INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS
SECOND QUARTER 2023

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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 services. In the Magazines segment, TVA Group publishes numerous 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 2023 and major changes from the previous financial year. The Corporation's Condensed Consolidated Financial Statements for the three-month and six-month periods ended June 30, 2023 and 2022 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, 2022 and in the Condensed Consolidated Financial Statements dated June 30, 2023. All amounts are stated in Canadian dollars.

BUSINESS SEGMENTS

The Corporation's operations consist of the following segments:

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

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

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

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

HIGHLIGHTS SINCE END OF FIRST QUARTER 2023

- Following the announcement on February 16, 2023 of significant reductions in operating expenses, and to help restore the Corporation's financial health, the Board amended the Directors compensation policy retroactively to July 1, 2023 with the objective of reducing the total compensation paid to directors by more than 10% in 2023 compared with 2022.

- On June 28, 2023, the Corporation entered into a new $120 million secured revolving credit facility maturing on June 15, 2025, with QMI as lender. TVA Group also entered into a new $20 million secured demand credit facility with a bank. Concurrently, the Corporation terminated its bank facility consisting of a $75 million secured syndicated revolving credit facility maturing on February 24, 2024. This refinancing will provide TVA Group with greater operating flexibility by providing it with increased borrowing capacity, less restrictive covenants and a longer tenor, while maintaining the same interest rate as the bank facility terminated by the Corporation.

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 (income), operational restructuring costs and other, income tax expense (recovery) and share of income of associates. Adjusted EBITDA as defined above is not a measure of results that is consistent with IFRS. It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows as a measure of liquidity. This measure should not be considered in isolation or as a substitute for other performance measures prepared in accordance with IFRS. This measure is used by management and the Board of Directors to evaluate the Corporation's consolidated results and the results of its segments. This measure eliminates the significant level of impairment, depreciation and amortization of tangible and intangible assets and is unaffected by the capital structure or investment activities of the Corporation and its segments. Adjusted EBITDA is also relevant because it is a significant component of the Corporation's annual incentive compensation programs. The Corporation's definition of EBITDA may not be the same as similarly titled measures reported by other companies.

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

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

	Three months ended June 30		Six months ended June 30	
	2023	2022	**2023**	2022
(Negative adjusted EBITDA) adjusted EBITDA:				
Broadcasting	**$ (4,539)**	$ (149)	**$ (27,345)**	$ (15,617)
Film Production & Audiovisual Services	**(413)**	2,172	**(968)**	6,016
Magazines	**309**	1,646	**(58)**	2,086
Production & Distribution	**582**	(489)	**227**	1,064
Intersegment items	**218**	55	**324**	(35)
	(3,843)	3,235	**(27,820)**	(6,486)
Depreciation and amortization	**6,973**	7,462	**14,155**	15,082
Financial (income) expenses	**(43)**	94	**(161)**	594
Operational restructuring costs and other	**120**	113	**1,022**	133
(Income tax recovery)	**(3,006)**	(1,062)	**(11,325)**	(5,659)
Share of income of associates	**(40)**	(163)	**(131)**	(412)
Net loss	**$ (7,847)**	$ (3,209)	**$ (31,380)**	$ (16,224)

ANALYSIS OF CONSOLIDATED RESULTS

2023/2022 second quarter comparison

Revenues: $138,760,000, an $8,709,000 (-5.9%) decrease.

- Decreases in Broadcasting ($6,328,000 or -5.2% of segment revenues), Film Production & Audiovisual Services ($6,095,000 or -33.2%) and Magazines ($1,012,000 or -9.8%).

- Increase in Production & Distribution ($3,426,000 or 139.5%).

Negative adjusted EBITDA: $3,843,000, a $7,078,000 (-218.8%) decrease.

- Unfavourable variance in Broadcasting ($4,390,000), Film Production & Audiovisual Services ($2,585,000 or -119.0%) and Magazines ($1,337,000 or -81.2%).

- Favourable variance in Production & Distribution ($1,071,000 or 219.0%).

Net loss attributable to shareholders: $7,847,000 (-$0.18 per basic share), compared with $3,212,000 (-$0.07 per basic share) for the same period of 2022. The $4,635,000 (-$0.11 per basic share) unfavourable variance was essentially due to:

- $7,078,000 unfavourable variance in adjusted EBITDA;

partially offset by:

- $1,944,000 favourable variance in income tax recovery; and

- $489,000 favourable variance in the depreciation and amortization charge.

Depreciation and amortization: $6,973,000, a $489,000 decrease, mainly due to the decrease in the depreciation charge for technical equipment, equipment for rental and property developments that have been fully amortized.

Financial income: $43,000, a $137,000 favourable variance caused mainly by a favourable variance in the interest income related to the defined benefit plans, partially offset by the recognition of a foreign exchange loss in the second quarter of 2023, whereas a foreign exchange gain was recognized in the same period of 2022.

Operational restructuring costs and other: $120,000 in the second quarter of 2023, compared with $113,000 in the same period of 2022.

- During the three-month period ended June 30, 2023, the Corporation recorded a $163,000 expense stemming mainly from the elimination of positions and the implementation of cost-reduction measures, including $134,000 in the Broadcasting segment and $29,000 in Film Production & Audiovisual Services ($78,000 for the same period in 2022, including $65,000 in the Broadcasting segment).

- In the second quarter of 2022, the Corporation recorded a $622,000 charge for impairment of its investment in an associate in the Magazines segment following revised guidance from that corporation's management and the continuing downward trend in revenues in the industry.

- During the same period, the Corporation also reversed a $587,000 charge following remeasurement of the contingent consideration payable on the acquisition of the companies in the Incendo group.

Income tax recovery: $3,006,000 (effective tax rate of 27.6%) for the second quarter of 2023, compared with an income tax recovery of $1,062,000 (effective tax rate of 24.0%) for the same period of 2022, a favourable variance of $1,944,000, due mainly to the recording of a larger loss deductible for tax purposes for the second quarter of 2023 than for the same period of 2022. Calculation of the effective tax rates is based on only taxable and deductible items.

Share of income of associates: $40,000 for the second quarter of 2023, compared with $163,000 for the same period of 2022, an unfavourable variance of $123,000 caused by the weaker financial results of an associate in the television industry.

2023/2022 year-to-date comparison

Revenues: $274,863,000, a $17,103,000 (-5.9%) decrease.

- Decreases in all business segments, i.e. Film Production & Audiovisual Services ($11,174,000 or -29.7% of segment revenues), Broadcasting ($4,457,000 or -1.9%), Magazines ($2,026,000 or -10.1%) and Production & Distribution ($213,000 or -2.5%).

Negative adjusted EBITDA: $27,820,000, a $21,334,000 unfavourable variance.

- Unfavourable variances in all segments, i.e. Broadcasting ($11,728,000 or -75.1%), Film Production & Audiovisual Services ($6,984,000 or -116.1%), Magazines ($2,144,000 or -102.8%) and Production & Distribution ($837,000 or -78.7%).

Net loss attributable to shareholders: $31,380,000 (-$0.73 per basic share) for the first six months of 2023, compared with 16,228,000 (-$0.38 per basic share) for the same period of 2022. The $15,152,000 (-$0.35 per basic share) unfavourable variance was essentially due to:

- $21,334,000 unfavourable variance in negative adjusted EBITDA; and

- $889,000 unfavourable variance in operational restructuring costs and other;

partially offset by:

- $5,666,000 favourable variance in income tax recovery;

- $927,000 favourable variance in the depreciation and amortization charge; and

- $755,000 favourable variance in financial income and expenses.

Depreciation and amortization expense: $14,155,000, a $927,000 decrease essentially due to the same factors as those noted above in the 2023/2022 second-quarter comparison, as well as a decrease in the depreciation charge associated with building right-of-use assets and leasehold improvements that have been fully amortized.

Financial income: $161,000, a $755,000 favourable variance caused essentially by a favourable variance in the interest income related to the defined benefit plans.

Operational restructuring costs and other: $1,022,000 for the first six months of 2023, compared with $133,000 for the same period of 2022.

- In the first half of 2023, the Corporation recorded a $1,065,000 charge arising primarily from the elimination of positions and the implementation of cost-reduction measures, including $719,000 in the Broadcasting segment, $203,000 in the Film Production & Audiovisual Services segment, $111,000 in the Magazines segment and $32,000 in the Production & Distribution segment ($115,000 including $102,000 in the Broadcasting segment for the same period of 2022).

- In the first half of 2022, the Corporation recorded a $622,000 charge for impairment of its investment in an associate in the Magazines segment and reversed a $587,000 charge following remeasurement of the contingent consideration payable on the acquisition of the companies in the Incendo group, as mentioned in the 2023/2022 second quarter comparison.

Income tax recovery: $11,325,000 (effective tax rate of 26.4%) for the first six months of 2023, compared with $5,659,000 (effective tax rate of 25.4%) for the same period of 2022, a favourable variance of $5,666,000, due mainly to an increase in the deductible loss for tax purposes. Calculation of the effective tax rates is based on only taxable and deductible items.

Share of income of associates: $131,000 for the first half of 2023, compared with $412,000 for the same period of 2022; the $281,000 unfavourable variance was due to the same factor as that noted above in the 2023/2022 second quarter comparison.

SEGMENTED ANALYSIS

Broadcasting

2023/2022 second quarter comparison

Revenues: $115,840,000, a $6,328,000 (-5.2%) decrease due mainly to:

  - 6.6% decrease in TVA Network's advertising revenues, despite a 16.8% increase in digital revenues; and

  - 5.1% decrease in revenues at the specialty channels, including decreases of 10.0% in advertising revenues and 2.4% in subscription revenues, due mainly to "TVA Sports". Advertising and subscription revenues at "TVA Sports" decreased by 15.1% and 4.3%, respectively. Advertising revenues at "LCN" fell 9.4%.

French-language audience share

Table 2
French-language audience share
(Market share in %)

Second quarter 2023 vs Second quarter 2022			
	2023	**2022**	**Difference**
French-language conventional broadcasters:			
TVA	**24.1**	24.5	- 0.4
SRC	**12.0**	13.0	- 1.0
noovo	**6.4**	5.7	0.7
	42.5	43.2	- 0.7
French-language specialty and pay services:			
TVA	**18.6**	17.8	0.8
Bell Media	**13.0**	13.5	- 0.5
Corus	**5.0**	5.1	- 0.1
SRC	**6.3**	5.2	1.1
Other	**4.5**	4.7	- 0.2
	47.4	46.3	1.1
Total English-language channels and other:	**10.1**	10.5	- 0.4
TVA Group	**42.7**	42.3	0.4

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, 2023 increased by 0.4 points to 42.7%, compared with 42.3% for the same period of 2022.

TVA Group's specialty services had a combined market share of 18.6% in the second quarter of 2023, compared with 17.8% in the same period of 2022, a 0.8-point increase. The news and public affairs channel "LCN" recorded exceptional 0.9-point growth in the same period and remained Quebec's most-watched specialty channel, even ahead of the over-the-air channel "noovo." "Prise 2" and "TVA Sports" posted solid growth in market share at 0.4 and 0.3 points respectively, while "Casa" lost 0.6 points.

TVA Network maintained its lead among over-the-air channels with a 24.1% market share, more than its two main over-the-air rivals combined. TVA Network had 4 of the top 5 shows in Quebec in the second quarter of 2023, including the daily series *Indéfendable*, with an average audience of over 1.5 million viewers, *La Voix*, and the new reality TV show *Sortez-moi d'ici!*

Negative adjusted EBITDA: $4,539,000, a $4,390,000 unfavourable variance primarily due to:

- 70.1% increase in negative adjusted EBITDA of the specialty channels, mainly at "TVA Sports" and essentially due to lower revenues, as noted above, despite a 1.1% decrease in operating expenses thanks to a cost-reduction plan implemented at the beginning of the year. LCN's adjusted EBITDA decreased by 30.0%, also mainly due to lower revenues, combined with a slight 1.3% increase in operating expenses; and

- 85.1% decrease in TVA Network's adjusted EBITDA, mainly due to the decline in revenues as noted above and despite a 2.1% decrease in operating expenses, particularly a favourable variance due to the deferral of spending on content, as well as a favourable variance from news programming, partly due to a cost-reduction plan implemented in the first quarter of 2023.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Broadcasting segment's activities (expressed as a percentage of revenues) increased from 100.1% for the second quarter of 2022 to 103.9% for the same period of 2023. The increase was essentially due to the decrease in revenues.

2023/2022 year-to-date comparison

Revenues: $231,850,000, a $4,457,000 (-1.9%) decrease due mainly to:

- 3.2% decrease in revenues at the specialty channels, including decreases of 2.6% and 4.4% respectively in subscription and advertising revenues, mainly at "TVA Sports," which accounted for 67.4% and 42.4% of the decreases respectively. 4.5 % and 1.8 % decreases, respectively, in advertising and subscription revenues for entertainment channels, and 4.7% and 1.6% decreases, respectively, for LCN; and

- 1.2% decrease in TVA Network's advertising revenues, despite a 17.3% increase in digital revenues.

Negative adjusted EBITDA: $27,345,000, an $11,728,000 unfavourable variance primarily due to:

- TVA Network's decreased profitability resulting essentially from a 6.6% increase in operating expenses due to increased spending on content, which was reflected in all its programming, particularly major variety shows and drama series, combined with the decrease in revenues noted above;

- 18.4% decrease in adjusted EBITDA of the specialty services other than "TVA Sports," due mainly to a 2.8% decrease in their revenues, combined with a slight increase in their expenses due to increased spending on content; and

- increase in negative adjusted EBITDA at "TVA Sports" due to the decline in revenues, as noted above, despite a 1.5% decrease in operating expenses, mainly due to the same factor as mentioned in the 2023/2022 second quarter comparison.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Broadcasting segment's activities (expressed as a percentage of revenues) increased from 106.6% for the first half of 2022 to 111.8% for the same period of 2023. The increase was caused by the combination of higher operating expenses for the segment, particularly TVA Network's expenses, and lower revenues.

Film Production & Audiovisual Services

2023/2022 second quarter comparison

Revenues: $12,239,000, a $6,095,000 (-33.2%) decrease due mainly to:

- 39.9% decrease in soundstage, mobile and equipment rental revenues, due mainly to a lower volume of activities caused among other things by the lack of a major production at our studios, unlike the same period of 2022;

- discontinuation of visual effects activities since March 31, 2023;

- 16.4% decrease in revenues from media accessibility services due to lower volume of activities; and

- 24.0% decrease in postproduction revenues also due to lower volume of activities.

Negative adjusted EBITDA: $413,000, a $2,585,000 (-119.0%) unfavourable variance primarily due to:

- 88.6% decrease in adjusted EBITDA generated by soundstage, mobile and equipment rental services, due to the same factors as those noted above as the reason for lower revenues;
- decreased profitability of postproduction due to lower volume of activities and higher operating expenses; and
- 89.2% decrease in adjusted EBITDA from media accessibility services, mainly due to lower volume of activities;

partially offset by:

- discontinuation of loss-making visual effects services since March 31, 2023.

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 88.2% in the second quarter of 2022 to 103.4% in the second quarter of 2023. The increase was essentially due to the fact that the decrease in revenues exceeded the decrease in operating expenses.

<u>2023/2022 year-to-date comparison</u>

Revenues: $26,511,000, a $11,174,000 (-29.7%) decrease due mainly to:

- lower volume of activities for most of our services, including:
  - 49.9 % decrease in soundstage, mobile and equipment rental revenues, caused among other things by the lack of a major production at our studios in the first half of 2023, unlike the same period of 2022;
  - 88.0% decrease in visual effects revenues due to the gradual discontinuation of this service in 2023, until it was completely discontinued on March 31, 2023; and
  - 3.8% decrease in revenues from media accessibility services;

partially offset by:

- 108.4% increase in virtual production revenues.

Negative adjusted EBITDA: $968,000, a $6,984,000 (-116.1%) unfavourable variance primarily due to:

- lower profitability of soundstage, mobile and equipment rental, due to lower volume of activities caused among other things by the lack of a major production;
- lower profitability of postproduction activities; and
- lower adjusted EBITDA from media accessibility services, also due to lower volume of activities;

partially offset by:

- a favourable variance due to the gradual discontinuation of loss-making visual effects activities this year, until they were completely discontinued on March 31, 2023; and
- increased profitability of virtual production 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) increased from

84.0% in the first half of 2022 to 103.7% in the first half of 2023. The increase was due to the same factor as that noted above in the 2023/2022 second quarter comparison.

Magazines

2023/2022 second quarter comparison

Revenues: $9,362,000, a $1,012,000 (-9.8%) decrease primarily due to:

- 13.9% decrease in newsstand revenues, mainly affecting the entertainment category;
- 13.3% decrease in assistance from the Canada Periodical Fund ("CPF"), which introduced a change in the grant allocation method for its regular program starting April 1, 2021, as described below, resulting in a decrease in the assistance received by the Corporation under the program; and
- 7.7% decrease in advertising revenues, mainly affecting the monthly titles category, despite a 17.7% increase in digital revenues.

Canada Periodical Fund

The Government of Canada created the CPF on April 1, 2010. The CPF provides financial assistance to the Canadian magazine and non-daily newspaper industries so they can continue to produce and distribute Canadian content. In 2020, the program was enhanced for the 12-month reference period starting April 1, with additional one-time government assistance offered to help industry organizations cope with the public health crisis, resulting in a 25% increase in the grant received for that reference period. In 2021, the program was renewed for 12 months, resulting in a 14% increase in the grant received for the April 1, 2021 to March 31, 2022 reference period. The Minister of Canadian Heritage also announced in 2020 that the CPF would be modernized with the goal of placing greater emphasis on Canadian content creation, a change that would take effect with the grant period starting April 1, 2021, with a five-year transition period, after which all program changes would be in effect. Since the former method of grant allocation was geared more towards distribution of titles, the change has and will continue to have an impact on the amount of government assistance received by this segment from the regular program. All assistance related to the CPF is fully recorded under revenues. It amounted to 19.1% of the segment's revenues for the three-month period ended June 30, 2023 (19.9% for the same period of 2022).

Adjusted EBITDA: $309,000, a $1,337,000 (-81.2%) decrease due mainly to lower revenues, as noted above, and recognition of a favourable retroactive printing costs adjustment in the second quarter of 2022 resulting from renegotiation of our printing agreement and higher newsstand selling costs.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Magazines segment's activities (expressed as a percentage of revenues) increased from 84.1% for the second quarter of 2022 to 96.7% for the same period of 2023. The increase was due to the combined impact of a decrease in revenues and an increase in operating expenses.

2023/2022 year-to-date comparison

Revenues: $18,009,000, a $2,026,000 (-10.1%) decrease due mainly to:

- 16.9% decrease in assistance from the CPF due to the negative impact of the change in the grant allocation method for its regular program, as well as the end of the enhanced one-time assistance provided in the context of the public health crisis since April 1, 2022, as noted above;
- 7.1% decrease in newsstand revenues, mainly in the entertainment category;
- 9.1% decrease in advertising revenues, despite a 17.0% increase in digital revenues; and
- 6.6% decrease in subscription revenues.

Negative adjusted EBITDA: $58,000, a $2,144,000 (-102.8%) unfavourable variance primarily due to lower 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) increased from 89.6% for the six-month period ended June 30, 2022 to 100.3% for the same period of 2023. The increase was mainly due to the decrease in revenues.

Production & Distribution

2023/2022 second quarter comparison

Revenues: $5,882,000, a $3,426,000 (139.5%) increase due mainly to:

- higher international distribution revenues, mainly for films produced by Incendo; and
- higher Canadian distribution revenues, also mainly for films produced by Incendo.

Activities related to the distribution of films produced by Incendo accounted for 68.4% of the segment's revenues for the three-month period ended June 30, 2023, compared with 24.6% for the same period of 2022.

Adjusted EBITDA: $582,000, a $1,071,000 favourable variance, primarily due to the higher total gross margin for the three-month period ended June 30, 2023 compared with the same period of 2022, in connection with the increase in revenues, as noted above, as well as a favourable variance in administrative expenses, particularly compensation, partially offset by lower profitability at TVA Films.

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 119.9% for the three-month period ended June 30, 2022 to 90.1% for the same period of 2023. The decrease was caused by higher revenues, which exceeded the increase in operating expenses.

2023/2022 year-to-date comparison

Revenues: $8,223,000, a $213,000 (-2.5%) decrease due mainly to:

- 38.4% decrease in Canadian distribution revenues, mainly for films produced by Incendo;

partially offset by:

- 6.1% increase in international distribution revenues, also mainly for films produced by Incendo.

Activities related to the distribution of films produced by Incendo accounted for 54.3% of the segment's revenues for the six-month period ended June 30, 2023, compared with 56.7% for the same period of 2022.

Adjusted EBITDA: $227,000, an $837,000 (-78.7%) decrease due mainly to the lower total gross margin for the first half of 2023 compared with the same period in 2022, partly in connection with the decrease in revenues, as noted above, and by lower adjusted EBITDA at TVA Films, partially offset by a favourable variance in administrative expenses, particularly compensation at Incendo.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Production & Distribution segment's activities (expressed as a percentage of revenues) increased from 87.4% for the six-month period ended June 30, 2022 to 97.2% for the same period of 2023. The increase was due to the increase in operating expenses combined with a decrease in revenues.

CASH FLOWS AND FINANCIAL POSITION

Table 3 below shows a summary of cash flows related to operating activities, investing activities and financing activities:

Table 3
Summary of the Corporation's cash flows
(in thousands of dollars)

	Three months ended June 30		Six months ended June 30	
	2023	2022	**2023**	2022
Cash flows related to operating activities	**$ (97,115)**	$ 3,323	**$ (87,553)**	$ (7,279)
Additions to property, plant and equipment and intangible assets	**(264)**	(7,417)	**(2,056)**	(13,036)
Business acquisitions	**–**	(3,750)	**–**	(3,750)
Other	**(414)**	(728)	**(1,329)**	(1,537)
Increase of net debt	**$ (97,793)**	$ (8,572)	**$ (90,938)**	$ (25,602)

	June 30, 2023	December 31, 2022
At period end:		
Bank indebtedness	**$ 10,117**	$ 1,107
Short-term debt	**–**	8,961
Long-term debt	**90,889**	–
Net debt	**$ 101,006**	$ 10,068

Operating activities

Cash flows related to operating activities: $100,438,000 decrease for the three-month period ended June 30, 2023 compared with the same period of 2022. This was mainly due to the $92,197,000 unfavourable net change in operating assets and liabilities and the $7,078,000 unfavourable variance in adjusted EBITDA. The unfavourable net change in operating assets and liabilities was essentially due to unfavourable variances in content rights payable, accounts payable, accrued liabilities and provisions, partially offset by favourable variances in accounts receivable and audiovisual content.

Year-to-date cash flows related to operating activities: $80,274,000 decrease compared with the first half of 2022, due mainly to a $63,269,000 net unfavourable variance in operating assets and liabilities, and a $21,334,000 unfavourable variance in negative adjusted EBITDA. The unfavourable net change in operating assets and liabilities was essentially due to unfavourable variances in content rights payable, accounts payable, accrued liabilities and provisions, partially offset by a favourable variance in audiovisual content.

Working capital: $129,550,000 as at June 30, 2023, compared with $60,587,000 at December 31, 2022. This $68,963,000 favourable variance was mainly due to decreases in content rights payable, accounts payable, accrued liabilities and provisions as well as short-term debt and higher income tax receivables, partially offset by lower accounts receivable and audiovisual content, as well as the increased bank loan.

Investing activities

Quarterly additions to property, plant and equipment and to intangible assets: $264,000 compared with $7,417,000 in the second quarter of 2022, a decrease of $7,153,000 (-96.4%). The decrease was essentially due to construction on MELS 4, which began in the first quarter of 2022, and a change in the net variance in additions to property, plant and equipment and to intangible assets financed from accounts payable and accrued liabilities.

Year-to-date additions to property, plant and equipment and to intangible assets: $2,056,000 compared with $13,036,000 in the first half of 2022, a $10,980,000 (-84.2%) decrease also due primarily to the start of construction on MELS 4 in the first quarter of 2022.

During the six-month period ended June 30, 2023, expenditures related to property, plant and equipment and intangible assets mainly consisted of disbursements related to 2022 projects, financed by accounts payable and accrued liabilities as of December 31 of that year.

Business acquisitions: nil for the three-month and six-month periods ended June 30, 2023 ($3,750,000 for the same periods of 2022). During the second quarter of 2022, the Corporation made a payment of $3,750,000 in relation to the balance payable recorded on the date Incendo was acquired.

Financing activities

Short-term debt (excluding deferred financing costs): nil as at June 30, 2023, compared with $8,970,000 as at December 31, 2022. The Corporation repaid its entire revolving credit facility, which matures on February 24, 2024, in the first quarter of 2023.

Long-term debt (excluding deferred financing costs): $91 000 000 as at June 30, 2023, compared with nil at December 31, 2022. The Corporation entered into a new financing agreement with its parent corporation during the second quarter of 2023 (see the "Financial position as at June 30, 2023" section below).

Financial position as at June 30, 2023

Net available liquid assets: $18,883,000, consisting of a $29,000,000 unused and available revolving credit facility, less a $10,117,000 bank indebtedness.

At June 30, 2023, minimum principal payments on long-term debt in the coming years were as follows:

Table 4
Minimum principal payments on TVA Group's long-term debt
12-month periods ending on June 30
(in thousands of dollars)

2024	$	–
2025		91,000
2026		–
2027		–
2028 and thereafter		–
Total	**$**	**91,000**

The weighted average term of TVA Group's debt was approximately 1.9 years as at June 30, 2023 (0.1 years as at December 31, 2022). The debt consisted entirely of floating-rate debt as at June 30, 2023 and December 31, 2022.

On June 28, 2023, the Corporation entered into a new $120,000,000 secured revolving credit facility maturing on June 15, 2025, with QMI as lender. This revolving credit facility bears interest at Banker's acceptance rate or Canadian prime rate, plus a premium based on the Corporation's debt ratio.

Also on June 28, 2023, the Corporation entered into a new $20,000,000 secured demand credit facility with a bank. This demand credit facility bears interest at the Canadian or U.S. prime rate, plus a premium based on the Corporation's debt ratio.

Concurrently, the Corporation terminated its bank facility consisting of a $75,000,000 secured syndicated revolving credit facility.

The two new credit facilities contain certain restrictive covenants as well as typical representations and warranties for this type of agreement.

As at June 30, 2023, drawings on the demand credit facility totalled $294,000, in addition to $3,832,000 in outstanding letters of credit. $91 million was also drawn on the revolving credit facility taken out with QMI.

In December 2021, Investissement Québec extended an unsecured, interest-free loan for a maximum amount of $25,000,000 to Mels Studios and Postproduction G.P. in order to support the construction of a fourth production studio. The loan contains certain restrictive covenants, as well as typical representations and warranties for such loans. The agreement provides for repayment of the loan over 10 years and includes a moratorium for the first three years. As at June 30, 2023, no disbursement had been made on the loan by Investissement Québec.

The Corporation's management believes that the cash flows generated on an annual basis by continuing operating activities and by available sources of financing should be sufficient to fulfill its commitments with respect to investment in property, plant and equipment, business acquisitions, working capital, interest payments, income tax payments, repayment of debt and lease liabilities, pension plan contributions, share redemptions and shareholder dividends and to meet its commitments and guarantees.

As at June 30, 2023, the Corporation was in compliance with all the terms of its credit agreements.

Analysis of consolidated balance sheet as at June 30, 2023

Table 5
Consolidated balance sheets of TVA Group
Analysis of main variances between June 30, 2023 and December 31, 2022
(in thousands of dollars)

	June 30, 2023	December 31, 2022	Difference	Main reasons for difference
Assets				
Accounts receivable	**$ 141,557**	$ 175,174	$ (33,617)	Impact of the collection of certain receivables from entities under common control and the decrease in volume of activities in some segments.
Income taxes	**20,040**	8,522	11,518	Impact of recognition of current tax assets resulting from realization of deductible losses for the first half of 2023.
Current audiovisual content	**113,323**	135,038	(21,715)	Impact of current and seasonal variations in activities.
Liabilities				
Accounts payable, accrued liabilities and provisions	**$ 90,232**	$ 114,174	$ (23,942)	Impact of payment of certain payables to related parties and the decrease in volume of activities in some segments.
Short-term content rights payable	**42,591**	124,394	(81,803)	Impact of the payment of certain sports content rights.
Long-term debt	**90,889**	–	90,889	Impact of use of parent corporation financing to pay certain sports content rights.

ADDITIONAL INFORMATION

Contractual obligations

As at June 30, 2023, material contractual commitments of operating activities included principal payments and interest on debt and lease liabilities, payments under audiovisual content acquisition contracts, and payments under other contractual commitments. These contractual obligations are summarized in Table 6.

Table 6
Material contractual obligations of TVA Group as at June 30, 2023
(in thousands of dollars)

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Long-term debt	$ –	$ 91,000	$ –	$ –	$ 91,000
Lease liabilities	1,860	3,083	1,301	1,478	7,722
Payment of interest[1]	7,618	7,702	191	111	15,622
Content rights	222,833	177,094	8,342	842	409,111
Other commitments	8,284	5,040	251	–	13,575
Total	**$ 240,595**	**$ 283,919**	**$ 10,085**	**$ 2,431**	**$ 537,030**

[1] *Interest is calculated on a constant debt level equal to that at June 30, 2023 and includes standby fees on the revolving credit facility and interest on lease obligations.*

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 2023, 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 associated corporations in the aggregate amount of $31,536,000 ($31,080,000 for the second quarter of 2022).

In the second quarter of 2023, the Corporation recorded content acquisition costs, telecommunications service costs, advertising space acquisition costs, professional service fees and commissions on sales and newsgathering services arising from transactions with corporations under common control and associates totalling $27,386,000 ($29,854,000 for the second quarter of 2022).

In the second quarter of 2023, the Corporation also billed management fees to corporations under common control in the amount of $1,515,000 ($1,457,000 for the second quarter of 2022). These fees are recorded as a reduction of operating expenses.

The Corporation also assumed management fees of the parent corporation in the amount of $1,220,000 for the second quarter of 2023 ($945,000 for the same period of 2022).

In the first six months of 2023, 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 associated corporations in the aggregate amount of $61,187,000 ($59,397,000 for the first six months of 2022).

In the first six months of 2023, the Corporation recorded content acquisition costs, 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 $60,398,000 ($47,468,000 in the first six months of 2022).

In the first six months of 2023, the Corporation also billed management fees to corporations under common control in the amount of $2,982,000 ($2,883,000 in the first half of 2022).

The Corporation also assumed management fees of the parent corporation in the amount of $2,440,000 in the first six months of 2023 ($1,890,000 for the same period of 2022).

Capital stock

Table 7 below presents information on the Corporation's capital stock. In addition, 503,774 Class B stock options of the Corporation were outstanding as of July 14, 2023.

Table 7
Capital stock outstanding as at July 14, 2023
(in shares and dollars)

	Issued and outstanding	Carrying amount
Class A common shares	4,320,000	$ 0.02
Class B shares	38,885,535	$ 5.33

Disclosure controls and procedures

The purpose of internal controls over financial reporting is to provide reasonable assurance as to the reliability of the Corporation's financial reporting and the preparation of its financial statements in accordance with IFRS. There have not been any changes in internal controls over financial reporting during the three-month period ended June 30, 2023 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

Additional information

The Corporation is a reporting issuer under the securities acts of all the provinces of Canada. It is therefore required to file financial statements, an information circular and an annual information form with the various securities regulatory authorities. Copies of those documents are available free of charge from the Corporation on request, and on the Web at www.sedar.com or www.sedarplus.ca and www.groupetva.ca.

Forward-looking information disclaimer

The statements in this Management's Discussion and Analysis that are not historical facts may be forward-looking statements and are subject to important known and unknown risks, uncertainties and assumptions which could cause the Corporation's actual results for future periods to differ materially from those set forth in the forward-looking statements. Forward-looking statements generally can be identified by the use of the conditional, the use of forward-looking terminology such as "propose," "will," "expect," "may," "anticipate," "intend," "estimate," "plan," "foresee," "believe" or the negative of these terms or variations of them or similar terminology. Certain factors that may cause actual results to differ from current expectations include seasonality, operational risks (including pricing actions by competitors and the risk of loss of key customers in the Film Production & Audiovisual Services and Production & Distribution segments), programming, content and production cost risks, credit risk, government regulation risks, government assistance risks, changes in economic conditions, fragmentation of the media landscape, risk related to the Corporation's ability to adapt to fast-paced technological change and to new delivery and storage methods, labour relation risks, and the risks related to public health emergencies, including COVID-19, as well as any urgent steps taken by government.

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

For more information on the risks, uncertainties and assumptions that could cause the Corporation's actual results to differ from current expectations, please refer to the Corporation's public filings, available at www.sedar.com or www.sedarplus.ca 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, 2022.

The forward-looking statements in this Management's Discussion and Analysis reflect the Corporation's expectations as of August 3, 2023, 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

August 3, 2023

Table 8
SELECTED QUARTERLY FINANCIAL DATA
(in thousands of dollars, except for per-share data)

	2023		2022	
	June 30	March 31	Dec. 31	Sept. 30
Operations				
Revenues	**$ 138,760**	$ 136,103	$ 171,924	$ 130,519
(Negative adjusted EBITDA) adjusted EBITDA	**$ (3,843)**	$ (23,977)	$ 7,676	$ 18,195
Net (loss) income attributable to shareholders	**$ (7,847)**	$ (23,533)	$ (264)	$ 7,623
Basic and diluted per-share data				
Basic and diluted (loss) earnings per share	**$ (0.18)**	$ (0.54)	$ (0.01)	$ 0.18
Weighted average number of outstanding shares (in thousands)	**43,206**	43,206	43,206	43,206
Weighted average number of diluted shares (in thousands)	**43,206**	43,206	43,206	43,308

	2022		2021	
	June 30	March 31	Dec. 31	Sept. 30
Operations				
Revenues	$ 147,469	$ 144,497	$ 171,901	$ 150,703
Adjusted EBITDA (negative adjusted EBITDA)	$ 3,235	$ (9,721)	$ 28,678	$ 35,504
Net (loss) income attributable to shareholders	$ (3,212)	$ (13,016)	$ 12,095	$ 19,010
Basic and diluted per-share data				
Basic and diluted (loss) earnings per share	$ (0.07)	$ (0.30)	$ 0.28	$ 0.44
Weighted average number of outstanding shares (in thousands)	43,206	43,206	43,206	43,206
Weighted average number of diluted shares (in thousands)	43,206	43,206	43,339	43,466

- The Corporation’s businesses experience significant seasonality caused, among other factors, by seasonal advertising patterns, consumers’ viewing, reading and listening habits, demand for production services from international and local producers, demand for content from global broadcasters, and the related delivery schedules. Because the Corporation depends on the sale of advertising for a significant portion of its revenues, operating results are also sensitive to prevailing economic conditions, including changes in local, regional and national economic conditions, particularly as they may affect advertising spending.
- In the Broadcasting segment, operating expenses vary mainly as a result of programming costs, which are directly related to programming strategies and to live sports broadcasts. In the Film Production & Audiovisual Services segment, operating costs fluctuate according to demand for production services from international and local producers. In the Magazines segment, operating expenses fluctuate according to publication schedules, which may vary from quarter to quarter. In the Production & Distribution segment, operating expenses fluctuate according to delivery schedules and estimated future revenues.

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