INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

TABLE OF CONTENTS

CORPORATE PROFILE

TVA Group Inc. ("TVA Group" 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 Canal 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 and equipment rental as well as postproduction and visual effects 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 third quarter of 2017 and the major changes from the previous financial year. The Corporation's interim condensed consolidated financial statements for the three-month and nine-month periods ended September 30, 2017 and 2016 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 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, 2016 and in the Condensed Interim Consolidated Financial Statements as at September 30, 2017.

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 and divisions TVA Productions inc., TVA Nouvelles and TVA Interactif), 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, sports and decoration, 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 and equipment rental, dubbing, postproduction and visual effects services.

HIGHLIGHTS SINCE END OF SECOND QUARTER 2017

- On October 13, 2017, following the announcement of Julie Tremblay's retirement, the Chairwoman of the Board of TVA Group announced the appointment of France Lauzière as President and Chief Executive Officer of the Corporation, and of Martin Picard as Senior Vice President and Chief Operating Officer.

- On August 14, 2017, acting on the recommendation of The Honourable Mélanie Joly, Minister of Canadian Heritage, the Governor in Council referred the broadcasting decisions on the renewal of the television licences of the major French-language broadcasting groups made by the Canadian Radio-Television and Telecommunications Commission ("CRTC") on May 15, 2017 back to the Commission for review and new hearings. Accordingly, a review of the decisions on renewal of the Corporation's licences has been undertaken and new hearings will be held in 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, impairment of goodwill and of intangible assets, operational restructuring costs and others, income taxes and share of loss (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 to net loss attributable to shareholders as disclosed in the Corporation's condensed consolidated financial statements.

Table 1
Reconciliation of the adjusted operating income 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 September 30		Nine-months ended September 30	
	2017	2016	**2017**	2016
Adjusted operating income:				
Broadcasting & Production	**$ 19,902**	$ 11,249	**$ 25,635**	$ 4,934
Magazines	**3,189**	5,712	**7,538**	11,691
Film Production & Audiovisual Services	**9,844**	3,732	**10,240**	6,792
	32,935	20,693	**43,413**	23,417
Depreciation of property, plant and equipment and amortization of intangible assets	**8,767**	8,968	**26,509**	26,322
Financial expenses	**697**	738	**1,969**	2,574
Impairment of goodwill and intangible assets	**42,405**	40,100	**42,405**	40,100
Operational restructuring costs and others	**32**	617	**4,982**	1,777
Tax (recovery) expense	**(3,927)**	2,821	**(7,124)**	(1,404)
Share of loss (income) of associated corporations	**139**	(275)	**(328)**	(603)
Non-controlling interest	**81**	231	**161**	223
Net loss attributable to shareholders	**$ (15,259)**	$ (32,507)	**$ (25,161)**	$ (45,572)

ANALYSIS OF CONSOLIDATED RESULTS

2017/2016 third-quarter comparison

Operating revenues: $140,785,000, a $9,193,000 (7.0%) increase.

- $5,701,000 (6.4%) increase in the Broadcasting & Production segment (Table 2) essentially due to a 12.6% increase in TVA Network's advertising revenues and a 21.8% increase in the "TVA Sports" channel's subscription revenues, which were partially offset by a decrease in TVA Network's commercial production revenues due to lower volume of activities.

- $4,807,000 (-16.0%) decrease in the Magazines segment (Table 2) due mainly to the decreases of 29.4% in advertising revenues, 11.4% in subscription revenues and 6.3% in newsstand revenues for comparable magazines, combined with the discontinuation of some titles in 2016.

- $8,625,000 (54.0%) increase in the Film Production & Audiovisual Services segment (Table 2), essentially due to a 129.6% increase in revenues from soundstage and equipment rental, partially offset by a 41.7% decrease in postproduction revenues.

Table 2
Operating revenues
(in thousands of dollars)

	Three-months ended September 30		Nine-months ended September 30	
	2017	2016	**2017**	2016
Broadcasting & Production	**$ 94,110**	$ 88,409	**$ 322,133**	$ 299,433
Magazines	**25,218**	30,025	**70,376**	86,709
Film Production & Audiovisual Services	**24,594**	15,969	**50,372**	44,131
Intersegment items	**(3,137)**	(2,811)	**(8,430)**	(8,929)
	$ 140,785	$ 131,592	**$ 434,451**	$ 421,344

Adjusted operating income: $32,935,000, a $12,242,000 (59.2%) favourable variance.

- $8,653,000 favourable variance in the Broadcasting & Production segment (Table 3) mainly because of an increase in the "TVA Sports" channel's adjusted operating income resulting from subscription revenue growth and decreased operating expenses, as well as the increase in TVA Network's adjusted operating income resulting from higher operating revenues.

- $2,523,000 unfavourable variance in the Magazines segment (Table 3), due mainly to the above-noted decrease in operating revenues, which was partially offset by the savings generated by the staff and expense rationalization plans implemented in recent quarters.

- $6,112,000 favourable variance in the Film Production & Audiovisual Services segment (Table 3), due primarily to an increase in adjusted operating income from soundstage and equipment rental caused by significantly higher volume of activities, partially offset by decreased volume of activities in postproduction and visual effects.

Table 3
Adjusted operating income
(in thousands of dollars)

	Three-months ended September 30		Nine-months ended September 30	
	2017	2016	**2017**	2016
Broadcasting & Production	**$ 19,902**	$ 11,249	**$ 25,635**	$ 4,934
Magazines	**3,189**	5,712	**7,538**	11,691
Film Production & Audiovisual Services	**9,844**	3,732	**10,240**	6,792
	$ 32,935	$ 20,693	**$ 43,413**	$ 23,417

Net loss attributable to shareholders: $15,259,000 (-$0.35 per basic and diluted share), compared with $32,507,000 (-$0.75 per basic and diluted share) in the same period of 2016.

- The $17,248,000 ($0.40 per basic and diluted share) favourable variance was essentially due to:
  - $12,242,000 increase in adjusted operating income; and
  - $6,748,000 favourable variance in income tax;

  partially offset by:

- recognition of a $42,405,000 charge for impairment of goodwill and intangible assets in the third quarter of 2017, compared with a $40,100,000 impairment charge in the third quarter of 2016.

- The calculation of losses per share were based on a weighted average of 43,205,535 outstanding diluted shares for the quarters ended September 30, 2017 and 2016.

Depreciation of property, plant and equipment and amortization of intangible assets: $8,767,000, a slight $201,000 decrease.

Financial expenses: $697,000, a slight $41,000 decrease.

Charge for impairment of goodwill and intangible assets: $42,405,000 for the three-month period ended September 30, 2017 compared with a $40,100,000 goodwill impairment charge for the three-month period ended September 30, 2016.

The continuing downward trend in operating revenues in the magazines industry led the Corporation to perform impairment tests on its Magazines cash-generating unit ("CGU") in the third quarters of 2017 and 2016. The Corporation concluded that the recoverable amount of the Magazines CGU, based on value in use, was less than its carrying amount. Accordingly, a $29,993,000 goodwill impairment charge, including $1,489,000 without any tax consequences ($40,100,000 without tax consequences in 2016), and a $12,412,000 charge for impairment of certain intangible assets, including $3,103,000 without any tax consequences (nil in 2016), were recognized.

Operational restructuring costs and others: $32,000 in the third quarter of 2017, compared with $617,000 in the same period of 2016.

- During the three-month period ended September 30, 2017, the Corporation recorded $32,000 in operational restructuring costs in connection with elimination of positions, including $19,000 in the Broadcasting & Production segment and $13,000 in the Magazines segment ($517,000 in the three-month period ended September 30, 2016, including $341,000 in the Broadcasting & Production segment, $105,000 in the Magazines segment, and $71,000 in the Film Production & Audiovisual Services segment).

Tax recovery: $3,927,000 (effective tax rate of 20.7%) in the third quarter of 2017, compared with a tax expense of $2,821,000 (effective tax rate of -9.5%) in the same period of 2016.

- In the third quarter of 2017, the effective tax rate was lower than the Corporation's statutory tax rate of 26.8%, essentially because of the non-deductible portion of the charge for impairment of goodwill and certain intangible assets.

- In the third quarter of 2016, the effective tax rate was lower than the Corporation's statutory tax rate of 26.9%, essentially because of the non-deductible goodwill impairment charge.

Share of loss of associated corporations: $139,000 in the third quarter of 2017 compared with income of $275,000 in the same period of 2016. The $414,000 unfavourable variance was due to lower financial results at the associated corporations, reflecting in part a favourable adjustment to ROC Television closure costs in the third quarter of 2016.

Non-controlling interest: $81,000 in the third quarter of 2017, compared with $231,000 in the same period of 2016. The $150,000 difference was due to the lower financial results of a corporation in which a subsidiary of the Corporation holds a 51% interest.

2017/2016 year-to-date comparison

Operating revenues: $434,451,000, a $13,107,000 (3.1%) increase.

- $22,700,000 (7.6%) increase in the Broadcasting & Production segment (Table 2) essentially due to increases of 21.2% and 32.0% in the "TVA Sports" channel's subscription and advertising revenues respectively, and a

7.0% increase in TVA Network's advertising revenues. These increases were partially offset by lower revenues from commercial production at TVA Network and from content sales.

- $16,333,000 (-18.8%) decrease in the Magazines segment (Table 2) due mainly to the decreases of 27.6% in advertising revenues, 8.3% in newsstand revenues and 8.1% in subscription revenues for comparable magazines, combined with the discontinuation of some titles in 2016 and lower custom printing volume of activities.

- $6,241,000 (14.1%) increase in the Film Production & Audiovisual Services segment (Table 2), essentially due to a 23.2% increase in revenues from soundstage and equipment leasing, and a 4.6% increase in revenues from the segment's other operations.

Adjusted operating income: $43,413,000, a $19,996,000 increase.

- $20,701,000 favourable variance in the Broadcasting & Production segment (Table 3) caused mainly by a 58.3% decrease in the adjusted operating loss of "TVA Sports," a 13.6% increase in TVA Network's adjusted operating income, and a 16.2% increase in the adjusted operating income of the other specialty services.

- $4,153,000 unfavourable variance in the Magazines segment (Table 3), essentially due to the above-noted decrease in operating revenues, which was partially offset by the savings generated by the staff and expense rationalization plans implemented in recent quarters.

- $3,448,000 favourable variance in the Film Production & Audiovisual Services segment (Table 3) due primarily to an increase in adjusted operating income from soundstage and equipment rental.

Net loss attributable to shareholders: $25,161,000 (-$0.58 per basic and diluted share) for the first nine months of 2017, compared with $45,572,000 (-$1.05 per basic and diluted share) in the same period of 2016.

- The $20,411,000 ($0.47 per basic and diluted share) favourable variance was essentially due to:

    - $19,996,000 increase in adjusted operating income; and

    - $5,720,000 favourable variance in tax recovery;

    partially offset by:

    - $3,205,000 unfavourable variance in operational restructuring costs and others; and

    - recognition of a $42,405,000 charge for impairment of goodwill and intangible assets in the third quarter of 2017, compared with a $40,100,000 goodwill impairment charge in the third quarter of 2016.

- The calculation of losses per share were based on a weighted average of 43,205,535 outstanding diluted shares for the nine-month periods ended September 30, 2017 and 2016.

Depreciation of property, plant and equipment and amortization of intangible assets: $26,509,000, a slight $187,000 increase.

Financial expenses: $1,969,000, a $605,000 decrease due mainly to recognition of a foreign exchange gain for the nine-month period ended September 30, 2017, compared with a foreign exchange loss in the same period of 2016, and to lower interest charges on the net defined benefit liability.

Charge for impairment of goodwill and intangible assets: $42,405,000 for the nine-month period ended September 30, 2017 compared with a $40,100,000 goodwill impairment charge for the same period of 2016, due to the same factors as those noted above in the 2017/2016 third-quarter comparison.

Operational restructuring costs and others: $4,982,000 in the first nine months of 2017, compared with $1,777,000 in the same period of 2016.

- In the second quarter of 2017, the Corporation recorded a $3,663,000 charge for onerous leases extending up to June 2022 for premises that are unused following implementation of rationalization plans in the Magazines segment.

- In addition to the factors noted in the 2017/2016 third-quarter comparison above, the Corporation recorded $1,235,000 in operational restructuring costs in connection with elimination of positions in the first half of 2017, including $691,000 in the Broadcasting & Production segment, $407,000 in the Magazines segment, and $137,000 in the Film Production & Audiovisual Services segment ($890,000 in the first half of 2016, including $404,000 in the Broadcasting & Production segment, $390,000 in the Magazines segment, and $96,000 in the Film Production & Audiovisual Services segment).

- During the first half of 2016, the Corporation had also recorded a $198,000 loss following the final adjustment to a contingent consideration related to the sale of the book publishing operations acquired from Transcontinental and simultaneously transferred to Sogides Group Inc., a corporation under common control.

Tax recovery: $7,124,000 (effective tax rate of 22.0%) in the first nine months of 2017, compared with $1,404,000 (effective tax rate of 3.0%) in the same period of 2016.

- In the first nine months of 2017, the effective tax rate was lower than the Corporation's statutory tax rate of 26.8%, mainly because of the non-deductible portion of the charge for impairment of goodwill and certain intangible assets.

- In the first nine months of 2016, the effective tax rate was lower than the Corporation's statutory tax rate of 26.9%, primarily because of the non-deductible goodwill impairment expense.

Share of income of associated corporations: $328,000 in the first nine months of 2017, compared with $603,000 in the same period of 2016; the $275,000 decrease was essentially due to lower financial results at the associated corporations, partly reflecting a favourable adjustment in the third quarter of 2016 to ROC Television closure costs.

Non-controlling interest: $161,000 in the nine-month period ended September 30, 2017 compared with $223,000 in the same period of 2016. The $62,000 reduction was due to a decrease in the net income of a corporation in which a subsidiary of the Corporation holds a 51% interest.

SEGMENTED ANALYSIS

Broadcasting & Production

2017/2016 third-quarter comparison

Operating revenues: $94,110,000, a $5,701,000 (6.4%) increase due primarily to:

- 12.6% increase in TVA Network's advertising revenues;
- 21.8% increase in the "TVA Sports" channel's subscription revenues; and
- 23.0% increase in the advertising revenues of the other specialty services;

partially offset by:

- lower revenues from commercial production due to decreased volume of activities; and
- 27.5% decrease in the advertising revenues of "TVA Sports" reflecting the broadcast of the 2016 World Cup of Hockey tournament in the same quarter of the previous year.

French-language market ratings

Table 4
French-language market ratings
(Market share in %)

Third quarter 2017 vs Third quarter 2016			
	2017	**2016**	**Difference**
French-language conventional broadcasters:			
TVA	**24.0**	22.3	1.7
SRC	**11.7**	13.4	- 1.7
V	**5.5**	6.8	- 1.3
	41.2	42.5	- 1.3
French-language specialty and pay services:			
TVA	**13.1**	11.7	1.4
Bell Media	**14.0**	15.4	- 1.4
Corus	**8.4**	8.9	- 0.5
SRC	**4.9**	4.5	0.4
Others	**5.5**	5.2	0.3
	45.9	45.7	0.2
Total English-language channels and others:	**12.9**	11.8	1.1
TVA Group	**37.1**	34.0	3.1

Source: Numeris, French Quebec, July 1 to September 30, 2017, Mon-Sun, 2:00 – 2:00, All 2+.

TVA Group's market share for the period of July 1 to September 30, 2017 increased by 3.1 points to 37.1%, compared with 34.0% in the same period of 2016.

TVA Network grew its market share by 1.7 points from the same period of 2016 to 24.0%, more than its two main over-the-air rivals combined. TVA Network carried 7 of the top 10 shows in Quebec during the third quarter of 2017; *La Voix junior* was a standout again, occupying the top one most-watched show with audience of more than 1.8 million.

TVA Group's specialty services had a combined market share of 13.1% in the third quarter of 2017, compared with 11.7% in the same period of 2016, a 1.4-point increase. "LCN", still ahead of "RDI", accounted for the largest part of the increase, growing its market share by 1.1 points on the strength of, among other things, its outstanding coverage of Hurricane Irma. The "Prise 2" channel also posted robust 0.9-point growth. "TVA Sports" registered a 0.5-point contraction in market share; in the same period of 2016 it had broadcast the World Cup of Hockey tournament.

Operating expenses: $74,208,000, a $2,952,000 (-3.8%) decrease due primarily to:

- 29.1% decrease in operating expenses at "TVA Sports," essentially related to the broadcast of the World Cup of Hockey tournament in the same period of 2016; and
- decrease in operating expenses related to lower commercial production volume of activities;

partially offset by:

- higher content costs and commissions on advertising sales at TVA Network;

- 8.0% increase in the combined operating expenses of the other specialty services, caused mainly by the “LCN” channel and its coverage of Hurricane Irma, among other things; and

- the operating expenses of the TVA.ca platform, which went live in the fourth quarter of 2016.

Adjusted operating income: $19,902,000, an $8,653,000 favourable variance due primarily to:

- increase in the adjusted operating income of “TVA Sports,” essentially due to the concentration of production and broadcasting costs for the 2016 World Cup of Hockey tournament in the third quarter of 2016, combined with higher subscription revenues in the third quarter of 2017 than in the same period of 2016; and

- 40.3% increase in TVA Network’s adjusted operating income due to higher advertising revenues, partially offset by higher content costs and commissions on advertising sales;

partially offset by:

- the adjusted operating loss of the TVA.ca platform.

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 87.3% in the third quarter of 2016 to 78.9% in the same period of 2017 as a result of the increase in operating revenues combined with the decrease in operating expenses, essentially at “TVA Sports.”

<u>2017/2016 year-to-date comparison</u>

Operating revenues: $322,133,000, a $22,700,000 (7.6%) increase due primarily to:

- 21.2% increase in subscription revenues and 32.0% increase in advertising revenues at “TVA Sports”;

- 7.0% increase in TVA Network’s advertising revenues; and

- 11.0% increase in the combined advertising revenues of the other specialty services;

partially offset by:

- lower revenues from commercial production due to decreased volume of activities and lower revenues from content sales; and

- decrease in subscription revenues caused by the closure of the “Argent” specialty service in April 2016.

Operating expenses: $296,498,000, a $1,999,000 (0.7%) increase due primarily to:

- 1.2% increase in TVA Network’s operating expenses, essentially because of the combination of:

  - higher content costs;

  - higher commissions on advertising sales; and

  - decrease in operating expenses related to lower commercial production volume of activities;

- the operating expenses of the TVA.ca platform; and

- 2.2% increase in the operating expenses of the specialty services other than “TVA Sports” and “Argent”;

partially offset by:

- o 1.9% decrease in the operating expenses of the “TVA Sports” channel, mainly because of the combination of:
  - o comparative savings reflecting production and broadcast costs for the World Cup of Hockey tournament in 2016; and
  - o increase in program production costs caused by the fact that the Montréal Canadiens qualified for the spring 2017 Stanley Cup playoffs;
- o decrease in operating expenses related to the closure of the “Argent” channel in April 2016.

Adjusted operating income: $25,635,000, a $20,701,000 favourable variance due primarily to:

- o 58.3% decrease in the adjusted operating loss of “TVA Sports” because of the above-noted factors;
- o 13.6% increase in TVA Network’s adjusted operating income; and
- o 16.2% increase in the adjusted operating income of the other specialty services;

partially offset by:

- o the adjusted operating loss of the TVA.ca platform.

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 98.4% in the first nine months of 2016 to 92.0% in the same period of 2017, mainly as a result of the increase in the segment’s operating revenues, which significantly exceeded the increase in operating expenses.

Magazines

2017/2016 third-quarter comparison

Operating revenues: $25,218,000, a $4,807,000 (-16.0%) decrease due mainly to:

- o 29.4% decrease in advertising revenues for comparable magazines, most substantially in the women’s category;
- o decrease in operating revenues caused by the discontinuation of some titles in 2016;
- o 11.4% decrease in subscription revenues for comparable magazines;
- o decreased custom publishing revenues due to lower volume of activities; and
- o 6.3% decrease in newsstand revenues for comparable magazines, most substantially in the women’s and entertainment categories.

Canada Periodical Fund

The Government of Canada created the Canada Periodical Fund (“CPF”) on April 1, 2010. The CPF provides financial assistance to the Canadian magazine and non-daily newspaper industries so they can continue to produce and distribute Canadian content. All assistance related to this program is fully recorded under operating revenues. It amounted to 11.7% of the segment’s operating revenues for the three-month period ended September 30, 2017 (10.1% in the same period of 2016).

Readership and market share statistics

With more than 3.3 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 a total of 10.3 million cross-platform readers. Its entertainment and celebrity news magazine *7 Jours* leads the category with 574,000 readers on all platforms per week.

Canada's lifestyle standard-setter *Canadian Living* is the most popular magazine among Canadian women with 4.2 million readers on all platforms. Its French-language counterpart *Coup de pouce* is the leading French-language women's magazine in print and reaches nearly 1.5 million readers per month on all platforms.

Elle Canada grew its readership and held its position as the country's top fashion and beauty magazine with more than 1.8 million readers on all platforms while *Clin d'œil* was Quebec's most popular French-language fashion and beauty magazine with 640,000 cross-platform readers.

The Hockey News maintained its popularity among sports fans as the source of choice for 1.5 million readers per issue, including 1.2 million men.

Source: Vividata, Q2 2017, Total Canada, 12+

Operating expenses: $22,029,000, a $2,284,000 (-9.4%) decrease due primarily to:

- savings generated by the staff and expense rationalization plans implemented in recent quarters;
- decrease in operating expenses caused by lower custom publishing volume of activities; and
- decrease in operating expenses caused by the discontinuation of some titles in 2016.

Adjusted operating income: $3,189,000, a $2,523,000 unfavourable variance due primarily to the above-noted factors.

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 81.0% in the third quarter of 2016 to 87.4% in the third quarter of 2017, mainly because operating expenses cannot readily be reduced, in the short term, in proportion to the decline in operating revenues, particularly advertising revenues.

<u>2017/2016 year-to-date comparison</u>

Operating revenues: $70,376,000, a $16,333,000 (-18.8%) decrease due primarily to:

- 27.6% decrease in advertising revenues for comparable magazines, most substantially at the women's magazines and in digital advertising;
- decrease in operating revenues caused by the discontinuation of some titles in 2016;
- decreased custom publishing revenues due to lower volume of activities;
- 8.3% decrease in newsstand revenues for comparable magazines, most substantially in the entertainment and women's categories; and
- 8.1% decrease in subscription revenues for comparable magazines, most substantially in the women's category.

Operating expenses: $62,838,000, a $12,180,000 (-16.2%) decrease due primarily to:

- savings generated by the staff and expense rationalization plans implemented in recent quarters;

- decrease in operating expenses caused by the discontinuation of some titles in 2016; and
- decrease in operating expenses caused by lower custom publishing volume of activities.

Adjusted operating income: $7,538,000, a $4,153,000 unfavourable variance due mainly to the decrease in operating revenues, which outweighed the savings generated by the staff and expense rationalization plans.

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 86.5% in the nine-month period ended September 30, 2016 to 89.3% in the same period of 2017. The increase was essentially due to the above-noted factors.

Film Production & Audiovisual Services

2017/2016 third-quarter comparison

Operating revenues: $24,594,000, an $8,625,000 (54.0%) increase, primarily due to:

- 129.6% increase in revenues from soundstage and equipment rental due to the high utilization rate of our soundstages and the large number of movie shoots in Montréal in the last quarter; and
- 23.0% increase in combined revenues from dubbing, subtitling, commercial production, and asset management and distribution;

partially offset by:

- 41.7% decrease in postproduction revenues because of lower volume of activities; and
- 23.7% decrease in visual effects revenues, also because of lower volume of activities in the third quarter of 2017 than in the third quarter of 2016.

Operating expenses: $14,750,000, a $2,513,000 (20.5%) increase due primarily to:

- 53.9% increase in operating expenses related to soundstage and equipment rental essentially due to higher volume of activities;

partially offset by:

- 2.4% decrease in operating expenses related to the segment's other activities.

Adjusted operating income: $9,844,000, a $6,112,000 favourable variance due primarily to the increase in adjusted operating income generated by higher volume of activities in soundstage and equipment rental, partially offset by a decrease in adjusted operating results caused by lower volume of activities in 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) decreased from 76.6% in the third quarter of 2016 to 60.0% in the third quarter of 2017, essentially because of increased operating revenues generated by soundstage and equipment rental.

2017/2016 year-to-date comparison

Operating revenues: $50,372,000, a $6,241,000 (14.1%) increase, primarily due to:

- 23.2% increase in revenues from soundstage and equipment rental due to a higher soundstage utilization rate in the first nine months of 2017 than in the same period of 2016;
- 22.1% increase in revenues from dubbing and subtitling; and

- 17.6% increase in visual effects revenues due to higher volume of activities in the first nine months of 2017 than in the same period of 2016;

partially offset by:

- 16.8% decrease in postproduction revenues due to lower volume of activities.

This segment's operations are heavily dependent on the availability of soundstages and equipment, and on the ability to meet producers' demand for production services in accordance with shooting schedules.

In general, the first quarter of the year is traditionally a slow period, and soundstages and equipment are available. In 2016, however, the Corporation recorded relatively strong first quarter results because of the filming of the series *Quantico* and relatively lower results during the rest of the year, when there were no major productions.

In 2017, filming for the major production *X-Men*, which takes up most of our facilities and a large portion of our equipment, moved into full swing in the third quarter and will wind up in the fourth quarter, contributing to the variance in the segment's quarterly results.

Operating expenses: $40,132,000, a $2,793,000 (7.5%) increase due primarily to:

- 14.1% increase in operating expenses related to soundstage and equipment rental due to higher volume of activities; and

- increases related to higher volume of activities in visual effects, dubbing and subtitling in particular;

partially offset by:

- 9.9% decrease in operating expenses related to postproduction services due to lower volume of activities.

Adjusted operating income: $10,240,000, a $3,448,000 favourable variance due primarily to the increase in adjusted operating income from soundstage and equipment rental.

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 84.6% in the first nine months of 2016 to 79.7% in the same period of 2017 due to the same factor as that noted above in the 2017/2016 third-quarter comparison.

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 September 30		Nine-months ended September 30	
	2017	2016	**2017**	2016
Cash flows related to operating activities	**$ 45,833**	$ 33,620	**$ 30,916**	$ 36,384
Business disposal	**–**	–	**–**	222
Additions to property, plant and equipment and intangible assets	**(7,053)**	(8,265)	**(18,977)**	(25,507)
Net change in investments	**293**	(1,188)	**350**	(895)
Others	**–**	(29)	**10**	(7)
Reimbursement of net debt	**$ 39,073**	$ 24,138	**$ 12,299**	$ 10,197

	September 30, 2017	December 31, 2016
At period end:		
Long-term debt	**$ 55,658**	$ 62,561
Derivative financial instrument	**45**	322
Short-term debt	**9,375**	6,562
Less: cash	**(25,151)**	(17,219)
Net debt	**$ 39,927**	$ 52,226

Operating activities

Cash flows provided by operating activities: $12,213,000 increase for the three-month period ended September 30, 2017 compared with the same period of 2016 due mainly to the $12,242,000 increase in adjusted operating income.

Cash flows provided by operating activities: $5,468,000 decrease for the nine-month period ended September 30, 2017 compared with the same period 2016, due mainly to:

- unfavourable net changes in following operating asset and liability:
  - accounts receivable in the amount of $26,400,000; and
  - broadcast rights payable in the amount of $14,403,000;

partially offset by:

- $19,996,000 increase in adjusted operating income;
- favourable net changes in following operating liabilities:
  - accounts payable and accrued liabilities in the amount of $8,088,000; and

- deferred revenues in the amount of $6,816,000.

Working capital: $24,505,000 as at September 30, 2017, compared with $12,899,000 as at December 31, 2016. The $11,606,000 favourable variance was mainly due to a decrease in current liabilities, particularly broadcast rights payable and accounts payable and accrued liabilities.

Investing activities

Additions to property, plant and equipment and to intangible assets: $7,053,000 in the third quarter of 2017 compared with $8,265,000 in the same period of 2016. The $1,212,000 (-14.7%) decrease was mainly due to the net change in additions to property, plant and equipment and intangible assets financed from accounts payable and accrued liabilities, which totalled $3,569,000 in the three-month period ended September 30, 2016 compared with $314,000 in the three-month period ended September 30, 2017, partially offset by increased acquisitions of equipment for rental because of higher rental volume of activities.

Additions to property, plant and equipment and to intangible assets: $18,977,000 in the first nine months of 2017 compared with $25,507,000 in the same period of 2016. The $6,530,000 (-25.6%) decrease was mainly due to the net change in additions to property, plant and equipment and intangible assets financed from accounts payable and accrued liabilities, which totalled $7,304,000 in the nine-month period ended September 30, 2016 compared with $1,200,000 in the nine-month period ended September 30, 2017.

During the nine-month period ended September 30, 2017, the Corporation acquired equipment for rental, refurbished the ventilation system at one of its studio complexes and set up new premises to accommodate expected growth in the postproduction and visual effects businesses. The Corporation also continued making capital expenditures related to facilities and high-definition production equipment at some local stations.

Business disposal: $222,000 in the nine-month period ended September 30, 2016. As part of the transaction closed with Transcontinental Inc. on April 12, 2015, the Corporation simultaneously transferred the acquired book publishing operations to Sogides Group, a corporation under common control, for the equivalent of the price paid, namely an agreed price of $720,000, including $300,000 in cash, and a contingent consideration receivable valued at $420,000 in the fourth quarter of 2015. During the second quarter of 2016, the Corporation received a final contingent consideration of $222,000 and accordingly recorded a $198,000 loss under operational restructuring costs and others to reflect the change in value of that consideration.

Net change in investments: $293,000 in the third quarter of 2017 compared with -$1,188,000 in the same period of 2016. In the third quarter of 2017, the Corporation received $293,000 related to an investment in an associated corporation, whereas in the same period of 2016 the Corporation made a $1,274,000 capital contribution to ROC Television and received an $86,000 liquidation dividend related to a portfolio investment.

Net change in investments: $350,000 in the first nine months of 2017 compared with -$895,000 in the same period of 2016. In addition to the above-noted items, the Corporation received a $57,000 liquidation dividend related to a portfolio investment during the nine-month period ended September 30, 2017, whereas it received $293,000 related to an investment in an associated corporation during the nine-month period ended September 30, 2016.

Financing activities

Long-term debt (excluding deferred financing costs): $65,369,000 as at September 30, 2017, compared with $69,607,000 as at December 31, 2016. The $4,238,000 reduction essentially reflects quarterly capital repayments on the secured term loan.

Financial position as at September 30, 2017

Net available liquid assets: $175,151,000, consisting of a $150,000,000 unused and available revolving credit facility and $25,151,000 in cash.

As of September 30, 2017, minimum principal payments on debt in the coming 12-month periods were as follows:

Table 6
TVA Group minimum principal payments on debt
12-month periods ended September 30
(in thousands of dollars)

2018		9,375
2019		11,250
2020		44,744
Total	**$**	**65,369**

The weighted average term of TVA Group's debt was approximately 1.8 years as of September 30, 2017 (2.4 years as of December 31, 2016). The debt consisted entirely of floating-rate debt as of September 30, 2017 and December 31, 2016. The Corporation is using an interest rate swap to fix future interest expenses on a $28,875,000 tranche of its secured term loan, which bears interest at a floating rate.

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 of September 30, 2017 and December 31, 2016, no amounts were drawn on that 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, debt repayment, pension plan contributions 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 September 30, 2017, the Corporation was in compliance with all the terms of its credit agreements.

Analysis of consolidated balance sheet as at September 30, 2017

Table 7
Consolidated balance sheets of TVA Group
Analysis of main variances between September 30, 2017 and December 31, 2016
(in thousands of dollars)

	Sept. 30, 2017	Dec. 31, 2016	Difference	Main reasons for difference
Assets				
Cash	**$ 25,151**	$ 17,219	$ 7,932	Impact of current and seasonal variations in activities and of increase in operating revenues.
Intangible assets	**15,872**	32,493	(16,621)	Recognition of an impairment charge in the third quarter of 2017.
Goodwill	**7,892**	37,885	(29,993)	Recognition of an impairment charge in the third quarter of 2017.
Deferred taxes	**14,038**	3,351	10,687	Impact of deductible portion of impairment charge.
Liabilities				
Accounts payable and accrued liabilities	**$ 95,525**	$ 105,523	$ (9,998)	Impact of current and seasonal variations in activities and strict cash management at the end of 2016.
Broadcast rights payable	**82,114**	92,627	(10,513)	Impact of additional monthly broadcast rights payments.

ADDITIONAL INFORMATION

Contractual obligations

As of September 30, 2017, material contractual commitments of 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 of September 30, 2017
(in thousands of dollars)

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Long-term debt	$ 9,375	$ 55,994	$ –	$ –	$ 65,369
Payment of interest[1]	2,266	2,025	–	–	4,291
Broadcast rights	192,404	156,071	141,831	268,870	759,176
Other commitments	15,851	17,012	4,146	2,974	39,983
Total	**$ 219,896**	**$ 231,102**	**$ 145,977**	**$ 271,844**	**$ 868,819**

[1] Interest is calculated on a constant debt level equal to that at September 30, 2017 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 exchange amount agreed between parties.

In the third quarter of 2017, the Corporation sold advertising space and broadcast rights to, recorded subscription revenues from, and provided production, postproduction and other services to corporations under common control and affiliated corporations in the aggregate amount of $23,585,000 ($22,812,000 in the third quarter of 2016).

In the third quarter of 2017, 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 affiliated corporations totalling $10,783,000 ($9,568,000 in the third quarter of 2016).

In the third quarter of 2017, the Corporation also invoiced management fees to corporations under common control in the amount of $1,068,000 ($1,062,000 in the third quarter of 2016). 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 third quarter of 2017 ($955,000 in the third quarter of 2016).

During the first nine months of 2017, the Corporation sold advertising space and broadcast rights to, recorded subscription revenues from, and provided production, postproduction and other services to corporations under common control and affiliated corporations in the aggregate amount of $72,983,000 ($71,329,000 in the first nine months of 2016).

In the first nine months of 2017, 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 affiliated corporations totalling $35,679,000 ($33,409,000 in the first nine months of 2016).

In the nine-month period ended September 30, 2017, the Corporation also invoiced management fees to corporations under common control in the amount of $2,918,000 ($3,142,000 in the same period of 2016).

The Corporation also assumed management fees to the parent corporation in the amount of $2,565,000 in the first nine months of 2017 ($2,865,000 in the first nine months of 2016).

ROC Television

Since the announcement on February 13, 2015 of the discontinuation of the operations of ROC Television, in which TVA Group holds a 49% interest, the Corporation has made capital contributions to ROC Television to cover its operating losses up to the closure date as well as costs related to the discontinuation of operations. A $198,000 allowance was recorded under accounts payable and accrued liabilities as at September 30, 2017 to cover those costs.

The partners made a capital contribution of $2,600,000 in the three-month and nine-month periods ended September 30, 2016, including $1,274,000 from TVA Group for costs for which an allowance had already been made at the end of fiscal 2015 and $1,326,000 from the other partner.

Capital stock

Table 9 below presents information on the Corporation's capital stock. In addition, 222,717 Class B stock options of the Corporation were outstanding as of October 17, 2017.

Table 9
Number of shares outstanding as at October 17, 2017
(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

Fair value of financial instruments

In accordance with IFRS 13, *Fair Value Measurement*, the Corporation has considered the following fair value hierarchy. This hierarchy reflects the significance of the inputs used in measuring the financial instruments accounted for at fair value on the consolidated balance sheets:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: Inputs that are not based on observable market data (unobservable inputs).

The fair value of long-term debt and of the derivative financial instrument are estimated based on a valuation model using Level 2 inputs. Fair value is based on discounted cash flows using period-end market yields or the market value of similar financial instruments with the same maturity.

The book value and fair value of long-term debt and the derivative financial instrument as at September 30, 2017 and December 31, 2016 are as follows:

Table 10
Fair value of financial instruments
(in thousands of dollars)

	September 30, 2017		December 31, 2016	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Derivative financial instrument	**$ 45**	**$ 45**	$ 322	$ 322
Long-term debt[1]	**65,369**	**65,369**	69,607	69,607

[1] *The book value of long-term debt excludes deferred financing costs.*

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 September 30, 2017 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, 2016 and the "Risk Factors" section in the Corporation's 2016 annual information form.

The forward-looking statements in this Management's Discussion and Analysis reflect the Corporation's expectations as of November 3, 2017, and are subject to change after this 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

November 3, 2017

Table 11
SELECTED QUARTERLY FINANCIAL DATA
(in thousands of dollars, except for per-share data)

	2017 Sept. 30	2017 June 30	2017 March 31	2016 Dec. 31
Operations				
Operating revenues	**$ 140,785**	$ 152,542	$ 141,124	$ 169,522
Adjusted operating income (loss)	**$ 32,935**	$ 11,072	$ (594)	$ 21,984
Net (loss) income attributable to shareholders	**$ (15,259)**	$ (1,870)	$ (8,032)	$ 5,717
Basic and diluted per-share data				
Basic and diluted (loss) earnings per share	**$ (0.35)**	$ (0.04)	$ (0.19)	$ 0.13
Weighted average number of outstanding shares (in thousands)	**43,206**	43,206	43,206	43,206

	2016 Sept. 30	2016 June 30	2016 March 31	2015 Dec. 31
Operations				
Operating revenues	$ 131,592	$ 144,229	$ 145,523	$ 165,429
Adjusted operating income	$ 20,693	$ 2,427	$ 297	$ 16,846
Net loss attributable to shareholders	$ (32,507)	$ (5,676)	$ (7,389)	$ (1,472)
Basic and diluted per-share data				
Basic and diluted loss per share	$ (0.75)	$ (0.13)	$ (0.17)	$ (0.03)
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 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 from one quarter to the another.