ANNUAL FINANCIAL RESULTS ENDED
DECEMBER 31ST, 2012

TVA GROUP INC.

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MESSAGE TO THE SHAREHOLDERS

Montreal, February 28, 2013

TVA Group Inc. (the "Corporation") recorded net income attributable to shareholders in the amount of $9.4 million, or $0.40 per share, in the fourth quarter of 2012, compared with $11.5 million, or $0.48 per share, in the same quarter of 2011.

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

- Operating income[1] in the Television segment up $1,006,000 (5.6%) to $19,103,000, mainly because of:

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

    ⇒ $2,402,000 increase in operating income at the specialty services;

  Partially offset by:

    ⇒ the decrease in operating income at TVA Network due mainly to a 5.6% decline in its advertising revenues.

- Operating income in the Publishing segment down $697,000 (-27.2%) to $1,863,000, mainly because of an overall 4.9% decrease in its operating revenues.

The Television segment's fourth quarter 2012 financial results were impacted by the decrease in TVA Network's advertising revenues, which were flat for fiscal 2012 as a whole. The combined market shares of TVA Group's channels grew by 6.3% to 33.5 shares for the period of October 1 to December 31, 2012. The total revenues of our French-language specialty services grew 21.3% in the fourth quarter of 2012 and 33.6% in 2012 as a whole.

The Publishing segment's operating margin was 10.7% despite the decreases in advertising revenues and in newsstand revenues in the last quarter of 2012. Efforts are continuing to launch new initiatives and brand strategies in order to generate new revenue streams in the Publishing segment in 2013.

Cash flows provided by operating activities totalled $12.6 million for the quarter, compared with $2.8 million in the same quarter of 2011. The $9.8 million increase was essentially due to the favourable variance in non-cash items, particularly accounts receivable.

<u>2012 results</u>

For the fiscal year ended December 31, 2012, the Corporation's consolidated operating income was $45.6 million, compared with $50.5 million in the previous year. The 9.8% decrease was due entirely to the Publishing segment and resulted mainly from the increase in operating expenses caused by the fees set for 2010, 2011 and 2012 for business contributions to the cost of waste recovery services (Bill 88), combined with lower operating revenues in the segment. Consolidated operating revenues totalled $457.4 million, compared with $445.5 million in 2011, a 2.7% increase. During the same period, the Corporation recorded a net loss attributable to shareholders in the amount of $4.1 million, or $0.17 per share, compared with net income attributable to shareholders in the amount of $25.6 million, or $1.08 per share, in 2011.

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[1] Refer to definition of operating income (loss) on the next page.

Definition

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, operational restructuring costs, impairment of assets and other costs, income taxes, after-tax share of income (loss) 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 business sectors. 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.

The audited annual consolidated financial statements with notes and the annual Management’s Discussion and Analysis can be consulted on the Corporation’s website at http://groupetva.ca

Pierre Dion
President and Chief Executive Officer

Consolidated Financial Statements of

TVA GROUP INC.

For the years ended December 31, 2012 and 2011

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
TVA Group Inc.

We have audited the accompanying consolidated financial statements of **TVA Group Inc.**, which comprise the consolidated balance sheets as at December 31, 2012 and 2011, and the consolidated statements of income, comprehensive income (loss), equity and cash flows for the years ended December 31, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of TVA Group Inc. as at December 31, 2012 and 2011, and its financial performance and its cash flows for the years ended December 31, 2012 and 2011 in accordance with International Financial Reporting Standards.

Ernst & Young LLP[1]

Montréal, Canada
February 28, 2013

[1] CA auditor permit no. 19483

TVA GROUP INC.

CONSOLIDATED STATEMENTS OF (LOSS) INCOME

Years ended December 31, 2012 and 2011
(in thousands of dollars, except per share amounts)

	Note		2012		2011
Revenues	2	**$**	**457,366**	$	445,495
Purchase of goods and services	3		**253,092**		242,935
Employee costs			**158,717**		152,036
Amortization of property, plant and equipment and intangible assets	14 and 15		**20,342**		17,437
Financial expenses	5		**5,465**		5,947
Impairment of goodwill	6		**32,200**		–
Gain on disposal of businesses	7		**(12,881)**		–
Operational restructuring costs, impairment of assets and other costs	8 and 18		**117**		1,665
Income before income taxes and share of income of associated corporations			**314**		25,475
Income taxes	9		**5,449**		9,613
After-tax share of loss (income) of associated corporations	13		**3,391**		(574)
Net (loss) income		**$**	**(8,526)**	$	16,436
Net (loss) income attributable to:					
Shareholders		**$**	**(4,112)**	$	25,603
Non-controlling interest	25		**(4,414)**		(9,167)
Basic and diluted (loss) earnings per share attributable to shareholders	21	**$**	**(0.17)**	$	1.08

See accompanying notes to consolidated financial statements.

TVA GROUP INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

Years ended December 31, 2012 and 2011
(in thousands of dollars)

	Note		2012		2011
Net (loss) income		**$**	**(8,526)**	$	16,436
Other comprehensive loss:					
Defined benefit plans:					
Actuarial gains and losses and net change in asset limit and minimum funding liability			**(7,606)**		(23,148)
Deferred income taxes	9		**2,042**		6,131
			(5,564)		(17,017)
Comprehensive loss		**$**	**(14,090)**	$	(581)
Comprehensive (loss) income attributable to:					
Shareholders		**$**	**(9,676)**	$	8,586
Non-controlling interest	25		**(4,414)**		(9,167)

See accompanying notes to consolidated financial statements.

TVA GROUP INC.

CONSOLIDATED STATEMENTS OF EQUITY

Years ended December 31, 2012 and 2011
(in thousands of dollars)

	Equity attributable to shareholders									
		Capital-stock (note 21)		Contributed surplus		Retained earnings		Equity attributable to non-controlling interest		Total equity
Balance as at December 31, 2010	$	98,647	$	–	$	170,784	$	4,511	$	273,942
Net income (loss)		–		–		25,603		(9,167)		16,436
Other comprehensive loss		–		–		(17,017)		–		(17,017)
Dividends		–		–		(2,377)		–		(2,377)
Contributions related to non-controlling interest (note 25)		–		–		–		10,045		10,045
Balance as at December 31, 2011	$	98,647	$	–	$	176,993	$	5,389	$	281,029
Net loss		–		–		(4,112)		(4,414)		(8,526)
Other comprehensive loss		–		–		(5,564)		–		(5,564)
Contributions related to non-controlling interest (note 25)		–		–		–		3,528		3,528
Disposal of interest in SUN News (note 25)		–		581		–		(4,503)		(3,922)
Balance as at December 31, 2012	**$**	**98,647**	**$**	**581**	**$**	**167,317**	**$**	**–**	**$**	**266,545**

See accompanying notes to consolidated financial statements.

TVA GROUP INC.

CONSOLIDATED BALANCE SHEETS

December 31, 2012 and 2011
(in thousands of dollars)

	Note	December 31, 2012	December 31, 2011
Assets			
Current assets			
Cash		**$ 10,619**	$ 1,756
Accounts receivable	11	**119,077**	121,658
Programs, broadcast and distribution rights and inventories	12	**67,579**	61,954
Prepaid expenses		**2,426**	2,690
Assets held for sale	7	**–**	8,370
		199,701	196,428
Non-current assets			
Broadcast and distribution rights	12	**33,563**	35,488
Investments	13	**17,651**	12,865
Property, plant and equipment	14	**98,494**	102,007
Licences and other intangible assets	15	**112,056**	114,539
Goodwill	16	**39,781**	71,981
Deferred income taxes	9	**725**	545
		302,270	337,425
Total assets		**$ 501,971**	$ 533,853

TVA GROUP INC.

CONSOLIDATED BALANCE SHEETS (continued)

December 31, 2012 and 2011
(in thousands of dollars)

	Note	**December 31, 2012**	December 31, 2011
Liabilities and equity			
Current liabilities			
Bank overdraft		**$ –**	$ 3,980
Accounts payable and accrued liabilities	17	**89,908**	82,589
Broadcast and distribution rights payable	25	**16,966**	15,778
Provisions	8 and 18	**862**	1,533
Deferred revenues	23	**6,136**	6,535
Current portion of long-term debt	19	**–**	17,756
Liability held for sale	7	**–**	1,538
		113,872	129,709
Non-current liabilities			
Long-term debt	19	**74,438**	74,635
Other liabilities	20 and 23	**38,499**	39,696
Deferred income taxes	7	**8,617**	8,784
		121,554	123,115
Equity			
Capital stock	21	**98,647**	98,647
Contributed surplus	25	**581**	–
Retained earnings		**167,317**	176,993
Equity attributable to shareholders		**266,545**	275,640
Non-controlling interest	25	**–**	5,389
		266,545	281,029
Commitments, guarantees and contingencies	18 and 26		
Total liabilities and equity		**$ 501,971**	$ 533,853

See accompanying notes to consolidated financial statements.

On February 28, 2013, the Board of Directors approved the consolidated financial statements for the years ended December 31, 2012 and 2011.

On behalf of the Board of Directors:

(signed)
Serge Gouin, Chairman of the Board

(signed)
Marc A. Courtois, Chairman of the Audit Committee

TVA GROUP INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2012 and 2011
(in thousands of dollars)

	Note	**2012**	2011
Cash flows related to operating activities			
Net (loss) income		**$ (8,526)**	$ 16,436
Non-cash items:			
Amortization	5, 14 and 15	**20,762**	17,796
Impairment of goodwill	6	**32,200**	–
Gain on disposal of businesses	7	**(12,881)**	–
Operational restructuring costs, impairment of assets and other costs	8	**–**	699
After-tax share of loss (income) of associated corporations		**3,391**	(574)
Deferred income taxes	9	**1,675**	5,217
Cash flows from current operations		**36,621**	39,574
Net change in non-cash items	10(a)	**(1,279)**	(14,716)
Cash flows provided by operating activities		**35,342**	24,858
Cash flows related to investing activities			
Additions to property, plant and equipment	14	**(21,830)**	(30,016)
Additions to intangible assets	15	**(3,265)**	(5,830)
Disposal of businesses, net of cash	7 and 25	**18,663**	–
Cash of SUN News at the date of deconsolidation	25	**(430)**	–
Net change in investments	13 and 25	**(3,674)**	236
Cash flows used in investing activities		**(10,536)**	(35,610)
Cash flows related to financing activities			
Net change in bank overdraft		**(3,980)**	423
Net change in revolving credit facility	19	**(17,982)**	1,694
Financing costs	19	**(391)**	–
Non-controlling interest	25	**3,528**	10,045
Dividends paid		**–**	(2,377)
Cash flows (used in) provided by financing activities		**(18,825)**	9,785
Net change in cash		**5,981**	(967)
Cash, beginning of year		**4,638**	5,605
Cash, end of year		**$ 10,619**	$ 4,638
Cash consists of the following:			
Cash		**$ 10,619**	$ 1,756
Cash from operations held for sale	7	**–**	2,882
		$ 10,619	$ 4,638

See accompanying notes to consolidated financial statements.

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

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 28). The Corporation is a subsidiary of Quebecor Media Inc. (“Quebecor Media” or “the parent corporation”) and the ultimate parent corporation is Quebecor Inc. (“Quebecor”). The Corporation’s head office is located at 1600 de Maisonneuve Boulevard East, Montreal, Quebec, Canada. The Corporation’s ownership interests in its main subsidiaries are as follows:

Subsidiaries	% of ownership
TVA Publications Inc.	100.0%
TVA Productions Inc.	100.0%
TVA Productions II Inc.	100.0%
TVA Sales and Marketing Inc.	100.0%
TVA Boutiques Inc.	100.0%

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”). These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments (note 1(k)) and the stock-based compensation liability (note 1(t)), which have been measured at fair value and are presented in Canadian dollars, which is the currency of the primary economic environment in which the Corporation and its subsidiaries operate (“functional currency”).

Comparative figures for the year ended December 31, 2011, have been restated to conform to the presentation adopted for the year ended December 31, 2012.

(b) Consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries. All intercompany balances and transactions are eliminated on consolidation.

A subsidiary is an entity controlled by the Corporation. Control is achieved where the Corporation has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Non-controlling interest in the net assets and results of the consolidated subsidiary is identified separately from the Corporation’s interest. Non-controlling interest in the equity of a subsidiary consists of the amount of non-controlling interest calculated at the date of the original business combination and its share of changes in equity since that date. Changes in non-controlling interest in a subsidiary that do not result in a loss of control by the Corporation are accounted for as equity transactions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Business combination

A business combination is accounted for by the acquisition method. The cost of an acquisition is measured at the fair value of the consideration given in exchange for control of the business acquired at the acquisition date. This consideration may comprise cash payments, asset transfers, financial instrument issues, or future contingent payments. The identifiable assets acquired and liabilities assumed from the acquiree are recognized at their fair value at the acquisition date. Results of operations of a business acquired are included in the Corporation's consolidated financial statements from the date of the business acquisition. Business acquisition and integration costs are expensed as incurred.

Non-controlling interest in an entity acquired is initially measured at fair value and is presented in the consolidated balance sheet in equity, separately from "Equity attributable to shareholders."

(d) Foreign currency translation

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

(e) Revenue recognition

<u>Advertising revenues</u>

Revenues from the sale of advertising airtime and space on the Corporation's websites are recognized when the advertisement airs or is displayed online. Revenues from the sale of advertising space in magazines are recognized when the advertisement is published, i.e. on the date the magazine is published.

<u>Subscription revenues</u>

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

Amounts received for magazine subscriptions are accounted for as deferred revenues and are amortized over the subscription term.

<u>Revenues from newsstand magazine sales</u>

Revenues from newsstand magazine sales are recognized when the magazines are delivered to newsstands, less an allowance for future returns.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Revenue recognition (continued)

Distribution revenues

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

(i) Significant risks and rewards of ownership, including effective control, have been transferred to the buyer. Risks and rewards are deemed to have been transferred only if there is a contract or other legally enforceable document setting forth, as a minimum, (a) the licence period, (b) the product or group of products covered and (c) the consideration to be received in exchange for the rights;

(ii) The amount of revenue can be reliably measured;

(iii) The receipt of economic benefits associated with the transaction is probable;

(iv) The licence period has begun and the operation, screening, broadcasting or selling process can begin;

(v) The costs incurred or to be incurred in respect of the transaction can be reliably measured;

(vi) The stage of completion can be reliably measured where services have been rendered.

Theatrical revenues are recognized in the months during which the film is shown in theatres, based on a percentage of box office receipts, provided that the above conditions have been met. Revenues from videos are recognized during the period in which the film is released on video and are based on DVD/Blu-ray deliveries, less an allowance for future returns, or based on a percentage of retail sales, provided that the above conditions have been met.

Sales of products on the home shopping TV channel

Revenues from the sale of products on the home shopping TV channel are recognized when the products are delivered, less an allowance for future returns.

(f) Impairment of assets

For the purposes of assessing impairment, assets are grouped in cash-generating units (“CGUs”), which are the smallest identifiable groups of assets that generate largely independent cash inflows. The Corporation reviews at each balance sheet date whether events or circumstances have occurred to indicate that the carrying amounts of long-lived assets with finite useful lives may be less than their recoverable amounts. Goodwill, intangible assets with indefinite useful lives, and intangible assets not yet available for use are tested for impairment on April 1 of each fiscal year, as well as whenever there is an indication that the carrying amount of the asset, or the CGU to which an asset has been allocated, 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. Fair value less costs to sell is the amount obtainable by an entity at the valuation date from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal. Value in use is the present value of the future cash flows expected to be derived from an asset or CGU.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Impairment of assets (continued)

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 the 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 with indefinite useful lives, other than goodwill, can be reversed through the consolidated statement of income (loss) to the extent that the resulting carrying value does not exceed the carrying value that would have been the result if no impairment losses had been previously recognized.

(g) Barter transactions

In the normal course of business, the Corporation broadcasts and publishes advertising in exchange for goods and services. Revenues thus earned and expenses incurred are accounted for on the basis of the fair value of the goods and services provided.

(h) Income taxes

Current income taxes are recognized with respect to amounts expected to be paid or recovered under tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred income taxes are accounted for using the liability method. Under this method, deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in income in the period that includes the substantive enactment date. A deferred income tax asset is recognized initially when it is probable that future taxable income will be sufficient to use the related tax benefits and may be subsequently reduced, if necessary, to an amount that is more probable than not to be realized. A deferred income tax expense or benefit is recognized in other comprehensive income (loss) or otherwise directly in equity to the extent that it relates to items that are recognized in other comprehensive income (loss) or directly in equity in the same or a different period.

In the normal course of the Corporation's operations, there are a number of uncertain tax positions due to the complexity of certain transactions and continuous changes in related tax interpretations and legislation. When a tax position is uncertain, the Corporation recognizes an income tax benefit or reduces an income tax liability only when it is probable that the tax benefit will be realized in the future or the income tax liability is no longer probable.

(i) Earnings per share

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Leases

Assets under leasing agreements are classified at the inception of the lease as (i) finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee, or as (ii) operating leases for all other leases. All of the Corporation's current leases are classified as operating leases.

Operating lease payments are recognized in the consolidated statement of income (loss) on a straight-line basis over the period of the lease. Any lessee incentives are deferred and then recognized evenly over the lease term.

(k) Financial instruments

Classification, recognition and measurement

Financial instruments are classified as held for trading, available for sale, held to maturity, loans and receivables, or as other financial liabilities. Measurement of financial instruments in subsequent periods depends on their classification. The Corporation has classified its financial instruments as follows:

Held for trading	Loans and receivables	Available for sale	Other financial liabilities
• Cash • Bank overdraft	• Accounts receivable • Receivables from entities under common control and affiliates	• Portfolio investments included under "Investments"	• Accounts payable and accrued liabilities • Broadcast and distribution rights payable • Provisions • Long-term debt • Other long-term financial liabilities included under "Other liabilities"

Financial instruments held for trading are measured at fair value with changes recognized through income. Available-for-sale portfolio investments are measured at fair value or at cost for investments in shares that do not have a quoted market price in an active market or where fair value is not sufficiently reliable. Any changes in fair value are recorded through comprehensive income (loss). Financial assets classified as loans and receivables and financial liabilities classified as other financial liabilities are initially measured at fair value and subsequently measured at amortized cost, using the effective interest method of amortization.

(l) Financing costs

Financing costs related to long-term debt are capitalized as a reduction of long-term debt and are amortized using the effective interest method.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Tax credits and government assistance

The Corporation is eligible for several government programs designed to support televisual product programming and production, film distribution, magazine publishing and investment projects. Government financial assistance is recognized as revenue or as a reduction in related costs, whether capitalized and amortized or expensed, in the year the costs are incurred and when management has reasonable assurance that the conditions of the government programs are met.

Assistance under the Local Programming Improvement Fund ("LPIF") is recorded in revenues, whereas assistance for television productions is recorded as a reduction of production costs and reported in operating expenses. In the Publishing segment, government assistance for the production and distribution of Canadian content in magazines is recognized as revenue. Government assistance is initially reported in deferred revenues and amortized over the period covered by the program.

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

(n) Trade receivables

Trade receivables are stated at their nominal value, less an allowance for doubtful accounts and an allowance for sales returns. The Corporation establishes an allowance for doubtful accounts based on the specific credit risk of its customers and historical trends. Individual trade receivables are written off when management deems them not collectible.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Programs, broadcast and distribution rights and inventories

Programs produced and productions in progress

Programs produced and productions in progress related to broadcasting activities are accounted for at the lower of cost and net realizable value. Cost includes direct charges for goods and services and the share of labour and overhead expenses related to each production. The cost of each program is charged to operating expenses when broadcast.

Broadcast rights and broadcast rights payable

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

(i) The cost of each program, film or series is known or can be reasonably determined;

(ii) The programs, films or series have been accepted by the Corporation in accordance with the conditions of the broadcast licence agreement;

(iii) The programs, films or series are available for first showing or broadcast.

Prior to all the above asset recognition conditions being met, the amounts paid for broadcast rights are accounted for as prepaid broadcast rights under “Programs, broadcast and distribution rights and inventories” and “Broadcast and distribution rights.”

Broadcast rights are classified as current or long-term, based on management’s estimate of the broadcast period. These rights are charged to operating expenses when televisual products and films are broadcast over the contract period, using a method based on estimated future revenues and the estimated number of showings.

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

Distribution rights and distribution rights payable

Distribution rights related to film and audiovisual product distribution activities include costs to acquire film distribution rights and costs incidental to such rights. The Corporation recognizes distribution rights as an asset and records obligations incurred under distribution rights acquisition contracts as a liability when (i) the cost of the distribution rights is known or can be reasonably estimated, (ii) the audiovisual product or film has been accepted under the terms set out in the broadcast rights acquisition contract, and (iii) the audiovisual product or film is available for distribution.

Prior to all the above asset recognition conditions being met, the amounts paid for distribution rights are accounted for as prepaid distribution rights under “Programs, broadcast and distribution rights and inventories” and “Broadcast and distribution rights.”

Distribution rights are recognized in operating expenses using the individual film forecast computation method. Under this method, each distribution right is expensed based on actual gross revenues relative to total anticipated gross revenues over a reasonable operating period.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Programs, broadcast and distribution rights and inventories (continued)

Inventories

Product inventories are valued at the lower of cost, determined by the first-in, first-out method, and net realizable value.

Net realizable value

Estimates of future revenue, used to determine the net realizable values of inventories related to the broadcasting or distribution of audiovisual products and films, are reviewed periodically by management and revised as necessary. The carrying value of programs produced and productions in progress, broadcast rights and distribution rights is reduced to net realizable value, as necessary, based on this assessment.

The net realizable value of product inventories is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

The amount of the impairment write-down of programs, broadcast and distribution rights and inventories is reversed when the circumstances that previously caused the write-down expense no longer exist.

(p) Long-term investments

Interests in joint ventures were accounted for using the proportionate consolidation method. Investments in associated corporations are accounted for using the equity method. Under this method, the share of the income (loss) of the associated corporations is recorded in the consolidated statement of income (loss). Other investments are recorded at cost. Carrying values of investments are reduced to estimated fair values if there is objective evidence of impairment.

(q) Property, plant and equipment

Property, plant and equipment are stated at cost. Cost consists of acquisition costs, net of government grants and investment tax credits, and/or development costs, including preparation, installation and testing costs. Future expenditures, such as maintenance and repair costs, are recorded in operating expenses as incurred.

Amortization is calculated on a straight-line basis over the following estimated useful lives:

Assets	Estimated useful life
Buildings and their components	10 to 40 years
Equipments	5 to 15 years

Leasehold improvements are amortized over the shorter of the term of the lease or the economic life of the leased asset.

Amortization methods, residual values, and the useful lives of significant property, plant and equipment are reviewed at each financial year-end. Any change is accounted for prospectively as a change in accounting estimate.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Goodwill and intangible assets

Goodwill

For all business combinations that occurred after January 1, 2010, goodwill is measured and recognized as the excess of the fair value of the consideration paid over the fair value of the recognized identifiable assets acquired and liabilities assumed. When the Corporation acquires less than 100% of the equity interests in the business acquired at the acquisition date, goodwill attributable to the non-controlling interest is also recognized at fair value.

Goodwill recognized by the Corporation arises from business acquisitions that occurred prior to January 1, 2010. Accordingly, goodwill represented the excess of the cost of acquisition over the Corporation's interest in the fair value of the identifiable assets and liabilities of the business acquired at the date of acquisition. No goodwill attributable to the non-controlling interest in respect of these acquisitions was recognized.

For impairment testing purposes (note 1(f)), goodwill is allocated to CGUs as of the business acquisition date. Goodwill is allocated to the CGU or group of CGUs expected to benefit from the synergies of the business combination.

Intangible assets

Broadcasting licences, magazine operating licences and trademarks have indefinite useful lives. In particular, given the low cost of renewing broadcasting licences, management considers it economically compelling to renew licences and comply with all the associated rules and conditions.

Other intangible assets with finite useful lives consist of software, websites and mobile apps and are amortized on a straight-line basis over the following estimated useful lives:

Assets	Estimated useful life
Software, websites and mobile apps	3 to 10 years

Amortization methods, residual values, and the useful lives of significant intangible assets are reviewed at each fiscal year-end. Any change is accounted for prospectively as a change in accounting estimate.

(s) Provisions

Provisions are recognized when (a) the Corporation has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and when (b) the amount of the obligation can be reliably estimated. Restructuring costs, consisting primarily of termination benefits, are recognized when a detailed plan for the restructuring exists and a valid expectation has been raised in those affected that the plan will be carried out.

Provisions are reviewed at each balance sheet date and changes in estimates are reflected in the consolidated statement of income (loss) in the reporting periods in which the remeasurements occur.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Stock-based awards to employees that call for settlement in cash or other assets at the option of the employee are classified as a liability and accounted for at fair value. The compensation cost is recognized each year in operating expenses over the vesting period. Changes in the fair value of stock-based awards between the grant date and the measurement date result in a change in the liability and compensation cost.

Estimates of the fair value of stock–based awards are determined by applying an option-pricing model, taking into account the terms and conditions of the grant. The main assumptions are discussed in notes 21 and 22.

(u) Pension plans and postretirement benefits

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

Defined contribution pension plans

Under its defined contribution pension plans, the Corporation pays fixed contributions to participating employees' pension plans and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as employee benefits in the consolidated statements of income (loss) when the contributions fall due.

Defined benefit pension plans and postretirement benefits

Defined benefit pension plan costs are determined using actuarial methods and are accounted for using the projected unit credit method, which incorporates management's best estimates of future salary levels, other cost escalations, employee retirement ages, and other actuarial factors. Defined benefit pension costs recognized in the consolidated statements of income (loss) under employee costs include the following:

(i) Cost of pension plan benefits provided in exchange for employee services rendered during the year;

(ii) Interest cost of pension plan obligations;

(iii) Expected return on plan assets;

(iv) Recognition of prior service costs on a straight-line basis over the vesting period.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Pension plans and postretirement benefits (continued)

Defined benefit pension plans and postretirement benefits (continued)

When an event gives rise to both a curtailment and a settlement, the curtailment is accounted for prior to the settlement.

Actuarial gains and losses are recognized through other comprehensive income (loss) and are immediately reflected in retained earnings. Actuarial gains and losses arise from the difference between the actual rate of return on plan assets for a given period and the expected rate of return on plan assets for that period, experience adjustments on liabilities, or changes in actuarial assumptions used to determine the accrued benefit obligation.

Under certain circumstances, recognition of the net defined benefit plan asset is limited to the recoverable amount, which is primarily based on the extent to which the Corporation can unilaterally reduce future contributions to the plan. In addition, an adjustment to the net defined benefit asset or obligation can be recorded to reflect a minimum funding liability in some of the Corporation's pension plans. Changes in the net benefit asset limit or an adjustment to the minimum funding liability are recognized in other comprehensive income (loss) and are immediately reflected in retained earnings.

Under a former plan, the Corporation offers life, health and dental insurance plans to some of its retired employees. This postretirement coverage is no longer offered to the Corporation's active employees. The accounting method used to determine the cost of postretirement benefits is similar to that for the defined benefit pension plans. The related expense is funded by the Corporation as they fall due.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Use of estimates and judgment

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities, related amounts of revenues and expenses, and disclosure of contingent assets and liabilities. Although these estimates are based on management's best judgment and information available at the time of the assessment date, actual results could differ from these estimates.

The following significant areas represent management's most difficult, subjective or complex estimates:

(i) Fair value of an asset or a CGU

When an impairment test is performed on an asset or a CGU, management estimates the recoverable amount of the asset or the CGU on the basis of its fair value less costs to sell or its value in use. These estimates are based on valuation models that require the use of a number of assumptions, such as a pre-tax discount rate (WACC) and a perpetual growth rate. Those assumptions materially affect the results of the impairment tests and the impairment expense recorded in the consolidated statement of income (loss), if applicable. Note 16 describes the key assumptions used in the goodwill impairment tests and presents a sensitivity analysis of recoverable amounts.

(ii) Costs and obligations related to pension and postretirement benefit plans

Defined benefit pension plan costs and obligations are estimated on the basis of a number of assumptions, including the discount rate, the expected return on the plan's assets, future salary levels, the retirement age of employees, health care costs, and other actuarial factors. Those assumptions materially affect the employee costs recognized in the consolidated statement of income (loss), the actuarial gains and losses recognized in the consolidated statement of comprehensive income (loss) and the recognized value of other liabilities in the consolidated balance sheet. Note 24 describes the key assumptions and presents sensitivity analyses of those assumptions.

(iii) Provisions

The recognition of provisions requires management to estimate the payments required as of the valuation date to settle an existing obligation or transfer it to a third party. An assessment of the probable outcomes of legal disputes and other contingencies is also necessary. Note 18 describes the main provisions, including management's assessment of the potential impact of the outcome of legal disputes on the consolidated statements of income (loss).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Use of estimates and judgment (continued)

The following areas represent management's most significant judgments, apart from those involving estimates:

(i) Determination of a useful life for the recognition of assets subject to amortization

For each category of assets subject to amortization, management must determine the period over which the Corporation expects to derive future economic benefits from those assets. The choice of useful life requires the use of judgement and has an impact on the amortization expense recognized in the consolidated statements of income (loss).

(ii) Determination of CGUs for the purpose of impairment tests

The determination of CGUs requires the use of judgement to determine the lowest level at which there are largely independent cash inflows generated by a group of assets. To identify the assets to be included in a CGU, the Corporation considers, among other things, combined service offerings, sharing of broadcasting network infrastructure, integration of media assets, similar exposure to market risk and materiality. The determination of CGUs can have an impact on the results of impairment tests and, if applicable, the impairment charge recognized in the consolidated statement of income (loss).

(iii) Interpretation of laws and regulations

Interpretation of laws and regulations, including tax regulations, requires management to make judgments that may have an impact on the recognition of provisions for legal disputes and income taxes in the consolidated financial statements.

(w) Recent accounting pronouncements

Unless otherwise indicated, in view of current facts and circumstances, the Corporation does not expect to be materially affected by the application of the following standards.

(i) *IFRS 9 – Financial instruments* is required to be applied retrospectively for periods beginning January 1, 2015, with early adoption permitted.

IFRS 9 simplifies the measurement and classification of financial assets by reducing the number of measurement categories and removing complex rule-driven embedded derivative guidance in IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard also provides for a fair value option in the designation of a non-derivative financial liability and its related classification and measurement.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Recent accounting pronouncements (continued)

(ii) *IFRS 10 – Consolidated Financial Statements* is required to be applied retrospectively for periods beginning January 1, 2013, with early adoption permitted.

IFRS 10 replaces SIC-12, *Consolidation - Special Purpose Entities* and parts of IAS 27, *Consolidated and Separate Financial Statements*, and provides additional guidance regarding the concept of control as the determining factor in whether an entity should be included in the consolidated financial statements of the parent corporation.

(iii) *IFRS 11 – Joint Arrangements* is required to be applied retrospectively for periods beginning January 1, 2013, with early adoption permitted.

IFRS 11 replaces IAS 31, *Interests in Joint Ventures*, with guidance that focuses on the rights and obligations of the arrangement, rather than its legal form. It also withdraws the option to proportionately consolidate an entity’s interests in joint ventures. The new standard requires that such interests be recognized using the equity method.

Note: Since the Corporation sold its interests in joint ventures on May 31, 2012 (note 7), the adoption of this standard will affect only the comparative year, i.e. 2012. The adoption of the standard will therefore have the following impacts:

Consolidated statement of income (loss)

Increase (decrease)		**2012**
Revenues	**$**	**(4,219)**
Purchase of goods and services		**(2,512)**
Financial expenses		**7**
Income before income taxes and share of income of associated corporations		**(1,714)**
Share of loss (income) of joint ventures and associated corporations	**$**	**(1,714)**

(iv) *IFRS 12 – Disclosure of Interests in Other Entities* is required to be applied retrospectively for periods beginning January 1, 2013, with early adoption permitted.

IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose entities and other off-balance-sheet vehicles.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Recent accounting pronouncements (continued)

(v) *IAS 19 – Post-employment Benefits (including Pensions) (Amended)* is required to be applied retrospectively for periods beginning January 1, 2013.

Amendments to IAS 19 involve, among other changes, recognition of the re-measurement component in other comprehensive income (loss), thereby removing the accounting option previously available in IAS 19 to recognize or defer changes in defined benefit obligations and in the fair value of plan assets directly in the statement of income. IAS 19 allows amounts recorded in other comprehensive income (loss) to be recognized either immediately in retained earnings or as a separate category within equity. IAS 19 also introduces a net interest approach that replaces the expected return on assets and interest costs on the defined benefit obligation with a single net interest component determined by multiplying the net defined benefit liability or asset by the discount rate used to determine the defined benefit obligation. In addition, all past service costs are required to be recognized in profit or loss when the employee benefit plan is amended and no longer spread over any future service period.

The adoption of the amended standard will have the following impacts:

Consolidated statement of loss

		2012
Employee costs	$	1,368
Net interest cost on defined benefit plans		1,850
Income taxes		(866)
Net loss attributable to shareholders	$	(2,352)

Consolidated statement of comprehensive income

		2012
Net loss	$	(2,352)
Actuarial gain		4,469
Deferred income taxes on actuarial gain		(1,202)
Comprehensive income attributable to shareholders	$	915

(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:

	2012	2011
Services rendered	$ 349,884	$ 338,555
Product sales	107,482	106,940
	$ 457,366	$ 445,495

3. PURCHASE OF GOODS AND SERVICES

The main components are as follows:

	2012	2011
Royalties, rights and production costs	163,185	148,519
Printing and distribution	22,552	20,908
Marketing, advertising and promotion	14,826	14,790
Transmission and microwave expenses	5,950	6,138
Other	46,579	52,580
	$ 253,092	$ 242,935

4. BARTER TRANSACTIONS

In the normal course of business, the Corporation broadcasts and publishes advertising in exchange for goods and services. For the year ended December 31, 2012, the Corporation recognized revenues from barter transactions totalling $9,424,000 ($9,175,000 in 2011) and operating expenses related to barter transactions totalling $9,357,000 ($9,384,000 in 2011).

5. FINANCIAL EXPENSES

	Note	2012	2011
Interest on long-term debt	19	$ 4,996	$ 5,562
Amortization of financing costs		420	359
Foreign exchange loss		102	75
Net interest income		(53)	(49)
		$ 5,465	$ 5,947

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

6. IMPAIRMENT OF GOODWILL

The operating costs of the Corporation’s Publishing segment have been adversely affected as a result of new rates adopted in 2012 for 2010, 2011 and 2012 with respect to business contributions toward the cost of waste recovery services provided by Quebec municipalities. Accordingly, the Corporation reviewed its business plan for these activities and performed an impairment test on the Publishing 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.

7. GAIN ON DISPOSAL OF BUSINESSES

On May 31, 2012, following 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 joint venture partner, 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.

The impact of the share of operations in the joint ventures included in the Corporation’s consolidated financial statements is detailed as follows:

		2012 (5 months)		2011 (12 months)
Income				
Revenues	**$**	**4,219**	$	9,207
Purchase of goods and services		**2,512**		7,253
Income before interest income		**1,707**		1,954
Interest income		**7**		10
Net income	**$**	**1,714**	$	1,964
Cash flows				
Cash flows provided by operating activities	**$**	**183**	$	1,922
Cash flows used in financing activities		**–**		(500)

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

7. GAIN ON DISPOSAL OF BUSINESSES (continued)

As at December 31, 2011, the assets and liabilities of the joint ventures were classified as held for sale. The breakdown is as follows:

		2011
Current assets		
Cash	$	2,882
Accounts receivable		2,274
Broadcast rights		3,214
		8,370
Current liabilities		
Accounts payable and accrued liabilities	$	1,099
Broadcast rights payable		439
		1,538
Net assets	**$**	**6,832**

8. OPERATIONAL RESTRUCTURING COSTS, IMPAIRMENT OF ASSETS AND OTHER COSTS

		2012		2011
Operational restructuring costs	**$**	**117**	$	800
Impairment of assets		**–**		699
Other costs		**–**		166
	$	**117**	$	1,665

In fiscal 2012, the Corporation recorded $117,000 in operational restructuring costs following the elimination of several positions in the Publishing segment ($668,000 in the Television segment in 2011).

In fiscal 2010, the Corporation and Sun Media Corporation, a subsidiary of Quebecor Media, announced the creation of a new partnership (at the time 51% TVA Group and 49% Sun Media Corporation) for the purpose of setting up and launching an English-language news and opinion specialty service called SUN News in April 2011. The Corporation also decided to cease operation of its existing conventional television station, SUN TV, when the new specialty service began broadcasting. As a result of the repositioning, in 2011, the Corporation recorded an additional $699,000 impairment charge related to its broadcast rights inventories, a $327,000 charge related to transmission contract cancellations, and a $132,000 provision for restructuring costs.

Also in fiscal 2011, new information came to light prompting the Corporation to re-measure its provision related to the production operations of a former subsidiary and to recognize a downward adjustment amounting to $161,000.

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

9. INCOME TAXES

Income tax expense is detailed as follows:

	2012	2011
Current	**$ 3,774**	$ 4,396
Deferred	**1,675**	5,217
	$ 5,449	$ 9,613

The following table reconciles income taxes at the Canadian statutory tax rate of 26.9% in 2012 (28.4% in 2011) and income taxes in the consolidated statement of income (loss):

	2012	2011
Incomes taxes at Canadian statutory tax rate	**$ 84**	$ 7,235
Impact of provincial tax rate differences	**(12)**	–
	72	7,235
Increase (decrease) resulting from:		
Tax impact of the Corporation's non-deductible share of SUN News losses	**1,187**	2,603
Tax impact of deductible losses of SUN News	**(1,138)**	–
Tax impact of non-deductible charges and non-taxable revenues	**(1,126)**	500
Impairment of goodwill	**8,662**	–
Variance in tax-loss benefits from previous years	**(1,511)**	–
Other[1]	**(697)**	(725)
Income taxes	**$ 5,449**	$ 9,613

[1] Includes reductions in deferred income tax liabilities of $103,000 ($457,000 in 2011) in light of changes in tax audit matters, jurisprudence and tax legislation.

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

9. INCOME TAXES (continued)

The tax effects of significant items comprising the Corporation's net deferred income tax liabilities and their impact on deferred income tax expenses are as follows:

	Consolidated Balance Sheet		Consolidated Statement of Income (Loss)	
	December 31, 2012	December 31, 2011	**2012**	2011
Loss carryforwards	**$ 347**	$ 98	**$ (249)**	$ 354
Accounts payable, accrued liabilities and deferred revenues	**1,128**	1,002	**(126)**	1,408
Defined benefit plans	**9,808**	9,770	**2,004**	1,775
Property, plant and equipment	**86**	(10)	**(96)**	649
Goodwill, licences and other intangible assets	**(18,118)**	(17,685)	**433**	1,862
Other	**(1,143)**	(1,414)	**(291)**	(831)
	$ (7,892)	$ (8,239)	**$ 1,675**	$ 5,217

Changes in net deferred income tax liabilities are as follows:

	2012	2011
Balance, beginning of year	**$ (8,239)**	$ (9,067)
Recognized in the statement of (loss) income	**(1,675)**	(5,217)
Recognized in other comprehensive loss	**2,042**	6,131
Other	**(20)**	(86)
Balance, end of year	**$ (7,892)**	$ (8,239)

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

As at December 31, 2012, the Corporation had loss carryforwards for income tax purposes of approximately $1,374,000 available to reduce its future taxable income. These loss carryforwards expire between 2030 and 2032.

The Corporation also has $167,919,000 in unrecorded loss carryforwards with no expiry to be used solely to reduce future capital gains.

There were no tax consequences arising from shareholder dividends paid by the Corporation in 2011.

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

10. SUPPLEMENTARY CASH FLOW INFORMATION

The following tables provide supplementary information regarding the consolidated statements of cash flows:

(a) Changes in non-cash working capital items related to operating activities, net of effect of business disposals, are as follows:

	2012	2011
Accounts receivable	**$ (305)**	$ 6,139
Programs, broadcast and distribution rights and inventories	**(5,086)**	(7,175)
Accounts payable and accrued liabilities	**11,704**	2,570
Broadcast and distribution rights payable	**1,272**	(11,600)
Current income tax assets and liabilities	**1,175**	3,422
Other liabilities	**(9,118)**	(6,567)
Other	**(921)**	(1,505)
	$ (1,279)	$ (14,716)

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

	2012	2011
Net interest paid	**$ 5,024**	$ 5,431
Net income taxes paid	**2,578**	974

11. ACCOUNTS RECEIVABLE

	Note	**December 31, 2012**	December 31, 2011
Trade and other receivables	27(b)	**$ 81,566**	$ 83,572
Receivables from entities under common control and affiliates		**28,889**	26,098
Tax credits and government assistance receivable		**5,470**	7,974
Current income tax assets		**3,152**	4,014
		$ 119,077	$ 121,658

Receivables from entities under common control and affiliates are subject to the same conditions as trade accounts receivable. Entities under common control are subsidiaries of the parent corporation.

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

12. PROGRAMS, BROADCAST AND DISTRIBUTION RIGHTS AND INVENTORIES

			December 31, 2012
	Short-term	**Long-term**	**Total**
Programs produced and productions in progress	**$ 7,418**	**$ –**	**$ 7,418**
Broadcast rights	**56,476**	**33,068**	**89,544**
Distribution rights	**691**	**495**	**1,186**
Inventories	**2,994**	**–**	**2,994**
	$ 67,579	**$ 33,563**	**$ 101,142**

			December 31, 2011
	Short-term	Long-term	Total
Programs produced and productions in progress	$ 6,450	$ –	$ 6,450
Broadcast rights	51,563	34,452	86,015
Distribution rights	845	1,036	1,881
Inventories	3,096	–	3,096
	$ 61,954	$ 35,488	$ 97,442

The cost of inventories and expenses related to programs, broadcast and distribution rights included in purchase of goods and services and in employee costs amounted to $294,699,000 in 2012 ($273,087,000 in 2011). In 2012, an impairment expense totalling $300,000 ($935,000 in 2011) related to inventories, programs and broadcast and distribution rights was recorded in purchase of goods and services.

13. INVESTMENTS

	Note	**December 31, 2012**	December 31, 2011
Tele Inter-Rives Ltd., associated corporation, 45% ownership interest		**$ 10,496**	$ 9,974
SUN News, associated corporation, 49% ownership interest	25	**4,264**	–
Other investments		**2,891**	2,891
		$ 17,651	$ 12,865

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

14. PROPERTY, PLANT AND EQUIPMENT

For the years ended December 31, 2012 and 2011, changes in the net carrying amount of property, plant and equipment were as follows:

	Land, buildings and leasehold improvements	Equipments	Development projects in progress	Total
Cost:				
Balance as at December 31, 2010	$ 86,605	$ 141,406	$ 11,624	$ 239,635
Additions[1]	3,369	21,898	4,050	29,317
Reclassification	635	9,317	(10,021)	(69)
Write-offs and disposals	(30)	(1,997)	–	(2,027)
Balance as at December 31, 2011	90,579	170,624	5,653	266,856
Additions[1]	8,518	9,074	3,393	20,985
Reclassification	2,478	1,103	(4,188)	(607)
Write-offs and disposals	(1,164)	(2,303)	–	(3,467)
Property, plant and equipment related to SUN News (note 25)	(3,202)	(20,224)	(201)	(23,627)
Balance as at December 31, 2012	**$ 97,209**	**$ 158,274**	**$ 4,657**	**$ 260,140**
Accumulated amortization and impairment:				
Balance as at December 31, 2010	$ 60,416	$ 93,011	$ –	$ 153,427
Amortization	2,924	10,525	–	13,449
Write-offs and disposals	(30)	(1,997)	–	(2,027)
Balance as at December 31, 2011	63,310	101,539	–	164,849
Amortization	3,345	11,779	–	15,124
Reclassification	–	(106)	–	(106)
Write-offs and disposals	(1,164)	(2,303)	–	(3,467)
Property, plant and equipment related to SUN News (note 25)	(2,770)	(11,984)	–	(14,754)
Balance as at December 31, 2012	**$ 62,721**	**$ 98,925**	**$ –**	**$ 161,646**
Net carrying amount:				
As at December 31, 2011	$ 27,269	$ 69,085	$ 5,653	$ 102,007
As at December 31, 2012	**34,488**	**59,349**	**4,657**	**98,494**

[1] The net change in additions to property, plant and equipment funded by accounts payable and accrued liabilities, consisting primarily of equipments, amounted to -$845,000 for the year ended December 31, 2012 (-$699,000 for the year ended December 31, 2011).

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

15. LICENCES AND OTHER INTANGIBLE ASSETS

For the years ended December 31, 2012 and 2011, changes in the net carrying amount of licences and other intangible assets were as follows:

	Licences[1]	Software, websites and mobile apps	Other intangible assets	Development projects in progress	Total
Cost:					
Balance as at December 31, 2010	$ 116,713	$ 36,955	$ 150	$ 1,976	$ 155,794
Additions[2]	–	5,168	–	815	5,983
Reclassification	–	1,254	–	(1,185)	69
Write-offs and disposals	(23,119)	(20)	–	–	(23,139)
Balance as at December 31, 2011	93,594	43,357	150	1,606	138,707
Additions[2]	–	2,445	–	699	3,144
Reclassification	–	1,571	–	(964)	607
Write-offs and disposals	(280)	–	(50)	–	(330)
Intangible assets related to SUN News (note 25)	–	(828)	–	–	(828)
Balance as at December 31, 2012	**$ 93,314**	**$ 46,545**	**$ 100**	**$ 1,341**	**$ 141,300**

As at December 31, 2012, the cost of internally generated intangible assets, consisting mainly of software, websites and mobile apps, was $7,741,000 ($5,099,000 as at December 31, 2011). For the year ended December 31, 2012, the Corporation recognized additions to internally generated intangible assets totalling $1,953,000 ($2,132,000 in 2011), reclassified a $740,000 balance to internally generated intangible assets, and transferred internally generated intangible assets related to SUN News in the amount of $51,000.

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

15. LICENCES AND OTHER INTANGIBLE ASSETS (continued)

	Licences[1]	Software, websites and mobile apps	Other intangible assets	Development projects in progress	Total
Accumulated amortization and impairment:					
Balance as at December 31, 2010	$ 23,863	$ 19,406	$ 50	$ –	$ 43,319
Amortization	–	3,988	–	–	3,988
Write-offs and disposals	(23,119)	(20)	–	–	(23,139)
Balance as at December 31, 2011	744	23,374	50	–	24,168
Amortization	–	5,218	–	–	5,218
Reclassification	–	106	–	–	106
Write-off	–	–	(50)	–	(50)
Intangible assets related to SUN News (note 25)	–	(198)	–	–	(198)
Balance as at December 31, 2012	**$ 744**	**$ 28,500**	**$ –**	**$ –**	**$ 29,244**
Net carrying amount:					
As at December 31, 2011	$ 92,850	$ 19,983	$ 100	$ 1,606	$ 114,539
As at December 31, 2012	**92,570**	**18,045**	**100**	**1,341**	**112,056**

1 Intangible assets with indefinite useful lives are not subject to amortization. Broadcasting licences are allocated to the Television segment group of CGUs and the magazine operating licence is allocated to the Publishing segment group of CGUs. In the 2011 financial year, the $23,119,000 cost and accumulated impairment arising from the SUN TV broadcasting licence were eliminated since the licence had been revoked.

2 The net change in additions to intangible assets funded by accounts payable and accrued liabilities, consisting primarily of software, amounted to -$121,000 for the year ended December 31, 2012 ($153,000 for the year ended December 31, 2011).

As at December 31, 2012, the accumulated amortization of internally generated intangible assets, consisting primarily of software, websites and mobile apps, amounted to $4,043,000 ($2,059,000 as at December 31, 2011). For the year ended December 31, 2012, the Corporation recognized an amortization expense arising from internally generated intangible assets of $1,892,000 ($757,000 in 2011), reclassified a $110,000 accumulated amortization balance for those assets, and transferred the $18,000 accumulated amortization for internally generated intangible assets related to SUN News.

As at December 31, 2012, internally generated intangible assets had a net carrying amount of $3,698,000 ($3,040,000 as at December 31, 2011).

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

16. GOODWILL

Goodwill as at December 31, 2012 and 2011 is detailed as follows:

	Note	**2012**	2011
Cost		**$ 150,817**	$ 150,817
Accumulated amortization/impairment	6	**111,036**	78,836
Net carrying amount		**$ 39,781**	$ 71,981

As at December 31, 2012, the carrying amount of goodwill allocated to the Television segment group of CGUs was $2,539,000; the balance of $37,242,000 was allocated to the Publishing segment group of CGUs ($2,539,000 and $69,442,000 respectively as at December 31, 2011).

In 2011, the $7,965,000 cost and accumulated impairment of goodwill related to SUN TV were eliminated because the company was dissolved.

Recoverable amounts

Recoverable amounts were determined based on value in use with respect to the impairment tests performed. The Corporation uses the discounted cash flow method to estimate value in use using 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 market and 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 for each CGU. The following key assumptions were used to determine recoverable amounts in the most recent impairment tests performed:

	2012[2]		2011[1]	
Group of CGUs	**Pre-tax discount rate (WACC)**	**Perpetual growth rate**	Pre-tax discount rate (WACC)	Perpetual growth rate
Television[3]	**11.27 %**	**1.00 %**	11.43 %	1.00 %
Publishing	**16.26 %**	**1.00 %**	15.89 %	1.00 %

[1] All tests were performed as of April 1, 2011.

[2] The test on the Television segment CGU was performed as of April 1, 2012. The test on the Publishing segment CGU was performed in March 2012 (note 6).

[3] As allowed under IAS 36, *Impairment of Assets*, the recoverable amount calculated as at January 1, 2010 was used in the impairment test performed in 2011 for this group of CGUs.

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

16. GOODWILL (continued)

Sensitivity of recoverable amounts

The following table presents, for the Television segment CGU, the change in the pre-tax discount rate and in the perpetual growth rate used in the most recently performed test that would have been required for the recoverable amount to equal the carrying amount as of April 1, 2012:

Group of CGUs[1]	**Incremental increase in pre-tax discount rate (WACC)**		**Incremental decrease in perpetual growth rate**	
Television	**4.06**	**%**	**4.96**	**%**

[1] No sensitivity analysis was performed for the Publishing segment CGU because an impairment expense was recognized after the last impairment test on this CGU (note 6).

17. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Note		**December 31, 2012**		December 31, 2011
Accounts payable and accrued liabilities		**$**	**43,593**	$	45,922
Employee salaries and benefits			**22,610**		23,323
Accounts payable to companies under common control and affiliates			**20,884**		10,497
Stock-based compensation	21 and 22		**1,519**		1,743
Current income tax liabilities			**816**		503
Interest payable			**293**		400
Other			**193**		201
		$	**89,908**	$	82,589

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

18. PROVISIONS AND CONTINGENCIES

	Operational restructuring costs	Contingencies and claims	Other provisions	Total
Balance as at December 31, 2011	$ 756	$ 600	$ 177	$ 1,533
Net change in income	117	15	–	132
Payments	(713)	(66)	(24)	(803)
Balance as at December 31, 2012	**$ 160**	**$ 549**	**$ 153**	**$ 862**

The recognition of provisions, in terms of both maturities and amounts, requires the exercise of judgment based on circumstances and relevant events that may be subject to change over time. The provisions mainly comprise the following items:

Operational restructuring costs

The provisions for the operational restructuring costs mainly comprise termination benefits related to the elimination of positions in the Television segment.

Contingencies and claims

A certain number of claims against the Corporation and its subsidiaries are pending. Management of the Corporation and its subsidiaries are of the opinion that the outcome of those proceedings is not expected to have a material effect on their results or financial position.

Management of the Corporation, after taking legal advice, has established provisions for specific claims or actions considering the facts of each case. The Corporation cannot determine when and if a payment related to these provisions will be made.

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

19. LONG-TERM DEBT

	December 31, 2012	December 31, 2011
Term loan (i)	**$ 75,000**	$ 75,000
Bankers' acceptances issued (ii)	**–**	17,982
Financing costs, net of accumulated amortization	**(562)**	(591)
	74,438	92,391
Less current portion	**–**	(17,756)
Long-term debt	**$ 74,438**	$ 74,635

(i) The bank debt of the Corporation comprises a term loan maturing and repayable in full on December 11, 2014 in the amount of $75,000,000. The term loan bears interest at an annual rate of 5.54%, payable on June 15 and December 15 of each year. The Corporation also has a $100,000,000 revolving credit facility which was renewed for five years on February 24, 2012. It bears interest at floating rates based on Bankers' acceptance rate or bank prime rate, plus a variable margin based on the ratio of total debt to operating income before interest, income taxes, amortization and other items.

The costs associated with the renewal of the revolving credit facility totalled $391,000 and were recorded as financing costs in reduction of long-term debt.

(ii) As at December 31, 2012, the Corporation held no Bankers' acceptances and no advances on its revolving credit facility. As at December 31, 2011, borrowings under the revolving credit facility amounted to $17,982,000 in Bankers' acceptances, bearing interest at a weighted average rate of 4.32%.

Under its credit agreements, the Corporation is subject to certain covenants, including maintenance of certain financial ratios. As at December 31, 2012, the Corporation was in compliance with the terms of its credit agreements.

As at December 31, 2012 and 2011, the Corporation had outstanding letters of credit amounting to $425,000.

20. OTHER LIABILITIES

	Note	December 31, 2012	December 31, 2011
Accrued pension and other retirement benefit liabilities	24	**36,526**	36,357
Broadcast rights payable	23	**$ 1,303**	$ 976
Stock-based compensation[1]	21 and 22	**633**	1,136
Other		**37**	1,227
		$ 38,499	$ 39,696

[1] The current portion of stock-based compensation is included in accounts payable and accrued liabilities.

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

21. CAPITAL STOCK

Authorized

An unlimited number of Class A Common Shares, participating, voting, without par value.

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

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

Issued and paid up as at December 31, 2012 and 2011		
4,320,000 Class A Common Shares	$	**72**
19,450,906 Class B shares		**98,575**
	$	**98,647**

Class B stock option plan for officers

Under the plan, option grants and their related terms and conditions are determined by the Corporation's Compensation Committee. However, the purchase price of each Class B share under an option cannot be less than the closing market price the day before the option is granted. In addition, the option term cannot exceed ten years. The number of Class B shares issuable over the term of the Class B stock option plan for officers is 2,200,000.

When exercising options, holders may elect to receive from the Corporation a cash payment equal to the number of shares underlying the options exercised, multiplied by the difference between the market value and the exercise price of the shares under option or, subject to certain terms and conditions, subscribe for Class B shares of the Corporation at the exercise price. Market value is defined as the average closing market price of the shares over the last five trading days preceding the date on which the option was exercised. Options granted prior to January 2006 normally vest equally over four years, with the first 25% portion vesting as of the second anniversary of the grant date. Since January 2006, except in certain circumstances and unless the Compensation Committee decides otherwise at the time of grant, options are exercisable over a five-year period as follows:

(i) Equally over five years, with the first 20% portion vesting as of the first anniversary of the grant date;

(ii) Equally over four years, with the first 25% portion vesting as of the second anniversary of the grant date;

(iii) Equally over three years, with the first 33 1/3% portion vesting as of the third anniversary of the grant date.

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

21. CAPITAL STOCK (continued)

Class B stock option plan for officers (continued)

In fiscal 2012 and 2011, no new options were granted by the Corporation under the plan.

The Corporation recognized a $159,000 compensation expense reversal in connection with this plan for the year ended December 31, 2012 ($1,595,000 compensation expense reversal in 2011).

The following table provides summary information as at December 31, 2012 and 2011 concerning the stock options outstanding and the changes that occurred during the years then ended:

	2012		2011	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Balance, beginning of year	**833,610**	**$ 16.35**	833,610	$ 16.35
Cancelled	**(14,189)**	**16.84**	–	–
Balance, end of year	**819,421**	**$ 16.34**	833,610	$ 16.35
Exercisable options, end of year	**819,421**	**$ 16.34**	720,266	$ 16.59

	Outstanding options			Exercisable options	
Exercise price range	Number of outstanding option as at December 31, 2012	Weighted average remaining contractual life	Weighted average exercise price	Number of exercisable options as at December 31, 2012	Weighted average exercise price
$14.50 to $16.40	628,412	4.43	$ 14.95	628,412	$ 14.95
$20.50 to $21.38	191,009	1.86	20.91	191,009	20.91
$14.50 to $21.38	**819,421**	**3.83**	**$ 16.34**	**819,421**	**$ 16.34**

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

21. CAPITAL STOCK (continued)

Class B stock option plan for officers (continued)

The fair value of stock-based awards under the stock option plans of the Corporation was estimated using the Black-Scholes option pricing model. The following weighted-average assumptions were used to estimate the fair value of all outstanding stock options under the stock option plans of the Corporation as at December 31, 2012 and 2011:

	December 31, 2012	December 31, 2011
Risk-free interest rate	**1.13 %**	1.05 %
Expected volatility	**37.05 %**	36.26 %
Expected remaining life	**1.4 years**	1.9 years

The expected volatility is based on the historical volatility of the underlying share price of the Corporation's Class B shares for a period equivalent to the expected remaining life of the options. The expected remaining life of options granted represents the period of time that options granted are expected to be outstanding. The risk-free rate over the expected remaining life of the option is based on the Government of Canada yield curve in effect at the time of the valuation.

As at December 31, 2012 and 2011, the intrinsic value of liabilities for which options have vested was nil.

(Loss) earnings per share

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

	2012	2011
Net (loss) income attributable to shareholders	**$ (4,112,000)**	$ 25,603,000
Weighted average number of basic and diluted shares outstanding	**23,770,906**	23,770,906
Basic and diluted (loss) earnings per share attributable to shareholders (in dollars)	**$ (0.17)**	$ 1.08

A total of 819,421 Class B stock options were not included in the calculation of diluted (loss) earnings per share for the years ended December 31, 2012 (833,610 Class B stock options in 2011), reflecting the fact that the exercise price was higher than the average share price.

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

22. QUEBECOR MEDIA INC. STOCK OPTION PLAN

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

Except in specific circumstances, and unless the Compensation Committee of Quebecor Media decides otherwise, options vest over a five-year period using one of the following methods, as determined by the Committee at the grant date: (i) equally over five years, with the initial 20% portion vesting on the first anniversary of the grant date; (ii) equally over four years, with the initial 25% portion vesting on the second anniversary of the grant date; and (iii) equally over three years with the initial 33 1/3% portion vesting on the third anniversary of the grant date.

The Corporation recognized a $482,000 compensation expense under the plan for the year ended December 31, 2012 ($26,000 in 2011).

The following table provides summary information about the stock options granted to the Corporation's senior executives as at December 31, 2012 and 2011 and the changes that occurred during the years then ended:

		2012		2011
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Balance, beginning of year	**393,252**	**$ 46.66**	387,482	$ 46.33
Granted	**–**	**–**	21,000	50.23
Exercised	**(168,836)**	**46.57**	(15,230)	43.32
Options related to SUN News' corporate executives (note 25)	**(11,000)**	**50.10**	–	–
Balance, end of year	**213,416**	**$ 46.55**	393,252	$ 46.66
Exercisable options, end of year	**49,291**	**$ 45.99**	124,074	$ 46.14

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

22. QUEBECOR MEDIA INC. STOCK OPTION PLAN (continued)

During the year ended December 31, 2012, 168,836 stock options of Quebecor Media were exercised for a cash consideration of $986,000 (15,230 stock options exercised for $108,000 in 2011).

	Outstanding options			Exercisable options	
Exercise price range	Number of outstanding option as at December 31, 2012	Weighted average remaining contractual life	Weighted average exercise price	Number of exercisable options as at December 31, 2012	Weighted average exercise price
$31.92 to $46.48	168,875	7.04	$ 46.17	14,750	$ 42.94
$47.29 to $50.37	44,541	5.65	47.98	34,541	47.29
$31.92 to $50.37	**213,416**	**6.75**	**$ 46.55**	**49,291**	**$ 45.99**

The fair value of stock-based awards under the Quebecor Media stock option plan was estimated using the Black-Scholes option pricing model. The following weighted-average assumptions were used to estimate the fair value of all outstanding stock options under the Quebecor Media stock option plan as at December 31, 2012 and 2011:

	December 31, 2012	December 31, 2011
Risk-free interest rate	**1.27 %**	1.19 %
Dividend rate	**1.71 %**	1.66 %
Expected volatility	**23.24 %**	29.87 %
Expected remaining life	**2.8 years**	3.0 years

Since, as of December 31, 2012, the Common Shares of Quebecor Media were not publicly traded on a stock exchange, expected volatility is derived from the implied volatility of the shares of Quebecor Media's parent corporation. The expected remaining life of options granted represents the period of time that options granted are expected to be outstanding. The risk-free rate over the expected remaining life of the option is based on the Government of Canada yield curve in effect at the time of the valuation. Dividend yield is based on the current average yield.

As at December 31, 2012, the intrinsic value of liabilities for all vested options was $549,000 ($300,000 as at December 31, 2011).

23. TAX CREDITS AND GOVERNMENT ASSISTANCE

Revenues included $12,134,000 ($12,106,000 in 2011) in government assistance for local programming in small markets and for producing and publishing Canadian content in magazines.

Tax credits and government assistance amounting to $2,837,000 ($4,000,000 in 2011) were recorded as a reduction of program production expenses and film marketing costs included in operating expenses.

As at December 31, 2012, advances received under government assistance amounted to $411,000 ($549,000 in 2011) and were reported in distribution rights payable under “Other liabilities.” Deferred revenues included $1,550,000 ($213,000 in 2011) in financial assistance for the creation and publishing of Canadian content in magazines.

24. PENSION PLANS AND POSTRETIREMENT BENEFITS

Pension plans provided to the management and unionized employees of the Corporation include a defined benefit portion based on career earnings indexed before and after retirement, as well as a defined contribution portion. The Corporation offers its senior management an end-of-career earnings pension plan indexed before and after retirement, as well as a non-indexed supplemental postretirement plan for which the benefits offset the tax limit effect. Certain TVA Publications Inc. (TVA Publications) employees are provided with a career-earnings pension plan indexed before and after retirement. The Corporation’s policy is to maintain contributions at sufficient levels to fund benefit payments.

The Corporation offers postretirement benefits to eligible retired employees. The costs of these benefits, principally health care, are accounted for during the employee’s active service period.

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

24. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

The following tables provide information on the defined benefit plans and reconcile the changes in the plans' accrued benefit obligations and the fair value of plan assets for the years ended December 31, 2012 and 2011:

	Pension benefits		Postretirement benefits	
	2012	2011	**2012**	2011
Change in accrued benefit obligations				
Accrued benefit obligation, beginning of year	**$ 202,864**	$ 182,971	**$ 1,736**	$ 1,630
Current service cost	**4,945**	4,024	**3**	4
Interest cost	**9,738**	9,700	**66**	55
Participant contributions	**3,150**	2,866	**–**	–
Actuarial loss	**12,582**	14,540	**44**	147
Benefits paid	**(8,491)**	(11,237)	**(126)**	(100)
Accrued benefit obligations, end of year	**$ 224,788**	$ 202,864	**$ 1,723**	$ 1,736

	Pension benefits		Postretirement benefits	
	2012	2011	**2012**	2011
Change in plan assets				
Fair value of plan assets, beginning of year	**$ 166,993**	$ 163,836	**$ –**	$ –
Actual return on plan assets	**16,736**	1,499	**–**	–
Employer contributions	**11,597**	10,029	**126**	100
Participant contributions	**3,150**	2,866	**–**	–
Benefits paid	**(8,491)**	(11,237)	**(126)**	(100)
Fair value of plan assets, end of year	**$ 189,985**	$ 166,993	**$ –**	$ –

Plan assets are allocated as follows:

	December 31, 2012	December 31, 2011
Equity securities	**56.5 %**	57.1 %
Debt securities	**40.8**	40.9
Other	**2.7**	2.0
	100.0 %	100.0 %

As at December 31, 2012 and 2011, Common Shares of Quebecor were included in the above-mentioned equity securities and accounted for $609,000 (0.3% of plan assets) and $725,000 (0.4% of plan assets) respectively.

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

24. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

The reconciliation of funded status to the accrued benefit liability recognized in the consolidated balance sheets is detailed as follows.

	Pension benefits		Postretirement benefits	
	2012	2011	**2012**	2011
Reconciliation of funded status				
Unfunded accrued benefit obligations	**$ (2,461)**	$ (2,213)	**$ (1,723)**	$ (1,736)
Funded accrued benefit obligations	**(222,327)**	(200,651)	**–**	–
Fair value of plan assets	**189,985**	166,993	**–**	–
Plan deficits	**$ (34,803)**	$ (35,871)	**$ (1,723)**	$ (1,736)
Past service cost – unvested portion	**–**	1,250	**–**	–
Accrued benefit liability, under Other liabilities	**$ (34,803)**	$ (34,621)	**$ (1,723)**	$ (1,736)

Components of actuarial gains and losses are as follows**:**

	Pension benefits		Postretirement benefits	
	2012	2011	**2012**	2011
Difference between expected and actual return on plan assets:				
Gain (loss)	**$ 5,016**	$ (10,006)	**$ –**	$ –
As a proportion of plan assets	**2.6%**	(6.0)%	**–%**	–%
Experience loss on plan liabilities:				
Loss	**$ (12,582)**	$ (14,540)	**$ (40)**	$ (147)
As a proportion of plan liabilities	**5.6%**	7.2%	**2.3%**	8.5%

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

24. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

Components of the net benefit costs are as follows:

	Pension benefits		Postretirement benefits	
	2012	2011	**2012**	2011
Current service cost	**$ 4,945**	$ 4,024	**$ 3**	$ 4
Interest cost	**9,738**	9,700	**66**	55
Expected return on plan assets	**(11,720)**	(11,505)	**–**	–
Net prior service cost	**1,250**	1,251	**–**	–
Other	**–**	–	**–**	(237)
Net benefit costs	**$ 4,213**	$ 3,470	**$ 69**	$ (178)

The cost related to defined contribution pension plans for fiscal 2012 amounted to $3,488,000 ($3,264,000 in 2011).

The expected employer contributions for the defined benefit pension plans and postretirement benefit plans will total $11,040,000 in 2013 (contributions of $11,723,000 were paid in 2012).

Assumptions

The expected long-term return on plan assets is determined by identifying the long-term return on each of the main asset classes. The Corporation's investment strategy takes into consideration a number of factors, including the time horizon of plan obligations and investment risk. To maximize long-term return, a range of asset allocation targets are established and used to allocate plan assets between equity securities and debt securities. Expected long-term returns are determined based on historical returns and current expectations of future returns, taking into account the inflation rate and the fact that all asset classes are managed actively. A single rate of return on plan assets is then calculated using the weighted average return for each asset class.

To determine the discount rate used to calculate the annual benefit cost and interest cost, the Corporation uses a high-grade corporate bond yield index and an analysis of the corresponding yield curve based on plan terms at the valuation date.

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

24. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

Assumptions (continued)

The actuarial assumptions used to determine the Corporation's retirement plan obligations as at December 31, 2012 and 2011 are as follows:

	Pension benefits		Postretirement benefits	
	2012	2011	**2012**	2011
Accrued benefit obligations				
Rate, end of year				
Discount rate	**4.40 %**	4.75 %	**4.40 %**	4.75 %
Rate of compensation increase	**3.25 – 3.50**	3.25 – 3.50	**3.25 – 3.50**	3.25 – 3.50
Current periodic costs				
Rate, end of previous year				
Discount rate	**4.75 %**	5.25 %	**4.75 %**	5.25 %
Expected return on plan assets	**7.00**	7.00	**–**	–
Rate of compensation increase	**3.25 – 3.50**	3.25 – 3.50	**3.25 – 3.50**	3.25 – 3.50

For the purpose of calculating the postretirement benefit obligation, the annual rate of increase in healthcare costs was assumed to be 7.8% at the end of 2012. Based on forecasts, these costs are expected to decrease gradually over the next 14 years to 5.0% and to remain at that level thereafter.

Sensitivity analysis

A 25 basis-point decrease in the discount rate (at the beginning of the year, which has an impact on income, and at the end of the year, which has an impact on comprehensive income) and in the expected rate of return on plan assets would have the following impacts, before income taxes, for the year ended December 31, 2012:

	Pension benefits			Postretirement benefits		
Increase (decrease)	Obligation in balance sheet	Income	Other comprehensive income	Obligation in balance sheet	Income	Other comprehensive income
Discount rate	$ 9,273	$ (226)	$ (9,273)	$ 71	$ –	$ (71)
Expected return on plan assets	–	(419)	419	–	–	–

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

25. RELATED-PARTY TRANSACTIONS

Compensation of key officers

These key officers are members of the Board of Directors of the Corporation and senior executives. Their compensation is as follows:

	2012	2011
Salaries and short-term benefits	**$ 4,030**	$ 4,480
Post-employment benefits	**598**	666
Stock-based compensation	**291**	(1,602)
Other long-term benefits	**613**	663
	$ 5,532	$ 4,207

Revenues and operating expenses

For the year ended December 31, 2012, the Corporation entered into the following transactions with related parties in the normal course of business. These transactions were carried out under terms equivalent to those of arm's length transactions and were recognized according to the consideration agreed between the parties.

- The Corporation sold advertising space and content to, recognized subscription revenues from, and provided production, postproduction and other services to companies under common control and affiliated companies for an aggregate amount of $78,743,000 ($64,256,000 in 2011).
- The Corporation recorded broadcast rights expense, telecommunications service costs, advertising space acquisition costs, professional service fees and commissions on sales and news gathering services arising from transactions with companies under common control and affiliated companies totalling $35,005,000 ($30,565,000 in 2011). The consolidated balance sheet includes broadcast rights recognized in current liabilities amounting to $100,000 as at December 31, 2012 and 2011 payable to those same companies.
- The Corporation recognized management fees paid to the parent company amounting to $4,320,000 ($4,320,000 in 2011).

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

25. RELATED-PARTY TRANSACTIONS (continued)

Other transactions

As disclosed in note 8, the Corporation and Sun Media Corporation, a company under common control of the parent company, Quebecor Media, established, in fiscal 2010, the new general partnership SUN News. The Corporation then 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 (loss). On June 30, 2012, the Corporation sold a 2% interest in SUN News to Sun Media Corporation for a cash consideration of $765,000.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 was reclassified as an investment using the equity method at the date of deconsolidation:

		June 30, 2012
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
Interest of Sun Media Corporation		(4,687)
Investment using the equity method	**$**	**4,503**

In fiscal 2012, the partners made a total capital contribution to SUN News of $15,250,000 ($20,500,000 in 2011) of which $7,633,000 was made by Sun Media Corporation ($10,045,000 in 2011).

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

26. COMMITMENTS AND GUARANTEES

(a) Leases and purchasing agreements

The Corporation has commitments under operating leases, mainly for premises and equipments, and under acquisition contracts for services, distribution and broadcast rights, property, plant and equipment and intangible assets, calling for payments totalling $114,507,000, including $8,528,000 with related companies. The leases have various terms, indexing clauses, purchase options and renewal rights. Minimum payments for future years are as follows:

	Leases	Broadcast and distribution rights	Other
2013	$ 1,173	$ 44,978	$ 10,072
2014 to 2017	3,354	40,766	10,624
2018 and thereafter	2,772	–	768

Expenses related to the operating leases of the Corporation and its subsidiaries in the amount of $2,402,000 in 2012 ($4,820,000 in 2011) were recognized under operating expenses in the consolidated statements of income (loss).

(b) Guarantees

The Corporation has guaranteed a portion of the residual values of certain assets under operating leases for the benefit of the lessor. If the fair value of the assets at the end of their respective lease terms is less than their guaranteed residual value, the Corporation is required to compensate the lessor for a portion of the shortfall, subject to certain conditions. As at December 31, 2012, the maximum liability in respect of these guarantees totalled approximately $310,000 and the Corporation has recognized no amount in the consolidated balance sheet in relation to these guarantees. In previous years, the Corporation has made no payments in respect of these guarantees.

In the normal course of business, the Corporation enters into indemnification agreements with third parties as part of certain transactions, including acquisition contracts, service agreements and leases. These indemnification agreements require the Corporation to compensate the third parties for costs incurred under specific circumstances. The terms of these indemnification agreements vary from transaction to transaction, based on the contract terms. The nature of these indemnification agreements prevents the Corporation from making a reasonable estimate of the maximum potential amount it could be required to pay to third parties under all these commitments. As at December 31, 2012, the specific commitments at risk totalled approximately $2,600,000. The Corporation has recorded no liability in the consolidated balance sheet in respect of these agreements, as the Corporation has reasonable confidence that it will suffer no negative impact from their implementation or resolution.

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

27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

As the Corporation and its subsidiaries use financial instruments, they are exposed to credit risk, liquidity risk and market risk related to foreign exchange and interest rate fluctuations.

(a) 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 and provisions for external and related parties, as well as broadcast and distribution rights payable (classified as other financial liabilities), approximates their fair value since these items will be realized or paid within one year or are payable on demand. The fair value of the other investments could not be determined because there are no quoted market prices in an organized market for these types of investments.

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

The carrying amount and the fair value of the long-term debt as at December 31, 2012 and 2011 are as follows:

	December 31, 2012		December 31, 2011	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Bankers' acceptances	**$ –**	**$ –**	$ 17,982	$ 18,200
Term loan	**75,000**	**78,400**	75,000	80,400

In accordance with IFRS 7, *Financial Instruments – Disclosures*, the Corporation has considered the following fair value hierarchy that reflects the significance of the inputs used in measuring its other financial instruments accounted for at fair value in the balance sheet:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of cash and bank overdraft classified as held for trading is determined using Level 1 inputs.

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

27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk management

Credit risk is the risk of the Corporation's incurring a financial loss should a customer or counterparty related to a financial asset fail to meet its contractual obligations.

In the normal course of business, the Corporation continuously evaluates the financial position of its customers and reviews the credit history of each new customer. As at December 31, 2012, no customers had balances representing a significant portion of the Corporation's consolidated trade receivables. The Corporation establishes an allowance for doubtful accounts taking into account customer-specific credit risk. The Corporation has trade accounts receivable from numerous customers, primarily advertising agencies. As a result, the Corporation does not believe that it is exposed to an unusual or significant level of credit risk. As at December 31, 2012, 5.57% of accounts receivable were over 120 days past due (4.35% as at December 31, 2011). Moreover, as at December 31, 2012, the Corporation's allowance for doubtful accounts amounted to $1,100,000 ($1,186,000 as at December 31, 2011).

The following table shows changes in the allowance for doubtful accounts for the fiscal years ended December 31, 2012 and 2011:

		2012		2011
Balance, beginning of year	**$**	**1,186**	$	3,035
Change recognized in the statement of income		**602**		(521)
Drawn down		**(649)**		(1,328)
Allowance for doubtful accounts related to SUN News (note 25)		**(39)**		–
Balance, end of year	**$**	**1,100**	$	1,186

(c) Liquidity risk management

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

As at December 31, 2012, the obligations and maturities of the Corporation's financial liabilities were as follows:

		Total		**Under 1 year**		**1 to 3 years**		**3 to 5 years**
Accounts payable and accrued liabilities	$	89,715	$	89,715	$	–	$	–
Broadcast and distribution rights payable		18,269		16,966		1,303		–
Long-term debt		75,000		–		75,000		–
Interest payments		9,798		4,505		4,855		438
Total	**$**	**192,782**	**$**	**111,186**	**$**	**81,158**	**$**	**438**

27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(d) Market risk

Market risk is the risk that changes in market prices due to fluctuations in foreign exchange rates and interest rates could affect the Corporation's 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 exchange risk on revenues and expenses due to the low volume of transactions made in currencies other than the Canadian dollar. The majority of those transactions are denominated in U.S. dollars, mainly for the acquisition of certain distribution rights, for capital expenditures and for certain foreign-denominated sales. In light of the low volume of foreign currency transactions, the Corporation has determined foreign exchange hedging to be unwarranted. Accordingly, the Corporation has limited sensitivity to changes in foreign exchange rates. A 1% increase or decrease in the exchange rate between the Canadian dollar and its U.S. counterpart would have an immaterial impact on net income.

Interest rate risk

The Corporation is exposed to interest rate risk on its long-term debt. A significant portion of the Corporation's long-term debt bears fixed interest rates, which substantially limits risk exposure to changes in interest rates. As at December 31, 2012, the Corporation's long-term debt included a 100% portion of fixed-rate debt (81% as at December 31, 2011) and no floating-rate debt (19% as at December 31, 2011).

An increase (a decrease) of 100 basis points in the Canadian Bankers' acceptance rate at the end of the current fiscal year would have had no impact as the Corporation's only floating-rate credit facility was unused.

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

(e) Capital management

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

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

The Corporation manages its capital structure in accordance with the characteristics of its segments' underlying assets and applicable requirements, if any. The Corporation manages its capital structure by issuing new debt or repaying existing debt with cash generated internally, distributing amounts to shareholders through dividends or share redemptions, or issuing capital stock in the marketplace and making adjustments to its capital expenditure program. Except for the suspension of dividend payments, the Corporation's strategy has remained unchanged from the previous year.

The Corporation's capital structure consists of shareholders' equity, bank overdraft and long-term debt, less cash.

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

27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(e) Capital management (continued)

The capital structure is as follows:

	December 31, 2012	December 31, 2011
Bank overdraft	**$ –**	$ 3,980
Long-term debt	**75,000**	92,982
Cash	**(10,619)**	(1,756)
Net liabilities	**64,381**	95,206
Equity	**$ 266,545**	$ 281,029

Excluding maintenance of certain financial ratios under its credit agreements, the Corporation is not subject to any other externally imposed capital requirements. As at December 31, 2012, the Corporation was in compliance with the terms of its credit agreements.

28. SEGMENTED INFORMATION

The Corporation's operations consist of the following segments:

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

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

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

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

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

28. SEGMENTED INFORMATION (continued)

								2012
		Television		**Publishing**		**Intersegment items**		**Total**
Revenues	$	**394,075**	$	**67,357**	$	**(4,066)**	$	**457,366**
Purchase of goods and services		**212,884**		**44,274**		**(4,066)**		**253,092**
Employee costs		**140,401**		**18,316**		**–**		**158,717**
Operating income[1]	$	**40,790**	$	**4,767**	$	**–**	$	**45,557**
Amortization of property, plant and equipment and intangible assets								**20,342**
Financial expenses								**5,465**
Impairment of goodwill								**32,200**
Gain on disposal of businesses								**(12,881)**
Operational restructuring costs, impairment of assets and other costs								**117**
Income before income taxes and share of loss of associated corporations							$	**314**
Additions to property, plant and equipment	$	**19,349**	$	**2,481**	$	**–**	$	**21,830**
Additions to intangible assets	$	**2,462**	$	**803**	$	**–**	$	**3,265**
Total assets	$	**448,529**	$	**53,442**	$	**–**	$	**501,971**

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

28. SEGMENTED INFORMATION (continued)

				2011
	Television	Publishing	Intersegment items	Total
Revenues	$ 378,854	$ 70,622	$ (3,981)	$ 445,495
Purchase of goods and services	204,637	42,279	(3,981)	242,935
Employee costs	134,273	17,763	–	152,036
Operating income[1]	$ 39,944	$ 10,580	$ –	$ 50,524
Amortization of property, plant and equipment and intangible assets				17,437
Financial expenses				5,947
Operational restructuring costs, impairment of assets and other costs				1,665
Income before income taxes and share of income of associated corporations				$ 25,475
Additions to property, plant and equipment	$ 29,896	$ 120	$ –	$ 30,016
Additions to intangible assets	$ 4,964	$ 866	$ –	$ 5,830
Total assets	$ 449,943	$ 83,910	$ –	$ 533,853

[1] The Chief Executive Officer uses operating income as a profit measure for assessing each segment's performance. Operating income is a non-IFRS measure and is defined as net income (loss) before amortization of property, plant and equipment and intangible assets, financial expenses, impairment of goodwill, gain on disposal of businesses, operational restructuring costs, impairment of assets and other costs, income taxes, after-tax share of loss (income) of associated corporations and net loss attributable to non-controlling interest.

TVA GROUP INC.
Management's Discussion and Analysis
for the years ended December 31, 2012 and 2011

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, has held 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 Group produces over 75 magazines, making it Quebec's largest publisher of French-language magazines. It also offers custom publishing, commercial printing and premedia services that promote customers' brands 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 Corporation's main activities during the year ended December 31, 2012, and the major changes from the previous financial year. The Corporation's consolidated financial statements for the years ended December 31, 2012, 2011 and 2010 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 Management's Discussion and Analysis should be read in conjunction with the information in the consolidated financial statements for the financial year ended December 31, 2012.

BUSINESS SEGMENTS

The Corporation's business segments are as follows:

- The Television segment includes the activities of TVA Network (including the subsidiaries and divisions TVA Productions Inc., TVA Sales and Marketing Inc., TVA Accès, TVA Création, TVA Nouvelles, TVA Interactif), specialty services, the marketing of digital products of the various televisual brands, the TVA Boutiques division's home and online shopping services, and the TVA Films division's audiovisual product 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 digital products of the various magazine-related brands and the operations of the TVA Studio division, which specializes in customized publishing, commercial printing and premedia services.

HIGHLIGHTS SINCE END OF 2011

- On February 6, 2013, TVA Group's creative forces and programming resources joined QMI Content, a new QMI division mandated to create, develop, acquire, distribute and export audiovisual content.

- On February 1, 2013, the "Mlle" specialty service, designed for Quebec women, was renamed "Moi&cie." The new brand identity reflects the specialty service's shared mission, target audience and values with *Moi&cie* magazine.

- On August 1, 2012, the TVA Boutiques division discontinued the operations of its home shopping cable channel, which was carried on 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 Canadian Radio-television and Telecommunications Commission ("CRTC") announced that the Local Programming Improvement Fund ("LPIF") would be phased out between now and August 31, 2014. More specifically, the CRTC decided to reduce the contribution rate from 1.5% to 1% for the 2012-2013 broadcast year, to 0.5% for the 2013-2014 broadcast year, and to eliminate the LPIF as of September 1, 2014. For the period between September 1, 2011 and August 31, 2012, the Corporation received a $6,400,000 contribution from the LPIF.

- On June 28, 2012, the CRTC approved the sale of a 2% interest in SUN News Network General Partnership ("SUN News") by TVA Group to Sun Media Corporation. The transaction closed on June 30, 2012.

- On May 31, 2012, the sale was concluded of the Corporation's interest in the specialty services "The Cave" and "Mystery TV" to Shaw Media Global Inc.

- During the second quarter of 2012, new carriage agreements for the "LCN" service were signed with a number of broadcast distribution undertakings. The agreements expand LCN's distribution and increase subscription revenues.

- On April 11, 2012, new 2010, 2011 and 2012 rates for business contributions toward the cost of waste recovery services provided by Quebec municipalities (Bill 88) were published in the *Gazette officielle du Québec*, coming into force that same day. Since these fees adversely affect the current and future operating costs of the Corporation's Publishing segment, the Corporation reassessed its business plan for the segment and recorded a $32,200,000 goodwill impairment in the first quarter of 2012.

- On March 1, 2012, the Corporation announced that it had reached a major agreement with Rogers Communications to offer its customers the SUN News and "TVA Sports" services, as well as TVA Network content, on Rogers Communications' video on demand, mobile and Web platforms.

- On February 24, 2012, the Corporation completed the renewal of its $100,000,000 revolving credit facility for a five-year term on similar conditions, with the exception that credit costs were renegotiated advantageously by the Corporation.

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, operational restructuring costs, impairment of assets and other costs, income taxes, 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 to net (loss) income attributable to shareholders as disclosed in the Corporation's consolidated financial statements.

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

	Years ended December 31		Three months ended December 31	
	2012	2011	**2012**	2011
Operating income:				
Television	**$ 40,790**	$ 39,944	**$ 19,103**	$ 18,097
Publishing	**4,767**	10,580	**1,863**	2,560
	45,557	50,524	**20,966**	20,657
Amortization of property, plant and equipment and intangible assets	**20,342**	17,437	**4,970**	4,909
Financial expenses	**5,465**	5,947	**1,304**	1,570
Impairment of goodwill	**32,200**	–	**–**	–
Gain on disposal of businesses	**(12,881)**	–	**–**	–
Operational restructuring costs, impairment of assets and other costs	**117**	1,665	**–**	1,032
Income taxes	**5,449**	9,613	**3,407**	4,264
Share of loss (income) of associated corporations	**3,391**	(574)	**1,859**	(289)
Non-controlling interest	**(4,414)**	(9,167)	**–**	(2,297)
Net (loss) income attributable to shareholders	**$ (4,112)**	$ 25,603	**$ 9,426**	$ 11,468

2012/2011 FINANCIAL YEAR COMPARISON

Analysis of consolidated results of TVA Group

Operating revenues: $457,366,000, an increase of $11,871,000 (2.7%).

- $15,221,000 (4.0%) increase in the Television segment (Table 2), due mainly to a 33.6% revenue increase at the French-language specialty services, generated in part by “TVA Sports” and “Moi&cie” (formerly “Mlle”), which were launched in 2011.
- $3,265,000 (-4.6%) decrease in the Publishing segment (Table 2), primarily due to an 8.3% decrease in newsstand revenues and an 8.5% decrease in advertising revenues.

Table 2
Operating revenues
(in thousands of dollars)

	Years ended December 31		Three months ended December 31	
	2012	2011	**2012**	2011
Television	**$ 394,075**	$ 378,854	**$ 110,477**	$ 114,447
Publishing	**67,357**	70,622	**17,384**	18,286
Intersegment items	**(4,066)**	(3,981)	**(857)**	(1,097)
	$ 457,366	$ 445,495	**$ 127,004**	$ 131,636

Operating income: $45,557,000, a decrease of $4,967,000 (-9.8%).

- $846,000 (2.1%) increase in the Television segment (Table 3), mainly because of the deconsolidation of the negative results of SUN News since July 1, 2012 (“sale of part of the Corporation’s interest in SUN News”) and higher operating income at all of the French-language specialty services, except for “TVA Sports,” where the operating loss had the effect of reducing the growth in operating income in 2012 since it was in operation for only part of 2011.

- $5,813,000 (-54.9%) decrease in the Publishing segment (Table 3), mainly attributable to the impact of the recognition of the charge resulting from the adoption of new 2010, 2011 and 2012 rates for business contributions toward the costs of waste recovery services provided by Quebec municipalities (Éco Entreprises) and the decrease in the segment’s operating revenues during the period.

Table 3
Operating income
(in thousands of dollars)

	Years ended December 31		Three months ended December 31	
	2012	2011	**2012**	2011
Television	**$ 40,790**	$ 39,944	**$ 19,103**	$ 18,097
Publishing	**4,767**	10,580	**1,863**	2,560
	$ 45,557	$ 50,524	**$ 20,966**	$ 20,657

Net loss attributable to shareholders: $4,112,000 (-$0.17 per diluted share) compared with net income attributable to shareholders of $25,603,000 ($1.08 per diluted share) in the same period of 2011.

- The negative variance of $29,715,000 (-$1.25 per diluted share) was mainly due to:
  - $32,200,000 goodwill impairment charge in the Publishing segment recorded in the first quarter of 2012;
  - $4,967,000 decrease in operating income;
  - $4,753,000 unfavourable variance in non-controlling interest;
  - $3,965,000 unfavourable variance in after-tax share of loss (income) of associated corporations;
  - $2,905,000 increase in amortization expense;

  Partially offset by:
  - $12,881,000 gain on disposal of interest in the “Mystery TV” and “The Cave” specialty services;
  - $4,164,000 decrease in income taxes;
  - $1,548,000 decrease in operational restructuring costs, impairment of assets and other costs.
- The calculation of per-share amounts was based on a weighted average of 23,770,906 outstanding diluted shares for the years ended December 31, 2012 and 2011.

Amortization of property, plant and equipment and intangible assets: $20,342,000, an increase of $2,905,000 (16.7%).

- 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, for the installation of application software, and for improvements to real estate assets. Those factors were partially offset by the impact of the sale of part of the Corporation’s interest in SUN News.

Financial expenses: $5,465,000, a $482,000 (-8.1%) decrease.

- The decrease mainly reflects lower indebtedness, due primarily to the receipt of proceeds from disposal 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”).

- The Publishing segment’s operating costs 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 joint venture partner, Shaw Media Global Inc. The transaction closed on May 31, 2012 and the final proceeds from disposal totalled $20,963,000.

Operational restructuring costs, impairment of assets and other costs: $117,000 in 2012, compared with $1,665,000 in 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 2011, the Corporation recorded a $699,000 impairment charge related to its broadcast rights inventories, a $327,000 charge related to transmission contract cancellations, and a $132,000 provision for restructuring costs, following the discontinuation of operations of the English-language over-the-air station SUN TV.

- Also during fiscal 2011, the Corporation recorded $668,000 in restructuring costs following the elimination of a number of positions in the Television segment. In addition, the Corporation recognized a $161,000 downward adjustment to its provision related to the production operations of a former subsidiary.

Income tax expense: $5,449,000 (effective tax rate of 1735.4%) in 2012, compared with $9,613,000 (effective tax rate of 37.7%) in 2011.

- In 2012, the tax rate was higher than the Corporation's statutory tax rate of 26.9% primarily because of the net effect of the non-deductible impairment of goodwill and the use of unrecorded capital losses to eliminate capital gains tax on the disposal of businesses.
- In 2011, the tax rate was higher than the Corporation's statutory tax rate of 28.4% essentially 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.

After-tax share of loss of associated corporations: $3,391,000 in 2012, compared with an after-tax share of the income of associated corporations in the amount of $574,000 in the previous year, a $3,965,000 unfavourable variance.

- This variance was mainly due to the Corporation's share of the financial results of SUN News since July 1, 2012 (see "SUN News"), partially offset by the favourable operating results of a television company compared with 2011.

Non-controlling interest: $4,414,000 in 2012 compared with $9,167,000 in 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

Operating revenues: $394,075,000, an increase of $15,221,000 (4.0%), mainly due to the following factors:

- 54.4% increase in subscription revenues from the French-language specialty services:
  - the new "TVA Sports" and "Moi&cie" services accounted for 60.1% and 11.3% of the increase respectively;
  - "Yoopa" registered a 77.8% increase;
  - "Casa," "LCN," "addik^{TV}" and "Prise 2" registered increases of 34.9%, 16.8%, 14.2% and 11.7% respectively, while "Argent" registered a 32.4% decrease;
- 8.2% increase in advertising revenues at the French-language specialty services, generated mainly by "addik^{TV}" (+68.6%), "TVA Sports" (+66.1%) and "Casa" (+37.8%);

Partially offset by:

- Unfavourable variance resulting from the sale of the Corporation's interest in "Mystery TV" and "The Cave" on May 31, 2012;
- 1.0% decrease in TVA Network's operating revenues due to non-advertising revenues. Advertising revenues were essentially flat in comparison with 2011.

In 2012, total revenues from the specialty services (excluding SUN News) accounted for 21.8% of the Television segment's total revenues, compared with 18.6% in 2011.

French-language market ratings

TVA Group's total market share for the period of January 1 to December 31, 2012 was 32.2%, compared with 31.6% in the same period of 2011. The increase was mainly due to TVA Group's specialty services, which had a market share of 8.5% in 2012 compared with 7.4% in 2011, an increase of 1.1 points or 14.9%. All of our specialty services grew their market share except for "YOOPA," "Moi&cie" and "Argent," which maintained exactly the same percentages as in 2011. "Prise 2" grew its market share by 0.5 points to 1.2%. "LCN" had a 4.0% market share compared with 3.4% for "RDI," its main rival. Overall, the specialty and pay services increased their share of the French-language market by 1.8 points compared with the same period of 2011, while the conventional stations lost 1.2 points.

TVA Network's market share decreased by 0.5 points compared with the same period of 2011, while Société Radio-Canada ("SRC") lost 1.2 points and the V Network gained 0.5 points. TVA Network remains in the lead with a 23.7% market share, more than its two main conventional rivals combined. TVA Network carried 23 of the 30 most-watched programs in Quebec in 2012, including *Céline Dion…sans attendre, Le Banquier* - *Spécial Halloween, Le Banquier* - *Spécial Noël Star Académie*, *Le Banquier* - *Spécial Juste pour rire* and *Star Académie 2012 – Le variété,* each of which attracted more than 2.0 million viewers.

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

			Year 2012 vs 2011	
	2012	2011	**% change**	**Difference**
French-language conventional broadcasters:				
TVA	**23.7**	24.2	- 2.1 %	- 0.5
SRC	**11.8**	13.0	- 9.2 %	- 1.2
V	**8.6**	8.1	+ 6.2 %	+ 0.5
	44.1	45.3	- 2.6 %	- 1.2
French-language specialty and pay services:				
TVA	**8.5**	7.4	+ 14.9 %	+ 1.1
Astral	**24.5**	23.5	+ 4.3	+ 1.0
Others	**12.8**	13.1	- 2.3 %	- 0.3
	45.8	44.0	+ 4.1 %	+ 1.8
Total English-language and others	**10.1**	10.7	- 5.6 %	- 0.6
TVA Group	**32.2**	31.6	+ 1.9 %	+ 0.6

Source: BBM Ratings. French Quebec, January 1 to December 31, 2012, Mon-Sun, 2:00 – 2:00, All 2+.

Operating expenses: $353,285,000, a $14,375,000 (4.2%) increase.

- The increase was due primarily to:
  - 45.2% increase in operating expenses at the French-language specialty services caused mainly by:
    - full-year operation of "TVA Sports" in 2012 compared with 4 months in 2011;
    - investment in programming for the "Casa," "Moi&cie" and "addik^{TV}" specialty services;

  Partially offset by:

  - 47.0% 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;
  - favourable variance resulting from the sale of the Corporation's interest in "Mystery TV" and "The Cave" on May 31, 2012.

Operating income: $40,790,000, an $846,000 (2.1%) increase primarily due to:

- Decrease in the operating loss of SUN News related to the sale of part of the Corporation's interest in the entity;
- 36.5% increase in operating income at the French-language specialty services, excluding "TVA Sports";

Partially offset by:

- Full-year operating loss for "TVA Sports" in 2012 compared with four months in 2011.

Analysis of cost/revenue ratio: Operating costs for the Television segment's activities (expressed as a percentage of revenues) were essentially unchanged at 89.6% in 2012, compared with 89.5% in 2011.

Publishing

Operating revenues: $67,357,000, a decrease of $3,265,000 (-4.6%) due mainly to:

- 8.3% decrease in newsstand revenues, spread proportionately across all magazine categories;
- 8.5% decrease in advertising revenues across all magazine categories, except for the service magazines category, which registered 15.5% growth;

Partially offset by:

- Increase in revenues generated by brand marketing projects and from grants under a new Canadian Heritage program.

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 nearly 2.0 million Canadian readers cumulatively per week according to PMB (Fall 2012). The showbiz and celebrity news magazine *7 Jours* alone has a weekly readership of 705,000.
- TVA Publications is the circulation leader in the Quebec market for French-language magazines with 69% of total newsstand sales and 48% of total unit sales (source: Audit Bureau of Circulation, December 31, 2012).

Operating expenses: $62,590,000, an increase of $2,548,000 (4.2%).

- The increase was due primarily to:
    - $3,477,000 charge recorded as a result of the adoption of new Éco Entreprises' rates for 2010, 2011 and 2012, of which $2,185,000 is attributable to 2010 and 2011;

    Partially offset by:

    - lower printing costs related to rate reductions, additional volume discounts and decreased page count.

Operating income: $4,767,000, a decrease of $5,813,000 (-54.9%).

- The decrease was mainly due to:
    - impact of recognition of the charge resulting from the adoption of new Éco Entreprises' rates for 2010, 2011 and 2012;
    - impact of lower operating revenues, resulting largely from decreased newsstand sales and advertising revenues.

Analysis of cost/revenue ratio: Operating costs for the Publishing segment's activities (expressed as a percentage of revenues) increased from 85.0% during the year ended December 31, 2011 to 92.9% in 2012. Excluding the liability recorded in relation to Éco Entreprises, the figure for fiscal 2012 is 87.8%. The increase was essentially due to the fact that operating expenses cannot be adjusted in the short term at the same pace as the decrease in newsstand revenues.

2012/2011 FOURTH QUARTER COMPARISON

Analysis of consolidated results of TVA Group

Operating revenues: $127,004,000, a decrease of $4,632,000 (-3.5%).

- $3,970,000 (-3.5%) decrease in the Television segment, due mainly to a 5.6% decrease in TVA Network's advertising revenues, an unfavourable variance generated by the sale of the interest in "Mystery TV" and "The Cave" on May 31, 2012, and the unfavourable impact of the deconsolidation of the results of SUN News, partially offset by a 21.3% increase in operating revenues at the French-language specialty services.
- $902,000 (-4.9%) decrease in the Publishing segment, primarily due to a 6.9% decrease in newsstand revenues and lower activity levels at the TVA Studio division compared with the same quarter of 2011.

Operating income: $20,966,000, an increase of $309,000 (1.5%).

- $1,006,000 (5.6%) increase in the Television segment, due mainly to:
    - positive impact on operating income of the sale of part of the Corporation's interest in SUN News;
    - improved operating results at the French-language specialty services;

  Partially offset by:
    - impact of decrease in TVA Network's operating revenues.
- $697,000 (-27.2%) decrease in the Publishing segment, mainly because of the impact of lower operating revenues in the segment in the fourth quarter of 2012.

Net income attributable to shareholders: $9,426,000 ($0.40 per diluted share) in the fourth quarter of 2012, compared with $11,468,000 ($0.48 per diluted share) in the same period of 2011.

- The negative variance of $2,042,000 (-$0.08 per diluted share) was mainly due to:
    - $2,297,000 unfavourable variance in non-controlling interest;
    - $2,148,000 unfavourable variance in after-tax share of loss (income) of associated corporations;

  Partially offset by:
    - $1,032,000 decrease in operational restructuring costs, impairment of assets and other costs;
    - $857,000 decrease in income taxes.
- 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, 2012 and 2011.

Amortization of property, plant and equipment and intangible assets: $4,970,000, an increase of $61,000 (1.2%).

- The slight increase was mainly due to the same factors as those noted above under "2012/2011 Financial Year Comparison."

Financial expenses: $1,304,000, a $266,000 (-16.9%) decrease.

- The decrease was mainly due to the same factors as those noted above under "2012/2011 Financial Year Comparison."

Operational restructuring costs, impairment of assets and other costs: Nil in the fourth quarter of 2012, compared with $1,032,000 in the same quarter of 2011.

- In the fourth quarter of 2011, the Corporation recorded an $18,000 impairment charge related to its broadcast rights inventories, a $327,000 charge related to transmission contract cancellations, and a $63,000 provision for restructuring following the discontinuation of operations of the English-language over-the-air station SUN TV.

- Also during the fourth quarter of 2011, the Corporation recorded $624,000 in restructuring costs, following the elimination of a number of positions in its Television segment.

Income tax expense: $3,407,000 (effective tax rate of 23.2%) during the fourth quarter of 2012 compared with $4,264,000 (effective tax rate of 32.4%) in the same period of 2011.

- In the fourth 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 for the period.

- In the fourth quarter 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 in the tax savings generated by the operating losses of SUN News, as well as permanent differences related to non-deductible items.

After-tax share of loss of associated corporations: $1,859,000 in the fourth quarter of 2012, compared with a $289,000 after-tax share of income of associated corporations in the same quarter of 2011. The $2,148,000 unfavourable variance 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 fourth quarter of 2012 compared with $2,297,000 in the same quarter of 2011.

- In the fourth 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 and its results are no longer consolidated by the Corporation.

Segmented analysis

Television

Operating revenues: $110,477,000, a decrease of $3,970,000 (-3.5%), primarily due to:

- Decrease of 5.6% in advertising revenues at TVA Network and of 12.1% at the French-language specialty services, particularly “TVA Sports” which was in the free preview period in the fourth quarter of 2011 and therefore pulled in more viewers and advertising revenues;
- Unfavourable variance resulting from the sale of the Corporation’s interest in “Mystery TV” and “The Cave” on May 31, 2012;
- unfavourable impact of the deconsolidation of results of SUN News;
- 39.4% decrease in operating revenues at the TVA Films division, mainly because of a significant decline in the sales of the home entertainment (DVD/Blu-ray) section in comparison with the same period of 2011.

Partially offset by:

- 53.2% increase in subscription revenues at the French-language specialty services:
    - “TVA Sports” accounted for 48.2% of the increase;
    - “LCN” recorded a 29.7% increase following the phasing in of new carriage agreements signed since the beginning of 2012;
    - “Moi&cie” and “Yoopa” more than doubled their subscription revenues, with increases of 143.7% and 112.1% respectively;
    - “Casa,” “addik^{TV}” and “Prise 2” registered increases of 36.6%, 13.5% and 10.6% respectively, while “Argent” registered a 26.5% decrease;

In the fourth quarter of 2012, combined revenues from the specialty services (excluding SUN News) accounted for 20.1% of the Television segment’s total revenues, compared with 18.3% in the same period of 2011.

French-language market ratings

The combined market share of TVA Group’s channels during the period of October 1 to December 31, 2012 was 33.5%, compared with 31.5% during the same period of 2011. TVA Group’s French-language specialty services had a combined market share of 8.3% during that period compared with 7.2% in the same period of 2011, an increase of 1.1 points or 15.3%. The “Prise 2” and “Casa” specialty services recorded the strongest growth, with increases of 0.7 points and 0.4 points respectively. “TVA Sports” and “Yoopa” had a market share of 0.5% and 0.6% respectively while “LCN” held its 3.5% share.

TVA Network’s market share grew by 0.9 points compared with the same period of 2011, while V Network gained 0.6 points and SRC 0.3 points. TVA Network remains in the lead with a 25.2% market share, more than its two main conventional rivals combined. TVA Network carried 19 of the 30 most-watched programs in Quebec during the fourth quarter of 2012, including *Céline Dion…sans attendre, Le Banquier - Spécial Halloween* and *Le Banquier - Spécial Noël Star Académie*, each of which attracted more than 2.2 million viewers.

Table 5
French-language market ratings
(Market share in %)

			Fall 2012 vs 2011	
	2012	2011	**% change**	**Difference**
French-language conventional broadcasters:				
TVA	**25.2**	24.3	+ 3.7 %	+ 0.9
SRC	**13.6**	13.3	+ 2.3 %	+ 0.3
V	**9.1**	8.5	+ 7.1 %	+ 0.6
	47.9	46.1	+ 3.9 %	+ 1.8
French-language specialty and pay services:				
TVA	**8.3**	7.2	+ 15.3 %	+ 1.1
Astral	**23.1**	23.1	-	-
Others	**10.5**	13.1	- 19.8 %	- 2.6
	41.9	43.4	- 3.5 %	- 1.5
Total English-language and others	**10.2**	10.5	- 2.9 %	- 0.3
TVA Group	**33.5**	31.5	+ 6.3 %	+ 2.0

Source: BBM Ratings. French Quebec, October 1 to December 31, 2012, Mon-Sun, 2:00 – 2:00, All 2+.

Operating expenses: $91,374,000, a decrease of $4,976,000 (-5.2%).

- The decrease was mainly due to:
  - lower operating expenses related to SUN News due to the sale of part of the Corporation’s interest in the entity;
  - favourable variance resulting from the sale of the Corporation’s interest in “Mystery TV” and “The Cave” on May 31, 2012;
  - lower operating expenses at TVA Boutiques because of the discontinuation of the home shopping channel in the third quarter of 2012;

  Partially offset by:
  - 3.9% increase in operating expenses at the French-language specialty services, essentially due to higher operating costs at “Moi&cie,” partly because of higher advertising expenses.

Operating income: $19,103,000, a $1,006,000 (5.6%) increase.

- The increase was mainly due to:
  - positive impact on operating income of the sale of part of the Corporation’s interest in SUN News;
  - higher operating income at the French-language specialty services, partly as a result of higher subscription revenues at “TVA Sports,” which was offered free of charge during the same period of 2011;

  Partially offset by:
  - decrease in operating income at TVA Network due to the decline in advertising revenues.

Analysis of cost/revenue ratio: Operating costs for the Television segment's activities (expressed as a percentage of revenues) decreased from 84.2% during the three-month period ended December 31, 2011 to 82.7% in the same period of 2012. The decline was essentially due to the impact of the sale of part of the Corporation's interest in SUN News, combined with growth in subscription revenues at the specialty services.

Publishing

Operating revenues: $17,384,000, a decrease of $902,000 (-4.9%) due mainly to:

- 21.7% decrease in operating revenues at the TVA Studio division related to lower activity levels in the fourth quarter of 2012;
- 6.9% decrease in newsstand revenues. mainly at the entertainment magazines;
- 5.0% decrease in advertising revenues.

Operating expenses: $15,521,000, a decrease of $205,000 (-1.3%).

- The decrease was due primarily to:
  - overall reduction in operating costs, particularly editorial and graphics costs, as well as in advertising expenses;
  - savings related to lower activity levels at the TVA Studio division;
  - savings in variable costs related to advertising revenue levels;

  Partially offset by:
  - impact of recognition of the Éco Entreprises' charge.

Operating income: $1,863,000, a $697,000 (-27.2%) decrease due primarily to the impact of lower operating revenues.

Cost/revenue ratio: Operating costs for the Publishing segment's activities (expressed as a percentage of revenues) were 89.3% during the fourth quarter of 2012 compared with 86.0% in the same period of 2011. The increase was essentially due to the fact that operating expenses cannot be adjusted in the short term at the same pace as the decrease in newsstand revenues.

2011/2010 FINANCIAL YEAR COMPARISON

The table below shows the Corporation's operating results for the years ended December 31, 2011 and 2010:

Table 6
Comparative consolidated results for 2011 and 2010
(in thousands of dollars)

	Years ended December 31	
	2011	2010[1]
Operating revenues:		
Television	$ 378,854	$ 377,283
Publishing	70,622	75,004
Intersegment items	(3,981)	(4,095)
	$ 445,495	$ 448,192
Operating income:		
Television	$ 39,944	63,277
Publishing	10,580	11,600
	$ 50,524	$ 74,877
Total assets	$ 533,853	$ 519,071
Non-current financial liabilities	123,115	125,168
Declared dividends	2,377	4,754

1 ***Financial data for 2010 has been restated in accordance with IFRS, adopted effective January 1, 2010.***

SEGMENTED TREND ANALYSIS FOR YEARS ENDED DECEMBER 31, 2010, 2011 AND 2012

Television

Operating revenues

The Television segment recorded operating revenue growth in the order of 4.5% over the past three years. The segment is affected by audience fragmentation 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 2010 and 2012. The growth in the segment's operating revenues has been driven mainly by the specialty services (excluding SUN News), which accounted for 21.8% of the segment's operating revenues in 2012, compared with 15.8% in 2010. Since 2010, the Corporation has launched four new specialty services – "YOOPA," "Moi&cie" (formerly "Mlle"), "SUN News" and "TVA Sports" – which are making a significant contribution to growing the segment's operating revenues. During 2012, the Corporation divested itself of its interest in the English-language specialty services "Mystery TV" and "The Cave." The growth of the TVA Accès division, which specializes in commercial video production, television dubbing and website development, also contributed to the increase. Revenues of the TVA Films division decreased during the period as a direct result of new entertainment consumption habits (DVD/Blu-ray). The Corporation also discontinued the operations of its home shopping channel "Télé-Achat" in 2012, reducing future infomercial revenues.

Operating income

The Television segment's operating income decreased considerably during the period. Investments in new specialty services and an increase of more than 40.0% in the pension expense had the effect of increasing operating expenses and of therefore lowering operating income during the period. As a result of the rising cost of producing or acquiring quality content and of stagnating advertising revenues, the operating income of TVA Network decreased by 9.9%.

Publishing

Operating revenues

The Publishing segment's operating revenues decreased during the period, declining by 10.2%, essentially because of lower newsstand magazine sales (-19.9%) and advertising revenues (-14.4%). The entire Canadian magazine industry has seen a downward trend in operating revenues. TVA Publications remains the circulation leader despite a slight decrease in its share of the Quebec market for French-language magazines and in total unit sales (source: Audit Bureau of Circulation, December 31, 2012). The Publishing segment 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 54.5% over the last three years.

Operating income

Excluding 2010, 2011 and 2012 Éco Entreprises' charges recorded in 2012, the segment's operating income decreased by 28.9% during the period. To offset the decline in "traditional" revenues, the Corporation invested in new brand management projects aimed at generating new revenue streams. Operating expenses, including printing and filming, advertising and marketing, and general administrative expenses, had to be reduced to protect the segment's operating margins.

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 thousands of dollars)

	Years ended December 31		Three months ended December 31	
	2012	2011	**2012**	2011
Cash flows related to operating activities	**$ 35,342**	$ 24,858	**$ 12,596**	$ 2,764
Additions to property, plant and equipment and intangible assets	**(25,095)**	(35,846)	**(5,232)**	(10,384)
Disposal of businesses	**18,663**	–	**–**	–
Dividend payments	**–**	(2,377)	**–**	–
Non-controlling interest	**3,528**	10,045	**–**	2,205
Other	**(1,642)**[1]	(3,005)	**(2,286)**	14,784
Reimbursement of (increase in) net debt	**$ 30,796**	$ (6,325)	**$ 5,078**	$ 9,369

	December 31, 2012	December 31, 2011
At period end:		
Long-term debt	**$ 74,438**	$ 74,635
Current portion of long-term debt	**–**	17,756
Bank overdraft	**–**	3,980
Less: cash	**(10,619)**	(1,756)
Net debt	**$ 63,819**	$ 94,615

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

Operating Activities

Cash flows provided by operating activities: $35,342,000 in 2012 compared with $24,858,000 in the previous year, a $10,484,000 increase.

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

Working capital of TVA Group: $85,829,000 at December 31, 2012 compared with $66,719,000 at December 31, 2011, an increase of $19,110,000.

- The $19,110,000 increase was due primarily to:
  - $17,756,000 in drawings on the revolving credit facility as of December 31, 2011, which were included in current liabilities because the maturity date of the loan was December 31, 2011, i.e. less than one year;
  - increase in programs, broadcast and distribution rights and inventories due to growing content needs at our various programming services;

  Partially offset by:
  - increase in accounts payable and accrued liabilities and in broadcast and distribution rights payable, which rose due to new agreements that came into effect after December 31, 2011;
  - elimination of working capital related to assets held for sale as of December 31, 2011.

Investing Activities

Additions to property, plant and equipment and intangible assets: $25,095,000 in 2012 compared with $35,846,000 in 2011, a decrease of $10,751,000 (-30.0%).

- The decrease was mainly due to additional technical investments required in 2011 for the introduction of the new specialty services SUN News, "Moi&cie" 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: $18,663,000 in 2012, explained by:

- $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

Non-controlling interest: $3,528,000 in 2012 compared with $10,045,000 in 2011, a $6,517,000 decrease. These amounts reflect capital injections made by Sun Media Corporation to meet SUN News General Partnership's liquidity needs. The decrease is essentially due to the deconsolidation of the results of SUN News since July 1, 2012.

Long-term debt (excluding deferred financing costs): $17,982,000 reduction as at December 31, 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 December 31, 2012

Net available liquid assets: $110,194,000, consisting of a $99,575,000 unused and available revolving credit facility and $10,619,000 in cash.

As at December 31, 2012, minimum principal payments on long-term debt in the coming years were as follows:

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

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

The weighted average term of TVA Group's debt was approximately 1.9 years at December 31, 2012 (2.5 years at December 31, 2011). The debt consisted of 100% fixed-rate debt (81% as of December 31, 2011) and no floating-rate debt (19% as of December 31, 2011).

As at December 31, 2012, the consolidated debt ratio, as measured by the debt-to-equity ratio, stood at 22:78 or 0.28, compared with 0.26 as at December 31, 2011. The Corporation's management believes that the cash flows generated on an annual basis by continuing operating activities and by available sources of financing should be sufficient to meet its commitments in regard to capital investments, 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 covenants, including maintenance of certain financial ratios. As at December 31, 2012, the Corporation was in compliance with all the terms of its credit agreements.

Analysis of consolidated balance sheet as at December 31, 2012

Table 9
Consolidated balance sheets of TVA Group
Analysis of main variances between December 31, 2012 and December 31, 2011
(in thousands of dollars)

	December 31, 2012	December 31, 2011	Difference	Main reasons for difference
Assets				
Cash	**$ 10,619**	$ 1,756	$ 8,863	Impact of proceeds from disposal of the Corporation's interest in "The Cave" and "Mystery TV."
Programs, broadcast and distribution rights and inventories	**67,579**	61,954	5,625	Impact of investments in various programming services to meet increased content needs.
Assets held for sale	**–**	8,370	(8,370)	Closing of sale of the Corporation's interest in "The Cave" and "Mystery TV" in the second quarter of 2012.
Goodwill	**39,781**	71,981	(32,200)	Impact of goodwill impairment in Publishing segment as a result of impairment test performed in first quarter of 2012.
Liabilities				
Accounts payable and accrued liabilities	**$ 89,908**	$ 82,589	$ 7,319	Inclusion of the 2012 Éco Entreprises charge and of a long-term liability maturing in 2013.
Current portion of long-term debt	**–**	17,756	(17,756)	Drawings as of December 31, 2011 on revolving credit facility maturing in less than one year.
Equity				
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 December 31, 2012, material contractual commitments of operating activities included capital repayment and interest on long-term debt, payments under broadcast and distribution rights acquisition contracts, and payments under other contractual commitments, such as operating leases for services and office spaces. These contractual obligations are summarized in Table 10.

Table 10
Material contractual obligations of TVA Group as of December 31, 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	$ -	$ –	$ 75,000
Payment of interest[1]	4,505	4,855	438	–	9,798
Broadcast and distribution rights	61,944	31,965	10,104	–	104,013
Other commitments	11,245	9,845	4,133	3,540	28,763
Total	**$ 77,694**	**$ 121,665**	**$ 14,675**	**$ 3,540**	**$ 217,574**

[1] *Estimated interest payable on long-term debt is based on interest rates as of December 31, 2012. Interest is calculated on a constant debt level equal to that at December 31, 2012 and includes standby fees on the revolving credit facility.*

Employer contributions for the defined benefit pension plans and other retirement benefit plans will total $11,040,000 in 2013 (contributions of $11,723,000 were paid in 2012).

Related-party transactions

For the year ended December 31, 2012, the Corporation entered into the following transactions with related parties in the normal course of business. These transactions were carried out under terms equivalent to those of arm's length transactions and were recognized according to the consideration agreed upon between the parties.

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 $78,743,000 ($64,256,000 in 2011).

The Corporation recorded charges for broadcast rights, telecommunication services, advertising space, professional services, commissions on sales and news gathering services under transactions with corporations under common control and affiliated corporations totalling $35,005,000 $ ($30,565,000 in 2011).

The Corporation also recorded management fees to the parent corporation in the amount of $4,320,000 in 2012 ($4,320,000 in 2011).

SUN News

In 2010, the Corporation and Sun Media Corporation, a corporation under common control, QMI, established SUN News. Until June 30, 2012, the Corporation held a 51% interest and Sun Media Corporation a 49% interest. The partnership's results 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 consideration of $765,000. The Corporation now holds a 49% interest in SUN News and Sun Media Corporation owns 51%. The difference between the amount paid and the carrying amount of the interest yielded a $581,000 gain, which was recorded in contributed surplus in the second quarter of 2012. Since the loss of control, the investment in SUN News has been recorded using the equity method and SUN News' results have no longer been consolidated since July 1, 2012.

In fiscal 2012, a total capital contribution of $15,250,000 ($20,500,000 in 2011) was made by the partners, of which $7,617,000 was made by the Corporation ($10,455,000 in 2011) and $7,633,000 by Sun Media Corporation ($10,045,000 in 2011).

Disposal of businesses

On May 31, 2012, following CRTC approval, the Corporation sold its 51% interest in "The Cave" and its 50% interest in "Mystery TV" to its joint venture partner, 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.

Capital stock

In accordance with Canadian financial reporting standards, Table 11 below presents information on the Corporation's capital stock as at February 15, 2013. In addition, 691,076 Class B stock options and 180,916 QMI stock options were outstanding as of February 15, 2013.

Table 11
Number of shares outstanding as at February 15, 2013
(in shares and thousands of dollars)

	Issued and outstanding	Carrying Amount
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 to suspend the payment of dividends in the third quarter of 2011.

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, of which the Corporation is unaware, or deems negligible at this time, could also have a considerable negative impact on its financial position, operating results, 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, revenues 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 services, 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 HD and 3D television also influences the Corporation’s operations. The markets in which the Corporation operates are experiencing a proliferation of available distribution platforms, including the Internet, wireless telephony, video on demand, mobile television and other technologies that may be marketed in the future. This evolving technological landscape 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 industry 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 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. 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 may never materialize.

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

Advertising revenue is the primary source of operating revenue for the Corporation. Its revenues and operating results depend on the relative strength of the economy in its markets, as well as on the strength or weakness of local, regional and national economic factors, since these factors affect the levels of television and magazine 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, limiting our ability to generate advertising revenues

The Corporation’s operating revenues 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 on generating 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 on our ability to generate operating 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 regulation 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 or the introduction of new regulations, 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.

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 services, the Corporation relies on broadcasting distribution undertakings (BDUs) (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 services 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 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 Corporation's operations. 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 the Corporation's management, 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 an adverse effect. Moreover, the cost of defending against lawsuits and of diverting management's attention could be significant.

Financing risks

The Corporation is fully financed for its current activities and has access to credit facilities totalling $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, 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 as 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 advertising have historically reduced their advertising budgets. As a result, there is no means of guaranteeing that the Corporation's operating results, outlook and financial position are protected against any and all negative effects.

Labour relations risks

As of December 31, 2012, approximately 58% of the Corporation's permanent employees were unionized. The Corporation is party to 13 collective agreements. As of December 31, 2012, four collective agreements had come to term, covering about 86% of the Corporation's permanent 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 in 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 benefit costs is limited by the terms of its collective bargaining agreements.

Risks related to pension plan obligations

The economic cycle could also have a negative impact on the funding of TVA Group'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 pension plan 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 segment's operating expenses is comprised of paper, printing and postage costs. The segment is dependent on external suppliers for its entire paper supply and has no control over paper prices, which may vary considerably. The Publishing segment uses third parties for all of its printing services, and printing costs accounted for approximately 30% of operating expenses in 2012. Further, distribution of its publications to subscribers is handled by Canada Post Corporation. Any interruption in distribution services could negatively affect the Publishing segment's operating results and its financial position, and a significant increase in paper or postage costs could be detrimental to the segment's activities and operating results.

Risks related to broadcasting licences and goodwill

As noted under "Use of estimates and judgment – Fair value of an asset or a CGU" below, the Corporation's broadcasting licences and goodwill are not amortized but are 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 assumptions 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, 2012, 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 financial 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 amount and fair value of long-term debt as at December 31, 2012 and 2011 are as follows:

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

	December 31, 2012		December 31, 2011	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Bankers' acceptances	**$ –**	**$ –**	$ 17,982	$ 18,200
Term loan	**75,000**	**78,400**	75,000	80,400

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 evaluates the financial position of its clients and reviews the credit history of each new client. As at December 31, 2012, no clients had balances representing a significant portion of the Corporation's consolidated trade receivables. The Corporation establishes an allowance for doubtful accounts based on the specific credit risk of its customers and historical trends. The Corporation has trade accounts receivable from numerous clients, primarily advertising agencies. As a result, the Corporation does not believe that it is exposed to an unusual or significant level of credit risk. As at December 31, 2012, 5.57% of accounts receivable had been outstanding for more than 120 days after the billing date (4.35% as at December 31, 2011). In addition, as at December 31, 2012, the allowance for credit losses represented an amount of $1,100,000 ($1,186,000 as at December 31, 2011).

The table below shows the variance in the allowance for doubtful accounts for the years ended December 31, 2012 and 2011:

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

	December 31, 2012	December 31, 2011
Balance, beginning of year	**$ 1,186**	$ 3,035
Change recognized in statement of income	**602**	(521)
Drawn down	**(649)**	(1,328)
Allowance for doubtful accounts related to SUN News	**(39)**	-
Balance, end of year	**$ 1,100**	$ 1,186

Liquidity risk

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

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 while optimizing the return on risk.

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 most frequently used foreign currency 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 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 U.S. dollar exchange rate would have a non-material impact on net income.

Interest rate risk

The Corporation is exposed to interest rate risk on its long-term debt. All of the Corporation's long-term debt is fixed-rate debt, which significantly limits the risk due to fluctuations in interest rates. As at December 31, 2012, the Corporation's long-term debt consisted of 100% fixed-rate debt (81% as at December 31, 2011) and no floating-rate debt (19% as at December 31, 2011).

An increase (decrease) of 100 basis points at year-end 2012 in the Canadian bankers' acceptance rate on the balance of floating-rate long-term debt as at December 31, 2012 would have had no impact on financial expenses since the Corporation's only floating-rate credit facility was unused.

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 to provide a return to its shareholders and maintain an optimal capital base to support the capital requirements of its various segments, including growth opportunities and maintaining investor and creditor confidence.

In managing its capital structure, the Corporation takes into account the asset risk characteristics of its segments and any applicable requirements. The Corporation has the ability to manage its capital structure by issuing new debt, by 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, or by making adjustments to its capital expenditure program. With the exception of the suspension of dividend payments, the Corporation's strategy remains unchanged from last year.

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

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

	December 31, 2012	December 31, 2011
Bank overdraft	**$ –**	$ 3,980
Long-term debt	**75,000**	92,982
Cash	**(10,619)**	(1,756)
Net liabilities	**64,381**	95,206
Equity	**$ 266,545**	$ 281,029

Except for the financial ratio requirements stipulated in its credit agreements, the Corporation is not subject to any other externally imposed capital requirements. As at December 31, 2012, 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.

Use of estimates and judgment

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, related amounts of revenues and expenses, and the disclosure of contingent assets and liabilities. These estimates are determined to the best of management's knowledge based on the information available at the measurement date. Actual results could differ from these estimates.

The following significant areas require management to use estimates and assumptions: The following significant areas require management to make the most difficult, subjective or complex assumptions:

Fair value of an asset or a CGU

For the purposes of assessing impairment, assets are grouped in CGUs, which are the smallest identifiable groups of assets that generate largely independent cash inflows. The Corporation reviews at each balance sheet date whether events or circumstances have occurred to indicate that the carrying amounts of long-lived assets with finite useful lives may be less than their recoverable amounts. Goodwill, other intangible assets with indefinite useful lives, and intangible assets not yet available for use are tested for impairment on April 1 of each fiscal year, as well as whenever there is an indication that the carrying amount of the asset, or the CGU to which an asset has been allocated, 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. Fair value less costs to sell is the amount obtainable by an entity at the valuation date from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Value in use is 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 consider 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 is 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 impaired first. Any excess amount of impairment is recognized and attributed to the assets in the CGU, prorated 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 with indefinite useful lives, other than goodwill, can be reversed through the consolidated statement of income up to the carrying amount that would have been determined had no impairment been recognized in previous periods.

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

Recognition of costs and obligations for pension plans and postretirement benefits

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

The Corporation's 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, the 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.

Actuarial gains and losses are recognized immediately through Other comprehensive income (loss) and are recorded in retained earnings. Actuarial gains and losses arise from the difference between the actual rate of return on plan assets for a given period and the expected rate of return on plan assets for that period, experience adjustments on liabilities, or changes in actuarial assumptions used to determine the accrued benefit obligation.

Under certain circumstances, the recognition of the net defined benefit plan asset is limited to the recoverable amount, which is primarily based on the extent to which the Corporation can unilaterally reduce future contributions to the plan. In addition, an adjustment to the net defined benefit asset or obligation can be recorded to reflect a minimum funding liability in some of the Corporation's pension plans. Changes in the net defined benefit asset limit or the minimum funding liability are recognized immediately in Other comprehensive income (loss) and are recorded in retained earnings.

The Corporation considers the assumptions used to be reasonable in view of the information available at this time. However, variances from these assumptions could have a material impact on the costs and obligations of pension plans and postretirement benefits in future periods.

Provisions

Provisions are recognized when (a) the Corporation has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and (b) when the amount of the obligation can be reliably estimated. Restructuring costs, comprised primarily of termination benefits, are recognized when a detailed plan for the restructuring exists and a valid expectation has been raised in those affected that the plan will be carried out.

Provisions are reviewed at each balance sheet date and changes in estimates are reflected in the consolidated statement of income in the reporting period in which the changes occurred.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date or to transfer it to third parties at that time, and it is adjusted for the effect of time value when material.

No amounts are recognized for obligations that are possible but not probable, or those for which an amount cannot be reasonably estimated.

Accounting developments in Canada

Unless otherwise indicated, in view of current facts and circumstances, the Corporation does not expect the application of the following standards to have any significant consequence.

(i) IFRS 9 – *Financial Instruments* is required to be applied retrospectively for periods beginning January 1, 2015, with early adoption permitted.

IFRS 9 simplifies the measurement and classification of financial assets by reducing the number of measurement categories and removing complex rule-driven embedded derivative guidance in IAS 39, *Financial Instruments: Recognition and Measurement.* The new standard also provides for a fair value option in the designation of a non-derivative financial liability and its related classification and measurement.

(ii) IFRS 10 – *Consolidated Financial Statements* is required to be applied retrospectively for periods beginning January 1, 2013, with early adoption permitted.

IFRS 10 replaces SIC-12, *Consolidation—Special Purpose Entities* and parts of IAS 27, *Consolidated and Separate Financial Statements*, and provides additional guidance regarding the concept of control as the determining factor in whether an entity should be included in the consolidated financial statements of the parent company.

(iii) IFRS 11 – *Joint Arrangements* is required to be applied retrospectively for periods beginning January 1, 2013, with early adoption permitted.

IFRS 11 replaces IAS 31, *Interests in Joint Ventures*, with guidance that focuses on the rights and obligations of the arrangement, rather than its legal form. It also withdraws the option to proportionately consolidate an entity's interests in joint ventures. The new standard requires that such interests be recognized using the equity method.

As the Corporation sold its interests in joint ventures on May 31, 2012, the adoption of this standard will affect only the comparative year, i.e. 2012. The adoption of the standard will therefore have the following impacts:

Increase (decrease)		2012
Revenues	$	**(4,219)**
Purchase of goods and services		**(2,512)**
Financial expenses		**7**
Income before income taxes and share of income of associated corporations		**(1,714)**
Share of loss (income) of joint ventures and associated corporations		**(1,714)**

(iv) IFRS 12 – *Disclosure of Interests in Other Entities* is required to be applied retrospectively for periods beginning January 1, 2013, with early adoption permitted.

IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose entities, and other off-balance-sheet vehicles.

(v) IAS 19 - *Post-employment Benefits (including pensions) (Amended)* is required to be applied retrospectively for periods beginning January 1, 2013.

Amendments to IAS 19 involve, among other changes, recognition of the re-measurement component in Other comprehensive income (loss), thereby removing the accounting option previously available in IAS 19 to recognize or defer changes in accrued benefit obligations and in the fair value of plan assets directly in the statement of income. IAS 19 allows amounts recognized in Other comprehensive income to be recognized either immediately in retained earnings or as a separate category within equity. IAS 19 also introduces a net interest approach that replaces the expected return on assets and interest costs on the defined benefit obligation with a single net interest component determined by multiplying the net defined benefit liability or asset by the discount rate used to determine the defined benefit obligation. In addition, all past service costs are required to be recognized in profit or loss when the employee benefit plan is amended and no longer spread over any future service period.

The adoption of the amended standard will have the following impacts:

Consolidated statement of income

		2012
Employee costs	$	**1,368**
Net interest cost on defined benefit plans		**1,850**
Income tax expense		**(866)**
Net loss attributable to shareholders		**(2,352)**

Consolidated statement of comprehensive income

		2012
Net loss	$	**(2,352)**
Actuarial gain		**4,469**
Deferred income taxes on actuarial gain		**(1,202)**
Comprehensive income attributable to shareholders		**915**

Disclosure Controls and Procedures

In accordance with Multilateral Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*, an evaluation was conducted of the effectiveness of the Corporation's disclosure controls and procedures (DC&P) and its internal control over financial reporting (ICFR). Based on this evaluation, the President and Chief Executive Officer, and the Vice-President and Chief Financial Officer, have concluded that DC&P and ICFR were effective as at year-end December 31, 2012, and that the DC&P design provides reasonable assurance that material information relating to the Corporation, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared, and the information that the Corporation must present in its annual documents, its interim documents or in other documents it files or submits under securities regulations is recorded, processed, condensed and presented within the time frames prescribed by this legislation. Further, the ICFR design provides reasonable assurance that the Corporation's financial information is reliable and that its financial statements have been prepared, for the purpose of publishing financial information, in accordance with IFRS.

Lastly, no changes to the ICFR that have had or are likely to have a significant effect on this control mechanism were identified by management during the accounting period beginning October 1, 2012 and ending December 31, 2012.

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 may be obtained free of charge on request from the Corporation or on the Internet at www.sedar.com.

Forward-Looking Statements

The statements in this Management's Discussion and Analysis that are not historical facts may be forward-looking statements and are subject to important known and unknown risks, uncertainties and assumptions which could cause the Corporation's actual results for future periods to differ materially from those set forth in the forward-looking statements. Forward-looking statements generally can be identified by the use of the conditional or by forward-looking terminology such as "propose," "will," "expect," "may," "anticipate," "intend," "estimate," "plan," "foresee," "believe" or the negative of those terms or variations of them or similar terminology. Certain factors that may cause actual results to differ from current expectations include seasonality, operational risks (including pricing actions by competitors), programming, content and production cost risks, credit risk, government regulation risks, government assistance risks, changes in economic conditions, fragmentation of the media landscape, and labour relation risks.

The forward-looking statements in this document are made to give investors and 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 "Risks and Uncertainties" section of this Management's Discussion and Analysis and other public filings available at www.sedar.com and http://groupetva.ca.

The forward-looking statements in this Management's Discussion and Analysis reflect the Corporation's expectations as of February 28, 2013, and are subject to change after that 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

February 28, 2013

Table 15
Selected Financial Data
Years ended December 31, 2012, 2011 and 2010
(in thousands of dollars, except for per-share data)

	2012	2011	2010
Operations			
Operating revenues	**$ 457,366**	$ 445,495	$ 448,192
Operating income	**45,557**	50,524	74,877
Net (loss) income attributable to shareholders	**(4,112)**	25,603	37,242
Basic per-share data			
Basic (loss) earnings per share	**$ (0.17)**	$ 1.08	$ 1.57
Weighted average number of outstanding shares (in thousands)	**23,771**	23,771	23,771
Diluted per-share data			
Diluted (loss) earnings per share	**$ (0.17)**	$ 1.08	$ 1.57
Weighted average number of outstanding shares (in thousands)	**23,771**	23,771	23,771

Table 16
Selected Quarterly Financial Data
(in thousands of dollars, except for per-share data)

								2012
		December 31		September 30		June 30		March 31
Operations								
Operating revenues	**$**	**127,004**	$	97,171	$	115,379	$	117,812
Operating (loss) income	**$**	**20,966**	$	10,684	$	19,661	$	(5,754)
Net income (loss) attributable to shareholders	**$**	**9,426**	$	2,127	$	23,676	$	(39,341)
Basic per-share data								
Basic earnings (loss) per share	**$**	**0.40**	$	0.09	$	1.00	$	(1.66)
Weighted average number of outstanding shares (in thousands)		**23,771**		23,771		23,771		23,771
Diluted per-share data								
Diluted earnings (loss) per share	**$**	**0.40**	$	0.09	$	1.00	$	(1.66)
Weighted average number of outstanding diluted shares (in thousands)		**23,771**		23,771		23,771		23,771

								2011
		December 31		September 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

- 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. Also, the fourth quarter of the 2012 financial year had 13 weeks, while the fourth quarter of the 2011 financial year had 14 weeks.

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