



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 Quebec’s largest magazine publisher. 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 third quarter of 2016 and the major changes from the previous financial year. The Corporation’s interim condensed consolidated financial statements for the three-month and nine-month periods ended September 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 September 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 print 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. and Mels Dubbing Inc. provides soundstage and equipment rental, postproduction and visual effects services.

HIGHLIGHTS SINCE END OF SECOND QUARTER 2016

- On October 24, 2016, the Corporation announced the launch of the new TVA.CA website and the TVA mobile app, which give users free access to TVA programs in high definition, live or on demand. The site and app also offer many other features. Users can catch up on shows from the previous seven days, watch exclusive original content, pause and resume play on a different screen and receive customized suggestions.

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 (income) loss 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 to net loss attributable to shareholders as disclosed in the Corporation's condensed consolidated financial statements.

Table 1**Reconciliation of the adjusted operating income 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 September 30		Nine-months ended September 30	
	2016	2015	2016	2015
Adjusted operating income:				
Broadcasting & Production	\$ 11,249	\$ 19,214	\$ 4,934	\$ 11,422
Magazines	5,712	3,823	11,691	6,007
Film Production & Audiovisual Services	3,732	7,827	6,792	13,115
	20,693	30,864	23,417	30,544
Depreciation of property, plant and equipment and amortization of intangible assets	8,968	6,871	26,322	20,758
Financial expenses	738	1,009	2,574	3,814
Impairment of a licence and goodwill	40,100	60,107	40,100	60,107
Operational restructuring costs, impairment of assets and others	617	168	1,777	2,879
Income tax expense (recovery)	2,821	(1,689)	(1,404)	(8,083)
Share of (income) loss of associated corporations	(275)	449	(603)	4,559
Non-controlling interest	231	404	223	264
Net loss attributable to shareholders	\$ (32,507)	\$ (36,455)	\$ (45,572)	\$ (53,754)

ANALYSIS OF CONSOLIDATED RESULTS**2016/2015 third quarter comparison****Operating revenues:** \$131,592,000, a decrease of \$6,931,000 (-5.0%).

- \$4,074,000 (4.8%) increase in the Broadcasting & Production segment (Table 2) essentially due to higher advertising revenues at the “TVA Sports” channel generated by the 2016 World Cup of Hockey tournament and to higher commercial production revenues at TVA Network because of increased volume of activities. The increase was partially offset by a decrease in TVA Network’s advertising revenues.
- \$4,964,000 (-14.2%) decrease in the Magazines segment (Table 2) due mainly to the decrease in operating revenues caused by the discontinuation of some titles in 2015, as well as an 11.5% decrease in newsstand revenues and a 7.9% decrease in advertising revenues for comparable magazines.
- \$5,567,000 (-25.8%) decrease in the Film Production & Audiovisual Services segment (Table 2), essentially due to a 50.1% decrease in revenues from soundstage and equipment rental, partially offset by a 77.1% increase in visual effects revenues and a 28.0% increase in postproduction revenues.

Table 2
Operating revenues
(in thousands of dollars)

	Three-months ended September 30		Nine-months ended September 30	
	2016	2015	2016	2015
Broadcasting & Production	\$ 88,409	\$ 84,335	\$ 299,433	\$ 298,436
Magazines	30,025	34,989	86,709	81,214
Film Production & Audiovisual Services	15,969	21,536	44,131	51,640
Intersegment items	(2,811)	(2,337)	(8,929)	(6,829)
	\$ 131,592	\$ 138,523	\$ 421,344	\$ 424,461

Adjusted operating income: \$20,693,000, a negative variance of \$10,171,000 (-33.0%).

- \$7,965,000 unfavourable variance in the Broadcasting & Production segment (Table 3), mainly because of the decrease in the adjusted operating income of TVA Network and the “TVA Sports” channel.
- \$1,889,000 favourable variance in the Magazines segment (Table 3), due mainly to the operational synergies realized since the integration of the magazines acquired from Transcontinental Inc. (“Transcontinental”) on April 12, 2015 (the “acquired magazines”) and other cost-cutting initiatives, partially offset by a decrease in the comparable magazines’ operating revenues, as described below.
- \$4,095,000 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, partially offset by an increase in adjusted operating income from visual effects.

Table 3
Adjusted operating income
(in thousands of dollars)

	Three-months ended September 30		Nine-months ended September 30	
	2016	2015	2016	2015
Broadcasting & Production	\$ 11,249	\$ 19,214	\$ 4,934	\$ 11,422
Magazines	5,712	3,823	11,691	6,007
Film Production & Audiovisual Services	3,732	7,827	6,792	13,115
	\$ 20,693	\$ 30,864	\$ 23,417	\$ 30,544

Net loss attributable to shareholders: \$32,507,000 (-\$0.75 per basic and diluted share), compared with a net loss attributable to shareholders of \$36,455,000 (-\$0.84 per basic and diluted share) in the same period of 2015.

- The \$3,948,000 (\$0.09 per basic and diluted share) favorable variance was essentially due to:
 - the difference between the impairment charge of a licence in the amount of \$60,107,000 recorded during the third quarter of 2015 and the impairment charge of goodwill in the amount of \$40,100,000 recorded during the third quarter of 2016;
 - \$724,000 favourable variance in interest in associated corporations;

partially offset by:

- \$10,171,000 decrease in adjusted operating income;
 - \$4,510,000 unfavourable variance in the income tax expense;
 - \$2,097,000 unfavourable variance in depreciation and amortization expenses.
- The calculation of per-share results was based on a weighted average of 43,205,535 outstanding diluted shares for the quarters ended September 30, 2016 and 2015.

Depreciation of property, plant and equipment and amortization of intangible assets: \$8,968,000, a \$2,097,000 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, and capital expenditures related to high-definition production equipment and new premises adjacent to the Videotron Centre for TVA Network's Quebec City station.

Financial expenses: \$738,000, a \$271,000 decrease related primarily to lower average indebtedness and interest revenues on production tax credits for prior years received in the third quarter of 2016.

Impairment of a licence and goodwill: \$40,100,000 for the three-month period ended September 30, 2016, compared with \$60,107,000 for the same period of 2015, a \$20,007,000 favourable variance.

The continuing downward trend in operating revenues in the magazines industry, particularly in advertising and newsstand revenues, led the Corporation, during the third quarter of 2016, to perform an impairment test on its Magazines cash-generating unit ("CGU"). The Corporation concluded that the recoverable amount, based on value in use, of the Magazines CGU was less than its carrying amount. Accordingly, a \$40,100,000 goodwill impairment charge, without any tax consequences, was recognized. The Corporation used a 15.6% pre-tax discount rate and a 1.0% perpetual decline rate to calculate the recoverable amount.

In the third quarter of 2015, market conditions in the television industry, particularly the continuing pressure on advertising revenues, led the Corporation to perform an impairment test on its Broadcasting & Production CGU. The Corporation concluded that the recoverable amount, based on value in use, of the Broadcasting & Production CGU was less than its carrying amount. A \$60,107,000 impairment charge was recorded with respect to the broadcasting licence, including \$30,054,000 without any tax consequences.

Operational restructuring costs, impairment of assets and others: \$617,000 in the third quarter of 2016, compared with \$168,000 in the same period of 2015.

- In the three-month period ended September 30, 2016, the Corporation recorded \$517,000 in operational restructuring costs in connection with staff reductions, including \$341,000 in the Broadcasting & Production segment, \$105,000 in the Magazines segment, and \$71,000 in the Film Production & Audiovisual Services segment. The Corporation also recorded a \$100,000 impairment charge on an intangible asset in the Magazines segment.
- In the three-month period ended September 30, 2015, the Corporation recorded \$880,000 in operational restructuring costs in connection with staff reductions, including \$274,000 in the Broadcasting & Production segment, \$602,000 in the Magazines segment, and \$4,000 in the Film Production & Audiovisual Services segment.
- During the third quarter of 2015, the Corporation also recorded a \$680,000 gain, including interest, in connection with the conclusion of the legal dispute with Bell ExpressVu Limited Partnership and a \$32,000 net reversal of professional fees related to the acquisition of MELS and the acquisition of magazines from Transcontinental.

Income tax expense: \$2,821,000 (effective tax rate of -9.5%) in the third quarter of 2016, compared with a tax recovery in the amount of \$1,689,000 (effective tax rate of 4.5%) in the same period of 2015.

- In the third quarter of 2016, the effective tax rate was lower than the Corporation's statutory tax rate of 26.9%, essentially because of the non-deductible goodwill impairment charge.
- In the third quarter of 2015, the effective tax rate was lower than the Corporation's statutory tax rate of 26.9%, primarily because of the non-deductible portion of the licence impairment charge.

Share of income of associated corporations: \$275,000 in the third quarter of 2016 compared with a \$449,000 loss in the same quarter of 2015. The \$724,000 favourable variance was essentially due to the improved results of a corporation in which TVA Publications inc. holds a 50% interest and which operates certain acquired magazines, and the recognition in the third quarter of 2015 of the Corporation's share of the net loss of ROC Television G.P. ("ROC Television," formerly SUN News General Partnership), related to the discontinuation of the operations of the SUN News specialty service in the first quarter of 2015.

Non-controlling interest: \$231,000 in the third quarter of 2016, compared with \$404,000 in the same quarter of 2015.

- Non-controlling interest consists in the minority shareholder's share of the net income 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: \$421,344,000, a \$3,117,000 (-0.7%) decrease.

- \$997,000 (0.3%) increase in the Broadcasting & Production segment (Table 2) essentially due to a 6.4% increase in subscription revenues at the specialty services, excluding "Argent," and a 2.2% increase in TVA Network's revenues. Those increases were largely offset by the decrease in the advertising revenues of the specialty services, particularly "TVA Sports," and the decrease in revenues caused by the closure of "Argent" channel in April 2016.
- \$5,495,000 (6.8%) 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 caused by the discontinuation of some titles in 2015, and lower advertising and newsstand revenues at the comparable magazines.
- \$7,509,000 (-14.5%) decrease in the Film Production & Audiovisual Services segment (Table 2), essentially due to a decrease in revenues from soundstage and equipment rental and from visual effects, partially offset by an increase in postproduction revenues.

Adjusted operating income: \$23,417,000, a negative variance of \$7,127,000.

- \$6,488,000 unfavourable variance in the Broadcasting & Production segment (Table 3) caused mainly by a 12.0% decrease in TVA Network's adjusted operating income and an increase in the "TVA Sports" channel's adjusted operating loss, partially offset by an increase in the adjusted operating income of the other specialty services.
- \$5,684,000 favourable variance in the Magazines segment (Table 3) due primarily to the inclusion of the adjusted operating income of the acquired magazines for the full nine-month period in 2016 compared with five-and-a-half months of the same period in 2015, as well as the realization of synergies and operational cost savings that exceeded the decrease in operating revenues for comparable magazines.
- \$6,323,000 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.

Net loss attributable to shareholders: \$45,572,000 (-\$1.05 per basic and diluted share) for the first nine months of 2016, compared with a net loss attributable to shareholders of \$53,754,000 (-\$1.44 per basic and diluted share) in the same period of 2015.

- The \$8,182,000 (\$0.39 per basic and diluted share) favorable variance was essentially due to:
 - the difference between the impairment charge of a licence in the amount of \$60,107,000 recorded during the third quarter of 2015 and the impairment charge of goodwill in the amount of \$40,100,000 recorded during the third quarter of 2016;
 - \$5,162,000 favourable variance in interest in associated corporations;
 - \$1,240,000 favourable variance in financial expenses;
 partially offset by:
 - \$7,127,000 decrease in adjusted operating income;
 - \$6,679,000 unfavourable variance in income tax recovery;
 - \$5,564,000 unfavourable variance in depreciation and amortization expenses.
- The calculation of per-share results was based on a weighted average of 43,205,535 outstanding diluted shares for the nine-month period ended September 30, 2016 and 37,368,027 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: \$26,322,000, a \$5,564,000 increase. In addition to the factors noted in the 2016/2015 third quarter comparison above, the increase was also due to amortization of intangible assets arising from the acquisition of magazines from Transcontinental.

Financial expenses: \$2,574,000, a \$1,240,000 decrease due mainly to recognition in the first quarter of 2015 of interest charges related to the \$100,000,000 credit facility extended by QMI and lower average indebtedness during the nine-month period ended September 30, 2016 than in the same period of 2015.

Impairment of a licence and goodwill: \$40,100,000 for the nine-month period ended September 30, 2016 compared with \$60,107,000 for the same period of 2015, because of the same factors as those noted above in the 2016/2015 third quarter comparison.

Operational restructuring costs, impairment of assets and others: \$1,777,000 in the first nine months of 2016, compared with \$2,879,000 in the same period of 2015.

- In addition to the factors noted in the 2016/2015 third-quarter comparison above, the Corporation recorded \$890,000 in operational restructuring costs in connection with staff reductions in the first half of 2016, including \$404,000 in the Broadcasting & Production segment, \$390,000 in the Magazines segment, and \$96,000 in the Film Production & Audiovisual Services segment (\$2,080,000 in the first half of 2015, including \$465,000 in the Broadcasting & Production segment, \$1,280,000 in the Magazines segment, and \$335,000 in the Film Production & Audiovisual Services segment).
- During the first half of 2016, the Corporation also recorded \$72,000 in professional fees in connection with the acquisition of MELS and of Transcontinental magazines (professional fees and integration costs of \$631,000 in the first half of 2015) and 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.

Income tax recovery: \$1,404,000 (effective tax rate of 3.0%) in the first nine months of 2016, compared with \$8,083,000 (effective tax rate of 14.2%) in the same period of 2015.

- In the first nine months of 2016, the effective tax rate was lower than the Corporation's statutory tax rate of 26.9%, primarily because of the non-deductible goodwill impairment charge.

- In the first nine months of 2015, the effective tax rate was lower than the Corporation's statutory tax rate of 26.9%, mainly because of the non-deductible portion of the licence impairment charge, partially offset by the Corporation's share of the tax savings generated by ROC Television's losses for the period.

Share of income of associated corporations: \$603,000 in the first nine months of 2016, compared with a \$4,559,000 loss in the same period of 2015. The \$5,162,000 favourable variance was mainly due to the Corporation's share of the loss of ROC Television in the first nine months of 2015, which included all costs related to discontinuation of the operations of the SUN News specialty service, and to improved results at a corporation in which TVA Publications inc. holds a 50% interest and which operates certain acquired magazines.

Non-controlling interest: \$223,000 in the nine-month period ended September 30, 2016 compared with \$264,000 in the same period of 2015. The slight reduction was due to a decrease in the net income of a corporation in which TVA Publications inc. holds a 51% interest and which operates certain acquired magazines.

SEGMENTED ANALYSIS

Broadcasting & Production

2016/2015 third-quarter comparison

Operating revenues: \$88,409,000, a \$4,074,000 (4.8%) increase due primarily to:

- increase in the advertising revenues of “TVA Sports” channel related mainly to the broadcast of the 2016 World Cup of Hockey tournament;
- increase in revenues from commercial production due to increased volume of activities;
- 4.6% increase in the combined subscription revenues of the specialty services except the “Argent” channel which ceased broadcasting in April 2016. “TVA Sports” accounted for more than half of the growth;

partially offset by:

- 1.9% decrease in TVA Network’s advertising revenues.

French-language market ratings

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

Third quarter 2016 vs Third quarter 2015			
	2016	2015	Difference
French-language conventional broadcasters:			
TVA	22.3	22.3	–
SRC	13.4	11.2	2.2
V	6.8	6.8	–
	42.5	40.3	2.2
French-language specialty and pay services:			
TVA	11.7	10.0	1.7
Bell Media	15.4	18.6	- 3.2
Corus	8.9	8.9	–
SRC	4.5	4.8	- 0.3
Other	5.2	5.6	- 0.4
	45.7	47.9	- 2.2
Total English-language channels and others:			
	11.8	11.8	–
TVA Group	34.0	32.3	1.7

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

TVA Group’s market share for the period of July 1 to September 30, 2016 was 34.0%, a 1.7-point increase.

TVA Network’s market share was stable compared with the same period of 2015 at 22.3%, despite the broadcast of the Rio Olympics in August 2016. TVA Network carried 3 of the 5 most-watched programs in Quebec during the third quarter of 2016, including *Le Banquier* and the new fiction *L’Échappée*.

TVA Group's specialty services had a combined market share of 11.7% in the third quarter of 2016, compared with 10.0% in the same period of 2015, a 1.7-point increase. The "TVA Sports" channel was responsible for the bulk of the increase, growing its share by 1.0 point as a result of the broadcast of the 2016 World Cup of Hockey tournament. The "LCN," "MOI&cie" and "Yoopu" specialty services logged increases of 0.3, 0.2 and 0.2 point respectively.

Operating expenses: \$77,160,000, a \$12,039,000 (18.5%) increase.

- The increase was due primarily to:
 - 66.0% increase in operating expenses at "TVA Sports" channel essentially related to the broadcast of the 2016 World Cup of Hockey tournament;
 - 16.4% increase in TVA Network's operating expenses, related mainly to higher commercial production volume of activities and higher content and programming costs;

partially offset by:

- 4.3% decrease in the combined operating expenses of the other specialty services, mainly as a result of the closure of "Argent" channel in April 2016.

Adjusted operating income: \$11,249,000, a \$7,965,000 unfavourable variance due primarily to:

- 50.6% decrease in TVA Network's adjusted operating income due to lower advertising revenues combined with higher content and programming costs;
- decrease in the adjusted operating income of "TVA Sports" essentially because of the concentration of production and broadcasting costs for the 2016 World Cup of Hockey tournament in the third quarter of 2016.

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 77.2% in the third quarter of 2015 to 87.3% in the same period of 2016. The increase was mainly due to the fact that the increase in operating expenses outstripped the increase in the revenues of TVA Network and "TVA Sports."

2016/2015 year-to-date comparison

Operating revenues: \$299,433,000, a \$997,000 (0.3%) increase due primarily to:

- 6.4% increase in the combined subscription revenues of the specialty services except the "Argent" channel, which ceased broadcasting in April 2016. The "MOI&cie," "addikTV," "Casa," "Prise 2" and "TVA Sports" specialty services grew their subscription revenues by 14.0%, 11.5%, 9.9%, 6.7% and 6.2% respectively;
- 2.2% increase in TVA Network's operating revenues due primarily to higher volume of activities in commercial production and increased revenues from distant signal retransmission royalties;

partially offset by:

- lower advertising revenues at the specialty services, particularly "TVA Sports," due first and foremost to the failure of the Montreal Canadiens to qualify for the Stanley Cup playoffs.

Operating expenses: \$294,499,000, a \$7,485,000 (2.6%) increase.

- The increase was due primarily to:
 - 4.7% increase in the operating expenses of TVA Network essentially due to higher volume of activities in commercial production;

- increase in the operating expenses of the “TVA Sports” channel related to production and broadcasting costs for the 2016 World Cup of Hockey tournament, partially offset by production cost savings resulting from the failure of the Montreal Canadiens to qualify for the Stanley Cup playoffs;

partially offset by:

- decrease in the operating expenses of the specialty services other than “TVA Sports,” particularly the “Argent” channel, which ceased broadcasting in April 2016.

Adjusted operating income: \$4,934,000, a \$6,488,000 unfavourable variance due primarily to:

- 20.5% increase in the adjusted operating loss of “TVA Sports” because of the above-noted factors;
- 12.0% decrease in adjusted operating income at TVA Network;

partially offset by:

- increase in the adjusted operating income of the specialty services other than “TVA Sports.”

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 slightly from 96.2% in the first nine months of 2015 to 98.4% in the same period of 2016.

Magazines

2016/2015 third quarter comparison

Operating revenues: \$30,025,000, a \$4,964,000 (-14.2%) decrease due mainly to:

- decrease in operating revenues resulting from the discontinuation of some titles in 2015;
- 11.5% decrease in newsstand revenues for comparable magazines, caused largely by the entertainment category;
- 7.9% decrease in advertising revenues for comparable magazines, caused largely by the women's and decorating & cooking categories.

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 10.1% of the segment's operating revenues for the three-month period ended September 30, 2016 (10.5% in the same period of 2015).

Readership and market share statistics

With nearly 2.7 million readers across all platforms for its French titles, TVA Group is the top publisher of French-language magazines in Quebec and 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* has the largest readership with 675,000 readers on all platforms per week.

The *Canadian Living* magazine, Canada's lifestyle standard-setter for more than 30 years, is the most popular paid-circulation magazine among Canadian women with more than 3.8 million readers on all platforms, including more than 2.8 million women while its French-language counterpart *Coup de pouce* has the largest print readership of any magazine in Quebec with more than 1.2 million readers in print and 1.4 million on all platforms.

Clin d'œil is the most popular fashion magazine in Québec with 654,000 cross-platform readers, closely followed by *ELLE Québec*, which attracted 644,000 devotees of fashion, beauty and quality reporting per month.

Finally, *The Hockey News* magazine maintained its popularity with sports fans and was the number 1 print sports magazine in Canada.

Source: Vividata, Q2 2016, Total Canada, 12+

Operating expenses: \$24,313,000, a \$6,853,000 (-22.0%) 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, cessation of some transitioning costs for the acquired magazines, and other cost-cutting initiatives at the comparable magazines.

Adjusted operating income: \$5,712,000, a \$1,889,000 favourable variance due primarily to the above-noted factors.

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 89.1% in the third quarter of 2015 to 81.0% in the third 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 include *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 over 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 and third quarters of 2015 was characterized by the integration of the acquired magazines in our existing operations. The Corporation is now positioned to take advantage of the synergies anticipated at the time of the acquisition.

2016/2015 year-to-date comparison

Operating revenues: \$86,709,000, a \$5,495,000 (6.8%) increase due primarily to:

- inclusion of the revenues of the magazines acquired from Transcontinental for the full nine-month period in 2016 compared with five-and-a-half months of the same period in 2015;
- slight increase in subscription revenues for comparable magazines;

partially offset by:

- decrease in operating revenues resulting from the discontinuation of some titles in 2015;
- 13.6% decrease in advertising revenues for comparable magazines, caused mainly by the women's and decorating & cooking categories;
- 6.8% decrease in newsstand revenues for comparable magazines, caused largely by the entertainment and decorating & cooking categories.

Operating expenses: \$75,018,000, a slight decrease of \$189,000 (-0.3%), primarily due to:

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

partially offset by:

- inclusion of the operating expenses of the magazines acquired from Transcontinental for the full nine-month period in 2016 compared with five-and-a-half months of the same period in 2015.

Adjusted operating income: \$11,691,000, a \$5,684,000 favourable variance due primarily to the inclusion of the adjusted operating income generated by the magazines acquired from Transcontinental for the full nine-month period in 2016 compared with five-and-a-half months of the same period in 2015, as well as operational synergies, the cessation of certain transitioning costs and operating cost savings for 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 92.6% in the nine-month period ended September 30, 2015 to 86.5% in the same period of 2016. The decrease was essentially due to the above-noted factors.

Film Production & Audiovisual Services

2016/2015 third quarter comparison

Operating revenues: \$15,969,000, a \$5,567,000 (-25.8%) decrease caused primarily by:

- 50.1% decrease in soundstage and equipment rental revenues due to the fact that our soundstages and equipment were used by only one major project, *Day 6*, in the third quarter of 2016, compared with numerous projects in the third quarter of 2015, including the Hollywood production *X-Men Apocalypse*, produced by 20th Century Fox, and *Story of Your Love*, directed by Denis Villeneuve, coproductions with France, and the American series *Quantico*;

partially offset by:

- 77.1% increase in visual effects revenues because of higher volume of activities in the third quarter of 2016 than in the third quarter of 2015 due to, among other things, second season of the prestigious Franco-Canadian series *Versailles*;
- 28.0% increase in postproduction revenues due to, among other things, an increase in the number of shoots using film.

Operating expenses: \$12,237,000, a \$1,472,000 (-10.7%) decrease due primarily to:

- 30.1% decrease in operating expenses related to soundstage and equipment rental, essentially because of lower volume of activities;
- 17.3% decrease in operating expenses related to visual effects mainly as a result of lower labour costs and efficiencies in resource management;

partially offset by:

- 22.6% increase in operating expenses for postproduction services, generated mainly by higher volume of activities.

Adjusted operating income: \$3,732,000, a \$4,095,000 unfavourable variance due primarily to the decline in adjusted operating income caused by the 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 63.7% in the third quarter of 2015 to 76.6% in the third quarter of 2016, essentially because of the difficulty of reducing costs in the same proportion as the decrease in revenues from soundstage and equipment rental.

2016/2015 year-to-date comparison

Operating revenues: \$44,131,000, a \$7,509,000 (-14.5%) decrease caused primarily by:

- 26.7% decrease in revenues from soundstage and equipment rental caused essentially by the same factors as those noted above in the 2016/2015 third quarter comparison, plus the film *Nine Lives* in 2015;
- 25.5% decrease in visual effects revenues due to lower volume of activities in the first nine months of 2016 than in the same period of 2015 because of, among other things, the use of MELS' visual effects services in 2015 for the Franco-German-Canadian film *Race*, directed by Stephen Hopkins;

partially offset by:

- higher postproduction revenues, as described in the 2016/2015 third quarter comparison.

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 in that period of the year. At the same time, the strong performance in the first quarter of 2016 was not enough to entirely offset the absence of any major productions in the second and third quarters of 2016, due in part to cancellation of a booking by an American production company.

Operating expenses: \$37,339,000, a \$1,186,000 (-3.1%) decrease due primarily to:

- 40.4% decrease in operating expenses related to visual effects because of lower volume of activities and the same factors as those noted above in the 2016/2015 third quarter comparison;
- 10.3% decrease in operating expenses related to soundstage and equipment rental resulting from lower volume of activities;

partially offset by:

- 19.2% increase in operating expenses for postproduction services due to higher volume of activities.

Adjusted operating income: \$6,792,000, a \$6,323,000 unfavourable variance due primarily to a decrease in adjusted operating income from soundstage and equipment rental.

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 74.6% in the first nine months of 2015 to 84.6% in the same period of 2016. The increase was due to the same factor as that noted above in the 2016/2015 third quarter comparison.

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 September 30		Nine-months ended September 30	
	2016	2015	2016	2015
Cash flows related to operating activities	\$ 33,620	\$ 15,240	\$ 36,384	\$ 86,835
Issuance of share capital, net of transaction costs	–	(92)	–	108,633
Net business acquisitions	–	(1,161)	222	(56,361)
Additions to property, plant and equipment and intangible assets	(8,265)	(6,180)	(25,507)	(19,173)
Change in investments	(1,188)	–	(895)	(2,620)
Others	(29)	(228)	(7)	(725)
Reimbursement of net debt	\$ 24,138	\$ 7,579	\$ 10,197	\$ 116,589

	September 30, 2016	December 31, 2015
At period end:		
Long-term debt	\$ 64,817	\$ 68,812
Derivative financial instrument	472	814
Short-term debt	5,625	4,219
Less: cash	(19,262)	(11,996)
Net debt	\$ 51,652	\$ 61,849

Operating activities

Cash flows provided by operating activities: \$18,380,000 increase during the three-month period ended September 30, 2016, compared with the same period of 2015, due mainly to:

- favourable net change in non-cash balances related to operations:
 - accounts payable and accrued liabilities in the amount of \$8,576,000;
 - deferred revenues in the amount of \$7,661,000;
 - current tax assets and liabilities in the amount of \$4,558,000;
 - programs, broadcast rights and inventories in the amount of \$4,105,000;
 - accounts receivable in the amount of \$2,971,000;

partially offset by:

- \$10,171,000 decrease in adjusted operating income.

Cash flows provided by operating activities: \$50,451,000 decrease during the nine-month period ended September 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 \$40,845,000;
 - accounts payable and accrued liabilities in the amount of \$31,733,000;
 - \$7,127,000 decrease in adjusted operating income;
- partially offset by:
- favourable net change in operating assets:
 - accounts receivable in the amount of \$14,300,000;
 - programs, broadcast rights and inventories in the amount of \$8,226,000.

Negative working capital of \$2,578,000 as of September 30, 2016, compared with working capital of \$10,248,000 as at December 31, 2015. The \$12,826,000 unfavourable variance was mainly due to decreases in accounts receivable and in programs, broadcast rights and inventories, and by increase in broadcast rights payable, partially offset by an increase in cash and decreases in accounts payable and accrued liabilities and in deferred revenues.

Investing activities

Additions to property, plant and equipment and to intangible assets: \$8,265,000 in the third quarter of 2016, compared with \$6,180,000 in the same period of 2015. The \$2,085,000 (33.7%) 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 \$1,055,000 at September 30, 2016, compared with \$4,624,000 at June 30, 2016.

Additions to property, plant and equipment and to intangible assets: \$25,507,000 in the first nine months of 2016, compared with \$19,173,000 in the same period of 2015. The \$6,334,000 (33.0%) 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 \$1,055,000 at September 30, 2016, compared with \$8,359,000 at December 31, 2015.

Business acquisitions: Nil in the three-month period ended September 30, 2016 compared with \$1,161,000 in the three-month period ended September 30, 2015, which consisted of a purchase price adjustment related to the acquisition of MELS.

Net business acquisitions: \$222,000 in the nine-month period ended September 30, 2016 and \$56,361,000 in the same period of 2015. During the nine-month period ended September 30, 2015, in addition to the above-noted purchase price adjustment for MELS, on April 12, 2015 the Corporation acquired from Transcontinental Inc. 14 magazines, including four 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 in cash, including \$786,000 paid in the fourth quarter of 2015 as a final adjustment contingent upon a predetermined working capital target agreed to by the parties.

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, which was received during the nine-month period ended September 30, 2015, and a contingent consideration receivable valued at \$420,000 in the fourth quarter of 2015. During the second quarter of 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 consideration.

Change in investments: \$1,188,000 in the third quarter of 2016 (nil in the same period of 2015). In the third quarter of 2016, the Corporation made a \$1,274,000 capital contribution to ROC Television and received an \$86,000 liquidation dividend related to a portfolio investment.

Change in investments: \$895,000 in the first nine months of 2016, compared with \$2,620,000 in the same period of 2015. In addition to the above-noted factors, the Corporation received \$293,000 related to an investment in an associated corporation during the nine-month period ended September 30, 2016. During the nine-month period ended September 30, 2015, the Corporation made a \$2,891,000 capital contribution to ROC Television and received \$271,000 related to an investment in an associated corporation.

Financing activities

Long-term debt (excluding deferred financing costs): \$71,002,000 as of September 30, 2016, compared with \$73,797,000 as of December 31, 2015. The \$2,795,000 reduction essentially reflects quarterly capital repayments on the term loan.

Financial position at September 30, 2016

Net available liquid assets: \$168,837,000, consisting of a \$149,575,000 unused and available revolving credit facility and \$19,262,000 in cash.

As at September 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 September 30
(in thousands of dollars)

2017	\$ 5,625
2018	9,375
2019	11,250
2020	44,752
Total	\$ 71,002

The weighted average term of TVA Group's debt was approximately 2.6 years as of September 30, 2016 (3.2 years as of December 31, 2015). The debt consisted entirely of floating-rate debt as of September 30, 2016 and December 31, 2015. The Corporation is using an interest rate swap to secure future interest expenses on a \$34,833,000 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 September 30, 2016 and December 31, 2015, \$425,000 was drawn on the revolving credit facility for letters of credit.

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 September 30, 2016, the Corporation was in compliance with all the terms of its credit agreements.

Analysis of consolidated balance sheet as at September 30, 2016

Table 7

Consolidated balance sheets of TVA Group

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

(in thousands of dollars)

	September 30, 2016	December 31, 2015	Difference	Main reasons for difference
<u>Assets</u>				
Accounts receivable	\$ 122,169	\$ 150,930	\$ (28,761)	Impact of current and seasonal variations in activities and of decrease in operating revenues.
Programs, broadcast rights and inventories	61,266	79,495	(18,229)	Impact of current and seasonal variations in activities.
Broadcast rights	52,190	36,321	15,869	Impact of major acquisitions of movies and series and of seasonal variations in activities.
Goodwill	37,885	77,985	(40,100)	Recognition of an impairment charge in the third quarter of 2016.
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 87,162	\$ 112,914	\$ (25,752)	Impact of current and seasonal variations in activities and strict cash management at the end of 2015.
Defined benefit plan liability	27,099	2,322	24,777	Recognition of an actuarial loss related to a decrease in the discount rate.

ADDITIONAL INFORMATION

Contractual obligations

As of September 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 September 30, 2016
(in thousands of dollars)

	Less than		More than		
	1 year	1-3 years	3-5 years	5 years	Total
Long-term debt	\$ 5,625	\$ 20,625	\$ 44,752	\$ –	\$ 71,002
Payment of interest ¹	2,465	3,474	267	–	6,206
Broadcast rights	213,498	168,103	141,369	338,273	861,243
Other commitments	13,902	15,916	4,689	3,654	38,161
Total	\$ 235,490	\$ 208,118	\$ 191,077	\$ 341,927	\$ 976,612

¹ Interest is calculated on a constant debt level equal to that at September 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 parties.

During the third 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 \$22,812,000 (\$23,186,000 in the third quarter of 2015).

In the third quarter of 2016, the Corporation recorded telecommunications service costs, advertising space acquisition costs, professional service fees, commissions on sales and news gathering services arising from transactions with corporations under common control and affiliated corporations in the aggregate amount of \$9,568,000 (\$6,656,000 in the third quarter of 2015).

Furthermore, in the third quarter of 2016, the Corporation invoiced management fees to corporations under common control in the amount of \$964,000 (\$837,000 in the third 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 third quarter of 2016 (\$1,080,000 in the third quarter of 2015).

During the first nine 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 \$71,329,000 (\$74,965,000 during the first nine months of 2015).

In the first nine months of 2016, the Corporation recorded telecommunications service costs, advertising space acquisition costs, professional service fees, commissions on sales and news gathering services arising from transactions with corporations under common control and affiliated corporations in the aggregate amount of \$33,409,000 (\$27,682,000 in the first nine months of 2015).

Furthermore, in the nine-month period ended September 30, 2016, the Corporation invoiced management fees to corporations under common control in the amount of \$2,864,000 (\$2,524,000 in the same period of 2015).

The Corporation also assumed management fees to the parent corporation in the amount of \$2,865,000 in the first nine months of 2016 (\$3,240,000 in the first nine 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 \$198,000 allowance was recorded under accounts payable and accrued liabilities at September 30, 2016 to cover those costs.

The partners made a capital contribution of \$2,600,000 in the three-month and nine-month periods ended September 30, 2016, including \$1,274,000 from TVA Group for costs for which an allowance had already been made at the end of the previous financial year and \$1,326,000 from the other partner. The partners made no capital contribution in the third quarter of 2015 and a \$5,900,000 capital contribution in the nine-month period ended September 30, 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 October 17, 2016. In addition, 357,632 Class B stock options of the Corporation and 185,000 QMI stock options were outstanding as of October 17, 2016.

Table 9
Number of shares outstanding as at October 17, 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 sheet:

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

The fair 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 September 30, 2016 and December 31, 2015 were as follows:

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

	September 30, 2016		December 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Derivative financial instrument	\$ 472	\$ 472	\$ 814	\$ 814
Long-term debt ¹	71,002	71,002	73,797	73,797

¹ The carrying value 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. During the three-month period ended September 30, 2016, no changes to internal controls over financial reporting that have had or are reasonably likely to have a significant effect on this control were identified by management.

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 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 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, 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 October 28, 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 to do so by the applicable securities laws.

Montreal, Quebec

October 28, 2016

Table 11
SELECTED QUARTERLY FINANCIAL DATA

(in thousands of dollars, except for per-share data)

	2016		2016		2016		2015	
	Sept. 30		June 30		March 31		Dec. 31	
Operations								
Operating revenues	\$	131,592	\$	144,229	\$	145,523	\$	165,429
Adjusted operating income	\$	20,693	\$	2,427	\$	297	\$	16,846
Net loss attributable to shareholders	\$	(32,507)	\$	(5,676)	\$	(7,389)	\$	(1,472)

Basic and diluted per-share data

Basic and diluted loss per share	\$	(0.75)	\$	(0.13)	\$	(0.17)	\$	(0.03)
Weighted average number of outstanding shares (in thousands)		43,206		43,206		43,206		43,206

	2015		2015		2015		2014	
	Sept. 30		June 30		March 31		Dec. 31	

Operations

Operating revenues	\$	138,523	\$	159,424	\$	126,514	\$	129,794
Adjusted operating income (loss)	\$	30,864	\$	7,371	\$	(7,691)	\$	6,814
Net loss attributable to shareholders	\$	(36,455)	\$	(2,588)	\$	(14,711)	\$	(4,418)

Basic and diluted per-share data

Basic and diluted loss per share	\$	(0.84)	\$	(0.06)	\$	(0.57)	\$	(0.19)
Weighted average number of outstanding shares (in thousands)		43,206		43,206		25,693		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.