INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

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CORPORATE PROFILE

TVA Group Inc. ("TVA Group" or "the Corporation"), a subsidiary of Quebecor Media Inc. ("QMI"), is a communications company with operations in three business segments: Broadcasting & Production, Magazines, and Film Production & Audiovisual Services. In the Broadcasting & Production segment, the Corporation creates, produces and broadcasts entertainment, information and public affairs programming, distributes audiovisual products and films, and is engaged in commercial production. It operates North America's largest private French-language television network as well as eight specialty services. TVA Group also holds a minority interest in the Canal Évasion specialty channel. In the Magazines segment, TVA Group publishes more than 50 titles, making it the largest publisher of French-language magazines in Quebec. The Film Production & Audiovisual Services segment provides soundstage and equipment leasing as well as postproduction and special effects services. The Corporation's Class B shares are listed on the Toronto Stock Exchange under the ticker symbol TVA.B.

This Interim Management's Discussion and Analysis covers the Corporation's main activities during the second quarter of 2015, and the major changes from the previous financial year. The Corporation's condensed interim consolidated financial statements for the three- and six-month periods ended June 30, 2015 and 2014 have been prepared in accordance with International Financial Reporting Standards ("IFRS").

All amounts presented in this Management's Discussion and Analysis are in Canadian dollars. This report should be read in conjunction with the information in the annual Consolidated Financial Statements and Management's Discussion and Analysis for the financial year ended December 31, 2014 and in the Condensed Interim Consolidated Financial Statements as at June 30, 2015.

BUSINESS SEGMENTS

At the beginning of 2015, the Corporation revised its business segments to better reflect changes in its operations and management structure following the acquisition of substantially all of the assets of Vision Globale A.R. ltée ("Vision Globale") on December 30, 2014. Accordingly, the new Film Production & Audiovisual Services segment was created.

In addition, since April 12, 2015, following the transaction with Transcontinental Inc. ("Transcontinental") described below, the operations of the acquired magazines have been included in the Magazines segment's results, while custom publishing operations have been included in the Broadcasting & Production segment's results.

The Corporation's operations now consist of the following segments:

- The **Broadcasting & Production segment,** which includes the operations of TVA Network (including the subsidiaries and divisions TVA Productions Inc., TVA Nouvelles and TVA Interactif), specialty services, the marketing of digital products associated with the various televisual brands, the commercial production, dubbing, custom publishing and premedia services of TVA Accès Inc., and distribution of audiovisual products by the TVA Films division;

- The **Magazines segment,** which through its subsidiaries, including TVA Publications Inc. and Les Publications Charron & Cie inc., includes the publication of French- and English-language magazines in various fields such as the arts, entertainment, television, fashion, sports and decoration, as well as the marketing of digital products associated with the various magazine brands;

- The **Film Production & Audiovisual Services segment,** which since December 30, 2014 has included the soundstage and equipment leasing, post-production and visual effects services provided by Mels Studios and Postproduction G.P., (formerly Montréal Studios et Équipements s.e.n.c.).

HIGHLIGHTS SINCE END OF FIRST QUARTER 2015

- On April 12, 2015, TVA Publications Inc. closed a transaction under which it acquired 14 magazines, four of which are owned and operated in partnership, three websites and custom publishing contracts held by Transcontinental ("acquisition of Transcontinental magazines"). The approximately $55.5 million transaction was announced on November 17, 2014 and approved by the Competition Bureau on March 2, 2015. The acquisition was in keeping with the Corporation's strategy to invest in the production and diffusion of diverse, rich, high-quality entertainment content.

- "TVA Sports", in its first season, as the exclusive broadcaster of French playoffs for the National Hockey League ("NHL"), has become the most watched sports channel in Quebec. During the 12 games of the Montreal Canadiens presented in the playoffs, an average of 1,577,000 viewers, with peaks up to 2.5 million, was reached, representing a market share of 49.1%. Since the arrival of the NHL on air, "TVA Sports" number of subscribers grew significantly to reach 2.1 million.

NON-IFRS FINANCIAL MEASURES

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

Adjusted operating income (loss)

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

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

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

	Three-months ended June 30		Six-months ended June 30	
	2015	2014	**2015**	2014
Adjusted operating income (loss):				
Broadcasting & Production	**$ 535**	$ 18,070	**$ (7,948)**	$ 9,859
Magazines	**1,213**	2,929	**2,151**	5,115
Film Production & Audiovisual Services	**5,623**	–	**5,477**	–
	7,371	20,999	**(320)**	14,974
Depreciation of property, plant and equipment and amortization of intangible assets	**7,079**	5,317	**13,887**	10,701
Financial expenses	**870**	975	**2,805**	2,095
Operational restructuring costs, impairment of assets and other costs	**2,304**	–	**2,711**	–
(Recovery) tax expense	**(412)**	3,628	**(6,394)**	(519)
Share of loss of associated corporations	**258**	1,916	**4,110**	3,697
Non-controlling interest	**(140)**	–	**(140)**	–
Net (loss) income attributable to shareholders	**$ (2,588)**	$ 9,163	**$ (17,299)**	$ (1,000)

ANALYSIS OF CONSOLIDATED RESULTS

2015/2014 second quarter comparison

Operating revenues: $159,424,000, a $49,724,000 (45.3%) increase.

- $19,165,000 (20.3%) increase in the Broadcasting & Production segment (Table 2) essentially due to the significant revenue growth generated by “TVA Sports,” which was partially offset by a 9.8% decrease in the TVA Network’s revenues.

- $12,301,000 (77.1%) increase in the Magazines segment (Table 2) primarily due to the favourable impact of the acquisition of Transcontinental magazines on April 12, 2015. The increase was partially offset by a 20.2% decrease in newsstand revenues and a 10.3% decrease in advertising revenues at the other magazines.

- $18,822,000 increase in the Film Production & Audiovisual Services segment due to the acquisition of substantially all of the assets of Vision Globale on December 30, 2014 (“acquisition of VG”).

Table 2
Operating revenues
(in thousands of dollars)

	Three-months ended June 30		Six-months ended June 30	
	2015	2014	**2015**	2014
Broadcasting & Production	**$ 113,405**	$ 94,240	**$ 218,419**	$ 185,176
Magazines	**28,259**	15,958	**41,715**	31,096
Film Production & Audiovisual Services	**18,822**	–	**27,906**	–
Intersegment items	**(1,062)**	(498)	**(2,102)**	(1,251)
	$ 159,424	$ 109,700	**$ 285,938**	$ 215,021

Adjusted operating income: $7,371,000, a negative variance of $13,628,000 (-64.9%).

- $17,535,000 unfavourable variance in the Broadcasting & Production segment (Table 3) caused mainly by the increase in the "TVA Sports" channel's adjusted operating loss and the 18.0% decrease in the TVA Network's adjusted operating income.

- $1,716,000 unfavourable variance in the Magazines segment (Table 3), mainly because the decrease in operating revenues exceeded the reduction in expenses. This decrease was partially offset by the addition of the operating results of the magazines acquired from Transcontinental on April 12, 2015.

- $5,623,000 favourable variance in the Film Production & Audiovisual Services segment, directly attributable to the adjusted operating income generated by the operations absorbed following the acquisition of VG.

Table 3
Adjusted operating income (loss)
(in thousands of dollars)

	Three-months ended June 30		Six-months ended June 30	
	2015	2014	**2015**	2014
Broadcasting & Production	**$ 535**	$ 18,070	**$ (7,948)**	$ 9,859
Magazines	**1,213**	2,929	**2,151**	5,115
Film Production & Audiovisual Services	**5,623**	–	**5,477**	–
	$ 7,371	$ 20,999	**$ (320)**	$ 14,974

Net loss attributable to shareholders: $2,588,000 (-$0.06 per basic and diluted share), compared with net income attributable to shareholders of $9,163,000 ($0.39 per basic and diluted share) in the same period of 2014.

- The negative variance of $11,751,000 (-$0.45 per basic and diluted share) was essentially due to:

  - $13,628,000 decrease in adjusted operating income;

  - $2,304,000 unfavourable variance in operational restructuring costs, impairment of assets and other costs;

  - $1,762,000 unfavourable variance in depreciation and amortization expenses;

  partially offset by:

- $4,040,000 favourable variance in the income tax expense;
- $1,658,000 favourable variance in interest in associated corporations.

- The calculation of per-share results was based on a weighted average of 43,205,535 outstanding diluted shares for the quarter ended June 30, 2015, and 23,770,906 outstanding diluted shares for the same period of 2014. The increase in the weighted average number of outstanding diluted shares was due to the issuance of 19,434,629 Class B shares on March 20, 2015 upon closing of a subscription rights offering to existing shareholders.

Depreciation of property, plant and equipment and amortization of intangible assets: $7,079,000, a $1,762,000 increase due primarily to depreciation of property, plant and equipment acquired from Vision Globale, as well as amortization of intangible assets acquired in the transaction with Transcontinental.

Financial expenses: $870,000, a $105,000 decrease essentially due to better rates obtained on floating-rate debt in the second quarter of 2015, compared with the fixed interest rate paid on debt during the same period of 2014.

Operational restructuring costs, impairment of assets and other costs: $2,304,000 in the second quarter of 2015, compared with nil in the same period of 2014.

- In the three-month period ended June 30, 2015, the Corporation recorded $1,835,000 in operational restructuring costs following the elimination of positions, including $465,000 in the Broadcasting & Production segment, $1,280,000 in the Magazines segment and $90,000 in the Film Production & Audiovisual Services segment).

- During the same period, the Corporation recorded professional fees and integration costs of $469,000 related to acquisition of VG and the Transcontinental magazines.

Income tax recovery: $412,000 (effective tax rate of 14.3%) in the second quarter of 2015, compared with a $3,628,000 income tax expense (effective tax rate of 24.7%) for the same period of 2014.

- In the second quarter of 2015, the effective tax rate was lower than the Corporation’s statutory rate of 26.9%, mainly because of permanent differences related to non-deductible items.

- In the second quarter of 2014, the effective tax rate was lower than the Corporation’s statutory rate of 26.9%, mainly because of the Corporation’s share of the tax savings generated by SUN News’ losses for the period, partially offset by permanent differences related to non-deductible items.

Share of loss of associated corporations: $258,000 in the second quarter of 2015, compared with a loss of $1,916,000 in the same quarter of 2014, a positive variance of $1,658,000 essentially arising from a decrease in the Corporation’s share of SUN News’ loss after the discontinuation of its operations.

Non-controlling interest: $140,000 in the second quarter of 2015, compared with nil in the same quarter of 2014.

- Non-controlling interest represents the minority shareholder’s share of the loss of a corporation in which TVA Publications Inc. holds a 51% interest incurred in connection with the operation of certain magazines acquired through the Transcontinental transaction.

<u>2015/2014 year-to-date comparison</u>

Operating revenues: $285,938,000, a $70,917,000 (33.0%) increase.

- $33,243,000 (18.0%) increase in the Broadcasting & Production segment (Table 2) essentially due to the significant revenue growth generated by "TVA Sports," which was partially offset by a 7.9% decrease in the TVA Network's revenues.

- $10,619,000 (34.1%) increase in the Magazines segment (Table 2) primarily due to the favourable impact of the acquisition of Transcontinental magazines on April 12, 2015. The increase was partially offset by a 17.4% decrease in newsstand revenues and an 11.7% decrease in advertising revenues at the other magazines.

- $27,906,000 increase in the Film Production & Audiovisual Services segment due to the acquisition of VG.

Adjusted operating loss: $320,000, a negative variance of $15,294,000.

- $17,807,000 unfavourable variance in the Broadcasting & Production segment (Table 3) caused mainly by the "TVA Sports" channel's adjusted operating loss, partially offset by the 31.9% increase in the TVA Network's adjusted operating income.

- $2,964,000 unfavourable variance in the Magazines segment (Table 3), mainly because the decrease in operating revenues for comparable magazines exceeded the reduction in expenses.

- $5,477,000 favourable variance in the Film Production & Audiovisual Services segment, directly attributable to the adjusted operating income generated by the operations absorbed following the acquisition of VG.

Net loss attributable to shareholders: $17,299,000 (-$0.50 per basic and diluted share) for the first half of 2015, compared with a $1,000,000 net loss (-$0.04 per basic and diluted share) in the same period of 2014.

- The negative variance of $16,299,000 (-$0.46 per basic and diluted share) was essentially due to:

    - $15,294,000 decrease in adjusted operating income;

    - $3,186,000 unfavourable variance in depreciation and amortization expenses;

    - $2,711,000 unfavourable variance in operational restructuring costs, impairment of assets and other costs;

    - $710,000 unfavourable variance in financial expenses;

    - $413,000 unfavourable variance in interest in associated corporations;

    partially offset by:

    - $5,875,000 favourable variance in income tax recovery.

- The calculation of per-share results was based on a weighted average of 34,449,274 outstanding diluted shares for the six months ended June 30, 2015, and 23,770,906 outstanding diluted shares for the same period of 2014. The increase in the weighted average number of outstanding diluted shares was due to the issuance of 19,434,629 Class B shares, as described in the 2015/2014 second quarter comparison above.

Depreciation of property, plant and equipment and amortization of intangible assets: $13,887,000, an increase of $3,186,000 caused by the same factors as those noted above in the 2015/2014 second quarter comparison.

Financial expenses: $2,805,000, a $710,000 increase due primarily to recognition in the first quarter of 2015 of interest charges related to the $100,000,000 credit facility extended by QMI, and to the interest expense related to pension plans. These increases were partially offset by the better rates obtained on floating-rate debt in the first semester of 2015, compared with the fixed interest rates paid by the Corporation in the same period of 2014.

Operational restructuring costs, impairment of assets and other costs: $2,711,000 in the first six months of 2015, compared with nil in the same period of 2014.

- In addition to the factors noted in the 2015/2014 second quarter comparison, the Corporation recorded operational restructuring costs in the amount of $245,000 following the elimination of positions in the Film Production & Audiovisual Services segment in the first quarter of 2015. The Corporation also recorded professional fees of $162,000 during this same period in connection with the acquisition of VG and the Transcontinental magazines.

Income tax recovery: $6,394,000 (effective tax rate of 32.4%) in the first six months of 2015, compared with $519,000 (effective tax rate of -23.8%) for the same period of 2014.

- In the first half of 2015, the effective tax rate was higher than the Corporation's statutory rate of 26.9%, mainly because of the Corporation's share of the tax savings generated by SUN News' losses for the period.

- In the first half of 2014, the effective tax rate was lower than the Corporation's statutory rate of 26.9%, mainly because of the Corporation's share of the tax savings generated by SUN News' losses for the period. Also, in light of developments in tax audits, jurisprudence and tax legislation, the Corporation had reduced its deferred income tax liabilities by $305,000. These factors were partially offset by the permanent variance linked to non-deductible items.

Share of loss of associated corporations: $4,110,000 in the first half of 2015, compared with $3,697,000 in the same period in 2014. The negative variance of $413,000 was mainly due to an increase in the Corporation's share of SUN News' loss following the discontinuation of its operations in the first quarter of 2015.

Non-controlling interest: $140,000 in the first half of 2015 compared with nil in the same period of 2014. The increase was due to the same factor as that noted above in the 2015/2014 second quarter comparison.

SEGMENTED ANALYSIS

Broadcasting & Production

2015/2014 second quarter comparison

Operating revenues: $113,405,000, a $19,165,000 (20.3%) increase, primarily due to:

- growth in the operating revenues of "TVA Sports," including a multi-million-dollar increase in advertising revenues and a more than three-fold rise in subscription revenues;

- 5.9% increase in the subscription revenues of all other specialty services, including "MOI&cie," "Casa" and "addik^TV," which grew by 28.6%, 9.9% and 9.5% respectively;

partially offset by:

- 9.8% decrease in TVA Network's revenues, mainly because of the following factors:

  - 9.7% decrease in advertising revenues;

  - decrease in revenues from the Local Programming Improvement Fund, which was terminated in September 2014.

French-language market ratings

TVA Group's total market share increased from 30.7% to 36.4% (+5.7 percentage points) in the period of April 1 to June 30, 2015.

TVA Group's specialty services had a combined market share of 14.4% in the second quarter of 2015, compared with 9.3% in the same period of 2014 (+5.1 points). "TVA Sports" programming, including broadcast of the Stanley Cup playoffs, drove strong growth for the channel, which increased its market share by 4.8 points. Broadcast of the playoffs also enabled "TVA Sports" to capture two of the top five positions on the 30 most-watched programs list, with audiences exceeding 1.5 million viewers. With a 3.7% share (+0.3 points), the 24-hour news channel "LCN" also lengthened its lead over its main rival, "RDI," which had an average 3.1% share in the second quarter.

TVA Network maintained its lead among over-the-air channels with a 22.0% market share, more than its two main over-the-air rivals combined. TVA Network carried 20 of the 30 most-watched programs in Quebec during the second quarter of 2015, including *La Voix*, which was the number one show again with more than 2.7 million viewers.

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

	Spring 2015 vs 2014		
	2015	**2014**	**Difference**
French-language conventional broadcasters:			
TVA	**22.0**	21.4	0.6
SRC	**10.9**	11.6	- 0.7
V	**7.1**	7.7	- 0.6
	40.0	40.7	- 0.7
French-language specialty and pay services:			
TVA	**14.4**	9.3	5.1
Bell Media	**17.1**	22.3	- 5.2
Corus	**7.1**	7.0	0.1
SRC	**4.5**	4.8	- 0.3
Other	**8.3**	7.6	0.7
	51.4	51.0	0.4
Total English-language channels and others:	**8.6**	8.3	0.3
TVA Group	**36.4**	30.7	5.7

Source: Numeris, French Quebec, April 1 to June 30, 2015, Mon-Sun, 2:00 – 2:00, All 2+.

Operating expenses: $112,870,000, an increase of $36,700,000 (48.2%).

- The increase was due primarily to:
  - Higher operating expenses at “TVA Sports” as a result of increased spending on programming, especially with the broadcast of NHL games, including 89 Stanley Cup playoff games;

  partially offset by:

  - 6.6% decrease in operating expenses at TVA Network due to lower content costs, related largely to programming costs and in-house productions. The decrease in revenues also generated some savings in variable costs, including advertising sales commissions and rights.

Adjusted operating income: $535,000, a $17,535,000 unfavourable variance due primarily to:

- the increase in the adjusted operating loss of "TVA Sports" caused by concentrated operating costs related to the NHL playoffs in the second quarter;

- 18.0% decrease in TVA Network's adjusted operating income due primarily to lower advertising revenues;

partially offset by:

- 20.5% increase in adjusted operating income at the other specialty services caused primarily by the increase in subscription revenues.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Broadcasting & Production segment's activities (expressed as a percentage of revenues) increased from 80.8% in the second quarter of 2014 to 99.5% in the same period of 2015. The increase was caused primarily by "TVA Sports," whose programming costs were highly concentrated in the second quarter.

<u>2015/2014 year-to-date comparison</u>

Operating revenues: $218,419,000, a $33,243,000 (18.0%) increase, primarily due to:

- increase in the subscription revenues of "TVA Sports," which more than tripled;

- substantial increase in advertising revenues at "TVA Sports";

- 6.0% increase in the subscription revenues of all other specialty services, including "MOI&cie," "Casa" and "addik^{TV}," which grew by 29.2%, 12.6% and 11.1% respectively;

partially offset by:

- 7.9% decrease in TVA Network's revenues because of the following factors:

  - 6.9% decrease in advertising revenues;

  - decrease in revenues from the Local Programming Improvement Fund, which was terminated in September 2014;

  - decrease in revenues from distant signal retransmission royalties as a result of a reduction in the Corporation's share of such royalties.

Operating expenses: $226,367,000, a $51,050,000 (29.1%) increase.

- The increase is primarily due to :

  - 341.3% increase in the operating expenses of "TVA Sports" as a result of increased spending on programming, largely related to the broadcast of NHL games, including the Stanley Cup playoffs;

  - 3.1% increase in operating expenses at the other specialty services;

  partially offset by:

  12.1% decrease in operating expenses at TVA Network due to lower content costs, related largely to its program schedule. As well, during the first quarter of 2014, TVA Network had absorbed additional costs generated by adjustments to the cost of certain prior-year broadcast licences and by the provincial election period.

Adjusted operating loss: $7,948,000, a $17,807,000 unfavourable variance primarily due to:

- increase in the adjusted operating loss of "TVA Sports" because the channel had to absorb the full cost of its new programming while the growth in the subscriber base has not yet reached its full potential;

partially offset by:

- increase in TVA Network's adjusted operating income due mainly to reduced content costs.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Broadcasting & Production segment's activities (expressed as a percentage of revenues) increased from 94.7% in the first half of 2014 to 103.6% in the same period of 2015. The increase was generated primarily by "TVA Sports" and was due to the same factors as those noted in the 2015/2014 second quarter comparison.

Magazines

2015/2014 second quarter comparison

Operating revenues: $28,259,000, a $12,301,000 (77.1%) increase primarily due to:

- additional revenues following acquisition of the Transcontinental magazines on April 12, 2015;

partially offset by:

- 20.2%[1] decrease in newsstand revenues, mainly because of a 22.7% decrease at the entertainment magazines;
- 10.3%[1] decrease in advertising revenues, caused mainly by the following categories:
  - Decorating/cooking: -27.9%[1];
  - Women's: -23.4%[1];
  - Entertainment: -15.6%.

[1] *Excluding the magazines acquired from Transcontinental.*

Canada Periodical Fund

The Government of Canada created the Canada Periodical Fund ("CPF") on April 1, 2010. The CPF provides financial assistance to the Canadian magazine and non-daily newspaper industries so they can continue to produce and distribute Canadian content. All assistance related to this program is fully recorded under operating revenues. It amounted to 10.4% of the segment's operating revenues for the three-month period ended June 30, 2015 (11.7% in the same period of 2014).

Readership and market share statistics

Its recent acquisition strengthened TVA Group's position as the leading magazine publisher in Quebec with 69% of monthly readership. The French-language titles reach more than 3.8 million readers each month while the English-language titles reach more than 6.7 million readers from coast to coast.

The segment's weekly magazines each 2.3 million unique readers each month in Quebec. The arts and entertainment magazine *7 Jours* continues to be the most-read weekly magazine in Quebec with almost 1.2 million readers each month.

Among the new titles acquired in the Transcontinental transaction, *Coup de pouce* remains the most-read monthly magazine in Quebec with 964,000 readers each month, a 5% increase, while *Canadian Living* remains one of the country's most popular magazines with more than 3 million readers each month.

Sources:
PMB (Print Measurement Bureau) – Spring 2015, Canada total 12+
PMB, Spring 2015 vs Fall 2014, French Quebec 12+

Operating expenses: $27,046,000, a $14,017,000 (107.6%) increase due mainly to:

- addition since April 12, 2015 of the operating expenses of the magazines acquired from Transcontinental;

partially offset by:

- the 1.7%[1] decline in operating expenses of the other magazines, primarily in editorial and content costs, resulting both from volume related cost savings and operating cost reduction initiatives.

[1] *Excluding the magazines acquired from Transcontinental.*

Adjusted operating income: $1,213,000, a negative variance of $1,716,000, attributable primarily to the impact of lower operating revenue in this segment, excluding the magazines acquired from Transcontinental, and partially offset by the added operating results from the magazines acquired from Transcontinental.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Magazines segment's activities (expressed as a percentage of revenues) were 95.6% in the second quarter of 2015, compared with 81.6% in the same period of 2014. Excluding the impact of the magazines acquired from Transcontinental, this increase is due primarily to declining newsstand and advertising revenues**.**

Acquisition of Transcontinental magazines

On April 12, 2015, TVA Publications Inc. closed the acquisition of magazines from Transcontinental. The transaction involved the acquisition of 14 magazines, four of which it owns and operates in partnership, as well as three websites, custom publishing contracts and book publishing operations, for a purchase price of $55,500,000 in cash. A $2,012,000 amount payable was also recorded as a preliminary adjustment based on a predetermined working capital target agreed to by the parties.

The 14 acquired titles include *Coup de pouce*, *Canadian Living*, *Décormag*, *Style at home*, *Canadian Gardening* and *The Hockey News*. TVA Publications Inc. also acquired an effective 51% interest in Les Publications Groupe TVA-Hearst inc., giving it control of the titles *Elle Canada* and *Elle Québec*, in addition to a 50% interest in Publications Sénior inc., which holds the *Le Bel Âge* and *Good Times* brands.

The second quarter was characterized by the integration of the acquired magazines in our existing operations. The Corporation will be able to benefit from these new titles and synergies initially identified at the third and fourth quarters of the year.

2015/2014 year-to-date comparison

Operating revenues: $41,715,000, a $10,619,000 (34.1%) increase primarily due to:

- added revenues from the magazines acquired from Transcontinental on April 12 2015;

partially offset by:

- 17.4%[1] decrease in newsstand revenues, mainly because of a 19.2% decrease at the entertainment magazines;
- 11.7%[1] decrease in advertising revenues, caused mainly by the following categories:
    - Decorating/cooking: -21.4%[1];
    - Women's: -21.2%[1];
    - Entertainment: -13.8%.

[1] *Excluding the magazines acquired from Transcontinental.*

Operating expenses: $39,564,000, a $13,583,000 (52.3%) increase due mainly to:

- Addition since April 12, 2015 of the operating expenses of the magazines acquired from Transcontinental;

partially offset by:

- 7.9% decrease in the operating expenses of the entertainment magazines as a result of reduced editorial, content and promotional costs.

Adjusted operating income: $2,151,000, a $2,964,000 decrease due primarily to the impact of the decline in the segment's operating revenues, excluding the impact of the acquisition of Transcontinental magazines.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Magazines segment's activities (expressed as a percentage of revenues) were 94.8% in the six-month period ended June 30, 2015, compared with 83.6% in the same period of 2014. This increase is primarily attributable to lower newsstand and advertising revenues, excluding the impact of acquisition of the Transcontinental magazines**.**

Film Production & Audiovisual Services

2015/2014 second quarter comparison

The operating results generated by the acquisition of VG on December 30, 2014 gave rise to the following variances:

- $18,822,000 favourable variance in operating revenues;
- $13,199,000 unfavourable variance in operating expenses;
- $5,623,000 favourable variance in adjusted operating income generated by the new business segment.

The activities related to soundstage and equipment leasing represent 65.4% of operating revenues for this segment in the three-month period ended June 30, 2015.

Operating results for the second quarter of 2015 are consistent with the Corporation's budget forecasts. The second quarter is traditionally a busy period, especially for the leasing of soundstages and film production equipment. This business' significant contribution during the quarter was generated by major productions now in progress, such as the Hollywood productions *Story of Your Love,* directed by Denis Villeneuve, and *X-Men,* as well as coproductions with France.

2015/2014 year-to-date comparison

The operating results generated by the acquisition of VG on December 30, 2014 gave rise to the following variances:

- $27,906,000 favourable variance in operating revenues;
- $22,429,000 unfavourable variance in operating expenses;
- $5,477,000 favourable variance in adjusted operating income generated by this business segment.

Activities related to soundstage and equipment leasing accounted for 55.7% of the segment's operating revenues in the six-month period ended June 30, 2015.

Year-to-date operating results are consistent with the Corporation's budget projections. In addition to the factors noted in the 2015/2014 second quarter comparison, the significant contribution from soundstage and equipment leasing during the six months was generated by the productions *Race, Fallen* and *Versailles,* which will be broadcast on Netflix France. Moreover, utilization rates for all our film-making facilities and equipment are currently high and reservations for the coming months are strong.

CASH FLOWS AND FINANCIAL POSITION

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

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

	Three-months ended June 30		Six-months ended June 30	
	2015	2014	**2015**	2014
Cash flows related to operating activities	**$ 46,468**	$ 16,080	**$ 71,595**	$ 20,952
Issuance of share capital, net of transaction costs	**–**	–	**108,725**	–
Net business acquisitions	**(55,200)**	–	**(55,200)**	(501)
Additions to property, plant and equipment and intangible assets	**(6,425)**	(6,208)	**(12,993)**	(13,315)
Increase in investments	**(539)**	(1,346)	**(2,620)**	(2,767)
Other	**170**	(50)	**(497)**	(101)
(Increase in) reimbursement of net debt	**$ (15,526)**	$ 8,476	**$ 109,010**	$ 4,268

	June 30, 2015	December 31, 2014
At period end:		
Long-term debt	**$ 74,118**	$ 72,757
Derivative financial instrument	**796**	547
Short-term debt	**2,813**	938
Credit facility from parent corporation	**–**	100,000
Bank overdraft	**–**	4,486
Less cash	**8,009**	–
Net debt	**$ 69,718**	$ 178,728

Operating activities

Cash flows provided by operating activities: $30,388,000 increase during the three-month period ended June 30, 2015 compared with the same period of 2014 due mainly to:

- $42,884,000 favourable net change in balances related to operations, particularly a favourable variance related to accounts payable and accrued liabilities, programs, broadcast and distribution rights and inventories, and rights payable, which was partially offset by a decrease related to accounts receivable;

partially offset by:

- $13,628,000 decrease in adjusted operating results.

Cash flows provided by operating activities: $50,643,000 increase during the six-month period ended June 30, 2015 compared with the same period of 2014 due mainly to:

- $70,379,000 favourable net change in balances related to operations, primarily reflecting an increase in accounts payable and accrued liabilities, and in rights payable, partially offset by a decrease related to accounts receivable;

partially offset by:

- $15,294,000 decrease in adjusted operating results;
- $3,186,000 increase in depreciation and amortization expenses;
- $2,711,000 increase in operational restructuring costs, impairment of assets and other.

Negative working capital: $12,979,000 as of June 30, 2015, compared with negative working capital of $33,062,000 at December 31, 2014. The $20,083,000 improvement was due primarily to the increase in accounts receivable and repayment of the credit facility extended by the parent corporation, partially offset by the increase in accounts payable and accrued liabilities, increased broadcast and distribution rights payable, as well as the increase in deferred revenues.

Investing activities

Additions to property, plant and equipment and intangible assets: $6,425,000 in the second quarter of 2015, compared with $6,208,000 in the same period of 2014, an increase of $217,000 (3.5%). The increase was mainly due to additional capital expenditures related to the Film Production & Audiovisual Services segment, partially offset by delayed start-up of certain planned investments, particularly technical projects.

Additions to property, plant and equipment and intangible assets: $12,993,000 in the first half of 2015, compared with $13,315,000 in the same period of 2014. The $322,000 (-2.4%) decrease was essentially due to a delay in starting certain capital expenditure projects.

Business acquisitions: $55,500,000 for the three-month and six-month periods ended June 30, 2015. On April 12, 2015, the Corporation acquired 14 magazines from Transcontinental, four of which it owns and operates in partnership, as well as three websites, custom publishing contracts and book publishing operations, for a total cash consideration of $57,512,000. A $2,012,000 adjustment payable under this transaction, contingent upon achievement of a predetermined working capital target, remains unpaid.

As part of this transaction, the Corporation simultaneously transferred the acquired book publishing operations to Sogides Group Inc., a corporation under common control, for an agreed price of $811,000, consisting of $300,000 in cash and a balance receivable of $511,000.

Net change in investments: $539,000 in the second quarter of 2015, compared with $1,346,000 in the same period of 2014. In the second quarter of 2015, the Corporation made a $539,000 capital contribution to SUN News ($1,617,000 in the second quarter of 2014). In the second quarter of 2014, the Corporation also received $271,000 related to a portfolio investment.

Net change in investments: $2,620,000 in the first six months of 2015, compared with $2,767,000 in the same period of 2014. In addition to the above-noted factors, the Corporation made a $2,352,000 capital contribution to SUN News in the first quarter of 2015 ($1,421,000 in the same period of 2014) and received $271,000 related to a portfolio investment in the same period.

Financing activities

Long-term debt (excluding deferred financing costs): $77,835,000 at June 30, 2015, compared with $74,737,000 at December 31, 2014, a $3,098,000 increase. The increase mainly reflects cash requirements for the financing of the acquisition of the Transcontinental magazines.

Financial position as of June 30, 2015

Net available liquid assets: $154,489,000, consisting of a $146,480,000 unused and available revolving credit facility and $8,009,000 in cash.

As of June 30, 2015, minimum principal payments on long-term debt in the coming 12-month periods were as follows:

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

2016	$	2,813
2017		5,156
2018		8,438
2019		13,779
2020 and thereafter		47,649
Total	**$**	**77,835**

The weighted average term of TVA Group's debt was approximately 3.7 years as of June 30, 2015 (4.2 years as of December 31, 2014). The debt consisted entirely of floating-rate debt as of June 30, 2015 and December 31, 2014. The Corporation is using an interest rate swap to secure future interest expenses on a $41,250,000 portion of its $75,000,000 secured term loan, which bears interest at a floating rate.

The Corporation also has a $150,000,000 revolving credit facility ($150,000,000 at December 31, 2014), which was renewed on November 3, 2014 and matures on February 24, 2019. At June 30, 2015, $3,520,000 was drawn on the revolving credit facility ($520,000 at December 31, 2014).

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

Under its credit agreements, the Corporation is subject to certain covenants, including maintenance of certain financial ratios. As at June 30, 2015, the Corporation was in compliance with all the terms of its credit agreements.

Analysis of consolidated balance sheet as of June 30, 2015

Table 7
Consolidated balance sheets of TVA Group
Analysis of main variances between June 30, 2015 and December 31, 2014
(in thousands of dollars)

	June 30, 2015	December 31, 2014	Difference	Main reasons for difference
Assets				
Accounts receivable	**$ 154,894**	$ 136,811	$ 18,083	Impact of acquisition of magazines from Transcontinental.
Programs, broadcast and distribution rights and inventories	**60,034**	74,765	(14,731)	Impact of current and seasonal variations in activities.
Broadcast and distribution rights	**43,566**	31,989	11,577	Impact of increased spending on programming and of current and seasonal variations in activities.
Licences and other intangible assets	**99,976**	83,647	16,329	Intangible assets acquired in the transaction with Transcontinental (primarily client lists and mastheads).
Goodwill	**83,138**	48,266	34,872	Impact of recognition of goodwill in connection with the acquisition of Transcontinental magazines.
Liabilities				
Accounts payable and accrued liabilities	**$ 131,591**	$ 88,746	$ 42,845	Impact of current and seasonal variations in activities and strict cash management.
Broadcast and distribution rights payable	**88,004**	45,660	42,344	Impact of spending on programming for "TVA Sports."
Deferred revenues	**23,269**	8,690	14,579	Impact of acquisition of magazines from Transcontinental.
Credit facility from parent corporation	–	100,000	(100,000)	Repayment of the credit facility from the proceeds generated by the subscription rights offering.

ADDITIONAL INFORMATION

Contractual obligations

As of June 30, 2015, material contractual commitments of operating activities included capital repayment and interest on debt, payments under broadcast and distribution rights acquisition contracts, and payments under other contractual commitments, such as operating leases for services and office space. These contractual obligations are summarized in Table 8.

Table 8
Material contractual obligations of TVA Group as of June 30, 2015
(in thousands of dollars)

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Long-term debt	$ 2,813	$ 13,594	$ 61,428	$ –	$ 77,835
Payment of interest[1]	3,051	5,411	2,589	–	11,051
Broadcast and distribution rights	213,717	184,355	144,013	412,324	954,409
Other commitments	13,739	13,383	6,186	2,630	35,938
Total	**$ 233,320**	**$ 216,743**	**$ 214,216**	**$ 414,954**	**$ 1,079,233**

[1] *Interest is calculated on a constant debt level equal to that at June 30, 2015 on the revolving credit facility and includes standby fees on that facility.*

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

Related party transactions

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

During the second quarter of 2015, the Corporation sold advertising space and content to, recognized subscription revenues from, and provided production, postproduction and other services to corporations under common control and affiliated corporations for an aggregate amount of $27,869,000 ($18,490,000 in the second quarter of 2014).

In the second quarter of 2015, the Corporation recorded telecommunications service costs, advertising space acquisition costs, professional service fees and commissions on sales and news gathering services arising from transactions with corporations under common control and affiliated corporations totalling $11,969,000 ($7,609,000 in the second quarter of 2014).

The Corporation also recorded management fees to the parent corporation in the amount of $1,080,000 in the second quarter of 2015 ($1,080,000 in the second quarter of 2014).

In the first six months of 2015, the Corporation sold advertising space and content to, recognized subscription revenues from, and provided production, postproduction and other services to corporations under common control and affiliated corporations for an aggregate amount of $51,779,000 ($35,867,000 in the first six months of 2014).

In the first six months of 2015, the Corporation recorded telecommunications service costs, advertising space acquisition costs, professional service fees and commissions on sales and news gathering services arising from transactions with corporations under common control and affiliated corporations totalling $21,026,000 ($17,364,000 in the first six months of 2014).

The Corporation also recorded management fees to the parent corporation in the amount of $2,160,000 in the first six months of 2015 ($2,160,000 in the first six months of 2014).

SUN News

On February 13, 2015, Sun Media Corporation, a corporation under common control, announced the discontinuation of the operations of SUN News. As at June 30, 2015, the share of SUN News' loss included costs related to the discontinuation of its operations.

In April 2015, as part of a corporate reorganization, Sun Media Corporation was folded into QMI, which now holds a 51% interest in SUN News.

During the second quarter of 2015, the Corporation continued making capital contributions to SUN News to cover costs related to the discontinuation of operations. The partners made capital contributions totalling $1,100,000 during the quarter ($3,300,000 in the same period of 2014), including $539,000 by TVA Group ($1,617,000 in the same period of 2014) and $561,000 by the other partner ($1,683,000 in the same period of 2014).

During the first half of 2015, the partners made capital contributions of $5,900,000 ($6,200,000 in the same period of 2014), including $2,891,000 from TVA Group ($3,038,000 for the same period in 2014) and $3,009,000 from the other partner ($3,162,000 for the same period in 2014).

Off-balance sheet arrangements

Guarantees

In the normal course of business, the Corporation enters into indemnification agreements with third parties as part of certain transactions, including acquisition contracts for goods, service agreements and leases. These indemnification agreements require the Corporation to compensate the third parties for costs incurred as a result of specific circumstances. The terms of these indemnification agreements vary from transaction to transaction, based on the contract terms. The nature of these indemnification agreements prevents the Corporation from making a reasonable estimate of the maximum potential amount it could be required to pay to third parties for all of its commitments. In the first quarter of 2014, the liability risk under specific commitments, which totalled $4,700,000 at December 31, 2013, was recognized in purchases of goods and services.

Capital stock

Table 9 below presents information on the Corporation's capital stock as at July 15, 2015. In addition, 463,371 Corporation Class B stock options and 265,600 QMI stock options were outstanding as at July 15, 2015.

Table 9
Number of shares outstanding as at July 15, 2015
(in shares and dollars)

	Issued and outstanding	**Carrying amount**
Class A common shares	4,320,000	$ 0.02
Class B shares	38,885,535	$ 5.33

On March 20, 2015, the Corporation completed a subscription rights offering to its shareholders, whereby the Corporation received gross proceeds totalling $110,000,000 from the issuance of 19,434,629 Class B non-voting shares.

Disclosure controls and procedures

The purpose of internal controls over financial reporting is to provide reasonable assurance as to the reliability of the Corporation's financial reporting and the preparation of its financial statements in accordance with IFRS.

No changes to internal controls over financial reporting have come to the attention of management during the second quarter ended June 30, 2015 that have materially adversely affected, or are reasonably likely to materially adversely affect, the Corporation's internal controls over financial reporting for the Broadcasting & Production and Magazines segments.

On December 30, 2014, the Corporation closed the acquisition of VG, the operations of which are presented in the Film Production & Audiovisual Services segment. Given the brief interval between the acquisition date and the attestation date of June 30, 2015, management was unable to complete its analysis of internal controls over that segment's financial reporting. In the coming months, management will complete its analysis of internal controls over financial reporting by the newly acquired operations. Please see tables 1, 2 and 3 above for more financial information on the Film Production & Audiovisual Services segment. Table 10 also provides some additional financial information.

Table 10
Additional financial information – Film Production & Audiovisual Services
(in thousands of dollars)

	June 30, 2015
Current assets	$ 20,319
Non-current assets	117,592
Current liabilities	12,112
Non-current liabilities	1,138

Additional information

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

Forward-looking information disclaimer

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

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

For more information on the risks, uncertainties and assumptions that could cause the Corporation's actual results to differ from current expectations, please refer to the Corporation's public filings available at www.sedar.com and http://groupetva.ca, including, in particular, the "Risks and Uncertainties" section of the Corporation's annual Management's Discussion and Analysis for the year ended December 31, 2014 and the "Risk Factors" section in the Corporation's 2014 annual information form.

The forward-looking statements in this Management's Discussion and Analysis reflect the Corporation's expectations as of July 28, 2015, and are subject to change after that date. The Corporation expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by the applicable securities laws.

Montreal, Quebec

July 28, 2015

Table 11
SELECTED QUARTERLY FINANCIAL DATA
(in thousands of dollars, except for per-share data)

		2015				2014		
		June 30		March 31		Dec. 31		Sept. 30
Operations								
Operating revenues	**$**	**159,424**	$	126,514	$	129,794	$	94,525
Adjusted operating income (loss)	**$**	**7,371**	$	(7,691)	$	7,424	$	7,638
Net loss attributable to shareholders	**$**	**(2,588)**	$	(14,711)	$	(4,148)	$	(35,670)
Basic and diluted per-share data								
Basic and diluted loss per share	**$**	**(0.06)**	$	(0.57)	$	(0.19)	$	(1.50)
Weighted average number of outstanding shares (in thousands)		**43,206**		25,693		23,771		23,771

		2014				2013		
		June 30		March 31		Dec. 31		Sept. 30
Operations								
Operating revenues	$	109,700	$	105,321	$	120,022	$	102,217
Adjusted operating income (loss)	$	20,999	$	(6,025)	$	20,334	$	18,401
Net income (loss) attributable to shareholders	$	9,163	$	(10,163)	$	8,328	$	6,325
Basic and diluted per-share data								
Basic and diluted earnings (loss) per share	$	0.39	$	(0.43)	$	0.35	$	0.27
Weighted average number of outstanding shares (in thousands)		23,771		23,771		23,771		23,771

- The Corporation's businesses experience significant seasonality due to, among other factors, seasonal advertising patterns, consumers' viewing, reading and listening habits, and demand for production facilities from international and local producers. Because the Corporation depends on the sale of advertising for a significant portion of its revenues, operating results are also sensitive to prevailing economic conditions, including changes in local, regional and national economic conditions, particularly as they may affect advertising expenditures.

- Operating expenses in the Broadcasting & Production segment vary, mainly as a result of programming costs, which are directly related to programming strategies and broadcast of live sports events, whereas in the Magazines segment, operating costs fluctuate according to the arrival of magazines on newsstands. In the Film Production & Audiovisual Services segment, operating expenses vary according to needs for production services from international and local producers.

Accordingly, the results of operations for interim periods may vary from one quarter to another.