INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS
SECOND QUARTER 2021

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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 second quarter of 2021 and the major changes from the previous financial year. The Corporation's Condensed Consolidated Financial Statements for the three-month and six-month periods ended June 30, 2021 and 2020 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, 2020 and in the Condensed Consolidated Financial Statements dated June 30, 2021. All amounts are stated in Canadian dollars.

The COVID-19 pandemic ("the pandemic") continues to have a major impact on the economic environment in Canada and around the world. Since the start of the public health crisis, the Quebec government has imposed a series of restrictions and special preventive measures to limit the spread of the virus, including the suspension of some business activities. In May 2021, the Quebec government gradually announced the stages of a reopening plan extending over a period of several months. Since March 2020, the public health crisis has curtailed the operations of many of TVA Group's business partners and led to a significant slowdown in some of the Corporation's segments. Among other things, the restrictions and preventive measures imposed by the Quebec government caused a decline in advertising revenues and, particularly in 2020, a reduction in the sporting events broadcast on the "TVA Sports" specialty channel, a reduction in the publication frequency of some periodicals and the temporary suspension of most of our content production activities. Despite the constraints created by the pandemic, the Corporation has continued and will continue to provide essential services in order to inform in addition to entertain the public, while safeguarding the health and safety of its employees and the public. Due to the decline in their revenues, a number of entities in the Corporation's various segments qualified for the Canada Emergency Wage Subsidy ("CEWS") and subsidies totalling \$822,000 and \$3,195,000 respectively were recorded as a reduction in employee costs for the three- and six-month periods ended June 30, 2021 (\$14,544,000 for the three- and six-month periods ended June 30, 2020).

The impact of the public health crisis created by the pandemic on the operating results of the Corporation's business segments for the second quarter of 2021 are discussed in greater detail in the "Segmented Analysis" section of this Management's Discussion and Analysis. At this stage, it is difficult to anticipate all of the consequences of the crisis, including the potential impact of a new wave of the pandemic. The pandemic and related public health crisis may have a material adverse effect on the short- and medium-term growth of the Corporation's operating results and cash flows. Therefore, the growth reported in quarters prior to the public health crisis may not be indicative of future growth.

BUSINESS SEGMENTS

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 notably through its Qolab Communications Inc. ("Qolab") subsidiary (formerly COLAB Studio Marketing Collaboratif inc.);

- 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 equipment rental services, as well as dubbing and described video, postproduction and visual effects;

- The **Magazines segment**, which through its subsidiaries, notably TVA Publications inc. and Les Publications Charron & Cie inc., 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 produces and distributes television shows, movies and television series for the world market.

HIGHLIGHT SINCE END OF FIRST QUARTER 2021

- On July 16, 2021, the Corporation announced the expansion of MELS' studios with the construction of MELS 4, a $53 million infrastructure project, in addition to which approximately $23 million will be spent on equipment over the next 10 years. With a total area of 160,000 square feet, the project will enable MELS to attract even more major film shoots. The project is scheduled for delivery in spring 2023. The Quebec government, through Investissement Québec, will extend a $25 million interest-free loan to the Corporation to support the studio construction.

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 taxes 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 presents a reconciliation of adjusted EBITDA to net income (loss) as disclosed in the Corporation's condensed consolidated financial statements.

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

	Three months ended June 30		Six months ended June 30	
	2021	2020	**2021**	2020
Adjusted EBITDA:				
Broadcasting	**$ 6,581**	$ 3,470	**$ 3,160**	$ 7,299
Film Production & Audiovisual Services	**3,913**	507	**7,541**	3,679
Magazines	**1,758**	2,890	**3,521**	3,554
Production & Distribution	**1,618**	428	**1,731**	1,095
Intersegment items	**95**	71	**148**	246
	13,965	7,366	**16,101**	15,873
Depreciation and amortization	**7,944**	8,471	**16,202**	17,002
Financial expenses	**705**	665	**1,406**	1,335
Operational restructuring costs and other	**435**	1,802	**162**	2,104
Income taxes (recovery)	**1,290**	(666)	**(406)**	(693)
Share of income of associates	**(261)**	(169)	**(663)**	(426)
Net income (net loss)	**$ 3,852**	$ (2,737)	**$ (600)**	$ (3,449)

ANALYSIS OF CONSOLIDATED RESULTS

2021/2020 second quarter comparison

Operating revenues: $159,422,000, a $55,567,000 (53.5%) increase, whereas the pandemic had caused a suspension or slowdown of most of the Corporation's activities in the second quarter of 2020.

- $43,313,000 (49.9%) increase in the Broadcasting segment (Table 2) essentially due to a 59.8% increase in TVA Network's revenues because of a 66.6% growth in advertising revenues, a 42.1% increase in the revenues of the specialty channels, similarly due to an increase in advertising revenues, and a 43.3% increase in the operating revenues of Qolab.

- $10,489,000 (140.6%) increase in the Film Production & Audiovisual Services segment (Table 2), attributable to increased revenues from all of the segment's activities, including revenues from soundstage, mobile and equipment rental, postproduction, dubbing and visual effects, due primarily to the resumption of activities since mid-September 2020.

- $1,471,000 (14.7%) increase in the Magazines segment (Table 2), due primarily to the 28.4%, 23.8% and 18.8% increases in newsstand, advertising and subscription revenues respectively, whereas financial assistance from the Canada Periodical Fund ("**CPF**") decreased by 11.3%.

- $2,458,000 (85.7%) increase in the Production & Distribution segment (Table 2), primarily due to international sales for films produced in 2020.

Table 2
Operating revenues
(in thousands of dollars)

	Three months ended June 30		Six months ended June 30	
	2021	2020	**2021**	2020
Broadcasting	**$ 130,080**	$ 86,767	**$ 244,912**	$ 194,828
Film Production & Audiovisual Services	**17,949**	7,460	**35,966**	25,442
Magazines	**11,508**	10,037	**22,015**	20,330
Production & Distribution	**5,327**	2,869	**7,622**	7,622
Intersegment items	**(5,442)**	(3,278)	**(10,285)**	(7,233)
	$ 159,422	$ 103,855	**$ 300,230**	$ 240,989

Adjusted EBITDA: $13,965,000, a $6,599,000 (89.6%) favourable variance.

- $3,111,000 favourable variance in the Broadcasting segment (Table 3) caused mainly by a 48.0% increase in TVA Network's adjusted EBITDA, partially offset by an 18.7% increase in the negative adjusted EBITDA of the specialty channels, particularly "TVA Sports."

- $3,406,000 favourable variance in the Film Production & Audiovisual Services segment (Table 3), mainly due to increased profitability of soundstage, mobile and equipment rental activities, partially offset by the decline in adjusted EBITDA generated by dubbing, subtitling and described video, as well as the start-up of our virtual stage activities, which have not yet reached their full revenue potential.

- $1,132,000 unfavourable variance in the Magazines segment (Table 3), mainly due to the reopening with a reduction in government assistance under both the CEWS and the CPF program.

- $1,190,000 favourable variance in the Production & Distribution segment (Table 3), resulting mainly from the favourable gross margin related to international sales for films produced in 2020, as well as a favourable variance in administrative expenses.

Table 3
Adjusted EBITDA
(in thousands of dollars)

	Three months ended June 30		Six months ended June 30	
	2021	2020	**2021**	2020
Broadcasting	**$ 6,581**	$ 3,470	**$ 3,160**	$ 7,299
Film Production & Audiovisual Services	**3,913**	507	**7,541**	3,679
Magazines	**1,758**	2,890	**3,521**	3,554
Production & Distribution	**1,618**	428	**1,731**	1,095
Intersegment items	**95**	71	**148**	246
	$ 13,965	$ 7,366	**$ 16,101**	$ 15,873

Net income attributable to shareholders: $3,850,000 ($0.09 per basic share), compared with a net loss attributable to shareholders of $2,744,000 (-$0.06 per basic share) for the same period of 2020.

- The favourable variance of $6,594,000 ($0.15 per basic share) was primarily due to:

- $6,599,000 increase in adjusted EBITDA;
- $1,367,000 favourable variance in operational restructuring costs and other; and
- $527,000 favourable variance in the depreciation and amortization charge;

partially offset by:

- $1,956,000 unfavourable variance in income taxes.

- The calculation of earnings (loss) per share was based on a weighted average of 43,205,535 outstanding shares for the quarters ended June 30, 2021 and 2020.

Depreciation and amortization: $7,944,000, a $527,000 decrease, mainly due to the decrease in the amortization expense of intangible assets, particularly websites and operational software, and fully amortized technical equipment.

Financial expenses: $705,000, a slight $40,000 increase caused essentially by the unfavourable variance in interest on debt related to a higher average indebtedness for the second quarter of 2021, net of a lower cost of financing for the same period.

Operational restructuring costs and other: $435,000 for the second quarter of 2021, compared with $1,802,000 for the same period of 2020.

- During the three-month period ended June 30, 2021, the Corporation recorded a $508,000 net charge stemming mainly from the elimination of positions and the implementation of cost-reduction measures, including $505,000 in the Broadcasting segment ($2,097,000 for the same period of 2020, including $1,415,000 in the Broadcasting segment and $682,000 in the Film Production & Audiovisual Services segment).

- During the second quarter of 2020, the Corporation had recognized a $253,000 gain on disposal of an asset, for proceeds on disposal of $310,000.

Income taxes: $1,290,000 (effective tax rate of 26.4%) for the second quarter of 2021, compared with a $666,000 income tax recovery (effective tax rate of 18.6%) for the same period of 2020, an unfavourable variance of $1,956,000, due mainly to the impact of an increase in taxable income for tax purposes, as well as the recognition in 2020 of income tax adjustments related to a previous year and foreign income taxes. Calculation of the effective tax rates is based on only taxable and deductible items.

Share of income of associates: $261,000 for the second quarter of 2021, compared with $169,000 for the same period of 2020, a favourable variance of $92,000 due to improved financial results of an associate in the television industry.

2021/2020 year-to-date comparison

Operating revenues: $300,230,000, a $59,241,000 (24.6%) increase.

- $50,084,000 (25.7%) increase in the Broadcasting segment (Table 2) essentially due to a 28.2% increase in TVA Network's revenues, including a 27.7% increase in advertising revenues, an 18.8% increase in the revenues of the specialty channels, similarly due to a 75.2% increase in advertising revenues, and an 82.4% increase in Qolab's operating revenues.

- $10,524,000 (41.4%) increase in the Film Production & Audiovisual Services segment (Table 2), attributable to increased revenues from all of the segment's activities, including a 49.3% increase in revenues from soundstage, mobile and equipment rental services, a 38.4% increase in dubbing and subtitling and a 44.3% increase in postproduction.

- $1,685,000 (8.3%) increase in the Magazines segment (Table 2), due primarily to the 12.9%, 5.8%, 7.9% and 8.8% respective increases in subscription and newsstand revenues, financial assistance from the CPF and advertising revenues.

- Stable operating revenues in the Production & Distribution segment (Table 2), due mainly to the decrease in distribution revenues in Canada, offset by the increase in revenues from streaming platforms.

Adjusted EBITDA: $16,101,000, a $228,000 (1.4%) favourable variance.

- $4,139,000 unfavourable variance in the Broadcasting segment (Table 3) caused mainly by an increase in the negative adjusted EBITDA of "TVA Sports," partially offset by an increase in the adjusted EBITDA of TVA Network and Qolab.

- $3,862,000 favourable variance in the Film Production & Audiovisual Services segment (Table 3), mainly due to the 148.2% increase in adjusted EBITDA from soundstage, mobile and equipment rental and the increased profitability of postproduction, partially offset by the start-up of our virtual stage activities, which have not yet reached their full revenue potential.

- $33,000 unfavourable variance in the Magazines segment (Table 3), mainly due to the reopening with a reduction of government assistance.

- $636,000 favourable variance in the Production & Distribution segment (Table 3), primarily due to growth in the gross margin from distribution on streaming platforms, combined with a favourable variance in administrative expenses.

Net loss attributable to shareholders: $601,000 (-$0.01 per basic share) for the first six months of 2021, compared with $3,467,000 (-$0.08 per basic share) for the same period of 2020.

- The $2,866,000 ($0.07 per basic share) favourable variance was essentially due to:

  - $1,942,000 favourable variance in operational restructuring costs and other;

  - $800,000 favourable variance in the depreciation and amortization charge; and

  - $228,000 increase in adjusted EBITDA;

  partially offset by:

  - $287,000 unfavourable variance in income tax recovery.

- The calculation of loss per share was based on a weighted average of 43,205,535 outstanding shares for the six-month periods ended June 30, 2021 and 2020.

Depreciation and amortization: $16,202,000, an $800,000 decrease, essentially due to the same factors as those noted above in the 2021/2020 second quarter comparison.

Financial expenses: $1,406,000, a slight $71,000 increase caused essentially by the unfavourable variance in interest on the defined benefit plans, as well as a higher exchange loss for 2021, partially offset by the favourable variance in interest on debt related to the lower cost of financing for 2021.

Operational restructuring costs and other: $162,000 for the first six months of 2021, compared with $2,104,000 for the same period of 2020.

- In the first six months of 2021, the Corporation recorded a net amount of $378,000 arising primarily from the elimination of positions and cost-reduction measures, including $661,000 in the Broadcasting segment and a net charge reversal of $290,000 in the Magazines segment ($2,250,000 for the same period of 2020, including

$1,439,000 in the Broadcasting segment, $682,000 in the Film Production & Audiovisual Services segment and $129,000 in the Magazines segment).

- During the first half 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 first six months of 2021, the Corporation also reversed a $48,000 charge for business acquisitions, primarily to record a downward adjustment to the contingent consideration related to the Acquisition of Incendo, as described below, compared with a $194,000 charge recorded for business acquisitions for the same period of 2020.

- During the second quarter of 2020, the Corporation had recognized a $253,000 gain on disposal of an asset, for proceeds on disposal of $310,000.

Income tax recovery: $406,000 (effective tax rate of 24.3%) for the first six months of 2021, compared with $693,000 (effective tax rate of 15.2%) for the same period of 2020, an unfavourable variance of $287,000, due mainly to the same factors as those noted above in the 2021/2020 second quarter comparison. Calculation of the effective tax rates is based on only taxable and deductible items.

Share of income of associates: $663,000 for the first half of 2021, compared with $426,000 for the same period of 2020; the $237,000 favourable variance was due to the same factor as that noted above in the 2021/2020 second quarter comparison.

SEGMENTED ANALYSIS

Broadcasting

2021/2020 second quarter comparison

Operating revenues: $130,080,000, a $43,313,000 (49.9%) increase, primarily attributable to the reopening, whereas the pandemic had caused a suspension or slowdown of a number of activities in the second quarter of 2020. The favourable variance was due to:

- 59.8% increase in TVA Network's revenues, mainly due to a 66.6% increase in advertising revenues, including an increase in digital revenues, as well as a favourable retroactive adjustment related to royalties for distant signal retransmission;

- 42.1% increase in specialty channel revenues stemming from higher advertising revenues, mainly from the "TVA Sports" channel, given the significant increase in sporting events broadcast by the channel, including the National Hockey League ("NHL") playoffs, during which the Montreal Canadiens made it to the Stanley Cup finals, whereas the playoffs had been postponed until the third quarter in 2020. The situation also allowed the sports channel to record 4.6% growth in its subscription revenues; and

- 43.3% increase in Qolab's revenues, due to growth in the volume of activities, which is ongoing in commercial production and advertising services.

French-language audience share

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

Second quarter 2021 vs Second quarter 2020			
	2021	**2020**	**Difference**
French-language conventional broadcasters:			
TVA	**23.8**	23.7	0.1
SRC	**12.3**	12.1	0.2
noovo	**5.1**	5.0	0.1
	41.2	40.8	0.4
French-language specialty and pay services:			
TVA	**18.8**	18.6	0.2
Bell Media	**12.4**	10.0	2.4
Corus	**5.6**	6.7	- 1.1
SRC	**5.9**	7.2	- 1.3
Other	**4.9**	5.2	- 0.3
	47.6	47.7	- 0.1
Total English-language channels and other:	**11.2**	11.5	- 0.3
TVA Group	**42.6**	42.3	0.3

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

TVA Group’s market share for the period of April 1 to June 30, 2021 increased by 0.3 points to 42.6%, compared with 42.3% for the same period of 2020.

TVA Group’s specialty services had a combined market share of 18.8% for the second quarter of 2021, compared with 18.6% for the same period of 2020, a 0.2-point increase. Owing primarily to the performance of the Montreal Canadiens in the NHL playoffs and the pandemic situation, which led to a modified playoff broadcast schedule for 2020, “TVA Sports” recorded exceptional growth of 5.0% for the three-month period ended June 30, 2021. The four NHL playoff rounds broadcast by the channel were among the most-watched shows in Quebec for the second quarter of 2021, including some games in the finals that attracted an average audience of over 1.4 million viewers. The market share of news and public affairs channel “LCN” dropped 4.5% for the same period, after recording exceptional growth in market share during the second quarter of 2020 amid the pandemic. “LCN” nevertheless held its position as Quebec’s most-watched specialty channel, even ahead of the over-the-air channel “noovo.” The channels “addikTV” and “MOI ET CIE” grew their market shares by 0.5 and 0.1 points, while “Yoopa,” “Prise 2” and “Zeste” posted 0.5%, 0.2% and 0.2% decreases in their respective market shares.

TVA Network maintained its lead among over-the-air channels with a 23.8% market share, a 0.1-point increase over the same period of 2020 and more than its two main over-the-air rivals combined. TVA Network had the number two show in Quebec for the second quarter of 2021 with the variety show *Star Académie*, which drew an average audience of nearly 1.5 million viewers.

Operating expenses: $123,499,000, a $40,202,000 (48.3%) increase due primarily to:

- 38.8% increase in the operating expenses of the specialty services, particularly a 58.8% increase for “TVA Sports,” due mainly to:

    - a revised allocation of the value of the rights attached to the various components of the contract for NHL games, which altered the timing of recognition in income from audiovisual content rights for a season; and

    - the change in the broadcast schedule for the season as a result of the ongoing pandemic;

    partially offset by:

    - the recognition of a charge for audiovisual content for the second quarter of 2020 in view of the new formats and broadcast schedules for those events, including the postponement of the NHL playoffs until the third quarter;

- 63.6% increase in TVA Network’s operating expenses, essentially due to the reopening, whereas in the same quarter of 2020, the slowdown had resulted in much higher savings in labour costs and recognition of the CEWS for employees who continued working than in 2021, an increase in content costs and an increase in commissions on advertising sales; and

- 68.0% increase in Qolab’s operating expenses due to higher volume of activities.

Adjusted EBITDA: $6,581,000, a $3,111,000 favourable variance due primarily to:

- 48.0% increase in TVA Network’s adjusted EBITDA;

partially offset by:

- 18.7% increase in the negative adjusted EBITDA of the specialty services, mainly “TVA Sports,” 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) decreased from 96.0% for the second quarter of 2020 to 94.9% for the same period of 2021. The decrease was caused mainly by higher operating revenues, which exceeded the increase in operating expenses.

<u>2021/2020 year-to-date comparison</u>

Operating revenues: $244,912,000, a $50,084,000 (25.7%) increase, primarily due to:

- increases related to the reopening, including:

    - 28.2% increase in TVA Network’s revenues, mainly due to a 27.7% increase in advertising revenues, including a 78.0% increase in digital revenues;

    - 75.2% increase in the advertising revenues of the specialty services. “TVA Sports” accounts for 83.5% of the growth, due to the same factor as that noted above in the 2021/2020 second quarter comparison;

    - 82.4% increase in Qolab's revenues, due to the increased volume of activities, as explained earlier in the quarterly comparison; and

- favourable variance related to recognition of a favourable retroactive adjustment in the royalties for distant signal retransmission in 2021, whereas an unfavourable retroactive adjustment had been made in 2020, which had an impact on TVA Network's revenues;

partially offset by:

- 1.3% decrease in the subscription revenues of the specialty services, due primarily to continued cord-cutting.

Operating expenses: $241,752,000, a $54,223,000 (28.9%) increase due primarily to:

- 37.1% increase in operating expenses at the specialty channels, particularly a 60.9% increase for "TVA Sports," due primarily to the same factors as those noted above in the 2021/2020 second quarter comparison;

- 17.1% increase in TVA Network's operating expenses, due primarily to the same factors as those noted above in the 2021/2020 second quarter comparison; and

- 63.8% increase in Qolab's operating expenses because of higher volume of activities.

Adjusted EBITDA: $3,160,000, a $4,139,000 unfavourable variance primarily due to:

- higher negative adjusted EBITDA from "TVA Sports," due to the additional costs associated with the resumption of sporting events broadcast by the channel, which were higher than the increase in advertising revenues earned;

partially offset by:

- increase in TVA Network's adjusted EBITDA, as discussed above; and

- greater adjusted EBITDA for Qolab as a result of higher volume of activities.

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 96.3% for the first six months of 2020 to 98.7% for the same period of 2021. The increase was caused mainly by higher operating expenses, which exceeded the increase in operating revenues.

Film Production & Audiovisual Services

2021/2020 second quarter comparison

Operating revenues: $17,949,000, a $10,489,000 (140.6%) increase, primarily attributable to the resumption of activities starting in mid-September 2020. Note the following variances:

- 302.9% increase in soundstage, mobile and equipment rental revenues, with the current use of its sets for *Paramount Pictures*' mega-production *Transformers*;

- 239.8% increase in postproduction revenues;

- 58.7% increase in dubbing revenues, which continue to grow stemming from the increase in content in the market, thus driving up demand for the services; and

- 47.2% increase in visual effects revenues.

Operating expenses: $14,036,000, an increase of $7,083,000 (101.9%). The increase is also primarily due to the resumption of activities, which led to an increase in variable expenses, particularly compensation costs, as well as much lower CEWS levels. Note the following variances:

- 94.1% increase in operating expenses for soundstage, mobile unit and equipment rental services;

- 98.1% increase in operating expenses for dubbing due to higher volume of activities;

- 118.5% increase in operating expenses related to postproduction; and

- 71.2% increase in operating expenses related to visual effects.

Adjusted EBITDA: $3,913,000, a $3,406,000 favourable variance, mainly due to increased profitability of soundstage, mobile and equipment rental services, partially offset by the decline in adjusted EBITDA generated by dubbing, subtitling and described video, as well as the start-up of our virtual stage activities, which have not yet reached their full revenue potential.

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) decreased from 93.2% for the second quarter of 2020 to 78.2% for the second quarter of 2021. The decrease was caused mainly by higher operating revenues, which exceeded the increase in operating expenses.

<u>2021/2020 year-to-date comparison</u>

Operating revenues: $35,966,000, a $10,524,000 (41.4%) increase, mainly attributable to the reopening, as indicated in the 2021/2020 second quarter comparison, which resulted in the following variances, among others:

- 49.3% increase in revenues from soundstage, mobile and equipment rental, which was heavily affected by the public health crisis and the suspension of film shoots in the second quarter of 2020;
- 38.4% increase in dubbing revenues, also due to increased demand for the services;
- 44.3% increase in postproduction revenues due to higher volume of activities, which were particularly affected in the second quarter of 2020; and
- 23.6% increase in visual effects revenues.

Operating expenses: $28,425,000, an increase of $6,662,000 (30.6%), due primarily to the same factors as those noted above in the 2021/2020 second quarter comparison, which caused the following variances, among others:

- 45.7% increase in operating expenses for dubbing and subtitling due to higher volume of activities;
- 28.5% increase in operating expenses related to postproduction;
- 15.2% increase in operating expenses for soundstage, mobile and equipment rental services; and
- 28.2% increase in operating expenses related to visual effects.

Adjusted EBITDA: $7,541,000, a $3,862,000 favourable variance, due primarily to a 148.2% increase in adjusted EBITDA from soundstage, mobile and equipment rental services and an increase in the profitability of postproduction activities, partially offset by the start-up of virtual stage activities.

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) decreased from 85.5% for the first half of 2020 to 79.0% for the first half of 2021. The decrease was caused mainly by higher operating revenues, which exceeded the increase in operating expenses.

Magazines

2021/2020 second quarter comparison

Operating revenues: $11,508,000, a $1,471,000 (14.7%) increase, primarily attributable to the reopening, whereas the pandemic had caused a reduction in the number of issues of some titles during the second quarter of 2020. Note the following variances:

- 28.4% increase in newsstand revenues, mainly in the entertainment category;
- 23.8% increase in advertising revenues;
- 18.8% increase in subscription revenues, primarily in the women's and entertainment categories; and
- 11.3% decrease in aid from the CPF, which introduced a change in the method of grant allocation from its regular program starting April 1, 2021, as described below, resulting in a decrease in the assistance received by the Corporation under the program.

Canada Periodical Fund

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. 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, after 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 20.6% of the segment's operating revenues for the three-month period ended June 30, 2021 (26.7% for the same period of 2020).

Readership statistics

With nearly 3.3 million cross-platform readers for its monthly French titles, TVA Group is the top publisher of French-language monthly magazines in Quebec and a leading player in the Canadian magazine market with 7.5 million cross-platform readers.

Canada's lifestyle standard-setter *Canadian Living* has 3.4 million cross-platform readers. Its French-language counterpart *Coup de pouce* is the most-read French-language lifestyle magazine with 1.3 million readers on all platforms.

In Quebec, *Clin d'œil* is the most popular fashion and beauty magazine with 701,000 cross-platform readers. *Les Idées de ma Maison* is the benchmark in decorating, reaching 695,000 cross-platform readers.

In the English-language market, *Style at Home* is Canada's go-to decorating magazine, reaching 2.1 million cross-platform readers.

Source: Vividata, Spring 2021, Total Canada, 14+, January 1 to December 31, 2020

Operating expenses: $9,750,000, a $2,603,000 (36.4%) increase, mainly attributable to the reopening, as noted above, which resulted in the following variances, among others:

- increase in compensation costs as a result of more employees working and the decrease in CEWS available to the segment; and

- increased costs related to the return to the usual number of issues of some titles, particularly an increase in printing costs, content costs and subscription expenses.

Adjusted EBITDA: $1,758,000, a $1,132,000 unfavourable variance, primarily due to the decrease in government assistance available to the segment for the second quarter of 2021, compared with the same period of 2020.

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 71.2% for the second quarter of 2020 to 84.7% for the same period of 2021, mainly because of the increase in the segment's operating expenses, which exceeded the increase in operating revenues.

2021/2020 year-to-date comparison

Operating revenues: $22,015,000, a $1,685,000 (8.3%) increase, due primarily to the second quarter 2021 results, which were affected by the reopening, compared with the same period of 2020, when the number of issues was reduced for some titles, as noted in the 2021/2020 second quarter comparison. Note the following variances:

- 12.9% increase in subscription revenues, primarily in the entertainment and women's categories;
- 5.8% increase in newsstand revenues, mainly in the entertainment category;
- 7.9% increase in assistance from the CPF, due to a 25% increase in the grant received for the first quarter of 2021; and
- 8.8% increase in advertising revenues, mainly from digital revenues.

Operating expenses: $18,494,000, a $1,718,000 (10.2%) increase, due primarily to the same factors as those noted above in the 2021/2020 second quarter comparison.

Adjusted EBITDA: $3,521,000, a $33,000 unfavourable variance, primarily due to the reopening with a reduction in government assistance.

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 82.5% for the six-month period ended June 30, 2020 to 84.0% for the same period of 2021, mainly because the increase in the segment's operating expenses as a proportion of total expenses exceeded the increase in operating revenues as a proportion of total revenues.

Production & Distribution

2021/2020 second quarter comparison

Operating revenues: $5,327,000, a $2,458,000 (85.7%) increase, mainly due to international distribution activities with the delivery of five films produced by Incendo in the second quarter of 2021, whereas no films produced by Incendo were delivered for the same period of 2020.

Activities related to the distribution of films produced by Incendo accounted for 85.0% of the segment's operating revenues for the three-month period ended June 30, 2021, compared with 89.2% for the same period of 2020. Incendo's productions that generated operating revenues for this quarter primarily consist of romantic comedies.

Operating expenses: $3,709,000, a $1,268,000 (51.9%) increase mainly due to the increase in variable expenses related to the higher revenues, partially offset by savings in administrative expenses, particularly related to compensation and recognition of the Canada Emergency Rent Subsidy.

Adjusted EBITDA: $1,618,000, a $1,190,000 favourable variance, primarily due to the higher gross margin for the three-month period ended June 30, 2021, attributable to the international distribution of films produced by Incendo, as well as by savings on administrative expenses, 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 85.1% for the three-month period ended June 30, 2020 to 69.6% for the same period of 2021, mainly due to higher operating revenues.

2021/2020 year-to-date comparison

Operating revenues: stable at $7,622,000, mainly attributable to lower revenues from Canadian distribution, offset by the increase in distribution revenues from streaming platforms.

Activities related to the distribution of films produced by Incendo accounted for 85.4% of the segment's operating revenues for the six-month period ended June 30, 2021, compared with 77.9% for the same period of 2020. 90% of the revenues generated by Incendo's productions, which consist mainly of romantic comedies, stemmed from international distribution for the first half of 2021 (84% for the same period of 2020, when they consisted mainly of thrillers).

Operating expenses: $5,891,000, a $636,000 (-9.7%) decrease, mainly due to savings in administrative expenses, particularly related to compensation and recognition of the Canada Emergency Rent Subsidy.

Adjusted EBITDA: $1,731,000, a $636,000 favourable variance, primarily due to a higher gross margin for the first six months of 2021 than the same period of 2020, generated by distribution from streaming platforms, as well as savings on administrative expenses.

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 85.6% for the six-month period ended June 30, 2020 to 77.3% for the same period of 2021, due primarily to the decrease 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 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 during the first quarter of 2021 (see the 2021/2020 year-to-date comparison under "Operational restructuring costs and other" in the "Analysis of consolidated results" above) and the Corporation made a $606,000 payment in connection with this.

CASH FLOWS AND FINANCIAL POSITION

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

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

	Three months ended June 30		Six months ended June 30	
	2021	2020	**2021**	2020
Cash flows related to operating activities	**$ (23,847)**	$ 28,543	**$ (16,410)**	$ 44,121
Additions to property, plant and equipment and intangible assets	**(3,496)**	(2,453)	**(8,237)**	(8,309)
Disposal of a property, plant and equipment	**–**	310	**–**	310
Business acquisitions	**–**	–	**(606)**	–
Other	**(762)**	(789)	**(1,754)**	(1,667)
(Increase in) reimbursement of net debt	**$ (28,105)**	$ 25,611	**$ (27,007)**	$ 34,455

	June 30, 2021	December 31, 2020
At period end:		
Bank overdraft	**$ 5,544**	$ 1,699
Short-term debt	**49,925**	27,117
Less: cash	**(2,484)**	(2,838)
Net debt	**$ 52,985**	$ 25,978

Operating activities

Quarterly cash flows related to operating activities: $52,390,000 decrease during the three-month period ended June 30, 2021, compared with the same period of 2020, due mainly to a $57,798,000 net unfavourable variance in operating assets and liabilities, including in content rights payable and audiovisual content, partially offset by a favourable variance in tax credits and government assistance receivable, net of the $6,599,000 increase in adjusted EBITDA.

Year-to-date cash flows related to operating activities: $60,531,000 decrease for the six-month period ended June 30, 2021 compared with the same period of 2020 mainly because of a $63,689,000 net unfavourable variance in operating assets and liabilities, including unfavourable variances in accounts receivable, audiovisual content and current tax assets and liabilities, partially offset by a favourable variance in tax credits and government assistance receivable.

Working capital: $35,448,000 as of June 30, 2021, compared with $51,861,000 at December 31, 2020. The $16,413,000 unfavourable variance was due primarily to the increase in short-term debt and the decrease in audiovisual content, partially offset by an increase in accounts receivable and a decrease in current tax liabilities.

Investing activities

Quarterly additions to property, plant and equipment and intangible assets: $3,496,000 compared with $2,453,000 for the second quarter of 2020. The $1,043,000 (42.5%) increase was essentially due to the suspension or slowdown of some projects in the second quarter of 2020 due to the pandemic situation.

Year-to-date additions to property, plant and equipment and intangible assets: $8,237,000 compared with $8,309,000 for the first half of 2020, a slight $72,000 (-0.9%) decrease.

During the six-month period ended June 30, 2021, the Corporation made investments in equipment for rental, computer equipment and some of its technical equipment required for postproduction activities.

Disposal of a property, plant and equipment: $310,000 for the three-month and six-month periods ended June 30, 2020. In the second quarter of 2020, the Corporation disposed of an asset for proceeds on disposal of $310,000.

Business acquisitions: $606,000 for the six-month period ended June 30, 2021 (see "Acquisition of Incendo" above) (nil for the same period of 2020).

Financing activities

Short-term debt (excluding deferred financing costs): $49,961,000 as at June 30, 2021, compared with $27,126,000 at December 31, 2020. The $22,835,000 increase is essentially due to investments in audiovisual content.

Financial position as at June 30, 2021

Net available liquid assets: $21,846,000, consisting of a $24,906,000 unused and available revolving credit facility and $2,484,000 in cash, less a $5,544,000 bank overdraft.

As at June 30, 2021, the entire $49,961,000 in principal was payable on the debt during the next 12-month period.

The weighted average term of TVA Group's debt was approximately 0.6 year as of June 30, 2021 (0.1 year as of December 31, 2020). The debt consisted entirely of floating-rate debt as at June 30, 2021 and December 31, 2020.

The Corporation has a $75,000,000 revolving credit facility, which matures on February 24, 2022. As at June 30, 2021, drawings on the revolving credit facility consisted of a bankers' acceptance in the amount of $49,961,000 bearing interest at an effective rate of 1.82% and an outstanding letter of credit in the amount of $133,000. As at December 31, 2020, drawings on the revolving credit facility consisted of a $19,976,000 banker's acceptance bearing interest at an effective rate of 1.88%, a $7,150,000 advance bearing interest at an effective rate of 2.85% and an outstanding letter of credit in the amount of $133,000.

The Corporation's management believes that cash flows generated on an annual basis by continuing operating activities and 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 June 30, 2021, the Corporation was in compliance with all the terms of its credit agreements.

Analysis of consolidated balance sheet as at June 30, 2021

Table 6
Consolidated balance sheets of TVA Group
Analysis of main variances between June 30, 2021 and December 31, 2020
(in thousands of dollars)

	June 30, 2021	December 31, 2020	Difference	Main reasons for difference
Assets				
Accounts receivable	**$ 148,754**	$ 137,177	$ 11,577	Impact of the increased volume of activity.
Short-term audiovisual content	**101,408**	112,982	(11,574)	Impact of broadcast of sporting events.
Long-term audiovisual content	**77,892**	57,245	20,647	Impact of investments in audiovisual content and film and series acquisitions.
Deferred taxes	**10,948**	23,923	(12,975)	Impact of recognition of a gain on remeasurement of the defined benefit plans.
Other assets	**22,311**	11,238	11,073	Impact of recognition of a gain on remeasurement of the defined benefit plans.
Liabilities				
Short-term debt	**$ 49,925**	$ 27,117	$ 22,808	Impact of using revolving credit to finance operating and investing activities.
Other liabilities	**8,620**	38,223	(29,603)	Impact of the recognition of a gain on remeasurement of the defined benefit plans and the recognition of the balance of purchase price and the contingent consideration payable in connection with the Acquisition of Incendo under current liabilities.

ADDITIONAL INFORMATION

Contractual obligations

As of June 30, 2021, material contractual commitments of operating activities included capital repayment and interest on debt and on lease liabilities, the amount payable and 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 June 30, 2021
(in thousands of dollars)

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Short-term debt	$ 49,961	$ –	$ –	$ –	$ 49,961
Lease liabilities	2,671	3,220	2,358	2,569	10,818
Payment of interest[1]	1,215	639	362	292	2,508
Amount payable and contingent consideration	6,618	–	–	–	6,618
Content rights	212,231	183,336	134,376	42	529,985
Other commitments	10,915	9,046	1,506	81	21,548
Total	**$ 283,611**	**$ 196,241**	**$ 138,602**	**$ 2,984**	**$ 621,438**

[1] *Interest is calculated on a constant debt level equal to that as at June 30, 2021 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 second quarter of 2021, 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 $27,382,000 ($25,248,000 in the second quarter of 2020).

In the second quarter of 2021, the Corporation recorded telecommunications service costs, advertising space acquisition costs, professional service fees, commissions on sales and newsgathering costs arising from transactions with corporations under common control and associates totalling $13,193,000 ($9,895,000 for the second quarter of 2020).

In the second quarter of 2021, the Corporation billed management fees to corporations under common control in the amount of $1,414,000 ($1,163,000 for the second quarter of 2020). These fees are recorded as a reduction of operating expenses.

As well, the Corporation paid management fees to the parent corporation in the amount of $855,000 for the second quarters of 2021 and 2020.

In the first six months of 2021, 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 $54,507,000 ($50,643,000 for the first six months of 2020).

In the first six months of 2021, the Corporation recorded telecommunications service costs, advertising space acquisition costs, professional service fees, commissions on sales and newsgathering costs arising from transactions with corporations under common control and associates totalling $28,247,000 ($23,388,000 for the first six months of 2020).

In the first six months of 2021, the Corporation also billed management fees to corporations under common control in the amount of $2,832,000 ($2,460,000 for the first half of 2020).

As well, the Corporation assumed management fees of the parent corporation in the amount of $1,710,000 for the first six months of 2021 and 2020.

Capital stock

Table 8 below presents information on the Corporation's capital stock. In addition, 689,503 Class B stock options of the Corporation were outstanding as of July 16, 2021.

Table 8
Capital stock outstanding as at July 16, 2021
(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

Contingencies and legal disputes

Lawsuits were brought by and against the Corporation, and against Quebecor Inc. and some of its subsidiaries, in connection with business disputes with a cable operator. At this stage in the proceedings, management of the Corporation does not expect their outcome to have a material adverse effect on the Corporation's results or on its financial position.

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 June 30, 2021 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, 2020 and the "Risk Factors" section in the Corporation's 2020 annual information form.

The forward-looking statements in this Management's Discussion and Analysis reflect the Corporation's expectations as of July 29, 2021, 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

July 29, 2021

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

	2021		2020	
	June 30	March 31	Dec. 31	Sept. 30
Operations				
Operating revenues	**$ 159,422**	$ 140,808	$ 147,618	$ 119,537
Adjusted EBITDA	**$ 13,965**	$ 2,136	$ 46,070	$ 23,363
Net income (loss) attributable to shareholders	**$ 3,850**	$ (4,451)	$ 27,380	$ 8,404
Basic and diluted per-share data				
Basic and diluted earnings (loss) per share	**$ 0.09**	$ (0.10)	$ 0.63	$ 0.19
Weighted average number of outstanding shares (in thousands)	**43,206**	43,206	43,206	43,206
Weighted average number of diluted shares (in thousands)	**43,430**	43,206	43,206	43,206

	2020		2019	
	June 30	March 31	Dec. 31	Sept. 30
Operations				
Operating revenues	$ 103,855	$ 137,134	$ 164,196	$ 125,618
Adjusted EBITDA	$ 7,366	$ 8,507	$ 33,568	$ 31,141
Net (loss) income attributable to shareholders	$ (2,744)	$ (723)	$ 16,030	$ 13,361
Basic and diluted per-share data				
Basic and diluted (loss) earnings per share	$ (0.06)	$ (0.02)	$ 0.37	$ 0.31
Weighted average number of outstanding shares (in thousands)	43,206	43,206	43,206	43,206

- The Corporation's businesses experience significant seasonality due to, among other factors, 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.