



**ANNUAL FINANCIAL RESULTS ENDED
DECEMBER 31ST, 2011**



TVA GROUP INC.

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Publishing

Operating revenues: \$70,622,000, a decrease of \$4,382,000 (-5.8%), primarily due to the following factors:

- 12.6% decrease in combined newsstand revenues for our magazines; and
- 6.4% decrease in advertising revenues.

Partially offset by:

- 54.7% increase in revenues from the TVA Studio division's activities.

Readership and market share statistics

- Together, TVA Publications magazines hold 49% of cumulative monthly French-Quebec readership, according to data compiled by the PMB (Print Measurement Bureau – Fall 2011).
- Our weeklies reach a combined total of close to 2.7 million Canadian readers per week (Print Measurement Bureau – Fall 2011). The showbiz and celebrity news magazine *7 Jours* alone has 889,000 readers.
- TVA Group is the leader in newsstand sales, with over 70% of the newsstand market for French-language magazines in Quebec and 49% of total unit sales of French-language magazines in Quebec (source: Audit Bureau of Circulation, December 31, 2011).

Canada Periodical Fund (CPF)

The Government of Canada launched 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. It replaces the Publications Assistance Program (PAP) and the Canada Magazine Fund (CMF), which ended on March 31, 2010. All assistance related to this new program is now fully recorded under operating revenues. The old PAP program provided assistance for magazine distribution and was applied against distribution expenses (approximately \$550,000 per quarter) while the CMF program was recorded under operating revenues.

Operating expenses: \$60,042,000, a decrease of \$3,362,000 (-5.3%), primarily due to the following factors:

- 11.6% decrease in printing and packaging expenses as a result of reductions in printing costs and newsstand premiums;
- 18.9% reduction in variable costs related to advertising sales, due in large part to commissions and the charge for bad debts;
- 70.5% decrease in distribution and canvassing expenses; and
- 18.2% decrease in marketing and advertising expenses.

Partially offset by:

- 45.3% increase in operating expenses as a result of increased activity at the TVA Studio division.

Operating income: \$10,580,000, a decrease of \$1,020,000 (-8.8%) caused mainly by lower newsstand and advertising revenues and other income, combined with the impact of across-the-board reductions in operating expenses.

Cost/revenue ratio: Operating costs for activities of the Publishing sector (expressed as a percentage of revenues) relatively stable at 85.0% in the year ended December 31, 2011, compared with 84.5% in 2010.

2011/2010 FOURTH QUARTER COMPARISON

Analysis of consolidated results of TVA Group

Operating revenues: \$131,636,000, a decrease of \$1,751,000 (-1.3%).

- \$1,069,000 (-0.9%) decrease in the Television sector, due mainly to a 2.5% decrease in TVA Network's operating revenues, a 60.6% net decrease in the combined revenues of "SUN TV" and SUN News following the launch of the SUN News specialty news service in April 2011, and a 47.1% decrease in the TVA Films division's operating revenues, partially offset by a 27.7% increase in operating revenues at the specialty services.
- \$974,000 (-5.1%) decrease in the Publishing sector, primarily due to a 15.6% decrease in newsstand revenues and a 12.1% decrease in advertising revenues, partially offset by a 186.8% increase in revenues from custom printing.

Operating income: \$20,657,000, a decrease of \$8,475,000 (-29.1%).

- \$8,730,000 (-32.5%) decrease in the Television sector, due mainly to the operating loss of the new "TVA Sports" specialty service launched in the third quarter of 2011, the 7.0% decrease in operating income at TVA Network, and the 48.9% net increase in the combined operating loss of "SUN TV" and SUN News.
- \$255,000 (11.1%) increase in the Publishing sector due primarily to across-the-board operating cost reductions, despite a 5.1% decrease in operating revenues.

Net income attributable to shareholders: \$11,468,000 (\$0.48 per diluted share) for the fourth quarter of 2011, compared with \$19,305,000 (\$0.81 per diluted share) in the same period of 2010.

- The negative variance of \$7,837,000 (\$0.33 per diluted share) was mainly due to:
 - \$8,475,000 decrease in operating income;
 - \$762,000 increase in amortization expense; and
 - \$240,000 increase in restructuring costs of operations, impairment of assets and other costs.

Partially offset by:

- \$1,848,000 increase in the loss absorbed by non-controlling interest.
- The calculation of per-share amounts was based on a weighted average of 23,770,906 outstanding diluted shares for the quarters ended December 31, 2011 and 2010.

Amortization of property, plant and equipment and intangible assets: \$4,909,000, an increase of \$762,000 (18.4%).

- This increase was mainly due to the same factors as those noted above under "2011/2010 financial year comparison."

Restructuring costs of operations, impairment of assets and other costs: \$1,032,000 in the fourth quarter of 2011, compared with \$792,000 in the same quarter of 2010, a \$240,000 increase.

- The Corporation recorded a \$327,000 charge in the fourth quarter of 2011 for the cancellation of transmission contracts related to the operations of "SUN TV" and a \$624,000 restructuring charge related to reorganization of operations in the Television sector. As a result of the repositioning of "SUN TV," the Corporation recorded an impairment expense related to its broadcast rights inventories in the amount of \$538,000 and a provision for restructuring costs of operations in the amount of \$254,000 in the fourth quarter of 2010.

Income tax expense: \$4,264,000 (effective tax rate of 32.4%) during the fourth quarter of 2011 compared with \$4,324,000 (effective tax rate of 19.0%) for the same period of 2010.

- The tax rate was higher than the Corporation's statutory tax rate of 28.4% mainly because of Sun Media Corporation's share in the tax savings generated by the operating losses of SUN News, as well as permanent differences related to non-deductible items.
- During the fourth quarter of 2010, in light of developments in tax audits, jurisprudence and tax legislation, the Corporation reduced its deferred tax liabilities by \$3,366,000 (\$156,000 in 2011). Excluding the tax saving, the tax rate for the fourth quarter of 2010 would have been 33.8% (33.6% in 2011).

Non-controlling interest: \$2,297,000 in the fourth quarter of 2011, compared with \$449,000 in the same quarter of 2010.

- Non-controlling interest represents Sun Media Corporation's share in the pre-tax loss of SUN News General Partnership.

Share of income of associated corporation: \$289,000, a \$117,000 decrease reflecting weaker financial results at a television company compared with the same period of 2010.

Segmented analysis

Television

Operating revenues: \$114,447,000, a decrease of \$1,069,000 (-0.9%), primarily due to the following factors:

- 2.5% decrease in operating revenues at TVA Network, mainly as a result of a 1.7% decline in advertising revenues;
- 60.6% net decrease in the combined revenues of "SUN TV" and SUN News following the launch of SUN News in April 2011; and
- 47.1% decrease in operating revenues at the TVA Films division due primarily to lower volume in the home entertainment segment (DVD/Blu-ray).

Partially offset by:

- 40.5% increase in advertising revenues at the specialty services, essentially caused by:
 - launch of the new "TVA Sports" specialty service, which accounted for 43% of the growth; and
 - 23.1% increase in advertising revenues across the other specialty services.
- 18.3% increase in subscription revenues from the specialty services:
 - 14.0%, 13.0%, 30.6% and 8.7% growth at "addik^{TV}," "Prise 2," "YOOPA" and "CASA" respectively; while
 - the new "Mlle" and "TVA Sports" specialty services accounted for 53.0% of the growth.

French-language market ratings

For the period of October 3 to January 1, 2012, TVA Network's market share decreased by 2.0 points compared with the same period of 2010, while the market share of the V Network increased by 1.5 point and that of SRC by 0.1 point. TVA Network remains in the lead with a 24.2 market share, more than its two main conventional rivals combined. In addition, the specialty services "addik^{TV}" and "Prise 2" grew their market share with increases of 0.6 and 0.2 points respectively. The market share of "LCN" decreased by 0.3 point to 3.5, compared with 2.8 for "RDI."

The TVA Group's French-language specialty services had a combined market share of 7.3 in the fourth quarter of 2011, compared with 6.5 in the same period of 2010, an increase of 0.8 point or 12.3%. TVA Network carried 18 of the 30 most-watched programs in Quebec during the fourth quarter of 2011, including the number 2 show, "On connaît la chanson," which attracted more than 1.9 million viewers.

Table 5
French-language market ratings

Autumn 2011 vs Autumn 2010				
Market shares (%)				
	2011	2010	Var. %	Difference
French-language conventional broadcasters:				
TVA	24.2	26.2	- 7.6%	- 2.0
SRC	13.3	13.2	+0.8%	+0.1
V	8.5	7.0	+21.4%	+1.5
Total	46.0	46.4	-0.9%	-0.4
French-language specialty:				
TVA	7.3	6.5	+12.3%	+0.8
Other	39.4	39.5	-0.3%	-0.1
Total	46.7	46.0	+1.5%	+0.7
Total English-language and others	7.2	7.7	-6.5%	-0.5
TVA Group	31.5	32.7	-3.7%	-1.2

Source: BBM Ratings. French Quebec, October 3 to January 1, 2012, 1-d, 2h-2h, t2+.

Operating expenses: \$96,350,000, an increase of \$7,661,000 (8.6%).

- The increase was due primarily to:
 - operating costs of the new specialty service "Mlle," launched on May 2, 2011, and "TVA Sports," launched on September 12, 2011.

Partially offset by:

- lower operating expenses at TVA Films due to lower volume in 2011.

Operating income: \$18,097,000, a decrease of \$8,729,000 (-32.5%), primarily due to:

- operating loss of the new "TVA Sports" specialty service, which was in the free preview period for most of the fourth quarter of 2011;
- 7.0% decrease in TVA Network's operating income; and
- operating loss of the new SUN News specialty service during the free preview period, which was still partially in effect at some broadcasting distribution undertakings during the fourth quarter of 2011.

Partially offset by:

- decrease in the operating loss of SUN TV.

Cost/revenue ratio: Operating costs for the Television sector's activities (expressed as a percentage of revenues) increased from 76.8% during the three-month period ended December 31, 2010 to 84.2% in the same period of 2011 because of the increase in operating expenses, due primarily to the launch of the new "TVA Sports" specialty service.

Publishing

Operating revenues: \$18,286,000, a decrease of \$974,000 (-5.1%), primarily due to the following factors:

- 15.6% decrease in newsstand revenues, mainly at the entertainment magazines; and
- 12.1% decrease in advertising revenues, spread across all the magazine categories.

Partially offset by:

- 186.8% increase in operating revenues at the TVA Studio division, due in large part to new contracts for premedia services signed in 2011.

Operating expenses: \$15,726,000, a decrease of \$1,229,000 (-7.3%) caused by the following factors:

- 14.8% decrease in printing and packaging expenses as a result of reductions in printing costs and premiums included with the magazines;
- 32.4% decrease in distribution and canvassing expenses essentially related to newsstand display fees; and
- 19.5% decrease in advertising and promotion expenses, largely related to advertising campaigns.

Operating income: \$2,560,000, a \$255,000 (11.1%) increase primarily due to:

- across-the-board cost savings in the sector, which outweighed the decrease in operating revenues.

Cost/revenue ratio: Operating costs for the Publishing sector's activities (expressed as a percentage of revenues) were relatively stable at 86.0% during the fourth quarter of 2011, compared with 88.0% in the same period of 2010.

2010/2009 FINANCIAL YEAR COMPARISON

The table below shows the Corporation's operating results for the years ended December 31, 2010 and 2009:

Table 6
Comparative consolidated results for 2010 and 2009
(in thousands of dollars)

	Years ended December 31		
	2010 ¹ IFRS	2010 ¹ GAAP	2009 GAAP
Operating revenues:			
Television	\$ 377,283	\$ 377,283	\$ 368,325
Publishing	75,004	75,004	73,974
Intersegment items	(4,095)	(4,095)	(3,330)
	\$ 448,192	\$ 448,192	\$ 438,969
Operating income :			
Television	\$ 63,277	\$ 64,435	\$ 68,954
Publishing	11,600	11,717	11,073
	\$ 74,877	\$ 76,152	\$ 80,027
Total Assets	\$ 519,071	\$ 514,277	\$ 485,523
Non-current financial liabilities	125,168	128,328	124,114
Declared dividends	4,754	4,754	4,786

¹ Adjustments to 2010 financial data related to IFRS adoption on January 1, 2011 are described in Note 30 in the consolidated financial statements for the year ended December 31, 2011.

SEGMENTED TREND AND RISK ANALYSIS FOR YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011

Television

Operating revenues

The Television sector's operating revenues grew by approximately 2.9% over the past three years. The sector is affected by fragmentation of its audience across the various content delivery platforms, including the Internet and video on demand. Despite a loss of market share, TVA Network's advertising revenues held relatively steady between 2009 and 2011. The growth in the sector's operating revenues has been driven mainly by the specialty channels, which accounted for 19.1% of the sector's operating revenues in 2011, compared with 13.6% in 2009. Since 2009, the Corporation has launched four new specialty channels ("YOOPA," "Mlle," "SUN News" and "TVA Sports"), which have made a significant contribution to growing the sector's operating revenues. The growth of the TVA Accès division, which specializes in commercial video production, television dubbing and website development, also contributed to the increase.

Operating income

The Television sector's operating income decreased considerably during the period. It should be noted that an agreement between all Canadian broadcasters and the CRTC on Part II licence fees had a \$9.0 million positive impact in 2009. Nevertheless, TVA Network's operating income declined only slightly during the period, mostly because of the operating costs of the new specialty channels.

Publishing

Operating revenues

The Publishing sector's operating revenues also decreased 4.5% during the period, essentially because of lower advertising revenues (-5.3%) and newsstand magazine sales (-18.4%). The entire Canadian magazine industry has seen a downward trend in operating revenues. TVA Publications held and even slightly increased its advertising market share and newsstand market share. The Publishing sector diversified its services and now offers a full range of custom publishing, commercial printed production and premedia services. The new services have grown their revenues by more than 47% over the last three years.

Operating income

The Publishing sector's operating income was stable in relation to operating revenues, at approximately 15% of revenues. Operating expenses had to be cut substantially, notably in the areas of printing and filming expenses and general and administrative expenses, to offset the decline in operating revenues.

CASH FLOWS AND FINANCIAL POSITION

Table 7 below shows a summary of cash flows provided by operating activities, investing activities and financing activities:

Table 7
Summary of the Corporation's cash flows
(in thousand of dollars)

	Years ended December 31		Three months ended December 31	
	2011	2010	2011	2010
Cash flows related to operating activities	\$ 24,858	\$ 22,547	\$ 2,764	\$ 10,530
Additions to property, plant and equipment and intangible assets	(35,846)	(24,245)	(10,384)	(8,306)
Class B share redemption	-	-	-	-
Dividend payments	(2,377)	(4,754)	-	(1,188)
Others	7,040	5,792	16,989	4,838
Reimbursement (increase) in net debt	\$ (6,325)	\$ (660)	\$ 9,369	\$ 5,874
	Dec.31 2011	Dec. 31 2010		
<u>At period end:</u>				
Long-term debt	\$ 74,635	\$ 90,338		
Current portion of long-term debt	17,756	-		
Bank overdraft	3,980	3,557		
Less: cash	(1,756)	(5,605)		
Net debt	\$ 94,615	\$ 88,290		

Operating Activities

2011 financial year

Cash flows provided by operating activities: \$24,858,000 in 2011, compared with \$22,547,000 for the previous year, a \$2,311,000 increase. The increase was due primarily to the following factors:

- lower instalment payments related to income taxes for the year 2011;
- favourable variance in accounts receivable.

Partially offset by:

- operating losses associated with the launch of SUN News, “Mlle” and “TVA Sports”; and
- unfavourable variance in broadcast and distribution rights payable.

Working capital of TVA Group: \$66,719,000 at December 31, 2011, compared with \$81,167,000 at December 31, 2010, a decrease of \$14,448,000.

- The decrease was due primarily to drawings as of December 31, 2011 on the revolving credit facility maturing on December 11, 2012, which are included in current liabilities, whereas drawings as of December 31, 2010 were recognized in long-term debt.

Investing Activities

2011 financial year

Acquisition of property, plant and equipment and intangible assets: \$35,846,000 in 2011, compared with \$24,245,000 for 2010, an increase of \$11,601,000 (47.8%).

- The increase mainly reflects technical investments required for the creation of the new SUN News and “TVA Sports” specialty services, physical plant development required on account of the expansion of multiplatform production operations, and equipment needed for transitioning most analog terrestrial signals to digital.

Financing Activities

2011 financial year

Dividend payments: \$2,377,000 in 2011, compared with \$4,754,000 in 2010. The \$2,377,000 decrease was due to the fact that, after the second quarter of 2011, the Board of Directors of TVA Group decided to suspend the payment of dividends by the Corporation in view of its significant investments in capital projects and several specialty service launches.

Non-controlling interest: \$10,045,000 in 2011, compared with \$5,164,000 in 2010. The \$4,881,000 increase reflects additional capital injections made by Sun Media Corporation to meet SUN News General Partnership’s liquidity needs in 2011 compared with 2010.

Long-term debt: an increase of \$1,694,000 as at December 31, 2011 compared with December 31, 2010:

- The increase was due to higher spending on property, plant and equipment and intangible assets, partially offset by increased cash flows provided by current operations and a decrease in dividend payments in 2011.

Financial Position at December 31, 2011

Net available liquid assets: \$77,595,000, consisting in the available, unused portion of a \$100,000,000 revolving credit facility.

Long-term debt of the Corporation, excluding deferred financing costs, increased by \$1,694,000 from \$91,288,000 at December 31, 2010 to \$92,982,000 at December 31, 2011 (see “Financing activities” above).

As at December 31, 2011, minimum principal payments on long-term debt in the coming years were as follows:

Table 8
TVA Group minimum principal payment on long-term debt
12-month periods ended December 31
(in thousand of dollars)

2012	\$	17,982 ¹
2013		-
2014		75,000
2015		-
2016 and thereafter		-
Total	\$	92,982

¹On February 24, 2012, the Corporation completed the renewal of its revolving credit facility of \$100,000,000 for a five year-term with similar conditions, bringing its maturity to 2017.

The weighted average term of TVA Group's debt was approximately 2.5 years at December 31, 2011 (3.5 years at December 31, 2010). The debt consisted of approximately 81% fixed rate debt (82% at December 31, 2010) and 19% floating rate debt (18% at December 31, 2010).

As at December 31, 2011, the consolidated debt ratio as measured by the debt-to-shareholders' equity ratio stood at 21:79 or 0.26, compared with 0.33 at December 31, 2010.

The Corporation's management believes that the cash flows generated on an annual basis by continuing operating activities and available sources of financing 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 agreements, the Corporation is subject to certain restrictions, including requirements to maintain certain financial ratios. As at December 31, 2011, the Corporation was in compliance with all the terms of its credit agreements.

Analysis of consolidated balance sheet as at December 31, 2011

Table 9
Consolidated balance sheet of TVA Group
(in thousand of dollars)

	Dec. 31 2011	Dec. 31 2010	Difference	Main reason for difference
<u>Assets</u>				
Accounts receivable	\$ 121,658	\$ 133,161	\$ (11,503)	Impact of current variances in activity and late billing for the month of November in 2010.
Current asset held for sale	\$ 8,370	\$ -	\$ 8,370	The Corporation's share of the assets of "The Cave" and "Mystery TV" at December 31, 2011 is recorded under this heading in view of the agreement with Shaw Media Global Inc. on December 22, 2011.
Property, plant and equipment	\$ 102,007	\$ 86,208	\$ 15,799	Increased acquisitions under the Corporation's investment plan and installation of infrastructure and equipment for SUN News and "TVA Sports."
<u>Liabilities</u>				
Broadcast and distribution rights payable	\$ 15,778	\$ 25,879	\$ (10,101)	Impact of lower inventory as a result of the termination of the activities of "SUN TV" and reduced investment in film inventories.
Current portion of long-term debt	\$ 17,756	\$ -	\$ 17,756	Consists in drawings on the revolving credit facility maturing in December 2012, which were classified as long-term debt in 2010.
Long-term debt	\$ 74,635	\$ 90,338	\$ (15,703)	See "Current portion of long-term debt" above.
Other liabilities	\$ 39,696	\$ 25,069	\$ 14,627	Increase in liabilities related to the Corporation's pension plans, attributable to lower yields earned by the pension fund.

ADDITIONAL INFORMATION

Contractual Obligations

At December 31, 2011, material contractual obligations of operating activities included capital repayment and interest on long-term debt, payments under distribution and broadcasting rights acquisition contracts, and payments under other contractual commitments, such as operating leases for services and office space. These contractual obligations are summarized in the table below:

Table 10
Material contractual obligations of TVA Group as of December 31, 2011
(in thousand of dollars)

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Long-term debt	\$ 17,982	\$ 75,000	\$ -	\$ -	\$ 92,982
Payment of interests ¹	5,630	8,310	-	-	13,940
Broadcast and distribution rights	47,693	20,621	230	-	68,544
Other commitments	10,939	11,659	6,565	9,606	38,769
Total	\$ 82,244	\$ 115,590	\$ 6,795	\$ 9,606	\$ 214,235

¹ Estimated interest payable on floating rate long-term debt is based on interest rates as of December 31, 2011.

Related-party transactions

During 2011, the Corporation sold advertising spaces and content, recorded subscription revenues and provided production, postproduction and other services to corporations under common control and affiliated corporations in the total amount of \$64,256,000 (\$57,049,000 in 2010). Transactions with related corporations in the normal course of business are measured at the exchange amount, as negotiated by the parties.

In 2011, the Corporation recorded charges for broadcast rights, telecommunication services, advertising space, commissions on sales and news gathering services under transactions with corporations under common control and affiliated corporations totalling \$28,344,000 (\$18,604,000 in 2010).

The Corporation also recorded management fees to the parent corporation in the amount of \$4,320,000 in 2011 (\$4,350,000 in 2010).

SUN News

During 2010, the Corporation and Sun Media Corporation, a subsidiary of the parent corporation, QMI, established a new general partnership, SUN News. The Corporation holds 51%, while Sun Media Corporation owns 49%. The results of this partnership are fully consolidated in the Corporation's results and Sun Media Corporation's interest is recorded under "Non-controlling interest" in the consolidated statement of income. During 2011, a total capital contribution of \$20,500,000 (\$10,539,000 in 2010) was made by the partners, including \$10,045,000 (\$5,164,000 in 2010) by Sun Media Corporation.

Disposal of a business

On December 22, 2011, the Corporation announced an agreement to sell its 51% interest in "The Cave" and its 50% interest in "Mystery TV" to its partner in these joint ventures, Shaw Media Global Inc. The value of the transaction is \$17,500,000, plus a working capital adjustment. The application to transfer the licences, which must be approved by the CRTC, has been filed. The transaction could be finalized in spring 2012, subject to CRTC approval. This disposal

will not materially affect the Corporation's financial performance and future cash flows, aside from receipt of the proceeds from the disposal.

World Color Press Inc. (formerly Quebecor World Inc)

In February 2012, a settlement was reached in the legal proceedings against the Corporation and some of its subsidiaries brought by World Color Press Inc. in connection with printing contracts, including the termination of printing contracts, and in the legal proceedings brought by World Color Press Inc. seeking that the transfers of receivables from other QMI subsidiaries to the Corporation, and the related payments, be declared invalid. The settlement will have no unfavourable impact on the Corporation's financial statements.

Capital stock

In accordance with Canadian financial reporting standards, Table 11 below presents information on the Corporation's capital stock as at February 29, 2012. In addition, 833,610 Class B stock options and 393,252 QMI stock options were outstanding as of February 29, 2012.

Table 11
Number of shares outstanding as at February 29, 2012
(in shares and thousands of dollars)

	Issued and outstanding	Book value
Class A common shares	4,320,000	\$0.02
Class B shares	19,450,906	\$5.07

On March 17, 2011, the Corporation filed a normal course issuer bid to redeem a maximum of 5% of the number of Class B shares of the Corporation at the offer date for cancellation between March 21, 2011 and March 20, 2012. The Corporation redeems its Class B shares at the market price at the time of redemption, plus brokerage fees. No Class B shares were repurchased for cancellation in 2011.

In view of the Corporation's significant investments in capital projects and several specialty service launches, and given the decision by the Board of Directors of TVA Group in the third quarter of 2011 to suspend dividend payments, the Corporation does not intend to make any share purchases under its Normal Course Issuer Bid in the coming months.

Risks and uncertainties

The Corporation operates in the communications industry, which has a variety of risk factors and uncertainties. Due to the risks and uncertainties outlined below, the Corporation's operating environment and financial results may be materially affected. These risks are not the only ones that may affect the Corporation. Other risks and uncertainties, which the Corporation 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 Corporation's business is sensitive to general economic cycles and may be adversely affected by the cyclical nature of the markets the Corporation serves, as well as by local, regional, national and global economic conditions. Seasonal variations in retail business influence the Corporation's financial results. In addition, because the Corporation'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 Corporation's markets. The arrival of new technologies, including video-on-demand, the Internet, personal video recorders, smartphones, tablet computers, and high-definition and 3D television, also influences the Corporation's operations. The markets in which the Corporation operates are dealing with the multiplication of possible distribution platforms, including the Internet, wireless telephony, video-on-demand, mobile television and any other future technology that may be marketed in the future. This evolving technology can, however, open up business possibilities for the Corporation, 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 the Canadian media sector is creating competitors with interests in different industries and media.

Risks relating to the diversification of its activities

The Corporation is investing in the launch of new specialty services in the Television sector. During the period immediately following the launch of a new specialty service, subscription revenues are always relatively modest, while initial operating expenses may prove more substantial. Furthermore, although the Corporation believes in the potential associated with this strategy, there is a possibility that the anticipated profitability could take several years to materialize or never materialize.

Risks relating to changes in economic conditions and fragmentation of the media landscape

Advertising revenue is the primary source of revenue for the Corporation. 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 related to the possibility that our content may not attract large audiences, which limit our ability to generate advertising revenues

The revenues of the Corporation are derived in large part 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 in general and other intangible factors. In addition, the increase in narrowcast programming and 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. The Corporation is also working to generate advertising revenues by launching services and products in a new niche and market where the business landscape differs from the environment in which the Corporation normally operates. 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.

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 operating results of the Corporation. 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 regulations risks

The Corporation 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 Corporation'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 Corporation is subject to the CRTC's decisions in these areas and any decision made by this organization that runs counter to the Corporation's positions and interests may negatively affect its activities and operating results.

In 2011, the government passed Bill 88 amending the *Environment Quality Act* and the *Regulation respecting compensation for municipal services*. The Bill changed the regulations governing business contributions to the waste recovery costs borne by Quebec municipalities. While the Bill was passed in 2011, the new fee schedules for businesses are still being discussed and are not expected to be adopted before 2012. It is possible that the operating costs of the Corporation's Publishing sector will be adversely affected.

Government assistance risks

The Corporation 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 Corporation's operating results.

Risks related to distributors and subscription revenues

For the distribution of its specialty channels, the Corporation 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. Vertical integration of some BDUs in recent years may also have an unfavourable impact on the terms and conditions of affiliation agreements. The Corporation is confident that it will be able to renew its agreements according to terms and conditions that are satisfactory to all parties.

For our specialty services, subscription revenues depend on the number of subscribers and the rate billed to the BDUs for carriage of the service. Subscriber growth, and therefore growth in subscription fees, is dependent to some extent on the BDUs' willingness to market the specialty services appropriately. In addition, the broadcast signals of the Corporation's specialty channels may sometimes be stolen, representing a risk of loss of subscription revenues.

Risks related to the impact on the Corporation's business of the loss of key management and other personnel, or inability to attract, retain and motivate such management and other personnel

The Corporation 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 Corporation. Due to the specialized nature of its business, the Corporation 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 Corporation will be successful in attracting, retaining and motivating such individuals in the future.

Risks relating to litigation and other claims

In the normal course of business, the Corporation is involved in various legal proceedings and other claims relating to the conduct of its business. Although, in the opinion of management of the Corporation, 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 Corporation is fully financed for its current activities and has access to credit facilities totalling a \$175,000,000. However, risk factors such as capital market upheavals could reduce the amount of capital available or increase the cost of this capital in future years. There is no guarantee that additional funds will be made available to the Corporation or that if they are, that they will be provided within a time frame and under conditions that are acceptable to the Corporation. Not being able to obtain this additional financing, at the required time and if necessary, could have a significant negative effect on the Corporation. However, this risk is mitigated by the fact that the Corporation could finance its future capital needs using cash provided by operations or by a public issue of shares. Finally, there is no guarantee that when these facilities are refinanced, market conditions will be favourable or that terms comparable to those the Corporation now enjoys will be available.

Economic environment risks

The Corporation'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 advertising have historically reduced their advertising budget. As a result, there is no means of guaranteeing that the Corporation's operating results, outlook and financial situation are protected against any and all negative effects.

Labour relations risks

As of December 31, 2011, approximately 57% of the Corporation's employees were unionized. The Corporation is party to 13 collective agreements. As of December 31, 2011, 8 collective agreements had arrived at term, and they covered about 23% of the Corporation's unionized employees.

The Corporation has in the past experienced labour disputes which have disrupted its operations and impaired its growth and operating results. The Corporation cannot predict the outcome of current or future negotiations with respect to labour disputes, union representation or the renewal of collective agreements. Nor can the Corporation assure you that it will not experience work stoppages, strikes, property damage or other forms of labour protests pending the outcome of any current or future negotiations. If TVA Group's unionized workers engage in a strike or if there is any other form of work stoppage, the Corporation could experience a significant disruption of its operations, damage to its property and/or service interruption, which could adversely affect its business, assets, financial position and results of operations. Even if the Corporation does not experience strikes or other forms of labour protests, the outcome of labour negotiations could adversely affect its business, including if current or future labour negotiations or contracts were to further restrict TVA Group's ability to maximize the efficiency of its operations. In addition, TVA Group's ability to make short-term adjustments to control compensation and benefits costs is limited by the terms of its collective bargaining agreements.

Pension plan obligations risk

The economic cycle could also have a negative impact on the funding of TVA's defined benefit pension plans and the related expenditures. There is no guarantee that the expenditures and contributions required to fund these pension plans will not increase in the future and therefore negatively impact the Corporation's operating results and financial position. Risks related to the funding of defined benefit plans may materialize if total obligations with respect to a pension plan exceed the total value of its trust fund. Shortfalls may arise due to lower-than-expected returns on investments, changes in the discount rate used to assess the pension plan's obligations, and actuarial losses. This risk is mitigated by policies and procedures instituted by TVA Group and its pension committees to monitor investment risk and pension plan funding. It is also mitigated by the fact that some of the Corporation's defined benefit pension plans are no longer offered to new employees.

Risks associated with an increase in paper, printing and postage costs

A significant proportion of the Publishing sector's operating expenses is comprised of paper, printing and postage costs. The sector is dependent on external suppliers for its entire paper supply and has no control over paper prices, which may vary considerably. The Publishing sector uses third parties for all of its printing services and printing costs accounted for approximately 26% of operating expenses in 2011. Further, distribution of its publications to subscribers is handled by the Canada Post Corporation. Any interruption in distribution services could negatively affect the Publishing sector's operating results and its financial position, and a significant increase in paper or postage costs could be detrimental to the sector's activities and operating results.

Risks related to broadcasting licences and goodwill

As noted under "Critical Accounting Policies and Estimates" below, the Corporation's broadcasting licences and goodwill are not amortized but tested for impairment annually, or more frequently if events or changes in conditions indicate that it is more likely than not that the asset has been impaired. The fair value of the broadcasting licences and of goodwill is and will continue to be influenced by assumptions based on the general economic situation, which are used to support the calculation of future discounted cash flows performed by the Corporation in order to determine the fair value of its broadcasting licences and of goodwill. There is no guarantee that the value of the broadcasting licences and of goodwill will not be negatively affected by changes to these assumptions in the event of an economic slowdown. The Corporation is constantly monitoring the value of its broadcasting licences and goodwill, and any change in their fair value is recognized as a non-cash impairment charge in the consolidated statements of income.

Financial Risks

The Corporation's risk management policies have been established in order to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and in the Corporation's activities.

Due to its use of financial instruments, the Corporation and its subsidiaries are exposed to credit risk, liquidity risk and market risk relating to foreign exchange and interest rate fluctuations. To manage its interest rate risk exposure, the Corporation may occasionally use interest rate swaps. As at December 31, 2011, the Corporation held no interest rate swaps.

Fair value of financial instruments

The carrying amount of accounts receivable from external and related parties (classified as loans and 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 or are due on demand. The fair value of other investments could not be determined, because there are no quoted market prices in an organized market for these types of investments. The carrying value and fair value of long-term debt as at December 31, 2011 and 2010 are as follows:

Table 12
Fair value of long-term debt
(in thousands of dollars)

	December 31, 2011		December 31, 2010	
	Book value	Fair value	Book value	Fair value
Bankers' acceptances	\$17,982	\$18,200	\$15,986	\$15,986
Advance on revolving credit facility	-	-	302	302
Term loan	75,000	80,400	75,000	76,100

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

Credit risk

Credit risk is the risk of the Corporation incurring a financial loss should a client or third party related to a financial asset fail to meet its contractual obligations.

In the normal course of business, the Corporation regularly assesses the financial condition of its customers and reviews the credit history of each new customer. At December 31, 2011, no customer balance represents a significant portion of consolidated trade accounts receivable of the Corporation. The Corporation establishes an allowance for doubtful accounts to meet the specific credit risk of its customers. The balance of accounts receivable of the Corporation is distributed among many clients, mostly advertising agencies. The Corporation does not believe it is exposed to a level of credit risk unusual or important. As at December 31, 2011, 4.40% of accounts receivable were outstanding for more than 120 days after the billing date (4.60% as at December 31, 2010). In addition, as at December 31, 2011, the allowance for credit losses represents an amount of \$1,186,000 (\$3,035,000 as at December 31, 2010).

The table below shows the variation of the provision for doubtful accounts for years ended December 31, 2011 and 2010:

Table 13
Change in the allowance for doubtful accounts
(in thousands of dollars)

	December 31, 2011	December 31, 2010
Balance, beginning of year	\$ 3,035	\$ 2,749
Change recognized in the consolidated statement of income	(521)	885
Drawn down	(1,328)	(599)
Balance, end of year	\$ 1,186	\$ 3,035

Liquidity risk

Liquidity risk is the risk that the Corporation and its subsidiaries will not be able to meet their financial obligations as they fall due or the risk that those financial obligation have to be met at excessive cost. The Corporation and its subsidiaries ensure that they have sufficient cash flows from current operations and available sources of financing to meet future cash requirements for long-term investment, working capital, interest payments and debt servicing, pension plan contributions, dividends and share redemptions, if applicable.

Market risk

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

Foreign exchange risk

The Corporation is exposed to limited foreign currency risk on its revenues and expenses, due to the low volume of transactions made in foreign currencies, i.e. other than the Canadian dollar. The foreign currency the most frequently used is the American dollar and exchanges are primarily used to purchase certain distribution rights, make capital expenditures and collect income from certain clients. In light of the low volume of transactions denominated in foreign currencies, the Corporation does not feel it is necessary to engage in hedging. Accordingly, the Corporation's sensitivity to fluctuations in foreign exchange rates is limited. A 1.0% increase or decrease in the Canadian and US dollar exchange rate would have an impact on net income on the order of less than \$110,000 on an annual basis.

Interest rate risk

The Corporation is exposed to interest rate risk in relation to its long-term debt. The Corporation holds a significant portion of its long-term debt at a fixed rate, which significantly limits the risk due to fluctuations in interest rates. As at December 31, 2011, the Corporation's long-term debt consisted of 81% fixed rate debt (82% as at December 31, 2010) and 19% floating rate debt (18% as at December 31, 2010).

A 100 basis-point increase (decrease) in the year-end Canadian Bankers' acceptance rates on the floating rate long-term debt as at December 31, 2011 would result in an annual increase (decrease) in financial expenses of \$180,000.

Capital Management

The Corporation's primary objectives in managing capital are to preserve the Corporation's ability to pursue its operations in order to continue providing a return to its shareholders and to maintain an optimal capital base in order to support the capital requirements of its various sectors, including growth opportunities and maintenance of investor and creditor confidence.

In managing its capital structure, the Corporation takes into account the asset risk characteristics of its sectors and any applicable requirements. The Corporation has the ability to manage its capital structure by issuing new debt or repaying existing debt using cash generated internally, by controlling the level of distributions to shareholders in the form of dividends or share redemptions, by issuing new shares on the market and by making adjustments to its capital expenditure program. The Corporation's strategy remains unchanged from last year.

The Corporation's capital structure is composed of shareholders' equity, a bank overdraft, long-term debt and non-controlling interest, less cash. The capital structure is as follows:

Table 14
TVA Group capital structure
(in thousand of dollars)

	December 31, 2011	December 31, 2010
Bank overdraft	\$ 3,980	\$ 3,557
Long-term debt	92,982	91,288
Cash	(1,756)	(5,605)
Net debt	95,206	89,240
Equity	\$ 281,029	\$ 273,942

Except for the requirements of financial ratios required in its credit agreements, the Corporation is not subject to any other externally imposed capital. As at December 31, 2011, the Corporation was in compliance with all the terms of its credit agreements.

Contingencies

In the normal course of its operations, the Corporation is involved in various legal actions, proceedings and claims. In the opinion of management, the settlement of such legal actions, proceedings and claims is not expected to have a material adverse effect on the Corporation's financial position, operating results or cash flow.

Recent Accounting Developments in Canada

As described above, the Corporation adopted IFRS on January 1, 2011 and the financial figures for 2010 have been restated accordingly. The Corporation is required to apply IFRS accounting policies retrospectively to determine the IFRS opening balance sheet at January 1, 2010. However, IFRS provides a number of mandatory exceptions and optional exemptions to this general principle of retrospective application. For more details on exemption choices and adjustments made by the Corporation in connection with the adoption of IFRS, refer to Note 30 of the consolidated financial statements for the year ended December 31, 2011.

The adoption of IFRS did not necessitate any significant modifications to information technology, data systems or internal controls currently implemented and used by the Corporation. The Corporation also determined that new accounting policies adopted had no contractual or business implications on existing financing arrangements and similar obligations. Under the current circumstances, the Corporation has not identified any contentious issues arising from the adoption of IFRS.

Changes in Critical Accounting Policies and Estimates

The Corporation adopted the IFRS conceptual framework for its accounting policies on January 1, 2011. The following paragraphs provide an analysis of accounting policies considered critical that required material changes on the adoption of IFRS.

This section should be read in conjunction with the Corporation's annual Management Discussion and Analysis for the year 2010, which provides a description of other accounting policies considered critical but which the adoption of IFRS did not significantly impact.

Impairment of assets

For the purposes of assessing impairment, assets are grouped in cash-generating units ("CGUs"), which represent the lowest levels of assets for which there are separately identifiable cash inflows. The Corporation reviews at each balance sheet date whether events or circumstances have occurred to indicate that the carrying amounts of its long-

lived assets with finite useful lives may be less than their recoverable amounts. In addition, goodwill, intangible assets having an indefinite useful life, and intangible assets not yet available for use are tested for impairment as of April 1 of each financial year, as well as whenever there is an indication that the carrying amount of the asset or CGU exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use of the asset or the CGU to which the asset has been allocated. Fair value less costs to sell represents the amount an entity could obtain at the valuation date from the asset's disposal in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. The value in use represents the present value of the future cash flows expected to be derived from an asset or CGU.

The Corporation uses the discounted cash flow method to estimate value in use, consisting of future cash flows derived from the most recent budget and three-year strategic plan approved by the Corporation's management and presented to the Board of Directors. These forecasts considered each CGU's past operating performance and market share as well as economic trends along with specific and market industry trends and corporate strategies. A range of growth rates is used for cash flows beyond this three-year period. The discount rate used by the Corporation is a pre-tax rate derived from the weighted average cost of capital pertaining to each CGU, which reflects the current market assessment of (i) the time value of money, and (ii) the risk specific to the assets for which the future cash flow estimates have not been risk-adjusted. The perpetual growth rate was determined with regard to the specific markets in which the CGUs participate.

An impairment loss is recognized in the amount by which the carrying amount of an asset or a CGU exceeds its recoverable amount. When the recoverable amount of a CGU to which goodwill has been allocated is lower than the CGU's carrying amount, the related goodwill is first impaired. Any excess amount of impairment is recognized and attributed to assets in the CGU, pro rated to the carrying amount of each asset in the CGU.

An impairment loss recognized in prior periods for long-lived assets with finite useful lives and intangible assets having an indefinite useful life, other than goodwill, can be reversed through the consolidated statement of income up to the excess of the recoverable amount of the asset or the CGU over its carrying value.

When determining the value less costs to sell, the appraisal of the information available at the valuation date is based on management's judgment, and may involve estimates and assumptions. As well, the discounted future cash flows method involves the use of estimates such as the amount and timing of a series of future cash flows, expected variations in the amount or timing of the cash flows, the time value of money as represented by the risk-free interest rate, and the risk premium associated with the asset or CGU.

Therefore, the judgment used in determining the recoverable amount of an asset or a CGU may affect the amount of the impairment loss of the asset or CGU to be recorded, as well as the potential reversal of the impairment charge in the future.

Based on the data and assumptions used in its last impairment tests, the Corporation believes at this time that there are no long-lived assets with finite useful lives, or goodwill and intangible assets with indefinite useful lives, on its books that could suffer significant impairment in the near future.

Impairment charges previously recorded under Canadian GAAP were unaffected by the adoption of IFRS.

Pension plans and post-retirement benefits

The Corporation offers employees defined contribution pension plans and defined benefit pension plans.

The Corporation's defined benefit obligations with respect to defined benefit pension plans and postretirement benefits are measured at present value and assessed on the basis of a number of economic and demographic assumptions, which are established with the assistance of actuaries. Key assumptions relate to the discount rate, the expected return on the plan's assets, the rate of increase in compensation, retirement age of employees, health care costs, and other actuarial factors. Pension plan assets, based on fair value, consist of equities as well as corporate and government fixed-income securities.

TVA Group Inc.
Selected Quarterly Financial Data

Table 16
(in thousands of dollars, except for amounts pertaining to shares)

	2011			
	Dec. 31	Sept. 30	June 30	March 31
Operations				
Operating revenues	\$ 131,636	\$ 89,214	\$ 117,548	\$ 107,097
Operating income	\$ 20,657	\$ 2,943	\$ 22,364	\$ 4,560
Net income attributable to shareholders	\$ 11,468	\$ 8	\$ 13,795	\$ 332
Basic per-share data				
Basic earnings per share	\$ 0.48	\$ -	\$ 0.58	\$ 0.01
Weighted average number of outstanding shares (in thousands)	23,771	23,771	23,771	23,771
Diluted per-share data				
Diluted earnings per share	\$ 0.48	\$ -	\$ 0.58	\$ 0.01
Weighted average number of outstanding diluted shares (in thousands)	23,771	23,771	23,771	23,771
2010				
	Dec. 31	Sept. 30	June 30	March 31
Operations				
Operating revenues	\$ 133,387	\$ 94,277	\$ 110,894	\$ 109,634
Operating income	\$ 29,132	\$ 13,169	\$ 26,831	\$ 5,745
Net income attributable to shareholders	\$ 19,305	\$ 5,530	\$ 11,666	\$ 741
Basic per-share data				
Basic earnings per share	\$ 0.81	\$ 0.23	\$ 0.49	\$ 0.03
Weighted average number of outstanding shares (in thousands)	23,771	23,771	23,771	23,771
Diluted per-share data				
Diluted earnings per share	\$ 0.81	\$ 0.23	\$ 0.49	\$ 0.03
Weighted average number of outstanding diluted 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 sector. Furthermore, the fourth quarter of the 2011 financial year contained 14 weeks, while the fourth quarter of the 2010 financial year contained 13 weeks.
- Operating expenses in the Television sector vary, mainly as a result of programming costs which are directly related to the programming strategies whereas in the Publishing sector, operating costs fluctuate according to the arrival of magazines on newsstands