ANNUAL FINANCIAL RESULTS ENDED DECEMBER 31ST, 2013

TVA GROUP INC.

TABLE OF CONTENTS

MESSAGE TO THE SHAREHOLDERS

Montreal, February 28, 2014

TVA Group Inc. (the "Corporation") recorded net income attributable to shareholders in the amount of $8.3 million, or $0.35 per share, in the fourth quarter of 2013, compared with $8.8 million, or $0.37 per share, in the same quarter of 2012.

Fourth quarter operating highlights:

- Consolidated adjusted operating income[1] totals $20,334,000, a slight $291,000 (-1.4%) decrease from the same quarter of 2012.
- Television segment generates adjusted operating income in the amount of $18,031,000. The $750,000 (-4.0%) decrease is mainly due to:
  - ⇒ 4.6% decrease in TVA Network’s advertising revenues;

  partially offset by:

  - ⇒ favourable impact of implementation of an expense reduction plan and strict cost controls, which reduced TVA Network’s operating expenses by 3.8%;
  - ⇒ 6.8% increase in advertising revenues and 6.0% increase in subscription revenues from specialty services combined.
- Publishing segment generates adjusted operating income in the amount of $2,303,000, a $459,000 (24.9%) increase due mainly to the inclusion of the operating results of *La Semaine* magazine since July 18, 2013 and cost-cutting related to the expense reduction plan implemented in the first quarter of 2013.

The Television segment’s fourth quarter 2013 financial results were down only slightly from the same quarter of the previous year, despite a 4.6% decrease in TVA Network’s advertising revenues. This performance would not have been possible without the cost-cutting initiatives introduced in the second quarter of the year. We are also very pleased with the agreement with Rogers for French-language rights to National Hockey League national games for the next 12 seasons. This agreement will make our TVA Sports channel the go-to place for Québec sports fans, and especially hockey fans.

The Publishing segment continues to benefit from our latest acquisition, *La Semaine* magazine. Thanks to this new property and all the initiatives taken by the other magazines, the operating segment’s revenues grew by 3.1% and adjusted operating income by 24.9% in the fourth quarter compared with the same quarter of 2012. The positive impact of this acquisition will continue to be felt in 2014, when the magazine’s operations will be included in our financial results for the full 12-month period.

Cash flows provided by operating activities totalled $5.1 million for the quarter, compared with $12.6 million in the same quarter of 2012. The $7.5 million decrease was essentially due to the unfavourable variance in non-cash items, particularly accounts receivable.

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[1] See definition of adjusted operating income (loss) below.

2013 results

For the fiscal year ended December 31, 2013, the Corporation's consolidated adjusted operating income was \$60.6 million, compared with \$42.5 million in the previous year. The 42.6% increase came from both the Television segment (\$14.5 million) and the Publishing segment (\$3.6 million). The growth in the Television segment is attributable to the results of SUN News, which have no longer been consolidated since July 1, 2012, recognition of retroactive royalties for distant signal retransmission, and implementation of an expense reduction plan, which made up for the decrease in advertising revenues. The growth in the Publishing segment is attributable to the favourable impact of the inclusion of the operating results of *La Semaine* magazine, acquired on July 18, 2013, and the unfavourable impact of recognition in 2012 of retroactive charges resulting from the adoption of new rates for business contributions toward the costs of waste recovery and recycling services provided by Québec municipalities.

Consolidated operating revenues totalled \$444.8 million in fiscal 2013, compared with \$453.1 million in the previous year, a 1.8% decrease. The Corporation recorded net income attributable to shareholders in the amount of \$15.7 million, or \$0.66 per share, in 2013, compared with a net loss attributable to shareholders in the amount of \$6.5 million, or \$0.27 per share, in 2012.

Definition

Adjusted operating income (loss)

In its analysis of operating results, the Corporation defines adjusted 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 of associated corporations and joint ventures, and net loss attributable to non-controlling interest. Adjusted 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. Adjusted operating income (loss) is used by the Corporation because management believes it is a meaningful measure of performance.

This measure is used by management and the Board of Directors to evaluate the Corporation's consolidated results and the results of its business segments. Measurements such as adjusted 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 adjusted 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 engaged 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, the largest publisher of French-language magazines in North America, and one of the largest private-sector producers of French-language content in North America. The Corporation's Class B shares are listed on the Toronto Stock Exchange under the ticker symbol TVA.B.

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

Pierre Dion
President and Chief Executive Officer

Consolidated financial statements of

TVA GROUP INC.

For the years ended December 31, 2013 and 2012

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
TVA Group Inc.

We have audited the accompanying consolidated financial statements of **TVA Group Inc.**, which comprise the consolidated balance sheets as at December 31, 2013 and 2012, and the consolidated statements of income (loss), comprehensive income (loss), equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of TVA Group Inc. as at December 31, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP[1]

Montréal, Canada
February 28, 2014

[1] CPA auditor, CA, public accountancy permit no. A121006

TVA GROUP INC.

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

Years ended December 31, 2013 and 2012
(in thousands of dollars, except per share amounts)

	Note		2013		2012 (restated, note 1(b))
Revenues	2 and 24	**$**	**444,816**	$	453,147
Purchases of goods and services	3		**253,485**		262,489
Employee costs			**130,761**		148,176
Amortization of property, plant and equipment and intangible assets	15 and 16		**21,430**		20,342
Financial expenses	5		**6,265**		7,322
Operational restructuring costs, impairment of assets and other costs	6 and 19		**4,865**		117
Impairment of goodwill	7		**–**		32,200
Gain on disposal of investments	8		**–**		(12,881)
Income (loss) before tax expense and share of loss of associated corporations and joint ventures			**28,010**		(4,618)
Tax expense	10		**6,110**		4,583
Share of loss of associated corporations and joint ventures	14		**6,154**		1,677
Net income (loss)		**$**	**15,746**	$	(10,878)
Net income (loss) attributable to:					
Shareholders		**$**	**15,746**	$	(6,464)
Non-controlling interest	26		**–**		(4,414)
Basic and diluted earnings per share attributable to shareholders	22	**$**	**0.66**	$	(0.27)

See accompanying notes to consolidated financial statements.

TVA GROUP INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Years ended December 31, 2013 and 2012
(in thousands of dollars)

	Note		2013		2012 (restated, note 1(b))
Net income (loss)		**$**	**15,746**	$	(10,878)
Other comprehensive items that will not be reclassified to income:					
Defined benefit plans:					
Re-measurement gain (loss)	25		**35,304**		(3,137)
Deferred income taxes	10		**(9,536)**		840
			25,768		(2,297)
Comprehensive income (loss)		**$**	**41,514**	$	(13,175)
Comprehensive income (loss) attributable to:					
Shareholders		**$**	**41,514**	$	(8,761)
Non-controlling interest	26		**–**		(4,414)

See accompanying notes to consolidated financial statements.

TVA GROUP INC.

CONSOLIDATED STATEMENTS OF EQUITY

Years ended December 31, 2013 and 2012
(in thousands of dollars)

	Equity attributable to shareholders				Equity attributable to non-controlling interest	Total equity
	Capital stock (note 22)	Contributed surplus	Retained earnings	Accumulated other comprehensive (loss) income - 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 1(b))	–	–	17,408	(18,323)	–	(915)
Balance as at December 31, 2011, restated	98,647	–	194,401	(18,323)	5,389	280,114
Net loss	–	–	(6,464)	–	(4,414)	(10,878)
Other comprehensive loss	–	–	–	(2,297)	–	(2,297)
Contributions related to non-controlling interest (note 26)	–	–	–	–	3,528	3,528
Disposal of interest in SUN News (note 26)	–	581	–	–	(4,503)	(3,922)
Balance as at December 31, 2012	98,647	581	187,937	(20,620)	–	266,545
Net income	–	–	15,746	–	–	15,746
Other comprehensive income	–	–	–	25,768	–	25,768
Balance as at December 31, 2013	**$ 98,647**	**$ 581**	**$ 203,683**	**$ 5,148**	**$ –**	**$ 308,059**

See accompanying notes to consolidated financial statements.

TVA GROUP INC.

CONSOLIDATED BALANCE SHEETS

Years ended December 31, 2013 and 2012
(in thousands of dollars)

	Note		2013		2012 (restated, note 1(b))
Assets					
Current assets					
Cash		**$**	**7,717**	$	10,619
Accounts receivable	12		**136,408**		115,925
Income taxes			**124**		3,152
Programs, broadcast and distribution rights and inventories	13		**61,428**		67,579
Prepaid expenses			**2,380**		2,426
			208,057		199,701
Non-current assets					
Broadcast and distribution rights	13		**31,985**		33,563
Investments	14		**14,822**		17,651
Property, plant and equipment	15		**100,962**		98,494
Licences and other intangible assets	16		**112,566**		112,056
Goodwill	17		**44,536**		39,781
Defined benefit plan asset	25		**8,238**		–
Deferred income taxes	10		**885**		725
			313,994		302,270
Total assets		**$**	**522,051**	$	501,971

TVA GROUP INC.

CONSOLIDATED BALANCE SHEETS (CONTINUED)

Years ended December 31, 2013 and 2012
(in thousands of dollars)

	Note		2013		2012 (restated, note 1(b))
Liabilities and equity					
Current liabilities					
Accounts payable and accrued liabilities	18	$	**85,960**	$	89,092
Income taxes			**1,828**		816
Broadcast and distribution rights payable			**17,304**		16,966
Provisions	6 and 19		**645**		862
Deferred revenues	24		**9,302**		6,136
Short-term debt	20		**74,640**		–
			189,679		113,872
Non-current liabilities					
Long-term debt	20		**–**		74,438
Other liabilities	21 and 25		**3,974**		38,499
Deferred income taxes	10		**20,339**		8,617
			24,313		121,554
Equity					
Capital stock	22		**98,647**		98,647
Contributed surplus	26		**581**		581
Retained earnings			**203,683**		187,937
Accumulated other comprehensive income (loss)			**5,148**		(20,620)
Equity attributable to shareholders			**308,059**		266,545
Commitments, guarantees and contingencies	19 and 27				
Total liabilities and equity		**$**	**522,051**	$	501,971

See accompanying notes to consolidated financial statements.

On February 28, 2014, the Board of Directors approved the consolidated financial statements for the years ended December 31, 2013 and 2012.

On behalf of the Board of Directors,

(signed)

Pierre Karl Péladeau, Chairman of the Board

(signed)

Marc A. Courtois, Chairman of the Audit Committee

TVA GROUP INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2013 and 2012
(in thousands of dollars)

	Note	2013	2012 (restated, note 1(b))
Cash flows related to operating activities			
Net income (loss)		**$ 15,746**	$ (10,878)
Adjustments for:			
Amortization	5, 15 and 16	**21,632**	20,762
Impairment of assets	6	**2,093**	–
Impairment of goodwill	7	**–**	32,200
Gain on disposal of investments	8	**–**	(12,881)
Share of loss of associated corporations and joint ventures		**6,154**	1,677
Deferred income taxes	10	**1,162**	809
Cash flows provided by current operations		**46,787**	31,689
Net change in non-cash balances related to operating activities	11 (a)	**(20,509)**	3,470
Cash flows provided by operating activities		**26,278**	35,159
Cash flows related to investing activities			
Additions to property, plant and equipment	15	**(16,245)**	(21,830)
Additions to intangible assets	16	**(3,003)**	(3,265)
(Acquisition) disposal of businesses, net of cash	9 and 26	**(6,607)**	765
Net change in investments	14 and 26	**(3,325)**	17,289
Cash of SUN News at the date of deconsolidation	26	**–**	(430)
Cash flows used in investing activities		**(29,180)**	(7,471)
Cash flows related to financing activities			
Net change in bank overdraft		**–**	(3,980)
Net change in revolving credit facility	20	**–**	(17,982)
Financing costs	20	**–**	(391)
Non-controlling interest	26	**–**	3,528
Cash flows used in financing activities		**–**	(18,825)
Net change in cash		**(2,902)**	8,863
Cash, beginning of year		**10,619**	1,756
Cash, end of year		**$ 7,717**	$ 10,619

See accompanying notes to consolidated financial statements.

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

TVA Group Inc. ("TVA Group" or the "Corporation") is governed by the *Québec Business Corporations Act*. TVA Group is an integrated communications company with two operating segments: Television and Publishing (note 29). 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 ownership interests in its main subsidiaries are as follows:

	% of ownership
TVA Publications Inc.	100.0%
Les Publications Charron & Cie Inc.	100.0%
TVA Productions Inc.	100.0%
TVA Productions II Inc.	100.0%
TVA Sales and Marketing Inc.	100.0%
TVA Accès Inc.	100.0%

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These consolidated financial statements have been prepared in accordance with IFRS as issued by the *International Accounting Standards Board* ("IASB"). These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments (note 1(l)), the stock-based compensation liability (note 1(u)) and the net defined benefit asset or liability (note 1(v)), and are presented in Canadian dollars, which is the currency of the primary economic environment in which the Corporation and its subsidiaries operate ("functional currency").

The comparative figures for the year ended December 31, 2012 have been reclassified to conform to the presentation adopted for the year ended December 31, 2013.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) 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.

(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 comparative figures of prior period:

Consolidated statement of income

Increase (decrease)		2012
Revenues	$	(4,219)
Purchase of goods and services		(2,512)
Financial expenses		7
Loss before tax expense and share of loss of associated corporations and joint ventures		1,714
Share of loss of associated corporations and joint ventures		(1,714)
Net 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Changes in accounting policies (continued)

(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.

(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 chose to recognize amounts recorded in other comprehensive income in accumulated other comprehensive income.

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

Consolidated statement of income

Increase (decrease)		2012
Employee costs	$	1,368
Financial expenses		1,850
Deferred income tax expense		(866)
Net income attributable to shareholders	$	(2,352)

Consolidated statement of comprehensive income

Increase (decrease)		2012
Net income	$	(2,352)
Re-measurement gain (loss)		4,469
Deferred income taxes		(1,202)
Comprehensive income attributable to shareholders	$	915

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Changes in accounting policies (continued)

(vi) IAS 19 *Employee Benefits (amended)* (continued)

Consolidated balance sheets

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

(c) Consolidation

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

A subsidiary is an entity controlled by the Corporation. The Corporation controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

(d) Business combinations

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Foreign currency translation

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

(f) 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Revenue recognition (continued)

Distribution revenues (continued)

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.

(g) Impairment of assets

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

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 to the extent that the resulting carrying value does not exceed the carrying value that would have been the result if no impairment losses had been previously recognized.

(h) Barter transactions

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Income taxes

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

Deferred income taxes are accounted for using the liability method. Under this method, deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred income tax assets and liabilities are 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 tax rates on deferred income 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. A deferred income tax expense or benefit is recognized in other comprehensive income (loss) or otherwise directly in equity to the extent that it relates to items that are recognized in other comprehensive income (loss) or directly in equity in the same or a different period.

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

(j) Earnings per share

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

(k) Leases

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Financial instruments

Classification, recognition and measurement

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

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

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

(m) Financing costs

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Tax credits and government assistance

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

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

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

(o) Trade receivables

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

(p) Programs, broadcast and distribution rights and inventories

<u>Programs produced and productions in progress</u>

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Broadcast rights and broadcast rights payable

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

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

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

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

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

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

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

Distribution rights and distribution rights payable

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Inventories

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

Net realizable value

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

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

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

(q) Investments

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

(r) Property, plant and equipment

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

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

Assets	Estimated useful life
Buildings and their components	10-40 years
Equipment	5-15 years

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Property, plant and equipment (continued)

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

(s) Goodwill and intangible assets

Goodwill

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

Goodwill attributable to business acquisitions occurring prior to January 1, 2010 is the excess of the cost of acquisition over the Corporation's share of the acquisition-date fair value of the identifiable assets acquired and liabilities assumed of the acquiree. No goodwill was attributable to the non-controlling interest in respect of these acquisitions.

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

Intangible assets

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

Intangible assets with finite useful lives are amortized on a straight-line basis over the following periods:

Assets	Estimated useful life
Software, websites and mobile applications	3-10 years
Non-competition agreement	10 years
Favourable distribution agreement	43 months

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Provisions

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

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

(u) 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 at fair value, with the compensation expense 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. The main assumptions are discussed in notes 22 and 23.

(v) Pension plans and postretirement benefits

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

<u>Defined contribution pension plans</u>

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Pension plans and postretirement benefits (continued)

Defined benefit pension plans and postretirement benefits

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

(i) service costs provided in exchange for employee services rendered during the year;

(ii) prior service costs recognized at the earlier of (a) when the employee benefit plan is amended or (b) when restructuring costs are recongnized.

Interest on net defined benefit liability or asset, recognized in the consolidated statements of income as financial expenses, is determined by multiplying the net defined benefit liability or asset by the discount rate used to determine the defined benefit obligation.

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

(i) actuarial gains and losses arising from changes in financial and demographic actuarial assumptions used to determine the defined benefit obligation or from experience adjustments on liabilities;

(ii) the difference between actual return on plan assets and interest income on plan assets calculated as part of the interest on net defined benefit liability or asset;

(iii) changes in the net benefit asset limit or in the minimum funding liability.

Under certain circumstances, the recognition of a net benefit asset is limited to the recoverable amount, which is primarily based on the present value of future contributions to the plan, to extent to which the Corporation can unilaterally reduce those future contributions. In addition, an adjustment to the net benefit asset or the net benefit liability can be recorded to reflect a minimum funding liability in some of the Corporation's pension plans.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Use of estimates and judgment

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

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

(i) Recoverable value of an asset or a CGU

When an impairment test is performed on an asset or a CGU, management estimates the recoverable amount of the asset or the CGU on the basis of its fair value less costs to sell or its value in use. These estimates are based on valuation models that require the use of certain assumptions, such as a pre-tax discount rate (WACC) and a perpetual growth rate. Those assumptions have a significant impact on the results of impairment tests and on the impairment expense recorded in the consolidated statement of income, if any. Note 17 describes the key assumptions used in the goodwill impairment tests and presents a sensitivity analysis of recoverable amounts.

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

Estimates of costs and obligations related to pension and postretirement benefit obligations are based on a number of assumptions, such as the discount rate, the rate of increase in compensation, the retirement age of employees, health care costs, and other actuarial factors. Some of these assumptions may have a significant impact on employee costs and financial expenses recognized in the consolidated statement of income, the re-measurement gain or loss on defined benefit plans recognized in the consolidated statement of comprehensive income, and on the carrying amount of defined benefit plan asset or other liabilities recognized in the consolidated balance sheet. Note 25 describes the key assumptions and presents sensitivity analysis on discount rate.

(iii) Provisions

Recognition of provisions requires management to estimate the payments required as of the valuation date to settle the existing obligation or transfer it to a third party. An assessment of the probable outcomes of legal proceedings and other contingencies is also necessary. Note 19 describes the main provisions, including management's assessment of the potential impact of the outcome of legal proceedings on the consolidated statements of income.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Use of estimates and judgment (continued)

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

(i) Determination of useful life periods for the amortization of assets with finite useful lives

For each class of assets with finite useful lives, management must determine the period over which the Corporation expects to derive future economic benefits from the assets. The determination of a useful life period requires judgment and has an impact on the amortization expense recognized in the consolidated statement of income.

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

The determination of CGUs requires judgment when determining the lowest level for which there are separately identifiable cash inflows generated by the group of assets. To identify the assets to be included in a CGU, the Corporation considers, among other things, combined service offerings, sharing of broadcasting infrastructure, integration of media assets, similar market risk exposure and materiality. The determination of CGUs can have an impact on the results of impairment tests and the impairment expense recorded in the consolidated statement of income, if any.

(iii) Interpretation of laws and regulations

The interpretation of laws and regulations, including tax rules, requires management to exercise judgment, which may have an impact on the recognition of provisions for legal litigation and income taxes in the consolidated financial statements.

x) Recent accounting pronouncements

The Corporation has not yet completed its assessment of the impact of the adoption of these pronouncements on its consolidated financial statements.

(i) IFRS 9 – *Financial instruments* is required to be applied retrospectively, with early application permitted.

IFRS 9 simplifies the measurement and classification of financial assets by reducing the number of measurement categories and removing the complex rule-driven embedded derivative guidance in IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard also provides for a fair value option in the designation of a non-derivative financial liability and its related classification and measurement, as well as for a new hedge accounting model more closely aligned with risk management activities undertaken by entities.

(ii) IFRIC 21 – *Levies* is required to be applied retrospectively for periods beginning January 1, 2014.

IFRIC 21 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.

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

2. REVENUES

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

	2013	2012 (restated, note 1(b))
Services rendered[1]	**$ 344,721**	$ 345,665
Product sales	**100,095**	107,482
	$ 444,816	$ 453,147

[1] 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. On November 30, 2013, the Copyright Board of Canada (CBC) approved the agreement regarding a new division of royalties between copyright collectives for the 2009-2013 period, whereby the Corporation receives a significantly increased portion of the royalties. The Corporation recorded an amount to reflect the increase in its share of the royalties in 2013, of which $6,111,000 applied to the years 2009 to 2012 and $1,460,000 applied to 2013. These royalties are included in their entirety in other receivables as at December 31, 2013 (note 12).

3. PURCHASES OF GOODS AND SERVICES

The main components are as follows:

	2013	2012 (restated, note 1(b))
Royalties, rights and production costs	**$ 160,033**	$ 160,612
Printing and distribution	**19,382**	22,552
Marketing, advertising and promotion	**15,374**	14,822
Building costs	**8,873**	9,440
Services rendered by the parent corporation	**21,971**	17,263
Other	**27,852**	37,800
	$ 253,485	$ 262,489

4. BARTER TRANSACTIONS

In the normal course of business, the Corporation broadcasts and publishes advertising in exchange for goods and services. For the year ended December 31, 2013, the Corporation recognized revenues from barter transactions totalling $6,328,000 ($9,424,000 in 2012) and operating expenses related to barter transactions totalling $6,514,000 ($9,357,000 in 2012).

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

5. FINANCIAL EXPENSES

	Note	2013	2012 (restated, note 1(b))
Interest on long-term debt	20	**$ 4,536**	$ 4,996
Amortization of financing costs		**202**	420
Interest on net defined benefit liability or asset	25	**1,681**	1,850
Foreign exchange loss		**23**	102
Net interest income		**(177)**	(46)
		$ 6,265	$ 7,322

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

	2013	2012
Operational restructuring costs	**$ 2,622**	$ 117
Asset impairment	**2,093**	–
Other	**150**	–
	$ 4,865	$ 117

During fiscal 2013, the Corporation recorded $2,214,000 in operational restructuring costs following the elimination of positions, including $1,058,000 in the Television segment and $1,156,000 in the Publishing segment. The Corporation had recorded $117,000 in operational restructuring costs during fiscal 2012 following the elimination of several positions in the Publishing segment.

The Corporation announced the discontinuation of the TVA Boutiques division's home shopping and online shopping operations during fiscal 2013. In connection with this repositioning, the Corporation recorded an impairment charge of $1,706,000 on inventory and some receivables, as well as a $408,000 provision for operational restructuring costs, including termination benefits.

During fiscal 2013, the Corporation also recorded a $387,000 impairment charge related to its long-term distribution rights inventory following its decision to discontinue theatrical distribution of new Quebec films.

7. IMPAIRMENT OF GOODWILL

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

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

8. GAIN ON DISPOSAL OF INVESTMENTS

On May 31, 2012, following Canadian Radio-television and Telecommunications Commission (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 income taxes, was recorded. The transaction did not give rise to any income tax charge because the Corporation used unrecorded capital losses to eliminate the capital gains tax on disposal of investments.

9. BUSINESS ACQUISITIONS

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, for a total consideration of $7,768,000, of which $568,000 remains unpaid in respect of acquired working capital items. As part of this transaction, the Corporation also acquired all of the issued and outstanding shares of Charron Éditeur Inc., a publishing house, and simultaneously transferred its operations to Sogides Group, a corporation under common control, for the equivalent of the price paid, namely an agreed price of $219,000, net of transferred working capital items. The results of the new subsidiary, Les Publications Charron & Cie Inc., have been included in the Corporation's consolidated results since July 18, 2013. As the purchase price allocation process was not completed as of December 31, 2013, the purchase price being subject to certain customary adjustments for the working capital items acquired, the amounts allocated to assets and liabilities may be changed subsequently.

The preliminary allocation of the acquisition price of Les Publications Charron & Cie Inc. is as follows:

		2013
Assets acquired		
Cash	$	593
Current assets		1,109
Non-current assets		29
Property, plant and equipment		94
Intangible assets		3,030
Goodwill		4,755
		9,610
Liabilities assumed		
Current liabilities		(1,134)
Deferred income taxes		(708)
		(1,842)
Net assets acquired at fair value	$	7,768
Consideration		
Cash		7,200
Liability related to the preliminary adjustment in working capital		568
	$	7,768

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

9. BUSINESS ACQUISITIONS (continued)

The Corporation's consolidated revenues and its consolidated pro forma net income would have been $449,339,000 and $16,225,000 respectively had the business acquisition occurred at the beginning of the fiscal year.

No goodwill is deductible for income tax purposes.

10. INCOME TAXES

Income tax expense is detailed as follows:

		2013		2012 (restated, note 1(b))
Current	**$**	**4,948**	$	3,774
Deferred		**1,162**		809
	$	**6,110**	$	4,583

The following table reconciles income taxes at the Canadian statutory tax rate of 26.9% in 2013 and 2012 and income taxes in the consolidated statements of income:

		2013		2012 (restated, note 1(b))
Incomes taxes at Canadian statutory tax rate	**$**	**7,535**	$	(1,242)
Impact of provincial tax rate differences		**(10)**		(14)
		7,525		(1,256)
Increase (decrease) resulting from:				
Tax impact of deductible losses of SUN News		**(1,882)**		(1,138)
Tax impact of the Corporation's non-deductible share of SUN News losses		**–**		1,187
Tax impact of non-deductible charges and non-taxable revenues		**698**		(1,126)
Non-deductible impairment of goodwill		**–**		8,662
Change in benefit arising from the recognition of prior year tax losses		**–**		(1,511)
Other[1]		**(231)**		(235)
Income taxes	**$**	**6,110**	$	4,583

[1] Includes reductions in deferred tax liabilities of $336,000 ($103,000 in 2012) in light of changes in tax audit matters, jurisprudence and tax legislation.

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

10. INCOME TAXES (continued)

The significant items comprising the Corporation's net deferred income tax liability and their impact on the deferred income tax expense are as follows:

	Consolidated balance sheets		Consolidated statements of income (loss)	
	2013	2012 (restated, note 1(b))	**2013**	2012 (restated, note 1(b))
Loss carryforwards	**$ 349**	$ 347	**$ (2)**	$ (249)
Accounts payable, accrued liabilities, provisions and deferred revenue	**1,509**	1,128	**(363)**	(126)
Defined benefit plans	**(1,755)**	9,808	**2,027**	1,138
Property, plant and equipment	**332**	86	**(237)**	(96)
Goodwill, licences and other intangible assets	**(18,656)**	(18,118)	**(112)**	433
Other	**(1,233)**	(1,143)	**(151)**	(291)
	$ (19,454)	$ (7,892)	**$ 1,162**	$ 809

Changes in the net deferred income tax liability are as follows:

	2013	2012 (restated, note 1(b))
Balance as of beginning of the year	**$ (7,892)**	$ (7,903)
Recognized in statement of income	**(1,162)**	(809)
Recognized in other comprehensive income	**(9,536)**	840
Other	**(864)**	(20)
Balance as of end of the year	**$ (19,454)**	$ (7,892)

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

As of December 31, 2013, the Corporation had loss carryforwards for income tax purposes of approximately $1,309,000 available to reduce its future taxable income. These loss carryforwards expire in 2032 and 2033.

The Corporation also has $167,896,000 in unrecognized capital loss carryforwards with no expiry to be used solely to reduce future capital gains.

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

11. CASH FLOW INFORMATION

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

(a) Changes in non-cash balances related to operations, net of the effect of business acquisitions and disposals, are as follows:

	2013	2012 (restated, note 1(b))
Accounts receivable	**$ (17,370)**	$ 143
Programs, broadcast and distribution rights and inventories	**6,056**	(3,978)
Accounts payable and accrued liabilities	**(6,557)**	11,438
Broadcast and distribution rights payable	**505**	1,515
Income taxes	**3,941**	1,175
Defined benefit plan asset and other liabilities	**(7,617)**	(5,900)
Other	**533**	(923)
	$ (20,509)	$ 3,470

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

	2013	2012 (restated, note 1(b))
Net interest paid	**$ 4,514**	$ 5,031
Income taxes paid (net of refunds)	**1,005**	2,578

12. ACCOUNTS RECEIVABLE

	Note	**2013**	2012
Trade receivables	28 (b)	**$ 73,457**	$ 68,311
Other receivables	2	**23,227**	13,255
Trade and other receivables from entities under common control and affiliates		**32,372**	28,889
Tax credits and government assistance receivable		**7,352**	5,470
		$ 136,408	$ 115,925

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

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

13. PROGRAMS, BROADCAST AND DISTRIBUTION RIGHTS AND INVENTORIES

			2013
	Short-term	**Long-term**	**Total**
Programs produced and productions in progress	**$ 5,682**	**$ –**	**$ 5,682**
Broadcast rights	**53,603**	**31,834**	**85,437**
Distribution rights	**1,177**	**151**	**1,328**
Inventories	**966**	**–**	**966**
	$ 61,428	**$ 31,985**	**$ 93,413**

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

The cost of inventories and expenses related to programs, broadcast and distribution rights included in purchases of goods and services and employee costs amounted to $280,168,000 in 2013 ($292,771,000 in 2012). In 2013, an impairment expense totalling $596,000 ($300,000 in 2012) related to inventories, programs and broadcast and distribution rights was recorded in purchases of goods and services.

14. INVESTMENTS

	Note	**2013**	2012
Tele Inter-Rives Ltd., associated corporation, 45% ownership interest		**$ 10,841**	$ 10,496
SUN News, associated corporation, 49% ownership interest	26	**2,688**	4,264
Other investments[1]		**1,293**	2,891
		$ 14,822	$ 17,651

1 During the year ended December 31, 2013, the Corporation received $1,598,000 related to the winding up of a portfolio investment.

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

15. PROPERTY, PLANT AND EQUIPMENT

For the years ended December 31, 2013 and 2012, changes in the net carrying amount of property, plant and equipment are as follows:

	Land, buildings and leasehold improvements	Equipment	Projects under development	Total
Cost:				
Balance as at December 31, 2011	$ 90,579	$ 170,624	$ 5,653	$ 266,856
Acquisitions[1]	8,518	9,074	3,393	20,985
Reclassification	2,478	1,103	(4,188)	(607)
Write-offs and disposals	(1,164)	(2,303)	–	(3,467)
Property, plant and equipment related to SUN News (note 26)	(3,202)	(20,224)	(201)	(23,627)
Balance as at December 31, 2012	97,209	158,274	4,657	260,140
Acquisitions[1]	4,975	6,972	6,159	18,106
Business acquisitions (note 9)	3	91	–	94
Reclassification	418	3,507	(4,139)	(214)
Write-offs and disposals	(52)	(870)	–	(922)
Balance as at December 31, 2013	**$ 102,553**	**$ 167,974**	**$ 6,677**	**$ 277,204**
Accumulated amortization and impairment:				
Balance as at December 31, 2011	$ 63,310	$ 101,539	$ –	$ 164,849
Amortization	3,345	11,779	–	15,124
Reclassification	–	(106)	–	(106)
Write-offs and disposals	(1,164)	(2,303)	–	(3,467)
Property, plant and equipment related to SUN News (note 26)	(2,770)	(11,984)	–	(14,754)
Balance as at December 31, 2012	62,721	98,925	–	161,646
Amortization	3,686	11,844	–	15,530
Reclassification	–	(12)	–	(12)
Write-offs and disposals	(52)	(870)	–	(922)
Balance as at December 31, 2013	**$ 66,355**	**$ 109,887**	**$ –**	**$ 176,242**
Net carrying amount:				
As at December 31, 2012	$ 34,488	$ 59,349	$ 4,657	$ 98,494
As at December 31, 2013	**36,198**	**58,087**	**6,677**	**100,962**

1 The net change in additions to property, plant and equipment funded by accounts payable and accrued liabilities, consisting primarily of equipment, amounted to $1,861,000 for the year ended December 31, 2013 (-$845,000 for the year ended December 31, 2012).

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

16. LICENCES AND OTHER INTANGIBLE ASSETS

For the years ended December 31, 2013 and 2012, changes in the net carrying amount of licences and other intangible assets are as follows:

	Broadcasting licences[1]	Software, websites and mobile applications	Other intangible assets[1]	Projects under development	Total
Cost:					
Balance as at December 31, 2011	$ 92,850	$ 43,357	$ 894	$ 1,606	$ 138,707
Acquisitions[2]	–	2,445	–	699	3,144
Reclassification	–	1,571	–	(964)	607
Write-offs and disposals	(280)	–	(50)	–	(330)
Intangible assets related to SUN News (note 26)	–	(828)	–	–	(828)
Balance as at December 31, 2012	92,570	46,545	844	1,341	141,300
Acquisitions[2]	–	2,254	–	924	3,178
Business acquisitions (note 9)	–	30	3,000	–	3,030
Reclassification	–	1,328	–	(1,114)	214
Write-offs and disposals	–	(1,125)	–	–	(1,125)
Balance as at December 31, 2013	**$ 92,570**	**$ 49,032**	**$ 3,844**	**$ 1,151**	**$ 146,597**

As at December 31, 2013, the cost of internally generated intangible assets, consisting mainly of software, websites and mobile applications, was $8,626,000 ($7,741,000 as at December 31, 2012). For the year ended December 31, 2013, the Corporation recognized additions to internally generated intangible assets totalling $1,657,000 ($1,953,000 in 2012), and wrote off $772,000 in fully amortized internally generated intangible assets (nil in 2012).

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

16. LICENCES AND OTHER INTANGIBLE ASSETS (continued)

	Broadcasting licences[1]	Software, websites and mobile applications	Other intangible assets[1]	Projects under development	Total
Accumulated amortization and impairment:					
Balance as at December 31, 2011	$ –	$ 23,374	$ 794	$ –	$ 24,168
Amortization	–	5,218	–	–	5,218
Reclassification	–	106	–	–	106
Write-offs and disposals	–	–	(50)	–	(50)
Intangible assets related to SUN News (note 26)	–	(198)	–	–	(198)
Balance as at December 31, 2012	–	28,500	744	–	29,244
Amortization	–	5,754	146	–	5,900
Reclassification	–	12	–	–	12
Write-off and disposals	–	(1,125)	–	–	(1,125)
Balance as at December 31, 2013	**$ –**	**$ 33,141**	**$ 890**	**$ –**	**$ 34,031**
Net carrying amount:					
As at December 31, 2012	$ 92,570	$ 18,045	$ 100	$ 1,341	$ 112,056
As at December 31, 2013	**92,570**	**15,891**	**2,954**	**1,151**	**112,566**

1 Intangible assets with indefinite useful lives, including the broadcasting licences assigned to the Television group of CGU, a magazine operating licence and mastheads, are not amortized.

2 The net change in additions to intangible assets funded by accounts payable and accrued liabilities, consisting primarily of software, amounted to $175,000 for the year ended December 31, 2013 (-$121,000 for the year ended December 31, 2012).

As at December 31, 2013, the accumulated amortization and impairment of internally generated intangible assets, consisting primarily of software, websites and mobile applications, amounted to $5,393,000 ($4,043,000 as at December 31, 2012). For the year ended December 31, 2013, the Corporation recognized an amortization expense arising from internally generated intangible assets of $2,122,000 ($1,892,000 in 2012).

As at December 31, 2013, internally generated intangible assets had a net carrying amount of $3,233,000 ($3,698,000 as at December 31, 2012).

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

17. GOODWILL

Goodwill as at December 31, 2013 and 2012 is detailed as follows:

	Note	**2013**	2012
Cost	9	**$ 155,572**	$ 150,817
Accumulated amortization and impairment	7	**111,036**	111,036
Net carrying amount		**$ 44,536**	$ 39,781

As at December 31, 2013, the carrying amount of goodwill allocated to the Television segment group of CGU was $3,039,000 and the $41,497,000 balance was allocated to the Publishing segment group of CGU ($2,539,000 and $37,242,000 respectively as at December 31, 2012).

Recoverable amounts

The recoverable amounts of CGUs were determined based on value in use with respect to the impairment tests performed. The Corporation uses the discounted cash flow method to estimate value in use using future cash flows derived 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 consider each CGU's past operating performance and market share as well as economic trends, along with specific market and industry trends and corporate strategies. A 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. The following key assumptions were used to determine recoverable amounts in the most recent impairment tests performed:

	2013		2012	
Group of CGUs	**Pre-tax discount rate (WACC)**	**Perpetual growth rate**	Pre-tax discount rate (WACC)	Perpetual growth rate
Television[1]	**11.3 %**	**1.0 %**	11.3 %	1.0 %
Publishing	**16.5 %**	**1.0 %**	16.3 %	1.0 %

1 As allowed under IAS 36, *Impairment of assets*, the recoverable amount calculated in the annual impairment test in 2012 was used in the test performed in 2013 for this group of CGU. Accordingly, the pre-tax discount rate and the perpetual growth rate are the same for 2013 and 2012.

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

17. GOODWILL (continued)

Sensitivity of recoverable amounts

The following table presents, for each group of CGUs, the change in the pre-tax discount rate or in the perpetual growth rate used in the most recently performed test that would have been required for the recoverable amount to equal the carrying amount of the CGU as of the most recent impairment test in 2013:

Group of CGUs	**Incremental increase in pre-tax discount rate (WACC)**	**Incremental decrease in perpetual growth rate**
Television[1]	**4.1 %**	**5.0 %**
Publishing	**1.3 %**	**1.8 %**

[1] As the recoverable amount calculated for this group of CGU in the annual impairment test in 2012 was used for the test performed in 2013, sensitivity tests are the same than the ones disclosed in 2012.

18. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Note	**2013**	2012
Accounts payable and accrued liabilities		**$ 44,412**	$ 43,593
Employee salaries and benefits		**20,693**	22,610
Accounts payable to companies under common control and affiliated companies		**18,999**	20,884
Stock-based compensation	22 and 23	**1,481**	1,519
Interest payable		**329**	293
Other		**46**	193
		$ 85,960	$ 89,092

19. PROVISIONS AND CONTINGENCIES

	Operational restructuring costs	**Contingencies, legal disputes and other**	**Total**
Balance as at December 31, 2012	$ 160	$ 702	$ 862
Net change in income	2,390	(436)	1,954
Payments	(2,166)	(5)	(2,171)
Balance as at December 31, 2013	**$ 384**	**$ 261**	**$ 645**

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

19. PROVISIONS AND CONTINGENCIES (continued)

The recognition of provisions, in terms of both timing and amounts, requires the exercise of judgment based on relevant circumstances and events that can be subject to change over time. Provisions are primarily comprised of the following:

Restructuring of operations

The provisions for the restructuring of operations mainly comprise termination benefits related to the elimination of positions in the Television and Publishing segments.

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.

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

20. LONG-TERM DEBT

	2013	2012
Term loan[i]	**$ 75,000**	$ 75,000
Financing costs, net of accumulated amortization	**(360)**	(562)
	74,640	74,438
Less short-term debt	**(74,640)**	–
Long-term debt	**$ –**	$ 74,438

(i) The bank debt of the Corporation comprises a term loan maturing and repayable in full on December 11, 2014 in the amount of $75,000,000. The term loan bears interest at an annual rate of 5.54%, payable on June 15 and December 15 of each year. The Corporation also has a $100,000,000 revolving credit facility which was renewed for five years on February 24, 2012. It bears interest at floating rates based on the bankers' acceptance rate or bank prime rate, plus a variable margin based on the ratio of total debt to operating income before interest, income taxes, amortization and other items. As at December 31, 2013 and 2012, there were no drawings on the revolving credit facility.

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

Under its credit agreements, the Corporation is subject to certain covenants including maintenance of certain financial ratios. As at December 31, 2013, the Corporation was in compliance with the terms of its credit agreements.

As at December 31, 2013 and 2012, the Corporation had outstanding letters of credit amounting to $425,000.

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

21. OTHER LIABILITIES

	Note		**2013**		2012 (restated, note 1(b))
Defined benefit plans	25	**$**	**1,706**	$	36,526
Broadcast rights payable			**1,470**		1,303
Stock-based compensation[1]	23		**770**		633
Other			**28**		37
		$	**3,974**	$	38,499

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

22. CAPITAL STOCK

Authorized

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

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

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

Issued and paid up as at December 31, 2013 and 2012:		
4,320,000 class A common shares	**$**	**72**
19,450,906 class B shares		**98,575**
	$	**98,647**

Class B stock option plan for officers

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

When exercising options, holders may elect to receive from the Corporation a cash payment equal to the number of shares underlying the options exercised, multiplied by the difference between the market value and the exercise price of the shares under option or, subject to certain terms and conditions, subscribe for Class B shares of the Corporation at the exercise price. Market value is defined as the average closing market price of the shares over the last five trading days preceding the date on which the option was exercised.

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

22. CAPITAL STOCK (continued)

Class B stock option plan for officers (continued)

Options granted prior to January 2006 normally vest equally over four years, with the first 25% portion vesting as of the second anniversary of the grant date. Since January 2006, except in certain circumstances and unless the Compensation Committee decides otherwise at the time of grant, options are exercisable over a five-year period as follows:

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

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

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

In fiscal 2013 and 2012, no new options were granted by the Corporation under the plan.

The Corporation recognized an $81,000 compensation expense reversal in connection with this plan for the year ended December 31, 2013 ($159,000 compensation expense reversal in 2012).

The following table gives details on changes to outstanding options for the years ended December 31, 2013 and 2012:

	2013		2012	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Balance at beginning of year	**819,421**	**$ 16.34**	833,610	$ 16.35
Cancelled	**(128,345)**	**15.29**	(14,189)	16.84
Balance at end of year	**691,076**	**$ 16.54**	819,421	$ 16.34
Vested options at end of year	**691,076**	**$ 16.54**	819,421	$ 16.34

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

22. CAPITAL STOCK (continued)

Class B stock option plan for officers (continued)

The following table gives summary information on outstanding options as at December 31, 2013:

	Outstanding options			Vested options	
Range of exercise price	**Number**	**Weighted average years to maturity**	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
$14.50 to $16.40	504,945	3.46	$ 14.92	504,945	$ 14.92
$20.50 to $21.38	186,131	0.86	20.92	186,131	20.92
$14.50 to $21.38	**691,076**	**2.76**	**$ 16.54**	**691,076**	**$ 16.54**

The fair value of stock-based awards under the stock option plans of the Corporation was estimated using the Black-Scholes option pricing model. The following weighted-average assumptions were used to estimate the fair value of all outstanding stock options under the stock option plans of the Corporation as at December 31, 2013 and 2012:

	2013	2012
Risk-free interest rate	**1.05 %**	1.13 %
Expected volatility	**32.56 %**	37.05 %
Expected remaining life	**1.0 year**	1.4 year

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

As at December 31, 2013 and 2012, the intrinsic value of liabilities for which options have vested was nil.

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

22. CAPITAL STOCK (continued)

Earnings per share

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

		2013		2012 (restated, note 1(b))
Net income (loss) attributable to shareholders	**$**	**15,746,000**	$	(6,464,000)
Weighted average number of basic and diluted shares outstanding		**23,770,906**		23,770,906
Basic and diluted earnings (loss) per share attributable to shareholders (in dollars)	**$**	**0.66**	$	(0.27)

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.

23. QUEBECOR MEDIA INC. STOCK OPTION PLAN

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

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

The Corporation recognized an $817,000 compensation expense under the plan for the year ended December 31, 2013 ($482,000 in 2012).

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

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

The following table gives details on changes as at December 31, 2013 and 2012 concerning the stock options granted to the senior executives of the Corporation:

	2013		2012	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Balance at beginning of year	**213,416**	**$ 46.55**	393,252	$ 46.66
Granted	**207,000**	**57.64**	–	–
Exercised	**(41,884)**	**46.70**	(168,836)	46.57
Cancelled	**(32,500)**	**47.68**	–	–
Options related to executives transferred to Quebecor Media	**(14,625)**	**46.48**	–	–
Options related to SUN News' corporate executives (note 26)	**–**	**–**	(11,000)	50.10
Balance at end of year	**331,407**	**$ 53.35**	213,416	$ 46.55
Vested options at end of year	**46,407**	**$ 45.76**	49,291	$ 45.99

During the year ended December 31, 2013, 41,884 Quebecor Media stock options were issued for a cash consideration of $471,000 (168,836 stock options issued for $986,000 in 2012).

The following table gives summary information on outstanding options as at December 31, 2013:

	Outstanding options			**Vested options**	
Range of exercise price	**Number**	**Weighted average years to maturity**	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
$31.92 to $47.29	124,407	5.77	$ 46.21	46,407	$ 45.76
$57.64	207,000	9.61	57.64	–	–
$31.92 to $57.64	**331,407**	**8.16**	**$ 53.35**	**46,407**	**$ 45.76**

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

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

The fair value of stock-based awards under the Quebecor Media stock option plan was estimated using the Black-Scholes option pricing model. The following weighted-average assumptions were used to estimate the fair value of all outstanding stock options under the Quebecor Media stock option plan as at December 31, 2013 and 2012:

	2013		2012	
Risk-free interest rate	**1.77**	**%**	1.27	%
Dividend yield	**1.56**	**%**	1.71	%
Expected volatility	**23.62**	**%**	23.24	%
Expected remaining life	**4.1 years**		2.8 years	

Since the common shares of Quebecor Media are not publicly traded on a stock exchange, as of December 31, 2013, expected volatility is derived from the implied volatility of the shares of Quebecor Media's parent corporation. The expected remaining life of options granted represents the period of time that options granted are expected to be outstanding. The risk-free rate over the expected remaining life of the option is based on the Government of Canada yield curve in effect at the time of the valuation. Dividend yield is based on the current average yield.

As at December 31, 2013, the intrinsic value of liabilities for which options have vested was $796,000 ($549,000 as at December 31, 2012).

24. TAX CREDITS AND GOVERNMENT ASSISTANCE

Revenues included $10,590,000 ($12,134,000 in 2012) in government assistance for local programming in small markets and for producing and publishing Canadian content in magazines.

Tax credits and government assistance amounting to $2,007,000 ($2,837,000 in 2012) were recorded as a reduction of program production expenses and film marketing costs included in operating expenses.

As at December 31, 2013, advances received under government assistance amounted to $360,000 ($411,000 in 2012) and were reported in distribution rights payable under "Broadcast and distribution rights payable." Deferred revenues included $1,987,000 ($1,550,000 in 2012) in financial assistance for the creation and publishing of Canadian content in magazines.

25. PENSION PLANS AND POSTRETIREMENT BENEFITS

Pension plans provided to the management and unionized employees of the Corporation include a defined benefit portion based on career earnings indexed before and after retirement, as well as a defined contribution portion. The Corporation offers its senior management an end-of-career earnings pension plan indexed before and after retirement, as well as a non-indexed supplemental post-retirement plan for which the benefits offset the tax limit effect. Certain TVA Publications Inc. (TVA Publications) employees are provided with a career-earnings pension plan indexed before and after retirement. The Corporation also offers postretirement benefits to eligible retired employees. The Corporation's funding policy for its funded pension plans is to maintain its contributions at a level sufficient to cover benefits and to meet requirements of the applicable regulations and plan provisions that govern the funding of the plans.

By their design, the defined benefit plans expose the Corporation to the typical risks faced by defined benefit plans, such as investment performance, changes to the discount rate used to value the obligation, longevity of plan participants and future inflation. Under the Corporation's rules of governance, oversight of pension plan policies and risk management are performed at different levels through the pension committees, the Corporation's management and the Audit Committee. The benefit pension plans are monitored on an ongoing basis to assess the benefit, funding and investment policies, financial status and the Corporation's funding requirements.

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

25. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

The following tables provide information on the defined benefit plans and show a reconciliation of the changes in the plans' benefit obligations and the fair value of plan assets for the years ended December 31, 2013 and 2012:

	Pension benefits		Postretirement benefits	
	2013	2012	**2013**	2012
Change in benefit obligations				
Benefit obligations at beginning of year	**$ 224,788**	$ 202,864	**$ 1,723**	$ 1,736
Service costs	**5,863**	4,945	**3**	3
Interest costs	**10,104**	9,738	**60**	66
Participant contributions	**3,135**	3,150	**–**	–
Actuarial losses (gains) arising from:				
Demographic assumptions	**6,798**	–	**84**	–
Financial assumptions	**(23,409)**	12,121	**(44)**	44
Participant experience	**(2,929)**	461	**–**	–
Benefits paid	**(11,360)**	(8,491)	**(120)**	(126)
Benefit obligations at end of year	**$ 212,990**	$ 224,788	**$ 1,706**	$ 1,723
Change in plan assets				
Fair value of plan assets at beginning of year	**$ 189,985**	$ 166,993	**$ –**	$ –
Actual return on plan assets	**28,242**	16,736	**–**	–
Employer contributions	**16,138**	11,597	**120**	126
Participant contributions	**3,135**	3,150	**–**	–
Benefits paid	**(11,360)**	(8,491)	**(120)**	(126)
Fair value of plan assets at end of year	**$ 226,140**	$ 189,985	**$ –**	$ –

As at December 31, 2013, the weighted average duration of defined benefit obligation was 15.4 years (16.6 years in 2012). The Corporation expects future benefit payments of $11,236,000 in 2014.

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

25. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

The Corporation's investment strategy for plan assets takes into consideration a number of factors, including the time horizon of the pension plans' obligations and the investment risk. For each of the plans, an allocation range by asset class is developed, whereby a mix of equities and fixed-income investments is used to optimize the risk-return profile of plan assets and to mitigate asset-liability mismatch.

Plan assets are comprised of:

	2013		2012	
Equity securities:				
Canadian	**26.8**	**%**	26.5	%
Foreign	**33.8**		31.9	
Debt securities	**36.7**		39.0	
Other	**2.7**		2.6	
	100.0	**%**	100.0	%

The fair value of plan assets is principally based on quoted prices in an active market.

Where funded plans have a net defined benefit asset, the Corporation determines if potential reductions in future contributions are permitted by applicable regulation and collective bargaining agreements. When a defined benefit asset is created, it can not exceed the future economic benefit that the Corporation can expect to obtain from the asset. The future economic benefit represents the value of reductions in future contributions and expenses payable to the pension fund. It does not reflect gains that could be generated in the future that would allow reductions in contributions by the Corporation. Where there is a minimum funding requirement, this could also limit the amount recognized in the balance sheet. A minimum funding requirement represents the present value of amortization payments based on the most recent actuarial financing reports filed.

The reconciliation of funded status to the net amount recognized in the consolidated balance sheets is as follows:

	Pension benefits				Postretirement benefits			
		2013		2012		**2013**		2012
Reconciliation of funded status								
Benefit obligations	**$**	**(212,990)**	$	(224,788)	**$**	**(1,706)**	$	(1,723)
Fair value of plan assets		**226,140**		189,985		**–**		–
Plan surplus (deficit)	**$**	**13,150**	$	(34,803)	**$**	**(1,706)**	$	(1,723)
Asset limit		**(4,912)**		–		**–**		–
Net amount recognized[1]	**$**	**8,238**	$	(34,803)	**$**	**(1,706)**	$	(1,723)

[1] The net amount recognized for 2013 consists of an asset of $8,238,000 (nil in 2012) under "Defined benefit plan asset" and of a liability of $1,706,000 ($36,526,000 in 2012) under "Other liabilities" (note 21).

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

25. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

Components of re-measurements are as follows:

	Pension benefits		Postretirement benefits	
	2013	2012 (restated, note 1(b))	**2013**	2012 (restated, note 1(b))
Actuarial gain (loss) on benefit obligations	**$ 19,540**	$ (12,582)	**$ (45)**	$ (40)
Actual return on plan assets, excluding interest income calculated as part of the interest on net defined benefit asset or liability	**20,721**	9,485	**–**	–
Asset limit	**(4,912)**	–	**–**	–
Re-measurements recorded in other comprehensive income (loss)	**$ 35,349**	$ (3,097)	**$ (45)**	$ (40)

Components of the net benefit costs are as follows:

	Pension benefits		Postretirement benefits	
	2013	2012 (restated, note 1(b))	**2013**	2012 (restated, note 1(b))
Employee costs:				
Service costs	**$ 5,863**	$ 4,945	**$ 3**	$ 3
Other	**964**	702	**–**	–
Interest on net defined benefit asset or liability	**1,621**	1,784	**60**	66
Net benefit costs	**$ 8,448**	$ 7,431	**$ 63**	$ 69

The expense related to defined contribution pension plans amounted to $3,076,000 in 2013 ($3,488,000 in 2012).

The expected employer contributions to the Corporation's defined benefit pension plans and postretirement benefit plans will be $11,945,000 in 2014 based on the most recent financial actuarial reports filed (contributions of $16,258,000 were paid in 2013).

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

25. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

Assumptions

The Corporation determines its assumption for the discount rate to be used for purposes of computing annual service and interest costs based on an index of high-quality corporate bond-yield and matched-funding yield curve analysis as of the measurement date.

The actuarial assumptions used in measuring the Corporation's benefit obligations as at December 31, 2013 and 2012 and current periodic benefit costs are as follows:

	Pension benefits		Postretirement benefits	
	2013	2012	**2013**	2012
Benefit obligations				
Rates, end of year:				
Discount rate	**4.90 %**	4.40 %	**4.90 %**	4.40 %
Rate of compensation increase	**3.00 – 3.25**	3.25 – 3.50	**3.00 – 3.25**	3.25 – 3.50
Current periodic costs				
Rates, end of year:				
Discount rate	**4.40 %**	4.75 %	**4.40 %**	4.75 %
Rate of compensation increase	**3.25 – 3.50**	3.25 – 3.50	**3.25 – 3.50**	3.25 – 3.50

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation was 7.6% at the end of 2013. These costs, as per estimate, are expected to decrease gradually over the next 13 years to 5.0% and to remain at that level thereafter.

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

25. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

Sensitivity analysis

A decrease of 10 basis point in the discount rate would have had the following impacts, before income taxes, for the year ended December 31, 2013:

	Pension benefits			Postretirement benefits		
Increase (decrease)	**Asset in balance sheet**	**Income**	**Other comprehen-sive income**	**Obligation in balance sheet**	**Income**	**Other comprehen-sive income**
Discount rate	$ (3,290)	$ (326)	$ (3,290)	$ 13	$ –	$ (13)

There are limitations to the above sensitivity analysis since it only considers the impacts of a decrease of 10 basis point in the discount rate assumption (at the beginning of the year having an impact on income and at the end of the year having an impact on comprehensive income), without changing any other assumptions. No sensitivity analysis was performed on other assumptions as a similar change to these assumptions would not have a significant impact on the consolidated financial statements.

26. RELATED PARTY TRANSACTIONS

Compensation of key officers

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

	2013	2012
Salaries and short-term benefits	**$ 3,431**	$ 4,030
Stock-based compensation	**1,007**	291
Other long-term benefits	**592**	1,211
	$ 5,030	$ 5,532

26. RELATED PARTY TRANSACTIONS (continued)

Revenues and operating expenses

For the year ended December 31, 2013, the Corporation entered into the following transactions with related parties in the normal course of business. These transactions were accounted for at the consideration agreed between parties.

- The Corporation sold advertising space and content, recorded subscription revenues and provided production, postproduction and other services to companies under common control and affiliated companies in the total amount of $76,836,000 ($77,747,000 in 2012).
- 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 $34,667,000 ($32,072,000 in 2012).
- The Corporation also recorded management fees paid to the parent corporation in the amount of $4,320,000 ($4,320,000 in 2012).

Other transactions

In fiscal 2010, the Corporation and Sun Media Corporation, a company under common control of the parent corporation, Quebecor Media, established the new general partnership SUN News. The Corporation then held a 51% interest and Sun Media Corporation a 49% interest. The results of this partnership were fully consolidated in the Corporation’s results and Sun Media Corporation’s interest was recorded under “Non-controlling interest” in the consolidated statement of income. On June 30, 2012, the Corporation sold a 2% interest in SUN News to Sun Media Corporation for a $765,000 consideration. The Corporation now holds a 49% interest in SUN News and Sun Media Corporation owns 51%. The difference between the amount paid and the book value of the interest yielded a $581,000 gain, which was accounted for in contributed surplus. Following the loss of control, SUN News’ results are no longer consolidated as of July 1, 2012 and the investment in SUN News is now accounted for using the equity method.

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

26. RELATED PARTY TRANSACTIONS (continued)

Other 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:

		June 30, 2012
Current assets		
Cash	$	430
Accounts receivable and other current assets		2,792
		3,222
Non-current assets		
Property, plant and equipment		8,873
Intangible assets		650
		12,745
Current liabilities		
Accounts payable and accrued liabilities		3,555
Net assets		9,190
Sun Media Corporation interest		(4,687)
Investment using equity method	**$**	**4,503**

In fiscal 2013, a total capital contribution of $10,600,000 ($15,250,000 in 2012) was made by the partners, of which $5,194,000 was made by the Corporation ($7,617,000 in 2012).

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

27. COMMITMENTS AND GUARANTEES

(a) Leases and purchasing agreements

The Corporation has commitments under operating leases, mainly for premises and equipment, and under acquisition contracts for services, distribution and broadcast rights, property, plant and equipment and intangible assets, calling for payments totalling $911,297,000, including $8,194,000 with related companies. The leases have various terms, indexing clauses, purchase options and renewal rights. Minimum payments for future years are as follows:

	Leases	Broadcast and distribution rights	Other
2014	$ 1,419	$ 69,382	$ 10,863
2015 to 2018	4,372	300,420	10,530
2019 and thereafter	2,939	510,923	449

Expenses related to the operating leases of the Corporation and its subsidiaries in the amount of $1,946,000 in 2013 ($2,402,000 in 2012) were recognized as operating expenses in the consolidated statements of income.

Quebecor Media has reached a 12-year agreement with Rogers Communications for Canadian French-language broadcast rights to National Hockey League games. Pending finalization of agreements between Quebecor Media and TVA Group, total commitments related to this contract have been included in the Corporation's commitments.

(b) Guarantees

The Corporation has guaranteed a portion of the residual values of certain assets under operating leases for the benefit of the lessor. If the fair value of the assets at the end of their respective lease terms is less than their guaranteed residual value, the Corporation is required to compensate the lessor for a portion of the shortfall, subject to certain conditions. As at December 31, 2013, the maximum liability in respect of these guarantees totalled approximately $337,000 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. At December 31, 2013, the liability risk under specific commitments totalled approximately $4,700,000. The Corporation has recorded no liability in the consolidated balance sheet in respect of these agreements, as the Corporation has reasonable confidence that it will suffer no negative impact from their implementation or resolution.

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

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

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

(a) Fair value of financial instruments

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

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

The fair value of long-term debt is estimated based on a valuation model using Level 2 inputs. The fair value is based on discounted cash flows using year-end market yields or the market value of similar instruments with the same maturity.

The carrying amount and fair value of long-term debt as at December 31, 2013 and 2012 are as follows:

	2013		2012	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Term loan	**$ 75,000**	**$ 76,800**	$ 75,000	$ 78,400

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

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(b) 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, 2013, no clients had balances representing a significant portion of the Corporation's consolidated trade receivables. The Corporation establishes an allowance for doubtful accounts based on the specific credit risk of its 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, 2013, 5.61% of trade receivables had been outstanding for more than 120 days after the billing date (5.57% as at December 31, 2012). In addition, as at December 31, 2013, the allowance for doubtful accounts was $1,086,000 ($1,100,000 as at December 31, 2012).

The table below shows the variance in the allowance for doubtful accounts for the years ended December 31, 2013 and 2012:

	2013	2012 (restated, note 1(b))
Balance as at beginning of year	**$ 1,100**	$ 1,183
Change to income	**486**	616
Utilization	**(500)**	(660)
Allowance for doubtful accounts related to SUN News (note 26)	**–**	(39)
Balance as at end of year	**$ 1,086**	$ 1,100

(c) Liquidity risk management

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

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

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk management (continued)

As at December 31, 2013, the obligations and maturities of financial liabilities of the Corporation are as follows:

	Total	Less than 1 year	1-3 years	3-5 years
Accounts payable and accrued liabilities	$ 87,742	$ 87,742	$ –	$ –
Broadcast and distribution rights payable	18,774	17,304	1,470	–
Long-term debt	75,000	75,000	–	–
Interest payments	5,293	4,505	700	88
Total	**$ 186,809**	**$ 184,551**	**$ 2,170**	**$ 88**

(d) Market risk

Market risk is the risk that changes in market prices due to fluctuations in foreign exchange rates and interest rates will affect the Corporation's revenues or the value of its financial instruments. The objective of market risk management is to mitigate and control exposure within acceptable parameters.

Foreign exchange risk

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

Interest rate risk

The Corporation is exposed to interest rate risk on its revolving credit facility. As at December 31, 2013 and 2012, the Corporation's long-term debt consisted entirely of fixed-rate debt, which significantly limits the interest rate exposure.

An increase (a decrease) of 100 basis points at year-end 2013 in the Canadian bankers' acceptance rate would have had no impact since the Corporation's only floating-rate credit facility was unused.

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

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

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(e) 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;
- 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 consists of shareholders' equity and long-term debt maturing in 2014, less cash.

The capital structure as at December 31, 2013 and 2012 is as follows:

	2013	2012
Long-term debt	**$ 75,000**	$ 75,000
Cash	**(7,717)**	(10,619)
Net liabilities	**67,283**	64,381
Equity	**$ 308,059**	$ 266,545

Excluding maintenance of certain financial ratios under its credit agreements, the Corporation is not subject to any other externally imposed capital requirements. As at December 31, 2013, the Corporation was in compliance with all the terms of its credit agreements.

29. 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 Inc., TVA Nouvelles and TVA Interactif), specialty services, the marketing of digital products associated with the various televisual brands, the home and online shopping services of the TVA Boutiques division up to the second quarter of 2013, and the distribution of audiovisual products by the TVA Films division.
- The **Publishing segment** includes the operations of TVA Publications Inc. and Les Publications Charron & Cie Inc. – 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 – and the operations of the TVA Studio division, which specializes in custom publishing, commercial print production and premedia services.

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

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

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

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

29. SEGMENTED INFORMATION (continued)

				2013
	Television	**Publishing**	**Intersegment items**	**Total**
Revenues	$ 380,064	$ 67,909	$ (3,157)	$ 444,816
Purchases of goods and services	212,995	43,647	(3,157)	253,485
Employee costs	114,785	15,976	–	130,761
Adjusted operating income[1]	52,284	8,286	–	60,570
Amortization of property, plant and equipment and intangible assets				21,430
Financial expenses				6,265
Operational restructuring costs, impairment of assets and other costs				4,865
Income before tax expense and share of loss of associated corporations				$ 28,010
Additions to property, plant and equipment	$ 16,071	$ 174	$ –	$ 16,245
Additions to intangible assets	$ 2,506	$ 497	$ –	$ 3,003
Total assets	$ 458,135	$ 63,916	$ –	$ 522,051

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

29. SEGMENTED INFORMATION (continued)

								2012 (restated, note 1(b))
		Television		Publishing		Intersegment items		Total
Revenues	$	389,856	$	67,357	$	(4,066)	$	453,147
Purchases of goods and services		220,934		45,621		(4,066)		262,489
Employee costs		131,130		17,046		–		148,176
Adjusted operating income[1]		37,792		4,690		–		42,482
Amortization of property, plant and equipment and intangible assets								20,342
Financial expenses								7,322
Operational restructuring costs, impairment of assets and other costs								117
Impairment of goodwill								32,200
Gain on disposal of investments								(12,881)
Loss before tax expense and share of loss of associated corporations and joint ventures							$	(4,618)
Additions to property, plant and equipment	$	19,349	$	2,481	$	–	$	21,830
Additions to intangible assets	$	2,462	$	803	$	–	$	3,265
Total assets	$	448,529	$	53,442	$	–	$	501,971

1 The Chief Executive Officer uses adjusted operating income as a measure of financial performance for assessing the performance of each of the Corporation's segments. Adjusted operating income is a non-IFRS measure and is defined as net income (loss) before amortization of property, plant and equipment and intangible assets, financial expenses, operational restructuring costs, impairment of assets and other costs, impairment of goodwill, gain on disposal of investments, tax expense, share of loss of associated corporations and joint ventures, and net loss attributable to non-controlling interest.

TVA GROUP INC.
Management's Discussion and Analysis
for the years ended December 31, 2013 and 2012

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, 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 eight (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 50 titles, making it Quebec's largest publisher of French-language magazines. It also offers custom publishing, commercial printing and premedia services that promote customers' brands through print media. The Corporation's Class B shares are listed on the Toronto Stock Exchange under the ticker symbol TVA.B.

This Management's Discussion and Analysis covers the Corporation's main activities during the year ended December 31, 2013, and the major changes from the previous financial year. The Corporation's consolidated financial statements for the years ended December 31, 2013, 2012 and 2011 have been prepared in accordance with International Financial Reporting Standards ("IFRS").

All the amounts presented in this Management's Discussion and Analysis are in Canadian dollars. This 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, 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 Inc. ("TVA Accès"), TVA Nouvelles and TVA Interactif), the specialty services, the marketing of digital products associated with the various televisual brands, the home and online shopping services of the TVA Boutiques division up to the second quarter of 2013, and the distribution of audiovisual products by the TVA Films division.

- The Publishing segment 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 – and the operations of the TVA Studio division, which specializes in custom publishing, commercial print production and premedia services. On December 30, 2013, the operations of the TVA Studio division were folded into the operations of TVA Accès in the Television segment.

HIGHLIGHTS SINCE END OF 2012

- On December 19, 2013, the Canadian Radio-television and Telecommunications Commission ("CRTC") announced that cable and satellite distributors of television signals would be required to offer all Category C national Canadian news specialty services, such as SUN News and "LCN" either in bundles or à la carte, by no later than May 20, 2014. On August 8, 2013, the CRTC rejected SUN News' application for mandatory carriage as part of basic service in Canada.

- On November 26, 2013, QMI has reached a twelve (12)-year agreement with Rogers Communications for Canadian French-language broadcast rights to National Hockey League ("NHL") games as of the 2014-2015 season. TVA Sports becomes the official French-language broadcaster of the NHL under the agreement, which includes broadcast rights to national games involving all Canadian teams including the Montréal Canadiens, up to 160 games between U.S. teams and all playoff games, including the Stanley Cup final. The agreement also includes all NHL special events.

- On August 31, 2013, the Corporation discontinued the operations of its TVA Boutiques division, which was engaged in home shopping and online shopping.

- During the third quarter of 2013, the Corporation recorded revenues in the amount of $6,841,000 in respect of its share of retroactive royalties for the retransmission of distant signals for the years 2009 to 2012 and the first two quarters of 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. were folded into the Corporation's Publishing segment, while the operations of Charron Éditeur inc. were transferred to Sogides Group, a corporation under common control, for the amount of $300,000.

- On June 5, 2013, TVA Group announced the introduction of an expense 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 the official French-language specialty service broadcaster of the 2014 Winter Olympics in Sochi.

- During the first quarter of 2013, the Corporation discontinued theatrical distribution of new Quebec films by its TVA Films division. The decision does not affect the distribution of audiovisual products via other media and platforms.

- On March 14, 2013, TVA Group announced that Serge Gouin, Chairman of the Board of the Corporation, would step down after the Corporation's Annual Shareholders' Meeting on May 7, 2013 and would be replaced by Pierre Karl Péladeau.

- On February 6, 2013, the creative and programming resources of TVA Group and Videotron Ltd. were brought together under one roof to form QMI Content, a new division of QMI dedicated to creating, developing, acquiring, broadcasting and exporting audiovisual content.

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

NON-IFRS FINANCIAL MEASURES

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

Adjusted operating income (loss)

In its analysis of operating results, the Corporation defines adjusted 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. 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 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. Adjusted 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 adjusted 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 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 income (loss) attributable to shareholders as disclosed in the Corporation's consolidated financial statements.

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

	Years ended December 31		Three months ended December 31	
	2013	2012 (restated)	**2013**	2012 (restated)
Adjusted operating income:				
Television	**$ 52,284**	$ 37,792	**$ 18,031**	$ 18,781
Publishing	**8,286**	4,690	**2,303**	1,844
	60,570	42,482	**20,334**	20,625
Amortization of property, plant and equipment and intangible assets	**21,430**	20,342	**5,474**	4,970
Financial expenses	**6,265**	7,322	**1,476**	1,767
Operational restructuring costs, impairment of assets and other costs	**4,865**	117	**991**	–
Impairment of goodwill	**–**	32,200	**–**	–
Gain on disposal of investments	**–**	(12,881)	**–**	–
Tax expense	**6,110**	4,583	**2,564**	3,191
Share of loss of associated corporations and joint ventures	**6,154**	1,677	**1,501**	1,859
Non-controlling interest	**–**	(4,414)	**–**	–
Net income (loss) attributable to shareholders	**$ 15,746**	$ (6,464)	**$ 8,328**	$ 8,838

2013/2012 FINANCIAL YEAR COMPARISON

Analysis of consolidated results of TVA Group

Operating revenues: $444,816,000, a decrease of $8,331,000 (-1.8%).

- $9,792,000 (-2.5%) decrease in the Television segment (Table 2), due mainly to the discontinuation of the operations of TVA Boutiques, a 2.1% decrease in TVA Network's revenues, the results of SUN News (see "SUN News" below), which are no longer consolidated, and a 3.5% decrease in revenues from the TVA Accès division. The decreases were partially offset by a 10.3% increase in revenues at the specialty services.

- $552,000 (0.8%) increase in the Publishing segment (Table 2) primarily due to the favourable impact of the acquisition of *La Semaine* magazine on July 18, 2013 – particularly on newsstand revenues, which increased 2.6% – and to a 17.4% increase in the TVA Studio division's operating revenues. Those increases were partially offset by a 7.9% decrease in advertising revenues.

Table 2
Operating revenues
(in thousands of dollars)

	Years ended December 31		Three months ended December 31	
	2013	2012 (restated)	**2013**	2012 (restated)
Television	**$ 380,064**	$ 389,856	**$ 102,796**	$ 110,477
Publishing	**67,909**	67,357	**17,923**	17,384
Intersegment items	**(3,157)**	(4,066)	**(697)**	(857)
	$ 444,816	$ 453,147	**$ 120,022**	$ 127,004

Adjusted operating income: $60,570,000, an increase of $18,088,000 (42.6%).

- $14,492,000 favourable variance in the Television segment (Table 3), primarily because of the results of SUN News, which are no longer consolidated, and 11.9% growth in TVA Network's adjusted operating income resulting from recognition in the third quarter of retroactive royalties for distant signal retransmission (see "Distant signal retransmission royalties" in the analysis of the Television segment's results).

- $3,596,000 favourable variance in the Publishing segment (Table 3), mainly attributable to the unfavourable impact of recognition in the first half of 2012 of retroactive charges for the years 2010 and 2011 resulting from the adoption of new rates for business contributions toward the costs of waste recovery and recycling services provided by Quebec municipalities ("Éco Entreprise") and the favourable impact of the inclusion of the operating results of *La Semaine* magazine since July 18, 2013.

Table 3
Adjusted operating income
(in thousands of dollars)

	Years ended December 31		Three months ended December 31	
	2013	2012 (restated)	**2013**	2012 (restated)
Television	**$ 52,284**	$ 37,792	**$ 18,031**	$ 18,781
Publishing	**8,286**	4,690	**2,303**	1,844
	$ 60,570	$ 42,482	**$ 20,334**	$ 20,625

Net income attributable to shareholders: $15,746,000 ($0.66 per basic and diluted share), compared with a $6,464,000 net loss (-$0.27 per basic and diluted share) in the same period of 2012.

- The positive variance of $22,210,000 ($0.93 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;
  - $18,088,000 increase in adjusted operating income;

  partially offset by:
  - $12,881,000 unfavourable variance in the gain on disposal of investments, due to the gain recorded in the Television segment in the second quarter of 2012;
  - $4,748,000 unfavourable variance in operational restructuring costs, impairment of assets and other costs;
  - $4,477,000 unfavourable variance in the share of loss of associated corporations and joint ventures;
  - $4,414,000 decrease in non-controlling interest;
  - $1,527,000 unfavourable variance in tax expenses.
- The calculation of earnings (loss) per share was based on a weighted average of 23,770,906 outstanding diluted shares for the years ended December 31, 2013 and 2012.

Amortization of property, plant and equipment and intangible assets: $21,430,000, a $1,088,000 increase (5.3%).

- The increase was mainly due to accelerated recording of amortization of the intangible assets of the TVA Boutiques division following discontinuation of its operations during the third quarter, accelerated recording of amortization in connection with a web site, amortization of intangible assets acquired as part of the transaction with Publications Charron, and commissioning of major real estate projects during the past year.

Financial expenses: $6,265,000, a $1,057,000 decrease essentially due to lower average indebtedness in fiscal 2013 compared with 2012 resulting primarily from 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. Therefore, less use was made of the revolving credit facility in 2013, reducing the related financial expenses.

Operational restructuring costs, impairment of assets and other costs: $4,865,000 in fiscal 2013, compared with $117,000 in 2012, a $4,748,000 increase.

- In 2013, the Corporation recorded $2,214,000 in operational restructuring costs in connection with staff reductions in the Television and Publishing segments, compared with $117,000 in operational restructuring costs in 2012 resulting from staff reductions related to a magazine in the Publishing segment.

- During 2013 the Corporation announced the discontinuation of its TVA Boutiques division's home shopping and online shopping operations and recorded an impairment charge of $1,706,000 on inventory and some receivables, as well as a $408,000 provision for operational restructuring costs.

- In the first quarter of 2013, the Corporation also recorded a $387,000 impairment charge related to its long-term distribution rights inventory following its decision to discontinue theatrical distribution of new Quebec films.

Impairment of goodwill: Nil in fiscal 2013 compared with $32,200,000 recorded in 2012.

- 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 Quebec municipalities, the Corporation reviewed its business plan for the related activities and performed an impairment test on the Publishing cash-generating unit ("CGU"). The Corporation concluded that the recoverable amount, based on value in use, was less than the carrying amount of the Publishing CGU and a goodwill impairment charge of $32,200,000, without any tax consequences, was recorded.

Gain on disposal of investments: Nil in fiscal 2013 compared with a $12,881,000 gain in 2012.

- The variance 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: $6,110,000 (effective tax rate of 21.8%) in 2013, compared with $4,583,000 (effective tax rate of -99.2%) in 2012.

- In 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 2012, the tax rate was lower than the Corporation's statutory tax rate of 26.9%, primarily 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: $6,154,000 in fiscal 2013, compared with $1,677,000 in the previous year. The $4,477,000 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 fiscal 2013 compared with $4,414,000 in the previous year. 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

Operating revenues: $380,064,000, a decrease of $9,792,000 (-2.5%), primarily due to:

- loss of revenues resulting from the discontinuation of the operations of the TVA Boutiques division in the third quarter of 2013;
- 2.1% decrease in TVA Network's revenues resulting from a 5.2% decrease in advertising revenues, partially offset by recognition of $7,571,000 in retroactive "retransmission royalties" (see paragraph below);
- unfavourable impact of the deconsolidation of the results of SUN News since the beginning of the third quarter of 2012;
- 3.5% decrease in revenues from TVA Accès as a result of a slowdown in commercial production activities;

partially offset by:

- 12.9% increase in subscription revenues at the specialty services:
  - the "LCN" and "TVA Sports" services accounted for 35.3% and 27.7% of the increase respectively;
  - the "MOI&cie," "addik^{TV}" and "prise 2" services logged increases of 39.6%, 12.7% and 10.9% respectively.
- 5.7% increase in advertising revenues at the specialty services, generated mainly by "addik^{TV}", "prise 2," "Casa" and "TVA Sports."

<u>Distant signal retransmission royalties ("Retransmission royalties")</u>

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. On November 30, 2013, the Copyright Board of Canada ("CBC") approved 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 Corporation recorded an increase in its share of the royalties in the amount of $7,571,000 in fiscal 2013, of which $6,111,000 applied to the years 2009 to 2012.

French-language market ratings

TVA Group's total market share for the period of January 1 to December 31, 2013 was 31.6, compared with 32.2 in the same period of 2012, a slight 0.6 point decrease.

TVA Group's specialty services had a combined market share of 8.1 in 2013 compared with 8.5 in 2012. The decrease was mainly because of "LCN", which had excellent ratings for its live coverage of events surrounding the student "boycott" in Quebec in 2012. Most of the other specialty services grew their market shares; "Casa" and "Yoopa" both gained 0.2 points, while "MOI&cie" and "prise 2" gained 0.1 points.

TVA Network remains in the lead with a 23.5 market share, more than its two main conventional rivals combined. TVA Network carried 17 of the 30 most-watched programs in Quebec during 2013, including *La Voix* and *Le Banquier - Céline Dion*, each of which attracted more than 2,000,000 viewers.

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

	Year 2013 vs 2012		
	2013	2012	**Difference**
French-language conventional broadcasters:			
TVA	**23.5**	23.7	- 0.2
SRC	**13.2**	11.8	+ 1.4
V	**8.1**	8.6	- 0.5
	44.8	44.1	+ 0.7
French-language specialty and pay services:			
TVA	**8.1**	8.5	- 0.4
SRC	**4.9**	5.1	- 0.2
Bell Media*	**19.1**	18.7	+ 0.4
Others	**15.8**	16.4	- 0.6
	47.9	48.7	- 0.8
Total English-language and others	**7.3**	7.2	+ 0.1
TVA Group	**31.6**	32.2	- 0.6

Source: BBM Ratings. French Quebec, January 1 to December 31, 2013, Mon-Sun, 2:00 – 2:00, All 2+.

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

Operating expenses: $327,780,000, a decrease of $24,284,000 (-6.9%).

- The decrease was due primarily to:

  - 5.3% decrease in operating expenses at TVA Network due to the introduction of an expense reduction plan and a favourable adjustment in the second quarter of 2013 to a provision for CRTC licence fees;
  - favourable impact of deconsolidation of the results of SUN News since July 1, 2012;
  - decrease in operating expenses of the TVA Boutiques division following the discontinuation of its operations;

  partially offset by:

  - 9.8% increase in operating expenses at the specialty services due to increased programming investments at the majority of the services.

Adjusted operating income: $52,284,000, a $14,492,000 (38.3%) favourable variance due primarily to:

- positive impact on adjusted operating income of the sale of part of the Corporation’s interest in SUN News in June 2012;
- increase in TVA Network’s adjusted operating income as a result of recognition of retroactive “Retransmission royalties” and implementation of an expense reduction plan, which outweighed the decrease in advertising revenues.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Television segment's activities (expressed as a percentage of revenues) decreased from 90.3% in 2012 to 86.2% in 2013. The decrease was essentially due to the above-noted factors.

Publishing

Operating revenues: $67,909,000, an increase of $552,000 (0.8%), primarily due to:

- positive impact of the inclusion of the operating revenues of *La Semaine* magazine since July 18, 2013;
- 17.4% increase in revenues from TVA Studio as a result of higher volume of activities;

partially offset by:

- 10.3% decrease[1] in newsstand sales; and
- 8.9% decrease[1] in advertising revenues.

[1] *Excluding La Semaine magazine*

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 new program is fully recorded under operating revenues. It amounted to 10.0% of the segment's operating revenues for the year ended December 31, 2013 (8.8% in 2012).

Readership and market share statistics

- Together, TVA Group's magazines hold 58.9% of cumulative monthly Quebec French-language readership, according to data compiled by the PMB (*Print Measurement Bureau* – Fall 2013).
- The weeklies reach more than 2,500,000 Canadian readers cumulatively per week according to PMB (*Print Measurement Bureau* - Fall 2013).
  - The showbiz and celebrity news magazine *7 Jours* alone has a weekly readership of 666,000.
  - *La Semaine* magazine, which carries family-oriented entertainment news, reaches 496,000 readers per week.

Operating expenses: $59,623,000, a decrease of $3,044,000 (-4.9%) due mainly to:

- $2,571,000 favourable variance in the Éco Entreprise charge, since in 2012 operating expenses included retroactive charges for the years 2010 and 2011;
- 5.1% average decrease[1] in other operating expenses, due to volume-related cost savings and cost reductions yielded by the $4,000,000 operating expense reduction plan instituted in the second quarter of 2013;

partially offset by:

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

[1] *Excluding La Semaine magazine*

Adjusted operating income: $8,286,000, a $3,596,000 favourable variance due primarily to:

- o impact of the recognition in the first half of 2012 of the charge resulting from the adoption of new Éco Entreprise rates; and

- o the positive impact of the inclusion of the operating results of *La Semaine* magazine since July 18, 2013.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Publishing segment's activities (expressed as a percentage of revenues) were 87.8% in 2013, compared with 93.0% in the same period of 2012. The decrease was essentially due to the above-noted factors.

<u>Acquisition of Publications Charron</u>

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 have been included in the Publishing segment's results since the third quarter of 2013. The addition of these operations to the Publishing segment's existing magazines generated a 12.9% increase in newsstand sales for fiscal 2013.

2013/2012 FOURTH QUARTER COMPARISON

Analysis of consolidated results of TVA Group

Operating revenues: $120,022,000, a decrease of $6,982,000 (-5.5%).

- $7,681,000 (-7.0%) decrease in the Television segment due mainly to a 4.6% decrease in TVA Network's advertising revenues, the unfavourable impact of the discontinuation of the operations of the TVA Boutiques division, and a 28.9% decrease in revenues from the TVA Accès division. These declines were partially offset by a 6.3% increase in revenues from specialty services.

- $539,000 (3.1%) increase in the Publishing segment, primarily due to a 12.5% increase in newsstand revenues as a result of the inclusion of *La Semaine* magazine since July 18, 2013 and to a 13.5% increase in the TVA Studio division's operating revenues, partially offset by the decrease in advertising revenues.

Adjusted operating income: $20,334,000, a decrease of $291,000 (-1.4%).

- $750,000 unfavourable variance in the Television segment due primarily to the 5.5% decrease in TVA Network's adjusted operating income resulting from the decrease in its advertising revenues.

- $459,000 favourable variance in the Publishing segment, mainly reflecting the positive impact of the inclusion of the operating results of *La Semaine* magazine since July 18, 2013 and the positive impact of the introduction of an expense reduction plan in the second quarter of 2013, partially offset by a decrease in advertising and newsstand revenues at the other magazines.

Net income attributable to shareholders: $8,328,000 ($0.35 per basic and diluted share) in the fourth quarter of 2013, compared with $8,838,000 ($0.37 per basic and diluted share) in the same period of 2012.

- The negative variance of $510,000 ($0.02 per basic and diluted share) was essentially due to:

    - o $991,000 unfavourable variance in operational restructuring costs, impairment of assets and other costs;

    - o $504,000 unfavourable variance in amortization of property, plant and equipment and intangible assets;

partially offset by:

- $627,000 favourable variance in the tax expense; and
- $358,000 favourable variance related to the Corporation's share of loss of associated corporations.

- The calculation of earnings per share was based on a weighted average of 23,770,906 outstanding diluted shares for the quarters ended December 31, 2013 and 2012.

Amortization of property, plant and equipment and intangible assets: $5,474,000, a $504,000 increase (10.1%).

- The increase was mainly due to amortization of the intangible assets acquired as part of the acquisition of Publications Charron and significant commissioning and write-off of technical equipment in the fourth quarter of 2013.

Financial expenses: $1,476,000, a slight $291,000 decrease due primarily to higher interest revenues in the fourth quarter of 2013 than in the same period of 2012.

Operational restructuring costs, impairment of assets and other costs: $991,000 in the fourth quarter of 2013, compared with nil in the same quarter of 2012.

- Following the discontinuation of the operations of TVA Boutiques in the third quarter of 2013, the Corporation recorded an additional $483,000 impairment charge on inventory and some receivables, as well as $105,000 in operational restructuring costs in the quarter ended December 31, 2013.

- In the three-month period ended December 31, 2013, the Corporation recorded $430,000 in operational restructuring costs in connection with staff reductions in the Television and Publishing segments.

Income tax expense: $2,564,000 (effective tax rate of 20.7%) in the fourth quarter of 2013, compared with $3,191,000 (effective tax rate of 23.0%) in the same period of 2012.

- In the fourth quarters of 2012 and 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.

Share of loss of associated corporations: $1,501,000 in the fourth quarter of 2013, compared with $1,859,000 in the same quarter of 2012. The $358,000 favourable variance was due to the improved financial results of SUN News during the three-month period ended December 31, 2013.

SEGMENTED ANALYSIS

Television

Operating revenues: $102,796,000, a decrease of $7,681,000 (-7.0%), primarily due to:

- 4.2% decrease in TVA Network's revenues as a direct consequence of the 4.6% decrease in advertising revenues;
- unfavourable variance resulting from the discontinuation of the operations of the TVA Boutiques division in the third quarter of 2013;
- 28.9% decrease in revenues from TVA Accès as a result of a slowdown in commercial production activities;

partially offset by:

- combined growth of 6.0% in subscription revenues from the specialty services. The majority of the specialty services posted increases: subscription revenues rose by 35.1%, 18.9%, 11.2% and 10.0% at “MOI&cie,” “TVA Sports,” “prise 2” and “addik^{TV}” respectively;

- 6.8% increase in advertising revenues at the specialty services, generated mainly by “Casa” and “prise 2,” which recorded increases of 54.6% and 49.3% respectively.

French-language market ratings

TVA Group’s total market share for the period of October 1 to December 31, 2013 was 30.9, compared with 33.6 in the same period of 2012. TVA Group’s French-language specialty services had a combined market share of 7.5 during the 2013 period compared with 8.4 in the same period of 2012. The decrease was mainly because of “LCN,” as daily coverage of the Charbonneau Commission aired on both “LCN” and RDI. Nevertheless, “LCN” remained ahead of its main rival, whose market share decreased by 0.7 point during the same period. TVA Network remains in the lead with a 23.4 market share, more than its two main conventional rivals combined. TVA Network carried the majority of the 30 most-watched programs in Quebec, including *Le Banquier - Céline Dion*, *Le Banquier* and *Bloopers TVA Salut Bonjour!*, which each drew more than 1,600,000 viewers.

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

Fall 2013 vs 2012			
	2013	2012	**Difference**
French-language conventional broadcasters:			
TVA	**23.4**	25.2	- 1.8
SRC	**14.4**	13.6	+ 0.8
V	**8.3**	9.1	- 0.8
	46.1	47.9	- 1.8
French-language specialty and pay services:			
TVA	**7.5**	8.4	- 0.9
SRC	**4.8**	4.9	- 0.1
Bell Media*	**18.6**	15.3	+ 3.3
Others	**15.5**	16.6	- 1.1
	46.4	45.2	+ 1.2
Total English-language and others	**7.5**	6.9	+ 0.6
TVA Group	**30.9**	33.6	- 2.7

Source: BBM Ratings. French Quebec, October 1 to December 31, 2013, Mon-Sun, 2:00 – 2:00, All 2+.

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

Operating expenses: $84,765,000, a decrease of $6,931,000 (-7.6%).

- The decrease was due primarily to:

  - decrease in the TVA Boutiques division’s operating expenses as a result of the discontinuation of its operations during the third quarter;

- 34.1% decrease in operating expenses at TVA Accès as a direct result of lower volume in commercial production;
- favourable impact of implementation of an expense reduction plan and strict cost management, enabling TVA Network to reduce its operating expenses by 3.8%;

partially offset by:

- 6.1% increase in operating expenses at the specialty services due to higher programming investments at the majority of the services.

Adjusted operating income: $18,031,000, a decrease of $750,000 due primarily to:

- 5.5% decrease in adjusted operating income at TVA Network due to the decline in its advertising revenues;

partially offset by:

- favourable impact of expense reduction plan on the Television segment's operating expenses.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Television segment's activities (expressed as a percentage of revenues) decreased slightly from 83.0% during the three-month period ended December 31, 2012 to 82.5% in the same period of 2013. The decrease was mainly due to the implementation of an expense reduction plan in the Television segment.

Publishing

Operating revenues: $17,923,000, an increase of $539,000 (3.1%), primarily due to:

- 12.5% increase in newsstand revenues as a result of the inclusion of *La Semaine* magazine since July 18, 2013;
- 13.5% increase in TVA Studio's operating revenues, particularly in the print commercial production business;

partially offset by:

- 9.4% decrease in advertising revenues.

Excluding *La Semaine*, advertising revenues decreased by 12.3% compared with the same quarter of 2012 and newsstand sales declined 14.5%.

Operating expenses: $15,620,000, a slight increase of $80,000 (0.5%), primarily due to:

- inclusion of the operating expenses of *La Semaine* magazine since July 18, 2013;
- the increase in operating expenses related to increased volume at TVA Studio;

partially offset by:

- favourable impact of implementation of an operating expense reduction plan in the second quarter.

Excluding *La Semaine* magazine and the level of activity at TVA Studio, operating expenses decreased by 11.4% in comparison with the same quarter of 2012.

Adjusted operating income: $2,303,000, a $459,000 (24.9%) increase primarily due to:

- the positive impact of the inclusion of the operating results of *La Semaine* magazine since July 18, 2013;
- cost reductions yielded by the expense reduction plan;

partially offset by:

- decrease in advertising and newsstand revenues, excluding the revenues of *La Semaine* magazine.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Publishing segment's activities (expressed as a percentage of revenues) were 87.2% in the fourth quarter of 2013, compared with 89.4% in the same period of 2012. The variance was essentially due to the favourable impact of implementation of the expense reduction plan and inclusion of the results of *La Semaine* magazine in the Publishing segment's operations.

2012/2011 FINANCIAL YEAR COMPARISON

The table below shows the Corporation's operating results for the years ended December 31, 2012 and 2011:

Table 6
Comparative consolidated results for 2012 and 2011
(in thousands of dollars)

	Years ended December 31	
	2012 (restated)	2011 (restated)
Operating revenues:		
Television	$ 389,856	$ 369,646
Publishing	67,357	70,622
Intersegment items	(4,066)	(3,981)
	$ 453,147	$ 436,287
Adjusted operating income:		
Television	$ 37,792	36,891
Publishing	4,690	10,523
	$ 42,482	$ 47,414
Total assets	$ 501,971	$ 532,315
Non-current financial liabilities	121,554	124,030
Declared dividends	–	2,377

SEGMENTED TREND ANALYSIS FOR YEARS ENDED DECEMBER 31, 2011, 2012 AND 2013

Television

Operating revenues

The Television segment recorded operating revenue growth in the order of 2.8% during the past three years. The segment is affected by audience fragmentation across the various content delivery platforms, including the Internet and video on demand. Despite this trend, TVA Group has held its market share at a relatively stable level since 2011; TVA Network's slight loss of market share has been offset by TVA Group's specialty services. The new business environment has also led to a 5.2% decrease in TVA Network's advertising revenues since 2011. The growth in the Television segment's operating revenues has been driven mainly by the specialty services (excluding SUN News), which accounted for 23.7% of the segment's operating revenues in 2013, compared with 16.5% in 2011. Since 2011, the Corporation has launched two new specialty services, "MOI&cie" (formerly "Mlle") and "TVA Sports," which are helping to grow the segment's operating revenues. The growth of the TVA Accès division, which specializes mainly in commercial video production and television dubbing, also contributed to the increase. Revenues of the TVA Films division decreased during the period as a direct result of new entertainment consumption habits (DVD/Blu-ray) and the Corporation's decision in the first quarter of 2013 to discontinue theatrical distribution of new Quebec films. The Corporation also discontinued the operations of the home shopping specialty service in 2012 and its TVA Boutiques division, which was engaged in home shopping and online shopping, discontinued its operations in the third quarter 2013.

Adjusted operating income

The segment's adjusted operating income improved during the period, mainly because the Corporation divested itself of money-losing operations by, among other things, discontinuing the operations of SUN TV in 2011, selling a 2% interest in SUN News in 2012, and discontinuing the operations of TVA Boutiques in 2013. Excluding these three operations, adjusted operating income decreased by 7.1%. TVA Network's adjusted operating income grew by 8.0% during the period due to strict cost management, the implementation of an expense reduction plan in the second quarter of 2013, as well as recognition of $7,571,000 in retroactive royalties for distant signal retransmission in 2013, which enabled TVA Network to withstand the negative impact of the decrease in advertising revenues. The adjusted operating income of the specialty services decreased during the period as a result of the impact of increased investment in programming and in new services.

Publishing

Operating revenues

The Publishing segment's operating revenues decreased during the period, declining by 3.8%. Excluding the favourable impact of the addition of *La Semaine* magazine in 2013, operating revenues have decreased by 10.0% since 2011. The decrease was essentially because of lower newsstand magazine sales (-17.8%) and advertising revenues (-16.7%). 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. Through TVA Studio, the Publishing segment has diversified its services by offering a full range of custom publishing, commercial printed production and premedia services. These services grew their revenues by 17.2% during the last three years.

Adjusted operating income

Excluding the Éco Entreprises' charges recorded during this period, the segment's adjusted operating income decreased by 14.0% 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	
	2013	2012 (restated)	**2013**	2012 (restated)
Cash flows related to operating activities	**$ 26,278**	$ 35,159	**$ 5,094**	$ 12,596
Additions to property, plant and equipment and intangible assets	**(19,248)**	(25,095)	**(3,363)**	(5,232)
Net change in investments	**(3,325)**	17,289	**(1,177)**	(2,181)
(Acquisition) disposal of businesses	**(6,607)**	765	**–**	–
Non-controlling interest	**–**	3,528	**–**	–
Other	**(202)**	(850)	**(51)**	(105)
(Increase in) reimbursement of net debt	**$ (3,104)**	$ 30,796	**$ 503**	$ 5,078

	December 31, 2013	December 31, 2012
At period end:		
Long-term debt	**$ –**	$ 74,438
Short-term debt	**74,640**	–
Less: cash	**(7,717)**	(10,619)
Net debt	**$ 66,923**	$ 63,819

Operating activities

Cash flows related to operating activities: $26,278,000 in fiscal 2013 compared with $35,159,000 in the previous year, an $8,881,000 decrease.

- The decrease was essentially due to unfavourable variances in accounts receivable, accounts payable and accrued liabilities, and pension plans, partially offset by the increase in operating income and a favourable variance in programs, broadcast and distribution rights and inventories.

Working capital of TVA Group: $18,378,000 as at December 31, 2013 compared with $85,829,000 as at December 31, 2012, a decrease of $67,451,000.

- The decrease was essentially due to:

  - transfer of the $74,640,000 debt to current liabilities on December 31, 2013 since it matures on December 11, 2014;

  - decrease in programs, broadcast and distribution rights and inventories because of lower advances for broadcast rights at year end and decreased inventory at TVA Boutiques following the discontinuation of its operations;

  partially offset by:

  - increase in accounts receivable due, among other things, to recognition in 2013 of significant retroactive royalties for the retransmission of distant signals.

Investing activities

Additions to property, plant and equipment and intangible assets: $19,248,000 in fiscal 2013 compared with $25,095,000 in 2012. The $5,847,000 (-23.0%) 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 the "LCN" service, in addition to major investments in its real estate assets.

Business acquisition and disposal: $6,607,000 in 2013 due to the acquisition of Publications Charron for a total consideration of $7,768,000, of which $568,000 remains unpaid in respect of acquired working capital items, which included $593,000 in cash. During 2012, the Corporation received the $765,000 in proceeds from the sale of a 2% interest in SUN News to Sun Media Corporation.

Net change in investments: $3,325,000 decrease in fiscal 2013, compared with a $17,289,000 increase in 2012. The net variance in investments in 2013 essentially reflects a $5,194,000 capital contribution to SUN News and receipt of $1,598,000 related to a portfolio investment. In 2012, the Corporation received the $20,963,000 in proceeds from the sale of its 51% interest in "The Cave" and its 50% interest in "Mystery TV" to Shaw Media Global Inc. and made a capital contribution of $3,945,000 to SUN News.

Financing activities

Debt (excluding deferred financing costs): stable at $75,000,000 as of December 31, 2013, compared with a $17,982,000 decrease between December 31, 2011 and December 31, 2012 due to proceeds from the disposal received on the sale of joint ventures to Shaw Media Global Inc.

Financial position as at December 31, 2013

Net available liquid assets: $107,292,000, consisting of a $99,575,000 unused and available revolving credit facility and $7,717,000 in cash.

As at December 31, 2013, minimum principal payments on debt in the coming years were as follows:

Table 8
TVA Group minimum principal payments on debt
Years ended December 31
(in thousands of dollars)

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

The weighted average term of TVA Group's debt was approximately 0.9 year as at December 31, 2013 (1.9 year as at December 31, 2012) and is therefore presented in its entirety under current liabilities at year's end. The debt consisted entirely of fixed-rate debt as of December 31, 2013 and 2012. The Corporation plans to open discussions with its banking partners on renewal of long-term debt before the maturity date and foresees no difficulty in this regard.

The Corporation also has a $100,000,000 revolving credit facility, which was renewed on February 24, 2012 for a five (5) year term. As at December 31, 2013 and 2012, there were no drawings on the revolving credit facility. The Corporation could also use its unused revolving credit facility to repay its long-term debt maturing on December 11, 2014.

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, 2013, the Corporation was in compliance with all the terms of its credit agreements.

Analysis of consolidated balance sheet as at December 31, 2013

Table 9
Consolidated balance sheets of TVA Group
Analysis of main variances between December 31, 2013 and December 31, 2012
(in thousands of dollars)

	December 31, 2013	December 31, 2012	Difference	Main reasons for difference
Assets				
Accounts receivable	**$ 136,408**	$ 115,925	$ 20,483	Impact of recognition of retroactive royalties for retransmission and amounts receivable under new agreements signed at year's end.
Programs, broadcast and distribution rights and inventories	**61,428**	67,579	(6,151)	Impact of discontinuation of the operations of TVA Boutiques and current variance in programs and broadcast rights.
Net defined benefit plan asset	**8,238**	–	8,238	Impact related to recognition of an actuarial gain in 2013.
Liabilities				
Others liabilities	**$ 3,974**	$ 38,499	$ (34,525)	Impact related to recognition of an actuarial gain in 2013.
Deferred income taxes	**20,339**	8,617	11,722	Impact related primarily to deferred income taxes resulting from recognition of an actuarial gain in 2013.

ADDITIONAL INFORMATION

Contractual obligations

As of December 31, 2013, 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, 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	700	88	–	5,293
Broadcast and distribution rights	86,686	163,232	138,658	510,923	899,499
Other commitments	12,282	10,098	4,804	3,388	30,572
Total	**$ 178,473**	**$ 174,030**	**$ 143,550**	**$ 514,311**	**$ 1,010,364**

[1] *Interest is calculated on a constant debt level equal to that as at December 31, 2013 and includes standby fees on the revolving credit facility.*

As noted above, QMI has reached an agreement with Rogers Communications for French-language broadcast rights to NHL games. Pending finalization of agreements between QMI and TVA Group, total commitments related to this contract have been included in the Corporation’s commitments.

The expected employer contributions to the Corporation’s defined benefit pension plans and postretirement benefit plans will be $11,945,000 in 2014 based on the most recent financial actuarial reports filed (contributions of $16,258,000 were paid in 2013).

Related party transactions

For the year ended December 31, 2013, the Corporation entered into the following transactions with related parties in the normal course of business. These transactions were accounted for at the consideration agreed between parties.

The Corporation sold advertising space and content, recorded subscription revenues and provided production, postproduction and other services to companies under common control and affiliated companies in the total amount of $76,836,000 ($77,747,000 in 2012).

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 $34,667,000 ($32,072,000 in 2012).

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

In fiscal 2013, a total capital contribution of $10,600,000 ($15,250,000 in 2012) was made by the partners, of which $5,194,000 was made by the Corporation ($7,617,000 in 2012) and $5,406,000 by Sun Media Corporation ($7,633,000 in 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 Quebec municipalities, the Corporation reviewed its business plan for the related activities and performed an impairment test on the Publishing CGU. The Corporation concluded that the recoverable amount based on value in use was less than the carrying amount of the Publishing CGU and a goodwill impairment charge of $32,200,000 was recorded.

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 income taxes, was recorded. The transaction did not give rise to any income tax charge because the Corporation used unrecorded capital losses to eliminate the capital gains tax on disposal of investments.

Capital stock

Table 11 below presents information on the Corporation's capital stock as at February 14, 2014. In addition, 691,076 Class B stock options and 331,407 QMI stock options were outstanding as of February 14, 2014.

Table 11
Number of shares outstanding as at February 14, 2014
(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.

<u>Seasonality</u>

The Corporation's business is sensitive to general economic cycles and may be adversely affected by the cyclical nature of the markets the Corporation serves, as well as by local, regional, national and global economic conditions. Seasonal variations in retail business influence the Corporation's financial results. In addition, because the

Corporation's operations are labour intensive, its cost structure is highly fixed. During periods of economic contraction, revenues may decrease while the cost structure remains stable, resulting in decreased income.

Operational risks

Competition for advertising, customers, viewers, listeners, readers, and distribution is intense and comes from conventional television stations and networks, specialty services, radio, local, regional and national newspapers, magazines, direct mail, and other traditional communications and advertising media that operate in the Corporation's markets. The arrival of new technologies, including video on demand, the Internet, personal video recorders, smartphones, tablet computers, and HD, 3D and 4K television also influences the Corporation's operations. The markets in which the Corporation operates are experiencing a proliferation of available distribution platforms, including the Internet, wireless telephony, video on demand, mobile television and other technologies that may be marketed in the future. This evolving technological landscape can, however, open up business possibilities for the Corporation, creating the opportunity for it to distribute its content on all available platforms. Its competitors include both private companies and government-owned players. In addition, increasing consolidation in the Canadian media industry is creating competitors with interests in various industries and media.

Risks relating to the diversification of its activities

The Corporation is investing in the launch of new specialty services in the Television segment. During the period immediately following the launch of a new specialty service, subscription revenues are always relatively modest, while initial operating expenses may prove more substantial. Furthermore, although the Corporation believes in the potential associated with this strategy, there is a possibility that the anticipated profitability could take several years to materialize or may never materialize.

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

Advertising revenue is the primary source of operating revenues for the Corporation. Its revenues and operating results depend on the relative strength of the economy in its markets, as well as local, regional and national economic factors, since those affect the levels of television and magazine advertising revenues. A continuing slowdown in the Canadian or U.S. economy could further adversely affect key national advertising.

The proliferation of cable and satellite channels, advances in mobile and wireless technology, the migration of television audiences to the Internet and the viewing public's increased control over the manner, content and timing of their media consumption through personal video recording devices have resulted in greater fragmentation of the television viewing audience and a more difficult advertising sales environment.

Risks related to the possibility that our content may not attract large audiences, limiting our ability to generate advertising revenues

The Corporation's operating revenues are derived in large part from advertising revenues. Advertising revenues are largely dependent upon audience acceptance, which is in large part a function of the content and quality offered, and is influenced by factors such as reviews by critics, promotions, quality and acceptance of other competing content in the marketplace, availability of alternative forms of entertainment, general economic conditions, public tastes in general, and other intangible factors. In addition, the increase in narrowcast programming and specialty services in Canada has caused the conventional television audience to become increasingly fragmented. These factors continue to evolve rapidly and many are beyond our control. The Corporation is also working on generating advertising revenues by launching services and products in a new niche and market where the business landscape differs from the environment in which the Corporation normally operates. Lack of audience acceptance for our content, or shrinking or fragmented audiences, could limit our ability to generate advertising revenues. If our brands' ability to generate advertising revenue is limited, we may need to develop new or alternative financing sources in order to be able to continue providing attractive television programming for broad audiences. There can be no assurance that we would be able to develop any such new financing sources, and any such limitation on our ability to generate operating revenues, together with an inability to generate new financing sources, could have a material adverse effect on our business, financial condition and results of operations.

Risks relating to the fact that programming content may become more expensive to acquire and production costs may increase

The most significant costs in television broadcasting are programming and production costs. Increased competition in the television broadcasting industry, developments affecting producers and distributors of programming content, changes in viewer preferences and other developments could impact both the availability and the cost of programming content and the cost of production. Future increases or volatility in programming and production costs could adversely affect the operating results of the Corporation. Developments in cable, satellite or other forms of distribution could also affect both the availability and the cost of programming and production and increase competition for advertising expenditures. As well, the value of royalties payable pursuant to the *Copyright Act* are frequently decided by the CBC 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 and the Telecommunications Act, both administered by the CRTC. Changes to the regulations and policies governing broadcasting or the introduction of new regulations, policies or terms of licence could have a material effect on the Corporation's business, financial condition or results of operations. Furthermore, the CRTC is the government authority responsible for issuing and renewing broadcasting licences and for the regulations governing the Canadian broadcasting system. The Corporation is subject to the CRTC's decisions in these areas and any decision made by this organization that runs counter to the Corporation's positions and interests may negatively affect its activities and operating results.

Government assistance risks

The Corporation takes advantage of several government programs designed to support production and distribution of televisual products and movies and magazine publishing in Canada. Any future changes in the rules of application of these government programs may have a significant unfavourable impact on the Corporation's operating results.

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. Vertical integration of some BDUs in recent years may also have an unfavourable impact on the terms and conditions of affiliation agreements. The Corporation is confident that it will be able to renew its agreements according to terms and conditions that are satisfactory to all parties.

Subscription revenues for our specialty services depend on the number of subscribers and the rate billed to the BDUs for carriage of the service. Subscriber growth, and therefore growth in subscription fees, is dependent to some extent on the BDUs' willingness to market the specialty services appropriately. In addition, the broadcast signals of the Corporation's specialty services may sometimes be stolen, representing a risk of loss of subscription revenues.

Risks related to the impact on the Corporation's business of the loss of key management and other personnel, or inability to attract, retain and motivate management and other personnel

The Corporation depends on its management team and other key personnel to run its business. The loss of any of these individuals could adversely affect the Corporation's operations. Due to the specialized nature of its business, the Corporation believes that its future success will also depend, in a large part, upon its ability to continue to attract, retain and motivate highly skilled management, programming, technical and marketing personnel. Competition for highly skilled individuals is intense, and there can be no assurance that the Corporation will be successful in attracting, retaining and motivating such individuals in the future.

Risks relating to litigation and other claims

The Corporation is involved in various legal proceedings and other claims in the normal course of business. Although, in the opinion of the Corporation's management, the outcome of current pending claims and other litigation is not expected to have a material adverse effect on its results, liquidity or financial position, a negative outcome in respect of any such claim or litigation could have an adverse effect. Moreover, the cost of defending against lawsuits and of diverting management's attention could be significant.

Financing risks

The Corporation is fully financed for its current activities and has access to credit facilities totalling $175,000,000. However, risk factors such as capital market upheavals could reduce the amount of capital available or increase the cost of this capital in future years. There is no guarantee that additional funds will be made available to the Corporation or, if they are, that they will be provided within a time frame and under conditions that are acceptable to the Corporation. Not being able to obtain this additional financing at the required time and as necessary could have a significant negative effect on the Corporation. However, this risk is mitigated by the fact that the Corporation could finance its future capital needs using cash provided by operations or by a public issue of shares. Finally, there is no guarantee that, when these facilities are refinanced, market conditions will be favourable or that terms comparable to those the Corporation now enjoys will be available.

Economic environment risks

The Corporation's operating revenues and results are and will continue to be influenced by the general economic environment. During an economic slowdown or a recession, buyers of advertising have historically reduced their advertising budgets. As a result, there is no means of guaranteeing that the Corporation's operating results, outlook and financial position are protected against any and all negative effects.

Labour relations risks

As of December 31, 2013, approximately 63.5% of the Corporation's permanent employees were unionized. The Corporation is party to 13 collective agreements. As of December 31, 2013, three collective agreements had come to term, covering about 76% of the Corporation's permanent unionized employees.

On February 16, 2014, the Corporation and the union representing its employees reached an agreement in principle concerning one of the collective agreements that expired on December 31, 2013, covering 68% of the Corporation's unionized permanent employees. This agreement was ratified at a general meeting held on February 26, 2014.

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 TVA Group's unionized workers engage in a strike or if there is any other form of work stoppage, the Corporation could experience a significant disruption in its operations, damage to its 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 TVA Group's ability to maximize the efficiency of its operations. In addition, TVA Group's ability to make short-term adjustments to control compensation and benefit costs is limited by the terms of its collective bargaining agreements.

Risk related to pension plan obligations

The economic cycle could also have a negative impact on the funding of TVA Group's defined benefit pension plans and the related expenditures. There is no guarantee that the expenditures and contributions required to fund these pension plans will not increase in the future and therefore negatively impact the Corporation's operating results and financial position. Risks related to the funding of defined benefit plans may materialize if total obligations with respect to a pension plan exceed the total value of its trust fund. Shortfalls may arise due to lower-than-expected returns on investments, changes in the discount rate used to assess pension plan obligations, and actuarial losses. This risk is mitigated by policies and procedures instituted by TVA Group and its pension committees to monitor investment risk and pension plan funding. It is also mitigated by the fact that some of the Corporation's defined benefit pension plans are no longer offered to new employees.

Risks associated with an increase in paper, printing and postage costs

A significant proportion of the Publishing segment's operating expenses is comprised of paper, printing and postage costs. The segment is dependent on external suppliers for its entire paper supply and has no control over paper prices, which may vary considerably. The Publishing segment uses third parties for all of its printing services, and printing costs accounted for approximately 24% of operating expenses in 2013. Further, distribution of its publications to subscribers is handled by Canada Post Corporation. Any interruption in distribution services could negatively affect the Publishing segment's operating results and its financial position, and a significant increase in paper or postage costs could be detrimental to the segment's activities and operating results.

Risks related to broadcasting licences and goodwill

As noted under "Use of estimates and judgment – Recoverable value of an asset or a CGU" below, the Corporation's broadcasting licences and goodwill are not amortized but are tested for impairment annually, or more frequently if events or changes in conditions indicate that it is more likely than not that the asset has been impaired. The fair value of the broadcasting licences and of goodwill is and will continue to be influenced by assumptions based on the general economic situation, which assumptions are used to support the calculation of future discounted cash flows performed by the Corporation in order to determine the fair value of its broadcasting licences and of goodwill. There is no guarantee that the value of the broadcasting licences and of goodwill will not be negatively affected by changes to these assumptions in the event of an economic slowdown. The Corporation is constantly monitoring the value of its broadcasting licences and goodwill, and any change in their fair value would be recognized as a non-cash impairment charge in the consolidated statements of income.

Financial risks

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.

The Corporation and its subsidiaries use financial instruments and are therefore 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 that reflects the significance of the inputs used in measuring its financial instruments accounted for at fair value in 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 value of long-term debt is estimated based on a valuation model using Level 2 inputs. The fair value is based on discounted cash flows using year-end market yields or the market value of similar instruments with the same maturity.

The carrying amount and fair value of long-term debt as at December 31, 2013 and 2012 are as follows:

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

	December 31, 2013		December 31, 2012	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Term loan	**$ 75,000**	**$ 76,800**	$ 75,000	$ 78,400

Credit risk

Credit risk is the risk of the Corporation incurring a financial loss should a client or third party related to a financial asset fail to meet its contractual obligations.

In the normal course of business, the Corporation regularly evaluates the financial position of its clients and reviews the credit history of each new client. As at December 31, 2013, no clients had balances representing a significant portion of the Corporation's consolidated trade receivables. The Corporation establishes an allowance for doubtful accounts based on the specific credit risk of its 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, 2013, 5.61% of trade receivables had been outstanding for more than 120 days after the billing date (5.57% as at December 31, 2012). In addition, as at December 31, 2013, the allowance for doubtful accounts was $1,086,000 ($1,100,000 as at December 31, 2012).

The table below shows the variance in the allowance for doubtful accounts for the years ended December 31, 2013 and 2012:

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

	December 31, 2013	December 31, 2012
Balance as at beginning of year	**$ 1,100**	$ 1,183
Change to income	**486**	616
Utilization	**(500)**	(660)
Allowance for doubtful accounts related to SUN News	**-**	(39)
Balance as at end of year	**$ 1,086**	$ 1,100

Liquidity risk

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

Market risk

Market risk is the risk that changes in market prices due to foreign exchange and interest rate 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 exposure within acceptable parameters.

Foreign exchange risk

The Corporation is exposed to limited foreign exchange risk on revenues and expenses due to the low volume of transactions made in currencies other than the Canadian dollar. The most frequently used foreign currency is the U.S. dollar, which is primarily used to purchase certain distribution rights, make capital expenditures and collect income from certain clients. In light of the low volume of transactions denominated in foreign currencies, the Corporation does not feel it necessary to engage in hedging. Accordingly, the Corporation's sensitivity to fluctuations in foreign exchange rates is limited. A 1% increase or decrease in the Canadian and U.S. dollar exchange rate would have a non-material impact on net income.

Interest rate risk

The Corporation is exposed to interest rate risk on its revolving credit facility. As at December 31, 2013 and 2012, the Corporation's long-term debt consisted entirely of fixed-rate debt, which significantly limits the interest rate exposure.

An increase (a decrease) of 100 basis points at year-end 2013 in the Canadian bankers' acceptance rate would have had no impact since the Corporation's only floating-rate credit facility was unused.

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

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 and long-term debt, less cash.

The capital structure is as follows:

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

	December 31, 2013	December 31, 2012
Long-term debt	**$ 75,000**	$ 75,000
Cash	**(7,717)**	(10,619)
Net liabilities	**67,283**	64,381
Equity	**$ 308,059**	$ 266,545

Excluding maintenance of certain financial ratios under its credit agreements, the Corporation is not subject to any other externally imposed capital requirements. As at December 31, 2013, 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.

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

Use of estimates and judgment

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

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

Recoverable value of an asset or a CGU

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

The Corporation uses the discounted cash flow method to estimate value in use, using 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 consider each CGU's past operating performance and market share as well as economic trends, along with specific and market industry trends and corporate strategies. A 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 of 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 to the extent that the resulting carrying value does not exceed the carrying value that would have been the result if no impairment losses had been previously recognized.

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 most recently 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.

Costs and obligations related to pension and postretirement benefit plans

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

Estimates of costs and obligations related to pension and postretirement benefit obligations are based on a number of assumptions, such as the discount rate, the rate of increase in compensation, the retirement age of employees, health care costs, and other actuarial factors. Some of these assumptions may have a significant impact on employee costs and financial expenses recognized in the consolidated statement of income, the re-measurement gain or loss on defined benefit plans recognized in the consolidated statement of comprehensive income, and on the carrying amount of defined benefit plan asset or other liabilities recognized in the consolidated balance sheet. Pension plan assets, based on fair value, consist of equities as well as corporate and government fixed-income securities.

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

i) actuarial gains and losses arising from changes in financial and demographic actuarial assumptions used to determine the defined benefit obligation or from experience adjustments on liabilities;

ii) the difference between actual return on plan assets and interest income on plan assets calculated as part of the interest on net defined benefit liability or asset;

iii) changes in the net benefit asset limit or in the minimum funding liability.

Under certain circumstances, the recognition of a net benefit asset is limited to the recoverable amount, which is primarily based on the present value of future contributions to the plan, to extent to which the Corporation can unilaterally reduce those future contributions. In addition, an adjustment to the net benefit asset or the net benefit liability can be recorded to reflect a minimum funding liability in some of the Corporation's pension plans.

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

Provisions

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

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

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 comparative figures of prior period:

Consolidated statement of income

Increase (decrease)	Year ended December 31, 2012
Revenues	$ (4,219)
Purchases of goods and services	(2,512)
Financial expenses	7
Loss before tax expense and share of loss of associated corporations and joint ventures	1,714
Share of loss of associated corporations and joint ventures	(1,714)
Net 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 chose to recognize amounts recorded in other comprehensive income in accumulated other comprehensive income.

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

Consolidated statements of income

Increase (decrease)	Year ended December 31, 2012	Three months ended December 31, 2012
Employee costs	$ 1,368	$ 341
Financial expenses	1,850	463
Deferred income tax expense	(866)	(216)
Net income attributable to shareholders	$ (2,352)	$ (588)

Consolidated statement of comprehensive income

Increase (decrease)	2012
Net income	$ (2,352)
Re-measurement gain (loss)	4,469
Deferred income taxes	(1,202)
Comprehensive income attributable to shareholders	$ 915

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)

Recent accounting pronouncements

The Corporation has not yet completed its assessment of the impact of the adoption of these pronouncements on its consolidated financial statements.

IFRS 9 *Financial instruments* is required to be applied retrospectively, with early application permitted.

IFRS 9 simplifies the measurement and classification of financial assets by reducing the number of measurement categories and removing the complex rule-driven embedded derivative guidance in IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard also provides for a fair value option in the designation of a non-derivative financial liability and its related classification and measurement, as well as for a new hedge accounting model more closely aligned with risk management activities undertaken by entities.

IFRIC 21 *Levies is* required to be applied retrospectively for periods beginning January 1, 2014.

IFRIC 21 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.

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, 2013, 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, 2013 and ending December 31, 2013.

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 “Risks and Uncertainties” section of this Management’s Discussion and Analysis and other public filings available at www.sedar.com and http://groupetva.ca.

The forward-looking statements in this Management’s Discussion and Analysis reflect the Corporation’s expectations as of February 28, 2014, and are subject to change after that date. The Corporation expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by the applicable securities laws.

Montreal, Quebec

February 28, 2014

Table 15
SELECTED FINANCIAL DATA
Years ended December 31, 2013, 2012 and 2011
(in thousands of dollars, except for per-share data)

	2013	2012 (restated)	2011 (restated)
Operations			
Operating revenues	**$ 444,816**	$ 453,147	$ 436,287
Adjusted operating income	**$ 60,570**	$ 42,482	$ 47,414
Net income (loss) attributable to shareholders	**$ 15,746**	$ (6,464)	$ 23,939
Basic and diluted per-share data			
Basic earnings (loss) per share	**$ 0.66**	$ (0.27)	$ 1.01
Weighted average number of outstanding shares (in thousands)	**23,771**	23,771	23,771

Table 16
SELECTED QUARTERLY FINANCIAL DATA
(in thousands of dollars, except for per-share data)

				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

				2012
	December 31 (restated)	September 30 (restated)	June 30 (restated)	March 31 (restated)
Operations				
Operating revenues	$ 127,004	$ 97,171	$ 113,509	$ 115,463
Adjusted operating income (loss)	$ 20,625	$ 10,341	$ 18,522	$ (7,006)
Net income (loss) attributable to shareholders	$ 8,838	$ 1,539	$ 23,088	$ (39,929)
Basic and diluted per-share data				
Basic earnings (loss) per share	$ 0.37	$ 0.06	$ 0.97	$ (1.68)
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 the Television segment.

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