



## 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” or the “parent corporation”), 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 seven specialty services. TVA Group also holds a minority interest in the Canal Évasion specialty service. In the Magazines segment, TVA Group publishes over 50 titles, making it the largest magazine publisher in Quebec. The Film Production & Audiovisual Services segment provides soundstage and equipment rental as well as postproduction and visual 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 2016, and the major changes from the previous financial year. The Corporation’s condensed interim consolidated financial statements for the three-month and six-month periods ended June 30, 2016 and 2015 have been prepared in accordance with International Financial Reporting Standards (“IFRS”), including, in particular, in accordance with IAS 34, *Interim Financial Reporting*.

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, 2015 and in the Interim Condensed Consolidated Financial Statements as at June 30, 2016.

## BUSINESS SEGMENTS

Management made changes to the Corporation’s management structure at the beginning of 2016. Some Broadcasting & Production segment operations formerly conducted by TVA Accès inc. (now Mels Dubbing Inc.) were transferred to other units of the Corporation. Commercial production remained in the Broadcasting & Production segment, while custom publishing, commercial printed production and premedia services were integrated into the operations of the Magazines segment and dubbing became part of the Film Production & Audiovisual Services segment. Financial information for prior comparative periods has been restated to take into account the new presentation.

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

- The **Broadcasting & Production segment**, which includes the operations of TVA Network (including the subsidiary 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 and distribution of audiovisual products by the TVA Films division.
- The **Magazines segment**, which through its subsidiaries, notably TVA Publications inc. and Les Publications Charron & Cie inc., publishes French- and English-language magazines in various fields such as the arts, entertainment, television, fashion, sports and decoration, markets digital products associated with the various magazine brands and provides custom publishing, commercial print production and premedia services.
- The **Film Production & Audiovisual Services segment**, which through its subsidiaries Mels Studios and Postproduction G.P. (“MELS”) and Mels Dubbing Inc., provides soundstage and equipment rental, postproduction and visual effects services.

## HIGHLIGHTS SINCE END OF FIRST QUARTER 2016

- On April 18, 2016, the Corporation filed licence renewal applications for all of its conventional television stations and specialty services with the Canadian Radio-Television and Telecommunications Commission (“CRTC”). The licences expire on August 31, 2017.
- On June 15, 2016, the CRTC released a new policy framework for local and community television which contains decisions that could provide the Corporation with additional funding for the production of local news in its local markets. It will be up to broadcasting distribution undertakings (“BDUs”) to decide whether to devote part of their local expression contribution to the production of local news on local television stations. The new policy will come into effect on September 1, 2017.

## 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) (“Adjusted operating results”)**

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 others, 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 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 attributable to shareholders measure used in the condensed consolidated financial statements**

(in thousands of dollars)

	Three-months ended June 30		Six-months ended June 30	
	2016	2015	2016	2015
Adjusted operating income (loss):				
Broadcasting & Production	\$ (2,431)	\$ 867	\$ (6,315)	\$ (7,792)
Magazines	3,920	1,219	5,979	2,184
Film Production & Audiovisual Services	938	5,285	3,060	5,288
	2,427	7,371	2,724	(320)
Depreciation of property, plant and equipment and amortization of intangible assets	8,920	7,079	17,354	13,887
Financial expenses	866	870	1,836	2,805
Operational restructuring costs, impairment of assets and others	708	2,304	1,160	2,711
Income tax recovery	(2,126)	(412)	(4,225)	(6,394)
Share of (income) loss of associated corporations	(222)	258	(328)	4,110
Non-controlling interest	(43)	(140)	(8)	(140)
<b>Net loss attributable to shareholders</b>	<b>\$ (5,676)</b>	<b>\$ (2,588)</b>	<b>\$ (13,065)</b>	<b>\$ (17,299)</b>

**ANALYSIS OF CONSOLIDATED RESULTS****2016/2015 second quarter comparison****Operating revenues:** \$144,229,000, a \$15,195,000 (-9.5%) decrease.

- \$5,517,000 (-5.0%) decrease in the Broadcasting & Production segment (Table 2) essentially due to lower advertising revenues at the “TVA Sports” channel as a direct result of the Montreal Canadiens’ failure to qualify for the National Hockey League (“NHL”) playoffs, partially offset by a 6.4% increase in the subscription revenues of the specialty services, led by “TVA Sports.”
- \$2,150,000 (-6.9%) decrease in the Magazines segment (Table 2) due mainly to the decrease in operating revenues resulting from the discontinuation of some titles in 2015, as well as lower advertising revenues for comparable magazines, partially offset by the addition of the revenues generated by the magazines acquired from Transcontinental Inc. (“Transcontinental”) on April 12, 2015 (“acquired magazines”).
- \$7,205,000 (-36.3%) decrease in the Film Production & Audiovisual Services segment (Table 2), essentially due to a 49.7% decrease in revenues from soundstage and equipment rental and a 45.1% decrease in revenues from visual effects.

**Table 2**  
**Operating revenues**  
(in thousands of dollars)

	Three-months ended June 30		Six-months ended June 30	
	2016	2015	2016	2015
Broadcasting & Production	\$ 105,061	\$ 110,578	\$ 211,024	\$ 214,101
Magazines	29,197	31,347	56,684	46,225
Film Production & Audiovisual Services	12,650	19,855	28,162	30,104
Intersegment items	(2,679)	(2,356)	(6,118)	(4,492)
	\$ 144,229	\$ 159,424	\$ 289,752	\$ 285,938

**Adjusted operating income:** \$2,427,000, a negative variance of \$4,944,000 (-67.1%).

- \$3,298,000 unfavourable variance in the Broadcasting & Production segment (Table 3) caused mainly by the increase in the “TVA Sports” channel’s adjusted operating loss.
- \$2,701,000 favourable variance in the Magazines segment (Table 3), due mainly to the adjusted operating income generated in the first part of April 2016 by the magazines acquired from Transcontinental on April 12, 2015, the operational synergies realized since the integration of the acquired magazines and other cost-cutting initiatives.
- \$4,347,000 unfavourable variance in the Film Production & Audiovisual Services segment (Table 3), due primarily to a decrease in adjusted operating income from soundstage and equipment rental caused by significantly lower volume of activities.

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

	Three-months ended June 30		Six-months ended June 30	
	2016	2015	2016	2015
Broadcasting & Production	\$ (2,431)	\$ 867	\$ (6,315)	\$ (7,792)
Magazines	3,920	1,219	5,979	2,184
Film Production & Audiovisual Services	938	5,285	3,060	5,288
	\$ 2,427	\$ 7,371	\$ 2,724	\$ (320)

**Net loss attributable to shareholders:** \$5,676,000 (-\$0.13 per basic and diluted share), compared with a net loss attributable to shareholders of \$2,588,000 (-\$0.06 per basic and diluted share) in the same period of 2015.

- The negative variance of \$3,088,000 (-\$0.07 per basic and diluted share) was essentially due to:
  - \$4,944,000 decrease in adjusted operating income;
  - \$1,841,000 unfavourable variance in depreciation and amortization expenses;
partially offset by:

- \$1,714,000 favourable variance in income tax recovery;
  - \$1,596,000 favourable variance in restructuring costs, impairment of assets and others;
  - \$480,000 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 quarters ended June 30, 2016 and 2015.

**Depreciation of property, plant and equipment and amortization of intangible assets:** \$8,920,000, a \$1,841,000 increase due primarily to the revision in the fourth quarter of 2015 of the useful lives of some of the property, plant and equipment acquired from MELS, the move to premises adjacent to the Videotron Centre, and the conversion of the Quebec City station's production facilities to high definition.

**Financial expenses:** Relatively stable at \$866,000.

**Operational restructuring costs, impairment of assets and others:** \$708,000 in the second quarter of 2016, compared with \$2,304,000 in the same period of 2015.

- In the three-month period ended June 30, 2016, the Corporation recorded \$498,000 in operational restructuring costs in connection with staff reductions, including \$404,000 in the Broadcasting & Production segment, \$76,000 in the Magazines segment, and \$18,000 in the Film Production & Audiovisual Services segment. During the same period, the Corporation also recognized a \$198,000 loss following the final adjustment to a contingent consideration related to the sale of the book publishing operations acquired from Transcontinental and simultaneously transferred to Sogides Group Inc., a corporation under common control.
- In the three-month period ended June 30, 2015, the Corporation recorded \$1,835,000 in operational restructuring costs in connection with staff reductions, 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. In the same period, the Corporation also recorded \$469,000 in professional fees and integration costs in connection with the acquisition of MELS and of Transcontinental magazines.

**Income tax recovery:** \$2,126,000 (effective tax rate of 26.4%) in the second quarter of 2016, compared with \$412,000 (effective tax rate of 14.3%) in the same period of 2015.

- In the second quarters of 2016 and 2015, the effective tax rate was lower than the Corporation's statutory tax rate of 26.9% essentially because of permanent differences related to non-deductible items, which had a greater impact on the effective tax rate in the second quarter of 2015 since the loss before income tax recovery was lower than in the same period of 2016.

**Share of income of associated corporations:** \$222,000 in the second quarter of 2016 compared with a \$258,000 loss in the same quarter of 2015. The \$480,000 favourable variance was essentially due to the fact that in the second quarter of 2016, the Corporation did not record a loss on ROC Television G.P. ("ROC Television," formerly SUN News General Partnership), which discontinued the operations of the SUN News specialty service in the first quarter of 2015.

**Non-controlling interest:** \$43,000 in the second quarter of 2016, compared with \$140,000 in the same quarter of 2015.

- Non-controlling interest consists in the minority shareholder's share of the net loss of a corporation in which TVA Publications inc. holds a 51% interest and which operates certain acquired magazines.

## **2016/2015 year-to-date comparison**

**Operating revenues:** \$289,752,000, a \$3,814,000 (1.3%) increase.

- \$3,077,000 (-1.4%) decrease in the Broadcasting & Production segment (Table 2) due essentially to lower advertising revenues at “TVA Sports,” as described in the 2016/2015 second quarter comparison. That decrease was partially offset by a 6.2% increase in subscription revenues at the specialty services, led by “TVA Sports,” and a 1.4% increase in TVA Network’s revenues.
- \$10,459,000 (22.6%) increase in the Magazines segment (Table 2) due mainly to the favourable impact of the acquisition of magazines from Transcontinental on April 12, 2015, which was partially offset by the decrease in operating revenues resulting from the discontinuation of some titles in 2015, and lower advertising revenues for comparable magazines.
- \$1,942,000 (-6.5%) decrease in the Film Production & Audiovisual Services segment (Table 2) essentially due to the decrease in revenues from visual effects, partially offset by higher revenues from dubbing.

**Adjusted operating income:** \$2,724,000, a \$3,044,000 favourable variance.

- \$1,477,000 favourable variance in the Broadcasting & Production segment (Table 3) caused mainly by a 7.5% increase in TVA Network’s adjusted operating income.
- \$3,795,000 favourable variance in the Magazines segment (Table 3) due primarily to the inclusion of the adjusted operating income of the acquired magazines for a longer period in 2016 and the realization of synergies and operational cost savings.
- \$2,228,000 unfavourable variance in the Film Production & Audiovisual Services segment (Table 3), due primarily to a decrease in adjusted operating income from soundstage and equipment rental and from postproduction.

**Net loss attributable to shareholders:** \$13,065,000 (-\$0.30 per basic and diluted share) for the first six months of 2016, compared with a net loss attributable to shareholders of \$17,299,000 (-\$0.50 per basic and diluted share) in the same period of 2015.

- The positive variance of \$4,234,000 (\$0.20 per basic and diluted share) was essentially due to:
  - \$4,438,000 favourable variance in interest in associated corporations;
  - \$3,044,000 increase in adjusted operating income;
  - \$1,551,000 favourable variance in restructuring costs, impairment of assets and others;
  - \$969,000 favourable variance in financial expenses;partially offset by:
  - \$3,467,000 unfavourable variance in depreciation and amortization expenses;
  - \$2,169,000 unfavourable variance in income tax recovery.
- The calculation of per-share results was based on a weighted average of 43,205,535 outstanding diluted shares for the six months ended June 30, 2016, and 34,449,274 outstanding and diluted shares for the same period of 2015. 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:** \$17,354,000, a \$3,467,000 increase. In addition to the factors noted in the 2016/2015 second quarter comparison above, the increase was also due to amortization of intangible assets arising from the acquisition of magazines from Transcontinental.

**Financial expenses:** \$1,836,000, a \$969,000 decrease due primarily to recognition in the first quarter of 2015 of interest charges related to the \$100,000,000 credit facility extended by QMI.

**Operational restructuring costs, impairment of assets and others:** \$1,160,000 in the first six months of 2016, compared with \$2,711,000 in the same period of 2015.

- In addition to the factors noted in the 2016/2015 second quarter comparison above, the Corporation recorded \$392,000 in operational restructuring costs in the first quarter of 2016 in connection with staff reductions, including \$314,000 in the Magazines segment and \$78,000 in the Film Production & Audiovisual Services segment (\$245,000 in the Film Production & Audiovisual Services segment in the first quarter of 2015).
- In the first quarter of 2016, the Corporation also recorded \$60,000 in professional fees in connection with the acquisition of MELS and the Transcontinental magazines (\$162,000 in the first quarter of 2015).

**Income tax recovery:** \$4,225,000 (effective tax rate of 24.0%) in the first six months of 2016, compared with \$6,394,000 (effective tax rate of 32.4%) in the same period of 2015.

- In the first half of 2016, the effective tax rate was slightly lower than the Corporation's statutory tax rate of 26.9% because of, among other things, permanent differences related to non-deductible items.
- In the first half of 2015, the effective tax rate was higher than the Corporation's statutory tax rate of 26.9%, primarily because of the Corporation's share of the tax savings generated by the losses of ROC Television during the period.

**Share of income of associated corporations:** \$328,000 in the first six months of 2016, compared with a \$4,110,000 loss in the same period of 2015. The \$4,438,000 favourable variance was mainly due to the Corporation's share of the losses of ROC Television in the first half of 2015, which included all costs related to discontinuation of the operations of the SUN News specialty service.

**Non-controlling interest:** \$8,000 in the first half of 2016 compared with \$140,000 in the same period of 2015. The reduction was due to a decrease in the net loss of a corporation in which TVA Publications inc. holds a 51% interest and which operates certain acquired magazines.

## SEGMENTED ANALYSIS

### Broadcasting & Production

#### 2016/2015 second quarter comparison

**Operating revenues:** \$105,061,000, a \$5,517,000 (-5.0%) decrease primarily due to:

- 51.8% decrease in the advertising revenues of “TVA Sports” caused by the Montreal Canadiens’ failure to qualify for the NHL playoffs;
- slight decrease in TVA Network’s revenues;

partially offset by:

- 6.4% increase in the combined subscription revenues of the specialty services, despite the loss of subscription revenues resulting from the closure of “Argent” channel in the second quarter of 2016. “TVA Sports” accounted for 78.5% of the growth;
- higher operating revenues at TVA Films, mainly because of the sale of foreign broadcast rights.

#### French-language market ratings

**Table 4**

#### French-language market ratings

(Market share in %)

Second quarter 2016 vs Second quarter 2015			
	2016	2015	Difference
<b>French-language conventional broadcasters:</b>			
TVA	23.4	22.0	1.4
SRC	11.1	10.9	0.2
V	7.0	7.1	- 0.1
	41.5	40.0	1.5
<b>French-language specialty and pay services:</b>			
TVA	12.9	14.4	- 1.5
Bell Media	14.6	17.1	- 2.5
Corus	8.7	7.1	1.6
SRC	5.2	4.5	0.7
Other	4.9	5.2	- 0.3
	46.3	48.3	- 2.0
<b>Total English-language channels and others:</b>	12.2	11.7	0.5
<b>TVA Group</b>	36.3	36.4	- 0.1

Source: Numeris, French Quebec, April 1 to June 30, 2016, Mon-Sun, 2:00 – 2:00, All 2+.

TVA Group's market share for the period of April 1 to June 30, 2016 was relatively flat at 36.3%.

TVA Network grew its market share from the same period of 2015 to 23.4% (+1.4 points), more than its two main over-the-air rivals combined. TVA Network carried 4 of the 5 most-watched programs in Quebec in the second quarter of 2016, including *La Voix*, which was the Number one show again with more than 2.7 million viewers.

TVA Group's specialty services had a combined market share of 12.9% in the second quarter of 2016, compared with 14.4% in the same period of 2015 (-1.5 points). The decrease was essentially due to "TVA Sports," which was affected by the failure of the Montreal Canadiens and all other Canadian teams to qualify for the Stanley Cup playoffs. Nevertheless, the ratings for playoff games, excluding those involving the Montreal Canadiens, were strong compared with 2015, particularly for the Stanley Cup final series, which increased by an average of 6% their viewership compared with 2015.

**Operating expenses:** \$107,492,000, a \$2,219,000 (-2.0%) decrease.

- The decrease was due primarily to:
  - 4.6% decrease in the operating expenses of "TVA Sports" resulting essentially from lower program production costs and lower sales commissions related to the decrease in advertising revenues;
  - 2.8% decrease in the operating expenses of the other specialty services caused by, among other things, the closure of "Argent" channel in April 2016;
  - 0.9% decrease in operating expenses at TVA Network due primarily to lower content costs;partially offset by:
  - increase in the operating expenses of the TVA Films division due primarily to variable costs on foreign sales.

**Adjusted operating loss:** \$2,431,000, a \$3,298,000 unfavourable variance primarily due to:

- increase in the adjusted operating loss of "TVA Sports" resulting essentially from the decrease in advertising revenues, partially offset by the reduction in operating expenses and the increase in subscription revenues;
- partially offset by:
- 10.8% increase in adjusted operating income at the other specialty services caused mainly by the decrease in operating expenses noted above.

**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 99.2% in the second quarter of 2015 to 102.3% in the same period of 2016, mainly because of the above-noted decrease in the operating revenues of "TVA Sports" and despite reductions in its operating expenses.

#### **2016/2015 year-to-date comparison**

**Operating revenues:** \$211,024,000, a \$3,077,000 (-1.4%) decrease due primarily to:

- 36.1% decrease in the advertising revenues of "TVA Sports" caused by the Montreal Canadiens' failure to qualify for the NHL playoffs;

partially offset by:

- 6.2% increase in the combined subscription revenues of the specialty services despite the closure of “Argent” channel, including “MOI&cie,” “addikTV,” “Casa” and “TVA Sports”, which grew their subscription revenues by 13.2%, 13.0%, 10.9% and 7.0% respectively;
- 1.4% increase in TVA Network’s revenues essentially due to higher revenues from distant signal retransmission royalties and from commercial production due to increased volume of activities.

**Operating expenses:** \$217,339,000, a \$4,554,000 (-2.1%) decrease.

- The decrease was due primarily to:
  - 5.3% decrease in operating expenses at “TVA Sports,” essentially due to the same factors as those noted above in the 2016/2015 second quarter comparison;
  - 3.0% decrease in the operating expenses of the other specialty services, mainly as a result of the closure of the “Argent” channel in April 2016;

partially offset by:

- slight 0.4% increase in TVA Network’s operating expenses.

**Adjusted operating loss:** \$6,315,000, a \$1,477,000 favourable variance primarily due to:

- 30.7% increase in the adjusted operating income of the specialty services other than “TVA Sports” due to the increase in operating revenues combined with a decrease in operating expenses;
- increase in TVA Network’s adjusted operating income resulting primarily from higher advertising revenues and revenues from distant signal retransmission royalties;

partially offset by:

- increase in the adjusted operating loss of “TVA Sports” because of the above-noted factors.

**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) were relatively stable, decreasing from 103.6% in the first half of 2015 to 103.0% in the same period of 2016.

## **Magazines**

### **2016/2015 second quarter comparison**

**Operating revenues:** \$29,197,000, a decrease of \$2,150,000 (-6.9%) due mainly to:

- decrease in operating revenues resulting from the discontinuation of some titles in 2015;
- 21.2% decrease in advertising revenues for comparable magazines;

partially offset by:

- addition of the revenues generated in the first part of April 2016 by the magazines acquired from Transcontinental on April 12, 2015.

## 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 10.6% of the segment’s operating revenues for the three-month period ended June 30, 2016 (9.4% in the same period of 2015).

## Readership and market share statistics

With nearly 2.6 million readers across all platforms for its French titles, TVA Group is the top publisher of French-language magazines in Quebec. It is a leader in the Canadian magazine publishing industry with a total of nearly 9 million cross-platform readers.

The showbiz and celebrity news magazine *7 Jours* is the #1 weekly in Quebec with 618,000 readers on all platforms per week.

The *Canadian Living* magazine, Canada’s lifestyle standard-setter for more than 30 years, is the most popular magazine among English-Canadian women, with 3.8 million readers on all platforms and the largest-circulation magazine in Canada at more than 460,000 copies, while its French-language counterpart *Coup de pouce* has the largest print readership of any magazine in Quebec and nearly 1.3 million readers across all platforms.

The fashion magazines reach nearly 2.4 million readers each month on all platforms. *ELLE Canada* is Canada’s best-selling fashion magazine with close to 1.6 million readers across all platforms. On the French side, *ELLE Québec* is the most-read fashion magazine with 623,000 cross-platform readers.

Finally, *The Hockey News* magazine maintains its popularity with sports fans with more than 1.9 million readers per issue on all platforms.

### Sources:

Vividata, Q1 2016, Total Canada, 12+  
Alliance for Audited Media (“AAM”), December 2015

**Operating expenses:** \$25,277,000, a \$4,851,000 (-16.1%) decrease due mainly to:

- decrease in operating expenses resulting from the discontinuation of some titles in 2015;
- operational synergies realized since the integration of the acquired magazines and other cost-cutting initiatives at the comparable magazines;

partially offset by:

- addition of expenses incurred in the first part of April 2016 by the magazines acquired from Transcontinental on April 12, 2015.

**Adjusted operating income:** \$3,920,000, a \$2,701,000 favourable variance due mainly to the adjusted operating income generated in the first part of April 2016 by the magazines acquired from Transcontinental on April 12, 2015, the operational synergies realized since the integration of the acquired magazines, and other cost-cutting initiatives at the comparable 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) decreased from 96.1% in the second quarter of 2015 to 86.6% in the second quarter of 2016, mainly because of the operational synergies realized since the integration of the acquired magazines and other cost savings, which exceeded the decrease in operating revenues.

### **Acquisition of Transcontinental magazines**

On April 12, 2015, TVA Publications inc. acquired 14 magazines from Transcontinental, four of which are owned and operated in partnership, as well as three websites, custom publishing contracts and book publishing operations.

The 14 acquired titles included *Coup de pousse*, *Canadian Living*, *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*, as well as a 50% interest in Publications Senior inc., which holds the *Le Bel Âge* and *Good Times* brands.

The second quarter of 2015 was characterized by the integration of the acquired magazines in our existing operations. The Corporation is now able to benefit from these new titles and synergies identified at the time of the acquisition.

### **2016/2015 year-to-date comparison**

**Operating revenues:** \$56,684,000, a \$10,459,000 (22.6%) increase primarily due to:

- addition of the revenues of the magazines acquired from Transcontinental on April 12, 2015;
- higher revenues from custom publishing due to higher volume of activities;

partially offset by:

- decrease in operating revenues resulting from the discontinuation of some titles in 2015;
- 19.9% decrease in the advertising revenues for comparable magazines.

**Operating expenses:** \$50,705,000, a \$6,664,000 (15.1%) increase due mainly to:

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

partially offset by:

- decrease in operating expenses resulting from the discontinuation of some titles in 2015;
- operational synergies realized since the integration of the acquired magazines and other cost-cutting initiatives at the comparable magazines.

**Adjusted operating income:** \$5,979,000, a \$3,795,000 favourable variance due primarily to the adjusted operating income generated during the period of January 1 to April 12, 2016 by the magazines acquired from Transcontinental on April 12, 2015 and to the operational synergies and cost savings realized at the comparable magazines.

**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) decreased from 95.3% in the six-month period ended June 30, 2015 to 89.5% in the six-month period ended June 30, 2016, mainly as a result of operational synergies and other cost savings.

## Film Production & Audiovisual Services

### 2016/2015 second quarter comparison

**Operating revenues:** \$12,650,000, a \$7,205,000 (-36.3%) decrease caused primarily by:

- 49.7% decrease in revenues from soundstage and equipment rental after filming of the American series *Quantico* ended at the beginning of the second quarter of 2016, whereas in the second quarter of 2015 our soundstages and production equipment were used for a number of productions, including the major Hollywood production *X-Men Apocalypse*, produced by 20<sup>th</sup> Century Fox, and the film *Nine Lives*;
- 45.1% decrease in visual effects revenues due to lower volume of activities in the second quarter of 2016, whereas in the second quarter of 2015 MELS's resources and visual effects expertise were used by the Franco-German-Canadian film *Race*, directed by Stephen Hopkins, and the prestigious Franco-Canadian series *Versailles*.

**Operating expenses:** \$11,712,000, a \$2,858,000 (-19.6%) decrease due primarily to:

- 31.0% decrease in operating expenses related to soundstage and equipment rental, essentially because of lower volume of activities;
- 55.4% decrease in operating expenses related to visual effects, resulting primarily from lower volume of activities.

**Adjusted operating income:** \$938,000, a \$4,347,000 unfavourable variance due primarily to the decline in adjusted operating income caused by the above-noted decrease in soundstage and equipment rental volume of activities.

**Cost/revenue ratio:** Employee costs and the cost of purchases of goods and services for the Film Production & Audiovisual Services segment's activities (expressed as a percentage of revenues) increased from 73.4% in the second quarter of 2015 to 92.6% in the second quarter of 2016, essentially because costs could not be reduced in the same proportion as the decrease in revenues from soundstage and equipment rental.

### 2016/2015 year-to-date comparison

**Operating revenues:** \$28,162,000, a \$1,942,000 (-6.5%) decrease primarily due to:

- 49.6% decrease in visual effects revenues due to lower volume of activities in the first half of 2016 than in the same half of 2015, due to the same factors as those noted in the 2016/2015 second quarter comparison above;

partially offset by:

- increased dubbing revenues due to higher volume of activities.

This segment's operations are heavily dependent on the availability of soundstages and equipment, and the ability to meet producers' needs in accordance with shooting schedules. The first quarter of the year is traditionally a slow period and soundstages and equipment are available. However, the Corporation succeeded in leveraging its expertise and its relationships with local and international producers to realize better results in the first quarter of 2016 than is customary for this period of the year. That exceptional performance compensated in large part for the fact that the soundstage and equipment rental services were not used by any major productions in the second quarter of 2016, unlike the second quarter of 2015.

**Operating expenses:** \$25,102,000, a \$286,000 (1.2%) increase due primarily to:

- 17.3% increase in operating expenses related to postproduction;
- 4.8% increase in operating expenses related to soundstage and equipment rental, which vary according to producers' specific needs and the availability of our equipment;

partially offset by:

- 49.3% decrease in operating expenses related to lower volume of activities in visual effects.

**Adjusted operating income:** \$3,060,000, a \$2,228,000 unfavourable variance due primarily to a decrease in adjusted operating income from soundstage and equipment rental and postproduction.

**Cost/revenue ratio:** Employee costs and the cost of purchases of goods and services for the Film Production & Audiovisual Services segment's activities (expressed as a percentage of revenues) increased from 82.4% in the first half of 2015 to 89.1% in the first half of 2016, essentially because of the decrease in the segment's operating revenues in the first half of 2016 compared with the same period of 2015.

## 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	
	2016	2015	2016	2015
Cash flows related to operating activities	\$ 7,540	\$ 46,468	\$ 2,764	\$ 71,595
Issuance of share capital, net of transaction costs	–	–	–	108,725
Net business acquisitions	222	(55,200)	222	(55,200)
Additions to property, plant and equipment and intangible assets	(3,852)	(6,425)	(17,242)	(12,993)
Decrease (increase) in investments	293	(539)	293	(2,620)
Others	1	170	22	(497)
<b>Reimbursement of (increase in) net debt</b>	<b>\$ 4,204</b>	<b>\$ (15,526)</b>	<b>\$ (13,941)</b>	<b>\$ 109,010</b>

  

	June 30, 2016	December 31, 2015
<b>At period end:</b>		
Long-term debt	\$ 69,144	\$ 68,812
Derivative financial instrument	558	814
Short-term debt	5,156	4,219
Bank overdraft	6,244	–
Less: cash	(5,312)	(11,996)
<b>Net debt</b>	<b>\$ 75,790</b>	<b>\$ 61,849</b>

### Operating activities

**Cash flows provided by operating activities:** \$38,928,000 decrease during the three-month period ended June 30, 2016, compared with the same period of 2015, due mainly to:

- unfavourable net change in non-cash balances related to operations:
  - accounts payable and accrued liabilities in the amount of \$35,833,000;
  - broadcast rights payable in the amount of \$14,012,000;
  - programs, broadcast rights and inventories in the amount of \$6,020,000;
- \$4,944,000 decrease in adjusted operating income;

partially offset by:

- \$20,906,000 favourable net change in accounts receivable.

**Cash flows provided by operating activities:** \$68,831,000 decrease during the six-month period ended June 30, 2016, compared with the same period of 2015, due mainly to:

- unfavourable net change in operating liabilities:
  - broadcast rights payable in the amount of \$40,563,000;
  - accounts payable and accrued liabilities in the amount of \$40,309,000;
  - deferred revenues in the amount of \$10,859,000;

partially offset by:

- favourable net change in operating assets:
  - accounts receivable in the amount of \$11,329,000;
  - programs, broadcast rights and inventories in the amount of \$4,121,000;
- \$3,044,000 improvement in adjusted operating income.

**Negative working capital** of \$11,182,000 as of June 30, 2016, compared with working capital of \$10,248,000 as at December 31, 2015. The \$21,430,000 unfavourable variance was mainly due to decreases in programs, broadcast rights and inventories, in accounts receivable and in cash, partially offset by decreases in deferred revenues and in accounts payable and accrued liabilities.

### **Investing activities**

**Additions to property, plant and equipment and to intangible assets:** \$3,852,000 in the second quarter of 2016, compared with \$6,425,000 in the same period of 2015. The \$2,573,000 (-40.0%) decrease was mainly due to the net variance in additions to property, plant and equipment and to intangible assets financed from accounts payable and accrued liabilities, which totalled \$4,624,000 at June 30, 2016, compared with \$1,442,000 at March 31, 2016.

**Additions to property, plant and equipment and intangible assets:** \$17,242,000 in the first half of 2016, compared with \$12,993,000 in the same period of 2015. The \$4,249,000 (32.7%) increase was mainly due to the net variance in additions to property, plant and equipment and to intangible assets financed from accounts payable and accrued liabilities, which totalled \$4,624,000 at June 30, 2016, compared with \$8,359,000 at December 31, 2015.

**Business acquisitions:** \$55,500,000 in the three-month and six-month periods ended June 30, 2015. On April 12, 2015, the Corporation acquired from Transcontinental 14 magazines, four of which are owned and operated in partnership, as well as three websites, custom publishing contracts and book publishing operations, for a purchase price of \$56,286,000, including a \$786,000 final adjustment contingent upon a predetermined working capital target agreed to by the parties. The process of allocating the acquisition price was completed during the three-month period ended December 31, 2015 and the final adjustment was paid in the fourth quarter of 2015.

As part of this transaction, the Corporation simultaneously transferred the acquired book publishing operations to Sogides Group Inc., a corporation under common control, for the equivalent of the price paid, namely an agreed price of \$720,000, consisting of \$300,000 in cash, and a contingent consideration receivable valued at \$420,000 in the fourth quarter of 2015. During the three-month period ended June 30, 2016, the Corporation received a final contingent consideration of \$222,000 and accordingly recorded a \$198,000 loss under operational restructuring costs, impairment of assets and others to reflect the change in value of that counterpart.

**Net change in investments:** \$293,000 in the second quarter of 2016, compared with \$539,000 in the same period of 2015. In the second quarter of 2016, the Corporation received \$293,000 related to a portfolio investment, whereas in the second quarter of 2015 the Corporation made a \$539,000 capital contribution to ROC Television.

**Net change in investments:** \$293,000 in the first six months of 2016, compared with \$2,620,000 in the same period of 2015. In addition to the above-noted factors, the Corporation made a \$2,352,000 capital contribution to ROC Television in the first quarter of 2015 and received \$271,000 related to a portfolio investment during the same period.

**Financing activities**

**Long-term debt** (excluding deferred financing costs): Relatively stable at \$74,928,000 as of June 30, 2016, compared with \$73,797,000 as of December 31, 2015, a slight \$1,131,000 increase.

**Financial position as at June 30, 2016**

**Net available liquid assets:** \$140,236,000, consisting of a \$146,480,000 unused and available revolving credit facility less a \$6,244,000 bank overdraft.

As at June 30, 2016, minimum principal payments on 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)

2017	\$ 5,156
2018	8,437
2019	13,781
2020	47,554
<b>Total</b>	<b>\$ 74,928</b>

The weighted average term of TVA Group's debt was approximately 2.8 years as of June 30, 2016 (3.2 years as of December 31, 2015). The debt consisted entirely of floating-rate debt as of June 30, 2016 and December 31, 2015. The Corporation is using an interest rate swap to secure future interest expenses on a \$36,208,000 portion of its 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, 2015), which was renewed on November 3, 2014 and matures on February 24, 2019. As of June 30, 2016, \$3,520,000, including letters of credit in the amount of \$520,000, had been withdrawn on the revolving credit facility (letters of credit in the amount of \$425,000 withdrawn as of December 31, 2015).

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, 2016, the Corporation was in compliance with all the terms of its credit agreements.

**Analysis of consolidated balance sheet as at June 30, 2016**

**Table 7**

**Consolidated balance sheets of TVA Group**

**Analysis of main variances between June 30, 2016 and December 31, 2015**

(in thousands of dollars)

	<b>June 30, 2016</b>	December 31, 2015	Difference	Main reasons for difference
<b><u>Assets</u></b>				
Accounts receivable	\$ 138,299	\$ 150,930	\$ (12,631)	Impact of current and seasonal variations in activities.
Programs, broadcast rights and inventories	59,127	79,495	(20,368)	Impact of current and seasonal variations in activities.
Broadcast rights	49,269	36,321	12,948	Impact of increased spending on programming and of current and seasonal variances in activities.
Deferred income taxes	17,443	7,069	10,374	Impact of recording of deferred income tax on recognized actuarial loss of pension plans.
<b><u>Liabilities</u></b>				
Accounts payable and accrued liabilities	\$ 103,099	\$ 112,914	\$ (9,815)	Impact of current and seasonal variances in activities and strict cash management at the end of 2015.
Deferred revenues	17,023	28,148	(11,125)	Impact of recognition in income of government assistance and subscription revenues of the Magazines segment.
Defined benefit liabilities	30,349	2,322	28,027	Recognition of an actuarial loss related to a decrease in the discount rate.

## ADDITIONAL INFORMATION

### Contractual obligations

As of June 30, 2016, material contractual commitments of operating activities included capital repayment and interest on debt, payments under broadcast 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, 2016**  
(in thousands of dollars)

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Long-term debt	\$ 5,156	\$ 22,218	\$ 47,554	\$ –	\$ 74,928
Payment of interest <sup>1</sup>	2,602	3,949	554	–	7,105
Broadcast rights	206,834	174,746	143,770	338,551	863,901
Other commitments	13,491	15,173	3,835	881	33,380
<b>Total</b>	<b>\$ 228,083</b>	<b>\$ 216,086</b>	<b>\$ 195,713</b>	<b>\$ 339,432</b>	<b>\$ 979,314</b>

<sup>1</sup>Interest is calculated on a constant debt level equal to that at June 30, 2016 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 2016, the Corporation sold advertising space and content, recorded subscription revenues and provided production, postproduction and other services to corporations under common control and affiliated corporations in the aggregate amount of \$22,521,000 (\$27,869,000 in the second quarter of 2015).

In the second quarter of 2016, 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 \$12,203,000 (\$11,969,000 in the second quarter of 2015).

Furthermore, in the second quarter of 2016, the Corporation invoiced management fees to corporations under common control in the amount of \$994,000 (\$906,000 in the second quarter of 2015). These fees are recorded in reduction of operating expenses.

The Corporation also assumed management fees to the parent corporation in the amount of \$955,000 in the second quarter of 2016 (\$1,080,000 in the second quarter of 2015).

In the first six months of 2016, the Corporation sold advertising space and content, recorded subscription revenues and provided production, postproduction and other services to corporations under common control and affiliated corporations in the aggregate amount of \$48,517,000 (\$51,779,000 in the first six months of 2015).

In the first six months of 2016, 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 \$23,841,000 (\$21,026,000 in the first six months of 2015).

Furthermore, in the first half of 2016, the Corporation invoiced management fees to corporations under common control in the amount of \$1,900,000 (\$1,687,000 in the first half of 2015).

The Corporation also assumed management fees to the parent corporation in the amount of \$1,910,000 in the first six months of 2016 (\$2,160,000 in the first six months of 2015).

### ROC Television

Since the announcement on February 13, 2015 of the discontinuation of the operations of ROC Television, in which TVA Group holds a 49% interest, the Corporation has continued making capital contributions to ROC Television to cover its operating losses up to the closure date as well as costs related to the discontinuation of operations. A \$1,760,000 allowance was recorded under accounts payable and accrued liabilities at June 30, 2016 to cover those costs.

The partners made no capital contribution in the second quarter of 2016, compared with a \$1,100,000 contribution in the second quarter of 2015, including \$539,000 from TVA Group and \$561,000 from the other partner.

The partners made no capital contribution in the first half of 2016, compared with a \$5,900,000 contribution in the first half of 2015, including \$2,891,000 from TVA Group and \$3,009,000 from the other partner.

### Capital stock

Table 9 below presents information on the Corporation's capital stock as at July 15, 2016. In addition, 414,121 Class B stock options of the Corporation and 222,400 QMI stock options were outstanding as of July 15, 2016.

**Table 9**  
**Number of shares outstanding as at July 15, 2016**  
(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

### Fair value of financial instruments

In accordance with IFRS 13, *Fair Value Measurement*, the Corporation has considered the following fair value hierarchy. This hierarchy reflects the significance of the inputs used in measuring the financial instruments accounted for at fair value on the consolidated balance sheets:

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

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

The carrying amount and the fair value of long-term debt and of the derivative financial instrument as at June 30, 2016 and December 31, 2015 were as follows:

**Table 10**  
**Fair value of financial instruments**  
(in thousands of dollars)

	June 30, 2016		December 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Derivative financial instrument	\$ 558	\$ 558	\$ 814	\$ 814
Long-term debt <sup>1</sup>	74,928	74,928	73,797	73,797

<sup>1</sup>The carrying amount of long-term debt excludes financing costs.

### 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, 2016 that have materially adversely affected, or are reasonably likely to materially adversely affect, the Corporation's internal controls over financial reporting.

### Additional information

The Corporation is a reporting issuer under the securities acts of all the provinces of Canada. It is therefore required to file financial statements, an information circular and an annual information form with the various securities regulatory authorities. Copies of those documents are available free of charge from the Corporation on request, and on the Web at [www.sedar.com](http://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 and risks related to the loss of key customers in the Film Production & Audiovisual Services segment), programming, content and production cost risks, credit risk, government regulation risks, government assistance risks, changes in economic conditions, fragmentation of the media landscape, and labour relation risks.

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

For more information on the risks, uncertainties and assumptions that could cause the Corporation's actual results to differ from current expectations, please refer to the Corporation's public filings available at [www.sedar.com](http://www.sedar.com) and

<http://groupepva.ca>, including, in particular, the “Risks and Uncertainties” section of the Corporation’s annual Management’s Discussion and Analysis for the year ended December 31, 2015 and the “Risk Factors” section in the Corporation’s 2015 annual information form.

The forward-looking statements in this Management’s Discussion and Analysis reflect the Corporation’s expectations as of August 1<sup>st</sup>, 2016, 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)

August 1<sup>st</sup>, 2016

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

	2016		2015	
	June 30	March 31	Dec. 31	Sept. 30
<b>Operations</b>				
Operating revenues	\$ 144,229	\$ 145,523	\$ 165,429	\$ 138,523
Adjusted operating income	\$ 2,427	\$ 297	\$ 16,846	\$ 30,864
Net loss attributable to shareholders	\$ (5,676)	\$ (7,389)	\$ (1,472)	\$ (36,455)
<b>Basic and diluted per-share data</b>				
Basic and diluted loss per share	\$ (0.13)	\$ (0.17)	\$ (0.03)	\$ (0.84)
Weighted average number of outstanding shares (in thousands)	43,206	43,206	43,206	43,206
	2015		2014	
	June 30	March 31	Dec. 31	Sept. 30
<b>Operations</b>				
Operating revenues	\$ 159,424	\$ 126,514	\$ 129,794	\$ 94,525
Adjusted operating income (loss)	\$ 7,371	\$ (7,691)	\$ 6,814	\$ 7,638
Net loss attributable to shareholders	\$ (2,588)	\$ (14,711)	\$ (4,418)	\$ (35,670)
<b>Basic and diluted per-share data</b>				
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

- 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 live sports broadcasts, while in the Magazines segment operating costs fluctuate according to the arrival of magazines on newsstands, which may vary from quarter to quarter. In the Film Production & Audiovisual Services segment, operating expenses vary according to demand for production facilities from international and local producers.

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