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 eight specialty services. TVA Group also holds a minority interest in the Canal Évasion specialty service. In the Magazines segment, TVA Group publishes more than 50 titles, making it the largest magazine publisher in Canada. The Film Production & Audiovisual Services segment provides soundstage and equipment leasing as well as postproduction and special effects services. The Corporation's Class B shares are listed on the Toronto Stock Exchange under the ticker symbol TVA.B.

This Management's Discussion and Analysis covers the Corporation's main activities during the year ended December 31, 2015, and the major changes from the previous financial year. The Corporation's consolidated financial statements for the years ended December 31, 2015, 2014 and 2013 have been prepared in accordance with International Financial Reporting Standards ("IFRS").

All amounts presented in this Management's Discussion and Analysis are in Canadian dollars. This Management's Discussion and Analysis should be read in conjunction with the information in the consolidated financial statements for the financial year ended December 31, 2015.

BUSINESS SEGMENTS

At the beginning of 2015, the Corporation reorganized its business segments to better reflect changes in its operations and management structure following the acquisition on December 30, 2014 of substantially all of the assets of A.R. Global Vision Ltd. ("Global Vision"), now operated by the Mels Studios and Postproduction G.P. ("MELS") subsidiary. Accordingly, the new Film Production & Audiovisual Services segment was created.

In addition, since April 12, 2015, following the transaction with Transcontinental Inc. ("Transcontinental") described below, the operations of the acquired magazines have been included in the Magazines segment's results, while custom publishing operations have been included in the Broadcasting & Production segment's results.

During the third quarter of 2014, management changed the names of the Corporation's business segments to better reflect operational realities. The Television segment is now called Broadcasting & Production and the Publishing segment is now called Magazines.

Management also made changes to the Corporation's management structure at the beginning of 2014. As a result of those changes, the custom publishing, commercial print production and premedia services previously provided by the TVA Studio division in the Magazines segment became part of the operations of TVA Accès inc. in the Broadcasting & Production segment.

Then, 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, dubbing, custom publishing and premedia services of TVA Accès inc., 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, and markets digital products associated with the various magazine brands.

- The **Film Production & Audiovisual Services segment**, which since December 30, 2014 has included the soundstage and equipment leasing, postproduction and visual effects services provided by MELS.

HIGHLIGHTS SINCE END OF 2014

- In the fourth quarter of 2015, the Corporation offered some of its unionized employees in the Broadcasting & Production segment in Montreal a voluntary retirement program. As of December 31, 2015, 27 employees had taken advantage of the program and left the Corporation.

- On November 18, 2015, the Corporation announced, in response to market saturation conditions, that it was discontinuing publication of six titles – *150 plans, Animal, Décormag, Le Lundi, MOI&cie* and *Signé M* – in order to maintain its market position. TVA Group decided to focus on its strong brands and allocate the required staff and resources to increase their reach.

- On October 15, 2015, the Supreme Court of Canada rejected an appeal from Bell ExpressVu Limited Partnership ("Bell ExpressVu"), a subsidiary of Bell Canada, against a Quebec Court of Appeal judgement in favour of Videotron Ltd. and TVA Group, rendered on March 6, 2015. The judgement ordered Bell ExpressVu to pay TVA Group $665,000, including interest, for having failed to implement an appropriate security system in a timely manner to prevent piracy of its satellite television signals between 1999 and 2005, harming its competitors and broadcasters. The gain arising from the outcome of this legal dispute was recognized in the third quarter of 2015 ("Conclusion of legal dispute with Bell ExpressVu").

- In the third quarter of 2015, the Corporation reviewed its three-year business plan and the cash flow forecasts for its operations. In view of advertising revenue forecasts for the television industry, particularly over-the-air stations, the Corporation determined it would be appropriate to recognize a $60,107,000 non-cash charge in its Broadcasting & Production segment for impairment of a broadcasting licence.

- On September 9, 2015, the Corporation announced that the "TVA Sports" service will carry the 2016 World Cup of Hockey, to be held in Toronto from September 17 to October 1, 2016. As the official broadcaster of the international event, "TVA Sports" will carry all the games in the tournament, which consist of eight teams that will bring together the best hockey players in the world.

- On August 26, 2015, TVA Group introduced a new brand image for Global Vision to support the promotion of its film production and audiovisual services in Quebec and internationally. Henceforth, all the strengths and creative talents of Global Vision's teams will be united under a brand that already enjoys a firmly established reputation in the industry: MELS.

- On April 12, 2015, TVA Publications inc. closed a transaction whereby it acquired 14 magazines ("acquired magazines"), including 4 magazines owned and operated in partnership, as well as 3 websites, custom publishing contracts and book publishing operations owned by Transcontinental ("acquisition of magazines from Transcontinental"). The $56.3 million cash transaction was announced on November 17, 2014 and approved by the Competition Bureau on March 2, 2015. The acquisition was in keeping with the Corporation's strategy of investing in the production and dissemination of diverse, rich, high-quality entertainment content.

- On March 20, 2015, the Corporation completed a subscription rights offering to its shareholders, whereby the Corporation received net proceeds totalling $110 million from the issuance of 19,434,629 Class B Non-Voting Shares. The Corporation used the proceeds from the rights offering to pay down in full the amounts due under the terms of a $100 million credit facility extended by QMI.

- On February 13, 2015, Sun Media Corporation announced the discontinuation of the operations of the "SUN News" specialty channel, in which TVA Group holds a 49% interest.

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 to net loss attributable to shareholders as disclosed in the Corporation's 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 consolidated financial statements
(in thousands of dollars)

	Years ended December 31		Three-months ended December 31	
	2015	2014	**2015**	2014
Adjusted operating income:				
Broadcasting & Production	**$ 25,592**	$ 19,728	**$ 14,013**	$ 5,073
Magazines	**7,736**	9,698	**1,853**	1,741
Film Production & Audiovisual Services	**14,062**	–	**980**	–
	47,390	29,426	**16,846**	6,814
Depreciation of property, plant and equipment and amortization of intangible assets	**33,515**	22,104	**12,757**	5,533
Financial expenses	**4,104**	4,231	**290**	1,058
Operational restructuring costs, impairment of assets and others	**6,315**	3,594	**3,436**	3,485
Impairment of a licence and of goodwill	**60,107**	41,000	**–**	–
Tax (recovery) expense	**(7,818)**	(8,753)	**265**	(2,058)
Share of loss of associated corporations	**6,134**	8,338	**1,575**	3,214
Non-controlling interest	**259**	–	**(5)**	–
Net loss attributable to shareholders	**$ (55,226)**	$ (41,088)	**$ (1,472)**	$ (4,418)

2015/2014 FINANCIAL YEAR COMPARISON

Analysis of consolidated results of TVA Group

Operating revenues: $589,890,000, a $150,550,000 (34.3%) increase.

- $48,348,000 (12.7%) increase in the Broadcasting & Production segment (Table 2) essentially due to the significant revenue growth generated by the specialty services, particularly "TVA Sports," which was partially offset by a 5.3% decrease in TVA Network's revenues.

- $43,843,000 (70.0%) increase in the Magazines segment (Table 2) primarily due to the favourable impact of the acquired magazines, which was partially offset by a 13.5% decrease in newsstand revenues and an 8.9% decrease in advertising revenues at the other magazines.

- $60,120,000 increase in the Film Production & Audiovisual Services segment (Table 2) due to the addition of operating activities related to the acquisition of substantially all of the assets of MELS on December 30, 2014 ("acquisition of MELS").

Table 2
Operating revenues
(in thousands of dollars)

	Years ended December 31		Three-months ended December 31	
	2015	2014	**2015**	2014
Broadcasting & Production	**$ 428,526**	$ 380,178	**$ 122,962**	$ 116,173
Magazines	**106,457**	62,614	**32,477**	15,275
Film Production & Audiovisual Services	**60,120**	–	**11,754**	–
Intersegment items	**(5,213)**	(3,452)	**(1,764)**	(1,654)
	$ 589,890	$ 439,340	**$ 165,429**	$ 129,794

Adjusted operating income: $47,390,000, a $17,964,000 (61.0%) favourable variance.

- $5,864,000 favourable variance in the Broadcasting & Production segment (Table 3) caused mainly by a 31.7% increase in TVA Network's adjusted operating income and a 47.9% increase in the adjusted operating income of the specialty services other than "TVA Sports." These favourable variances were partially offset by the increase in the adjusted operating loss of "TVA Sports."

- $1,962,000 unfavourable variance in the Magazines segment (Table 3), mainly because of the decrease in the magazines' operating revenues, for comparable magazines, which was partially offset by the addition of the adjusted operating results of the acquired magazines.

- $14,062,000 favourable variance in the Film Production & Audiovisual Services segment (Table 3), directly attributable to the adjusted operating income generated by the operations integrated as a result of the acquisition of MELS.

Table 3
Adjusted operating income
(in thousands of dollars)

	Years ended December 31		Three-months ended December 31	
	2015	2014	**2015**	2014
Broadcasting & Production	**$ 25,592**	$ 19,728	**$ 14,013**	$ 5,073
Magazines	**7,736**	9,698	**1,853**	1,741
Film Production & Audiovisual Services	**14,062**	–	**980**	–
	$ 47,390	$ 29,426	**$ 16,846**	$ 6,814

Net loss attributable to shareholders: $55,226,000 (-$1.42 per basic and diluted share), compared with $41,088,000 (-$1.73 per basic and diluted share) in the same period of 2014.

- The $14,138,000 negative variance (favourable variance of $0.31 per basic and diluted share) was essentially due to:

  - $19,107,000 unfavourable variance caused by impairment of a licence and of goodwill;
  - $11,411,000 unfavourable variance in depreciation and amortization expenses; and
  - $2,721,000 unfavourable variance in restructuring costs, impairment of assets and others;

  partially offset by:

  - $17,964,000 increase in adjusted operating income; and
  - $2,204,000 favourable variance in the Corporation's share of loss of associated corporations.

- The calculation of the per-share loss was based on a weighted average of 38,827,404 outstanding diluted shares for the year ended December 31, 2015 and 23,770,906 outstanding diluted shares for the year ended December 31, 2014. 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: $33,515,000, an $11,411,000 (51.6%) increase. The increase was mainly due to the addition of the property, plant and equipment and intangible assets acquired from MELS and in the acquisition of magazines from Transcontinental.

Financial expenses: $4,104,000, a $127,000 decrease due mainly to more advantageous rates on floating rate debt in 2015 compared with the fixed rates paid by the Corporation during most of the previous year. That favourable variance was partially offset by recognition in the first quarter of 2015 of interest charges related to the $100,000,000 credit facility extended by QMI and the recognition of an interest expense related to pension plans in fiscal 2015, whereas interest revenues related to pension plans were recorded in fiscal 2014.

Operational restructuring costs, impairment of assets and others: $6,315,000 in fiscal 2015, compared with $3,594,000 in 2014, a $2,721,000 increase.

- In 2015, the Corporation recorded $6,253,000 in operational restructuring costs in connection with staff reductions and the discontinuation of the publication of six titles, including $2,798,000 in the Broadcasting & Production segment, $2,920,000 in the Magazines segment, and $535,000 in the Film Production & Audiovisual Services segment.

- In the same period, the Corporation recorded $689,000 in professional fees and integration costs in connection with the acquisition of MELS and the acquisition of magazines from Transcontinental.

- In 2015, the Corporation also recorded a $627,000 gain, including interest, in connection with the conclusion of the legal dispute with Bell ExpressVu.

- In 2014, the Corporation recorded $811,000 in professional fees and $1,382,000 in building transfer taxes in connection with the acquisition of MELS. The Corporation also recorded professional fees totalling $406,000 in connection with the closing of the acquisition of 14 magazines from Transcontinental.

- In 2014, the Corporation recognized an $832,000 non-cash impairment charge in connection with its investment in the "SUN News" specialty service.

- **Impairment of a licence and of goodwill:** $60,107,000 in 2015, compared with $41,000,000 in 2014, a $19,107,000 unfavourable variance.

  During the third quarter of 2015, the Corporation completed the annual update of its strategic plan for the next three years. Market conditions in the television industry, particularly the continuing pressure on advertising revenues, led the Corporation to perform an impairment test on its Broadcasting & Production cash-generating unit ("CGU"). The Corporation concluded that the recoverable amount, based on value in use, of the Broadcasting & Production CGU was less than its carrying amount. A $60,107,000 non-cash impairment charge was recorded with respect to the broadcasting licence, including $30,054,000 without any tax consequences ($32,462,000 in 2014, including $16,231,000 without any tax consequences). In 2014, an $8,538,000 non-cash goodwill impairment charge, without any tax consequences, was also recognized. The Corporation used an 11.0% pre-tax discount rate and a 0.0% perpetual growth rate to calculate the recoverable amount (11.0% pre-tax discount rate and 1.0% perpetual growth rate in 2014).

Income tax recovery: $7,818,000 (effective tax rate of 13.8%) in 2015, compared with $8,753,000 (effective tax rate of 21.1%) in 2014.

- In 2015, the effective tax rate was lower than the Corporation's statutory tax rate of 26.9%, mainly because of the non-deductible portion of the licence impairment charge.

- In 2014, the effective tax rate was lower than the Corporation's statutory tax rate of 26.9%, primarily because of the non-deductible portion of the goodwill and licence impairment charges, partially offset by 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. As well, in light of developments in tax audits, jurisprudence and tax legislation, the Corporation reduced its deferred tax liabilities by $1,169,000.

Share of loss of associated corporations: $6,134,000 in 2015, compared with $8,338,000 in 2014; the $2,204,000 favourable variance was mainly due to a decrease in the Corporation's share of loss of ROC Television following the discontinuation of the operations of the "SUN News" specialty service on February 13, 2015. In 2014, ROC Television's loss included a write-down of the channel's property, plant and equipment. This favourable factor was partially offset by the weaker financial results of an investment in a television company in 2015 compared with 2014.

Non-controlling interest: $259,000, compared with nil in 2014.

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 in the acquisition of magazines from Transcontinental.

SEGMENTED ANALYSIS

Broadcasting & Production

Operating revenues: $428,526,000, a $48,348,000 (12.7%) increase, primarily due to:

- increase in the subscription revenues of “TVA Sports,” which more than doubled;
- increase in the advertising revenues of “TVA Sports,” which more than tripled; and
- 10.9% increase in the combined subscription revenues of the other specialty services, including “MOI&cie,” “Casa,” “addik^{TV}” and “LCN,” which grew by 25.4%, 13.6%, 11.6% and 9.2% respectively;

partially offset by:

- 5.3% decrease in TVA Network’s revenues because of the following factors:
  - 5.1% decrease in advertising revenues; and
  - decrease in revenues from the Local Programming Improvement Fund, which was terminated in September 2014.

French-language market ratings

TVA Group’s total market share for the period of January 1 to December 31, 2015 was 34.1%, compared with 32.0% in the same period of 2014, a 2.1-point increase.

TVA Group’s specialty services had a combined market share of 11.3% in 2015, compared with 9.3% in the same period of 2014, a 2.0-point increase. “TVA Sports” stood out with a 1.6-point increase. Most of the other specialty services also increased or maintained their market share.

With a 3.5% share, the 24-hour news and public affairs channel “LCN” was ahead of its main rival, “RDI,” which ended the year with 3.1%.

TVA Network remains in the lead with a 22.8% market share, more than its two main over-the-air rivals combined. TVA Network carried 18 of the 30 most-watched programs in Quebec in 2015, including *La Voix*, which attracted more than 2.7 million viewers, and *Les beaux malaises* and *Le Banquier*, which each drew nearly 2 million viewers.

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

Year 2015 vs 2014			
	2015	**2014**	**Difference**
French-language conventional broadcasters:			
TVA	**22.8**	22.7	0.1
SRC	**12.2**	13.0	- 0.8
V	**7.4**	7.9	- 0.5
	42.4	43.6	- 1.2
French-language specialty and pay services:			
TVA	**11.3**	9.3	2.0
Bell Media	**17.8**	19.3	- 1.5
Corus	**7.5**	7.3	0.2
SRC	**4.6**	4.7	- 0.1
Others	**5.2**	4.8	0.4
	46.4	45.4	1.0
Total English-language channels and others:	**11.2**	11.0	0.2
TVA Group	**34.1**	32.0	2.1

Source: Numeris - French Quebec, January 1 to December 31, 2015, Mon-Sun, 2:00 – 2:00, All 2+.

Operating expenses: $402,934,000, a $42,484,000 (11.8%) increase.

- The increase was due primarily to:

  - 106.2% increase in the operating expenses of "TVA Sports" as a result of the broadcast of a full season of National Hockey League ("NHL") games, including the Stanley Cup playoffs, and variable costs related to the 147.3% increase in the channel's operating revenues;

  partially offset by:

  - 9.8% decrease in operating expenses at TVA Network due to the introduction of an expense reduction plan, lower commercial production volume, certain savings in variable costs related to lower revenues, and the fact that in 2015 there were no additional expenses generated by adjustments to prior-year broadcast licence costs.

Adjusted operating income: $25,592,000, a $5,864,000 (29.7%) favourable variance due primarily to:

- increase in adjusted operating income at TVA Network, mainly as a result of lower content costs and the expense reduction plan introduced in the second quarter of 2015; and

- 47.9% increase in adjusted operating income at the specialty services other than "TVA Sports," caused primarily by the increase in subscription revenues;

partially offset by:

- increase in the adjusted operating loss of "TVA Sports" because the subscriber base and per-subscriber fees have not yet reached their full potential, whereas the full costs of quality programming and related investments have been incurred.

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) were relatively stable, decreasing from 94.8% in 2014 to 94.0% in 2015.

Magazines

Operating revenues: $106,457,000, a $43,843,000 (70.0%) increase primarily due to:

- added revenues since the acquisition of magazines from Transcontinental;

partially offset by:

- 13.5%[1] decrease in newsstand revenues, mainly in the following categories:
  - Women's: -18.8%[1];
  - Entertainment: -13.2%; and
- 8.9%[1] decrease in advertising revenues, due mainly to the Women's (-25.8%[1]) and Entertainment (-21.9%) categories, despite higher advertising revenues at the specialty magazines and new media.

[1] Excluding the titles acquired from Transcontinental.

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 11.3% of the segment's operating revenues for fiscal 2015 (11.9% in 2014).

Readership and market share statistics

According to the new Vividata multiplatform readership metric, TVA Group is Canada's largest magazine publisher. Its French-language titles attract 3.2 million multiplatform readers per issue and its English-language titles more than 8.1 million multiplatform readers per issue.

The showbiz and celebrity news magazine *7 Jours* is the No1 weekly in Quebec with nearly 600,000 multiplatform readers per week.

Among monthlies, *Coup de pouce* is the print magazine with the largest readership in Quebec with over 1.1 million readers in print. It reaches a total of 1.4 million readers across all platforms.

On the English side, *Canadian Living* is Canada's most widely read English-language women's magazine with close to 3.2 million multiplatform readers, while *The Hockey News* is the top destination for Canadian sports fans with nearly 2.1 million multiplatform readers.

Source: Vividata, Q2 2015, Total Canada, 12+

Operating expenses: $98,721,000, a $45,805,000 (86.6%) increase due primarily to the addition of the operating expenses of the acquired magazines.

Adjusted operating income: $7,736,000, a $1,962,000 (-20.2%) unfavourable variance due mainly to the decrease in the magazines' operating revenues for comparable magazines, partially offset by the addition of the adjusted operating income of the acquired 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 92.7% in 2015, compared with 84.5% in 2014. The increase was mainly due to the decrease in newsstand revenues and advertising revenues, as well as high transition costs related to integration of the acquired magazines.

Acquisition of magazines from Transcontinental

On April 12, 2015, TVA Publications inc. closed an acquisition of magazines from Transcontinental in which it acquired 14 magazines, four of which are owned and operated in partnership, as well as three websites, custom publishing contracts and book publishing operations, for a purchase price of $56,286,000 in cash, including a $786,000 final adjustment contingent upon a predetermined working capital target agreed to by the parties.

The 14 acquired titles include *Coup de pouce, Canadian Living, Décormag, Style at Home, Canadian Gardening* and *The Hockey News*. TVA Publications inc. also acquired an effective 51% interest in Les Publications Groupe-TVA Hearst inc., giving it control of the titles *Elle Canada* and *Elle Québec*, as well as a 50% interest in Publications Senior inc., which operates the *Le Bel Âge* and *Good Times* brands.

The Corporation was able to realize a positive contribution from the new titles acquired in 2015, although certain transitional operational costs remain high. Those costs should decrease in the coming quarters once integration of the acquired magazines into existing operations has been completed.

Film Production & Audiovisual Services

The acquisition of MELS on December 30, 2014 gave rise to the following variances in operating results:

- $60,120,000 favourable variance in operating revenues;
- $46,058,000 unfavourable variance in operating expenses; and
- $14,062,000 favourable variance in the segment's adjusted operating income.

Soundstage and equipment leasing accounted for 62.3% of the segment's operating revenues in 2015, exceeding the original budget forecasts. Activities related to postproduction services also outperformed the Corporation's budget forecasts. However, activities related to visual effects services were below expectations and fell short of the segment's potential in this area.

The significant contribution from soundstage and equipment leasing in 2015 was generated largely by major productions such as the Hollywood productions *Story of Your Love*, directed by Denis Villeneuve, and 20th Century Fox's *X-Men Apocalypse*, as well as coproductions with France. Projected utilization rates are high for all of MELS' film production facilities and equipment, and management expects them to remain strong in the upcoming seasons.

The American films *Race* and *Fallen*, which will be released in theatres in 2016, and the prestigious Franco-Canadian series *Versailles*, which has been airing on Canal + in France since fall 2015 and on Super Écran in Canada since December 2015, used MELS'special effects resources and expertise in 2015. Moreover, Season two of *Versailles* has already been confirmed by Canal +.

MELS was also involved in producing Adele's Hello video, directed by Xavier Dolan. The 35mm negative was developed at MELS' photochemical lab, the only one of its kind in Canada. MELS also provided equipment for the shoot, such as cameras and lighting, as well as postproduction services, including colour correction.

2015/2014 FOURTH QUARTER COMPARISON

Analysis of consolidated results of TVA Group

Operating revenues: $165,429,000, a $35,635,000 (27.5%) increase.

- $6,789,000 (5.8%) increase in the Broadcasting & Production segment (Table 2) essentially due to the significant revenue growth generated by the specialty services, particularly "TVA Sports."

- $17,202,000 (112.6%) increase in the Magazines segment (Table 2) primarily due to the favourable impact of the acquisition of magazines from Transcontinental, which was partially offset by a 12.8% decrease in newsstand revenues and a 2.6% decrease in advertising revenues at the other magazines.

- $11,754,000 increase in the Film Production & Audiovisual Services segment (Table 2) due to the addition of operating activities related to the acquisition of MELS.

Adjusted operating income: $16,846,000, a $10,032,000 (147.2%) favourable variance.

- $8,940,000 favourable variance in the Broadcasting & Production segment (Table 3) caused mainly by the improved adjusted operating results of the specialty services, particularly "TVA Sports" and "LCN," and the 13.2% increase in TVA Network's adjusted operating income.

- $112,000 favourable variance in the Magazines segment (Table 3) due mainly to the addition of the adjusted operating results of the acquired magazines, which was partially offset by the decrease in the segment's revenues, excluding the acquired magazines.

- $980,000 favourable variance in the Film Production & Audiovisual Services segment (Table 3), directly attributable to the adjusted operating income generated by the operations integrated as a result of the acquisition of MELS.

Net loss attributable to shareholders: $1,472,000 (-$0.03 per basic and diluted share) in the fourth quarter of 2015, compared with $4,418,000 (-$0.19 per basic and diluted share) in the same period of 2014.

- The $2,946,000 ($0.16 per basic and diluted share) increase was essentially due to:

    - $10,032,000 increase in adjusted operating income;

    - $1,639,000 favourable variance in the Corporation's share of loss of associated corporations; and

    - $768,000 favourable variance in financial expenses;

    partially offset by:

    - $7,224,000 unfavourable variance in depreciation and amortization expenses; and

    - $2,323,000 unfavourable variance in the income tax expense.

- The calculation of per-share results was based on a weighted average of 43,205,535 outstanding diluted shares for the quarter ended December 31, 2015, and 23,770,906 outstanding diluted shares for the same period of 2014. The increase in the weighted average number of outstanding diluted shares was due to the issuance of 19,434,629 shares, as described in the 2015/2014 financial year comparison above.

Depreciation of property, plant and equipment and amortization of intangible assets: $12,757,000, a $7,224,000 (130.6%) increase from the same quarter of 2014. The increase was 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 on December 30, 2014, in addition to the factors noted in the 2015/2014 financial year comparison above.

Financial expenses: $290,000, a $768,000 decrease caused essentially by a foreign exchange gain recorded in the quarter ended December 31, 2015, whereas a foreign exchange loss was recorded in the same period of 2014. More advantageous rates on floating rate debt in the fourth quarter of 2015, compared with the fixed rates paid by the Corporation in most of the same quarter of 2014, were also a factor in the decrease.

Operational restructuring costs, impairment of assets and others: $3,436,000 in the three-month period ended December 31, 2015, compared with $3,485,000 in the same period of 2014, a $49,000 favourable variance.

- In the fourth quarter of 2015, the Corporation recorded $3,293,000 in operational restructuring costs in connection with staff reductions, the voluntary retirement program and the discontinuation of the publication of six titles, including $2,059,000 in the Broadcasting & Production segment, $1,038,000 in the Magazines segment, and $196,000 in the Film Production & Audiovisual Services segment.

- In the same period, the Corporation recorded $90,000 in professional fees and integration costs in connection with the acquisition of MELS and the acquisition of magazines from Transcontinental.

- In the fourth quarter of 2014, as detailed in the 2015/2014 financial year comparison above, the Corporation recorded professional fees and transfer taxes in connection with the acquisition of MELS and the acquisition of magazines from Transcontinental. Those expenses totalled $2,599,000.

- During the same quarter, the Corporation recognized an $832,000 non-cash impairment charge in connection with its investment in “SUN News” specialty service.

Income tax expense: $265,000 (effective tax rate of 73.0%) in the fourth quarter of 2015, compared with income tax recovery of $2,058,000 (effective tax rate of 63.1%) in the same period of 2014.

- In the fourth quarter of 2015, the effective tax rate was higher than the Corporation’s statutory tax rate of 26.9%, mainly because of permanent differences related to non-deductible items.

- In the fourth quarter of 2014, the tax rate was higher than the Corporation’s statutory tax rate of 26.9%, mainly because of a $689,000 reduction in the deferred income tax liability in light of the evolution of tax auditing, jurisprudence and tax legislation. The Corporation’s share of the tax savings generated by the losses of ROC Television during the period was also a factor. Those two factors were partially offset by permanent differences related to non-deductible items.

Share of loss of associated corporations: $1,575,000 in the fourth quarter of 2015, compared with a loss of $3,214,000 in the same period of 2014. The $1,639,000 favourable variance was due to the same factors as those noted in the 2015/2014 financial year comparison above.

Non-controlling interest: $5,000 for the three-month period ended December 31, 2015 compared with nil for the same period of 2014.

Non-controlling interest consists in the minority shareholder’s share of the fourth quarter 2015 net loss of a corporation in which TVA Publications inc. holds a 51% interest and which operates certain magazines acquired as part of the acquisition of magazines from Transcontinental.

SEGMENTED ANALYSIS

Broadcasting & Production

Operating revenues: $122,962,000, a $6,789,000 (5.8%) increase, primarily due to:

- higher operating revenues at "TVA Sports," which increased its advertising revenues by 18.8% and its subscription revenues by 13.1%;
- 19.0% increase in the combined subscription revenues of the other specialty services, including "LCN," "MOI&cie," "Casa" and "addik^{TV}," which grew by 35.9%, 18.9%, 16.9% and 13.6% respectively; and
- 53.2% increase in revenues from the TVA Films division's operations, driven largely by the Video/DVD/Blu-ray category.

French-language market ratings

TVA Group's total market share for the period of October 1 to December 31, 2015 was 32.5%, compared with 32.2% in the same period of 2014. TVA Group's specialty services accounted for the 0.3-point increase, growing their market share from 9.7% to 10.0%. The market share of the news and public affairs channel "LCN" increased by 0.3 points to 3.4%. TVA Network remains in the lead with a 22.5% market share, more than its two main over-the-air rivals combined. Its original dramas *Au secours de Béatrice, Boomerang, O', Pour Sarah* and *Yamaska* all attracted more than a million viewers. TVA Group demonstrated its clear leadership in news again on federal election night 2015. The combined viewership of TVA Network and the "LCN" specialty service broke through the million-viewer mark on several occasion, peaking at a record audience of nearly 1.5 million.

Table 5
French-language market ratings
(Market share in %)

Fall 2015 vs 2014	2015	2014	Difference
French-language conventional broadcasters:			
TVA	**22.5**	22.5	-
SRC	**13.0**	13.3	- 0.3
V	**8.0**	8.4	- 0.4
	43.5	44.2	- 0.7
French-language specialty and pay services:			
TVA	**10.0**	9.7	0.3
Bell Media	**17.9**	18.7	- 0.8
Corus	**7.7**	6.7	1.0
SRC	**4.9**	4.5	0.4
Others	**4.9**	4.7	0.2
	45.4	44.3	1.1
Total English-language channels and others:	**11.1**	11.5	- 0.4
TVA Group	**32.5**	32.2	0.3

Source: Numeris - French Quebec, October 1 to December 31, 2015, Mon-Sun, 2:00 – 2:00, All 2+.

Operating expenses: $108,949,000, a $2,151,000 (-1.9%) decrease due primarily to:

- 3.7% decrease in the operating expenses of the specialty services, mainly because of savings in content costs at "TVA Sports"; and

- 2.2% decrease in operating expenses at TVA Network generated primarily by the operating cost reduction plan;

partially offset by:

- higher operating expenses at the TVA Films division, which registered increased activity in the fourth quarter of 2015 compared with the same quarter of 2014.

Adjusted operating income: $14,013,000, an $8,940,000 (176.2%) favourable variance due primarily to:

- improved adjusted operating results at "TVA Sports," essentially due to the above-noted increase in its operating revenues;

- 79.6% increase in adjusted operating income at the other specialty services, mainly reflecting higher subscription revenues; and

- 13.2% increase in adjusted operating income at TVA Network, mainly as a result of the operating cost reduction plan.

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 95.6% in the fourth quarter of 2014 to 88.6% in the same period of 2015. The decrease was due primarily to higher operating revenues at the specialty services, as reported above, combined with lower operating expenses as a result of the expense reduction plan.

Magazines

Operating revenues: $32,477,000, a $17,202,000 (112.6%) increase, primarily due to:

- addition of the revenues of the magazines acquired from Transcontinental on April 12, 2015;

partially offset by:

- 12.8%[1] decrease in newsstand revenues, mainly in the following categories:
    - Women's: -37.3%[1];
    - Decorating/cooking: -16.7%[1];
    - Specialty: -12.4%[1];
    - Entertainment: -8.2%; and
- 2.6%[1] decrease in advertising revenues, mainly at the entertainment magazines.

[1] *Excluding the titles acquired from Transcontinental.*

Operating expenses: $30,624,000, a $17,090,000 (126.3%) increase due primarily to the addition of the operating expenses of the acquired magazines.

Adjusted operating income: $1,853,000, a $112,000 (6.4%) favourable variance due mainly to the addition of the adjusted operating results of the acquired magazines, partially offset by the impact of the decrease in the segment's operating revenues, excluding the acquired 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) increased from 88.6% in the fourth quarter of 2014 to 94.3% in the same period of 2015. Excluding the impact of the acquired magazines, the increase was mainly due to the decrease in newsstand revenues and advertising revenues.

Film Production & Audiovisual Services

The acquisition of MELS gave rise to the following variances in operating results:

- $11,754,000 favourable variance in operating revenues;
- $10,774,000 unfavourable variance in operating expenses; and
- $980,000 favourable variance in the segment's adjusted operating income.

Soundstage and equipment leasing accounted for 56.4% of the segment's operating revenues during the three-month period ended December 31, 2015.

Adjusted operating results for the fourth quarter of 2015 were in line with the Corporation's budget forecasts. The fourth quarter is traditionally less busy than the second and third quarters, especially for soundstage and equipment leasing. During the last quarter, that line of business benefited from the filming of the American series *Quantico*, broadcast since September 2015 on the ABC network in the US and CTV in Canada. Postproduction activities also posted strong results, particularly audio postproduction and film laboratory services.

2014/2013 FINANCIAL YEAR COMPARISON

The table below shows the Corporation's operating results for the years ended December 31, 2014 and 2013:

Table 6
Comparative consolidated results for 2014 and 2013
(in thousands of dollars)

	Years ended December 31	
	2014	**2013**
Operating revenues:		
Broadcasting & Production	$ 380,178	$ 386,009
Magazines	62,614	61,964
Intersegment items	(3,452)	(3,157)
	$ 439,340	$ 444,816
Adjusted operating income:		
Broadcasting & Production	$ 19,728	53,023
Magazines	9,698	7,547
	$ 29,426	$ 60,570
Total assets	$ 602,032	$ 522,051
Non-current liabilities	90,199	24,313

SEGMENTED TREND ANALYSIS FOR YEARS ENDED DECEMBER 31, 2013, 2014 AND 2015

Broadcasting & Production

Operating revenues

The Television & Production segment has recorded operating revenue growth in the order of 11.0% over the past three years. The increase was driven by the specialty services, whose combined operating revenues rose by 87.1%. "TVA Sports" more than quintupled its revenues over this period, accounting for 93.9% of the growth. The "MOI&cie," "Prise 2," "Casa" and "addik^{TV}" specialty services grew their revenues by 59.8%, 18.2%, 17.0% and 15.5% respectively. However, television audiences are fragmenting across the various content delivery platforms, including the Internet and video on demand. Despite this trend, TVA Group was able to increase its market share because of the specialty services, which more than offset the decrease in TVA Network's market share. The new landscape is also reflected in the 11.7% decrease in TVA Network's revenues over the past three years as a result of a 9.5% decline in advertising revenues since 2013. The discontinuation in the third quarter of 2013 of the operations of the TVA Boutiques division, which was engaged in home shopping and online shopping, also partially offset the growth at the specialty services.

Adjusted operating income

The segment's adjusted operating income decreased by 51.7% during the period. TVA Network accounted for most of the decrease. Its adjusted operating income fell by 36.3% as a direct result of the decrease in advertising revenues. The adjusted operating loss of the specialty services also increased as a result of higher spending on programming, mainly at "TVA Sports."

Magazines

Operating revenues

The Magazines segment's operating revenues increased by 71.8% during the period. Excluding the favourable impact of the acquired magazines, operating revenues have decreased by 7.6% since 2013, essentially because of a 25.2% decline in advertising revenues. The entire Canadian magazine industry has seen a downward trend in advertising revenues. Despite strong competition, with the acquired magazines TVA Group has become Canada's largest magazine publisher.

Adjusted operating income

Excluding the favourable impact of the acquired magazines, the segment's adjusted operating income has decreased by 35.0% since 2013. To offset the decline in "traditional" revenues, the Corporation invested in new brand management projects aimed at generating new revenue streams. Operating expenses, including printing and filming, advertising and marketing, and general administrative expenses, had to be reduced to protect the segment's operating margins.

Film Production & Audiovisual Services

Operating revenues

The acquisition of MELS enabled the Corporation to diversify its revenue streams and to increase its operating revenues by $60,120,000 in fiscal 2015.

Adjusted operating income

The acquisition also generated an additional $14,062,000 in adjusted operating income for the Corporation in 2015.

CASH FLOWS AND FINANCIAL POSITION

Table 7 below shows a summary of cash flows related to operating activities, investing activities and financing activities:

Table 7
Summary of the Corporation's cash flows
(in thousands of dollars)

	Years ended December 31		Three months ended December 31	
	2015	2014	**2015**	2014
Cash flows related to operating activities	**$ 95,294**	$ 36,686	**$ 8,459**	$ 9,478
Issuance of share capital, net of transaction costs	**108,633**	–	**–**	–
Net business acquisitions, net of cash	**(57,147)**	(116,616)	**(786)**	(116,115)
Additions to property, plant and equipment and intangible assets	**(26,542)**	(24,647)	**(7,369)**	(5,050)
Net change in investments	**(2,620)**	(6,459)	**–**	(1,911)
Other	**(739)**	(769)	**(14)**	(618)
Reimbursement of (increase in) net debt	**$ 116,879**	$ (111,805)	**$ 290**	$ (114,216)

	December 31, 2015	December 31, 2014
At period end:		
Long-term debt	**$ 68,812**	$ 72,757
Derivative financial instrument	**814**	547
Short-term debt	**4,219**	938
Credit facility from parent corporation	**–**	100,000
Bank overdraft	**–**	4,486
Less: cash	**(11,996)**	–
Net debt	**$ 61,849**	$ 178,728

Operating activities

Cash flows provided by operating activities: $58,608,000 increase during fiscal 2015 due mainly to:

- $43,714,000 favourable net change in non-cash balances related to operations, mainly because of favourable variances in rights payable, in accounts payable and accrued liabilities, in defined benefit assets and liabilities, in current tax assets and liabilities, and in deferred revenues;

- $17,964,000 increase in adjusted operating income;

partially offset by:

- $2,721,000 increase in restructuring costs, impairment of assets and other costs.

Working capital of TVA Group: $10,248,000 as at December 31, 2015 compared with negative $33,062,000 as at December 31, 2014. The $43,310,000 favourable variance mainly reflects an increase in cash and accounts receivable, as well as repayment of the credit facility extended by the parent corporation following an issuance of shares upon closing of a subscription rights offering to existing shareholders in the first quarter of 2015, partially offset by increases in accounts payable and accrued liabilities, in broadcast rights payable, and in deferred revenues.

Investing activities

Additions to property, plant and equipment and intangible assets: $26,542,000 in 2015, compared with $24,647,000 in 2014. The $1,895,000 (7.7%) increase was caused mainly by the expenditures required following the acquisition of MELS, which were partially offset by a decrease in expenditures that were necessary in 2014 for installation of the technical infrastructure required for the launch of "TVA Sports 2" following the acquisition of broadcast rights to NHL games.

Business acquisitions: $57,447,000 in fiscal 2015 consisting of $56,286,000 for the acquisition of magazines from Transcontinental and $1,161,000 paid as a final adjustment in connection with the acquisition of MELS. In 2014, the Corporation spent $116,616,000 on business acquisitions, including $116,115,000 for the acquisition of MELS and $501,000 paid as a final adjustment in connection with the acquisition of Les Publications Charron & Cie inc.

As part of the acquisition of magazines from Transcontinental, 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 $420,000 account receivable.

Net change in investments: $2,620,000 in fiscal 2015, compared with $6,459,000 in 2014. In 2015, the Corporation made a $2,891,000 capital contribution to ROC Television ($6,958,000 in 2014) and received $271,000 related to other investments ($499,000 in 2014).

Financing activities

Long-term debt (excluding deferred financing costs): Relatively stable at $73,797,000 as of December 31, 2015, compared with $74,737,000 as of December 31, 2014.

On November 3, 2014, TVA Group amended the terms and conditions of its bank credit facilities to increase the size of its revolving credit facilities from $100 million to $150 million, to extend their term by 2 years until February 24, 2019, and to replace the existing $75 million term loan maturing on December 11, 2014 by a new term loan of an equivalent amount maturing on November 3, 2019, with quarterly amortization payments commencing on December 20, 2015. TVA Group also granted a security on all of its movable assets and an immovable hypothec on its head office building as part of the amendment of the terms and conditions of its bank credit facilities.

On December 30, 2014, the Corporation obtained a $100,000,000 credit facility from QMI for the financing of the acquisition of MELS. This facility expired on March 30, 2015, and could be extended for an additional 90 days at the Corporation's option. It bore interest at the rate quoted on the CDOR page of Reuters' Monitor Service that day for bankers' acceptances with a term to maturity similar to the applicable maturity date (the CDOR rate) plus 2.375% per year. The credit facility was unsecured. Its terms and conditions were approved by TVA Group's independent directors. The Corporation used the net proceeds from its subscription rights offering to its shareholders to pay down that credit facility in the first quarter of 2015.

Financial position as at December 31, 2015

Net available liquid assets: $161,571,000, consisting of a $149,575,000 unused and available revolving credit facility and $11,996,000 in cash.

As at December 31, 2015, minimum principal payments on debt in the coming years were as follows:

Table 8
TVA Group minimum principal payments on debt
Years ended December 31
(in thousands of dollars)

2016	$	4,219
2017		6,562
2018		9,844
2019		53,172
Total	**$**	**73,797**

The weighted average term of TVA Group's debt was approximately 3.2 years as of December 31, 2015 (4.2 years as of December 31, 2014). The debt consisted entirely of floating-rate debt as of December 31, 2015 and 2014. The Corporation is using an interest rate swap to secure future interest expenses on a $38,500,000 portion of its secured term loan, which bears interest at a floating rate.

The Corporation also has a $150,000,000 revolving credit facility, which was renewed on November 3, 2014 and matures on February 24, 2019. As of December 31, 2015 and 2014, no amount was drawn on the revolving credit facility except for letters of guarantee.

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. The Corporation used the net proceeds from its subscription rights offering to pay down the credit facility in the first quarter of 2015.

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 December 31, 2015, the Corporation was in compliance with all the terms of its credit agreements.

<u>Analysis of consolidated balance sheet as at December 31, 2015</u>

Table 9
Consolidated balance sheets of TVA Group
Analysis of main variances between December 31, 2015 and December 31, 2014
(in thousands of dollars)

	December 31, 2015	December 31, 2014	Difference	Main reason for difference
<u>Assets</u>				
Accounts receivable	**$ 150,930**	$ 136,811	$ 14,119	Impact of acquisition of magazines from Transcontinental.
Licences and other intangible assets	**39,770**	83,647	(43,877)	Impact of recognition of impairment of broadcasting licence in 2015, partially offset by impact of acquisition of magazines from Transcontinental and adjustments related to the acquisition of MELS.
Goodwill	**77,985**	48,266	29,719	Increase related to goodwill recognized in connection with acquisition of magazines from Transcontinental, partially offset by reduction in goodwill associated with MELS following revision of purchase price allocation.
<u>Liabilities</u>				
Accounts payable and accrued liabilities	**$ 112,914**	$ 88,746	$ 24,168	Impact of strict cash management and acquisition of magazines from Transcontinental.
Broadcast rights payable	**88,867**	45,660	43,207	Impact of spending on programming for “TVA Sports”.
Deferred revenues	**28,148**	8,690	19,458	Impact of acquisition of magazines from Transcontinental.
Credit facility from parent corporation	**–**	100,000	(100,000)	Repayment of credit facility from the proceeds generated by the subscription rights offering.

ADDITIONAL INFORMATION

Contractual obligations

As of December 31, 2015, material contractual obligations 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 10.

Table 10
Material contractual obligations of TVA Group as of December 31, 2015
(in thousands of dollars)

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Long-term debt	$ 4,219	$ 16,406	$ 53,172	$ –	$ 73,797
Payment of interest[1]	2,573	4,236	1,258	–	8,067
Broadcast rights	212,301	175,542	141,974	378,904	908,721
Other commitments	15,901	20,540	7,592	3,657	47,690
Total	**$ 234,994**	**$ 216,724**	**$ 203,996**	**$ 382,561**	**$ 1,038,275**

[1] Interest is calculated on a constant debt level equal to that as at December 31, 2015 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 NHL 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.

Pension plan contributions

The expected employer contributions to the Corporation's defined benefit pension plans and post-retirement benefit plans will be $1,363,000 in 2016, based on the most recently filed actuarial report (contributions of $7,683,000 were paid in 2015).

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.

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 $103,567,000 ($81,947,000 in 2014).

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 $37,273,000 ($34,559,000 in 2014).

The Corporation also recorded management fees to the parent corporation in the amount of $4,320,000 in fiscal 2015 ($4,320,000 in 2014).

ROC Television

On February 13, 2015, Sun Media Corporation, a corporation under common control, announced the discontinuation of the operations of the “SUN News” specialty service. In 2015, the Corporation’s share of the SUN News specialty service’s loss included costs related to the discontinuation of operations.

In a corporate reorganization carried out in April 2015, Sun Media Corporation was folded into QMI, which now holds 51% of SUN News General Partnership, the name of which was changed on September 30, 2015 to ROC Television G.P.

In 2015, the Corporation continued making capital contributions to ROC Television and a $1,760,000 allowance was recorded under accounts payable and accrued liabilities as at December 31, 2015 to cover costs related to the discontinuation of operations.

In 2015, the partners in ROC Television made a capital contribution of $5,900,000 ($14,200,000 in 2014), including $2,891,000 from TVA Group ($6,958,000 in 2014).

Off-balance sheet arrangements

Guarantees

The Corporation has guaranteed a portion of the residual values of certain assets under operating leases for the benefit of the lessor. If the fair value of the assets at the end of their respective lease terms is less than their guaranteed residual value, the Corporation is required to compensate the lessor for a portion of the shortfall, subject to certain conditions. As at December 31, 2015, the maximum liability in respect of these guarantees totalled approximately $376,000, and the Corporation has recognized no amount in the consolidated balance sheet in relation to these guarantees. In previous years, the Corporation has made no payments in respect of these guarantees.

In the normal course of business, the Corporation enters into indemnification agreements with third parties as part of certain transactions, including acquisition contracts for goods, service agreements and leases. These indemnification agreements require the Corporation to compensate the third parties for costs incurred as a result of specific circumstances. The terms of these indemnification agreements vary from transaction to transaction, based on the contract terms. The nature of these indemnification agreements prevents the Corporation from making a reasonable estimate of the maximum potential amount it could be required to pay to third parties for all of its commitments. In the first quarter of 2014, the liability risk under specific commitments, which totalled $4,700,000 at December 31, 2013, was recognized in purchases of goods and services.

Capital stock

Table 11 below presents information on the Corporation’s capital stock as at February 14, 2016. In addition, 414,121 Class B stock options of the Corporation and 226,200 QMI stock options were outstanding as of February 14, 2016.

Table 11
Number of shares outstanding as at February 14, 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

Risks and uncertainties

The Corporation operates in the communications industry, which has a variety of risk factors and uncertainties. Due to the risks and uncertainties outlined below, the Corporation's operating environment and financial results may be materially affected. These risks are not the only ones that may affect the Corporation. Other risks and uncertainties, of which the Corporation is unaware, or deems negligible at this time, could also have a considerable negative impact on its financial position, operating results, cash flows, or its activities.

Risks related to seasonality and fluctuation of results of operations

The Corporation's business is sensitive to general economic cycles and may be adversely affected by the cyclical nature of the markets the Corporation serves, as well as by local, regional, national and global economic conditions. Seasonal variations in retail business influence the Corporation's financial results. In addition, the Broadcasting & Production segment has experienced and is expected to continue to experience significant seasonality due to, among other things, seasonal advertising patterns and seasonal influences on people's viewing habits.

Consequently, results of operations may fluctuate materially from period to period and the results of any one period are not necessarily indicative of results for future periods. Cash flow from operations may also fluctuate and are not necessarily closely correlated with revenue recognition. In particular, results of operations in any period depend to a large extent upon the production and delivery schedule of television programs and film projects.

The operating results of the Soundstage, Equipment and Post-Production Business have varied in the past, and may vary in the future, depending on factors such as the timing of new service introductions, the timing of revenue recognition of longer term projects, increased competition, timing of acquisitions, the ability of customers to finance projects, general economic factors and other factors. The Soundstage, Equipment and Post-Production Business' operating results have historically been significantly influenced by the volume of business from the motion picture industry, which is an industry that is subject to seasonal and cyclical downturns, and, occasionally, work stoppages by actors, writers and others. A few customers represent a large part of the Soundstage, Equipment and Post-Production Business' revenues, impacting the ability to forecast revenue in a particular quarter.

In addition, because the Corporation's operations are labour intensive, its cost structure is highly fixed and improvements in the flexibility and competitiveness of its cost structure may be difficult to achieve. During periods of economic contraction, revenues may decrease while the cost structure remains stable, resulting in decreased income. Similarly, fixed costs, including costs associated with grid programming and television content, leases, labour, depreciation and amortization expenses, account for a significant portion of the Corporation's business expenses. As a result of increases in grid programming and television content costs, lease rates, labour costs or capital expenditures, the financial results of the Corporation may be adversely affected.

Risks related to competition

Competition for advertising, customers, viewers, listeners, readers, and distribution is intense and comes from conventional television stations and networks, specialty services, radio, local, regional and national newspapers, magazines, direct mail, and other traditional communications and advertising media that operate in the Corporation's markets. The Corporation expects competition to persist, intensify and increase in each of its business areas in the future. Added competition in the market could result in reduced advertising sales and subscribers or an increase in costs to acquire programming and, consequently, have a negative impact on revenues. Competitors include both private companies and government-owned players, some of which have longer operating histories, greater name recognition, larger installed customer bases and greater financial, technical, marketing and other resources than the Corporation. As a result, they may be able to respond more quickly to new or changing opportunities, technologies, standards or customer requirements. Moreover, publicly owned stations benefit from strong financial support from governments, while also maintaining access to the advertising market and funding available for Canadian programming. In addition, increasing consolidation in the Canadian media industry is creating competitors with interests in multiple industries and media. The resources of some competitors may also give them an advantage in acquiring other businesses or assets that the Corporation might also be interested in acquiring. For all of the foregoing reasons, there can be no assurance that the Corporation will be able to compete successfully against current or future competitors. Such competition could materially adversely affect the Corporation's business, operating results or financial condition.

The soundstage and equipment rental and post-production industry is a highly competitive, service-oriented business. The Corporation does not have any formal long-term or exclusive service agreements with its clients. Business is generally awarded based on customer satisfaction with reliability, timeliness, quality and price. There can be no assurance that the Corporation will be able to respond effectively to the various competitive factors affecting the soundstage and equipment rental and post-production industries.

The Corporation competes with a variety of soundstage and equipment rental and post-production firms, some of which have a national presence and, to a lesser extent, the in-house operations of its major motion picture studio customers. Some of these firms and studios have greater financial marketing resources and have achieved a higher level of brand recognition than the Corporation has. In the future, the Corporation may not be able to compete effectively against these competitors merely on the basis of reliability, timeliness, quality and price or otherwise. The Corporation may also face competition from companies in related markets that could offer similar or superior services to those offered by the Corporation. An increasingly competitive environment and the possibility that customers may utilize in-house capabilities to a greater extent could lead to a loss of market share or price reductions, which could have a material adverse effect on the Corporation's financial condition, results of operations and prospects.

Risks related to loss of key customers in the Film Production and Audiovisual Services segment.

The Film Production and Audiovisual Services segment's primary customers are major motion picture studios and third party filmmakers. Historically, a material percentage of the Film Production and Audiovisual Services segment's operating revenues in each year have been derived from a limited number of customers, several of whom are foreign customers, whose loyalty to Canada may be tested when presented with more favourable production environments outside Canada. The Corporation still expects that a high percentage of the Film Production and Audiovisual Services segment's revenues for the foreseeable future will continue to come from a relatively small number of customers.

In general, the Corporation does not have long-term or exclusive service agreements with its Film Production and Audiovisual Services segment's customers. Business is based primarily on customer satisfaction with reliability, timeliness, quality and price. The Corporation is unable to predict if, or when, its customers will purchase its services. There can be no assurance that the revenues generated from key customers, individually or in the aggregate, will reach or exceed historical levels in any future period, or that the Corporation will be able to develop relationships with new customers.

Many of the major studios and other key customers of the Corporation have substantial capabilities to perform several or all of the services performed by the Soundstage, Equipment and Post-Production Business. These customers periodically re-evaluate their decisions to outsource these services rather than perform them in-house. A decision by key customers to move in-house services they currently purchase from the Corporation could have a material adverse effect on the Corporation's results of operations and financial condition. The Corporation can give no assurance that it will continue to maintain favorable relationships with these customers or that they will not be adversely affected by economic conditions.

Risks related to the Corporation's ability to adapt to fast-paced technological change and to new delivery and storage methods

The arrival of new technologies and proliferation of available distribution platforms in the markets in which the Corporation operates, including video on demand, the Internet, personal video recorders, smartphones, tablet computers, and HD, Ultra HD, 3D and 4K television, also influences its operations. The entertainment industry in general continues to undergo significant developments as advances in technologies and new methods of product delivery and storage, or certain changes in consumer behavior driven by these developments emerge. Consumers are spending an increasing amount of time on the Internet and on mobile devices, and are increasingly viewing content on a time-delayed or on-demand basis from the Internet, on their televisions and on portable devices. These technologies and business models may increase audience fragmentation, reduce the Corporation's ratings or have an adverse effect on advertising revenues from local and national audiences. If the Corporation cannot successfully exploit these and other emerging technologies, it could have a material adverse effect on its business, financial condition, operating results, liquidity and prospects.

In addition, the post-production industry relies heavily on technological developments. The systems and equipment utilized by the Corporation in providing certain services to customers are subject to rapid technological change, as well as evolving customer needs and industry standards. In addition, competitors may introduce services embodying new technology, which could render the Corporation's existing services less marketable or obsolete. To remain competitive, the Corporation must ensure that its offering integrates the latest technology developed in the industry, including animation tools and techniques.

To accomplish this, it can either develop these capabilities by upgrading its proprietary software, which can result in substantial research and development costs, or it can seek to purchase third-party licenses, which can also result in significant expenditures. In the event the Corporation seeks to develop these capabilities internally, there is no guarantee that it will be successful in doing so. In the event the Corporation seeks to obtain third party licenses, it cannot guarantee that they will be available or, once obtained, will continue to be available on commercially reasonable terms, or at all.

There can be no assurance that the Corporation will be able to conceive, develop, or acquire technological innovations successfully or that the Corporation's competitors will not successfully implement features or products of their own that are equivalent or superior to those of the Corporation or that make its technologies obsolete. Moreover, the cost associated with developing or acquiring new technology can be significant. There can be no assurance that the Corporation will have sufficient capital or be able to obtain sufficient financing to fund such capital expenditures, or that these costs will not have a material adverse effect on its financial condition and operating results.

Risks related to the Corporation's ability to meet the demands of its customers

The Corporation's Film Production and Audiovisual Services segment is dependent on its ability to meet the current and future demands of its customers, which demands include reliability, timeliness, quality and price. Any failure to do so, whether or not caused by factors within its control, could result in the loss of clients. There is no assurance that claims would not be asserted and dissatisfied customers may refuse to place further orders in the event of a significant occurrence of loss as a result of a failure by the Corporation to meet its customers' expectations with respect to reliability, timeliness, quality and price, which could have a material adverse effect on the Corporation's financial condition, results of operations and prospects. The Corporation's ability to deliver services within the time periods requested by customers depends on a number of factors, some of which are outside of its control, including equipment failure, work stoppages or interruption in services by third party providers, including telephone, Internet or satellite service providers. In addition, because the Corporation is dependent upon a large number of software applications and hardware for post-production and visual effects services, an error or defect in the software, a failure in the hardware, a failure of backup facilities or a delay in delivery of products and services could result in significantly increased costs for a project, and therefore losses to the Corporation's clients.

Risks related to the launch of new specialty services

The Corporation is investing in the launch of new specialty services in the Broadcasting & Production segment. During the period immediately following the launch of a new specialty service, subscription revenues are always relatively modest, while initial operating expenses may prove more substantial. Furthermore, although the Corporation believes in the potential associated with this strategy, there is a possibility that the anticipated profitability could take several years to materialize or may never materialize.

Risks related to changes in economic conditions

The revenues and operating results of the Corporation are and will continue to be influenced by the general economic environment and depend on the relative strength of the economy in its markets, as well as local, regional and national economic factors, since those affect the levels of television and magazine advertising revenues as well as the volume of work available from the film and television industries in Canada and the U.S. An economic slowdown or a recession in the Canadian or U.S. economy could adversely affect key national advertising accounts, as buyers of advertising have historically reduced their advertising budgets during economic slowdowns. In addition, the deterioration of economic conditions could adversely affect payment patterns which could increase the bad debt expense. During an economic downturn, there can be no assurance that operating results and revenues, outlook, prospects and financial condition would not be adversely affected.

Risks related to the possibility that the Corporation's content may not attract large audiences and to audience fragmentation, limiting the Corporation's ability to generate advertising revenues.

Broadcasting operating revenues are derived in large part from advertising revenues. Advertising revenues are largely dependent upon audience acceptance, which is in large part a function of the content and quality offered, and is influenced by factors such as reviews by critics, promotions, actors and other key talent, genre and specific subject matter, audience reaction, quality and acceptance of other competing content in the marketplace, availability of alternative forms of entertainment and leisure activities, general economic conditions, public tastes in general, and other intangible factors.

In addition, the markets in which the Corporation operates are experiencing a proliferation of available distribution platforms, including the Internet, wireless telephony, video on demand, mobile television and other technologies that may be marketed in the future. The proliferation of cable and satellite channels, advances in mobile and wireless technology, the migration of television audiences to the Internet and the viewing public's increased control over the manner, content and timing of their media consumption through personal video recording devices have resulted in greater fragmentation of the television viewing audience and a more difficult advertising sales environment. In addition, the increase in narrowcast programming and specialty services in Canada has caused the conventional television audience to become increasingly fragmented.

These factors continue to evolve rapidly and many are beyond the Corporation's control. It cannot predict the future effects of these factors on its business, financial condition and results of operations. Lack of audience acceptance for the Corporation's content, or shrinking or fragmented audiences, could limit its ability to generate advertising revenues. If the Corporation's ability to generate advertising revenue is limited, it may need to develop new or alternative financing sources in order to be able to continue providing attractive television programming for broad audiences. There can be no assurance that the Corporation would be able to develop new financing sources, and any such limitation on its ability to generate operating revenues, together with an inability to generate new financing sources, could have a material adverse effect on its business, financial condition and results of operations.

Risks related to the fact that programming content may become more expensive to acquire and production costs may increase

The most significant costs in television broadcasting are programming and production costs. Increased competition in the television broadcasting industry, developments affecting producers and distributors of programming content, changes in viewer preferences and other developments could impact both the availability and the cost of programming content and the cost of production. Future increases or volatility in programming and production costs could adversely affect operating results. Developments in cable, satellite or other forms of distribution could also affect both the availability and the cost of programming and production and increase competition for advertising expenditures. As well, the value of royalties payable pursuant to the Copyright Act are frequently decided by the Copyright Board of Canada during or even after the applicable period, which can cause retroactive increases in content costs.

Risks related to government regulation

The Corporation is subject to extensive government regulation, mainly through the Broadcasting Act, which is administered by the CRTC. Changes to, or more aggressive enforcement of, the regulations and policies governing broadcasting or the introduction of new regulations, policies or terms of licence could have a material effect on the Corporation's business, financial condition or results of operations, which may have a material adverse impact on the Corporation and its share price. Moreover, changes resulting from the CRTC's interpretations of existing policies and regulations could also be materially adverse to the Corporation's business, financial condition or results of operations. Since legal requirements change frequently, are subject to interpretation and may be enforced to varying degrees in practice, the Corporation is unable to predict the ultimate cost of compliance with these requirements or their effect on operations. Furthermore, the CRTC is the government authority responsible for issuing and renewing broadcasting licences and for the regulations governing the Canadian broadcasting system. The Corporation is subject to the CRTC's decisions in these areas and any decision made by this organization that runs counter to the Corporation's positions and interests, including the failure to renew any of its licences on as favourable terms, may negatively affect its activities and operating results.

In addition, the levels of the royalties payable by the Corporation are subject to change upon application by the collecting societies and approval by the Copyright Board. The Government of Canada may, from time to time, make amendments to the Copyright Act to implement Canada's international treaty obligations and for other obligations and purposes. Any such amendments could result in the Corporation's broadcasting undertakings being required to pay additional royalties for these licenses or be subject to additional administrative costs associated with the tariffs.

Government assistance risks

The Corporation takes advantage of several government programs designed to support production and distribution of televisual and cinematographical products and magazine publishing in Canada, including federal and provincial refundable tax credits. There can be no assurance that the local cultural incentive programs which the Corporation may access in Canada will continue to be available in the future or will not be reduced, amended or eliminated. Any future reductions or other changes in the policies or rules of application in Canada or in any of its provinces in connection with these government incentive programs, including any change in the Quebec or the federal programs providing for refundable tax credits, could increase the cost of acquiring and producing Canadian programs which are required to be broadcasted and may have a material adverse effect on the Corporation's business, financial condition and results of operations. Canadian content programming is also subject to certification by various agencies of the federal government. If programming fails to so qualify, the Corporation would not be able to use the programs to meet its Canadian content programming obligations and the Corporation might not qualify for certain Canadian tax credits and government incentives.

To ensure that the Corporation maintains minimum levels of Canadian ownership under the Broadcasting Act and other legislation under which it derives the benefit of tax credits and industry incentives, it has placed constraints on the issue and transfer of its shares. The Corporation's transfer agent may refuse to issue or register the transfer of shares if this would prevent the Corporation from holding its licenses. These constraints and transfer restrictions may adversely affect the liquidity of the Corporation's Class B Non-Voting Shares and may have an impact on their trading price.

In addition, the Canadian and provincial governments currently provide grants and incentives to attract foreign producers and support domestic film and television production. Many of the major studios and other key customers of the Film Production and Audiovisual Services segment, as well as content producers for the Broadcasting & Production segment, finance a portion of their production budgets through Canadian governmental incentive programs, including federal and provincial tax credits. There can be no assurance that the government grants and incentive programs presently being offered to participants in the film and television production industry will continue at their present levels or at all. If such grants or incentives are reduced or discontinued, the level of activity in the motion picture and television industries may be reduced, as a result of which the Corporation's results of operations and financial condition might be adversely affected.

Risks related to government incentives in locations outside of Quebec and other influences

The successful tax credit model of Quebec and other provinces in Canada has been copied by other jurisdictions around the world, including by many states in the United States of America. Some producers may select locations other than Quebec to take advantage of tax credit programs they may conclude to be more or as attractive as those Quebec offers. Other factors, such as the choice of director or star, may also cause productions to be filmed elsewhere and may therefore have a material adverse effect on the Corporation's business, financial condition and results of operations.

Risks related to currency fluctuations and dependence of the Film Production and Audiovisual Services segment on foreign currency and revenue from customers outside Canada

Many of the customers of the Film Production and Audiovisual Services segment have found Canada particularly attractive because of the exchange rate of the Canadian dollar in relation to the U.S. dollar. The Canadian to U.S. dollar exchange rate has provided certain cost savings to U.S. based film producers obtaining production services in Canada. There can be no assurance that favourable exchange rates will continue. Fluctuations in currency exchange rates could decrease the production activity in Canada of the customers of the Corporation and adversely affect its results of operations and financial condition. The Corporation cannot predict the effect of exchange rate fluctuations upon its future operating results.

Risks related to intellectual property rights

The Corporation must protect its proprietary technology and operate without infringing upon the intellectual property rights of others. The Corporation relies on a combination of patent, copyright, trademark and trade secret laws and other intellectual property protection methods to establish and protect its proprietary technology. These steps may not protect the Corporation’s proprietary information nor give it any competitive advantage. Others may independently develop substantially equivalent intellectual property or otherwise gain access to the Corporation’s trade secrets or intellectual property, or disclose such intellectual property or trade secrets. If the Corporation is unable to protect its intellectual property, the Corporation’s business could be materially adversely affected.

In addition, there is no assurance that any patents that may have been or may be issued to the Corporation, or that the Corporation may license from third parties, will not be challenged, invalidated or circumvented, or that any rights granted thereunder would provide the Corporation with any proprietary protection. The Corporation generally enters into confidentiality or license agreements with its employees, consultants and vendors, and generally controls access to and distribution of its software, documentation and other proprietary information. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use its proprietary information, products or technology without authorization, or to develop similar or superior technology independently. Policing unauthorized use of products or technology is difficult and expensive. In addition, effective copyright, patent and trade secret protection may be unavailable or limited in certain foreign countries. The Corporation cannot provide any assurances that the steps it takes will prevent misappropriation of its technology or that its confidentiality or license agreements will be enforceable. Finally, some or all of the underlying technologies of the Corporation’s products and system components may not be covered by patents or patent applications.

In addition, to produce its projects the Corporation also relies on third-party software, which is readily available to others. Failure of its patents, copyrights and trade secret protection, non-disclosure agreements and other measures to provide protection of its technology and the availability of third-party software may make it easier for competitors to obtain technology equivalent or superior to the Corporation’s technology or that makes its technology obsolete, which could weaken its competitive position.

Risks related to protecting and defending against intellectual property claims

Litigation may be necessary in the future to enforce the Corporation’s intellectual property rights, protect its trade secrets, trademarks and other intellectual property rights, protect and enforce its patents, determine the validity and scope of the proprietary rights of others, or defend against claims of infringement or invalidity. The Corporation has received, and is likely to receive in the future, claims of infringement of other parties’ proprietary rights. If any claims or actions are asserted against the Corporation it may seek to obtain a license under a third party’s intellectual property rights. It cannot provide any assurances, however, that under such circumstances a license would be available on reasonable terms or at all. Irrespective of the validity or the successful assertion of such claims, any such litigation could result in substantial costs and diversion of resources, could effectively prevent the Corporation from using important technology and could have a material adverse effect on its business, operating results or financial condition.

The Corporation reviews these matters to determine what, if any, actions may be required or should be taken, including legal action or negotiated settlement. There can be no assurance that the Corporation’s actions to establish and protect trademarks, copyrights and other proprietary rights will be adequate to prevent imitation or unauthorized reproduction of the Corporation's products by others or prevent third parties from seeking to block sales, licensing or reproduction of these products as a violation of their trademarks, copyrights and proprietary rights. Moreover, there can be no assurance that others will not assert rights in, or ownership of, the Corporation's trademarks, copyrights and other proprietary rights, or that the Corporation will be able to successfully resolve these conflicts. In addition, the laws of certain foreign countries may not protect proprietary rights to the same extent as do the laws of the United States or Canada.

Risks related to the availability of licenses for third-party technology

In addition to its proprietary technology, the Corporation also relies on certain technology that it licenses from third parties, including software that it uses with its proprietary software. There is no assurance that these third-party technology licenses will continue to be available to the Corporation on commercially reasonable terms or at all or that the technology licenses will not result in intellectual property infringement claims by third parties. The loss of or inability to maintain any of these technology licenses could result in delays in projects until equivalent technology is identified, licensed and integrated to complete a given project. Any such delays or failures in projects could materially adversely affect the Corporation's business, financial condition or results of operations.

Risks related to the Corporation's ability to successfully upgrade, maintain and secure information systems to support the needs of the organization

The Corporation relies heavily on information systems to manage operations. The reliability and capacity of information systems is critical. Despite preventative efforts, these systems are vulnerable from time to time to damage or interruption from, among other things, security breaches, computer viruses, power outages and other technical malfunctions. Any disruptions affecting information systems, or any delays or difficulties in transitioning to or in integrating new systems, could have a material adverse impact on the Corporation's businesses. In addition, the Corporation's ability to continue to operate its businesses without significant interruption in the event of a disaster or other disruption depends in part on the ability of its information systems to operate in accordance with its disaster recovery and business continuity plans. The operation of existing systems could experience disruption due to unexpected issues with employee hiring, retention, supply chain, and training and installation of equipment or software, among other things.

Risks related to cybersecurity

The ordinary course of the activities of the Corporation involves the receipt, collection, storage and transmission of sensitive data, including its proprietary business information and that of its customers, and personally identifiable information of its customers and employees, whether in its systems, infrastructure, networks or processes. The secure processing, maintenance and transmission of this information is critical to operations and business strategy of TVA Group.

Although TVA Group has implemented and regularly review and update processes and procedures to protect against unauthorized access to or use of sensitive data, including data of its customers, and, although, to prevent data loss, ever-evolving cyber-threats require TVA Group to continually evaluate and adapt its systems, infrastructure, networks and processes, TVA Group cannot assure that its systems, infrastructure, networks and processes will be adequate to safeguard against all information security access by third parties or employees or errors by third party suppliers. If the Corporation is subject to a significant cyber-attack or breach, unauthorized access, errors of third party suppliers or other security breaches, TVA Group may incur significant costs, be subject to investigations, sanctions and litigation, including under laws that protect the privacy of personal information, and TVA Group may suffer damage to its business, competitive position and reputation.

The Corporation has not to its knowledge been subject to cyber-attacks or breaches which, individually or in the aggregate, have had a material impact on its operations (including the integrity of its customers' data) or financial condition. However, the preventive actions TVA Group takes to reduce the risks associated with cyber-attacks, including protection of its systems, infrastructure, networks and processes, may be insufficient to repel or mitigate the effects of a major cyber-attack in the future.

Risks related to the protection of personal data

TVA Group stores and processes increasingly large amounts of personally identifiable information of its clients, its employees and its business partners. TVA Group faces risks inherent in protecting the security of such personal data. In particular, TVA Group faces a number of challenges in protecting the data in and hosted on its systems, including from advertent or inadvertent actions or inactions by its employees, as well as in relation to compliance with applicable laws, rules and regulations relating to the collection, use, disclosure or security of personal information, including any requests from regulatory and government authorities relating to such data. Although the Corporation has developed systems, processes and security controls that are designed to protect personally identifiable information of its clients, its employees and its business partners, the Corporation may not prevent the improper disclosure, loss, misappropriation of, unauthorized access to, or other security breach relating to such data that the Corporation stores or processes. As a result, TVA Group may incur significant costs, be subject to investigations, sanctions and litigation, including under laws that protect the privacy of personal information, and TVA Group may suffer damage to its business, competitive position and reputation.

Risks related to distributors and subscription revenues

The Corporation relies on broadcasting distribution undertakings ("BDUs") (including cable and direct-to-home satellite broadcasting services, as well as multichannel multipoint distribution systems) for the distribution of its specialty services. Operating revenues could be negatively affected if affiliation agreements with BDUs are not renewed according to terms and conditions similar to those in effect at this time. Affiliation agreements with BDUs extend over several years and come to term at different times. Due to industry concentration among BDUs in recent years and with the population of Canada clustered into a small number of large urban centres, a significant percentage of the subscriber base is reached through a small number of BDUs.

The subscription revenues of the specialty services depend on the number of subscribers and the rate billed to the BDUs for carriage of the service. The extent to which the Corporation's subscriber base will grow is uncertain and is dependent upon the ability and willingness of BDUs to deploy and expand their digital technologies, their marketing efforts and the packaging of their services' offerings, as well as upon the willingness of subscribers to adopt and pay for the specialty services. In addition, the broadcast signals of the Corporation's specialty services may sometimes be stolen, representing a risk of loss of subscription revenues.

Risks related to the impact on the Corporation's business of the loss of key management and other personnel, or inability to attract, retain and motivate management and other personnel

The Corporation depends on its management team and other key personnel to run its business. The loss of any of these individuals could adversely affect the Corporation's operations. Due to the specialized nature of its business, the Corporation believes that its future success will also depend, in a large part, upon its ability to continue to attract, retain and motivate highly skilled management, programming, creative, technical and marketing personnel. Competition for highly skilled individuals is intense, and there can be no assurance that the Corporation will be successful in attracting, retaining and motivating such individuals in the future.

Known and unknown environmental risks

The Corporation is subject to various federal, provincial and local environmental requirements which govern certain of its activities, operations or properties and which may impose substantial costs of investigation, removal and remediation. A breach of such legislation may result in imposition of fines and penalties. In addition, these laws typically include responsibility and liability in certain circumstances without regard to whether the owner or operator knew of or caused the presence of certain contaminants or other environmental violations. Environmental laws may require parties to undertake or pay for remedial action or to pay damages regardless of fault. Environmental laws may also impose liability with respect to divested or terminated operations, even if the operations were terminated or divested many years ago. Compliance with these laws and regulations may impose substantial costs on the Corporation and may subject the Corporation to significant potential liabilities, and future environmental regulations could result in stricter standards and enforcement, larger fines and increased costs of compliance, remediation and restoration, all of which could have a material adverse effect on the Corporation's financial condition or results of operations.

The Corporation owns certain soundstages and vacant lots, some of which are located on a former landfill, with the presence of gas emitting waste. As a result, the operation and ownership of these soundstages and vacant lots carries an inherent risk of environmental and health and safety liabilities for personal injuries, property damage, release of hazardous materials, remediation and clean-up costs and other environmental damages (including potential civil actions, compliance or remediation orders, fines and other penalties), and may result in the Corporation being involved from time to time in administrative and judicial proceedings relating to such matters, which could have a material adverse effect on the Corporation's business, financial condition and results of operations. The Corporation may be liable for environmental damage caused by previous owners. As a result, substantial liabilities to third parties or governmental entities may be incurred, and the payment of such liabilities could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Furthermore, there can be no assurance that various permits which the Corporation may require in the normal course for its current and anticipated future operations or in relation to certain development and construction projects, or in relation to gas emitting waste disposal, will be obtainable on reasonable terms or on a timely basis or that the applicable environmental and health and safety laws and regulations would not have a material adverse effect on operations or development and construction projects which the Corporation might undertake. In addition, the release of harmful substances in the environment or other environmental damage caused by the Corporation's properties or activities may result in the suspension or revocation of operating and environmental permits.

Risks related to litigation and other claims

The Corporation is involved in various legal proceedings and other claims in the normal course of business. As a distributor of media content, it may also face potential liability for defamation, invasion of privacy, negligence, and other claims based on the nature and content of the materials distributed. These types of claims have been brought, sometimes successfully, against producers and distributors of media content. A negative outcome in respect of any such claim or litigation could have an adverse effect on the Corporation's results, liquidity or financial position. Moreover, irrespective of the validity or the successful assertion of such claims or lawsuits, the Corporation could incur significant costs and diversion of resources and of management's attention in defending against them, which could have a material adverse effect on its business, financial condition, operating results, liquidity and prospects.

Risks related to financing

The Corporation currently has adequate financing to pursue its current activities and has access to credit facilities totalling $224.1 million. However, risk factors such as capital market upheavals could reduce the amount of capital available or increase the cost of this capital in future years. There is no guarantee that additional funds will be made available to the Corporation or, if they are, that they will be provided within a time frame and under conditions that are acceptable to the Corporation. Not being able to obtain this additional financing at the required time and as necessary could have a significant negative effect on the Corporation. Finally, there is no guarantee that, when these facilities are refinanced, market conditions will be favourable or that terms comparable to those the Corporation now enjoys will be available.

Risks related to labour relations

As of December 31, 2015, approximately 41% of permanent employees were unionized. TVA's labour relations are governed by 13 collective agreements. As of December 31, 2015, three collective agreements had come to term, covering about 4% of the Corporation's permanent unionized employees.

On May 5, 2014, the Corporation and the union representing its employees signed a new collective agreement covering 68% of the Corporation's unionized employees. This new collective agreement will expire on December 31, 2016.

The Corporation has in the past experienced labour disputes which have disrupted its operations and impaired its growth and operating results. The Corporation cannot predict the outcome of current or future negotiations with respect to labour disputes, union representation, or the renewal of collective agreements. Nor can the Corporation assure that it will not experience work stoppages, strikes, property damage or other forms of labour protests pending the outcome of any current or future negotiations. If the Corporation's unionized workers engage in a strike or if there is any other form of work stoppage, the Corporation could experience a significant disruption in its operations, damage to its properties or service interruption, which could adversely affect its business, assets, financial position, and results of operations. Even if the Corporation does not experience strikes or other forms of labour protests, the outcome of labour negotiations could adversely affect its business, including if current or future labour negotiations or contracts were to further restrict the Corporation's ability to maximize the efficiency of its operations. In addition, the Corporation's ability to make short-term adjustments to control compensation and benefit costs is limited by the terms of its collective bargaining agreements.

In addition, many individuals associated with the film and television industry are members of guilds or unions that bargain collectively with producers on an industry-wide basis from time to time. A strike or other form of labour protest affecting those guilds or unions could affect the level of production activity in the industry and restrict the ability of the Corporation to service its customers, which in turn would adversely affect the Corporation's results of operations and financial condition.

Risks related to pension plan obligations

The economic cycles could also have a negative impact on the funding of the Corporation's defined benefit pension plans and the related expenditures. There is no guarantee that the expenditures and contributions required to fund these pension plans will not increase in the future and therefore negatively impact the Corporation's operating results and financial position. Risks related to the funding of defined benefit plans may materialize if total obligations with respect to a pension plan exceed the total value of its trust fund. Shortfalls may arise due to lower-than-expected returns on investments, changes in the discount rate used to assess pension plan obligations, and actuarial losses.

Risks related to an increase in paper, printing and postage costs

A significant proportion of the Magazines segment's operating expenses is comprised of paper, printing and postage costs. The segment is dependent on external suppliers for its entire paper supply and has no control over paper prices, which may vary considerably. The Magazines segment uses third parties for all of its printing services, and printing costs accounted for approximately 21% of operating expenses for the twelve-month period ended December 31, 2015. Further, distribution of its publications to subscribers is handled by Canada Post Corporation. Any interruption in distribution services could negatively affect the Magazines segment's operating results and its financial position, and a significant increase in paper or postage costs could be detrimental to the segment's activities and operating results.

Risks related to broadcasting licences and goodwill

As noted under "Use of estimates and judgment—Recoverable value of an asset or a CGU" in this Management's Discussion and Analysis, the Corporation's broadcasting licences and goodwill are not amortized but are tested for impairment annually, or more frequently if events or changes in conditions indicate that it is more likely than not that the asset has been impaired. The fair value of the broadcasting licences and of goodwill is and will continue to be influenced by assumptions based on the general economic situation, which assumptions are used to support the calculation of future discounted cash flows performed by the Corporation in order to determine the fair value of its broadcasting licences and of goodwill. There is no guarantee that the value of the broadcasting licences and of goodwill will not be negatively affected by changes to these assumptions in the event of an economic slowdown. The Corporation is constantly monitoring the value of its broadcasting licences and goodwill, and any change in their fair value would be recognized as a non-cash impairment charge in the consolidated statements of income.

Risks related to QMI's ability to exert a significant degree of control over the Corporation as the holder of a majority of the Class A Shares

QMI, which owned 99.97% of all the issued and outstanding Class A Shares as of the date of this Management's Discussion and Analysis, can exercise its voting power to elect all of the members of the Board of Directors. QMI can also exercise its majority voting power to unilaterally pass any resolution submitted to a vote of the Corporation's shareholders, including in respect of the approval of certain significant corporate transactions, except for resolutions for which holders of Class B Non-Voting Shares are entitled to vote as provided by law (unless QMI's holdings in Class B Non-Voting Shares are increased above certain prescribed thresholds as a result of the Rights Offering, including the purchase of the Standby Shares pursuant to the Standby Commitment) or in respect of which QMI is an interested party and for which disinterested shareholder approval is required. Such concentration of ownership may have the effect of delaying, deterring or preventing a change in control of the Corporation that might otherwise be beneficial to its shareholders, discouraging bids for the Class B Non-Voting Shares or limit the amount certain investors may be willing to pay for the Class B Non-Voting Shares.

Risks related to acquisitions, sale of assets, business combinations, or joint ventures

From time to time, the Corporation engages in discussions and activities with respect to possible acquisitions, sales of assets, business combinations, or joint ventures intended to complement or expand its business, some of which may be significant transactions and involve significant risks and uncertainties. The Corporation may not realize the anticipated benefit from any of the transactions it pursues, and may have difficulty incorporating or integrating any acquired business. Regardless of whether it consummates any such transaction, the negotiation of a potential transaction (including associated litigation), as well as the integration of any acquired business, could entail significant costs and cause diversion of management's time and resources and disrupt business operations. The Corporation could face several challenges in the consolidation and integration of information technology, accounting systems, personnel and operations.

If the Corporation determines to sell individual properties or other assets or businesses, it will benefit from the net proceeds realized from such sales. However, revenues may suffer in the long term due to the disposition of a revenue generating asset, or the timing of such dispositions may be poor, causing the Corporation to fail to realize the full value of the disposed asset, all of which may diminish its ability to repay its indebtedness at maturity.

Each of these factors could have a material adverse effect on the Corporation's business, financial condition, operating results, liquidity and prospects.

Risks related to the MELS acquisition

Under the MELS Acquisition Agreement, the Corporation has agreed to assume certain specific liabilities of MELS, which may include liabilities that the Corporation failed to discover or was unable to quantify accurately or at all in the due diligence review that it conducted prior to the execution of the MELS Acquisition Agreement and the Corporation may not be indemnified for some or all of these liabilities or the indemnification may be subject to limitations set forth in the MELS Acquisition Agreement, such as financial limitations and time limitations as well as a deductible. There is no assurance that the Corporation's right to indemnification will be enforceable, recoverable, collectible or sufficient in amount, scope or duration to fully offset the amount of any undiscovered or underestimated liabilities that it may incur. The discovery of any such liabilities, or the inability to obtain full indemnification for such liabilities, could have a material adverse effect on the Corporation's business, financial condition, operating results or future prospects.

In addition, the Corporation has agreed to indemnify the vendor against certain items for which the Corporation's indemnity obligation is not limited, including any assumed liabilities. While the Corporation has estimated these potential liabilities for the purposes of making its decision to enter into the MELS Acquisition, there can be no assurance that any resulting liability will not exceed the Corporation's estimates.

Financial instruments and financial risk

The Corporation's risk management policies have been established in order to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and in the Corporation's activities.

The Corporation and its subsidiaries use financial instruments and are therefore exposed to credit risk, liquidity risk and market risk arising from foreign exchange and interest rate fluctuations.

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 its 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 credit facility from the parent corporation are estimated based on a valuation model using Level 2 inputs. The fair values are based on discounted cash flows using year-end market yields or the market value of similar financial instruments with the same maturity.

The book value and the fair values of the long-term debt, the credit facility from the parent corporation and the derivative financial instrument as at December 31, 2015 and 2014 were as follows:

Table 12
Fair value of financial instruments
(in thousands of dollars)

	December 31, 2015		December 31, 2014	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Credit facility from parent corporation	**$ –**	**$ –**	$ 100,000	$ 100,000
Derivative financial instrument	**814**	**814**	547	547
Term loan[1]	**73,797**	**73,797**	74,737	74,737

[1] *The carrying amount of term loan excludes financing costs.*

Credit risk management

Credit risk is the risk of the Corporation incurring a financial loss should a client or third party related to a financial asset fail to meet its contractual obligations.

In the normal course of business, the Corporation regularly evaluates the financial position of its clients and reviews the credit history of each new client. As at December 31, 2015, no clients had balances representing a significant portion of the Corporation's consolidated trade receivables. The Corporation establishes an allowance for doubtful accounts based on the specific credit risk of its clients. The Corporation has trade accounts receivable from numerous clients, primarily advertising agencies. As a result, the Corporation does not believe that it is exposed to an unusual or significant level of credit risk. As at December 31, 2015, 9.16% of trade receivables had been outstanding for more than 120 days after the billing date (7.10% as at December 31, 2014), of which 41.4% were covered by an allowance for doubtful accounts (48.5% as at December 31, 2014).

The table below shows the variance in the allowance for doubtful accounts for the years ended December 31, 2015 and 2014:

Table 13
Changes in allowance for doubtful accounts
(in thousands of dollars)

	December 31, 2015	December 31, 2014
Balance as at beginning of year	**$ 3,023**	$ 1,086
Change recorded in consolidated statement of loss	**1,043**	338
Utilization	**(494)**	(532)
Business acquisitions	**50**	2,131
Balance as at end of year	**$ 3,622**	$ 3,023

Liquidity risk management

Liquidity risk is the risk that the Corporation and its subsidiaries will be unable to meet financial obligations as they fall due or will be required to meet them at excessive cost. The Corporation and its subsidiaries ensure that they have sufficient cash flows from continuing operations and available sources of financing to meet future cash requirements for long-term investments, working capital, interest payments and debt servicing, pension plan contributions, dividends and share redemptions, and to meet their commitments and guarantees.

Market risk

Market risk is the risk that changes in market prices due to foreign exchange and interest rate fluctuations will affect the Corporation's revenues or the value of its financial instruments. The objective of market risk management is to mitigate and control exposure within acceptable parameters.

Foreign exchange risk

The Corporation is exposed to limited foreign exchange risk on revenues and expenses due to the low volume of transactions made in currencies other than the Canadian dollar. The most frequently used foreign currency is the U.S. dollar, which is primarily used to purchase certain distribution rights, make capital expenditures and collect income from certain clients. In light of the low volume of transactions denominated in foreign currencies, the Corporation does not feel it necessary to engage in hedging. Accordingly, the Corporation's sensitivity to fluctuations in foreign exchange rates is limited.

Interest rate risk

The Corporation is exposed to interest rate risk on its revolving credit facility and its term loan facility. As at December 31, 2015, the Corporation's long-term debt consisted entirely of floating-rate debt.

The Corporation uses an interest rate swap to manage the risks associated with interest rate fluctuations and to fix future interest expenses on a tranche of its debt that bears interest at a floating rate. The Corporation does not intend to settle its swap before maturity because it is not being held for speculative purposes. The main characteristics of this swap as of December 31, 2015 were as follows:

Table 14
Interest rate swap
(in thousands of dollars)

Term	Notional amount	Pay/ receive	Fixed rate	Floating rate
December, 2017	$ 38,500,000	Pay fixed / Receive floating	2.03%	Bankers' acceptances 1 month

A 100-basis-point increase (decrease) in the year-end Canadian Bankers' acceptance rates on the balance of the floating rate long-term debt as at December 31, 2015 would have resulted in a $353,000 annual increase (decrease) in financial expenses.

The Corporation regularly reviews its position to ensure that its exposure to these risks has not changed.

Capital management

The Corporation's primary objectives in managing capital are:

- to preserve the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders;
- to maintain an optimal capital base in order to meet the capital requirements of its various operating segments, including growth opportunities and maintaining investor and creditor confidence.

The Corporation manages its capital structure in accordance with the characteristics of its segments' underlying asset risks and applicable requirements, if any. The Corporation manages its capital structure by issuing new debt or repaying existing debt with cash generated internally, distributing amounts to shareholders through dividends or share redemptions or issuing capital stock in the marketplace and making adjustments to its capital expenditure program. The Corporation's strategy remains unchanged from last year.

The Corporation's capital structure is composed of shareholder's equity, long-term debt maturing in 2019, a derivative financial instrument, a credit facility from the parent corporation and a bank overdraft, less cash.

The capital structure as of December 31, 2015 and 2014 was as follows:

Table 15
TVA Group capital structure
(in thousands of dollars)

	December 31, 2015	December 31, 2014
Long-term debt	**$ 73,797**	$ 74,737
Derivative financial instrument	**814**	547
Credit facility from parent corporation	**–**	100,000
Bank overdraft	**–**	4,486
Less: cash	**(11,996)**	–
Net liabilities	**62,615**	179,770
Equity	**$ 309,432**	$ 258,205

Excluding maintenance of certain financial ratios under its credit agreements, the Corporation is not subject to any other externally imposed capital requirements. As at December 31, 2015, the Corporation was in compliance with all the terms of its credit agreements.

Contingencies and legal disputes

There are a number of legal proceedings against the Corporation and its subsidiaries that are pending. In the opinion of the management of the Corporation and its subsidiaries, the outcome of those proceedings is not expected to have a material adverse effect on the Corporation's results or on its financial position.

Critical Accounting Policies and Estimates

Revenue recognition

Advertising revenues

Revenues from the sale of advertising airtime and space on the Corporation's websites are recognized when the advertisement airs or is displayed online. Revenues from the sale of advertising space in magazines are recognized when the advertisement is published, i.e. at the magazine publication date.

Subscription revenues

Revenues from specialty television channel subscriptions are recognized on a monthly basis when the service is rendered.

Amounts received for magazine subscriptions are accounted for as deferred revenues and are amortized over the subscription term.

Revenues from newsstand magazine sales

Revenues from newsstand magazine sales are recognized when the magazines are delivered to newsstands and are calculated using an amount of revenue less an allowance for future returns.

Revenues from soundstage and equipment leasing

Revenues from soundstage and equipment leasing are recognized on a straight-line basis over the term of the lease.

Revenues from postproduction and special effects

Revenues from postproduction and special effects are recognized when the service is rendered.

Distribution revenues

Revenues from the sale of film and audiovisual product distribution rights are recognized when the licence period has begun and the operation, screening, broadcasting or selling process can begin.

Revenues from videos are recognized during the period in which the film is released on video and are based on DVD/Blu-ray deliveries, less an allowance for future returns, or based on a percentage of retail sales, provided that the above conditions have been met.

Impairment of Assets

For the purposes of assessing impairment, assets are grouped in CGUs, which are the smallest identifiable groups of assets that generate largely independent cash inflows. The Corporation reviews at each balance sheet date whether events or circumstances have occurred to indicate that the carrying amounts of long-lived assets with finite useful lives may be less than their recoverable amounts. Goodwill, intangible assets with indefinite useful lives, and intangible assets not yet available for use are tested for impairment each fiscal year, as well as whenever there is an indication that the carrying amount of the asset, or the CGU to which an asset has been allocated, exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs of disposal and the value in use of the asset or the CGU. Fair value less costs of disposal is the amount obtainable by an entity at the valuation date from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Value in use is the present value of the future cash flows expected to be derived from an asset or CGU.

The Corporation uses the discounted cash flow method to estimate value in use, using future cash flows derived primarily from the most recent budget and three-year strategic plan approved by the Corporation's management and presented to the Board of Directors. These forecasts consider each CGU's past operating performance and market share as well as economic trends, along with specific and market industry trends and corporate strategies. A perpetual growth rate is used for cash flows beyond this three-year period. The discount rate used by the Corporation is a pre-tax rate derived from the weighted average cost of capital pertaining to each CGU, which reflects the current market assessment of (i) the time value of money, and (ii) the risk specific to the assets for which the future cash flow estimates have not been risk-adjusted. The perpetual growth rate was determined with regard to the specific markets of each CGU.

An impairment loss is recognized in the amount by which the carrying amount of an asset or a CGU exceeds its recoverable amount. When the recoverable amount of a CGU to which goodwill has been allocated is lower than the CGU's carrying amount, the related goodwill is impaired first. Any excess amount of impairment is recognized and allocated to the assets in the CGU, prorated to the carrying amount of each asset in the CGU.

An impairment loss recognized in prior periods for long-lived assets with finite useful lives and intangible assets with indefinite useful lives, other than goodwill, can be reversed through the consolidated statement of income when the carrying amount does not exceed the carrying amount that would have been determined had no impairment charge been recognized in previous periods.

When determining the value less costs of disposal, the appraisal of the information available at the valuation date is based on management's judgment, and may involve estimates and assumptions. As well, the discounted expected future cash flows method involves the use of estimates, such as the amount and timing of a series of expected future cash flows, expected variations in the amount or timing of the cash flows, the time value of money as represented by the risk-free interest rate, and the risk premium associated with the asset or CGU.

Therefore, the judgment used in determining the recoverable amount of an asset or a CGU may affect the amount of the impairment loss of the asset or CGU to be recorded, as well as the potential reversal of the impairment charge in the future.

Based on the data and assumptions used in its most recently impairment tests, the Corporation believes that there are no long-lived assets with finite useful lives, or goodwill and intangible assets with indefinite useful lives, on its books at this time that could suffer significant impairment.

Pension plans and post-retirement benefits

The Corporation offers employees defined contribution pension plans and defined benefit pension plans.

Estimates of costs and obligations related to pension and postretirement benefit obligations are based on a number of assumptions, such as the discount rate, the rate of increase in compensation, the retirement age of employees, health care costs, and other actuarial factors. Some of these assumptions may have a significant impact on employee costs and financial expenses recognized in the consolidated statement of income, the re-measurement gain or loss on defined benefit plans recognized in the consolidated statement of comprehensive income, and on the carrying amount of defined benefit plan asset or other liabilities recognized in the consolidated balance sheet. Pension plan assets, based on fair value, consist of equities as well as corporate and government fixed-income securities.

Re-measurements of the net defined benefit liability or asset are recognized immediately in other comprehensive income and recorded in accumulated other comprehensive income. Re-measurements are comprised of the following items:

i) actuarial gains and losses arising from changes in financial and demographic actuarial assumptions used to determine the defined benefit obligation or from experience adjustments on liabilities;

ii) the difference between the actual rate of return on plan assets and the expected interest revenues on plan assets considered in the calculation of interest on net defined benefit liabilities or assets;

iii) changes in the net benefit asset limit or in the minimum funding liability.

Under certain circumstances, the recognition of a net benefit asset is limited to the recoverable amount, which is primarily based on the present value of future contributions to the plan, to extent to which the Corporation can unilaterally reduce those future contributions. In addition, an adjustment to the net benefit asset or the net benefit liability can be recorded to reflect a minimum funding liability in some of the Corporation's pension plans.

The Corporation considers the assumptions used to be reasonable in view of the information available at this time. However, variances from these assumptions could have a material impact on the costs and obligations of pension plans and postretirement benefits in future periods.

Stock-based compensation

Stock-based awards to employees that call for settlement in cash or other assets at the option of the employee are classified as a liability and accounted for at fair value. The compensation cost is recognized in expenses over the vesting period. Changes in the fair value of stock-based awards between the grant date and the measurement date result in a change in the liability and compensation expense. Estimates of the fair value of stock–based awards are determined by applying an option-pricing model, taking into account the terms and conditions of the grant and assumptions such as the risk-free rate, expected volatility and the expected remaining life of the option.

The judgment and assumptions used in determining the fair value of liability classified stock-based awards may have an effect on the compensation cost recorded in the statements of income.

Provisions

Provisions are recognized when (a) the Corporation has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and when (b) the amount of the obligation can be reliably estimated. Restructuring costs, consisting primarily of termination benefits, are recognized when a detailed plan for the restructuring exists and a valid expectation has been raised in those affected that the plan will be carried out.

Provisions are reviewed at each balance sheet date and changes in estimates are reflected in the consolidated statement of income in the reporting periods in which the re-measurements occurred.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date or to transfer it to third parties at that time, and it is adjusted for the effect of time value when material.

No amounts are recognized for obligations that are possible but not probable, or those for which an amount cannot be reasonably estimated.

Income taxes

Deferred taxes are accounted for using the liability method. Under this method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred tax assets and liabilities are valued at the enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect of a change in enacted or substantively enacted tax rates on deferred tax assets and liabilities is recognized in income in the period during which the substantive enactment date falls. A deferred tax asset is recognized initially when it is likely that future taxable income will be sufficient to use the related tax benefits and may be subsequently reduced, if necessary, to the amount that is more likely than not to be realized.

The assessment of deferred income taxes is judgmental in nature and is dependent on assumptions and estimates as to the availability and character of future taxable income. The ultimate amount of deferred income tax assets realized could be slightly different from that recorded, since it is influenced by the Corporation's future operating results.

The Corporation is at all times under audit by various tax authorities in each of the jurisdictions in which it operates. A number of years may elapse before a particular matter for which management has established a reserve is audited and resolved. The number of years between each tax audit varies depending on the tax jurisdiction. Management believes that its estimates are reasonable and reflect the probable outcome of known tax contingencies, although the final outcome is difficult to predict.

Recent accounting pronouncements

The Corporation has not yet completed its assessment of the impact of the adoption of these pronouncements on its consolidated financial statements.

IFRS 9 *Financial Instruments* is required to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

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

IFRS 15 *Revenue from Contracts with Customers* is required to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 15 specifies how and when an entity will recognize revenue as well as requiring such entities to provide users of financial statements with more informative disclosures. The standard provides a single, principles based, five-step model to be applied to all contracts with customers.

IFRS 16 IFRS 16 – *Leases* is required to be applied retrospectively for annual periods beginning on or after January 1, 2019, with early adoption permitted provided that the IFRS 15 has been applied or is applied at the same time as IFRS 16.

IFRS 16 sets out the new principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The standard provides to lessees a single accounting model for all leases, with certain exemptions. In particular, lessees will be required to report most leases on their balance sheets by recognising right-of-use assets and related financial liabilities.

Disclosure controls and procedures

In accordance with Multilateral Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*, an evaluation was conducted of the effectiveness of the Corporation's disclosure controls and procedures (DC&P) and its internal control over financial reporting (ICFR). On December 30, 2014, the Corporation closed the acquisition of MELS, the operations of which are presented in the Film Production & Audiovisual Services segment. As of December 31, 2015, management had completed its analysis and documentation of ICFR design for the segment and included them in its evaluation.

Based on this evaluation, the President and Chief Executive Officer, and the Vice-President and Chief Financial Officer, have concluded that DC&P and ICFR were effective as at year-end December 31, 2015, and that the DC&P design provides reasonable assurance that material information relating to the Corporation, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared, and the information that the Corporation must present in its annual documents, its interim documents or in other documents it files or submits under securities regulations is recorded, processed, condensed and presented within the time frames prescribed by this legislation. Further, the ICFR design provides reasonable assurance that the Corporation's financial information is reliable and that its financial statements have been prepared, for the purpose of publishing financial information, in accordance with IFRS.

Lastly, no changes to the ICFR that have had or are likely to have a significant effect on this control mechanism were identified by management during the accounting period beginning October 1, 2015 and ending December 31, 2015.

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), 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 "Risks and Uncertainties" section of this Management's Discussion and Analysis and other public filings available at www.sedar.com and http://groupetva.ca.

The forward-looking statements in this Management's Discussion and Analysis reflect the Corporation's expectations as of February 26, 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

February 26, 2016

Table 16
SELECTED FINANCIAL DATA
Years ended December 31, 2015, 2014 and 2013
(in thousands of dollars, except for per-share data)

	2015	2014	2013
Operations			
Operating revenues	**$ 589,890**	$ 439,340	$ 444,816
Adjusted operating income	**$ 47,390**	$ 29,426	$ 60,570
Net (loss) income attributable to shareholders	**$ (55,226)**	$ (41,088)	$ 15,746
Basic and diluted per-share data			
Basic (loss) earnings per share	**$ (1.42)**	$ (1.73)	$ 0.66
Weighted average number of outstanding shares (in thousands)	**38,827**	23,771	23,771

Table 17
SELECTED QUARTERLY FINANCIAL DATA
(in thousands of dollars, except for per-share data)

				2015
	December 31	**September 30**	**June 30**	**March 31**
Operations				
Operating revenues	**$ 165,429**	**$ 138,523**	**$ 159,424**	**$ 126,514**
Adjusted operating income (loss)	**$ 16,846**	**$ 30,864**	**$ 7,371**	**$ (7,691)**
Net loss attributable to shareholders	**$ (1,472)**	**$ (36,455)**	**$ (2,588)**	**$ (14,711)**
Basic and diluted per-share data				
Basic (loss) earnings per share	**$ (0.03)**	**$ (0.84)**	**$ (0.06)**	**$ (0.57)**
Weighted average number of outstanding shares (in thousands)	**43,206**	**43,206**	**43,206**	**25,693**

				2014
	December 31	September 30	June 30	March 31
Operations				
Operating revenues	$ 129,794	$ 94,525	$ 109,700	$ 105,321
Adjusted operating income (loss)	$ 6,814	$ 7,638	$ 20,999	$ (6,025)
Net (loss) income attributable to shareholders	$ (4,418)	$ (35,670)	$ 9,163	$ (10,163)
Basic and diluted per-share data				
Basic (loss) earnings per share	$ (0.19)	$ (1.50)	$ 0.39	$ (0.43)
Weighted average number of outstanding shares (in thousands)	23,771	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 quarter to another.