008

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Years ended December 31, 2007 and 2006

(in thousands of dollars, except per share amounts)

	2007	2006
Operating revenues	$ 415,486	$ 393,312
Operating, selling and administrative expenses	356,105	351,256
Amortization of fixed assets and intangible assets	12,471	12,870
Amortization of deferred start-up costs	471	1,035
Financial expenses (note 3)	4,477	5,308
Depreciation of intangible assets (note 4)	–	31,828
Restructuring costs of operations (note 5)	1,382	507
Gain on business acquisition (note 2)	–	(368)
Income (loss) before income taxes, non-controlling interest and equity in income of companies subject to significant influence	40,580	(9,124)
Income (recovery) taxes (note 6)	5,714	(2,591)
Non-controlling interest	(2,651)	(3,252)
Equity in income of companies subject to significant influence	(867)	(141)
Net income (net loss) and comprehensive income	$ 38,384	$ (3,140)
Basic and diluted earnings (loss) per share (note 18)	$ 1.42	$ (0.12)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Years ended December 31, 2007 and 2006

(in thousands of dollars)

	2007	2006
Balance, beginning of year	$ 62,631	$ 71,280
Net income (net loss)	38,384	(3,140)
Dividends paid	(5,405)	(5,405)
Share redemption - excess of purchase price over net carrying value (note 18)	–	(104)
Balance, end of year	$ 95,610	$ 62,631

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

December 31, 2007 and 2006
(in thousands of dollars)

	2007	2006
Assets		
Current assets		
Cash	**$ 3,225**	$ 2,956
Accounts receivable (note 10)	**108,800**	112,629
Investments in televisual products and films (note 11)	**45,906**	42,221
Inventories and prepaid expenses	**5,969**	6,259
Future income tax assets (note 6)	**4,629**	4,267
	168,529	168,332
Investments in televisual products and films (note 11)	**27,253**	27,186
Investments (note 12)	**31,571**	55,227
Fixed assets (note 13)	**77,275**	74,038
Future income tax assets (note 6)	**2,319**	3,448
Other assets (note 14)	**9,102**	8,213
Licences and other intangible assets (notes 2 and 4)	**69,732**	69,589
Goodwill (note 4)	**71,981**	71,868
	$ 457,762	$ 477,901
Liabilities and Shareholders' Equity		
Current liabilities		
Bank overdraft	**$ 2,435**	$ –
Accounts payable and accrued liabilities (note 15)	**96,849**	82,640
Broadcast and distribution rights payable	**23,054**	22,867
Deferred revenue	**6,613**	7,022
Deferred credit (note 6)	**471**	864
	129,422	113,393
Broadcast rights and distribution rights payable	**3,965**	3,226
Long-term debt (note 17)	**56,333**	96,515
Future income tax liabilities (note 6)	**39,334**	44,331
Other long-term liabilities (note 16)	**731**	610
Non-controlling interest and redeemable preferred shares (notes 7 and 12)	**13,458**	38,334
	243,243	296,409
Shareholders' equity		
Capital stock (note 18)	**115,137**	115,137
Contributed surplus (note 6)	**3,772**	3,724
Retained earnings	**95,610**	62,631
Commitments, guarantees and contingencies (note 23)	**214,519**	181,492
	$ 457,762	$ 477,901

See accompanying notes to consolidated financial statements.

On behalf of the Board:

(signed)
Jean Neveu, Chairman of the Board

(signed)
A. Michel Lavigne, Director

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2007 and 2006
(in thousands of dollars)

	2007	2006
Cash flows from operating activities		
Net income (net loss)	**$ 38,384**	$ (3,140)
Non-cash items		
Equity in income of companies subject to significant influence	**(867)**	(141)
Amortization	**13,030**	13,993
Future income taxes (note 6)	**(4,680)**	(5,853)
Tax benefits relating to tax deduction (note 6)	**(3,670)**	–
Non-controlling interest	**(2,651)**	(3,252)
Depreciation of intangible assets (note 4)	**–**	31,828
Other items	**(1,448)**	(3,444)
Cash flows from current operations	**38,098**	29,991
Net change in non-cash items (note 9)	**21,946**	2,342
	60,044	32,333
Cash flows from investing activities		
Additions to fixed assets	**(16,200)**	(9,028)
Deferred charges	**–**	(287)
Business acquisitions (note 2)	**(2,899)**	818
Proceeds from the disposal of a business (note 2)	**–**	91
Repayment of convertible bonds issued by an affiliated company (note 12)	**24,625**	2,925
Other changes in investments	**76**	549
	5,602	(4,932)
Cash flows from financing activities		
Bank overdraft	**2,435**	(12,284)
Decrease in long-term debt	**(40,182)**	(10,583)
Redemption of redeemable preferred shares (note 12)	**(24,625)**	(2,925)
Issuance of shares of a subsidiary (note 7)	**2,400**	5,149
Share redemption (note 18)	**–**	(154)
Dividends paid	**(5,405)**	(5,405)
	(65,377)	(26,202)
Net change in cash	**269**	1,199
Cash, beginning of year	**2,956**	1,757
Cash, end of year	**$ 3,225**	$ 2,956

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2007 and 2006

(Amounts presented in the tables are expressed in thousands of dollars, except per share and per option amounts.)

TVA Group Inc. ("the Company"), incorporated under Part 1A of the *Companies Act* (Québec), is involved mainly in television broadcasting, specialized magazine publishing and televisual product and film distribution.

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 control were acquired to the balance sheet date. 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, while all other investments are accounted for using the cost method.

(b) Changes in accounting policies

Effective January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530, Comprehensive Income, and Section 3855, Financial Instruments – Recognition and Measurement. Changes in accounting policies in conformity with these new accounting standards are as follows:

Comprehensive Income

Section 1530 introduces comprehensive income, which is calculated by adding other comprehensive income to net income. Other comprehensive income represents changes in shareholders' equity arising from transactions and other events with non-owner sources, such as unrealized gains and losses on financial assets classified as available-for-sale.

Financial Instruments

Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and derivatives. Under these standards, financial instruments are now classified as held-for-trading, available-for-sale, held-to-maturity, receivables, or other financial liabilities, and measurement in subsequent periods depends on their classification. Transaction costs are expensed as incurred for financial instruments classified as held-for-trading. For other financial instruments, transaction costs are capitalized on initial recognition and presented in reduction of the underlying financial instruments.

Financial assets and financial liabilities held-for-trading are measured at fair value with changes recognized in income. Available-for-sale financial assets are measured at fair value or at cost, in the case of financial assets that do not have a quoted market price in an active market, and changes in fair value are recorded in comprehensive income. Financial assets held-to-maturity, receivables, and other financial liabilities are measured at amortized cost using the effective interest method of amortization. The Company classified its cash and cash equivalents as held-for-trading. Trade receivables and receivables from related parties were classified as receivables. Portfolio investments included in investments were classified as available-for-sale.

All of the Company's financial liabilities were classified as other liabilities.

Derivative instruments are recorded as financial assets or liabilities, including those derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts. Changes in the fair values of the derivatives are recognized in financial expenses, with the exception of derivatives designated in a cash flow hedge for which hedge accounting is used. In accordance with the new standards, the Company selected January 1, 2003 as its transition date for embedded derivatives.

The adoption of these new sections did not have a significant effect on the consolidated financial statements.

1. Significant accounting policies (continued)

(c) Use of estimates

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles (GAAP) requires management to make estimates and assumptions. Assets, liabilities, revenue and expense items, as well as the disclosure of contingent assets and liabilities are determined based on these estimates and assumptions. Financial statement items that require more extensive use of estimates include assets and liabilities arising from pension plans and post-retirement benefits, key economic assumptions used to determine the allowance for doubtful accounts, broadcast estimates, future estimated revenues, the expected net realizable value of broadcast rights, estimated future net revenues from distribution rights, restructuring costs of operations, the useful life of assets for purposes of calculating amortization, the valuation of future cash flows expected to be generated by assets, the determination of the fair value of assets and liabilities from business combinations, the implicit fair value of goodwill, the provisions for income taxes, components of future income tax assets and liabilities and the fair value of financial instruments. Actual results could differ from those estimates.

(d) Tax credits and government assistance

The Company is eligible for several government programs designed to support televisual products and film production and distribution as well as magazine publishing in Canada.

Government assistance for televisual productions is accounted for as a reduction of production costs. In the publishing segment, government assistance for editing is accounted for as deferred 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 expenses.

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

(e) Inventories

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

(f) 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. Costs include 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 broadcast.

1. Significant accounting policies (continued)

(g) 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 broadcast rights acquired as an asset and records obligations incurred under broadcast rights acquisition agreements as a liability when the broadcast period begins and the following conditions have been met:

(i) The cost of each program, film or series is known or can be reasonably determined.
(ii) The programs, films or series have been accepted by the Company in accordance with the conditions of the acquisition contract for broadcast rights.
(iii) The programs, films or series are available for their initial broadcast.

Before the above asset recognition conditions have been met, the amounts paid for broadcast rights are included under broadcast rights as prepaid broadcast rights.

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

The broadcast rights are amortized upon the broadcast over the contract period based on the estimated number of showings and using an amortization method based on estimated future revenues. Amortization of broadcast rights is included under operating, selling and administrative expenses. Broadcast rights are valued at the lower of unamortized cost or expected net realizable value.

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

(h) Distribution rights and distribution rights payable

Distribution rights relate to the distribution of televisual products and films. Costs include the cost of film acquisition rights. The net realizable value of the distribution rights represents the Company's share of estimated future revenues to be generated, net of future costs. The Company records distribution rights as an asset and records obligations incurred under distribution rights acquisition agreements as a liability when the film has been accepted in accordance with the terms set out in the agreement, the film is available for broadcast and the cost of the rights is known or can be reasonably estimated.

Before the above asset recognition conditions have been met, amounts paid for distribution rights are included under distribution rights as prepaid distribution rights.

Distribution rights are amortized using the individual-film-forecast-computation method. Under this method, each distribution right is amortized based on actual gross revenues over total expected gross revenues. The amortization of distribution rights is included under operating, selling and administrative expenses.

1. Significant accounting policies (continued)

(h) Distribution rights and distribution rights payable (continued)

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

(i) 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 4.0%
Equipment	Straight-line and declining balance	6.6% to 33.3%

(j) Deferred charges

Deferred charges consist of start-up costs for specialty channels and deferred financing expenses. Deferred charges related to specialty channels are amortized on a straight-line basis over a five-year period from the commencement of commercial operations and deferred charges related to financing are amortized on a straight-line basis over the corresponding debt repayment period. Deferred charges are included under other assets.

(k) Impairment of long-lived assets

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

(l) Licences and goodwill

Licences consist of broadcast licences and represent the cost of acquiring the rights to operate television stations. These licences have an indefinite useful life.

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

Licences with an indefinite useful life and goodwill are not amortized in the statement of income; however, they are tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. In 2007, the Company changed the date of its annual impairment test from October 1 to April 1. Accordingly, the Company performed its impairment tests on April 1, 2007 and concluded that there was no impairment to be recorded.

(m) Pension plans and post-retirement benefits

The Company has established defined benefit and defined contribution pension plans for its employees. In addition, under a former plan, the Company provides health, life and dental insurance benefits to certain retired employees. The Company's active employees no longer qualify for this type of coverage. The difference between employer contributions to the plan and the recorded employee benefit expense is accounted for as an accrued benefit asset or obligation.

1. Significant accounting policies (continued)

(m) Pension plans and post-retirement benefits (continued)

The following accounting policies apply to all defined benefit plans:

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

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

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

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

(v) The expected long-term return on pension plan assets is based on the fair value of the assets.

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

The defined contribution pension plan expense recorded in the statement of income represents the contributions the Company must pay in exchange for services rendered by the employees.

(n) Operating revenue recognition

Advertising revenues

Revenues from the sale of advertising airtime in the television segment are recognized when the advertisement is broadcast. In the publishing segment, revenues from the sale of advertising space in magazines are recognized when the advertisement is published, i.e., at the magazine publication date.

Subscription revenues

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

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

Revenues from newsstand magazine sales

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

Distribution revenues

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

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

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

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

(iv) The Company's fee is fixed or can be reasonably determined.

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

1. Significant accounting policies (continued)

(n) Operating revenue recognition (continued)

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

Sale of products

Revenues from the sale of products on the home shopping TV service are recognized when the products are delivered.

(o) Foreign currency translation

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

(p) Income taxes

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

In the course of the Company's operations, there are a number of uncertain tax positions due to the complexity of certain transactions and to the fact that related tax interpretations and legislations are continually changing. When a tax position is uncertain, the Company recognizes an income tax benefit or reduces an income tax liability only when it is likely that the tax benefit will be realized in the future or that the income tax liability will be extinguished.

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

The Company uses the intrinsic value method for all stock options awarded to employees that require settlement in cash or other assets, at the employee's discretion. Under this method, the compensation expense related to awards to employees who intend to settle in cash or other assets is recorded under operating costs over the vesting period of the options for each year. Changes in the fair value of the underlying shares occurring between the award date (which, for options granted prior to this date, corresponds to the plan amendment date) and the measurement date lead to changes in the valuation 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 contributions on the employees' behalf are recorded as a compensation expense. Any consideration paid by executives and employees to purchase stock is credited to capital stock. Awards to senior management under the deferred share unit plan and Quebecor Media Inc.'s stock option plan are valued and recorded in the financial statements at their fair value. Under this method, changes in the fair value of the phantom share units and of Quebecor Media Inc.'s stock option plan modify the compensation expense recorded over the vesting period of the awards.

(r) Earnings per share

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2007 and 2006

(Amounts presented in the tables are expressed in thousands of dollars, except per share and per option amounts.)

1. Significant accounting policies (continued)

(s) Barter transactions

In the normal course of business, the Company disseminates and publishes advertising in exchange for goods and services. The related revenues are accounted for based on the fair value of the goods and services obtained.

For the year ended December 31, 2007, the Company recognized revenues from barter transactions totalling $7,827,000 ($12,374,000 in 2006) and operating expenses related to barter transactions totalling $8,881,000 ($12,476,000 in 2006).

(t) Future changes in accounting standards

The Canadian Institute of Chartered Accountants ("CICA") issued a new standard, Section 1535, Capital Disclosures, which requires a company to disclose qualitative and quantitative information to enable users of the financial statements to evaluate its capital management objectives, policies and procedures. This section applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2007. The Company does not anticipate any significant effect on its consolidated financial statements further to the adoption of this new standard.

The Canadian Institute of Chartered Accountants ("CICA") issued two new standards, Section 3862, Financial Instruments – Disclosures, and Section 3863, Financial Instruments – Presentation, which require that additional information be provided regarding financial instruments. The new sections apply to interim and annual financial statements for fiscal years beginning on or after October 1, 2007. The Company does not anticipate any significant effect on its consolidated financial statements further to the adoption of these new standards.

The Canadian Institute of Chartered Accountants ("CICA") issued a new standard, Section 3031, Inventories, which requires that additional details be provided regarding the determination and recognition of inventories and the information to be presented. This section applies to interim and annual financial statements for fiscal years beginning on or after January 1, 2008. The Company does not anticipate any significant effect on its consolidated financial statements further to the adoption of this new standard.

In January 2008, the Canadian Institute of Chartered Accountants ("CICA") issued a new standard, Section 3064, Goodwill and Intangible Assets, which will replace Section 3062, Goodwill and Other Intangible Assets, and will result in the withdrawal of Section 3450, Research and Development Costs, as well as Emerging Issues Committee (EIC) 27, Revenues and Expenditures during the pre-operating period and Accounting Guideline (AcG)-11, Enterprises in the Development Stage. This standard provides guidelines on the recognition of intangible assets according to the definition of an asset, according to the criteria for recognizing an asset as well as clarification regarding the application of the matching of costs against revenues, whether these assets were acquired or developed internally. This section applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2008. The Company is currently evaluating the effects of this new standard on the consolidated financial statements.

2. Business acquisitions and disposal

Business acquisitions

Animal Hebdo inc.

On July 30, 2007, the Company acquired all of the issued and outstanding shares in Animal Hebdo inc., the company that publishes Animal magazine, for a total consideration of $274,000. The purchase price allocation is completed and the results of the new magazine have been included in the Company's consolidated statement of income from July 30, 2007.

(Amounts presented in the tables are expressed in thousands of dollars, except per share and per option amounts.)

2. Business acquisitions and disposal (continued)

Business acquisitions *(continued)*

Sun TV Company

On December 8, 2006, the Company (75%) and Sun Media Corporation (25%), a company under common control of the ultimate parent entity, Quebecor Inc., reached an agreement with CHUM Ltd. on the final settlement of the working capital adjustment forming part of the purchase price of Sun TV Company. Following this settlement, the Company recorded, in 2006, its share of the favourable working capital adjustment in the amount of $81,000. The final purchase price for the Company's ownership interest in Sun TV Company was $35,012,000, i.e., an agreed purchase price of $34,500,000, plus a working capital adjustment of $37,000 and transaction expenses of $475,000. The Company made the final payment of the purchase price, including a working capital adjustment in the amount of $2,625,000, on January 8, 2007.

Trustmedia Inc.

On November 10, 2006, the Company acquired all of the shares of Trustmedia Inc., which had been 50% owned by the other shareholder under a joint ownership arrangement, thereby becoming Trustmedia Inc.'s sole shareholder. As a result of this acquisition, the Company recorded, in 2006, a gain of $368,000, reflecting the fact that the price paid was less than the fair value of the net assets acquired. The excess of the cash acquired as part of this transaction over the consideration paid was $818,000. No income taxes were recorded on this gain because it gives rise to a permanent difference.

Business disposal

TVA Publishing Inc.

During the prior year, the Company has received a supplementary amount of $91,000 regarding the final settlement of the sale of its participation of 100% in TVA Publishing Inc., a book publishing company, at its parent company Quebecor Media Inc.

3. Financial expenses

	2007	2006
Interest on long-term debt	**$ 4,279**	$ 5,193
Dividends on redeemable preferred shares (note 12) (1)	**3,646**	4,093
Interest revenue on convertible bonds issued by an affiliated company (note 12) (1)	**(3,529)**	(3,961)
Interest revenue	**(404)**	(203)
Amortization of deferred financing charges	**88**	88
Foreign exchange loss	**385**	74
Other interests	**12**	24
	$ 4,477	$ 5,308

(1) Dividends totalling $3,730,000 ($4,047,000 in 2006) were paid, while $3,609,000 ($3,917,000 in 2006) was received as interest revenue.

4. Impairment of intangible assets

Sun TV Company

During the prior year, in accordance with CICA Handbook Section 3062, Goodwill and Other Intangible Assets, the Company carried out annual impairment tests of its broadcast licences and goodwill. Based on the results of these tests, the Company recorded a total depreciation expense of $31,084,000, including $23,119,000 for SUN TV's broadcast licence and $7,965,000 for goodwill. This write-down became necessary following the review of SUN TV's business plan due to the two previous years' market experience and pressures on general broadcasters' advertising revenues, including television market fragmentation.

Trustmedia Inc.

During the prior year, the Company recorded its share of the depreciation of an intangible asset representing an operating licence for a magazine held in a co-ownership arrangement via Trustmedia Inc., in the amount of $744,000.

5. Restructuring costs of operations

During the year, the Company recorded a provision for restructuring costs in the amount of $1,281,000 following the elimination of positions in the television and publishing segments. The balance of restructuring costs payable as at December 31, 2007 was $429,425.

During the prior year, the Company recorded a provision for restructuring costs in the amount of $1,404,000 following the elimination of approximately 30 positions in the television segment. The balance of restructuring costs payable as at December 31, 2007 is nil while it was $254,000 as at December 31, 2006.

Restructuring of TVA International's former operations

In 2001, the Company, via its subsidiary TVA Acquisition Inc., wrote down various assets and recorded provisions for restructuring following the segment repositioning.

During the year 2007, expenses in the amount of $319,000 ($890,000 in 2006) were charged against this provision. Following the settlement of certain matters and based on new information available to the Company, the provision was revised, leading to an increase adjustment of the provision relating to new litigations on the production activities of its former subsidiary, TVA Acquisition Inc., for an amount of $952,000. The Company also reduced the provision initially recorded on certain productions of this former subsidiary for an amount of $851,000 ($897,000 in 2006). The balance of the restructuring provision for this segment amounts to $3,185,000 as at December 31, 2007 ($3,403,000 as at December 31, 2006).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2007 and 2006

(Amounts presented in the tables are expressed in thousands of dollars, except per share and per option amounts.)

6. Income taxes

The income tax expense (recovery) is detailed as follows:

	2007	2006
Current income taxes	**$ 10,394**	$ 3,262
Future income taxes	**(4,680)**	(5,853)
	$ 5,714	$ (2,591)

The following table reconciles the Canadian statutory tax rate and the effective tax rate used by the Company to calculate the consolidated net income (net loss):

	2007	2006
Canadian statutory tax rate	**32.0 %**	32.0 %
Impact of provincial tax rate differences	**(0.7)**	4.6
	31.3	36.6
Increase (decrease) resulting from:		
Tax impact of non-deductible charges	**5.8**	(57.3)
Tax impact of Quebec and federal future tax rate decrease or increase	**(7.3)**	33.9
Tax benefits recognized following the adoption of project Bill C-33	**(9.0)**	–
Change in deferred credit	**(0.6)**	6.7
Other	**(6.1)**	8.5
Effective tax rate	**14.1 %**	28.4 %

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2007 and 2006

(Amounts presented in the tables are expressed in thousands of dollars, except per share and per option amounts.)

6. **Income taxes (continued)**

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

	2007	2006
Future income tax assets		
Loss carryforwards	**$ 13,726**	$ 16,817
Provision for restructuring costs	**471**	864
Goodwill and licences	**3,058**	3,788
Difference between the carrying amount and tax base of fixed assets and investments	**3,220**	3,952
Other	**3,929**	2,365
	24,404	27,786
Valuation allowance	**(17,456)**	(20,071)
	6,948	7,715
Future income tax liabilities		
Goodwill and licences	**(21,273)**	(23,986)
Difference between the carrying amount and tax base of fixed assets and investments	**(38)**	(576)
Other	**(18,023)**	(19,769)
	(39,334)	(44,331)
Net future income tax liabilities	**$ (32,386)**	$ (36,616)

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

	2007	2006
Future income tax assets		
Current	**$ 4,629**	$ 4,267
Long-term	**2,319**	3,448
	6,948	7,715
Future income tax liabilities		
Long-term	**(39,334)**	(44,331)
Net future income tax liabilities	**$ (32,386)**	$ (36,616)

(Amounts presented in the tables are expressed in thousands of dollars, except per share and per option amounts.)

6. Income taxes (continued)

In 2002, the Company recognized $21,000,000 in future income tax assets primarily related to deferred tax losses following the winding-up of certain companies in the production and distribution segment. These future income tax assets were offset under deferred credit in the Company's liabilities. Deferred credit is amortized to income tax expense in proportion to the net reduction of the future income tax assets. As at December 31, 2007, the deferred credit balance amounted to $627,000 ($1,077,000 in 2006).

During the prior year, the Company obtained tax deductions from Quebecor World Inc., a company under common control of the ultimate parent entity, Quebecor Inc., representing income taxes of approximately $4,452,000. The entire amount was accounted for as current income tax assets. As a result of this transaction, the Company realized a gain of $293,000 in 2006, which was accounted for as contributed surplus. Transaction-related tax benefits for 2006 amounting to $1,113,000 and $2,557,000 relating to transactions for prior years before 2006 were recognized in the Company's results during the year 2007 following the federal government's adoption of Bill C-33 project, which provides for the modification of the deduction multiple for tax deductions. These income tax benefits have been recorded as current income tax liabilities as of December 31, 2006 pending the official enactment of the Bill by taxation authorities. An amount of $626,000 ($3,046,000 in 2006) payable to Quebecor World Inc. is included in accounts payable and accrued liabilities as at December 31, 2007.

During the year, while a total tax amount of $3,596,000 was received, an amount of $2,437,000 was paid to Quebecor World Inc. Furthermore, supplementary gains of $48,000 were recorded as contributed surplus following the final settlements.

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

Figures in the tables presented previously for 2007 and 2006 include a valuation allowance of $17,456,000 and $20,071,000 respectively relating to loss carryforwards and other available tax benefits. The net change in the valuation allowance for the year ended December 31, 2007 was mainly due to a reduction in the valuation allowance in the amount of $2,547,000 ($1,600,000 in 2006) following a reduction in the federal income tax rate (in 2006, reduction of $376,000 coming from use of tax losses for which a valuation allowance was recognized).

As at December 31, 2007, the Company had loss carryforwards for income tax purposes of approximately $2,528,000 ($7,041,000 in 2006) available to reduce its future taxable income. These carryforwards expire as follows:

2008	$ 1,784,000
2026	744,000

The Company also has capital losses in the amount of $82,856,000 ($81,659,000 in 2006) that may be carried forward indefinitely and for which no future income tax assets were recorded.

7. Non-controlling interest

During the year, a Company subsidiary, Sun TV Company, in which the Company has a 75% interest and which operates the SUN TV television station, obtained additional investments in its capital stock in the amount of $2,400,000 ($5,149,000 in 2006) from its non-controlling shareholder, Sun Media Corporation, which is under common control of the ultimate parent entity, Quebecor Inc. To date, investments in capital stock totalling $33,648,000 ($24,048,000 in 2006) have been made, including $25,236,000 ($18,036,000 in 2006) granted by the Company and $8,412,000 ($6,012,000 in 2006) granted by Sun Media Corporation. The respective interest percentages in Sun TV Company remained unchanged.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2007 and 2006

(Amounts presented in the tables are expressed in thousands of dollars, except per share and per option amounts.)

8. Joint ventures

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

	2007	2006
Consolidated statements of income [1]		
Operating revenues	$ 6,137	$ 9,528
Operating, selling and administrative expenses	4,986	7,888
Operating income before the following items	1,151	1,640
Amortization	–	561
Interest revenue	(65)	(57)
Depreciation of licence	–	744
Income taxes	–	18
Net income	$ 1,216	$ 374
Consolidated balance sheets [1]		
Current assets	$ 7,099	$ 5,120
Current liabilities	3,595	1,821
Consolidated statements of cash flows		
Cash flows from operating activities	743	1,268
Cash flows from financing activities	(1,010)	(510)

(1) Trustmedia Inc. is fully consolidated in the Company's statements of income, effective November 10, 2006, the transaction date of the acquisition of 100% of the shares held by the former co-owner. As of that date, Trustmedia Inc.'s operations have not been included as share of operations in the joint ventures.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2007 and 2006

(Amounts presented in the tables are expressed in thousands of dollars, except per share and per option amounts.)

9. Information on cash flows

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

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

	2007	2006
Decrease (increase) in assets		
Accounts receivable	$ (4,164)	$ (2,211)
Investments in televisual products and films	(3,752)	3,698
Inventories and prepaid expenses	303	(615)
Increase (decrease) in liabilities		
Accounts payable and accrued liabilities	12,302	4,484
Broadcast and distribution rights payable	898	(2,905)
Deferred revenues	(409)	335
Current income tax assets and liabilities	16,768	(444)
	$ 21,946	$ 2,342

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

	2007	2006
Interest paid	$ 4,054	$ 5,204
Net income taxes (received) paid, net amount	(2,673)	4,007

(c) Non-cash transactions

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

	2007	2006
Acquisition of fixed assets financed by accounts payable and accrued liabilities	$ 1,453	$ 1,953

10. Accounts receivable

	2007	2006
Trade accounts receivable	$ 75,875	$ 73,432
Receivables from companies under common control and affiliated companies	23,068	20,594
Tax credits and government assistance receivable	8,911	9,611
Current income tax assets	946	8,992
	$ 108,800	$ 112,629

Receivables from companies under common control and affiliated companies are subject to the same conditions as trade accounts receivable.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2007 and 2006

(Amounts presented in the tables are expressed in thousands of dollars, except per share and per option amounts.)

11. Investments in televisual products and films

			2007
	Short-term	**Long-term**	**Total**
Programs produced and in progress	**$ 4,123**	**$ –**	**$ 4,123**
Broadcast rights	**41,783**	**19,923**	**61,706**
Distribution rights	**–**	**7,330**	**7,330**
	$ 45,906	**$ 27,253**	**$ 73,159**

			2006
	Short-term	Long-term	Total
Programs produced and in progress	$ 2,973	$ –	$ 2,973
Broadcast rights	39,248	20,287	59,535
Distribution rights	–	6,899	6,899
	$ 42,221	$ 27,186	$ 69,407

12. Investments

	2007	2006
Convertible bonds issued by an affiliated company (1)	**$ 9,750**	$ 34,375
Canoë Inc., portfolio investment, 13.8% ownership interest	**11,262**	11,262
Tele Inter-Rives Ltd., company subject to significant influence, 45% ownership interest	**7,657**	6,688
Other investments	**2,902**	2,902
	$ 31,571	$ 55,227

(1) On July 12, 2005, a Company subsidiary, in which the Company has a 75% ownership interest and which operates the SUN TV television station, entered into a fiscal consolidation transaction with the Company and its non-controlling shareholder, Sun Media Corporation, which is under common control of the ultimate parent entity, Quebecor Inc. To carry out this transaction, Sun TV Company issued 149,300 preferred shares redeemable at the option of the holder and carrying a 10.85% fixed cumulative dividend, of which 37,300 shares were issued to Sun Media Corporation at a price of $1,000 per share. In return, Sun TV Company invested $149,300,000, including $37,300,000 in Sun Media Corporation, in the form of 15-year convertible bonds bearing interest at an annual rate of 10.5%, payable semi-annually, and maturing on July 6, 2020.

On December 20, 2007, Sun TV Company entered into a transaction to reduce the fiscal consolidation established on July 12, 2005 with the Company and its non-controlling shareholder, Sun Media Corporation. To carry out this transaction, Sun TV Company received $98,600,000 ($11,700,000 in 2006) as partial repayment of the convertible bonds issued by the shareholder companies, including $24,625,000 ($2,925,000 in 2006) from Sun Media Corporation. In return, Sun TV Company redeemed 98,600 (11,700 in 2006) preferred shares redeemable at the option of the holder and carrying a 10.85% fixed cumulative dividend, including 24,625 (2,925 in 2006) preferred shares from Sun Media Corporation in the amount of $24,625,000 ($2,925,000 in 2006). On a consolidated basis, this transaction had the effect of reducing the Company's long-term investment in convertible bonds by $24,625,000 ($2,925,000 in 2006), with an equivalent reduction in redeemable preferred shares included under non-controlling interest and redeemable preferred shares.

(Amounts presented in the tables are expressed in thousands of dollars, except per share and per option amounts.)

12. Investments (continued)

(1) (continued)

This transaction also reduced the Company's and Sun Media Corporation's current income tax payable because the interest on the convertible bonds is deductible for income tax purposes, whereas the dividend income on preferred shares is not taxable.

As a result of these transactions and on a consolidated basis, the Company has a long-term convertible bond investment in the amount of $9,750,000 ($34,375,000 in 2006) in Sun Media Corporation and an equivalent amount in redeemable preferred shares included under non-controlling interest and redeemable preferred shares.

13. Fixed assets

			2007
	Cost	**Accumulated amortization**	**Net book value**
Land	**$ 3,168**	**$ –**	**$ 3,168**
Buildings	**74,865**	**51,180**	**23,685**
Equipment	**186,096**	**145,186**	**40,910**
Projects in progress	**9,512**	**–**	**9,512**
	$ 273,641	**$ 196,366**	**$ 77,275**

			2006
	Cost	Accumulated amortization	Net book value
Land	$ 3,168	$ –	$ 3,168
Buildings	70,397	47,568	22,829
Equipment	181,131	138,413	42,718
Projects in progress	5,323	–	5,323
	$ 260,019	$ 185,981	$ 74,038

14. Other assets

	2007	2006
Accrued pension plan benefit assets (note 21)	**$ 7,865**	$ 6,417
Deferred charges		
Deferred financing charges, net of accumulated amortization	**217**	305
Deferred start-up costs for specialty channels, net of accumulated amortization	**1,020**	1,491
	$ 9,102	$ 8,213

(Amounts presented in the tables are expressed in thousands of dollars, except per share and per option amounts.)

15. Accounts payable and accrued liabilities

	2007	2006
Trade accounts payable and accrued liabilities	$ 72,437	$ 62,486
Accounts payable to companies under common control and affiliated companies	13,375	14,103
Current income tax liabilities	11,037	6,051
	$ 96,849	$ 82,640

16. Other long-term liabilities

	2007	2006
Share in the shareholders' deficiency of an investment in a company subject to significant influence	$ 575	$ 397
Deferred credit (note 6)	156	213
	$ 731	$ 610

17. Long-term debt

During the year 2005, 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 the banker's acceptance rate or bank prime rate, plus a variable margin based on the ratio of total debt to operating earnings before interest, taxes, amortization and other items. The credit agreement matures on June 15, 2010 and is repayable in full on that date.

As at December 31, 2007, the borrowed amounts totalled $51,383,000 ($96,515,000 in 2006) in banker's acceptances, bearing interest at an average rate of 5.43% (5.47% in 2006) and an advance of $4,950,000 (nil in 2006) on the revolving credit, bearing interest at a rate of 6.0%.

Under the credit agreement, the Company is subject to certain covenants including the maintenance of certain financial ratios. As at December 31, 2007, the Company was in compliance with these covenants.

As at December 31, 2007, the Company had outstanding letters of credit amounting to $485,832 ($500,659 in 2006).

(Amounts presented in the tables are expressed in thousands of dollars, except per share and per option amounts.)

18. Capital stock

Authorized

An unlimited number of preferred shares, non-participating, non-voting, 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

	2007	2006
Issued and fully paid		
4,320,000 Class A common shares	**$ 72**	$ 72
22,704,848 Class B shares	**115,065**	115,065
	$ 115,137	$ 115,137

Normal course issuer bid

During the year 2006, the Company filed a new normal course issuer bid to redeem a maximum of 1,135,242 Class B shares of the Company for cancellation between August 4, 2006 and August 3, 2007, representing approximately 5% of the Class B shares issued and outstanding not held by insiders at the beginning of the issuer bid. The Company redeems these Class B shares at the market price at the time of purchase, plus brokerage fees. No share's redemption has been made regarding this offer.

During the prior year, 9,800 Class B shares were redeemed for cancellation under the normal course issuer bid ending August 3, 2006, for a net cash consideration of $154,000. All of the redeemed shares were cancelled as at December 31, 2006.

Class B stock option plan for managers

Under the plan introduced in 1999 for managers of the Company and its subsidiaries, the terms and conditions for granting options 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 market closing price the day before the option is granted. The options granted under the plan can usually be exercised over a five-year period at a rate of 25% per year as of the second anniversary date. In addition, the option term cannot exceed 10 years. A maximum of 1,400,000 shares were reserved for the purposes of the plan.

When exercising options, the beneficiaries may elect 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 as the average market closing price of the shares over the last five trading days preceeding the date on which the option was exercised. On December 13, 2006, the Board of Directors adopted a resolution to amend the plan. One of the amendments stipulates that, unless there are special circumstances and unless the compensation committee decides otherwise, the options granted may be exercised over a five-year period based on one of the following methods, as determined by the compensation committee when the option is granted:

(i) in equal instalments of 20% over a five-year period, with the first 20% instalment exercisable as of the first anniversary of the grant date;
(ii) in equal instalments of 25% over a four-year period, with the first 25% instalment exercisable as of the second anniversary of the grant date;
(iii) in equal instalments of 33% over a three-year period, with the first 33% instalment exercisable as of the third anniversary of the grant date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2007 and 2006

(Amounts presented in the tables are expressed in thousands of dollars, except per share and per option amounts.)

18. Capital stock (continued)

Class B stock option plan for managers (continued)

During the year, the Company granted 561,875 conventional options under the plan (503,684 in 2006).

A salary expense of $73,000 (expense reversal of $13,000 in 2006) was recorded, reflecting the fact that the market value of TVA Group Inc.'s listed shares as at December 31, 2007 was higher than the average exercice price of the options.

The following table provides summary information as at December 31, 2007 and 2006 concerning the conventional options and the changes that occurred during the years then ended:

Conventional options	**2007** Number	**2007** Weighted average exercise price (in dollars)	2006 Number	2006 Weighted average exercise price (in dollars)
Balance, beginning of year	**489,695**	**$ 17.59**	310,177	$ 20.27
Granted	**561,875**	**14.82**	503,684	15.62
Exercised	**–**	**–**	(27,500)	14.00
Cancelled	**(67,877)**	**15.52**	(296,666)	17.36
Balance, end of year	**983,693**	**$ 16.16**	489,695	$ 17.59
Vested options, end of year	**84,082**	**$ 20.61**	31,625	$ 20.75

	Outstanding options			Exercisable options	
Exercise price range (in dollars)	Number of options outstanding as at December 31, 2007	Weighted average remaining contractual life (years)	Weighted average exercise price (in dollars)	Number of exercisable options as at December 31, 2007	Weighted average exercise price (in dollars)
$ 14.50 to $ 16.40	789,562	9.40	$ 14.99	3,923	$ 15.81
$ 16.41 to $ 21.38	194,131	6.86	20.90	80,159	20.84
	983,693	8.90	$ 16.16	84,082	$ 20.61

Under the plan, the Company may apply different terms or conditions to the granting of options. In 2004, the Company granted options whose exercise depended on the market performance of the Class B share price ("performance options"). A total of 50,000 performance options with an average exercise price of $18.85 were outstanding as at December 31, 2003 and were exercised in 2004. No options were issued in 2005, 2006 and 2007.

(Amounts presented in the tables are expressed in thousands of dollars, except per share and per option amounts.)

18. Capital stock (continued)

Class B stock purchase plan for executives and employees

In 1998, the Company introduced a stock purchase plan reserving a total of 375,000 Class B shares for its employees and a stock purchase plan reserving a total of 375,000 Class B shares for its executives. Under these plans, participants may subscribe to shares in accordance with certain terms and conditions relating to their salary. The shares may be acquired at a price equal to 90% of the average market closing price. The plans also include no-interest financing terms. During the year, no Class B shares (none in 2006) were issued under these plans. As at December 31, 2007 and 2006, a total of 229,753 Class B shares were issuable under the employee plan, while 332,643 shares were issuable under the executive plan.

Deferred share unit plan

During the year ended August 27, 2000, the Company introduced a long-term profit sharing plan for certain senior managers. The deferred share units are redeemable by participants (in cash or, at the option of the Company, in Class B shares or in a combination of cash and shares) only upon termination of employment. Under this plan, no more than 25,000 Class B shares may be issued. During the year, the Company issued no deferred share units (none in 2006). No units were outstanding as at December 31, 2007 and 2006.

Earnings (loss) per share

The following tables present calculations for basic and diluted earnings (loss) per share:

	2007	2006
Net income (net loss)	**$ 38,384**	$ (3,140)
Weighted average number of shares outstanding	**27,024,848**	27,025,666
Dilutive effect of stock options	**9,797**	533
Weighted average number of diluted shares outstanding	**27,034,645**	27,026,199
Basic and diluted earnings (loss) per share (in dollars)	**$ 1.42**	$ (0.12)

A total of 348,066 Class B stock options (391,934 in 2006) were not included in the calculation of the diluted earnings (loss) per share, reflecting the fact that the exercise price was higher than the average share price in 2007.

19. Quebecor Media Inc. stock option plan

Under the stock option plan established by Quebecor Media Inc., options have been granted to the senior management members of TVA Group Inc. Each option may be exercised within 10 years of the grant date at an exercise price no lower than the fair market value of the common shares at the grant date, as determined by the Board of Directors of Qubecor Media Inc. (if Quebecor Media Inc.'s common shares are not listed on a recognized stock exchange at the grant date), or the weighted average trading price over the last five trading days preceding the grant date of Quebecor Media Inc.'s common shares on the stock exchanges where such shares are listed at the grant date. If Quebecor Media Inc.'s common shares are not so listed as at March 1, 2008, as of that date and only between March 1 and March 30, June 1 and June 29, September 1 and September 29, and December 1 and December 30 of each year, optionees may exercise their right to receive a cash amount 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, or, under certain conditions, they may purchase common shares of Quebecor Media Inc.

(Amounts presented in the tables are expressed in thousands of dollars, except per share and per option amounts.)

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

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 methods, as determined by the compensation committee of Quebecor Media Inc. at the grant date: (i) equally over five years, with the initial 20% instalment vesting on the first anniversary of the grant date; (ii) equally over four years, with the initial 25% instalment vesting on the second anniversary of the grant date; and (iii) equally over three years with the initial 33% instalment vesting on the third anniversary of the grant date.

Under this plan, the Company recorded a salary expense of $1,928,000 for the year ended December 31, 2007 ($742,000 in 2006), reflecting the fact that the exercise price of the options was lower than the fair value of Quebecor Media Inc.'s shares as determined by Quebecor Media Inc.'s Board of Directors. The fair value of Quebecor Media Inc.'s share has increased as at December 31, 2007 compared with December 31, 2006 and also compared with the fair value as at December 31, 2005.

The following table provides summary information on the outstanding options granted to the Company's senior management, executive employees, directors and other key employees as at December 31, 2007 and 2006 and on changes that occurred during the years then ended.

		2007		2006
Conventional options	**Number**	**Weighted average exercise price (in dollars)**	Number	Weighted average exercise price (in dollars)
Balance, beginning of year	**129,118**	**$ 22.69**	100,242	$ 20.33
Granted	**204,563**	**47.25**	40,444	30.78
Cancelled	**(5,522)**	**31.92**	(11,568)	30.47
Balance, end of year	**328,159**	**$ 37.84**	129,118	$ 22.69
Vested options, end of year	**61,395**	**$ 17.58**	36,526	$ 16.17

(Amounts presented in the tables are expressed in thousands of dollars, except per share and per option amounts.)

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

	Outstanding options		Vested options	
Exercise price (in dollars)	Number of outstanding options as at December 31, 2007	Weighted average remaining contractual life (years)	Number of vested options as at December 31, 2007	Weighted average exercise price (in dollars)
$ 16.17	48,701	4.24	48,701	$ 16.17
22.98	38,083	6.69	12,694	22.98
27.86	13,458	7.25	–	–
30.47	20,182	8.13	–	–
31.92	3,172	8.70	–	–
44.45	2,953	9.59	–	–
47.29	201,610	9.85	–	–
	328,159	8.43	61,395	$ 17.58

20. Tax credits and government assistance

Government assistance in the amount of $2,200,000 ($4,558,000 in 2006) was applied against production expenses, with tax credits accounting for $2,115,000 ($3,387,000 in 2006) and production financing accounting for $85,000 ($1,171,000 in 2006) of this amount.

Operating revenues for the publishing segment included $1,191,000 ($1,114,000 in 2006) in government assistance for editing. Government assistance for magazine distribution amounted to $2,086,000 ($1,691,000 in 2006) and was recorded as a reduction of operating costs.

Operating expenses for the distribution segment included non-refundable government assistance in the amount of $1,490,000 ($676,000 in 2006). As at December 31, 2007, advances received amounted to $1,598,000 ($1,898,000 in 2006) and were included under distribution rights payable.

21. Pension plans and post-retirement benefits

Pension plans provided to the Company's management and unionized employees include a defined benefit plan based on career earnings indexed before and after retirement, as well as a defined contribution plan. The Company offers its senior management an end-of-career earnings pension plan indexed before and after retirement, as well as an unindexed surplus post-retirement plan for which the benefits offset the tax limit effect. Employees of TVA Publishing are provided with a career-earnings pension plan indexed before and after retirement.

(Amounts presented in the tables are expressed in thousands of dollars, except per share and per option amounts.)

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

The Company's various retirement plans have undergone actuarial valuations over the past three years. The following table presents the effective valuation dates for funding purposes:

	Most recent valuation date	Date of next required valuation
TVA Group Management Plan	December 31, 2006	December 31, 2009
TVA Group Union Members' Plan	December 31, 2006	December 31, 2009
TVA Group Senior Management Plan	December 31, 2006	December 31, 2007
TVA Publishing Employees' Plan	December 31, 2004	December 31, 2007

Total cash amounts recognized in 2007 as paid or payable for employee future benefits, including employer contributions to the defined benefit pension plans, the defined contribution pension plan and the post-retirement benefit plan, amounted to $7,874,000 ($7,982,000 in 2006).

The following tables provide information on the defined benefit plans and reconcile the changes in the plans' accrued benefit obligations and the fair value of the plan assets for the years ended December 31, 2007 and 2006:

		2007		2006
	Pension plans	**Other plans**	Pension plans	Other plans
Accrued benefit obligations				
Balance, beginning of year	**$ 157,608**	**$ 2,225**	$ 153,200	$ 2,253
Participants' contributions	**2,524**	**–**	2,283	–
Current service cost	**3,517**	**5**	3,443	4
Interest cost	**7,920**	**82**	7,810	84
Plan amendments	**83**	**–**	82	–
Benefits paid	**(10,840)**	**(126)**	(8,553)	(116)
Actuarial gain	**(15,424)**	**(32)**	(657)	–
Balance, end of year	**$ 145,388**	**$ 2,154**	$ 157,608	$ 2,225

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2007 and 2006

(Amounts presented in the tables are expressed in thousands of dollars, except per share and per option amounts.)

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

	2007		2006	
	Pension plans	**Other plans**	Pension plans	Other plans
Plan assets				
Fair value of plan assets, beginning of year	**$ 154,048**	**$ –**	$ 137,852	$ –
Actual return on plan assets	**2,511**	**–**	16,750	–
Employer contributions	**5,533**	**–**	5,716	–
Participants' contributions	**2,524**	**–**	2,283	–
Benefits paid	**(10,840)**	**–**	(8,553)	–
Fair value of plan assets, end of year	**$ 153,776**	**$ –**	$ 154,048	$ –

The plan assets are allocated as follows:

	2007	2006
Equity securities	**56.9 %**	56.8 %
Debt securities	**39.2 %**	38.5 %
Other	**3.9 %**	4.7 %
Total	**100.0 %**	100.0 %

The plan assets were valued as at December 31, 2007 and 2006.

As at December 31, 2007 and 2006, common shares of the ultimate parent entity, Quebecor Inc., were included in the above-mentioned equity securities and accounted for $527,000 (0.3% of the plan assets) and $620,000 (0.4% of the plan assets) respectively.

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

	2007		2006	
	Pension plans	**Other plans**	Pension plans	Other plans
Accrued benefit obligations	**$ 875**	**$ 2,154**	$ 107,883	$ 2,225
Fair value of plan assets	**–**	**–**	103,089	–
Funded status - deficit	**$ 875**	**$ 2,154**	$ 4,794	$ 2,225

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2007 and 2006

(Amounts presented in the tables are expressed in thousands of dollars, except per share and per option amounts.)

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

	2007		2006	
	Pension plans	**Other plans**	Pension plans	Other plans
Reconciliation of funded status				
Excess of assets (obligations) over obligations (assets), at end of year	**$ 8,388**	**$ (2,154)**	$ (3,560)	$ (2,225)
Unrecognized past service cost	**9,310**	**(59)**	10,059	(67)
Unrecognized net actuarial loss	**8,328**	**902**	15,449	983
Unrecognized transitional obligation (asset)	**(4,645)**	**393**	(5,147)	452
Accrued benefit asset (obligation)	**21,381**	**(918)**	16,801	(857)
Valuation allowance	**(13,516)**	**–**	(10,384)	–
Accrued benefit asset (obligation), net of valuation allowance	**$ 7,865**	**$ (918)**	$ 6,417	$ (857)

The amounts recorded in the Company's balance sheets as at December 31, 2007 and 2006 are as follows:

	2007		2006	
	Pension plans	**Other plans**	Pension plans	Other plans
Accrued benefit assets, under other assets	**$ 7,865**	**$ –**	$ 6,417	$ –
Accrued benefit obligations, under accounts payable and accrued liabilities	**–**	**(918)**	–	(857)
Net amount recognized	**$ 7,865**	**$ (918)**	$ 6,417	$ (857)

(Amounts presented in the tables are expressed in thousands of dollars, except per share and per option amounts.)

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

The following table presents the components of the Company's defined benefit plan expense for 2007 and 2006:

		2007		2006
	Pension plans	**Other plans**	Pension plans	Other plans
Current service cost	**$ 3,517**	**$ 4**	$ 3,443	$ 4
Interest cost	**7,920**	**82**	7,810	84
Expected return on plan assets	**(11,075)**	**–**	(10,068)	–
Actuarial loss (gain) on obligation	**–**	**–**	(657)	–
Past service cost	**–**	**–**	82	–
Amortization of past service cost	**833**	**(8)**	725	14
Amortization of transitional obligation (asset)	**(502)**	**59**	(502)	59
Change in valuation allowance	**3,132**	**–**	1,428	–
Amortization of unamortized net actuarial loss	**262**	**49**	1,345	133
Defined benefit plan expense	**$ 4,087**	**$ 186**	$ 3,606	$ 294

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

	2007	2006
Obligations		
Year-end discount rate	**5.50 %**	5.00 %
Rate of compensation increase	**3.25 %**	3.25 %
Current periodic cost		
Discount rate	**5.00 %**	5.00 %
Expected rate of return on plan assets	**7.25 %**	7.25 %
Rate of compensation increase	**3.25 %**	3.25 %

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2007 and 2006

(Amounts presented in the tables are expressed in thousands of dollars, except per share and per option amounts.)

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

For the purpose of calculating the post-retirement benefit obligation, the annual rate of increase in healthcare costs was assumed to be 8.6% for 2006. Based on this assumption, this rate will gradually decrease to 5% over a nine-year period and will remain at that level thereafter. A 1% change in this rate would have the following impact:

	Post-retirement benefits	
	1% increase	1% decrease
Impact on service and interest costs	$ 10	$ (8)
Impact on benefit and obligation	171	(141)

Defined contribution plans

The total expense for the Company's defined contribution pension plans for the year ended December 31, 2007 was $2,214,000 ($2,150,000 in 2006).

22. Related party transactions

During the year ended December 31, 2007, the Company concluded the following transactions with related parties in the normal course of business. Related party transactions are recorded at the exchange value as established between the parties.

Operating revenues

The Company has a policy of providing airtime, selling programs and leasing technical production and postproduction services to companies under common control and affiliated companies at market value. The Company sold airtime and leased technical production and postproduction services amounting to $39,803,000 ($27,835,000 in 2006) to companies under common control and affiliated companies.

Operating, selling and administrative expenses

The Company paid management fees to the parent company in the amount of $3,800,000 ($3,700,000 in 2006).

The Company recorded expenses relating to amortization of broadcast rights, information systems, communications, printing, filming services, access rights and professional services for a total of $37,460,000 ($48,831,000 in 2006) arising from transactions with companies under common control and affiliated companies. The balance sheet includes broadcast rights amounting to $346,000 ($522,000 in 2006) and broadcast rights payable totalling $223,000 ($315,000 in 2006) with respect to these same companies.

23. Commitments, guarantees and contingencies

(a) Commitments

The Company has commitments under operating leases, mainly for services and office space, and under distribution and broadcasting rights agreements, representing total payments of $72,450,000. The minimum payments for the coming years are as follows:

2008	$ 39 850
2009	21 510
2010	7 513
2011	2 310
2012	647
2013 and thereafter	620

23. Commitments, guarantees and contingencies (continued)

(a) Commitments (continued)

Other commitments

In addition, as part of the acquisition of the Toronto-based television station SUN TV, the Company undertook to invest a total 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, which the Company is required to assume over a period of four to seven years. On January 11, 2007, the Canadian Radio-television and Telecommunications Commission ("CRTC") approved an application to amend SUN TV's licence conditions with respect to the tangible benefits to be invested. This decision will enable the Company to reduce the tangible benefits to be invested by $4,339,000. As a result of this decision, as at December 31, 2007, the Company had an uncommitted balance of $591,000 for purposes of the licence conditions imposed by the CRTC, including $176,000 to be committed by August 31, 2008 and $415,000 to be committed by August 31, 2011.

(b) Guarantees

The Company has guaranteed a portion of the residual values of certain assets under operating leases for the benefit of the lesser. If the fair value of the assets at the end of their respective lease terms is less than their guaranteed residual value, the Company is required to compensate the lesser for a portion of the shortfall, subject to certain conditions. The maximum exposure with respect to these guarantees is approximately $938,000. As at December 31, 2007, the Company had recorded no liabilities related to these guarantees.

In the normal course of business, the Company provides indemnification agreements to third parties as part of certain transactions, including purchase contracts, service agreements and leases. These indemnification agreements require the Company to compensate the third parties for costs incurred as a result of statutory and regulatory changes (including changes to tax laws) or as a result of legal action or regulatory penalties resulting from these transactions. The terms of these indemnification agreements vary from transaction to transaction, based on the contract terms. The nature of these indemnification agreements prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to third parties. Historically, the Company has made no significant payments under such agreements. No liabilities have been recorded with respect to these agreements because the Company does not expect to make any payments thereunder.

(c) Contingencies

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

Part II licence fees of the CRTC

In 2003 and 2004, a number of companies, including TVA Group Inc., brought a suit against the Crown before the Federal Court, alleging that the Part II licence fees that broadcasters are required to pay annually constitute, in fact and in law, taxes, not fees. On December 14, 2006, the Federal Court decreed that these fees did indeed constitute taxes, that the Canadian Radio-television and Telecommunications Commission ("CRTC") was to cease collection of such fees, and ordered that the plaintiff companies would not be entitled to a reimbursement of the amounts already paid. On October 1, 2007, the CRTC issued a document, stating that it would adhere to the decision that was rendered and that it would not collect, in 2007 or in any subsequent years, the Part II licence fees payable on November 30 of each year unless a Superior Court reversed the Federal Court decision. Management considers it more unlikely than not that the decision will be overturned.

23. Commitments, guarantees and contingencies (continued)

(c) Contingencies (continued)

Following the publication of this document, and after having evaluated the various aspects of the case, the Company reversed the amount of $3,238,000, representing thirteen months of Part II licence fees, in its operating results for the third quarter. The plaintiffs and the defendant both filed an appeal before the Federal Court of Appeal. Depending on the outcome of the Federal Court of Appeal's decision, the Company may be required to pay these fees for 2007 and subsequent years.

24. Financial instruments

Credit risk management

The Company is exposed to credit losses resulting from defaults by third parties. In the normal course of business, the Company regularly evaluates the financial position of its clients and reviews the credit history of each new client. As at December 31, 2007, no clients had balances representing a significant portion of the Company's consolidated trade receivables. The Company establishes an allowance for doubtful accounts in response to the specific credit risk of its clients. The Company's accounts receivable balance is divided among various clients, primarily advertising agencies.

Fair value of financial instruments

The carrying amount of accounts receivable, accounts payable and accrued liabilities approximates their fair value because these items will be realized or paid within one year. As at December 31, 2007, the fair value of the long-term debt was equivalent to the book value because it bears interest at variable rates. The fair value of the convertible bonds issued by an affiliated company could not be determined because financial instruments with essentially the same economic characteristics are virtually impossible to find on the market. In addition, the fair value of the other investments could not be determined because no prices are quoted on an organized market for these types of investments.

25. Segmented information

The Company's operations consist of the following segments:

- The television segment includes the operations of the following entities: the TVA Network, analog and digital specialty services, SUN TV, TVA Productions Inc. (previously JPL Production), TV Access Productions and home shopping TV services.

- The publishing segment includes the operations of TVA Publishing Inc. (previously TVA Publishing Inc. and its subsidiaries and TVA Publishing II Inc.) and various French-language magazine publishers specializing in arts, entertainment, television, fashion, decoration and others.

- The distribution segment includes televisual product/film distribution operations.

The other items represent the elimination of intersegment transactions in the normal course of business with respect to revenues, expenses, unrealized profits and the investment in Canoë Inc. on the balance sheet.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2007 and 2006

(Amounts presented in the tables are expressed in thousands of dollars, except per share and per option amounts.)

25. Segmented information (continued)

The following tables provide information on revenues and assets:

					2007
	Television	**Publishing**	**Distribution**	**Other items**	**Total**
Operating revenues	**$ 321,045**	**$ 79,878**	**$ 19,828**	**$ (5,265)**	**$ 415,486**
Operating, selling and administrative expenses	**270,688**	**72,049**	**18,533**	**(5,165)**	**356,105**
Operating income before amortization, financial expenses, depreciation of intangible assets, restructuring costs of operations and gain on business acquisition and disposal	**$ 50,357**	**$ 7,829**	**$ 1,295**	**$ (100)**	**$ 59,381**
Additions to fixed assets	**$ 15,664**	**$ 536**	**$ –**	**$ –**	**$ 16,200**
Goodwill	**$ 2,539**	**$ 69,442**	**$ –**	**$ –**	**$ 71,981**
Total assets	**$ 342,500**	**$ 84,237**	**$ 19,763**	**$ 11,262**	**$ 457,762**

					2006
	Television	Publishing	Distribution	Other items	Total
Operating revenues	$ 309,317	$ 78,125	$ 14,369	$ (8,499)	$ 393,312
Operating, selling and administrative expenses	266,354	76,767	16,076	(7,941)	351,256
Operating income (loss) before amortization, financial expenses, depreciation of intangible assets, restructuring costs of operations and gain on business acquisition and disposal	$ 42,963	$ 1,358	$ (1,707)	$ (558)	$ 42,056
Additions to fixed assets	$ 8,211	$ 355	$ 462	$ –	$ 9,028
Goodwill	$ 2,539	$ 69,329	$ –	$ –	$ 71,868
Total assets	$ 362,597	$ 85,071	$ 18,971	$ 11,262	$ 477,901

26. Comparative figures

Certain comparative figures from 2006 have been restated to conform to the current year's presentation.

SIX-YEAR REVIEW

Years ended december 31, 2007 and 2006
(Amounts presented in the tables are expressed in thoushands of dollars)

Consolidated results	2007	2006	2005	2004	2003	2002
(in thousands of dollars)						(16 months)
Operating revenues	**$ 415,486**	$ 393,312	$ 401,352	$ 357,960	$ 340,945	$ 439,194
Operating, selling and administrative expenses	**$ 356,105**	$ 351,256	$ 348,361	$ 277,457	259,486	331,577
Operating income before depreciation, amortization, financing expenses and other items (1)	**59,381**	42,056	52,991	80,503	81,459	107,617
Depreciation and amortization	**12,942**	13,905	13,740	11,853	11,980	15,165
Financing expenses	**4,477**	5,308	2,764	678	1,111	2,693
Other items (1)	**1,382**	31,967	(276)	11	418	2,396
Income (loss) before income taxes, non-controlling interest and equity in income of companies subject to significant influence	**40,580**	(9,124)	36,763	67,961	67,950	87,363
Income taxes (recovery)	**5,714**	(2,591)	11,943	17,181	13,928	19,273
Income (loss) before non-controlling interest and equity in income of companies subject to significant influence	**34,866**	(6,533)	24,820	50,780	54,022	68,090
Non-controlling interest	**2,651**	3,252	2,747	147		
Equity in income of companies subject to significant influence	**867**	141	806	441	491	(4,889)
Net income (loss)	**$ 38,384**	($ 3,140)	$ 28,373	$ 51,368	$ 54,513	$ 63,201

Financial data and ratios	2007	2006	2005	2004	2003	2002
(in thousands of dollars, except for amounts pertaining to shares)						(16 months)
Cash flows prodived by current operations	**$ 38,098**	$ 29,991	$ 36,561	$ 66,371	$ 73,297	$ 84,563
Acquisitions of fixed assets	**(16,200)**	(9,028)	(12,887)	(10,118)	(5,742)	(7,747)
Fixed assets	**77,275**	74,038	77,173	77,999	62,863	67,929
Total assets	**457,762**	477,901	513,374	446,757	389,861	425,941
Long-term debt	**56,333**	96,515	107,098	34,929	24,364	51,220
Shareholders' equity	**214,519**	181,492	189,898	249,225	242,153	218,628
Debt ratio	**21 %**	35 %	36 %	12 %	9 %	19 %
Per share						
Net earnings (loss)	**$ 1.42**	($ 0.12)	$ 0.98	$ 1.61	$ 1.65	$ 1.84
Book value	**$ 7.94**	$ 6.72	$ 7.02	$ 8.10	$ 7.45	$ 6.45

(1) Other items include depreciation of intangible assets, restructuring cost of operations, gain on business acquisition and disposal, gain and loss on investments disposal.

BOARD OF DIRECTORS

MARC A. COURTOIS (1)
Corporate director

JACQUES DORION (2)
Chief Executive Officer,
Aegis Media Canada Inc.

SERGE GOUIN (2)
Chairman of the Board,
Quebecor Media Inc.

SYLVIE LALANDE
Corporate Director

A. MICHEL LAVIGNE (1)
Corporate director

JEAN NEVEU
Chairman of the Board, TVA Group Inc.,
and chairman of the Board, Quebecor Inc.

PIERRE KARL PÉLADEAU
President and Chief Executive Officer,
Quebecor Inc., and Vice-President of
the Board and Chief Executive Officer,
Quebecor Media Inc.

ANDRÉ TRANCHEMONTAGNE (1)
Corporate Director

LAURENT VERREAULT (2)
Chairman of the Board and Chief
Executive Officer, GLV Inc.

JEAN-MARC LÉGER
President, Léger Marketing Inc.

(1) Member of the Audit Committee
(2) Member of the Compensation Committee

THE MANAGEMENT

PIERRE DION
President and Chief Executive Officer

DENIS ROZON
Vice-President and
Chief Financial Officer

SERGE FORTIN
Vice-President, News

RICHARD GAUTHIER
Vice-President, Human Resources

RICHARD RENAUD
Vice-President, Regional Stations

JOCELYN POIRIER
President, TVA Publications Inc.
and Shopping TVA

FRÉDÉRIC POUSSARD
Vice-president Finances and Operations,
TVA Publications Inc.

CLAIRE SYRIL
Vice-President, Specialty Channels

YVES BEAUPRÉ
Vice-President, Operations

ALAIN LÉTOURNEAU
Vice-President, Shopping TVA

MARIE COMTOIS
Vice-President, Communication
and New Medias

YVES DION
President, TVA Films

FRANCE LAUZIÈRE
Vice-President, Programming

ÉDITH PERREAULT
Vice-President, Sales and Marketing

JIM NELLES
Vice-President and General Manager,
SUN TV

CLAUDINE TREMBLAY
Corporate Secretary

CHRISTIAN MARCOUX
Assistant Secretary

MAXIME BEDARD
Director, Legal Affairs

GENERAL INFORMATION

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AUDITORS
KPMG L.L.P

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ANNUAL MEETING
Shareholders are invited
to assist at the Annual
Meeting that will be held
on May 2, 2008, at 11h00 a.m.
at Group TVA Head Office
1600, de Maisonneuve Blvd. East
Montréal, (Québec)

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