



MESSAGE TO THE SHAREHOLDERS

Montreal, August 2, 2013

TVA Group Inc. ("the Corporation") recorded net income attributable to shareholders in the amount of \$7.0 million, or \$0.29 per share, in the second quarter of 2013, compared with \$10.2 million, or \$0.43 per share, excluding a \$12.9 million gain on disposal of investments,¹ in the same quarter of 2012.

Second quarter operating highlights:

- Television segment generates operating income² in the amount of \$18,932,000, a \$3,013,000 increase mainly due to:
 - ⇒ positive impact on operating income of the deconsolidation of the results of SUN News since July 1, 2012; partially offset by:
 - ⇒ lower operating income at TVA Network as a direct consequence of a 1.5% decrease in operating revenues; and
 - ⇒ lower operating results at the specialty services due to higher programming investments at all services.
- Publishing segment generates operating income in the amount of \$2,008,000, a \$595,000 decrease mainly due to an unfavourable variance in the charge related to business contributions toward the costs of waste recovery and recycling services provided by Québec municipalities ("EEQ"), whereas a downward adjustment of the liability recorded in the first quarter of 2012 in respect of this charge was recognized in the second quarter of 2012.

Results for the latest quarter, combined with those for the first quarter of 2013, point towards long-term trends in the global television market. This reality has prompted us to introduce a cost-reduction plan to enable us to achieve our financial targets for fiscal 2013 while continuing to invest in growth projects. At the same time, our revenue-diversification strategy aimed at increasing subscription revenues continued paying dividends, with 14.5% growth in the second quarter of 2013 compared with the same quarter of 2012.

Our magazines' newsstand revenues and advertising revenues both declined in comparison with the same quarter of 2012. However, the cost-containment initiatives we have introduced since the beginning of the year have offset these decreases, aligning our cost structure with our current revenue levels. We are very pleased with our acquisition of Les Publications Charron and its weekly *La Semaine*, which allows us to grow that brand with the support of all of Quebecor Media's existing platforms and to offer it to our advertisers as a complement to our existing selection of magazines in Québec.

Cash flows provided by operating activities totalled \$10.7 million in the second quarter of 2013, compared with \$2.0 million in the same quarter of 2012. The \$8.7 million increase was essentially due to a favourable net change in non-cash items, resulting in part from positive variances in accounts receivable and in programs, broadcast and distribution rights, and inventories, partially offset by an unfavourable variance in rights payable.

¹ In the quarter ended June 30 2012, net income attributable to shareholders was \$23.1 million or \$0.97 per share.

² See definition of operating income (loss) below.

Definition

Operating income (loss)

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

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

TVA Group

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



Pierre Dion
President and Chief Executive Officer

TVA GROUP INC.

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

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

	Note	Three-month periods ended June 30		Six-month periods ended June 30	
		2013	2012 (restated, note 2)	2013	2012 (restated, note 2)
Revenues	3	\$ 111,507	\$ 113,509	\$ 222,577	\$ 228,972
Purchases of goods and services	4	56,822	57,570	131,915	139,317
Employee costs		33,745	37,417	68,827	78,139
Amortization of property, plant and equipment and intangible assets		5,374	5,242	10,462	10,459
Financial expenses	5	1,597	1,896	3,201	3,882
Operational restructuring costs, impairment of assets and other costs	6	2,047	–	2,999	117
Impairment of goodwill	7	–	–	–	32,200
Gain on disposal of investments	8	–	(12,881)	–	(12,881)
Income (loss) before tax expense and share of income of associated corporations and joint ventures		11,922	24,265	5,173	(22,261)
Tax expense		3,526	4,356	1,102	1,036
Share of loss (income) of associated corporations and joint ventures		1,415	(942)	2,978	(2,042)
Net income (loss) and comprehensive income (loss)		\$ 6,981	\$ 20,851	\$ 1,093	\$ (21,255)
Net income (loss) and comprehensive income (loss) attributable to:					
Shareholders		\$ 6,981	\$ 23,088	\$ 1,093	\$ (16,841)
Non-controlling interest		–	(2,237)	–	(4,414)
Basic and diluted earnings (loss) per share attributable to shareholders	9 c)	\$ 0.29	\$ 0.97	\$ 0.05	\$ (0.71)

See accompanying notes to condensed consolidated financial statements.

TVA GROUP INC.

Consolidated Statements of Equity

(unaudited)
(in thousands of dollars)

	Equity attributable to shareholders				Equity attributable to non-controlling interest	Total equity
	Capital stock (note 9)	Contributed surplus	Retained earnings	Accumulated other comprehensive loss - Defined benefit plans		
Balance as at December 31, 2011, as previously reported	\$ 98,647	\$ –	\$ 176,993	\$ –	\$ 5,389	\$ 281,029
Changes in accounting policies (note 2)	–	–	17,408	(18,323)	–	(915)
Balance as at December 31, 2011, as restated	98,647	–	194,401	(18,323)	5,389	280,114
Net loss	–	–	(16,841)	–	(4,414)	(21,255)
Contributions related to non-controlling interest (note 11)	–	–	–	–	3,528	3,528
Disposal of interest in SUN News (note 11)	–	581	–	–	(4,503)	(3,922)
Balance as at June 30, 2012	98,647	581	177,560	(18,323)	–	258,465
Net income	–	–	10,377	–	–	10,377
Other comprehensive loss	–	–	–	(2,297)	–	(2,297)
Balance as at December 31, 2012	98,647	581	187,937	(20,620)	–	266,545
Net income	–	–	1,093	–	–	1,093
Balance as at June 30, 2013	\$ 98,647	\$ 581	\$ 189,030	\$ (20,620)	\$ –	\$ 267,638

See accompanying notes to condensed consolidated financial statements.

TVA GROUP INC.

Consolidated Balance Sheets

(unaudited)
(in thousands of dollars)

		June 30, 2013	December 31, 2012
	Note		(restated, note 2)
Assets			
Current assets			
Cash		\$ 7,665	\$ 10,619
Accounts receivable		107,857	115,925
Income taxes		3,924	3,152
Programs, broadcast and distribution rights and inventories	6	61,416	67,579
Prepaid expenses		3,876	2,426
		184,738	199,701
Non-current assets			
Broadcast and distribution rights	6	37,253	33,563
Investments		15,344	17,651
Property, plant and equipment		100,623	98,494
Licences and other intangible assets		110,416	112,056
Goodwill	7	39,781	39,781
Deferred income taxes		1,220	725
		304,637	302,270
Total assets		\$ 489,375	\$ 501,971

See accompanying notes to condensed consolidated financial statements.

TVA GROUP INC.

Consolidated Balance Sheets (continued)

(unaudited)
(in thousands of dollars)

	Note	June 30, 2013	December 31, 2012 (restated, note 2)
Liabilities and equity			
Current liabilities			
Accounts payable and accrued liabilities		\$ 77,097	\$ 89,092
Income taxes		391	816
Broadcast and distribution rights payable		16,991	16,966
Provisions		1,023	862
Deferred revenues		4,120	6,136
		99,622	113,872
Non-current liabilities			
Long-term debt		74,539	74,438
Other liabilities		37,405	38,499
Deferred income taxes		10,171	8,617
		122,115	121,554
Equity			
Capital stock	9	98,647	98,647
Contributed surplus	11	581	581
Retained earnings		189,030	187,937
Accumulated other comprehensive loss		(20,620)	(20,620)
Equity attributable to shareholders		267,638	266,545
Event after the reporting period	13		
Total liabilities and equity		\$ 489,375	\$ 501,971

See accompanying notes to condensed consolidated financial statements.

On August 2, 2013, the Board of Directors approved the condensed consolidated financial statements for the three-month and six-month periods ended June 30, 2013 and 2012.

TVA GROUP INC.

Consolidated Statements of Cash Flows

(unaudited)
(in thousands of dollars)

	Note	Three-month periods ended June 30		Six-month periods ended June 30	
		2013	2012 (restated, note 2)	2013	2012 (restated, note 2)
Cash flows related to operating activities					
Net income (loss)		\$ 6,981	\$ 20,851	\$ 1,093	\$ (21,255)
Non-cash items:					
Amortization		5,424	5,349	10,563	10,667
Impairment of assets	6	612	–	999	–
Impairment of goodwill	7	–	–	–	32,200
Gain on disposal of investments	8	–	(12,881)	–	(12,881)
Share of loss (income) of associated corporations and joint ventures		1,415	(942)	2,978	(2,042)
Deferred income taxes		(115)	355	909	373
		14,317	12,732	16,542	7,062
Net change in non-cash items		(3,587)	(10,776)	(8,355)	(2,811)
Cash flows provided by operating activities		10,730	1,956	8,187	4,251
Cash flows related to investing activities					
Additions to property, plant and equipment		(4,236)	(6,828)	(9,548)	(12,102)
Additions to intangible assets		(338)	(737)	(922)	(1,303)
Net change in investments	8,11	(1,470)	20,963	(671)	20,963
Cash of SUN News at the date of deconsolidation	11	–	(430)	–	(430)
Cash flows (used in) provided by investing activities		(6,044)	12,968	(11,141)	7,128
Cash flows related to financing activities					
Net change in bank overdraft		–	4,661	–	963
Net change in revolving credit facility		(254)	(22,285)	–	(17,282)
Financing costs		–	–	–	(344)
Non-controlling interest	11	–	1,764	–	3,528
Cash flows used in financing activities		(254)	(15,860)	–	(13,135)
Net change in cash		4,432	(936)	(2,954)	(1,756)
Cash at beginning of period		3,233	936	10,619	1,756
Cash at end of period		\$ 7,665	\$ –	\$ 7,665	\$ –
Interest and taxes reflected as operating activities					
Interest paid		\$ 2,115	\$ 2,361	\$ 2,196	\$ 2,747
Income taxes (received) paid		(579)	1,185	1,389	3,472

See accompanying notes to condensed consolidated financial statements.

TVA GROUP INC.

Notes to Condensed Consolidated Financial Statements

Three-month and six-month periods ended June 30, 2013 and 2012 (unaudited)
(Tabular amounts are expressed in thousands of dollars, except per share and per option amounts)

TVA Group Inc. (“TVA Group” or “the Corporation”) is governed by the *Québec Business Corporations Act*. TVA Group is an integrated communications company with two operating segments: Television and Publishing (note 12). The Corporation is a subsidiary of Quebecor Media Inc. (“Quebecor Media” or “the parent corporation”) and the ultimate parent corporation is Quebecor Inc. (“Quebecor”). The Corporation’s head office is located at 1600 de Maisonneuve Boulevard East, Montréal, Québec, Canada.

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

1. Basis of presentation

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), except that they do not include all disclosures required under IFRS for annual consolidated financial statements. In particular, these consolidated financial statements were prepared in accordance with IAS 34, Interim Financial Reporting, and accordingly, they are condensed consolidated financial statements. They are presented in Canadian dollars, which is the currency of the primary economic environment in which the Corporation and its subsidiaries operate (“functional currency”). These condensed consolidated financial statements should be read in conjunction with the Corporation’s 2012 annual consolidated financial statements, which describe the accounting policies used to prepare these financial statements.

Comparative figures for the three-month and six-month periods ended June 30, 2012 have been restated to conform to the presentation adopted for the three-month and six-month periods ended June 30, 2013.

2. Changes in accounting policies

On January 1, 2013, the Corporation adopted retrospectively the following standards. Unless otherwise indicated, the adoption of these new standards did not have a material impact on prior period comparative figures.

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

TVA GROUP INC.

Notes to Condensed Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2013 and 2012 (unaudited)

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

2. Changes in accounting policies (continued)

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

The adoption of the standard had the following impacts on prior period comparative figures:

Consolidated statements of income and comprehensive income

Increase (decrease)	Three-month period ended June 30, 2012	Six-month period ended June 30, 2012
Revenues	\$ (1,870)	\$ (4,219)
Purchases of goods and services	(1,073)	(2,512)
Financial expenses	3	7
Loss before tax expense and share of income of associated corporations and joint ventures	800	1,714
Share of loss (income) of associated corporations and joint ventures	(800)	(1,714)
Net income and comprehensive income	\$ –	\$ –

- (iii) IFRS 12 *Disclosure of Interests in Other Entities* is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose entities and other off-balance sheet vehicles.
- (iv) IFRS 13 *Fair Value Measurement* is a new and comprehensive standard that sets out a framework for measuring at fair value and that provides guidance on required disclosures about fair value measurements.
- (v) IAS 1 *Presentation of Financial Statements* was amended and the principal change resulting from amendments to this standard is the requirement to present separately other comprehensive items that may be reclassified to income and other comprehensive items that will not be reclassified to income.

TVA GROUP INC.

Notes to Condensed Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2013 and 2012 (unaudited)

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

2. Changes in accounting policies (continued)

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

The adoption of the amended standard had the following impacts on prior period comparative figures:

Consolidated statements of income and comprehensive income

Increase (decrease)	Three-month period ended June 30, 2012	Six-month period ended June 30, 2012
Employee costs	\$ 342	\$ 684
Financial expenses	462	925
Deferred income tax expense	(216)	(433)
Net income and comprehensive income	\$ (588)	\$ (1,176)

Consolidated balance sheets

Increase (decrease)	December 31, 2012	December 31, 2011
Other liabilities	\$ –	\$ 1,251
Deferred income tax liability	–	(336)
Retained earnings	20,620	17,408
Accumulated other comprehensive income	(20,620)	(18,323)

TVA GROUP INC.

Notes to Condensed Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2013 and 2012 (unaudited)

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

3. Revenues

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

	Three-month periods ended June 30		Six-month periods ended June 30	
	2013	2012 (restated, note 2)	2013	2012 (restated, note 2)
Services rendered	\$ 86,867	\$ 87,665	\$ 172,844	\$ 176,887
Product sales	24,640	25,844	49,733	52,085
	\$ 111,507	\$ 113,509	\$ 222,577	\$ 228,972

4. Purchases of goods and services

The main components of purchases of goods and services are as follows:

	Three-month periods ended June 30		Six-month periods ended June 30	
	2013	2012 (restated, note 2)	2013	2012 (restated, note 2)
Royalties, rights and production costs	\$ 32,722	\$ 32,555	\$ 81,710	\$ 82,716
Printing and distribution	4,720	4,523	9,318	12,442
Marketing, advertising and promotion	3,308	4,059	8,375	9,372
Buildings costs	2,209	2,445	4,392	5,085
Services rendered by parent corporation	6,037	4,951	11,972	9,215
Other	7,826	9,037	16,148	20,487
	\$ 56,822	\$ 57,570	\$ 131,915	\$ 139,317

TVA GROUP INC.

Notes to Condensed Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2013 and 2012 (unaudited)

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

5. Financial expenses

	Three-month periods ended June 30		Six-month periods ended June 30	
	2013	2012 (restated, note 2)	2013	2012 (restated, note 2)
Interest on long-term debt	\$ 1,126	\$ 1,282	\$ 2,248	\$ 2,698
Amortization of financing costs	50	107	101	208
Interest on net defined benefit liability	420	462	840	925
Other	1	45	12	51
	\$ 1,597	\$ 1,896	\$ 3,201	\$ 3,882

6. Operational restructuring costs, impairment of assets and other costs

In the three-month and six-month periods ended June 30, 2013, the Corporation recorded \$1,646,000 in operational restructuring costs in connection with the elimination of a number of positions, including \$897,000 in the Television segment and \$749,000 in the Publishing segment. In the six-month period ended June 30, 2012, the Corporation recorded \$117,000 in operational restructuring costs in connection with the elimination of a number of positions in the Publishing segment.

During the first quarter of 2013, the Corporation decided to discontinue theatrical distribution of new Québec films, whereas in the second quarter of 2013, the Corporation announced that its TVA Boutiques division's home shopping and online shopping operations would be discontinued by August 31, 2013. As a result of these repositionings, the Corporation recorded a \$612,000 inventory impairment charge and a \$303,000 provision for operational restructuring costs for the three-month period ended June 30, 2013 and a \$999,000 impairment charge and a \$303,000 provision for operational restructuring costs for the six-month period ended June 30, 2013.

During the three-month period ended June 30, 2013, the Corporation also reversed a \$514,000 provision for restructuring costs following a favourable judgment in a legal dispute related to a former subsidiary's production activities. During the six-month period ended June 30, 2013, the Corporation recorded a net charge of \$51,000 in connection with this dispute.

TVA GROUP INC.

Notes to Condensed Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2013 and 2012 (unaudited)

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

7. Impairment of goodwill

During the first quarter of 2012, following the adoption of new rates for business contributions toward the costs of waste recovery and recycling services provided by Québec municipalities, the Corporation had to review its business plan for the related activities and perform an impairment test on the Publishing cash-generating unit ("CGU"). The Corporation concluded that the recoverable amount based on value in use was less than the carrying amount of the Publishing CGU and a goodwill impairment charge of \$32,200,000 was recorded.

8. Gain on disposal of investments

On May 31, 2012, following Canadian Radio-television and Telecommunications Commission approval, the Corporation completed the sale of its 51% interest in "The Cave" and its 50% interest in "Mystery TV" to its partner in the joint ventures, Shaw Media Global Inc., for a total cash consideration of \$20,963,000. A \$12,881,000 gain on disposal of investments, before taxes, was recorded. The transaction did not give rise to any tax expense because the Corporation used unrecorded capital losses to eliminate the capital gains tax on disposal of investments.

9. Capital stock

(a) Authorized capital stock

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

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

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

(b) Issued and outstanding capital stock

	June 30, 2013	December 31, 2012
4,320,000 Class A Common Shares	\$ 72	\$ 72
19,450,906 Class B shares	98,575	98,575
	\$ 98,647	\$ 98,647

TVA GROUP INC.

Notes to Condensed Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2013 and 2012 (unaudited)

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

9. Capital stock (continued)

(c) Earnings (loss) per share attributable to shareholders

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

	Three-month periods ended June 30		Six-month periods ended June 30	
	2013	2012 (restated, note 2)	2013	2012 (restated, note 2)
Net income (loss) attributable to shareholders	\$ 6,981	\$ 23,088	\$ 1,093	\$ (16,841)
Weighted average number of basic and diluted shares outstanding	23,770,906	23,770,906	23,770,906	23,770,906
Basic and diluted earnings (loss) per share attributable to shareholders (in dollars)	\$ 0.29	\$ 0.97	\$ 0.05	\$ (0.71)

The diluted earnings (loss) per share calculation does not take into consideration the potential dilutive effect of stock options of the Corporation since their impact is anti-dilutive.

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

	Six-month period ended June 30, 2013			
	Corporation's Class B stock options		Quebecor Media stock options	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Balance as at December 31, 2012	819,421	\$ 16.34	213,416	\$ 46.55
Exercised	—	—	(41,884)	46.70
Cancelled	(128,345)	15.29	(32,500)	47.68
Options related to executives transferred to Quebecor Media	—	—	(14,625)	46.48
Balance as at June 30, 2013	691,076	\$ 16.54	124,407	\$ 46.21

Of the number of options outstanding as at June 30, 2013, 691,076 Corporation's Class B stock options at an average exercise price of \$16.54 and 46,407 Quebecor Media stock options at an average price of \$45.76 could be exercised.

TVA GROUP INC.

Notes to Condensed Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2013 and 2012 (unaudited)

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

10. Stock-based compensation and other stock-based payments (continued)

During the three-month period ended June 30, 2013, 21,927 Quebecor Media stock options were exercised for a cash consideration of \$243,000 (no stock options were exercised in the same period of 2012). During the six-month period ended June 30, 2013, 41,884 Quebecor Media stock options were exercised for a cash consideration of \$471,000 (no stock options were exercised in the same period of 2012).

During the three-month and six-month periods ended June 30, 2013, the Corporation recorded compensation expense reversals of \$83,000 and \$31,000 respectively (compensation expense reversals of \$250,000 and \$245,000 respectively in the same periods of 2012) in relation to the Corporation's Class B stock options and compensation expense reversals of \$41,000 and \$70,000 respectively (compensation expense reversal of \$50,000 and compensation expense of \$546,000 respectively in the same periods of 2012) in relation to Quebecor Media stock options.

11. Related party transactions

Capital contributions to SUN News

During the three-month and six-month periods ended June 30, 2013, the partners in SUN News made a capital contribution of \$3,000,000 (\$3,600,000 and \$7,200,000 respectively during the same periods of 2012), including \$1,470,000 from the Corporation (\$1,836,000 and \$3,672,000 respectively during the same periods of 2012) and \$1,530,000 from Sun Media Corporation, a company under common control (\$1,764,000 and \$3,528,000 respectively during the same periods of 2012).

Disposal of interest in SUN News

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

TVA GROUP INC.

Notes to Condensed Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2013 and 2012 (unaudited)

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

11. Related party transactions (continued)

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

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

TVA GROUP INC.

Notes to Condensed Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2013 and 2012 (unaudited)

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

12. Segmented information

The Corporation's operations consist of the following segments:

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

	Three-month periods ended June 30		Six-month periods ended June 30	
	2013	2012 (restated, note 2)	2013	2012 (restated, note 2)
Revenues				
Television	\$ 96,470	\$ 97,262	\$ 193,534	\$ 197,733
Publishing	15,806	17,213	30,775	33,119
Intersegment items	(769)	(966)	(1,732)	(1,880)
	\$ 111,507	\$ 113,509	\$ 222,577	\$ 228,972
Operating income¹				
Television	18,932	15,919	19,595	10,960
Publishing	2,008	2,603	2,240	556
	20,940	18,522	21,835	11,516
Amortization of property, plant and equipment and intangible assets	5,374	5,242	10,462	10,459
Financial expenses	1,597	1,896	3,201	3,882
Operational restructuring costs, impairment of assets and other costs	2,047	–	2,999	117
Impairment of goodwill	–	–	–	32,200
Gain on disposal of investments	–	(12,881)	–	(12,881)
Income (loss) before tax expense and share of income of associated corporations and joint ventures	\$ 11,922	\$ 24,265	\$ 5,173	\$ (22,261)

TVA GROUP INC.

Notes to Condensed Consolidated Financial Statements (continued)

Three-month and six-month periods ended June 30, 2013 and 2012 (unaudited)

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

12. Segmented information (continued)

The above-noted intersegment items represent the elimination of normal course business transactions between the Corporation's business segments regarding revenues.

- (1) The Chief Executive Officer uses operating income as a measure of financial performance for assessing the performance of each of the Corporation's segments. Operating income is defined as net income (loss) before amortization of property, plant and equipment and intangible assets, financial expenses, operational restructuring costs, impairment of assets and other costs, impairment of goodwill, gain on disposal of investments, tax expense, share of loss (income) of associated corporations and joint ventures, and net loss attributable to non-controlling interest. Operating income as defined above is not a measure of results that is consistent with IFRS.

13. Event after the reporting period

On July 18, 2013, the Corporation acquired all of the issued and outstanding shares of Les Publications Charron & Cie inc., publisher of *La Semaine* magazine, and of Charron Éditeur inc., a book publisher, for a total cash consideration of \$7,500,000. Les Publications Charron & Cie inc. was acquired as part of TVA Group's strategy to remain the Québec market leader in magazine publishing. The operations of Charron Éditeur inc. will be transferred to Sogides Group, a corporation under common control, for a \$300,000 consideration.

CORPORATE PROFILE

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

This Interim Management’s Discussion and Analysis covers the Corporation’s main activities during the second quarter of 2013, and the major changes from the previous financial year. The Corporation’s condensed consolidated financial statements for the three-month and six-month periods ended June 30, 2013 and 2012 have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

All the amounts presented in this Management’s Discussion and Analysis are in Canadian dollars. This report should be read in conjunction with the information in the annual Consolidated Financial Statements and Management’s Discussion and Analysis for the financial year ended December 31, 2012 and in the Condensed Consolidated Financial Statements as of June 30, 2013.

BUSINESS SEGMENTS

The Corporation’s operations consist of the following segments:

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

HIGHLIGHTS SINCE END OF FIRST QUARTER 2013

- On July 18, 2013, the Corporation acquired Les Publications Charron & Cie inc., publisher of *La Semaine* magazine, and Charron Éditeur inc. for the amount of \$7,500,000. The operations of Les Publications Charron & Cie inc. will be folded into the Corporation's Publishing segment, while the operations of Charron Éditeur inc. will be transferred to Sogides Group, a corporation under common control, for the amount of \$300,000.
- On June 13, 2013, TVA Group announced that it would discontinue its TVA Boutiques division's home shopping and online shopping operations by August 31, 2013.
- On June 5, 2013, TVA Group announced the introduction of a cost-reduction plan entailing the elimination of approximately 90 positions.
- On May 2, 2013, the TVA Sports service reached an agreement with CBC/Radio-Canada and became an official specialty service broadcaster of the 2014 Winter Olympics in Sochi.
- On April 23, 2013, the Canadian Radio-television and Telecommunications Commission ("CRTC") held hearings on applications from specialty services, including SUN News Network, for mandatory carriage as part of basic service in Canada.

NON-IFRS FINANCIAL MEASURES

To evaluate its financial performance, the Corporation uses certain measures that are not calculated in accordance with or recognized under International Financial Reporting Standards ("IFRS"). The Corporation uses these non-IFRS financial measures because it believes that they are meaningful measures of its performance. The Corporation's method of calculating non-IFRS financial measures may differ from the methods used by other companies and, as a result, the financial measures presented in this Management's Discussion and Analysis may not be comparable to other measures with similar names reported by other companies.

Operating income (loss)

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

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

Table 1

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

	Three-months ended June 30		Six-months ended June 30	
	2013	2012 (restated)	2013	2012 (restated)
Operating income:				
Television	\$ 18,932	\$ 15,919	\$ 19,595	\$ 10,960
Publishing	2,008	2,603	2,240	556
	20,940	18,522	21,835	11,516
Amortization of property, plant and equipment and intangible assets	5,374	5,242	10,462	10,459
Financial expenses	1,597	1,896	3,201	3,882
Operational restructuring costs, impairment of assets and other costs	2,047	–	2,999	117
Impairment of goodwill	–	–	–	32,200
Gain on disposal of investments	–	(12,881)	–	(12,881)
Tax expense	3,526	4,356	1,102	1,036
Share of loss (income) of associated corporations and joint ventures	1,415	(942)	2,978	(2,042)
Non-controlling interest	–	(2,237)	–	(4,414)
Net income (loss) attributable to shareholders	\$ 6,981	\$ 23,088	\$ 1,093	\$ (16,841)

ANALYSIS OF CONSOLIDATED RESULTS

2013/2012 second quarter comparison

Operating revenues: \$111,507,000, a decrease of \$2,002,000 (-1.8%).

- \$792,000 (-0.8%) decrease in the Television segment (Table 2), due mainly to the unfavourable impact of the deconsolidation of the results of SUN News since July 1, 2012 and a 1.5% decrease in TVA Network's revenues, partially offset by a 9.8% increase in revenues at the specialty services.
- \$1,407,000 (-8.2%) decrease in the Publishing segment (Table 2), primarily due to a 13.0% decrease in advertising revenues and a 10.3% decrease in newsstand revenues.

Table 2
Operating revenues
(in thousands of dollars)

	Three-months ended		Six-months ended	
	June 30		June 30	
	2013	2012 (restated)	2013	2012 (restated)
Television	\$ 96,470	\$ 97,262	\$ 193,534	\$ 197,733
Publishing	15,806	17,213	30,775	33,119
Intersegment items	(769)	(966)	(1,732)	(1,880)
	\$ 111,507	\$ 113,509	\$ 222,577	\$ 228,972

Operating income: \$20,940,000, a \$2,418,000 favourable variance compared with the same quarter of 2012.

- \$3,013,000 favourable variance in the Television segment (Table 3), mainly because of the deconsolidation of the negative results of SUN News since July 1, 2012 (“sale of part of the Corporation’s interest in SUN News”) partially offset by a reduction in TVA Network’s operating income related to the decrease in its revenues.
- \$595,000 unfavourable variance in the Publishing segment (Table 3), mainly because reductions in the segment’s operating expenses were outweighed by the decrease in its revenues.

Table 3
Operating income
(in thousands of dollars)

	Three-months ended		Six-months ended	
	June 30		June 30	
	2013	2012 (restated)	2013	2012 (restated)
Television	\$ 18,932	\$ 15,919	\$ 19,595	\$ 10,960
Publishing	2,008	2,603	2,240	556
	\$ 20,940	\$ 18,522	\$ 21,835	\$ 11,516

Net income attributable to shareholders: \$6,981,000 (\$0.29 per basic and diluted share) in the second quarter of 2013, compared with \$23,088,000 (\$0.97 per basic and diluted share) in the same period of 2012.

- The negative variance of \$16,107,000 (-\$0.68 per basic and diluted share) was essentially due to:
 - \$12,881,000 unfavourable variance in the gain on disposal of investments, due to a \$12,881,000 gain recorded in the Television segment in the second quarter of 2012;
 - \$2,047,000 unfavourable variance in operational restructuring costs, impairment of assets and other costs;
 - \$2,357,000 unfavourable variance in share of loss (income) of associated corporations and joint ventures;
 - \$2,237,000 decrease in non-controlling interest;

Partially offset by:

- \$2,418,000 increase in operating income, including the adjustment to a provision for CRTC licence fees.
- The calculation of per-share amounts was based on a weighted average of 23,770,906 outstanding diluted shares for the quarters ended June 30, 2013 and 2012.

Amortization of property, plant and equipment and intangible assets: \$5,374,000, a \$132,000 increase.

- The increase was due primarily to the start up of major IT, technical and architectural projects during the quarter, partially offset by deconsolidation of the amortization charge for SUN News since July 1, 2012.

Financial expenses: \$1,597,000, a \$299,000 decrease.

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

Operational restructuring costs, impairment of assets and other costs: \$2,047,000 in the second quarter of 2013, compared with nil in the same quarter of 2012.

- In the second quarter of 2013, the Corporation introduced a cost-reduction plan to reduce operating expenses by \$16 million in the current year. As a result, the Corporation recorded \$1,646,000 in operational restructuring costs in connection with the elimination of approximately 90 positions in the Television and Publishing segments.
- During the three-month period ended June 30, 2013, the Corporation announced that the operations of its TVA Boutiques division would be discontinued by August 31, 2013. In connection with this repositioning, a \$612,000 inventory impairment charge and a \$303,000 provision for operational restructuring costs were recorded.
- During the same period, the Corporation also reversed a \$514,000 provision for restructuring costs following a favourable judgment in a legal dispute related to a former subsidiary's production activities.

Gain on disposal of investments: Nil, a \$12,881,000 decrease.

- The decrease was due to the gain before income tax, recorded in the second quarter of 2012, related to the sale of the Corporation's 51% interest in the specialty service "The Cave" and its 50% interest in the specialty service "Mystery TV" to Shaw Media Global Inc.

Income tax expense: \$3,526,000 (effective tax rate of 29.6%) in the second quarter of 2013, compared with \$4,356,000 (effective tax rate of 18.0%) for the same period of 2012.

- In the second quarter of 2013, the tax rate was higher than the Corporation's statutory tax rate of 26.9%, mainly because of permanent differences related to non-deductible items.
- In the second quarter of 2012, the tax rate was lower than the Corporation's statutory tax rate of 26.9% essentially because of the use of unrecorded capital losses to eliminate capital gains tax on the disposal of investments.

Share of loss of associated corporations and joint ventures: \$1,415,000 in the second quarter of 2013, compared with a \$942,000 share of income of associated corporations and joint ventures in the same quarter of 2012. The \$2,357,000 unfavourable variance was mainly due to the impact of the sale of part of the Corporation's interest in SUN News on June 30, 2012 and the sale of the Corporation's interest in joint ventures on May 31, 2012.

Non-controlling interest: Nil in the second quarter of 2013 compared with \$2,237,000 in the same quarter of 2012. The 2012 figure represented Sun Media Corporation's share of the pre-tax loss of SUN News. Since July 1, 2012, that entity has been recorded as an investment using the equity method and its results are no longer consolidated by the Corporation.

2013/2012 year-to-date comparison

Operating revenues: \$222,577,000, a decrease of \$6,395,000 (-2.8%).

- \$4,199,000 (-2.1%) decrease in the Television segment (Table 2), due mainly to a 4.0% decrease in TVA Network's revenues and the unfavourable impact of the deconsolidation of the results of SUN News since July 1, 2012, partially offset by a 13.3% increase in revenues at the specialty services.
- \$2,344,000 (-7.1%) decrease in the Publishing segment (Table 2), primarily due to a 12.0% decrease in newsstand revenues and an 8.7% decrease in advertising revenues.

Operating income: \$21,835,000, a \$10,319,000 favourable variance compared with the same period of 2012.

- \$8,635,000 favourable variance in the Television segment (Table 3), mainly because of the sale of part of the Corporation's interest in SUN News and 4.0% growth in TVA Network's operating income, partially offset by programming investments related to the repositioning of the "MOI&cie" specialty service.
- \$1,684,000 favourable variance in the Publishing segment (Table 3), mainly attributable to the impact of the recognition in the first quarter of 2012 of the charge resulting from the adoption of new 2010, 2011 and 2012 rates for business contributions toward the costs of waste recovery and recycling services provided by Québec municipalities, partially offset by the impact of the revenues decrease.

Net income attributable to shareholders: \$1,093,000 (\$0.05 per basic and diluted share) for the first half of 2013, compared with a \$16,841,000 net loss (-\$0.71 per basic and diluted share) in the same period of 2012.

- The positive variance of \$17,934,000 (\$0.76 per basic and diluted share) was essentially due to:
 - \$32,200,000 goodwill impairment charge in the Publishing segment recorded in the first quarter of 2012;
 - \$10,319,000 increase in TVA Network's operating income;

Partially offset by:

- \$12,881,000 unfavourable variance in the gain on disposal of investments, due to a \$12,881,000 gain recorded in the Television segment in the second quarter of 2012;
 - \$5,020,000 unfavourable variance in share of loss (income) of associated corporations and joint ventures;
 - \$4,414,000 decrease in non-controlling interest;
 - \$2,882,000 unfavourable variance in operational restructuring costs, impairment of assets and other costs.
- The calculation of per-share amounts was based on a weighted average of 23,770,906 outstanding diluted shares for the first six months of 2013 and 2012.

Amortization of property, plant and equipment and intangible assets: Relatively flat at \$10,462,000, a slight \$3,000 increase from the first half of 2012.

Financial expenses: \$3,201,000, a decrease of \$681,000, essentially due to the same factors as those noted above in the 2013/2012 second quarter comparison.

Operational restructuring costs, impairment of assets and other costs: \$2,999,000 in the first half of 2013, compared with \$117,000 in the same period of 2012.

- During the six-month period ended June 30, 2013, in addition to the items noted in the 2013/2012 second quarter comparison, the Corporation recorded operational restructuring costs in the amount of \$565,000 for legal expenses in connection with a trial related to a legal dispute involving a former subsidiary, and a \$387,000 impairment charge related to its long-term distribution rights inventory following its decision to discontinue theatrical distribution of new Québec films.
- In the six-month period ended June 30, 2012, the Corporation recorded \$117,000 in operational restructuring costs in connection with the elimination of a number of positions in the Publishing segment.

Goodwill impairment: Nil in the first half of 2013 compared with \$32,200,000 in the first half of 2012.

- During the six-month period ended June 30, 2012, following the adoption of new rates for business contributions toward the costs of waste recovery and recycling services provided by Québec municipalities, the Corporation had to review its business plan for the related activities and perform an impairment test on the Publishing cash-generating unit (“CGU”). The Corporation concluded that the recoverable amount, based on value in use, was less than the carrying amount of the Publishing CGU and a goodwill impairment charge of \$32,200,000, without any tax consequences, was recorded.

Gain on disposal of investments: Nil, a decrease of \$12,881,000 before income tax compared with the second quarter of 2012, essentially because of the same factors as those noted above in the 2013/2012 second quarter comparison.

Income tax expense: \$1,102,000 (effective tax rate of 21.3%) in the first half of 2013, compared with \$1,036,000 (effective tax rate of -4.7%) in the same period of 2012.

- In the first half of 2013, the tax 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, partially offset by permanent differences related to non-deductible items.
- In the first half of 2012, the tax rate was lower than the Corporation’s statutory tax rate of 26.9%, essentially because of the net effect of a non-deductible goodwill impairment charge and the use of unrecorded capital losses to eliminate capital gains tax on the disposal of investments.

Share of loss of associated corporations and joint ventures: \$2,978,000 in the first half of 2013, compared with a \$2,042,000 share of income of associated corporations and joint ventures in the same period of 2012. The \$5,020,000 unfavourable variance was mainly due to the impact of the sale of part of the Corporation’s interest in SUN News on June 30, 2012 and the sale of the Corporation’s interests in joint ventures on May 31, 2012.

Non-controlling interest: Nil in the first half of 2013, compared with \$4,414,000 in the same period of 2012. The 2012 figure represented Sun Media Corporation’s share of the pre-tax loss of SUN News. Since July 1, 2012, that entity has been recorded as an investment using the equity method and its results are no longer consolidated by the Corporation.

SEGMENTED ANALYSIS

Television

2013/2012 second quarter comparison

Operating revenues: \$96,470,000, a decrease of \$792,000 (-0.8%), primarily due to:

- Unfavourable impact of deconsolidation of the results of SUN News;
- 1.2% decrease in advertising revenues at TVA Network;

Partially offset by:

- Combined growth of 14.5% in subscription revenues from the specialty services. The majority of the specialty services posted increases. Subscription revenues rose by 34.9%, 20.0%, 18.8% and 16.8% at “MOI&cie,” “Yoopla,” “LCN” and “TVA Sports” respectively.

French-language market ratings

TVA Group’s total market share for the period of April 1 to June 30, 2013 was relatively flat compared with the same period of 2012 at 31.1%. TVA Group’s French-language specialty services had a combined market share of 8.2% during that period compared with 9.8% in the same period of 2012. The decrease was essentially due to the significant market share achieved by the “LCN” service’s live coverage of events related to the student boycott in Québec in the spring of 2012. The “Casa,” “Prise 2” and “Yoopla” specialty services recorded the strongest growth, increasing to 0.8%, 1.3% and 0.8% respectively. TVA Network remains in the lead with a 22.9% market share, more than its two main conventional rivals combined. It carried 22 of the 30 most-watched programs in Québec during the second quarter of 2013, including *La Voix*, which drew more than 2.6 million viewers.

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

Spring 2013 vs Spring 2012			
	2013	2012	Difference
French-language conventional broadcasters:			
TVA	22.9	21.9	+ 1.0
SRC	11.8	10.8	+ 1.0
V	8.2	8.0	+ 0.2
	42.9	40.7	+ 2.2
French-language specialty and pay services:			
TVA	8.2	9.8	- 1.6
SRC	5.2	5.8	- 0.6
Bell Media*	20.7	20.2	+ 0.5
Other	15.3	15.9	- 0.6
	49.4	51.7	- 2.3
Total English-language and others	7.7	7.6	+ 0.1
TVA Group	31.1	31.7	- 0.6

* Based on its properties following the Bell-Astral transaction completed on July 5, 2013.

Operating expenses: \$77,538,000, a decrease of \$3,805,000 (-4.7%).

- The decrease was due primarily to:
 - positive impact of deconsolidation of the results of SUN News;
 - decrease in operating expenses of the home shopping specialty service following its discontinuation in August 2012; and
 - adjustment to a provision for CRTC licence fees;

Partially offset by:

- 12.9% increase in operating expenses at the specialty services due to higher programming investments at the majority of the specialty services;
- the increase in programming costs, which outweighed the favourable impact of the introduction of a cost-reduction plan.

Operating income: \$18,932,000, a \$3,013,000 favourable variance due primarily to:

- Positive impact on operating income of the sale of part of the Corporation's interest in SUN News in June 2012;

Partially offset by:

- Decrease in TVA Network's operating income; and
- Decrease in operating results at the specialty services.

Analysis of cost/revenue ratio: Operating expenses for the Television segment's activities (expressed as a percentage of revenues) decreased from 83.6% during the three-month period ended June 30, 2012 to 80.4% in the same period of 2013. The decrease was mainly due to the deconsolidation of the negative results of SUN News since July 1, 2012.

2013/2012 year-to-date comparison

Operating revenues: \$193,534,000, a decrease of \$4,199,000 (-2.1%), primarily due to:

- 4.5% decrease in advertising revenues at TVA Network;
- Unfavourable impact of the deconsolidation of the results of SUN News;

Partially offset by:

- 18.8% increase in subscription revenues at the specialty services:
 - the "LCN" and "TVA Sports" services accounted for 37.1% and 23.4% of the increase respectively;
 - the "MOI&cie" and "Yoop" services logged increases of 44.5% and 28.9% respectively;
- 4.8% increase in advertising revenues at the specialty services, generated mainly by "addik^{TV}", which accounted for 81.1% of the increase.

Operating expenses: \$173,939,000, a decrease of \$12,834,000 (-6.9%).

- The decrease was due primarily to:
 - favourable impact of deconsolidation of the results of SUN News;
 - 5.6% decrease in operating expenses at TVA Network due to the introduction of a cost-reduction plan and the adjustment to a provision for CRTC licence fees;

Partially offset by:

- higher operating expenses at the specialty services due to increased programming investments at the majority of the services.

Operating income: \$19,595,000, an \$8,635,000 favourable variance due primarily to:

- Positive impact on operating income of the sale of part of the Corporation's interest in SUN News in June 2012;

Partially offset by:

- Decrease in operating results at the specialty services, mainly "MOI&cie."

Analysis of cost/revenue ratio: Operating expenses for the Television segment's activities (expressed as a percentage of revenues) decreased from 94.5% during the six-month period ended June 30, 2012 to 89.9% in the same period of 2013. The decrease was mainly due to deconsolidation of the negative results of SUN News since July 1, 2012, the introduction of a cost-reduction plan in the Television segment and the adjustment to a provision for CRTC licence fees.

Publishing

2013/2012 second quarter comparison

Operating revenues: \$15,806,000, a decrease of \$1,407,000 (-8.2%) due mainly to:

- 13.0% decrease in advertising revenues; and
- 10.3% decrease in newsstand revenues.

The decoration and cooking magazines and the women's magazines accounted for 52.4% of the decrease in operating revenues.

Readership and market share statistics

- Together, TVA Publications magazines hold 45% of cumulative monthly Québec Francophone readership, according to data compiled by the PMB (*Print Measurement Bureau* - Spring 2013).
- TVA Publications weeklies reach more than 2.0 million Canadian readers cumulatively per week according to PMB (*Print Measurement Bureau* - Spring 2013). The showbiz and celebrity news magazine *7 Jours* alone has a weekly readership of 712,000.
- TVA Publications has 49% of total unit sales of French-language magazines in Québec (source: *Alliance for Audited Media*, December 31, 2012).

Operating expenses: \$13,798,000, a decrease of \$812,000 (-5.6%) due mainly to:

- 14.8% decrease in printing and filming expenses;
- 10.7% decrease in magazine editorial costs;
- 30.6% decrease in administration charges; and
- 15.3% decrease in promotional expenses, largely related to new digital products;

Partially offset by:

- An unfavourable variance in the charge related to business contributions toward the costs of waste recovery and recycling services provided by Québec municipalities ("EEQ"), since a downward adjustment of the liability recognized in the first quarter of 2012 was recorded in the second quarter of 2012.

These significant decreases in operating expenses were due in part to the \$4 million operating-cost-reduction plan introduced in the second quarter of 2013.

Operating income: \$2,008,000, a decrease of \$595,000 (-22.9%) due primarily to:

- Unfavourable variance in the EEQ charge, described above.

Analysis of cost/revenue ratio: Operating expenses for the Publishing segment's activities (expressed as a percentage of revenues) were 87.3% in the second quarter of 2013, compared with 84.9% in the same period of 2012. Excluding variances related to the EEQ charge, the ratios are comparable: 86.6% in the second quarter of 2013 and 87.8% in the second quarter of 2012.

2013/2012 year-to-date comparison

Operating revenues: \$30,775,000, a decrease of \$2,344,000 (-7.1%) due mainly to:

- 12.0% decrease in newsstand revenues, spread across all titles;
- 8.7% decrease in advertising revenues, with the decoration and women's magazines accounting for the majority of the decrease;

Partially offset by:

- 6.8% increase in revenues at the TVA Studio division, essentially related to commercial production;
- 3.7% increase in grant revenues from the new Canadian Heritage program.

Canada Periodical Fund ("CPF")

The Government of Canada launched the Canada Periodical Fund (CPF) on April 1, 2010. The CPF provides financial assistance to the Canadian magazine and non-daily newspaper industries so they can continue to produce and distribute Canadian content. All assistance related to this program is fully recorded under operating revenues. It amounted to 9.5% of the segment's operating revenues for the six-month period ended June 30, 2013 (8.5% in the same period of 2012).

Operating expenses: \$28,535,000, a decrease of \$4,028,000 (-12.4%) due mainly to:

- \$2,663,000 favourable variance in the EEQ charge, since in the first half of 2012 operating expenses included retroactive charges for the years 2010 and 2011;
- 4.6% average decrease in other operating expenses, due to cost savings related to volume and expense reductions related to the cost-reduction plan introduced in the second quarter of 2013.

Operating income: \$2,240,000, a \$1,684,000 favourable variance due primarily to:

- Impact of the recognition in the first half of 2012 of the charge resulting from the adoption of new EEQ rates, partially offset by the decrease in operating revenues.

Analysis of cost/revenue ratio: Operating expenses for the Publishing segment's activities (expressed as a percentage of revenues) were 92.7% in the first half of 2013, compared with 98.3% in the same period of 2012. Excluding variances related to the EEQ charge, the figure for the first six months of 2013 was 91.7%, compared with 89.4% for the same period of 2012. The increase was essentially due to the fact that operating expenses cannot be adjusted in the short term at the same pace as the decrease in newsstand revenues.

Acquisition of Les Publications Charron & Cie inc. ("Publications Charron")

On July 18, 2013, the Corporation acquired the magazine publisher Publications Charron. Its publications include the weekly *La Semaine*, which has average weekly sales of 36,300 to 42,700 copies. The revenues generated by its operations will be included in the Publishing segment's results as of the third quarter of 2013. The addition of these operations to the Publishing segment's existing magazines should generate an increase in the segment's annual newsstand sales of approximately 25% and increase the segment's advertising revenue potential.

CASH FLOWS AND FINANCIAL POSITION

Table 5 below shows a summary of Corporation's cash flows related to operating activities, investing activities and financing activities:

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

	Three-months ended June 30		Six-months ended June 30	
	2013	2012 (restated)	2013	2012 (restated)
Cash flows related to operating activities	\$ 10,730	\$ 1,956	\$ 8,187	\$ 4,251
Additions to property, plant and equipment and intangible assets	(4,574)	(7,565)	(10,470)	(13,405)
Net change in investments	(1,470)	20,963	(671)	20,963
Non-controlling interest	–	1,764	–	3,528
Other	(50)	(537)	(101)	(638)
Reimbursement of (increase in) net debt	\$ 4,636	\$ 16,581	\$ (3,055)	\$ 14,699
	June 30, 2013		December 31, 2012	
At period end:				
Long-term debt	\$ 74,539		\$ 74,438	
Less: cash	(7,665)		(10,619)	
Net debt	\$ 66,874		\$ 63,819	

Operating Activities

Cash flows provided by operating activities: \$10,730,000 in the second quarter of 2013, compared with \$1,956,000 in the same quarter of 2012. The \$8,774,000 increase was mainly due to the favourable net change in non-cash items, resulting in part from favourable variances in accounts receivable and in programs, broadcast and distribution rights, and inventories, which were partially offset by an unfavourable variance in rights payable.

Cash flows provided by operating activities: \$8,187,000 in the first half of 2013, compared with \$4,251,000 in the same period of 2012. The \$3,936,000 increase was mainly due to the favourable variance in operating income, partially offset by the unfavourable net change in non-cash items, resulting essentially from accounts payable and accrued liabilities.

Working capital of TVA Group: \$85,116,000 as of June 30, 2013, compared with \$85,829,000 as of December 31, 2012. The \$713,000 decrease was mainly due to the decreases in accounts receivable and in programs, broadcast and distribution rights, and inventories, partially offset by the decrease in accounts payable and accrued liabilities.

Investing Activities

Acquisition of property, plant and equipment and intangible assets: \$4,574,000 in the second quarter of 2013, compared with \$7,565,000 in the same period of 2012, a decrease of \$2,991,000 (-39.5%). The decrease was mainly due to investments required in 2012 for continuation of the Corporation's program to convert its production equipment to high definition, particularly for its TVA News division and the "LCN" service, in addition to investments in its real estate assets, including the relocation of TVA Publications' offices.

Acquisition of property, plant and equipment and intangible assets: \$10,470,000 in the first six months of 2013, compared with \$13,405,000 in the same period of 2012, a decrease of \$2,935,000 (-21.9%). The decrease was essentially due to the same factors as those noted above.

Net change in investments: \$1,470,000 in the second quarter of 2013, compared with \$20,963,000 during the same period of 2012. In the second quarter of 2013, the Corporation made a capital contribution of \$1,470,000 to SUN News, whereas in the second quarter of 2012 the Corporation received the \$20,963,000 in proceeds from the sale of the Corporation's 51% interest in "The Cave" and its 50% interest in "Mystery TV" to Shaw Media Global Inc.

Net change in investments: \$671,000 in the first six months of 2013, compared with \$20,963,000 in the same period of 2012. In addition to the above-noted items, the Corporation received \$799,000 related to a portfolio investment in the first quarter of 2013.

Financing Activities

Long-term debt (excluding deferred financing costs): Stable compared with December 31, 2012 at \$75,000,000 as of June 30, 2013.

Financial Position as of June 30, 2013

Net available liquid assets: \$107,240,000, consisting of a \$99,575,000 unused and available revolving credit facility and \$7,665,000 in cash.

As of June 30, 2013, minimum principal payments on long-term debt in the coming 12-month periods were as follows:

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

2014	\$	–
2015		75,000
2016		–
2017		–
2018 and thereafter		–
Total	\$	75,000

The weighted average term of TVA Group's debt was approximately 1.4 years at June 30, 2013 (1.9 years at December 31, 2012). The debt consisted entirely of fixed-rate debt as of June 30, 2013 and December 31, 2012.

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

Under its credit agreements, the Corporation is subject to certain covenants, including maintenance of certain financial ratios. As at June 30, 2013, the Corporation was in compliance with all the terms of its credit agreements.

Analysis of consolidated balance sheet as of June 30, 2013

Table 7

Consolidated balance sheets of TVA Group

Analysis of main variances between June 30, 2013 and December 31, 2012

(in thousands of dollars)

	June 30, 2013	December 31, 2012	Difference	Main reasons for difference
<u>Assets</u>				
Accounts receivable	\$ 107,857	\$ 115,925	\$ (8,068)	Impact of current and seasonal variations in activities.
Programs, broadcast and distribution rights and inventories	\$ 61,416	\$ 67,579	\$ (6,163)	Impact of current and seasonal variations in activities and impairment of the TVA Boutiques division's inventories.
Broadcast and distribution rights	\$ 37,253	\$ 33,563	\$ 3,690	Increased purchases of broadcast rights for films and series.
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 77,097	\$ 89,092	\$ (11,995)	Impact of current and seasonal variations in activities.

ADDITIONAL INFORMATION

Contractual Obligations

As of June 30, 2013, material contractual commitments of operating activities included capital repayment and interest on long-term debt, payments under broadcast and distribution rights acquisition contracts, and payments under other contractual commitments, such as operating leases for services and office space. These contractual obligations are summarized in Table 8.

Table 8
Material contractual obligations of TVA Group as of June 30, 2013
(in thousands of dollars)

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Long-term debt	\$ -	\$ 75,000	\$ -	\$ -	\$ 75,000
Payment of interest ¹	4,505	3,040	-	-	7,545
Broadcast and distribution rights	62,648	34,152	9,683	-	106,483
Other commitments	11,379	10,174	4,854	3,188	29,595
Total	\$ 78,532	\$ 122,366	\$ 14,537	\$ 3,188	\$ 218,623

¹ Estimated interest payable on long-term debt is based on interest rates as of June 30, 2013. Interest is calculated on a constant debt level equal to that at June 30, 2013 and includes standby fees on the revolving credit facility.

Related-party transactions

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

During the second quarter of 2013, the Corporation sold advertising space and content to, recognized subscription revenues from, and provided production, postproduction and other services to corporations under common control and affiliated corporations for an aggregate amount of \$18,132,000 (\$19,408,000 in the second quarter of 2012).

In the second quarter of 2013, the Corporation recorded broadcast rights expenses, telecommunications service costs, advertising space acquisition costs, professional service fees and commissions on sales and news gathering services arising from transactions with corporations under common control and affiliated corporations totalling \$8,015,000 (\$9,776,000 in the second quarter of 2012).

The Corporation also recorded management fees to the parent corporation in the amount of \$1,080,000 in the second quarter of 2013 (\$1,080,000 in the second quarter of 2012).

In the first six months of 2013, the Corporation sold advertising space and content to, recognized subscription revenues from, and provided production, postproduction and other services to corporations under common control and affiliated corporations for an aggregate amount of \$37,157,000 (\$39,063,000 in the first six months of 2012).

In the first six months of 2013, the Corporation recorded broadcast rights expenses, telecommunications service costs, advertising space acquisition costs, professional service fees and commissions on sales and news gathering services arising from transactions with corporations under common control and affiliated corporations totalling \$19,533,000 (\$19,671,000 in the first six months of 2012).

The Corporation also recorded management fees to the parent corporation in the amount of \$2,160,000 in the first six months of 2013 (\$2,160,000 in the first six months of 2012).

SUN News

On June 30, 2012, the Corporation sold a 2% interest in SUN News to Sun Media Corporation for a cash consideration of \$765,000. The Corporation has since held a 49% interest in SUN News; Sun Media Corporation owns 51%. Since the loss of control, the investment in SUN News has been accounted for using the equity method and SUN News' results have no longer been consolidated since July 1, 2012.

During the three-month and six-month periods ended June 30, 2013, the partners in SUN News made a capital contribution of \$3,000,000 (\$3,600,000 and \$7,200,000 respectively during the same periods of 2012), including \$1,470,000 from the Corporation (\$1,836,000 and \$3,672,000 respectively during the same periods of 2012) and \$1,530,000 from Sun Media Corporation, a company under common control (\$1,764,000 and \$3,528,000 respectively during the same periods of 2012).

Impairment of goodwill

During the first quarter of 2012, following the adoption of new rates for business contributions toward the costs of waste recovery and recycling services provided by Québec municipalities, the Corporation had to review its business plan for the related activities and perform an impairment test on the Publishing cash-generating unit ("CGU"). The Corporation concluded that the recoverable amount based on value in use was less than the carrying amount of the Publishing CGU and a goodwill impairment charge of \$32,200,000 was recorded.

Gain on disposal of investments

On May 31, 2012, following CRTC approval, the Corporation completed the sale of its 51% interest in "The Cave" and its 50% interest in "Mystery TV" to its partner in the joint ventures, Shaw Media Global Inc., for a total cash consideration of \$20,963,000. A \$12,881,000 gain on disposal of investments, before taxes, was recorded. The transaction did not give rise to any tax expense because the Corporation used unrecorded capital losses to eliminate the capital gains tax on disposal of investments.

Capital stock

Table 9 below presents information on the Corporation's capital stock as at July 31, 2013. In addition, 691,076 Class B stock options and 124,407 QMI stock options were outstanding as of July 31, 2013.

Table 9
Number of shares outstanding as at July 31, 2013
(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

Changes in accounting policies

On January 1, 2013, the Corporation adopted retrospectively the following standards. Unless otherwise indicated, the adoption of these new standards did not have a material impact on prior period comparative figures.

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

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

The adoption of the standard had the following impacts on prior period comparative figures:

Consolidated statements of income and comprehensive income

Increase (decrease)	Three-month period ended June 30, 2012	Six-month period ended June 30, 2012
Revenues	\$ (1,870)	\$ (4,219)
Purchases of goods and services	(1,073)	(2,512)
Financial expenses	3	7
Loss before tax expense and share of income of associated corporations and joint ventures	800	1,714
Share of loss (income) of associated corporations and joint ventures	(800)	(1,714)
Net income and comprehensive income	\$ –	\$ –

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

IFRS 13 *Fair Value Measurement* is a new and comprehensive standard that sets out a framework for measuring at fair value and that provides guidance on required disclosures about fair value measurements.

IAS 1 *Presentation of Financial Statements* was amended and the principal change resulting from amendments to this standard is the requirement to present separately other comprehensive items that may be reclassified to income and other comprehensive items that will not be reclassified to income.

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

The adoption of the amended standard had the following impacts on prior period comparative figures:

Consolidated statements of income and comprehensive income

Increase (decrease)	Three-month period ended June 30, 2012	Six-month period ended June 30, 2012
Employee costs	\$ 342	\$ 684
Financial expenses	462	925
Deferred income tax expense	(216)	(433)
Net income and comprehensive income	\$ (588)	\$ (1,176)

Consolidated balance sheets

Increase (decrease)	December 31, 2012	December 31, 2011
Other liabilities	\$ –	\$ 1,251
Deferred income tax liability	–	(336)
Retained earnings	20,620	17,408
Accumulated other comprehensive income	(20,620)	(18,323)

Disclosure Controls and Procedures

The purpose of internal controls over financial reporting is to provide reasonable assurance as to the reliability of the Corporation's financial reporting and the preparation of its financial statements in accordance with IFRS. No changes to internal controls over financial reporting have come to the attention of management during the three-month period ended June 30, 2013 that have materially adversely affected, or are reasonably likely to materially adversely affect, the Corporation's internal controls over financial reporting.

Additional Information

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

Forward-looking Information Disclaimer

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

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

For more information on the risks, uncertainties and assumptions that could cause the Corporation's actual results to differ from current expectations, please refer to the Corporation's public filings available at www.sedar.com and <http://groupepva.ca>, including, in particular, the "Risks and Uncertainties" section of the Corporation's annual Management's Discussion and Analysis for the year ended December 31, 2012 and the "Risk Factors" section in the Corporation's 2012 annual information form.

The forward-looking statements in this Management's Discussion and Analysis reflect the Corporation's expectations as of August 2, 2013, and are subject to change after this date. The Corporation expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by the applicable securities laws.

Montréal, Québec
August 2, 2013

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

	2013		2012	
	June 30	March 31	Dec. 31 (restated)	Sept. 30 (restated)
Operations				
Operating revenues	\$ 111,507	\$ 111,070	\$ 127,004	\$ 97,171
Operating income	\$ 20,940	\$ 895	\$ 20,625	\$ 10,341
Net income (loss) attributable to shareholders	\$ 6,981	\$ (5,888)	\$ 8,838	\$ 1,539
Basic per-share data				
Basic earnings (loss) per share	\$ 0.29	\$ (0.25)	\$ 0.37	\$ 0.06
Weighted average number of outstanding shares (in thousands)	23,771	23,771	23,771	23,771
Diluted per-share data				
Diluted earnings (loss) per share	\$ 0.29	\$ (0.25)	\$ 0.37	\$ 0.06
Weighted average number of outstanding diluted shares (in thousands)	23,771	23,771	23,771	23,771

	2012		2011	
	June 30 (restated)	March 31 (restated)	Dec. 31 (restated)	Sept. 30 (restated)
Operations				
Operating revenues	\$ 113,509	\$ 115,463	\$ 129,037	\$ 87,003
Operating income (loss)	\$ 18,522	\$ (7,006)	\$ 19,675	\$ 2,186
Net income (loss) attributable to shareholders	\$ 23,088	\$ (39,929)	\$ 11,052	\$ (408)
Basic per-share data				
Basic earnings (loss) per share	\$ 0.97	\$ (1.68)	\$ 0.46	\$ (0.02)
Weighted average number of outstanding shares (in thousands)	23,771	23,771	23,771	23,771
Diluted per-share data				
Diluted earnings (loss) per share	\$ 0.97	\$ (1.68)	\$ 0.46	\$ (0.02)
Weighted average number of outstanding diluted shares (in thousands)	23,771	23,771	23,771	23,771

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

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