INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

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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 the largest magazine publisher in Quebec. The Film Production & Audiovisual Services segment provides soundstage and equipment leasing 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 2016, 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, 2016 and 2015 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including, in particular, in accordance with 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, 2015 and in the Condensed Interim Consolidated Financial Statements as at March 31, 2016.

BUSINESS SEGMENTS

Management made changes to the Corporation's management structure at the beginning of 2016. Some Broadcasting & Production segment operations formerly conducted by TVA Accès inc. (now Mels Dubbing Inc.) were transferred to other units of the Corporation. Commercial production remained in the Broadcasting & Production segment, while custom publishing, commercial printed production and premedia services were integrated into the operations of the Magazines segment and dubbing became part of the Film Production & Audiovisual Services segment. Prior period disclosures have been restated to reflect this new presentation.

The Corporation's operations now 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 by the TVA Films division.

- 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 leasing, dubbing and postproduction and visual effects services.

HIGHLIGHTS SINCE END OF 2015

- On April 19, 2016, the Corporation announced that it would not ask the Canadian Radio-Television and Telecommunications Commission ("CRTC") to renew the licence of its "Argent" specialty service and the channel would cease broadcasting on April 30, 2016.
- On April 12, 2016, the Corporation launched "Molto", a new digital newsstand that provides users with unlimited access to the full content of all of the Corporation's magazines on their tablets and smartphones.
- On March 29, 2016, the Corporation opened its new high-definition (HD) station in new premises adjacent to the Videotron Centre, Québec City's sports and culture hub.

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 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 (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	
	2016	2015
Adjusted operating income (loss):		
Broadcasting & Production	**$ (3,884)**	$ (8,659)
Magazines	**2,059**	965
Film Production & Audiovisual Services	**2,122**	3
	297	(7,691)
Depreciation of property, plant and equipment and amortization of intangible assets	**8,434**	6,808
Financial expenses	**970**	1,935
Operational restructuring costs, impairment of assets and others	**452**	407
Tax recovery	**(2,099)**	(5,982)
Share of (income) loss of associated corporations	**(106)**	3,852
Non-controlling interest	**35**	–
Net loss attributable to shareholders	**$ (7,389)**	$ (14,711)

ANALYSIS OF CONSOLIDATED RESULTS

<u>2016/2015 first quarter comparison</u>

Operating revenues: $145,523,000, a $19,009,000 (15.0%) increase.

- $2,440,000 (2.4%) increase in the Broadcasting & Production segment (Table 2) essentially due to 2.8% revenue growth generated by TVA Network and 4.7% growth in the subscription revenues of “TVA Sports.”

- $12,609,000 (84.7%) increase in the Magazines segment (Table 2) due mainly to the favourable impact of the addition of the magazines acquired from Transcontinental Inc. (“Transcontinental”) on April 12, 2015, which was partially offset by the decrease in operating revenues caused by the discontinuation of some titles during 2015.

- $5,263,000 (51.4%) increase in the Film Production & Audiovisual Services segment (Table 2), essentially due to increased revenues from soundstage and equipment leasing.

Table 2
Operating revenues
(in thousands of dollars)

	Three-months ended March 31	
	2016	2015
Broadcasting & Production	**$ 105,963**	$ 103,523
Magazines	**27,487**	14,878
Film Production & Audiovisual Services	**15,512**	10,249
Intersegment items	**(3,439)**	(2,136)
	$ 145,523	$ 126,514

Adjusted operating income: $297,000, a $7,988,000 (103.9%) favourable variance.

- $4,775,000 favourable variance in the Broadcasting & Production segment (Table 3) caused mainly by a 37.7% improvement in the adjusted operating results of the specialty services, basically reflecting a decrease in the adjusted operating loss of "TVA Sports," and by an increase in TVA Network's adjusted operating income.
- $1,094,000 favourable variance in the Magazines segment (Table 3), mainly because of the addition of the adjusted operating income of the acquired magazines and a decrease in the magazines' expenses due to a decline in the volume of activity for comparable magazines.
- $2,119,000 favourable variance in the Film Production & Audiovisual Services segment (Table 3), due primarily to an increase in adjusted operating income from soundstage and equipment leasing caused by higher volume of activity.

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

	Three-months ended March 31	
	2016	2015
Broadcasting & Production	**$ (3,884)**	$ (8,659)
Magazines	**2,059**	965
Film Production & Audiovisual Services	**2,122**	3
	$ 297	$ (7,691)

Net loss attributable to shareholders: $7,389,000 (-$0.17 per basic and diluted share), compared with $14,711,000 (-$0.57 per basic and diluted share) in the same period of 2015.

- The favourable variance of $7,322,000 ($0.40 per basic and diluted share) was essentially due to:
  - $7,988,000 increase in adjusted operating income;
  - $3,958,000 favourable variance in the Corporation's share of (income) loss of associated corporations; and
  - $965,000 favourable variance in financial expenses;

partially offset by:

- $3,883,000 unfavourable variance in income tax recovery; and

- $1,626,000 unfavourable variance in depreciation and amortization expenses.

- The calculation of per-share results was based on a weighted average of 43,205,535 outstanding diluted shares for the quarter ended March 31, 2016, and 25,693,012 shares for the same period of 2015. The increase in the weighted average number of outstanding diluted shares was due to the issuance of 19,434,629 Class B Shares on March 20, 2015 upon closing of a subscription rights offering to existing shareholders.

Depreciation of property, plant and equipment and amortization of intangible assets: $8,434,000, a $1,626,000 increase due primarily to the revision in the fourth quarter of 2015 of the useful lives of some of the property, plant and equipment acquired from MELS and amortization of intangible assets arising from the acquisition of magazines from Transcontinental.

Financial expenses: $970,000, a $965,000 decrease essentially due to recognition of interest charges related to the $100,000,000 credit facility extended by QMI in the first quarter of 2015.

Operational restructuring costs, impairment of assets and others: $452,000 in the first quarter of 2016, compared with $407,000 in the same period of 2015.

- 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.

- In the first quarter of 2015, the Corporation recorded operational restructuring costs in the amount of $245,000 in connection with staff reductions in the Film Production & Audiovisual Services segment, as well as professional fees in the amount of $162,000 in connection with the acquisitions of MELS and of Transcontinental magazines.

Income tax recovery: $2,099,000 (effective tax rate of 22.0%) in the first quarter of 2016, compared with $5,982,000 (effective tax rate of 35.5%) in the same period of 2015.

- 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.

- In the first quarter of 2015, the effective tax rate was higher than the Corporation's statutory tax rate of 26.9%, primarily because of the Corporation's share of the tax savings generated by the losses of ROC Television G.P. ("ROC Television," formerly SUN News General Partnership) during the period.

Share of income of associated corporations: $106,000 in the first quarter of 2016, compared with a loss of $3,852,000 in the same quarter of 2015. The $3,958,000 favourable variance was mainly due to the Corporation's share of the losses of ROC Television in the first quarter of 2015, which included all costs related to discontinuation of the operations of the SUN News specialty service.

Non-controlling interest: $35,000 in the first quarter of 2016, compared with nil in the same period of 2015.

Non-controlling interest consists in the minority shareholder's share of the net income of a corporation in which TVA Publications inc. holds a 51% interest and which operates certain magazines acquired from Transcontinental.

SEGMENTED ANALYSIS

Broadcasting & Production

2016/2015 first quarter comparison

Operating revenues: $105,963,000, a $2,440,000 (2.4%) increase primarily due to:

- 2.8% increase in the revenues of TVA Network essentially because of higher volume in commercial production, partially offset by a 0.9% decrease in advertising revenues;
- 4.7% increase in the subscription revenues of "TVA Sports"; and
- 7.6% increase in the combined subscription revenues of the other specialty services, including "MOI&cie," "addik^TV" and "Casa," which grew by 14.7%, 13.0% and 10.8% respectively;

partially offset by:

- 3.4% decrease in advertising revenues at the specialty services.

French-language market ratings

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

First Quarter 2016 vs First Quarter 2015			
	2016	**2015**	**Difference**
French-language conventional broadcasters:			
TVA	**25.3**	24.2	1.1
SRC	**14.0**	13.5	0.5
V	**7.5**	7.8	- 0.3
	46.8	45.5	1.3
French-language specialty and pay services:			
TVA	**10.4**	10.4	–
Bell Media	**15.9**	17.7	- 1.8
Corus	**7.3**	6.7	0.6
SRC	**4.7**	4.3	0.4
Others	**4.3**	4.7	- 0.4
	42.6	43.8	- 1.2
Total English-language and others:	**10.6**	10.7	- 0.1
TVA Group	**35.7**	34.6	1.1

Source: Numeris, Quebec Franco, January 1 to March 31, 2016, Mon-Sun, 2:00 – 2:00, All 2+.

TVA Group's total market share for the period of January 1 to March 31, 2016 was 35.7%, compared with 34.6% in the same period of 2015, a 1.1-point increase.

The combined market share of TVA Group's specialty services held steady at 10.4% in the first quarter of 2016, the same figure as in the first quarter of 2015. With a 3.2% share, the 24-hour news and public affairs channel "LCN" remained ahead of its main rival, "RDI," which ended the first quarter with 2.8%.

TVA Network maintained its lead among over-the-air channels with a 25.3% market share, a 1.1-point increase compared with the same quarter of 2015. TVA Network also carried 22 of the 30 most-watched programs in Quebec during the first quarter of 2016, including the number one show *La Voix*, which attracted an average audience of nearly 2.6 million for an average market share of 57.5% and peaked at more than 3.5 million viewers.

Operating expenses: $109,847,000, a $2,335,000 (-2.1%) decrease due primarily to:

- 6.2% decrease in the operating expenses of "TVA Sports" essentially caused by lower program production costs; and
- 3.1% decrease in operating expenses of the other specialty services;

partially offset by:

- 1.3% increase in the operating expenses of TVA Network essentially due to higher volume of activity in commercial production, partially offset by production savings and other operating savings.

Adjusted operating loss: $3,884,000, a $4,775,000 favourable variance primarily due to:

- 20.9% decrease in the adjusted operating loss of "TVA Sports" because of a 6.2% decrease in its operating expenses combined with the above-noted 4.7% increase in its subscription revenues;
- increase in adjusted operating income at the other specialty services caused by the increase in subscription revenues combined with the decrease in operating expenses; and
- increase in adjusted operating income at TVA Network essentially due to operating expense savings realized during the quarter.

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 108.4% in the first quarter of 2015 to 103.7% in the first quarter of 2016. The decrease was essentially caused by the revenue increase combined with the decrease in operating expenses at the specialty services.

Magazines

2016/2015 first quarter comparison

- **Operating revenues:** $27,487,000, a $12,609,000 (84.7%) increase primarily due to:
  - addition of the revenues of the magazines acquired from Transcontinental on April 12, 2015;

  partially offset by:

  - decrease in operating revenues resulting from the discontinuation of seven titles during 2015: *Moi&cie, Le Lundi, Signé M, Femmes etc., FA, Animal* and *150 plans*;
  - 12.7% decrease in advertising revenues for comparable magazines; and

- 6.3% decrease in newsstand revenues for comparable magazines.

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 March 31, 2016 (12.4% in the same period of 2015).

Readership and market share statistics

With nearly 2.7 million multiplatform readers per issue for its French titles, TVA Group is the largest publisher of French-language magazines in Québec. In English Canada, it has 6.8 million multiplatform readers per issue.

The showbiz and celebrity news magazine *7 Jours* is the number one weekly in Quebec with nearly 600,000 multiplatform readers per week.

TVA Group is also the largest publisher of lifestyle magazines in Canada. *Canadian Living* is Canada's most widely read English-language women's magazine with close to 3 million multiplatform readers while its French-language counterpart *Coup de pouce* has the largest readership of any print magazine in Québec and has more than 1.2 million multiplatform readers.

The fashion magazines reach more than 2.2 million Canadians each month on all platforms. *ELLE Canada* is Canada's leading fashion magazine with nearly 1.6 million multiplatform readers. On the French side, *ELLE Québec* is the most popular fashion magazine with 556,000 multiplatform readers.

Finally, *The Hockey News* is Canada's most popular sport magazine with 1.8 million multiplatform readers per issue.

Sources:
Vividata, 2015 Q4, Total Canada, 12+
Vividata, 2015 Q4, Total Canada, women 12+

Operating expenses: $25,428,000, a $11,515,000 (82.8%) increase due primarily to the addition of the operating expenses of the acquired magazines, partially offset by the decrease in operating expenses resulting from the discontinuation of some titles in 2015 and a reduction in expenses caused by a lower volume of activity for comparable magazines.

Adjusted operating income: $2,059,000, a $1,094,000 favourable variance due mainly to the addition of the adjusted operating income of the acquired magazines and a reduction in expenses caused by a lower volume of activity for comparable magazines.

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) were relatively stable at 92.5% in the first quarter of 2016, compared with 93.5% in the same period of 2015.

Film Production & Audiovisual Services

2016/2015 first quarter comparison

Operating revenues: $15,512,000, a $5,263,000 (51.4%) increase due primarily to:

- 171.7% increase in revenues from soundstage and equipment leasing as a result of the filming of the American series *Quantico* and the shooting of additional scenes for a major Hollywood production, 20th Century Fox's *X-Men Apocalypse*;

- Increase in postproduction and dubbing revenues;

partially offset by:

- 55.6% decrease in visual effects revenues due to lower volume of activity in the first quarter of 2016, whereas in the same quarter of 2015 the American film *Fallen* and the prestigious Franco-Canadian series *Versailles* used MELS's resources and visual effects expertise.

Operating expenses: $13,390,000, a $3,144,000 (30.7%) increase due primarily to:

- 84.3% increase in operating expenses related to soundstage and equipment leasing, essentially because of higher volume of activity; and

- 26.6% increase in operating expenses related to postproduction and dubbing because of higher volume of activity;

partially offset by:

- 42.8% decrease in operating expenses related to lower volume of activity in visual effects.

Adjusted operating income: $2,122,000, a $2,119,000 favourable variance due primarily to:

- increase in adjusted operating income resulting from increased volume of activity in soundstage and equipment leasing, postproduction and dubbing;

partially offset by:

- decrease in adjusted operating results resulting from lower volume of activity in visual effects services.

The segment's operations are seasonal in nature and the first quarter of the year is traditionally a slow period, especially for the leasing of soundstages and film production equipment. The Corporation succeeded in leveraging its expertise and its relationships with local and international producers to realize better results in the first quarter of 2016 than is customary for this period of the year.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Film Production & Audiovisual Services segment's activities (expressed as a percentage of revenues) were 86.3% in the first quarter of 2016 compared with 100.0% in the first quarter of 2015. The reduction was mainly due to the strong performance of soundstage and equipment leasing operations in terms of both revenues and operating expenses in the first quarter of 2016.

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	
	2016	2015
Cash flows related to operating activities	**$ (4,776)**	$ 25,127
Issuance of share-capital, net of transaction costs	**–**	108,725
Additions to property, plant and equipment and intangible assets	**(13,390)**	(6,568)
Increase in investments	**–**	(2,081)
Others	**21**	(667)
(Increase in) reimbursement of net debt	**$ (18,145)**	$ 124,536

	March 31, 2016	December 31, 2015
At period end:		
Long-term debt	**$ 67,485**	$ 68,812
Derivative financial instrument	**674**	814
Short-term debt	**4,688**	4,219
Bank overdraft	**11,818**	–
Less: cash	**(4,671)**	(11,996)
Net debt	**$ 79,994**	$ 61,849

<u>Operating activities</u>

Cash flows related to operating activities: $29,903,000 decrease during the three-month period ended March 31, 2016 due mainly to:

- o unfavourable net change in non-cash balances related to operations:
    - broadcast rights payable in the amount of $26,551,000;
    - accounts receivable in the amount of $9,577,000;
    - deferred revenues in the amount of $8,194,000; and
    - accounts payable and accrued liabilities in the amount of $4,476,000;

partially offset by:

- o $10,141,000 favourable net change in programs, broadcast rights and inventories; and
- o $7,988,000 improvement in adjusted operating income.

Working capital: Negative $6,830,000 as of March 31, 2016, compared with working capital of $10,248,000 as at December 31, 2015. The $17,078,000 unfavourable variance was mainly due to increases in the bank overdraft and in broadcast rights payable and a decrease in cash, partially offset by lower deferred revenues.

Investing activities

Additions to property, plant and equipment and to intangible assets: $13,390,000 in the first quarter of 2016, compared with $6,568,000 in the same period of 2015. The $6,822,000 (103.9%) increase was mainly due to the net variance in additions to property, plant and equipment and to intangible assets financed from accounts payable and accrued liabilities, which totalled $8,359,000 at December 31, 2015, compared with $1,442,000 at March 31, 2016.

Net change in investments: Nil in the first quarter of 2016, compared with $2,081,000 in the first quarter of 2015. In 2015, the Corporation made a $2,352,000 capital contribution to ROC Television and received a $271,000 dividend related to an investment in an associated corporation.

Financing activities

Long-term debt (excluding deferred financing costs): Relatively stable at $72,870,000 as of March 31, 2016, compared with $73,797,000 as of December 31, 2015. The variance was mainly due to scheduled quarterly amortization payments on the term loan, which commenced on December 20, 2015.

Financial position as at March 31, 2016

Net available liquid assets: $137,662,000, consisting of a $149,480,000 unused and available revolving credit facility less a $11,818,000 bank overdraft.

As at March 31, 2016, 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)

2017	$ 4,688
2018	7,500
2019	10,313
2020	50,369
Total	**$ 72,870**

The weighted average term of TVA Group's debt was approximately 3.0 years as of March 31, 2016 (3.2 years as of December 31, 2015). The debt consisted entirely of floating-rate debt as of March 31, 2016 and December 31, 2015. The Corporation is using an interest rate swap to secure future interest expenses on a $37,125,000 portion of its secured term loan, which bears interest at a floating rate.

The Corporation also has a $150,000,000 revolving credit facility ($150,000,000 at December 31, 2015), which was renewed on November 3, 2014 and matures on February 24, 2019. As of March 31, 2016 and December 31, 2015, no amount was drawn on the revolving credit facility except for letters of credit in the amount of $520,000 ($425,000 as of December 31, 2015).

On December 30, 2014, the Corporation obtained a $100,000,000 credit facility from QMI for the financing of the acquisition of MELS. That facility expired on March 30, 2015 and could be extended for an additional 90 days at the Corporation's option. On March 20, 2015, the Corporation used the net proceeds from its subscription rights offering to pay down that 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 March 31, 2016, the Corporation was in compliance with all the terms of its credit agreements.

Analysis of consolidated balance sheet as at March 31, 2016

Table 7
Consolidated balance sheets of TVA Group
Analysis of main variances between March 31, 2016 and December 31, 2015
(in thousands of dollars)

	March 31, 2016	December 31, 2015	Difference	Main reasons for difference
Assets				
Cash	**$ 4,671**	$ 11,996	$ (7,325)	Impact of strict cash management at the end of 2015.
Broadcast rights	**46,580**	36,321	10,259	Impact of increased spending on programming and of current and seasonal variances in activities.
Liabilities				
Bank overdraft	**11,818**	–	11,818	Impact of strict cash management at the end of 2015.
Broadcast rights payable	**98,538**	88,867	9,671	Impact of spending on programming for “TVA Sports” and TVA Network.
Deferred revenues	**18,952**	28,148	(9,196)	Impact of recognition in income of government assistance and subscription revenues of the Magazines segment.
Defined benefit liabilities	**18,896**	2,322	16,574	Recognition of an actuarial loss related to decrease in the discount rate and lower returns on pension plan assets.

ADDITIONAL INFORMATION

Contractual obligations

As of March 31, 2016, material contractual commitments of operating activities included capital repayment and interest on debt, payments under broadcast and distribution 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 March 31, 2016
(in thousands of dollars)

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Long-term debt	$ 4,688	$ 17,813	$ 50,369	$ –	$ 72,870
Payment of interest[1]	2,541	4,068	844	–	7,453
Broadcast rights	218,458	169,145	143,626	348,849	880,078
Other commitments	15,718	15,432	4,761	1,470	37,381
Total	**$ 241,405**	**$ 206,458**	**$ 199,600**	**$ 350,319**	**$ 997,782**

[1] Interest is calculated on a constant debt level equal to that as at March 31, 2016 and includes standby fees on the revolving credit facility.

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

Related party transactions

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

In the first quarter of 2016, the Corporation sold advertising space and content, recorded subscription revenues and provided production, postproduction and other services to companies under common control and affiliated companies in the total amount of $25,996,000 ($23,910,000 in the first quarter of 2015).

In the first quarter of 2016, the Corporation recorded telecommunications service costs, advertising space acquisition costs, professional service fees and commissions on sales and news gathering services arising from transactions with companies under common control and affiliated companies totalling $11,638,000 ($9,057,000 in the first quarter of 2015).

Furthermore, in the first quarter of 2016, the Corporation invoiced management fees to companies under common control totalling $906,000 ($781,000 in the first quarter of 2015). These fees are recorded in reduction of operating expenses.

The Corporation also recorded management fees to the parent corporation in the amount of $955,000 in the first quarter of 2016 ($1,080,000 in the first quarter of 2015).

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 continued making 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

$1,760,000 allowance was recorded under accounts payable and accrued liabilities at March 31, 2016 to cover those costs.

The partners made no capital contribution in the first quarter of 2016, compared with a $4,800,000 contribution in the first quarter of 2015, including $2,352,000 from TVA Group and $2,448,000 from Sun Media Corporation, a company under common control.

Capital stock

Table 9 below presents information on the Corporation's capital stock as at April 27, 2016. In addition, 414,121 Class B stock options of the Corporation and 226,200 QMI stock options were outstanding as of April 27, 2016.

Table 9
Number of shares outstanding as at April 27, 2016
(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 in 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 values of long-term debt and of the derivative financial instrument are estimated based on a valuation model using Level 2 inputs. The fair values are based on discounted cash flows using period-end market yields or the market value of similar financial instruments with the same maturity.

The carrying amount and the fair value of long-term debt and of the derivative financial instrument as at March 31, 2016 and December 31, 2015 were as follows:

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

	March 31, 2016		December 31, 2015	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Derivative financial instrument	**$ 674**	**$ 674**	$ 814	$ 814
Term loan[1]	**72,870**	**72,870**	73,797	73,797

[1] *The carrying amount of term loan excludes 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. No changes to internal controls over financial reporting have come to the attention of management during the first quarter ended March 31, 2016 that have materially adversely affected, or are reasonably likely to materially adversely affect, the Corporation's internal controls over financial reporting.

Additional information

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

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 risks related to the lost 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, 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 Management's Discussion and Analysis for the year ended December 31, 2015 and the "Risk Factors" section in the Corporation's 2015 annual information form.

The forward-looking statements in this Management's Discussion and Analysis reflect the Corporation's expectations as of May 10, 2016, 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 by the applicable securities laws.

Montreal, Quebec

May 10, 2016

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

	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

	2015	2014		
	March 31	December 31	September 30	June 30
Operations				
Operating revenues	$ 126,514	$ 129,794	$ 94,525	$ 109,700
Adjusted operating (loss) income	$ (7,691)	$ 6,814	$ 7,638	$ 20,999
Net (loss) income attributable to shareholders	$ (14,711)	$ (4,418)	$ (35,670)	$ 9,163
Basic and diluted per-share data				
Basic and diluted (loss) earnings per share	$ (0.57)	$ (0.19)	$ (1.50)	$ 0.39
Weighted average number of outstanding shares (in thousands)	25,693	23,771	23,771	23,771

- 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 period to another.