2

FINANCIAL RESULTS FOR THE SECOND QUARTER ENDED JUNE 30, 2014

MESSAGE TO THE SHAREHOLDERS

Montreal, July 29, 2014

TVA Group Inc. (the "Corporation") recorded a net income attributable to shareholders in the amount of $9.2 million, or $0.39 per share, in the second quarter of 2014, compared with $7.0 million, or $0.29 per share, in the same quarter of 2013.

<u>Second quarter operating highlights</u>:

- The consolidated adjusted operating income[1] totalled $20,999,000, compared with $20,940,000 for the same quarter of 2013.

- The Television segment generated an adjusted operating income of $18,070,000, an $1,074,000 unfavourable variance primarily due to:

    - decrease in TVA Network's adjusted operating income due mainly to a 3.1% decrease in advertising revenues;

    partially offset by:

    - decrease in the adjusted operating loss of the specialty services, directly attributable to an 11.6% increase in subscription revenues.

- The Publishing segment generated adjusted operating income in the amount of $2,929,000, a $1,133,000 favourable variance due mainly to the inclusion of the operating results of *La Semaine* magazine since July 18, 2013, as well as lower expenses as a result of cost savings related to volume and to the operating expense reduction plan implemented in the second quarter of 2013.

Consolidated financial results for the second quarter of 2014 are stable, although we are again seeing a downward trend in the Television segment's advertising revenues. Despite strong management of our operating expenses, adjusted operating income in the Television segment decreased over the same quarter of 2013. With its high quality programming, TVA Network remained ahead of its conventional rivals with a 21.4% market shares. Our specialty services also posted excellent ratings, giving them a combined increase of 1.1% share in the quarter. We are very excited about the upcoming start of the National Hockey League season and are proud to see viewers' growing interest in TVA Sports.

The Publishing segment continues to benefit from the positive impact of the acquisition of *La Semaine* magazine. Thanks to all the initiatives taken in this segment and the addition of our latest acquisition, revenues in this operating segment increased by 11.2% in the second quarter, while adjusted operating income grew by 63.1% compared with the same quarter of 2013.

Cash flows provided by operating activities totalled $16.1 million in the second quarter of 2014, compared with $10.7 million in the same quarter of 2013. The increase was essentially due to a favourable variance in accounts payable and accrued liabilities and in the net income, partially offset by an unfavourable variance in income taxes and accounts receivable.

---

[1] See definition of adjusted operating income (loss) below.

Definition

Adjusted operating income (loss)

In its analysis of operating results, the Corporation defines adjusted operating income (loss) as net income (loss) before amortization of property, plant and equipment and intangible assets, financial expenses, operational restructuring costs, impairment of assets and other costs, income taxes and share of loss (income) of associated corporations. Adjusted operating income (loss) as defined above is not a measure of results that is consistent with International Financial Reporting Standards ("IFRS"). 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 should not be considered in isolation or as a substitute for other performance measures prepared in accordance with IFRS.

This measure is used by management and the Board of Directors to evaluate the Corporation's consolidated results and the results of its business segments. This measure eliminates the significant level of impairment and amortization of tangible and intangible assets and is unaffected by the capital structure or investment activities of the Corporation and its segments. Adjusted operating income (loss) is also relevant because it is a significant component of the Corporation's annual incentive compensation programs. The Corporation's definition of adjusted operating income (loss) may not be identical to similarly titled measures reported by other companies.

TVA Group

TVA Group Inc., a subsidiary of Quebecor Media Inc., is an integrated communications company engaged in the creation, production, broadcast and distribution of audiovisual products, and in magazine publishing. TVA Group Inc. is the largest broadcaster of French-language entertainment, information and public affairs programming in North America, the largest publisher of French-language magazines, and one of the largest private-sector producers of French-language content. The Corporation's Class B shares are listed on the Toronto Stock Exchange under the ticker symbol TVA.B.

Pierre Dion
President and Chief Executive Officer

TVA GROUP INC.
Consolidated statements of income (loss) and comprehensive income (loss)

(unaudited)
(in thousands of Canadian dollars, except per share amounts)

			Three-month periods ended June 30				Six-month periods ended June 30		
	Note		**2014**		2013		**2014**		2013
Revenues	3	**$**	**109,700**	$	111,507	**$**	**215,021**	$	222,577
Purchases of goods and services	4,10		**55,934**		56,822		**134,403**		131,915
Employee costs			**32,767**		33,745		**65,644**		68,827
Amortization of property, plant and equipment and intangible assets			**5,317**		5,374		**10,701**		10,462
Financial expenses	5		**975**		1,597		**2,095**		3,201
Operational restructuring costs, impairment of assets and other costs	6		**–**		2,047		**–**		2,999
Income before tax expense (recovery) and share of loss of associated corporations			**14,707**		11,922		**2,178**		5,173
Tax expense (recovery)			**3,628**		3,526		**(519)**		1,102
Share of loss of associated corporations			**1,916**		1,415		**3,697**		2,978
Net income (loss) and comprehensive income (loss) attributable to shareholders		**$**	**9,163**	$	6,981	**$**	**(1,000)**	$	1,093
Basic and diluted earnings (loss) per share attributable to shareholders	7 c)	**$**	**0.39**	$	0.29	**$**	**(0.04)**	$	0.05

See accompanying notes to condensed consolidated financial statements.

TVA GROUP INC.
Consolidated statements of equity

(unaudited)
(in thousands of Canadian dollars)

	Equity attributable to shareholders				Total equity
	Capital stock (note 7)	Contributed surplus	Retained earnings	Accumulated other comprehensive (loss) income - Defined benefit plans	
Balance as at December 31, 2012	$ 98,647	$ 581	$ 187,937	$ (20,620)	$ 266,545
Net income	–	–	1,093	–	1,093
Balance as at June 30, 2013	98,647	581	189,030	(20,620)	267,638
Net income	–	–	14,653	–	14,653
Other comprehensive income	–	–	–	25,768	25,768
Balance as at December 31, 2013	98,647	581	203,683	5,148	308,059
Net loss	–	–	(1,000)	–	(1,000)
Balance as at June 30, 2014	**$ 98,647**	**$ 581**	**$ 202,683**	**$ 5,148**	**$ 307,059**

See accompanying notes to condensed consolidated financial statements.

TVA GROUP INC.
Consolidated balance sheets

(unaudited)
(in thousands of Canadian dollars)

	Note	**June 30, 2014**	December 31, 2013
Assets			
Current assets			
Cash		**$ 12,086**	$ 7,717
Accounts receivable		**115,610**	136,408
Income taxes		**5,005**	124
Programs, broadcast and distribution rights and inventories		**52,758**	61,428
Prepaid expenses		**3,480**	2,380
		188,939	208,057
Non-current assets			
Broadcast and distribution rights		**36,997**	31,985
Investments		**13,892**	14,822
Property, plant and equipment		**103,068**	100,962
Licences and other intangible assets		**111,110**	112,566
Goodwill		**44,469**	44,536
Defined benefit plan asset		**12,306**	8,238
Deferred income taxes		**569**	885
		322,411	313,994
Total assets		**$ 511,350**	$ 522,051

TVA GROUP INC.
Consolidated balance sheets (continued)

(unaudited)
(in thousands of Canadian dollars)

	Note		June 30, 2014		December 31, 2013
Liabilities and equity					
Current liabilities					
Accounts payable and accrued liabilities		**$**	**76,384**	$	85,960
Income taxes			**528**		1,828
Broadcast and distribution rights payable			**19,155**		17,304
Provisions			**234**		645
Deferred revenues			**5,341**		9,302
Short-term debt			**74,741**		74,640
			176,383		189,679
Non-current liabilities					
Other liabilities			**6,902**		3,974
Deferred income taxes			**21,006**		20,339
			27,908		24,313
Equity					
Capital stock	7		**98,647**		98,647
Contributed surplus			**581**		581
Retained earnings			**202,683**		203,683
Accumulated other comprehensive income			**5,148**		5,148
Equity attributable to shareholders			**307,059**		308,059
Guarantees	10				
Total liabilities and equity		**$**	**511,350**	$	522,051

See accompanying notes to condensed consolidated financial statements.

On July 29, 2014, the Board of Directors approved the condensed consolidated financial statements for the three-month and six-month periods ended June 30, 2014 and 2013.

TVA GROUP INC.
Consolidated statements of cash flows

(unaudited)
(in thousands of Canadian dollars)

		Three-month periods ended June 30		Six-month periods ended June 30	
	Note	**2014**	2013	**2014**	2013
Cash flows related to operating activities					
Net income (loss)		**$ 9,163**	$ 6,981	**$ (1,000)**	$ 1,093
Adjustments for :					
Amortization		**5,367**	5,424	**10,802**	10,563
Impairment of assets	6	**–**	612	**–**	999
Share of loss of associated corporations		**1,916**	1,415	**3,697**	2,978
Deferred income taxes		**396**	(115)	**961**	909
		16,842	14,317	**14,460**	16,542
Net change in non-cash balances related to operating activities		**(762)**	(3,587)	**6,492**	(8,355)
Cash flows provided by operating activities		**16,080**	10,730	**20,952**	8,187
Cash flows related to investing activities					
Additions to property, plant and equipment		**(5,481)**	(4,236)	**(11,820)**	(9,548)
Additions to intangible assets		**(727)**	(338)	**(1,495)**	(922)
Net change in investments	9	**(1,346)**	(1,470)	**(2,767)**	(671)
Final adjustment to the cost of a business acquisition		**–**	–	**(501)**	–
Cash flows used in investing activities		**(7,554)**	(6,044)	**(16,583)**	(11,141)
Cash flows related to financing activities					
Net change in revolving credit facility		**–**	(254)	**–**	–
Cash flows used in financing activities		**–**	(254)	**–**	–
Net change in cash		**8,526**	4,432	**4,369**	(2,954)
Cash at beginning of period		**3,560**	3,233	**7,717**	10,619
Cash at end of period		**$ 12,086**	$ 7,665	**$ 12,086**	$ 7,665
Interest and taxes reflected as operating activities					
Net interest paid		**$ 2,113**	$ 2,115	**$ 2,031**	$ 2,196
Income taxes paid (received)		**1,755**	(579)	**4,701**	1,389

See accompanying notes to condensed consolidated financial statements.

TVA Group Inc. ("TVA Group" or the "Corporation") is governed by the *Québec Business Corporations Act.* TVA Group is an integrated communications company with two operating segments: Television and Publishing (note 11). The Corporation is a subsidiary of Quebecor Media Inc. ("Quebecor Media" or the "parent corporation") and the ultimate parent corporation is Quebecor Inc. ("Quebecor"). The Corporation's head office is located at 1600 de Maisonneuve Boulevard East, Montreal, Quebec, Canada.

The Corporation's businesses experience significant seasonality due, among other factors, to seasonal advertising patterns and influences on people's viewing, reading and listening habits. Because the Corporation depends on the sale of advertising for a significant portion of its revenues, operating results are also sensitive to prevailing economic conditions, including changes in local, regional and national economic conditions, particularly as they may affect advertising expenditures. Accordingly, the results of operations for interim periods should not necessarily be considered indicative of full-year results.

1. Basis of presentation

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), except that they do not include all disclosures required under IFRS for annual consolidated financial statements. In particular, these consolidated financial statements were prepared in accordance with IAS 34, *Interim Financial Reporting*, and accordingly, they are condensed consolidated financial statements. These condensed consolidated financial statements should be read in conjunction with the Corporation's 2013 annual consolidated financial statements, which describe the accounting policies used to prepare these financial statements.

Comparative figures for the three-month and six-month periods ended June 30, 2013, have been reclassified to conform to the presentation adopted for the three-month and six-month periods ended June 30, 2014.

2. Change in accounting policies

On January 1, 2014, the Corporation adopted retrospectively IFRIC 21 – *Levies*, which clarifies the timing of accounting for a liability for outflow of resources that is imposed by governments in accordance with legislation, based on the activity that triggers the payment. The adoption of this interpretation did not have a material impact on the consolidated financial statements.

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

3. Revenues

The breakdown of revenues between services rendered and product sales is as follows:

	Three-month periods ended June 30		Six-month periods ended June 30	
	2014	2013	**2014**	2013
Services rendered	**$ 86,124**	$ 86,867	**$ 168,712**	$ 172,844
Product sales	**23,576**	24,640	**46,309**	49,733
	$ 109,700	$ 111,507	**$ 215,021**	$ 222,577

4. Purchases of goods and services

The main components of purchases of goods and services are as follows:

	Three-month periods ended June 30		Six-month periods ended June 30	
	2014	2013	**2014**	2013
Royalties, rights and production costs	**$ 35,666**	$ 32,722	**$ 92,688**	$ 81,710
Printing and distribution	**4,406**	4,720	**8,500**	9,318
Marketing, advertising and promotion	**2,354**	3,387	**6,595**	8,540
Building costs	**2,244**	2,209	**4,680**	4,392
Services rendered by parent corporation	**5,647**	6,037	**11,443**	11,972
Other	**5,617**	7,747	**10,497**	15,983
	$ 55,934	$ 56,822	**$ 134,403**	$ 131,915

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

5. Financial expenses

	Three-month periods ended June 30		Six-month periods ended June 30	
	2014	2013	**2014**	2013
Interest on long-term debt	**$ 1,123**	$ 1,126	**$ 2,245**	$ 2,248
Amortization of financing costs	**50**	50	**101**	101
(Revenues) interest expense on net defined benefit asset or liability	**(71)**	420	**(143)**	840
Other	**(127)**	1	**(108)**	12
	$ 975	$ 1,597	**$ 2,095**	$ 3,201

6. Operational restructuring costs, impairment of assets and other costs

In the three-month and six-month periods ended June 30, 2013, the Corporation recorded $1,646,000 in operational restructuring costs in connection with the elimination of a number of positions, including $897,000 in the Television segment and $749,000 in the Publishing segment.

During the first quarter of 2013, the Corporation decided to discontinue theatrical distribution of new Québec films, whereas in the second quarter of 2013, the Corporation announced that its TVA Boutiques division's home shopping and online shopping operations would be discontinued. As a result of these repositionings, the Corporation recorded a $612,000 inventory impairment charge and a $303,000 provision for operational restructuring costs for the three-month period ended June 30, 2013 and a $999,000 impairment charge and a $303,000 provision for operational restructuring costs for the six-month period ended June 30, 2013.

During the three-month period ended June 30, 2013, the Corporation also reversed a $514,000 provision for restructuring costs following a favourable judgment in a legal dispute related to a former subsidiary's activities. During the six-month period ended June 30, 2013, the Corporation recorded a net charge of $51,000 in connection with this dispute.

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

7. Capital stock

a) Authorized capital stock

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.

b) Issued and outstanding capital stock

		June 30, 2014		December 31, 2013
4,320,000 Class A Common Shares	**$**	**72**	$	72
19,450,906 Class B shares		**98,575**		98,575
	$	**98,647**	$	98,647

c) Earnings (loss) per share attributable to shareholders

The following table sets forth the computation of basic and diluted earnings (loss) per share attributable to shareholders:

	Three-month periods ended June 30				Six-month periods ended June 30			
		2014		2013		**2014**		2013
Net income (loss) attributable to shareholders	**$**	**9,163**	$	6,981	**$**	**(1,000)**	$	1,093
Weighted average number of basic and diluted shares outstanding		**23,770,906**		23,770,906		**23,770,906**		23,770,906
Basic and diluted earnings (loss) per share attributable to shareholders	**$**	**0.39**	$	0.29	**$**	**(0.04)**	$	0.05

The diluted earnings (loss) per share calculation does not take into consideration the potential dilutive effect of stock options of the Corporation since their impact is anti-dilutive.

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

8. Stock-based compensation and other stock-based payments

	Six-month period ended June 30, 2014			
	Corporation's Class B stock options		Quebecor Media stock options	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Balance as at December 31, 2013	691,076	$ 16.54	331,407	$ 53.35
Granted	–	–	62,000	63.50
Exercised	–	–	(21,375)	46.48
Balance as at June 30, 2014	**691,076**	**$ 16.54**	**372,032**	**$ 55.44**

Of the number of options outstanding as at June 30, 2014, 691,076 Corporation's Class B stock options at an average exercise price of $16.54 and 64,032 Quebecor Media stock options at an average price of $45.96 could be exercised.

During the three-month period ended June 30, 2014, no Quebecor Media stock options were exercised (21,927 stock options were exercised for a cash consideration of $243,000 in the same period of 2013). During the six-month period ended June 30, 2014, 21,375 Quebecor Media stock options were exercised for a cash consideration of $352,000 (41,884 stock options were exercised for a cash consideration of $471,000 in the same period of 2013).

During the three-month and six-month periods ended June 30, 2014, the Corporation recorded compensation expense reversals of $15,000 and $46,000 respectively (compensation expense reversals of $83,000 and $31,000 respectively in the same periods of 2013) in relation to the Corporation's Class B stock options as well as compensation expense of $197,000 and $597,000 respectively (compensation expense reversals of $41,000 and $70,000 respectively in the same periods of 2013) in relation to Quebecor Media stock options.

9. Related party transactions

Capital contributions to SUN News

During the three-month period ended June 30, 2014, the partners in SUN News made a capital contribution of $3,300,000 ($3,000,000 in 2013), including $1,617,000 ($1,470,000 in 2013) from the Corporation and $1,683,000 ($1,530,000 in 2013) from Sun Media Corporation, a company under common control.

During the six-month period ended June 30, 2014, the partners in SUN News made a capital contribution of $6,200,000 ($3,000,000 in 2013), including $3,038,000 ($1,470,000 in 2013) from the Corporation and $3,162,000 ($1,530,000 in 2013) from Sun Media Corporation.

10. Guarantees

In the normal course of business, the Corporation enters into indemnification agreements with third parties as part of certain transactions, including acquisition contracts for goods, service agreements and leases. These indemnification agreements require the Corporation to compensate the third parties for costs incurred as a result of specific circumstances. The terms of these indemnification agreements vary from transaction to transaction, based on the contract terms. The nature of these indemnification agreements prevents the Corporation from making a reasonable estimate of the maximum potential amount it could be required to pay to third parties for all of its commitments. In light of new developments in the first quarter of 2014, the liability risk under specific commitments, which totalled $4,700,000 as at December 31, 2013, was recognized in purchases of goods and services in the three-month period ended March 31, 2014.

11. Segmented information

Management made changes to the Corporation's management structure at the beginning of 2014. As a result of those changes, the custom publishing, commercial print production and premedia services previously provided by the TVA Studio division in the Publishing segment are now part of the operations of TVA Accès Inc. in the Television segment. Prior period disclosures have been restated to reflect this new presentation.

The Corporation's operations consist of the following segments:

– The **Television segment** includes the operations of TVA Network (including the subsidiaries and divisions TVA Productions Inc., TVA Sales and Marketing Inc., TVA Nouvelles and TVA Interactif), specialty services, the marketing of digital products associated with the various televisual brands, the commercial production and dubbing operations of TVA Accès Inc., the distribution of audiovisual products by the TVA Films division and the home and online shopping services of the TVA Boutiques division up to the second quarter of 2013.

– The **Publishing segment** includes the operations of TVA Publications Inc. and Les Publications Charron & Cie Inc., which publish French-language magazines in various fields such as the arts, entertainment, television, fashion and decoration, and market digital products associated with the various magazine brands.

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

11. Segmented information (continued)

	Three-month periods ended June 30		Six-month periods ended June 30	
	2014	2013	**2014**	2013
Revenues				
Television	**$ 94,240**	$ 97,922	**$ 185,176**	$ 196,042
Publishing	**15,958**	14,354	**31,096**	28,267
Intersegment items	**(498)**	(769)	**(1,251)**	(1,732)
	$ 109,700	$ 111,507	**$ 215,021**	$ 222,577
Adjusted operating income[1]				
Television	**18,070**	19,144	**9,859**	19,884
Publishing	**2,929**	1,796	**5,115**	1,951
	20,999	20,940	**14,974**	21,835
Amortization of property, plant and equipment and intangible assets	**5,317**	5,374	**10,701**	10,462
Financial expenses	**975**	1,597	**2,095**	3,201
Operational restructuring costs, impairment of assets and other costs	**–**	2,047	**–**	2,999
Income before tax expense (recovery) and share of loss of associated corporations	**$ 14,707**	$ 11,922	**$ 2,178**	$ 5,173

The above-noted intersegment items represent the elimination of normal course business transactions between the Corporation's business segments regarding revenues.

(1) The Chief Executive Officer uses adjusted operating income (loss) as a measure of financial performance for assessing the performance of each of the Corporation's segments. Adjusted operating income (loss) is defined as net income (loss) before amortization of property, plant and equipment and intangible assets, financial expenses, operational restructuring costs, impairment of assets and other costs, income taxes and share of loss (income) of associated corporations. Adjusted operating income (loss) as defined above is not a measure of results that is consistent with IFRS.

CORPORATE PROFILE

TVA Group Inc. ("TVA Group" or the "Corporation"), a subsidiary of Quebecor Media Inc. ("QMI"), is a communications company with operations in two business segments: Television and Publishing. In the Television segment, the Corporation creates, produces and broadcasts entertainment, information and public affairs programming, distributes audiovisual products and films, and is engaged in commercial production. It operates North America's largest private French-language television network, as well as eight specialty services. TVA Group also holds minority interests in the Évasion specialty service and in the English-language specialty service SUN News Network ("SUN News"). In the Publishing segment, TVA Group produces over 50 titles, making it Quebec's largest publisher of French-language magazines. The Corporation's Class B shares are listed on the Toronto Stock Exchange under ticker symbol TVA.B.

This Interim Management's Discussion and Analysis covers the Corporation's main activities during the second quarter of 2014, and the major changes from the previous financial year. The Corporation's condensed consolidated financial statements for the three-month and six-month periods ended June 30, 2014 and 2013 have been prepared in accordance with International Financial Reporting Standards ("IFRS").

All the amounts presented in this Management's Discussion and Analysis are in Canadian dollars. This report should be read in conjunction with the information in the annual consolidated financial statements and Management's Discussion and Analysis for the financial year ended December 31, 2013 and with the condensed consolidated financial statements ended June 30, 2014.

BUSINESS SEGMENTS

Management made changes to the Corporation's management structure at the beginning of 2014. As a result of those changes, the custom publishing, commercial print production and premedia services previously provided by the TVA Studio division in the Publishing segment are now part of the operations of TVA Accès Inc. in the Television segment. Prior period disclosures have been restated to reflect this new presentation.

The Corporation's business segments are:

- The **Television segment** includes the operations of TVA Network (including the subsidiaries and divisions TVA Productions Inc., TVA Sales and Marketing Inc., TVA Nouvelles and TVA Interactif), specialty services, the marketing of digital products associated with the various televisual brands, the commercial production and dubbing operations of TVA Accès Inc., the distribution of audiovisual products by the TVA Films division, and the home and online shopping services of the TVA Boutiques division up to the second quarter of 2013.

- The **Publishing segment** includes the operations of TVA Publications Inc. ("TVA Publications") and Les Publications Charron & Cie Inc. ("Publications Charron"), which publish French-language magazines in various fields such as the arts, entertainment, television, fashion and decoration, and market digital products associated with the various magazine brands.

HIGHLIGHTS SINCE END OF FIRST QUARTER 2014

- On July 1, 2014, TVA Sports became the official French-language broadcaster for the National Hockey League ("NHL") for the next 12 years. TVA Sports will air more than 275 NHL games a year, including the Montréal Canadiens' Saturday night games, the playoffs, the Stanley Cup Finals and other major NHL events.

- On June 25, 2014, TVA Group announced an agreement with Cogeco Cable Canada to give Cogeco customers in Quebec on demand access to TVA content starting September 1, 2014. The Corporation and Cogeco Cable Canada also announced that they have renewed their agreement for live distribution of the TVA Sports specialty services, a deal that will include distribution of TVA Sports 2 starting in September.

- On April 28, 2014, Quebecor Inc. ("Quebecor") announced major management changes at the corporation and its subsidiaries. Pierre Dion, President and Chief Executive Officer of TVA Group, was appointed President and Chief Executive Officer of Quebecor and QMI, replacing Robert Dépatie who resigned as President and Chief Executive Officer of Quebecor, QMI and Videotron Ltd. for health reasons. Pierre Dion will continue to serve as President and Chief Executive Officer of TVA Group until his successor is named.

- On April 14, 2014, TVA Group announced an agreement with Telus to give Télé OPTIK subscribers on demand access to TVA content starting April 15. The Corporation and Telus also reached a new agreement for live distribution of the TVA Sports and TVA Sports 2 specialty services.

NON-IFRS FINANCIAL MEASURES

To evaluate its financial performance, the Corporation uses certain measures that are not calculated in accordance with or recognized under IFRS. The Corporation uses these non-IFRS financial measures because it believes that they are meaningful measures of its performance. The Corporation's method of calculating non-IFRS financial measures may differ from the methods used by other companies and, as a result, the financial measures presented in this Management's Discussion and Analysis may not be comparable to other measures with similar names reported by other companies.

Adjusted operating income (loss)

In its analysis of operating results, the Corporation defines adjusted operating income (loss) as net income (loss) before amortization of property, plant and equipment and intangible assets, financial expenses, operational restructuring costs, impairment of assets and other costs, income taxes and share of loss (income) of associated corporations. Adjusted operating income (loss) as defined above is not a measure of results that is consistent with IFRS. 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 should not be considered in isolation or as a substitute for other performance measures prepared in accordance with IFRS. This measure is used by management and the Board of Directors to evaluate the Corporation's consolidated results and the results of its segments. This measure eliminates the significant level of impairment and amortization of tangible and intangible assets and is unaffected by the capital structure or investment activities of the Corporation and its segments. Adjusted operating income (loss) is also relevant because it is a significant component of the Corporation's annual incentive compensation programs. The Corporation's definition of adjusted operating income (loss) may not be identical to similarly titled measures reported by other companies.

Table 1 below presents a reconciliation of adjusted operating income to net income (loss) attributable to shareholders as disclosed in the Corporation's condensed consolidated financial statements.

Table 1
Reconciliation of the adjusted operating income measure used in this report to the net income (loss) attributable to shareholders measure used in the consolidated financial statements
(in thousands of dollars)

	Three-months ended June 30		Six-months ended June 30	
	2014	2013	**2014**	2013
Adjusted operating income:				
Television	**$ 18,070**	$ 19,144	**$ 9,859**	$ 19,884
Publishing	**2,929**	1,796	**5,115**	1,951
	20,999	20,940	**14,974**	21,835
Amortization of property, plant and equipment and intangible assets	**5,317**	5,374	**10,701**	10,462
Financial expenses	**975**	1,597	**2,095**	3,201
Operational restructuring costs, impairment of assets and other costs	**–**	2,047	**–**	2,999
Tax expense (recovery)	**3,628**	3,526	**(519)**	1,102
Share of loss of associated corporations	**1,916**	1,415	**3,697**	2,978
Net income (loss) attributable to shareholders	**$ 9,163**	$ 6,981	**$ (1,000)**	$ 1,093

ANALYSIS OF CONSOLIDATED RESULTS

2014/2013 second quarter comparison

Operating revenues: $109,700,000, a decrease of $1,807,000 (-1.6%).

- $3,682,000 (-3.8%) decrease in the Television segment (Table 2), due mainly to the discontinuation of the operations of TVA Boutiques in the third quarter of 2013 and a 2.6% decrease in TVA Network’s revenues. The decreases were partially offset by a 6.0% increase in revenues at the specialty services.

- $1,604,000 (11.2%) increase in the Publishing segment (Table 2), primarily due to the favourable impact of the acquisition of *La Semaine* magazine on July 18, 2013, partially offset by a 5.8% decrease in revenues at the other magazines.

Table 2
Operating revenues
(in thousands of dollars)

	Three-months ended June 30		Six-months ended June 30	
	2014	2013	**2014**	2013
Television	**$ 94,240**	$ 97,922	**$ 185,176**	$ 196,042
Publishing	**15,958**	14,354	**31,096**	28,267
Intersegment items	**(498)**	(769)	**(1,251)**	(1,732)
	$ 109,700	$ 111,507	**$ 215,021**	$ 222,577

Adjusted operating income: $20,999,000, a $59,000 favourable variance.

- $1,074,000 unfavourable variance in the Television segment (Table 3), mainly due to the 12.2% decrease in TVA Network's adjusted operating income, partially offset by a 61.3% decrease in the adjusted operating loss of the specialty services and the favourable impact of the discontinuation of the operations of the TVA Boutiques division in the third quarter of 2013.

- $1,133,000 favourable variance in the Publishing segment (Table 3), due mainly to the favourable impact of the inclusion of the operating results of *La Semaine* magazine since July 18, 2013 as well as lower expenses as a result of cost savings related to volumes and to the operating expense reduction plan implemented in the second quarter of 2013.

Table 3
Adjusted operating income
(in thousands of dollars)

	Three-months ended June 30		Six-months ended June 30	
	2014	2013	**2014**	2013
Television	**$ 18,070**	$ 19,144	**$ 9,859**	$ 19,884
Publishing	**2,929**	1,796	**5,115**	1,951
	$ 20,999	$ 20,940	**$ 14,974**	$ 21,835

Net income attributable to shareholders: $9,163,000 ($0.39 per basic and diluted share), compared with a net income attributable to shareholders of $6,981,000 ($0.29 per basic and diluted share) in the same period of 2013.

- The positive variance of $2,182,000 ($0.10 per basic and diluted share) was essentially due to:

  - $2,047,000 favourable variance in operational restructuring costs, impairment of assets and other costs;

  - $622,000 favourable variance in financial expenses;

  partially offset by:

  - $501,000 unfavourable variance in the share of the loss of associated corporations.

- The calculation of per-share amounts was based on a weighted average of 23,770,906 outstanding diluted shares for the quarters ended June 30, 2014 and 2013.

Amortization of property, plant and equipment and intangible assets: relatively flat at $5,317,000, a slight $57,000 decrease.

Financial expenses: $975,000, a $622,000 decrease caused essentially by the recording of pension plan-related interest revenues in the second quarter of 2014, compared with a pension plan-related interest expense in the same period of 2013.

Operational restructuring costs, impairment of assets and other costs: nil in the second quarter of 2014, compared with $2,047,000 in the same period of 2013.

- In the second quarter of 2013, the Corporation introduced a cost-reduction plan to reduce operating expenses by $16 million for the year. As a result, the Corporation recorded $1,646,000 in operational restructuring costs in connection with the elimination of approximately 90 positions in the Television and Publishing segments.
- During the three-month period ended June 30, 2013, the Corporation announced that the operations of its TVA Boutiques division would be discontinued. In connection with this repositioning, a $612,000 inventory impairment charge and a $303,000 provision for operational restructuring costs were recorded.
- During the same period, the Corporation also reversed a $514,000 provision for restructuring costs following a favourable judgment in a legal dispute related to a former subsidiary's activities.

Income tax expense: $3,628,000 (effective tax rate of 24.7%) in the second quarter of 2014, compared with $3,526,000 (effective tax rate of 29.6%) for the same period of 2013.

- In the second quarter of 2014, the effective rate was lower than the Corporation's statutory rate of 26.9%, mainly because of the Corporation's share of the tax savings generated by SUN News' losses for the period, partially offset by permanent differences related to non-deductible items.

- In the second quarter of 2013, the effective rate was higher than the Corporation's statutory rate of 26.9%, mainly because of permanent differences related to non-deductible items.

Share of loss of associated corporations: $1,916,000 in the second quarter of 2014, compared with $1,415,000 in the same quarter of 2013. The $501,000 unfavourable variance was mainly due to weaker operating results at SUN News during the period.

2014/2013 year-to-date comparison

Operating revenues: $215,021,000, a $7,556,000 (-3.4%) decrease.

- $10,866,000 (-5.5%) decrease in the Television segment (Table 2), due mainly to a 4.5% decrease in TVA Network's revenues and the discontinuation of the operations of TVA Boutiques in the third quarter of 2013. The decreases were partially offset by a 4.3% increase in revenues at the specialty services.

- $2,829,000 (10.0%) increase in the Publishing segment (Table 2) primarily due to the favourable impact of the acquisition of *La Semaine* magazine on July 18, 2013. The increase was partially offset by a 6.9% decrease in revenues at the other magazines.

Adjusted operating income: $14,974,000, a negative variance of $6,861,000.

- $10,025,000 unfavourable variance in the Television segment (Table 3), mainly because of a 48.7% decrease in TVA Network's adjusted operating income, partially offset by a 34.9% decrease in the adjusted operating loss of the specialty services.

- $3,164,000 favourable variance in the Publishing segment (Table 3), due mainly to the favourable impact of the inclusion of the operating results of *La Semaine* magazine since July 18, 2013, as well as lower expenses as a result of cost savings related to volumes and to the operating expense reduction plan implemented in the second quarter of 2013.

Net loss attributable to shareholders: $1,000,000 (-$0.04 per basic and diluted share) for the first six months of 2014, compared with net income of $1,093,000 ($0.05 per basic and diluted share) in the same period of 2013.

- The negative variance of $2,093,000 (-$0.09 per basic and diluted share) was essentially due to:

    - decrease in adjusted operating income;

    - $719,000 unfavourable variance in the share of the loss of associated corporations;

  partially offset by:

    - $2,999,000 favourable variance in operational restructuring costs, impairment of assets and other costs;

    - $1,621,000 favourable variance in income tax expense; and

    - $1,106,000 favourable variance in financial expenses.

- The calculation of per-share amounts was based on a weighted average of 23,770,906 outstanding diluted shares for the first six months of 2014 and 2013.

Amortization of property, plant and equipment and intangible assets: $10,701,000, a $239,000 (2.3%) increase.

- The increase was mainly due to commissioning of major technical and real estate projects during the past few months and amortization of intangible assets acquired as part of the transaction with Publications Charron, partially offset by the favourable impact of accelerated recording of amortization in connection with a Web site in the second quarter of 2013.

Financial expenses: $2,095,000, a decrease of $1,106,000, due to the same factors as those noted above in the 2014/2013 second quarter comparison.

Operational restructuring costs, impairment of assets and other costs: nil in the first half of 2014, compared with $2,999,000 in the same period of 2013.

- During the six-month period ended June 30, 2013, in addition to the items noted in the 2014/2013 second quarter comparison, the Corporation recorded operational restructuring costs in the amount of $565,000 for legal expenses connected with a trial related to a legal dispute involving a former subsidiary. The Corporation also recorded a $387,000 impairment charge related to its long-term distribution rights inventory following its decision to discontinue theatrical distribution of new Québec films.

Income tax recovery: $519,000 (effective tax rate of -23.8%) in the first six months of 2014, compared with an income tax expense of $1,102,000 (effective tax rate of 21.3%) in the same period of 2013.

- In the first half of 2014, the tax rate was lower than the Corporation's statutory tax rate of 26.9%, mainly because of the Corporation's share of the tax savings generated by SUN News' losses for the period. As well, in light of developments in tax audits, jurisprudence and tax legislation, the Corporation reduced its deferred tax liabilities by $305,000. These factors were partially offset by permanent differences related to non-deductible items.

- In the first half of 2013, the tax rate was lower than the Corporation's statutory tax rate of 26.9%, mainly because of the Corporation's share of the tax savings generated by SUN News' losses for the period, partially offset by permanent differences related to non-deductible items.

Share of loss of associated corporations: $3,697,000 in the first six months of 2014, compared with $2,978,000 in the same period of 2013. The $719,000 unfavourable variance was mainly due to the same factors as those noted above in the 2014/2013 second quarter comparison.

SEGMENTED ANALYSIS

Television

2014/2013 second quarter comparison

Operating revenues: $94,240,000, a decrease of $3,682,000 (-3.8%), primarily due to:

- loss of revenues as a result of the discontinuation of the operations of the TVA Boutiques division in the third quarter of 2013;
- 2.6% decrease in TVA Network's revenues due to a 3.1% decrease in advertising revenues and a 49.8% decrease in revenues from the Local Programming Improvement Fund ("LPIF"), which is being phased out, partially offset by the increase in royalties for retransmission of distant signals collected by the Corporation;
- 3.1% decrease in advertising revenues at the specialty services, generated mainly by "LCN" and "addik^{TV}," partially offset by better performance of "prise 2" and "Casa";

partially offset by:

- 11.6% increase in subscription revenues at the specialty services, marked by growth at all of the services:
  - the "TVA Sports" and "LCN" services accounted for 29.2% and 15.6% of the increase respectively;
  - the "MOI&cie," "Casa," "addik^{TV}" and "prise 2" services logged increases of 19.8%, 18.4%, 14.8% and 8.9% respectively.

French-language market ratings

TVA Group's total market share for the period of April 1 to June 30, 2014 was 30.6%, slightly lower than the 31.0% share recorded in the same period of 2013. The slight decrease was mainly due to high audience ratings associated with the performance of the Montréal Canadiens during the Stanley Cup playoffs. It should be noted that, as the official French-language NHL broadcaster for the next 12 years, TVA Sports will be able to capture the market share attributable to the exclusive distribution of the Stanley Cup playoffs.

TVA Group's specialty services had a combined market share of 9.2% in the second quarter of 2014, compared with 8.1% in the same period of 2013, a 1.1 points increase. The increase was mainly due to excellent ratings posted by the "prise 2" and "addik^{TV}" services, which increased their shares by 0.5 point and 0.4 point respectively. Most of the other specialty services also grew their shares, particularly "TVA Sports" and "MOI&cie," which each gained 0.2 point, while "Casa" gained 0.1 point.

TVA Network remains in the lead with a 21.4% market share, more than its two main conventional rivals combined. TVA Network carried 16 of the 30 most-watched programs in Quebec during the second quarter of 2014, including *La Voix*, which attracted more than 2.6 million viewers.

Table 4
French-language market ratings
(Market share in %)

	Spring 2014 vs 2013		
	2014	**2013**	**Difference**
French-language conventional broadcasters:			
TVA	**21.4**	22.9	- 1.5
SRC	**11.6**	11.8	- 0.2
V	**7.7**	8.2	- 0.5
	40.7	42.9	- 2.2
French-language specialty and pay services:			
TVA	**9.2**	8.1	+ 1.1
Bell Media	**21.8**	20.7	+ 1.1
Corus	**7.0**	8.0	- 1.0
SRC	**4.8**	5.2	- 0.4
Other	**7.5**	7.5	0.0
	50.3	49.5	+ 0.8
Total English-language channels and others:	**9.0**	7.6	+ 1.4
TVA Group	**30.6**	31.0	- 0.4

Source: BBM Ratings, French Quebec, April 1 to June 30, 2014, Mon-Sun, 2:00 – 2:00, All 2+.

Operating expenses: $76,170,000, a decrease of $2,608,000 (-3.3%).

- The decrease was due primarily to:

  - decrease in operating expenses related to the TVA Boutiques division following the discontinuation of its operations;

  partially offset by:

  - 1.6% increase in TVA Network's operating expenses, mainly due to the favourable adjustment of a provision for Canadian Radio-television and Telecommunications Commission ("CRTC") licence fees in the second quarter of 2013, partially offset by savings generated in programming and administrative costs.

Adjusted operating income: $18,070,000, a $1,074,000 unfavourable variance due primarily to:

  - decrease in TVA Network's adjusted operating income due mainly to lower advertising revenues;

  partially offset by:

  - decrease in the adjusted operating loss of the specialty services, directly attributable to higher subscription revenues; and

  - favourable impact of the discontinuation of the operations of the TVA Boutiques division, which had recorded an operating loss in the same quarter of 2013.

Cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Television segment's activities (expressed as a percentage of revenues) were relatively flat, increasing from 80.5% in the second quarter of 2013 to 80.8% in the same period of 2014.

2014/2013 year-to-date comparison

Operating revenues: $185,176,000, a $10,866,000 (-5.5%) decrease primarily due to:

- 4.5% decrease in TVA Network's revenues due to a 4.5% decrease in advertising revenues and a 49.7% decrease in revenues from the LPIF, which is being phased out, partially offset by an increase in royalties for retransmission of distant signals collected by the Corporation;
- loss of revenues as a result of the discontinuation of the operations of the TVA Boutiques division in the third quarter of 2013;
- 5.3% decrease in advertising revenues at the specialty services, generated mainly by "LCN";

partially offset by:

- 9.9% increase in subscription revenues at the specialty services:
  - the "TVA Sports" and "LCN" services accounted for 31.3% and 16.0% of the increase respectively;
  - the "MOI&cie," "Casa," "addik^{TV}" and "prise 2" services logged increases of 22.0%, 14.8%, 12.3% and 8.9% respectively.

Operating expenses: $175,317,000, a decrease of $841,000 (-0.5%).

- The decrease was due primarily to:
  - decrease in operating expenses related to the TVA Boutiques division following the discontinuation of its operations;

  partially offset by:

  - 5.0% increase in TVA Network's operating expenses due to higher content costs, reflecting higher programming expenditures, additional costs generated by the provincial election and adjustments in the first quarter of 2014 to the cost of certain prior-year broadcast licences related to the indemnification clauses in the Corporation's guarantees, as reported in the financial statements dated December 31, 2013.

Adjusted operating income: $9,859,000, a $10,025,000 negative variance due primarily to:

- decrease in TVA Network's adjusted operating income due to the combined impact of lower advertising revenues and higher content expenditures;

partially offset by:

- decrease in the adjusted operating loss of the specialty services, directly attributable to higher subscription revenues.

Cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Television segment's activities (expressed as a percentage of revenues) increased from 89.9% in the first half of 2013 to 94.7% in the same period of 2014, mainly as a result of the increase in content costs and a decrease in advertising revenues.

Publishing

2014/2013 second quarter comparison

Operating revenues: $15,958,000, a $1,604,000 (11.2%) increase, despite the closure of the magazines *Star Inc.*, *Rénovation Bricolage* and *Option Réno* in the first quarter of 2014. The increase was mainly due to:

- inclusion of the revenues of *La Semaine* magazine since July 18, 2013;
- 7.6%[1] increase in newsstand revenues;

partially offset by:

- 20.9%[1] decrease in the magazines' combined advertising revenues, broken down as follows:
  - Entertainment: : -38.6%;
  - Specialty: : -27.3%;
  - Women's: : -13.1%;
  - Decorating/cooking: : -12.7%.

Readership and market share statistics

- Together, TVA Group's magazines hold 53.3%* of cumulative monthly Quebec French-language readership.
  - The weeklies reach more than 3 million unique readers in Canada per year.
  - The showbiz and celebrity news magazine *7 Jours* alone has a weekly readership of 539,000* and remains the most widely read weekly magazine in Quebec.
  - *La Semaine* magazine, which carries family-oriented entertainment news, reaches 375,000* readers per week.

**According to data compiled by PMB (Print Measurement Bureau) – Spring 2014, French Quebec, 12+.*

Operating expenses: $13,029,000, an increase of $471,000 (3.8%) due mainly to:

- inclusion of the operating expenses of *La Semaine* magazine since July 18, 2013;

partially offset by:

- 12.3%[1] decrease in the operating expenses of the entertainment magazines as a result of lower production and printing costs, mainly at *7 Jours* magazine;
- closure of certain magazines in the first quarter of 2014;
- 7.4% decrease in the operating expenses of the decorating and cooking magazines as a result of lower labour and printing and productions costs, particularly at *Chez Soi* magazine.

[1] *Excluding La Semaine magazine and the magazines no longer published as of the first quarter of 2014.*

Adjusted operating income: $2,929,000, a $1,133,000 favourable variance, due primarily to the favorable addition of the operating results of *La Semaine* magazine since July 18, 2013 and its inclusion in the existing operations of the Publishing segment.

Cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Publishing segment's activities (expressed as a percentage of revenues) were 81.6% in the second quarter of 2014, compared with 87.5% in the same period of 2013. The decrease was due to the acquisition of *La Semaine* magazine, a strong monitoring of costs and the impact of the cost reduction plan introduced in the second quarter of 2013.

Acquisition of Publications Charron

On July 18, 2013, the Corporation acquired the magazine publisher Publications Charron. Its publications include the weekly *La Semaine*, which has average weekly newsstand sales of 35,000 to 44,000 copies. The revenues and expenses generated by its operations have been included in the Publishing segment's results since the third quarter of 2013.

2014/2013 year-to-date comparison

Operating revenues: $31,096,000, a $2,829,000 (10.0%) increase, despite the closure of the magazines *Star Inc.*, *Rénovation Bricolage* and *Option Réno*. The increase was mainly due to:

- inclusion of the revenues of *La Semaine* magazine since July 18, 2013;
- 7.2%[1] increase in newsstand revenues;

partially offset by:

- 22.7%[1] decrease in the magazines' combined advertising revenues, broken down as follows:
  - Specialty: : -41.6%;
  - Entertainment: : -33.9%;
  - Decorating/cooking: : -18.0%;
  - Women's: : -17.2%.

Canada Periodical Fund

The Government of Canada introduced the Canada Periodical Fund ("CPF") on April 1, 2010. The CPF provides financial assistance to the Canadian magazine and non-daily newspaper industries so they can continue to produce and distribute Canadian content. All assistance related to this new program is fully recorded under operating revenues. It amounted to 12.2% of the segment's operating revenues for the six-month period ended June 30, 2014 (10.4% in the same period of 2013).

Operating expenses: $25,981,000, a decrease of $335,000 (-1.3%). In addition to the closure of the magazines *Star Inc.*, *Rénovation Bricolage* and *Option Réno*, the decrease was mainly due to:

- 16.3%[1] decrease in the operating expenses of the entertainment magazines as a result of lower printing and production costs, mainly at *7 Jours* magazine;
- 11.8% decrease in the operating expenses of the decorating and cooking magazines as a result of lower subscriber acquisition costs, promotion costs and printing and production costs, particularly at *Chez Soi* magazine;

[1] *Excluding La Semaine magazine and the magazines no longer published as of the first quarter of 2014.*

- 3.6% decrease in the operating expenses of the women's magazines as a result of a decrease in brand management activities, including non-renewal of the Rock & Rose event for 2014;

partially offset by:

- inclusion of the operating expenses of *La Semaine* magazine since July 18, 2013.

Adjusted operating income: $5,115,000, a $3,164,000 favourable variance due primarily to:

- positive impact of the inclusion of the operating results of *La Semaine* magazine since July 18, 2013;
- decrease in the operating expenses of the other magazines, as detailed above, and the impact of savings related to the cost-reduction plan introduced in the second quarter of 2013.

Cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Publishing segment's activities (expressed as a percentage of revenues) were 83.6% in the first half of 2014, compared with 93.1% in the same period of 2013. The decrease was essentially due to the same factors as those noted above in the discussion of the quarterly results.

CASH FLOWS AND FINANCIAL POSITION

Table 5 below shows a summary of cash flows related to operating activities, investing activities and financing activities:

Table 5
Summary of the Corporation's cash flows
(in thousands of dollars)

	Three-months ended June 30		Six-months ended June 30	
	2014	2013	**2014**	2013
Cash flows related to operating activities	**$ 16,080**	$ 10,730	**$ 20,952**	$ 8,187
Additions to property, plant and equipment and intangible assets	**(6,208)**	(4,574)	**(13,315)**	(10,470)
Increase in investments	**(1,346)**	(1,470)	**(2,767)**	(671)
Other	**(50)**	(50)	**(602)**	(101)
Reimbursement of (increase in) net debt	**$ 8,476**	$ 4,636	**$ 4,268**	$ (3,055)

	June 30, 2014	December 31, 2013
At period end:		
Short-term debt	**$ 74,741**	$ 74,640
Less cash	**(12,086)**	(7,717)
Net debt	**$ 62,655**	$ 66,923

Operating Activities

Cash flows provided by operating activities: $16,080,000 in the second quarter of 2014, compared with $10,730,000 in the same quarter of 2013. The $5,350,000 increase was mainly due to favourable variances in accounts payable and accrued liabilities and net income, partially offset by negative variances in income taxes and accounts receivable.

Cash flows provided by operating activities: $20,952,000 in the first six months of 2014, compared with $8,187,000 in the same period of 2013. The $12,765,000 increase was essentially due to favourable variances in accounts receivable and accounts payable and accrued liabilities, partially offset by the negative variance in income taxes.

Working capital of TVA Group: $12,556,000 as at June 30, 2014, compared with $18,378,000 as at December 31, 2013. The $5,822,000 decrease was mainly due to the decrease in accounts receivable, partially offset by the decrease in accounts payable and accrued liabilities, as well as deferred revenues.

Investing Activities

Additions to property, plant and equipment and intangible assets: $6,208,000 in the second quarter of 2014, compared with $4,574,000 in the same period of 2013, an increase of $1,634,000 (35.7%). The increase was caused mainly by expenditures for the installation of the technical infrastructure required for launch of TVA Sports 2 in the fall of 2014, following acquisition of the NHL games distribution rights.

Additions to property, plant and equipment and intangible assets: $13,315,000 in the first six months of 2014, compared with $10,470,000 in the same period of 2013, an increase of $2,845,000 (27.2%). The increase was essentially due to the same factors as those noted above.

Net change in investments: $1,346,000 in the second quarter of 2014, compared with $1,470,000 in the same period of 2013. In the second quarter of 2014, the Corporation made a capital contribution to SUN News in the amount of $1,617,000 ($1,470,000 in the second quarter of 2013) and received $271,000 related to a portfolio investment (nil in the second quarter of 2013).

Net change in investments: $2,767,000 in the first six months of 2014, compared with $671,000 in the same period of 2013. In addition to the factors noted above, the Corporation made a capital contribution to SUN News in the amount of $1,421,000 in the first quarter of 2014 and received $799,000 related to a portfolio investment during the same period of 2013.

Financing Activities

Debt (excluding deferred financing costs): $75,000,000 as at June 30, 2014, unchanged from December 31, 2013.

Financial Position as at June 30, 2014

Net available liquid assets: $111,661,000, consisting of a $99,575,000 unused and available revolving credit facility and $12,086,000 in cash.

As of June 30, 2014, minimum principal debt payments in the coming 12-month periods were as follows:

Table 6
TVA Group minimum principal payments on debt
12-month periods ended June 30
(in thousands of dollars)

2015	$ 75,000
2016	–
2017	–
2018	–
2019 and thereafter	–
Total	**$ 75,000**

The weighted average term of TVA Group's debt was approximately 0.4 year as at June 30, 2014 (0.9 year as at December 31, 2013) and is therefore presented in its entirety under current liabilities at quarter's end. The debt consisted entirely of fixed-rate debt as of June 30, 2014 and December 31, 2013. The Corporation opened discussions with its banking partners on renewal of long-term debt before the maturity date and foresees no difficulty in this regard.

The Corporation also has a $100,000,000 revolving credit facility, which was renewed on February 24, 2012 for a five-year term. At June 30, 2014, there were no drawings on the revolving credit facility. The Corporation could also use its unused revolving credit facility to repay its long-term debt maturing on December 11, 2014.

The Corporation's management believes that the cash flows generated on an annual basis by continuing operating activities and by available sources of financing should be sufficient to meet future cash requirements in regard to capital investments, working capital, interest payments, debt repayment, pension plan contributions and dividend payments (or distribution of capital), and to meet its commitments and guarantees.

Under its credit agreements, the Corporation is subject to certain covenants, including maintenance of certain financial ratios. As at June 30, 2014, the Corporation was in compliance with all the terms of its credit agreements.

Analysis of consolidated balance sheet as at June 30, 2014

Table 7
Consolidated balance sheets of TVA Group
Analysis of main variances between June 30, 2014 and December 31, 2013
(in thousands of dollars)

		June 30, 2014		December 31, 2013		Difference	Main reasons for difference
Assets							
Accounts receivable	**$**	**115,610**	$	136,408	$	(20,798)	Impact of receipt of retroactive royalties for retransmission of distant signals and of amounts due under new agreements signed at the end of 2013, as well as current and seasonal variations in activities.
Programs, broadcast and distribution rights and inventories		**52,758**		61,428		(8,670)	Impact of seasonal variation in rights inventories following the winter 2014 programming season.
Broadcast and distribution rights		**36,997**		31,985		5,012	Impact of current and seasonal variations in activities.
Liabilities							
Accounts payable and accrued liabilities	**$**	**76,384**	$	85,960	$	(9,576)	Impact of current and seasonal variations in activities.

ADDITIONAL INFORMATION

Contractual obligations

As of June 30, 2014, material contractual commitments of operating activities included capital repayment and interest on debt, payments under broadcast and distribution rights acquisition contracts, and payments under other contractual commitments, such as operating leases for services and office space. These contractual obligations are summarized in Table 8.

Table 8
Material contractual obligations of TVA Group as of June 30, 2014
(in thousands of dollars)

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Long-term debt	$ 75,000	$ -	$ -	$ -	$ 75,000
Payment of interest[1]	2,428	613	-	-	3,041
Broadcast and distribution rights	92,117	166,891	143,365	512,023	914,396
Other commitments	13,205	8,818	4,543	2,798	29,364
Total	**$ 182,750**	**$ 176,322**	**$ 147,908**	**$ 514,821**	**$ 1,021,801**

[1] *Interest is calculated on a constant debt level equal to that at June 30, 2014 and includes standby fees on the revolving credit facility.*

QMI has reached an agreement with Rogers Communications for French-language broadcast rights to NHL games. Pending finalization of agreements between QMI and TVA Group, total commitments related to this contract have been included in the Corporation's commitments.

Related-party transactions

The Corporation entered into the following transactions with related parties in the normal course of business. These transactions were recognized at the exchange amount agreed between the parties.

During the second quarter of 2014, the Corporation sold advertising space and content to, recognized subscription revenues from, and provided production, postproduction and other services to corporations under common control and affiliated corporations for an aggregate amount of $18,490,000 ($18,132,000 in the second quarter of 2013).

In the second quarter of 2014, the Corporation recorded telecommunications service costs, advertising space acquisition costs, professional service fees and commissions on sales and news gathering services arising from transactions with corporations under common control and affiliated corporations totalling $7,609,000 ($8,779,000 in the second quarter of 2013).

The Corporation also recorded management fees to the parent corporation in the amount of $1,080,000 in the second quarter of 2014 ($1,080,000 in the second quarter of 2013).

In the first six months of 2014, the Corporation sold advertising space and content to, recognized subscription revenues from, and provided production, postproduction and other services to corporations under common control and affiliated corporations for an aggregate amount of $35,867,000 ($37,157,000 in the first six months of 2013).

In the first six months of 2014, the Corporation recorded telecommunications service costs, advertising space acquisition costs, professional service fees and commissions on sales and news gathering services arising from transactions with corporations under common control and affiliated corporations totalling $17,364,000 ($19,533,000 in the first six months of 2013).

The Corporation also recorded management fees to the parent corporation in the amount of $2,160,000 in the first six months of 2014 ($2,160,000 in the first six months of 2013).

SUN News

The partners in SUN News made a $3,300,000 ($3,000,000 in the second quarter of 2013) capital contribution in the second quarter of 2014, including $1,617,000 ($1,470,000 in the second quarter of 2013) from the Corporation and $1,683,000 ($1,530,000 in the second quarter of 2013) from Sun Media Corporation.

During the first six months of 2014, the partners in SUN News made a capital contribution of $6,200,000 ($3,000,000 during the same period of 2013), including $3,038,000 ($1,470,000 during the same period of 2013) from the Corporation and $3,162,000 ($1,530,000 during the same period of 2013) from Sun Media Corporation.

Capital stock

Table 9 below presents information on the Corporation's capital stock as at June 30, 2014. In addition, 691,076 Class B stock options and 372,032 QMI stock options were outstanding as of July 15, 2014.

Table 9
Number of shares outstanding as at July 15, 2014
(in shares and dollars)

	Issued and outstanding	Carrying amount
Class A common shares	4,320,000	$ 0.02
Class B shares	19,450,906	$ 5.07

Changes in accounting policies

On January 1, 2014, the Corporation adopted retrospectively IFRIC 21 – *Levies*, which clarifies the timing of accounting for a liability for outflow of resources that is imposed by governments in accordance with legislation, based on the activity that triggers the payment. The adoption of this interpretation did not have a material impact on the consolidated financial statements.

Disclosure controls and procedures

The purpose of internal controls over financial reporting is to provide reasonable assurance as to the reliability of the Corporation's financial reporting and the preparation of its financial statements in accordance with IFRS. No changes to internal controls over financial reporting have come to the attention of management during the three-month period ended June 30, 2014 that have materially adversely affected, or are reasonably likely to materially adversely affect, the Corporation's internal controls over financial reporting.

Additional information

The Corporation 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 those documents are available free of charge from the Corporation on request, and on the Web at www.sedar.com.

Forward-looking information disclaimer

The statements in this Management's Discussion and Analysis that are not historical facts may be forward-looking statements and are subject to important known and unknown risks, uncertainties and assumptions which could cause the Corporation'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 or by forward-looking terminology such as "propose," "will," "expect," "may," "anticipate," "intend," "estimate," "plan," "foresee," "believe" or the negative of those 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), programming, content and production cost risks, credit risk, government regulation risks, government assistance risks, changes in economic conditions, fragmentation of the media landscape, and labour relation risks.

The forward-looking statements in this document are made to give investors and the public a better understanding of the Corporation's circumstances and are based on assumptions it believes to be reasonable as of the day on which they were made. 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 Corporation's actual results to differ from current expectations, please refer to the Corporation's public filings available at www.sedar.com and http://groupetva.ca, including, in particular, the "Risks and Uncertainties" section of the Corporation's annual Management's Discussion and Analysis for the year ended December 31, 2013 and the "Risk Factors" section in the Corporation's 2013 annual information form.

The forward-looking statements in this Management's Discussion and Analysis reflect the Corporation's expectations as of July 29, 2014, and are subject to change after this date. The Corporation 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.

Montreal, Quebec

July 29, 2014

Table 10
SELECTED QUARTERLY FINANCIAL DATA
(in thousands of dollars, except for per-share data)

	2014			2013
	June 30	March 31	Dec. 31	Sept. 30
Operations				
Operating revenues	**$ 109,700**	$ 105,321	$ 120,022	$ 102,217
Adjusted operating income (loss)	**$ 20,999**	$ (6,025)	$ 20,334	$ 18,401
Net income (loss) attributable to shareholders	**$ 9,163**	$ (10,163)	$ 8,328	$ 6,325
Basic and diluted per-share data				
Basic and diluted earnings (loss) per share	**$ 0.39**	$ (0.43)	$ 0.35	$ 0.27
Weighted average number of outstanding shares (in thousands)	**23,771**	23,771	23,771	23,771

	2013			2012
	June 30	March 31	Dec. 31 (restated)	Sept. 30 (restated)
Operations				
Operating revenues	$ 111,507	$ 111,070	$ 127,004	$ 97,171
Adjusted operating income	$ 20,940	$ 895	$ 20,625	$ 10,341
Net income (loss) attributable to shareholders	$ 6,981	$ (5,888)	$ 8,838	$ 1,539
Basic and diluted per-share data				
Basic and diluted earnings (loss) per share	$ 0.29	$ (0.25)	$ 0.37	$ 0.06
Weighted average number of outstanding shares (in thousands)	23,771	23,771	23,771	23,771

- Most of the Corporation's operating revenues are derived from the sale of advertising or advertising services. These advertising revenues are usually seasonal and are impacted by the cyclical nature and economic character of the industry and of the markets in which the advertisers operate. The Corporation's second and fourth quarters are customarily the most favourable periods for advertising revenues, especially for the Television segment.

- From a quarter to another, operating expenses in the Television segment vary, mainly as a result of programming costs, which are directly related to programming strategies, whereas in the Publishing segment, operating costs fluctuate according to the arrival of magazines on newsstands.