INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

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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 2020 and major year-over-year changes. The Corporation's condensed consolidated financial statements for the three-month and six-month periods ended June 30, 2020 and 2019 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, 2019 and in the Condensed Consolidated Financial Statements dated June 30, 2020. All amounts are stated in Canadian dollars.

The COVID-19 pandemic continues to have a major impact on the economic environment in Canada and around the world. On March 13, 2020, the Quebec government imposed a series of special preventive measures to limit the spread of the virus, including the suspension of business activities deemed non-essential. Since then, the Quebec government has gradually announced the stages of its reopening plan, which will extend over a period of several months. The crisis curtailed the operations of many business partners in the first half of 2020 and led to a significant slowdown in some of the Corporation's segments. Among other impacts, the COVID-19 virus and the measures to curb its spread caused a significant decline in advertising revenues, a large reduction in the sporting events broadcast on the "TVA Sports" specialty channel, a reduction in the publication frequency of some periodicals and the suspension of most of our content production activities. The Corporation has however continued to provide essential services in order to inform in addition to entertain the population, while putting in place internal measures to safeguard the health and safety of its employees and the public. The Corporation is providing television viewers with continuous coverage of the crisis on TVA Network and the "LCN" specialty channel. Because of the slowdown in the economy, the Corporation reduced the work assignments of approximately 25% of its workforce. The affected employees are receiving benefits under the Corporation's assistance program to make up for being placed on stand-by. During the health crisis, this program provides financial assistance in addition to the Canada Emergency Wage Subsidy or Canada Emergency Response Benefit programs. Several entities in the Corporation's business segments qualify for the Emergency Wage Subsidy.

As long as the uncertainty about the full extent and duration of the pandemic continues, the Corporation's Board of Directors and its executive management team will continue monitoring the impact of the crisis on the Corporation's business segments, employees, customers and business partners, as well as on the population of Quebec, and will take appropriate action, as needed, until the crisis abates and market conditions stabilize.

The impact of the COVID-19 crisis on the operating results of the Corporation's business segments in the three-month and six-month periods ended June 30, 2020 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 the consequences of the crisis in upcoming quarters. The pandemic 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 past quarters may not be indicative of future growth.

BUSINESS SEGMENTS

Management made changes to the Corporation's management structure at the beginning of the year. As a result of those changes, the custom publishing, commercial print production and premedia services previously provided by the Magazines segment were combined with the Broadcasting segment's existing commercial production activities under the brand COLAB STUDIO Marketing Collaboratif ("**COLAB**"). Financial information for comparative periods has been restated to take into account the new presentation.

At the beginning of the second quarter of 2019, the Corporation reorganized its business segments to better reflect changes in its operations and management structure following the acquisition of the companies in the Incendo group ("**Incendo**") on April 1, 2019. Accordingly, the new Production & Distribution segment was created.

As well, since February 13, 2019, following the acquisition of the companies in the Serdy Média inc. and Serdy Vidéo inc. groups, the activities of the "Évasion" and "Zeste" specialty services have been included in the Broadcasting segment's results, while postproduction activities have been included in the Film Production & Audiovisual Services segment's results.

The Corporation's operations now 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;

- 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 2020

- On June 26, 2020, France Lauzière, President and CEO of the Corporation, announced the acceleration of MELS' business plan and hence the appointment of Martin Carrier as President of MELS. Mr. Carrier had been Senior Vice-President, Business Development of MELS since April 21, 2020.

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 others, 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 months ended June 30		Six months ended June 30	
	2020	2019	**2020**	2019
Adjusted EBITDA (negative adjusted EBITDA):				
Broadcasting	**$ 3,470**	$ (1,606)	**$ 7,299**	$ 874
Film Production & Audiovisual Services	**507**	1,837	**3,679**	1,943
Magazines	**2,890**	3,211	**3,554**	4,592
Production & Distribution	**428**	322	**1,095**	322
Intersegment items	**71**	–	**246**	–
	7,366	3,764	**15,873**	7,731
Depreciation and amortization	**8,471**	9,722	**17,002**	18,787
Financial expenses	**665**	1,047	**1,335**	2,004
Operational restructuring costs and others	**1,802**	1,477	**2,104**	4,645
Tax recovery	**(666)**	(2,245)	**(693)**	(4,637)
Share of income of associates	**(169)**	(196)	**(426)**	(347)
Net loss	**$ (2,737)**	$ (6,041)	**$ (3,449)**	$ (12,721)

ANALYSIS OF CONSOLIDATED RESULTS

2020/2019 second quarter comparison

Operating revenues: $103,855,000, a $42,100,000 (-28.8%) decrease.

- $29,697,000 (-25.5%) decrease in the Broadcasting segment (Table 2) essentially due to a 33.0% decrease in TVA Network's revenues because of a 36.0% decline in advertising revenues, an 18.3% decrease in the revenues of the specialty channels, similarly due to a 47.2% drop in advertising revenues, and a 27.5% decrease in the operating revenues of COLAB.

- $6,788,000 (-47.6%) decrease in the Film Production & Audiovisual Services segment (Table 2) due to a 70.8% decrease in soundstage, mobile and equipment rental revenues and a 75.7% decrease in postproduction revenues, partially offset by a 37.3% increase in dubbing and described video revenues.

- $5,486,000 (-35.3%) decrease in the Magazines segment (Table 2) due mainly to the impact on revenues of the discontinuation of the publication of *ELLE Canada* and *ELLE Québec* magazines, the last issues of which were released in May 2019, combined with 43.3%, 27.7% and 36.9% decreases in advertising revenues, newsstand revenues and subscription revenues respectively, on a comparable basis.

- $610,000 (-17.5%) decrease in the Production & Distribution segment (Table 2) due primarily to timing differences in the distribution of films produced by Incendo for certain territories.

Table 2
Operating revenues
(in thousands of dollars)

	Three months ended June 30		Six months ended June 30	
	2020	2019	**2020**	2019
Broadcasting	**$ 86,767**	$ 116,464	**$ 194,828**	$ 226,204
Film Production & Audiovisual Services	**7,460**	14,248	**25,442**	27,201
Magazines	**10,037**	15,523	**20,330**	30,181
Production & Distribution	**2,869**	3,479	**7,622**	3,479
Intersegment items	**(3,278)**	(3,759)	**(7,233)**	(6,969)
	$ 103,855	$ 145,955	**$ 240,989**	$ 280,096

Adjusted EBITDA: $7,366,000, a $3,602,000 (95.7%) favourable variance.

- $5,076,000 favourable variance in the Broadcasting segment (Table 3) caused mainly by a 59.4% improvement in the negative adjusted EBITDA of the specialty channels, particularly "TVA Sports," partially offset by a 38.4% decrease in TVA Network's adjusted EBITDA.

- $1,330,000 unfavourable variance in the Film Production & Audiovisual Services segment (Table 3), caused primarily by the decreased profitability of soundstage, mobile and equipment rental and of postproduction activities. The segment's other activities, particularly visual effects services and dubbing and described video, posted increased profitability.

- $321,000 unfavourable variance in the Magazines segment (Table 3) resulting mainly from discontinuation of the publication of *ELLE Canada* and *ELLE Québec*, partially offset by the performance of all titles on a comparable basis, as their cost savings outweighed the decrease in operating revenues, which was deepened by the health crisis and the need to reduce publication frequency.

- $106,000 favourable variance in the Production & Distribution segment (Table 3) due mainly to savings in administrative expenses, which outweighed the decrease in gross margin on film production and distribution.

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

	Three months ended June 30		Six months ended June 30	
	2020	2019	**2020**	2019
Broadcasting	**$ 3,470**	$ (1,606)	**$ 7,299**	$ 874
Film Production & Audiovisual Services	**507**	1,837	**3,679**	1,943
Magazines	**2,890**	3,211	**3,554**	4,592
Production & Distribution	**428**	322	**1,095**	322
Intersegment items	**71**	–	**246**	–
	$ 7,366	$ 3,764	**$ 15,873**	$ 7,731

Net loss attributable to shareholders: $2,744,000 (-$0.06 per basic and diluted share), compared with $6,224,000 (-$0.14 per basic and diluted share) in the same period of 2019.

- The $3,480,000 ($0.08 per basic and diluted share) favourable variance was essentially due to:
  - $3,602,000 increase in adjusted EBITDA; and
  - $1,251,000 favourable variance in the depreciation and amortization charge;

  partially offset by:
  - $1,579,000 unfavourable variance in tax recovery.
- The calculation of loss per share was based on a weighted average of 43,205,535 outstanding diluted shares for the quarters ended June 30, 2020 and 2019.

Depreciation and amortization: $8,471,000, a $1,251,000 decrease, mainly due to the expiry in December 2019 of the amortization period for equipment for rental and intangible assets stemming from the acquisition of substantially all of the assets of A.R. Global Vision Ltd. on December 30, 2014, partially offset by an increase in the charge for amortization of certain intangible assets stemming from recent business acquisitions.

Financial expenses: $665,000, a $382,000 decrease due mainly to the favourable variance in interest on short-term debt, partially offset by recognition of a loss on exchange compared with a gain on exchange in the same quarter of 2019, and by the accretion expense related to the amount payable and to the contingent consideration in connection with the Acquisition of Incendo, as described in the discussion of the results of the Production & Distribution segment below.

Operational restructuring costs and others: $1,802,000 in the second quarter of 2020, compared with $1,477,000 in the same period of 2019.

- During the three-month period ended June 30, 2020, the Corporation recorded a net amount of $2,097,000 related primarily to the reduction of positions and the implementation of cost-reduction measures including $1,415,000 in the Broadcasting segment and $682,000 in the Film Production & Audiovisual Services segment ($1,123,000 in the same period of 2019, including $834,000 in the Broadcasting segment, $108,000 in the Film Production & Audiovisual Services segment, and $181,000 in the Magazines segment).

- During the same period, the Corporation recognized a $253,000 gain on disposal of an asset, for proceeds on disposal of $310,000.

- In the second quarter of 2019, the Corporation made a $373,000 upward adjustment to the provision for onerous leases in the Magazines segment.

Tax recovery: $666,000 (effective tax rate of 18.6%) in the second quarter of 2020, compared with $2,245,000 (effective tax rate of 26.5%) in the same period of 2019, an unfavourable variance of $1,579,000, due mainly to the impact of an increase in taxable income for tax purposes, the recognition in 2020 of an income tax adjustment related to a previous year, and the recognition of foreign income taxes. The calculations for the effective tax rates are based on only taxable and deductible items.

Share of income of associates: $169,000 in the second quarter of 2020, compared with $196,000 in the same period of 2019, an unfavourable variance of $27,000 caused by the weaker financial results of an associate in the television industry.

2020/2019 year-to-date comparison

Operating revenues: $240,989,000, a $39,107,000 (-14.0%) decrease.

- $31,376,000 (-13.9%) decrease in the Broadcasting segment (Table 2) essentially due to a 20.2% decrease in TVA Network's revenues, reflecting in part a 20.9% decline in advertising revenues; a 25.9% decrease in the advertising revenues of the specialty channels and a 22.0% decrease in the operating revenues of COLAB. These unfavourable differences were partially offset by a 3.7% increase in the specialty channels' subscription revenues.

- $1,759,000 (-6.5%) decrease in the Film Production & Audiovisual Services segment (Table 2), due primarily to revenue decreases from all of the segment's operations except dubbing and described video, which increased 46.8%, and visual effects, which increased 18.5%.

- $9,851,000 (-32.6%) decrease in the Magazines segment (Table 2) due mainly to the impact on revenues of the discontinuation of the publication of *ELLE Canada* and *ELLE Québec* magazines, the last issues of which were released in May 2019, combined with 40.7%, 23.4% and 31.3% decreases in advertising revenues, newsstand revenues and subscription revenues respectively, on a comparable basis.

- $4,143,000 (119.1%) increase in the Production & Distribution segment (Table 2) due mainly to the inclusion of revenues from the Acquisition of Incendo, as described in the discussion of the Production & Distribution segment's results below, for the full six-month period in 2020.

Adjusted EBITDA: $15,873,000, an $8,142,000 (105.3%) favourable variance.

- $6,425,000 favourable variance in the Broadcasting segment (Table 3) caused mainly by a 54.2% improvement in the negative adjusted EBITDA of "TVA Sports," partially offset by a 60.7% decrease in TVA Network's adjusted EBITDA.

- $1,736,000 favourable variance in the Film Production & Audiovisual Services segment (Table 3), due primarily to a 150.3% increase in adjusted EBITDA from soundstage, mobile and equipment rental, the improved profitability of visual effects services, and a 79.4% increase in adjusted EBITDA from dubbing and described video, while the profitability of postproduction activities decreased.

- $1,038,000 unfavourable variance in the Magazines segment (Table 3), due primarily to the same factors as those noted above in the 2020/2019 second quarter comparison.

- $773,000 favourable variance in the Production & Distribution segment (Table 3) due mainly to the inclusion of adjusted EBITDA from the Acquisition of Incendo for the full six-month period in 2020.

Net loss attributable to shareholders: $3,467,000 (-$0.08 per basic and diluted share) in the first six months of 2020, compared with $12,939,000 (-$0.30 per basic and diluted share) in the same period of 2019.

- The $9,472,000 ($0.22 per basic and diluted share) favourable variance was essentially due to:

    - $8,142,000 increase in adjusted EBITDA;

    - $2,541,000 favourable variance in operational restructuring costs and others;

    - $1,785,000 favourable variance in the depreciation and amortization charge; and

    - $669,000 favourable variance in financial expenses;

    partially offset by:

    - $3,944,000 unfavourable variance in tax recovery.

- The calculation of loss per share was based on a weighted average of 43,205,535 outstanding diluted shares for the six-month periods ended June 30, 2020 and 2019.

Depreciation and amortization: $17,002,000, a $1,785,000 decrease essentially due to the same factors as those noted above in the 2020/2019 second quarter comparison.

Financial expenses: $1,335,000, a $669,000 decrease due mainly to the favourable variance in interest on short-term debt, partially offset by the accretion expense related to the amount payable and the contingent consideration in connection with the Acquisition of Incendo.

Operational restructuring costs and others: $2,104,000 in the first six months of 2020, compared with $4,645,000 in the same period of 2019.

- In addition to the gain on disposal of an asset recorded in the second quarter of 2020, the Corporation recorded a net amount of $2,255,000 in the first half of 2020 related primarily to the reduction of positions and the implementation of cost-reduction measures including $1,439,000 in the Broadcasting segment, $682,000 in the Film Production & Audiovisual Services segment, and $134,000 in the Magazines segment ($2,499,000 in the same period of 2019, including $1,147,000 in the Broadcasting segment, $111,000 in the Film Production & Audiovisual Services segment, and $1,241,000 in the Magazines segment).

- In the first six months of 2020, the Corporation recorded a $194,000 charge in connection with business acquisitions, compared with a $1,865,000 charge in the same period of 2019, primarily for investments in the Canadian broadcasting system to support French-language productions, as required by the Canadian Radio-television and Telecommunications Commission ("**CRTC**") as a condition of transferring the licences for the "Évasion" and "Zeste" channels to the Corporation.

- During the first half of 2019, the Corporation had also made a $397,000 upward adjustment to the provision for onerous leases in the Magazines segment.

Tax recovery: $693,000 (effective tax rate of 15.2%) in the first six months of 2020, compared with $4,637,000 (effective tax rate of 26.2%) in the same period of 2019, an unfavourable variance of $3,944,000, due mainly to the same factors as those noted above in the 2020/2019 second quarter comparison. Calculation of the effective tax rates is based on only taxable and deductible items.

Share of income of associates: $426,000 in the first half of 2020, compared with $347,000 in the same period of 2019; the $79,000 increase was due to the improved financial results of an associate in the television industry.

SEGMENTED ANALYSIS

Broadcasting

2020/2019 second quarter comparison

Operating revenues: $86,767,000, a $29,697,000 (-25.5%) decrease due primarily to:

- 33.0% decrease in TVA Network's revenues essentially due to a 36.0% decrease in advertising revenues as a result of the pandemic;
- 47.2% decrease in advertising revenues at the specialty channels, including a 90.5% decrease at "TVA Sports" as a result of a significant reduction in sporting events broadcast by the channel, including the postponement of the National Hockey League ("**NHL**") playoffs to the third quarter;
- 27.5% decrease in COLAB's revenues due to lower volume of activities, also as a result of the pandemic; and
- 4.6% decrease in the subscription revenues of "TVA Sports" and "LCN";

partially offset by:

- 6.0% increase in the subscription revenues of the other specialty channels, stemming from the renewal of most of our distribution agreements at rates reflecting the fair value of our channels.

French-language audience share

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

Second quarter 2020 vs Second quarter 2019			
	2020	**2019**	**Difference**
French-language conventional broadcasters:			
TVA	**23.7**	23.5	0.2
SRC	**12.1**	10.3	1.8
V	**5.0**	5.1	- 0.1
	40.8	38.9	1.9
French-language specialty and pay services:			
TVA	**18.6**	17.0	1.6
Bell Media	**10.0**	13.9	- 3.9
Corus	**6.7**	7.0	- 0.3
SRC	**7.2**	5.2	2.0
Others	**5.2**	5.3	- 0.1
	47.7	48.4	- 0.7
Total English-language channels and others:	**11.5**	12.7	- 1.2
TVA Group	**42.3**	40.5	1.8

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, 2020 increased by 1.8 points to 42.3%, compared with 40.5% in the same period of 2019.

TVA Group's specialty services had a combined market share of 18.6% in the second quarter of 2020, compared with 17.0% in the same period of 2019, a 1.6-point increase. Primarily as a result of the current pandemic, the news and public affairs channel "LCN" recorded exceptional 5.1-point growth to 10.6% for the three-month period, maintaining its status as Quebec's most-watched specialty channel and also attracting more than twice the market share of the over-the-air channel "V" during the period. "Prise 2," "Zeste" and "Yoopa" grew their market shares by 0.4, 0.3 and 0.2 points respectively. The "TVA Sports" channel recorded a 3.6-point decrease, also stemming from the current situation, with all major sporting events cancelled or postponed. Lastly, the "addik^{TV}" and "Casa" channels' market shares declined by 0.6 and 0.2 points respectively.

TVA Network maintained its lead among over-the-air channels with a 23.7% market share, a 0.2-point increase over the same period of 2019 and more than its two main over-the-air rivals combined. TVA Network broadcast the most-watched program in Quebec during the second quarter of 2020, the television event *Une chance qu'on s'a*, which paid tribute to Quebecers' efforts to fight COVID-19 and drew an average audience of more than 2.0 million viewers.

Operating expenses: $83,297,000, a $34,773,000 (-29.5%) decrease due primarily to:

- 38.8% decrease in operating expenses at "TVA Sports," due primarily to a significant reduction in the sporting events broadcast by the channel, including the postponement of the NHL playoffs to the third quarter. Operating expenses decreased despite recognition of a charge for audiovisual content in view of the new formats and broadcast schedules for those events;

- 31.1% decrease in TVA Network's operating expenses, essentially as a result of lower labour costs, recognition of the Emergency Wage Subsidy for employees who continued working, savings in commissions on advertising sales, and a reduction in administrative expenses due to lower volume of activities. These savings were partially offset by an unfavourable variance in content costs resulting from, among other things, recognition of an impairment charge on certain broadcasting rights, whereas an impairment charge reversal was recorded in the same quarter of 2019; and

- 37.8% decrease in COLAB's operating expenses because of lower volume of activities.

Adjusted EBITDA: $3,470,000, a $5,076,000 favourable variance due primarily to:

- 45.0% improvement in the negative adjusted EBITDA of "TVA Sports," as discussed above;

partially offset by:

- 38.4% decrease in TVA Network's adjusted EBITDA.

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 101.4% in the second quarter of 2019 to 96.0% in the same period of 2020. The decrease was essentially due to the fact that the decrease in operating expenses exceeded the decrease in operating revenues.

<u>2020/2019 year-to-date comparison</u>

Operating revenues: $194,828,000, a $31,376,000 (-13.9%) decrease due primarily to:

- decreases related to the current COVID-19 situation, such as:

  - 20.2% decrease in TVA Network's revenues essentially due to a 20.9% decrease in advertising revenues;

  - 56.5% decrease in the advertising revenues of "TVA Sports" essentially as a result of the postponement of sporting events broadcast by the channel, as discussed above; and

  - 22.0% decrease in COLAB's revenues due to lower volume of activities; and

- unfavourable retroactive adjustment related to royalties for distant signal retransmission, which had an impact on TVA Network's revenues;

partially offset by:

- 2.1% increase in the specialty channels' subscription revenues, on a comparable basis, stemming from the renewal of most of our distribution agreements at rates reflecting the fair value of our channels; and

- inclusion of revenues from the "Évasion" and "Zeste" specialty services for the full six-month period, following their acquisition on February 13, 2019.

Operating expenses: $187,529,000, a $37,801,000 (-16.8%) decrease due primarily to:

- 30.5% decrease in operating expenses at "TVA Sports," due primarily to the same factors as those noted above in the 2020/2019 second quarter comparison;

- 14.6% decrease in the TVA Network's operating expenses, due primarily to the same factors as those noted above in the 2020/2019 second quarter comparison, with the exception of the charge for bad debts, which increased slightly in the first half of 2020; and

- 24.1% decrease in COLAB's operating expenses because of lower volume of activities;

partially offset by:

- inclusion of the operating expenses of the "Évasion" and "Zeste" specialty channels for the full six-month period, following their acquisition on February 13, 2019; and

- 6.4% increase in the operating expenses of "LCN" essentially due to COVID-19-related coverage.

Adjusted EBITDA: $7,299,000, a $6,425,000 favourable variance due primarily to:

- 54.2% improvement in the negative adjusted EBITDA of "TVA Sports" due to significant savings generated by the postponement of sporting events broadcast by the channel, which outweighed the loss of advertising revenues;

partially offset by:

- 60.7% decrease in the adjusted EBITDA of TVA Network, as discussed 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 99.6% in the first half of 2019 to 96.3% in the same period of 2020. The decrease was essentially due to the fact that the decrease in operating expenses exceeded the decrease in operating revenues.

Acquisition of the shares of the companies in the Serdy Média inc. group and the Serdy Vidéo inc. group ("Acquisition of Serdy")

On February 13, 2019, the Corporation acquired all of the shares of the companies in the Serdy Média inc. group, which owns and operates the "Évasion" and "Zeste" specialty channels, and the companies in the Serdy Vidéo inc. group, which is engaged in television production, for a cash purchase price of $25,604,000, including a $1,604,000 adjustment upon a predetermined working capital target agreed to by the parties, less $519,000 in acquired cash. The results of operation of the "Évasion" and "Zeste" channels have been included in the Broadcasting segment's results, while the results of postproduction activities have been included in the Film Production & Audiovisual Services segment's results since the acquisition date. The acquisition is consistent with the Corporation's strategic objective of enhancing its array of television content for its viewers and advertisers.

Film Production & Audiovisual Services

2020/2019 second quarter comparison

Operating revenues: $7,460,000, a $6,788,000 (-47.6%) decrease due primarily to:

- 70.8% decrease in revenues from soundstage, mobile and equipment rental because of the suspension of film shoots caused by the current health crisis and the shutdown of non-essential services; and

- 75.7% decrease in postproduction revenues due to lower volume of activities, also as a result of the pandemic;

partially offset by:

- 37.3% increase in dubbing and described video revenues due in part to new CRTC licence conditions for described video since September 1, 2019.

Operating expenses: $6,953,000, a $5,458,000 (-44.0%) decrease, due primarily to the ongoing pandemic, which caused the shutdown of production services and a significant slowdown in most of the segment's activities, resulting in savings in labour costs, including the recognition of the Emergency Wage Subsidy, as well as savings in variable costs due to the lower volume of activities. Note the following variances:

- 55.6% decrease in operating expenses related to soundstage, mobile and equipment rental;

- 55.5% decrease in operating expenses related to postproduction; and

- 33.7% decrease in operating expenses related to visual effects;

partially offset by:

- 11.9% increase in operating expenses for dubbing and described video due to higher volume of activities.

Adjusted EBITDA: $507,000, a $1,330,000 unfavourable variance due primarily to the shutdown of soundstage, mobile and equipment rental services, as well as the slowdown in postproduction. The profitability of visual effects and of dubbing and described video increased as a direct result of the growth in their revenues and the Emergency Wage Subsidy, for which visual effects services qualified.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Film Production & Audiovisual Services segment's activities (expressed as a percentage of revenues) increased from 87.1% in the second quarter of 2019 to 93.2% in the second quarter of 2020. The increase was essentially due to the fact that the decrease in operating revenues exceeded the savings in operating expenses.

2020/2019 year-to-date comparison

Operating revenues: $25,442,000, a $1,759,000 (-6.5%) decrease due primarily to:

- 42.7% decrease in postproduction revenues due to lower volume of activities, particularly in the second quarter of 2020 as explained above; and

- 4.6% decrease in revenues from soundstage, mobile and equipment rental, which was also strongly affected in the second quarter by the current health crisis and the resulting suspension of film shoots, whereas the volume of activities was high in the first quarter of 2020, when a major production was shooting at our studios;

partially offset by:

- o 46.8% increase in dubbing and described video revenues due to new CRTC licence conditions for described video since September 1, 2019; and
- o 18.5% increase in visual effects revenues.

Operating expenses: $21,763,000, a $3,495,000 (-13.8%) decrease, due primarily to the same factors as those noted above in the 2020/2019 second quarter comparison, which caused the following variances, among others:

- o 21.4% decrease in operating expenses related to soundstage, mobile and equipment rental;
- o 29.7% decrease in operating expenses related to postproduction; and
- o 7.7% decrease in operating expenses related to visual effects;

partially offset by:

- o 41.7% increase in operating expenses for dubbing and described video due to higher volume of activities.

Adjusted EBITDA: $3,679,000, a $1,736,000 favourable variance due primarily to a 150.3% increase in adjusted EBITDA from soundstage, mobile and equipment rental, the improved profitability of visual effects services, and a 79.4% increase in adjusted EBITDA from dubbing and described video, while the profitability of postproduction activities decreased.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Film Production & Audiovisual Services segment's activities (expressed as a percentage of revenues) decreased from 92.9% in the first half of 2019 to 85.5% in the first half of 2020. The decrease was essentially due to the decrease in operating expenses.

Magazines

<u>2020/2019 second quarter comparison</u>

- **Operating revenues:** $10,037,000, a $5,486,000 (-35.3%) decrease due mainly to the impact of the discontinuation of the publication of *ELLE Canada* and *ELLE Québec* magazines, the last issues of which were released in May 2019, as well as the following decreases at the magazines, on a comparable basis, due to, among other things, the COVID-19 situation, which led to fewer issues of some titles:
  - o 43.3% decrease in advertising revenues, mainly in the women's and decorating categories;
  - o 27.7% decrease in newsstand revenues, mainly in the entertainment and decorating categories; and
  - o 36.9% decrease in subscription revenues, primarily in the women's and decorating categories.

Canada Periodical Fund

The Government of Canada created the Canada Periodical Fund ("CPF") on April 1, 2010. The CPF provides financial assistance to the Canadian magazine and non-daily newspaper industries so they can continue to produce and distribute Canadian content. All assistance related to this program is fully recorded under operating revenues. It amounted to 26.7% of the segment's operating revenues for the three-month period ended June 30, 2020 (19.2% in the same period of 2019). 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 3.6 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 more than 8.7 million cross-platform readers.

Canada's lifestyle standard-setter *Canadian Living* reaches more than 4.3 million cross-platform readers. Its French-language counterpart, *Coup de pouce*, is the most widely read French-language lifestyle magazine with nearly 1.5 million cross-platform readers.

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 747,000 cross-platform readers.

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

Source: Vividata, Spring 2020, Total Canada, 14+, January 1 to December 31, 2019

Operating expenses: $7,147,000 a $5,165,000 (-42.0%) decrease due mainly to:

- decrease in operating expenses resulting from the discontinuation of the publication of *ELLE Canada* and *ELLE Québec* magazines in May 2019;
- savings in compensation as a result of fewer employees performing work assignments and the Emergency Wage Subsidy for those who were;
- cost savings at the magazines, on a comparable basis, due to fewer issues of some titles, including lower printing costs, content costs and subscription expenses, specifically for recruitment campaigns and distribution; and
- operating cost savings resulting from staff and expense rationalization plans implemented in recent quarters.

Adjusted EBITDA: $2,890,000, a $321,000 unfavourable variance due mainly to a decrease in operating revenues, which outweighed the decrease in operating expenses.

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 79.3% in the second quarter of 2019 to 71.2% in the same period of 2020, mainly because the decrease in the segment's operating expenses as a proportion of total expenses exceeded the decrease in operating revenues as a proportion of total revenues.

2020/2019 year-to-date comparison

- **Operating revenues:** $20,330,000, a $9,851,000 (-32.6%) decrease due mainly to the impact of the discontinuation of the publication of *ELLE Canada* and *ELLE Québec* magazines, the last issues of which were released in May 2019, as well as the following decreases at the magazines, on a comparable basis, due to, among other things, the COVID-19 situation, as discussed in the 2020/2019 second quarter comparison above:
  - 40.7% decrease in advertising revenues, mainly in the women's and decorating categories;
  - 23.4% decrease in newsstand revenues, mainly in the entertainment and decorating categories; and
  - 31.3% decrease in subscription revenues, primarily in the women's and decorating categories.

Operating expenses: $16,776,000, an $8,813,000 (-34.4%) decrease due primarily to the same factors as those noted above in the 2020/2019 second quarter comparison.

Adjusted EBITDA: $3,554,000, a $1,038,000 unfavourable variance due mainly to discontinuation of the publication of *ELLE Canada* and *ELLE Québec*, and a decrease in operating revenues, which outweighed the decrease in operating expenses for comparable titles.

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 84.8% in the six-month period ended June 30, 2019 to 82.5% in the same period of 2020, due to the same factor as that noted above in the 2020/2019 second quarter comparison.

Production & Distribution

2020/2019 second quarter comparison

Operating revenues: $2,869,000, a $610,000 (-17.5%) decrease due primarily to timing differences in the distribution of films produced by Incendo for certain territories, including Spain and France.

Activities related to the distribution of films produced by Incendo accounted for 89.2% of the segment's operating revenues for the three-month period ended June 30, 2020, compared with 85.3% in the same period of 2019. Incendo's productions are mainly thrillers, with approximately 80% of revenues stemming from international distribution in the second quarter of 2020 (approximately 81% in the same period of 2019).

Operating expenses: $2,441,000, a $716,000 (-22.7%) decrease due mainly to lower variable costs, related to the decrease in revenues, and to savings in administrative expenses, particularly travel expenses because of the COVID-19 situation, compensation and professional fees.

Adjusted EBITDA: $428,000, a $106,000 favourable variance due mainly to savings in administrative expenses, which outweighed the decrease in gross margin on film production and distribution.

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 90.7% in the three-month period ended June 30, 2019 to 85.1% in the same period of 2020, due primarily to savings in administrative expenses.

2020/2019 year-to-date comparison

Operating revenues: $7,622,000, a $4,143,000 (119.1%) increase due mainly to the inclusion of revenues from the Acquisition of Incendo on April 1, 2019 for the full six-month period in 2020.

Activities related to the distribution of films produced by Incendo accounted for 77.9% of the segment's operating revenues for the six-month period ended June 30, 2020, compared with 85.3% in the same period of 2019. Incendo's productions are mainly thrillers, with approximately 84% of revenues stemming from international distribution in the first half of 2020 (approximately 81% in the same period of 2019).

Operating expenses: $6,527,000, a $3,370,000 (106.7%) increase due primarily to inclusion of the operating expenses stemming from the Acquisition of Incendo for the full six-month period in 2020.

Adjusted EBITDA: $1,095,000, a $773,000 favourable variance due mainly by the addition of the adjusted EBITDA stemming from the Acquisition of Incendo for the full six-month period in 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) decreased from 90.7% in the six-month period ended June 30, 2019 to 85.6% in the same period of 2020, due primarily to the same factor as that noted above in the 2020/2019 second quarter comparison.

Acquisition of the shares of the companies in the Incendo group ("Acquisition of Incendo")

On April 1, 2019, the Corporation closed an agreement reached on February 22, 2019 to acquire the shares of the companies in the Incendo group, which is engaged in the production and international distribution of high-quality television programming for the worldwide marketplace, 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 purchase price allocation essentially includes accounts receivable, audiovisual content, customer lists, goodwill and accounts payable and accrued liabilities. Since the acquisition date, the acquired operation's results have been presented under a new business segment, the Production & Distribution segment.

This acquisition is in keeping with the Corporation's strategy of diversifying its revenue streams and expanding its international footprint, especially in English-language markets. The goodwill associated with this acquisition arises primarily from the organization's expertise and expected future growth.

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	
	2020	2019	**2020**	2019
Cash flows related to operating activities	**$ 28,543**	$ 17,685	**$ 44,121**	$ 12,842
Additions to property, plant and equipment and intangible assets	**(2,453)**	(3,902)	**(8,309)**	(9,107)
Disposal of a property, plant and equipment	**310**	–	**310**	–
Business acquisitions	**–**	(11,036)	–	(34,505)
Others	**(789)**	(1,031)	**(1,667)**	(2,329)
Reimbursement of (increase in) net debt	**$ 25,611**	$ 1,716	**$ 34,455**	$ (33,099)

	June 30, 2020	December 31, 2019
At period end:		
Bank overdraft	**$ 5,874**	$ –
Short-term debt	**3,962**	44,846
Less: cash	**(2,828)**	(3,383)
Net debt	**$ 7,008**	$ 41,463

Operating activities

Quarterly cash flows related to operating activities: $10,858,000 increase compared with the second quarter of 2019 mainly because of an $8,276,000 net favourable variance in operating assets and liabilities, particularly in deferred revenues, content rights payable and audiovisual content, partially offset by unfavourable variances in accounts receivable, reflecting wage subsidies receivable, and in accounts payable and accrued liabilities, as well as the $3,602,000 increase in adjusted EBITDA.

Year-to-date cash flows related to operating activities: $31,279,000 increase compared with the six-month period ended June 30, 2019, mainly because of a $25,375,000 net favourable variance in operating assets and liabilities, including favourable variances in deferred revenues, accounts payable and accrued liabilities, and content rights payable, as well as the $8,142,000 increase in adjusted EBITDA.

Working capital: $11,714,000 as of June 30, 2020, compared with $5,505,000 at December 31, 2019. The $6,209,000 favourable variance is mainly due to a reduction in short-term debt, partially offset by a decrease in audiovisual content and accounts receivable, and an increase in content rights payable.

Investing activities

Quarterly additions to property, plant and equipment and to intangible assets: $2,453,000, compared with $3,902,000 in the second quarter of 2019. The $1,449,000 (-37.1%) decrease was essentially due to the suspension or slowdown of some projects because of the situation created by the pandemic.

Year-to-date additions to property, plant and equipment and to intangible assets: $8,309,000 compared with $9,107,000 in the first half of 2019. The $798,000 (-8.8%) decrease was essentially due to the same factor as that noted above, partially offset by the net variance in additions to property, plant and equipment and to intangible assets financed from accounts payable and accrued liabilities.

During the six-month period ended June 30, 2020, the Corporation invested in technical equipment to upgrade the broadcast systems of some studios, put in place technical and IT infrastructure to support telework, and made property investments required to ensure the compliance and safety of its facilities.

Disposal of a property, plant and equipment: $310,000 for the three-month and six-month periods ended June 30, 2020 (nil for the same periods of 2019). In the second quarter of 2020, the Corporation disposed of an asset for proceeds on disposal of $310,000.

Quarterly business acquisitions: Nil, compared with $11,036,000 in the second quarter of 2019 (see "Acquisition of Incendo" above). On the date of the Acquisition of Incendo, the Corporation paid $11,036,000 (net of $859,000 in acquired cash).

Year-to-date business acquisitions: Nil, compared with $34,505,000 in the first half of 2019 (see "Acquisition of Serdy" and "Acquisition of Incendo" above). In addition to the amount disbursed in the second quarter of 2019 for the Acquisition of Incendo, the Corporation also paid $24,000,000, which was the agreed purchase price before an adjustment upon a predetermined working capital target agreed to by the parties, less preliminary acquired cash in the amount of $531,000, in the first quarter of 2019 for the Acquisition of Serdy.

Financing activities

Short-term debt (excluding deferred financing costs): $3,997,000 as at June 30, 2020, compared with $44,863,000 as at December 31, 2019. The $40,866,000 decrease is essentially due to collection of accounts receivable and financial assistance from the Canada Periodical Fund, as well as the timing of the payment of certain content rights.

Financial position as at June 30, 2020

Net available liquid assets: $67,799,000, consisting of a $70,845,000 unused and available revolving credit facility and $2,828,000 in cash, less a $5,874,000 bank overdraft.

As at June 30, 2020, the entire $3,997,000 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 years as of June 30, 2020 (0.1 years as of December 31, 2019). The debt consisted entirely of floating-rate debt as of June 30, 2020 and December 31, 2019.

The Corporation has a $75,000,000 revolving credit facility, which matures on February 24, 2021. As at June 30, 2020, drawings on the revolving credit facility consisted of $3,997,000 in bankers' acceptances bearing interest at an effective rate of 1.93% and an outstanding letter of credit in the amount of $155,000. As at December 31, 2019, drawings on the revolving credit facility consisted of $44,863,000 in bankers' acceptances bearing interest at an effective rate of 3.39% and an outstanding letter of credit in the amount of $155,000.

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, debt repayment, 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, 2020, the Corporation was in compliance with all the terms of its credit agreements.

Analysis of consolidated balance sheet as at June 30, 2020

Table 6
Consolidated balance sheets of TVA Group
Analysis of main variances between June 30, 2020 and December 31, 2019
(in thousands of dollars)

	June 30, 2020	Dec. 31, 2019	Difference	Main reasons for difference
Assets				
Accounts receivable	**$ 147,185**	$ 160,552	$ (13,367)	Impact of current and seasonal variations in activities and tightening of our credit policies, partially offset by an increase in government assistance receivable, related to the Emergency Wage Subsidy, recorded during the quarter.
Audiovisual content	**72,770**	88,422	(15,652)	Impact of current and seasonal variations in activities and the postponement of sporting events as a result of the pandemic.
Liabilities				
Short-term debt	**$ 3,962**	$ 44,846	$ (40,884)	Impact of collection of accounts receivable and financial assistance from the Canada Periodical Fund, as well as the timing of the payment of certain content rights.
Other liabilities	**33,887**	18,076	15,811	Impact of recognition of a loss on remeasurement related to a variance in the discount rate for the defined benefit plans.

ADDITIONAL INFORMATION

Contractual obligations

As of June 30, 2020, material contractual commitments of operating activities included capital 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 June 30, 2020
(in thousands of dollars)

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Short-term debt	$ 3,997	$ –	$ –	$ –	$ 3,997
Lease liabilities	3,403	4,787	2,386	3,210	13,786
Payment of interest[1]	822	707	442	689	2,660
Amounts payable and contingent consideration	4,648	4,539	–	–	9,187
Content rights	215,774	172,451	135,954	65,470	589,649
Other commitments	12,885	11,575	1,760	124	26,344
Total	**$ 241,529**	**$ 194,059**	**$ 140,542**	**$ 69,493**	**$ 645,623**

[1] *Interest is calculated on a constant debt level equal to that at June 30, 2020 and includes standby fees on the revolving credit facility and interest on lease obligations.*

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 2020, 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 $25,248,000 ($25,780,000 in the second quarter of 2019).

In the second quarter of 2020, 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 $9,895,000 ($14,611,000 in the second quarter of 2019).

In the second quarter of 2020, the Corporation billed management fees to corporations under common control in the amount of $1,163,000 ($1,661,000 in the second quarter of 2019). These fees are recorded as a reduction of operating expenses.

The Corporation also assumed management fees of the parent corporation in the amount of $855,000 in the second quarter of 2020 ($855,000 in the second quarter of 2019).

In the first six months of 2020, 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 $50,643,000 ($50,246,000 in the first six months of 2019).

In the first six months of 2020, 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 $23,388,000 ($30,114,000 in the first six months of 2019).

In the first six months of 2020, the Corporation also billed management fees to corporations under common control in the amount of $2,460,000 ($3,225,000 in the first half of 2019).

As well, the Corporation assumed management fees of the parent corporation in the amount of $1,710,000 in the first six months of 2020 ($1,710,000 in the first six months of 2019).

Capital stock

Table 8 below presents information on the Corporation's capital stock. In addition, 505,000 Class B stock options of the Corporation were outstanding as of July 17, 2020.

Table 8
Number of shares outstanding as at July 17, 2020
(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.

For the Broadcasting, Film Production & Audiovisual Services, and Magazines segments, management has identified no changes in internal control over financial reporting during the three-month period ended June 30, 2020 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

On April 1, 2019, the Corporation closed the acquisition of the companies in the Incendo group, the operations of which are presented in the new Production & Distribution segment. As of June 30, 2020, management had completed its analysis of internal controls over that segment's financial reporting and will be able to certify their effectiveness by the end of the year. Please see tables 1, 2 and 3 above for more financial information on the Production & Distribution segment. Table 9 also provides supplementary financial information.

Table 9
Supplementary financial information – Production & Distribution
(in thousands of dollars)

	June 30, 2020
Current assets	$ 14,002
Non-current assets	3,903
Current liabilities	4,488
Non-current liabilities	2,216

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.

Update on risks and uncertainties

The risks and uncertainties that could materially affect the Corporation's operations and financial results are presented in the Corporation's 2019 Annual Management's Discussion and Analysis dated February 27, 2020. Here the Corporation presents an update of the risks and uncertainties since that date.

Risks related to public health emergencies, including COVID-19

The crisis surrounding the COVID-19 pandemic is evolving rapidly and could continue to materially affect the Corporation's operations and financial results. The magnitude of the consequences for the Corporation due to the COVID-19 virus will depend on future developments that are highly uncertain, including spread of the disease, length of the outbreak, impact on consumer spending, potential supply chain disruptions and effectiveness of the steps taken by government authorities to contain the pandemic.

The scale and repercussions of the current healthcare crisis are not yet fully known. The potential negative effects of the COVID-19 pandemic include but are not limited to:

- significant reduction in advertising revenues, which will inevitably affect the Broadcasting and Magazines segments;
- increase in bad debts as a result of the precarious situation of some advertisers;
- content supply chain disruption due to widespread postponement in content production activities and uncertainty about the presentation of a competitive offering of original programming;
- suspension of all live broadcasts of sporting events held by professional leagues; whether postponed or not, could have a considerable impact on our content costs, the value of the related audiovisual content, and revenues from these events;
- reduction in the publication frequency of some periodicals, which will affect revenues in the Magazines segment;
- suspension of most of our content production activities, which will have an impact on our Film Production & Audiovisual Services and Production & Distribution segments;
- impact of legislation, regulations and other government action in response to the COVID-19 pandemic;
- negative impact on capital markets; and
- ability to access financial markets at a reasonable cost.

These risks and uncertainties could have a material adverse effect on the Corporation's business, prospects, results of operations and financial condition.

Forward-looking information disclaimer

The statements in this Management's Discussion and Analysis that are not historical facts may be forward-looking statements and are subject to important known and unknown risks, uncertainties and assumptions which could cause the Corporation's actual results for future periods to differ materially from those set forth in the forward-looking statements. Forward-looking statements generally can be identified by the use of the conditional or by forward-looking terminology such as "propose," "will," "expect," "may," "anticipate," "intend," "estimate," "plan," "foresee," "believe" or the negative of those terms or variations of them or similar terminology. Certain factors that may cause actual results to differ from current expectations include seasonality, operational risks (including pricing actions by competitors and 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, 2019 and the "Risk Factors" section in the Corporation's 2019 annual information form, as well as the update on risks and uncertainties in this Interim Management's Discussion and Analysis.

The forward-looking statements in this Management's Discussion and Analysis reflect the Corporation's expectations as of July 30, 2020, 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 30, 2020

Table 10
SELECTED QUARTERLY FINANCIAL DATA
(in thousands of dollars, except for per-share data)

	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

	2019		2018	
	June 30	March 31	Dec. 31	Sept. 30
Operations				
Operating revenues	$ 145,955	$ 134,141	$ 150,466	$ 127,418
Adjusted EBITDA	$ 3,764	$ 3,967	$ 25,901	$ 28,087
Net (loss) income attributable to shareholders	$ (6,224)	$ (6,715)	$ 9,525	$ 14,090
Basic and diluted per-share data				
Basic and diluted (loss) earnings per share	$ (0.14)	$ (0.16)	$ 0.22	$ 0.33
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.