



MANAGEMENT'S DISCUSSION AND ANALYSIS

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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: Broadcasting & Production and Magazines. In the Broadcasting & Production segment, the Corporation creates, produces and broadcasts entertainment, information and public affairs programming, leases soundstages and equipment, provides multimedia postproduction services, distributes audiovisual products and films, and is engaged in commercial production. It operates North America’s largest private French-language television network, as well as nine specialty services. TVA Group also holds minority interests in the Évasion specialty service and in the English-language specialty service SUN News Network (“SUN News”). In the Magazines segment, TVA Group publishes over 50 titles, making it Quebec’s largest publisher of French-language magazines. The Corporation’s Class B shares are listed on the Toronto Stock Exchange under ticker symbol TVA.B.

This Management’s Discussion and Analysis covers the Corporation’s main activities during the year ended December 31, 2014, and the major changes from the previous financial year. The Corporation’s consolidated financial statements for the years ended December 31, 2014, 2013 and 2012 have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

All 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, 2014.

BUSINESS SEGMENTS

During the third quarter of 2014, management changed the names of the Corporation’s business segments to better reflect operational realities. The Television segment is now called Broadcasting & Production and the Publishing segment is now called Magazines.

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

The Corporation’s business segments are:

- The **Broadcasting & Production segment**, which includes the operations of TVA Network (including the subsidiaries and divisions TVA Productions Inc., TVA Sales and Marketing Inc., TVA Nouvelles and TVA Interactif), specialty services, the marketing of digital products associated with the various televisual brands, the commercial production and dubbing operations of TVA Accès Inc., the distribution of audiovisual products by the TVA Films division, the home and online shopping services of the TVA Boutiques division up to the second quarter of 2013, and the soundstage and equipment leasing and postproduction services provided by Montréal Studios et Équipements s.e.n.c. since December 30, 2014.
- The **Magazines segment**, which includes the operations of TVA Publications Inc. (“TVA Publications”) and Les Publications Charron & Cie Inc. (“Publications Charron”), which publish French-language magazines in various fields such as the arts, entertainment, television, fashion and decoration, and market digital products associated with the various magazine brands.

HIGHLIGHTS SINCE END OF 2013

- On February 13, 2015, Sun Media Corporation announced the closure of SUN News in which TVA Group holds a 49% interest. Remember that on October 2, 2014, the Canadian Radio-television and Telecommunications Commission (“CRTC”) announced its decision in the SUN News versus Rogers and Telus arbitration case concerning carriage fees for SUN News. The CRTC ruled in favour of SUN News in its dispute with Telus. However, the CRTC ruled in favour of Rogers and granted a smaller increase than what SUN News had asked for.
- On February 4, 2015, TVA Group filed a final short form prospectus with the securities regulatory authorities in the Canadian provinces in connection with a proposed rights offering, in which all holders of TVA’s outstanding shares as of February 18, 2015 received rights to subscribe for Class B non-voting shares, for aggregate gross proceeds of approximately \$110 million (the “Rights Offering”). The final short form prospectus and relevant documentation were mailed on February 23, 2015 to all holders of Class A shares and class B non-voting shares of TVA Group. In accordance with a standby commitment agreement entered into with TVA Group, Quebecor Media provided a standby commitment pursuant to which Quebecor Media will be required to acquire all Class B non-voting shares not subscribed for under the Rights Offering, subject to certain conditions.
- On December 30, 2014, TVA Group acquired substantially all of the assets (including certain operational liabilities) of Vision Globale A.R. ltée (“Vision Globale”) for a total purchase price of \$116,139,000 in cash, (“acquisition of VG”). Vision Globale operates in the film and television industry, offering soundstage and equipment leasing, postproduction and visual effects services.
- On November 17, 2014, the Corporation announced an agreement with Transcontinental Inc. (“Transcontinental”) to acquire 15 magazines for a cash consideration of \$55.5 million. The transaction is however subject to Competition Bureau approval. Pending approval, the seller will continue to operate those magazines.
- On November 3, 2014, TVA Group changed the terms and conditions of its bank credit facilities to increase the size of its revolving credit facilities from \$100 million to \$150 million, to extend their term by 2 years until February 24, 2019, and to replace the existing \$75 million term loan maturing on December 11, 2014 by a new term loan of an equivalent amount maturing on November 3, 2019.
- On October 8, 2014, TVA Sports broadcast its first National Hockey League (“NHL”) game, under an agreement as of July 1, 2014. TVA Sports became the official French-language broadcaster of the NHL for the next 12 years. TVA Sports will broadcast more than 275 NHL games per year, including Montréal Canadiens Saturday night games, the playoffs, the Stanley Cup final and major NHL events.
- During the third quarter of 2014, the Corporation continued to be negatively affected by declining advertising revenues, particularly at its over-the-air television network. The Corporation therefore reviewed its business plan and operating forecasts and recorded a non-cash charge totalling \$41 million for impairment of a licence and goodwill in its Broadcasting & Production segment.
- On July 30, 2014, Monsieur Pierre Dion resigned from his President, CEO and administrator position of the corporation. Madam Julie Tremblay was named President, CEO and administrator of the corporation.
- On June 25, 2014, TVA Group announced an agreement with Cogeco Cable Canada whereby Cogeco’s Québec customers obtained access to various TVA content on demand as of September 1, 2014. The Corporation and Cogeco Cable Canada also announced renewal of their agreement for live carriage of the “TVA Sports” specialty service, including “TVA Sports 2” as of September 2014.
- On April 28, 2014, Quebecor Inc. (“Quebecor”) announced major management changes at the corporation and its subsidiaries. Pierre Dion, President and Chief Executive Officer of TVA Group, was appointed President and

Chief Executive Officer of Quebecor. Pierre Dion continued serving as President and Chief Executive Officer of TVA Group until his successor was named on July 30, 2014.

- On April 14, 2014, TVA Group announced an agreement with Telus to give OPTIK subscribers on demand access to TVA content starting April 15. The Corporation and Telus also reached a new agreement for live distribution of the TVA Sports and TVA Sports 2 specialty services.
- On March 10, 2014, Sylvie Lalande was appointed Chairperson of the Board of the Corporation, replacing Pierre Karl Péladeau, who resigned as of March 9, 2014.

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's method of calculating non-IFRS financial measures may differ from the methods used by other companies and, as a result, the financial measures presented in this Management's Discussion and Analysis may not be comparable to other measures with similar names reported by other companies.

Adjusted operating income (loss)

In its analysis of operating results, the Corporation defines adjusted operating income (loss) as net income (loss) before depreciation of property, plant and equipment, amortization of intangible assets, financial expenses, operational restructuring costs, impairment of assets and other costs, income taxes and share of loss (income) of associated corporations. Adjusted operating income (loss) as defined above is not a measure of results that is consistent with IFRS. Neither is it intended to be regarded as an alternative to other financial performance measures or to the statement of cash flows as a measure of liquidity. This measure should not be considered in isolation or as a substitute for other performance measures prepared in accordance with IFRS. This measure is used by management and the Board of Directors to evaluate the Corporation's consolidated results and the results of its segments. This measure eliminates the significant level of impairment, depreciation and amortization of tangible and intangible assets and is unaffected by the capital structure or investment activities of the Corporation and its segments. Adjusted operating income (loss) is also relevant because it is a significant component of the Corporation's annual incentive compensation programs. The Corporation's definition of adjusted operating income (loss) may not be identical to similarly titled measures reported by other companies.

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

Table 1**Reconciliation of the adjusted operating income measure used in this report to the net (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	
	2014	2013	2014	2013
Adjusted operating income:				
Broadcasting and Production	\$ 19,728	\$ 53,023	\$ 5,073	\$ 18,387
Magazines	9,698	7,547	1,741	1,947
	29,426	60,570	6,814	20,334
Depreciation of property, plant and equipment and amortization of intangible assets	22,104	21,430	5,533	5,474
Financial expenses	4,231	6,265	1,058	1,476
Operational restructuring costs, impairment of assets and other costs	3,594	4,865	3,485	991
Impairment of a licence and goodwill	41,000	–	–	–
Tax (recovery) expense	(8,753)	6,110	(2,058)	2,564
Share of loss of associated corporations	8,338	6,154	3,214	1,501
Net (loss) income attributable to shareholders	\$ (41,088)	\$ 15,746	\$ (4,418)	\$ 8,328

2014/2013 FINANCIAL YEAR COMPARISON

Analysis of consolidated results of TVA Group

Operating revenues: \$439,340,000, a \$5,476,000 (-1.2%) decrease.

- \$5,831,000 (-1.5%) decrease in the Broadcasting & Production segment (Table 2), due mainly to a 6.8% decrease in TVA Network's revenues and the discontinuation of the operations of TVA Boutiques in the third quarter of 2013. These declines were partially offset by a 21.9% increase in revenues from the specialty services.
- \$650,000 (1.0%) increase in the Magazines segment (Table 2) primarily due to the favourable impact of the acquisition of *La Semaine* magazine on July 18, 2013. The increase was partially offset by a 17.6%¹ decrease in advertising revenues at the other magazines.

¹ Excluding *La Semaine* magazine and the magazines that ceased publication in the first quarter of 2014.

Table 2
Operating revenues
(in thousands of dollars)

	Years ended December 31		Three months ended December 31	
	2014	2013	2014	2013
Broadcasting and Production	\$ 380,178	\$ 386,009	\$ 116,173	\$ 104,772
Magazines	62,614	61,964	15,275	15,947
Intersegment items	(3,452)	(3,157)	(1,654)	(697)
	\$ 439,340	\$ 444,816	\$ 129,794	\$ 120,022

Adjusted operating income: \$29,426,000, a negative variance of \$31,144,000 (-51.4%).

- \$33,295,000 unfavourable variance in the Broadcasting & Production segment (Table 3), mainly because of the 51.7% decrease in TVA Network's adjusted operating income, as well as the increase in the loss generated by the "TVA Sports" specialty service and the launch of "TVA Sports 2".
- \$2,151,000 favourable variance in the Magazines segment (Table 3) due mainly to the favourable impact of the inclusion of the operating results of *La Semaine* magazine since July 18, 2013 as well as lower expenses as a result of volume-related cost savings and the operating expense reduction plan instituted in the second quarter of 2013.

Table 3
Adjusted operating income
(in thousands of dollars)

	Years ended December 31		Three months ended December 31	
	2014	2013	2014	2013
Broadcasting and Production	\$ 19,728	\$ 53,023	\$ 5,073	\$ 18,387
Magazines	9,698	7,547	1,741	1,947
	\$ 29,426	\$ 60,570	\$ 6,814	\$ 20,334

Net loss attributable to shareholders: \$41,088,000 (-\$1.73 per basic and diluted share), compared with net income attributable to shareholders of \$15,746,000 (\$0.66 per basic and diluted share) in the same period of 2013.

- The negative variance of \$56,834,000 (-\$2.39 per basic and diluted share) was essentially due to:
 - recognition in the third quarter of 2014 of a \$41,000,000 non-cash charge for impairment of goodwill and of a licence in the Broadcasting & Production segment;
 - \$31,144,000 decrease in adjusted operating income;
partially offset by:
 - \$14,683,000 favourable variance in the income tax expense;
 - \$1,271,000 favourable variance in restructuring costs, impairment of assets and other costs; and
 - \$2,034,000 favourable variance in financial expenses.
- The calculation of (loss) earnings per share was based on a weighted average of 23,770,906 outstanding diluted shares for the years ended December 31, 2014 and 2013.

Depreciation of property, plant and equipment and amortization of intangible assets: \$22,104,000, a \$674,000 (3.1%) increase.

- The increase was mainly due to the commissioning of major technical and real estate projects in 2014, an adjustment to the depreciation of certain real estate assets during the third quarter of 2014, and amortization of intangible assets acquired as part of the transaction with Publications Charron.

Financial expenses: \$4,231,000, a \$2,034,000 decrease caused essentially by recognition of pension plan-related interest revenues in fiscal 2014, compared with a pension plan-related interest expense in 2013.

Impairment of a licence and goodwill: \$41,000,000 in fiscal 2014, compared with nil in 2013.

During the third quarter of 2014, the Corporation completed the annual update of its strategic plan for the next three years. Market conditions in the television led the Corporation to perform an impairment test on one of its cash-generating units (“CGU”), the Broadcasting CGU in the Broadcasting & Production segment. The Corporation concluded that the recoverable amount based on the CGU’s fair value less costs of disposal was less than its carrying amount. A \$32,462,000 non-cash impairment charge with respect to the broadcasting licence and \$8,538,000 non-cash goodwill impairment charge were therefore recorded in the third quarter of 2014.

Operational restructuring costs, impairment of assets and other costs: \$3,594,000 in fiscal 2014, compared with \$4,865,000 in 2013, a \$1,271,000 decrease.

- During 2014, the Corporation recorded professional fees totalling \$811,000 and real estate transfer taxes totalling \$1,382,000 in connection with the acquisition of the assets of VG. The Corporation also recorded professional fees totalling \$406,000 in connection with the agreement to acquire 15 magazines from Transcontinental.
- During the same period, the Corporation recorded \$832,000 non-cash impairment charge with respect to its investment in SUN News.
- During fiscal 2013, the Corporation had recorded the following costs:
 - \$2,214,000 in operational restructuring costs in connection with staff reduction in the Broadcasting & Production and Magazine segments;
 - \$1,706,000 impairment charge on inventory and some receivables, as well as a \$408,000 provision for operational restructuring costs, following the discontinuation of its TVA Boutiques division's home shopping and online shopping operations;
 - \$387,000 impairment charge related to its long-term distribution rights inventory following its decision to discontinue theatrical distribution of new Quebec films.

Income tax recovery: \$8,753,000 (effective tax rate of 21.1%) in 2014, compared with a \$6,110,000 income tax expense (effective tax rate of 21.8%) in 2013.

- In 2014, the tax rate was lower than the Corporation's statutory tax rate of 26.9%, mainly because of the non-deductible portion of the impairment charge recorded with respect to goodwill and the licence, partially offset by the Corporation's share of the tax savings generated by SUN News' losses for the period. As well, in light of change in tax audit matters, jurisprudence and tax legislation, the Corporation reduced its deferred tax liabilities by \$1,169,000.
- In 2013, the tax rate was lower than the Corporation's statutory tax rate of 26.9% because of the Corporation's share of the tax savings generated by SUN News' losses for the period, partially offset by permanent differences related to non-deductible items.

Share of loss of associated corporations: \$8,338,000 in fiscal 2014, compared with \$6,154,000 in 2013. The \$2,184,000 unfavourable variance was mainly due to weaker operating results at SUN News during the period. The results include an impairment of the channel's property, plant and equipment.

SEGMENTED ANALYSIS

Broadcasting & Production

Operating revenues: \$380,178,000, a \$5,831,000 (-1.5%) decrease due primarily to:

- 6.8% decrease in TVA Network's revenues is because of the following factors:
 - 4.7% decrease in advertising revenues;
 - decrease in retransmission royalty revenues (see paragraph below) due to recognition in 2013 of \$6,111,000 in retroactive royalties; and
 - 52.1% decrease in revenues from the Local Programming Improvement Fund ("LPIF"), which is being phased out;
- loss of revenues resulting from the discontinuation of the operations of the TVA Boutiques division in 2013;

partially offset by:

- 26.6% increase in subscription revenues for the specialty services:
 - 105.8% increase in subscription revenues at "TVA Sports";
 - 22.4%, 14.0%, and 11.6% increases at "MOI&cie," "Casa" and "addik^{TV}" respectively;
- 13.2% increase in advertising revenues for the specialty services:
 - 224.4% increase in advertising revenues at "TVA Sports";
 - 6.2% decrease in advertising revenues for all the other specialty services.

Distant signal retransmission royalties ("Retransmission royalties")

The Corporation collects royalties on the retransmission of its television signal in markets located outside the local service areas of its over-the-air stations. During the third quarter of 2013, the Copyright Board of Canada (the "Board") completed its consultations on the issues surrounding an agreement on a new division of royalties between copyright collectives for the 2009-2013 period, whereby the Corporation's share of the royalties is significantly increased. The agreement was endorsed by the Board. Accordingly, based on the confirmed new information, the Corporation recorded in the third quarter of 2013 an amount to reflect the increase in its share of the royalties, of which \$6,111,000 applied to the years 2009 to 2012 and \$730,000 to the first two quarters of 2013.

French-language market ratings

During the period of January 1 to December 31, 2014, TVA Group held its market share at 31.9%, compared with 31.6% in the same period of 2013, a 0.3 points increase.

TVA Group's specialty services had a combined market share of 9.2% in 2014, compared with 8.1% in the same period of 2013, a 1.1 points increase. "TVA Sports" stood out with a 0.6 points increase, while "addik^{TV}" continued making gains, adding 0.4 points in 2014. The majority of the other specialty services also increased or held their market share.

With a 3.2 market share, the 24-hour news channel "LCN" also increased its lead over its main rival, "RDI", which ended the year with 2.9%.

TVA Network remains in the lead with a 22.7% market share, more than its two main conventional rivals combined. TVA Network carried 17 of the 30 most-watched programs in Quebec during 2014, including *L'Été indien* and *La Voix*, which ranked in the top 5 and attracted more than 2 million viewers.

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

Year 2014 vs 2013			
	2014	2013	Difference
French-language conventional broadcasters:			
TVA	22.7	23.5	- 0.8
SRC	13.0	13.2	- 0.2
V	7.9	8.1	- 0.2
	43.6	44.8	- 1.2
French-language specialty and pay services:			
TVA	9.2	8.1	1.1
Bell Media	19.3	19.1	0.2
Corus	7.3	8.1	- 0.8
SRC	4.7	4.9	- 0.2
Other	8.0	7.7	0.3
	48.5	47.9	0.6
Total English-language channels and others	7.9	7.3	0.6
TVA Group	31.9	31.6	0.3

Source: Numeris - French Quebec, January 1 to December 31, 2014, Mon-Sun, 2:00 – 2:00, All 2+.

Operating expenses: \$360,450,000, a \$27,464,000 (8.2%) increase.

- The increase was due primarily to:
 - 25.3% increase in operating expenses at the specialty services due to higher programming investments, primarily at “TVA Sports” (including “TVA Sports 2”);
 - 5.2% increase in TVA Network’s operating expenses due to higher content costs, reflecting higher programming expenditures, additional costs generated by the provincial election, and adjustments made in the first quarter of 2014 to the cost of certain prior-year broadcast licences related to the indemnification clauses in the Corporation’s guarantees, as reported in the financial statements dated December 31, 2013;
- partially offset by:
- decrease in operating expenses related to the TVA Boutiques division following the discontinuation of its operations.

Adjusted operating income: \$19,728,000, a \$33,295,000 unfavourable variance due primarily to:

- decrease in TVA Network's adjusted operating income due to the combined effect of lower advertising revenues, the favourable impact on the 2013 figures of recognition of retroactive royalties for retransmission of distant signals, and higher content expenditures; and
- increase in the adjusted operating loss of "TVA Sports" as a direct result of higher programming expenditures, including the launch of "TVA Sports 2", partially offset by higher subscription revenues and advertising revenues.

Cost/revenue ratio: Excluding the impact of recognition in 2013 of retroactive royalties for retransmission of distant signals, employee costs and the cost of purchases of goods and services for the Broadcasting & Production segment's activities (expressed as a percentage of revenues) increased from 87.7% in 2013 to 94.8% in 2014, mainly as a result of the increase in content costs, particularly for sports content, combined with the decrease in advertising revenues.

Magazines

Operating revenues: \$62,614,000, a \$650,000 (1.0%) increase, despite the closure of the magazines *Star Inc.*, *Rénovation Bricolage* and *Option Réno* in the first quarter of 2014. The increase was due primarily to:

- inclusion of the revenues of *La Semaine* magazine since July 18, 2013;
- 3.3%¹ increase in newsstand revenues;

partially offset by:

- 17.6%¹ decrease in all the magazines' advertising revenues, broken down as follows:
 - Specialty: -31.3%¹;
 - Entertainment: -22.6%¹;
 - Decorating/cooking: -19.2%;
 - Women's: -14.9%.

¹ Excluding *La Semaine* magazine and the magazines that ceased publication in the first quarter of 2014.

Canada Periodical Fund

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 program is now fully recorded under operating revenues. It represents 11.9% of the segment's operating revenues for fiscal 2014 (10.9% for 2013).

Readership and market share statistics

TVA Group remains Quebec's leading magazine publisher with a 54% market share, reaching more than 3.1 million readers per month. Its weeklies are read by 2.4 million unique readers per month. The showbiz and celebrity news magazine *7 Jours* remains the most widely read weekly magazine in Quebec with nearly 1.2 million readers per month.

Source: PMB (Print Measurement Bureau) – Fall 2014, Canada total 12+

Operating expenses: \$52,916,000, a decrease of \$1,501,000 (-2.8%) due mainly to:

- 8.6%¹ decrease in operating expenses, due to volume-related cost savings combined with cost reductions yielded by the operating expense reduction plan instituted in the second quarter of 2013;

partially offset by:

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

¹ Excluding *La Semaine* magazine and the magazines that ceased publication in the first quarter of 2014.

Adjusted operating income: \$9,698,000, a \$2,151,000 favourable variance due primarily to:

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

Cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Magazines segment's activities (expressed as a percentage of revenues) were 84.5% in 2014, compared with 87.8% in 2013. The decrease was mainly due to a strong monitoring of costs and the annualized impact of the operating expense reduction plan instituted in the second quarter of 2013.

Acquisition of Publications Charron

On July 18, 2013, the Corporation acquired the magazine publisher Publications Charron, whose publications include the weekly *La Semaine*. The revenues and operating expenses generated by its operations have been included in the Magazines segment's results since the third quarter of 2013.

Acquisition of 15 magazines from Transcontinental

On November 17, 2014, the Corporation announced an agreement with Transcontinental to acquire 15 magazines for a cash consideration of \$55.5 million. The transaction is however subject to Competition Bureau approval and financial data related to those magazines has not been included in the financial figures for the year.

2014/2013 FOURTH QUARTER COMPARISON

Analysis of consolidated results of TVA Group

Operating revenues: \$129,794,000, an increase of \$9,772,000 (8.1%).

- \$11,401,000 (10.9%) increase in the Broadcasting & Production segment (Table 2) essentially due to the significant revenue growth generated by “TVA Sports” and “TVA Sports 2”, which was partially offset by a 4.1% decrease in the TVA Network’s revenues, mainly because of lower advertising revenues and certain retroactive adjustments to subscription fees from a broadcasting distribution undertaking.
- \$672,000 (-4.2%) decrease in the Magazines segment (Table 2), primarily due to a 11.6% decrease in advertising revenues and a 2.5% decrease in newsstand revenues.

Adjusted operating income: \$6,814,000, a negative variance of \$13,520,000.

- \$13,314,000 unfavourable variance in the Broadcasting & Production segment (Table 3), due primarily to the adjusted operating loss of "TVA Sports" and the 36.9% decrease in TVA Network’s adjusted operating income.
- \$206,000 unfavourable variance in the Magazines segment (Table 3), mainly because the decrease in segment revenues exceeded the cost savings realized during the quarter.

Net loss attributable to shareholders: \$4,418,000 (-\$0.19 per basic and diluted share) for the fourth quarter of 2014, compared with net income attributable to shareholders of \$8,328,000 (\$0.35 per basic and diluted share) in the same period of 2013.

- The negative variance of \$12,746,000 (-\$0.54 per basic and diluted share) was essentially due to:
 - \$13,520,000 decrease in adjusted operating income;
 - \$2,494,000 unfavourable variance in operational restructuring costs, impairment of assets and other costs;partially offset by:
 - \$4,622,000 favourable variance in the income tax expense.
- The calculation of (loss) earnings per share was based on a weighted average of 23,770,906 outstanding diluted shares for the quarters ended December 31, 2014 and 2013.

Depreciation of property, plant and equipment and amortization of intangible assets: Relatively stable at \$5,533,000, a slight increase of \$59,000 compared with the same quarter of 2013.

Financial expenses: \$1,058,000, a \$418,000 decrease caused essentially by recognition of pension plan-related interest revenues in the fourth quarter of 2014, compared with a pension plan-related interest expense in the same period of 2013.

Operational restructuring costs, impairment of assets and other costs: \$3,485,000 in the three-month period ended December 31, 2014, compared with \$991,000 in the same period of 2013, a \$2,494,000 unfavourable variance.

- As detailed in the 2014/2013 financial year comparison, the Corporation recorded professional fees and transfer fees totalling \$2,599,000 in the fourth quarter of 2014 in connection with the acquisition of VG and the agreement to acquire 15 magazines from Transcontinental.

- During the same quarter, the Corporation recorded a \$832,000 non-cash impairment charge with respect to its investment in SUN News.
- Following the discontinuation of the operations of TVA Boutiques in the third quarter of 2013, the Corporation recorded, in the fourth quarter of 2013, an additional \$483,000 impairment charge on inventory and some receivables, as well as \$105,000 in operational restructuring costs.
- In the last quarter of 2013, the Corporation recorded \$430,000 in operational restructuring costs in connection with staff reductions in the Broadcasting & Production and Magazines segments.

Income tax recovery: \$2,058,000 (effective tax rate of 63.1%) for the fourth quarter of 2014, compared with a \$2,564,000 income tax expense (effective tax rate of 20.7%) for the same period of 2013.

- In the fourth quarter of 2014, the tax rate was higher than the Corporation's statutory tax rate of 26.9%, mainly because of a \$689,000 reduction in deferred income tax liabilities in light of change in tax audit matters, jurisprudence and tax legislation. The Corporation's share of the tax savings generated by SUN News' losses for the period was also a factor. The positive impact of those two factors was partially offset by permanent differences related to non-deductible items.
- In fiscal 2013, 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.

Share of loss of associated corporations: \$3,214,000 in the fourth quarter of 2014, compared with \$1,501,000 in the same period of 2013. The \$1,713,000 unfavourable variance was due to the same factors as those noted above under "2014/2013 Financial Year Comparison".

SEGMENTED ANALYSIS

Broadcasting & Production

Operating revenues: \$116,173,000, an increase of 11,401,000 (10.9%), primarily due to:

- 62.0% increase in subscription revenues at the specialty services:
 - more than 200% increase in subscription revenues at “TVA Sports”;
 - 23.2%, 13.6%, and 10.6% increases at “MOI&cie,” “addik^{TV}” and “Casa” respectively;
 - negative impact on the “LCN” channel’s quarterly subscription revenues of an adjustment related to a claim by a cable provider for the years 2010-2014.
- 62.1% increase in advertising revenues at the specialty services resulting directly from the addition of NHL hockey to the programming of “TVA Sports” and “TVA Sports 2”;

partially offset by:

- 4.1% decrease in TVA Network’s revenues, partially as a result of a 3.4% decrease in advertising revenues.

French-language market ratings

TVA Group’s total market share for the period of October 1 to December 31, 2014 was 32.2%, compared with 30.8% in the same period of 2013, a 1.4 points increase. TVA Group’s specialty services had a combined market share of 9.7%, compared with 7.4% in the same period of 2013, a 2.3 points increase. Again, “TVA Sports” registered very strong 1.3 points growth while “addik^{TV}” gained 0.5 points. All of the Corporation’s specialty services grew or held their market share. The 24-hour news channel “LCN” increased its lead over its main rival, “RDI”, with a 3.1% market share compared with 2.7% for RDI.

TVA Network remains in the lead with a 22.5% market share, more than its two main conventional rivals combined. TVA Network carried 17 of the 30 most-watched programs in Quebec during the quarter, including *Le Banquier* and *Les beaux Noël*, which both drew more than 1,700,000 viewers.

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

Fall 2014 vs 2013			
	2014	2013	Difference
French-language conventional broadcasters:			
TVA	22.5	23.4	- 0.9
SRC	13.3	14.4	- 1.1
V	8.4	8.3	0.1
	44.2	46.1	- 1.9
French-language specialty and pay services:			
TVA	9.7	7.4	2.3
Bell Media	18.6	18.7	- 0.1
Corus	6.7	7.5	- 0.8
SRC	4.5	4.8	- 0.3
Other	8.5	8.1	0.4
	48.0	46.5	1.5
Total English-language channels and others:	7.8	7.4	0.4
TVA Group	32.2	30.8	1.4

Source: Numeris - French Quebec, October 1 to December 31, 2014, Mon-Sun, 2:00 – 2:00, All 2+.

Operating expenses: \$111,100,000, a \$24,715,000 (28.6%) increase.

- The increase was due primarily to:
 - 97.7% increase in operating expenses at the specialty services due to higher programming investments at “TVA Sports” and “TVA Sports 2”; and
 - 5.1% increase in TVA Network’s operating expenses due primarily to higher content cost and higher volume in commercial production.

Adjusted operating income: \$5,073,000, a \$13,314,000 unfavourable variance due primarily to:

- operating loss of the specialty services resulting directly from the loss generated by “TVA Sports” and the launch of “TVA Sports 2”; and
- 36.9% decrease in TVA Network’s adjusted operating income due to the combined impact of lower advertising revenues and higher content costs.

Cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Broadcasting & Production segment’s activities (expressed as a percentage of revenues) increased from 82.5% in the fourth quarter of 2013 to 95.6% in the same period of 2014, mainly as a result of the increase in content costs combined with the decrease in advertising revenues.

Magazines

Operating revenues: \$15,275,000, a \$672,000 (-4.2%) decrease. In addition to the closure of the magazines *Star Inc.*, *Rénovation Bricolage* and *Option Réno* during the first quarter of 2014, the decrease was mainly due to:

- 8.3%¹ decrease in the magazines' combined advertising revenues, broken down as follows:
 - Specialty: -26.7%;¹
 - Decorating/cooking: -19.6%;
 - Women's: -18.8%;
 - Entertainment: 1.8%¹.
- 1.9%¹ decrease in newsstand revenues, mainly because of a 7.2% decrease at the entertainment magazines. The decline was caused in part by ineffective distribution of *La Semaine* magazine. The distributor was replaced at the end of the year in order to correct the situation.

¹ Excluding the magazines that ceased publication in the first quarter of 2014.

Operating expenses: \$13,534,000, a \$466,000 (-3.3%) decrease due mainly to:

- closure of some magazines in the first quarter of 2014; and
- 13.0% decrease in advertising and marketing expenses.

Adjusted operating income: \$1,741,000, a \$206,000 decrease due primarily to the decline in the segment's operating revenues, partially offset by the reduction in operating expenses.

Cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Magazines segment's activities (expressed as a percentage of revenues) were relatively stable during the period, increasing from 87.8% in the fourth quarter of 2013 to 88.6% in the same period of 2014.

2013/2012 FINANCIAL YEAR COMPARISON

The table below shows the Corporation's operating results for the years ended December 31, 2013 and 2012:

Table 6
Comparative consolidated results for 2013 and 2012
(in thousands of dollars)

	Years ended December 31	
	2013	2012 (restated)
Operating revenues:		
Broadcasting and Production	\$ 386,009	\$ 394,943
Magazines	61,964	62,270
Intersegment items	(3,157)	(4,066)
	\$ 444,816	\$ 453,147
Adjusted operating income:		
Broadcasting and Production	\$ 53,023	38,592
Magazines	7,547	3,890
	\$ 60,570	\$ 42,482
Total assets	\$ 522,051	\$ 501,971
Non-current financial liabilities	24,313	121,554

SEGMENTED TREND ANALYSIS FOR YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

Broadcasting & Production

Operating revenues

The Broadcasting & Production segment's operating revenue has decreased by 3.7% over the past three years. Television has been affected by audience fragmentation across the various content delivery platforms, including the Internet and video on demand. Despite this trend, TVA Group has been able to limit its market share loss, since TVA Network's loss of market share has been almost entirely offset by TVA Group's specialty services. The new business environment has also led to a 9.7% decrease in TVA Network's advertising revenues since 2012.

The decrease in the Broadcasting & Production segment's operating revenues was caused mainly by the 6.7% decline in TVA Network's revenues due to lower advertising revenues. Discontinuation of the operations of the home shopping specialty service in 2012 and of the TVA Boutiques division, which was engaged in home shopping and online shopping, in the third quarter 2013 were also factors in the decrease. These decreases were partially offset by the specialty services (excluding SUN News), which accounted for 28.9% of the segment's operating revenues in 2014, compared with 20.7% in 2012. The specialty services have grown their operating revenues by 34.4% since 2012. The increase was driven by "TVA Sports", which accounts for 80% of the growth. The specialty services "MOI&cie," "Prise 2", "Casa" and "addik^{TV}" grew their revenues by 59.7%, 32.0%, 24.0% and 22.2% respectively.

Adjusted operating income

The segment's adjusted operating income decreased by 48.9% during the period. TVA Network was responsible for the bulk of the decrease. Its adjusted operating income declined by 45.2%, directly as a result of lower advertising revenues. The specialty services also increased their adjusted operating loss as a result of increased higher programming investment, mainly at "TVA Sports." These decreases have been partially offset by the Corporation's divestment of money-losing operations, including the sale of a 2% interest in SUN News in 2012, and discontinuation of the operations of TVA Boutiques in 2013.

Magazines

Operating revenues

The Magazines segment's operating revenues increased by a slight 0.6% during the period. Excluding the favourable impact of the addition of *La Semaine* magazine in 2013, operating revenues have declined by 13.7% since 2012. The decrease was essentially because of lower advertising revenues (-27.3%) and newsstand sales (-8.9%). The entire Canadian magazine industry has seen a downward trend in operating revenues. Despite strong competition, TVA Group remains the largest publisher of French-language magazines in Canada.

Adjusted operating income

Excluding the favourable impact of the addition of *La Semaine* magazine in 2013 and the unfavourable impact of the retroactive Éco Entreprises adjustment recorded in 2012, the segment's adjusted operating income decreased by a slight 1.6% 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 related to 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	
	2014	2013	2014	2013
Cash flows related to operating activities	\$ 36,686	\$ 26,278	\$ 9,478	\$ 5,094
Additions to property, plant and equipment and intangible assets	(24,647)	(19,248)	(5,050)	(3,363)
Net change in investments	(6,459)	(3,325)	(1,911)	(1,177)
Business acquisitions, net of cash	(116,616)	(6,607)	(116,115)	–
Other	(769)	(202)	(618)	(51)
(Increase in) reimbursement of net debt	\$ (111,805)	\$ (3,104)	\$ (114,216)	\$ 503
	December 31, 2014		December 31, 2013	
At period end:				
Long-term debt	\$ 72,757		\$ –	
Derivative financial instrument	547		–	
Short-term debt	938			74,640
Credit facility from parent corporation	100,000			–
Bank overdraft	4,486			–
Less: cash		–		(7,717)
Net debt	\$ 178,728		\$ 66,923	

Operating Activities

Cash flows provided by operating activities: \$10,408,000 increase in fiscal 2014 due primarily to:

- \$35,625,000 favourable net change in balances related to operations due mainly to an increase in accounts payable and a decrease in accounts receivable, partially offset by an unfavourable variance in programs, broadcast and distribution rights and inventories;
- \$1,863,000 favourable variance in current income taxes;
- \$2,034,000 decrease in the cash portion of financial expenses;

partially offset by:

- \$31,144,000 decrease in adjusted operating income.

Working capital of TVA Group: negative of \$33,062,000 as at December 31, 2014, compared with positive of \$18,378,000 as at December 31, 2013, a \$51,440,000 unfavourable variance.

The variance was essentially due to:

- \$100,000,000 credit facility granted by QMI in connection with the acquisition of VG;
- increase in broadcast and distribution rights payable considering substantial investments in content;

partially offset by:

- removal of a \$75,000,000 term loan from current liabilities considering its reimbursement on December 11, 2014;
- increase in programs, broadcast and distribution rights and inventories considering substantial investments in content.

Investing Activities

Additions to property, plant and equipment and intangible assets: \$24,647,000 in 2014 compared with \$19,248,000 in 2013. The \$5,399,000 (28.0%) increase was caused mainly by expenditures for the installation of the technical infrastructure required for the launch of "TVA Sports 2" following the acquisition of broadcast rights to NHL games.

Net change in investments: \$6,459,000 in fiscal 2014, compared with \$3,325,000 in 2013. In 2014, the Corporation made a \$6,958,000 capital contribution to SUN News (\$5,194,000 in 2013) and received \$499,000 related to portfolio investments (\$1,868,000 in 2013).

Business acquisitions: \$116,616,000 in fiscal 2014, consisting of \$116,115,000 for the acquisition of VG and a \$501,000 final adjustment related to the acquisition of Publications Charron. In 2013, the Corporation disbursed \$6,607,000 for the acquisition of Publications Charron.

Financing Activities

Long-term debt (excluding deferred financing costs): relatively stable at \$74,737,000 as at December 31, 2014, compared with \$75,000,000 as at December 31, 2013.

On November 3, 2014, TVA Group changed the terms and conditions of its bank credit facilities to increase the size of its revolving credit facilities from \$100 million to \$150 million, to extend their term by 2 years until February 24, 2019, and to replace the existing \$75 million term loan maturing on December 11, 2014 by a new term loan of an equivalent amount and maturing on November 3, 2019. TVA Group also granted a security on all of its movable assets and an immovable hypothec on its head-office building as part of the modification of the terms and conditions of its bank credit facilities.

On December 30, 2014, the Corporation obtained a \$100,000,000 credit facility from Quebecor Media for the financing of the acquisition of VG. The credit facility expires on March 30, 2015. It can be extended for an additional 90 days, at the Corporation's option, and bears interest at the rate reported on the Reuters Monitor Money Rates Service's CDOR page on that day for bankers acceptances with a similar maturity date (the CDOR rate) plus 2.375% per year. The credit facility is unsecured. Its terms and conditions have been approved by TVA Group's independent directors.

Financial Position at as December 31, 2014

Net available liquid assets: \$149,480,000, consisting of an unused and available revolving credit facility.

As of December 31, 2014, minimum principal payments on debt in the coming years were as follows:

Table 8

TVA Group minimum principal payments on debt and credit facility from parent corporation

Year ended December 31

(in thousands of dollars)

2015	\$ 100,938
2016	4,219
2017	6,562
2018	9,844
2019 and thereafter	53,174
Total	\$ 174,737

The weighted average term of TVA Group's debt was approximately 4.2 years as at December 31, 2014 (0.9 years as at December 31, 2013). As at December 31, 2014, the debt consisted entirely of floating rate debt, whereas it consisted of fixed rate debt at December 31, 2013.

The Corporation also has a \$150,000,000 revolving credit facility (\$100,000,000 at December 31, 2013), which was renewed on November 3, 2014 and matures on February 24, 2019. At December 31, 2014 and 2013, there were no drawings on the revolving credit facility except for letters of guarantee.

On December 30, 2014, The Corporation obtained a \$100,000,000 credit facility from Quebecor Media for the financing of the acquisition of VG. The credit facility expires on March 30, 2015 and can be extended for an additional 90 days at the Corporation's option. The Corporation intends to use the proceeds from the rights offering to repay this credit facility.

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

Under its credit agreements, the Corporation is subject to certain covenants, including maintenance of certain financial ratios. As at December 31, 2014, the Corporation was in compliance with all the terms of its credit agreements.

Analysis of consolidated balance sheet as at December 31, 2014

Table 9

Consolidated balance sheets of TVA Group

Analysis of main variances between December 31, 2014 and December 31, 2013

(in thousands of dollars)

	December 31, 2014	December 31, 2013	Difference	Main reason for difference
<u>Assets</u>				
Programs, broadcast and distribution rights and inventories	\$ 74,765	\$ 61,428	\$ 13,337	Impact of increased spending on programming, particularly at “TVA Sports” and “TVA Sports 2”.
Property, plant and equipment	201,429	100,962	100,467	Impact of acquisition of VG.
Licences and other intangible assets	83,647	112,566	(28,919)	Impact of the impairment of the broadcasting licence recorded in 2014, partially offset by the impact of the acquisition of VG.
Goodwill	48,266	44,536	3,730	Increase related to goodwill recorded in connection with acquisition of VG minus the impact of the goodwill impairment recorded during the third quarter of 2014.
<u>Liabilities</u>				
Broadcast and distribution rights payable	\$ 45,660	\$ 17,304	\$ 28,356	Impact of spending on programming for “TVA Sports” and “TVA Sports 2”.
Credit facility from parent corporation	100,000	–	100,000	Credit facility granted by QMI for the financing of the acquisition of VG.
Deferred income taxes	7,475	20,339	(12,864)	Impact of goodwill impairment, non-capital losses and decreased of pension assets.

ADDITIONAL INFORMATION

Contractual obligations

As of December 31, 2014, material contractual commitments of operating activities included capital repayment and interest on debt, payments under broadcast and distribution rights acquisition contracts, and payments under other contractual commitments, such as operating leases for services and office space. These contractual obligations are summarized in Table 10.

Table 10
Material contractual obligations of TVA Group as of December 31, 2014
(in thousands of dollars)

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Derivative financial instrument	\$ 306	\$ 491	\$ –	\$ –	\$ 797
Credit facility from parent corporation	100,000	–	–	–	100,000
Long-term debt	938	10,781	63,018	–	74,737
Payment of interest ¹	4,237	6,323	4,704	–	15,264
Broadcast and distribution rights	161,390	197,676	140,311	450,220	949,597
Other commitments	12,702	11,192	4,448	2,321	30,663
Total	\$ 279,573	\$ 226,463	\$ 212,481	\$ 452,541	\$ 1,171,058

¹ Interest is calculated on a constant debt level equal to that at December 31, 2014 and includes standby fees on the revolving credit facility.

In 2013, Quebecor Media and TVA Group reached a 12-year agreement with Rogers Communications for Canadian French-language broadcast rights to National Hockey League games. Operating expenses related to this contract are recognized in the Corporation's operating expenses and total commitments related to the contract have been included in the Corporation's commitments.

Business acquisition

On November 17, 2014, the Corporation reached an agreement with Transcontinental to acquire 15 magazines for a cash consideration of \$55.5 million. Pending final approval of the transaction by the Competition Bureau, the seller will continue operating those magazines.

Pension plan contributions

The expected employer contributions to the Corporation's defined benefit pension plans and post-retirement benefit plans will be \$11,301,000 in 2015, based on the most recent financial actuarial report filed (contributions of \$12,140,000 were paid in 2014).

Related-party transactions

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

The Corporation sold advertising space and content, recorded subscription revenues and provided production, postproduction and other technical services to companies under common control and affiliated companies in the total amount of \$81,947,000 (\$76,836,000 in 2013).

The Corporation recorded telecommunications service costs, advertising space acquisition costs, professional service fees and commissions on sales and news gathering services arising from transactions with companies under common control and affiliated companies totalling \$34,559,000 (\$34,667,000 in 2013).

The Corporation also recorded management fees to the parent corporation in the amount of \$4,320,000 in fiscal 2014 (\$4,320,000 in 2013).

SUN News

During fiscal 2014, the partners in SUN News made a capital contribution of \$14,200,000 (\$10,600,000 in 2013), including \$6,958,000 (\$5,194,000 in 2013) from the Corporation and \$7,242,000 (\$5,406,000 in 2013) from Sun Media Corporation. Further capital contributions to SUN News will be necessary in order to cover operating losses up to the closure date and shut-down costs.

Off-Balance Sheet Arrangements

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, 2014, the maximum liability in respect of these guarantees totalled approximately \$392,000 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 for goods, service agreements and leases. These indemnification agreements require the Corporation to compensate the third parties for costs incurred as a result of specific circumstances. The terms of these indemnification agreements vary from transaction to transaction, based on the contract terms. The nature of these indemnification agreements prevents the Corporation from making a reasonable estimate of the maximum potential amount it could be required to pay to third parties for all of its commitments. In light of new developments in the first quarter of 2014, the liability risk under specific commitments, which totalled \$4,700,000 at December 31, 2013, was recognized in purchases of goods and services in the fiscal year ended December 31, 2014.

Capital stock

Table 11 below presents information on the Corporation's capital stock as at February 15, 2015. In addition, 598,356 Class B stock options and 355,432 QMI stock options were outstanding as of February 15, 2015.

Table 11
Number of shares outstanding as at February 15, 2015
(in shares and dollars)

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

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.

Risks related to seasonality and fluctuation of results of operations

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, the Broadcasting & Production segment has experienced and is expected to continue to experience significant seasonality due to, among other things, seasonal advertising patterns and seasonal influences on people's viewing habits.

Consequently, results of operations may fluctuate materially from period to period and the results of any one period are not necessarily indicative of results for future periods. Cash flow from operations may also fluctuate and are not necessarily closely correlated with revenue recognition. In particular, results of operations in any period depend to a large extent upon the production and delivery schedule of television programs and film projects.

The operating results of the Studios, Equipment and Post-Production Business have varied in the past, and may vary in the future, depending on factors such as the timing of new service introductions, the timing of revenue recognition of longer term projects, increased competition, timing of acquisitions, the ability of customers to finance projects, general economic factors and other factors. The Studios, Equipment and Post-Production Business' operating results have historically been significantly influenced by the volume of business from the motion picture industry, which is an industry that is subject to seasonal and cyclical downturns, and, occasionally, work stoppages by actors and writers. A few customers represent a large part of the Studios, Equipment and Post-Production Business' revenues, impacting the ability to forecast revenue in a particular quarter.

In addition, because the Corporation's operations are labour intensive, its cost structure is highly fixed and improvements in the flexibility and competitiveness of its cost structure may be difficult to achieve. During periods of economic contraction, revenues may decrease while the cost structure remains stable, resulting in decreased income. Similarly, fixed costs, including costs associated with grid programming and television content, leases, labour and amortization expenses, account for a significant portion of the Corporation's business expenses. As a result of increases in grid programming and television content costs, lease rates, labour costs or capital expenditures, the financial results of the Corporation may be adversely affected.

Competition risk

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 Corporation expects competition to persist, intensify and increase in each of its business areas in the future. Added competition in the market could result in reduced advertising sales and subscribers or an increase in costs to acquire programming and, consequently, have a negative impact on revenues. Competitors include both private companies and government-owned players, some of which have longer operating histories, greater name recognition, larger installed customer bases and greater financial, technical, marketing and other resources than the Corporation. As a result, they may be able to respond more quickly to new or changing opportunities, technologies, standards or customer requirements. Moreover, publicly owned stations benefit from strong financial support from governments, while also maintaining access to the advertising market and funding available for Canadian programming. In addition, increasing consolidation in the Canadian media industry is creating competitors with interests in multiple industries and media. The resources of some competitors may also give them an advantage in acquiring other businesses or assets that the Corporation might also be interested in acquiring. For all of the foregoing reasons, there can be no assurance that the Corporation will be able to compete successfully against current or future

competitors. Such competition could materially adversely affect the Corporation's business, operating results or financial condition.

The studio and equipment rental and post-production industry is a highly competitive, service-oriented business. The Corporation does not have any formal long-term or exclusive service agreements with its clients. Business is generally awarded based on customer satisfaction with reliability, timeliness, quality and price. There can be no assurance that the Corporation will be able to respond effectively to the various competitive factors affecting the studio and equipment rental and post-production industries.

The Corporation competes with a variety of studio and equipment rental and post-production firms, some of which have a national presence and, to a lesser extent, the in-house operations of its major motion picture studio customers. Some of these firms and studios have greater financial marketing resources and have achieved a higher level of brand recognition than the Corporation has. In the future, the Corporation may not be able to compete effectively against these competitors merely on the basis of reliability, timeliness, quality and price or otherwise. The Corporation may also face competition from companies in related markets that could offer similar or superior services to those offered by the Corporation. An increasingly competitive environment and the possibility that customers may utilize in-house capabilities to a greater extent could lead to a loss of market share or price reductions, which could have a material adverse effect on the Corporation's financial condition, results of operations and prospects.

Risk related to loss of key customers in the Studios, Equipment and Post-Production Business

The Studios, Equipment and Post-Production Business' primary customers are major motion picture studios and third party filmmakers. Historically, a material percentage of the Studios, Equipment and Post-Production Business' operating revenues in each year have been derived from a limited number of customers, several of whom are foreign customers, whose loyalty to Canada may be tested when presented with more favourable production environments outside Canada. The Corporation still expects that a high percentage of the Studios, Equipment and Post-Production Business' revenues for the foreseeable future will continue to come from a relatively small number of customers.

In general, the Corporation does not have long-term or exclusive service agreements with its Studios, Equipment and Post-Production Business' customers. Business is based primarily on customer satisfaction with reliability, timeliness, quality and price. The Corporation is unable to predict if, or when, its customers will purchase its services. There can be no assurance that the revenues generated from key customers, individually or in the aggregate, will reach or exceed historical levels in any future period, or that the Corporation will be able to develop relationships with new customers.

Many of the major studios and other key customers of the Corporation have substantial capabilities to perform several or all of the services performed by the Studios, Equipment and Post-Production Business. These customers periodically re-evaluate their decisions to outsource these services rather than perform them in-house. A decision by key customers to move in-house services they currently purchase from the Corporation could have a material adverse effect on the Corporation's results of operations and financial condition. The Corporation can give no assurance that it will continue to maintain favorable relationships with these customers or that they will not be adversely affected by economic conditions.

Risk related to the Corporation's ability to adapt to fast-paced technological change and to new delivery and storage methods

The arrival of new technologies and proliferation of available distribution platforms in the markets in which the Corporation operates, including video on demand, the Internet, personal video recorders, smartphones, tablet computers, and HD, 3D and 4K television, also influences its operations. The entertainment industry in general continues to undergo significant developments as advances in technologies and new methods of product delivery and storage, or certain changes in consumer behavior driven by these developments emerge. Consumers are spending an increasing amount of time on the Internet and on mobile devices, and are increasingly viewing content on a time-delayed or on-demand basis from the Internet, on their televisions and on portable devices. These technologies and business models may increase audience fragmentation, reduce the Corporation's ratings or have an adverse effect on advertising revenues from local and national audiences. If the Corporation cannot successfully exploit these and other

emerging technologies, it could have a material adverse effect on its business, financial condition, operating results, liquidity and prospects.

In addition, the post-production industry relies heavily on technological developments. The systems and equipment utilized by the Corporation in providing certain services to customers are subject to rapid technological change, as well as evolving customer needs and industry standards. In addition, competitors may introduce services embodying new technology, which could render the Corporation's existing services less marketable or obsolete. To remain competitive, the Corporation must ensure that its offering integrates the latest technology developed in the industry, including animation tools and techniques.

To accomplish this, it can either develop these capabilities by upgrading its proprietary software, which can result in substantial research and development costs, or it can seek to purchase third-party licenses, which can also result in significant expenditures. In the event the Corporation seeks to develop these capabilities internally, there is no guarantee that it will be successful in doing so. In the event the Corporation seeks to obtain third party licenses, it cannot guarantee that they will be available or, once obtained, will continue to be available on commercially reasonable terms, or at all.

There can be no assurance that the Corporation will be able to conceive, develop, or acquire technological innovations successfully or that the Corporation's competitors will not successfully implement features or products of their own that are equivalent or superior to those of the Corporation or that make its technologies obsolete. Moreover, the cost associated with developing or acquiring new technology can be significant. There can be no assurance that the Corporation will have sufficient capital or be able to obtain sufficient financing to fund such capital expenditures, or that these costs will not have a material adverse effect on its financial condition and operating results.

Risk related to the Corporation's ability to meet the demands of its customers

The Corporation's Studios, Equipment and Post-Production Business is dependent on its ability to meet the current and future demands of its customers, which demands include reliability, timeliness, quality and price. Any failure to do so, whether or not caused by factors within its control, could result in the loss of clients. There is no assurance that claims would not be asserted and dissatisfied customers may refuse to place further orders in the event of a significant occurrence of loss as a result of a failure by the Corporation to meet its customers' expectations with respect to reliability, timeliness, quality and price, which could have a material adverse effect on the Corporation's financial condition, results of operations and prospects. The Corporation's ability to deliver services within the time periods requested by customers depends on a number of factors, some of which are outside of its control, including equipment failure, work stoppages or interruption in services by third party providers, including telephone, Internet or satellite service providers. In addition, because the Corporation is dependent upon a large number of software applications and hardware for post-production and visual effects services, an error or defect in the software, a failure in the hardware, a failure of backup facilities or a delay in delivery of products and services could result in significantly increased costs for a project, and therefore losses to the Corporation's clients.

Risks related to the launch of new specialty services

The Corporation is investing in the launch of new specialty services in the Broadcasting & Production 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 related to changes in economic conditions

The revenues and operating results of the Corporation are and will continue to be influenced by the general economic environment and depend on the relative strength of the economy in markets, as well as local, regional and national economic factors, since those affect the levels of television and magazine advertising revenues as well as the volume of work available from the film and television industries in Canada and the U.S. An economic slowdown or a recession in the Canadian or U.S. economy could adversely affect key national advertising accounts, as buyers of

advertising have historically reduced their advertising budgets during economic slowdowns. In addition, the deterioration of economic conditions could adversely affect payment patterns which could increase the bad debt expense. During an economic downturn, there can be no assurance that operating results and revenues, outlook, prospects and financial condition would not be adversely affected.

Risks related to the possibility that the Corporation's content may not attract large audiences and to audience fragmentation, limiting the Corporation's ability to generate advertising revenues

Broadcasting 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, actors and other key talent, genre and specific subject matter, audience reaction, quality and acceptance of other competing content in the marketplace, availability of alternative forms of entertainment and leisure activities, general economic conditions, public tastes in general, and other intangible factors.

In addition, 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. 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. 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 the Corporation's control. It cannot predict the future effects of these factors on its business, financial condition and results of operations. Lack of audience acceptance for the Corporation's content, or shrinking or fragmented audiences, could limit its ability to generate advertising revenues. If the Corporation's ability to generate advertising revenue is limited, it 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 the Corporation would be able to develop new financing sources, and any such limitation on its ability to generate operating revenues, together with an inability to generate new financing sources, could have a material adverse effect on its business, financial condition and results of operations.

Risks related 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 operating results. 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. As well, the value of royalties payable pursuant to the *Copyright Act* are frequently decided by the Copyright Board of Canada during or even after the applicable period, which can cause retroactive increases in content costs.

Government regulation risks

The Corporation is subject to extensive government regulation, mainly through the *Broadcasting Act*, which is administered by the CRTC. Changes to, or more aggressive enforcement of, 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, which may have a material adverse impact on the Corporation and its share price. Moreover, changes resulting from the CRTC's interpretations of existing policies and regulations could also be materially adverse to the Corporation's business, financial condition or results of operations. Since legal requirements change frequently, are subject to interpretation and may be enforced to varying degrees in practice, the Corporation is unable to predict the ultimate cost of compliance with these requirements or their effect on

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, including the failure to renew any of its licences on as favourable terms, may negatively affect its activities and operating results.

In addition, the levels of the royalties payable by the Corporation are subject to change upon application by the collecting societies and approval by the Copyright Board. The Government of Canada may, from time to time, make amendments to the *Copyright Act* to implement Canada's international treaty obligations and for other obligations and purposes. Any such amendments could result in the Corporation's broadcasting undertakings being required to pay additional royalties for these licenses or be subject to additional administrative costs associated with the tariffs.

Government assistance risks

The Corporation takes advantage of several government programs designed to support production and distribution of televisual and cinematographical products and magazine publishing in Canada, including federal and provincial refundable tax credits. There can be no assurance that the local cultural incentive programs which the Corporation may access in Canada will continue to be available in the future or will not be reduced, amended or eliminated. Any future reductions or other changes in the policies or rules of application in Canada or in any of its provinces in connection with these government incentive programs, including any change in the Québec or the federal programs providing for refundable tax credits, could increase the cost of acquiring and producing Canadian programs which are required to be broadcasted and may have a material adverse effect on the Corporation's business, financial condition and results of operations. Canadian content programming is also subject to certification by various agencies of the federal government. If programming fails to qualify, the Corporation would not be able to use the programs to meet its Canadian content programming obligations and the Corporation might not qualify for certain Canadian tax credits and government incentives.

To ensure that the Corporation maintains minimum levels of Canadian ownership under the *Broadcasting Act* and other legislation under which it derives the benefit of tax credits and industry incentives, it has placed constraints on the issue and transfer of its shares. The Corporation's transfer agent may refuse to issue or register the transfer of shares if this would prevent the Corporation from holding its licenses. These constraints and transfer restrictions may adversely affect the liquidity of the Corporation's Class B Non-Voting Shares and may have an impact on their trading price.

In addition, the Canadian and provincial governments currently provide grants and incentives to attract foreign producers and support domestic film and television production. Many of the major studios and other key customers of the Studios, Equipment and Post-Production Business, as well as content producers for the Broadcasting & Production segment, finance a portion of their production budgets through Canadian governmental incentive programs, including federal and provincial tax credits. There can be no assurance that the government grants and incentive programs presently being offered to participants in the film and television production industry will continue at their present levels or at all. If such grants or incentives are reduced or discontinued, the level of activity in the motion picture and television industries may be reduced, as a result of which the Corporation's results of operations and financial condition might be adversely affected.

Risks related to government incentives in locations outside of Quebec and other influences

The successful tax credit model of Québec and other provinces in Canada has been copied by other jurisdictions around the world, including by many states in the United States of America. Some producers may choose locations other than Québec in order to take advantage of tax credit programs that they may consider as more advantageous as those offered by Québec. Other factors, such as the choice of director or star, may also cause productions to be filmed elsewhere and may therefore have a material adverse effect on the Corporation's business, financial condition and results of operations.

Risks related to currency fluctuations and dependence of the Studios, Equipment and Post-Production Business on foreign currency and revenue from customers outside Canada

Many of the customers of the Studios, Equipment and Post-Production Business have found Canada particularly attractive because of the exchange rate of the Canadian dollar in relation to the U.S. dollar. The Canadian to U.S. dollar exchange rate has provided certain cost savings to U.S. based film producers obtaining production services in Canada. There can be no assurance that favourable exchange rates will continue. Fluctuations in currency exchange rates could decrease the production activity in Canada of the customers of the Corporation and adversely affect its results of operations and financial condition. The Corporation cannot predict the effect of exchange rate fluctuations upon its future operating results.

Risks related to intellectual property rights

The Corporation must protect its proprietary technology and operate without infringing upon the intellectual property rights of others. The Corporation relies on a combination of patent, copyright, trademark and trade secret laws and other intellectual property protection methods to establish and protect its proprietary technology. These steps may not protect the Corporation's proprietary information nor give it any competitive advantage. Others may independently develop substantially equivalent intellectual property or otherwise gain access to the Corporation's trade secrets or intellectual property, or disclose such intellectual property or trade secrets. If the Corporation is unable to protect its intellectual property, the Corporation's business could be materially adversely affected.

In addition, there is no assurance that any patents that may have been or may be issued to the Corporation, or that the Corporation may license from third parties, will not be challenged, invalidated or circumvented, or that any rights granted thereunder would provide the Corporation with any proprietary protection. The Corporation generally enters into confidentiality or license agreements with its employees, consultants and vendors, and generally controls access to and distribution of its software, documentation and other proprietary information. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use its proprietary information, products or technology without authorization, or to develop similar or superior technology independently. Policing unauthorized use of products or technology is difficult and expensive. In addition, effective copyright, patent and trade secret protection may be unavailable or limited in certain foreign countries. The Corporation cannot provide any assurances that the steps it takes will prevent misappropriation of its technology or that its confidentiality or license agreements will be enforceable. Finally, some or all of the underlying technologies of the Corporation's products and system components may not be covered by patents or patent applications.

In addition, to produce its projects the Corporation also relies on third-party software, which is readily available to others. Failure of its patents, copyrights and trade secret protection, non-disclosure agreements and other measures to provide protection of its technology and the availability of third-party software may make it easier for competitors to obtain technology equivalent or superior to the Corporation's technology or that makes its technology obsolete, which could weaken its competitive position.

Risk related to protecting and defending against intellectual property claims

Litigation may be necessary in the future to enforce the Corporation's intellectual property rights, protect its trade secrets, trademarks and other intellectual property rights, protect and enforce its patents, determine the validity and scope of the proprietary rights of others, or defend against claims of infringement or invalidity. The Corporation has received, and is likely to receive in the future, claims of infringement of other parties' proprietary rights. If any claims or actions are asserted against the Corporation it may seek to obtain a license under a third party's intellectual property rights. It cannot provide any assurances, however, that under such circumstances a license would be available on reasonable terms or at all. Irrespective of the validity or the successful assertion of such claims, any such litigation could result in substantial costs and diversion of resources, could effectively prevent the Corporation from using important technology and could have a material adverse effect on its business, operating results or financial condition.

The Corporation reviews these matters to determine what, if any, actions may be required or should be taken, including legal action or negotiated settlement. There can be no assurance that the Corporation's actions to establish and protect trademarks, copyrights and other proprietary rights will be adequate to prevent imitation or unauthorized

reproduction of the Corporation's products by others or prevent third parties from seeking to block sales, licensing or reproduction of these products as a violation of their trademarks, copyrights and proprietary rights. Moreover, there can be no assurance that others will not assert rights in, or ownership of, the Corporation's trademarks, copyrights and other proprietary rights, or that the Corporation will be able to successfully resolve these conflicts. In addition, the laws of certain foreign countries may not protect proprietary rights to the same extent as do the laws of the United States or Canada.

Risks related to the availability of licenses for third-party technology

In addition to its proprietary technology, the Corporation also relies on certain technology that it licenses from third parties, including software that it uses with its proprietary software. There is no assurance that these third-party technology licenses will continue to be available to the Corporation on commercially reasonable terms or at all or that the technology licenses will not result in intellectual property infringement claims by third parties. The loss of or inability to maintain any of these technology licenses could result in delays in projects until equivalent technology is identified, licensed and integrated to complete a given project. Any such delays or failures in projects could materially adversely affect the Corporation's business, financial condition or results of operations.

Risks related to the Corporation's ability to successfully upgrade, maintain and secure information systems to support the needs of the organization and protect against increased and evolving cyber-security threats

The Corporation relies heavily on information systems to manage operations. The reliability and capacity of information systems is critical. Despite preventative efforts, these systems are vulnerable from time to time to damage or interruption from, among other things, security breaches, computer viruses, power outages and other technical malfunctions. Any disruptions affecting information systems, or any delays or difficulties in transitioning to or in integrating new systems, could have a material adverse impact on the Corporation's businesses. In addition, the Corporation's ability to continue to operate its businesses without significant interruption in the event of a disaster or other disruption depends in part on the ability of its information systems to operate in accordance with its disaster recovery and business continuity plans. The operation of existing systems could experience disruption due to unexpected issues with employee hiring, retention, supply chain, and training and installation of equipment or software, among other things.

Risks related to distributors and subscription revenues

The Corporation relies on broadcasting distribution undertakings ("BDUs") (including cable and direct-to-home satellite broadcasting services, as well as multichannel multipoint distribution systems) for the distribution of its specialty services. 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. Due to industry concentration among BDUs in recent years and with the population of Canada clustered into a small number of large urban centres, a significant percentage of the subscriber base is reached through a small number of BDUs.

The subscription revenues of the specialty services depend on the number of subscribers and the rate billed to the BDUs for carriage of the service. The extent to which the Corporation's subscriber base will grow is uncertain and is dependent upon the ability and willingness of BDUs to deploy and expand their digital technologies, their marketing efforts and the packaging of their services' offerings, as well as upon the willingness of subscribers to adopt and pay for the specialty services. 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, creative, 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.

Known and unknown environmental risks

The Corporation is subject to various federal, provincial and local environmental requirements which govern certain of its activities, operations or properties and which may impose substantial costs of investigation, removal and remediation. A breach of such legislation may result in imposition of fines and penalties. In addition, these laws typically include responsibility and liability in certain circumstances without regard to whether the owner or operator knew of or caused the presence of certain contaminants or other environmental violations. Environmental laws may require parties to undertake or pay for remedial action or to pay damages regardless of fault. Environmental laws may also impose liability with respect to divested or terminated operations, even if the operations were terminated or divested many years ago. Compliance with these laws and regulations may impose substantial costs on the Corporation and may subject the Corporation to significant potential liabilities, and future environmental regulations could result in stricter standards and enforcement, larger fines and increased costs of compliance, remediation and restoration, all of which could have a material adverse effect on the Corporation's financial condition or results of operations.

The Corporation owns certain studios and vacant lots, some of which are located on a former landfill, with the presence of gas emitting waste. As a result, the operation and ownership of these studios and vacant lots carries an inherent risk of environmental and health and safety liabilities for personal injuries, property damage, release of hazardous materials, remediation and clean-up costs and other environmental damages (including potential civil actions, compliance or remediation orders, fines and other penalties), and may result in the Corporation being involved from time to time in administrative and judicial proceedings relating to such matters, which could have a material adverse effect on the Corporation's business, financial condition and results of operations. The Corporation may be liable for environmental damage caused by previous owners. As a result, substantial liabilities to third parties or governmental entities may be incurred, and the payment of such liabilities could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Furthermore, there can be no assurance that various permits which the Corporation may require in the normal course for its current and anticipated future operations or in relation to certain development and construction projects, or in relation to gas emitting waste disposal, will be obtainable on reasonable terms or on a timely basis or that the applicable environmental and health and safety laws and regulations would not have a material adverse effect on operations or development and construction projects which the Corporation might undertake. In addition, the release of harmful substances in the environment or other environmental damage caused by the Corporation's properties or activities may result in the suspension or revocation of operating and environmental permits.

Risks related to litigation and other claims

The Corporation is involved in various legal proceedings and other claims in the normal course of business. As a distributor of media content, it may also face potential liability for defamation, invasion of privacy, negligence, and other claims based on the nature and content of the materials distributed. These types of claims have been brought, sometimes successfully, against producers and distributors of media content. A negative outcome in respect of any such claim or litigation could have an adverse effect on the Corporation's results, liquidity or financial position. Moreover, irrespective of the validity or the successful assertion of such claims or lawsuits, the Corporation could incur significant costs and diversion of resources and of management's attention in defending against them, which could have a material adverse effect on its business, financial condition, operating results, liquidity and prospects.

Financing risks

The Corporation currently has adequate financing to pursue its current activities and has access to credit facilities totalling \$225 million, without taking into account the credit facility from the parent corporation. 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. 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.

Labour relations risks

As of December 31, 2014, approximately 60% of permanent employees were unionized. TVA's labour relations are governed by 13 collective agreements. As of December 31, 2014, seven collective agreements had come to term, covering about 20% of the Corporation's permanent unionized employees.

On May 5, 2014, the Corporation and the union representing its employees signed a new collective agreement covering 68% of the Corporation's unionized employees. This new collective agreement will expire on December 31, 2016.

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 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 the Corporation'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 properties 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 the Corporation's ability to maximize the efficiency of its operations. In addition, the Corporation's ability to make short-term adjustments to control compensation and benefit costs is limited by the terms of its collective bargaining agreements.

In addition, many individuals associated with the film and television industry are members of guilds or unions that bargain collectively with producers on an industry-wide basis from time to time. A strike or other form of labour protest affecting those guilds or unions could affect the level of production activity in the industry and restrict the ability of the Corporation to service its customers, which in turn would adversely affect the Corporation's results of operations and financial condition.

Risk related to pension plan obligations

The economic cycles could also have a negative impact on the funding of the Corporation'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.

Risks related to an increase in paper, printing and postage costs

A significant proportion of the Magazines 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 Magazines segment uses third parties for all of its printing services, and printing costs accounted for approximately 24% of operating expenses for the twelve-month period ended December 31, 2014. Further, distribution of its publications to subscribers is handled by Canada Post Corporation. Any interruption in distribution services could negatively affect the Magazines 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—Recoverable value of an asset or a CGU” in this Management’s Discussion and Analysis, 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 would be recognized as a non-cash impairment charge in the consolidated statements of income.

Risks related to QMI’s ability to exert a significant degree of control over the Corporation as the holder of a majority of the Class A Shares

QMI, which owned 99.97% of all the issued and outstanding Class A Shares as of the date of this Management’s Discussion and Analysis, can exercise its voting power to elect all of the members of the Board of Directors. QMI can also exercise its majority voting power to unilaterally pass any resolution submitted to a vote of the Corporation’s shareholders, including in respect of the approval of certain significant corporate transactions, except for resolutions for which holders of Class B Non-Voting Shares are entitled to vote as provided by law (unless QMI’s holdings in Class B Non-Voting Shares are increased above certain prescribed thresholds as a result of the Rights Offering, including the purchase of the Standby Shares pursuant to the Standby Commitment) or in respect of which QMI is an interested party and for which disinterested shareholder approval is required. Such concentration of ownership may have the effect of delaying, deterring or preventing a change in control of the Corporation that might otherwise be beneficial to its shareholders, discouraging bids for the Class B Non-Voting Shares or limit the amount certain investors may be willing to pay for the Class B Non-Voting Shares.

Risks related to acquisitions, sale of assets, business combinations, or joint ventures

From time to time, the Corporation engages in discussions and activities with respect to possible acquisitions, sales of assets, business combinations, or joint ventures intended to complement or expand its business, some of which may be significant transactions and involve significant risks and uncertainties. The Corporation may not realize the anticipated benefit from any of the transactions it pursues, and may have difficulty incorporating or integrating any acquired business. Regardless of whether it consummates any such transaction, the negotiation of a potential transaction (including associated litigation), as well as the integration of any acquired business, could entail significant costs and cause diversion of management’s time and resources and disrupt business operations. The Corporation could face several challenges in the consolidation and integration of information technology, accounting systems, personnel and operations.

If the Corporation determines to sell individual properties or other assets or businesses, it will benefit from the net proceeds realized from such sales. However, revenues may suffer in the long term due to the disposition of a revenue generating asset, or the timing of such dispositions may be poor, causing the Corporation to fail to realize the full value of the disposed asset, all of which may diminish its ability to repay its indebtedness at maturity.

Each of these factors could have a material adverse effect on the Corporation’s business, financial condition, operating results, liquidity and prospects.

Risks related to the VG acquisition

The VG Acquisition is significant in size, and the Corporation may not be able to successfully integrate and combine the operations, personnel, financial reporting structure and technology infrastructure of the Studios, Equipment and Post-Production Business with its existing operations. If integration is not managed successfully by management, the Corporation may experience interruptions in its business activities, a deterioration in its employee and customer relationships, increased costs of integration and harm to its reputation, all of which could have a material adverse

effect on its business, financial condition and results of operations. The Corporation may experience some difficulties in combining corporate cultures, maintaining employee morale and retaining key employees.

The success of the VG Acquisition will depend, in part, on the ability of the Corporation to realize the anticipated benefits and synergies from combining the businesses of the Corporation and the Studios, Equipment and Post-Production Business. The integration of the Studios, Equipment and Post-Production Business requires the dedication of substantial effort, time and resources on the part of management which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. There is no assurance that the anticipated synergies or other benefits of the VG Acquisition will be achieved, including improved operating results, or that the businesses of the Corporation and the Studios, Equipment and Post-Production Business will be successfully integrated in a timely manner without the need to spend significant additional amounts of money. The extent to which synergies are realized and the timing of such cannot be assured. While it is anticipated that certain expenses will be incurred, such expenses are difficult to estimate accurately, and may exceed current estimates. Accordingly, the benefits from the VG Acquisition may be offset by unexpected costs incurred or delays in integrating the businesses of the Corporation and the Studios, Equipment and Post-Production Business.

As a result of the VG Acquisition, the Corporation will be entering into a number of new, albeit related, business areas as service provider for the film and television industry, including complete studio services, soundstage and equipment leasing services, post-production, visual effects and 3D animation, production and management of assets for distribution. It may not be successful in these new areas and business units and this may adversely affect its financial results.

Under the VG Acquisition Agreement, the Corporation has agreed to assume certain specific liabilities of VG, which may include liabilities that the Corporation failed to discover or was unable to quantify accurately or at all in the due diligence review that it conducted prior to the execution of the VG Acquisition Agreement and the Corporation may not be indemnified for some or all of these liabilities or the indemnification may be subject to limitations set forth in the VG Acquisition Agreement, such as financial limitations and time limitations as well as a deductible. There is no assurance that the Corporation's right to indemnification will be enforceable, recoverable, collectible or sufficient in amount, scope or duration to fully offset the amount of any undiscovered or underestimated liabilities that it may incur. The discovery of any such liabilities, or the inability to obtain full indemnification for such liabilities, could have a material adverse effect on the Corporation's business, financial condition, operating results or future prospects.

In addition, the Corporation has agreed to indemnify VG against certain items for which the Corporation's indemnity obligation is not limited, including any assumed liabilities. While the Corporation has estimated these potential liabilities for the purposes of making its decision to enter into the VG Acquisition, there can be no assurance that any resulting liability will not exceed the Corporation's estimates.

Financial instruments and financial risk

The Corporation's risk management policies are 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.

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

Fair value of financial instruments

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

- 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); and
- Level 3: inputs that are not based on observable market data (unobservable inputs).

The fair values of long-term debt and of the credit facility from the parent corporation are estimated based on a valuation model using Level 2 inputs. The fair values are based on discounted cash flows using year-end market yields or the market value of similar financial instruments with the same maturity.

The carrying amount and fair value of long-term debt, the credit facility from the parent corporation and the derivative financial instrument as at December 31, 2014 and 2013 were as follows:

Table 12
Fair value of financial instruments
(in thousands of dollars)

	December 31, 2014		December 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Credit facility from parent corporation	\$ 100,000	\$ 100,000	\$ –	\$ –
Derivative financial instrument	547	547	–	–
Term loan	74,737	74,737	75,000	76,800

Credit risk management

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, 2014, 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 risk of its clients. 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, 2014, 4.73% of trade receivables were more than 120 days past their billing date (5.61% as at December 31, 2013), of which 23.3% were funded (13.6% as at December 31, 2013). In addition, as at December 31, 2014, the allowance for doubtful accounts was \$892,000 (\$1,086,000 as at December 31, 2013).

The table below shows the variance in the allowance for doubtful accounts for the years ended December 31, 2014 and 2013:

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

	December 31, 2014	December 31, 2013
Balance as at beginning of year	\$ 1,086	\$ 1,100
Change to income	338	486
Utilization	(532)	(500)
Balance as at end of year	\$ 892	\$ 1,086

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, and to meet their commitments and guarantees.

Market risk

Market risk is the risk that changes in market prices due to foreign exchange rates and interest rates fluctuations will 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 insubstantial volume of transactions made in currencies other than the Canadian dollar. The majority of these transactions are denominated in U.S. dollars, mainly for the acquisition of certain distribution rights, make capital expenditures and collect income from certain clients. 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 revolving credit facility and its term loan facility. As at December 31, 2014, the Corporation's long-term debt consisted entirely of floating-rate debt.

A 100-basis-point increase (decrease) in the year-end Canadian Bankers' acceptance rates on the balance of the floating rate long-term debt as at December 31, 2014 would have resulted in a \$750,000 annual increase (decrease) in financial expenses.

As part of the acquisition of VG, an interest rate swap was transferred to the Corporation. The Corporation intends to use this swap to manage its interest rate risk and achieve a targeted balance of fixed-rate and floating-rate debt. The Corporation does not intend to settle its swap before maturity, because it is not being held for speculative purposes. The main characteristics of this swap as of December 31, 2014 were as follows:

Table 14
Interest rate swap
(in thousands of dollars)

Term	Notional amount	Pay/ receive	Fixed rate	Floating rate
December 27, 2017	\$ 44,000,000	Pay fixed / Receive floating	2.03%	Bankers' acceptances 1 month

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

Capital management

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

- Preserve the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders;
- To 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 asset risks 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. The Corporation's strategy remains unchanged from last year.

The Corporation's capital structure is composed of equity, long-term debt maturing in 2019, a derivative financial instrument, a credit facility from the parent corporation and a bank overdraft, less cash.

The capital structure as of December 31, 2014 and 2013 was as follows:

Table 15
TVA Group capital structure
(in thousands of dollars)

	December 31, 2014	December 31, 2013
Long-term debt	\$ 74,737	\$ 75,000
Derivative financial instrument	547	-
Credit facility from parent corporation	100,000	-
Bank overdraft	4,486	-
Cash	-	(7,717)
Net liabilities	179,770	67,283
Equity	\$ 258,205	\$ 308,059

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, 2014, the Corporation was in compliance with all the terms of its credit agreements.

Contingencies and legal disputes

There are a number of legal proceedings against the Corporation and its subsidiaries that are pending. In the opinion of the management of the Corporation and its subsidiaries, the outcome of those proceedings is not expected to have a material adverse effect on the Corporation's results or on its financial position.

Critical Accounting Policies and Estimates

Revenue recognition

Advertising revenues

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. at the magazine publication date.

Subscription revenues

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.

Revenues from newsstand magazine sales

Revenues from newsstand magazine sales are recognized when the magazines are delivered to newsstands and are calculated using an amount of revenue less an allowance for future returns.

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.

Asset impairment

For the purposes of assessing impairment, assets are grouped in CGUs, are the smallest identifiable groups of assets that generate largely independent cash inflow. 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 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 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, based on future cash flows derived primarily 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. The perpetual growth rate 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.

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 allocated to the assets in the CGU pro rata on the basis of 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 if the resulting carrying amount does not exceed the value 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.

Pension plans and postretirement benefits

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

Defined benefit pension plan costs and obligations are estimated on the basis of a number of assumptions, including the discount rate, future salary levels, the retirement age of employees, health care costs, and other actuarial factors. Some of these assumptions could materially affect the employee costs and financial expenses recognized in the consolidated statement of income, the gain or loss on re-measurement of defined benefit plans recognized in the consolidated statement of comprehensive income, and the carrying amount of defined benefit assets and other liabilities recognized in the consolidated balance sheet. Pension plan assets are measured at fair value and consist of equities and corporate and government fixed-income securities.

Re-measurements of the net defined benefit asset or liability are recognized immediately in other comprehensive income and recorded in accumulated other comprehensive income. Re-measurements include the following items:

- (i) actuarial gains and losses arising from changes in the financial and demographic actuarial assumptions used to determine defined benefit obligations or resulting from experience adjustments on liabilities;
- (ii) the difference between the actual return on plan assets and the interest income on plan assets calculated as part of the interest on net defined benefit assets or liabilities;
- (iii) Changes in the net defined benefit asset limit or the minimum funding liability.

Recognition of a net benefit asset is limited under certain circumstances to the amount recoverable, 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 liability can be recorded to reflect a minimum funding liability in some of the Corporation's pension plans.

The Corporation considers all 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.

Stock-based compensation

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 in 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 expense. 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 and assumptions such as the risk-free interest rate, the expected volatility and the expected remaining life of the option.

The judgment and assumptions used in determining the fair value of liability classified stock-based awards may have an effect on the compensation cost recorded in the statements of income.

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.

Income taxes

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 valued at the 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 enacted or substantively enacted tax rates on deferred tax assets and liabilities is recognized in income in the period during which the substantive enactment date falls. 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 the amount that is more probable than not to be realized.

The assessment of deferred income taxes is judgmental in nature and is dependent on assumptions and estimates as to the availability and character of future taxable income. The ultimate amount of deferred income tax assets realized could be slightly different from that recorded, since it is influenced by the Corporation's future operating results.

The Corporation is at all times under audit by various tax authorities in each of the jurisdictions in which it operates. A number of years may elapse before a particular matter for which management has established a reserve is audited and resolved. The number of years between each tax audit varies depending on the tax jurisdiction. Management believes that its estimates are reasonable and reflect the probable outcome of known tax contingencies, although the final outcome is difficult to predict.

Changes in accounting policies

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

Recent accounting pronouncements

IFRS 9 *Financial Instruments* is required to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Corporation has not yet completed its assessment of the impact of the adoption of this pronouncement on its consolidated financial statements.

IFRS 9 simplifies the measurement and classification of financial assets by reducing the number of measurement categories 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, as well as for a new hedge accounting model more closely aligned with risk management activities undertaken by entities.

IFRS 15 *Revenue from Contracts with Customers* is required to be applied for annual periods beginning on or after January 1, 2017. The Corporation has not yet completed its assessment of the impact of the adoption of this pronouncement on its consolidated financial statements.

IFRS 15 specifies how and when an entity will recognize revenue as well as requiring such entities to provide users of financial statements with more informative disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.

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, 2014, 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, 2014 and ending December 31, 2014.

Additional information

The Corporation is a reporting issuer subject to the securities laws of all Canadian provinces and is therefore required to file financial statements, a proxy circular and an annual information form with the various securities regulatory

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

Forward-looking information disclaimer

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

The forward-looking statements in this document are made to provide investors and the public with 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 are 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://groupepva.ca>.

The forward-looking statements in this Management's Discussion and Analysis reflect the Corporation's expectations as of February 27, 2015, 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 27, 2015

Table 16
SELECTED FINANCIAL DATA
Years ended December 31, 2014, 2013 and 2012
(in thousands of dollars, except for per-share data)

	2014	2013	2012 (restated)
Operations			
Operating revenues	\$ 439,340	\$ 444,816	\$ 453,147
Adjusted operating income	\$ 29,426	\$ 60,570	\$ 42,482
Net (loss) income attributable to shareholders	\$ (41,088)	\$ 15,746	\$ (6,464)
Basic and diluted per-share data			
Basic (loss) earnings per share	\$ (1.73)	\$ 0.66	\$ (0.27)
Weighted average number of outstanding shares (in thousands)	23,771	23,771	23,771

Table 17
SELECTED QUARTERLY FINANCIAL DATA
(in thousands of dollars, except for per-share data)

	2014			
	December 31	September 30	June 30	March 31
Operations				
Operating revenues	\$ 129,794	\$ 94,525	\$ 109,700	\$ 105,321
Adjusted operating income (loss)	\$ 7,424	\$ 7,638	\$ 20,999	\$ (6,025)
Net (loss) income attributable to shareholders	\$ (4,148)	\$ (35,670)	\$ 9,163	\$ (10,163)
Basic and diluted per-share data				
Basic (loss) earnings per share	\$ (0.19)	\$ (1.50)	\$ 0.39	\$ (0.43)
Weighted average number of outstanding shares (in thousands)	23,771	23,771	23,771	23,771
2013				
	December 31	September 30	June 30	March 31
Operations				
Operating revenues	\$ 120,022	\$ 102,217	\$ 111,507	\$ 111,070
Adjusted operating income	\$ 20,334	\$ 18,401	\$ 20,940	\$ 895
Net income (loss) attributable to shareholders	\$ 8,328	\$ 6,325	\$ 6,981	\$ (5,888)
Basic and diluted per-share data				
Basic earnings (loss) per share	\$ 0.35	\$ 0.27	\$ 0.29	\$ (0.25)
Weighted average number of outstanding shares (in thousands)	23,771	23,771	23,771	23,771

- Most of the Corporation's operating revenues are derived from the sale of advertising or advertising services. These advertising revenues are usually seasonal and are impacted by the cyclical nature and economic character of the industry and of the markets in which the advertisers operate. The Corporation's second and fourth quarters are customarily the most favourable periods for advertising revenues, especially for television.
- From a quarter to another, operating expenses in the Broadcasting & Production segment vary, mainly as a result of programming costs, which are directly related to programming strategies, whereas in the Magazines segment, operating costs fluctuate according to the arrival of magazines on newsstands.