A Quebecor Media Company

ANNUAL FINANCIAL RESULTS ENDED DECEMBER 31ST, 2011

TVA GROUP INC.

TABLE OF CONTENTS

MESSAGE TO THE SHAREHOLDERS

Montreal, February 29, 2012

TVA Group Inc. (the "Corporation") recorded net income attributable to shareholders in the amount of $11.5 million, or $0.48 per share, for the fourth quarter of 2011, compared with $19.3 million, or $0.81 per share, in the same quarter of 2010.

The Corporation adopted International Financial Reporting Standards (“IFRS”) on January 1, 2011. The Corporation’s consolidated financial statements for the year ended December 31, 2011 have therefore been prepared in accordance with IFRS and comparative data for 2010 have been restated. For more information, refer to Note 30, “Transition to IFRS,” in the consolidated financial statements for the years ended December 31, 2011 and 2010, available on the Corporation’s website at http://groupetva.ca and at www.sedar.com.

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

- Television sector’s operating income[1] decreases $8,729,000 (32.5%) to $18,097,000, mainly because of:
  - ⇒ Operating loss of the new “TVA Sports” specialty service launched on September 12, 2011, which was in the free preview period for most of the fourth quarter of 2011;
  - ⇒ 7.0% decline in operating income at TVA Network due to a 2.5% decrease in its operating revenues, including a 1.7% decrease in advertising revenues; and
  - ⇒ Operating loss of the new SUN News specialty service launched in April 2011.
- 11.1% increase in the Publishing sector’s operating income from $2,305,000 in the fourth quarter of 2010 to $2,560,000 in the fourth quarter of 2011.

The Television sector’s financial results for the fourth quarter of 2011 were again affected by the operating losses of the three specialty channels launched in 2011: TVA Sports, SUN News and, to a lesser extent, Mlle. At the same time, we are pleased to have finalized most of our carriage agreements for those three services with Canada’s major broadcasting distribution undertakings, which will reap subscription fees starting in the first quarter of 2012. Also, the growth in our existing specialty services’ subscription and advertising revenues during the last quarter confirms the soundness of our investment and diversification strategy for the sector.

The significant increase in volume at the TVA Studio division in the fourth quarter of 2011 was responsible for much of the increase in the Publishing sector’s operating income. TVA Studio, which specializes in custom publishing, commercial printed productions and premedia services, has become a strong growth driver for the Publishing sector.

Cash flows provided by operating activities totalled $2.8 million for the quarter, compared with $10.5 million in the same quarter of 2010. The $7.7 million decline was essentially due to the decrease in the Corporation’s operating income.

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1 Refer to definition of operating income on the next page.

2011 results

For the fiscal year ended December 31, 2011, the Corporation's consolidated operating income was $50.5 million, compared with $74.9 million in the previous year. The 32.5% decrease was mainly due to the Television sector, and was caused primarily by the operating results of the three new specialty services launched in 2011. Consolidated operating revenues totalled $445.5 million, compared with $448.2 million in 2010, a 0.6% decrease. The Corporation generated net income attributable to shareholders in the amount of $25.6 million, or $1.08 per share, in 2011, compared with $37.2 million, or $1.57 per share, in 2010.

The Corporation

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

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

Definition

Operating income (loss)

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

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

Pierre Dion
President and Chief Executive Officer

Consolidated Financial Statements of

TVA GROUP INC.

For the years ended December 31, 2011 and 2010

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
TVA Group Inc.

We have audited the accompanying consolidated financial statements of **TVA Group Inc.** and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2011 and 2010 and January 1, 2010, and the consolidated statements of income, comprehensive income (loss), and cash flows for the years ended December 31, 2011 and 2010, 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, 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.

[1] CA auditor permit no. 19483

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of TVA Group Inc. and its subsidiaries as at December 31, 2011 and 2010 and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and 2010 in accordance with International Financial Reporting Standards.

Ernst & Young LLP[1]

Montréal, Canada
February 29, 2012

Chartered Accountants

[1] CA auditor permit no. 19483

TVA GROUP INC.
Consolidated Statements of Income

Years ended December 31, 2011 and 2010
(in thousands of dollars, except per share amounts)

	Note	2011	2010
Revenues	2, 4, 22 and 24	**$445,495**	$448,192
Operating, selling and administrative expenses	3, 4, 11, 22, 24 and 25	**394,971**	373,315
Amortization of property, plant and equipment and intangible assets	13 and 14	**17,437**	15,061
Financial expenses	5	**5,947**	5,621
Restructuring costs of operations, impairment of assets and other costs	6 and 17	**1,665**	9,138
Income before income taxes and share of income of associated corporation		**25,475**	45,057
Income taxes	7	**9,613**	9,584
After-tax share of income of associated corporation	12	**(574)**	(1,116)
Net income		**$16,436**	$36,589
Net income (loss) attributable to:			
Shareholders		**$25,603**	$37,242
Non-controlling interest	24	**(9,167)**	(653)
Basic and diluted earnings per share attributable to shareholders	20	**$1.08**	$1.57

See accompanying notes to consolidated financial statements.

TVA GROUP INC.

Consolidated Statements of Comprehensive (Loss) Income

Years ended December 31, 2011 and 2010
(in thousands of dollars)

	Note	2011	2010
Net income		**$16,436**	$36,589
Other comprehensive loss:			
Defined benefit plans:			
Actuarial gains and losses, net change in asset limit or minimum funding liability		**(23,148)**	(7,098)
Deferred income taxes	7	**6,131**	1,909
		(17,017)	(5,189)
Comprehensive (loss) income		**$(581)**	$31,400
Comprehensive income (loss) attributable to:			
Shareholders		**$8,586**	$32,053
Non-controlling interest	24	**(9,167)**	(653)

See accompanying notes to consolidated financial statements.

TVA GROUP INC.
Consolidated Statements of Equity

Years ended December 31, 2011 and 2010
(in thousands of dollars)

	Equity attributable to shareholders			Equity attributable to non-controlling interest	Total equity
	Capital stock (note 20)	Contributed surplus	Retained earnings		
Balance as of December 31, 2009 as reported under Canadian GAAP	$98,647	$4,145	$134,303	$–	$237,095
IFRS adjustments (note 30)	–	(4,145)	11,182	–	7,037
Balance as at January 1, 2010	98,647	–	145,485	–	244,132
Net income (loss)	–	–	37,242	(653)	36,589
Acquisition of non-controlling interest (note 24)	–	–	(2,000)	–	(2,000)
Other comprehensive loss	–	–	(5,189)	–	(5,189)
Dividends	–	–	(4,754)	–	(4,754)
Contributions related to non-controlling interest (note 24)	–	–	–	5,164	5,164
Balance as at December 31, 2010	98,647	–	170,784	4,511	273,942
Net income (loss)	–	–	25,603	(9,167)	16,436
Other comprehensive loss	–	–	(17,017)	–	(17,017)
Dividends	–	–	(2,377)	–	(2,377)
Contributions related to non-controlling interest (note 24)	–	–	–	10,045	10,045
Balance as at December 31, 2011	**$98,647**	**$–**	**$176,993**	**$5,389**	**$281,029**

See accompanying notes to consolidated financial statements.

TVA GROUP INC.
Consolidated Balance Sheets

December 31, 2011 and 2010 and January 1, 2010
(in thousands of dollars)

	Note	**December 31, 2011**	December 31, 2010	January 1, 2010
Assets				
Current assets				
Cash		**$1,756**	$5,605	$1,924
Accounts receivable	10	**121,658**	133,161	121,593
Programs, broadcast and distribution rights and inventories	11 and 24	**61,954**	60,122	54,774
Prepaid expenses and other current asset	24	**2,690**	2,240	4,754
Asset held for sale	28	**8,370**	–	–
		196,428	201,128	183,045
Non-current assets				
Broadcast and distribution rights	11	**35,488**	34,058	38,950
Investments	12	**12,865**	12,527	11,637
Property, plant and equipment	6, 13 and 22	**102,007**	86,208	79,123
Licences and other intangible assets	14	**114,539**	112,475	110,050
Goodwill	15	**71,981**	71,981	71,981
Deferred income taxes	7	**545**	694	2,654
		337,425	317,943	314,395
Total assets		**$533,853**	$519,071	$497,440
Liabilities and equity				
Current liabilities				
Bank overdraft		**$3,980**	$3,557	$974
Accounts payable and accrued liabilities	16	**82,589**	81,402	88,369
Broadcast and distribution rights payable	24	**15,778**	25,879	28,611
Provisions	6 and 17	**1,533**	2,001	1,694
Deferred revenues	22	**6,535**	7,122	7,401
Current portion of long-term debt	18	**17,756**	–	–
Liability held for sale	28	**1,538**	–	–
		129,709	119,961	127,049
Non-current liabilities				
Long-term debt	18	**74,635**	90,338	88,580
Other liabilities	19 and 22	**39,696**	25,069	25,666
Deferred income taxes	7	**8,784**	9,761	12,013
		123,115	125,168	126,259
Equity				
Capital stock	20	**98,647**	98,647	98,647
Retained earnings		**176,993**	170,784	145,485
Equity attributable to shareholders		**275,640**	269,431	244,132
Non-controlling interest	24	**5,389**	4,511	–
		281,029	273,942	244,132
Commitments, guarantees and contingencies	17 and 25			
Event after the reporting period	31			
Total liabilities and equity		**$533,853**	$519,071	$497,440

See accompanying notes to consolidated financial statements.

On February 29, 2012, the Board of Directors approved the consolidated financial statements for the years ended December 31, 2011 and 2010, which were first presented to the Audit Committee on February 23, 2012.

On behalf of the Board:

(signed)
Serge Gouin, Chairman of the Board

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

TVA GROUP INC.
Consolidated Statements of Cash Flows

Years ended December 31, 2011 and 2010
(in thousands of dollars)

	Note	2011	2010
Cash flows related to operating activities			
Net income		**$16,436**	$36,589
Non-cash items:			
Amortization	5, 13 and 14	**17,796**	15,419
Restructuring costs of operations, impairment of assets and other costs	6	**699**	7,696
Share of income of associated corporation		**(574)**	(1,116)
Deferred income taxes	7	**5,217**	1,595
Cash flows from current operations		**39,574**	60,183
Net change in non-cash items	9(a)	**(14,716)**	(37,636)
Cash flows provided by operating activities		**24,858**	22,547
Cash flows related to investing activities			
Additions to property, plant and equipment	13	**(30,016)**	(18,352)
Additions to intangible assets	14	**(5,830)**	(5,893)
Disposal of an item of property, plant and equipment	6	**–**	760
Net change in investments	12	**236**	226
Cash flows used in investing activities		**(35,610)**	(23,259)
Cash flows related to financing activities			
Net change in bank overdraft		**423**	2,583
Net change in revolving term loan	18	**1,694**	1,361
Financing costs	18	**–**	39
Non-controlling interest	24	**10,045**	5,164
Dividends paid		**(2,377)**	(4,754)
Cash flows provided by financing activities		**9,785**	4,393
Net change in cash		**(967)**	3,681
Cash at beginning of year		**5,605**	1,924
Cash at end of year		**$4,638**	$5,605
Cash consists of the following:			
Cash		**$1,756**	$5,605
Cash from operations held for sale	28	**2,882**	–
		$4,638	$5,605

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") was incorporated under Part 1A of the *Companies Act* (Québec) by certificate and articles of continuance dated December 17, 1981. The Corporation has been governed by the Quebec *Business Corporations Act* since it came into effect on February 14, 2011. TVA Group is an integrated communications company with two operating segments: Television and Publishing (note 27). 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:

Subsidiaries	**% of ownership**
SUN News General Partnership	51.0%
TVA Publications Inc.	100.0%
TVA Productions Inc.	100.0%
TVA Productions II Inc.	100.0%
TVA Sales and Marketing Inc.	100.0%
TVA Boutiques Inc.	100.0%

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements reflect the first-time adoption of International Financial Reporting Standards ("IFRS"), which replaced Canadian Generally Accepted Accounting Principles ("GAAP") as of January 1, 2011. All disclosures and explanations related to the first-time adoption of IFRS are presented in note 30. This note provides information that is considered material to the understanding of the Corporation's first IFRS financial statements. This note also presents a reconciliation of the 2010 financial figures prepared under Canadian GAAP to the 2010 financial figures prepared under IFRS, including a reconciliation of the consolidated statements of income, comprehensive income (loss) and cash flows for the year ended December 31, 2010, as well as a reconciliation of the consolidated balance sheets and shareholders' equity as of January 1, 2010 and as of December 31, 2010.

These IFRS consolidated financial statements have been prepared in accordance with the following accounting policies:

(a) Basis of presentation

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) 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. Control is achieved where the Corporation has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Non-controlling interest in the net assets and results of consolidated subsidiaries 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.

(c) 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."

(d) Foreign currency translation

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Revenue recognition

Advertising revenues

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

Subscription revenues

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

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

Revenues from newsstand magazine sales

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

Distribution revenues

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

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

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Revenue recognition (continued)

Sale of products on the home shopping TV channel

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

(f) Impairment of assets

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

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 up to the excess of the recoverable amount of the asset or the CGU over its carrying value.

g) Barter transactions

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Income taxes

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

Deferred income taxes are accounted for using the liability method. Under this method, deferred 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 tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the substantive enactment date. A deferred tax asset is recognized initially when it is probable that future taxable income will be sufficient to use the related tax benefits and may be subsequently reduced, if necessary, to an amount that is more probable than not to be realized. A deferred 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. The Corporation recognizes an income tax benefit or reduces an income tax liability only when it is probable that the tax benefit will be realized in the future or the income tax liability is no longer probable.

(i) Earnings per share

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

(j) 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)

(k) Financial instruments

Classification, recognition and measurement

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

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

Financial instruments held for trading are measured at fair value with changes recognized through income. Available-for-sale 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 liabilities are initially measured at fair value and subsequently at amortized cost using the effective interest method of amortization.

(l) Financing costs

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Tax credits and government assistance

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

Assistance under the Local Programming Improvement Fund ("LPIF") is recorded in revenues, whereas assistance for television productions is recorded as a reduction of production costs, which are reported in operating, selling and administrative expenses. In the publishing segment, government assistance for content production is accounted for as deferred revenue and is amortized during the year in which the Corporation meets the government assistance requirements. Government assistance for magazine distribution is accounted for as a reduction of the related expenses. As of April 1, 2010, the two assistance programs that the publishing segment benefitted from were replaced by a financial assistance fund for the Canadian magazine and non-daily newspaper industries so they can continue to produce and distribute Canadian content. All assistance related to this new program is now recognized under revenues. 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 reduction of such costs. The refundable portion is accounted for as an advance and is repayable in whole or in part when the film reaches certain profitability levels. If the film fails to reach the expected revenue levels, all or part of such advances would not be refundable by the Corporation and would be accounted for as a reduction of the Corporation's operating, selling and administrative expenses.

(n) Trade receivables

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Programs, broadcast and distribution rights and inventories

Programs produced and productions in progress

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

Broadcast rights and broadcast rights payable

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

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

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

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

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

Broadcast rights are classified as current or long-term, based on management’s estimate of the broadcast period. These rights are charged to operating, selling and administrative 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 inventory 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, selling and administrative 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.

Inventories

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 revenues, 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 revised when the circumstances that previously caused the write-down expense no longer exist.

(p) Long-term investments

Interests in the joint ventures are accounted for using the proportionate consolidation method. The investment in the associated corporation is accounted for using the equity method. Under this method, the share of income of the associated corporation 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Property, plant and equipment

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

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

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

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

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

(r) Goodwill and intangible assets

Goodwill

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

Goodwill recognized by the Corporation arises from business combinations that occurred prior to January 1, 2010. Accordingly, goodwill 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(f)), goodwill is allocated to CGUs as of the business acquisition date. Goodwill is allocated to the CGU or group of CGUs expected to benefit from the synergies of the business combination.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Goodwill and intangible assets (continued)

Intangible assets

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

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

Assets	Estimated useful life
Software, websites and mobile applications	3 to 10 years
Client list	3 years

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

(s) Provisions

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Stock-based awards to employees that call for settlement in cash or other assets at the option of the employee are classified as a liability at fair value, with compensation expense recognized each year in operating, selling and administrative 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 20 and 21.

(u) Pension plans and postretirement benefits

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

<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 further amounts. Obligations for contributions to defined contribution pension plans are recognized as employee benefits in the consolidated statements of income when the contributions fall due.

<u>Defined benefit pension plans and postretirement benefits</u>

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 include the following:

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

(ii) Interest cost of pension plan obligations;

(iii) Expected return on plan assets;

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Pension plans and postretirement benefits (continued)

Defined benefit pension plans and postretirement benefits (continued)

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Use of estimates and judgment

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

Accounting area	Significant areas requiring the use of estimates and judgment
Asset impairment	• Fair value less costs to sell • Value in use of an asset or CGU using the discounted cash flow method
Pension plans and postretirement benefits	• Expenses and liabilities related to pension plans and postretirement benefits are based on certain assumptions, such as the discount rate, expected return on plan assets, rate of compensation increases, retirement age of employees, health care costs and other actuarial factors
Allowance for doubtful accounts and allowance for sales returns	• Estimates of potential losses arising from clients' inability to make the required payments on a portion of trade receivables • Estimates of future returns of POS-distributed products
Programs, broadcast and distribution rights and inventories	• Expected use of broadcast rights or the estimated number of broadcasts • Estimated future revenues used to determine the expected net realizable value of broadcast and distribution rights • Identification of obsolete inventories that are unsaleable to clients
Provisions	• Estimation of the costs required to discharge a current obligation or transfer it to a third party at the measurement date • Assessment of probable outcomes of legal proceedings or any other contingency
Amortization of assets	• Residual value and useful life of assets subject to amortization

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Use of estimates and judgment (continued)

Accounting area	Significant areas requiring the use of estimates and judgment
Deferred income taxes	• Forecasting of future taxable income and recoverability of deferred tax assets • Assessing the probability that a tax benefit will be realized or that a tax liability is no longer probable in order to assess uncertain tax positions taking into account tax interpretations, legislation, risks and other relevant factors
Government assistance and tax credits	• Obtaining reasonable assurance that government grants will be realized
Stock-based compensation	• Determining the fair value of the stock-based compensation liability using an option-pricing model based on certain assumptions, including the risk-free interest rate, yield rate, expected volatility and expected remaining life

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Future accounting developments in Canada

The Corporation has not early adopted the following new standards and adoption impacts on the consolidated financial statements have not yet been determined:

New standards	Expected changes to existing standards
IFRS 9, *Financial Instruments* *(Effective for fiscal years beginning on or after January 1, 2015 with early adoption permitted)*	IFRS 9 simplifies the measurement and classification for financial assets by reducing the number of measurement categories and removing complex rule-driven embedded derivative guidance in IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard also provides for a fair value option in the designation of a non-derivative financial liability and its related classification and measurement.
IFRS 10, *Consolidated Financial Statements* *(Effective for fiscal years beginning on or after January 1, 2013 with early adoption permitted)*	IFRS 10 replaces SIC-12, *Consolidation: Special Purpose Entities*, and parts of IAS 27, *Consolidated and Separate Financial Statements*, and provides additional guidance regarding the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company.
IFRS 11, *Joint Arrangements* *(Effective for fiscal years beginning on or after January 1, 2013 with early adoption permitted)*	IFRS 11 replaces IAS 31, *Interests in Joint Ventures*, with guidance that focuses on the rights and obligations of the arrangement, rather than its legal form. It also withdraws the option to proportionately consolidate an entity's interests in joint ventures. The new standard requires that such interests be recognized using the equity method.
IFRS 12, *Disclosure of Interests in Other Entities* *(Effective for fiscal years beginning on or after January 1, 2013 with early adoption permitted)*	IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose entities and other off-balance sheet vehicles.
IAS 19, *Post-employment Benefits (including pensions) (Amended)* *(Effective for fiscal years periods beginning on or after January 1, 2013 with retrospective application)*	Amendments to IAS 19 involve, among other changes, recognition of the re-measurement component in other comprehensive income (loss), thereby removing the accounting option previously available in IAS 19 to recognize or defer changes in defined benefit obligation and in fair value of plan assets directly in the statement of income. IAS 19 allows the immediate recognition of other comprehensive income (loss) amounts in retained earnings or in a separate equity category. 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 the statement of income when the employee benefit plan is amended and such costs may no longer be allocated over future service periods.

(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:

	2011	2010
Services rendered	**$338,555**	$336,676
Product sales	**106,940**	111,516
	$445,495	$448,192

3. OPERATING, SELLING AND ADMINISTRATIVE EXPENSES

The main components are as follows:

	2011	2010
Employee and sales commission costs	**$152,036**	$135,724
Royalties, rights and production costs	**148,519**	146,955
Printing and distribution	**20,908**	21,943
Marketing, advertising and promotion	**14,790**	14,116
Transmission and microwave expenses	**6,138**	4,238
Other	**52,580**	50,339
	$394,971	$373,315

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, 2011, the Corporation recognized revenues from barter transactions totalling $9,175,000 ($10,442,000 in 2010) and operating expenses related to barter transactions totalling $9,384,000 ($10,032,000 in 2010).

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

5. FINANCIAL EXPENSES

	Note	**2011**	2010
Interest on long-term debt	18	**$5,562**	$5,418
Amortization of financing costs		**359**	358
Foreign exchange loss		**75**	2
Net interest income		**(49)**	(157)
		$5,947	$5,621

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

	2011	2010
Restructuring costs of operations	**$800**	$1,442
Impairment of assets	**699**	8,201
Other costs	**166**	(505)
	$1,665	$9,138

In fiscal 2010, the Corporation and Sun Media Corporation, a subsidiary of Quebecor Media, announced the creation of a new partnership (51% TVA Group and 49% Sun Media Corporation) for the purpose of setting up and launching an English-language, news and opinion specialty channel called SUN News in April 2011. The Corporation also decided to cease operation of its existing conventional television station, SUN TV, when the new specialty service began broadcasting. Following this repositioning, the Corporation recorded a $5,966,000 impairment charge for fiscal 2010 related to its broadcast rights inventories, as well as a $2,235,000 impairment charge related to certain equipment and a $479,000 provision for restructuring costs of operations. In 2011, the Corporation recorded an additional $699,000 impairment charge related to its broadcast rights inventories, a $327,000 charge related transmission contract cancellations and a $132,000 provision for restructuring costs.

Also during fiscal 2011, the Corporation recorded $668,000 in restructuring costs of operations following the elimination of several positions in its television segment (costs of $963,000 in 2010, including $316,000 for the publishing segment). In addition, new information came to light prompting the Corporation to remeasure its provision related to the production operations of a former subsidiary and recognize a downward adjustment amounting to $161,000 in 2011.

Lastly, in fiscal 2010, the Corporation received proceeds of $760,000 on an insurance settlement related to an item of property, plant and equipment. The Corporation recorded a $505,000 gain related to that event.

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

7. INCOME TAXES

Income tax expense is detailed as follows:

	2011	2010
Current	**$4,396**	$7,989
Deferred	**5,217**	1,595
	$9,613	$9,584

The following table reconciles the Canadian statutory income tax rate and the effective income tax rate used by the Corporation to calculate consolidated net income:

	2011	2010
Canadian statutory tax rate	**28.4%**	29.9%
Impact of provincial tax rate differences	**–**	(0.4)
	28.4	29.5
Increase (decrease) resulting from:		
Tax impact of the Corporation's non-deductible share of SUN News losses	**10.2**	0.4
Tax impact of non-deductible charges	**2.0**	1.5
Other[1]	**(2.9)**	(10.1)
Effective tax rate	**37.7%**	21.3%

[1] Includes reductions in deferred tax liabilities of 1.8% (10.8% in 2010) in light of changes in tax audit matters, jurisprudence and tax legislation.

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

			Consolidated Balance Sheet	Consolidated Statement of Income	
	December 31, 2011	December 31, 2010	January 1, 2010	**2011**	2010
Loss carryforwards	**$98**	$452	$3,047	**$354**	$2,595
Accounts payable, accrued liabilities and deferred revenues	**1,002**	2,410	2,322	**1,408**	(88)
Defined benefit plans	**9,770**	5,414	5,202	**1,775**	1,697
Property, plant and equipment	**(10)**	639	1,237	**649**	598
Goodwill, licences and other intangible assets	**(17,685)**	(15,823)	(14,150)	**1,862**	1,673
Other	**(1,414)**	(2,159)	(7,017)	**(831)**	(4,880)
	$(8,239)	$(9,067)	$(9,359)	**$5,217**	$1,595

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

7. INCOME TAXES (continued)

Changes in deferred tax liabilities are as follows:

	2011	2010
Balance at beginning of year	**$(9,067)**	$(9,359)
Recognized in the statement of income	**(5,217)**	(1,595)
Recognized in other comprehensive loss	**6,131**	1,909
Other	**(86)**	(22)
Balance at end of year	**$(8,239)**	$(9,067)

The Corporation recorded no deferred 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 at December 31, 2011, the Corporation had loss carryforwards for income tax purposes of approximately $372,000 available to reduce its future taxable income. These loss carryforwards expire in 2030.

The Corporation also has $179,584,000 in unrecorded loss carryforwards with no expiry to be used solely to reduce future capital gains.

In 2011 and 2010, there were no tax consequences arising from shareholder dividends paid by the Corporation.

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

8. JOINT VENTURES

The Corporation holds a 51% interest in the The Cave, an English-language men's lifestyle digital speciality channel and a 50% interest in Mystery, an English-language mystery and suspense digital speciality channel. As at December 31, 2011, the assets and liabilities of these joint ventures are classified as held for sale since their sale is scheduled for spring 2012 (note 28).

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

	2011	2010
Income		
Revenues	**$9,207**	$8,668
Operating, selling and administrative expenses	**7,253**	7,270
Income before interest (income) expense	**1,954**	1,398
Interest (income) expense	**(10)**	1
Net income	**$1,964**	$1,397
Cash flows		
Cash flows provided by operating activities	**$1,922**	$982
Cash flows used in financing activities	**(500)**	(1,000)

	December 31, 2011	December 31, 2010	January 1, 2010
Consolidated Balance Sheets			
Current assets	**$8,370**	$6,545	$6,642
Non-current assets	**–**	533	272
Current liabilities	**1,538**	2,412	2,751
Non-current liabilities	**–**	135	28

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

9. SUPPLEMENTARY CASH FLOW INFORMATION

The following tables provide supplementary information regarding the Consolidated Statements of Cash Flows:

(a) Changes in non-cash working capital items related to operating activities are as follows:

	2011	2010
Decrease (increase) in assets:		
Accounts receivable	**$6,139**	$(6,231)
Programs, broadcast and distribution rights and inventories	**(7,175)**	(6,422)
Prepaid expenses and other current asset	**(450)**	514
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	**2,570**	(774)
Broadcast and distribution rights payable	**(11,600)**	(4,916)
Provisions	**(468)**	307
Deferred revenues	**(587)**	(279)
Current tax assets and liabilities	**3,422**	(14,345)
Other liabilities	**(6,567)**	(5,490)
	$(14,716)	$(37,636)

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

	2011	2010
Interest paid	**$5,451**	$5,419
Interest received	**(20)**	(194)
Net income taxes paid	**974**	22,331

(c) Non-cash transactions

The Consolidated Statements of Cash Flows exclude the following non-cash transactions:

	2011	2010
Net change in additions to property, plant and equipment and intangible assets funded by accounts payable and accrued liabilities	**$(546)**	$2,127
Net change in government assistance credited to property, plant and equipment	**–**	434

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

10. ACCOUNTS RECEIVABLE

	Note	**December 31, 2011**	December 31, 2010	January 1, 2010
Trade and other receivables	26(b)	**$83,572**	$98,569	$91,463
Receivables from entities under common control and affiliates		**26,098**	22,510	21,536
Tax credits and government assistance receivable		**7,974**	4,978	7,516
Current tax assets		**4,014**	7,104	1,078
		$121,658	$133,161	$121,593

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.

11. PROGRAMS, BROADCAST AND DISTRIBUTION RIGHTS AND INVENTORIES

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

			December 31, 2010
	Short-term	Long-term	Total
Programs produced and productions in progress	$7,800	$–	$7,800
Broadcast rights	46,146	32,079	78,225
Distribution rights	2,711	1,979	4,690
Inventories	3,465	–	3,465
	$60,122	$34,058	$94,180

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

11. PROGRAMS, BROADCAST AND DISTRIBUTION RIGHTS AND INVENTORIES (continued)

			January 1, 2010
	Short-term	Long-term	Total
Programs produced and productions in progress	$5,391	$−	$5,391
Broadcast rights	42,805	33,275	76,080
Distribution rights	2,951	5,675	8,626
Inventories	3,627	−	3,627
	$54,774	$38,950	$93,724

The cost of inventories and expenses related to programs, broadcast and distribution rights included in the cost of sales amounted to $273,087,000 in 2011 ($248,839,000 in 2010). In 2011, an impairment expense totalling $935,000 ($668,000 in 2010) related to inventories, programs and broadcast and distribution rights was recorded in cost of sales.

12. INVESTMENTS

	December 31, 2011	December 31, 2010	January 1, 2010
Tele Inter-Rives Ltd., associated corporation, 45% ownership interest	**$9,974**	$9,626	$8,736
Other investments	**2,891**	2,901	2,901
	$12,865	$12,527	$11,637

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

13. PROPERTY, PLANT AND EQUIPMENT

For the years ended December 31, 2011 and 2010, changes in the net carrying amount of property, plant and equipment were as follows:

	Land, buildings and leasehold improvements	Equipment	Development projects in progress	Total
Cost				
Balance as at January 1, 2010	$83,749	$127,072	$7,885	$218,706
Additions[1]	3,080	7,930	10,702	21,712
Reclassification	(48)	6,404	(6,963)	(607)
Write-offs and disposals	(176)	–	–	(176)
Balance as at December 31, 2010	86,605	141,406	11,624	239,635
Additions[1]	3,369	21,898	4,050	29,317
Reclassification	635	9,317	(10,021)	(69)
Write-offs and disposals	(30)	(1,997)	–	(2,027)
Balance as at December 31, 2011	**$90,579**	**$170,624**	**$5,653**	**$266,856**
Accumulated amortization and impairment				
Balance as at January 1, 2010	$57,880	$81,703	$–	$139,583
Amortization	2,712	9,073	–	11,785
Impairment (note 6)	–	2,235	–	2,235
Write-offs and disposals	(176)	–	–	(176)
Balance as at December 31, 2010	60,416	93,011	–	153,427
Amortization	2,924	10,525	–	13,449
Write-offs and disposals	(30)	(1,997)	–	(2,027)
Balance as at December 31, 2011	**$63,310**	**$101,539**	**$–**	**$164,849**
Net carrying amount				
As at January 1, 2010	$25,869	$45,369	$7,885	$79,123
As at December 31, 2010	26,189	48,395	11,624	86,208
As at December 31, 2011	**$27,269**	**$69,085**	**$5,653**	**$102,007**

1 The net change in additions to property, plant and equipment funded by accounts payable and accrued liabilities, consisting primarily of equipment, amounted to $(699,000) for the year ended December 31, 2011 ($2,926,000 for the year ended December 31, 2010).

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

14. LICENCES AND OTHER INTANGIBLE ASSETS

For the years ended December 31, 2011 and 2010, changes in the net carrying amount of licences and other intangible assets were as follows:

	Licences[1]	Software, websites and mobile applications	Other intangible assets	Development projects in progress	Total
Cost					
Balance as at January 1, 2010	$116,713	$24,474	$150	$8,756	$150,093
Additions[2]	–	3,846	–	1,248	5,094
Reclassification	–	8,635	–	(8,028)	607
Balance as at December 31, 2010	116,713	36,955	150	1,976	155,794
Additions[2]	–	5,168	–	815	5,983
Reclassification	–	1,254	–	(1,185)	69
Write-offs and disposals	(23,119)	(20)	–	–	(23,139)
Balance as at December 31, 2011	**$93,594**	**$43,357**	**$150**	**$1,606**	**$138,707**

As at December 31, 2011, the cost of internally generated intangible assets, consisting mainly of software, websites and mobile applications, was $5,099,000 ($2,987,000 as at December 31, 2010 and $1,828,000 as at January 1, 2010). For the year ended December 31, 2011, the Corporation recognized additions to internally generated intangible assets totalling $2,132,000 ($1,159,000 in 2010).

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

14. LICENCES AND OTHER INTANGIBLE ASSETS (continued)

	Licences[1]	Software, websites and mobile applications	Other intangible assets	Development projects in progress	Total
Accumulated amortization and impairment					
Balance as at January 1, 2010	$23,863	$16,140	$40	$–	$40,043
Amortization	–	3,266	10	–	3,276
Balance as at December 31, 2010	23,863	19,406	50	–	43,319
Amortization	–	3,988	–	–	3,988
Write-offs and disposals	(23,119)	(20)	–	–	(23,139)
Balance as at December 31, 2011	**$744**	**$23,374**	**$50**	**$–**	**$24,168**
Net carrying amount					
As at January 1, 2010	$92,850	$8,334	$110	$8,756	$110,050
As at December 31, 2010	92,850	17,549	100	1,976	112,475
As at December 31, 2011	**92,850**	**19,983**	**100**	**1,606**	**114,539**

1 Intangible assets with indefinite useful lives are not subject to amortization. Broadcasting licences are allocated to the television segment group of CGUs and the magazine operating licence is allocated to the publishing segment group of CGUs. In the past, the Corporation wrote off these licences by reducing their cost as, unlike under IFRS, impairment reversals were not permitted under Canadian GAAP. Accordingly, on transition, the Corporation adjusted the cost and accumulated impairment of the licences by an equal amount, with no impact on the net carrying amount in order to keep track of accumulated impairment that may be reversed in future. For the year ended December 31, 2011, the $23,119,000 accumulated impairment expense arising from the SUN TV broadcasting licence was eliminated since the licence has been revoked.

2 The net change in additions to intangible assets funded by accounts payable and accrued liabilities, consisting primarily of software, amounted to $153,000 for the year ended December 31, 2011 (($799,000) for the year ended December 31, 2010).

As at December 31, 2011, the accumulated amortization of internally generated intangible assets, consisting primarily of software, websites and mobile applications, amounted to $2,059,000 ($1,322,000 as at December 31, 2010 and $812,000 as at January 1, 2010). For the year ended December 31, 2011, the Corporation recognized an amortization expense arising from internally generated intangible assets of $757,000 ($510,000 in 2010).

As at December 31, 2011, internally generated intangible assets had a net carrying amount of $3,040,000 ($1,665,000 as at December 31, 2010 and $1,016,000 as at January 1, 2010).

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

15. GOODWILL

Goodwill as at December 31, 2011 and 2010 and January 1, 2010 is detailed as follows:

Cost	**$158,782**
Accumulated amortization/impairment	**86,801**
Net carrying amount	**$71,981**

As at December 31, 2011 and 2010 and January 1, 2010, the carrying amount of goodwill allocated to the television segment group of CGUs is $2,539,000 and the balance of $69,442,000 is allocated to the publishing segment group of CGUs.

Recoverable amounts

The recoverable amounts were determined based on value in use with respect to the impairment tests performed. The Corporation uses the discounted cash flow method to estimate value in use using future cash flows derived from the most recent budget and three-year strategic plan approved by the Corporation's management and presented to the Board of Directors. These forecasts considered each CGU's past operating performance and market share as well as economic trends, along with specific and market industry trends and corporate strategies. A range of growth rates is used for cash flows beyond this three-year period. The discount rate used by the Corporation is a pre-tax rate derived from the weighted average cost of capital pertaining to each CGU, which reflects the current market assessment of (i) the time value of money, and (ii) the risk specific to the assets for which the future cash flow estimates have not been risk-adjusted. The perpetual growth rate 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 as of April 1, 2011 and January 1, 2010:

	April 1, 2011		January 1, 2010	
Group of CGUs	**Pre-tax discount rate (WACC)**	**Perpetual growth rate**	Pre-tax discount rate (WACC)	Perpetual growth rate
Television[1]	**11.43%**	**1.00%**	11.43%	1.00%
Publishing	**15.89%**	**1.00%**	14.93%	1.00%

[1] As allowed under IAS 36, *Impairment of Assets*, the recoverable amount calculated as at January 1, 2010 was used in the impairment test performed in 2011 for this group of CGUs. As a result, the pre-tax discount rate and the perpetual growth rate are identical as at April 1, 2011 and January 1, 2010.

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

15. GOODWILL (continued)

Sensitivity of recoverable amounts

The following table presents, for each principal group of CGUs, the change in the pre-tax discount rate and in the perpetual growth rate used in the most recently performed tests that would have been required for the recoverable amount to equal the carrying amount as at April 1, 2011:

Group of CGUs	**Incremental increase in pre-tax discount rate (WACC)**	**Incremental decrease in perpetual growth rate**
Television	**2.60%**	**3.50%**
Publishing	**1.40%**	**1.80%**

16. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Note	**December 31, 2011**	December 31, 2010	January 1, 2010
Accounts payable and accrued liabilities		**$45,922**	$45,885	$43,489
Employee salaries and benefits		**23,323**	24,545	24,592
Accounts payable to companies under common control and affiliated companies		**10,497**	7,086	8,458
Stock-based compensation	20 and 21	**1,743**	3,134	2,735
Current income tax liabilities		**503**	171	8,490
Interest payable		**400**	310	333
Other		**201**	271	272
		$82,589	$81,402	$88,369

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

17. PROVISIONS AND CONTINGENCIES

	Restructuring of operations	Contingencies and claims	Other provisions	Total
Balance as of December 31, 2010	$797	$700	$504	$2,001
Net change in income	800	(100)	(161)	539
Payments	(841)	–	(166)	(1,007)
Balance as at December 31, 2011	**$756**	**$600**	**$177**	**$1,533**

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

Restructuring of operations

The provisions for the restructuring of operations mainly comprise termination benefits related to the elimination of positions in the television segment. Payments for restructuring costs are expected to be made during the coming year.

Contingencies and claims

During the year ended December 31, 2008, legal proceedings were brought against the Corporation by a third party with respect to the cancellation of printing and related service contracts. This third party also sought a declaration of invalidity for the transfers of receivables acquired by the Corporation from subsidiaries of Quebecor Media and the offsets that resulted therefrom. A settlement was reached in February 2012 in respect of these claims and legal proceedings and there will be no unfavourable impact on the Corporation's financial results.

A certain number of other claims against the Corporation and its subsidiaries are also pending. Management of the Corporation and its subsidiaries are of the opinion that the outcome of these claims would not have a major impact on their results or financial position.

In light of legal opinions and following a review of all the facts, management of the Corporation has set aside provisions for specific claims or legal proceedings. The Corporation cannot determine when or if these provisions will result in cash outflows.

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

18. LONG-TERM DEBT

Long-term debt consists of the following:

	December 31, 2011	December 31, 2010	January 1, 2010
Term loan (i)	**$75,000**	$75,000	$75,000
Bankers' acceptances issued (ii)	**17,982**	15,986	14,927
Advance on revolving credit facility (ii)	**–**	302	–
Financing costs, net of accumulated amortization	**(591)**	(950)	(1,347)
	92,391	90,338	88,580
Less current portion	**(17,756)**	–	–
Long-term debt	**$74,635**	$90,338	$88,580

(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 and a revolving term loan in the amount of $100,000,000 maturing and repayable in full on December 11, 2012. The term loan bears interest at an annual rate of 5.54%, payable on June 15 and December 15 of each year. The revolving term loan 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. Given the maturity date of the revolving term loan and since it had been not yet been renewed as at December 31, 2011, the Corporation has presented this loan as a current liability.

(ii) As at December 31, 2011, borrowings under the revolving term loan amounted to $17,982,000 ($15,986,000 as at December 31, 2010 and $14,927,000 as at January 1, 2010) in bankers' acceptances, bearing interest at a weighted average rate of 4.32% (4.07% as at December 31, 2010 and 3.53% as at January 1, 2010). As at December 31, 2010, an amount of $302,000, bearing interest at 5.63% was also drawn on the revolving term loan.

Under its credit agreements, the Corporation is subject to certain covenants including maintenance of certain financial ratios. As at December 31, 2011, the Corporation was in compliance with the terms of its credit agreements.

As at December 31, 2011 and 2010, the Corporation had outstanding letters of credit amounting to $425,000 ($485,000 as at January 1, 2010).

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

19. OTHER LIABILITIES

	Note	**December 31, 2011**	December 31, 2010	January 1, 2010
Broadcast rights payable	22	**$976**	$2,934	$5,118
Accrued pension and postretirement benefits liability	23	**36,357**	20,048	19,199
Stock-based compensation[1]	20 and 21	**1,136**	1,422	1,262
Other		**1,227**	665	87
		$39,696	$25,069	$25,666

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

20. 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, 2011 and 2010 and as at January 1, 2010:	
4,320,000 class A common shares	**$72**
19,450,906 class B shares	**98,575**
	$98,647

20. CAPITAL STOCK (continued)

Normal course issuer bid

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

Class B stock option plan for officers

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

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

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

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

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

In fiscal 2011 and 2010, no new options were granted by the Corporation under the plan.

The Corporation recognized a $1,595,000 compensation expense reversal in connection with this plan for the year ended December 31, 2011 ($186,000 compensation expense reversal in 2010).

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

20. CAPITAL STOCK (continued)

Class B stock option plan for officers (continued)

The following table provides summary information as at December 31, 2011 and 2010 concerning the stock options outstanding and the changes that occurred during the years then ended:

		2011		2010
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Balance, beginning of year	**833,610**	**$16.35**	975,155	$16.16
Cancelled	**–**	**–**	(141,545)	15.04
Balance, end of year	**833,610**	**$16.35**	833,610	$16.35
Exercisable options, end of year	**720,266**	**$16.59**	560,952	$17.05

		Outstanding options		Exercisable options	
Exercise price range	Number of outstanding options as at December 31, 2011	Weighted average remaining contractual life	Weighted average exercise price	Number of exercisable options as at December 31, 2011	Weighted average exercise price
$14.50 – $16.40	639,479	5.40	$14.97	526,135	$15.00
$20.50 – $21.38	194,131	2.86	20.90	194,131	20.90
$14.50 – $21.38	**833,610**	**4.81**	**$16.35**	**720,266**	**$16.59**

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

20. CAPITAL STOCK (continued)

Class B stock option plan for officers (continued)

The fair value of stock-based awards under the stock option plans of the Corporation was estimated using the Black-Scholes option pricing model. The following weighted-average assumptions were used to estimate the fair value of all outstanding stock options under the stock option plans of the Corporation as at December 31, 2011 and 2010 and January 1, 2010:

	December 31, 2011	December 31, 2010	January 1, 2010
Risk-free interest rate	**1.05%**	1.93%	2.38%
Dividend rate	**–%**	1.44%	1.54%
Expected volatility	**36.26%**	44.22%	47.65%
Expected remaining life	**1.9 years**	2.7 years	3.7 years

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

As at December 31, 2011, the intrinsic value of liabilities for which options have vested was nil ($6,000 as at December 31, 2010 and nil as at January 1, 2010).

Earnings per share

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

	2011	2010
Net income attributable to shareholders	**$25,603,000**	$37,242,000
Weighted average number of basic and diluted shares outstanding	**23,770,906**	23,770,906
Basic and diluted earnings per share attributable to shareholders (in dollars)	**$1.08**	$1.57

A total of 833,610 Class B stock options were not included in the calculation of diluted earnings per share for the years ended December 31, 2011 and 2010 reflecting the fact that the exercise price was higher than the average share price.

21. QUEBECOR MEDIA STOCK OPTION PLAN

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

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

The Corporation recognized a $26,000 compensation expense under the plan for the year ended December 31, 2011 ($834,000 in 2010).

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

21. QUEBECOR MEDIA STOCK OPTION PLAN (continued)

The following table provides summary information about the outstanding stock options granted to the Corporation's senior executives as at December 31, 2011 and 2010 and the changes that occurred during the years then ended:

	2011		2010	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Balance, beginning of year	**387,482**	**$46.33**	226,649	$45.58
Granted	**21,000**	**50.23**	205,500	46.48
Exercised	**(15,230)**	**43.32**	(7,866)	36.50
Cancelled	**–**	**–**	(36,801)	44.64
Balance, end of year	**393,252**	**$46.66**	387,482	$46.33
Exercisable options, end of year	**124,074**	**$46.14**	92,232	$45.90

During the year ended December 31, 2011, 15,320 stock options of Quebecor Media were issued for a cash consideration of $108,000 (7,866 stock option issued for $89,000 in 2010).

	Outstanding options			Exercisable options	
Exercise price range	Number of outstanding options as at December 31, 2011	Weighted average remaining contractual life	Weighted average exercise price	Number of exercisable options as at December 31, 2011	Weighted average exercise price
$27.86 – $31.92	7,658	3.84	$29.54	7,658	$29.54
$44.45 – $50.37	385,594	7.25	47.00	116,416	47.23
$27.86 – $50.37	**393,252**	**7.19**	**$46.66**	**124,074**	**$46.14**

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

21. QUEBECOR MEDIA STOCK OPTION PLAN (continued)

The fair value of stock-based awards under the Quebecor Media stock option plans 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, 2011 and 2010 and January 1, 2010:

	December 31, 2011	December 31, 2010	January 1, 2010
Risk-free interest rate	**1.19%**	2.24%	2.36%
Dividend rate	**1.66%**	1.61%	1.31%
Expected volatility	**29.87%**	34.56%	35.99%
Expected remaining life	**3.0 years**	3.8 years	3.4 years

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

As at December 31, 2011, the intrinsic value of liabilities for which options have vested was $300,000 ($363,000 as at December 31, 2010 and $88,000 as at January 1, 2010).

22. TAX CREDITS AND GOVERNMENT ASSISTANCE

Revenues included $12,106,000 ($10,954,000 in 2010) in government assistance for local programming in small markets, publishing content and for producing and publishing Canadian content in magazines.

Tax credits and government assistance amounting to $4,000,000 ($3,940,000 in 2010) were recorded as a reduction of program production expenses, magazine distribution and film marketing costs included in operating, selling and administrative expenses.

During fiscal 2011, no government assistance was recorded as a reduction of property, plant and equipment ($61,000 in 2010).

As at December 31, 2011, advances received under government assistance amounted to $549,000 ($1,543,000 in 2010) and were reported in distribution rights payable under "Other liabilities." Deferred revenues included $213,000 ($1,118,000 in 2010) in financial assistance for the creation and publishing of Canadian content in magazines.

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

23. PENSION PLANS AND POSTRETIREMENT BENEFITS

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

The Corporation also offers postretirement benefits to eligible retired employees. Benefit costs, primarily for healthcare benefits, are accounted for during the employee's active service period.

The following tables provide information on the defined benefit plans and reconcile the changes in the plans' accrued benefit obligations and the fair value of plan assets for the years ended December 31, 2011 and 2010:

	Pension benefits		Postretirement benefits	
	2011	2010	**2011**	2010
Change in accrued benefit obligations				
Accrued benefit obligation, beginning of year	**$182,971**	$150,576	**$1,630**	$1,572
Current service cost	**4,024**	2,132	**4**	3
Interest cost	**9,700**	9,478	**55**	63
Participant contributions	**2,866**	2,713	**–**	–
Actuarial loss	**14,540**	28,016	**147**	83
Benefits paid	**(11,237)**	(9,944)	**(100)**	(91)
Accrued benefit obligations, end of year	**$202,864**	$182,971	**$1,736**	$1,630

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

23. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

	Pension benefits		Postretirement benefits	
	2011	2010	**2011**	2010
Change in plan assets				
Fair value of plan assets, beginning of year	**$163,836**	$148,703	**$–**	$–
Actual return on plan assets	**1,499**	13,851	**–**	–
Employer contributions	**10,029**	8,513	**–**	–
Participant contributions	**2,866**	2,713	**–**	–
Benefits paid	**(11,237)**	(9,944)	**–**	–
Fair value of plan assets, end of year	**$166,993**	$163,836	**$–**	$–

Plan assets are allocated as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Equity securities	**57.1%**	61.6%	59.3%
Debt securities	**40.9**	37.3	39.2
Other	**2.0**	1.1	1.5
	100.0%	100.0%	100.0%

As at December 31, 2011 and 2010 and January 1, 2010, common shares of Quebecor were included in the above-mentioned equity securities and accounted for $725,000 (0.4% of plan assets) and $858,000 (0.5% of plan assets) and $638,000 (0.4% of plan assets), respectively.

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

23. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

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

	Pension benefits			Postretirement benefits		
	December 31, 2011	December 31, 2010	January 1, 2010	**December 31, 2011**	December 31, 2010	January 1, 2010
Reconciliation of funded status						
Unfunded accrued benefit obligations	**$(2,213)**	$(1,854)	$(1,399)	**$(1,736)**	$(1,630)	$(1,572)
Funded accrued benefit obligations	**(200,651)**	(181,117)	(149,177)	**–**	–	–
Fair value of plan assets	**166,993**	163,836	148,703	**–**	–	–
Plan deficits	**$(35,871)**	$(19,135)	$(1,873)	**$(1,736)**	$(1,630)	$(1,572)
Past service cost – unvested portion	**1,250**	2,500	3,751	**–**	–	–
Benefit asset limit and minimum funding adjustment	**–**	(1,783)	(19,505)	**–**	–	–
Accrued benefit liability, under Other liabilities	**$(34,621)**	$(18,418)	$(17,627)	**$(1,736)**	$(1,630)	$(1,572)

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

23. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

Components of actuarial gains and losses are as follows:

	Pension benefits		Postretirement benefits	
	2011	2010	**2011**	2010
Difference between expected and actual return on plan assets:				
(Loss) gain	**$(10,006)**	$3,266	**$–**	$–
As a proportion of plan assets	**(6.0)%**	2.0%	**–%**	–%
Experience loss on plan liabilities				
Loss	**$(14,540)**	$(28,016)	**$(147)**	$(83)
As a proportion of plan liabilities	**7.2%**	15.3%	**8.5%**	5.1%

Components of the net benefit costs are as follows:

	Pension benefits		Postretirement benefits	
	2011	2010	**2011**	2010
Current service cost	**$4,024**	$2,132	**$4**	$3
Interest cost	**9,700**	9,478	**55**	63
Expected return on plan assets	**(11,505)**	(10,585)	**–**	–
Net prior service cost	**1,251**	1,251	**–**	–
Other	**–**	–	**(237)**	–
Net benefit costs	**$3,470**	$2,276	**$(178)**	$66

The cost related to defined contribution pension plans for fiscal 2011 amounted to $3,264,000 ($3,163,000 in 2010).

Employer contributions for the defined benefit pension plans and postretirement benefit plans will total $9,400,000 in 2012.

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

23. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

Assumptions

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

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

The weighted average amounts used as actuarial assumptions to determine the Corporation's retirement benefit obligations as at December 31, 2011 and 2010 are as follows:

	Pension benefits		Postretirement benefits	
	2011	2010	**2011**	2010
Accrued benefit obligations				
Rate, end of year				
Discount rate	**4.75%**	5.25%	**4.75%**	5.25%
Rate of compensation increase	**3.25 – 3.50**	3.25 – 3.50	**3.25 – 3.50**	**3.25 – 3.50**
Current periodic costs				
Rate, end of previous year				
Discount rate	**5.25%**	6.25%	**5.25%**	6.25%
Expected return on plan assets	**7.00**	7.00	**–**	–
Rate of compensation increase	**3.25 – 3.50**	3.50 – 3.75	**3.25 – 3.50**	3.50 – 3.75

For the purpose of calculating the postretirement benefit obligation, the annual rate of increase in healthcare costs was assumed to be 8.0% at the end of 2011. Based on forecasts, the cost is expected to decrease gradually over the next 15 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)

24. 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:

	2011	2010
Salaries and short-term benefits	**$3,405**	$3,126
Post-employment benefits	**355**	264
Stock-based compensation	**(1,416)**	1,162
Other long-term benefits	**447**	421
	$2,791	$4,973

Revenues and operating, selling and administrative expenses

For the year ended December 31, 2011, the Corporation entered into the following transactions with related parties in the normal course of business. These transactions were carried out under terms equivalent to those of arm's length transactions and were recognized according to the consideration agreed upon between the parties.

- During fiscal 2011, the Corporation sold advertising space to companies under common control and affiliated companies, provided technical production, post-production and other services, and recognized subscription revenues for an aggregate amount of $64,256,000 ($57,049,000 in 2010).
- The Corporation recognized management fees paid to the parent company amounting to $4,320,000 ($4,350,000 in 2010).
- The Corporation recorded broadcast rights expense, communications service costs, advertising space acquisition costs and professional service fees arising from transactions with companies under common control and affiliated companies, totalling $28,344,000 ($18,604,000 in 2010). The consolidated balance sheet does not include any broadcast rights of companies under current assets as at December 31, 2011 ($50,000 as at January 1, 2010). The consolidated balance sheet also includes distribution rights recognized in current liabilities amounting to $100,000 as at December 31, 2011 and 2010 ($120,000 as at January 1, 2010) payable to these same companies.

24. RELATED-PARTY TRANSACTIONS (continued)

Other transactions

As disclosed in note 6, in fiscal 2010, the Corporation and Sun Media Corporation, a company under common control of the parent company, Quebecor Media, established the new general partnership SUN News. The Corporation holds a 51% ownership interest, while Sun Media Corporation owns 49%. The results of this partnership are fully consolidated in the Corporation’s results and Sun Media Corporation’s interest is recorded under “Non-controlling interest” in the consolidated statement of income. In fiscal 2011, a total capital contribution of $20,500,000 ($10,539,000 in 2010) was made by the partners of which $10,045,000 was made by Sun Media Corporation ($5,164,000 in 2010).

On December 25, 2010, the Corporation undertook to become sole owner of the assets of TV station SUN TV in connection with a corporate reorganization that ultimately resulted in the winding-up of Sun TV Company, an entity that was formerly 75% owned by TVA Group and 25% by Sun Media Corporation. The Corporation already paid Sun Media Corporation the $2,000,000 consideration for the acquisition in June 2009 as a commitment. The difference between the amount paid and the carrying value of the non-controlling interest gave rise to a $2,000,000 adjustment recognized in retained earnings.

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

25. 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 $107,313,000, including $18,843,000 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
2012	$2,209	$47,693	$8,730
2013 to 2016	3,845	20,851	14,379
2017 and thereafter	3,401	–	6,205

Expenses related to the operating leases of the Corporation and its subsidiaries in the amount of $4,820,000 in 2011 ($3,903,000 in 2010) were recognized under operating, selling and administrative expenses in the consolidated statements of income.

(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, 2011, the maximum liability in respect of these guarantees totalled approximately $332,000 and the Corporation has recognized no amount in the consolidated balance sheet in relation to these guarantees. In previous years, the Corporation has made no payments in respect of these guarantees.

In the normal course of business, the Corporation enters into indemnification agreements with third parties as part of certain transactions, including acquisition contracts, service agreements and leases. These indemnification agreements require the Corporation to compensate the third parties for costs incurred as a result of statutory and regulatory changes (including changes to tax laws) or as a result of legal action or regulatory penalties stemming from these transactions. 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. The Corporation has recorded no amount in the consolidated balance sheet in respect to these agreements, as the Corporation expects no payments to be required thereunder.

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

26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Corporation's risk management policy is 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 policy is 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

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

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

The carrying amount and fair value of the long-term debt as at December 31 2011 and 2010 are as follows:

		December 31, 2011		December 31, 2010
	Carrying amount	**Fair value**	Carrying amount	Fair value
Bankers' acceptances	**$17,982**	**$18,200**	$15,986	$15,986
Advance on revolving credit facility	**–**	**–**	302	302
Term loan	**75,000**	**80,400**	75,000	76,100

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

26.FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(a) Fair value of financial instruments (continued)

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

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

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

(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, 2011, no clients had balances representing a significant portion of the Corporation's consolidated trade receivables. The Corporation establishes an allowance for doubtful accounts taking into account client-specific credit risk. 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, 2011, 4.35% of accounts receivable were over 120 days past due (4.60% as at December 31, 2010). Moreover, as at December 31, 2011, the Corporation's allowance for doubtful accounts amounted to $1,186,000 ($3,035,000 as at December 31, 2010).

The following table shows the changes in the allowance for doubtful accounts for the fiscal years ended December 31, 2011 and 2010:

	2011	2010
Balance, beginning of year	**$3,035**	$2,749
Change recognized in the statement of income	**(521)**	885
Drawn down	**(1,328)**	(599)
Balance, end of year	**$1,186**	$3,035

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

26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk management

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

As at December 31, 2011, the obligations and maturities of financial liabilities of the Corporation were detailed as follows:

	Total	Under 1 year	1 to 3 years
Bank overdraft	$3,980	$3,980	$–
Accounts payable and accrued liabilities	82,388	82,388	–
Broadcast and distribution rights payable	16,754	15,778	976
Long-term debt	92,982	17,982	75,000
Interest payments(1)	13,940	5,630	8,310
Total	**$210,044**	**$125,758**	**$84,286**

1 The estimated interest payable on floating-rate long-term debt is based on the interest rates in effect as at December 31, 2011.

(d) Market risk

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

Foreign exchange risk

The Corporation is exposed to limited foreign exchange risk on revenues and expenses due to the insubstantial volume of transactions made in currencies other than the Canadian dollar. The majority of these transactions are denominated in U.S. dollars, mainly for the acquisition of certain distribution rights, for capital expenditures and for certain foreign denominated sales. In light of the insubstantial 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. The impact on net income of a 1% increase or decrease in the exchange rate between the Canadian dollar and its U.S. counterpart would be less than $110,000 on a yearly basis.

26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(d) Market risk (continued)

Interest rate risk

The Corporation is exposed to interest rate risk on its long-term debt. A significant portion of the Corporation's long-term debt bears fixed interest rates, which substantially limits risk exposure to changes in interest rates. As at December 31, 2011, the Corporation long-term debt included an 81% portion of fixed-rate debt (82% as at December 31, 2010) and a 19% portion of floating-rate debt (18% as at December 31, 2010).

An increase (decrease) of 100 basis points in Canadian bankers' acceptance rate at the end of the current fiscal year on the balance of floating-rate long-term debt as at December 31, 2011 would have resulted in a $180,000 increase (decrease) in financial expenses for the year.

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

(e) Capital management

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

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

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

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

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

26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(e) Capital management (continued)

The capital structure is as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Bank overdraft	**$3,980**	$3,557	$974
Long-term debt	**92,982**	91,288	89,927
Cash	**(1,756)**	(5,605)	(1,924)
Net liabilities	**95,206**	89,240	88,977
Equity	**$281,029**	$273,942	$244,132

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, 2011, the Corporation was in compliance with the terms of its credit agreements.

27. 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 of TVA Productions inc., TVA Ventes et Marketing inc., TVA Accès, TVA Création, TVA Nouvelles, TVA Interactif), the specialty channels, the national English-language SUN News service, the marketing of the websites of the different televisual brands, the home and online shopping services of the TVA Boutiques division, and the distribution of audiovisual products by the TVA Films division;

– The publishing segment includes the operations of TVA Publications, a producer of content specializing in the publication of French-language magazines in various fields such as the arts, entertainment, television, fashion, and decoration; marketing of websites of the different brands related to the magazines and the operations of the TVA Studio division specializing in customized publishing, commercial print production and premedia services.

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 (note 1).

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

27. SEGMENTED INFORMATION (continued)

				2011
	Television	Publishing	Intersegment items	Total
Revenues	$378,854	$70,622	$(3,981)	$445,495
Operating, selling and administrative expenses	338,910	60,042	(3,981)	394,971
Income before amortization, financial expenses, restructuring costs of operations, impairment of assets and other costs, income taxes, and share of income of associated corporation	$39,944	$10,580	$−	$50,524
Additions to property, plant and equipment	$29,896	$120	$−	$30,016
Additions to intangible assets	$4,964	$866	$−	$5,830
Total assets	$449,943	$83,910	$−	$533,853

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

27. SEGMENTED INFORMATION (continued)

				2010
	Television	Publishing	Intersegment items	Total
Revenues	$377,283	$75,004	$(4,095)	$448,192
Operating, selling and administrative expenses	314,006	63,404	(4,095)	373,315
Income before amortization, financial expenses, restructuring costs of operations, impairment of assets and other costs, income taxes, and share of income of associated corporation	$63,277	$11,600	$−	$74,877
Additions to property, plant and equipment	$18,183	$169	$−	$18,352
Additions to intangible assets	$5,145	$748	$−	$5,893
Total assets	$435,331	$83,740	$−	$519,071

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

28. ASSET HELD FOR SALE

On December 22, 2011, the Corporation announced an agreement under which the Corporation will sell its 51% interest in The Cave and its 50% interest in Mystery to Shaw Media Global Inc., the other partner of these joint ventures. The transaction is valued at $17,500,000. An application has been filed for the transfer of licences, which must be approved by the Canadian Radio-television and Telecommunications Commission ("CRTC"). Subject to CRTC approval, this transaction could be finalized in spring 2012.

The following table shows the breakdown of assets and liabilities held for sale as at December 31, 2011:

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

29. UNCERTAINTY

In 2011, the government passed *Bill 88 amending the Environment Quality Act and the Regulation respecting compensation for municipal services*. The Bill changed the regulations governing business contributions to the waste recovery costs borne by Quebec municipalities. While the Bill was passed in 2011, the new fee schedules for businesses are still being discussed and are not expected to be adopted before 2012. It is possible that the costs of the Corporation's publishing segment will be adversely affected.

30. TRANSITION TO IFRS

These consolidated financial statements are the first financial statements the Corporation has prepared in accordance with IFRS as described under *Significant accounting policies* (note 1). The date of the opening balance sheet under IFRS and the Corporation's date of transition to IFRS is January 1, 2010.

Prior to the adoption of IFRS, for all periods up to and including the year ended December 31, 2010, the Corporation's consolidated financial statements were prepared in accordance with Canadian GAAP. The principal adjustments made by the Corporation in preparing its IFRS opening consolidated balance sheet as of January 1, 2010, and in restating its Canadian GAAP consolidated financial statements for the year ended December 31, 2010 are as follows:

IFRS 1: exemptions and exceptions

The Corporation has applied IFRS 1 in preparing these consolidated financial statements. The Corporation is required to establish IFRS accounting policies as of the transition date and, in general, to apply these retrospectively to determine the IFRS opening balance sheet as at January 1, 2010. This Standard provides a number of mandatory exceptions and optional exemptions to this general principle of retrospective application. Descriptions of applicable exemptions and exceptions are set out below, together with the Corporation's elections:

Optional exemptions

1. Business combinations

   IFRS 1 provides the option to apply IFRS 3R (revised), *Business Combinations*, retrospectively or prospectively from the transition date. A retrospective basis would require restatement of all business combinations that occurred prior to the transition date. The Corporation has elected not to apply IFRS 3R retrospectively to business combinations that occurred prior to January 1, 2010. Accordingly, IAS 27, *Consolidated and Separate Financial Statements*, is also applied prospectively. Any goodwill arising on acquisitions before January 1, 2010 has not been adjusted from the carrying value previously determined under Canadian GAAP as a result of applying this exemption.

2. Defined benefit plans

   IFRS 1 provides the option to recognize all cumulative actuarial gains and losses on defined benefit plans deferred under Canadian GAAP in opening retained earnings as of the transition date. The Corporation elected to recognize all cumulative actuarial gains and losses that existed as of January 1, 2010 in opening retained earnings for all of its defined benefit plans.

30. TRANSITION TO IFRS (continued)

IFRS 1: exemptions and exceptions (continued)

Mandatory exceptions

3. Estimates

   In accordance with IFRS 1, an entity's estimates under IFRS as of the transition date to IFRS must be consistent with estimates made for the same date under previous Canadian GAAP, unless there is objective evidence that those estimates were in error. The estimates previously made by the Corporation under Canadian GAAP were not revised on the application of IFRS.

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

30. TRANSITION TO IFRS (continued)

Reconciliation of Canadian GAAP to IFRS

The following tables show the reconciliation of the consolidated statements of income, comprehensive income (loss) and cash flows of the Corporation for the year ended December 31, 2010, and the reconciliation of the consolidated balance sheets and equity as at January 1, 2010 and December 31, 2010.

(a) Consolidated statement of income and comprehensive income (loss) for the year ended December 31, 2010

	Explanation	Canadian GAAP	IFRS adjustments	IFRS
Revenues		$448,192	$–	$448,192
Operating, selling and administrative expenses	(i), (ii)	372,040	1,275	373,315
Amortization of property, plant and equipment and intangible assets		15,061	–	15,061
Financial expenses		5,621	–	5,621
Restructuring costs of operations, impairment of assets and other costs		9,138	–	9,138
Income before income taxes, non-controlling interest and share of income of associated corporation		46,332	(1,275)	45,057
Income taxes	(vi)	9,929	(345)	9,584
Non-controlling interest	(vii)	(653)	653	–
Share of income of associated corporation		(1,116)	–	(1,116)
Net income		$38,172	$(1,583)	$36,589
Other comprehensive loss	(i), (vi)	–	(5,189)	(5,189)
Comprehensive income (loss)		$38,172	$(6,772)	$31,400
Net income (loss) attributable to:				
Shareholders		$38,172	$(930)	$37,242
Non-controlling interest	(vii)	–	(653)	(653)
Basic and diluted earnings per share attributable to shareholders		$1.61	$(0.04)	$1.57
Comprehensive income (loss) attributable to:				
Shareholders		$38,172	$(6,119)	$32,053
Non-controlling interest	(vii)	–	(653)	(653)

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

30. TRANSITION TO IFRS (continued)

Reconciliation of Canadian GAAP to IFRS (continued)

(b) Consolidated statement of cash flows for the year ended December 31, 2010

The adjustments made by the Corporation in restating its consolidated financial statements for the year ended December 31, 2010, previously published in accordance with Canadian GAAP, had no impact on the totals for the various cash flow categories.

(c) Consolidated balance sheet as of January 1, 2010

	Explanation	Canadian GAAP	IFRS adjustments	IFRS
Assets				
Current assets	(vi)	$187,863	$(4,818)	$183,045
Non-current assets				
Broadcast and distribution rights		38,950	–	38,950
Investments		11,637	–	11,637
Property, plant and equipment		79,123	–	79,123
Licences and other intangible assets	(iv)	86,789	23,261	110,050
Goodwill		71,981	–	71,981
Accrued benefit asset	(i)	8,900	(8,900)	–
Deferred income taxes	(vi)	280	2,374	2,654
		297,660	16,735	314,395
Total assets		$485,523	$11,917	$497,440
Liabilities and equity				
Current liabilities	(ii), (iii)	$124,314	$2,735	$127,049
Non-current liabilities				
Long-term debt		88,580	–	88,580
Other liabilities	(i), (ii)	6,583	19,083	25,666
Deferred income taxes	(vi)	28,951	(16,938)	12,013
		124,114	2,145	126,259
Equity				
Capital stock		98,647	–	98,647
Contributed surplus	(v)	4,145	(4,145)	–
Retained earnings	(i), (ii), (iv) – (vii)	134,303	11,182	145,485
Shareholders’ equity		237,095	7,037	244,132
Total liabilities and equity		$485,523	$11,917	$497,440

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

30. TRANSITION AUX IFRS (continued)

Reconciliation of Canadian GAAP to IFRS (continued)

d) Consolidated balance sheet as at December 31, 2010

	Explanation	Canadian GAAP	IFRS adjustments	IFRS
Assets				
Current assets	(vi)	$203,838	$(2,710)	$201,128
Non-current assets				
Broadcast and distribution rights		34,058	–	34,058
Investments		12,527	–	12,527
Property, plant and equipment		86,208	–	86,208
Licences and other intangible assets	(iv)	89,214	23,261	112,475
Goodwill		71,981	–	71,981
Accrued benefit asset	(i)	16,426	(16,426)	–
Deferred income taxes	(vi)	25	669	694
		310,439	7,504	317,943
Total assets		$514,277	$4,794	$519,071
Liabilities and equity				
Current liabilities	(ii), (iii)	$116,836	$3,125	$119,961
Non-current liabilities				
Long-term debt		90,338	–	90,338
Other liabilities	(i), (ii)	5,528	19,541	25,069
Deferred income taxes	(vi)	28,551	(18,790)	9,761
Non-controlling interest	(vii)	4,511	(4,511)	–
		128,928	(3,760)	125,168
Equity				
Capital stock		98,647	–	98,647
Contributed surplus	(v)	4,145	(4,145)	–
Retained earnings	(i), (ii), (iv) – (vii)	165,721	5,063	170,784
Shareholders' equity		268,513	918	269,431
Non-controlling interest	(vii)	–	4,511	4,511
		268,513	5,429	273,942
Total liabilities and equity		$514,277	$4,794	$519,071

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

30. TRANSITION TO IFRS (continued)

Reconciliation of Canadian GAAP to IFRS (continued)

(e) Equity

	Explanation	December 31, 2010	January 1, 2010
Shareholders' equity under Canadian GAAP		$268,513	$237,095
IFRS adjustments:			
Defined benefit plans	(i)	(35,415)	(27,080)
Stock-based compensation	(ii)	(3,677)	(3,638)
Intangible assets with indefinite useful lives	(iv)	23,261	23,261
Income taxes	(vi)	16,749	14,494
		918	7,037
Non-controlling interest	(vii)	4,511	–
Equity under IFRS		$273,942	$244,132
Equity attributable to:			
Shareholders		$269,431	$244,132
Non-controlling interest	(vii)	4,511	–

(f) Comprehensive income (loss)

	Explanation	2010
Comprehensive income under Canadian GAAP		$38,172
IFRS adjustments to net income:		
Defined benefit plans	(i)	(1,236)
Stock-based compensation	(ii)	(39)
Income taxes	(vi)	345
Non-controlling interest	(vii)	(653)
		(1,583)
IFRS adjustments to comprehensive income (loss):		
Defined benefit plans	(i)	(7,098)
Income taxes	(vi)	1,909
		(5,189)
Comprehensive income under IFRS		$31,400

30. TRANSITION TO IFRS (continued)

Reconciliation of Canadian GAAP to IFRS (continued)

The significant differences between the 2010 financial information prepared under Canadian GAAP and the same financial information prepared under IFRS are explained as follows:

(i) Defined benefit plans

As stated in the section "IFRS 1: exemptions and exceptions", the Corporation elected to recognize all cumulative actuarial gains and losses under Canadian GAAP that existed as at January 1, 2010 in opening retained earnings under IFRS for all of its defined benefit plans.

Actuarial gains and losses

Under IFRS, the Corporation elected to immediately recognize all actuarial gains and losses arising after January 1, 2010 as a component of other comprehensive income (loss) without recycling those gains or losses to the consolidated statement of income in subsequent periods. As a result, actuarial gains and losses are not amortized to the statement of income but rather are recorded directly to other comprehensive income (loss) at the end of each reporting period. In the consolidated statement of equity, the cumulative balance of actuarial gains and losses are presented under retained earnings. Under Canadian GAAP, the Corporation was recording in the consolidated statements of income any cumulative unrecognized net actuarial gains and losses in excess of 10% of the greater of the defined benefit obligation, or the fair value of plan assets, over the expected average remaining service period of the active employee group covered by the plans.

Past service costs

Under IFRS, past service costs are recognized on a straight-line basis over the vesting period. Under Canadian GAAP, past service costs were amortized over the expected average remaining service period of the active employee group covered by the plans (with the exception of certain pension plans for which past service costs were recognized in income as incurred).

30. TRANSITION TO IFRS (continued)

Reconciliation of Canadian GAAP to IFRS (continued)

(i) Defined benefit plans (continued)

Benefit asset limit and minimum funding liability

Under IFRS, recognition of the net benefit asset under certain circumstances is limited to the amount recoverable, which is primarily based on the extent to which the Corporation can unilaterally reduce future contributions to the plan. In addition, an adjustment to the net benefit asset or the net benefit obligation can be recorded to reflect a minimum funding liability. Since the Corporation has elected to recognize actuarial gains or losses arising after January 1, 2010 in other comprehensive income (loss), changes in the net benefit asset limit or in the minimum funding liability adjustment since January 1, 2010 are also recognized in other comprehensive income (loss) and immediately recorded in retained earnings. Under Canadian GAAP, a concept similar to the asset limit existed, although the calculation of the recoverable amount was different and changes in the valuation allowance were recognized in the consolidated statement of income. As for the minimum funding liability, there was no such concept under Canadian GAAP.

(ii) Stock-based compensation

Under IFRS, the liability related to stock-based awards that call for settlement in cash or other assets must be measured at its fair value and re-measured at its fair value at the end of each reporting period. Under Canadian GAAP, the liability was measured and re-measured at each reporting date at the intrinsic values of the stock-based awards instead of at their fair value.

Under IFRS, when a stock-based payment vests in instalments over a vesting period (“graded vesting”), each instalment is accounted for as a separate arrangement. Under Canadian GAAP, the Corporation had the choice of treating the instrument as a pool, with the measurement being determined using the average life of the stock-based awards.

(iii) Provisions

Provisions must be presented separately in the balance sheet under IFRS.

(iv) Intangible assets with indefinite useful lives

Under IFRS, indefinite lived assets are not amortized, while under Canadian GAAP, they were amortized until January 1, 2002. Accordingly, the Corporation has reversed amortization previously recognized on its broadcasting licences in opening retained earnings at the transition date.

30. TRANSITION TO IFRS (continued)

Reconciliation of Canadian GAAP to IFRS (continued)

(v) Related party transactions

Under IFRS, no particular recognition or measurement requirements for related party transactions exist; accordingly, the recognition and measurement of related party transactions must follow existing IFRS standards that apply to the transaction. Under Canadian GAAP, related party transactions could be recognized at the carrying amount of the assets being transferred or at the exchange amount, depending on certain criteria. As stated in the above section “IFRS 1: exemptions and exceptions”, the Corporation elected not to restate any business combinations arising before January 1, 2010, including those entered into between companies under common control. In addition, transfers of assets that had been recognized at the carrying amount under Canadian GAAP were restated to their exchange amounts, as allowed under IFRS.

(vi) Income taxes

The expected manner of recovery of intangible assets with indefinite useful lives for purposes of calculating deferred income taxes is different under IFRS than under Canadian GAAP. This difference resulted in a reduction in the deferred income tax liability related to these assets at transition.

Other adjustments to income taxes represent the tax impacts of other IFRS adjustments.

In addition, deferred income tax assets and liabilities are presented as non-current items under IFRS, even if it is anticipated that they will be realized in the short term.

(vii) Non-controlling interest

Under IFRS, non-controlling interest is presented as a separate component of equity in the balance sheet, while under Canadian GAAP it was presented as a separate component between liabilities and equity. In the consolidated statements of income and comprehensive income (loss) under IFRS, net income and comprehensive income are calculated before non-controlling interest and then attributed to shareholders and non-controlling interest. Under Canadian GAAP, non-controlling interest was presented as a component of net income and of comprehensive income (loss).

31. EVENT AFTER THE REPORTING PERIOD

On February 24, 2012, the Corporation completed the renewal of its revolving term loan of $100,000,000 for a five-year term with similar conditions, except for the borrowing cost, which is more favourable for the Corporation.

TVA GROUP INC.
Management's Discussion and Analysis
for the years ended December 31, 2011 and 2010

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 sectors: Television and Publishing. In the Television sector, the Corporation creates, produces and broadcasts entertainment, information and public affairs programming and distributes audiovisual products and films, in addition to its commercial production and home shopping operations. It operates North America's largest private French-language television network, as well as 11 specialty services. TVA Group also holds a minority interest in the Canal Évasion specialty channel. In the Publishing sector, TVA Group produces over 75 magazines, making it Quebec's largest publisher of French-language magazines. It also offers custom publishing, commercial printed production services and premedia services that promote customers' trademarks through print media. The Corporation's Class B shares are listed on the Toronto Stock Exchange under the ticker symbol TVA.B.

This Management Discussion and Analysis covers the Corporation's main activities during the year ended December 31, 2011 and the major changes from the previous financial year. As described in Note 1 in the Corporation's consolidated financial statements for the year ended December 31, 2011, Canadian generally accepted accounting principles ("GAAP"), which were previously used in preparing our consolidated financial statements, have been replaced with the adoption of International Financial Reporting Standards ("IFRS") on January 1, 2011. The Corporation's consolidated financial statements for the year ended December 31, 2011 have therefore been prepared in accordance with IFRS. Comparative figures for 2010 have also been restated. Comparative figures for 2009, which were prepared in accordance with Canadian GAAP, have not been restated.

All the amounts presented in this Management Discussion and Analysis are in Canadian dollars. This Management Discussion and Analysis should be read in conjunction with the additional information and details on the adjustments to the comparative figures for 2010 made following adoption of IFRS, as explained in Note 30 in the consolidated financial statements for the year ended December 31, 2011.

BUSINESS SECTORS

The Corporation's business sectors are as follows:

- The Television sector includes the activities of TVA Network (including the subsidiaries and divisions TVA Productions Inc., TVA Sales and Marketing Inc., TVA Accès, TVA Création, TVA Nouvelles, TVA Interactif), specialty services, the national English-language specialty service SUN News Network ("SUN News"), the home and online shopping services of the TVA Boutiques division, as well as the audiovisual and film distribution operations of the TVA Films division.
- The Publishing sector includes the activities of TVA Publications Inc. ("TVA Publications"), a content provider specializing in publishing French-language magazines in various fields, including the arts, entertainment, television, fashion, decoration, as well as its TVA Studio division, which specializes in custom publishing activities, commercial print productions and premedia services.

HIGHLIGHTS SINCE END OF 2010

- On February 24, 2012, the Corporation completed the renewal of its $100,000,000 revolving credit facility for a 5-year term on similar conditions, except that credit costs are now more advantageous for the Corporation.

- On December 22, 2011, TVA Group announced an agreement to sell its 50% interest in the “Mystery TV” specialty service and its 51% interest in “The Cave” specialty service to Shaw Media Global Inc.

- In December 2011, the Canadian Radio-television and Telecommunications Commission (“CRTC”) held hearings on renewal of the broadcasting licences of TVA Network and of some specialty services. A decision is expected in the first six months of 2012.

- On November 22, 2011, the Corporation announced an agreement with Bell for carriage of four specialty services, namely “TVA Sports,” “Mlle,” “YOOPA” and SUN News. With the other agreements reached during the year, this agreement secures carriage of all of the Corporation’s specialty services on the country’s major broadcasting distribution undertakings.

- On October 31, 2011, the Corporation returned its broadcasting licence for the English-language conventional station “SUN TV” to the CRTC.

- On September 12, 2011, the Corporation launched “TVA Sports,” a French-language specialty service that covers all aspects of sports. Its programming includes, among others, Ottawa Senators, Toronto Blue Jays, Montréal Impact, Ultimate Fighting Championship (UFC) and National Basketball Association (NBA) events.

- On August 8, 2011, in view of the Corporation’s significant investments in capital projects and several specialty service launches, the Board of Directors decided to suspend dividend payments and the Corporation announced that it did not intend to make any share purchases under its Normal Course Issuer Bid.

- On May 2, 2011, the Corporation launched the “Mlle” specialty service, dedicated to style, beauty and the well-being of Quebec women.

- On April 18, 2011, TVA Group launched SUN News, a national English-language news and opinion specialty service.

- At the beginning of April 2011, TVA Studio, a division of TVA Publications, landed a five-year contract for full management and production of Jean Coutu Group’s weekly flyers.

- On March 17, 2011, the Corporation filed a Normal Course Issuer Bid to repurchase for cancellation between March 21, 2011 and March 20, 2012, up to 972,545 of the Corporation’s Class B shares, representing approximately 5% of the number of Class B shares issued and outstanding. As at December 31, 2011, no Class B shares had been repurchased for cancellation.

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 Discussion and Analysis may not be comparable to other measures reported by other companies with similar standards.

Operating income (loss)

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

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

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

	Years ended December 31		Three months ended December 31	
	2011	2010	**2011**	2010
Operating income:				
Television	**$ 39,944**	$ 63,277	**$ 18,097**	$ 26,827
Publishing	**10,580**	11,600	**2,560**	2,305
	50,524	74,877	**20,657**	29,132
Amortization of property, plant and equipment and intangible assets	**17,437**	15,061	**4,909**	4,147
Financial expenses	**5,947**	5,621	**1,570**	1,419
Restructuring costs of operations, impairment of assets and other costs	**1,665**	9,138	**1,032**	792
Income taxes	**9,613**	9,584	**4,264**	4,324
Share of income of associated corporation	**(574)**	(1,116)	**(289)**	(406)
Non-controlling interest	**(9,167)**	(653)	**(2,297)**	(449)
Net income attributable to shareholders	**$ 25,603**	$ 37,242	**$ 11,468**	$ 19,305

2011/2010 FINANCIAL YEAR COMPARISON

Analysis of consolidated results of TVA Group

Operating revenues: $445,495,000, a decrease of $2,697,000 (-0.6%).

- $1,571,000 (0.4%) increase in the Television sector (Table 2), due mainly to operating revenue increases of 18.1% at the specialty services, 30.4% at the TVA Accès division, and 2.2% at TVA Network, partially offset by the revenue loss resulting from the termination of the operations of the SUN TV station in April 2011 and the 47.6% decrease in TVA Films' operating revenues.
- $4,382,000 (-5.8%) decrease in the Publishing sector (Table 2) primarily due to a 12.6% decrease in newsstand revenues and a 6.4% decrease in advertising revenues, partially offset by a 54.7% increase in the TVA Studio division's operating revenues.

Table 2
Operating revenues
(in thousands of dollars)

	Years ended December 31		Three months ended December 31	
	2011	2010	**2011**	2010
Television	**$ 378,854**	$ 377,283	**$ 114,447**	$ 115,516
Publishing	**70,622**	75,004	**18,286**	19,260
Intersegment items	**(3,981)**	(4,095)	**(1,097)**	(1,389)
	$ 445,495	$ 448,192	**$ 131,636**	$ 133,387

Operating income: $50,524,000, a decrease of $24,353,000 (-32.5%).

- $23,333,000 (-36.9%) decrease in the Television sector (Table 3), mainly because of the operating results of the new "Mlle" and "TVA Sports" specialty services, launched in May and September 2011 respectively, a 93.9% increase in the combined operating loss of "SUN TV" and SUN News, and a 7.5% decrease in operating income at TVA Network.
- $1,020,000 (-8.8%) decrease in the Publishing sector (Table 3), mainly due to the impact of lower operating revenues, despite a 5.3% reduction in operating expenses.

Table 3
Operating income
(in thousands of dollars)

	Years ended December 31		Three months ended December 31	
	2011	2010	**2011**	2011
Television	**$ 39,944**	$ 63,277	**$ 18,097**	$ 26,827
Publishing	**10,580**	11,600	**2,560**	2,305
	$ 50,524	$ 74,877	**$ 20,657**	$ 29,132

Net income attributable to shareholders: $25,603,000 ($1.08 per diluted share) compared with $37,242,000 ($1.57 per diluted share) in 2010**.**

- The negative variance of $11,639,000 ($0.49 per diluted share) was mainly due to:
  - o $24,353,000 decrease in operating income; and
  - o $2,376,000 increase in amortization expense.

  Partially offset by:
  - o $8,514,000 increase in the loss absorbed by non-controlling interest; and
  - o $7,473,000 decrease in restructuring costs of operations, impairment of assets and other costs.
- The calculation of per-share amounts was based on a weighted average of 23,770,906 outstanding diluted shares for the years ended December 31, 2011 and 2010.

Amortization of property, plant and equipment and intangible assets: $17,437,000, an increase of $2,376,000 (15.8%).

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

Restructuring costs of operations, impairment of assets and other costs: $1,665,000 for 2011, compared with $9,138,000 for 2010.

- The $7,473,000 reduction was mainly due to:
  - o recognition in 2011 of an additional impairment expense related to the broadcast rights inventory in the amount of $699,000, compared with a $5,966,000 impairment expense for broadcast rights inventories and a $2,235,000 impairment expense for certain equipment recorded in 2010, arising from the Corporation's repositioning in connection with the launch of SUN News in the spring of 2011.

Income tax expense: $9,613,000 (effective tax rate of 37.7%) in 2011, compared with $9,584,000 (effective tax rate of 21.3%) in 2010.

- The tax rate was higher than the Corporation's statutory tax rate of 28.4% mainly because of Sun Media Corporation's share in the tax savings generated by the operating losses of SUN News, as well as permanent differences related to non-deductible items.

- During 2010, in light of developments in tax audits, jurisprudence and tax legislation, the Corporation reduced its deferred tax liabilities by $4,847,000 ($457,000 in 2011). Excluding the tax savings, the tax rate for 2010 would have been 32.1% (39.5% in 2011).

Share of income of associated corporation: $574,000, a $542,000 decrease reflecting weaker financial results of a television company, compared with 2010.

Non-controlling interest: $9,167,000 in 2011 compared with $653,000 in 2010.

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

Segmented analysis

Television

Operating revenues: $378,854,000, an increase of $1,571,000 (0.4%), mainly due to the following factors:

- 2.2% increase in TVA Network's operating revenues:
  - 0.7% increase in advertising revenues, partially attributable to the 53rd week; and
  - 14.5% increase in operating revenues other than advertising revenues, largely as a result of revenues from production activities and the sale of content, revenues received for the distribution of distant signals, and revenues from the Local Programming Improvement Fund ("LPIF").
- 26.7% increase in advertising revenues at the specialty services:
  - 14.6% increase at "LCN," 116.7% at "addikTV," 80.5% at "CASA";
  - the new "Mlle" and "TVA Sports" specialty services accounted for 32.8% of the growth.
- 12.3% increase in subscription revenues from the specialty services:
  - The "YOOPA" service launched on April 1, 2010 accounted for 29.7% of the total growth in subscription revenues;
  - the new "Mlle" and "TVA Sports" specialty services accounted for 22.8% of the growth; and "addikTV" and "Prise 2" posted growth rates of 16.3% and 15.2% respectively.
- 30.4% increase in operating revenues at the TVA Accès division due to higher volume of commercial production and diversification of activities, notably into television dubbing.

Partially offset by:

- 75.1% net decrease in the combined revenues of "SUN TV" and SUN News following the launch of SUN News in April 2011;
- 47.6% decrease in revenue at the TVA Films division, due largely to lower revenues from home entertainment (DVD/Blu-ray) and fewer successful theatrical releases in 2011 than in 2010, when the movie "Piché; entre ciel et terre" was a Québec box office hit.

French-language market ratings

For the period of January 1 to December 31, 2011, TVA Network's market share dropped 0.9 point compared with the same period of 2010 while the market shares of the V Network increased by 0.8 and Société Radio-Canada ("SRC") by 0.6. TVA Network remains in the lead with a 24.2 market share, more than its two main conventional rivals combined. In addition, most of our specialty services grew their market share, in particular "addikTV," which posted a

0.7 point increase, and “Prise 2,” “CASA” and “YOOPA,” which each posted a 0.1 point increase. “LCN” held its 3.9 market share, compared with 3.1 for “RDI.” Our new specialty channels “Mlle” and “TVA Sports” had market shares of 0.1 and 0.3 points respectively for 2011.

TVA Group’s French-language specialty services had a combined market share of 7.6 in 2011, compared with 6.2 in 2010, an increase of 1.4 points or 22.6%. TVA Group’s total market share increased 1.6% from 31.3 in 2010 to 31.8 in 2011, despite strong competition in the television market. TVA Network carried 19 of the 30 most-watched programs in Quebec during the year, including “On connaît la chanson,” which attracted nearly 1.9 million viewers.

Table 4
French-language market ratings

Year 2011 vs 2010
Market shares (%)

	2011	2010	Var. %	Difference
French-language conventional broadcasters:				
TVA	**24.2**	25.1	- 3.6%	- 0.9
SRC	**13.0**	12.4	+ 4.8%	+0.6
V	**8.1**	7.3	+ 11.0%	+0.8
Total	**45.3**	44.8	+1.1%	+0.5
French-language specialty:				
TVA	**7.6**	6.2	+22.6%	+1.4
Other	**39.4**	40.9	-3.7%	-1.5
Total	**47.0**	47.1	-0.2%	-0.1
Total English-language and others	**7.7**	8.1	-4.9%	-0.4
TVA Group	**31.8**	31.3	+1.6%	+0.5

Source: BBM Ratings. French Quebec, January 1 to December 31, 2011, l-d, 2h-2h, t2+.

Operating expenses: $338,910,000, a $24,904,000 (7.9%) increase.

- The increase was due primarily to:
  - 49.0% increase in operating expenses at the specialty services, mainly reflecting the expenses of the new “Mlle” and “TVA Sports” services and increased programming expenditures at our other specialty services; and
  - 4.8% increase in operating expenses at TVA Network, mainly because of:
    - operating expenses in the 53rd week of the year;
    - 6.2% increase in programming costs as a result of our programming strategy and spending on LPIF-eligible expenses;
    - increase in the pension expense in 2011.
  - 26.4% increase in expenses, related to higher volume at the TVA Accès division.

  Partially offset by:
  - 8.7% decrease in the combined operating expenses of “SUN TV” and SUN News; and

- 46.2% decrease in the TVA Films division's operating expenses, primarily due to:
  - lower volume in home entertainment products and theatrical releases; and
  - lower administration costs in 2011 as a result of restructuring in the second quarter of 2010.

Operating income: $39,944,000, a decrease of $23,333,000 (-36.9%), primarily due to:

- decrease in the combined revenues of "SUN TV" and SUN News;
- operating losses associated with the launch of the new specialty services "Mlle" and "TVA Sports"; and
- 7.5% decrease in TVA Network's operating income.

Partially offset by:

- 43.6% improvement in operating income at the TVA Accès division; and
- 32.3% decrease in the TVA Films division's operating loss.

Cost/revenue ratio: Operating costs for the Television sector's activities (expressed as a percentage of revenues) increased from 83.2% in 2010 to 89.5% in 2011, mainly because of the increase in operating expenses due primarily to the launch of the new "Mlle" and "TVA Sports" specialty services, as well as the decrease in revenues caused by the termination of SUN TV's operations.

Publishing

Operating revenues: $70,622,000, a decrease of $4,382,000 (-5.8%), primarily due to the following factors:

- 12.6% decrease in combined newsstand revenues for our magazines; and
- 6.4% decrease in advertising revenues.

Partially offset by:

- 54.7% increase in revenues from the TVA Studio division’s activities.

Readership and market share statistics

- Together, TVA Publications magazines hold 49% of cumulative monthly French-Quebec readership, according to data compiled by the PMB (Print Measurement Bureau – Fall 2011).
- Our weeklies reach a combined total of close to 2.7 million Canadian readers per week (Print Measurement Bureau – Fall 2011). The showbiz and celebrity news magazine *7 Jours* alone has 889,000 readers.
- TVA Group is the leader in newsstand sales, with over 70% of the newsstand market for French-language magazines in Quebec and 49% of total unit sales of French-language magazines in Quebec (source: Audit Bureau of Circulation, December 31, 2011).

Canada Periodical Fund (CPF)

The Government of Canada launched the Canada Periodical Fund (CPF) on April 1, 2010. The CPF provides financial assistance to the Canadian magazine and non-daily newspaper industries so they can continue to produce and distribute Canadian content. It replaces the Publications Assistance Program (PAP) and the Canada Magazine Fund (CMF), which ended on March 31, 2010. All assistance related to this new program is now fully recorded under operating revenues. The old PAP program provided assistance for magazine distribution and was applied against distribution expenses (approximately $550,000 per quarter) while the CMF program was recorded under operating revenues.

Operating expenses: $60,042,000, a decrease of $3,362,000 (-5.3%), primarily due to the following factors:

- 11.6% decrease in printing and packaging expenses as a result of reductions in printing costs and newsstand premiums;
- 18.9% reduction in variable costs related to advertising sales, due in large part to commissions and the charge for bad debts;
- 70.5% decrease in distribution and canvassing expenses; and
- 18.2% decrease in marketing and advertising expenses.

Partially offset by:

- 45.3% increase in operating expenses as a result of increased activity at the TVA Studio division.

Operating income: $10,580,000, a decrease of $1,020,000 (-8.8%) caused mainly by lower newsstand and advertising revenues and other income, combined with the impact of across-the-board reductions in operating expenses.

Cost/revenue ratio: Operating costs for activities of the Publishing sector (expressed as a percentage of revenues) relatively stable at 85.0% in the year ended December 31, 2011, compared with 84.5% in 2010.

2011/2010 FOURTH QUARTER COMPARISON

Analysis of consolidated results of TVA Group

Operating revenues: $131,636,000, a decrease of $1,751,000 (-1.3%).

- $1,069,000 (-0.9%) decrease in the Television sector, due mainly to a 2.5% decrease in TVA Network's operating revenues, a 60.6% net decrease in the combined revenues of "SUN TV" and SUN News following the launch of the SUN News specialty news service in April 2011, and a 47.1% decrease in the TVA Films division's operating revenues, partially offset by a 27.7% increase in operating revenues at the specialty services.
- $974,000 (-5.1%) decrease in the Publishing sector, primarily due to a 15.6% decrease in newsstand revenues and a 12.1% decrease in advertising revenues, partially offset by a 186.8% increase in revenues from custom printing.

Operating income: $20,657,000, a decrease of $8,475,000 (-29.1%).

- $8,730,000 (-32.5%) decrease in the Television sector, due mainly to the operating loss of the new "TVA Sports" specialty service launched in the third quarter of 2011, the 7.0% decrease in operating income at TVA Network, and the 48.9% net increase in the combined operating loss of "SUN TV" and SUN News.
- $255,000 (11.1%) increase in the Publishing sector due primarily to across-the-board operating cost reductions, despite a 5.1% decrease in operating revenues.

Net income attributable to shareholders: $11,468,000 ($0.48 per diluted share) for the fourth quarter of 2011, compared with $19,305,000 ($0.81 per diluted share) in the same period of 2010.

- The negative variance of $7,837,000 ($0.33 per diluted share) was mainly due to:
    - $8,475,000 decrease in operating income;
    - $762,000 increase in amortization expense; and
    - $240,000 increase in restructuring costs of operations, impairment of assets and other costs.

  Partially offset by:
    - $1,848,000 increase in the loss absorbed by non-controlling interest.
- The calculation of per-share amounts was based on a weighted average of 23,770,906 outstanding diluted shares for the quarters ended December 31, 2011 and 2010.

Amortization of property, plant and equipment and intangible assets: $4,909,000, an increase of $762,000 (18.4%).

- This increase was mainly due to the same factors as those noted above under "2011/2010 financial year comparison."

Restructuring costs of operations, impairment of assets and other costs: $1,032,000 in the fourth quarter of 2011, compared with $792,000 in the same quarter of 2010, a $240,000 increase.

- The Corporation recorded a $327,000 charge in the fourth quarter of 2011 for the cancellation of transmission contracts related to the operations of "SUN TV" and a $624,000 restructuring charge related to reorganization of operations in the Television sector. As a result of the repositioning of "SUN TV," the Corporation recorded an impairment expense related to its broadcast rights inventories in the amount of $538,000 and a provision for restructuring costs of operations in the amount of $254,000 in the fourth quarter of 2010.

Income tax expense: $4,264,000 (effective tax rate of 32.4%) during the fourth quarter of 2011 compared with $4,324,000 (effective tax rate of 19.0%) for the same period of 2010.

- The tax rate was higher than the Corporation's statutory tax rate of 28.4% mainly because of Sun Media Corporation's share in the tax savings generated by the operating losses of SUN News, as well as permanent differences related to non-deductible items.

- During the fourth quarter of 2010, in light of developments in tax audits, jurisprudence and tax legislation, the Corporation reduced its deferred tax liabilities by $3,366,000 ($156,000 in 2011). Excluding the tax saving, the tax rate for the fourth quarter of 2010 would have been 33.8% (33.6% in 2011).

Non-controlling interest: $2,297,000 in the fourth quarter of 2011, compared with $449,000 in the same quarter of 2010.

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

Share of income of associated corporation: $289,000, a $117,000 decrease reflecting weaker financial results at a television company compared with the same period of 2010.

Segmented analysis

Television

Operating revenues: $114,447,000, a decrease of $1,069,000 (-0.9%), primarily due to the following factors:

- 2.5% decrease in operating revenues at TVA Network, mainly as a result of a 1.7% decline in advertising revenues;

- 60.6% net decrease in the combined revenues of "SUN TV" and SUN News following the launch of SUN News in April 2011; and

- 47.1% decrease in operating revenues at the TVA Films division due primarily to lower volume in the home entertainment segment (DVD/Blu-ray).

Partially offset by:

- 40.5% increase in advertising revenues at the specialty services, essentially caused by:
    - launch of the new "TVA Sports" specialty service, which accounted for 43% of the growth; and
    - 23.1% increase in advertising revenues across the other specialty services.

- 18.3% increase in subscription revenues from the specialty services:
    - 14.0%, 13.0%, 30.6% and 8.7% growth at "addik^{TV}," "Prise 2," "YOOPA" and "CASA" respectively; while
    - the new "Mlle" and "TVA Sports" specialty services accounted for 53.0% of the growth.

French-language market ratings

For the period of October 3 to January 1, 2012, TVA Network's market share decreased by 2.0 points compared with the same period of 2010, while the market share of the V Network increased by 1.5 point and that of SRC by 0.1 point. TVA Network remains in the lead with a 24.2 market share, more than its two main conventional rivals combined. In addition, the specialty services "addik^{TV}" and "Prise 2" grew their market share with increases of 0.6 and 0.2 points respectively. The market share of "LCN" decreased by 0.3 point to 3.5, compared with 2.8 for "RDI."

The TVA Group's French-language specialty services had a combined market share of 7.3 in the fourth quarter of 2011, compared with 6.5 in the same period of 2010, an increase of 0.8 point or 12.3%. TVA Network carried 18 of the 30 most-watched programs in Quebec during the fourth quarter of 2011, including the number 2 show, "On connaît la chanson," which attracted more than 1.9 million viewers.

Table 5
French-language market ratings

Autumn 2011 vs Autumn 2010
Market shares (%)

	2011	2010	Var. %	Difference
French-language conventional broadcasters:				
TVA	**24.2**	26.2	- 7.6%	- 2.0
SRC	**13.3**	13.2	+0.8%	+0.1
V	**8.5**	7.0	+21.4%	+1.5
Total	**46.0**	46.4	-0.9%	-0.4
French-language specialty:				
TVA	**7.3**	6.5	+12.3%	+0.8
Other	**39.4**	39.5	-0.3%	-0.1
Total	**46.7**	46.0	+1.5%	+0.7
Total English-language and others	**7.2**	7.7	-6.5%	-0.5
TVA Group	**31.5**	32.7	-3.7%	-1.2

Source: BBM Ratings. French Quebec, October 3 to January 1, 2012, l-d, 2h-2h, t2+.

Operating expenses: $96,350,000, an increase of $7,661,000 (8.6%).

- The increase was due primarily to:
    - operating costs of the new specialty service "Mlle," launched on May 2, 2011, and "TVA Sports," launched on September 12, 2011.

Partially offset by:

- lower operating expenses at TVA Films due to lower volume in 2011.

Operating income: $18,097,000, a decrease of $8,729,000 (-32.5%), primarily due to:

- operating loss of the new "TVA Sports" specialty service, which was in the free preview period for most of the fourth quarter of 2011;
- 7.0% decrease in TVA Network's operating income; and
- operating loss of the new SUN News specialty service during the free preview period, which was still partially in effect at some broadcasting distribution undertakings during the fourth quarter of 2011.

Partially offset by:

- decrease in the operating loss of SUN TV.

Cost/revenue ratio: Operating costs for the Television sector's activities (expressed as a percentage of revenues) increased from 76.8% during the three-month period ended December 31, 2010 to 84.2% in the same period of 2011 because of the increase in operating expenses, due primarily to the launch of the new "TVA Sports" specialty service.

Publishing

Operating revenues: $18,286,000, a decrease of $974,000 (-5.1%), primarily due to the following factors:

- 15.6% decrease in newsstand revenues. mainly at the entertainment magazines; and
- 12.1% decrease in advertising revenues, spread across all the magazine categories.

Partially offset by:

- 186.8% increase in operating revenues at the TVA Studio division, due in large part to new contracts for premedia services signed in 2011.

Operating expenses: $15,726,000, a decrease of $1,229,000 (-7.3%) caused by the following factors:

- 14.8% decrease in printing and packaging expenses as a result of reductions in printing costs and premiums included with the magazines;
- 32.4% decrease in distribution and canvassing expenses essentially related to newsstand display fees; and
- 19.5% decrease in advertising and promotion expenses, largely related to advertising campaigns.

Operating income: $2,560,000, a $255,000 (11.1%) increase primarily due to:

- across-the-board cost savings in the sector, which outweighed the decrease in operating revenues.

Cost/revenue ratio: Operating costs for the Publishing sector's activities (expressed as a percentage of revenues) were relatively stable at 86.0% during the fourth quarter of 2011, compared with 88.0% in the same period of 2010.

2010/2009 FINANCIAL YEAR COMPARISON

The table below shows the Corporation's operating results for the years ended December 31, 2010 and 2009:

Table 6
Comparative consolidated results for 2010 and 2009
(in thousands of dollars)

	Years ended December 31		
	2010[1] IFRS	2010[1] GAAP	2009 GAAP
Operating revenues:			
Television	**$** 377,283	$ 377,283	$ 368,325
Publishing	75,004	75,004	73,974
Intersegment items	(4,095)	(4,095)	(3,330)
	$ 448,192	$ 448,192	$ 438,969
Operating income :			
Television	**$** 63,277	$ 64,435	$ 68,954
Publishing	11,600	11,717	11,073
	$ 74,877	$ 76,152	$ 80,027
Total Assets	**$** 519,071	$ 514,277	$ 485,523
Non-current financial liabilities	125,168	128,328	124,114
Declared dividends	4,754	4,754	4,786

[1] ***Adjustments to 2010 financial data related to IFRS adoption on January 1, 2011 are described in Note 30 in the consolidated financial statements for the year ended December 31, 2011.***

SEGMENTED TREND AND RISK ANALYSIS FOR YEARS ENDED DECEMBER 31, 2009, 2010 AND 2011

Television

Operating revenues

The Television sector's operating revenues grew by approximately 2.9% over the past three years. The sector is affected by fragmentation of its audience across the various content delivery platforms, including the Internet and video on demand. Despite a loss of market share, TVA Network's advertising revenues held relatively steady between 2009 and 2011. The growth in the sector's operating revenues has been driven mainly by the specialty channels, which accounted for 19.1% of the sector's operating revenues in 2011, compared with 13.6% in 2009. Since 2009, the Corporation has launched four new specialty channels ("YOOPA," "Mlle," "SUN News" and "TVA Sports"), which have made a significant contribution to growing the sector's operating revenues. The growth of the TVA Accès division, which specializes in commercial video production, television dubbing and website development, also contributed to the increase.

Operating income

The Television sector's operating income decreased considerably during the period. It should be noted that an agreement between all Canadian broadcasters and the CRTC on Part II licence fees had a $9.0 million positive impact in 2009. Nevertheless, TVA Network's operating income declined only slightly during the period, mostly because of the operating costs of the new specialty channels.

Publishing

Operating revenues

The Publishing sector's operating revenues also decreased 4.5% during the period, essentially because of lower advertising revenues (-5.3%) and newsstand magazine sales (-18.4%). The entire Canadian magazine industry has seen a downward trend in operating revenues. TVA Publications held and even slightly increased its advertising market share and newsstand market share. The Publishing sector diversified its services and now offers a full range of custom publishing, commercial printed production and premedia services. The new services have grown their revenues by more than 47% over the last three years.

Operating income

The Publishing sector's operating income was stable in relation to operating revenues, at approximately 15% of revenues. Operating expenses had to be cut substantially, notably in the areas of printing and filming expenses and general and administrative expenses, to offset the decline in operating revenues.

CASH FLOWS AND FINANCIAL POSITION

Table 7 below shows a summary of cash flows provided by operating activities, investing activities and financing activities:

Table 7
Summary of the Corporation's cash flows
(in thousand of dollars)

	Years ended December 31		Three months ended December 31	
	2011	2010	**2011**	2010
Cash flows related to operating activities	**$ 24,858**	$ 22,547	**$ 2,764**	$ 10,530
Additions to property, plant and equipment and intangible assets	**(35,846)**	(24,245)	**(10,384)**	(8,306)
Class B share redemption	**-**	-	**-**	-
Dividend payments	**(2,377)**	(4,754)	**-**	(1,188)
Others	**7,040**	5,792	**16,989**	4,838
Reimbursement (increase) in net debt	**$ (6,325)**	$ (660)	**$ 9,369**	$ 5,874

	Dec.31 2011	Dec. 31 2010
At period end:		
Long-term debt	**$ 74,635**	$ 90,338
Current portion of long-term debt	**17,756**	-
Bank overdraft	**3,980**	3,557
Less: cash	**(1,756)**	(5,605)
Net debt	**$ 94,615**	$ 88,290

Operating Activities

2011 financial year

Cash flows provided by operating activities: $24,858,000 in 2011, compared with $22,547,000 for the previous year, a $2,311,000 increase. The increase was due primarily to the following factors:

- lower instalment payments related to income taxes for the year 2011;
- favourable variance in accounts receivable.

Partially offset by:

- operating losses associated with the launch of SUN News, "Mlle" and "TVA Sports"; and
- unfavourable variance in broadcast and distribution rights payable.

Working capital of TVA Group: $66,719,000 at December 31, 2011, compared with $81,167,000 at December 31, 2010, a decrease of $14,448,000.

- The decrease was due primarily to drawings as of December 31, 2011 on the revolving credit facility maturing on December 11, 2012, which are included in current liabilities, whereas drawings as of December 31, 2010 were recognized in long-term debt.

Investing Activities

2011 financial year

Acquisition of property, plant and equipment and intangible assets: $35,846,000 in 2011, compared with $24,245,000 for 2010, an increase of $11,601,000 (47.8%).

- The increase mainly reflects technical investments required for the creation of the new SUN News and “TVA Sports” specialty services, physical plant development required on account of the expansion of multiplatform production operations, and equipment needed for transitioning most analog terrestrial signals to digital.

Financing Activities

2011 financial year

Dividend payments: $2,377,000 in 2011, compared with $4,754,000 in 2010. The $2,377,000 decrease was due to the fact that, after the second quarter of 2011, the Board of Directors of TVA Group decided to suspend the payment of dividends by the Corporation in view of its significant investments in capital projects and several specialty service launches.

Non-controlling interest: $10,045,000 in 2011, compared with $5,164,000 in 2010. The $4,881,000 increase reflects additional capital injections made by Sun Media Corporation to meet SUN News General Partnership’s liquidity needs in 2011 compared with 2010.

Long-term debt: an increase of $1,694,000 as at December 31, 2011 compared with December 31, 2010:

- The increase was due to higher spending on property, plant and equipment and intangible assets, partially offset by increased cash flows provided by current operations and a decrease in dividend payments in 2011.

Financial Position at December 31, 2011

Net available liquid assets: $77,595,000, consisting in the available, unused portion of a $100,000,000 revolving credit facility.

Long-term debt of the Corporation, excluding deferred financing costs, increased by $1,694,000 from $91,288,000 at December 31, 2010 to $92,982,000 at December 31, 2011 (see “Financing activities” above).

As at December 31, 2011, minimum principal payments on long-term debt in the coming years were as follows:

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

2012	$	17,982[1]
2013		-
2014		75,000
2015		-
2016 and thereafter		-
Total	$	92,982

[1]On February 24, 2012, the Corporation completed the renewal of its revolving credit facility of $100,000,000 for a five year-term with similar conditions, bringing its maturity to 2017.

The weighted average term of TVA Group's debt was approximately 2.5 years at December 31, 2011 (3.5 years at December 31, 2010). The debt consisted of approximately 81% fixed rate debt (82% at December 31, 2010) and 19% floating rate debt (18% at December 31, 2010).

As at December 31, 2011, the consolidated debt ratio as measured by the debt-to-shareholders' equity ratio stood at 21:79 or 0.26, compared with 0.33 at December 31, 2010.

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

Under its credit agreements, the Corporation is subject to certain restrictions, including requirements to maintain certain financial ratios. As at December 31, 2011, the Corporation was in compliance with all the terms of its credit agreements.

Analysis of consolidated balance sheet as at December 31, 2011

Table 9
Consolidated balance sheet of TVA Group
(in thousand of dollars)

	Dec. 31 2011	Dec. 31 2010	Difference	Main reason for difference
Assets				
Accounts receivable	**$ 121,658**	$ 133,161	$ (11,503)	Impact of current variances in activity and late billing for the month of November in 2010.
Current asset held for sale	**$ 8,370**	$ -	$ 8,370	The Corporation's share of the assets of "The Cave" and "Mystery TV" at December 31, 2011 is recorded under this heading in view of the agreement with Shaw Media Global Inc. on December 22, 2011.
Property, plant and equipment	**$ 102,007**	$ 86,208	$ 15,799	Increased acquisitions under the Corporation's investment plan and installation of infrastructure and equipment for SUN News and "TVA Sports."
Liabilities				
Broadcast and distribution rights payable	**$ 15,778**	$ 25,879	$ (10,101)	Impact of lower inventory as a result of the termination of the activities of "SUN TV" and reduced investment in film inventories.
Current portion of long-term debt	**$ 17,756**	$ -	$ 17,756	Consists in drawings on the revolving credit facility maturing in December 2012, which were classified as long-term debt in 2010.
Long-term debt	**$ 74,635**	$ 90,338	$ (15,703)	See "Current portion of long-term debt" above.
Other liabilities	**$ 39,696**	$ 25,069	$ 14,627	Increase in liabilities related to the Corporation's pension plans, attributable to lower yields earned by the pension fund.

ADDITIONAL INFORMATION

Contractual Obligations

At December 31, 2011, material contractual obligations of operating activities included capital repayment and interest on long-term debt, payments under distribution and broadcasting rights acquisition contracts, and payments under other contractual commitments, such as operating leases for services and office space. These contractual obligations are summarized in the table below:

Table 10
Material contractual obligations of TVA Group as of December 31, 2011
(in thousand of dollars)

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Long-term debt	$ 17,982	$ 75,000	$ -	$ -	$ 92,982
Payment of interests[1]	5,630	8,310	-	-	13,940
Broadcast and distribution rights	47,693	20,621	230	-	68,544
Other commitments	10,939	11,659	6,565	9,606	38,769
Total	$ 82,244	$ 115,590	$ 6,795	$ 9,606	$ 214,235

[1] *Estimated interest payable on floating rate long-term debt is based on interest rates as of December 31, 2011.*

Related-party transactions

During 2011, the Corporation sold advertising spaces and content, recorded subscription revenues and provided production, postproduction and other services to corporations under common control and affiliated corporations in the total amount of $64,256,000 ($57,049,000 in 2010). Transactions with related corporations in the normal course of business are measured at the exchange amount, as negotiated by the parties.

In 2011, the Corporation recorded charges for broadcast rights, telecommunication services, advertising space, commissions on sales and news gathering services under transactions with corporations under common control and affiliated corporations totalling $28,344,000 ($18,604,000 in 2010).

The Corporation also recorded management fees to the parent corporation in the amount of $4,320,000 in 2011 ($4,350,000 in 2010).

SUN News

During 2010, the Corporation and Sun Media Corporation, a subsidiary of the parent corporation, QMI, established a new general partnership, SUN News. The Corporation holds 51%, while Sun Media Corporation owns 49%. The results of this partnership are fully consolidated in the Corporation's results and Sun Media Corporation's interest is recorded under "Non-controlling interest" in the consolidated statement of income. During 2011, a total capital contribution of $20,500,000 ($10,539,000 in 2010) was made by the partners, including $10,045,000 ($5,164,000 in 2010) by Sun Media Corporation.

Disposal of a business

On December 22, 2011, the Corporation announced an agreement to sell its 51% interest in "The Cave" and its 50% interest in "Mystery TV" to its partner in these joint ventures, Shaw Media Global Inc. The value of the transaction is $17,500,000, plus a working capital adjustment. The application to transfer the licences, which must be approved by the CRTC, has been filed. The transaction could be finalized in spring 2012, subject to CRTC approval. This disposal will not materially affect the Corporation's financial performance and future cash flows, aside from receipt of the proceeds from the disposal.

World Color Press Inc. (formerly Quebecor World Inc)

In February 2012, a settlement was reached in the legal proceedings against the Corporation and some of its subsidiaries brought by World Color Press Inc. in connection with printing contracts, including the termination of printing contracts, and in the legal proceedings brought by World Color Press Inc. seeking that the transfers of receivables from other QMI subsidiaries to the Corporation, and the related payments, be declared invalid. The settlement will have no unfavourable impact on the Corporation's financial statements.

Capital stock

In accordance with Canadian financial reporting standards, Table 11 below presents information on the Corporation's capital stock as at February 29, 2012. In addition, 833,610 Class B stock options and 393,252 QMI stock options were outstanding as of February 29, 2012.

Table 11
Number of shares outstanding as at February 29, 2012
(in shares and thousands of dollars)

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

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

In view of the Corporation's significant investments in capital projects and several specialty service launches, and given the decision by the Board of Directors of TVA Group in the third quarter of 2011 to suspend dividend payments, the Corporation does not intend to make any share purchases under its Normal Course Issuer Bid in the coming months.

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, which the Corporation is unaware of or deems negligible at this time, could also have a considerable negative impact on its financial situation, its operating results, its 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, revenue may decrease while the cost structure remains stable, resulting in decreased earnings.

Operational risks

Competition for advertising, customers, viewers, listeners, readers and distribution is intense and comes from conventional television stations and networks, specialty channels, 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 high-definition and 3D television, also influences the Corporation's operations. The markets in which the Corporation operates are dealing with the multiplication of possible distribution platforms, including the Internet, wireless telephony, video-on-demand, mobile television and any other future technology that may be marketed in the future. This evolving technology 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 sector is creating competitors with interests in different industries and media.

Risks relating to the diversification of its activities

The Corporation is investing in the launch of new specialty services in the Television sector. 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 never materialize.

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

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

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

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

The revenues of the Corporation 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 to generate advertising revenues by launching services and products in a new niche and market where the business landscape differs from the environment in which the Corporation normally operates. Lack of audience acceptance for our content or shrinking or fragmented audiences could limit our ability to generate advertising revenue. If our television operations' ability to generate advertising revenue is limited, we may need to develop new or alternative financing sources in order to be able to continue providing attractive television programming for broad audiences. There can be no assurance that we would be able to develop any such new financing sources, and any such limitation of our ability to generate revenue together with an inability to generate new financing sources could have a material adverse effect on our business, financial condition and results of operations.

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

The most significant costs in television broadcasting are programming and production costs. Increased competition in the television broadcasting industry, developments affecting producers and distributors of programming content, changes in viewer preferences and other developments could impact both the availability and the cost of programming content and the cost of production. Future increases or volatility in programming and production costs could adversely affect the operating results of the Corporation. Developments in cable, satellite or other forms of distribution could also affect both the availability and the cost of programming and production and increase competition for advertising expenditures.

Government regulations 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, the introduction of new regulations or 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.

In 2011, the government passed Bill 88 amending the *Environment Quality Act* and the *Regulation respecting compensation for municipal services*. The Bill changed the regulations governing business contributions to the waste recovery costs borne by Quebec municipalities. While the Bill was passed in 2011, the new fee schedules for businesses are still being discussed and are not expected to be adopted before 2012. It is possible that the operating costs of the Corporation's Publishing sector will be adversely affected.

Government assistance risks

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

Risks related to distributors and subscription revenues

For the distribution of its specialty channels, the Corporation relies on broadcasting distribution undertakings (BDU) (including cable and direct-to-home satellite broadcasting services as well as multichannel multipoint distribution systems). Operating revenues could be negatively affected if affiliation agreements with BDUs are not renewed according to terms and conditions similar to those in effect at this time. Affiliation agreements with BDUs extend over several years and come to term at different times. Vertical integration of some BDUs in recent years may also have an unfavourable impact on the terms and conditions of affiliation agreements. The Corporation is confident that it will be able to renew its agreements according to terms and conditions that are satisfactory to all parties.

For our specialty services, subscription revenues depend on the number of subscribers and the rate billed to the BDUs for carriage of the service. Subscriber growth, and therefore growth in subscription fees, is dependent to some extent on the BDUs' willingness to market the specialty services appropriately. In addition, the broadcast signals of the Corporation's specialty channels 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 such 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 operations of the Corporation. Due to the specialized nature of its business, the Corporation believes that its future success will also depend, in a large part, upon its ability to continue to attract, retain and motivate highly-skilled management, programming, technical and marketing personnel. Competition for highly-skilled individuals is intense, and there can be no assurance that the Corporation will be successful in attracting, retaining and motivating such individuals in the future.

Risks relating to litigation and other claims

In the normal course of business, the Corporation is involved in various legal proceedings and other claims relating to the conduct of its business. Although, in the opinion of management of the Corporation, 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 such an adverse effect. Moreover, the cost of defending against lawsuits and diversion of management's attention could be significant.

Financing risks

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

Labour relations risks

As of December 31, 2011, approximately 57% of the Corporation's employees were unionized. The Corporation is party to 13 collective agreements. As of December 31, 2011, 8 collective agreements had arrived at term, and they covered about 23% of the Corporation's unionized employees.

The Corporation has in the past experienced labour disputes which have disrupted its operations and impaired its growth and operating results. The Corporation cannot predict the outcome of current or future negotiations with respect to labour disputes, union representation or the renewal of collective agreements. Nor can the Corporation assure you that it will not experience work stoppages, strikes, property damage or other forms of labour protests pending the outcome of any current or future negotiations. If TVA Group's unionized workers engage in a strike or if there is any other form of work stoppage, the Corporation could experience a significant disruption of its operations, damage to its property and/or service interruption, which could adversely affect its business, assets, financial position and results of operations. Even if the Corporation does not experience strikes or other forms of labour protests, the outcome of labour negotiations could adversely affect its business, including if current or future labour negotiations or contracts were to further restrict TVA Group's ability to maximize the efficiency of its operations. In addition, TVA Group's ability to make short-term adjustments to control compensation and benefits costs is limited by the terms of its collective bargaining agreements.

Pension plan obligations risk

The economic cycle could also have a negative impact on the funding of TVA'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 the pension plan's 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 sector's operating expenses is comprised of paper, printing and postage costs. The sector is dependent on external suppliers for its entire paper supply and has no control over paper prices, which may vary considerably. The Publishing sector uses third parties for all of its printing services and printing costs accounted for approximately 26% of operating expenses in 2011. Further, distribution of its publications to subscribers is handled by the Canada Post Corporation. Any interruption in distribution services could negatively affect the Publishing sector's operating results and its financial position, and a significant increase in paper or postage costs could be detrimental to the sector's activities and operating results.

Risks related to broadcasting licences and goodwill

As noted under "Critical Accounting Policies and Estimates" below, the Corporation's broadcasting licences and goodwill are not amortized but 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 are used to support the calculation of future discounted cash flows performed by the Corporation in order to determine the fair value of its broadcasting licences and of goodwill. There is no guarantee that the value of the broadcasting licences and of goodwill will not be negatively affected by changes to these assumptions in the event of an economic slowdown. The Corporation is constantly monitoring the value of its broadcasting licences and goodwill, and any change in their fair value is recognized as a non-cash impairment charge in the consolidated statements of income.

Financial Risks

The Corporation's risk management policies have been established in order to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and in the Corporation's activities.

Due to its use of financial instruments, the Corporation and its subsidiaries are exposed to credit risk, liquidity risk and market risk relating to foreign exchange and interest rate fluctuations. To manage its interest rate risk exposure, the Corporation may occasionally use interest rate swaps. As at December 31, 2011, the Corporation held no interest rate swaps.

Fair value of financial instruments

The carrying amount of accounts receivable from external and related parties (classified as loans and receivables) and accounts payable and accrued liabilities to external and related parties (classified as other liabilities) approximates their fair value, since these items will be realized or paid within one year or are due on demand. The fair value of other investments could not be determined, because there are no quoted market prices in an organized market for these types of investments. The carrying value and fair value of long-term debt as at December 31, 2011 and 2010 are as follows:

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

	December 31, 2011		December 31,2010	
	Book value	**Fair value**	Book value	Fair value
Bankers' acceptances	**$17,982**	**$18,200**	$15,986	$15,986
Advance on revolving credit facility	**-**	**-**	302	302
Term loan	**75,000**	**80,400**	75,000	76,100

The fair value of financial liabilities is based on the calculation of discounted cash flows using rates of return or market price at year-end of financial instruments with the same maturity.

Credit risk

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

In the normal course of business, the Corporation regularly assesses the financial condition of its customers and reviews the credit history of each new customer. At December 31, 2011, no customer balance represents a significant portion of consolidated trade accounts receivable of the Corporation. The Corporation establishes an allowance for doubtful accounts to meet the specific credit risk of its customers. The balance of accounts receivable of the Corporation is distributed among many clients, mostly advertising agencies. The Corporation does not believe it is exposed to a level of credit risk unusual or important. As at December 31, 2011, 4.40% of accounts receivable were outstanding for more than 120 days after the billing date (4.60% as at December 31, 2010). In addition, as at December 31, 2011, the allowance for credit losses represents an amount of $1,186,000 ($3,035,000 as at December 31, 2010).

The table below shows the variation of the provision for doubtful accounts for years ended December 31, 2011 and 2010:

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

	December 31, 2011	December 31, 2010
Balance, beginning of year	**$ 3,035**	$ 2,749
Change recognized in the consolidated statement of income	**(521)**	885
Drawn down	**(1,328)**	(599)
Balance, end of year	**$ 1,186**	$ 3,035

Liquidity risk

Liquidity risk is the risk that the Corporation and its subsidiaries will not be able to meet their financial obligations as they fall due or the risk that those financial obligation have to be met at excessive cost. The Corporation and its subsidiaries ensure that they have sufficient cash flows from current operations and available sources of financing to meet future cash requirements for long-term investment, working capital, interest payments and debt servicing, pension plan contributions, dividends and share redemptions, if applicable.

Market risk

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

Foreign exchange risk

The Corporation is exposed to limited foreign currency risk on its revenues and expenses, due to the low volume of transactions made in foreign currencies, i.e. other than the Canadian dollar. The foreign currency the most frequently used is the American dollar and exchanges are primarily used to purchase certain distribution rights, make capital expenditures and collect income from certain clients. In light of the low volume of transactions denominated in foreign currencies, the Corporation does not feel it is necessary to engage in hedging. Accordingly, the Corporation's sensitivity to fluctuations in foreign exchange rates is limited. A 1.0% increase or decrease in the Canadian and US dollar exchange rate would have an impact on net income on the order of less than $110,000 on an annual basis.

Interest rate risk

The Corporation is exposed to interest rate risk in relation to its long-term debt. The Corporation holds a significant portion of its long-term debt at a fixed rate, which significantly limits the risk due to fluctuations in interest rates. As at December 31, 2011, the Corporation's long-term debt consisted of 81% fixed rate debt (82% as at December 31, 2010) and 19% floating rate debt (18% as at December 31, 2010).

A 100 basis-point increase (decrease) in the year-end Canadian Bankers' acceptance rates on the floating rate long-term debt as at December 31, 2011 would result in an annual increase (decrease) in financial expenses of $180,000.

Capital Management

The Corporation's primary objectives in managing capital are to preserve the Corporation's ability to pursue its operations in order to continue providing a return to its shareholders and to maintain an optimal capital base in order to support the capital requirements of its various sectors, including growth opportunities and maintenance of investor and creditor confidence.

In managing its capital structure, the Corporation takes into account the asset risk characteristics of its sectors and any applicable requirements. The Corporation has the ability to manage its capital structure by issuing new debt or repaying existing debt using cash generated internally, by controlling the level of distributions to shareholders in the form of dividends or share redemptions, by issuing new shares on the market and by making adjustments to its capital expenditure program. The Corporation's strategy remains unchanged from last year.

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

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

	December 31, 2011	December 31, 2010
Bank overdraft	**$ 3,980**	$ 3,557
Long-term debt	**92,982**	91,288
Cash	**(1,756)**	(5,605)
Net debt	**95,206**	89,240
Equity	**$ 281,029**	$ 273,942

Except for the requirements of financial ratios required in its credit agreements, the Corporation is not subject to any other externally imposed capital. As at December 31, 2011, the Corporation was in compliance with all the terms of its credit agreements.

Contingencies

In the normal course of its operations, the Corporation is involved in various legal actions, proceedings and claims. In the opinion of management, the settlement of such legal actions, proceedings and claims is not expected to have a material adverse effect on the Corporation's financial position, operating results or cash flow.

Recent Accounting Developments in Canada

As described above, the Corporation adopted IFRS on January 1, 2011 and the financial figures for 2010 have been restated accordingly. The Corporation is required to apply IFRS accounting policies retrospectively to determine the IFRS opening balance sheet at January 1, 2010. However, IFRS provides a number of mandatory exceptions and optional exemptions to this general principle of retrospective application. For more details on exemption choices and adjustments made by the Corporation in connection with the adoption of IFRS, refer to Note 30 of the consolidated financial statements for the year ended December 31, 2011.

The adoption of IFRS did not necessitate any significant modifications to information technology, data systems or internal controls currently implemented and used by the Corporation. The Corporation also determined that new accounting policies adopted had no contractual or business implications on existing financing arrangements and similar obligations. Under the current circumstances, the Corporation has not identified any contentious issues arising from the adoption of IFRS.

Changes in Critical Accounting Policies and Estimates

The Corporation adopted the IFRS conceptual framework for its accounting policies on January 1, 2011. The following paragraphs provide an analysis of accounting policies considered critical that required material changes on the adoption of IFRS.

This section should be read in conjunction with the Corporation's annual Management Discussion and Analysis for the year 2010, which provides a description of other accounting policies considered critical but which the adoption of IFRS did not significantly impact.

Impairment of assets

For the purposes of assessing impairment, assets are grouped in cash-generating units ("CGUs"), which represent the lowest levels of assets for which there are separately identifiable cash inflows. The Corporation reviews at each balance sheet date whether events or circumstances have occurred to indicate that the carrying amounts of its long-lived assets with finite useful lives may be less than their recoverable amounts. In addition, goodwill, intangible assets having an indefinite useful life, and intangible assets not yet available for use are tested for impairment as of April 1 of each financial year, as well as whenever there is an indication that the carrying amount of the asset or CGU 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 to which the asset has been allocated. Fair value less costs to sell represents the amount an entity could obtain at the valuation date from the asset's disposal in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. The value in use represents the present value of the future cash flows expected to be derived from an asset or CGU.

The Corporation uses the discounted cash flow method to estimate value in use, consisting of future cash flows derived from the most recent budget and three-year strategic plan approved by the Corporation's management and presented to the Board of Directors. These forecasts considered each CGU's past operating performance and market share as well as economic trends along with specific and market industry trends and corporate strategies. A range of growth rates is used for cash flows beyond this three-year period. The discount rate used by the Corporation is a pre-tax rate derived from the weighted average cost of capital pertaining to each CGU, which reflects the current market assessment of (i) the time value of money, and (ii) the risk specific to the assets for which the future cash flow estimates have not been risk-adjusted. The perpetual growth rate was determined with regard to the specific markets in which the CGUs participate.

An impairment loss is recognized in the amount by which the carrying amount of an asset or a CGU exceeds its recoverable amount. When the recoverable amount of a CGU to which goodwill has been allocated is lower than the CGU's carrying amount, the related goodwill is first impaired. Any excess amount of impairment is recognized and attributed to assets in the CGU, pro rated to the carrying amount of each asset in the CGU.

An impairment loss recognized in prior periods for long-lived assets with finite useful lives and intangible assets having an indefinite useful life, other than goodwill, can be reversed through the consolidated statement of income up to the excess of the recoverable amount of the asset or the CGU over its carrying value.

When determining the value less costs to sell, the appraisal of the information available at the valuation date is based on management's judgment, and may involve estimates and assumptions. As well, the discounted future cash flows method involves the use of estimates such as the amount and timing of a series of future cash flows, expected variations in the amount or timing of the cash flows, the time value of money as represented by the risk-free interest rate, and the risk premium associated with the asset or CGU.

Therefore, the judgment used in determining the recoverable amount of an asset or a CGU may affect the amount of the impairment loss of the asset or CGU to be recorded, as well as the potential reversal of the impairment charge in the future.

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

Impairment charges previously recorded under Canadian GAAP were unaffected by the adoption of IFRS.

Pension plans and post-retirement benefits

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

The Corporation's defined benefit obligations with respect to defined benefit pension plans and postretirement benefits are measured at present value and assessed on the basis of a number of economic and demographic assumptions, which are established with the assistance of actuaries. Key assumptions relate to the discount rate, the expected return on the plan's assets, the rate of increase in compensation, retirement age of employees, health care costs, and other actuarial factors. Pension plan assets, based on fair value, consist of equities as well as corporate and government fixed-income securities.

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

Under certain circumstances, the recognition of the net benefit asset is limited to the amount recoverable, which is primarily based on the extent to which the Corporation can unilaterally reduce future contributions to the plan. In addition, an adjustment to the net benefit asset or the net benefit obligation can be recorded to reflect a minimum funding liability in a certain number of the Corporation's pension plans. Changes in the net benefit asset limit or in the minimum funding adjustment are recognized in other comprehensive income or loss. The assessment of the amount recoverable in the future, for the purpose of calculating the limit on the net benefit asset, is based on a number of assumptions, including future service costs and reductions in future plan contributions.

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 post-retirement benefits in future periods.

Stock-based compensation

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

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

Provisions

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

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

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 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 the amount cannot be reasonably estimated.

Future Accounting Developments in Canada

The Corporation has not early adopted the following new standards and adoption impacts on the consolidated financial statements have not yet been determined:

New standards	Expected changes to existing standards
IFRS 9 — Financial instruments *(Effective from periods beginning January 1, 2015 with early adoption permitted)*	IFRS 9 simplifies the measurement and classification for financial assets by reducing the number of measurement categories and removing complex rule-driven embedded derivative guidance in IAS 39, *Financial instruments: Recognition and Measurement*. The new standard also provides for a fair value option in the designation of a non-derivative financial liability and its related classification and measurement.
IFRS 10 — Consolidated Financial Statements *(Effective from periods beginning January 1, 2013 with early adoption permitted)*	IFRS 10 replaces SIC-12, *Consolidation—Special Purpose Entities* and parts of IAS 27, *Consolidated and Separate Financial Statements* and provides additional guidance regarding the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company.
IFRS 11 — Joint Arrangements *(Effective from periods beginning January 1, 2013 with early adoption permitted)*	IFRS 11 replaces IAS 31, *Interests in Joint Ventures*, with guidance that focuses on the rights and obligations of the arrangement, rather than its legal form. It also withdraws the option to proportionately consolidate an entity's interests in joint ventures. The new standard requires that such interests be recognized using the equity method.
IFRS 12 — Disclosure of Interests in Other Entities *(Effective from periods beginning January 1, 2013 with early adoption permitted)*	IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose entities and other off balance sheet vehicles.
IAS 19 — Post-employment Benefits (Including Pensions) (Amended) *(Effective from periods beginning January 1, 2013 with retrospective application)*	Amendments to IAS 19 involve, among other changes, recognition of the re-measurement component in other comprehensive income, thereby removing the accounting option previously available in IAS 19 to recognize or defer changes in defined benefit obligations and in the fair value of plan assets directly in the statement of income. IAS 19 allows amounts recognized in other comprehensive income to be recognized either immediately in retained earnings or as a separate category within equity. IAS 19 also introduces a net interest approach that replaces the expected return on assets and interest costs on the defined benefit obligation with a single net interest component determined by multiplying the net defined benefit liability or asset by the discount rate used to determine the defined benefit obligation. In addition, all past service costs are required to be recognized in profit or loss when the employee benefit plan is amended and no longer spread over any future service period.

Disclosure Controls and Procedures

In accordance with Multilateral Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*, an evaluation of the effectiveness of the Corporation's disclosure controls and procedures (DC&P) and its internal control over financial reporting (ICFR) was conducted. 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 of the end of the year ended December 31, 2011, and that, as a result, 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. Furthermore, 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 on October 1, 2011 and ending on December 31, 2011.

Additional Information

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

Forward-Looking Statements

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

The forward-looking statements in this document are made to give investors and 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 Discussion and Analysis report and other public filings available at www.sedar.com and http://groupetva.ca.

The forward-looking statements in this Management Discussion and Analysis reflect the Corporation's expectations as of February 29, 2012, and are subject to change after this date. The Corporation expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by the applicable securities laws.

Montréal, Québec
February 29, 2012

TVA Group Inc.
Selected Financial Data

Table 15
Years ended December 31, 2011, 2010 and 2009
(in thousands of dollars, except for amounts pertaining to shares)

	2011	2010	2009[1]
Operations			
Operating revenues	**$ 445,495**	$ 448,192	$ 438,969
Operating income	**50,524**	74,877	80,027
Net income attributable to shareholders	**25,603**	37,242	49,123
Basic per-share data			
Basic earnings per share	**$ 1,08**	$ 1,57	$ 2,05
Weighted average number of outstanding shares (in thousands)	**23,771**	23,771	23,917
Diluted per-share data			
Diluted earnings per share	**$ 1,08**	$ 1,57	$ 2,05
Weighted average number of outstanding diluted shares (in thousands)	**23,771**	23,771	23,917

[1] *Numbers for 2009 were prepared in accordance with Canadian generally accepted accounting principles ("GAAP").*

- Most of the Corporation's operating revenues are derived from the sale of advertising or advertising services.

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

TVA Group Inc.
Selected Quarterly Financial Data

Table 16
(in thousands of dollars, except for amounts pertaining to shares)

2011	Dec. 31	Sept. 30	June 30	March 31
Operations				
Operating revenues	**$ 131,636**	$ 89,214	$ 117,548	$ 107,097
Operating income	**$ 20,657**	$ 2,943	$ 22,364	$ 4,560
Net income attributable to shareholders	**$ 11,468**	$ 8	$ 13,795	$ 332
Basic per-share data				
Basic earnings per share	**$ 0.48**	$ -	$ 0.58	$ 0.01
Weighted average number of outstanding shares (in thousands)	**23,771**	23,771	23,771	23,771
Diluted per-share data				
Diluted earnings per share	**$ 0.48**	$ -	$ 0.58	$ 0.01
Weighted average number of outstanding diluted shares (in thousands)	**23,771**	23,771	23,771	23,771

2010	Dec. 31	Sept. 30	June 30	March 31
Operations				
Operating revenues	**$ 133,387**	$ 94,277	$ 110,894	$ 109,634
Operating income	**$ 29,132**	$ 13,169	$ 26,831	$ 5,745
Net income attributable to shareholders	**$ 19,305**	$ 5,530	$ 11,666	$ 741
Basic per-share data				
Basic earnings per share	**$ 0.81**	$ 0.23	$ 0.49	$ 0.03
Weighted average number of outstanding shares (in thousands)	**23,771**	23,771	23,771	23,771
Diluted per-share data				
Diluted earnings per share	**$ 0.81**	$ 0.23	$ 0.49	$ 0.03
Weighted average number of outstanding diluted shares (in thousands)	**23,771**	23,771	23,771	23,771

- Most of the Corporation’s operating revenues are derived from the sale of advertising or advertising services. These advertising revenues are usually seasonal and are impacted by the cyclical nature and economic character of the industry and of the markets in which the advertisers operate. The Corporation’s second and fourth quarters are customarily the most favourable periods for advertising revenues, especially for the Television sector. Furthermore, the fourth quarter of the 2011 financial year contained 14 weeks, while the fourth quarter of the 2010 financial year contained 13 weeks.

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