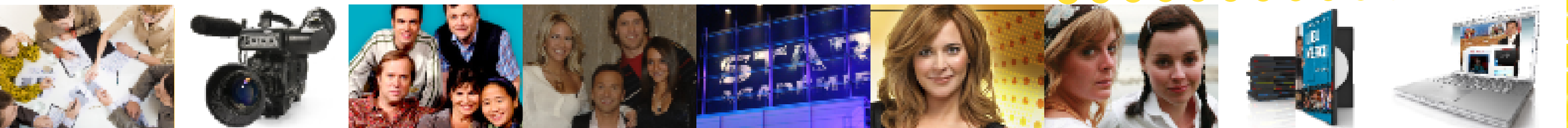
ANNUAL REPORT

2008

TVA
tva.canoe.ca
A Quebecor Media Company



TVA THE NEW MODEL FOR CONTENT PRODUCERS

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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 PUBLISHING AND DISTRIBUTION OF AUDIOVISUAL CONTENT.

TVA Group Inc., a subsidiary of Quebecor Media Inc., is a communications company that operates in three sectors: television, publishing and distribution. In the Television sector, TVA creates, produces and broadcasts entertainment, news 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 seven specialty channels and an English-language general-interest television station in Toronto.

TVA Group owns and operates six of the ten stations that make up the TVA Network, including CFTM-TV (Montréal), the flagship station, and five regional television stations: CFCM-TV (Québec City), CHLT-TV (Sherbrooke), CHEM-TV (Trois-Rivières), CFER-TV (Rimouski-Matane-Sept-Îles) and CJPM-TV (Saguenay-Lac-Saint-Jean). In addition to these regional stations, there are four affiliate stations: CHOT-TV (Gatineau) and CFEM-TV (Rouyn), owned by Radio Nord Communications Inc., as well as CIMT-TV (Rivière-du-Loup) and CHAU-TV (Carleton), owned by Télé Inter-Rives Ltd. TVA Group holds a 45% interest in Télé Inter-Rives Ltd.

The TVA Network signal reaches almost the entire French-speaking audience of the province of Québec, the francophone communities of neighbouring provinces Ontario and New Brunswick as well as a substantial part of the francophone population of the rest of Canada. TVA Group also owns a 75% interest in SUN TV, a conventional station in Toronto, Ontario. The Company owns and operates the specialty channels LCN, Mystère, Argent, Prise 2 and Les idées de ma maison, in addition to holding an interest in the specialty services mentv, Mystery and Canal Évasion. More over, Group TVA operate the Canal Indigo pay-per-view television service.

In the Publishing sector, TVA produces some 50 consumer magazines, making it Québec's largest publisher of French-language magazines. In the Distribution sector, through its TVA Films division, the company owns a large catalogue of distribution rights that it exploits on all platforms: film, video, pay and pay-per-view television, as well as specialty and conventional television.

TVA, which has close to 1410 permanent employees, has been a public corporation since 1974. The Company's Class B shares are listed on the Toronto Stock Exchange under the ticker symbol TVA.B.

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FINANCIALS HIGHLIGHTS

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

	2008	2007
Operating revenues	**$ 436,723**	$ 415,486
Operating income before amortization, financial expenses, restructuring costs of operations, income taxes, non-controlling interest, and equity of income subject to significant influence	**66,302**	59,381
Net income	**44,804**	38,384
Cash flows provided by current operations	**52,325**	38,098
Total assets	**475,493**	457,545
Long-term debt	**93,705**	56,116
Shareholders' equity	**$ 202,772**	$ 214,519
Net income per share	**$ 1.77**	$ 1.42
Book value per share	**$ 8.44**	$ 7.94
Debt ratio	**32 %**	21 %
Weighted average number of shares outstanding (in thousands)	**25,294**	27,025
Number of shares outstanding (in thousands)	**24,024**	27,025
STOCK PRICE - TVA.NV.B (TSX)		
High	**$ 17.10**	$ 18.51
Low	**$ 4.81**	$ 13.89
Close	**$ 5.23**	$ 14.52
NUMBER OF FULL-TIME EMPLOYEES (TVA Group Inc. and its 100% subsidiaries)	**1,410**	1,372

NUMBER OF SHARES (as of December 31, 2008) *(in thousands)*	**Total**	Quebecor Media Inc. shareholding	
Classe A shares (with voting rights)	**4,320**	4,317	99.9 %
Classe B shares (without voting rights)	**19,704**	7,911	40.1 %
TOTAL	**24,024**	12,228	50.9 %

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THE STRENGTH OF THE MULTIMEDIA GROUP

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MESSAGE TO SHAREHOLDERS

MAKING A WINNING VISION A REALITY

Based on its tradition of excellence, with a solid place in the hearts and culture of Quebeckers, TVA Group is, more than ever, the undisputed leader in the media industry. This is because TVA Group is responsible to its shareholders, innovative and always focused on growth.

For several years, TVA Group has been operating in a context of profound change, where technological evolution is constantly changing how we do business. Markets continue to fragment, the Internet is continuing its unflagging growth and broadcasting platforms are multiplying as technology advances.

In response to the digital revolution and the multiplication of broadcasting opportunities that it entails, TVA Group has made a strategic move by adopting a new corporate mission, centred on creating, producing and disseminating quality content that can be deployed on a multitude of platforms.

Started in 2005, this vision is now becoming a reality, allowing TVA Group to tackle the challenges of an industry that is still redefining itself.

MAINTAINING GROWTH IN A CRISIS

In line with this new vision, more than ever TVA's growth will be the result of new distribution platforms, i.e. specialty channels and new media, such as video on demand, Internet and mobility. This will allow TVA to diversify sources of revenue, reach viewers everywhere and give advertisers access to all the new advertising markets through an integrated approach. TVA will also continue to invest in its first and most important distribution platform, conventional television, by continuing to offer quality programming with universal appeal.

In parallel, TVA Group will continue its active representations to the CRTC (Canadian Radio-television and Telecommunications Commission) to relax industry rules and give consumers the power to choose the content they want, when they want it and where they want it. In a context where the results of private conventional channels have dropped dramatically, particularly in 2008, according to the latest report from the CRTC, and to ensure long-term viability, the CRTC must show openness to media groups like TVA so that we can increase our portfolio of specialty channels and diversify by introducing new channels in all areas. After launching *Les idées de ma maison*, in February 2008, TVA intends to inaugurate three new channels in the next three years.

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MESSAGE TO SHAREHOLDERS

According to the same CRTC report, the earnings before interest and tax for conventional channels in Canada was $8 million in 2008. This figure certainly appears to be a red flag when compared to $113 million in 2007. TVA Group has clearly stated its position on this matter, that conventional channels should have access to royalties, in other words to the same sources of financing currently available to specialty channels. TVA is waiting for concrete action on the part of the CRTC, which recognizes that conventional channels in Canada have reached a critical juncture.

OPTIMIZING THE STRENGTH OF CONVERGENCE

Faced with the changes in the media industry, it is clear that the strength of large media groups—in Québec and elsewhere— is essential for multiplatform strategies to succeed. As such, TVA Group's being a part of Quebecor Media, which enjoys a strong presence on several new distribution platforms, offers major potential for synergy and convergence in terms of content distribution and advertising reach.

CREATING A WINNING SITUATION FOR EVERYONE

To take full advantage of our new business model, we continue to capitalize on the structure put in place to create, produce and distribute original Canadian content on several platforms. TVA can no longer be a simple broadcaster. Our new business model has transformed us into a content business. We now have everything we need to create strong brands, the reputation and reach of which will make our offer even more appealing to viewers and advertisers.

We have also undertaken efforts with all stakeholders in the milieu to establish new relationships that reflect our business model. This partnership approach led to the closing of an agreement in principle in February with the Union des artistes on new media. This collective agreement, the first of its kind in Québec, is for three years and sets out the working conditions for artists who take part in shows produced in French by TVA and its subsidiaries. The agreement concerns both the use of traditional content in new media and the production of original content on new platforms. We are very proud of this new contract between our two groups, which makes it possible to adapt to the challenges of the Internet and new media.

This is a great example of how we should take the current transformation in the industry as an opportunity to review our ways of doing business, because television will never be the same.

INVESTING TO SUSTAIN GROWTH

To support its dominant position and growth, TVA is progressively pursuing its investments in technology, in particular in high definition.

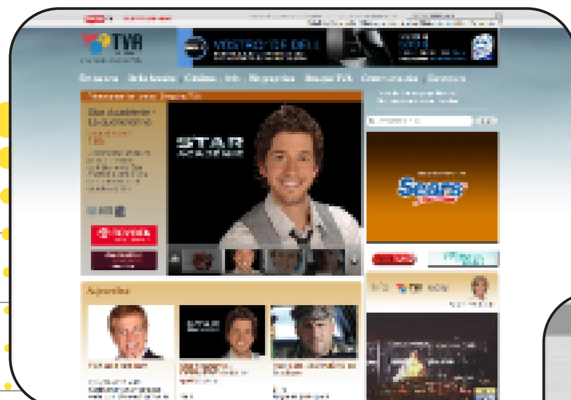
A large part of our programming will soon be available online, and a number of our sites will be updated with new content integration tools to increase user interactivity and be more appealing to advertisers by offering innovative, integrated solutions that meet their needs.

The 2008 fiscal year was marked by a profound upheaval in the world economic order, which was particularly devastating for our American cousins. In Québec, we are already feeling the effects, and it is clear that we will not be spared. To date, we have remained unscathed because of our particular context, such as the unique situation of TQS.

THE STRENGTH OF MAJOR EVENTS

However, in spite of unfavourable economic conditions, TVA Group is satisfied with its performance and enviable accomplishments. Throughout the year, we maintained a strong lineup, which resulted in relatively stable market share and a major increase in audience for LCN and all our newscasts. We should point out the remarkable performance of the news team during the three election nights, when TVA beat out all competitors.

In 2008, TVA continued to bank on the creation, production and acquisition of Québec content. This strategic choice has allowed us to create major events with universal appeal. This was the case for shows such as *Star Académie*, *La classe de 5e*, *Taxi-22*, *Occupation Double* and *Le Banquier*, which have become strong brands, and their success and visibility can be transposed to different platforms, as demonstrated by the success of the most popular TVA Network shows, which are on illico Digital TV. This new media offers the public the opportunity to watch favourite shows more than once.



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MESSAGE TO SHAREHOLDERS

TVA: THE NEW LEADER IN INNOVATION IN ADVERTISING

Among the many accomplishments worth noting for the fiscal year 2008, we should note the achievements of TVA's sales force, which not only succeeded in protecting our ad revenue, but also increased it slightly. We have also become the leader in innovation in advertising with the introduction of a number of new offers and new formats that are part of our multiplatform, integrated and complete advertising solutions.

SPECIALTY CHANNELS CONTINUE THEIR GROWTH

The results in this sector explain why it has been identified as having strong potential to drive the company's future growth. All of TVA Group's specialty channels recorded a major increase in subscription revenues compared with 2007.

Major investments are currently being made in specialty channels. In addition to the Grand Débrouillage in March 2009, we are investing massively in Canadian content.

There will therefore be three new Québec shows on Les idées de ma maison in 2009, created by TVA Création.

The audience for LCN has been growing for the past few months and the addition of Jean-Luc Mongrain will allow us to consolidate our leadership position. We will invest further in Mystère to make it the number 1 series channel in Québec. Argent has a concrete plan in place to become a multiplatform brand and the top source for financial information. Specialty channels are central to our strategy, so we will make massive investments in our existing channels and launch new channels in the coming years. This strategy will allow our sales force to offer an increasingly complete package with the TVA Network, specialty channels, Internet and other platforms.

TVA PUBLICATIONS: THE LARGEST FRENCH-LANGUAGE MAGAZINE PUBLISHER IN QUÉBEC

Magazine publishing in Québec continues to be dominated by TVA Publications, which is nonetheless feeling downward pressure from advertisers and the competition. The situation has been more or less offset by an increase in operating revenues for customized editions and reduced operating costs, which have made it possible to maintain our market share and increase our profit margins.

TVA FILMS: PROFITABLE FOR A SECOND YEAR

It is the same scenario at TVA Films, where managers have exercised tight cost controls and been very selective about films to distribute. In minimizing risks this way, TVA Films has managed to achieve an operating profit for the second year in an industry that is facing difficult times.

ACKNOWLEDGEMENTS

TVA Group succeeds, year after year, in maintaining its leadership position in the industry because of the expertise, dedication and renewed passion of its employees for quality work.

We would also like to acknowledge the invaluable contribution of our Board of Directors, whose sound advice, expertise and vision have helped TVA Group earn its reputation in all of its markets and in a complex and quickly evolving business environment.

We would also like to thank our shareholders for their ongoing trust and support, in particular Quebecor Media, our majority shareholder, whose support is invaluable to us.

We cannot end without mentioning the priceless contribution of the public and our advertisers, whose loyalty is a constant source of inspiration, new goals and motivation.

Our industry is in a period of major upheaval, but it is also a stakeholder in the largest change that the media world has ever seen. In such a context, the members of our management team are setting the standard for taking on the challenges entrusted to us, with passion.

Jean Neveu
Chairman of the Board

Pierre Dion
President and Chief Executive Officer

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A DYNAMIC TEAM

TVA Group's ability to maintain its leadership year after year under difficult conditions is due, first and foremost, to the skill, expertise and renewed passion for a job well done of the members of its management committee.

They form a solid and reliable team that make every effort so that TVA Group maintains its leadership, successfully tackles the many challenges in our industry and remains a leading light in the Québec media universe.

PIERRE DION
President and
Chief Executive Officer

DENIS ROZON
Vice-President and
Chief Financial Officer

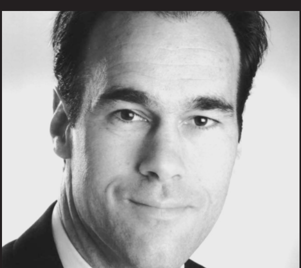
FRANCE LAUZIÈRE
Vice-President,
Programming

YVES DION
President,
TVA Films

SERGE FORTIN
Vice-President, Information

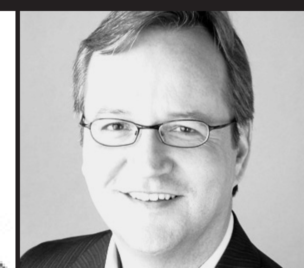
ÉDITH PERREAULT
Vice-President,
Sales and Marketing

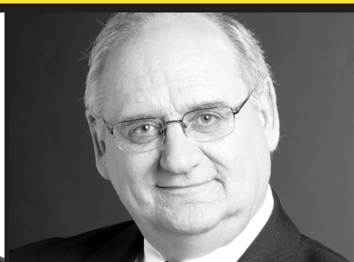
JOCELYN POIRIER
President,
TVA Publications Inc.
and President, TVAchats











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Vice-President,
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MARIE COMTOIS
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Communication and New Media

RICHARD GAUTHIER
Vice-President,
Human Resources

JIM NELLES
Vice-President
General Manager,
SUN TV

RICHARD RENAUD
Vice-President,
Regional Stations

REVIEW OF OPERATIONS

Television

IN THE MIDDLE OF MULTIPLATFORM DEPLOYMENT

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TELEVISION

BECOMING A MULTIPLATFORM CONTENT COMPANY

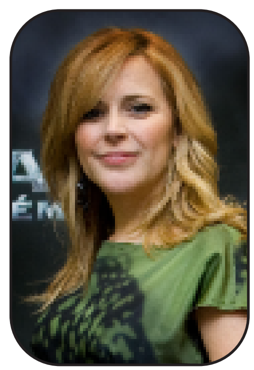
No matter what the economic context or difficulties in the conventional television market, year after year, TVA Group offers its viewers 100% entertaining programming. The 2008 fiscal year was no exception, and this is a source of pride for us.

Faced with the fragmentation of markets and television audiences because of specialty channels and new media, particularly the Internet, the TVA Network has nonetheless continued to dominate the airwaves. TVA's market share has remained relatively stable, at 27%, outperforming all its main competitors combined. This performance is even more remarkable when one considers that ad sales have remained stable, and have even increased, in a very difficult context.

Effectively reflecting the tastes and values of viewers, the TVA Network broadcasts 20 of the 30 most-watched shows, over half of them (12) with over 1.5 million viewers.

In addition to the return of successful programs such as *Star Académie*, *Le Banquier*, *Annie et ses hommes*, *Dieu merci!* and *Occupation Double*, 2008 was a year of innovation, with two new shows that had audiences in the millions: *La Cour des Grands* and *Céline sur les Plaines*.

Launched in September, *La Cour des Grands* was one of the first pieces of content to grow out of our new business model. Working with TVA Création and TVA Production, we put together dedicated teams to carry out the new mission of the TVA Group, i.e. to be a multiplatform media company involved in the creation, production and distribution of audiovisual content on all existing and future distribution platforms.



A figurehead in the world of Québec media, TVA now offers viewers a complete experience. This was the case with the acquisition of the broadcast rights for *Céline sur les Plaines*, a show that was part of Québec City's 400th anniversary celebrations. Successively broadcast on three platforms –Indigo (pay-per-view television service), illico (video-on-demand) and TVA (conventional television)– the show was an undisputed success each time. Without the participation of Quebecor Media subsidiaries, it would have been impossible for TVA to acquire the broadcast rights for Céline's show. This is a great example of the power of convergence.

The return of *Star Académie* to the head of the ratings has confirmed that the public was eager to once again become part of this television phenomenon. Having René Angélil as the director of the Académie and a new team of teachers has made for a high-quality product that is a cut above and that has universal appeal.

Other very promising projects, such as *La Collection*, a reality show on the fashion industry, and Yamaska, a soap opera written and produced by Anne Boyer and Michel D'Astous, is testimony to our commitment to and pride in promoting the talent of Québec artists. We firmly believe that our creators and emerging creators can produce high-quality work that meets the needs and requirements of Canadians.

TVA CRÉATION

TVA Création is an incubator of ideas for all Quebecor Media platforms.

Created at the beginning of October 2007, TVA Création's mandate is to develop original content for television, the Web and other media, such as wireless phones.

Having this creative department is an important step in the company's new direction of creating, developing and producing more new, original content that meets the growing demand for diversity. TVA Création offers complete creation and concept development services.

TVA PRODUCTION

In line with the new business model as creator, producer and broadcaster of multiplatform content, TVA Production plays a growing role at TVA, producing such popular shows as *Le Banquier*, *Salut Bonjour!*, *Occupation Double* and the *Gala Artis*. TVA is proud to have closed an agreement with The Bay stores in October 2008 for a first branded content project, *La Collection*, a new fashion show in Québec, which will be produced entirely by TVA Production. An announcement was also made in November 2008 that TVA Production will produce a new sketch comedy show entitled *Tranches de vie*.

NEWS: THE RETURN OF NEWSCASTS WITH MILLIONS OF VIEWERS

TVA remains the indisputable first choice of viewers when it comes to news. The team of anchors and journalists have a great deal of credibility, as TVA's domination in all of its newscasts demonstrates. In fact, morning to evening, Monday to Sunday, newscasts have seen increases in their timeslots, and a number of them have repeatedly exceeded one million viewer mark.

As further evidence of this credibility, major coverage has performed just as well; TVA won the federal and provincial election nights as well as the historic American presidential election.

In terms of innovation, the *Mon Topo* briefs allow citizen journalists to take part in news briefs via the Internet.

TVA is actively working to transform its methods of operating to build the newsroom of tomorrow, today. TVA intends to remain the most important source of information for Québeckers for a long time to come.

THE POWER OF A LARGE TEAM

The TVA Network covers all regions of Québec and their markets, through its ten regional stations. TVA Group owns six of these: CFTM Montréal, CFCM Québec City, CHLT Sherbrooke, CHEM Trois-Rivières, CJPM Saguenay and CFER Rimouski. The Company also has a 45% interest in Télé Inter-Rives Ltd., which operates the affiliates CIMT Rivière-du-Loup and CHAU Carleton. It also has two other affiliates: CFEM Rouyn and CHOT Gatineau, property of RNC Media Inc. The TVA signal reaches almost the entire francophone viewing audience in Québec, as well as French-speaking communities across Canada.

TVA offers quality services throughout its broadcast area and has a deep commitment to social, economic and community life. For example, we have made major investments in the complete digitization of TVA Sherbrooke.

TVA is also committed to maintaining a high level of local production, because we are convinced of the importance of the contribution of each of the regions that make up our network. Like all private conventional networks, we have to adapt to the reality of the market to continue to operate effectively.

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TELEVISION

SPECIALTY CHANNELS SEE CONTINUED GROWTH

For the second year running, TVA's specialty services have demonstrated their importance to our growth, with several indicators up, in particular a 22.7% increase in ad revenues and a 14.6% increase in subscriber revenue. On its own, the new digital channel Les idées de ma maison, launched on February 19, 2007, accounts for close to 27% of this growth. The other digital channels Mystère, Argent and Prise 2 saw combined growth of 26.6% in their subscription revenues. During all of March 2009, a major free trial campaign for the five channels, through all cable operators, should generate a large volume of new customers.

THE LCN REFLEX SPREADS

The success of news at TVA was also apparent in strong ratings for LCN. The 24-hour news channel is THE leader in Québec and substantially increased its viewership, with an average 3.0 market share.

The LCN.canoe.ca site exploded in 2008 with a 47% increase in traffic. Over 100 million page views in one year and an average of eight million unique visitors each month are effective indicators of the public's new habits in seeking out information.

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TELEVISION

ARGENT: A FRANCHISE MAKING ITS MARK

Still as rich in information, Argent is based on the new business model of consolidating existing and future platforms and has shown its leadership in business media.

MYSTÈRE

Mystère has become a leader in big firsts, presenting the best current American TV series, such as: *Dexter*, *Dommages et intérêts* (*Damages*), *Le retour de Charlie Cruz* (*Life*).

Mystère has earned a faithful audience, which now numbers 460,000 customers.

PRISE 2

Bringing together a wide spectrum of viewers, 441,000 of them, Prise 2, a television memory book, focuses on two forms of programming: cult series that marked the imaginations of several generations, and youth shows.

LES IDÉES DE MA MAISON

Barely one year after its creation, Les idées de ma maison offers viewers French-language programming featuring the best shows on home decor, cooking, renovations and lifestyle. Already watched by over 300,000 customers, this channel should see even more success stimulated by more original productions, which will debut in 2009, and by the excellent prospects for convergence offered by other QMI content platforms.

SHOPPING TVA: FOCUS ON DEVELOPMENT

The Shopping TVA division's complete development strategy has been defined. Based on well-known personalities, strong brands and a more dynamic Web presence, this strategy includes the launch of a store of *Tout simplement Clodine* merchandise, including kitchen, dining and leisure products. Shopping TVA will soon announce a partnership with singer and actress Caroline Néron, to distribute her jewellery. Every month, around 60 new products will be added to the Website, which is growing fast.

SUN TV EXPANDS ITS REACH

With a great deal of exposure to the pressures of an extremely difficult ad market, our Ontario station SUN TV has not been spared, and this is another area where we have exercised very tight cost controls. In parallel with this proactive management initiative, the deployment of new transmitters in the Ottawa and London/Kitchener markets have expanded SUN TV's signal. It now reaches 80% of the population of Ontario. The results of this were felt quickly, as indicated by the 25% increase in prime time in fall 2008, compared with fall 2007.

Since September 1, 2008, SUN TV has been the sole manager of programming for the specialty channel mentv. This change had an immediate impact on ad sales.

TVA ACCÈS

TVA Accès continues its growth and is the leading production house for ad content from media creativity. In addition to producing conventional advertising, TVA Accès is now structured to offer unique expertise in producing ad content for all new platforms.

In an effort to maintain a strong rate of growth and diversify revenue sources, TVA Accès now has all the equipment needed for HD production and, since last year, has been handling the dubbing for TVA and its specialty channels.

COMPLETE, INNOVATIVE AND INTEGRATED ADVERTISING SOLUTIONS

The advent of digital TV has completely transformed how content is treated, making it available across a range of new technology platforms.

Faced with these changes in technology and in advertising, ideas must support the technologies and not vice versa. It remains the content and the message that stimulate contact with the customer.

The mission of TVA Ventes & Marketing is to offer advertisers complete, innovative and integrated advertising solutions. In this tradition, offering a “one-stop-shop” in representation and “expert consultants” in media creativity makes it possible to support advertisers in their reflection process. The offers are custom-made and meet distinctive objectives. As needed, they can be central and general, convergent and integrated, or targeted and controlled.

For TVA, leadership also means stimulating innovation by integrating new segments, new ways of operating, new formats and new offers. In this respect, viewers will have noted the introduction of scrolling and animated banners, split screens, skyscrapers and short programs, which are some of the new ways of reaching consumers and increasing their attention, recognition and retention.

Built on a solid foundation, TVA relies on sure values and continuity, in addition to expanding its offer to respond to the continued growing consumption of multimedia. Being an expert, interacting, daring, evolving and innovating: this is our proposal for 2009 to business partners.

REVIEW OF OPERATIONS

Publishing

THE LARGEST FRENCH MAGAZINE PUBLISHER IN QUÉBEC

STILL NUMBER ONE IN FRENCH-LANGUAGE MAGAZINES IN QUÉBEC

With close to 50 titles, weeklies that reach almost 3.6 million readers (according to the Print Measurement Bureau) and an almost 75% market share in French-language magazines sold in newsstands in Québec, TVA Publications is without a doubt the leading and the largest French-language magazine publisher in the province.

Its star products include the popular arts magazines *7 Jours*, *Star système, Échos-Vedettes* and *Le Lundi.* The magazine *7 Jours* alone has over one million readers. At the end of the fiscal year, the new site 7jours.ca was launched, and a team produces around 60 new stories for it every week.

Women's publications, such as *Clin d'œil, MOI & cie* and *Tout simplement Clodine,* continue to reach broad audiences, as do lifestyle monthlies such as *Les idées de ma maison* and *Décoration chez soi*, which is celebrating its 30th anniversary. A new magazine that specializes in decorative painting, *À vos pinceaux*, was launched at the beginning of 2008.

RIGOROUS MANAGEMENT

Competition in this sector remains quite lively, and new media, such as the Internet, influence current and future trends that affect magazine operations.

This sector was quickly affected by the economic slowdown and recorded a drop of 6.6% in ad revenue, in particular in women's and decoration magazines.

TVA Publications intends to continue its already very strict cost controls, which have resulted in a 3.8% reduction in operating expenses. This reduction is mainly the result of effective long-term negotiations with new suppliers that have resulted in reduced printing and film costs.

GROWTH IN CUSTOMIZED EDITIONS

Customized editing activities jumped during the fourth quarter of 2008 compared with that of 2007, thereby contributing to an increase in revenues. A number of new customers fed a 60.1% increase in operating revenues for this type of customized product.

STRONG OUTLOOK FOR DEVELOPMENT ON THE WEB

After the consolidation of the site 7jours.ca and the creation of a new team for content creation, TVA Publications continues to deploy its Web development plan with the *Clin d'oeil* brand, to maintain its competitive position in the market.

Furthermore, a major partnership with Shopping TVA and the *Tout simplement Clodine* magazine team has been created and a new line of Clodine products is being marketed.

LOOKING FOR GROWTH OPPORTUNITIES

Québec is still TVA Publications' top market. While continuing to protect its assets, this division is constantly on the lookout for growth opportunities in this sector, both in Québec and the rest of Canada.

REVIEW OF OPERATIONS

Distribution

A MAJOR PLAYER IN THE DISTRIBUTION OF QUÉBEC PRODUCTS

A MAJOR PLAYER IN THE DISTRIBUTION OF QUÉBEC PRODUCTS

By minimizing risks through a very selective choice of titles for distribution and solid performance in video products, TVA Films has succeeded in achieving an operating profit for a second year in an industry that is seeing difficult times.

Titles that performed well at the box office include *Dans une galaxie près de chez vous 2* and *Borderline,* the latter being honoured with five awards at the 11th Jutra Awards.

INVESTING IN THE VITALITY OF QUÉBEC FILM

TVA Films is strongly committed to Québec film. Here are some of the titles to watch for in 2009: *Dédé, à travers les brumes,* a film from Jean-Philippe Duval, starring Sébastien Ricard, about the life of the Colocs' André Fortin, *Pour toujours les Canadiens* (working title), a film from Sylvain Archambault, scripted by Jacques Savoie with Céline Bonnier, Claude Legault, Dhanaé Audet-Beaulieu, Jean Lapointe and the participation of players from the Canadiens, the first film from Mariloup Wolfe, *Les Pieds dans le vide*, with Guillaume Lemay-Thivierge, Laurence Leboeuf, Eric Bruneau and Vincent Bolduc.

TVA Films also distributes TV and comedy hits on DVD. These products have seen substantial growth in the past three years. Recent titles include: *Martin Matte*, *Le Coeur a ses raisons*, *Lise Dion*, *Michel Barrette*, *Gregory Charles*, *Taxi 0-22*, *Nos étés*, *Annie et ses hommes*, *Stéphane Rousseau*, *Martin Petit*, *Dieu Merci!* and *InterBox*.

With over 4,000 active titles, its catalogue is among the most varied and largest in Canada. Through its international sales division, TVA Films capitalizes on its catalogue around the world.

ANNUAL MANAGEMENT REPORT

AUDITORS' REPORT TO THE SHAREHOLDERS

CONSOLIDATED FINANCIAL STATEMENTS

SIX-YEAR REVIEW

BOARD OF DIRECTORS AND THE MANAGEMENT

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

for the years ended December 31, 2008 and 2007

CORPORATE PROFILE

TVA Group Inc. ("TVA Group" or the "Company", a subsidiary of Quebecor Media Inc. "QMI") is a communications company with operations in three business sectors: television, publishing and distribution. In the Television sector, TVA creates, 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 seven specialty channels, an English-language general-interest television station in Toronto and a pay-per-view service. TVA Group also holds minority interests in the Canoë Internet portal and the Canal Évasion specialty channel. In the Publishing sector, TVA produces some 50 magazines, making it Québec's largest publisher of French-language magazines. It also offers customized publishing services for promoting customers' trademarks through the print media. 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 2008

In 2008, TVA Group recorded an increase of 11.7% in its operating income over 2007. The Television and Publishing sectors have posted respectable operating income growth over the last year, while the Distribution sector's operating income was relatively comparable to its showing for 2007. The Company recorded net income of $44,804,000 for 2008, compared with net income of $38,384,000 for 2007, representing an increase of 17%. Among the financial highlights of 2008:

- Growth in the Television sector's operating income of $5,167,000, or 10.3%, over operating income for 2007. This growth is essentially explained by the following factors:
  - TVA Network saw its operating income grow 12.4% due to a 2.2% increase in its advertising revenues and stringent management of its operating expenses;
  - Operating income for specialty channels grew 11.8% despite the operating loss of the new Les idées de ma maison channel that was launched on February 19, 2008.
- Growth of the Publishing sector's operating income for the third consecutive year, climbing from operating income of $7,829,000 in 2007 to $9,306,000 in 2008 for an increase of nearly 19%.
- Operating income generated in the Distribution sector for the second consecutive year with operating income amounting to $1,182,000 in 2008 compared with $1,295,000 in 2007.

NON-STANDARDIZED MEASURES UNDER CANADIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

To evaluate its financial performance, the Company use certain measures that are not calculated on the basis of Canadian GAAP. It uses these non-GAAP financial measures, such as operating income and normalized operating income, because it believes that they provide a good representation of its performance. The Company's method of calculating non-GAAP financial measures may differ from the methods used by other companies and, as a result, the methods it presents in this Management's Discussion and Analysis may not be comparable to other measures with similar standards disclosed by other companies.

DEFINITION OF OPERATING INCOME OR 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 "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.

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

	Three month periods ended December 31		**Years ended December 31**	
	2008	2007	**2008**	2007
Net income	**$ 14,431**	$ 15,606	**$ 44,804**	$ 38,384
Amortization of property, plant and equipment,intangible assets and deferred start-up costs	**3,698**	3,305	**13,986**	12,942
Financial expenses (financial revenues)	**(253)**	1,063	**1,760**	4,477
Restructuring costs of operations	**–**	(357)	**184**	1,382
Income taxes	**5,416**	3,722	**8,259**	5,714
Non-controlling interest	**(433)**	(474)	**(1,802)**	(2,651)
Share of income from companies subject to significant influence	**(496)**	(71)	**(889)**	(867)
Operating income	**$ 22,363**	$ 22,794	**$ 66,302**	$ 59,381

DEFINITION OF NORMALIZED OPERATING INCOME AND OPERATING LOSS

Normalized operating income or operating loss consists of operating income that is adjusted to take into account the adjustments to the disputed regulatory fees for the periods in question. Normalized operating income or operating loss presents the operating results as they would have been had they included the Canadian Radio-television and Telecommunications Commission (CRTC)'s Part II licence fees for the periods in question. Normalized operating income or operating loss, as defined above, is not a measure of results that is consistent with Canadian GAAP. Neither is it intended to be regarded as an alternative to other financial performance measures or to the statement of cash flows as a measure of liquidity. Management is using this measure to obtain comparable data in order to evaluate the Company's performance. Please refer to the TELEVISION section for the reconciliation table.

GENERAL

The Company's most important sector of activity, namely the Television sector and more specifically the conventional television market, continues to be strongly affected by the fragmentation of its audience and its advertising revenues. In addition, the actual economic slowdown, has further magnified the market upheaval and the economic challenges. Several private conventional broadcasters are dealing with major declines in advertising revenue (CTV, Canwest/Global, Rogers), and in recent months, some of them have announced cuts in expenditures and jobs and even significantly lower financial results. In Québec, the precarious situation of the French-language television network TQS, the distinctive nature of the francophone market and TVA Network's leading position in its market shares have enabled TVA Network to enjoy a year of growth in both its advertising revenues and its operating income.

The CRTC's publication of the 2008 financial results of all privately owned conventional television stations in Canada revealed that the earnings before interest and tax (EBIT) of these stations across Canada was clearly in decrease over the last four years (see the table here below) During that time, specialty channels experienced growth of more than two percentage points, achieving an EBIT margin of 24.4% for 2007 while having access to royalties and advertising revenues.

Earnings before interest and tax (EBIT)
(in % of total revenues)

	2008	2007	2006	2005	2004
Conventional stations in Canada	**0,4 %**	5,2 %	4,2 %	11,3 %	11,3 %
Conventional stations in Québec	**6,2 %**	5,1 %	6,1 %	11,1 %	11,8 %
Specialty channels in Canada	**n/d**	24,4 %	22,2 %	24,7 %	19,6 %

Source : Statistics CRTC

Despite this financial situation, these broadcasters need to invest in their broadcasting and productions infrastructures to switch from analog to digital mode. These broadcasters need to invest several tens if not hundreds of millions of dollars to convert their equipment to meet the August 31, 2011 deadline set by the CRTC. Despite all these facts and the industry's representations, the CRTC, in its broadcasting public notice of October 30, 2008, rejected a request by over-the-air broadcasters to impose a general fee-for-carriage.

Over the last year, TVA Network has maintained its leadership position in Québec's French-language television market. During the fall 2008 season, TVA Network held its market share at 29, while TQS saw its shares decrease by 45% (6 shares) while the SRC had 14 shares (Source: BBM, Monday to Sunday, 2 years and +, from September 1 to November 30, 2008). Also, during the same period, TVA broadcast 17 of its market's 20 best-watched programs, including Le Banquier, Dieu merci !, Occupation Double and the Céline sur les plaines concert. The situation is almost identical for the winter-spring 2008 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 7 to April 27, 2008). With its solid audience ratings and the leadership of its sales and marketing team, TVA Network increased its advertising revenues by 2.2% over the previous year.

TVA Group's specialty channels also had another good year financially. February 19, 2008 was the launch date of TVA Group's new specialty channel Les idées de ma maison. The financial results for this new channel were superior to initial expectations. The 24-hour news channel, LCN, continues to garner market shares that surpass those of its main competitor, RDI. In March 2009, Jean-Luc Mongrain, former TQS anchorman, will begin hosting a daily program on LCN, which will contribute to growing the channel's audience and popularity. In addition, the operating income of all of TVA Group's specialty channels rose 11.8% over the previous year.

GENERAL (continued)

The Publishing sector also saw its profitability grow during the last year. This performance was achieved in a context of slowing advertising sales across the entire magazine industry, primarily due to the economic situation of the last few months. Ongoing improvements to the operation efficiency of each of the titles in our magazine portfolio, however, have contributed greatly to improving the profitability of this sector. The development of the "customized editions" market has been successful, with revenues from these services jumping 60% and partially compensating for the decrease in the sector's operating revenues, which dipped 1.6% against 2007. In the last year, the Company launched a new magazine entitled À vos pinceaux, which deals with the topic of painting on wood and proved profitable from its very first issue. Also worth mentioning is the success of the celebrations for the 25th anniversary of the magazine Les idées de ma maison and the 30th of the magazine Chez Soi. The Company continued to invest in its magazines and its promotional offensives to maintain its share in the entertainment magazine market.

The Distribution sector was financially stable last year compared with the previous year, with only a 3% decrease in sales. In the movie market, no movies achieved the same degree of popularity as the movies Because I Said So and La vie en rose in 2007. This situation is not specific to our Company and reflects the situation of the Québec-made movies at the box office last year. Despite all of this, two of TVA Films' movies placed among the top four at the Québec box office in 2008. Video-related activities still contribute to a major portion of the sector's operating income and continue to offset the deficit created by movie theatre releases.

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 desired media.

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. These financial statements were prepared in accordance with Canadian GAAP and all of the amounts in the Management's Discussion and Analysis are in Canadian dollars.

Operating revenues (in thousands of dollars)

	Three month periods ended December 31		**Years ended December 31**	
	2008	2007	**2008**	2007
Television	**$ 102,118**	$ 98,748	**$ 342,853**	$ 321,045
Publishing	**19,508**	19,992	**78,606**	79,878
Distribution	**6,891**	6,725	**19,236**	19,828
Intersegment items	**(1,557)**	(1,392)	**(3,972)**	(5,265)
	$ 126,960	$ 124,073	**$ 436,723**	$ 415,486

OPERATING RESULTS (continued)

TVA's consolidated operating revenues totalled $436,723,000 for 2008, compared with $415,486,000 for the previous year, representing growth of $21,237,000 or 5.1%. The Television sector saw its revenues increase $21,808,000 or 6.8%, while the Publishing and Distribution sectors saw their operating revenues decrease slightly. The growth of the Television sector's operating revenues stemmed from all of its activities, except for SUN TV, which saw a 5.3% decrease in its advertising revenues essentially during the fourth quarter of 2008. TVA Network's operating revenues rose 4.8% for 2008 mainly as a result of its stepped up production activities and the leveraging of its content on different platforms, specifically pay-per-view television and video-on-demand. The Publishing sector's revenues were down slightly by $1,272,000, or 1.6%, against 2007, mainly due to the 6.6% decrease in its advertising revenues. The decline in the Distribution sector's operating revenues is essentially due to lower revenues from movie theatre releases and the slightly lower volume of products distributed on video. The drop in operating revenues of $1,293,000 from intersegment items in 2008 compared with 2007 reflects the smaller number of transactions between the Television and Publishing sectors, primarily in contra advertising.

Comparison of the fourth quarter of 2008 versus 2007

Consolidated operating revenues totalled $126,960,000 for the fourth quarter of 2008, compared with $124,073,000 for the corresponding period of 2007. This 2.3% increase is due to the growth of revenues in the Television (3.4%) and Distribution (2.5 %) sectors, essentially generated by box office revenues for the movie Religulous. The Publishing sector saw its operating revenues dip 2.4%, including a 13.1% drop in advertising revenues resulting from the economic slowdown of the last few months. The growth of the Television sector's revenues stems mainly from TVA Network's activities (1.5%), specialty channels (18.4%) and the operation of the Canal Indigo pay-per-view service since September 1, 2008.

Operating income (in thousands of dollars)

	Three month periods ended December 31		Years ended December 31	
	2008	2007	**2008**	2007
Television	**$ 19,365**	$ 19,609	$ **55,524**	$ 50,357
Publishing	**1,887**	1,594	**9,306**	7,829
Distribution	**1,077**	1,502	**1,182**	1,295
Intersegment items	**34**	89	**290**	(100)
	$ 22,363	$ 22,794	$ **66,302**	$ 59,381

TVA Group reported operating income of $66,302,000 for 2008, compared with operating income of $59,381,000 for the previous year, representing an increase of $6,921,000 or 11.7%.

In the Television sector, operating income for 2008 increased by $5,167,000, or 10.3%, compared with the previous year. All businesses in this sector saw an increase in operating income, except for SUN TV, the conventional television station in Toronto, and the activities of the *Shopping TVA* division, which saw its operating income decrease 62.2%. In 2007, this sector's operating income included a favourable adjustment of operation expenses of $4,139,000 related to the CRTC's Part II licence fees for the period from September 1, 2006 to December 31, 2007, whereas 2008 included an unfavourable adjustment of the same amount following a Federal Court of Appeal decision handed down in April 2008. On a comparative basis, the sector's normalized operating income was up $13,445,000 (29.1%) due to the growth of TVA Network and the specialty channels that include the new channel, *Les idées de ma maison*. SUN TV's loss increased 11.8% in 2008 but also accounts for a unfavourable adjustment for the expenses relating to the CRTC's Part II licence fees. On a comparative basis, SUN TV's normalized operating loss increased slightly by $169,000 or 2.8%.

OPERATING RESULTS (continued)

Comparison of the fourth quarter of 2008 versus 2007 (continued)

In the Publishing segment, despite unfavourable economic conditions in the magazine advertising market and sustained competition, profit margins continued to improve, rising from 9.8% in 2007 to 11.8% in 2008, enabling the sector to generate operating income of $9,306,000 for 2008, against $7,829,000 for 2007.

In the Distribution sector, operating income was down $113,000, or 8.7%, for 2008 compared with the previous year, with operating income declining from $1,295,000 in 2007 to $1,182,000 in 2008. This decrease is essentially due to the drop in the gross margin generated by the commercialization of products in the video market combined with this market's slightly weaker volume in 2008.

For the fourth quarter of 2008, TVA Group reported operating income of $22,363,000, compared with operating income of $22,794,000 for the same quarter of 2007, representing a decrease of 1.9%. In the Television sector, operating income was down $244,000, or 1.2%, essentially due to the decrease in SUN TV's revenues, weaker teleshopping sales and the expense for Part II licence fees accounted for in 2008 although no expense had been accounted for in the fourth quarter of 2007. Normalized operating income was up $657,000, or 3.5%, for the same quarter. TVA Network's normalized operating income increased 6.8% while this type of income rose 27.1% for specialty channels.

In the Publishing sector, operating income totalled $1,887,000, for an increase of $293,000 over the corresponding quarter of 2007. Advertising revenues in the Publishing sector declined severely in the fourth quarter compared with the same quarter of 2007. The growth in customized editions combined with the control of all operating costs offset the decrease in revenues and the investments made in content. Consequently, the Publishing sector recorded a profit margin of 9.7% during the fourth quarter of 2008, compared with 8.0% for the same year-ago period, while continuing to protect its market shares.

In the Distribution sector, operating income was down $425,000 for the quarter, with operating income going from $1,502,000 in 2007 to $1,077,000 in 2008. This decrease is essentially due to the lower volume of television rights sales in 2008 compared with the same quarter of 2007, a quarter in which the sales generated by the movies *Because I Said So*, *American Venus*, *Young Triffie* and *Black Christmas* were quite strong.

TELEVISION

Operating revenues for the Television sector rose $21,808,000, or 6.8%, for fiscal 2008 over the previous year, totalling $342,853,000 compared with $321,045,000 for the previous year. This growth is due mainly to the following:

- the 4.8% growth of TVA Network's total operating revenues, including:
  - the 2.2% growth of its advertising revenues;
  - the 39.5% increase in revenues generated by its other activities, specifically television production activities and the leveraging of its content on other distribution platforms, including the *Céline Dion sur les plaines* concert that took place during Quebec City's 400th anniversary celebrations;

- the 22.7% jump in advertising revenues from specialty channels:
  - the English-language *Mystery* channel almost tripled its advertising revenues during the last year;
  - the *Mystère* channel saw its advertising revenues grow 23.9%;
  - LCN, the 24-hour news channel, experience growth of 3.9%:
  - the new digital channel *Les idées de ma maison*, launched on February 19, 2008, generated advertising revenues that surpassed our initial expectations.

TELEVISION (continued)

- the 14.6% increase in subscription revenues from our specialty channels:
  - all of TVA Group's specialty channels saw their subscription revenues climb compared with 2007;
  - the new digital channel *Les idées de ma maison* accounts for close to 27% of this growth;
  - the digital channels *Mystère*, *Argent* and *Prise 2* saw combined growth of their subscription revenues of 26.6%.

- the 8.7% growth in commercial production activities; and

- the inclusion of revenues generated by *Canal Indigo*, the pay-per-view service, since September 1, 2008.

Our conventional television station in Toronto, SUN TV, saw its advertising revenues drop 5.2% against 2007. This was a direct result of the economic slowdown and the situation in the conventional television advertising market in Ontario. Since the fall of 2008, the station's digital retransmitters have been in operation in the Ottawa and London (Ontario) markets and now allow SUN TV to extend its reach to more than one market in Ontario.

During the Company's fiscal year, which extends from January 1, 2008 to December 31, 2008, TVA Network held on to its market shares whereas the TQS network saw its share shrink 31% and the Société Radio-Canada (SRC) grew its shares 8% against the same period of 2007. Specialty channels continue to increase their market shares to the detriment of conventional broadcasters' shares and captured 45.3% of the shares in the French-language markets in 2008, an increase of 17%, while the shares of conventional French-language stations decreased 4%.

Year 2008 vs Year 2007 Market shares (%)				
	2008	2007	Var.	Var.
TVA	**26,7**	26,7	**0%**	**0,0**
TQS	**7,3**	10,6	**-31%**	**-3,3**
SRC	**14,1**	13,0	**8%**	**1,1**
French-language Conventional	**48,1**	50,3	**-4%**	**-2,2**
Specialty	**45,3**	38,7	**17%**	**6,6**

Source : Survey BBM. French Quebec , January 1 to December 31 , M-S, 6a-6a, 2+.

Our 24-hour news channel, LCN, achieved an average share of 3.0 in 2008, compared with a share of 2.5 for its main competitor, RDI. During the same period, TVA Network broadcast 20 of the 30 best-watched program in Québec, 12 of which have an audience of over 1.5 million viewers.

Operating expenses for the Television sector were $287,329,000 for 2008, against $270,688,000 for the previous year. A major portion of this increase of $16,641,000, or 6.1%, in the sector's operating expenses comes from adjustments for the CRTC's Part II licence fees explained below.

TELEVISION (continued)

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. Subsequent to this, in the third quarter of 2007, the Company reversed its liability of $3,238,000 relating to the Part II licence fees for the period from September 1, 2006 to September 30, 2007 and ceased to record any additional liabilities relating to these fees. On April 29, 2008, the Federal Court of Appeal handed down its decision and, on the basis of its position that the Part II licence fees are a valid regulatory charge rather than a tax, overturned the December 14, 2006 decision of the Federal Court. The plaintiff companies disputed the decision and filed an application for leave to appeal to the Supreme Court of Canada, which was approved on December 18, 2008. However, given the Federal Court of Appeal decision that confirms the right of the CRTC to collect the Part II licence fees to which the Company is subject, the Company recorded in 2008 a total liability of $7,189,000 relating to the Part II licence fees for the period from September 1, 2006 to December 31, 2008, of which $4,139,000 is for the period from September 1, 2006 to December 31, 2007.

Below is a table of the normalized operating results for this sector that takes into account the above-mentioned adjustments relating to this dispute and the impact on the Company's results for the last two years. Normalized operating income presents the operating expenses as they would have been with the expenses for the CRTC's Part II licence fees for the periods in question. Management is using this measure to obtain comparable data in order to evaluate the performance of the sector and the Company.

Television sector	**Three month periods ended December 31**		**Years ended December 31**	
	2008	2007	**2008**	2007
Operating revenues	**$ 102,118**	$ 98,748	**$ 342,853**	$ 321,045
Operating expenses	**82,753**	79,139	**287,329**	270,688
Adjustment (Part II)	**–**	901	**(4,139)**	4,139
Normalized operating expenses	**82,753**	80,040	**283,190**	274,827
Normalized operating income	**$ 19,365**	$ 18,708	**$ 59,663**	$ 46,218

Normalized operating expenses for the Television sector were $283,190,000 for 2008, against $274,827,000 for 2007. The $8,363,000 (3.0%) increase in the sector's operating expenses is essentially due to:

- the 19.0% increase in specialty channel operating expenses justified by the expenses for the new channel *Les idées de ma maison* and investments in the 24-hour news channel, LCN;
- the increase in variable operating expenses related to the volume of commercial production activity;
- the increase in the operating expenses for *Shopping TVA* and the inclusion of operating expenses for the *Canal Indigo* pay-per-view service since September 1, 2008; and
- the 0.4% decrease in TVA Network's operating expenses and the 2.9% decrease in the operating expenses of SUN TV, the conventional television station in Toronto.

TELEVISION (continued)

Operating income generated by the Television sector was $55,524,000 for 2008, compared with operating income of $50,357,000 for the previous year, representing an increase of 10.3%. On a comparative basis, normalized operating income for the year was up $13,445,000. This 29.1% jump is due to the following factors:

- the 34.1% growth of TVA Network's normalized operating income taking into account the increase in revenues and the 0.4% decrease in operating expenses;
- the 14.8% increase in normalized operating income from specialty channels;
- the 2.8% increase in SUN TV's normalized operating loss which rose from $6,143,000 in 2007 to $6,312,000 in 2008;
- the decrease in the operating income generated by the activities of *Shopping TVA*.

Despite the more difficult economic environment in 2008, TVA Network maintained and protected its market shares and increased its advertising revenues. This comes as a result of a strong grid combined with an effective team and business strategy. In 2008, the new division, TVA Création, developed its first program concept, *La cour des grands*, hosted by Grégory Charles. This program is a concrete example of the transformation of TVA Network—a TVA Network that is no longer satisfied with simply being a conventional broadcaster, but one that is the creator, producer and broadcaster of programs on all available platforms.

Comparison of the fourth quarter of 2008 versus 2007

During the fourth quarter, the Television sector's operating revenues grew $3,370,000, or 3.4%, over the same quarter of 2007, rising from $98,748,000 in 2007 to $102,118,000 in 2008. This growth is due to:

- growth of 1.5% of TVA Network's operating revenues;
- the 19.8% jump in advertising revenues from specialty channels;
- the 17.5% increase in subscription revenues generated by specialty channels
    - the new digital channel *Les idées de ma maison* launched on February 19, 2008 accounts for close to 42% of this growth;
    - the digital channels *Mystère*, *Argent* and *Prise 2* saw their subscription revenues achieve combined growth of 31.8%;
- a 14.7% decrease in SUN TV's advertising revenues;
- a 16.7% decrease in *Shopping TVA*'s revenues; and
- the new products related to Internet activities and the revenues from the *Canal Indigo* pay-per-view service acquired on August 31, 2008.

TELEVISION (continued)

Comparison of the fourth quarter of 2008 versus 2007 (continued)

Operating expenses for the Television business were $82,753,000 for the fourth quarter of 2008, against $79,139,000 for the corresponding 2007 period. Excluding the impact of the CRTC's Part II licence fee, the increase in normalized operating expenses amounted to $2,713,000, or 3.4%, for the fourth quarter of 2008 compared to the same quarter of 2007. This increase is due to the following factors:

- the 14.6% increase in normalized operating expenses for specialty channels, due mainly to the new *Les idées de ma maison* channel launched in February 2008; and

- the operating expenses related to the broader marketing of our Internet sites and our pay-per-view service, *Canal Indigo*.

The operating income generated by the Television sector during the fourth quarter of 2008 totalled $19,365,000, against operating income of $19,609,000 in the fourth quarter of 2007. On a comparative basis, normalized operating income for the quarter was up $657,000 or 3.5%. This growth came from TVA Network and the specialty channels but was offset by the 72% decrease in Shopping TVA's operating income and by the increase in SUN TV's normalized operating loss, which climbed from $602,000 in the fourth quarter of 2007 to $1,418,000 in the same quarter of 2008.

PUBLISHING

Operating revenues for the Publishing sector were $78,606,000 for fiscal 2008, against $79,878,000 for the year ended December 31, 2007, reflecting a decrease of $1,272,000 or 1.6%. This variance is due mainly to the following:

- a decrease of 6.6% in advertising revenues, a direct consequence of the economic slowdown in recent months. This dip in advertising revenues was especially evident in decor and women's magazines;

- a slight decrease of 1.7% in newsstand revenues resulting from the different pricing and marketing strategies put into effect over the last two years;

- a decrease of 2.8% in subscription revenues, 55% of which results from the dropping of a title in women's magazines; and

- growth of 60.1% in operating revenues from customized editions generated by new customers during the year.

The competition in this sector remains quite strong and new media, such as the Internet, influence current and future trends that affect magazines operations. Nevertheless, TVA Group is still the largest French-language publisher in Québec. Our weeklies reach close to 3.6 million readers per week according to the data compiled by the PMB (Print Measurement Bureau). The magazine *7 Jours*, devoted to showbiz and cultural news, has more than one million readers on its own. TVA is the leader in newsstand sales, holding over 75% 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 as at June 30, 2008).

Operating expenses for the publishing sector were $69,300,000 for fiscal 2008, against $72,049,000 for the previous year, down $2,749,000 or 3.8%. This decrease in operating expenses is spread out over all operating expenses and is due primarily to lower printing and filming costs. During the last year, the Company renegotiated its printing contracts and diversified its suppliers, with the result that it made savings on its expenses. However, the considerable increases in the cost of paper imposed by paper mills partially offset these savings. The Company continued to closely manage the bonuses offered in its magazines and downsized some advertising and promotional campaigns while reducing its costs for stocking newsstands and its costs for soliciting subscriptions. These decreases in operating expenses are the result of the Company's ongoing stringent management of its publishing activities in the current difficult economic context. The greater volume of contracts for customized editions, however, offset this decrease in operating expenses.

PUBLISHING (continued)

The Department of Canadian Heritage completed consultations on the restructuring of the Canada Magazine Fund and the Publications Assistance Program. All publications and associations that currently take advantage of these programs, including the Company, may be affected by this process. The areas affected could include, among others, program eligibility, financing amounts and the ways in which funds may be spent. In its results, the Company benefits from an estimated $800,000 per quarter under these programs. It must be pointed out, however, that the financing earmarked for these programs was renewed with the tabling of the last federal budget and that potential changes to the structure of the programs would only come into effect for fiscal 2010.

Operating income for the Publishing sector was $9,306,000 for the year, against $7,829,000 for the previous year, representing an increase of 18.9%. A decrease in operating expenses that was greater than the drop in operating revenues allowed the sector to achieve this higher operating income. Despite these decreases, the Company intends to pursue its efforts and make all necessary investments to protect its leadership position in its market and remain on the lookout for different growth opportunities in this sector, both within Québec and across the rest of Canada.

Comparison of the fourth quarter of 2008 versus 2007

Operating revenues for the Publishing sector were $19,508,000 for the fourth quarter of 2008, against $19,992,000 for the same quarter of 2007, representing a decrease of 2.4%. Advertising revenues for the quarter were significantly affected by the current economic downturn. The 13.1% drop in advertising revenues for the quarter compared with the same quarter of 2007 represents close to 60% of the annual cumulative decrease. Newsstand revenues remained relatively stable during the 2008 quarter compared with the same quarter of 2007, while subscription revenues slid 6.9%, mainly as a result of the shutting down of Filles Clin d'œil magazine and the natural downward trend of TV Hebdo magazine. Revenues from customized editions nearly doubled during the quarter with growth of 92.4% compared with the same quarter of 2007.

Operating expenses for this sector in the fourth quarter were $17,621,000, against $18,398,000 for the same quarter of 2007, representing a decrease of 4.2%. This decrease in operating expenses is due to a drop in advertising campaign and promotion fees, lower sales costs as a result of lower advertising revenues and a decline in the added value of some magazines. Savings generated by new printing contracts were offset by additional investments in the content of certain weekly magazines and the higher cost of paper.

Nonetheless, the sector's operating income for the fourth quarter of 2008 climbed 18.4% to $1,887,000, against $1,594,000 for the same quarter of 2007. The monthly magazines in the decor and teenagers categories saw their profitability increase substantially while the women's category was down, mainly with the magazine Star inc. The profitability of customized editions activities also jumped during this quarter of 2008. Despite the investments made in some weekly magazines, profitability was stable in this category during the quarter compared with the same quarter of 2007.

DISTRIBUTION

Operating revenues for the Distribution sector were $19,236,000 for 2008, against $19,828,000 for the year ended December 31, 2007. This 3.0% decrease is due to the following factors:

- a 21.5% drop in revenues from movie theatre releases.
  - The movie *Religulous*, released in October 2008, did not achieve the box office revenues initially anticipated by management;
  - The movies *Dans une galaxie près de chez vous 2* and *Borderline* took 3rd and 4th place, respectively, for box office revenues in Québec in 2008.
  - The combined revenues of these three movies represented only 77.7% of the combined revenues of 2007's two box office hits *Because I Said So* and *La vie en rose*.

DISTRIBUTION (continued)

- a 2.3% dip in video revenues:
  - The movie *Over Her Dead Body* was the most successful movie on video over the last year. However, its earnings were only 64.2% of those for the 2007 hit movie *Because I Said So*;
  - Excluding these two movies, revenues from video sales and rentals were up 3.3%.

- growth of 3.7% in sales of television rights; and

- a 36.3% increase in revenues from the international market.

Some of these rights sales were made to entities that are members of our Television sector. The operating income that appears under the heading "Intersegment items" in the note on segmented information represents the realized portion of the sales made last year and in previous years in the Distribution sector.

Operating income for 2008 was $1,182,000, compared with operating income of $1,295,000 for the previous year. The gross profit margin (operating revenues minus the direct operating costs of titles) was 23.9% for 2008 against 22.2% for 2007. However, lower operating revenues and higher administrative fees were responsible for the decrease in operating income. In addition, in 2007, the distribution and success of the movie Because I Said So in the three business segments during the same fiscal year contributed significantly to the rise in operating income.

Comparison of the fourth quarter of 2008 versus 2007

Operating revenues for the Distribution sector totalled $6,891,000 for the fourth quarter of 2008, compared with $6,725,000 for the same period of 2007. This 2.5% increase is due to the following factors:

- the release in movie theatres during the fourth quarter of 2008 of the movie *Religulous* while there had been little activity in movie theatres during the corresponding quarter of 2007;

- growth of 6.8% in revenues from video activities;

- a drop of 29.8% in rights sales in the television market, while in the corresponding quarter of 2007, the volume had been much higher with sales for *Because I Said So*, *Black Christmas*, *American Venus* and *Young Triffie*.

Despite the increase in operating revenues, operating income for the quarter totalled $1,077,000, against operating income of $1,502,000 for the same period of 2007. The lower operating income for the quarter is mainly due to weaker rights sales in the television market and to stronger activity in the box office segment during the fourth quarter of 2008, with the gross margin for this segment showing a deficit.

AMORTIZATION

The amortization of property, plant and equipment, intangible assets and deferred start-up costs totalled $13,986,000 for the year, compared with $12,942,000 for the previous year.

Amortization of property, plant and equipment, intangible assets and deferred start-up costs totalled $3,698,000 for the fourth quarter of 2008, against an expense of $3,305,000 for the same quarter of 2007.

These rises are due to the increased expenditures for property, plant and equipment made over the last two years and to the deferred start-up costs for the new Les idées de ma maison channel launched on February 19, 2008.

FINANCIAL EXPENSES (FINANCIAL REVENUES)

Financial expenses totalled $1,760,000 for the year, compared with $4,477,000 for the previous year.

For the fourth quarter of 2008, the Company recorded financial revenues of $253,000, against financial expenses of $1,063,000 for the same quarter of 2007.

During the fourth quarter, the Company posted interest revenue of $675,000, the majority of which came from an income tax reimbursement as a result of a favourable decision rendered on a tax matter. Also during the quarter, the Company recorded a foreign exchange gain of $564,000 as a result of a major variation in the American dollar during the quarter, mainly from our activities in the distribution sector. Despite an increase in the level of average debt during the quarter in 2008 compared with the quarter in 2007, as a result of the major share redemption carried out in June 2008, the total expense for long-term debt was essentially the same as in the corresponding quarter of 2007. This is due to average interest rates being lower than in 2007. Furthermore, during the fourth quarter of 2008, the Company signed an interest rate SWAP contract on $45,000,000 of its long-term debt to limit interest rate fluctuation risk.

The $2,717,000 drop in financial expenses for 2008 compared with 2007 is due in part to:

- lower average interest rates on long-term debt despite the debt being higher than in 2007, for a positive amount of $856,000;
- a $920,000 increase in interest revenue for 2008; and
- favourable variances on foreign currency translation totalling $862,000.

RESTRUCTURING COSTS OF OPERATIONS

During the year, the Company recorded a provision for restructuring costs of $184,000 for severance pay following the elimination of a position in the Television sector, compared with a provision for restructuring costs of $1,382,000 for 2007, that is, a provision of $1,281,000 related to the elimination of positions in the Television and Publishing sectors, a provision of $952,000 for legal proceedings and fees to reflect new litigation relating to the production activities of a former subsidiary, and a decrease of $851,000 in the balance of liabilities initially established on some of the same subsidiary's productions.

In the fourth quarter of 2007, the Company had recorded a provision for restructuring costs of $303,000 following the elimination of positions in its Television sector and had also 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.

INCOME TAXES

The Company reported an income tax expense of $8,259,000, equivalent to a tax rate of 16.4%, for fiscal 2008, compared with an income tax expense of $5,714,000, or a rate of 14.1%, for 2007.

During 2008, in light of the evolution of tax auditing, jurisprudence and tax legislation, the Company reduced its future tax liabilities by $6,794,000. Furthermore, in the fourth quarter of 2008, the Company recorded a gain of $657,000 as a result of a favourable decision rendered on a tax matter. Excluding the tax savings reported for 2008 would have resulted in an income tax rate of 31.2%.

During the previous 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 had 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 that was then under the common control of its ultimate parent, Quebecor Inc., at the time. Also during the same 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 had reduced its future tax liabilities by $4,762,000. Excluding the tax savings reported for the previous 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 (continued)

The Company reported an income tax expense of $5,416,000, equivalent to a tax rate of 28.6%, for the fourth quarter of 2008, compared with an income tax expense of $3,722,000, or a rate of 19.8%, for the corresponding quarter of 2007. During the previous quarter, the lower tax rate was 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. Excluding the tax savings reported for the fourth quarters of 2008 and 2007 would have resulted in income tax rates of 32.1% and 33.6%, respectively.

NON-CONTROLLING INTEREST

Non-controlling interest for 2008 was $1,802,000, against $2,651,000 for the previous year. Non-controlling interest for the fourth quarter of 2008 was $433,000, compared with $474,000 for the same quarter of 2007. Non-controlling interest represents Sun Media Corporation's share in SUN TV's net loss. These unfavourable variances are due to favourable variances in income taxes for SUN TV following the income tax recoveries resulting from the fiscal consolidation structure implemented at SUN TV. The favourable variance in income taxes reduces the share in the loss resulting from the non-controlling interest.

SHARE OF INCOME FROM COMPANIES SUBJECT TO SIGNIFICANT INFLUENCE

Share of income from companies subject to significant influence was $889,000 for 2007, compared with $867,000 for the previous year. For the fourth quarter, share of income from companies subject to significant influence was $496,000, compared with $71,000 for the same quarter of 2007. This increase in the fourth quarter of 2008 is due to the improved results of one company in the television industry over the corresponding period of 2007.

NET INCOME

TVA reported net income of $44,804,000, or $1.77 per diluted share, for the year ended December 31, 2008, compared with net income of $38,384,000, or $1.42 per diluted share, for the previous year.

The calculation of per-share amounts was based on a weighted average of 25,293,708 outstanding diluted shares for the year ended December 31, 2008, and on a weighted average of 27,034,645 outstanding diluted shares for the year ended December 31, 2007.

This increase in net income is due to a considerable improvement in operating income of $6,921,000, a reduction of $2,717,000 in financial expenses, offset by less substantial tax savings in 2008 than in 2007.

Comparison of the fourth quarter of 2008 versus 2007

TVA Group reported net income of $14,431,000, or $0.60 per diluted share, for the fourth quarter of 2008, compared with net income of $15,606,000, or $0.58 per diluted share, for the corresponding period of 2007. 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 24,024,206 outstanding diluted shares for the fourth of 2008 and on a weighted average of 27,034,269 outstanding diluted shares for the same quarter of 2007.

QUARTERLY FINANCIAL DATA

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

2008	Dec. 31	Sept. 30	June 30	March 31
Operations				
Operating revenues	**$ 126,960**	$ 92,249	$ 111,054	$ 106,460
Operating income	**$ 22,363**	$ 10,849	$ 21,698	$ 11,392
Net income	**$ 14,431**	$ 11,858	$ 12,818	$ 5,697
Basic per-share data				
Net income	**$ 0.60**	$ 0.49	$ 0.49	$ 0.21
Weighted average number of shares outstanding (in thousands)	**24,024**	24,024	26,102	27,025
Diluted per-share data				
Net income	**$ 0.60**	$ 0.49	$ 0.49	$ 0.21
Weighted average number of diluted shares outstanding (in thousands)	**24,024**	24,024	26,147	27,026

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	27,026
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

QUARTERLY FINANCIAL DATA (continued)

Most of the Company's operating 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.

CASH FLOWS AND FINANCIAL RESOURCES

OPERATIONS

Cash flows provided by operations amounted to $45,945,000 for 2008, compared with $60,044,000 for the previous year. The $14,099,000 drop in cash flows from operating activities is essentially due to the unfavourable variance of $27,467,000 for current income taxes given, among other things, the large payments made in February 2008 to settle the balance of income taxes due for 2007. This unfavourable variance is offset by a favourable variance in operating results.

During the fourth quarter, cash flows from operating activities amounted to $15,866,000, compared with $20,997,000 for the same period of 2007. This $5,131,000 decrease is essentially due to the unfavourable variance of $6,314,000 for current income taxes given that the income tax instalments for 2008 are higher than those for 2007.

INVESTMENT

In 2008, the acquisition of property, plant and equipment climbed $5,681,000 or 35.1% for a total of $21,881,000 compared with $16,200,000 in 2007. This increase is due to major investments made in the Television sector and, more specifically, in its technical equipment, namely for the conversion of its production and broadcasting equipment to high definition. In addition, SUN TV's digital retransmitters were installed in the Ottawa and London (Ontario) markets. The Company also invested in updating its computer systems and infrastructures including, among others, a new integrated information system for operating all of its conventional stations and specialty channels, of which the first phase was implemented in 2008.

The Company is pursuing its investment plan for completing the Television sector's transition to digital and high definition, with the plan still calling for investments of $69 million between 2009 and 2013. Although these investments are greater than the amounts invested annually in previous years for the acquisition of property, plant and equipment, 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. As it makes these investments, the Company is also reviewing business processes with a view to improving the organizational efficiency of the entire Television sector.

For the fourth quarter, property, plant and equipment acquisitions were comparable to those for the same quarter of 2007, amounting to $6,530,000 compared with $6,465,000.

CASH FLOWS AND FINANCIAL RESOURCES (continued)

INVESTMENT (continued)

In the first quarter of 2008, the Company made a $490,000 investment in the pay-per-view television service, Canal Indigo S.E.N.C., in which it held a 20% interest, for the purpose of covering current operations. On February 15, 2008, the Company signed an agreement with the other partners to purchase all of the units of Canal Indigo S.E.N.C. for a total amount of $105,000. On July 18, 2008, the CRTC approved the transaction and it was finalized and settled with the partners on August 31, 2008. The Company has been operating the channel since that date. In addition, $352,000 in start-up costs for the launch of the new specialty channel Les idées de ma maison were recorded in 2008.

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 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, of which Sun Media Corporation for $24,625,000. In return, Sun TV Company repurchased 98,600 preferred shares redeemable at the option of the holder, carrying a 10.85% fixed cumulative dividend, of which 24,625 preferred shares from Sun Media Corporation for $24,625,000. This transaction has led for the Company, on a consolidated level, a reduced long-term investment in convertible bonds of $24,625,000 and an equivalent reduction in redeemable preferred shares disclosed under the heading “Non-controlling interest and redeemable preferred shares.”

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

On January 8, 2007, the Company made the final payment on the purchase price of SUN TV, the conventional television station in Toronto, including a working capital adjustment, in the amount of $2,625,000.

FINANCING

In 2008, cash flows from operating activities served to pay for additional acquisitions of property, plant and equipment and to repay a portion of the long-term debt despite its having increased to finance the major share redemption of $51,415,000. In 2007, the Company had repaid $40,182,000 on its long-term debt using cash flows from operating activities.

On April 1st, 2008, the Company filed a substantial issuer bid to redeem for cancellation up to 2,000,000 of its participating Class B non-voting shares, for a cash consideration of $17.00 per share. On May 14, 2008, the Company filed a notice to amend and extend its initial offer in order to bring the number of shares redeemable under the offer to a maximum of 3,000,000 and the offer was extended until June 2, 2008. On June 2, 2008, taking into account the proration factor, adjustments for odd lot purchases and to avoid the creation of irregular lots, the Company took up 3,000,642 Class B shares of its capital stock from this issuer bid, for a total consideration of $51,010,914, plus $404,000 in transaction fees. The Class B shares redeemed for cancellation under this issuer bid represented 13.2% of the 22,704,848 Class B shares issued and outstanding before the redemption

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

In the fourth quarter of 2008, cash flows from operating activities served to pay for the acquisition of property, plant and equipment and repay $4,666,000 in long-term debt, while in the same quarter of 2007, the Company had repaid $14,166,000 on its long-term debt.

At December 31, 2008, the unused and available balance of the revolving credit stood at $64,575,000, compared with $102,564,000 at December 31, 2007.

CASH FLOWS AND FINANCIAL RESOURCES (continued)

FINANCIAL SITUATION

TVA Group's financial situation remains good. As at December 31, 2008, the consolidated debt ratio as measured by the debt-to-shareholders' equity ratio stood at 32:68 or 0.46, compared with 21:79 or 0.27 at December 31, 2007. The increase in the debt ratio is due to the Company's use of financing to carry out the major redemption of the Company's Class B shares.

The Company's long-term debt increased by $37,501,000, rising from $56,333,000 at December 31, 2007 to $93,834,000 at December 31, 2008. The deferred financing costs are presented as a reduction of long-term debt on the Company's balance sheet.

The dividends paid by the Company during the fiscal year amounted to $0.20 per share. Considering the share redemption carried out in 2008, the total amount paid by the Company to its shareholders in dividends is lower than the amount paid in 2007.

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

Under its credit agreement, the Company is subject to certain restrictions, including the maintaining of certain financial ratios. As at December 31, 2008, the Company was in compliance with the conditions of its credit agreement.

CAPITAL STOCK

The following table provides data on the Company's capital stock as at December 31, 2008.

Number of shares outstanding as at December 31, 2008

Class A common shares	4,320,000
Class B shares	19,704,206
	24,024,206

Stock options outstanding for the year ended December 31, 2008

	Conventional Class B Stock options	Quebecor Media Inc. stock options
Balance as at December 31, 2007	983,693	328,159
Granted	–	(82,175)
Cancelled	(8,538)	–
Balance as at December 31, 2008	975,155	245,984

Of the options outstanding as at December 31, 2008, 185,144 conventional Class B stock options at an average exercise price of $19.20 and 2,239 QMI stock options at an average exercise price of $30.99 can be exercised.

FINANCIAL INFORMATION OVER 3 YEARS

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

	Year ended December 31, 2008	Year ended 31 December, 2007	Year ended 31 December, 2006
Operating revenues	**$ 436,723**	$ 415,486	$ 393,312
Net income (loss)	**44,804**	38,384	(3,140)
Basic and diluted income (loss) per share	**1.77**	1.42	(0.12)
Total assets	**475,493**	457,545	477,596
Long-term debt	**93,705**	56,116	96,210
Dividends per share			
Class A shares	**0.20**	0.20	0.20
Class B shares	**0.20**	0.20	0.20

The increase in operating revenues between 2006 and 2007 is mainly the result of the Television sector's growth across all of its activities except TVA Network which saw its operating revenues remain stable. The Distribution sector also saw its operating revenues grow 38% due to increased activity in movie theatre releases and video product distribution in 2007. Operating income also jumped 41.2% from 2006 to 2007, mainly as a result of the 50% increase in operating income from speciality channels, the 31% decrease in SUN TV's operating loss, a substantial improvement in the Publishing sector's profit margins and a return to profitability in the Distribution sector. Furthermore, an impairment expense for the broadcasting licence and SUN TV's goodwill of $31.1 million minus related income taxes were recognized in 2006.

Long-term debt decreased in 2007 due to the increase in funds generated by the Company's operating activities, but it increased in 2008 to finance the major share redemption of $51 million.

The decrease in total 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. The growth in total assets between December 31, 2008 and December 31, 2007 is essentially due to the increase in broadcasting rights and property, plant and equipment.

RELATED-PARTY TRANSACTIONS

During the year ended December 31, 2008, 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 $48,385,000 ($39,674,000 for 2007). Transactions with related companies are recorded at exchange value, as established by the parties.

For the year ended December 31, 2008, the Company recorded an amortization expense for broadcast rights, expenses for information and communication systems, 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 $14,899,000 ($10,389,000 for 2007).

The Company also recorded management fees to the parent company in the amount of $4,100,000 for 2008 ($3,800,000 for 2007).

Quebecor World Inc.

In 2008, the Company acquired from the subsidiaries of Quebecor Media Inc. receivables from Quebecor World Inc. totalling $10,497,000 in consideration of a payment of $10,272,000. Following these transactions, the Company recorded a gain of $225,000, which was accounted for as contributed surplus.

RELATED-PARTY TRANSACTIONS (continued)

Legal proceedings were brought against the Company by Quebecor World Inc. with respect to the contract for printing and related services cancelled in 2008. The total amount being claimed is approximately $14,000,000. The outcome of these proceedings cannot be determined with certainty. However, management believes that these proceedings are unfounded and intends to defend its position vigorously.

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 $79,394,000.

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

2009	$ 51,695,000
2010	$ 17,071,000
2011	$ 6,180,000
2012	$ 2,638,000
2013	$ 675,000
2014 and thereafter	$ 1,135,000

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 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, 2008, the balance of the Company's commitments under licence conditions imposed by the CRTC was $58,000.

GUARANTEES

In the normal course of its operations, the Company provides indemnification agreements to counterparties in transactions such as purchase contracts, service agreements and leasing transactions. These indemnification agreements require the Company to compensate the counterparties for costs incurred as a result of changes in laws and regulations (including tax legislation) or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnification agreements will vary based upon the contract. The nature of the indemnification agreements prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to counterparties. 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 $895,000. As at December 31, 2008, 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.

The Company performed its impairment tests for goodwill on April 1, 2008 and concluded that there was no impairment to be recorded. Furthermore, despite current economic conditions, management did not detect any of the triggers that would require the annual tests for impairment to be performed earlier than usual.

LICENCES

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

These licences are tested for impairment annually or are re-evaluated 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.

The Company performed its impairment tests for broadcasting licences on April 1, 2008 and concluded that there was no impairment to be recorded. Furthermore, despite current economic conditions, management did not detect any of the triggers that would require the annual tests for impairment to be performed earlier than usual.

PENSION PLANS AND 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.

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 1st, 2008, the Company adopted the Canadian Institute of Chartered Accountants Handbook (CICA Handbook) Section 3031, *Inventories,* Section 1535, *Capital Disclosures,* Section 3862, *Financial Instruments – Disclosures,* and Section 3863, *Financial Instruments – Presentation.* Changes in accounting policies in conformity with these new accounting standards are as follows:

a) Section 3031 Inventories
   This section requires the disclosure of additional details on the determination and recognition of inventories as well as on the information to be presented. The adoption of this new section did not have a significant effect on the consolidated financial statements.

b) Section 1535 Capital Disclosures
   Section 1535 requires the disclosure of qualitative and quantitative information to enable users of the financial statements to evaluate the Company's capital management objectives, policies and procedures. The Company has presented the required information in the notes to the interim financial statements of December 31, 2008.

c) Section 3862 Financial Instruments – Disclosures and Section 3863 Financial Instruments – Presentation
   These sections require the disclosure of additional information on financial instruments. The Company has presented the required information in the notes to the interim financial statements of December 31, 2008.

The adoption of these new sections did not have a significant effect on the consolidated financial statements, with the exception of the supplemental information presented in the notes.

RECENT ACCOUNTING DEVELOPMENTS IN CANADA

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 1st, 2008. The Company is currently evaluating the effects of this new standard on the consolidated financial statements.

In February 2008, the Accounting Standards Board of Canada confirmed that Canadian GAAP, as used by companies with a public obligation to report, will be fully converged to International Financial Reporting Standards ("IFRS") published by the International Accounting Standards Board ("IASB"). The Company will have to present its interim and annual financial statements for 2011 in accordance with IFRS and supply comparative information for the previous fiscal year in accordance with IFRS.

IFRS utilize a conceptual framework similar to that of Canadian GAAP, but include significant differences with regard to recognition, evaluation, presentation and the information to be provided. In order to prepare for this transition to IFRS, the Company has defined an official governance structure requiring the involvement of the members of senior management from all of the departments and subsidiaries concerned and has also retained the services of external consultants.

It completed a detailed evaluation of the impact of the IFRS adoption project, including a high-level analysis of the effect on financial information, corporate processes, internal controls and information systems, and it is working on creating implementation strategies. The Company provided its key employees with initial training and further investment in training and resources during the implementation period will be made to ensure an effective and timely transition.

RECENT ACCOUNTING DEVELOPMENTS IN CANADA (continued)

At the moment, the effect on the Company's financial situation and future operating results cannot reasonably be determined. The Company continues to closely monitor the evolution of major differences between Canadian GAAP and IFRS. Reports on the progress of implementation and the possible effects of IFRS adoption on information reporting will be provided during the implementation period.

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. These risks are not the only ones that may affect the Company. Other risks and uncertainties, which the Company is unaware of or deems negligible at this time, could also have a considerable negative impact on its financial situation, its operating results, its cash flows or its activities.

SEASONALITY

The 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 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. 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.

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

RISKS RELATING TO CHANGES IN ECONOMIC CONDITIONS AND FRAGMENTATION OF THE MEDIA LANDSCAPE.

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

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

RISKS AND UNCERTAINTIES (continued)

RISKS RELATING TO THE POSSIBILITY THAT OUR CONTENT MAY NOT ATTRACT LARGE AUDIENCES, WHICH MAY LIMIT OUR ABILITY TO GENERATE ADVERTISING REVENUES

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

CREDIT RISKS

The concentration of credit risk with respect to trade receivables is limited due to the Company's diverse operations and customer base. However, the Company is not protected from its customers' failure to meet their contractual obligations, especially during difficult economic times. As at December 31, 2008, no customer balance represented a significant portion of the Company's consolidated trade receivables. In addition, the provision for bad debt was established taking into account the financial difficulties of some of our customers' industries.

RISKS RELATING TO THE FACT THAT PROGRAMMING CONTENT MAY BECOME MORE EXPENSIVE TO ACQUIRE AND PRODUCTION COSTS MAY INCREASE

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

GOVERNMENT 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 broadcasting, 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. Furthermore, the CRTC is the government authority responsible for issuing and renewing broadcasting licences and for the regulations governing the Canadian broadcasting system. The Company is subject to the CRTC's decisions in these areas and any decision made by this organization that runs counter to the Company's positions and interests may negatively affect its activities and operating results.

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.

RISKS AND UNCERTAINTIES (continued)

DISTRIBUTOR RISKS

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

RISKS RELATING TO THE IMPACT ON THE BUSINESS OF THE COMPANY OF THE LOSS OF KEY MANAGEMENT AND OTHER PERSONNEL, OR THE INABILITY TO ATTRACT, RETAIN AND MOTIVATE SUCH MANAGEMENT AND OTHER PERSONNEL

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

RISKS RELATING TO LITIGATION AND OTHER CLAIMS.

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

FINANCING RISKS

The Company is fully financed for its current activities and has access to a credit facility (the "facility") of $160,000,000 that will mature on June 15, 2010. However, risk factors such as capital market upheavals could reduce the amount of capital available or increase the cost of this capital. There is no guarantee that additional funds will be made available to the Company, or that if they are, that they will be provided within a time frame and under conditions that are acceptable to the Company. Not being able to obtain this additional financing, at the required time and if necessary, could have a significant negative effect on the Company. However, this risk is mitigated by the fact that the Company has access until June 15, 2010 to the unused portion of this facility, which stood at $64,575,000 as at December 31, 2008. The Company could also finance its future capital needs using cash provided by operations or by a public issue of shares.

ECONOMIC ENVIRONMENT RISKS

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

RISKS AND UNCERTAINTIES (continued)

DISCLOSURE CONTROLS AND PROCEDURES

In accordance with *Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings*, an evaluation of the effectiveness of the Company's disclosure controls and procedures (DC&P) and its internal control over financial reporting (ICFR) was conducted. Based on this evaluation, the President and Chief Executive Officer, and the Vice-President and Chief Financial Officer have concluded that DC&P and ICFR were effective as of the year ended December 31, 2008, and that, as a result, ICFR design provides reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared, and the information that the company must present in its annual documents, its interim documents or in other documents it files or submits under securities regulations is recorded, processed, condensed and presented within the time frames prescribed by this legislation. Furthermore, ICFR design provides reasonable assurance that the Company's financial information is reliable and that its financial statements have been prepared, for the purpose of publishing financial information, in accordance with the Company's GAAP.

Lastly, no changes to the ICFR that have had or are likely to have a significant effect on this control mechanism were identified by management during the accounting period commencing on October 1, 2008 and ending on December 31, 2008.

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.

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, 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 16, 2009, 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 16, 2009

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 consolidated financial statements 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 auditor appointed by the shareholders has full access to the Audit Committee, with and without management being present.

These financial statements have been audited by the auditor appointed by the shareholders, Ernst & Young 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 16, 2009

AUDITORS' REPORT

To the shareholders of TVA Group Inc.

We have audited the balance sheet of TVA Group Inc. as at December 31, 2008 and the consolidated statements of income, comprehensive income, retained earnings and cash flows for the year 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 audit.

We conducted our audit 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, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at December 31, 2007 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those financial statements in their report dated February 4, 2008.

Ernst & Young LLP

Chartered Accountants

Montréal, Canada
February 6, 2009

[1] CA auditor permit No. 19483

CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2008 and 2007

(in thousands of dollars, except per share amounts)

	2008	2007
Operating revenues	**$ 436,723**	$ 415,486
Operating, selling and administrative expenses	**370,421**	356,105
Amortization of property, plant and equipment and intangible assets (*notes 12 and 13*)	**13,468**	12,471
Amortization of deferred start-up costs (*note 14*)	**518**	471
Financial expenses (*note 3*)	**1,760**	4,477
Restructuring costs of operations (*note 4*)	**184**	1,382
Income before income taxes, non-controlling interest and share of income from companies subject to significant influence	**50,372**	40,580
Income taxes (*note 5*)	**8,259**	5,714
Non-controlling interest	**(1,802)**	(2,651)
Share of income from companies subject to significant influence	**(889)**	(867)
Net income	**$ 44,804**	$ 38,384
Basic and diluted earnings per share (*note 18*)	**$ 1.77**	$ 1.42

See accompanying notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31, 2008 and 2007

(in thousands of dollars)

	2008	2007
Net income	**$ 44,804**	$ 38,384
Unrealized loss on a derivative financial instrument (note 24) (net of income taxes of $130)	**(304)**	–
Comprehensive income	**$ 44,500**	$ 38,384

See accompanying notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Years ended December 31, 2008 and 2007

(in thousands of dollars)

	2008	2007
Balance, beginning of year	**$ 95,610**	$ 62,631
Net income	**44,804**	38,384
Dividends paid	**(5,105)**	(5,405)
Share redemption – excess of purchase price over net carrying value (*note 18*)	**(36,208)**	–
Balance, end of year	**$ 99,101**	$ 95,610

See accompanying notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

December 31, 2008 and 2007

(in thousands of dollars)

	2008	2007
Assets		
Current assets		
Cash	**$ 5,262**	$3,225
Accounts receivable (*note 9*)	**104,399**	108,800
Investments in televisual products and films (*note 10*)	**49,445**	45,906
Inventories and prepaid expenses	**6,215**	5,969
Future income tax assets (*note 5*)	**2,363**	4,629
	167,684	168,529
Investments in televisual products and films (*note 10*)	**35,952**	27,253
Investments (*note 11*)	**32,148**	31,571
Property, plant and equipment (*note 12*)	**88,590**	77,275
Future income tax assets (*note 5*)	**80**	2,319
Other assets (*note 14*)	**9,343**	8,885
Licences and other intangible assets (*note 13*)	**69,715**	69,732
Goodwill	**71,981**	71,981
	$ 475,493	$ 457,545
Liabilities and Shareholders' Equity		
Current liabilities		
Bank overdraft	**$ 147**	$ 2,435
Accounts payable and accrued liabilities (*note 15*)	**98,063**	97,320
Broadcast and distribution rights payable	**24,400**	23,054
Deferred revenue	**7,573**	6,613
	130,183	129,422
Broadcast rights payable	**5,021**	3,965
Long-term debt (*note 17*)	**93,705**	56,116
Future income tax liabilities (*note 5*)	**31,606**	39,334
Other long-term liabilities (*note 16*)	**550**	731
Non-controlling interest and redeemable preferred shares (*notes 6 and 11*)	**11,656**	13,458
	272,721	243,026
Shareholders' equity		
Capital stock (*note 18*)	**99,930**	115,137
Contributed surplus (*notes 5 and 22*)	**4,045**	3,772
Retained earnings	**99,101**	95,610
Accumulated other comprehensive income	**(304)**	–
	202,772	214,519
	$ 475,493	$ 457,545

Commitments, guarantees and contingencies (note 23)

See accompanying notes to Consolidated Financial Statements.

On behalf of the Board:

(signed)
Jean Neveu, Chairman of the Board

(signed)
Marc A. Courtois, Director

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2008 and 2007

(in thousands of dollars)

	2008	2007
Cash flows from operating activities		
Net income	**$44,804**	$ 38,384
Non-cash items		
Share of income from companies subject to significant influence	**(889)**	(867)
Amortization	**14,074**	13,030
Future income taxes (*note 5*)	**(3,238)**	(4,680)
Tax benefits relating to tax deductions (*note 5*)	**–**	(3,670)
Non-controlling interest	**(1,802)**	(2,651)
Other	**(624)**	(1,448)
Cash flows from current operations	**52,325**	38,098
Net change in non-cash items (*note 8*)	**(6,380)**	21,946
	45,945	60,044
Cash flows from investing activities		
Additions to property, plant and equipment	**(21,881)**	(16,200)
Deferred start-up costs for specialty channels	**(352)**	–
Business acquisition (*note 2*)	**(105)**	(2,899)
Repayment of convertible bonds issued by an affiliated company (*note 11*)	**–**	24,625
Other changes in investments	**(263)**	76
	(22,601)	5,602
Cash flows from financing activities		
Bank overdraft	**(2,288)**	2,435
Increase (decrease) in long-term debt	**37,501**	(40,182)
Redemption of redeemable preferred shares (*note 11*)	**–**	(24,625)
Issuance of shares of a subsidiary (*note 6*)	**–**	2,400
Share redemption (*note 18*)	**(51,415)**	–
Dividends paid	**(5,105)**	(5,405)
	(21,307)	(65,377)
Net change in cash	**2,037**	269
Cash, beginning of year	**3,225**	2,956
Cash, end of year	**$ 5,262**	$ 3,225

See accompanying notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

(Tabular amounts 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) Consolidation, joint ventures and companies subject to significant influence

The consolidated financial statements include the accounts of the Company and all of its subsidiaries from the date control was acquired to the balance sheet date. Interests in joint venture are accounted for using the proportionate consolidation method.

Investments in companies subject to significant influence are accounted for using the equity method.

(b) Changes in accounting policies

On January 1, 2008, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") *Handbook* Section 3031, *Inventories*, which requires that additional information be provided regarding the measurement and recognition of inventories and the related disclosures. The adoption of this new section did not have a significant effect on its consolidated financial statements.

On January 1, 2008, the Company also adopted Section 3862, *Financial Instruments –Disclosures*, Section 3863, *Financial Instruments – Presentation* and Section 1535, *Capital Disclosures*. The disclosures required by the new standards are presented in note 24 to these consolidated financial statements.

(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 measured 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 measurement of the fair value of assets and liabilities from business combinations, the implied 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.

1. Significant accounting policies (continued)

(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 and productions produced and in progress

Programs and productions produced and in progress relate to television activities and the distribution of audiovisual content. Programs and productions 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 or production. Net realizable value represents estimated future revenues, less estimated future operating costs. The cost of each program and production is charged to operating, selling and administrative expenses when the program or production is broadcast and, for distribution, when recognition conditions are met.

(g) Broadcast rights and broadcast rights payable

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

I) The cost of each program, film or series is known or can be reasonably determined.
II) The programs, films or series have been accepted by the 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 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. Net realizable value represents estimated future revenues from the broadcast of programs, less estimated future operating costs.

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 contracts as a liability when the film has been accepted in accordance with the terms set out in the contract, the film is available for broadcast and the cost of the rights is known or can be reasonably estimated.

1. Significant accounting policies (continued)

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

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. Amortization of distribution rights is included under operating, selling and administrative expenses.

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) Property, plant and equipment

Property, plant and equipment 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 start-up costs for specialty services

Deferred start-up costs for specialty services are amortized on a straight-line basis over a five-year period from the commencement of commercial operations. Deferred start-up costs for specialty services are included under other assets.

(k) Deferred financing costs

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

(l) Impairment of long-lived assets

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

(m) Intangible assets and goodwill

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

The other intangible asset with a finite useful life is an acquired client list which is amortized on a straight-line basis over its useful life, that is, three years.

1. Significant accounting policies (continued)

(m) Intangible assets and goodwill (continued)

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

In 2007, the Company changed the date of its annual impairment test from October 1 to April 1. The Company performed its annual impairment tests on April 1, 2008 and concluded that there was no need to record any impairment.

(n) 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 these post-retirement benefits. The difference between employer contributions to the plan and the recorded employee benefit expense is accounted for as an accrued benefit asset or obligation.

The following accounting policies apply to all defined benefit plans:

I) The cost of pension and post-retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and is charged to income as services are provided by employees. The calculations take into account management's best estimates of expected 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 measured 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 of 12 years.
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.

1. Significant accounting policies (continued)

(o) 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, screening, 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.

Theatrical revenues are recognized in the months during which the film is screened 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 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.

(p) 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.

1. Significant accounting policies (continued)

(q) 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 legislation 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.

(r) 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 each year under operating, selling and administrative expenses over the vesting period of the options. Changes in the fair value of the underlying shares under option occurring between the award date and the measurement date result in changes in the valuation of the compensation expense with a corresponding adjustment to accounts payable and accrued liabilities. For the executive and employee share plan, the Company's contributions on the employees' behalf are recorded as an operating, selling and administrative expense. Any consideration paid by executives and employees to purchase stock is credited to capital stock. Awards to senior management under the deferred share unit plan and Quebecor Media Inc.'s stock option plan are valued and recorded in the financial statements using the intrinsic value method. Under this method, changes in the fair value of the share units and of Quebecor Media Inc.'s stock options modify the compensation expense which is recorded over the vesting period of the awards under operating, selling and administrative expenses.

(s) 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.

(t) Barter transactions

In the normal course of business, the Company broadcasts 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, 2008, the Company recognized revenues from barter transactions totalling $10,742,000 ($7,827,000 in 2007) and operating expenses related to barter transactions totalling $10,715,000 ($8,881,000 in 2007).

(u) Financial instruments

Classification, recognition and measurement

As of January 1, 2007, financial instruments are classified as held for trading, available for sale, held to maturity, receivables or other financial liabilities. Financial assets and financial liabilities classified as held for trading are measured at fair value with changes recognized through 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 through comprehensive income. Financial assets classified as held to maturity, receivables and other financial liabilities are measured at amortized cost using the effective interest method. The Company classified its cash and bank overdraft as held for trading. Accounts receivable and amounts due 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. Long-term debt transaction costs are capitalized on initial recognition and presented as a reduction of long-term debt.

1. Significant accounting policies (continued)

(u) Financial instruments (continued)

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

Derivative financial instrument and hedge accounting

The Company has one derivative financial instrument, an interest rate swap. The Company uses an interest rate swap to hedge the interest rate risk on a portion of long-term debt. This interest rate swap is designated as a cash flow hedge because a floating rate is converted to a fixed rate.

The Company elected to apply cash flow hedge accounting to this derivative financial instrument. It does not use this derivative financial instrument for speculative purposes. The Company documents the hedging relationship between the derivative financial instrument and the hedged item, as well as its risk management objective and strategy that resulted in the hedging relationship, and it assesses the effectiveness of this derivative financial instrument when the hedge is put in place and on an ongoing basis.

For the derivative financial instrument designated as a cash flow hedge, the interest rate swap, the effective portion of the hedge is reported in comprehensive income as an unrealized gain (loss) on a financial instrument, and the ineffective portion is recognized in the consolidated statement of income under financial expenses. The effective portion of the hedging relationship reported in accumulated other comprehensive income is recognized in income during the period in which the hedged item affects income. When a cash flow hedge is discontinued, the amounts previously recognized in accumulated other comprehensive income are reclassified to income when the change in cash flows of the hedged item affects income.

(v) Future changes in accounting standards

In January 2008, the CICA issued Section 3064, *Goodwill and Intangible Assets*, which supersedes Section 3062, *Goodwill and Other Intangible Assets*, Section 3450, *Research and Development Costs*, and Emerging Issues Committee ("EIC") Abstract *27, Revenues and Expenditures During the Pre-operating Period*, and amends Accounting Guideline (AcG) 11, *Enterprises in the Development Stage*. The new Section provides guidelines on the recognition of intangible assets in accordance with the definition of an asset under the principle-based approach to the recognition of assets, and clarifies the application of the concept of matching revenues and expenses for acquired or internally developed assets. The new standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The Company is currently evaluating the effect of adopting this standard.

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

2. Business acquisitions

Canal Indigo

On February 15, 2008, the Company entered into an agreement to purchase all of the units it did not hold of Canal Indigo S.E.N.C. for a total consideration of $105,000. This transaction, completed on August 31, 2008, was recorded using the purchase method, and the results are included in the Company's consolidated results since September 1, 2008 (*note 16*).

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 results of this new magazine are included in the Company's consolidated results since July 30, 2007.

Sun TV Company

On January 8, 2007, the Company made the final payment of the purchase price for SUN TV, a conventional television station in Toronto, including a working capital adjustment of $2,625,000.

3. Financial expenses

	2008	2007
Interest on long-term debt (*note 17*)	**$ 3,423**	$ 4,279
Dividends on redeemable preferred shares (*note 11*) (1)	**1,064**	3,646
Interest income on convertible bonds issued by an affiliated company (*note 11*) (1)	**(1,029)**	(3,529)
Interest income	**(1,324)**	(404)
Amortization of deferred financing costs	**88**	88
Foreign exchange loss (gain)	**(477)**	385
Other interest	**15**	12
	$ 1,760	$ 4,477

(1) Dividends totalling $1,061,000 ($3,730,000 in 2007) were paid, while $1,027,000 ($3,609,000 in 2007) was received as interest income.

4. Restructuring costs of operations

During the year, the Company recorded a provision for restructuring costs in the amount of $184,000 following the elimination of a position in the television segment. The balance of restructuring costs payable as at December 31, 2008 was $85,000 ($429,000 as at December 31, 2007).

In 2007, 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.

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 repositioning of production and distribution activities.

In 2008, costs of $389,000 ($319,000 in 2007) were charged against this provision.

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

4. Restructuring costs of operations (continued)

In 2007, following the settlement of certain matters and based on new information available to the Company, the provision was revised, resulting in a $952,000 provision increase for new claims related to the production activities of its former subsidiary, TVA Acquisition Inc. The Company also reduced the liabilities initially recorded on certain productions of the former subsidiary for an amount of $851,000.

The balance of the restructuring provision for this segment therefore amounts to $2,796,000 as at December 31, 2008 ($3,185,000 as at December 31, 2007) and is included in accounts payable and accrued liabilities.

5. Income taxes

Income tax expense is detailed as follows:

	2008	2007
Current income taxes	**$ 11,497**	$ 10,394
Future income taxes	**(3,238)**	(4,680)
	$ 8,259	$ 5,714

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

	2008	2007
Canadian statutory tax rate	**30.9%**	32.0%
Impact of provincial tax rate differences	**(0.3)**	(0.7)
	30.6	31.3
Increase (decrease) resulting from:		
Tax impact of non-deductible charges	**1.9**	5.8
Favourable judgment	**(1.3)**	–
Tax impact of Québec and federal future tax rate increase or decrease	**–**	(7.3)
Tax benefits recognized following the adoption of Bill C-33	**–**	(9.0)
Change in deferred credit	**(0.3)**	(0.6)
Other [(1)]	**(14.5)**	(6.1)
Effective tax rate	**16.4%**	14.1%

(1) Includes reductions in future income tax liabilities of 13.5% (4.4% in 2007) in light of changes to tax audit matters, jurisprudence and tax legislation.

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

5. Income taxes (continued)

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

	2008	2007
Future income tax assets		
Loss carryforwards	**$ 13,513**	$ 13,726
Provision for restructuring costs	**366**	471
Goodwill, licences and other intangible assets	**609**	3,058
Difference between carrying amount and tax basis of property, plant and equipment and investments	**2,047**	3,220
Other	**1,961**	3,929
	18,496	24,404
Valuation allowance	**(16,053)**	(17,456)
	2,443	6,948
Future income tax liabilities		
Goodwill and licences	**(19,408)**	(21,273)
Difference between carrying amount and tax basis of property, plant and equipment and investments	**262**	(38)
Other	**(12,460)**	(18,023)
	(31,606)	(39,334)
Net future income tax liabilities	**$ (29,163)**	$ (32,386)

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

	2008	2007
Future income tax assets		
Current	**$ 2,363**	$ 4,629
Long-term	**80**	2,319
	2,443	6,948
Future income tax liabilities		
Long-term	**(31,606)**	(39,334)
Net future income tax liabilities	**$ (29,163)**	$ (32,386)

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 production and distribution companies. Amounts corresponding to these future income tax assets were recognized under accounts payable and accrued liabilities, and other long-term liabilities, which are amortized to income tax expense in proportion to the net reduction of the future income tax assets. As at December 31, 2008, the deferred credit balance amounted to $482,000 ($627,000 in 2007).

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

5. Income taxes (continued)

During 2006 and prior years, the Company obtained from Quebecor World Inc., a company that was then under common control of the ultimate parent entity, Quebecor Inc., tax deductions representing income tax benefits. An amount of $3,670,000 was recognized in the Company's results in 2007 following the federal government's adoption of Bill C-33 which provided for the modification of the deduction multiple for tax deductions. These income tax benefits had been recorded as current income tax liabilities as of December 31, 2006 pending the official enactment of the Bill by taxation authorities. No amount is payable to Quebecor World Inc. pursuant to these transactions as at December 31, 2008 ($626,000 in 2007).

During the year, a total income tax amount of $915,000 ($3,596,000 in 2007) was received, generating additional gains of $48,000 ($48,000 in 2007) which 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 that these retained earnings will become taxable.

Figures in the tables presented previously for 2008 and 2007 include a valuation allowance of $16,053,000 and $17,456,000, respectively, relating to loss carryforwards and other available income tax benefits. The net change in the valuation allowance for the year ended December 31, 2008 was due to a $602,000 reduction in the valuation allowance resulting from the use of income tax losses and an $801,000 reduction resulting from the use of other available income tax benefits for which a valuation allowance was recognized. The $2,547,000 reduction in the valuation allowance in 2007 was mainly due to a reduction in the federal income tax rate.

As at December 31, 2008, the Company had loss carryforwards for income tax purposes of approximately $1,325,000 ($2,528,000 in 2007) available to reduce its future taxable income. These loss carryforwards expire as follows:

2026	$ 122,000
2028	$ 1,203,000

The Company also has capital losses in the amount of $82,684,000 ($82,856,000 in 2007) that may be carried forward indefinitely and for which no future income tax assets were recorded.

6. Non-controlling interest

During 2007, a Company subsidiary, Sun TV Company, in which the Company has a 75% interest and which operates the SUN TV television station, raised $2,400,000 in additional capital in the form of capital stock from its non-controlling shareholder, Sun Media Corporation, which is under the common control of the ultimate parent entity, Quebecor Inc. As at December 31, 2008, investments in capital stock totalling $33,648,000 have been made, including $25,236,000 from the Company and $8,412,000 from Sun Media Corporation. The respective percentage interests in Sun TV Company remained unchanged.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

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

7. Joint ventures

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

	2008	2007
Consolidated statements of income		
Operating revenues	$ 8,004	$ 6,137
Operating, selling and administrative expenses	5,333	4,986
Operating income before interest income	2,671	1,151
Interest income	70	65
Net income	$ 2,741	$ 1,216
Consolidated balance sheets		
Current assets	$ 7,726	$ 7,099
Long-lived assets	140	–
Current liabilities	2,555	3,595
Long-term liabilities	67	–
Consolidated statements of cash flows		
Cash flows from operating activities	1,483	743
Cash flows from financing activities	(1,000)	(1,010)

8. Cash flow information

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

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

	2008	2007
Decrease (increase) in assets		
Accounts receivable	$ 6,152	$ (4,164)
Investments in televisual products and films	(12,238)	(3,752)
Inventories and prepaid expenses	(246)	303
Increase (decrease) in liabilities		
Accounts payable and accrued liabilities	7,289	12,302
Broadcast and distribution rights payable	2,402	898
Deferred revenues	960	(409)
Current income tax assets and liabilities	(10,699)	16,768
	$ (6,380)	$ 21,946

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

	2008	2007
Interest paid	$ 2,544	$ 4,054
Net income taxes (received)	$ 22,244	$ (2 673)

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

8. Cash flow information (continued)

(c) Non-cash transactions

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

	2008	2007
Additions to property, plant and equipment funded by accounts payable and accrued liabilities	$ 4,233	$ 1,453

9. Accounts receivable

	2008	2007
Trade accounts receivable	$ 76,424	$ 75,875
Receivables from companies under common control and affiliated companies	20,560	23,068
Tax credits and government assistance receivable	4,718	8,911
Current income tax assets	2,697	946
	$ 104,399	$ 108,800

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.

10. Investments in televisual products and films

			2008
	Short-term	Long-term	Total
Programs and productions produced and in progress	$ 6,251	$ –	$ 6,251
Broadcast rights	43,194	27,130	70,324
Distribution rights	–	8,822	8,822
	$ 49,445	$ 35,952	$ 85,397

			2007
	Short-term	Long-term	Total
Programs and productions 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

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

11. Investments

	2008	2007
Convertible bonds issued by an affiliated company (1)	**$ 9,750**	$ 9,750
Canoe Inc., portfolio investment, 13.8% ownership interest (2)	**11,262**	11,262
Tele Inter-Rives Ltd., company subject to significant influence, 45% ownership interest	**8,235**	7,657
Other investments	**2,901**	2,902
	$ 32,148	$ 31,571

(1) On July 12, 2005, a Company subsidiary, SunTV Company, in which the Company has a 75% ownership interest and which operates the SUN TV television station, entered into a tax consolidation transaction with the Company and its non-controlling shareholder, Sun Media Corporation, which is under the common control of the ultimate parent entity, Quebecor Inc. To effect this transaction, Sun TV Company issued 149,300 preferred shares redeemable at the option of the holder at a price of $1,000 per share and carrying a 10.85% fixed cumulative dividend, of which 37,300 shares at a price of $1,000 were issued to Sun Media Corporation. 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 tax consolidation effected on July 12, 2005 with the Company and its non-controlling shareholder, Sun Media Corporation. To effect 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 preferred shares redeemable at the option of the holder and carrying a 10.85% fixed cumulative dividend for a consideration of $98,600,000 ($11,700,000 in 2006), including 24,625 preferred shares from Sun Media Corporation for a $24,625,000 consideration ($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 in the consolidated balance sheet.

This transaction also reduced the Company's and Sun Media Corporation's current income taxes 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, the Company has a $9,750,000 long-term convertible bond investment in Sun Media Corporation, on a consolidated basis, and an equivalent amount in redeemable preferred shares included under non-controlling interest and redeemable preferred shares as at December 31, 2008 and 2007.

(2) Canoe Inc. is a company under common control of the ultimate parent entity, Quebecor Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

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

12. Property, plant and equipment

			2008
	Cost	**Accumulated amortization**	**Net book value**
Land	**$ 3,168**	**$ –**	**$ 3,168**
Buildings	**77,974**	**55,368**	**22,606**
Equipment	**201,693**	**153,195**	**48,498**
Projects in progress	**14,318**	**–**	**14,318**
	$ 297,153	**$ 208,563**	**$ 88,590**

			2007
	Cost	Accumulated amortization	Net book value
Land	$ 3,168	$ –	$ 3,168
Buildings	75,908	51,837	24,071
Equipment	185,053	144,529	40,524
Projects in progress	9,512	–	9,512
	$ 273,641	$ 196,366	$ 77,275

13. Licences and other intangible assets

			2008
	Cost	**Accumulated amortization**	**Net book value**
Broadcast licences	**$ 92,849**	**$ 23,260**	**$ 69,589**
Trademark	**100**	**–**	**100**
Client list	**50**	**24**	**26**
	$ 92,999	**$ 23,284**	**$ 69,715**

			2007
	Cost	Accumulated amortization	Net book value
Broadcast licences	$ 92,849	$ 23,260	$ 69,589
Trademark	100	–	100
Client list	50	7	43
	$ 92,999	$ 23,267	$ 69,732

Broadcast licences are no longer amortized since September 1, 2001.Amortization of the client list amounted to $17,000 in 2008 ($7,000 in 2007).

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

14. Other assets

	2008	2007
Accrued benefit asset (*note 21*)	**$ 8,489**	$ 7,865
Deferred start-up costs for specialty channels, net ofaccumulated amortization	**854**	1,020
	$ 9,343	$ 8,885

15. Accounts payable and accrued liabilities

	2008	2007
Trade accounts payable and accrued liabilities	**$ 87,209**	$ 72,437
Accounts payable to companies under common control and affiliated companies	**8,447**	13,375
Current income tax liabilities	**2,041**	11,037
Deferred credit (*note 5*)	**366**	471
	$ 98,063	$ 97,320

16. Other long-term liabilities

	2008	2007
Share in shareholders' deficiency of an investment in a company subject to significant influence (1)	**$ –**	$ 575
Deferred credit (*note 5*)	**116**	156
Derivative financial instrument (*note 24*)	**434**	–
	$ 550	$ 731

(1) During 2008, the Company invested an additional $490,000 in the capital of the pay-per-view television service, Canal Indigo S.E.N.C., in which it already held a 20% interest (*note 2*).

17. Long-term debt

During 2005, the Company renewed its credit agreement consisting of a revolving term loan for a maximum amount of $160,000,000, bearing interest at floating rates based on the bankers' acceptance rate or bank prime rate, plus a variable margin based on the ratio of total debt to operating income before interest, income taxes, amortization and other items. The credit agreement matures on June 15, 2010 and is repayable in full on that date. In order to manage interest rates related to the credit agreement, the Company entered into an interest rate swap agreement (*note 24*).

As at December 31, 2008, borrowings comprised $93,834,000 ($51,383,000 in 2007) of bankers' acceptances, bearing interest at a weighted average rate of 3.43% (5.43% in 2007). No amount had been drawn down under the revolving term loan as at December 31, 2008 ($4,950,000 in 2007).

Under the credit agreement, the Company is subject to certain covenants including maintenance of certain financial ratios. As at December 31, 2008, the Company was in compliance with these covenants.

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

17. Long-term debt (continued)

As at December 31, 2008, the Company had outstanding letters of credit amounting to $425,000 ($485,832 in 2007).

Long-term debt consisted of the following:

	2008	2007
Bankers' acceptances issued	**$ 93,834**	$ 51,383
Borrowings under the revolving term loan	**–**	4,950
Deferred financing costs, net of accumulated amortization	**(129)**	(217)
Long-term debt	**$ 93,705**	$ 56,116

18. Capital stock

Authorized

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

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

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

	2008	2007
Issued and fully paid		
4,320,000 Class A common shares	**$ 72**	$ 72
19,704,206 Class B shares (22,704,848 in 2007)	**99,858**	115,065
	$ 99,930	$ 115,137

Substantial issuer bid

On April 1, 2008, the Company filed a substantial issuer bid to redeem for cancellation up to 2,000,000 Class B participating and non-voting shares, or approximately 8.8% of the total number of its issued and outstanding shares, for a fixed price of $17.00 per Class B share. On May 14, 2008, the Company filed a notice to amend and extend its initial bid in order to increase the maximum number of shares redeemable under the bid to 3,000,000 Class B shares, and extended the bid to June 2, 2008. A total of 9,189,542 Class B shares had been tendered as of the issuer bid deadline.

Taking into account the proration factor, adjustments for odd lot purchases and to avoid the creation of new irregular lots, the Company took up 3,000,642 Class B shares, for a total consideration of $51,010,914, plus $404,000 in transaction fees. The Class B shares redeemed for cancellation under this issuer bid represented 13.2% of the 22,704,848 Class B shares issued and outstanding before the redemption.

Class B stock option plan for officers

Under the plan introduced in 1999 for officers of the Company and its subsidiaries, the terms and conditions for granting options are determined by the Company's Compensation Committee. However, the purchase price of each Class B share under an option cannot be less than the closing market price the day before the option is granted. In addition, the option term cannot exceed 10 years. In 2008, the Company increased the number of Class B shares issuable over the term of the Class B stock option plan for officers to 2,200,000 from 1,400,000.

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

18. Capital stock (continued)

Class B stock option plan for officers (continued)

When exercising options, the holders may elect to receive from the Company a cash payment equal to the number of shares underlying the options exercised, multiplied by the difference between the market value and the exercise price of the shares under option. Market value is defined as the average closing market price of the shares over the last five trading days preceding the date on which the option was exercised. Since January 2006, except in certain circumstances and unless the Compensation Committee decides otherwise at the time of grant, options are exercisable over a five-year period as follows:

I) Equally over five years, with the first 20% portion vesting as of the first anniversary of the grant date;
II) Equally over four years, with the first 25% portion vesting as of the second anniversary of the grant date;
III) Equally over three years, with the first 33% portion vesting as of the third anniversary of the grant date.

During the year, the Company did not grant any new options under the plan (561,875 granted in 2007).

A compensation expense reversal of $80,000 (a $73,000 expense in 2007) was recognized, reflecting the fact that the market value of TVA Group Inc.'s listed shares as at December 31, 2008 was lower than the options' average exercise price.

The following tables provide summary information as at December 31, 2008 and 2007 concerning the conventional options and the changes that occurred during the years then ended:

		2008		2007
Conventional options	**Number**	**Weighted average exercise price (in dollars)**	Number	Weighted average exercise price (in dollars)
Balance, beginning of year	**983,693**	**$ 16.16**	489,695	$ 17.59
Granted	**–**	**–**	561,875	14.82
Cancelled	**(8,538)**	**15.81**	(67,877)	15.52
Balance, end of year	**975,155**	**$ 16.16**	983,693	$ 16.16
Options exercisable, end of year	**185,144**	**$ 19.20**	84,082	$ 20.61

		Outstanding options			Exercisable options
Exercise price range (in dollars)	Number of options outstanding as at December 31, 2008	Weighted average remaining contractual life (years)	Weighted average exercise price (in dollars)	Number of exercisable options as at December 31, 2008	Weighted average exercise price (in dollars)
$14.50 to $16.40	781,024	8.41	$ 14.98	56,451	$ 15.41
$16.41 to $21.38	194,131	5.86	20.90	128,693	20.86
	975,155	7.90	$ 16.16	185,144	$ 19.20

(Tabular amounts 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 acquire shares under certain compensation-related terms and conditions. The shares may be acquired at a price equal to 90% of the average closing market price for the five trading days preceding the exercise date. The plans also include interest-free financing terms. During the year, no Class B shares (none in 2007) were issued under these plans. As at December 31, 2008 and 2007, a balance 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 executives. The deferred share units are redeemable (in cash or, at the Company's option, in Class B shares or in a combination of cash and shares) only upon termination of the participants' employment. Under this plan, no more than 25,000 Class B shares may be issued. During the year, the Company issued no units (none in 2007). No units were outstanding as at December 31, 2008 and 2007.

Earnings per share

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

	2008	2007
Net income	**$ 44,804**	$ 38,384
Weighted average number of shares outstanding	**25,293,708**	27,024,848
Dilutive effect of stock options	**–**	9,797
Weighted average number of diluted shares outstanding	**25,293,708**	27,034,645
Basic and diluted earnings per share (in dollars)	**$ 1.77**	$ 1.42

A total of 975,155 Class B stock options (348,066 in 2007) were not included in the calculation of diluted earnings per share, reflecting the fact that the exercise price was higher than the average share price in 2008.

19. Quebecor Media Inc. stock option plan

Under the stock option plan established by Quebecor Media Inc., options have been granted to the senior executives of TVA Group Inc. Each option may be exercised within ten years of the grant date at an exercise price no lower than the fair value of the common shares at the grant date, as determined by an external expert whose services are retained by the Board of Directors of Quebecor Media Inc. (should Quebecor Media Inc.'s common shares not be listed on a recognized stock exchange at the grant date), or the weighted average price over the last five trading days preceding the grant date of Quebecor Media Inc.'s common shares on the stock exchanges where such shares are listed. So long as Quebecor Media Inc.'s common shares are not listed on a recognized stock exchange, vested options may be exercised only during the following periods: March 1–March 30, June 1–June 29, September 1–September 29 and December 1–December 30. Moreover, on an option's exercise date, option holders may exercise their right, at their discretion, to I) receive a cash amount equal to the appreciation in value of the vested option's underlying shares, or II) under certain conditions, purchase common shares of Quebecor Media Inc.

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

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

Except in specific circumstances, and unless the Compensation Committee of Quebecor Media Inc. decides otherwise, options vest over a five-year period using one of the following methods, as determined by said Compensation Committee at the grant date: I) equally over five years, with the initial 20% portion vesting on the first anniversary of the grant date; II) equally over four years, with the initial 25% portion vesting on the second anniversary of the grant date; and III) equally over three years with the initial 33% portion vesting on the third anniversary of the grant date. Option vesting may also depend on meeting certain performance criteria.

The Company recognized a $618,000 compensation expense reversal under this plan for the year ended December 31, 2008 (a $1,928,000 expense in 2007). The decline in this expense in 2008 resulted from the decrease in fair value of the options of Quebecor Media Inc. as at December 31, 2008 compared with the fair value as at December 31, 2007.

The following tables provide summary information about the options granted to the Company's executives, senior management and other key employees as at December 31, 2008 and 2007 and the changes that occurred during the years then ended.

		2008		2007
Conventional options	**Number**	**Weighted average exercise price (in dollars)**	Number	Weighted average exercise price (in dollars)
Balance, beginning of year	**328,159**	**$ 37.84**	129,118	$ 22.69
Granted	**–**	**–**	204,563	47.25
Cancelled	**–**	**–**	(5,522)	31.92
Exercised	**(82,175)**	**19.54**	–	–
Balance, end of year	**245,984**	**$43.96**	328,159	$ 37.84
Options exercisable, end of year	**2,239**	**$ 30.99**	61,395	$ 17.58

		Outstanding options		Vested options
Exercise price (in dollars)	Number of outstanding options as at December 31, 2008	Weighted average remaining contractual life (years)	Number of vested options as at December 31, 2008	Weighted average exercise price (in dollars)
$ 22.98	12,695	5.70	–	$ –
27.86	8,972	6.25	–	–
30.47	16,582	7.13	1,446	30.47
31.92	3,172	7.70	793	31.92
44.45	2,953	8.60	–	–
47.29	201,610	8.85	–	–
	245,984	8.46	2,239	$30.99

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

20. Tax credits and government assistance

Government assistance and production financing amounting to $1,760,000 ($2,200,000 in 2007) were applied against program production expenses included in operating, selling and administrative expenses.

Operating revenues for the publishing segment included $1,062,000 ($1,191,000 in 2007) in government assistance for publishing content. Government assistance for magazine distribution amounted to $2,285,000 ($2,086,000 in 2007) and was recorded as a reduction of operating expenses.

Operating expenses for the distribution segment included $802,000 in non-refundable government assistance ($1,490,000 in 2007). As at December 31, 2008, advances received amounted to $1,646,798 ($1,598,000 in 2007) and were included under distribution rights payable.

21. Pension plans and other post-retirement benefits

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

The Company's various retirement plans have undergone actuarial valuations over the past three years.

The following table shows 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, 2007	December 31, 2008
TVA Publications Employees' Plan	December 31, 2007	December 31, 2010

Total cash amounts recognized in 2008 as paid or payable for employee future benefits, including employer contributions to the defined benefit pension plans, defined contribution pension plan and post-retirement benefit plan, amounted to $5,833,000 ($7,874,000 in 2007).

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

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

The following tables provide information on the defined benefit plans and reconcile the changes in the plans' accrued benefit obligations and the fair value of plan assets for the years ended December 31, 2008 and 2007:

		2008		2007
	Pension plans	**Other plans**	Pension plans	Other plans
Accrued benefit obligations				
Balance, beginning of year	**$ 145,388**	**$ 2,154**	$ 157,608	$ 2,225
Participants' contributions	**2,584**	**–**	2,524	–
Current service cost	**2,653**	**5**	3,517	5
Interest cost	**8,185**	**86**	7,920	82
Plan amendments	**6,500**	**–**	83	–
Benefits paid	**(7,084)**	**(133)**	(10,840)	(126)
Actuarial gain	**(35,993)**	**(622)**	(15,424)	(32)
Balance, end of year	**$ 122,233**	**$ 1,490**	$ 145,388	$ 2,154

		2008		2007
	Pension plans	**Other plans**	Pension plans	Other plans
Plan assets				
Fair value of plan assets, beginning of year	**$ 153,776**	**$ –**	$ 154,048	$ –
Actual return on plan assets	**(21,609)**	**–**	2,511	–
Employer contributions	**3,194**	**–**	5,533	–
Participants' contributions	**2,584**	**–**	2,524	–
Benefits paid	**(7,084)**	**–**	(10,840)	–
Fair value of plan assets, end of year	**$ 130,861**	**$ –**	$ 153,776	$ –

Plan assets are allocated as follows:

	2008	2007
Equity securities	**59.4 %**	56.9 %
Debt securities	**39.4 %**	39.2 %
Other	**1.2 %**	3.9 %
Total	**100.0 %**	100.0 %

Plan assets were valued as at December 31, 2008 and 2007.

As at December 31, 2008 and 2007, common shares of the ultimate parent entity, Quebecor Inc., were included in the above-mentioned equity securities and accounted for $460,000 (0.4% of the plan assets) and $527,000 (0.3% of the plan assets), respectively.

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

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

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

		2008		2007
	Pension plans	**Other plans**	Pension plans	Other plans
Accrued benefit obligations	**$ 732**	**$ 1,490**	$ 875	$ 2,154
Fair value of plan assets	**–**	**–**	–	–
Funded status – deficit	**$ 732**	**$ 1,490**	$ 875	$ 2,154

		2008		2007
	Pension plans	**Other plans**	Pension plans	Other plans
Reconciliation of funded status				
Excess of assets (obligations) over obligations (assets), end of year	**$ 8,628**	**$ (1,490)**	$ 8,388	$ (2,154)
Unrecognized past service cost	**14,842**	**(50)**	9,310	(59)
Unrecognized net actuarial loss	**4,900**	**233**	8,328	902
Unrecognized transitional obligation (asset)	**(4,143)**	**334**	(4,645)	393
Accrued benefit asset (obligation)	**24,227**	**(973)**	21,381	(918)
Valuation allowance	**(15,738)**	**–**	(13,516)	–
Accrued benefit asset (obligation), net of valuation allowance	**$ 8,489**	**$ (973)**	$ 7,865	$ (918)

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

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

The amounts recorded in the Company's balance sheets as at December 31, 2008 and 2007 are as follows:

	2008		2007	
	Pension plans	**Other plans**	Pension plans	Other plans
Accrued benefit asset, under other assets	**$ 8,489**	**$ –**	$7,865	$ –
Accrued benefit obligation, under accounts payable and accrued liabilities	**–**	**(973)**	–	(918)
Net amount recognized	**$ 8,489**	**$ (973)**	$ 7,865	$ (918)

The following table shows the components of the Company's defined benefit plan expense for 2008 and 2007:

	2008		2007	
	Pension plans	**Other plans**	Pension plans	Other plans
Current service cost	**$ 2,653**	**$ 5**	$ 3,517	$ 4
Interest cost	**8,185**	**86**	7,920	82
Expected return on plan assets	**(11,102)**	**–**	(11,075)	–
Amortization of past service cost	**968**	**(8)**	833	(8)
Amortization of transitional obligation (asset)	**(502)**	**59**	(502)	59
Change in valuation allowance	**2,222**	**–**	3,132	–
Amortization of recognized net actuarial loss	**146**	**46**	262	49
Employee benefit expense	**$ 2,570**	**$ 188**	$ 4,087	$ 186

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

	2008	2007
Obligations		
Year-end discount rate	**7.50%**	5.50%
Rate of compensation increase	**3.25%**	3.25%
Current period cost		
Discount rate	**5.50%**	5.00%
Expected rate of return on plan assets	**7.25%**	7.25%
Rate of compensation increase	**3.25%**	3.25%

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

21. Pension plans and other 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 9.0% for 2008. Based on this assumption, this rate will gradually decrease to 5% over a ten-year period and will remain at that level thereafter. A 1% change in this rate would have the following impact:

	Post-retirement benefits	
	Increase of 1%	Decrease of 1%
Impact on service and interest costs	$ 11	$ (9)
Impact on benefit and obligation	78	(69)

Defined contribution plans

The total expense under the Company's defined contribution pension plans for the year ended December 31, 2008 was $2,506,000 ($2,214,000 in 2007).

22. Related party transactions

During the year ended December 31, 2008, the Company entered into the following transactions with related parties in the normal course of business. Related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

Operating revenues

The Company has a policy of providing airtime, selling programs and leasing technical production and post-production services to companies under common control and affiliated companies at market value. The Company sold airtime and leased technical production and post-production services for an aggregate amount of $48,385,000 ($39,674,000 in 2007) to companies under common control and affiliated companies.

Operating, selling and administrative expenses

The Company recorded $4,100,000 in management fees to the parent entity ($3,800,000 in 2007).

The Company recorded an amortization expense related to broadcast rights, communications and information systems expenses, access right expenses and professional service fees, arising from transactions with companies under common control and affiliated companies, totalling $14,899,000 ($10,389,000 in 2007). The balance sheet includes $80,000 in broadcast rights ($346,000 in 2007) and broadcast rights payable and accounts payable and accrued liabilities amounting to $612,000 ($223,000 in 2007) with respect to these same companies.

Quebecor World Inc.

Since January 21, 2008, Quebecor World Inc. is no longer considered to be a company under common control of the ultimate parent entity, Quebecor Inc. For the period from January 1, 2008 to January 21, 2008, the Company recognized $1,190,000 in operating, selling and administrative expenses related to said company. During fiscal 2007, the Company recognized $129,000 in operating revenues and $27,071,000 in operating, selling and administrative expenses related to Quebecor World Inc., which was then a company under common control of the ultimate parent entity, Quebecor Inc.

Furthermore, in 2008, the Company acquired from subsidiaries of Quebecor Media Inc. $10,497,000 in receivables of Quebecor World Inc. These receivables were then paid to subsidiaries of Quebecor Media Inc. in the amount of $10,272,000. Subsequent to this agreement, the Company recognized a $225,000 gain, which was accounted for as contributed surplus.

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

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, calling for payments totalling $79,394,000. The minimum payments for the coming years are as follows:

2009	$ 51,695
2010	17,071
2011	6,180
2012	2,638
2013	675
2014 and thereafter	1,135

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, 2008, the Company had an uncommitted balance of $58,000 related to licensing conditions imposed by the CRTC.

(b) Guarantees

The Company has guaranteed a portion of the residual values of certain assets under operating leases for the benefit of the lessor. If the fair value of the assets at the end of their respective lease terms is less than their guaranteed residual value, the Company is required to compensate the lessor for a portion of the shortfall, subject to certain conditions. The maximum exposure with respect to these guarantees is approximately $895,000. As at December 31, 2008, the Company had recorded no liabilities related to these guarantees.

In the normal course of business, the Company enters into indemnification agreements with third parties as part of certain transactions, including acquisition 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 stemming from these transactions. The terms of these indemnification agreements vary from transaction to transaction, based on the contract terms. The nature of these indemnification agreements prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to third parties. No liabilities have been recorded with respect to these agreements because the Company does not expect to make any payments thereunder.

23. Commitments, guarantees and contingencies (continued)

(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.

Litigation with Quebecor World Inc.

Legal proceedings against the Company have been brought by Quebecor World Inc. relative to the contract for printing and related services cancelled in 2008. The total amount of the claim is approximately $14,000,000. The outcome of this lawsuit cannot be determined with certainty. However, management believes this lawsuit to be without merit and intends to defend itself vigorously.

24. Financial instruments and financial risk management

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

Resulting from its use of financial instruments, the Company is exposed to credit risk, liquidity risk, market risks relating to foreign exchange and interest rate fluctuations. In order to hedge against interest rate risk, the Company entered into an interest rate swap in the fourth quarter of 2008 on a portion of long-term debt to limit its exposure to interest rates fluctuations.

The Company does not intend to settle its derivative financial instrument prior to its maturity.

I) Description of the derivative financial instrument

Interest rate swap

Inception:	December 1, 2008
Maturity:	March 1, 2010
Notional:	$45,000,000
Pays/earns:	Pays a fixed rate and earns a floating rate
Fixed rate:	1.88%
Floating rate:	Bankers' acceptance – 1 month

II) Fair value of financial instruments

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

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

24. Financial instruments and financial risk management (continued)

II) Fair value of financial instruments (continued)

The fair values of long-term debt and the derivative financial instrument as at December 31, 2008 and 2007 were as follows:

		2008		2007
	Carrying amount	**Fair value**	Carrying amount	Fair value
Long-term debt	**$ 93,834**	**$ 91,400**	$ 56,333	$ 56,333
Interest rate swap	**434**	**434**	–	–

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

III) 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, 2008, 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 has trade accounts receivable from numerous clients, primarily advertising agencies. The Company does not believe that it is exposed to an unusual or significant level of credit risk. As at December 31, 2008, 5.91% of accounts receivable were over 120 days past due as of the invoicing date (4.95% as at December 31, 2007). Moreover, as at December 31, 2008, the Company's allowance for doubtful accounts amounted to $3,978,000 ($3,578,000 as at December 31, 2007).

IV) Liquidity risk management

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

The Company has a credit agreement consisting of a revolving term loan with a $160,000,000 maximum, bearing interest at floating rates based on bankers' acceptance rates or the Canadian bank prime rate, plus a variable margin based on the ratio of total debt to operating income (or income before interest, taxes and amortization). The credit agreement matures on June 15, 2010 and is repayable in full on that date.

V) Market risk

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

24. Financial instruments and financial risk management (continued)

V) Market risk (continued)

Foreign exchange risk

The Company is exposed to limited foreign exchange risk on revenues and expenses denominated in a foreign currency, that is, other than Canadian dollars, due to the insubstantial volume of such transactions. The majority of these transactions are denominated in U.S. dollars, mainly for the acquisition of certain distribution rights, for capital expenditures and for certain foreign denominated sales. In light of the insubstantial volume of foreign currency transactions, the Company has determined foreign exchange hedging to be unwarranted. Accordingly, the Company has limited sensitivity to changes in foreign exchange rates.

The impact on net income of a 1% increase or decrease in the exchange rate between the Canadian dollar and its U.S. counterpart would be less than $100,000 on a yearly basis.

Interest rate risk

The Company is exposed to interest rate risk on its long-term debt. The Company has entered into an interest rate swap on a portion of its long-term debt to limit cash flow risks. Taking into account this hedging instrument, long-term debt included a 48% portion of fixed-rate debt and a 52% portion of floating-rate debt as at December 31, 2008.

An increase (decrease) of 100 basis points in Canadian bankers' acceptance rate at the end of the fiscal year using the balance of long-term debt as at December 31, 2008 on a variable-rate portion would have resulted in a $489,000 increase (decrease) in financial expenses.

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

Capital management

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

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

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

The Company's capital structure consists of shareholders' equity, bank overdraft, long-term debt and a non-controlling interest, less cash.

Excluding maintenance of certain financial ratios under the credit agreement, the Company is not subject to any other externally imposed capital requirements. As at December 31, 2008, the Company was in compliance with the terms of its credit agreement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

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

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., TV Access Productions and home shopping TV services.
- The publishing segment includes the operations of TVA Publications Inc., the publisher of various French-language magazines specializing in arts, entertainment, television, fashion, decoration and others.
- The distribution segment includes televisual product and film distribution operations.

The other items represent the elimination of intersegment transactions in the normal course of business with respect to revenues, expenses, realized (unrealized) profits and the investment in Canoe Inc. in 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*).

The following tables provide information on revenues and assets:

					2008
	Television	**Publishing**	**Distribution**	**Other items**	**Total**
Operating revenues	**$ 342,853**	**$ 78,606**	**$ 19,236**	**$ (3,972)**	**$ 436,723**
Operating, selling and administrative expenses	**287,329**	**69,300**	**18,054**	**(4,262)**	**370,421**
Income before amortization, financial expenses and restructuring costs of operations	**$ 55,524**	**$ 9,306**	**$ 1,182**	**$ 290**	**$ 66,302**
Additions to property, plant and equipment	**$ 21,512**	**$ 351**	**$ 18**	**–**	**$ 21,881**
Goodwill	**$ 2,539**	**$ 69,442**	**–**	**–**	**$ 71,981**
Total assets	**$ 363,067**	**$ 80,158**	**$ 21,006**	**$ 11,262**	**$ 475,493**

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

25. Segmented information (continued)

					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
Income before amortization, financial expenses and restructuring costs of operations	$ 50,357	$ 7,829	$ 1,295	$ (100)	$ 59,381
Additions to property, plant and equipment	$ 15,664	$ 536	–	–	$ 16,200
Goodwill	$ 2,539	$ 69,442	–	–	$ 71,981
Total assets	$ 342,283	$ 84,237	$ 19,763	$ 11,262	$ 457,545

26. Comparative figures

Certain comparative figures from 2007 have been reclassified to conform to current year presentation.

SIX-YEAR REVIEW

Years ended december 31, 2008 and 2007

(Amounts presented in the tables are expressed in thoushands of dollars)

Consolidated results	**2008**	2007	2006	2005	2004	2003
(in thousands of dollars)						
Operating revenues	**$ 436,723**	$ 415,486	$ 393,312	$ 401,352	$ 357,960	$ 340,945
Operating, selling and administrative expenses	**$ 370,421**	$ 356,105	$ 351,256	$ 348,361	$ 277,457	$ 259,486
Operating income before depreciation, amortization, financing expenses and other items [1]	**66,302**	59,381	42,056	52,991	80,503	81,459
Amortization	**13,986**	12,942	13,905	13,740	11,853	11,980
Financing expenses	**1,760**	4,477	5,308	2,764	678	1,111
Other items [1]	**184**	1,382	31,967	(276)	11	418
Income (loss) before income taxes, non-controlling interest and equity in income of companies subject to significant influence	**50,372**	40,580	(9,124)	36,763	67,961	67,950
Income taxes (recovery)	**8,259**	5,714	(2,591)	11,943	17,181	13,928
Income (loss) before non-controlling interest and equity in income of companies subject to significant influence	**42,113**	34,866	(6,533)	24,820	50,780	54,022
Non-controlling interest	**1,802**	2,651	3,252	2,747	147	
Equity in income of companies subject to significant influence	**889**	867	141	806	441	491
Net income (loss)	**44,804**	38,384	(3,140)	28,373	51,368	54,513

Financial data and ratios	**2008**	2007	2006	2005	2004	2003
(in thousands of dollars, except for amounts pertaining to shares)						
Cash flows prodived by current operations	**$ 52,325**	$ 38,098	$ 29,991	$ 36,561	$ 66,371	$ 73,297
Acquisitions of property, plant and equipment	**(21,881)**	(16,200)	(9,028)	(12,887)	(10,118)	(5,742)
Property, plant and equipment	**88,590**	77,275	74,038	77,173	77,999	62,863
Total assets	**475,493**	457,545	477,596	512,981	446,665	389,311
Long-term debt	**93,705**	56,116	96,210	106,705	34,837	23,814
Shareholders' equity	**202,772**	214,519	181,492	189,898	249,225	242,153
Debt ratio	**32 %**	21 %	35 %	36 %	12 %	9 %
Per share						
Net earnings (loss)	**$ 1.77**	$ 1.42	($ 0.12)	$ 0.98	$ 1.61	$ 1.65
Book value	**$ 8.44**	$ 7.94	$ 6.72	$ 7.02	$ 8.10	$ 7.45

(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.

NATHALIE ELGRABLY-LEVY
Economist, HEC Montréal

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

SYLVIE LALANDE (2)
Corporate Director

A. MICHEL LAVIGNE (1)
Corporate Director

JEAN-MARC LÉGER
President, Léger Marketing

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., Quebecor Media Inc. and Sun Media Corporation, and Chief Financial Officer, Quebecor Inc. and Quebecor Media Inc.

ANDRÉ TRANCHEMONTAGNE (1)
Corporate Director

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

THE MANAGEMENT

PIERRE DION
President and Chief Executive Officer

YVES DION
President, TVA Films

JOCELYN POIRIER
President, TVA Publications Inc. and
President, TVAchats

DENIS ROZON
Vice-President and Chief Financial Officer

YVES BEAUPRÉ
Vice-President, Operations

MARIE COMTOIS
Vice-President, Communication
and New Medias

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General Manager, SUN TV

ÉDITH PERREAULT
Vice-President, Sales and Marketing

RICHARD RENAUD
Vice-President, Regional Stations

CLAUDINE TREMBLAY
Vice-President and Secretary

MAXIME BÉDARD
Director, Legal Affairs

CHRISTIAN MARCOUX
Assistant Secretary

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Pour obtenir une version française de ce rapport annuel, veuillez vous adresser au siège social de la compagnie.

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ANNUAL MEETING
Shareholders are invited to attend the Annual Meeting to be held on May 1st, 2009, at 11h30 a.m. at Studio A of TVA Group
1425, Alexandre-DeSève Street
Montréal, (Québec)

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