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, news and public affairs programming and is engaged in commercial production. It operates North America's largest private French-language television network as well as 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 first quarter of 2017, and the major changes from the previous financial year. The Corporation's interim condensed consolidated financial statements for the three-month periods ended March 31, 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 interim condensed consolidated financial statements as at March 31, 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, the commercial production and distribution of audiovisual products.

- The **Magazines segment**, which through its subsidiaries, notably TVA Publications inc. and Les Publications Charron & Cie inc., publishes French- and English-language magazines in various fields such as 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**, which through its subsidiaries Mels Studios and Postproduction G.P. ("MELS") and MELS Dubbing Inc. provides soundstage and equipment rental, dubbing, postproduction and visual effects services.

HIGHLIGHTS SINCE END OF 2016

- On April 10, 2017, the Corporation announced the appointment of Lyne Robitaille as Vice President responsible for the Magazines segment, in addition to her existing duties as Senior Vice President, Newspapers & Books, of Quebecor Media Group.

- On April 5, 2017, the Corporation, through MELS and its services for film producers and filmmakers, received four nominations for Iris awards at the Gala Québec Cinéma 2017 in the "Best Sound" and "Best Visual Effects" categories.

- On March 12, 2017, the MELS team won three Canadian Screen Awards for "Achievement in Visual Effects," "Achievement in Sound Editing" and "Achievement in Overall Sound" for its work on the film *Race*.

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 measures with similar names 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, impairment of assets 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		
		2017		2016
Adjusted operating income (loss):				
Broadcasting & Production	**$**	**657**	$	(3,884)
Magazines		**384**		2,059
Film Production & Audiovisual Services		**(1,635)**		2,122
		(594)		297
Depreciation of property, plant and equipment and amortization of intangible assets		**8,823**		8,434
Financial expenses		**635**		970
Operational restructuring costs, impairment of assets and others		**832**		452
Tax recovery		**(2,602)**		(2,099)
Share of income of associated corporations		**(202)**		(106)
Non-controlling interest		**(48)**		35
Net loss attributable to shareholders	**$**	**(8,032)**	$	(7,389)

ANALYSIS OF CONSOLIDATED RESULTS

2017/2016 first quarter comparison

Operating revenues: $141,124,000, a $4,399,000 (-3.0%) decrease.

- $4,808,000 (4.5%) increase in the Broadcasting & Production segment (Table 2) essentially due to 20.1% subscription revenue growth at "TVA Sports," and a 5.3% increase in advertising revenues.

- $6,038,000 (-22.0%) decrease in the Magazines segment (Table 2) due mainly to 29.8% and 13.1% decreases in advertising revenues and newsstand revenues respectively for comparable magazines, and a decrease in operating revenues caused by the discontinuation of some titles in 2016.

- $3,948,000 (-25.5%) decrease in the Film Production & Audiovisual Services segment (Table 2), essentially due to a decrease in revenues from soundstage and equipment rental, partially offset by increased revenues from visual effects and postproduction.

Table 2
Operating revenues
(in thousands of dollars)

	Three-months ended March 31	
	2017	2016
Broadcasting & Production	**$ 110,771**	$ 105,963
Magazines	**21,449**	27,487
Film Production & Audiovisual Services	**11,564**	15,512
Intersegment items	**(2,660)**	(3,439)
	$ 141,124	$ 145,523

Adjusted operating loss: $594,000, a negative variance of $891,000.

- $4,541,000 favourable variance in the Broadcasting & Production segment (Table 3) caused mainly by a 32.8% decrease in the adjusted operating loss of "TVA Sports," a 41.4% increase in the adjusted operating income of the other specialty services, and a 29.6% increase in TVA Network's adjusted operating income.

- $1,675,000 unfavourable variance in the Magazines segment (Table 3), due primarily to the decrease in operating revenues, which outweighed the savings generated by the staff and expense rationalization plan implemented in the fourth quarter of 2016.

- $3,757,000 unfavourable variance in the Film Production & Audiovisual Services segment (Table 3), due primarily to a decrease in adjusted operating results from soundstage and equipment rental caused by lower volume than the same quarter of 2016, which was at an unusually high level.

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

	Three-months ended March 31	
	2017	2016
Broadcasting & Production	**$ 657**	$ (3,884)
Magazines	**384**	2,059
Film Production & Audiovisual Services	**(1,635)**	2,122
	$ (594)	$ 297

Net loss attributable to shareholders: $8,032,000 (-$0.19 per basic and diluted share), compared with a net loss attributable to shareholders of $7,389,000 (-$0.17 per basic and diluted share) in the same period of 2016.

- The negative variance of $643,000 (-$0.02 per basic and diluted share) was essentially due to:

    - $891,000 decrease in adjusted operating results;

    - $389,000 unfavourable variance in depreciation and amortization expenses; and

    - $380,000 unfavourable variance in operational restructuring costs, impairment of assets and others;

partially offset by:

- $503,000 favourable variance in income tax recovery; and
- $335,000 favourable variance in financial expenses.

- 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, 2017 and 2016.

Depreciation of property, plant and equipment and amortization of intangible assets: $8,823,000, a slight $389,000 increase due mainly to capital expenditures related to facilities and high-definition production equipment at some local stations and to new premises adjacent to the Videotron Centre for TVA Network's Quebec City station.

Financial expenses: $635,000, a $335,000 decrease due mainly to:

- recognition of a foreign exchange gain in the first quarter of 2017 compared with a foreign exchange loss in the same period of 2016; and
- lower interest charges on the net defined benefit liability during the three-month period ended March 31, 2017 than in the same period of 2016.

Operational restructuring costs, impairment of assets and other costs: $832,000 in the first quarter of 2017, compared with $452,000 in the same period of 2016.

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

- In the first quarter of 2016, the Corporation recorded operational restructuring costs in the amount of $392,000 in connection with staff reductions, including $314,000 in the Magazines segment and $78,000 in the Film Production & Audiovisual Services segment, as well as professional fees in the amount of $60,000 in connection with the acquisitions of MELS and of Transcontinental magazines.

Income tax recovery: $2,602,000 (effective tax rate of 23.9%) in the first quarter of 2017, compared with $2,099,000 (effective tax rate of 22.0%) for the same period of 2016.

- 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.

- In the first quarter of 2016, the effective tax rate was slightly lower than the Corporation's statutory tax rate of 26.9% because of, among other things, permanent differences related to non-deductible items.

Share of income of associated corporations: $202,000 in the first quarter of 2017, compared with $106,000 in the same period of 2016. The $96,000 favourable variance was mainly due to the improved financial results of a television company in the first quarter of 2017 compared with the same period of 2016.

Non-controlling interest: -$48,000 in the first quarter of 2017, compared with $35,000 in the same period of 2016, an $83,000 difference.

Non-controlling interest consists in the minority shareholder's share of a net loss for the first quarter of 2017 by a corporation in which TVA Publications inc. holds a 51% interest, whereas the same corporation reported net income in the same period of 2016.

SEGMENTED ANALYSIS

Broadcasting & Production

2017/2016 first quarter comparison

Operating revenues: $110,771,000, a $4,808,000 (4.5%) increase due primarily to:

- 20.1% increase in the subscription revenues of "TVA Sports";
- 12.3% increase in advertising revenues at the specialty services, notably "TVA Sports"; and
- 3.3% increase in advertising revenues at TVA Network;

partially offset by:

- 26.2% decrease in revenues from commercial production; and
- 11.7% decrease in revenues from production and video on demand.

French-language audience share

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

First quarter 2017 vs First quarter 2016			
	2017	**2016**	**Difference**
French-language conventional broadcasters:			
TVA	**24.1**	25.3	- 1.2
SRC	**14.2**	14.0	0.2
V	**6.9**	7.5	- 0.6
	45.2	46.8	- 1.6
French-language specialty and pay services:			
TVA	**11.9**	10.4	1.5
Bell Media	**15.2**	15.9	- 0.7
Corus	**6.9**	7.3	- 0.4
SRC	**4.7**	4.7	–
Others	**5.1**	4.3	0.8
	43.8	42.6	1.2
Total English-language and others:	**11.0**	10.6	0.4
TVA Group	**36.0**	35.7	0.3

Source: Numeris, Quebec Franco, January 1 to March 31, 2017, Mon-Sun, 2:00 – 2:00, All 2+.

TVA Group's total market share for the period of January 1 to March 31, 2017 was 36.0%, compared with 35.7% in the same period of 2016, a 0.3-point increase.

The combined market share of TVA Group's specialty services increased by 1.5 points from 10.4% to 11.9%. The market share of the news and public affairs channel "LCN" increased by 1.0 point to 4.2%. "TVA Sports," "addik^{TV}" and "Yoopa" each posted a 0.2-point increase.

TVA Network's market share declined, largely because of its programming strategy, which shifted the broadcast of top-rated shows such as *La Voix* to later in the year. That strategy offered our advertisers a larger advertising inventory at a time of year that better matched their needs and contributed to the growth of advertising revenues in the current quarter.

Nevertheless, TVA Network maintained its lead among over-the-air channels with a 24.1% market share, more than its two main over-the-air rivals combined. TVA Network also had 4 of the top 5 most watches shows in Québec in the first quarter of 2017, including the number 1 show *La Voix,* which attracted an average audience of more than 2.3 million viewers, and the number 2 show *Les Beaux malaises – La grande finale,* with an average audience of more than 2.0 million viewers.

Operating expenses: \$110,114,000, a slight \$267,000 (0.2%) increase due primarily to:

- 3.6% increase in the operating expenses of "TVA Sports" essentially resulting from the broadcast schedule for National Hockey League ("NHL") games; and
- operating expenses of the new *TVA.ca* platform launched in the fourth quarter of 2016;

partially offset by:

- 1.7% decrease in the operating expenses of TVA Network essentially due to lower commercial production volume.

Adjusted operating income: \$657,000, a \$4,541,000 favourable variance due primarily to:

- 32.8% decrease in the adjusted operating loss of "TVA Sports" because the increase in its operating revenues exceeded the aforementioned increase in its operating expenses;
- 41.4% increase in adjusted operating income at the other specialty services caused by the increase in advertising revenues combined with the decrease in operating expenses; and
- 29.6% increase in TVA Network's adjusted operating income essentially due to higher advertising 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 103.7% in the first quarter of 2016 to 99.4% for the same period of 2017, essentially because of to the increase in the specialty services' operating revenues.

Magazines

<u>2017/2016 first quarter comparison</u>

- **Operating revenues:** $21,449,000, a $6,038,000 (-22.0%) decrease primarily due to:

    - 29.8% decrease in the magazines' advertising revenues on a same-store basis, mainly for the category "Women's";

    - 13.1% decrease in the magazines' newsstand revenues on a same-store basis, mainly for the category "Entertainment"; and

    - decrease in operating revenues caused by the discontinuation of some titles in 2016.

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 13.6% of the segment's operating revenues for the three-month period ended March 31, 2017 (11.7% in the same period of 2016).

Readership and market share statistics

With nearly 3.4 million readers across all platforms for its French titles, TVA Group is the top publisher of French-language magazines in Quebec and a leading player in the Canadian magazine market with a total of 10.2 million cross-platform readers. The entertainment and celebrity news magazine *7 Jours* leads the category with 667,000 readers on all platforms per week.

Canada's lifestyle standard-setter, *Canadian Living* remains the most popular magazine among Canadian women and reaches 4.1 million readers on all platforms, while its French-language counterpart, *Coup de pouce*, is the most popular print magazine among women and reaches 1.5 million cross-platform readers.

Elle Canada is the country's top fashion and beauty magazine with more than 1.7 million readers on all platforms while *Clin d'œil* is Quebec's most popular fashion and beauty magazine with 680,000 cross-platform readers.

Finally, *The Hockey News* maintains its popularity among sports fans as the source of choice for more than 1.4 million readers per week.

Source: Vividata, Q4 2016, Total Canada, 12+

Operating expenses: $21,065,000, a $4,363,000 (-17.2%) decrease due primarily to operating cost savings resulting from implementation of a staff and expense rationalization plan in the fourth quarter of 2016 and the decrease in operating expenses resulting from the discontinuation of some titles in 2016.

Adjusted operating income: $384,000, a $1,675,000 unfavourable variance due mainly to the decrease in operating revenues, which outweighed the savings generated by the staff and expense rationalization plan introduced in the fourth quarter of 2016.

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 92.5% in the first quarter of 2016 to 98.2% in the first quarter of 2017, mainly because the decrease in operating revenues exceeded the decrease in operating expenses.

Film Production & Audiovisual Services

2017/2016 first quarter comparison

Operating revenues: $11,564,000, a $3,948,000 (-25.5%) decrease due primarily to:

- significant decrease (-70.9%) in soundstage and equipment rental revenues due to the fact that first quarter 2016 revenues were higher than usual for that period of the year as a result of the shooting of the US series *Quantico* and of additional scenes for a Hollywood production, 20th Century Fox's *X-Men Apocalypse*;

partially offset by:

- 130.4% growth in visual effects revenues;
- 22.2% growth in postproduction revenues; and
- 12.7% growth in revenues from dubbing, asset management and distribution.

Operating expenses: $13,199,000, a slight $191,000 (-1.4%) decrease due primarily to:

- 17.7% decrease in operating expenses related to soundstage and equipment rental due to lower volume of activities;

partially offset by:

- 10.5% increase in operating expenses related to other activities of the Film Production & Audiovisual Services segment due to higher volume of activities.

Adjusted operating loss: $1,635,000, a $3,757,000 unfavourable variance primarily due to:

- the adjusted operating loss generated by soundstage and equipment rental in the first quarter of 2017 compared with adjusted operating income in the same quarter of 2016, a higher performance than usual results for this time of the year as explained above;

partially offset by:

- increased adjusted operating results generated by visual effects, postproduction, dubbing, asset management and distribution as a result of higher volume of activities.

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 114.1% in the first quarter of 2017 compared with 86.3% in the first quarter of 2016. The increase essentially resulted from the operating cost structure of the rental business, in which most costs are fixed and unaffected by quarterly volume of activities.

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	
	2017	2016
Cash flows related to operating activities	**$ (21,414)**	$ (4,776)
Additions to property, plant and equipment and intangible assets	**(6,088)**	(13,390)
Others	**(5)**	21
Increase in net debt	**$ (27,507)**	$ (18,145)

	March 31, 2017	December 31, 2016
At period end:		
Long-term debt	**$ 66,970**	$ 62,561
Derivative financial instrument	**237**	322
Short-term debt	**7,500**	6,562
Bank overdraft	**7,214**	–
Less: cash	**(2,188)**	(17,219)
Net debt	**$ 79,733**	$ 52,226

<u>**Operating activities**</u>

Cash flows related to operating activities: $16,638,000 decrease during the three-month period ended March 31, 2017 compared with the same period of 2016, due mainly to:

- unfavourable net changes in the following operating assets and liabilities:
  - accounts payable and accrued liabilities in the amount of $14,159,000;
  - broadcast rights payable in the amount of $6,408,000; and
  - prepaid expenses in the amount of 3,438,000;

partially offset by:

- $6,275,000 favourable net change in deferred revenues.

Working capital: $14,624,000 as at March 31, 2017 compared with $12,899,000 as at December 31, 2016, a $1,725,000 favourable variance.

Investing activities

Additions to property, plant and equipment and to intangible assets: $6,088,000 in the first quarter of 2017, compared with $13,390,000 in the same period of 2016, a $7,302,000 (-54.5%) decrease. This decrease is due primarily to the net change in additions to property, plant and equipment and to intangible assets funded by accounts payable and accrued liabilities, which totalled $6,917,000 in the three-month period ended March 31, 2016 compared with $2,727,000 in the same period of 2017.

During the three-month period ended March 31, 2017, the Corporation refurbished the ventilation system at one of its studio complexes and set up new premises to accommodate the expected growth in postproduction and visual effects activities.

Financing activities

Long-term debt (excluding deferred financing costs): Increased to $74,905,000 as of March 31, 2017, compared with $69,607,000 as of December 31, 2016. The difference derives primarily from seasonal variances in certain broadcast rights payments.

Financial position as at March 31, 2017

Net available liquid assets: $138,274,000, consisting of a $143,300,000 unused and available revolving credit facility and $2,188,000 in cash, less a $7,214,000 bank overdraft.

As at March 31, 2017, 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)

2018	$ 7,500
2019	17,013
2020	50,392
Total	**$ 74,905**

The weighted average term of TVA Group's debt was approximately 2.2 years at March 31, 2017 (2.4 years at December 31, 2016). The debt consisted entirely of floating-rate debt as of March 31, 2017 and December 31, 2016. The Corporation is using an interest rate swap to fix future interest expenses on a $31,625,000 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 March 31, 2017, $6,700,000 was drawn on the revolving credit facility, compared with nil at December 31, 2016.

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 March 31, 2017, the Corporation was in compliance with all the terms of its credit agreements.

Analysis of consolidated balance sheet as at March 31, 2017

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

	March 31, 2017	Dec. 31, 2016	Difference	Main reasons for difference
Assets				
Cash	**$ 2,188**	$ 17,219	$ (15,031)	Impact of stringent cash management in late 2016 and seasonal variances in broadcast rights payable.
Programs, broadcast rights and inventories	**85,920**	77,628	8,292	Impact of difference between advances payments on NHL rights and amount booked to results.
Liabilities				
Bank overdraft	**7,214**	–	7,214	Impact of strict cash management in late 2016 and seasonal variances in broadcast rights payable.
Accounts payable and accrued liabilities	**91,397**	105,523	(14,126)	Directly related to variances in cash and bank overdraft. The decrease was also due to the implementation of expense rationalization plans.

ADDITIONAL INFORMATION

Contractual obligations

As of March 31, 2017, material contractual obligations 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 spaces. These contractual obligations are summarized in Table 8.

Table 8
Material contractual obligations of TVA Group as at March 31, 2017
(in thousands of dollars)

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Long-term debt	$ 7,500	$ 67,405	$ –	$ –	$ 74,905
Payment of interest[1]	2,477	2,871	–	–	5,348
Broadcast rights	205,471	164,476	144,607	278,771	793,325
Other commitments	16,549	18,568	5,095	2,997	43,209
Total	**$ 231,997**	**$ 253,320**	**$ 149,702**	**$ 281,768**	**$ 916,787**

[1] *Interest is calculated on a constant debt level equal to that at March 31, 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 consideration agreed to between parties.

In the first quarter of 2017, 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 affiliated corporations in the aggregate amount of $23,356,000 ($25,996,000 in the first quarter of 2016).

In the first quarter of 2017, the Corporation recorded telecommunications service costs, advertising space acquisition costs, professional services fees and commissions on sales and news gathering services arising from transactions with corporations under common control and affiliated corporations totalling $11,992,000 ($11,638,000 in the first quarter of 2016).

In the first quarter of 2017, the Corporation also billed management fees to corporations under common control in the amount of $835,000 ($985,000 in the first quarter of 2016). These fees are recorded as a reduction of operating expenses.

The Corporation also recorded management fees to the parent corporation in the amount of $855,000 in the first quarter of 2017 ($955,000 in the first quarter of 2016).

Capital stock

Table 9 below presents information on the Corporation's capital stock. In addition, 252,717 Class B stock options of the Corporation were outstanding as of April 21, 2017.

Table 9
Number of shares outstanding as at April 21, 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 sheet:

- 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 March 31, 2017 and December 31, 2016 were as follows:

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

	March 31, 2017		December 31, 2016	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Derivative financial instrument	**$ 237**	**$ 237**	$ 322	$ 322
Long-term debt[1]	**74,905**	**74,905**	69,607	69,607

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

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, 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, risks 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 May 9, 2017, 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 9, 2017

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

	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

	2016	2015		
	March 31	December 31	September 30	June 30
Operations				
Operating revenues	$ 145,523	$ 165,429	$ 138,523	$ 159,424
Adjusted operating income	$ 297	$ 16,846	$ 30,864	$ 7,371
Net loss attributable to shareholders	$ (7,389)	$ (1,472)	$ (36,455)	$ (2,588)
Basic and diluted per-share data				
Basic and diluted loss per share	$ (0.17)	$ (0.03)	$ (0.84)	$ (0.06)
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 facilities 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 facilities from international and local producers.

Accordingly, the results of operations for interim periods may vary from one quarter to another.