INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS
FIRST 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 first quarter of 2021 and the major changes from the previous financial year. The Corporation's Condensed Consolidated Financial Statements for the three-month periods ended March 31, 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 as at March 31, 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. 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. The Corporation is providing television viewers with continuous coverage of the public health crisis on TVA Network and the "LCN" specialty channel. Due to a decline in revenues, a number of entities in the Corporation's various segments qualified for the Canada Emergency Wage Subsidy ("CEWS") and subsidies totalling $2,373,000 were recorded in the first quarter of 2021 as a reduction in employee costs, whereas no amounts were recorded in the first quarter of 2020.

As the uncertainty about the full extent and duration of the pandemic persists, the Corporation's Board of Directors and its executive management team are continuously monitoring the impact of the public health crisis on the Corporation's business segments, employees, customers and business partners, as well as on the population of Quebec, and are taking appropriate action, as needed, until the crisis abates and market conditions stabilize.

The impact of the public health crisis created by the pandemic on the operating results of the Corporation's business segments 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 until the situation returns to normal. 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 previous quarters, particularly at the start of the 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 of its Communications Qolab 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 production 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.

HIGHLIGHTS SINCE END OF 2020

- On April 14, 2021, Sylvie Lalande, Chairperson of the Board of TVA Group, announced that France Lauzière, President and CEO of TVA Group Inc., would be stepping down from her duties for a period of up to six months and that during her absence Pierre Karl Péladeau, President and CEO of Quebecor, would assume her duties at TVA Group.

- On February 11, 2021, the Corporation renewed its $75,000,000 revolving credit facility, which matured on February 24, 2021, for one year, until February 24, 2022.

- On January 20, 2021, France Lauzière, President and CEO of the Corporation, announced a new management structure and placed all programming for TVA, TVA+ and the Corporation's nine specialty channels under the responsibility of Martin Picard, Vice-President and Chief of Content Exploitation. A member of the TVA team since 2002 and Chief of Content Exploitation since 2017, Mr. Picard therefore adds the strategic management of TVA Nouvelles, "LCN" and "TVA Sports" to his duties, thus ensuring content development and reach across all of the group's platforms.

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 adjusted EBITDA may not be the same as similarly titled measures reported by other companies.

Table 1 presents a reconciliation of adjusted EBITDA to net 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 loss measure used in the condensed consolidated financial statements
(in thousands of dollars)

	Three-month periods ended March 31	
	2021	2021
Adjusted EBITDA (negative adjusted EBITDA):		
Broadcasting	**$ (3,421)**	$ 3,829
Film Production & Audiovisual Services	**3,628**	3,172
Magazines	**1,763**	664
Production & Distribution	**113**	667
Intersegment items	**53**	175
	2,136	8,507
Depreciation and amortization	**8,258**	8,531
Financial expenses	**701**	670
Operational restructuring costs and other	**(273)**	302
Income tax recovery	**(1,696)**	(27)
Share of income of associates	**(402)**	(257)
Net loss	**$ (4,452)**	$ (712)

ANALYSIS OF CONSOLIDATED RESULTS

2021/2020 first quarter comparison

Operating revenues: $140,808,000, a $3,674,000 (2.7%) increase.

- $6,771,000 (6.3%) increase in the Broadcasting segment (Table 2) essentially due to 121.3% revenue growth at Qolab and 5.2% revenue growth at TVA Network. These favourable differences were partially offset by a 1.2% decrease in the specialty services' revenues.

- $35,000 (0.2%) increase in the Film Production & Audiovisual Services segment (Table 2), primarily attributable to all segment activities, including a 22.8% increase in revenues from dubbing and subtitling.

- $214,000 (2.1%) increase in the Magazines segment (Table 2), due primarily to the 29.5% increase in financial assistance from the Canada Periodical Fund ("**CPF**"), including a 25% supplement for the 2020-2021 reference year in the context of the current health crisis, partially offset by decreases of 13.0% and 6.8% in newsstand and advertising revenues, respectively.

- $2,458,000 (-51.7%) decrease in the Production & Distribution segment (Table 2) due primarily to a decrease in revenues from the distribution of films produced by Incendo.

Table 2
Operating revenues
(in thousands of dollars)

	Three-month periods ended March 31	
	2021	2020
Broadcasting	**$ 114,832**	$ 108,061
Film Production & Audiovisual Services	**18,017**	17,982
Magazines	**10,507**	10,293
Production & Distribution	**2,295**	4,753
Intersegment items	**(4,843)**	(3,955)
	$ 140,808	$ 137,134

Adjusted EBITDA: $2,136,000, an unfavourable variance of $6,371,000 (-74.9%).

- $7,250,000 unfavourable variance in the Broadcasting segment (Table 3) caused mainly by a decrease in profitability of "TVA Sports," partially offset by increased profitability at TVA Network and the increase in Qolab's adjusted EBITDA.

- $456,000 favourable variance in the Film Production & Audiovisual Services segment (Table 3), mainly due to increased profitability of most segment activities, partially offset by the start-up of our virtual stage activities, which have not yet reached their full revenue potential.

- $1,099,000 favourable variance in the Magazines segment (Table 3) resulting mainly from the additional government assistance received during the public health crisis, as well as various cost savings that offset the decrease in newsstand and advertising revenues.

- $554,000 unfavourable variance in the Production & Distribution segment (Table 3), a direct result of the public health crisis, which caused a delay in distribution of films produced by Incendo.

Table 3
Adjusted EBITDA (negative adjusted EBITDA)
(in thousands of dollars)

	Three-month periods ended March 31	
	2021	2020
Broadcasting	**$ (3,421)**	$ 3,829
Film Production & Audiovisual Services	**3,628**	3,172
Magazines	**1,763**	664
Production & Distribution	**113**	667
Intersegment items	**53**	175
	$ 2,136	$ 8,507

Net loss attributable to shareholders: $4,451,000 (-$0.10 per basic and diluted share), compared with $723,000 (-$0.02 per basic and diluted share) for the same period of 2020.

- The unfavourable variance of $3,728,000 (-$0.08 per basic and diluted share) was essentially due to:
  - $6,371,000 decrease in adjusted EBITDA;

  partially offset by:

  - $1,669,000 favourable variance in income tax recovery;
  - $575,000 favourable variance in operational restructuring costs and other; and
  - $273,000 favourable variance in the depreciation and amortization charge.
- The calculation of loss per share was based on a weighted average of 43,205,535 outstanding diluted shares for the quarters ended March 31, 2021 and 2020.

Depreciation and amortization: $8,258,000, a $273,000 decrease, mainly due to the decrease in the charge for amortization of intangible assets, particularly operational software and websites, partially offset by the increase in the charge for amortization of equipment for rental and computer equipment.

Financial expenses: $701,000, a slight $31,000 increase caused essentially by the recognition of a foreign exchange loss in the first quarter of 2021, whereas a foreign exchange gain was recorded for the same period of 2020, as well as higher interest on the net defined benefit liability, partially offset by a favourable variance in interest on debt.

Operational restructuring costs and other: a $273,000 reversal for the first quarter of 2021, compared with a charge of $302,000 for the same period of 2020.

- In the first quarter of 2021, the Corporation recorded a net reversal of the $130,000 expense arising primarily from the elimination of positions and cost-reduction measures, including a $156,000 expense in the Broadcasting segment and a reversal of $289,000 in the Magazines segment (an expense of $153,000 for the same period of 2020, including $129,000 in the Magazines segment), stemming among other things from a review of certain assumptions related to an onerous lease.
- During the period, 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 quarter ended March 31, 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 $176,000 charge recorded for business acquisitions for the same period of 2020.

Income tax recovery: $1,696,000 (effective tax rate of 25.9%) for the first quarter of 2021, compared with $27,000 (effective tax rate of 2.7%) for the same period of 2020, a favourable variance of $1,669,000, due mainly to an increase in the deductible loss for tax purposes and the recognition in 2020 of an income tax adjustment related to a previous year. Calculation of the effective tax rates is based only on taxable and deductible items.

Share of income of associates: $402,000 for the first quarter of 2021, compared with $257,000 for the same period of 2020, a favourable variance of $145,000 due to improved financial results of an associate in the television industry.

SEGMENTED ANALYSIS

Broadcasting

2021/2020 first quarter comparison

Operating revenues: $114,832,000, a $6,771,000 (6.3%) increase, primarily due to:

- 121.3% increase in Qolab's revenues due both to greater demand and to advancement of some projects normally completed in subsequent quarters;
- 5.2% increase in TVA Network's revenues, mainly due to royalties for the retransmission of distant signals, which were subject to an unfavourable retroactive adjustment in the first quarter of 2020, as well as a 1.1% increase in advertising revenues, including a 30.4% increase in digital revenues; and
- 6.3% increase in the advertising revenues of the specialty services;

partially offset by:

- 4.0% decrease in the subscription revenues of the specialty services, including a 5.8% decrease for "TVA Sports," due primarily to cord-cutting, which was exacerbated by the reduction in sporting events in 2020.

French-language audience share

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

First quarter 2021 vs First quarter 2020			
	2021	**2020**	**Difference**
French-language conventional broadcasters:			
TVA	**24.9**	25.5	- 0.6
SRC	**16.4**	15.0	1.4
noovo	**6.7**	5.4	1.3
	48.0	45.9	2.1
French-language specialty and pay services:			
TVA	**14.5**	14.9	- 0.4
Bell Media	**11.8**	12.9	- 1.1
Corus	**5.4**	6.2	- 0.8
SRC	**5.6**	5.6	–
Other	**4.6**	4.2	0.4
	41.9	43.8	- 1.9
Total English-language and other:	**10.1**	10.3	- 0.2
TVA Group	**39.4**	40.4	- 1.0

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, 2021 decreased by 1.0 points to 39.4%, compared with 40.4% for the same period of 2020.

TVA Group's specialty services had a combined market share of 14.5% for the first quarter of 2021, compared with 14.9% for the same period of 2020, a 0.4-point decrease. As a result of the situation at the start of the pandemic, among other things, the news and public affairs channel "LCN" recorded exceptional growth in the first quarter of 2020, which explains its 0.5-point year-over-year decrease. "LCN" nevertheless remains the most-watched specialty channel in Quebec with a 6.4% market share. The resumption of hockey and sporting events allowed "TVA Sports" to hold its market share from the same quarter of 2020, while "addik^{TV}" registered 0.3-point growth in its market share.

Although down 0.6 points from the same quarter of 2020, TVA Network maintained its lead among over-the-air channels with a 24.9% market share, more than its two main over-the-air rivals combined. Three of TVA Network's shows were among the five most-watched in Quebec in the first quarter of 2021, including the series *Les beaux malaises 2.0*, which attracted an average audience of nearly 1.7 million viewers, and *Star Académie 2021 – Le variété*, with nearly 1.4 million viewers.

Operating expenses: $118,253,000, a $14,021,000 (13.5%) increase due primarily to:

- 63.6% increase in the operating expenses of "TVA Sports," mainly due to a revised allocation of the value of the rights attached to the various components of the contract for National Hockey League ("**NHL**") games, which altered the timing of recognition in income of audiovisual content rights for a season, and to the change in the broadcast schedule for the season as a result of the ongoing pandemic; and

- 60.7% increase in Qolab's operating expenses because of the higher volume of activities;

partially offset by:

- 6.7% decrease in TVA Network's operating expenses, essentially as a result of lower content costs, a decrease in the charge for bad debts, whereas an additional charge was recorded in the first quarter of 2020 to take into account the economic environment created by the pandemic, as well as the Canadian Radio-television and Telecommunications Commission relief measures with respect to licence fees due to the current public health crisis.

Negative adjusted EBITDA: $3,421,000, a $7,250,000 unfavourable variance primarily due to:

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

partially offset by:

- increased profitability of TVA Network due to a combination of lower operating expenses and higher operating revenues, as explained above; and

- greater adjusted EBITDA for Qolab as a result of higher volume of activities, combined with tight cost management.

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 96.5% for the first quarter of 2020 to 103.0% for the first quarter of 2021. The increase was mainly because the increase in operating expenses was greater than the increase in operating revenues for "TVA Sports," given the above-noted situation.

Film Production & Audiovisual Services

2021/2020 first quarter comparison

Operating revenues: $18,017,000, a slight increase of $35,000 (0.2%), primarily due to:

- 10.2% increase in revenues for all segment activities, with the exception of rentals, including a 22.8% increase in revenues from dubbing and subtitling, as well as a 4.1% increase in postproduction, as a result of higher volume of activities;

partially offset by:

- 10.0% decrease in revenues from soundstage, mobile and equipment rental, due to lower volume of activities, whereas in the first quarter of 2020, a major production was filmed at our studios.

Operating expenses: $14,389,000, a decrease of $421,000 (-2.8%), mainly due to savings in labour costs, including recognition of the CEWS, as well as savings in variable costs on rental activities due to lower volume of activities.

Note the following variances:

- 16.0% decrease in operating expenses related to soundstage, mobile and equipment rental; and

- 8.1% decrease in operating expenses related to postproduction;

partially offset by:

- 14.4% increase in operating expenses for dubbing and subtitling due to higher volume of activities; and

- increase in operating expenses for the new virtual stage service.

Adjusted EBITDA: $3,628,000, a $456,000 favourable variance due primarily to increased profitability of all segment activities, with the exception of virtual stage and visual effects, resulting from lower operating expenses, as explained above.

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 82.4% for the first quarter of 2020 to 79.9% for the first quarter of 2021. The decrease was essentially due to the decrease in operating expenses.

Magazines

2021/2020 first quarter comparison

Operating revenues: $10,507,000, a $214,000 (2.1%) increase primarily due to:

- 29.5% increase in financial assistance from the CPF; and
- 6.9% increase in subscription revenues, primarily in the decorating category;

partially offset by:

- 13.0% decrease in newsstand revenues, mainly in the entertainment category; and
- 6.8% decrease in advertising revenues, mainly for the English-language magazines.

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. All assistance related to this program is fully recorded under operating revenues. It amounted to 29.4% of the segment's operating revenues for the three-month period ended March 31, 2021 (23.2% for the same period of 2020). This increase is the result of additional government assistance provided to help businesses in the industry deal with the current health crisis, which increased the subsidy received for the 2020-2021 reference year by 25%.

Readership statistics

With more than 3.4 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 nearly 7.9 million cross-platform readers.

Canada's lifestyle standard-setter *Canadian Living* reaches more than 3.7 million cross-platform readers. Its French-language counterpart *Coup de pouce* is the most-read French-language lifestyle magazine on all platforms with nearly 1.5 million cross-platform readers.

In Quebec, *Clin d'œil* is the most popular fashion and beauty magazine with 739,000 cross-platform readers. *Les Idées de ma Maison* is the benchmark in decorating, reaching 709,000 cross-platform readers.

In the English-language market, *Style at Home* is Canada's go-to decorating magazine, reaching nearly 2.2 million cross-platform readers.

Source: Vividata, Winter 2021, Total Canada, 14+, October 1, 2019 to September 30, 2020

Operating expenses: $8,744,000, a decrease of $885,000 (-9.2%) due mainly to:

- 14.9% decrease in printing and production costs as a result of fewer print runs and releases;
- savings on labour costs, including the recognition of the CEWS; and
- reduced content costs and administrative expenses.

Adjusted EBITDA: $1,763,000, a $1,099,000 favourable variance due primarily to the above-noted government assistance received.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Magazines segment's activities (expressed as a percentage of revenues) decreased from 93.5% in the first quarter of 2020 to 83.2% for the same period of 2021, mainly due to the decrease in the segment's operating expenses, combined with an increase in operating revenues.

Production & Distribution

2021/2020 first quarter comparison

Operating revenues: $2,295,000, a $2,458,000 (-51.7%) decrease due primarily to delayed delivery of films produced by Incendo, which was caused by the suspension of production activities in spring 2020 as a result of the lockdown.

Activities related to the distribution of films produced by Incendo accounted for 86.4% of the segment's operating revenues for the three-month period ended March 31, 2021, compared with 71.0% for the same period of 2020. International distribution accounted for 91% of the revenues generated by Incendo's productions, mainly thrillers, for the first quarter of 2021 (87% for the same period of 2020). In recent months, Incendo has shifted into the production of romantic comedies, which will diversify the market for films distributed in upcoming years.

Operating expenses: $2,182,000, a decrease of $1,904,000 (-46.6%), a direct result of the decrease in revenues.

Adjusted EBITDA: $113,000, a $554,000 unfavourable variance due mainly to the lower total gross margin for the three-month period ended March 31, 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 Production & Distribution segment's activities (expressed as a percentage of revenues) increased from 86.0% for the first quarter of 2020 to 95.1% for the same period of 2021, mainly because the decrease in operating revenues was greater than 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, for a cash consideration of $10,392,000 (net of $859,000 in acquired cash and a $644,000 reimbursement due to an adjustment based on a predetermined working capital target agreed to by the parties) and a balance payable at fair value of $6,818,000 on the acquisition date. The purchase price is also 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 "Operational restructuring costs and other" under "Analysis of consolidated results" above) and the Corporation made a $606,000 payment in this respect.

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	
	2021	2020
Cash flows related to operating activities	**$ 7,437**	$ 15,578
Additions to property, plant and equipment and intangible assets	**(4,741)**	(5,856)
Business acquisitions	**(606)**	–
Other	**(992)**	(878)
Repayment of net debt	**$ 1,098**	$ 8,844

	March 31, 2021	December 31, 2020
At period end:		
Short-term debt	**$ 23,992**	$ 27,117
Bank overdraft	**3,252**	1,699
Less: cash	**(2,364)**	(2,838)
Net debt	**$ 24,880**	$ 25,978

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

Cash flows related to operating activities: $8,141,000 decrease during the three-month period ended March 31, 2021 compared with the same period of 2020, due mainly to:

- $6,371,000 decrease in adjusted EBITDA; and

- $5,891,000 unfavourable net change in operating assets and liabilities, including an unfavourable variance in accounts receivable and current tax assets and liabilities, partially offset by a favourable variance in content rights payable;

partially offset by:

- $3,680,000 favourable variance in current income taxes.

Working capital: $40,067,000 as at March 31, 2021, compared with $51,861,000 at December 31, 2020. The $11,794,000 unfavourable variance was due primarily to an increase in content rights payable, as well as in accounts payable, accrued liabilities and provisions, and to a decrease in tax credits and government assistance receivable, partially offset by favourable variances in current tax assets and liabilities, accounts receivable, deferred revenues and prepaid expenses.

<u>**Investing activities**</u>

Additions to property, plant and equipment and to intangible assets: $4,741,000 for the first quarter of 2021, compared with $5,856,000 for the same period of 2020. The $1,115,000 (-19.0%) decrease was essentially due to the net variance in additions to property, plant and equipment and to intangible assets financed by accounts payable and accrued liabilities, as well as the slowdown of some projects because of the pandemic.

During the three-month period ended March 31, 2021, the Corporation made investments in equipment for rental, computer equipment and some of its technical equipment required for postproduction activities.

Business acquisitions: $606,000 for the three-month period ended March 31, 2021 (see “Acquisition of Incendo” above) (nil for the same period of 2020).

Financing activities

Short-term debt (excluding deferred financing costs): $24,041,000 as at March 31, 2021, compared with $27,126,000 as at December 31, 2020, a $3,085,000 decrease.

Financial position as at March 31, 2021

Net available liquid assets: $49,938,000, consisting of a $50,826,000 unused and available revolving credit facility and $2,364,000 in cash, less a $3,252,000 bank overdraft.

As at March 31, 2021, the $24,041,000 in principal of the debt was payable in full during the next 12-month period.

The weighted average term of TVA Group’s debt was approximately 0.9 years as at March 31, 2021 (0.1 years as at December 31, 2020). The debt consisted entirely of floating-rate debt as at March 31, 2021 and December 31, 2020.

The Corporation has a $75,000,000 revolving credit facility, which matures on February 24, 2022. As at March 31, 2021, drawings on the revolving credit facility consisted of a bankers’ acceptance in the amount of $17,991,000 bearing interest at an effective rate of 1.83%, a $6,050,000 advance bearing interest at an effective rate of 2.85% 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.

On February 11, 2021, the Corporation amended its $75,000,000 secured revolving credit facility to extend its term from February 24, 2021 to February 24, 2022 and amend certain other terms and conditions.

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, 2021, the Corporation was in compliance with all the terms of its credit agreement.

Analysis of consolidated balance sheet as at March 31, 2021

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

	March 31, 2021	December 31, 2020	Difference	Main reasons for difference
Assets				
Accounts receivable	**$ 148,132**	$ 137,177	$ 10,955	Impact of the increase in royalties receivable and advances to co-producers.
Long-term audiovisual content	**66,631**	57,245	9,386	Impact of current and seasonal variations in activities, film and series acquisitions and investments in audiovisual content.
Deferred income taxes	**12,857**	23,923	(11,066)	Impact of recognition of a gain on remeasurement of the defined-benefit plans.
Liabilities				
Accounts payable, accrued liabilities and provisions	**$ 115,861**	$ 106,066	$ 9,795	Impact of the recognition of the balance of purchase price and the contingent consideration payable in connection with the Acquisition of Incendo under current liabilities.
Content rights payable	**93,456**	62,252	31,204	Impact of postponed payments for certain sports rights.
Other liabilities	**9,789**	38,223	(28,434)	Impact of the recognition of a gain on remeasurement of the defined-benefit plans and 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 at March 31, 2021, material contractual commitments of operating activities included principal repayment and interest on debt and lease liabilities, amounts 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 March 31, 2021
(in thousands of dollars)

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Short-term debt	$ 24,041	$ –	$ –	$ –	$ 24,041
Lease liabilities	2,727	3,347	2,203	2,799	11,076
Payment of interest[1]	1,141	658	385	324	2,508
Amounts payable and contingent consideration	6,522	–	–	–	6,522
Content rights	219,453	187,829	133,114	9,353	549,749
Other commitments	11,334	10,856	1,431	203	23,824
Total	**$ 265,218**	**$ 202,690**	**$ 137,133**	**$ 12,679**	**$ 617,720**

[1] *Interest is calculated on a constant debt level equal to that at March 31, 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 National Hockey League 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 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 $27,125,000 ($25,395,000 for the first quarter of 2020).

In the first quarter of 2021, the Corporation recorded 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 $15,054,000 ($13,493,000 for the first quarter of 2020).

In the first quarter of 2021, the Corporation also billed management fees to corporations under common control in the amount of $1,418,000 ($1,297,000 for the first 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 first quarters of 2020 and 2021.

Capital stock

Table 8 below presents information on the Corporation's capital stock. In addition, 769,503 Class B stock options of the Corporation were outstanding as at April 16, 2021.

Table 8
Capital stock outstanding as at April 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, the 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 March 31, 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 at May 10, 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

May 10, 2021

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

	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 (in thousands)	**43,206**	43,206	43,206	43,206

	2020	2019		
	March 31	December 31	September 30	June 30
Operations				
Operating revenues	$ 137,134	$ 164,196	$ 125,618	$ 145,955
Adjusted EBITDA	$ 8,507	$ 33,568	$ 31,141	$ 3,764
Net (loss) income attributable to shareholders	$ (723)	$ 16,030	$ 13,361	$ (6,224)
Basic and diluted per-share data				
Basic and diluted (loss) earnings per share	$ (0.02)	$ 0.37	$ 0.31	$ (0.14)
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.