INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

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CORPORATE PROFILE

TVA Group Inc. ("TVA Group," "TVA" or the "Corporation"), a subsidiary of Quebecor Media Inc. ("QMI" or the "parent corporation"), is a communications company with operations in 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 seven specialty services. TVA Group also holds 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 unit 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 2018 and major year-over-year changes. The Corporation's interim condensed consolidated financial statements for the three-month periods ended March 31, 2018 and 2017 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, 2017 and in the interim condensed consolidated financial statements dated as at March 31, 2018.

BUSINESS SEGMENTS

The Corporation's operations consist of the following segments:

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

- The **Magazines** segment, which through its subsidiaries, notably TVA Publications Inc. and Les Publications Charron & Cie inc., publishes magazines in various fields including the arts, entertainment, television, fashion and decorating; markets digital products associated with the various magazine brands, and provides custom publishing, commercial print production and premedia services.

- The **Film Production & Audiovisual Services** segment **("MELS"),** which through its subsidiaries Mels Studios and Postproduction G.P. and Mels Dubbing Inc. provides soundstage, mobile unit and production equipment rental services, as well as dubbing, postproduction, visual effects and distribution services.

HIGHLIGHTS SINCE END OF 2017

- On April 30, 2018, the Corporation signed 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 acquisition is subject to approval by the Canadian Radio-television and Telecommunications Commission ("CRTC").

- On April 12, 2018, the Federal Court of Appeal denied QMI's application, filed on February 16, 2018, for leave to appeal the CRTC decision of January 17, 2018 on the rate paid by BCE Inc. ("Bell") for distribution of "TVA Sports."

- During the first quarter of 2018, the Corporation renewed its collective agreements with employees in Rimouski and Saguenay for four years. The new union contracts expire on December 31, 2019 and October 31, 2021 respectively.

- On January 26, 2018, the Corporation sold the assets associated with *The Hockey News* magazine to Roustan Media Ltd., owned by Graeme Roustan.

- On January 22, 2018, the Corporation acquired the assets of Mobilimage inc., essentially consisting of mobile production vehicles and equipment, for $2,705,000. The acquired company's mobile production vehicle and equipment rental activities have been incorporated into the Film Production & Audiovisual Services segment's operations since the acquisition date.

- On January 17, 2018, the CRTC issued its decision in the final offer arbitration concerning distribution of the mainstream sports service "TVA Sports" by the broadcasting distribution undertakings operated by Bell in Quebec. The CRTC selected Bell's offer, which sets out per-subscriber wholesale rates for distribution of "TVA Sports" that are lower than the Corporation's expectations, for the period of September 1, 2016 to August 31, 2018.

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 operating income (loss) ("Adjusted operating results")

In its analysis of operating results, the Corporation defines adjusted operating income (loss) as net income (loss) before depreciation of property, plant and equipment, amortization of intangible assets, financial expenses, operational restructuring costs and others, income taxes and share of income of associated corporations. Adjusted operating income (loss) 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 of tangible and intangible assets and is unaffected by the capital structure or investment activities of the Corporation and its segments. Adjusted operating income (loss) is also relevant because it is a significant component of the Corporation's annual incentive compensation programs. The Corporation's definition of adjusted operating income (loss) may not be identical to similarly titled measures reported by other companies.

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

Table 1
Reconciliation of the adjusted operating income (loss) 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		
		2018		2017
Adjusted operating income (loss):				
Broadcasting & Production	**$**	**2,406**	$	657
Magazines		**875**		384
Film Production & Audiovisual Services		**(988)**		(1,635)
		2,293		(594)
Depreciation of property, plant and equipment and amortization of intangible assets		**8,756**		8,823
Financial expenses		**587**		635
Operational restructuring costs and others		**104**		832
Tax recovery		**(1,723)**		(2,602)
Share of income of associated corporations		**(284)**		(202)
Non-controlling interest		**(156)**		(48)
Net loss attributable to shareholders	**$**	**(4,991)**	$	(8,032)

ANALYSIS OF CONSOLIDATED RESULTS

2018/2017 first quarter comparison

Operating revenues: $133,836,000, a $7,288,000 (-5.2%) decrease.

- $3,620,000 (-3.3%) decrease in the Broadcasting & Production segment (Table 2) essentially due to a 5.0% decrease in TVA Network's advertising revenues and a 1.9% decrease in the subscription revenues of the specialty channels, mainly "TVA Sports."

- $2,969,000 (-13.8%) decrease in the Magazines segment (Table 2) due mainly to 25.3% and 24.6% decreases in advertising and subscription 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.

- $95,000 (-0.8%) decrease in the Film Production & Audiovisual Services segment (Table 2), essentially due to revenue decreases from all of the segment's operations except revenues from soundstage, mobile unit and production equipment rental services.

Table 2
Operating revenues
(in thousands of dollars)

	Three-months ended March 31	
	2018	2017
Broadcasting & Production	**$ 107,151**	$ 110,771
Magazines	**18,480**	21,449
Film Production & Audiovisual Services	**11,469**	11,564
Intersegment items	**(3,264)**	(2,660)
	$ 133,836	$ 141,124

Adjusted operating income: $2,293,000, representing a $2,887,000 favourable variance.

- $1,749,000 favourable variance in the Broadcasting & Production segment (Table 3) caused mainly by a 67.6% decrease in the "TVA Sports" specialty service's adjusted operating loss and a 5.0% increase in the adjusted operating income of the other specialty services, partially offset by a decrease in TVA Network's adjusted operating income.

- $491,000 favourable variance in the Magazines segment (Table 3) due primarily to the savings generated by various staff and expense rationalization plans implemented in 2017 and the first quarter of 2018. Those savings outweighed the decrease in the segment's operating revenues.

- $647,000 favourable variance in the Film Production & Audiovisual Services segment (Table 3), caused primarily by a decrease in the adjusted operating loss generated by soundstage, mobile unit and production equipment rental services, partially offset by a decrease in adjusted operating results from visual effects and postproduction due to lower volume of activities.

Table 3
Adjusted operating income (loss)
(in thousands of dollars)

	Three-months ended March 31	
	2018	2017
Broadcasting & Production	**$ 2,406**	$ 657
Magazines	**875**	384
Film Production & Audiovisual Services	**(988)**	(1,635)
	$ 2,293	$ (594)

Net loss attributable to shareholders: $4,991,000 (-$0.12 per basic and diluted share), compared with $8,032,000 (-$0.19 per basic and diluted share) in the same period of 2017.

- The $3,041,000 ($0.07 per basic and diluted share) favourable variance was essentially due to:

  - $2,887,000 favourable variance in adjusted operating income; and

  - $728,000 favourable variance in operational restructuring costs and others;

partially offset by:

    - $879,000 unfavourable variance in income tax recovery.

- The calculation of losses per share was based on a weighted average of 43,205,535 outstanding diluted shares for the quarters ended March 31, 2018 and 2017.

Depreciation of property, plant and equipment and amortization of intangible assets: $8,756,000, a slight $67,000 decrease.

Financial expenses: $587,000, a $48,000 decrease essentially due to higher interest revenues in the first quarter of 2018 than in the same period of 2017.

Operational restructuring costs and others: $104,000 in the first quarter of 2018, compared with $832,000 in the same period of 2017.

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

- In the first quarter of 2018, the Corporation recorded $877,000 in operational restructuring costs in connection with the elimination of positions, including $63,000 in the Broadcasting & Production segment, $708,000 in the Magazines segment and $106,000 in the Film Production & Audiovisual Services segment.

- During the three-month period ended March 31, 2018, the Corporation also made a $119,000 upward adjustment to the provision for onerous leases in the Magazines segment.

- In the first quarter of 2017, the Corporation recorded $752,000 in operational restructuring costs in connection with the elimination of positions, including $472,000 in the Broadcasting & Production segment, $146,000 in the Magazines segment and $134,000 in the Film Production & Audiovisual Services segment.

Income tax recovery: $1,723,000 (effective tax rate of 24.1%) in the first quarter of 2018, compared with $2,602,000 (effective tax rate of 23.9%) in the same period of 2017.

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

- In the first quarter of 2017, the effective tax rate was slightly lower than the Corporation’s statutory tax rate of 26.8% because of, among other things, permanent differences related to non-deductible items.

Share of income of associated corporations: $284,000 in the first quarter of 2018, compared with $202,000 in the same quarter of 2017. The $82,000 favourable variance was mainly due to the improved financial results of associated corporations in the first quarter of 2018 compared with the same period of 2017.

Non-controlling interest: -$156,000 in the first quarter of 2018 compared with **-**$48,000 in the same period of 2017. The $108,000 variance was due to the increased net loss of a corporation in which a subsidiary of the Corporation holds a 51% interest.

SEGMENTED ANALYSIS

Broadcasting & Production

2018/2017 first quarter comparison

Operating revenues: $107,151,000, a $3,620,000 (-3.3%) decrease due primarily to:

- 5.0% decrease in TVA Network's advertising revenues;
- 1.9% decrease in the subscription revenues of the specialty channels, including 2.4% at "TVA Sports";
- 12.6% decrease in revenues from content sales; and
- 9.1% decrease in revenues from commercial production.

French-language audience share

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

First quarter 2018 vs First quarter 2017			
	2018	**2017**	**Difference**
French-language conventional broadcasters:			
TVA	**24.1**	24.1	-
SRC	**16.6**	14.2	2.4
V	**5.7**	6.9	- 1.2
	46.4	45.2	1.2
French-language specialty and pay services:			
TVA	**12.1**	11.9	0.2
Bell Media	**12.7**	15.2	- 2.5
Corus	**7.6**	6.9	0.7
SRC	**4.4**	4.7	- 0.3
Others	**5.3**	5.1	0.2
	42.1	43.8	-1.7
Total English-language and others:	**11.5**	11.0	0.5
TVA Group	**36.2**	36.0	0.2

Source: Numeris, Quebec Franco, January 1 to March 31, 2018, Mon-Sun, 2:00 – 2:00, All 2+.

TVA Group's total market share for the period of January 1 to March 31, 2018 was 36.2%, compared with 36.0% in the same period of 2017, representing a 0.2-point increase.

The combined market share of TVA Group's specialty services increased by 0.2 points from 11.9% to 12.1%. The "Prise 2" channel posted robust 1.0-point growth. The market share of the news and public affairs channel "LCN" increased by 0.2 points to 4.4%. The market shares of "TVA Sports" and "Yoopa" decreased by 0.3 points each, while "addik^{TV}" and "Casa" posted 0.2-point decreases.

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, despite the broadcast of the 2018 PyeongChang Winter Olympics on Radio-Canada. TVA Network also had 11 of the top 15 shows in Québec in the first quarter of 2018, including the number 1 show *La Voix*, which attracted an average audience of more than 2.0 million, and the number 2 show *Fugueuse,* with an average audience of more than 1.6 million.

Operating expenses: $104,745,000, a $5,369,000 (-4.9%) decrease due primarily to:

- 17.6 % decrease in the operating expenses of "TVA Sports" related mainly to programming costs, which were lower essentially because of recognition in income of broadcast rights of the National Hockey League ("NHL") games based on the broadcast schedule, as well as game production costs; and
- savings generated by a 4.6% decrease in TVA Network's operating expenses other than spending on programming;

partially offset by:

- 3.8% increase in TVA Network's spending on programming.

Adjusted operating income: $2,406,000, representing a $1,749,000 favourable variance due primarily to:

- 67.6% decrease in the adjusted operating loss of "TVA Sports" due essentially to the decrease in its operating expenses; and
- 5.0% increase in the adjusted operating income of the other specialty services;

partially offset by:

- decrease in TVA Network's adjusted operating income resulting essentially from the 4.9% decrease in operating revenues.

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) decreased from 99.4% in the first quarter of 2017 to 97.8% in the same period of 2018, mainly because the decrease in operating expenses exceeded the decrease in operating revenues.

Magazines

<u>2018/2017 first quarter comparison</u>

- **Operating revenues:** $18,480,000, a $2,969,000 (-13.8%) decrease primarily due to:
    - 25.3% decrease in the magazines' advertising revenues, on a comparable basis, essentially in the women's category;
    - 24.6% decrease in the magazines' subscription revenues, on a comparable basis, primarily in the women's and decorating categories; and
    - the sale of *The Hockey News* magazine.

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 15.4% of the segment's operating revenues for the three-month period ended March 31, 2018 (13.6% in the same period of 2017).

Readership and market share statistics

With 2.9 million readers across all platforms for its French titles, TVA Group is the top publisher of French-language magazines in Quebec. It is also a leading player in the Canadian magazine market with 9.1 million cross-platform readers. *7 Jours* is the number 1 entertainment and celebrity news magazine with 503,000 readers per week on all platforms.

Canada's lifestyle standard-setter *Canadian Living* has more than 3.6 million cross-platform readers. Its French-language counterpart *Coup de pouce* is the most-read French-language lifestyle magazine on all platforms with more than 1.3 million readers per month.

ELLE Canada held its position as the country's top fashion and beauty magazine with nearly 1.7 million readers on all platforms while *Clin d'œil* was Quebec's most popular fashion and beauty magazine with 575,000 cross-platform readers.

Source: Vividata, Spring 2018, Total Canada, 12+, January 1, 2017 to December 31, 2017

Operating expenses: $17,605,000, a $3,460,000 (-16.4%) decrease due primarily to:

- operating cost savings resulting from implementation of staff and expense rationalization plans in 2017 and the first quarter of 2018;
- subscription cost savings, largely in distribution and in recruiting campaigns; and
- decrease in operating expenses resulting from the sale of *The Hockey News* magazine.

Adjusted operating income: $875,000, representing a $491,000 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 98.2% in the first quarter of 2017 to 95.3% in the same period of 2018, mainly because of the decrease in operating expenses, which exceeded the decrease in operating revenues.

Film Production & Audiovisual Services

2018/2017 first quarter comparison

Operating revenues: $11,469,000, a $95,000 (-0.8%) decrease due primarily to:

- 43.2% decrease in visual effects revenues;
- 35.8% decrease in sound postproduction revenues;
- 13.2% decrease in picture postproduction revenues; and
- 11.3% decrease in dubbing and subtitling revenues;

partially offset by:

- 77.1% increase in soundstage, mobile unit and production equipment rental revenues essentially due to increased volume of productions at our facilities in the first quarter of 2018.

Operating expenses: $12,457,000, a $742,000 (-5.6%) decrease due primarily to:

- 19.5% decrease in operating expenses related to visual effects;
- 19.3% decrease in operating expenses related to dubbing and subtitling; and
- 11.8% decrease in operating expenses related to postproduction;

partially offset by:

- 9.5% increase in operating expenses related to soundstage, mobile unit and production equipment rental services resulting from higher volume of activities.

Adjusted operating loss: $988,000, representing a $647,000 favourable variance primarily due to:

- 77.0% decrease in the adjusted operating loss generated by soundstage, mobile unit and production equipment rental services in the first quarter of 2018 compared with the same period of 2017; and
- increase in adjusted operating income from dubbing and subtitling;

partially offset by:

- decrease in adjusted operating results from all of the segment's other operations, due mainly to lower volume of activities in sound postproduction and visual effects.

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) were 108.6% in the first quarter of 2018 compared with 114.1% in the first quarter of 2017. The reduction was due essentially to soundstage, mobile unit and production equipment rental operations.

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 unit 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.

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	
	2018	2017
Cash flows related to operating activities	**$ (8,324)**	$ (21,414)
Additions to property, plant and equipment and intangible assets	**(5,181)**	(6,088)
Business acquisition	**(2,705)**	-
Others	**(739)**	(5)
Increase in net debt	**$ (16,949)**	$ (27,507)

	March 31, 2018	December 31, 2017
At period end:		
Long-term debt	**$ 49,896**	$ 52,708
Short-term debt	**10,313**	9,844
Less: cash	**(1,966)**	(21,258)
Net debt	**$ 58,243**	$ 41,294

Operating activities

Cash flows related to operating activities: $13,090,000 increase in the three-month period ended March 31, 2018 compared with the same period of 2017 due mainly to an $11,489,000 favourable net change in accounts receivable and a $2,887,000 increase in adjusted operating results.

Working capital: $25,276,000 as at March 31, 2018 compared with $32,368,000 as at December 31, 2017, a $7,092,000 unfavourable variance due primarily to decreases in cash and accounts receivable, partially offset by decreases in accounts payable and accrued liabilities, income taxes payable and deferred revenues, and an increase in prepaid expenses.

Investing activities

Additions to property, plant and equipment and to intangible assets: $5,181,000 in the first quarter of 2018 compared with $6,088,000 in the same period of 2017. The $907,000 (-14.9%) decrease was essentially due to a decrease in budgeted capital expenditures projects for the current year.

During the three-month period ended March 31, 2018, the Corporation made investments in technical equipment, production equipment for rental, and its technological infrastructure.

Business acquisitions: $2,705,000 in the first quarter of 2018. (See "Acquisition of the assets of Mobilimage inc." above.)

Financing activities

Long-term debt (excluding deferred financing costs): $60,447,000 as at March 31, 2018, compared with $62,839,000 as at December 31, 2017. The $2,392,000 reduction essentially reflects the quarterly capital repayment on the term loan.

Financial position as at March 31, 2018

Net available liquid assets: $151,966,000, consisting of a $150,000,000 unused and available revolving credit facility and $1,966,000 in cash.

As at March 31, 2018, minimum principal debt payments in the coming 12-month periods were as follows:

Table 6
TVA Group minimum principal payments on debt
12-month periods ended March 31
(in thousands of dollars)

2019	$	10,313
2020		50,134
Total	**$**	**60,447**

The weighted average term of TVA Group's debt was approximately 1.4 years as of March 31, 2018 (1.6 years as of December 31, 2017). The debt consisted entirely of floating-rate debt as at March 31, 2018 and December 31, 2017.

The Corporation also has a $150,000,000 revolving credit facility, which was renewed on November 3, 2014 and matures on February 24, 2019. As at March 31, 2018 and December 31, 2017, 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, 2018, the Corporation was in compliance with all the terms of its credit agreements.

Analysis of consolidated balance sheet as at March 31, 2018

Table 7
Consolidated balance sheets of TVA Group
Analysis of main variances between March 31, 2018 and December 31, 2017
(in thousands of dollars)

	March 31, 2018	Dec. 31, 2017	Difference	Main reasons for difference
Assets				
Cash	**$ 1,966**	$ 21,258	$ (19,292)	Impact of current and seasonal variations in activities and the payment of outstanding 2017 income tax balances.
Accounts receivable	**130,950**	144,913	(13,963)	Impact of seasonal variations in activities and the decrease in operating revenues.
Liabilities				
Accounts payable and accrued liabilities	**92,276**	104,505	(12,229)	Impact of current and seasonal variations in activities.
Income tax	**456**	6,314	(5,858)	Impact of payment of outstanding 2017 income tax balances.

ADDITIONAL INFORMATION

Contractual obligations

As of March 31, 2018, material contractual commitments related to operating activities included capital repayment and interest on debt, payments under broadcast rights acquisition contracts, and payments under other contractual commitments, such as operating leases for services and office space. These contractual obligations are summarized in Table 8.

Table 8
Material contractual obligations of TVA Group as at March 31, 2018
(in thousands of dollars)

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Long-term debt	$ 10,313	$ 50,134	$ –	$ –	$ 60,447
Payment of interest[1]	2,270	1,137	–	–	3,407
Broadcast rights	173,479	164,153	147,702	210,294	695,628
Other commitments	18,204	18,376	3,289	2,194	42,063
Total	**$ 204,266**	**$ 233,800**	**$ 150,991**	**$ 212,488**	**$ 801,545**

[1] *Interest is calculated on a constant debt level equal to that as at March 31, 2018 on the revolving credit facility and includes standby fees on that facility.*

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 2018, the Corporation sold advertising space and broadcast rights 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 $25,844,000 ($23,356,000 in the first quarter of 2017).

In the first quarter of 2018, 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 $15,081,000 ($11,992,000 in the first quarter of 2017).

In the first quarter of 2018, the Corporation also billed management fees to corporations under common control in the amount of $2,693,000 ($835,000 in the first quarter of 2017). These fees are recorded as a reduction of operating expenses.

The Corporation also assumed management fees to the parent corporation in the amount of $855,000 in the first quarter of 2018 ($855,000 in the first quarter of 2017).

Capital stock

Table 9 below presents information on the Corporation's capital stock. In addition, 60,000 Class B stock options of the Corporation were outstanding as at April 20, 2018.

Table 9
Number of shares outstanding as at April 20, 2018
(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

Changes in accounting policies

IFRS 9 – *Financial Instruments*

On January 1, 2018, the Corporation adopted the new rules under IFRS 9, which simplifies the measurement and classification of financial assets by reducing the number of measurement categories in IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard also provides for a fair value option in the designation of a non-derivative financial liability and its related classification and measurement, as well as for a new hedge accounting model more closely aligned with risk management activities undertaken by entities.

Under the new rules, financial assets and liabilities are now all classified as subsequently measured at amortized cost.

The adoption of IFRS 9 by the Corporation had no impact on the consolidated financial statements.

IFRS 15 – *Revenue from Contracts with Customers*

On January 1, 2018, the Corporation also adopted on a fully retrospective basis the new rules under IFRS 15 which specifies how and when an entity should recognize revenue as well as requiring such entities to provide users of financial statements with more informative disclosures.

The standard provides a single, principles-based five-step model to be applied to all contracts with customers. Accordingly, the Corporation now recognizes a contract with a customer only when all of the following criteria are satisfied:

- The parties to the contract have approved the contract - in writing, orally or in accordance with other customary business practices - and are committed to perform their respective obligations;
- The entity can identify each party's rights regarding the goods or services to be transferred;
- The entity can identify the payment terms for the goods or services to be transferred;
- The contract has commercial substance (i.e. the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract); and
- It is highly probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

The adoption of IFRS 15 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, 2018 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, 2017 and the "Risk Factors" section in the Corporation's 2017 annual information form.

The forward-looking statements in this Management's Discussion and Analysis reflect the Corporation's expectations as at May 3, 2018, 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 3, 2018

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

	2018	2017		
	March 31	December 31	September 30	June 30
Operations				
Operating revenues	**$ 133,836**	$ 155,256	$ 140,785	$ 152,542
Adjusted operating income	**$ 2,293**	$ 22,968	$ 32,935	$ 11,072
Net (loss) income attributable to shareholders	**$ (4,991)**	$ 9,210	$ (15,259)	$ (1,870)
Basic and diluted per-share data				
Basic and diluted (loss) earnings per share	**$ (0.12)**	$ 0.21	$ (0.35)	$ (0.04)
Weighted average number of outstanding shares (in thousands)	**43,206**	43,206	43,206	43,206

	2017	2016		
	March 31	December 31	September 30	June 30
Operations				
Operating revenues	$ 141,124	$ 169,522	$ 131,592	$ 144,229
Adjusted operating (loss) income	$ (594)	$ 21,984	$ 20,693	$ 2,427
Net (loss) income attributable to shareholders	$ (8,032)	$ 5,717	$ (32,507)	$ (5,676)
Basic and diluted per-share data				
Basic and diluted (loss) earnings per share	$ (0.19)	$ 0.13	$ (0.75)	$ (0.13)
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 the arrival of magazines on newsstands, 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.