3

FINANCIAL RESULTS FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2012

MESSAGE TO THE SHAREHOLDERS

Montreal, November 5, 2012

TVA Group Inc. ("the Corporation") recorded net income attributable to shareholders in the amount of $2.1 million, or $0.09 per share, for the third quarter of 2012, compared with net income attributable to shareholders of $0.00 per share in the same quarter of 2011.

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

- Operating income[1] in the Television segment up $8,685,000 to $8,374,000, mainly because of:

  - ⇒ $5,320,000 increase in operating income at TVA Network due to an 8.6% increase in advertising revenues;

  - ⇒ positive impact on operating income of the deconsolidation of the results of SUN News since July 1, 2012.

Partially offset by:

  - ⇒ operating loss of the “TVA Sports” service, in operation since September 2011;
  - ⇒ loss of the contribution to operating income provided by our interest in “Mystery TV” and “The Cave,” which was sold on May 31, 2012.

- Operating income in the Publishing segment down $944,000 to $2,310,000, mainly because of a decrease in operating revenues caused largely by lower newsstand sales and advertising revenues.

We are satisfied with the third quarter 2012 financial results, particularly the performance of TVA Network and LCN during the Québec election campaign. Our French-language specialty services are also continuing to register steady growth in both subscription revenues and advertising revenues. Finally, in an increasingly competitive marketplace, we continued investing in content for all of TVA Group’s vehicles.

In the Publishing segment, operating revenues declined 4.4% compared with the same quarter of the previous year, which largely accounts for the decrease in the segment’s operating income. Several brand projects and strategies designed to generate new revenue streams and make up for the decline in ‘traditional’ revenues are currently under way in the segment.

Cash flows provided by operating activities amounted to $18.3 million for the quarter, compared with $11.8 million in the same quarter of 2011. The $6.5 million increase was essentially due to the improved operating results.

The unaudited consolidated financial statements for the three-month and nine-month periods ending September 30, 2012, with notes and the interim Management’s Discussion and Analysis, can be consulted on the Corporation’s website at http://groupetva.ca.

[1] Refer to definition of operating income (loss) below.

Definition

Operating income (loss)

In its analysis of operating results, the Corporation defines operating income (loss) as net income (net loss) before amortization of property, plant and equipment and intangible assets, financial expenses, impairment of goodwill, gain on disposal of businesses, restructuring costs of operations, impairment of assets and other costs, income taxes (recovery), share of loss (income) of associated corporations and net loss attributable to non-controlling interest. 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 is not intended to represent funds available for debt service, dividend payment, reinvestment or other discretionary uses, and should not be considered in isolation or as a substitute for other performance measures prepared in accordance with IFRS. Operating income (loss) is used by the Corporation because management believes it is a meaningful measure of performance.

This measure is used by management and the Board of Directors to evaluate the consolidated results of the Corporation and the results of its segments. Measurements such as operating income (loss) are also commonly used by the investment community to analyze and compare the performance of companies in the industries in which the Corporation is active. The Corporation's definition of 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 involved 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 and publisher of French-language magazines in North America, and one of the largest private-sector producers of French-language content in North America. 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)

(unaudited)
(in thousand of dollars, except per share amounts)

		Three-month periods ended September 30		Nine-month periods ended September 30	
	Note	**2012**	2011	**2012**	2011
Revenues	2	**$ 97,171**	$ 89,214	**$ 330,362**	$ 313,859
Operating, selling and administrative expenses	3	**86,487**	86,271	**305,771**	283,992
Amortization of property, plant and equipment and intangible assets		**4,913**	4,280	**15,372**	12,528
Financial expenses	4	**1,211**	1,469	**4,161**	4,377
Impairment of goodwill	5	**–**	–	**32,200**	–
Gain on disposal of businesses	13	**–**	–	**(12,881)**	–
Restructuring costs of operations, impairment of assets and other costs	6	**–**	312	**117**	633
Income (loss) before income taxes and share of income of associated corporations		**4,560**	(3,118)	**(14,378)**	12,329
Income taxes (recovery)	7 and 13	**573**	(448)	**2,042**	5,349
After-tax share of loss (income) of associated corporations		**1,860**	186	**1,532**	(285)
Net income (loss)		**$ 2,127**	$ (2,856)	**$ (17,952)**	$ 7,265
Net income (loss) attributable to:					
Shareholders		**$ 2,127**	$ 8	**$ (13,538)**	$ 14,135
Non-controlling interest	11	**–**	(2,864)	**(4,414)**	(6,870)
Basic and diluted earnings per share attributable to shareholders	9 c)	**$ 0.09**	$ –	**$ (0.57)**	$ 0.59

See accompanying notes to condensed consolidated financial statements.

TVA GROUP INC.
Consolidated Statements of Comprehensive Income (Loss)

(unaudited)
(in thousands of dollars)

	Note	Three-month periods ended September 30		Nine-month periods ended September 30	
		2012	2011	**2012**	2011
Net income (loss)		**$ 2,127**	$ (2,856)	**$ (17,952)**	$ 7,265
Other comprehensive loss:					
Defined benefit plans:					
Net change in asset limit or in minimum funding liability		–	(141)	–	(423)
Deferred income taxes		–	38	–	114
		–	(103)	–	(309)
Comprehensive income (loss)		**$ 2,127**	$ (2,959)	**$ (17,952)**	$ 6,956
Comprehensive income (loss) attributable to:					
Shareholders		**$ 2,127**	$ (95)	**$ (13,538)**	$ 13,826
Non-controlling interest	11	–	(2,864)	**(4,414)**	(6,870)

See accompanying notes to condensed consolidated financial statements.

TVA GROUP INC.
Consolidated Statements of Equity

(unaudited)
(in thousands of dollars)

	Equity attributable to shareholders			Equity attributable to non-controlling interest	Total equity
	Capital stock (note 9)	Contributed surplus	Retained earnings		
Balance as of December 31, 2010	$ 98,647	$ –	$ 170,784	$ 4,511	$ 273,942
Net income (loss)	–	–	14,135	(6,870)	7,265
Other comprehensive loss	–	–	(309)	–	(309)
Dividends	–	–	(2,377)	–	(2,377)
Contributions related to non-controlling interest (note 11)	–	–	–	7,840	7,840
Balance as of September 30, 2011	98,647	–	182,233	5,481	286,361
Net income (net loss)	–	–	11,468	(2,297)	9,171
Other comprehensive loss	–	–	(16,708)	–	(16,708)
Contributions related to non-controlling interest (note 11)	–	–	–	2,205	2,205
Balance as of December 31, 2011	98,647	–	176,993	5,389	281,029
Net loss	–	–	(13,538)	(4,414)	(17,952)
Contributions related to non-controlling interest (note 11)	–	–	–	3,528	3,528
Disposal of interest in SUN News (note 11)	–	581	–	(4,503)	(3,922)
Balance as of September 30, 2012	**$ 98,647**	**$ 581**	**$ 163,455**	**$ –**	**$ 262,683**

See accompanying notes to condensed consolidated financial statements.

TVA GROUP INC.
Consolidated Balance Sheets

(unaudited)
(in thousands of dollars)

	Note	September 30, 2012	December 31, 2011
Assets			
Current assets			
Cash		**$ 5,729**	$ 1,756
Accounts receivable		**114,714**	117,644
Current income tax assets		**4,694**	4,014
Programs, broadcast and distribution rights and inventories		**73,572**	61,954
Prepaid expenses		**3,238**	2,690
Assets held for sale	13	**–**	8,370
		201,947	196,428
Non-current assets			
Broadcast and distribution rights		**33,390**	35,488
Investments	11	**17,329**	12,865
Property, plant and equipment		**96,923**	102,007
Licences and other intangible assets		**112,181**	114,539
Goodwill	5	**39,781**	71,981
Deferred income taxes		**783**	545
		300,387	337,425
Total assets		**$ 502,334**	$ 533,853
Liabilities and equity			
Current liabilities			
Bank overdraft		**$ –**	$ 3,980
Accounts payable and accrued liabilities		**91,862**	82,086
Current income tax liabilities		**204**	503
Broadcast and distribution rights payable		**18,580**	15,778
Provisions		**948**	1,533
Deferred revenues		**8,667**	6,535
Current portion of long-term debt	8	**–**	17,756
Liabilities held for sale	13	**–**	1,538
		120,261	129,709
Non-current liabilities			
Long-term debt	8	**74,626**	74,635
Other liabilities		**34,696**	39,696
Deferred income taxes	7	**10,068**	8,784
		119,390	123,115
Equity			
Capital stock	9	**98,647**	98,647
Contributed surplus	11	**581**	–
Retained earnings		**163,455**	176,993
Equity attributable to shareholders		**262,683**	275,640
Non-controlling interest	11	**–**	5,389
		262,683	281,029
Total liabilities and equity		**$ 502,334**	$ 533,853

See accompanying notes to condensed consolidated financial statements.

On November 5, 2012, the Board of Directors approved the condensed consolidated financial statements for the three-month and nine-month periods ended September 30, 2012 and 2011.

TVA GROUP INC.
Consolidated Statements of Cash Flows

(unaudited)
(in thousands of dollars)

	Note	Three-month periods ended September 30 2012	2011	Nine-month periods ended September 30 2012	2011
Cash flows related to operating activities					
Net income (loss)		**$ 2,127**	$ (2,856)	**$ (17,952)**	$ 7,265
Non-cash items:					
Amortization		**5,020**	4,370	**15,687**	12,797
Impairment of goodwill	5	**–**	–	**32,200**	–
Gain on disposals of businesses	13	**–**	–	**(12,881)**	–
Restructuring costs of operations, impairment of assets and other costs	6	**–**	253	**–**	583
After-tax share of loss (income) of associated corporations		**1,860**	186	**1,532**	(285)
Deferred income taxes	7	**224**	846	**1,030**	2,651
Cash flows provided by current operations		**9,231**	2,799	**19,616**	23,011
Net change in non-cash items		**9,081**	9,017	**3,130**	(917)
Cash flows provided by operating activities		**18,312**	11,816	**22,746**	22,094
Cash flows related to investing activities					
Additions to property, plant and equipment		**(5,566)**	(7,034)	**(17,668)**	(22,024)
Additions to intangible assets		**(892)**	(1,490)	**(2,195)**	(3,438)
Disposal of businesses, net of cash	11 and 13	**765**	–	**18,663**	–
Cash of SUN News at the date of deconsolidation	11	**–**	–	**(430)**	–
Net change in investments	11	**(1,493)**	226	**(1,493)**	236
Cash flows used in investing activities		**(7,186)**	(8,298)	**(3,123)**	(25,226)
Cash flows related to financing activities					
Net change in bank overdraft		**(4,943)**	2,178	**(3,980)**	(22)
Net change in revolving term loan		**(454)**	(7,394)	**(17,736)**	(3,300)
Financing costs	8	**–**	–	**(344)**	–
Non-controlling interest	11	**–**	4,900	**3,528**	7,840
Dividends paid		**–**	–	**–**	(2,377)
Cash flows (used in) provided by financing activities		**(5,397)**	(316)	**(18,532)**	2,141
Net change in cash		**5,729**	3,202	**1,091**	(991)
Cash at beginning of period		**–**	1,412	**4,638**	5,605
Cash at end of period		**$ 5,729**	$ 4,614	**$ 5,729**	$ 4,614
Interest and income taxes reflected as operating activities					
Interest paid		**$ 48**	$ 312	**$ 2,788**	$ 2,982
Net income taxes (received) paid		**(1,501)**	17	**1,971**	656

See accompanying notes to condensed consolidated financial statements.

TVA Group Inc. (“TVA Group” or the "Corporation”) is governed by the *Quebec Business Corporations Act*. TVA Group is an integrated communications company with two operating segments: Television and Publishing (note 12). 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 Blvd. East, Montreal, Quebec, Canada.

The Corporation’s businesses experience significant seasonality due, among other factors, to cyclical 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. Furthermore, the Corporation is investing in the launch of new specialty services in the Television segment. 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. 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 the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. In particular, these consolidated financial statements were prepared in accordance with IAS 34, *Interim Financial Reporting*, and accordingly, they are condensed consolidated financial statements because they do not include all disclosures required under IFRS for annual consolidated financial statements. These condensed consolidated financial statements should be read in conjunction with the Corporation’s 2011 annual consolidated financial statements and the notes thereto. The same accounting policies described in the annual consolidated financial statements have been used herein.

Comparative figures for the three-month and nine-month periods ended September 30, 2011, have been reclassified to conform to the presentation adopted for the nine-month period ended September 30, 2012.

TVA GROUP INC.

Notes to Condensed Consolidated Financial Statements (continued)

Three-month and nine-month periods ended September 30, 2012 and 2011 (unaudited)
(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

2. Revenues

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

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2012	2011	**2012**	2011
Services rendered	**$ 72,458**	$ 64,331	**$ 253,564**	$ 237,548
Product sales	**24,713**	24,883	**76,798**	76,311
	$ 97,171	$ 89,214	**$ 330,362**	$ 313,859

3. Operating, selling and administrative expenses

The main components are as follows:

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2012	2011	**2012**	2011
Employee and sales commission costs	**$ 36,617**	$ 36,511	**$ 120,500**	$ 110,155
Royalties, rights and production costs	**30,563**	27,017	**115,445**	103,472
Printing and distribution	**4,856**	4,718	**17,298**	15,360
Marketing, advertising and promotion	**2,098**	2,617	**11,474**	10,640
Transmission and microwave expenses	**1,206**	1,759	**4,771**	4,330
Other	**11,147**	13,649	**36,283**	40,035
	$ 86,487	$ 86,271	**$ 305,771**	$ 283,992

4. Financial expenses

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2012	2011	**2012**	2011
Interest on long-term debt	**$ 1,148**	$ 1,356	**$ 3,846**	$ 4,072
Amortization of financing costs	**107**	90	**315**	269
Other	**(44)**	23	**–**	36
	$ 1,211	$ 1,469	**$ 4,161**	$ 4,377

5. Impairment of goodwill

As a result of new fees adopted in 2012 for 2010, 2011 and 2012 with respect to business contributions for costs related to waste recovery services provided by Quebec municipalities, the operating costs of the Corporation's Publishing segment are adversely affected. Accordingly, the Corporation reviewed its business plan for these activities and performed an impairment test on the Publishing segment's cash-generating unit ("CGU"). The Corporation concluded that the recoverable amount based on value in use was less than the carrying amount of the Publishing CGU and a goodwill impairment charge of $32,200,000 was recorded during the first quarter of 2012. The Corporation used a pre-tax discount rate of 16.26% (15.89% as of April 1, 2011) and a perpetual growth rate of 1.00% (1.00% as of April 1, 2011) to calculate the recoverable amount.

6. Restructuring costs of operations, impairment of assets and other costs

In the nine-month period ended September 30, 2012, the Corporation recorded $117,000 in restructuring costs of operations following the elimination of a number of positions in the Publishing segment.

During the three-month period ended September 30, 2011, the Corporation had recorded an impairment expense on its broadcast rights inventories in the amount of $253,000 ($583,000 for the nine-month period ended September 30, 2011) and a $59,000 ($50,000 for the nine-month period ended September 30, 2011) provision for restructuring costs following the discontinuation of the operations of the over-the-air station "SUN TV".

7. Income taxes

In light of the evolution of the tax auditing, jurisprudence and tax legislation, the Corporation reduced its deferred tax liabilities by $195,000 in the third quarter of 2012 ($372,000 in the third quarter of 2011).

8. Long-term debt

On February 24, 2012, the Corporation completed the renewal of its revolving term loan of $100,000,000 for a five-year term with similar conditions, except for the borrowing cost, which is more favourable for the Corporation. The loan matures on February 23, 2017 and is repayable in full on that date. Given the maturity of the revolving term loan as of December 31, 2011, the Corporation had presented the loan as a current liability.

The costs associated with the renewal of the revolving term loan in the first quarter of 2012 totalled $344,000 and were recorded as financing costs in reduction of long-term debt.

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

9. 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

	September 30, 2012	December 31, 2011
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 per share attributable to shareholders

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

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2012	2011	**2012**	2011
Net income (loss) attributable to shareholders	**$ 2,127**	$ 8	**$ (13,538)**	$ 14,135
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 per share attributable to shareholders (in dollars)	**$ 0.09**	$ –	**$ (0.57)**	$ 0.59

The diluted earnings per share calculation does not take into consideration the potential dilutive effect of stock options of the Corporation since their impact is anti-dilutive. During the three-month and nine-month periods ended September 30, 2012, 819,421 stock options of the Corporation’s plan (833,610 in 2011) were excluded from the diluted earnings per share calculation.

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

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

	Nine-month period ended September 30, 2012			
		Class B stock options		Quebecor Media stock options
	Number	Weighted average exercise price	Number	Weighted average exercise price
Balance as of December 31, 2011	833,610	$ 16.35	393,252	$ 46.66
Exercised	–	–	(113,728)	46.27
Cancelled	(14,189)	16.84	–	–
Options related to SUN News' corporate executive (note 11)	–	–	(11,000)	50.10
Balance as of September 30, 2012	**819,421**	**$ 16.34**	**268,524**	**$ 46.68**

Of the number of options outstanding as at September 30, 2012, 712,079 Class B stock options at an average exercise price of $16.58 and 62,459 Quebecor Media stock options at an average price of $46.16 could be exercised.

During the three-month and nine-month periods ended September 30, 2012, 113,728 Quebecor Media stock options were exercised for a cash consideration of $629,000 (during the three-month period ended September 30, 2011, no stock options were exercised; during the nine-month period ended September 30, 2011, 15,230 stock options were exercised for $108,000).

During the three-month and nine-month periods ended September 30, 2012, the Corporation recorded compensation expense reversals of $19,000 and $264,000 respectively (compared with reversals of $573,000 and $1,314,000 respectively in the same periods of 2011) in relation to the Corporation's Class B stock options as well as a compensation expense reversal of $64,000 and a compensation charge of $482,000 respectively (compared with compensation charges of $500,000 and $239,000 respectively for the same periods of 2011) in relation to Quebecor Media stock options.

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

11. Related party transactions

Capital contributions to SUN News

During the three-month period ended September 30, 2012, the partners in SUN News made a capital contribution of $3,600,000 ($10,000,000 in 2011), including $1,764,000 ($5,100,000 in 2011) from the Corporation and $1,836,000 ($4,900,000 in 2011) from Sun Media Corporation, a company under common control.

During the nine-month period ended September 30, 2012, the partners in SUN News made a capital contribution of $10,800,000 ($16,000,000 in 2011), including $5,436,000 ($8,160,000 in 2011) from the Corporation and $5,364,000 ($7,840,000 in 2011) from Sun Media Corporation.

Disposal of interest in SUN News

On June 30, 2012, the Corporation sold a 2% interest in SUN News to Sun Media Corporation for a $765,000 consideration. The Corporation now holds a 49% interest in SUN News and Sun Media Corporation owns 51%. The difference between the amount paid and the book value of the interest yielded a $581,000 gain, which was accounted for in contributed surplus. Following the loss of control, SUN News' results are no longer consolidated as of July 1, 2012 and the investment in SUN News is now accounted for using the equity method.

The following table shows details of the net assets of SUN News, which were reclassified as an investment using the equity method at the date of deconsolidation:

Current assets		
Cash	$	**430**
Accounts receivable and other current assets		**2,792**
		3,222
Non-current assets		
Property, plant and equipment		**8,873**
Intangible assets		**650**
		12,745
Current liabilities		
Accounts payable and accrued liabilities		**3,555**
Net assets		**9,190**
Corporation Sun Media interest		**(4,687)**
Investment using equity method	$	**4,503**

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

12. Segmented information

The Corporation's operations consist of the following segments:

– The Television segment includes the activities of TVA Network (including the subsidiaries and divisions TVA Productions Inc., TVA Ventes et Marketing Inc., TVA Accès, TVA Création, TVA Nouvelles, TVA Interactif), specialty services, the marketing of the digital products of the different televisual brands, the TVA Boutiques division's home and online shopping services and the TVA Films division's audiovisual products distribution operations.

– The Publishing segment includes the operations of TVA Publications Inc., a content producer specializing in the publication of French-language magazines in various fields, including arts, entertainment, television, fashion and decoration; marketing of the digital products of the different brands related to the magazines and the operations of the TVA Studio division, which specializes in customized publishing, commercial print productions and premedia services.

The intersegment items represent the elimination of normal course business transactions between the Corporation's business segments regarding revenues and expenses.

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2012	2011	**2012**	2011
Revenues				
Television	**$ 81,646**	$ 72,400	**$ 283,598**	$ 264,407
Publishing	**16,854**	17,638	**49,973**	52,336
Intersegment items	**(1,329)**	(824)	**(3,209)**	(2,884)
	97,171	89,214	**330,362**	313,859
Operating, selling and administrative expenses				
Television	**73,272**	72,711	**261,911**	242,560
Publishing	**14,544**	14,384	**47,069**	44,316
Intersegment items	**(1,329)**	(824)	**(3,209)**	(2,884)
	86,487	86,271	**305,771**	283,992
Income before amortization, financial expenses, impairment of goodwill, gain on disposal of businesses, restructuring costs of operations, impairment of assets and other costs, income taxes (recovery), and share of loss (income) of associated corporations				
Television	**8,374**	(311)	**21,687**	21,847
Publishing	**2,310**	3,254	**2,904**	8,020
	$ 10,684	$ 2,943	**$ 24,591**	$ 29,867

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

12. Segmented information (continued)

	September 30, 2012	December 31, 2011
Total assets		
Television	**$ 446,482**	$ 449,943
Publishing	**55,852**	83,910
	$ 502,334	$ 533,853
Goodwill		
Television	**$ 2,539**	$ 2,539
Publishing	**37,242**	69,442
	$ 39,781	$ 71,981

13. Disposal of businesses

In May 31, 2012, following the Canadian Radio-television and Telecommunications Commission ("CRTC") approval, the Corporation sold its 51% interest in "The Cave" and its 50% interest in "Mystery TV" to its partner in the joint ventures, Shaw Media Global Inc., and a gain on disposal of businesses in the amount of $12,881,000 before taxes was recorded. The transaction did not give rise to any income tax charge because the Corporation used unrecorded capital losses to eliminate the capital gains tax on disposal of businesses. The sale generated net cash flows in the amount of $17,898,000; proceeds from disposal of $20,963,000 less $3,065,000 in cash at the time of the sale.

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 and distributes audiovisual products and films, in addition to its commercial production and home shopping operations. It operates North America's largest private French-language television network, as well as 8 specialty services and since June 30, 2012, holds also a minority interest in the English-language specialty service SUN News Network "SUN News". TVA Group also holds a minority interest in the Évasion specialty service. In the Publishing segment, TVA produces over 75 magazines, making it Quebec's largest publisher of French-language magazines. It also offers custom publishing, commercial printed production services and premedia services that promote customers' trademarks through print media. The Corporation's Class B shares are listed on the Toronto Stock Exchange under the ticker symbol TVA.B.

This Management's Discussion and Analysis covers the main activities of the third quarter of 2012 and the major changes from the previous financial year. The Corporation's condensed consolidated financial statements for the three-month and nine-month periods ended September 30, 2012 and 2011 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 Consolidated Financial Statements and the annual Management Discussion and Analysis for the financial year ended December 31, 2011 and in the Condensed Consolidated Financial Statements ended September 30, 2012.

BUSINESS SEGMENTS

The Corporation's operations consist of the following segments:

- The Television segment includes the activities of TVA Network (including the subsidiaries and divisions TVA Productions Inc., TVA Ventes et Marketing Inc., TVA Accès, TVA Création, TVA Nouvelles, TVA Interactif), specialty services, the marketing of the digital products of the different televisual brands, the TVA Boutiques division's home and online shopping services and the TVA Films division's audiovisual and products distribution operations.
- The Publishing segment includes the operations of TVA Publications, a content producer specializing in the publication of French-language magazines in various fields, including the arts, entertainment, television, fashion and decoration; marketing of the digital products of the different brands related to the magazines and the operations of the TVA Studio division, which specializes in customized publishing, commercial print productions and premedia services.

HIGHLIGHTS SINCE END OF SECOND QUARTER 2012

- On August 1, 2012, the TVA Boutiques division discontinued the operations of its home shopping cable channel, which was carried on the Videotron and Cogeco systems in Quebec, while continuing the broadcast of the "Shopping TVA" program on TVA Network as well as its online shopping operations.

- On July 18, 2012, the CRTC announced that the Local Programming Improvement Fund (LPIF) would be phased out between now and August 31, 2014. More specifically, the CRTC plans to reduce the contribution rate from 1.5% to 1% for the 2012-2013 broadcast year and to 0.5% for the 2013-2014 broadcast year, and to eliminate the LPIF as of September 1, 2014. For the period between September 30, 2011 and August 31, 2012, the Corporation received a contribution of $6,400,000.

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.

Operating income (loss)

In its analysis of operating results, the Corporation defines operating income (loss) as net income (loss) before amortization of property, plant and equipment and intangible assets, financial expenses, impairment of goodwill, gain on disposal of businesses, restructuring costs of operations, impairment of assets and other costs, income taxes (recovery), after-tax share of loss (income) of associated corporations and net loss attributable to non-controlling interest. 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 is not intended to represent funds available for debt service, dividend payment, reinvestment or other discretionary uses, and should not be considered in isolation or as a substitute for other performance measures prepared in accordance with IFRS. Operating income (loss) is used by the Corporation because management believes it is a meaningful measure of performance. This measure is used by management and the Board of Directors to evaluate the Corporation's consolidated results and the results of its segments. Measurements such as operating income (loss) are also commonly used by the investment community to analyze and compare the performance of companies in the industries in which the Corporation is active. The Corporation's definition of operating income (loss) may not be identical to similarly titled measures reported by other companies.

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

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

	Three-months ended September 30		Nine-months ended September 30	
	2012	2011	**2012**	2011
Operating income (loss) :				
Television	**$ 8,374**	$ (311)	**$ 21,687**	$ 21,847
Publishing	**2,310**	3,254	**2,904**	8,020
	10,684	2,943	**24,591**	29,867
Amortization of property, plant and equipment and intangible assets	**4,913**	4,280	**15,372**	12,528
Financial expenses	**1,211**	1,469	**4,161**	4,377
Impairment of goodwill	**–**	–	**32,200**	–
Gain on disposal of businesses	**–**	–	**(12,881)**	–
Restructuring costs of operations, impairment of assets and other costs	**–**	312	**117**	633
Income taxes (recovery)	**573**	(448)	**2,042**	5,349
After-tax share of loss (income) of associated corporations	**1,860**	186	**1,532**	(285)
Non-controlling interest	**–**	(2,864)	**(4,414)**	(6,870)
Net income (loss) attributable to shareholders	**$ 2,127**	$ 8	**$ (13,538)**	$ 14,135

ANALYSIS OF CONSOLIDATED RESULTS

2012/2011 third quarter comparison

Operating revenues: $97,171,000, an increase of $7,957,000 (8.9%).

- $9,246,000 (12.8%) increase in the Television segment (Table 2), due mainly to an 8.6% increase in advertising revenues at TVA Network and a 25.0% increase in operating revenues at the specialty services, excluding SUN News.
- $784,000 (-4.4%) decrease in the Publishing segment (Table 2), primarily due to an 8.2% decrease in newsstand revenues.

Table 2
Operating revenues
(in thousands of dollars)

	Three-months ended September 30		Nine-months ended September 30	
	2012	2011	**2012**	2011
Television	**$ 81,646**	$ 72,400	**$ 283,598**	$ 264,407
Publishing	**16,854**	17,638	**49,973**	52,336
Intersegment items	**(1,329)**	(824)	**(3,209)**	(2,884)
	$ 97,171	$ 89,214	**$ 330,362**	$ 313,859

Operating income: $10,684,000, a $7,741,000 increase compared with the same quarter of 2011.

- $8,685,000 increase in the Television segment (Table 3), mainly because of:
  - 8.6% increase in TVA Network's advertising revenues;
  - positive impact on operating income of the deconsolidation of the results of SUN News since July 1, 2012 ("sale of part of the Corporation's interest in SUN News," see "SUN News" section below).

  Partially offset by:
  - operating loss of the "TVA Sports" service, in operation since September 2011.
- $944,000 decrease in the Publishing segment (Table 3), mainly because of the impact of lower operating revenues in the segment in the third quarter of 2012.

Table 3
Operating income
(in thousands of dollars)

	Three-months ended September 30		Nine-months ended September 30	
	2012	2011	**2012**	2011
Television	**$ 8,374**	$ (311)	**$ 21,687**	$ 21,847
Publishing	**2,310**	3,254	**2,904**	8,020
	$ 10,684	$ 2,943	**$ 24,591**	$ 29,867

Net income attributable to shareholders: $2,127,000 ($0.09 per basic and diluted share) in the third quarter of 2012, compared with $8,000 ($0.00 per basic and diluted share) in the same period of 2011.

- The $2,119,000 ($0.09 per basic and diluted share) increase was essentially due to:
  - $7,741,000 increase in operating income.

  Partially offset by:
  - $2,864,000 unfavourable variance in non-controlling interest;
  - $1,674,000 unfavourable variance related to the Corporation's share of the after-tax losses of associated corporations;
  - $1,021,000 increase in income taxes.

- The calculation of earnings per share was based on a weighted average of 23,770,906 outstanding diluted shares for the quarters ended September 30, 2012 and 2011.

Amortization of property, plant and equipment and intangible assets: $4,913,000, an increase of $633,000.

- The increase mainly reflects increased acquisitions of property, plant and equipment and intangible assets in connection with the Corporation's capital expenditures plan for the transition to high definition ("HD") broadcasting and production, for specialty service launches and for the installation of application software. These factors were partially offset by the impact of the sale of part of the Corporation's interest in SUN News.

Financial expenses: $1,211,000, a $258,000 decrease.

- The decrease was mainly due to the receipt of proceeds from disposal related to the sale of the Corporation's interest in "Mystery TV" and "The Cave" in the second quarter of 2012, resulting in lower indebtedness in the third quarter of 2012.

Restructuring costs, write-off of assets and other: Nil in the third quarter of 2012, compared with $312,000 in the same quarter of 2011.

- In the third quarter of 2011, the Corporation recorded a $253,000 impairment expense related to its broadcast rights inventories and a $59,000 provision for restructuring following the discontinuation of the operations of the English-language over-the-air station SUN TV.

Income tax expense: $573,000 (effective tax rate of 12.6%) for the third quarter of 2012 compared with a $448,000 income tax recovery (effective tax rate of 14.4%) in the same period of 2011.

- In the third quarter of 2012, the taxation 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.

Share of after-tax losses of associated corporations: $1,860,000 in the third quarter of 2012, compared with $186,000 in the same quarter of 2011. The $1,674,000 increase was mainly due to the impact of the sale of part of the Corporation's interest in SUN News.

Non-controlling interest: Nil in the third quarter of 2012, compared with $2,864,000 in the same quarter of 2011.

- In the third quarter of 2011, non-controlling interest represented Sun Media Corporation's share in the pre-tax loss of SUN News. Since July 1, 2012, that entity has been recorded as an investment using the equity method. Its results are no longer consolidated by the Corporation.

<u>2012/2011 year-to-date comparison</u>

Operating revenues: $330,362,000, an increase of $16,503,000 (5.3%).

- $19,191,000 (7.3%) increase in the Television segment (Table 2), due mainly to a 28.8% revenue increase at the specialty services, excluding SUN News, generated largely by "TVA Sports", which was launched in 2011;
- $2,363,000 (-4.5%) decrease in the Publishing segment (Table 2), primarily due to an 8.8% decrease in newsstand revenues and a 9.7% decrease in advertising revenues.

Operating income: $24,591,000, a $5,276,000 (-17.7%) decrease compared with the same quarter of 2011.

- $160,000 (-0.7%) decrease in the Television segment (Table 3), mainly because of:
  - o operating loss of the "TVA Sports" service, in operation since September 2011.

  Partially offset by:

  - o 1.5% increase in operating income at TVA Network;
  - o reduction of operating loss due to the sale of part of the Corporations interest in SUN News;
  - o operating income growth at all the other specialty services.
- $5,116,000 (-63.8%) decrease in the Publishing segment (Table 3), mainly attributable to:
  - o impact of recognition of the charge resulting from the adoption of new 2010, 2011 and 2012 rates for business contributions towards the cost of waste recovery services provided by Quebec municipalities ("Éco Entreprises");

- impact of decrease in operating revenues in the segment during the period.

Net loss attributable to shareholders: $13,538,000 (-$0.57 per basic and diluted share) for the first nine months of 2012, compared with net income attributable to shareholders of $14,135,000 ($0.59 per basic and diluted share) in the same period of 2011.

- The negative variance of $27,673,000 (-$1.16 per basic and diluted share) was essentially due to:

  - $32,200,000 goodwill impairment charge in the Publishing segment recorded in the first quarter of 2012;
  - $5,276,000 decrease in operating income;
  - $2,844,000 increase in amortization expense;
  - $2,456,000 unfavourable variance in non-controlling interest;
  - $1,817,000 increase related to share of after-tax losses of associated corporations.

  Partially offset by:

  - $12,881,000 gain on disposal of interest in the "Mystery TV" and "The Cave" specialty services;
  - $3,307,000 decrease in income taxes.

- The calculation of earnings per share was based on a weighted average of 23,770,906 outstanding diluted shares for the first nine months of 2012 and 2011.

Amortization of property, plant and equipment and intangible assets: $15,372,000, an increase of $2,844,000, essentially due to the same factors as those noted above in the 2012/2011 third quarter comparison.

Financial expenses: $4,161,000, a $216,000 decrease.

- The decrease mainly reflects lower indebtedness, due primarily to the receipt of proceeds from disposal related to the sale of the Corporation's interest in "Mystery TV" and "The Cave" in the second quarter of 2012.

Goodwill impairment: $32,200,000 recognized in the first quarter of 2012 on the Publishing cash-generating unit ("CGU").

- Operating costs in this segment were adversely affected by the adoption in 2012 of new Éco Entreprises rates for 2010, 2011 and 2012, triggering a corporate review of the business plan and an impairment test on the Publishing CGU. The Corporation concluded that the recoverable amount was less than the carrying amount and a goodwill impairment charge of $32,200,000 was recorded during the first quarter of 2012.

Gain on disposal of businesses: $12,881,000 before income tax, recorded in the second quarter of 2012 following the sale of the Corporation's 51% interest in the specialty service "The Cave" and its 50% interest in the specialty service "Mystery TV" to the other partner in the joint ventures, Shaw Media Global Inc. The transaction closed on May 31, 2012 and the final proceeds from disposal totalled $20,963,000.

Restructuring costs, write-off of assets and other: $117,000 compared with $633,000 in the same quarter of 2011.

- In the first quarter of 2012, the Corporation recorded a $117,000 provision for restructuring costs following the elimination of a number of positions in the Publishing segment.

- In the second and third quarters of 2011, the Corporation recorded an impairment expense related to its broadcast rights inventories in the amount of $583,000 and a $50,000 provision for restructuring costs following the discontinuation of the operations of the English-language over-the-air station SUN TV.

Income tax expense: $2,042,000 (effective tax rate of -14.2%) for the first nine months of 2012, compared with $5,349,000 (effective tax rate of 43.4%) for the same period of 2011.

- In the first nine months of 2012, the tax rate was lower than the Corporation's statutory tax rate of 26.9% mainly because of the net effect of non-deductible impairment of goodwill and the use of unrecorded capital losses to eliminate capital gains tax on the disposal of businesses.

- In the first nine months of 2011, the tax rate was higher than the Corporation's statutory tax rate of 28.4% mainly because of Sun Media Corporation's share of the tax savings generated by the operating losses of SUN News, as well as permanent differences related to non-deductible items.

Share of after-tax losses of associated corporations: $1,532,000 for the first nine months of 2012, compared with $285,000 in the same period of 2011, a $1,817,000 unfavourable variance.

- This variance was mainly due to the Corporation's share of the financial results of SUN News since July 1, 2012 and of the results of a television company since the beginning of 2012.

Non-controlling interest: $4,414,000 for the first nine months of 2012, compared with $6,870,000 for the same period of 2011.

- Non-controlling interest represents Sun Media Corporation's share in the pre-tax loss of SUN News prior to July 1, 2012.

SEGMENTED ANALYSIS

Television

2012/2011 third quarter comparison

Operating revenues: $81,646,000, an increase of $9,246,000 (12.8%), mainly due to the following factors:

- 8.6% increase in TVA Network's advertising revenues;
- 62.8% increase in subscription revenues from French-language specialty services:
  - the new "TVA Sports" and "Mlle" services accounted for 59.0% and 10.3% of the increase respectively;
  - 26.2% increase at "LCN" following the phasing in of new carriage agreements signed since the beginning of 2012;
  - 82.2% increase at the "Yoopa" service;
  - "Casa," "addik TV" and "prise 2" registered increases of 23.2%, 16.9% and 14.5% respectively, while "Argent" registered a 31.5% decrease;
- 17.6% increase in advertising revenues at the French-language specialty services, notably "LCN" (13.6%), "addik TV" (43.8%) and "TVA Sports" (151.0%);
- 11.3% increase in revenues from the TVA Accès division and commercial production, due primarily to higher volume.

Partially offset by:

- elimination of the Corporation's share of the subscription revenues of "Mystery TV" and "The Cave," in which the Corporation sold its interest on May 31, 2012.

In the third quarter of 2012, total revenues from the specialty services accounted for 24.3% of the Television segment's total revenues.

French-language market ratings

TVA Group's total market share for the period of July 2 to September 30, 2012 was 30.3, compared with 32.4 in the same period of 2011. The period included the broadcast of the 2012 London Olympics on RDS and "V," which partly accounts for TVA Network's lower market share during the period. The TVA Group's French-language specialty services had a combined market share of 8.4, compared with 7.8 in the same period of 2011, a 7.7% increase. "Prise 2" had a 1.4 share and "addik TV" a 1.5 share. The new "TVA Sports" service logged a 0.3 market share. Overall, the specialty services increased their share of the French-language market by 4.0 points compared with the same period of 2011, while the conventional stations dropped 3.6 points.

TVA Network's market share decreased by 2.7 points compared with the same period of 2011, while the V Network increased by 0.7 points and Société Radio-Canada ("SRC") decreased by 1.6 points. TVA Network's average market share was 21.9, more than the other two conventional networks combined. It carried 23 of the 30 most-watched programs in Quebec during the third quarter, including *Le Banquier Juste pour rire*, which drew more than 2.0 million viewers. The shows *Le Banquier, On connait la chanson – spécial Elvis, Occupation Double en Californie, Toute la vérité, Un sur 2, Yamaska* and *Lance et compte – La déchirure* each attracted audiences of more than 1.2 million.

Table 4
French-language market ratings

Summer 2012 vs Summer 2011 Market shares (%)	**2012**	**2011**	**Var.%**	**Difference**
French-language conventional broadcasters				
TVA	**21.9**	24.6	-11.0%	-2.7
SRC	**10.3**	11.9	-13.4%	-1.6
V	**8.8**	8.1	+8.6%	+0.7
Total	**41.0**	44.6	-8.1%	-3.6
French-language specialty				
TVA	**8.4**	7.8	+7.7%	+0.6
Astral	**24.9**	23.4	+6.4%	+1.5
Other	**15.0**	13.1	+14.5%	+1.9
Total	**48.3**	44.3	+9.0%	+4.0
Total English-language and others	**10.7**	11.1	-3.6%	-0.4
TVA Group	**30.3**	32.4	-6.5%	-2.1

Source: BBM Ratings. French Quebec, July 2 to September 30, 2012, Mon. – Sun. 2 a.m.–2 a.m., t2+.

Operating expenses: $73,272,000, an increase of $561,000 (0.8%).

- The increase was due primarily to:
  - 49.3% increase in operating expenses at the French-language specialty services, essentially due to the operating costs of the new "TVA Sports" service, which was in operation during the entire third quarter of 2012, compared with several weeks in the same quarter of 2011;
  - higher costs at TVA Nouvelles generated by coverage of the provincial election campaign and the 2012 London Olympics;
  - increased operating expenses for the TVA Accès division and for commercial production as a result of higher volume.

Partially offset by:

- lower operating expenses related to SUN News due to the sale of part of the Corporation's interest in SUN News;
- elimination of the Corporation's share of the operating expenses of "Mystery TV" and "The Cave."

Operating income: $8,374,000, an $8,685,000 increase due primarily to:

- 8.6% increase in advertising revenues at TVA Network;
- decrease in the operating loss of SUN News in view of the sale of part of the Corporation's interest in SUN News;

Partially offset by:

- operating loss of the "TVA Sports" service, in operation since September 2011.

Analysis of cost/revenue ratio: The Television segment's operating costs (expressed as a percentage of revenues) decreased from 100.4% during the three-month period ended September 30, 2011 to 89.7% in the same period of 2012. The decrease was essentially due to the elimination of costs related to SUN News during the quarter, combined with growth in advertising and subscription revenues.

<u>2012/2011 year-to-date comparison</u>

Operating revenues: $283,598,000, an increase of $19,191,000 (7.3%), mainly due to the following factors:

- 54.9% increase in subscription revenues from the French-language specialty services:
  - the new "TVA Sports" and "Mlle" services accounted for 64.6% and 12.4% of the increase respectively;
  - 63.1% increase at the "Yoopa" service;
  - "Casa," "LCN," "addik TV" and "prise 2" registered increases of 34.2%, 12.6%, 14.4% and 12.0% respectively, while "Argent" registered a 34.2% decrease;
- 17.9% increase in advertising revenues at the French-language specialty services, led by "TVA Sports" which accounted for 48.3% of the increase; advertising revenues also grew by 80.8% at "addik TV" and 60.1% at "Casa."
- 38.3% net increase in the combined revenues of SUN News and "SUN TV," as SUN News was offered free of charge during the same period of 2011;
- 2.5% increase in TVA Network's advertising revenues.

In the first nine months of 2012, total revenues from the specialty services (excluding SUN News) accounted for 22.4% of the Television segment's total revenues.

Operating expenses: $261,911,000, an increase of $19,351,000 (8.0%).

- The increase was due primarily to:
  - 52.6% increase in operating expenses at the specialty services (excluding SUN News) due in large part to the operating costs of the new "TVA Sports" service, which was in operation during nine months in 2012 compared with several weeks in 2011.

Partially offset by:

- 28.6% decrease in the combined operating expenses of SUN News and "SUN TV" due to the sale of part of the Corporation's interest in SUN News and the discontinuation of the operations of the "SUN TV" station in mid-April 2011.

Operating income: $21,687,000, a $160,000 (-0.7%) decrease due primarily to:

- operating loss of the "TVA Sports" service, in operation since September 2011.

Offset by:

- 29.4% increase in operating income at the other French-language specialty services;
- 38.1% decrease in the operating loss of SUN News related to the sale of part of the Corporation's interest in the entity;
- 13.9% increase in operating income at TVA Network.

Analysis of cost/revenue ratio: The Television segment's operating costs (expressed as a percentage of revenues) increased from 91.7% during the nine-month period ended September 30, 2011 to 92.4% in the same period of 2012. The increase was essentially due to an increase in the operating costs of TVA Group's new specialty services that was greater than the increase in their subscription and advertising revenues.

Publishing

2012/2011 third quarter comparison

Operating revenues: $16,854,000, a decrease of $784,000 (-4.4%) due mainly to the following factors:

- 8.2% decrease in newsstand revenues. mainly at the entertainment magazines;
- lower revenues at TVA Studio related to non-renewal of some titles under custom publishing contracts;
- 4.2% decrease in advertising revenues.

Partially offset by revenues from the brand marketing project.

Readership and market share statistics

- Together, TVA Publications magazines hold 45% of cumulative monthly Quebec Francophone readership, according to data compiled by the PMB (Print Measurement Bureau – Fall 2012).
- TVA Publications weeklies reach more than 2.0 million Canadian readers cumulatively per week according to PMB (Print Measurement Bureau – Fall 2012). The showbiz and celebrity news magazine *7 Jours* alone has 705,000 readers per issue.
- TVA Publications is the circulation leader in the Quebec market for French-language magazines with 69% of total newsstand sales and 47% of total unit sales (source: Audit Bureau of Circulation, June 30, 2012).

Operating expenses: $14,544,000, an increase of $160,000 (1.1%).

- The increase was due primarily to:
  - higher printing and production costs related to brand projects;
  - costs related to Éco Entreprises.

  Partially offset by:

  - lower costs resulting from publishing contracts not performed in the third quarter of 2012;
  - reductions in all operating costs, particularly distribution and canvassing expenses and graphics costs.

Operating income: $2,310,000, a $944,000 decrease due primarily to the decline in operating revenues, largely because of lower newsstand sales and advertising revenues.

Cost/revenue ratio: The Publishing segment's operating costs (expressed as a percentage of revenues) were 86.3% in the third quarter of 2012, compared with 81.6% in the same period of 2011. The increase was essentially due to the fact that operating expenses cannot be adjusted at the same pace as the decrease in newsstand revenues in the short term.

2012/2011 year-to-date comparison

Operating revenues: $49,973,000, a decrease of $2,363,000 (-4.5%) due mainly to the following factors:

- 8.8% decrease in newsstand revenues, mainly at the entertainment magazines;
- 9.7% decrease in advertising revenues, mainly at the entertainment and decorating magazines.

Partially offset by:

- 16.7% increase in revenues at the TVA Studio division, largely related to premedia services;
- 17.3% increase in grant revenues from the Canada Periodical Fund ("CPF").

Canada Periodical Fund

Funding from the Canada Periodical Fund ("CPF"), which provides financial assistance to Canadian print magazines and non-daily newspapers, is recorded in full under operating revenues. During the nine-month period ended September 30, 2012, it accounted for 8.8% of operating revenues (7.1% in the same period of 2011).

Operating expenses: $47,069,000, an increase of $2,753,000 (6.2%).

- The increase was due primarily to:
    - $3,117,000 charge recorded as a result of the adoption of new Éco Entreprises rates for 2010, 2011 and 2012, of which $2,294,000 is attributable to 2010 and 2011.

  Partially offset by:
    - lower printing costs owing to rate reductions, additional volume discounts and a decrease in the number of pages.

Operating income: $2,904,000, a decrease of $5,116,000 (-63.8%), primarily due to:

- lower operating revenues, largely because of decreased newsstand sales and advertising revenues;
- impact of recognition of the charge resulting from the adoption of new Éco Entreprises rates for 2010, 2011 and 2012.

Analysis of cost/revenue ratio: The Publishing segment's operating costs (expressed as a percentage of revenues) were 94.2% during the first nine months of 2012, compared with 84.7% in the same period of 2011. Excluding the liability recorded in relation to Éco Entreprises, the figure for the first nine months of 2012 is 88.0%. The increase 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 provided by operating activities, investing activities and financing activities:

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

	Three-months ended September 30		Nine-months ended September 30	
	2012	2011	**2012**	2011
Cash flows provided by operating activities	**$ 18,312**	$ 11,816	**$ 22,746**	$ 22,094
Additions to property, plant and equipment and intangible assets	**(6,458)**	(8,524)	**(19,863)**	(25,462)
Disposal of businesses	**765**	–	**18,663**	–
Dividend payments	**–**	–	**–**	(2,377)
Non-controlling interest	**–**	4,900	**3,528**	7,840
Other	**(1,600)**	136	**644**[1]	(33)
Reimbursement of net debt	**$ 11,019**	$ 8,328	**$ 25,718**	$ 2,062

	Sept. 30, 2012	Dec. 31, 2011
Position at the end:		
Long-term debt	**$ 74,626**	$ 74,635
Current portion of long-term debt	**–**	17,756
Bank overdraft	**–**	3,980
Less: cash	**(5,729)**	(1,756)
Net debt	**$ 68,897**	$ 94,615

[1] *Includes cash of $3,065,000 at the time of the disposal of "The Cave" and "Mystery TV".*

Operating Activities

Cash flows provided by operating activities: $18,312,000 in the third quarter of 2012, compared with $11,816,000 in the same quarter of 2011, a $6,496,000 increase.

- The increase was mainly due to the increase in operating income.

Cash flows provided by operating activities: $22,746,000 in the first nine months of 2012, compared with $22,094,000 in the same period of 2011, a $652,000 increase.

- The increase was mainly due to the favourable variance in non-cash items, reflecting in part an increase in accounts payable and accrued liabilities, including rights, partially offset by the decrease in operating income.

Working capital of TVA Group: $81,686,000 at September 30, 2012, compared with $66,719,000 at December 31, 2011.

- The $14,967,000 increase was due primarily to:
    - $17,756,000 in drawings on the revolving term loan as of December 31, 2011, which had been included in current liabilities. With the renewal of its revolving term loan for a five-year period in the first quarter of 2012, these amounts are again included in long-term debt;

- o increases in programs, broadcast and distribution rights, and inventory due to current seasonal variances,

Partially offset by:

- o increase in accounts payable and accrued liabilities, and in broadcast and distribution rights payable, which have increased under new agreements that have come into effect since December 31, 2011.

Investing Activities

Acquisition of property, plant and equipment and intangible assets: $6,458,000 in the third quarter of 2012, compared with $8,524,000 in the same period of 2011, a decrease of $2,066,000 (-24.2%).

- The decrease was mainly due to additional technical investments required in 2011 for the introduction of the new "TVA Sports" specialty service and to the major pieces of production and broadcasting equipment needed to meet the August 31, 2011 deadline for the transition to digital and high definition.
- In the third quarter of 2012, the Corporation continued its program to convert its production equipment to high definition, particularly for its "LCN" service, in addition to investing in its real estate assets.

Acquisition of property, plant and equipment and intangible assets: $19,863,000 in the first nine months of 2012, compared with $25,462,000 in the same period of 2011, a decrease of $5,599,000 (-22.0%).

- The decrease was mainly due to additional technical investments required in 2011 for the introduction of the new specialty services SUN News, "Mlle" and "TVA Sports," and to the major pieces of production and broadcasting equipment needed to meet the August 31, 2011 deadline for the transition to digital and high definition.

Proceeds from disposal of businesses: $765,000 for the third quarter of 2012, representing the net proceeds from the sale of the Corporation's 2% interest in SUN News to Sun Media Corporation.

Proceeds from disposal of businesses: $18,663,000 for the first nine months of 2012, due to:

- $17,898,000 in net proceeds from the sale of the Corporation's 51% interest in "The Cave" and its 50% interest in "Mystery TV" to Shaw Media Global Inc.;

- $765,000 in proceeds from the sale of a 2% interest in SUN News to Sun Media Corporation.

Financing Activities

Long-term debt (excluding deferred financing costs): $17,736,000 reduction as at September 30, 2012 compared with December 31, 2011:

- The reduction was mainly due to proceeds from disposal received on the sale of joint ventures to Shaw Media Global Inc.

Financial position at September 30, 2012

Net available liquid assets: $105,058,000, consisting of a $99,329,000 unused and available revolving term loan and $5,729,000 in cash.

Long-term debt of the Corporation: $17,736,000 reduction from $92,982,000 at December 31, 2011 to $75,246,000 at September 30, 2012 (see "Financing Activities" above).

As at September 30, 2012, minimum principal payments on long-term debt in the coming years were as follows:

Table 6
TVA Group minimum principal payment on long-term debt
12-month periods ending September 30
(in thousands of dollars)

2013	$	–
2014		–
2015		75,000
2016		–
2017 and thereafter		246
Total	$	75,246

The weighted average term of TVA Group's debt was approximately 2.1 years at September 30, 2012 (2.5 years at December 31, 2011). The debt consisted of approximately 100% fixed rate debt (81% as of December 31, 2011) and 0% floating rate debt (19% as of December 31, 2011).

As at September 30, 2012, the consolidated debt ratio, as measured by the debt-to-shareholders' equity ratio, stood at 22:78, or 0.28, compared with 0.26 at December 31, 2011. 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 September 30, 2012, the Corporation was in compliance with all the terms of its credit agreements.

Analysis of consolidated balance sheet at September 30, 2012

Table 7
Consolidated balance sheet of TVA Group
Analysis of main variances between September 30, 2012 and December 31, 2011
(in thousands of dollars)

	Sept. 30 2012	Dec. 31 2011	Difference	Main reason for difference
Assets				
Programs, broadcast and distribution rights and inventories	**$ 73,572**	$ 61,954	$ 11,618	Impact of current and seasonal variations in activities. Larger inventory for the fall season.
Assets held for sale	**$ -**	$ 8,370	$ (8,370)	Closing of the sale of the Corporation's interest in "The Cave" and "Mystery TV" during the second quarter of 2012.
Property, plant and equipment	**$ 96,923**	$ 102,007	$ (5,084)	Removal of SUN News' property, plant and equipment following deconsolidation on June 30, 2012.
Goodwill	**$ 39,781**	$ 71,981	$ (32,200)	Impact of goodwill impairment in the Publishing segment as a result of impairment test performed in first quarter 2012.
Liabilities				
Accounts payable and accrued liabilities	**$ 91,862**	$ 82,086	$ 9,776	Impact of current and seasonal variations in activities.
Current portion of long-term debt	**$ -**	$ 17,756	$ (17,756)	Drawings on the revolving term loan as of December 31, 2011.
Non-controlling interest	**$ -**	$ 5,389	$ (5,389)	Impact of loss of control resulting from disposal of 2% interest in SUN News on June 30, 2012.

ADDITIONAL INFORMATION

Contractual Obligations

As of September 30, 2012, material contractual commitments 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 Table 8.

Table 8
Material contractual obligations of TVA Group as of September 30, 2012
(in thousands of dollars)

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Long-term debt	$ –	$ 75,000	$ 246	$ –	$ 75,246
Interest payments[1]	4,513	6,949	538	–	12,000
Broadcast and distribution rights	54,649	29,601	808	–	85,058
Other commitments	11,391	10,330	3,451	3,810	28,982
Total	$ 70,553	$ 121,880	$ 5,043	$ 3,810	$ 201,286

[1] *Estimated interest payable on long-term debt is based on interest rates as of September 30, 2012. Interest is calculated on a constant debt level equal to that at September 30, 2012 and includes standby fees on the revolving term loan.*

Related Party Transactions

During the third quarter of 2012, the Corporation sold advertising space and content, recorded subscription revenues and provided production, postproduction and other services to companies under common control and affiliated companies in the total amount of $19,447,000 ($13,323,000 in the third quarter of 2011). Transactions with related corporations in the normal course of business are measured at the exchange amount, as negotiated by the parties.

In the third quarter of 2012, 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 $7,023,000 ($5,603,000 for the third quarter of 2011).

The Corporation also recorded management fees to the parent corporation in the amount of $1,080,000 in the third quarter of 2012 ($1,080,000 in the third quarter of 2011).

During the first nine months of 2012, the Corporation sold advertising space and content, recorded subscription revenues and provided production, postproduction and other technical services to corporations under common control and affiliated corporations in the total amount of $58,066,000 ($44,932,000 during the first nine months of 2011).

During the first nine months of 2012, 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 $25,872,000 ($19,628,000 for the first nine months of 2011).

The Corporation also recorded management fees to the parent corporation in the amount of $3,240,000 in the first nine months of 2012 ($3,240,000 in the first nine months of 2011).

SUN News

During 2010, the Corporation and Sun Media Corporation, a subsidiary of the parent corporation, QMI, established SUN News. Until June 30, 2012, the Corporation held a 51% interest and Sun Media Corporation a 49% interest. The results of this partnership were fully consolidated in the Corporation's results and Sun Media Corporation's interest was recorded under "Non-controlling interest" in the consolidated statement of income.

On June 30, 2012, the Corporation sold a 2% interest in SUN News to Sun Media Corporation for a $765,000 consideration. The Corporation now holds a 49% interest in SUN News and Sun Media Corporation owns 51%. The difference between the amount paid and the book value of the interest yielded a $581,000 gain, which was recorded in contributed surplus in the second quarter of 2012. Following the loss of control, the investment in SUN News is now recorded using the equity method and SUN News' results are no longer consolidated as of July 1, 2012.

During the third quarter of 2012, a capital contribution of $3,600,000 ($10,000,000 in 2011) was made by the partners, including $1,764,000 ($5,100,000 in 2011) by the Corporation and $1,836,000 ($4,900,000 in 2011) by Sun Media Corporation.

Disposal of businesses

In May 31, 2012, following CRTC approval, the Corporation sold its 51% interest in "The Cave" and its 50% interest in "Mystery TV" to its partner in the joint ventures, Shaw Media Global Inc., and a gain on disposal of businesses in the amount of $12,881,000 before taxes was recorded. The transaction did not give rise to any income tax charge because the Corporation used unrecorded capital losses to eliminate the capital gains tax on disposal of businesses. The sale generated net cash flows in the amount of $17,898,000: proceeds from disposal of $20,963,000 less $3,065,000 in cash holdings at the time of the sale.

Impairment of goodwill

The operating costs of the Corporation's Publishing segment will be adversely affected by regulations adopted in 2012 setting new rates for business contributions towards the cost of waste recovery services provided by Quebec municipalities. Accordingly, the Corporation reviewed its business plan for those activities and performed an impairment test on the Publishing cash-generating unit ("CGU"). The Corporation concluded that the recoverable amount based on value in use was less than the carrying amount of the Publishing CGU and a goodwill impairment charge of $32,200,000 was recorded in the first quarter of 2012. The Corporation used a pre-tax discount rate of 16.26% (15.89% as of April 1, 2011) and a perpetual growth rate of 1.00% (1.00% as of April 1, 2011) to calculate the recoverable amount.

Capital stock

In accordance with Canadian financial reporting standards, Table 9 below presents information on the Corporation's capital stock as of October 31, 2012. In addition, 819,421 Class B stock options and 268,524 QMI stock options were outstanding as of October 31, 2012.

Table 9
Number of shares outstanding as of October 31, 2012
(in shares and dollars)

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

In view of the Corporation’s significant investments in capital projects and several specialty service launches, the Board of Directors of TVA Group decided in the third quarter of 2011 to suspend the payment of dividends by the Corporation.

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 September 30, 2012 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, the use of forward-looking terminology such as “propose,” “will,” “expect,” “may,” “anticipate,” “intend,” “estimate,” “plan,” “foresee,” “believe” or the negative of these terms or variations of them or similar terminology. Certain factors that may cause actual results to differ from current expectations include seasonality, operational risks (including pricing actions by competitors), programming content and production cost risks, credit risk, government regulation risks, governmental 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, 2011 and the “Risk Factors” section in the Corporation’s 2011 annual information form.

The forward-looking statements in this Management’s Discussion and Analysis reflect the Corporation’s expectations as of November 5, 2012, 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)
November 5, 2012

TVA Group Inc.
SELECTED QUARTERLY FINANCIAL DATA
(in thousands of dollars, except per-share data)

	2012			2011
	Sept. 30	June 30	March 31	Dec. 31
Operations				
Operating revenues	**$ 97,171**	$ 115,379	$ 117,812	$ 131,636
Operating income (loss)	**$ 10,684**	$ 19,661	$ (5,754)	$ 20,657
Net income (loss) attributable to shareholders	**$ 2,127**	$ 23,676	$ (39,341)	$ 11,468
Basic per-share data				
Basic earnings per share	**$ 0.09**	$ 1.00	$ (1.66)	$ 0.48
Weighted average number of outstanding shares (in thousands)	**23,771**	23,771	23,771	23,771
Diluted per-share data				
Diluted earnings per share	**$ 0.09**	$ 1.00	$ (1.66)	$ 0.48
Weighted average number of outstanding diluted shares (in thousands)	**23,771**	23,771	23,771	23,771

	2011			2010
	Sept. 30	June 30	March 31	Dec. 31
Operations				
Operating revenues	$ 89,214	$ 117,548	$ 107,097	$ 133,387
Operating income	$ 2,943	$ 22,364	$ 4,560	$ 29,132
Net income attributable to shareholders	$ 8	$ 13,795	$ 332	$ 19,305
Basic per-share data				
Basic earnings per share	$ –	$ 0.58	$ 0.01	$ 0.81
Weighted average number of outstanding shares (in thousands)	23,771	23,771	23,771	23,771
Diluted per-share data				
Diluted earnings per share	$ –	$ 0.58	$ 0.01	$ 0.81
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 segment. Furthermore, the Corporation is investing in the launch of new specialty services in the Television segment. 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.

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