INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS
FIRST QUARTER 2022

TABLE OF CONTENTS

CORPORATE PROFILE

TVA Group Inc. ("TVA Group," "TVA" or the "Corporation"), a subsidiary of Quebecor Media Inc. ("QMI" or the "parent corporation"), is a communications company with operations in four business segments: Broadcasting, Film Production & Audiovisual Services, Magazines, and Production & Distribution. In the Broadcasting segment, the Corporation creates, broadcasts and produces entertainment, sports, news and public affairs programming and is engaged in commercial production. It operates North America's largest private French-language television network as well as nine specialty services. The Film Production & Audiovisual Services segment provides soundstage, mobile and equipment rental services as well as postproduction and visual effects services. In the Magazines segment, TVA Group publishes over 50 titles, making it Quebec's largest magazine publisher. The Production & Distribution segment produces and distributes television programs for the world market. 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 first quarter of 2022 and major changes from the previous financial year. The Corporation's Condensed Consolidated Financial Statements for the three-month periods ended March 31, 2022 and 2021 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including in particular IAS 34, *Interim Financial Reporting*.

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, 2021 and in the Condensed Consolidated Financial Statements dated March 31, 2022. All amounts are stated in Canadian dollars.

COVID-19 pandemic

Since March 2020, the COVID-19 pandemic ("the pandemic") has at times affected the quarterly results of the Corporation's segments. Given the uncertainty about the future evolution of the pandemic, including any major new wave, the full future impact of the public health crisis on operating results cannot be determined with certainty. Accordingly, the results of operations for interim periods should not necessarily be considered indicative of full-year results.

BUSINESS SEGMENTS

Management made changes to the Corporation's management structure at the beginning of the year. As a result of those changes, the activities of the TVA Films division, formerly presented in the Broadcasting segment, have been combined with the Production & Distribution segment's existing distribution activities. Comparative period disclosures have been restated to reflect this new presentation.

The Corporation's operations consist of the following segments:

- The **Broadcasting** segment, which includes the operations of TVA Network, specialty services, the marketing of digital products associated with the various televisual brands, and commercial production and custom publishing services, including those of its Communications Qolab inc. ("**Qolab**") subsidiary.

- The **Film Production & Audiovisual Services** segment ("**MELS**"), which through its subsidiaries Mels Studios and Postproduction G.P. and Mels Dubbing Inc. provides soundstage, mobile and production equipment rental services, as well as dubbing and described video ("**media accessibility services**"), postproduction, virtual production and visual effects;

- The **Magazines** segment, which through its TVA Publications inc. subsidiary, publishes magazines in various fields including the arts, entertainment, television, fashion and decorating, and markets digital products associated with the various magazine brands;

- The **Production & Distribution** segment, which through the companies in the Incendo group and the TVA Films division produces and distributes television shows, movies and television series for the world market.

HIGHLIGHTS SINCE END OF 2021

- On April 1, 2022, the Corporation announced that Jean Bureau, President and CEO of Incendo, will be leaving on completing his three-year transition period planned when the entity was acquired. Jean-Philippe Normandeau, who is remaining as Chief Operating Officer, will ensure continuity of development at Incendo, a Canadian leader in film and television production. Mr. Normandeau will also be supported by an entirely new distribution unit under the direction of Cynthia Kennedy, who will be in charge of continuing to develop and accelerate growth of this segment.

- On February 15, 2022, the Corporation renewed its $75,000,000 revolving credit facility, which matured on February 24, 2022, for one year, until February 24, 2023.

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 similarly titled measures reported by other companies.

Adjusted EBITDA

In its analysis of operating results, the Corporation defines adjusted EBITDA, as reconciled to net income (loss) under IFRS, as net income (loss) before depreciation and amortization, financial expenses, operational restructuring costs and other, income tax expense (recovery) and share of income of associates. Adjusted EBITDA as defined above is not a measure of results that is consistent with IFRS. It is not intended to be regarded as an alternative to other financial operating 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 EBITDA is also relevant because it is a significant component of the Corporation's annual incentive compensation programs. The Corporation's definition of EBITDA may not be the same as similarly titled measures reported by other companies.

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

Table 1
Reconciliation of the (negative adjusted EBITDA) adjusted EBITDA measure used in this report to the net loss measure used in the condensed consolidated financial statements
(in thousands of dollars)

	Three-month periods ended March 31	
	2022	2021
(Negative adjusted EBITDA) adjusted EBITDA:		
Broadcasting	**$ (15,468)**	$ (3,582)
Film Production & Audiovisual Services	**3,844**	3,628
Magazines	**440**	1,763
Production & Distribution	**1,553**	292
Intersegment items	**(90)**	35
	(9,721)	2,136
Depreciation and amortization	**7,620**	8,258
Financial expenses	**500**	701
Operational restructuring costs and other	**20**	(273)
Income tax recovery	**(4,597)**	(1,696)
Share of income of associates	**(249)**	(402)
Net loss	**$ (13,015)**	$ (4,452)

ANALYSIS OF CONSOLIDATED RESULTS

2022/2021 first quarter comparison

Operating revenues: $144,497,000, a $3,689,000 (2.6%) increase.

- $217,000 (0.2%) increase in the Broadcasting segment (Table 2) essentially due to 2.2% revenue growth at the specialty channels and 0.8% revenue growth at TVA Network. These favourable differences were partially offset by a 16.9% decrease in Qolab's operating revenues.

- $1,334,000 (7.4%) increase in the Film Production & Audiovisual Services segment (Table 2), mainly attributable to a 12.8% increase in revenues from soundstage, mobile and equipment rental and an 8.5% increase in postproduction.

- $846,000 (-8.1%) decrease in the Magazines segment (Table 2), due primarily to a 23.6% decrease in financial assistance from the Canada Periodical Fund ("CPF") and the 9.5% decrease in newsstand revenues, partially offset by a 12.7% increase in advertising revenues.

- $2,705,000 (82.6%) increase in Production & Distribution segment (Table 2), mainly due to a significant increase in the number of films produced by Incendo delivered in the first quarter of 2022 compared with the same period of 2021.

Table 2
Operating revenues
(in thousands of dollars)

	Three-month periods ended March 31	
	2022	2021
Broadcasting	**$ 114,139**	$ 113,922
Film Production & Audiovisual Services	**19,351**	18,017
Magazines	**9,661**	10,507
Production & Distribution	**5,980**	3,275
Intersegment items	**(4,634)**	(4,913)
	$ 144,497	$ 140,808

Negative adjusted EBITDA: $9,721,000, an $11,857,000 unfavourable variance.

- $11,886,000 unfavourable variance in the Broadcasting segment (Table 3) caused mainly by the decreased profitability of TVA Network, as well as a decrease in the adjusted EBITDA of Qolab, partially offset by improved negative adjusted EBITDA at "TVA Sports" channel.

- $216,000 favourable variance in the Film Production & Audiovisual Services segment (Table 3), due primarily to a 23.4% increase in adjusted EBITDA from soundstage, mobile and equipment rental and the improved profitability of virtual production services, whereas the profitability of the segment's other activities decreased.

- $1,323,000 unfavourable variance in the Magazines segment (Table 3), mainly attributable to reduced government assistance, including the Canada Emergency Wage Subsidy ("CEWS"), decreased newsstand revenues and higher printing costs.

- $1,261,000 favourable variance in the Production & Distribution segment (Table 3), mainly due to the increase in total gross margin from distribution activities related to the higher number of films delivered, as noted above.

Table 3
(Negative adjusted EBITDA) adjusted EBITDA
(in thousands of dollars)

	Three-month periods ended March 31	
	2022	2021
Broadcasting	**$ (15,468)**	$ (3,582)
Film Production & Audiovisual Services	**3,844**	3,628
Magazines	**440**	1,763
Production & Distribution	**1,553**	292
Intersegment items	**(90)**	35
	$ (9,721)	$ 2,136

Net loss attributable to shareholders: $13,016,000 (-$0.30 per basic share), compared with $4,451,000 (-$0.10 per basic share) for the same period of 2021.

- The $8,565,000 (-$0.20 per basic share) unfavourable variance was essentially due to:
  - $11,857,000 unfavourable variance in negative adjusted EBITDA;

  partially offset by:

  - $2,901,000 favourable variance in income tax recovery; and
  - $638,000 favourable variance in the depreciation and amortization charge.
- The calculation of loss per basic share was based on a weighted average of 43,205,535 outstanding shares for the quarters ended March 31, 2022 and 2021.

Depreciation and amortization: $7,620,000, a $638,000 decrease, mainly due to the decrease in the amortization expense of technical equipment.

Financial expenses: $500,000, a $201,000 decrease caused essentially by a favourable variance in interest related to the defined benefit plans, partially offset by an increase in the foreign exchange loss for the first quarter of 2022 compared with the same period of 2021.

Operational restructuring costs and other: $20,000 for the first quarter of 2022, compared with a charge reversal of $273,000 for the same period of 2021.

- In the first quarter of 2022, the Corporation recorded a $37,000 expense in the Broadcasting segment, arising primarily from the elimination of positions and cost-reduction measures (a $130,000 charge reversal for the same period of 2021, including a $156,000 expense in the Broadcasting segment and a $289,000 reversal in the Magazines segment, stemming among other things from a review of certain assumptions related to an onerous lease).
- During the first quarter of 2021, the Corporation recorded a gain of $94,000 on the write-off of lease liabilities following the early release from certain real estate spaces.
- During the same period, the Corporation also reversed a $49,000 charge to record a downward adjustment to the contingent consideration related to the Acquisition of Incendo, as described below.

Income tax recovery: $4,597,000 (effective tax rate of 25.7%) for the first quarter of 2022, compared with $1,696,000 (effective tax rate of 25.9%) for the same period of 2021, a favourable variance of $2,901,000, due mainly to an increase in the deductible loss for tax purposes. Calculation of the effective tax rates is based on taxable and deductible items only.

Share of income of associates: $249,000 for the first quarter of 2022, compared with $402,000 for the same period of 2021, an unfavourable variance of $153,000 caused by the weaker financial results of an associate in the television industry.

SEGMENTED ANALYSIS

Broadcasting

2022/2021 first quarter comparison

Operating revenues: $114,139,000, a slight increase of $217,000 (0.2%), primarily due to:

- 11.3% increase in advertising revenues of the specialty services, particularly 28.7% and 17.3% increases for “TVA Sports” and “LCN,” respectively;
- 2.3% increase in TVA Network’s advertising revenues, fuelled by a 55.8% increase in digital revenues;
- greater revenues from content production sponsorships;

partially offset by:

- 16.9% decrease in Qolab’s revenues due to lower volume of activities; and
- 1.8% decrease in the subscription revenues of the specialty channels.

French-language audience share

Table 4
French-language audience share
(Market share in %)

First quarter 2022 vs First quarter 2021			
	2022	**2021**	**Difference**
French-language conventional broadcasters:			
TVA	**25.6**	24.9	0.7
SRC	**16.4**	16.4	–
noovo	**7.2**	6.7	0.5
	49.2	48.0	1.2
French-language specialty and pay services:			
TVA	**15.0**	14.5	0.5
Bell Media	**12.2**	11.8	0.4
Corus	**4.8**	5.4	- 0.6
SRC	**5.5**	5.6	- 0.1
Other	**4.0**	4.6	- 0.6
	41.5	41.9	- 0.4
Total English-language and other:	**9.3**	10.1	- 0.8
TVA Group	**40.6**	39.4	1.2

Source: Numeris, Quebec Franco, January 1 to March 31, Mon-Sun, 2:00 – 2:00, All 2+.

TVA Group's market share for the period of January 1 to March 31, 2022 increased by 1.2 points to 40.6%, compared with 39.4% for the same period of 2021.

TVA Group's specialty channels had a combined market share of 15.0% for the first quarter of 2022, compared with 14.5% for the same period of 2021, a 0.5-point increase. The news and public affairs channel "LCN" recorded 0.8-point growth for that period, as a result of the coverage of the current geopolitical situation, among other things. It thus remains the most-watched specialty channel in Quebec with a 7.2% market share. Market share for "TVA Sports" decreased 0.4 points compared with the same quarter of 2021, when it benefited from the excitement surrounding the resumption of hockey and other sporting events, and from the strong performance of the Montreal Canadiens. The "Zeste," "addik^{TV}" and "Casa" channels grew their market share by 0.2, 0.1 and 0.1 points, respectively, while the "Yoopa" and "Évasion" channels lost 0.2 and 0.1 points, respectively.

TVA Network maintained its lead among over-the-air channels with a 25.6% market share, a 0.7-point increase over the same period of 2021 and more than its two main over-the-air rivals combined. Four of TVA Network's shows were among the five most-watched in Quebec for the first quarter of 2022, including the new series *Le bonheur* and *Star Académie 2022 – Le variété*, which stood out with average audiences of over 1.5 million viewers.

Operating expenses: $129,607,000, a $12,103,000 (10.3%) increase due primarily to:

- 27.9% increase in TVA Network's operating expenses, due mainly to higher spending on content, which was reflected in our variety shows and drama series, among others;

partially offset by:

- 8.4% decrease in operating expenses for "TVA Sports" mainly due to higher content costs in the 2021 reference period as a result of the change in the broadcast schedule for the 2020-2021 National Hockey League ("**NHL**") season, which was postponed until 2021 amid the pandemic.

Negative adjusted EBITDA: $15,468,000, an $11,886,000 unfavourable variance primarily due to:

- decreased profitability of TVA Network, due mainly to the above-noted increase in operating expenses;

- decrease in adjusted EBITDA at Qolab due to lower volume of activities, combined with the delivery of 2020 projects in the first quarter of 2021, which were more profitable thanks to availability of the CEWS in the context of the public health crisis;

partially offset by:

- improved negative adjusted EBITDA at "TVA Sports" due mainly to a combination of lower operating expenses and higher operating revenues, as explained above.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Broadcasting segment's activities (expressed as a percentage of revenues) increased from 103.1% for the first quarter of 2021 to 113.6% for the first quarter of 2022. The increase was caused mainly by higher operating expenses for the segment, particularly TVA Network's expenses.

Film Production & Audiovisual Services

2022/2021 first quarter comparison

Operating revenues: $19,351,000, a $1,334,000 (7.4%) increase primarily due to:

- 12.8% increase in revenues from soundstage, mobile and equipment rental due to higher volume of activities;

- 8.5% increase in postproduction revenues, also due to higher volume of activities; and

- increased revenues from virtual production activities, which were starting up in the 2021 reference period.

Operating expenses: $15,507,000, an increase of $1,118,000 (7.8%). The increase is primarily due to greater volume of activities for certain services, as noted above, combined with higher labour costs, whereas the segment had benefited from the CEWS in the same period of 2021.

Note the following variances:

- 12.0% increase in operating expenses related to postproduction;

- 15.4% increase in operating expenses related to visual effects;

- 6.1% increase in operating expenses related to soundstage, mobile and equipment rental; and

- 6.5% increase in operating expenses for media accessibility services.

Adjusted EBITDA: $3,844,000, a $216,000 favourable variance due primarily to a 23.4% increase in adjusted EBITDA from rental activities and improved profitability of virtual production activities, while the profitability of the segment's other activities decreased.

Analysis of 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 slightly from 79.9% for the first quarter of 2021 to 80.1% for the first quarter of 2022. The increase was caused mainly by higher operating expenses as a proportion of total expenses for the segment, which exceeded the growth in operating revenues as a proportion of total revenues.

Magazines

2022/2021 first quarter comparison

Operating revenues: $9,661,000, a decrease of $846,000 (-8.1%) due mainly to:

- 23.6% decrease in financial assistance from the CPF, which was less enhanced for the 2021-2022 reference year as much as it had been for the previous year with respect to the one-time assistance provided in the context of the public health crisis, plus the negative impact of the change in the regular program (see "Canada Periodical Fund" below); and

- 9.5% decrease in newsstand revenues, mainly affecting the entertainment category;

partially offset by:

- 12.7% increase in advertising revenues.

Canada Periodical Fund ("CPF")

The Government of Canada created the 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. In 2020, the program was enhanced for the 12-month reference period starting April 1, with additional one-time government assistance offered to help industry organizations cope with the public health crisis, resulting in a 25% increase in the grant received for that reference period. In 2021, the program was renewed for 12 months, resulting in a 14% increase in the grant received for that reference period. The Minister of Canadian Heritage also announced in 2020 that the CPF would be modernized with the goal of placing greater emphasis on Canadian content creation, a change that would take effect with the grant period starting April 1, 2021, with a five-year transition period, at the end of which all program changes would be in effect. Since the former method of grant allocation was geared more towards distribution of titles, the change has and will continue to have an impact on the amount of government assistance received by this segment from the regular program. All assistance related to the CPF is fully recorded under operating revenues. It amounted to 24.4% of the segment's operating revenues for the three-month period ended March 31, 2022 (29.4% for the same period of 2021).

Operating expenses: $9,221,000, a $477,000 (5.5%) increase due mainly to:

- higher compensation costs as a result of a significant decrease in the CEWS, among other things; and

- increased printing costs stemming primarily from higher paper prices and the number of pages for some titles.

Adjusted EBITDA: $440,000, a $1,323,000 unfavourable variance due mainly to the reduced government assistance, as noted above, and the increase in printing costs.

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) increased from 83.2% for the first quarter of 2021 to 95.4% for the first quarter of 2022, mainly due to the decrease in the segment's operating revenues, combined with an increase in operating expenses.

Production & Distribution

2022/2021 first quarter comparison

Operating revenues: $5,980,000, an increase of $2,705,000 (82.6%), mainly due to the increase in the number of films produced by Incendo delivered in the first quarter of 2022 compared with the same period of 2021, both internationally and in Canada.

Activities related to the distribution of films produced by Incendo accounted for 69.9% of the segment’s operating revenues for the three-month period ended March 31, 2022, compared with 56.6% for the same period of 2021. 76% of the revenues generated by Incendo’s productions, consisting primarily of romantic comedies, stemmed from international distribution for the first quarter of 2022 (97% for the same period of 2021).

Operating expenses: $4,427,000, an increase of $1,444,000 (48.4%), directly attributable to higher revenues.

Adjusted EBITDA: $1,553,000, a $1,261,000 favourable variance, primarily due to the higher total gross margin for the three-month period ended March 31, 2022 compared with the same period of 2021, in connection with the increase in operating revenues, as noted above.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Production & Distribution segment’s activities (expressed as a percentage of revenues) decreased from 91.1% for the first quarter of 2021 to 74.0% for the same period of 2022, mainly because the growth in operating revenues exceeded the increase in operating expenses.

Acquisition of the shares of the companies in the Incendo group (“Acquisition of Incendo”)

On April 1, 2019, the Corporation closed an agreement reached on February 22, 2019 to acquire the shares of the companies in the Incendo group, which is engaged in the production and international distribution of high-quality television programming for the worldwide marketplace. The purchase price was subject to adjustments related to the achievement of financial conditions in the three years following the acquisition date. The contingent consideration was set at $1,739,000 on that date, according to the discounted future cash flows of the future contingent adjustments. The discounted future value is determined according to significant inputs not based on observable market data, assumptions and a range of probabilities for the achievement of financial conditions. The contingent consideration was remeasured in 2020 and 2021. The Corporation made an initial payment of $3,519,000 in the fourth quarter of 2020 in relation to the balance payable recorded on the acquisition date and a payment of $606,000 in the first quarter of 2021 in respect of the contingent consideration.

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-month periods ended March 31	
	2022	2021
Cash flows related to operating activities	**$ (10,602)**	$ 7,437
Additions to property, plant and equipment and intangible assets	**(5,619)**	(4,741)
Business acquisitions	**–**	(606)
Other	**(809)**	(992)
(Increase) repayment of net debt	**$ (17,030)**	$ 1,098

	March 31, 2022	December 31, 2021
At period end:		
Bank overdraft	**$ 1,574**	$ –
Short-term debt	**24,930**	11,980
Less: cash	**(2,675)**	(5,181)
Net debt	**$ 23,829**	$ 6,799

<u>**Operating activities**</u>

Cash flows related to operating activities: $18,039,000 decrease for the three-month period ended March 31, 2022 compared with the same period of 2021, due mainly to:

- $11,857,000 decrease in adjusted EBITDA; and
- $8,229,000 unfavourable net change in operating assets and liabilities, including an unfavourable variance in accounts payable, accrued liabilities and provisions, as well as content rights payable, partially offset by a favourable variance in accounts receivable and current tax assets and liabilities;

partially offset by:

- $2,045,000 favourable variance in current income tax recovery.

Working capital: $63,774,000 as at March 31, 2022, compared with $75,548,000 at December 31, 2021. The $11,774,000 unfavourable variance was due primarily to the decrease in accounts receivable and the increase in content rights payable and short-term debt, partially offset by favourable variances in audiovisual content, accounts payable, accrued liabilities and provisions, current tax assets and prepaid expenses.

Investing activities

Additions to property, plant and equipment and to intangible assets: $5,619,000 for the first quarter of 2022, compared with $4,741,000 for the same period of 2021, an increase of $878,000 (18.5%). The increase was essentially due to the start of construction on MELS 4, partially offset by a change in the net variance in additions to property, plant and equipment and to intangible assets financed by accounts payable and accrued liabilities.

For the three-month period ended March 31, 2022, in addition to investing in the construction of MELS 4, the Corporation replaced some technical equipment required for broadcasting operations.

Business acquisitions: nil for the three-month period ended March 31, 2022 ($606,000 for the same period of 2021) (see "Acquisition of Incendo" above).

Financing activities

Short-term debt (excluding deferred financing costs): $24,979,000 as at March 31, 2022, compared with $11,989,000 at December 31, 2021. The $12,990,000 increase was essentially due to the use of revolving credit to finance investing and operating activities, particularly acquisition of content.

Financial position as at March 31, 2022

Net available liquid assets: $51,011,000, consisting of a $49,910,000 unused and available revolving credit facility and $2,675,000 in cash, less a $1,574,000 bank overdraft.

As at March 31, 2022, the entire $24,979,000 in principal on the debt was repayable during the next 12-month period.

The weighted average term of TVA Group's debt was approximately 0.9 years as at March 31, 2022 (0.1 years as at December 31, 2021). The debt consisted entirely of floating-rate debt as at March 31, 2022 and December 31, 2021.

The Corporation has a $75,000,000 revolving credit facility, which matures on February 24, 2023. As at March 31, 2022, drawings on the revolving credit facility consisted of a $24,979,000 banker's acceptance bearing interest at an effective rate of 2.26% and an outstanding letter of credit in the amount of $111,000. As at December 31, 2021, drawings on the revolving credit facility consisted of an $11,989,000 banker's acceptance bearing interest at an effective rate of 1.85% and an outstanding letter of credit in the amount of $111,000.

On February 15, 2022, the Corporation amended its $75,000,000 secured revolving credit facility to extend its term from February 24, 2022 to February 24, 2023 and amend certain other terms and conditions.

In December 2021, Investissement Québec extended an unsecured, interest-free loan for a maximum amount of $25,000,000 to Mels Studios and Postproduction G.P. in order to support the construction of a fourth production studio. The loan contains certain restrictive covenants, as well as typical representations and warranties for such loans. The agreement provides for repayment of the loan over 10 years and includes a moratorium for the first three years. As at March 31, 2022, no disbursement had been made on the loan by Investissement Québec.

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 fulfill its commitments with respect to investment in property, plant and equipment, working capital, interest payments, income tax payments, repayment of debt and lease liabilities, pension plan contributions, share redemptions and shareholder dividends and to meet its commitments and guarantees.

Under its credit agreement, the Corporation is subject to certain covenants, including the maintenance of certain financial ratios. As at March 31, 2022, the Corporation was in compliance with all the terms of its credit agreements.

Analysis of consolidated balance sheet as at March 31, 2022

Table 6
Consolidated balance sheets of TVA Group
Analysis of main variances between March 31, 2022 and December 31, 2021
(in thousands of dollars)

	March 31, 2022	December 31, 2021	Difference	Main reasons for difference
Assets				
Accounts receivable	**$ 196,451**	$ 210,814	$ (14,363)	Impact of the collection of certain receivables from entities under common control.
Short-term audiovisual content	**120,972**	108,530	12,442	Impact of greater investment in audiovisual content and increase in certain sports rights.
Defined benefit plan asset	**34,416**	21,309	13,107	Impact of recognition of a gain on remeasurement of the defined benefit plans.
Liabilities				
Content rights payable	**$ 106,796**	$ 93,383	$ 13,413	Impact of postponed payments for certain sports rights.
Short-term debt	**24,930**	11,980	12,950	Impact of the use of revolving credit to finance investing and operating activities, particularly investments in content.

ADDITIONAL INFORMATION

Contractual obligations

As of March 31, 2022, material contractual commitments of operating activities included payment of principal and interest on debt and lease liabilities, the amount payable and the contingent consideration in connection with the Acquisition of Incendo, payments under audiovisual content acquisition contracts, and payments under other contractual commitments. These contractual obligations are summarized in Table 7.

Table 7
Material contractual obligations of TVA Group as at March 31, 2022
(in thousands of dollars)

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Short-term debt	$ 24,979	$ –	$ –	$ –	$ 24,979
Lease liabilities	2,503	2,992	2,135	2,015	9,645
Payment of interest[1]	1,106	531	259	205	2,101
Amount payable and contingent consideration	6,910	–	–	–	6,910
Content rights	263,745	184,714	83,284	2,184	533,927
Other commitments	26,346	7,917	949	48	35,260
Total	**$ 325,589**	**$ 196,154**	**$ 86,627**	**$ 4,452**	**$ 612,822**

[1] *Interest is calculated on a constant debt level equal to that at March 31, 2022 and includes standby fees on the revolving credit facility and interest on lease liabilities.*

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 that 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 accounted for at the consideration agreed between parties.

In the first quarter of 2022, the Corporation sold advertising space and content to, recognized subscription revenues from, and provided production, postproduction and other services to corporations under common control and associates in the aggregate amount of $27,816,000 ($27,125,000 for the first quarter of 2021).

In the first quarter of 2022, the Corporation recorded content acquisition costs, telecommunications service costs, advertising space acquisition costs, professional service fees and commissions on sales and newsgathering services arising from transactions with corporations under common control and associates totalling $17,614,000 ($14,619,000 for the first quarter of 2021).

In the first quarter of 2022, the Corporation also billed management fees to corporations under common control in the amount of $1,426,000 ($1,418,000 for the first quarter of 2021). These fees are recorded as a reduction of operating expenses.

The Corporation also assumed management fees of the parent corporation in the amount of $945,000 for the first quarter of 2022 ($855,000 for the same period of 2021).

Capital stock

Table 8 below presents information on the Corporation's capital stock. In addition, 369,503 Class B stock options of the Corporation were outstanding as at April 14, 2022.

Table 8
Capital stock outstanding as at April 14, 2022
(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

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. There have not been any changes in internal controls over financial reporting during the three-month period ended March 31, 2022 that have materially affected, or are reasonably likely to materially 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 and www.groupetva.ca.

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, the use of forward-looking terminology such as "propose," "will," "expect," "may," "anticipate," "intend," "estimate," "plan," "foresee," "believe" or the negative of these terms or variations of them or similar terminology. Certain factors that may cause actual results to differ from current expectations include seasonality, operational risks (including pricing actions by competitors and the risk of loss of key customers in the Film Production & Audiovisual Services and Production & Distribution segments), programming, content and production cost risks, credit risk, government regulation risks, government assistance risks, changes in economic conditions, fragmentation of the media landscape, risk related to the Corporation's ability to adapt to fast-paced technological change and to new delivery and storage methods, labour relation risks, and the risks related to public health emergencies, including COVID-19, as well as any urgent steps taken by government.

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 www.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, 2021 and the "Risk Factors" section in the Corporation's 2021 annual information form.

The forward-looking statements in this Management's Discussion and Analysis reflect the Corporation's expectations as of May 9, 2022, 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

May 9, 2022

Table 9
SELECTED QUARTERLY FINANCIAL DATA
(in thousands of dollars, except for per-share data)

	2022	2021		
	March 31	December 31	September 30	June 30
Operations				
Operating revenues	**$ 144,497**	$ 171,901	$ 150,703	$ 159,422
(Negative adjusted EBITDA) adjusted EBITDA	**$ (9,721)**	$ 28,678	$ 35,504	$ 13,965
Net (loss) income attributable to shareholders	**$ (13,016)**	$ 12,095	$ 19,010	$ 3,850
Basic and diluted per-share data				
Basic and diluted (loss) earnings per share	**$ (0.30)**	$ 0.28	$ 0.44	$ 0.09
Weighted average number of outstanding shares (in thousands)	**43,206**	43,206	43,206	43,206
Weighted average number of diluted shares (in thousands)	**43,206**	43,339	43,466	43,430

	2021	2020		
	March 31	December 31	September 30	June 30
Operations				
Operating revenues	$ 140,808	$ 147,618	$ 119,537	$ 103,855
Adjusted EBITDA	$ 2,136	$ 46,070	$ 23,363	$ 7,366
Net (loss) income attributable to shareholders	$ (4,451)	$ 27,380	$ 8,404	$ (2,744)
Basic and diluted per-share data				
Basic and diluted (loss) earnings per share	$ (0.10)	$ 0.63	$ 0.19	$ (0.06)
Weighted average number of outstanding shares and diluted shares (in thousands)	43,206	43,206	43,206	43,206

- The Corporation's businesses experience significant seasonality caused, among other factors, by seasonal advertising patterns, consumers' viewing, reading and listening habits, demand for production services from international and local producers, demand for content from global broadcasters, and the related delivery schedules. 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 spending.
- In the Broadcasting segment, operating expenses vary mainly as a result of programming costs, which are directly related to programming strategies and to live sports broadcasts. In the Film Production & Audiovisual Services segment, operating costs fluctuate according to demand for production services from international and local producers. In the Magazines segment, operating expenses fluctuate according to publication schedules, which may vary from quarter to quarter. In the Production & Distribution segment, operating expenses fluctuate according to delivery schedules and estimated future revenues.

Accordingly, adjusted EBITDA for interim periods may vary from one quarter to the next.