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FINANCIAL RESULTS FOR THE SECOND QUARTER ENDED JUNE 30, 2012

MESSAGE TO THE SHAREHOLDERS

August 7, 2012

TVA Group Inc. (the "Corporation") recorded net income attributable to shareholders in the amount of $23.7 million, or $1.00 per share, for the second quarter of 2012, compared with $13.8 million, or $0.58 per share, in the same quarter of 2011.

The Corporation's sale of its 51% interest in the specialty service "The Cave" and its 50% interest in the specialty service "Mystery TV" closed on May 31, 2012. The Corporation realized a gain on disposal of businesses of $12.9 million or $0.54 per share.

Second quarter operating highlights:

- Operating income[1] in the Television sector down $2,253,000 to $17,039,000, mainly because of:

  - ⇒ operating loss of the new "TVA Sports" service;

Partially offset by:

  - ⇒ 62.3% increase in operating income at the other French-language specialty services;
  - ⇒ 21.0% decrease in the operating loss of SUN News because of subscription fees now collected for the service; and
  - ⇒ 1.9% increase in operating income at TVA Network despite the decrease in advertising revenues.

- Operating income in the Publishing sector down $450,000 to $2,622,000, primarily due to a decrease in operating revenues caused largely by lower newsstand sales and advertising revenues.

As expected, the operating loss of the new 'TVA Sports' specialty service negatively affected the Television sector's financial results for the second quarter of 2012. However, all our other French-language specialty services continued to grow, registering a 17% increase in subscription revenues and a 4% increase in advertising revenues. In the second quarter of 2012, we signed a number of affiliation agreements with Canada's leading broadcasting distribution undertakings with respect to all of our French-language specialty services. With these agreements, we expect to generate significant subscription revenue growth going forward. With respect to TVA Network, we are pleased that we were able to grow its operating income despite an 8% decline in its advertising revenues. We are also very proud of our fall schedule and remain optimistic about the advertising revenues it will generate for the remainder of the Corporation's financial year.

In the Publishing sector, operating revenues declined by 3.5% compared with the same quarter of the previous year, which largely accounts for the decrease in the sector's operating income. At the same time, the growth of the TVA Studio division, which specializes in customized publishing, commercial printed productions and premedia services, augurs well for the expansion of this line of business in the coming quarters. We are also in the process of implementing a series of operational improvements in the Publishing sector in order to realize additional savings and offset the decrease in newsstand sales and advertising revenues.

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

Cash flows provided by operating activities amounted to $1.4 million for the quarter, compared with nil in the same quarter of 2011. The $1.4 million increase was essentially due to changes in non-cash items, namely variances in accounts receivable.

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

Definition

Operating income (loss)

In its analysis of operating results, the Corporation defines operating income (loss) as net income (net loss) before amortization of property, plant and equipment and intangible assets, financial expenses, impairment of goodwill, gain on disposal of businesses, restructuring costs of operations, impairment of assets and other costs, income taxes, share of income of associated corporation and net loss attributable to non-controlling interest. Operating income (loss) as defined above is not a measure of results that is consistent with IFRS. Neither is it intended to be regarded as an alternative to other financial performance measures or to the statement of cash flows as a measure of liquidity. This measure is not intended to represent funds available for debt service, dividend payment, reinvestment or other discretionary uses, and should not be considered in isolation or as a substitute for other performance measures prepared in accordance with IFRS. Operating income (loss) is used by the Corporation because management believes it is a meaningful measure of performance.

This measure is used by management and the Board of Directors to evaluate the consolidated results of the Corporation and the results of its segments. Measurements such as operating income (loss) are also commonly used by the investment community to analyze and compare the performance of companies in the industries in which the Corporation is active. The Corporation's definition of operating income (loss) may not be identical to similarly titled measures reported by other companies.

TVA Group

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

Pierre Dion
President and Chief Executive Officer

TVA GROUP INC.
Consolidated Statements of Income (Loss)

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

		Three-month periods ended June 30		Six-month periods ended June 30	
	Note	**2012**	2011	**2012**	2011
Revenues	2	**$ 115,379**	$ 117,548	**$ 233,191**	$ 224,645
Operating, selling and administrative expenses	3	**95,718**	95,184	**219,284**	197,721
Amortization of property, plant and equipment and intangible assets		**5,242**	4,211	**10,459**	8,248
Financial expenses	4	**1,431**	1,442	**2,950**	2,908
Impairment of goodwill	6	**–**	–	**32,200**	–
Gain on disposal of businesses	12	**(12,881)**	–	**(12,881)**	–
Restructuring costs of operations, impairment of assets and other costs	5	**–**	321	**117**	321
Income (loss) before income taxes and share of income of associated corporation		**25,869**	16,390	**(18,938)**	15,447
Income taxes	12	**4,572**	5,626	**1,469**	5,797
After-tax share of income of associated corporation		**(142)**	(201)	**(328)**	(471)
Net income (loss)		**$ 21,439**	$ 10,965	**$ (20,079)**	$ 10,121
Net income (loss) attributable to:					
Shareholders		**$ 23,676**	$ 13,795	**$ (15,665)**	$ 14,127
Non-controlling interest	10	**(2,237)**	(2,830)	**(4,414)**	(4,006)
Basic and diluted earnings per share attributable to shareholders	8 d)	**$ 1.00**	$ 0.58	**$ (0.66)**	$ 0.59

See accompanying notes to condensed consolidated financial statements.

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

(unaudited)
(in thousands of dollars)

	Note	Three-month periods ended June 30		Six-month periods ended June 30	
		2012	2011	**2012**	2011
Net income (loss)		**$ 21,439**	$ 10,965	**$ (20,079)**	$ 10,121
Other comprehensive loss:					
Defined benefit plans:					
Net change in asset limit or in minimum funding liability		**–**	(141)	**–**	(282)
Deferred income taxes		**–**	38	**–**	76
		–	(103)	**–**	(206)
Comprehensive income (loss)		**$ 21,439**	$ 10,862	**$ (20,079)**	$ 9,915
Comprehensive income (loss) attributable to:					
Shareholders		**$ 23,676**	$ 13,692	**$ (15,665)**	$ 13,921
Non-controlling interest	10	**(2,237)**	(2,830)	**(4,414)**	(4,006)

See accompanying notes to condensed consolidated financial statements.

TVA GROUP INC.
Consolidated Statements of Equity

(unaudited)
(in thousands of dollars)

	Equity attributable to shareholders			Equity attributable to non-controlling interest	Total equity
	Capital stock (note 8)	Contributed surplus	Retained earnings		
Balance as of December 31, 2010	$ 98,647	$ –	$ 170,784	$ 4,511	$ 273,942
Net income (loss)	–	–	14,127	(4,006)	10,121
Other comprehensive loss	–	–	(206)	–	(206)
Dividends	–	–	(2,377)	–	(2,377)
Contributions related to non-controlling interest (note 10)	–	–	–	2,940	2,940
Balance as of June 30, 2011	98,647	–	182,328	3,445	284,420
Net income (net loss)	–	–	11,476	(5,161)	6,315
Other comprehensive loss	–	–	(16,811)	–	(16,811)
Contributions related to non-controlling interest (note 10)	–	–	–	7,105	7,105
Balance as of December 31, 2011	98,647	–	176,993	5,389	281,029
Net loss	–	–	(15,665)	(4,414)	(20,079)
Contributions related to non-controlling interest (note 10)	–	–	–	3,528	3,528
Disposal of interest in SUN News (note 10)	–	581	–	(4,503)	(3,922)
Balance as of June 30, 2012	**$ 98,647**	**$ 581**	**$ 161,328**	**$ –**	**$ 260,556**

See accompanying notes to condensed consolidated financial statements.

TVA GROUP INC.
Consolidated Balance Sheets

(unaudited)
(in thousands of dollars)

	Note		June 30, 2012		December 31, 2011
Assets					
Current assets					
Cash		$	–	$	1,756
Accounts receivable			**118,423**		117,644
Current income tax assets			**6,441**		4,014
Programs, broadcast and distribution rights and inventories			**63,558**		61,954
Prepaid expenses			**5,159**		2,690
Assets held for sale	12		–		8,370
			193,581		196,428
Non-current assets					
Broadcast and distribution rights			**38,459**		35,488
Investments	10		**17,696**		12,865
Property, plant and equipment			**96,635**		102,007
Licences and other intangible assets			**112,548**		114,539
Goodwill	6		**39,781**		71,981
Deferred income taxes			**568**		545
			305,687		337,425
Total assets		$	**499,268**	$	533,853
Liabilities and equity					
Current liabilities					
Bank overdraft		$	**4,943**	$	3,980
Accounts payable and accrued liabilities			**85,978**		82,086
Current income tax liabilities			**104**		503
Broadcast and distribution rights payable			**19,617**		15,778
Provisions			**1,055**		1,533
Deferred revenues			**5,816**		6,535
Current portion of long-term debt	7		–		17,756
Liabilities held for sale	12		–		1,538
			117,513		129,709
Non-current liabilities					
Long-term debt	7		**74,973**		74,635
Other liabilities			**36,601**		39,696
Deferred income taxes			**9,625**		8,784
			121,199		123,115
Equity					
Capital stock	8		**98,647**		98,647
Contributed surplus	10		**581**		–
Retained earnings			**161,328**		176,993
Equity attributable to shareholders			**260,556**		275,640
Non-controlling interest	10		–		5,389
			260,556		281,029
Total liabilities and equity		$	**499,268**	$	533,853

See accompanying notes to condensed consolidated financial statements.

On August 7, 2012, the Board of Directors approved the condensed consolidated financial statements for the three-month and six-month periods ended June 30, 2012 and 2011.

TVA GROUP INC.
Consolidated Statements of Cash Flows

(unaudited)
(in thousands of dollars)

	Note	Three-month periods ended June 30 2012	Three-month periods ended June 30 2011	Six-month periods ended June 30 2012	Six-month periods ended June 30 2011
Cash flows related to operating activities					
Net income (loss)		**$ 21,439**	$ 10,965	**$ (20,079)**	$ 10,121
Non-cash items:					
Amortization		**5,349**	4,300	**10,667**	8,427
Restructuring costs of operations, impairment of assets and other costs	5	**–**	330	**–**	330
Impairment of goodwill	6	**–**	–	**32,200**	–
Gain on disposals of businesses	12	**(12,881)**	–	**(12,881)**	–
After-tax share of income of associated corporation		**(142)**	(201)	**(328)**	(471)
Deferred income taxes		**571**	1,128	**806**	1,805
Cash flows provided by current operations		**14,336**	16,522	**10,385**	20,212
Net change in non-cash items		**(12,957)**	(16,486)	**(5,951)**	(9,934)
Cash flows provided by operating activities		**1,379**	36	**4,434**	10,278
Cash flows related to investing activities					
Additions to property, plant and equipment		**(6,828)**	(6,532)	**(12,102)**	(14,990)
Additions to intangible assets		**(737)**	(1,141)	**(1,303)**	(1,948)
Disposal of businesses, net of cash	12	**17,898**	–	**17,898**	–
Cash of SUN News at the date of deconsolidation	10	**(430)**	–	**(430)**	–
Net change in investments		**–**	–	**–**	10
Cash flows provided by (used in) investing activities		**9,903**	(7,673)	**4,063**	(16,928)
Cash flows related to financing activities					
Net change in bank overdraft		**4,661**	307	**963**	(2,200)
Net change in revolving term loan		**(22,285)**	4,398	**(17,282)**	4,094
Financing costs	7	**–**	–	**(344)**	–
Non-controlling interest	10	**1,764**	–	**3,528**	2,940
Dividends paid		**–**	(2,377)	**–**	(2,377)
Cash flows (used in) provided by financing activities		**(15,860)**	2,328	**(13,135)**	2,457
Net change in cash		**(4,578)**	(5,309)	**(4,638)**	(4,193)
Cash at beginning of period		**4,578**	6,721	**4,638**	5,605
Cash at end of period		**$ –**	$ 1,412	**$ –**	$ 1,412
Interest and income taxes reflected as operating activities					
Interest paid		**$ 2,358**	$ 2,337	**$ 2,740**	$ 2,670
Income taxes paid		**1,185**	1,932	**3,472**	639

See accompanying notes to condensed consolidated financial statements.

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

The Corporation's businesses experience significant seasonality due, among other factors, to seasonal advertising patterns and influences on people's viewing, reading and listening habits. Because the Corporation depends on the sale of advertising for a significant portion of its revenue, operating results are also sensitive to prevailing economic conditions, including changes in local, regional and national economic conditions, particularly as they may affect advertising expenditures. Furthermore, the Corporation is investing in the launch of new specialty services in the Television segment. During the period immediately following the launch of a new specialty service, subscription revenues are always relatively modest, while initial operating expenses may prove more substantial. Accordingly, the results of operations for interim periods should not necessarily be considered indicative of full-year results.

1. Basis of presentation

These consolidated financial statements were prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. In particular, these consolidated financial statements were prepared in accordance with IAS 34, *Interim Financial Reporting*, and accordingly, they are condensed consolidated financial statements because they do not include all disclosures required under IFRS for annual consolidated financial statements. These condensed consolidated financial statements should be read in conjunction with the Corporation's 2011 annual consolidated financial statements and the notes thereto. The same accounting policies described in the annual consolidated financial statements have been used herein.

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

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

2. Revenues

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

	Three-month periods ended June 30		Six-month periods ended June 30	
	2012	2011	**2012**	2011
Services rendered	**$ 89,535**	$ 91,626	**$ 181,106**	$ 173,217
Product sales	**25,844**	25,922	**52,085**	51,428
	$ 115,379	$ 117,548	**$ 233,191**	$ 224,645

3. Operating, selling and administrative expenses

The main components are as follows:

	Three-month periods ended June 30		Six-month periods ended June 30	
	2012	2011	**2012**	2011
Employee and sales commission costs	**$ 40,631**	$ 37,405	**$ 83,883**	$ 73,644
Royalties, rights and production costs	**33,530**	34,144	**84,882**	76,455
Printing and distribution	**4,523**	5,317	**12,442**	10,642
Marketing, advertising and promotion	**4,061**	3,414	**9,376**	8,023
Transmission and microwave expenses	**1,603**	1,426	**3,565**	2,571
Other	**11,370**	13,478	**25,136**	26,386
	$ 95,718	$ 95,184	**$ 219,284**	$ 197,721

4. Financial expenses

	Three-month periods ended June 30		Six-month periods ended June 30	
	2012	2011	**2012**	2011
Interest on long-term debt	**$ 1,282**	$ 1,349	**$ 2,698**	$ 2,716
Amortization of financing costs	**107**	89	**208**	179
Other	**42**	4	**44**	13
	$ 1,431	$ 1,442	**$ 2,950**	$ 2,908

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

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

During the three-month period ended June 30, 2011, the Corporation recorded an impairment expense related to its broadcast rights inventories in the amount of $330,000 following the discontinuation of the operations of the over-the-air station “SUN TV.”

6. Impairment of goodwill

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

7. Long-term debt

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

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

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

8. Capital stock

(a) Authorized capital stock

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

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

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

(b) Issued and outstanding capital stock

	June 30, 2012	December 31, 2011
4,320,000 class A common shares	$ **72**	$ 72
19,450,906 class B shares	**98,575**	98,575
	$ **98,647**	$ 98,647

c) Share redemption

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

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

8. Capital stock (continued)

(d) Earnings per share attributable to shareholders

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

	Three-month periods ended June 30		Six-month periods ended June 30	
	2012	2011	**2012**	2011
Net income (loss) attributable to shareholders	**$ 23,676**	$ 13,795	**$ (15,665)**	$ 14,127
Weighted average number of basic and diluted shares outstanding	**23,770,906**	23,770,906	**23,770,906**	23,770,906
Basic and diluted earnings per share attributable to shareholders (in dollars)	**$ 1.00**	$ 0.58	**$ (0.66)**	$ 0.59

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

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

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

	Six-month period ended June 30, 2012			
	Class B stock options		Quebecor Media stock options	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Balance as of December 31, 2011	833,610	$ 16.35	393,252	$ 46.66
Cancelled	(14,189)	16.84	–	–
Options related to SUN News' corporate executive (note 10)	–	–	(11,000)	50,10
Balance as of June 30, 2012	**819,421**	**$ 16.34**	**382,252**	**$ 46.56**

Of the number of options outstanding as at June 30, 2012, 706,077 Class B stock options at an average exercise price of $16.58 and 175,449 Quebecor Media stock options at an average price of $46.24 could be exercised.

During the three-month and six-month periods ended June 30, 2012, none of the Quebecor Media stock options were exercised (during the six-month period ended June 30, 2011, 15,230 stock options were exercised for $108,000).

During the three-month and six-month periods ended June 30, 2012, the Corporation recorded compensation expense reversals of $250,000 and $245,000 respectively (compared with reversals of $826,000 and $741,000 respectively in the same periods of 2011) in relation to the Corporation's Class B stock options as well as a compensation expense reversal of $50,000 and a compensation charge of $546,000 respectively (compared with compensation charge reversals of $636,000 and $261,000 respectively for the same periods of 2011) in relation to Quebecor Media stock options.

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

10. Related party transactions

Capital contributions to SUN News

During the three-month period ended June 30, 2012, the partners in SUN News made a capital contribution of $3,600,000 (nil in 2011), including $1,836,000 from the Corporation and $1,764,000 from Sun Media Corporation, a company under common control. During the six-month period ended June 30, 2012, the partners in SUN News made a capital contribution of $7,200,000 ($6,000,000 in 2011), including $3,672,000 from the Corporation ($3,060,000 in 2011) and $3,528,000 from Sun Media Corporation ($2,940,000 in 2011).

Disposal of interest in SUN News

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

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

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

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

11. Segmented information

The Corporation's operations consist of the following segments:

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

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

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

	Three-month periods ended June 30		Six-month periods ended June 30	
	2012	2011	**2012**	2011
Revenues				
Television	**$ 99,132**	$ 100,734	**$ 201,952**	$ 192,007
Publishing	**17,213**	17,829	**33,119**	34,698
Intersegment items	**(966)**	(1,015)	**(1,880)**	(2,060)
	115,379	117,548	**233,191**	224,645
Operating, selling and administrative expenses				
Television	**82,093**	81,442	**188,639**	169,849
Publishing	**14,591**	14,757	**32,525**	29,932
Intersegment items	**(966)**	(1,015)	**(1,880)**	(2,060)
	95,718	95,184	**219,284**	197,721
Income before amortization, financial expenses, impairment of goodwill, gain on disposals of businesses, restructuring costs of operations, impairment of assets and other costs, income taxes and share of income of associated corporation				
Television	**17,039**	19,292	**13,313**	22,158
Publishing	**2,622**	3,072	**594**	4,766
	$ 19,661	$ 22,364	**$ 13,907**	$ 26,924

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

11. Segmented information (continued)

	June 30, 2012	December 31, 2011
Total assets		
Television	**$ 444,048**	$ 449,943
Publishing	**55,220**	83,910
	$ 499,268	$ 533,853
Goodwill		
Television	**$ 2,539**	$ 2,539
Publishing	**37,242**	69,442
	$ 39,781	$ 71,981

12. Disposal of businesses

On December 22, 2011, the Corporation announced an agreement to sell its 51% interest in The Cave and its 50% interest in Mystery TV to the other partner in the joint ventures, Shaw Media Global Inc. The sale closed on May 31, 2012, following Canadian Radio-television and Telecommunications Commission approval, and a gain on disposal of businesses of $12,881,000 before income taxes was recorded. The transaction did not give rise to any income tax charge because the Corporation used unrecorded capital losses to eliminate the capital gains tax on disposal of businesses. The sale generated net cash flows in the amount of $17,898,000; proceeds from disposal of $20,963,000 less $3,065,000 in cash at the time of the sale.

CORPORATE PROFILE

TVA Group Inc. (“TVA Group” or the “Corporation”), a subsidiary of Quebecor Media Inc. (“QMI”), is a communications company with operations in two business segments: Television and Publishing. In the Television segment, the Corporation creates, produces and broadcasts entertainment, information and public affairs programming and distributes audiovisual products and films, in addition to its commercial production and home shopping operations. It operates North America’s largest private French-language television network, as well as 8 specialty services and since June 30, 2012, holds also a minority interest in the English-language specialty service SUN News Network “SUN News”. TVA Group also holds a minority interest in the Évasion specialty service. In the Publishing segment, TVA produces over 75 magazines, making it Quebec’s largest publisher of French-language magazines. It also offers custom publishing, commercial printed production services and premedia services that promote customers’ trademarks through print media. The Corporation’s Class B shares are listed on the Toronto Stock Exchange under the ticker symbol TVA.B.

This Management’s Discussion and Analysis covers the main activities of the second quarter of 2012 and the major changes from the previous financial year. The Corporation’s condensed consolidated financial statements for the three-month and six-month periods ended June 30, 2012 and 2011 have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

All the amounts presented in this Management’s Discussion and Analysis are in Canadian dollars. This report should be read in conjunction with the information in the Consolidated Financial Statements and the annual Management Discussion and Analysis for the financial year ended December 31, 2011 and in the Condensed Consolidated Financial Statements ended June 30, 2012.

BUSINESS SEGMENTS

The Corporation’s operations consist of the following segments:

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

HIGHLIGHTS SINCE END OF FIRST QUARTER 2012

- On June 28, 2012, the Canadian Radio-television and Telecommunications Commission ("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 of the Corporation's interest in the specialty services "The Cave" and "Mystery TV" to Shaw Media Global Inc. closed. The Corporation received the proceeds from the disposal in June 2012.

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

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 reported by other companies with similar standards.

Operating income (loss)

In its analysis of operating results, the Corporation defines operating income (loss) as net income (loss) attributable to shareholders before amortization of property, plant and equipment and intangible assets, financial expenses, impairment of goodwill, gain on disposals of businesses, restructuring costs of operations, impairment of assets and other costs, income taxes, share of income of associated corporation and net loss attributable to non-controlling interest. Operating income (loss) as defined above is not a measure of results that is consistent with IFRS. Neither is it intended to be regarded as an alternative to other financial performance measures or to the statement of cash flows as a measure of liquidity. This measure is not intended to represent funds available for debt service, dividend payment, reinvestment or other discretionary uses, and should not be considered in isolation or as a substitute for other performance measures prepared in accordance with IFRS. Operating income (loss) is used by the Corporation because management believes it is a meaningful measure of performance. This measure is used by management and the Board of Directors to evaluate the Corporation's consolidated results and the results of its segments. Measurements such as operating income (loss) are also commonly used by the investment community to analyze and compare the performance of companies in the industries in which the Corporation is active. The Corporation's definition of operating income (loss) may not be identical to similarly titled measures reported by other companies.

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

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

	Three-months ended June 30		Six-months ended June 30	
	2012	2011	**2012**	2011
Operating income (loss) :				
Television	**$ 17,039**	$ 19,292	**$ 13,313**	$ 22,158
Publishing	**2,622**	3,072	**594**	4,766
	19,661	22,364	**13,907**	26,924
Amortization of property, plant and equipment and intangible assets	**5,242**	4,211	**10,459**	8,248
Financial expenses	**1,431**	1,442	**2,950**	2,908
Gain on disposal of businesses	**(12,881)**	–	**(12,881)**	–
Impairment of goodwill	**–**	–	**32,200**	–
Restructuring costs of operations, impairment of assets and other costs	**–**	321	**117**	321
Income taxes	**4,572**	5,626	**1,469**	5,797
After-tax share of income of associated corporation	**(142)**	(201)	**(328)**	(471)
Non-controlling interest	**(2,237)**	(2,830)	**(4,414)**	(4,006)
Net income (loss) attributable to shareholders	**$ 23,676**	$ 13,795	**$ (15,665)**	$ 14,127

ANALYSIS OF CONSOLIDATED RESULTS

2012/2011 second quarter comparison

Operating revenues: $115,379,000, a decrease of $2,169,000 (-1.8%).

- $1,602,000 (-1.6%) decrease in the Television segment (Table 2), due mainly to an 8.0% decrease in TVA Network’s advertising revenues, partially offset by a 26.5% increase in operating revenues at the specialty services.
- $616,000 (-3.5%) decrease in the Publishing segment (Table 2), primarily due to a 12.5% decrease in newsstand revenues.

Table 2
Operating revenues
(in thousands of dollars)

	Three-months ended June 30		Six-months ended June 30	
	2012	2011	**2012**	2011
Television	**$ 99,132**	$ 100,734	**$ 201,952**	$ 192,007
Publishing	**17,213**	17,829	**33,119**	34,698
Intersegment items	**(966)**	(1,015)	**(1,880)**	(2,060)
	$ 115,379	$ 117,548	**$ 233,191**	$ 224,645

Operating income: $19,661,000, a $2,703,000 decrease compared with the same quarter of 2011.

- $2,253,000 decrease in the Television segment (Table 3), mainly because of:
  - operating loss of the "TVA Sports" service, launched in September 2011;

  Partially offset by:
  - operating income growth at all the other specialty services; and
  - decreased operating loss at SUN News due to subscription fees collected in the second quarter of 2012, whereas the service was offered free of charge in the second quarter of 2011.
- $450,000 decrease in the Publishing segment (Table 3), mainly because of the impact of lower operating revenues in the segment in the second quarter.

Table 3
Operating income
(in thousands of dollars)

	Three-months ended June 30		Six-months ended June 30	
	2012	2011	**2012**	2011
Television	**$ 17,039**	$ 19,292	**$ 13,313**	$ 22,158
Publishing	**2,622**	3,072	**594**	4,766
	$ 19,661	$ 22,364	**$ 13,907**	$ 26,924

Net income attributable to shareholders: $23,676,000 ($1.00 per basic and diluted share) in the second quarter of 2012, compared with $13,795,000 ($0.58 per basic and diluted share) in the same period of 2011.

- The $9,881,000 ($0.42 per basic and diluted share) increase was essentially due to:
  - $12,881,000 gain on disposal of interest in the "Mystery TV" and "The Cave" specialty services;
  - $1,054,000 decrease in income taxes;

  Partially offset by:
  - $1,031,000 increase in amortization expense;
  - $2,703,000 decrease in operating income.
- The calculation of earnings per share was based on a weighted average of 23,770,906 outstanding diluted shares for the quarters ended June 30, 2012 and 2011.

Amortization of property, plant and equipment and intangible assets: $5,242,000, an increase of $1,031,000.

- The increase mainly reflects increased acquisitions of property, plant and equipment and intangible assets in connection with the Corporation's capital expenditures plan for the transition to high definition ("HD") broadcasting and production, for specialty services launches and for the installation of application software.

Financial expenses: $1,431,000, an $11,000 decrease.

- The decrease was mainly due to the receipt of proceeds from disposal related to the sale of the Corporation's interest in "Mystery TV" and "The Cave" at the beginning of June, resulting in lower indebtedness in the last month of the quarter.

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

Restructuring costs of operations, impairment of assets and other costs: nil in the second quarter of 2012, compared with $321,000 in the same quarter of 2011.

- The favourable variance was due to recognition in the second quarter of 2011 of an impairment expense related to the broadcast rights inventory of the former English-language over-the-air station "SUN TV".

Income tax expense: $4,572,000 (effective tax rate of 17.7%) for the second quarter of 2012 compared with $5,626,000 (effective tax rate of 34.3%) for the same period of 2011.

- The tax rate was lower than the Corporation's statutory tax rate of 26.9% mainly because of the use of unrecorded capital losses to eliminate capital gains tax on the disposal of businesses.

After-tax share of income of associated corporation: $142,000 in the second quarter of 2012, a $59,000 decrease, reflecting weaker operating results of a television company compared with the same period of 2011.

Non-controlling interest: $2,237,000 in the second quarter of 2012, compared with $2,830,000 in the same quarter of 2011.

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

2012/2011 year-to-date comparison

Operating revenues: $233,191,000, an increase of $8,546,000 (3.8%).

- $9,945,000 (5.2%) increase in the Television segment (Table 2), due mainly to a 30.6% revenue increase at the specialty services, generated largely by "TVA Sports" and "Mlle."
- $1,579,000 (-4.6%) decrease in the Publishing segment (Table 2), primarily due to a 9.1% decrease in newsstand revenues and a 12.0% decrease in advertising revenues.

Operating income: $13,907,000, a $13,017,000 decrease compared with the same semester of 2011.

- $8,845,000 decrease in the Television segment (Table 3), mainly because of:
    - operating loss of the "TVA Sports" service, launched in September 2011;
    - $1,200,000 decrease in TVA Network's operating income;

  Partially offset by operating income growth at all the other specialty services.
- $4,172,000 decrease in the Publishing segment (Table 3), mainly attributable to:
    - impact of recognition of the charge resulting from the adoption of new 2010, 2011 and 2012 rates for business contributions towards the costs of waste recovery services provided by Quebec municipalities;
    - impact of a decrease in operating revenues in this segment during this period.

Net (loss) income attributable to shareholders: ($15,665,000) (-$0.66 per basic and diluted share) for the first half of 2012, compared with $14,127,000 ($0.59 per basic and diluted share) in the same period of 2011.

- The negative variance of $29,792,000 ($1.25 per basic and diluted share) was essentially due to:

    - $32,200,000 goodwill impairment charge in the Publishing segment recorded in the first quarter of 2012;
    - $13,017,000 decrease in operating income;
    - $2,211,000 increase in amortization expense;

  Partially offset by:

    - $12,881,000 gain on disposal of interest in the "Mystery TV" and "The Cave" specialty services;
    - $4,328,000 decrease in income taxes.

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

Amortization of property, plant and equipment and intangible assets: $10,459,000, an increase of $2,211,000, essentially because of the same factors as those noted above in the 2012/2011 second quarter comparison.

Financial expenses: $2,950,000, a $42,000 increase.

- The increase was mainly due to a higher average long-term debt balance in the first half of 2012 than in the same period of 2011, despite the Corporation's lower borrowing cost on its long-term debt following the renewal of its revolving term loan in the first quarter of 2012.

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

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

- Operating costs in this segment were adversely affected by the adoption in 2012 of new 2010, 2011 and 2012 rates for business contributions towards the cost of waste recovery services provided by Quebec municipalities, and the Corporation had to review its business plan and perform 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.

Restructuring costs of operations, impairment of assets and other costs: $117,000, a $204,000 decrease.

- The favourable variance was due to recognition in the second quarter of 2011 of a $321,000 impairment expense related to the broadcast rights inventory of the former English-language over-the-air station "SUN TV", compared with recognition in the first quarter of 2012 of a $117,000 provision for restructuring costs of operations in connection with the elimination of a number of positions in the Publishing segment.

Income tax expense: $1,469,000 (effective tax rate of -7.8%) for the first six months of 2012, compared with $5,797,000 (effective tax rate of 37.5%) for the same period of 2011.

- The tax rate was lower than the Corporation's statutory tax rate of 26.9% essentially because of the net effect of non-deductible impairment of goodwill and the use of unrecorded capital losses to eliminate capital gains tax on the disposal of businesses.

After-tax share of income of associated corporation: $328,000 in the first six months of 2012, a $143,000 decrease, reflecting weaker operating results of a television company compared with the same period of 2011.

Non-controlling interest: $4,414,000 for the first six months of 2012, compared with $4,006,000 for the same period of 2011.

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

SEGMENTED ANALYSIS

Television

2012/2011 second quarter comparison

Operating revenues: $99,132,000, a decrease of $1,602,000 (-1.6%) due mainly to an 8.0% decrease in TVA Network's advertising revenues;

Partially offset by:

- 38.9% increase in subscription revenues from the specialty services:
  - the new "TVA Sports" and "Mlle" services accounted for 73.1% and 16.1% of the increase respectively;
  - 55.9% increase at the "Yoopa" service;
  - "Casa," "LCN," "addik^{TV}" and "prise 2" registered increases of 17.9%, 12.4%, 11.9% and 9.1% respectively, while "Argent" registered a 33.2% decrease.
- 11.5% increase in advertising revenues at the specialty services, led by "TVA Sports" which accounted for 71.1% of the increase; advertising revenues also grew by 104.2% at "addik^{TV}" and 53.5% at "Casa."
- Significant increase in revenues at SUN News largely because of subscriptions, as the service was offered free of charge during the same period of 2011.

In the second quarter of 2012, combined revenues from the specialty services (including SUN News) accounted for slightly less than 25% of the Television segment's total revenues.

French-language market ratings

TVA Group's total market share for the period of April 2 to July 1, 2012 was 31.5, compared with 30.9 in the same period of 2011, despite strong competition in the television market. The TVA Group's French-language specialty services had a combined market share of 9.7, compared with 7.6 in the same period of 2011, a 27.6% increase. "LCN" had a 5.2 share, 1.4 points more than its main rival, "RDI." The "addik^{TV}" service continued to grow, increasing its share to 1.7, "prise 2" reached 1.1, and the new "TVA Sports" service reached 0.6. Overall, the specialty services increased their share of the French-language market by 3.7 points while the conventional stations dropped 2.6 points.

TVA Network's market share decreased by 1.5 points compared with the same period of 2011, while the V Network increased by 0.2 points and Société Radio-Canada ("SRC") decreased by 1.3 points. TVA Network average market share was 21.8, more than the other two conventional networks combined. It carried 22 of the 30 most-watched programs in Quebec during the second quarter, including *Le Gala Artis 2012, Le tapis Rouge, La Promesse, Destinées, Accès VIP* and *Testé sur des humains,* each of which drew more than a million viewers.

Table 4
French-language market ratings

Spring 2012 vs Spring 2011
Market shares (%)

	2012	2011	Var.%	Difference
French-language conventional broadcasters				
TVA	**21.8**	23.3	-6.4%	-1.5
SRC	**10.7**	12.0	-10.8%	-1.3
V	**8.0**	7.8	+2.6%	+0.2
Total	**40.5**	43.1	-6.0%	- 2.6
French-language specialty				
TVA	**9.7**	7.6	+27.6%	+2.1
Astral	**24.7**	23.0	+7.4%	+1.7
Other	**14.9**	15.0	-0.7%	-0.1
Total	**49.3**	45.6	+8.1%	+3.7
Total English-language and others	**10.2**	11.3	-9.7%	-1.1
TVA Group	**31.5**	30.9	+1.9%	+0.6

Source: BBM Ratings. French Quebec, April 2 to July 1, 2012, Mon. – Sun. 2 a.m.–2 a.m., t2+.

Operating expenses: $82,093,000, an increase of $651,000 (0.8%).

- The increase was due primarily to:
  - 52.7% increase in operating expenses at the specialty services, mainly reflecting the operating costs of the new “TVA Sports” service, which was not in operation in the second quarter of 2011;

Partially offset by:

  - 14.6% decrease in operating expenses at TVA Network, related largely to its programming schedule (9.0%), as well as selling costs and general administrative expenses;
  - 29.8% decrease in operating costs at the TVA Films division due to lower volume.

Operating income: $17,039,000, a decrease of $2,253,000 primarily due to:

  - operating loss of the new “TVA Sports” service;

Partially offset by:

  - 62.3% increase in operating income at the other French-language specialty services;
  - 21.0% decrease in the operating loss of SUN News because of the subscription fees now charged for the service; and

- 1.9% increase in operating income at TVA Network despite the decrease in advertising revenues.

Analysis of cost/revenue ratio: Operating costs for the Television segment's activities (expressed as a percentage of revenues) increased from 80.8% during the three-month period ended June 30, 2011 to 82.8% in the same period of 2012. The increase was essentially due to the operating costs of the new "TVA Sports" service, combined with decreased advertising revenues at TVA Network during the quarter.

2012/2011 year-to-date comparison

Operating revenues: $201,952,000, an increase of $9,945,000 (5.2%), mainly due to the following factors:

- 41.0% increase in subscription revenues from the specialty services:
  - the new "TVA Sports" and "Mlle" services accounted for 70.6% and 14.2% of the increase respectively;
  - 52.9% increase at the "Yoopa" service;
  - "Casa," "LCN," "addik^{TV}" and "prise 2" recorded increases of 41.1%, 5.8%, 13.1% and 10.8% respectively, while "Argent" recorded a 35.5% decrease.
- 17.1% increase in advertising revenues at the specialty services, led by "TVA Sports," which accounted for 57.0% of the increase; advertising revenues also grew by 104.4% at "addik^{TV}" and by 78.7% at "Casa."
- 66.0% net increase in the combined revenues of SUN News and "SUN TV," as SUN News was offered free of charge during the same period of 2011;

Partially offset by a decrease in production revenues.

In the first half of 2012, total revenues from the specialty services (including SUN News) accounted for 23.3% of the Television segment's total revenues.

Operating expenses: $188,639,000, an increase of $18,790,000 (11.1%).

- The increase was due primarily to:
  - 63.8% increase in operating expenses at the specialty services due in large part to the operating costs of the new "TVA Sports" service, which was not in operation during the first half of 2011, the costs of the "Mlle" service, launched in May 2011, and certain investments in the program schedules of the "Casa" and "addik^{TV}" services;
  - 12.0% increase in the combined operating expenses of SUN News and "SUN TV," as the new news service was launched in mid-April 2011;

Partially offset by:

- 1.7% decrease in operating expenses at TVA Network, largely related to production activities and general administration;
- 23.0% decrease in operating costs at TVA Films due to lower volume.

Operating income: $13,313,000, a decrease of $8,845,000, primarily due to:

- operating loss of the new "TVA Sports" service;

- 4.9% decrease in operating income at TVA Network, essentially due to a 3.8% increase in its programming costs, combined with a slight 0.3% increase in its advertising revenues;

Partially offset by 39.0% growth in operating income at the other specialty services.

Analysis of cost/revenue ratio: Operating costs for the Television segment's activities (expressed as a percentage of revenues) increased from 88.5% during the six-month period ended June 30, 2011 to 93.4% in the same period of 2012. The increase was essentially due to an increase in the operating costs of TVA Group's new specialty services that was greater than the increase in their subscription and advertising revenues.

Publishing

2012/2011 second quarter comparison

Operating revenues: $17,213,000, a decrease of $616,000 (-3.5%) due mainly to the following factors:

- 12.5% decrease in newsstand revenues, mainly at the entertainment and women's magazines;
- 8.1% decrease in advertising revenues, spread across all magazine categories;

Partially offset by:

- 69.1% increase in revenues at the TVA Studio division, largely related to premedia services; and
- 37.2% increase in grant revenues from the Canada Periodical Fund "CPF".

Readership and market share statistics

- Together, TVA Publications magazines hold 47% of cumulative monthly Quebec Francophone readership, according to data compiled by the PMB (Print Measurement Bureau – Spring 2012).
- Our weeklies reach close to 2.4 million Canadian readers cumulatively per week according to PMB (Print Measurement Bureau – Spring 2012). The showbiz and celebrity news magazine *7 Jours* alone has 812,000 readers.
- TVA Publications is the circulation leader in the Quebec market for French-language magazines with over 70% of total unit sales and 49% of newsstand sales (source: Audit Bureau of Circulation, December 31, 2011).

Operating expenses: $14,591,000, a decrease of $166,000 (-1.1%).

- The decrease was due primarily to:
  - downward adjustment of the liability recorded in the first quarter of 2012 in connection with the new 2010, 2011 and 2012 rates for business contributions towards the cost of waste recovery services provided by Quebec municipalities (Bill 88);
  - lower printing costs related to rate reductions, additional volume discounts and a decrease in the number of pages;

  Partially offset by:
  - increase in operating expenses related to higher volume at the TVA Studio division (premedia services);
  - increase in editorial and graphic costs, largely because of labour and reproduction rights.

Operating income: $2,622,000, a $450,000 decrease due primarily to the decline in operating revenues, largely because of lower newsstand sales and advertising revenues.

Analysis of cost/revenue ratio: Operating costs for the Publishing segment's activities (expressed as a percentage of revenues) were 84.8% in the second quarter of 2012, compared with 82.8% in the same period of 2011. The increase was essentially due to the fact that operating expenses cannot be adjusted at the same pace as the decrease in newsstand revenues in the short term.

2012/2011 year-to-date comparison

Operating revenues: $33,119,000, a decrease of $1,579,000 (-4.6%) due mainly to the following factors:

- 9.1% decrease in newsstand revenues mainly at the entertainment magazines;
- 12.0% decrease in advertising revenues; the largest declines were at the decorating and women's magazines;

Partially offset by:

- 51.9% increase in revenues at the TVA Studio division, largely related to premedia services; and
- 28.1% increase in grant revenues from the Canada Periodical Fund "CPF".

Canada Periodical Fund (CPF)

The Government of Canada launched the Canada Periodical Fund "CPF" on April 1, 2010. The CPF provides financial assistance to the Canadian magazine and non-daily newspaper industries so they can continue to produce and distribute Canadian content. All assistance related to this new program is now fully recorded under operating revenues. It amounted to 8.5% of the segment's operating revenues for the six-month period ended June 30, 2012 (6.4% in the same period of 2011).

Operating expenses: $32,525,000, an increase of $2,593,000 (8.7%).

- The increase was due primarily to:
  - $2,969,000 charge recorded in relation to the adoption of new 2010, 2011 and 2012 rates for business contributions towards the cost of waste recovery services provided by Quebec municipalities (Bill 88), of which $2,294,000 is attributable to 2010 and 2011;
  - increase in operating expenses related to higher volume at the TVA Studio division (premedia services);

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

Operating income: $594,000, a $4,172,000 decrease due primarily to:

- lower operating revenues, largely because of decreased newsstand sales and advertising revenues;
- impact of recognition of the charge resulting from the adoption of new 2010, 2011 and 2012 rates for business contributions towards the cost of waste recovery services (Bill 88).

Analysis of cost/revenue ratio: Operating costs for the Publishing segment's activities (expressed as a percentage of revenues) were 98.2% during the first six months of 2012, compared with 86.3% in the same period of 2011. Excluding the liability recorded in relation to Bill 88, the figure for the first six months of 2012 is 89.2%. The increase is essentially due to the same factors as those noted above in the discussion of the quarterly results.

CASH FLOWS AND FINANCIAL POSITION

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

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

	Three-months ended June 30		Six-months ended June 30	
	2012	2011	**2012**	2011
Cash flows provided by operating activities	**$ 1,379**	$ 36	**$ 4,434**	$ 10,278
Additions to property, plant and equipment and intangible assets	**(7,565)**	(7,673)	**(13,405)**	(16,938)
Disposal of businesses	**17,898**	–	**17,898**	–
Dividend payments	**–**	(2,377)	**–**	(2,377)
Non-controlling interest	**1,764**	–	**3,528**	2,940
Other	**3,105**[1]	(89)	**2,240**[1]	(169)
Reimbursement of (increase in) net debt	**$ 16,581**	$ (10,103)	**$ 14,695**	$ (6,266)

	June 30, 2012	Dec. 31, 2011
Position at the end:		
Long-term debt	**$ 74,973**	$ 74,635
Current portion of long-term debt	**–**	17,756
Bank overdraft	**4,943**	3,980
Less: cash	**–**	(1,756)
Net debt	**$ 79,916**	$ 94,615

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

Operating Activities

Cash flows provided by operating activities: $1,379,000 in the second quarter of 2012, compared with $36,000 in the same quarter of 2011, a $1,343,000 increase.

- The increase was mainly due to the change in non-cash items, specifically accounts receivable.

Cash flows provided by operating activities: $4,434,000 in the first half of 2012, compared with $10,278,000 in the same period of 2011, a $5,844,000 decrease.

- The decrease was mainly due to the decline in operating income, which was partially offset by a favourable variance in non-cash items, specifically accounts payable and accrued liabilities, including rights.

Working capital of TVA Group: $76,068,000 as of June 30, 2012, compared with $66,719,000 as of December 31, 2011.

- The $9,349,000 increase was due primarily to:

- $17,756,000 in drawings on the revolving term loan as of December 31, 2011, which had been included in current liabilities. With the renewal of its revolving term loan for a five-year period in the first quarter of 2012, these amounts are again included in long-term debt;
- the working capital of the assets held for sale as of December 31, 2011, which was cashed and used to reduce drawings on the revolving term loan;

Partially offset by:

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

Investing Activities

Acquisition of property, plant and equipment and intangible assets: $7,565,000 in the second quarter of 2012, compared with $7,673,000 in the same period of 2011, a decrease of $108,000 (-1.4%).

- In the second quarter of 2012, the Corporation continued its program to convert its production equipment to high definition, particularly for its TVA News division and the "LCN" service, in addition to investing in its real estate assets, including the relocation of TVA Publications' offices.

Acquisition of property, plant and equipment and intangible assets: $13,405,000 in the first half of 2012, compared with $16,938,000 in the same period of 2011, a decrease of $3,533,000 (-20.9%).

- The decrease was mainly due to additional technical investments required in 2011 for the introduction of the new specialty services SUN News, "Mlle" and "TVA Sports," as well as the main 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: $17,898,000 for the second quarter and first half of 2012, the 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.

Financing Activities

Long-term debt: Reduced by $17,282,000 as of June 30, 2012 compared with December 31, 2011.

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

Financial position as of June 30, 2012

Net available liquid assets: $96,932,000, consisting of an unused and available revolving term loan.

Long-term debt of the Corporation, excluding deferred financing costs was reduced by $17,282,000 from $92,982,000 as of December 31, 2011 to $75,700,000 as of June 30, 2012 (see "Financing activities" above).

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

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

2013	$	–
2014		–
2015		75,000
2016		–
2017 and thereafter		700
Total	$	75,700

The weighted average term of TVA Group's debt was approximately 2.4 years as of June 30, 2012 (2.5 years as of December 31, 2011). The debt consisted of approximately 99% fixed rate debt (81% as of December 31, 2011) and 1% floating rate debt (19% as of December 31, 2011).

As of June 30, 2012, the consolidated debt ratio, as measured by the debt-to-shareholders' equity ratio, stood at 22:78, or 0.28, compared with 0.26 as of December 31, 2011. The Corporation's management believes that the cash flows generated on an annual basis by continuing operating activities and available sources of financing should be sufficient to meet its commitments in regard to capital investment, working capital, interest payments, debt repayment, pension plan contributions and dividend payments (or distribution of capital) in the future.

Under its credit agreements, the Corporation is subject to certain restrictions, including requirements to maintain certain financial ratios. As of June 30, 2012, the Corporation was in compliance with all the terms of its credit agreements.

Analysis of consolidated balance sheet as of June 30, 2012

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

	June 30, 2012	Dec. 31, 2011	Difference	Main reasons for difference
Assets				
Assets held for sale	**$ –**	$ 8,370	$ (8,370)	Closing of the sale of the Corporation's interest in "The Cave" and "Mystery TV" during the second quarter of 2012.
Investments	**$ 17,696**	$ 12,865	$ 4,831	Impact of loss of control resulting from disposal of a 2% interest in SUN News.
Property, plant and equipment	**$ 96,635**	$ 102,007	$ (5,372)	Removal of SUN News' property, plant and equipment from consolidation as of June 30, 2012.
Goodwill	**$ 39,781**	$ 71,981	$ (32,200)	Impact of the impairment of goodwill in the Publishing segment as a result of impairment test performed in the first quarter of 2012.
Liabilities				
Current portion of long-term debt	**$ –**	$ 17,756	$ (17,756)	Drawings on the revolving term loan as of December 31, 2011.
Non-controlling interest	**$ –**	$ 5,589	$ (5,589)	Impact of loss of control resulting from disposal of a 2% interest in SUN News as of June 30, 2012.

ADDITIONAL INFORMATION

Contractual Obligations

As of June 30, 2012, material contractual commitments of operating activities included capital repayment and interest on long-term debt, payments under distribution and broadcasting rights acquisition contracts, and payments under other contractual commitments, such as operating leases for services and office space. These contractual obligations are summarized in Table 8.

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

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Long-term debt	$ –	$ 75,000	$ 700	$ –	$ 75,700
Interest payments[1]	4,681	7,285	921	–	12,887
Broadcast and distribution rights	37,565	15,722	416	–	53,703
Other commitments	12,201	11,243	3,972	3,970	31,386
Total	$ 54,447	$ 109,250	$ 6,009	$ 3,970	$ 173,676

[1] *Estimated interest payable on floating rate long-term debt is based on interest rates as of June 30, 2012.*

Related Party Transactions

During the second quarter of 2012, the Corporation sold advertising space and content, recorded subscription revenues and provided production, postproduction and other services to companies under common control and affiliated companies in the total amount of $18,964,000 ($15,600,000 in the second quarter of 2011). Transactions with related corporations in the normal course of business are measured at the exchange amount, as negotiated by the parties.

In the second quarter of 2012, the Corporation recorded charges for broadcast rights, telecommunication services, advertising space, commissions on sales and news gathering services under transactions with corporations under common control and affiliated corporations totalling $8,953,000 ($6,515,000 for the second quarter of 2011).

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

During the first half of 2012, the Corporation sold advertising space and content, recorded subscription revenues and provided production, postproduction and other technical services to corporations under common control and affiliated corporations in the total amount of $38,619,000 ($31,609,000 in the first half of 2011).

In the first half of 2012, the Corporation recorded charges for broadcast rights, telecommunication services, advertising space, commissions on sales and news gathering services under transactions with corporations under common control and affiliated corporations totalling $18,849,000 ($14,024,000 for the first half of 2011).

The Corporation also recorded management fees to the parent corporation in the amount of $2,160,000 in the first half of 2012 ($2,160,000 in the first half of 2011).

SUN News

During 2010, the Corporation and Sun Media Corporation, a subsidiary of the parent corporation, QMI, established SUN News. Until June 30, 2012, the Corporation held a 51% interest and Sun Media Corporation a 49% interest. The results of this partnership are fully consolidated in the Corporation's results and Sun Media Corporation's interest is recorded under "Non-controlling interest" in the consolidated statement of income. During the second quarter of 2012, a total capital contribution of $3,600,000 (nil in 2011) was made by the partners, of which $1,836,000 was made by the Corporation and $1,764,000 by Sun Media Corporation.

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

Disposal of businesses

On December 22, 2011, the Corporation announced an agreement to sell its 51% interest in "The Cave" and its 50% interest in "Mystery TV" to the other partner in the joint ventures, Shaw Media Global Inc. The sale closed on May 31, 2012, following CRTC approval, and a gain on disposal of businesses of $12,881,000 before income taxes was recorded. The transaction did not give rise to any income tax charge because the Corporation used unrecorded capital losses to eliminate the capital gains tax on disposal of businesses. The sale generated net cash flows in the amount of $17,898,000; proceeds from disposal of $20,963,000 less $3,065,000 in cash at the time of the sale.

Impairment of goodwill

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

Capital stock

In accordance with Canadian financial reporting standards, Table 9 below presents information on the Corporation's capital stock as of July 31, 2012. In addition, 819,421 Class B stock options and 382,252 QMI stock options were outstanding as of July 31, 2012.

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

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

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

In view of the Corporation's significant investments in capital projects and several specialty service launches, and given the decision by the Board of Directors of TVA Group in the third quarter of 2011 to suspend dividend payments, the Corporation has decided not to renew its Normal Course Issuer Bid.

Disclosure Controls and Procedures

The purpose of internal controls over financial reporting is to provide reasonable assurance as to the reliability of the Corporation's financial reporting and the preparation of its financial statements in accordance with IFRS. No changes to internal controls over financial reporting have come to the attention of management during the three-month period ended June 30, 2012 that have materially adversely affected, or are reasonably likely to materially adversely affect, the Corporation's internal controls over financial reporting.

Additional Information

The Corporation is a reporting issuer under the securities acts of all the provinces of Canada; it is therefore required to file financial statements, an information circular and an annual information form with the various securities regulatory authorities. Copies of those documents are available free of charge from the Corporation on request, and on the Web at www.sedar.com.

Forward-looking Information Disclaimer

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

The forward-looking statements in this document are made to give investors and the public a better understanding of the Corporation's circumstances and are based on assumptions it believes to be reasonable as of the day on which they were made. Investors and others are cautioned that the foregoing list of factors that may affect future results is not exhaustive and that undue reliance should not be placed on any forward-looking statements.

For more information on the risks, uncertainties and assumptions that could cause the Corporation's actual results to differ from current expectations, please refer to the Corporation's public filings, available at www.sedar.com and http://groupetva.ca, including, in particular, the "Risks and Uncertainties" section of the Corporation's annual Management's Discussion and Analysis for the year ended December 31, 2011 and the "Risk Factors" section in the Corporation's 2011 annual information form.

The forward-looking statements in this Management's Discussion and Analysis reflect the Corporation's expectations as of August 7, 2012, and are subject to change after this date. The Corporation expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by the applicable securities laws.

Montreal (Quebec)
August 7, 2012

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

	2012	2011		
	June 30	March 31	Dec. 31	Sept. 30
Operations				
Operating revenues	**$ 115,379**	$ 117,812	$ 131,636	$ 89,214
Operating income (loss)	**$ 19,661**	$ (5,754)	$ 20,657	$ 2,943
Net income (loss) attributable to shareholders	**$ 23,676**	$ (39,341)	$ 11,468	$ 8
Basic per-share data				
Basic earnings per share	**$ 1.00**	$ (1.66)	$ 0.48	$ –
Weighted average number of outstanding shares (in thousands)	**23,771**	23,771	23,771	23,771
Diluted per-share data				
Diluted earnings per share	**$ 1.00**	$ (1.66)	$ 0.48	$ –
Weighted average number of outstanding diluted shares (in thousands)	**23,771**	23,771	23,771	23,771

	2011	2010		
	June 30	March 31	Dec. 31	Sept. 30
Operations				
Operating revenues	$ 117,548	$ 107,097	$ 133,387	$ 94,277
Operating income	$ 22,364	$ 4,560	$ 29,132	$ 13,169
Net income attributable to shareholders	$ 13,795	$ 332	$ 19,305	$ 5,530
Basic per-share data				
Basic earnings per share	$ 0.58	$ 0.01	$ 0.81	$ 0.23
Weighted average number of outstanding shares (in thousands)	23,771	23,771	23,771	23,771
Diluted per-share data				
Diluted earnings per share	$ 0.58	$ 0.01	$ 0.81	$ 0.23
Weighted average number of outstanding diluted shares (in thousands)	23,771	23,771	23,771	23,771

- Most of the Corporation's operating revenues are derived from the sale of advertising or advertising services. These advertising revenues are usually seasonal and are impacted by the cyclical nature and economic character of the industry and of the markets in which the advertisers operate. The Corporation's second and fourth quarters are customarily the most favourable periods for advertising revenues, especially for the Television segment. Furthermore, the Corporation is investing in the launch of new specialty services in the Television segment. During the period immediately following the launch of a new specialty service, subscription revenues are always relatively modest, while initial operating expenses may prove more substantial.

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