INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

TABLE OF CONTENTS

CORPORATE PROFILE

TVA Group Inc. ("TVA Group," "TVA" or the "Corporation"), a subsidiary of Quebecor Media Inc. ("QMI" or the "parent corporation"), is a communications company with operations in three business segments: Broadcasting & Production, Magazines, and Film Production & Audiovisual Services. In the Broadcasting & Production segment, the Corporation creates, produces and broadcasts entertainment, information and public affairs programming, distributes audiovisual products and films, and is engaged in commercial production. It operates North America's largest private French-language television network as well as nine specialty services, since acquiring effective control of the "Zeste" and "Évasion" channels on February 13, 2019. Prior to that date, it held a minority interest in the "Évasion" specialty service. In the Magazines segment, TVA Group publishes over 50 titles, making it Quebec's largest magazine publisher. The Film Production & Audiovisual Services segment provides soundstage, mobile and production equipment rental services as well as postproduction, visual effects and distribution services. The Corporation's Class B shares are listed on the Toronto Stock Exchange under the ticker symbol TVA.B.

This Interim Management's Discussion and Analysis covers the Corporation's main activities during the first quarter of 2019 and major year-over-year changes. The Corporation's Condensed Interim Consolidated Financial Statements for the three-month periods ended March 31, 2019 and 2018 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including in particular IAS 34, *Interim Financial Reporting*.

All amounts presented in this Management's Discussion and Analysis are in Canadian dollars. This Management's Discussion and Analysis 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, 2018 and in the Condensed Interim Consolidated Financial Statements dated March 31, 2019.

On January 1, 2019, the Corporation adopted on a fully retrospective basis the new rules under IFRS 16, which establishes new principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The standard provides lessees with a single accounting model for all leases, with certain exemptions. In particular, lessees are generally required to report leases on their balance sheets by recognizing right-of-use assets and related financial liabilities. The assets and liabilities from leases are initially recognized at their discounted value. The adoption of IFRS 16 has had a material impact on the Corporation's consolidated financial statements since the Corporation has commitments under long-term leases for premises and equipment. Under IFRS 16, lease charges are generally expensed as an amortization charge of the right-of-use asset, along with an interest charge on the lease-obligation liability. As operating lease charges were previously recognized as purchases of goods and services as they were incurred, the adoption of IFRS 16 has changed the timing of the recognition of these lease charges over the term of each lease. It also has affected the classification of expenses in the statement of income (loss). Lease-obligation principal payments are shown under financing activities in the consolidated statements of cash flows, whereas these payments were previously shown under operating activities.

BUSINESS SEGMENTS

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

The Corporation's operations consist of the following segments:

- The **Broadcasting & Production segment** includes the operations of TVA Network (including the TVA Productions Inc. subsidiary and the TVA Nouvelles division), specialty services, the marketing of digital products associated with the various televisual brands, commercial production services and distribution of audiovisual products;

- The **Magazines segment** 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; markets digital products associated with the various magazine brands; and provides custom publishing services;

- The **Film Production & Audiovisual Services segment ("MELS")** 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, postproduction, visual effects and distribution services.

HIGHLIGHTS SINCE END OF 2018

- On April 10, 2019, with negotiations deadlocked after numerous attempts to come to an agreement with Bell on royalties, the Corporation decided to withdraw the "TVA Sports" signal from Bell. The agreements between the Corporation and Bell respecting carriage of TVA Group's specialty services expired on August 31, 2018 for "TVA Sports" and on August 31, 2017 for other channels. On April 17, 2019, TVA appeared at a public hearing before the Canadian Radio-television and Telecommunications Commission ("CRTC") to defend its actions. The CRTC ruled, based on the standstill rule, that TVA must continue providing the "TVA Sports" signal to Bell pending settlement of the dispute. TVA expressed its desire to challenge the legal validity of the standstill rule.

- On April 1, 2019, the Corporation finalized an agreement reached on February 22, 2019 to acquire the companies in the Incendo group, a Montreal-based producer and distributor of television programs for international markets, for approximately $19,500,000, subject to certain adjustments.

- On February 13, 2019, the Corporation finalized an agreement to acquire 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, for a total consideration of $24,000,000. The transaction had been concluded on April 30, 2018 and approved by the CRTC on January 14, 2019.

- On February 13, 2019, the Corporation renewed its $150,000,000 revolving credit facility, which matured on February 24, 2019, for one year, until February 24, 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 Interim Management's Discussion and Analysis may not be comparable to other similarly titled measures reported by other companies.

Adjusted EBITDA (previously adjusted operating income (loss))

In its analysis of operating results, the Corporation defines adjusted EBITDA as net income (loss) before depreciation and amortization, financial expenses, operational restructuring costs and others, income taxes and share of income of associated corporations. Adjusted EBITDA as defined above is not a measure of results that is consistent with IFRS. Neither is it intended to be regarded as an alternative to other financial performance measures or to the statement of cash flows as a measure of liquidity. This measure should not be considered in isolation or as a substitute for other performance measures prepared in accordance with IFRS. This measure is used by management and the Board of Directors to evaluate the Corporation's consolidated results and the results of its segments. This measure eliminates the significant level of impairment, depreciation and amortization 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 identical to similarly titled measures reported by other companies.

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

	Three-months ended March 31	
	2019	2018
Adjusted EBITDA (negative adjusted EBITDA):		
Broadcasting & Production	**$ 1,971**	$ 2,617
Magazines	**1,890**	1,222
Film Production & Audiovisual Services	**106**	(498)
	3,967	3,341
Depreciation and amortization	**9,065**	9,486
Financial expenses	**957**	801
Operational restructuring costs and others	**3,168**	125
Tax recovery	**(2,392)**	(1,702)
Share of income of associated corporations	**(151)**	(284)
Non-controlling interest	**35**	(156)
Net loss attributable to shareholders	**$ (6,715)**	$ (4,929)

ANALYSIS OF CONSOLIDATED RESULTS

2019/2018 first quarter comparison

Operating revenues: $134,141,000, a slight increase of $305,000 (0.2%).

- $764,000 (0.7%) increase in the Broadcasting & Production segment (Table 2) essentially due to a 6.1% increase in specialty channel revenues as a result of the addition of operating revenues from the "Évasion" and "Zeste" channels since their acquisition on February 13, 2019, partially offset by a 3.4% decrease in advertising revenues at TVA Network as well as lower revenues from distribution of audiovisual products.

- $1,997,000 (-10.8%) decrease in the Magazines segment (Table 2) due mainly to 16.7% and 10.1% decreases in advertising and newsstand revenues respectively, on a comparable basis, and the loss of operating revenues resulting from the sale of *The Hockey News* magazine on January 26, 2018.

- $1,484,000 (12.9%) increase in the Film Production & Audiovisual Services segment (Table 2), essentially due to an 82.7% increase in revenues from postproduction activities resulting from the acquisition of Audio Zone on August 27, 2018 as well as increased volume of activities. These increases were partially offset by lower revenues from soundstage, mobile and production equipment rental.

Table 2
Operating revenues
(in thousands of dollars)

	Three-months ended March 31	
	2019	2018
Broadcasting & Production	**$ 107,915**	$ 107,151
Magazines	**16,483**	18,480
Film Production & Audiovisual Services	**12,953**	11,469
Intersegment items	**(3,210)**	(3,264)
	$ 134,141	$ 133,836

Adjusted EBITDA: $3,967,000, a $626,000 favourable variance.

- $646,000 unfavourable variance in the Broadcasting & Production segment (Table 3), caused mainly by negative adjusted EBITDA at TVA Network in the first quarter of 2019, compared with an adjusted EBITDA in the same period of 2018, partially offset by a 34.0% increase in the adjusted EBITDA of the specialty channels, primarily as a result of the acquisition of the "Évasion" and "Zeste" channels.

- $668,000 favourable variance in the Magazines segment (Table 3) due primarily to the savings generated by the continuation of various staff and expense rationalization plans implemented in recent quarters. Those savings outweighed the decrease in the segment's operating revenues.

- $604,000 favourable variance in the Film Production & Audiovisual Services segment (Table 3), caused by an increase in adjusted EBITDA of all segment activities, with the exception of soundstage, mobile and production equipment rental, which posted an increase in negative adjusted EBITDA due to lower volume of activities.

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

	Three-months ended March 31	
	2019	2018
Broadcasting & Production	**$ 1,971**	$ 2,617
Magazines	**1,890**	1,222
Film Production & Audiovisual Services	**106**	(498)
	$ 3,967	$ 3,341

Net loss attributable to shareholders: $6,715,000 (-$0.16 per basic and diluted share), compared with a net loss attributable to shareholders of $4,929,000 (-$0.11 per basic and diluted share) in the same period of 2018.

- The $1,786,000 negative variance (-$0.05 per basic and diluted share) was essentially due to:

    - a $3,043,000 unfavourable variance in operational restructuring costs and others;

    partially offset by:

    - a $690,000 favourable variance in income tax recovery; and

    - a $626,000 favourable variance in adjusted EBITDA.

- 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, 2019 and 2018.

Depreciation and amortization: $9,065,000, a $421,000 (-4.4%) decrease. The decrease was mainly due to a depreciation charge recorded on some software in the first quarter of 2018.

Financial expenses: $957,000, a $156,000 increase, mainly due to interest on long-term debt as well as on net defined benefit liability in the first quarter of 2019 compared with the same period of 2018.

Operational restructuring costs and others: $3,168,000 in the first quarter of 2019, compared with $125,000 in the same period of 2018.

- In the first quarter of 2019, the Corporation recorded a $1,857,000 charge in connection with business acquisitions, primarily for investments in the Canadian broadcasting system to support French-language productions, as required by the CRTC as a condition of transferring the licences for the "Évasion" and "Zeste" channels to the Corporation.

- In the first quarter of 2019, the Corporation recorded $1,358,000 in operational restructuring costs in connection with staff reductions, including $313,000 in the Broadcasting & Production segment, $1,042,000 in the Magazines segment and $3,000 in the Film Production & Audiovisual Services segment ($877,000 in the three-month period ended March 31, 2018, including $63,000 in the in the Broadcasting & Production segment, $708,000 in the Magazines segment and $106,000 in the Film Production & Audiovisual Services segment).

- In the first quarter of 2018, the Corporation had recorded a $1,000,000 gain on the sale of *The Hockey News* magazine.

- During the three-month period ended March 31, 2018, the Corporation had also made a $140,000 upward adjustment to the provision for onerous leases in the Magazines segment.

Income tax recovery: $2,392,000 (effective tax rate of 25.9%) in the first quarter of 2019, compared with $1,702,000 (effective tax rate of 24.1%) in the same period of 2018.

- In the first quarter of 2019, the effective tax rate was slightly lower than the Corporation's statutory tax rate of 26.6% because of permanent differences related to non-deductible items.

- In the first quarter of 2018, the effective tax rate was lower than the Corporation's statutory tax rate of 26.7% because of, among other things, permanent differences related to non-deductible items.

Share of income of associated corporations: $151,000 in the first quarter of 2019, compared with $284,000 in the same quarter of 2018, a $133,000 unfavourable variance. The unfavourable variance was due primarily to the decrease in net income of an associated corporation in the television industry during the first quarter of 2019, compared with the same period of 2018.

Non-controlling interest: $35,000 in the first quarter of 2019 compared with -$156,000 in the same period of 2018. The $191,000 variance was due to improved financial results of a corporation in which a subsidiary of the Corporation holds a 51% interest.

SEGMENTED ANALYSIS

Broadcasting & Production

2019/2018 first quarter comparison

Operating revenues: $107,915,000, a $764,000 (0.7%) increase due primarily to:

- the addition of revenues from the "Évasion" and "Zeste" specialty channels following their acquisition on February 13, 2019; and
- a 2.0% increase in the advertising revenues of the other specialty services;

partially offset by:

- a 3.4% decrease in TVA Network's advertising revenues; and
- a decrease in revenues from distribution of audiovisual products.

French-language audience share

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

First quarter 2019 vs First quarter 2018			
	2019	**2018**	**Difference**
French-language conventional broadcasters:			
TVA	**24.4**	24.1	0.3
SRC	**14.9**	16.6	- 1.7
V	**5.0**	5.7	- 0.7
	44.3	46.4	- 2.1
French-language specialty and pay services:			
TVA	**13.9**	12.1	1.8
Bell Media	**14.7**	12.7	2.0
Corus	**7.0**	7.6	- 0.6
SRC	**4.7**	4.4	0.3
Others	**4.4**	5.3	- 0.9
	44.7	42.1	2.6
Total English-language and others:	**11.0**	11.5	- 0.5
TVA Group	**38.3**	36.2	2.1

Source: Numeris, Quebec Franco, January 1 to March 31, 2019, Mon-Sun, 2:00 – 2:00, All 2+.

TVA Group's total market share for the period of January 1 to March 31, 2019 was 38.3%, compared with 36.2% in the same period of 2018, a 2.1-point increase.

The combined market shares for TVA Group's specialty services increased from 12.1% to 13.9%, a 1.8-point increase stemming, among other things, from the acquisition of the "Évasion" and "Zeste" channels. The "TVA Sports" channel also posted exceptional 0.7-point growth. The market share of the "LCN" channel increased by 0.3 point to 4.7%. The

“Casa,” “addik^{TV}” and “MOI ET CIE” channels grew their market share by 0.4, 0.2 and 0.2 points respectively, while the “Prise 2” and “Yoopa” channels lost 0.7 and 0.2 points respectively.

TVA Network maintained its lead among over-the-air channels with a 24.4% market share, more than its two main over-the-air rivals combined. The show *La Voix* was a standout yet again, with an average audience of nearly 2.0 million, making it Quebec’s most-watched program. A number of other original Quebec productions, including *L’Échappée*, *O’*, *La vraie nature* and *L’heure bleue*, also passed the 1 million viewer mark, contributing to TVA Network’s success.

Operating expenses: $105,944,000, a $1,410,000 (1.3%) increase. The increase was due primarily to:

- the addition of operating expenses of the “Évasion” and “Zeste” specialty channels following their acquisition on February 13, 2019;
- a 4.6% increase in TVA Network's operating expenses, excluding spending on programming, as a result of non-recurring savings recorded in the first quarter of 2018; and
- a 1.0% increase in the operating expenses of the other specialty channels, particularly “TVA Sports,” related mainly to recognition in income of broadcast rights to National Hockey League (“NHL”) games based on the broadcast schedule;

partially offset by:

- a 4.3% decrease in content costs related to the TVA Network program schedule; and
- decrease in operating expenses related to distribution of audiovisual products as a result of lower volume of activities.

Adjusted EBITDA: $1,971,000, a $646,000 unfavourable variance primarily due to:

- negative adjusted EBITDA of TVA Network in the first quarter of 2019, compared with an adjusted EBITDA in the same period of 2018, primarily due to a 3.4% decrease in its advertising revenues;

partially offset by:

- a 34.0% increase in adjusted EBITDA of the specialty channels stemming primarily from the acquisition of the “Évasion” and “Zeste” channels.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Broadcasting & Production segment’s activities (expressed as a percentage of revenues) increased slightly from 97.6% in the first quarter of 2018 to 98.2% in the same period of 2019. The increase was caused mainly by higher operating expenses, which outweighed the increase in operating revenues.

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

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 involved in television production, for a cash purchase price of $24,000,000, less $531,000 in acquired cash. A $1,900,000 amount payable was also recorded in accounts payable and accrued liabilities as a preliminary adjustment contingent upon a predetermined working capital target agreed to by the parties. The results of operation of the “Évasion” and “Zeste” channels have been included in the Broadcasting & Production 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.

Magazines

2019/2018 first quarter comparison

- **Operating revenues**: $16,483,000, a $1,997,000 (-10.8%) decrease primarily due to:
  - a 16.7% decrease in advertising revenues for comparable magazines, caused essentially by the women's and decorating categories;
  - a 10.1% decrease in newsstand revenues on a comparable basis, mainly in the entertainment category.
  - a 7.7% decrease in subscription revenues on a same-store basis; and
  - the sale of *The Hockey News* magazine on January 26, 2018.

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 15.5% of the segment's operating revenues for the three-month period ended March 31, 2019 (15.4% in the same period of 2018).

Readership and market share statistics

TVA Group is the top publisher of French-language magazines in Quebec with nearly 3.8 million readers across all platforms for its French titles and a leading player in the Canadian magazine market with more than 9.3 million cross-platform readers. *7 Jours* is Quebec's most popular entertainment and celebrity news magazine with 538,000 readers per week on all platforms.

Canada's lifestyle standard-setter *Canadian Living* reaches nearly 3.9 million cross-platform readers. Its French-language counterpart *Coup de pouce* is the most-read French-language lifestyle magazine with 1.4 million readers on all platforms.

Elle Canada is the country's top fashion and beauty magazine with 2.0 million readers on all platforms while *Clin d'œil* is Quebec's most popular fashion and beauty magazine with 615,000 cross-platform readers.

Source: Vividata, Spring 2019, Total Canada, 14+, January 1, 2018 to December 31, 2018

Operating expenses: $14,593,000, a $2,665,000 (-15.4%) decrease due primarily to:

- subscription cost savings, largely in distribution and in recruiting campaigns;
- operating cost savings resulting from implementation of staff and expense rationalization plans in recent quarters; and
- decrease in operating expenses resulting from the sale of *The Hockey News* magazine.

Adjusted EBITDA: $1,890,000, a $668,000 favourable variance due mainly to the decrease in operating expenses, which outweighed the decrease in operating revenues.

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 93.4% in the first quarter of 2018 to 88.5% in the same period of 2019. The decrease was mainly due to the fact that the decrease in operating expenses exceeded the decrease in operating revenues.

Film Production & Audiovisual Services

2019/2018 first quarter comparison

Operating revenues: $12,953,000, a $1,484,000 (12.9%) increase due primarily to:

- 82.7% growth in postproduction revenues, essentially due to:
  - the addition of the activities of Audio Zone starting on August 27, 2018; and
  - higher volume in the first quarter of 2019 than in the same period of 2018;

  partially offset by:

- a 6.8% decrease in revenues from soundstage, mobile and production equipment rental.

Operating expenses: $12,847,000, a $880,000 (7.4%) increase. The increase was due primarily to:

- a 50.3% increase in operating expenses related to postproduction activities as a result of higher volume of activities, as indicated above;

  partially offset by:

- a 2.8% decrease in operating expenses related to the segment's other activities.

Adjusted EBITDA: $106,000, a $604,000 favourable variance due primarily to:

- increase in adjusted EBITDA from postproduction activities caused by an increase in operating revenues; and
- increase in adjusted EBITDA from all other segment activities, with the exception of rental activities;

  partially offset by:

- increase in negative adjusted EBITDA from soundstage, mobile and production equipment rental during the first quarter of 2019 compared with the same period of 2018, due to lower volume of activities.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Film Production & Audiovisual Services segment's activities (expressed as a percentage of revenues) decreased from 104.3% in the first quarter of 2018 to 99.2% in the first quarter of 2019. The reduction stems mainly from postproduction activities, where revenue growth was higher than the increase in costs.

Acquisition of the assets of Mobilimage inc.

On January 22, 2018, Mels Studios and Postproduction G.P. acquired the assets of Mobilimage inc., consisting mainly of mobile production vehicles and equipment, for a cash purchase price of $2,705,000, consisting of the agreed price of $2,750,000 less a $45,000 adjustment related to a pre-established working capital target agreed to by the parties. The results of the HD and 4K mobile rental and operation business have been included in the Film Production & Audiovisual Services segment's results since the acquisition date. The acquisition was consistent with the Corporation's strategic objective of offering an array of production equipment and services in order to meet producers' needs and reduce the use of outsourced services for its own production needs.

Acquisition of the shares of Audio Zone Inc.

On August 27, 2018, the Corporation acquired all shares of Audio Zone Inc., a sound postproduction company, for a total cash purchase price of $2,050,000 consisting of the agreed price of $2,024,000 and assumption of a $26,000 bank overdraft. This purchase price includes a $24,000 adjustment based on a predetermined working capital target agreed to by the parties. The purchase price allocation essentially includes accounts receivable, property, plant and equipment, a client list, a non-compete clause, goodwill, and accounts payable and accrued liabilities. The sound postproduction service's results have been included in the results of the Film Production & Audiovisual Services segment since the acquisition date. The acquisition was consistent with the Corporation's strategic objective of offering an array of production services that meet the needs of producers and customers.

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 March 31	
	2019	2018
Cash flows related to operating activities	**$ (4,843)**	$ (7,209)
Additions to property, plant and equipment and intangible assets	**(5,205)**	(5,181)
Business acquisitions	**(23,469)**	(2,705)
Others	**(1,298)**	(1,854)
Increase in net debt	**$ (34,815)**	$ (16,949)

	March 31, 2019	December 31, 2018
At period end:		
Short-term debt	**$ 63,537**	$ 52,849
Bank overdraft	**8,875**	–
Less: cash	**(2,860)**	(18,112)
Net debt	**$ 69,552**	$ 34,737

Operating activities

Cash flows related to operating activities: $2,366,000 increase for the three-month period ending March 31, 2019 compared with the same period of 2018, due mainly to a $2,850,000 net favourable variance in non-cash balances related to operations, particularly income taxes and prepaid expenses, partially offset by a net unfavourable variance in accounts payable and accrued liabilities, a $1,178,000 favourable variance in current tax recovery and a $626,000 increase in adjusted EBITDA, partially offset by an increase in operational restructuring costs.

Working capital: Negative $15,211,000 at March 31, 2019, compared with $4,995,000 at December 31, 2018, a $20,206,000 negative variance, due primarily to a decrease in cash and increases in the bank overdraft and maturing short-term debt. These variances stem primarily from the Serdy Acquisition.

<u>Investing activities</u>

Additions to property, plant and equipment and to intangible assets: $5,205,000 in the first quarter of 2019, compared with $5,181,000 in the same period of 2018, a slight increase of $24,000 (0.5%).

During the three-month period ended March 31, 2019, the Corporation made investments in technical equipment in order to integrate the activities of the companies in the Serdy Média inc. and Serdy Vidéo inc. groups into TVA Group, in production equipment for rental and in the "TVA Sports Direct" platform.

Business acquisitions: $23,469,000 in the first quarter of 2019 (see "Serdy Acquisition" above), compared with $2,705,000 in the first quarter of 2018 (see "Acquisition of the assets of Mobilimage inc." above).

<u>Financing activities</u>

Long-term debt (excluding deferred financing costs): $63,537,000 as at March 31, 2019, compared with $52,939,000 at December 31, 2018. The $10,598,000 increase essentially reflects advances of $13,350,000 on the revolving credit facility partially to finance the Serdy Acquisition, less the quarterly principal payment on the term loan.

<u>Financial position as at March 31, 2019</u>

Net available liquid assets: $139,333,000, consisting of a $136,473,000 available revolving credit facility and $2,860,000 in cash.

As at March 31, 2019, all $63,537,000 in principal was payable on the debt during the coming fiscal year.

The weighted average term of TVA Group's debt was approximately 0.6 years at March 31, 2019 (0.8 years at December 31, 2018) and is therefore presented in its entirety under current liabilities at March 31, 2019 and December 31, 2018. The debt consisted entirely of floating-rate debt as of March 31, 2019 and December 31, 2018.

The Corporation has a $150,000,000 revolving credit facility, which matures on February 24, 2020. As at March 31, 2019, $13,350,000 had been drawn on the revolving credit facility, in addition to outstanding letters of credit amounting to $177,000. At December 31, 2018, there were no drawings on the revolving credit facility.

The Corporation's management believes that the cash flows generated on an annual basis by continuing operating activities and by available sources of financing should be sufficient to meet future cash requirements in regard to capital investments, working capital, interest payments, income tax payments, debt repayment, pension plan contributions, share redemptions and dividend payments (or distribution of capital), and to meet its commitments and guarantees.

Under its credit agreements, the Corporation is subject to certain covenants, including maintenance of certain financial ratios. As at March 31, 2019, the Corporation was in compliance with all the terms of its credit agreements.

Analysis of consolidated balance sheet as at March 31, 2019

Table 6
Consolidated balance sheets of TVA Group
Analysis of main variances between March 31, 2019 and December 31, 2018
(in thousands of dollars)

	March 31, 2019	Dec. 31, 2018	Difference	Main reasons for difference
Assets				
Cash	**$ 2,860**	$ 18,112	$ (15,252)	Impact of current and seasonal variations in activities and of Serdy Acquisition.
Accounts receivable	**143,817**	151,715	(7,898)	Impact of seasonal variations in activities, net of Serdy Acquisition.
Programs, broadcast rights and inventories	**84,803**	78,483	6,320	Impact of Serdy Acquisition.
Intangible assets	**23,057**	13,662	9,395	Impact of Serdy Acquisition.
Goodwill	**15,216**	9,102	6,114	Impact of Serdy Acquisition.
Liabilities				
Bank overdraft	**$ 8,875**	$ –	$ 8,875	Impact of Serdy Acquisition.
Accounts payable and accrued liabilities	**90,946**	100,306	(9,360)	Impact of current and seasonal variations in activities, net of Serdy Acquisition.
Maturing short-term debt	**63,391**	52,849	10,542	Impact of Serdy Acquisition.

ADDITIONAL INFORMATION

Contractual obligations

As of March 31, 2019, material contractual commitments of operating activities included principal and interest payments on debt and on lease liabilities, payments under broadcast rights 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, 2019
(in thousands of dollars)

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Long-term debt	$ 63,537	$ –	$ –	$ –	$ 63,537
Lease liabilities	3,599	5,636	2,642	1,833	13,710
Payment of interest[1]	2,765	693	289	127	3,874
Broadcast rights	169,273	168,795	142,107	142,187	622,362
Other commitments	12,350	8,139	1,261	176	21,926
Total	**$ 251,524**	**$ 183,263**	**$ 146,299**	**$ 144,323**	**$ 725,409**

[1] *Interest is calculated on a constant debt level equal to that at March 31, 2019 on the revolving credit facility and includes standby fees on that facility and interest payable on lease liabilities.*

In 2013, QMI and TVA Group reached a 12-year agreement with Rogers Communications Inc. for Canadian French-language broadcast rights to NHL games. Operating expenses related to that contract are recognized in the Corporation's operating expenses and total commitments related to the contract have been included in the Corporation's commitments.

Related party transactions

The Corporation entered into the following transactions with related parties in the normal course of business. These transactions were accounted for at the consideration agreed between parties.

In the first quarter of 2019, the Corporation sold advertising space and content to, recognized subscription revenues from, and provided production, post-production and other services to corporations under common control and associated corporations in the aggregate amount of $24,466,000 ($25,844,000 in the first quarter of 2018).

In the first quarter of 2019, 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 associated corporations totalling $15,503,000 ($15,000,000 in the first quarter of 2018).

In the first quarter of 2019, the Corporation also billed management fees to corporations under common control in the amount of $1,579,000 ($2,693,000 in the first quarter of 2018). 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 first quarter of 2019 ($855,000 in the first quarter of 2018).

Capital stock

Table 8 below presents information on the Corporation's capital stock. In addition, 295,000 Class B stock options of the Corporation were outstanding as of April 18, 2019.

Table 8
Number of shares outstanding as at April 18, 2019
(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 and some of its subsidiaries, in connection with business disputes with a broadcasting distribution undertaking. At this stage in the proceedings, management of the Corporation does not expect their outcome to have a material effect on Corporation's results or financial position.

Changes in accounting policies

IFRS 16 - *Leases*

On January 1, 2019, the Corporation adopted on a fully retrospective basis the new rules under IFRS 16, which establishes new principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The standard provides lessees with a single accounting model for all leases, with certain exemptions. In particular, lessees are generally required to report leases on their balance sheets by recognizing right-of-use assets and related financial liabilities. The assets and liabilities from leases are initially recognized at their discounted value.

The adoption of IFRS 16 has had a material impact on the Corporation's consolidated financial statements since the Corporation has commitments under long-term leases for premises and equipment.

Under IFRS 16, lease charges are generally expensed as an amortization charge of the right-of-use asset, along with an interest charge on the lease-obligation liability. As operating lease expenses were previously recognized as purchases of goods and services as they were incurred, the adoption of IFRS 16 has changed the timing of the recognition of these lease charges over the term of each lease. It also has affected the classification of expenses in the statement of income (loss). Lease-obligation principal payments are shown under financing activities in the consolidated statements of cash flows, whereas these payments were previously shown under operating activities.

The retroactive adoption of IFRS 16 had the following impacts on the consolidated financial statements:

Interim consolidated statements of loss and comprehensive loss

Increase (decrease)		Three-month period ended March 31, 2018
Purchases of goods and services	**$**	(1,048)
Depreciation and amortization		730
Financial expenses		214
Operational restructuring costs and others		21
Tax recovery		(21)
Net loss and comprehensive loss	**$**	(62)

Consolidated balance sheets

Increase (decrease)	December 31, 2018		December 31, 2017	
Right-of-use assets	$	9,161	$	10,922
Deferred tax assets		170		438
Accounts payable and accrued liabilities		57		63
Provisions		(1,166)		(1,153)
Lease liabilities [1]		13,092		15,524
Other liabilities		(2,183)		(1,860)
Retained earnings	$	(469)	$	(1,214)

[1] The current portion of lease liabilities stood at $3,480,000 as of December 31, 2018 and $4,298,000 as of December 31, 2017.

IFRIC 23 - *Uncertainty Over Income Tax Treatments*

On January 1, 2019, the Corporation also adopted on a fully retrospective basis IFRIC 23, which provides guidance on how to value uncertain income tax positions based on the probability of whether or not the relevant tax authorities will accept the Corporation's tax treatments.

The adoption of IFRIC 23 by the Corporation had no impact on the consolidated financial statements.

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. Management has identified no changes in internal control over financial reporting during the three-month period ended March 31, 2019 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control 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.

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 segment), 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, and labour relation risks.

The forward-looking statements in this document are made to give investors and the public a better understanding of the Corporation's circumstances and are based on assumptions it believes to be reasonable as of the day on which they were made. Investors and others are cautioned that the foregoing list of factors that may affect future results is not exhaustive and that undue reliance should not be placed on any forward-looking statements.

For more information on the risks, uncertainties and assumptions that could cause the Corporation's actual results to differ from current expectations, please refer to the Corporation's public filings, available at www.sedar.com and http://groupetva.ca, including in particular the "Risks and Uncertainties" section of the Corporation's annual Management's Discussion and Analysis for the year ended December 31, 2018 and the "Risk Factors" section in the Corporation's 2018 annual information form.

The forward-looking statements in this Management's Discussion and Analysis reflect the Corporation's expectations as of May 6, 2019, 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 6, 2019

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

	2019	2018		
	March 31	December 31	September 30	June 30
Operations				
Operating revenues	**$ 134,141**	$ 150,466	$ 127,418	$ 140,190
Adjusted EBITDA (negative adjusted EBITDA)	**$ 3,967**	$ 25,900	$ 28,088	$ (2,812)
Net (loss) income attributable to shareholders	**$ (6,715)**	$ 9,524	$ 14,091	$ (9,629)
Basic and diluted per-share data				
Basic and diluted (loss) earnings per share	**$ (0.16)**	$ 0.22	$ 0.33	$ (0.22)
Weighted average number of outstanding shares (in thousands)	**43,206**	43,206	43,206	43,206

	2018	2017		
	March 31	December 31	September 30	June 30
Operations				
Operating revenues	$ 133,836	$ 155,256	$ 140,785	$ 152,542
Adjusted EBITDA	$ 3,341	$ 24,025	$ 33,993	$ 11,792
Net (loss) income attributable to shareholders	$ (4,929)	$ 10,318	$ (15,159)	$ (3,441)
Basic and diluted per-share data				
Basic and diluted (loss) earnings per share	$ (0.11)	$ 0.24	$ (0.35)	$ (0.08)
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, and demand for production services from international and local producers. Because the Corporation depends on the sale of advertising for a significant portion of its revenues, operating results are also sensitive to prevailing economic conditions, including changes in local, regional and national economic conditions, particularly as they may affect advertising expenditures.

- Operating expenses in the Broadcasting & Production segment vary, mainly as a result of programming costs, which are directly related to programming strategies and to live sports broadcasts, while in the Magazines segment operating costs fluctuate according to publication schedules, which may vary from quarter to quarter. In the Film Production & Audiovisual Services segment, operating expenses vary according to demand for production services from international and local producers.

Accordingly, the results of operations for interim periods may vary significantly from one period to the next.