INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

TABLE OF CONTENTS

CORPORATE PROFILE **2**

BUSINESS SEGMENTS **2**

HIGHLIGHTS SINCE END OF 2014 .... **3**

NON-IFRS FINANCIAL MEASURES **3**

ANALYSIS OF CONSOLIDATED RESULTS **4**

SEGMENTED ANALYSIS **7**

CASH FLOWS AND FINANCIAL POSITION **11**

ADDITIONAL INFORMATION **15**

SELECTED QUARTERLY FINANCIAL DATA **19**

CORPORATE PROFILE

TVA Group Inc. (“TVA Group” or “the Corporation”), a subsidiary of Quebecor Media Inc. (“QMI”), 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 minority interests in the Évasion specialty service. In the Magazines segment, TVA Group publishes over 50 titles, making it Quebec’s largest publisher of French-language magazines. The Film Production & Audiovisual Services segment provides soundstage and equipment leasing, post-production and visual effects services. The Corporation’s Class B shares are listed on the Toronto Stock Exchange under the ticker symbol TVA.B.

This Interim Management’s Discussion and Analysis covers the Corporation’s main activities during the first quarter of 2015, and the major changes from the previous financial year. The Corporation’s condensed interim consolidated financial statements for the three-month periods ended March 31, 2015 and 2014 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 report should be read in conjunction with the information in the annual Consolidated Financial Statements and Management’s Discussion and Analysis for the financial year ended December 31, 2014 and in the Condensed Interim Consolidated Financial Statements for the three-month period ended March 31, 2015.

BUSINESS SEGMENTS

At the beginning of 2015, the Corporation revised its business segments to better reflect changes in its operations and management structure following the acquisition of substantially all of the assets of Vision Globale A.R. Ltée (“Vision Globale”) on December 30, 2014. Accordingly, the new Film Production & Audiovisual Services segment was created.

The Corporation’s operations now consist of the following segments:

- The **Broadcasting & Production segment**, which includes the operations of TVA Network (including the subsidiaries and divisions TVA Productions Inc., TVA Sales and Marketing 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 includes the operations of TVA Publications Inc. and Les Publications Charron & Cie Inc., which publish French-language magazines in various fields such as the arts, entertainment, television, fashion and decoration, and market digital products associated with the various magazine brands;

- The **Film Production & Audiovisual Services segment**, since December 30, 2014 has included the soundstage and equipment leasing, post-production and visual effects services provided by Montréal Studios et Équipements s.e.n.c. (“Montréal Studios et Équipements”).

HIGHLIGHTS SINCE END OF 2014

- On April 12, 2015, TVA Publications Inc. closed a transaction under which it acquired 14 magazines, four of which will be owned and operated in partnership, three websites and custom publishing contracts held by Transcontinental Inc. The $55.5 million transaction was announced on November 17, 2014 and approved by the Competition Bureau on March 2, 2015. The acquisition was part of the Corporation's strategy to invest in the production and broadcasting 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 gross 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 reimburse 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 SUN News, 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)

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 other costs, 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 loss to net loss attributable to shareholders as disclosed in the Corporation's condensed consolidated financial statements.

Table 1
Reconciliation of the adjusted operating loss measure used in this report to the net loss attributable to shareholders measure used in the consolidated financial statements
(in thousands of dollars)

	Three months ended March 31	
	2015	2014
Adjusted operating (loss) income:		
Broadcasting & Production	**$ (8,483)**	$ (8,211)
Magazines	**938**	2,186
Film Production & Audiovisual Services	**(146)**	–
	(7,691)	(6,025)
Depreciation of property, plant and equipment and amortization of intangible assets	**6,808**	5,384
Financial expenses	**1,935**	1,120
Operational restructuring costs, impairment of assets and other costs	**407**	–
Tax recovery	**(5,982)**	(4,147)
Share of loss of associated corporations	**3,852**	1,781
Net loss attributable to shareholders	**$ (14,711)**	$ (10,163)

ANALYSIS OF CONSOLIDATED RESULTS

2015/2014 first quarter comparison

Operating revenues: $126,514,000, a $21,193,000 (20.1%) increase.

- $14,078,000 (15.5%) increase in the Broadcasting & Production segment (Table 2) essentially due to the significant revenue growth generated by “TVA Sports”, which was partially offset by a 6.0% decrease in the TVA Network’s revenues.

- $1,682,000 (-11.1%) decrease in the Magazines segment (Table 2), primarily due to a 14.6% decrease in newsstand revenues and a 13.5% decrease in advertising revenues.

- $9,084,000 increase in the Film Production & Audiovisual Services segment due to the acquisition of substantially all of the assets of Vision Globale on December 30, 2014 (“acquisition of VG”).

Table 2
Operating revenues
(in thousands of dollars)

	Three months ended March 31	
	2015	2014
Broadcasting & Production	**$ 105,014**	$ 90,936
Magazines	**13,456**	15,138
Film Production & Audiovisual Services	**9,084**	–
Intersegment items	**(1,040)**	(753)
	$ 126,514	$ 105,321

Adjusted operating loss: $7,691,000, a negative variance of $1,666,000 (-27.7%).

- $272,000 unfavourable variance in the Broadcasting & Production segment (Table 3) caused mainly by a 128.9% increase in the "TVA Sports" channel's adjusted operating loss, partially offset by the TVA Network, which recorded adjusted operating income as opposed to an adjusted operating loss.

- $1,248,000 unfavourable variance in the Magazines segment (Table 3), mainly because of the decrease in operating revenues exceeded the reduction in expenses.

- $146,000 unfavourable variance in the Film Production & Audiovisual Services segment, directly attributable to the operating losses incurred by the operations absorbed following the acquisition of VG.

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

	Three months ended March 31	
	2015	2014
Broadcasting & Production	**$ (8,483)**	$ (8,211)
Magazines	**938**	2,186
Film Production & Audiovisual Services	**(146)**	–
	$ (7,691)	$ (6,025)

Net loss attributable to shareholders: $14,711,000 (-$0.57 per basic and diluted share), compared with a net loss attributable to shareholders of $10,163,000 (-$0.43 per basic and diluted share) in the same period of 2014.

- The negative variance of $4,548,000 (-$0.14 per basic and diluted share) was essentially due to:
  - $1,666,000 decrease in adjusted operating income;
  - $2,071,000 unfavourable variance in interest in associated corporations;
  - $1,424,000 unfavourable variance in depreciation and amortization expenses;
  - $815,000 unfavourable variance in financial expenses;
  - $407,000 unfavourable variance in other items;

partially offset by:

- $1,835,000 favourable variance in the income taxes expense.

- The calculation of per-share results was based on a weighted average of 25,693,000 outstanding diluted shares for the quarter ended March 31, 2015, and 23,771,000 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 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: $6,808,000, a $1,424,000 increase due mainly to depreciation of the property, plant and equipment acquired from Vision Globale.

Financial expenses: $1,935,000, an $815,000 increase essentially due to recognition of interest charges related to the $100,000,000 credit facility extended by QMI.

Operational restructuring costs, impairment of assets and other costs: $407,000 in the first quarter of 2015, compared with nil in the same period of 2014.

- In the first quarter of 2015, the Corporation recorded $245,000 in operational restructuring costs following the elimination of positions in the Film Production & Audiovisual Services segment, and $162,000 in professional fees in connection with the acquisition of VG and the November 2014 agreement to acquire magazines from Transcontinental Inc.

Tax recovery: $5,982,000 (effective tax rate of 35.5%) in the first quarter of 2015, compared with $4,147,000 (effective tax rate of 33.1%) for the same period of 2014.

- In the first quarter of 2015, the effective tax rate was higher than the Corporation’s statutory tax rate of 26.9%, mainly because of the Corporation’s share of the tax savings generated by SUN News’ losses for the period.

- In the first quarter of 2014, the effective tax rate was higher than the Corporation’s statutory tax rate of 26.9%, mainly because of the Corporation’s share of the tax savings generated by SUN News’ losses for the period. As well, in light of developments in tax audits, jurisprudence and tax legislation, the Corporation reduced its deferred tax liabilities by $329,000. Excluding the latter tax savings, the effective tax rate for 2014 would have been 30.5%.

Share of losses of associated corporations: $3,852,000 in the first quarter of 2015, compared with $1,781,000 in the same quarter of 2014, a $2,071,000 unfavourable variance. As at March 31, 2015, the share of Sun News’ loss included the associated costs related to the discontinuation of operations.

SEGMENTED ANALYSIS

Broadcasting & Production

2015/2014 first quarter comparison

Operating revenues: $105,014,000, a $14,078,000 (15.5%) increase, primarily due to:

- increase in the subscription revenues of “TVA Sports”, which have more than quadrupled;
- 6.1% increase in the subscription revenues of all other specialty services, including “MOI&cie”, “Casa” and “addikTV”, which grew by 29.8%, 15.6% and 12.9% respectively;
- multi-million dollar increase in advertising revenues of “TVA Sports”;

partially offset by:

- 6.0% decrease in TVA Network’s revenues because of the following factors:
  - 4.0% decrease in advertising revenues;
  - decrease in revenues from distant signal retransmission royalties as a result of a reduction in the Corporation’s share of such royalties;
  - decrease in revenues from the Local Programming Improvement Fund, which was terminated in September 2014;
- 7.8% decrease in advertising revenues at the specialty services other than “TVA Sports”.

French-language market ratings

TVA Group’s total market share increased from 32.8% to 34.6% (+1.8 points) for the period of January 1 to March 31, 2015.

TVA Group’s specialty services had a combined market share of 10.4% in the first quarter of 2015, compared with 8.6% in the same period of 2014 (+1.8 points). “TVA Sports” stood out with a 1.0 point increase. With a 3.3% share, the 24-hour news channel “LCN” also increased its lead over its main rival, “RDI”, which ended the first quarter with 2.8%.

TVA Network remains in the lead with a 24.2% market share, more than its two main conventional rivals combined. TVA Network carried 20 of the 30 most-watched programs in Quebec during the first quarter of 2015, including the number one show *La Voix*, which attracted more than 2.7 million viewers.

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

Winter 2015 vs 2014

	2015	2014	Difference
French-language conventional broadcasters:			
TVA	**24.2**	24.2	–
SRC	**13.5**	15.5	- 2.0
V	**7.8**	7.9	- 0.1
	45.5	47.6	- 2.1
French-language specialty and pay services:			
TVA	**10.4**	8.6	+ 1.8
Bell Media	**17.6**	17.6	–
Corus	**6.7**	6.8	- 0.1
SRC	**4.3**	4.5	- 0.2
Others	**7.8**	7.4	+ 0.4
	46.8	44.9	+ 1.9
Total English-language and others:	**7.7**	7.5	+ 0.2
TVA Group	**34.6**	32.8	+ 1.8

Source: BBM Ratings, Quebec Franco, January 1 to March 31, 2015, Mon-Sun, 2:00 – 2:00, All 2+.

Operating expenses: $113,497,000, an increase of $14,350,000 (14.5%).

- The increase was due primarily to:
  - o 258.4% increase in the operating expenses of "TVA Sports" as a result of increased spending on programming, especially related to the broadcast of National Hockey League ("NHL") games;
  - o 6.0% increase in operating expenses of other specialty services;

  partially offset by:

  - o 15.8% decrease in operating expenses at TVA Network due to lower content costs, mainly as a result of lower programming costs. As well, during the first quarter of 2014, TVA Network absorbed additional costs generated by the provincial election, and adjustments to the cost of certain prior-year broadcast licences related to the indemnification clauses in the guarantees provided by the Corporation.

Adjusted operating loss: $8,483,000, a $272,000 unfavourable variance primarily due to:

- 128.9% increase in the adjusted operating loss of "TVA Sports" because the channel had to absorb the full cost of its new programming while the growth in the subscriber base has not yet reached its full potential;

- 31.2% decrease in adjusted operating income at the other specialty services caused by the decrease in advertising revenues combined with the increase in operating expenses;

partially offset by:

- The change from an adjusted operating loss by TVA Network to an adjusted operating income, mainly due to a reduced content costs.

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, from 109.0% in the first quarter of 2014 to 108.1% in the first quarter of 2015.

Magazines

<u>2015/2014 first quarter comparison</u>

Operating revenues: $13,456,000, a $1,682,000 (-11.1%) decrease despite the addition of revenues from two new magazines, *Femmes etc.* and *Tellement bon*, to first quarter 2015 revenues. The decrease was mainly due to:

- 14.6% decrease in newsstand revenues, mainly because of a 15.6% decline at the entertainment magazines;

- 13.5% decrease in the magazines' combined advertising revenues, caused mainly by the following categories:

  - Women's: -18.9%;

  - Entertainment: -11.9%.

Canada Periodical Fund

The Government of Canada introduced the Canada Periodical Fund ("CPF") on April 1, 2010. The CPF provides financial assistance to the Canadian magazine and non-daily newspaper industries so they can continue to produce and distribute Canadian content. All assistance related to this program is fully recorded under operating revenues. It amounted to 13.7% of the segment's operating revenues for the three-month period ended March 31, 2015 (12.7% in the same period of 2014).

Readership and market share statistics

With more than 3.1 million readers per month and a 54% market share, TVA Group remains the largest magazine publisher in Quebec. The Magazines segment's weeklies reach 2.4 million unique readers per month. The showbiz and celebrity news magazine "*7 Jours*" remains the most widely read weekly magazine in Quebec with nearly 1.2 million readers per month.

Source: PMB (Print Measurement Bureau) – Fall 2014, Canada total 12+

Operating expenses: $12,518,000, a $434,000 (-3.4%) decrease due mainly to:

- 10.3% decrease in the operating expenses of the entertainment magazines as a result of reduced editorial, content and promotional costs, primarily at "*7 Jours*" magazine;

partially offset by:

- higher operating expenses at the women´s magazines coming from the inclusion of expenses related to *Femmes etc*. magazine, the first issue of which was published in March 2014 (six issues in the first quarter of 2015 compared with one issue in the same period of 2014);

- higher operating expenses at the decorating and cooking magazines because of the inclusion of expenses related to *Tellement bon* magazine, the first issue of which was published in October 2014.

Adjusted operating income: $938,000, a $1,248,000 decrease primarily due to the impact of the decline in the segment's operating revenues.

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 93.0% in the first quarter of 2015, compared with 85.6% in the same period of 2014. The increase was mainly due to the decrease in newsstand and advertising revenues.

Film Production & Audiovisual Services

2015/2014 first quarter comparison

The operating results related to the acquisition of VG on December 30, 2014 generated the following variances:

- $9,084,000 favourable variance in operating revenues;
- $9,230,000 unfavourable variance in operating expenses;
- $146,000 unfavourable variance in the new segment's adjusted operating loss.

The new segment's operations fall into three broad categories, and have generated positive marginal contribution during the first quarter:

- soundstage and equipment leasing: 19.1% margin;
- post-production and visual effects: 4.1% margin;
- asset management and distribution: 40.9% margin.

The selling and administrative expenses that were not allocated to any of the above categories exceeded their combined marginal contribution and generated an adjusted operating loss for the segment in the first quarter of 2015. Operating results for the period are consistent with the Corporation's budget forecasts. The segment's operations are seasonal in nature and the first quarter of the year is traditionally a slow period, especially for the leasing of soundstages and film production equipment.

Cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Film Production & Audiovisual Services segment's activities (expressed as a percentage of revenues) were 101.6% in the first quarter of 2015.

CASH FLOWS AND FINANCIAL POSITION

Table 5 below shows a summary of cash flows provided by operating activities, investing activities and financing activities:

Table 5
Summary of the Corporation's cash flows
(in thousands of dollars)

	Three months ended March 31	
	2015	2014
Cash flows related to operating activities	**$ 25,127**	$ 4,872
Issuance of share-capital, net of transaction costs	**108,725**	–
Additions to property, plant and equipment and intangible assets	**(6,568)**	(7,107)
Increase in investments	**(2,081)**	(1,421)
Other	**(667)**	(552)
Reimbursement (increase in) of net debt	**$ 124,536**	$ (4,208)

	March 31, 2015	December 31, 2014
At period end:		
Long term debt	**$ 72,137**	$ 72,757
Derivative financial instrument	**1,030**	547
Short-term debt	**1,875**	938
Credit facility from parent corporation	**–**	100,000
Less cash	**(20,850)**	4,486
Net debt	**$ 54,192**	$ 178,728

Operating activities

Cash flows provided by operating activities: $20,255,000 increase during the three-month period ended March 31, 2015 due mainly to:

- $27,495,000 favourable net change in balances related to operations, primarily reflecting an increase in rights payable and in accounts payable and accrued liabilities, partially offset by an increase in programs, broadcast and distribution rights and inventories;

partially offset by:

- $4,423,000 unfavourable variance in current income taxes;
- $1,666,000 decrease in adjusted operating income;
- $1,424,000 increase in amortization expense.

Working capital: $48,116,000 as of March 31, 2015, compared with negative $33,062,000 at December 31, 2014. The $81,178,000 increase was due primarily to:

- repayment of the credit facility from the parent corporation and a higher cash balance following receipt of the proceeds from the subscription rights offering, which closed in March 2015;

partially offset by:

- decrease in accounts receivable;
- increase in broadcast and distribution rights payable considering substantial investments in content for the specialty services.

Investing activities

Additions to property, plant and equipment and to intangible assets: $6,568,000 in the first quarter of 2015, compared with $7,107,000 in the same period of 2014, a decrease of $539,000 (-7.6%). The decrease was primarily due to a delay in starting certain capital expenditure projects, consisting mainly of technical projects.

Net change in investments: $2,081,000 in the first quarter of 2015, compared with $1,421,000 in the same period of 2014. The Corporation made a $2,352,000 capital contribution to SUN News ($1,421,000 in the first quarter of 2014) and received a dividend of $271,000 related to a portfolio investment (nil in the same period of 2014).

Financing activities

Long-term debt (excluding deferred financing costs): Relatively stable at $74,985,000 as of March 31, 2015, compared with $74,737,000 as of December 31, 2014.

Financial position as at March 31, 2015

Net available liquid assets: $170,142,000, consisting of a $149,292,000 unused and available revolving credit facility and $20,850,000 in cash.

As at March 31, 2015, minimum principal debt payments in the coming 12-month periods were as follows:

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

2016	$	1,875
2017		4,688
2018		7,500
2019		10,501
2020 and thereafter		50,421
Total	**$**	**74,985**

The weighted average term of TVA Group's debt was approximately 3.9 years as of March 31, 2015 (4.2 years as of December 31, 2014). The debt consisted entirely of floating-rate debt as of March 31, 2015 and December 31, 2014. The Corporation is using an interest rate swap to secure future interest expenses on a $42,625,000 portion of its $75,000,000 secured term loan, which bears interest at a floating rate.

The Corporation also has a $150,000,000 revolving credit facility ($150,000,000 at December 31, 2014), which was renewed on November 3, 2014 and matures on February 24, 2019. As at March 31, 2015, $708,000 was drawn on the revolving credit facility and was being used mainly for letters of guarantee ($520,000 at December 31, 2014).

On December 30, 2014, the Corporation obtained a $100,000,000 credit facility from QMI for the financing of the acquisition of VG. On March 20, 2015, the Corporation used the net proceeds from its subscription rights offering to reimburse that credit facility.

The Corporation's management believes that the cash flows generated on an annual basis by continuing operating activities and by available sources of financing should be sufficient to meet future cash requirements in regard to capital investments, working capital, interest payments, debt repayment, pension plan contributions and dividend payments (or distribution of capital), and to meet its commitments and guarantees.

Under its credit agreements, the Corporation is subject to certain covenants, including maintenance of certain financial ratios. As at March 31, 2015, the Corporation was in compliance with all the terms of its credit agreements.

Analysis of consolidated balance sheet as at March 31, 2015

Table 7
Consolidated balance sheets of TVA Group
Analysis of main variances between March 31, 2015 and December 31, 2014
(in thousands of dollars)

	March 31, 2015	December 31, 2014	Difference	Main reasons for difference
Assets				
Accounts receivable	**$ 126,557**	$ 136,811	$ (10,254)	Impact of current and seasonal variations in activities.
Broadcast and distribution rights	**42,617**	31,989	10,628	Impact of increased spending on programming and of current and seasonal variations in activities.
Liabilities				
Accounts payable and accrued liabilities	**99,961**	92,756	7,205	Impact of current and seasonal variations in activities.
Broadcast and distribution rights payable	**79,488**	45,660	33,828	Impact of spending on programming for “TVA Sports”.
Credit facility from parent corporation	**–**	100,000	(100,000)	Repayment of the credit facility from the proceeds generated by the subscription rights offering.

ADDITIONAL INFORMATION

Contractual obligations

As of March 31, 2015, material contractual commitments of operating activities included capital repayment and interest on debt, payments under broadcast and distribution rights acquisition contracts, and payments under other contractual commitments, such as operating leases for services and office space. These contractual obligations are summarized in Table 8.

Table 8
Material contractual obligations of TVA Group as at March 31, 2015
(in thousands of dollars)

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Long-term debt	$ 1,875	$ 12,188	$ 60,922	$ –	$ 74,985
Payment of interest[1]	2,731	4,926	2,771	–	10,428
Broadcast and distribution rights	196,704	197,916	139,683	422,508	956,811
Other commitments	11,811	10,024	3,755	2,122	27,712
Total	**$ 213,121**	**$ 225,054**	**$ 207,131**	**$ 424,630**	**$ 1,069,936**

[1] *Interest is calculated on a constant debt level equal to that at March 31, 2015 on the revolving credit facility and includes standby fees on that 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.

Business acquisition

On April 12, 2015, the Corporation closed the transaction announced on November 17, 2014 whereby it acquired 14 magazines, three websites and custom publishing contracts from Transcontinental Inc. for $55.5 million. The operating revenues and expenses generated by the acquired properties will be recognized on the Corporation's books as of April 13, 2015 and will mostly be incorporated into the existing Magazines segment.

Related party transactions

The Corporation concluded the following transactions with related parties in the normal course of business. These transactions were recognized at the exchange amount agreed between the parties.

In the first quarter of 2015, the Corporation sold advertising space and content, recorded subscription revenues and provided production, postproduction and other technical services to corporations under common control and affiliated corporations in the total amount of $23,910,000 ($17,377,000 in the first quarter of 2014).

In the first quarter of 2015, 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 corporations under common control and affiliated corporations in the total amount of $9,057,000 ($9,755,000 in the first quarter of 2014).

The Corporation also recorded management fees to the parent corporation in the amount of $1,080,000 in the first quarter of 2015 ($1,080,000 in the first quarter of 2014).

SUN News

During the first quarter of 2015, the Corporation continued to make capital contributions to SUN News to cover its operating losses up to the closure date as well as costs related to the discontinuation of operations. During the period, the partners in SUN News made a capital contribution of $4,800,000 ($2,900,000 during the same period of 2014), including $2,352,000 from TVA Group ($1,421,000 in 2014) and $2,448,000 from Sun Media Corporation, a company under common control ($1,479,000 in 2014).

Off-Balance Sheet Arrangements

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 9 below presents information on the Corporation's capital stock as at March 31, 2015. In addition, 545,737 Class B stock options and 148,447 QMI stock options were outstanding as of April 24, 2015.

Table 9
Number of shares outstanding as at April 24, 2015
(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

On March 20, 2015, the Corporation completed a subscription rights offering to its shareholders, whereby the Corporation received gross proceeds totalling $110,000,000 from the issuance of 19,434,629 Class B non-voting shares. Transaction costs of $1,700,000, less $500,000 in income tax, were charged to share capital as a reduction of gross proceeds from the issuance.

Disclosure controls and procedures

The purpose of internal controls over financial reporting is to provide reasonable assurance as to the reliability of the Corporation's financial reporting and the preparation of its financial statements in accordance with IFRS.

No changes to internal controls over financial reporting have come to the attention of management during the three-month period ended March 31, 2015 that have materially adversely affected, or are reasonably likely to materially adversely affect, the Corporation's internal controls over financial reporting for the Broadcasting & Production and Magazines segments.

On December 30, 2014, the Corporation closed the acquisition of VG, the operations of which are presented in the Film Production & Audiovisual Services segment. Given the brief interval between the acquisition date and the certification date of March 31, 2015, management was unable to complete its analysis of internal controls over that segment's financial reporting. In the coming months, management will complete its analysis of internal controls over financial reporting by the newly acquired operations. Please see tables 1, 2 and 3 above for more financial information on the Film Production & Audiovisual Services segment. Table 10 also provides some additional financial information.

Table 10
Additional financial information – Film Production & Audiovisual Services
(in thousands of dollars)

	March 31, 2015
Current assets	$ 8,007
Non-current assets	121,628
Current liabilities	6,000
Non-current liabilities	2,935

Additional information

The Corporation is a reporting issuer under the securities acts of all the provinces of Canada and it is therefore required to file financial statements, a proxy 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 are made. Investors and others are cautioned that the foregoing list of factors that may affect future results is not exhaustive and that undue reliance should not be placed on any forward-looking statements.

For more information on the risks, uncertainties and assumptions that could cause the Corporation's actual results to differ from current expectations, please refer to the Corporation's public filings available at www.sedar.com and http://groupetva.ca, including, in particular, the "Risks and Uncertainties" section of the Corporation's Management's Discussion and Analysis for the year ended December 31, 2014 and the "Risk Factors" section in the Corporation's 2014 annual information form.

The forward-looking statements in this Management's Discussion and Analysis reflect the Corporation's expectations as of May 5, 2015, and are subject to change after that date. The Corporation expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by the applicable securities laws.

Montreal, Quebec

May 5, 2015

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

	2015	2014		
	March 31	December 31	September 30	June 30
Operations				
Operating revenues	**$ 126,514**	$ 129,794	$ 94,525	$ 109,700
Adjusted operating (loss) income	**$ (7,691)**	$ 7,424	$ 7,638	$ 20,999
Net (loss) income attributable to shareholders	**$ (14,711)**	$ (4,148)	$ (35,670)	$ 9,163
Basic and diluted per-share data				
Basic and diluted (loss) earnings per share	**$ (0.57)**	$ (0.19)	$ (1.50)	$ 0.39
Weighted average number of outstanding shares (in thousands)	**25,693**	23,771	23,771	23,771

	2014	2013		
	March 31	December 31	September 30	June 30
Operations				
Operating revenues	$ 105,321	$ 120,022	$ 102,217	$ 111,507
Adjusted operating (loss) income	$ (6,025)	$ 20,334	$ 18,401	$ 20,940
Net (loss) income attributable to shareholders	$ (10,163)	$ 8,328	$ 6,325	$ 6,981
Basic and diluted per-share data				
Basic and diluted (loss) earnings per share	$ (0.43)	$ 0.35	$ 0.27	$ 0.29
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 and reading habits, and demand for production facilities from international and local producers. Since 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, whereas in the Magazines segment, operating costs fluctuate according to the arrival of magazines on newsstands. In the Film Production & Audiovisual Services segment, operating expenses fluctuate according to needs for production services from international and local producers.

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