INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS
SECOND QUARTER 2024

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CORPORATE PROFILE

TVA Group Inc. ("TVA Group," "TVA" or the "Corporation"), a subsidiary of Quebecor Media Inc. ("QMI" or the "parent corporation"), is a communications company with operations in four business segments: Broadcasting, Film Production & Audiovisual Services, Magazines, and Production & Distribution. In the Broadcasting segment, the Corporation creates, broadcasts and produces entertainment, sports, news and public affairs programming and is engaged in commercial production. It operates North America's largest private French-language television network as well as nine specialty services. The Film Production & Audiovisual Services segment provides soundstage, mobile and equipment rental services as well as postproduction services. In the Magazines segment, TVA Group publishes numerous titles, making it Quebec's largest magazine publisher. The Production & Distribution segment produces and distributes television programs for the world market. 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 second quarter of 2024 and the major changes from the previous fiscal year. The Corporation's Condensed Consolidated Financial Statements for the three-month and six-month periods ended June 30, 2024 and 2023 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including in particular IAS 34, *Interim Financial Reporting*.

This report should be read in conjunction with the information in the annual Consolidated Financial Statements and Management's Discussion and Analysis for the fiscal year ended December 31, 2023 and in the Condensed Consolidated Financial Statements dated June 30, 2024. All amounts are stated in Canadian dollars.

BUSINESS SEGMENTS

The Corporation's operations consist of the following segments:

- The **Broadcasting** segment, which includes the operations of TVA Network, specialty services, the marketing of digital products associated with the various televisual brands, and commercial production and custom publishing services, including those of its Communications Qolab inc. ("**Qolab**") subsidiary;

- The **Film Production & Audiovisual Services** segment ("**MELS**"), which provides soundstage, mobile and production equipment rental services, as well as dubbing and described video ("**media accessibility services**"), postproduction and virtual production;

- The **Magazines** segment, which publishes magazines and markets digital products associated with the various magazine brands;

- The **Production & Distribution** segment, which through the companies in the Incendo group ("**Incendo**") and the TVA Films division, produces and distributes television shows, movies and television series for the world market.

HIGHLIGHTS SINCE END OF FIRST QUARTER 2024

- During the second quarter of 2024, a favourable retroactive adjustment of $10,184,000 was recorded for the period of September 1, 2017 to December 31, 2023 in connection with the royalty rates of the “LCN” channel.

- During the second quarter of 2024, the Corporation performed an impairment test on the Production & Distribution cash-generating unit due to the competitive industry environment and the slowdown in its volume of activities. The Corporation concluded that the recoverable amount of the unit was less than its carrying amount and a goodwill impairment charge of $7,781,000 was recorded.

- Jean-Marc Léger, a member of the Corporation’s Board of Directors since 2007, announced that he was stepping down as a director at the end of his term on May 7, 2024.

- On April 11, 2024, the Corporation renewed each of the two collective agreements covering its unionized employees in Montreal, as well as in Quebec City and the local stations. The agreements will enable the Corporation to proceed with the reorganization plan it announced on November 2, 2023.

- On April 9, 2024, the “MOI ET CIE” channel became “TÉMOIN,” dedicated to crimes and scandals.

NON-IFRS FINANCIAL MEASURES

To evaluate its financial performance, the Corporation uses certain measures that are not calculated in accordance with or recognized under IFRS. The Corporation’s method of calculating non-IFRS financial measures may differ from the methods used by other companies and, as a result, the financial measures presented in this Management’s Discussion and Analysis may not be comparable to other similarly titled measures reported by other companies.

Adjusted EBITDA

In its analysis of operating results, the Corporation defines adjusted EBITDA, as reconciled to net income (loss) under IFRS, as net income (loss) before depreciation and amortization, financial expenses (income), restructuring costs and other, income tax expense (recovery) and share of income of associates. Adjusted EBITDA as defined above is not a measure of results that is consistent with IFRS. It is not intended to be regarded as an alternative to other financial operating 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 depreciation and amortization of tangible and intangible assets, including any asset impairment charges, as well as the cost associated with one-time restructuring measures, and is unaffected by the capital structure or investment activities of the Corporation and its segments. Adjusted EBITDA is also relevant because it is a significant component of the Corporation’s annual incentive compensation programs. The Corporation’s definition of EBITDA may not be the same as similarly titled measures reported by other companies.

Table 1 below presents a reconciliation of adjusted EBITDA (negative adjusted EBITDA) to net loss as disclosed in the Corporation’s Condensed Consolidated Financial Statements.

Table 1
Reconciliation of the adjusted EBITDA (negative adjusted EBITDA) measure used in this report to the net loss measure used in the Condensed Consolidated Financial Statements
(in thousands of dollars)

	Three months ended June 30		Six months ended June 30	
	2024	2023	**2024**	2023
Adjusted EBITDA (negative adjusted EBITDA):				
Broadcasting	**$ 7,624**	$ (4,539)	**$ (13,635)**	$ (27,345)
Film Production & Audiovisual Services	**5,425**	(413)	**8,030**	(968)
Magazines	**272**	309	**(47)**	(58)
Production & Distribution	**(260)**	582	**(630)**	227
Intersegment items	**109**	218	**151**	324
	13,170	(3,843)	**(6,131)**	(27,820)
Depreciation and amortization	**5,592**	6,973	**11,802**	14,155
Financial expenses (income)	**1,513**	(43)	**2,751**	(161)
Restructuring costs and other	**7,850**	120	**5,958**	1,022
Incomes taxes (income tax recovery)	**1,461**	(3,006)	**(5,215)**	(11,325)
Share of income of associates	**(341)**	(40)	**(619)**	(131)
Net loss	**$ (2,905)**	$ (7,847)	**$ (20,808)**	$ (31,380)

ANALYSIS OF CONSOLIDATED RESULTS

2024/2023 second-quarter comparison

Revenues: $143,951,000, a $5,191,000 (3.7%) increase.

- Increases in Film Production & Audiovisual Services ($7,784,000 or 63.6% of segment revenues) and Broadcasting ($2,065,000 or 1.8%).

- Decreases in Production & Distribution ($4,427,000 or -75.3%) and Magazines ($947,000 or -10.1%).

Adjusted EBITDA: $13,170,000, a $17,013,000 favourable variance.

- Favourable variance in Broadcasting ($12,163,000) and Film Production & Audiovisual Services ($5,838,000).

- Unfavourable variance in Production & Distribution ($842,000) and Magazines ($37,000 or -12.0%).

Net loss attributable to shareholders: $2,905,000 (-$0.07 per basic share), compared with $7,847,000 (-$0.18 per basic share) for the same period of 2023. The favourable variance of $4,942,000 ($0.11 per basic share) was primarily due to:

- $17,013,000 favourable variance in adjusted EBITDA;

partially offset by:

- $7,730,000 unfavourable variance in restructuring costs and other; and

- $4,467,000 unfavourable variance in income taxes and income tax recovery;

Depreciation and amortization: $5,592,000, a $1,381,000 decrease, mainly due to the decrease in the charge for amortization of fully amortized intangible assets, particularly intangible assets associated with past business acquisitions, as well as software.

Financial expenses: $1,513,000, a $1,556,000 increase caused mainly by an unfavourable variance in interest on debt, associated with higher average indebtedness in the second quarter of 2024, compared with the same period of 2023.

Restructuring costs and other: $7,850,000 for the second quarter of 2024, compared with $120,000 for the same period of 2023.

- During the second quarter of 2024, the Corporation performed an impairment test on the Production & Distribution cash-generating unit due to the competitive industry environment and the slowdown in its volume of activities. The Corporation concluded that the recoverable amount of the unit was less than its carrying amount and a goodwill impairment charge of $7,781,000, without any tax consequences, was recorded.

- During the same period, the Corporation recorded a $232,000 charge arising, among other things, from an adjustment to the provision for elimination of positions and cost-reduction measures related to the reorganization plan announced on November 2, 2023, including $83,000 in the Broadcasting segment and $149,000 in the Film Production & Audiovisual Services segment ($163,000 charge for the same period of 2023, including $134,000 in the Broadcasting segment and $29,000 in the Film Production & Audiovisual Services segment).

Income taxes: $1,461,000 (effective tax rate of -81.8%) for the second quarter of 2024, compared with an income tax recovery of $3,006,000 (effective tax rate of 27.6%) for the same period of 2023, an unfavourable variance of $4,467,000, due mainly to the recording of taxable income for the three-month period ended June 30, 2024, whereas a loss deductible for tax purposes was recorded for the same period of 2023. The effective tax rate was lower than the statutory rate of 26.5%, mainly due to the permanent variance stemming from the goodwill impairment charge. Calculation of the effective tax rates is based only on taxable and deductible items.

Share of income of associates: $341,000 for the second quarter of 2024, compared with $40,000 for the same period of 2023, a favourable variance of $301,000 due to improved financial results of an associate in the television industry.

2024/2023 year-to-date comparison

Revenues: $273,112,000, a $1,751,000 (-0.6%) decrease.

- Decreases in Broadcasting ($6,282,000 or -2.7% of segment revenues), Production & Distribution ($4,892,000 or -59.5%) and Magazines ($1,975,000 or -11.0%).

- Increase in Film Production & Audiovisual Services ($9,762,000 or 36.8%).

Negative adjusted EBITDA: $6,131,000, a $21,689,000 (78.0%) favourable variance.

- Favourable variance in Broadcasting ($13,710,000 or 50.1%), Film Production & Audiovisual Services ($8,998,000) and Magazines ($11,000 or 19.0%).

- Unfavourable variance in Production & Distribution ($857,000).

Net loss attributable to shareholders: $20,808,000 (-$0.48 per basic share) for the first six months of 2024, compared with $31,380,000 (-$0.73 per basic share) for the same period of 2023, a favourable variance of $10,572,000 ($0.25 per basic share) primarily due to:

- $21,689,000 favourable variance in negative adjusted EBITDA;

partially offset by:

- $6,110,000 unfavourable variance in income tax recovery; and

- $4,936,000 unfavourable variance in restructuring costs and other.

Depreciation and amortization: $11,802,000, a $2,353,000 decrease essentially due to the same factors as those noted above in the 2024/2023 second-quarter comparison, as well as a decrease in the depreciation charge associated with equipment for rental and buildings that have been fully amortized.

Financial expenses: $2,751,000, a $2,912,000 increase due mainly to the same factor as noted above in the 2024/2023 second-quarter comparison.

Restructuring costs and other: $5,958,000 for the first six months of 2024, compared with $1,022,000 for the same period of 2023.

- As noted above in the 2024/2023 second-quarter comparison, during the second quarter of 2024, the Corporation recorded a $7,781,000 goodwill impairment charge without any tax consequences for the Production & Distribution cash-generating unit.

- On March 28, 2024, the Corporation closed the sale of a building in Saguenay to its parent corporation for proceeds on disposal of $2,600,000. The transaction gave rise to a $2,309,000 gain on disposal for the first quarter of 2024.

- In the first half of 2024, the Corporation recorded a $649,000 charge arising, among other things, from an adjustment to the provision for elimination of positions and cost-reduction measures related to the reorganization plan announced on November 2, 2023, including $386,000 in the Broadcasting segment, $152,000 in the Film Production & Audiovisual Services segment and $111,000 in the Magazines segment ($1,065,000 charge for the same period of 2023, including $719,000 in the Broadcasting segment, $203,000 in the Film Production & Audiovisual Services segment, $111,000 in the Magazines segment, and $32,000 in the Production & Distribution segment).

Income tax recovery: $5,215,000 (effective tax rate of 19.6%) for the first six months of 2024, compared with $11,325,000 (effective tax rate of 26.4%) for the same period of 2023, an unfavourable variance of $6,110,000, due mainly to a decrease in the deductible loss for tax purposes. The lower effective tax rate than the statutory rate of 26.5% was mainly due to the same factor as that noted above in the 2024/2023 second-quarter comparison. Calculation of the effective tax rates is based only on taxable and deductible items.

Share of income of associates: $619,000 for the first half of 2024, compared with $131,000 for the same period of 2023; the $488,000 favourable variance was due to the same factor as that noted above in the 2024/2023 second-quarter comparison.

SEGMENTED ANALYSIS

Broadcasting

2024/2023 second quarter comparison

Revenues: $117,905,000, a $2,065,000 (1.8%) increase due primarily to:

- 31.9% increase in specialty channel subscription revenues, due mainly to the recording of a favourable retroactive adjustment of $10,184,000 for the period from September 1, 2017 to December 31, 2023 in connection with the royalty rates of the “LCN” channel;

partially offset by:

- 9.8% decrease in TVA Network’s revenues, mainly because of the following factors:

- 10.8% decrease in advertising revenues, despite a 5.5% increase in digital revenues; and
- 45.2% decrease in video-on-demand ("VOD") revenues resulting mainly from the discontinuation of VOD broadcasts of TVA Network programming by a broadcasting distribution undertaking;

- 23.7% decrease in Qolab's revenues due to lower volume of activities; and
- 6.8% decrease in the advertising revenues of the specialty services.

French-language audience share

Table 2
French-language audience share
(Market share in %)

Second quarter 2024 vs Second quarter 2023			
	2024	**2023**	**Difference**
French-language conventional broadcasters:			
TVA	**23.0**	24.1	- 1.1
SRC	**11.8**	12.0	- 0.2
noovo	**7.2**	6.4	0.8
	42.0	42.5	- 0.5
French-language specialty and pay services:			
TVA	**19.5**	18.6	0.9
Bell Media	**12.2**	13.0	- 0.8
Corus	**4.1**	5.0	- 0.9
SRC	**6.5**	6.3	0.2
Other	**5.0**	4.5	0.5
	47.3	47.4	- 0.1
Total English-language channels and other:	**10.7**	10.1	0.6
TVA Group	**42.5**	42.7	- 0.2

Source: Numeris, Quebec Franco, April 1 to June 30, Mon-Sun, 2:00 – 2:00, All 2+.

TVA Group's market share for the period of April 1 to June 30, 2024 decreased by 0.2 points to 42.5%, compared with 42.7% for the same period of 2023.

TVA Group's specialty services had a combined market share of 19.5% for the second quarter of 2024, compared with 18.6% for the same period of 2023, a 0.9-point increase. The "TVA Sports" channel enjoyed exceptional growth of 1.0% for the period, due in part to the presentation of the National Hockey League playoffs and Euro 2024. The "Témoin" channel, which launched its programming in April 2024, saw significant growth of 0.4 points, while the "LCN" news and public affairs channel grew by 0.1 points, remaining Quebec's most-watched specialty channel. The "Prise 2" channel lost 0.4 points for the quarter, while "Casa," "Évasion" and "Zeste" posted 0.1-point decreases each.

TVA Network maintained its lead among over-the-air channels with a 23.0% market share, more than its two main over-the-air rivals combined. TVA Network had 3 of the top 5 shows in Quebec in the second quarter of 2024, including the reality TV show *Sortez-moi d'ici!*, with an average audience of over 1.5 million viewers, *La Voix* and the daily series *Indéfendable*.

Adjusted EBITDA: $7,624,000, a $12,163,000 favourable variance due primarily to:

- increase in adjusted EBITDA from the news channels, mainly as a result of the favourable retroactive adjustment to subscription revenues for "LCN," as noted above, in addition to an 11.3% decrease in its operating expenses; and

- higher adjusted EBITDA for TVA Network, due mainly to a 19.1% decrease in operating expenses, including content costs, employee costs and certain administrative expenses, which more than offset the decrease in revenues, as noted above;

partially offset by:

- 24.4% increase in negative adjusted EBITDA at "TVA Sports," due to a 5.7% increase in operating expenses, particularly content costs related to the broadcast of Euro 2024, combined with a 2.2% decrease in revenues, mainly advertising;

- 73.9% decrease in adjusted EBITDA at the entertainment channels, primarily due to a 10.0% drop in revenues, including a 17.9% decrease in advertising revenues and a 6.6% decrease in subscription revenues, particularly for the "Yoopa" channel, which was replaced by a TV version of QUB radio, a news channel, combined with a 3.4% increase in operating expenses; and

- 77.8% decrease in Qolab's adjusted EBITDA, due to lower volume of activities.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Broadcasting segment's activities (expressed as a percentage of revenues) decreased from 103.9% for the second quarter of 2023 to 93.5% for the same period of 2024. The decrease was essentially due to the decrease in operating expenses.

<u>2024/2023 year-to-date comparison</u>

Revenues: $225,568,000, a $6,282,000 (-2.7%) decrease due mainly to:

- 8.3% decrease in TVA Network's revenues, mainly because of the following factors:

  - 9.3% decrease in advertising revenues, despite a 4.5% increase in digital revenues; and

  - 46.0% decrease in VOD revenues primarily due to the same factor as noted in the 2024/2023 second-quarter comparison above;

  partially offset by:

  - increase in content revenues;

- 22.1% decrease in Qolab's revenues due to lower volume of activities;

- 8.8% decrease in advertising revenues for the specialty services; and

- 6.0% decrease in subscription revenues for the entertainment channels, particularly "Yoopa," which was replaced by a TV version of QUB radio, a news channel, and a 2.7% decrease in subscription revenues for "TVA Sports";

partially offset by:

- 130.6% increase in subscription revenues from the news channels, due essentially to the favourable retroactive adjustment for “LCN,” as noted above in the 2024/2023 second-quarter comparison, and to the addition of the new “QUB Télé” channel.

Negative adjusted EBITDA: $13,635,000, a $13,710,000 favourable variance primarily due to:

- increase in adjusted EBITDA from the news channels, mainly “LCN,” as a result of the favourable retroactive adjustment to subscription revenues noted above;

- improvement in negative adjusted EBITDA for TVA Network, due mainly to a 12.7% decrease in operating expenses, including content costs, employee costs, certain administrative expenses and commissions on advertising sales, which more than offset the decrease in revenues;

- 56.2% decrease in adjusted EBITDA for the entertainment channels, mainly due to the impact of an 8.1% drop in revenues and a slight increase in operating expenses;

- 8.3% increase in negative adjusted EBITDA at “TVA Sports” due to lower revenues, as noted above, despite a 1.4% decrease in operating expenses resulting mainly from lower content costs, lower digital costs, and savings in commissions on advertising sales; and

- reduced profitability at Qolab due to lower volume of activities.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Broadcasting segment’s activities (expressed as a percentage of revenues) decreased from 111.8% for the first half of 2023 to 106.0% for the same period of 2024. The decrease was caused essentially by lower operating expenses for the segment, particularly TVA Network’s expenses, which exceeded the decrease in revenues.

Film Production & Audiovisual Services

2024/2023 second-quarter comparison

Revenues: $20,023,000, a $7,784,000 (63.6%) increase due mainly to:

- 172.9% increase in revenues from soundstage, mobile and equipment rental due primarily to higher volume of activities, with major productions filming at our studios, among other things;

partially offset by:

- 14.4% decrease in revenues from media accessibility services due to lower volume of activities.

Adjusted EBITDA: $5,425,000, a $5,838,000 favourable variance due primarily to:

- 151.1% increase in adjusted EBITDA generated by soundstage, mobile and equipment rental, due to the same factors as those noted above as the reason for higher revenues; and
- 20.4% improvement in negative adjusted EBITDA from postproduction, mainly due to a decrease in operating expenses.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Film Production & Audiovisual Services segment's activities (expressed as a percentage of revenues) decreased from 103.4% for the second quarter of 2023 to 72.9% for the second quarter of 2024. The decrease was essentially due to the fact that the increase in revenues exceeded the increase in operating expenses.

2024/2023 year-to-date comparison

Revenues: $36,273,000, a $9,762,000 (36.8%) increase due mainly to:

- 153.6% increase in soundstage, mobile and equipment rental revenues, due to the same factors as those noted above in the 2024/2023 second-quarter comparison;

partially offset by:

- 18.9% decrease in postproduction revenues and 16.5% decrease in revenues from media accessibility services, due to lower volume of activities; and
- decrease in visual effects revenues due to the discontinuation of these activities on March 31, 2023.

Adjusted EBITDA: $8,030,000, an $8,998,000 favourable variance due primarily to:

- increased profitability of soundstage, mobile and equipment rental, due to higher volume of activities with major productions filming at our studios, among other things; and
- favourable variance due to the discontinuation of loss-making visual effects activities on March 31, 2023;

partially offset by:

- lower profitability of postproduction activities.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Film Production & Audiovisual Services segment's activities (expressed as a percentage of revenues) decreased from 103.7% for the first half of 2023 to 77.9% for the first half of 2024. The decrease was due to the same factor as that noted above in the 2024/2023 second-quarter comparison.

Magazines

2024/2023 second-quarter comparison

Revenues: $8,415,000, a $947,000 (-10.1%) decrease primarily due to:

- 14.0% drop in newsstand revenues, mainly in the entertainment category, due to the discontinuation of some titles and a reduction in the number of issues;
- 16.3% decrease in subscription revenues, mainly affecting the monthly titles; and
- 9.8% decrease in assistance from the Canada Periodical Fund (“CPF”), which introduced a change in the grant allocation method for its regular program starting April 1, 2021, as described below, resulting in a decrease in the assistance received by the Corporation under the program.

Canada Periodical Fund

The Government of Canada created the 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. The Minister of Canadian Heritage announced in 2020 that the CPF would be modernized with the goal of placing greater emphasis on Canadian content creation, a change that would take effect with the grant period starting April 1, 2021, with a five-year transition period, after which all program changes would be in effect. Since the former method of grant allocation was geared more towards distribution of titles, the change has and will continue to have an impact on the amount of government assistance received by this segment from the regular program. All assistance related to the CPF is fully recorded under revenues. It amounted to 19.2% of the segment’s revenues for the three-month period ended June 30, 2024 (19.1% for the same period of 2023).

Adjusted EBITDA: $272,000, a $37,000 (-12.0%) decrease, mainly due to lower revenues, as noted above, largely offset by cost savings, particularly printing and content costs.

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 slightly from 96.7% for the second quarter of 2023 to 96.8% for the same period of 2024. The increase was caused mainly by lower revenues as a proportion of total revenues for the segment, which exceeded the decrease in operating expenses as a proportion of total expenses.

2024/2023 year-to-date comparison

Revenues: $16,034,000, a $1,975,000 (-11.0%) decrease due mainly to:

- 16.0% decrease in newsstand revenues, mainly in the entertainment category, essentially due to the same factors as those noted above in the 2024/2023 second-quarter comparison;
- 12.8% decrease in subscription revenues, mainly for the monthly titles; and
- 8.1% decrease in assistance from the CPF due to the negative impact of the change in the grant allocation method for its regular program, as noted above.

Negative adjusted EBITDA: $47,000, an $11,000 (19.0%) favourable variance mainly because cost savings, notably in content costs, printing costs and subscription expenses, were slightly higher than the decrease in revenues.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Magazine segment’s activities (expressed as a percentage of revenues) were stable at 100.3% for the six-month periods ended June 30, 2023 and 2024. The decrease in operating expenses as a proportion of the segment’s total expenses was offset by the decrease in revenues as a proportion of total revenues.

Production & Distribution

2024/2023 second-quarter comparison

Revenues: $1,455,000, a $4,427,000 (-75.3%) decrease due mainly to:

- 92.5% decrease in international distribution revenues, primarily for films produced by Incendo, with two productions delivered to the United States in the second quarter of 2023 and a much lower volume of activities in this quarter; and

- 60.0% decrease in revenues for TVA Films, mainly due to lower volume of activities in television licence sales.

Activities related to the distribution of films produced by Incendo accounted for 17.2% of the segment's revenues for the three-month period ended June 30, 2024, compared with 68.4% for the same period of 2023.

Negative adjusted EBITDA: $260,000, an $842,000 unfavourable variance, mainly due to lower total gross margin for the three months ended June 30, 2024 compared with the same period of 2023, primarily in international distribution associated with a decrease in revenues as noted above, partially offset by a favourable variance in administrative expenses.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Production & Distribution segment's activities (expressed as a percentage of revenues) increased from 90.1% for the three-month period ended June 30, 2023 to 117.9% for the same period of 2024. The increase was caused by lower revenues, which exceeded the decrease in operating expenses.

2024/2023 year-to-date comparison

Revenues: $3,331,000, a $4,892,000 (-59.5) decrease due mainly to:

- 85.3% decrease in international distribution revenues, mainly for films produced by Incendo;

- 40.8% decrease in revenues for TVA Films, mainly due to lower volume of activities in television licence sales; and

- 38.5% decrease in Canadian distribution revenues, also mainly for films produced by Incendo.

Activities related to the distribution of films produced by Incendo accounted for 20.0% of the segment's revenues for the six-month period ended June 30, 2024, compared with 54.3% for the same period of 2023.

Negative adjusted EBITDA: $630,000, an $857,000 unfavourable variance explained mainly by lower total gross margin for the first half of 2024 compared with the same period of 2023, in connection with a decrease in revenues, as noted above, as well as by lower profitability at TVA Films, partially offset by a favourable variance in Incendo's administrative expenses, particularly employee costs.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Production & Distribution segment's activities (expressed as a percentage of revenues) increased from 97.2% for the six-month period ended June 30, 2023 to 118.9% for the same period of 2024. The increase was due to the same factor as that noted above in the 2024/2023 second-quarter comparison.

CASH FLOWS AND FINANCIAL POSITION

Table 3 below shows a summary of cash flows related to operating activities, investing activities and financing activities:

Table 3
Summary of the Corporation's cash flows
(in thousands of dollars)

	Three months ended June 30		Six months ended June 30	
	2024	2023	**2024**	2023
Cash flows related to operating activities	**$ 14,070**	$ (97,115)	**$ 14,887**	$ (87,553)
Additions to property, plant and equipment and intangible assets	**(7,952)**	(264)	**(11,262)**	(2,056)
Disposal of property, plant and equipment	**163**	–	**2,763**	–
Other	**(697)**	(414)	**(1,221)**	(1,329)
Repayment (increase) of debt	**$ 5,584**	$ (97,793)	**$ 5,167**	$ (90,938)

	June 30, 2024	December 31, 2023
At period end:		
Bank indebtedness	**$ 952**	$ 176
Debt due to the parent corporation	**77,940**	83,883
Debt	**$ 78,892**	$ 84,059

Operating activities

Quarterly cash flows related to operating activities: $111,185,000 increase compared with the second quarter of 2023, due mainly to a $92,468,000 favourable net change in operating assets and liabilities and a $17,013,000 favourable variance in adjusted EBITDA. The favourable net change in operating assets and liabilities was essentially due to favourable variances in content rights payable, as well as accounts payable, accrued liabilities and provisions, partially offset by an unfavourable variance in accounts receivable.

Year-to-date cash flows related to operating activities: $102,440,000 increase compared with the first half of 2023, due mainly to an $89,054,000 favourable net change in operating assets and liabilities and a $21,689,000 favourable variance in negative adjusted EBITDA. The favourable net change in operating assets and liabilities was essentially due to favourable variances in content rights payable, as well as accounts payable, accrued liabilities and provisions, partially offset by an unfavourable variance in accounts receivable.

Working capital: $20,964,000 as at June 30, 2024, compared with $126,321,000 at December 31, 2023. The $105,357,000 unfavourable variance was due primarily to the recognition of entire debt due to the parent corporation under current liabilities and to decreases in audiovisual content and accounts receivable.

Investing activities

Quarterly additions to property, plant and equipment and to intangible assets: $7,952,000 compared with $264,000 for the second quarter of 2023. The $7,688,000 increase was mainly due to higher capital expenditures in connection with the reorganization plan announced on November 2, 2023, particularly for technical equipment.

Year-to-date additions to property, plant and equipment and to intangible assets: $11,262,000 compared with $2,056,000 for the first half of 2023, a $9,206,000 increase due mainly to the same factor as that noted above under additions for the second quarter of 2024 compared with the same period of 2023, as well as by higher investments in equipment for rental.

During the six-month period ended June 30, 2024, expenditures related to property, plant and equipment and intangible assets consisted primarily of disbursements related to projects initiated near the end of 2023, financed by accounts payable and accrued liabilities as of December 31 of that year, including investments in connection with the reorganization plan announced on November 2, 2023, as noted above.

Quarterly disposal of property, plant and equipment: $163,000, due to the disposal of fully amortized assets (nil for the second quarter of 2023).

Year-to-date disposal of property, plant and equipment: $2,763,000, mainly due to the sale of a building in Saguenay to the parent corporation (nil for the first half of 2023).

Financing activities

Debt due to the parent corporation (excluding deferred financing costs): $78,000,000 as at June 30, 2024, compared with $84,000,000 at December 31, 2023, a $6,000,000 decrease due mainly from the use of cash flows provided by operating activities to repay part of the debt.

Financial position as at June 30, 2024

Net available liquid assets: $41,048,000, consisting of a $42,000,000 unused and available renewable credit facility, less $952,000 in bank indebtedness.

As at June 30, 2024, the entire $78,000,000 in principal on the debt due to the parent corporation was payable during the next 12-month period.

The weighted average term of TVA Group's debt was approximately 0.9 years as of June 30, 2024 (1.4 years as of December 31, 2023). The debt consisted entirely of floating-rate debt as of June 30, 2024 and December 31, 2023.

On June 28, 2023, the Corporation entered into an agreement for a new $120,000,000 secured renewable credit facility maturing on June 15, 2025, with QMI as the lender. This renewable credit facility bears interest at the Canadian Overnight Repo Rate Average ("CORRA") or the Canadian prime rate, plus a premium based on the Corporation's debt ratio.

Also on June 28, 2023, the Corporation entered into a new $20,000,000 secured renewable credit facility, repayable on demand. This demand credit facility bears interest at the Canadian or U.S. prime rate, plus a premium based on the Corporation's debt ratio.

Concurrently, on June 28, 2023, the Corporation terminated its $75,000,000 syndicated renewable credit facility.

The two new credit facilities contain certain restrictive covenants as well as typical representations and warranties for this type of agreements.

As at June 30, 2024, no amounts were drawn from the demand credit facility, whereas letters of credit were outstanding for a total amount of $2,587,000. At the same date, $78,000,000 was drawn from the QMI renewable credit facility. As at December 31, 2023, no amounts were drawn from the demand credit facility, whereas letters of credit were outstanding for a total amount of $2,744,000. At the same date, $84,000,000 was drawn from the QMI renewable credit facility.

In December 2021, Investissement Québec granted Mels Studios and Postproduction G.P. an unsecured loan without interest for a maximum amount of $25,000,000 to support the construction of a fourth production studio. The loan contains certain restrictive covenants as well as typical representations and warranties for such loans. The agreement provides for repayment of the loan in seven annual instalments starting on September 30, 2027. As at June 30, 2024 and December 31, 2023, no disbursements had been made on the Investissement Québec loan.

The Corporation's management believes that the cash flows generated on an annual basis by continuing operating activities and by available sources of external and parent corporation financing should be sufficient to fulfill its commitments with respect to investments in property, plant and equipment, business acquisitions, working capital, interest payments, income tax payments, repayment of debt and lease liabilities, pension plan contributions, share redemptions and shareholder dividends and to meet its commitments and guarantees.

As at June 30, 2024, the Corporation was in compliance with all the terms of its renewable credit facilities.

Analysis of consolidated balance sheet as at June 30, 2024

Table 4
Consolidated balance sheets of TVA Group
Analysis of main variances between June 30, 2024 and December 31, 2023
(in thousands of dollars)

		June 30, 2024	December 31, 2023	Difference	Main reasons for difference
Assets					
Accounts receivable	$	**139,478**	154,065	(14,587)	Impact of the collection of certain receivables from companies under common control and the decrease in volume of activities in some segments.
Current audiovisual content		**117,800**	140,696	(22,896)	Impact of current and seasonal variations in activities.
Defined benefit plan asset		**54,804**	39,867	14,937	Impact of recognition of a gain on remeasurement of the defined benefit plans.
Liabilities					
Current portion of debt due to the parent corporation		**77,940**	-	77,940	Impact of recognition of entire debt due to the parent corporation under current liabilities given its maturity on June 15, 2025.
Debt due to the parent corporation		**-**	83,883	(83,883)	Impact of recognition of debt due to the parent corporation under current liabilities as note above.

ADDITIONAL INFORMATION

Contractual obligations

As of June 30, 2024, material contractual commitments of operating activities included principal repayments and interest on debt and lease liabilities, payments under audiovisual content acquisition contracts, and payments under other contractual commitments. These contractual obligations are summarized in Table 5.

Table 5
Material contractual obligations of TVA Group as at June 30, 2024
(in thousands of dollars)

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Debt due to the parent corporation	$ 78,000	$ –	$ –	$ –	$ 78,000
Lease liabilities	1,981	2,841	1,161	1,023	7,006
Payment of interest[1]	6,379	348	151	52	6,930
Content rights	224,239	98,260	4,999	–	327,498
Other commitments	14,952	7,169	2,334	4,743	29,198
Total	**$ 325,551**	**$ 108,618**	**$ 8,645**	**$ 5,818**	**$ 448,632**

[1] *Interest is calculated on debt constant as at June 30, 2024 and includes standby fees on the renewable credit facility and interest on lease liabilities.*

Related party transactions

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

In the second quarter of 2024, the Corporation sold advertising space and content to, recognized subscription revenues from, and provided production, postproduction and other services to companies under common control and associates in the aggregate amount of $29,753,000 ($31,536,000 for the second quarter of 2023). The decrease was mainly due to lower advertising revenues and commercial production revenues from companies under common control, net of an increase in production and postproduction revenues from associates.

In the second quarter of 2024, the Corporation recorded content acquisition costs, telecommunications service costs, advertising space acquisition costs, professional service fees and commissions on sales and newsgathering services arising from transactions with companies under common control and associates totalling $26,557,000 ($28,944,000 for the second quarter of 2023). The decrease was primarily due to lower content acquisition costs with associates, as well as a decrease in commissions on advertising sales paid to the parent corporation, net of an increase in purchases of advertising space from a company under common control.

In the second quarter of 2024, the Corporation also billed management fees to companies under common control in the amount of $727,000 ($1,515,000 for the second quarter of 2023). The decrease in management fees billed stemmed from the transfer of certain services to the parent corporation. These fees are recorded as a reduction of operating expenses.

The Corporation also assumed management fees of the parent corporation in the amount of $2,238,000 for the second quarter of 2024 ($1,220,000 for the same period of 2023), as well as interest in the amount of $1,540,000 on the secured renewable credit facility ($60,000 for the second quarter of 2023). The increase in management fees assumed was due to the transfer of certain services to the parent corporation.

In the first six months of 2024, the Corporation sold advertising space and content to, recognized subscription revenues from, and provided production, postproduction and other services to companies under common control and associates in the aggregate amount of $58,837,000 ($61,187,000 for the first six months of 2023). The decrease was mainly due to lower advertising revenues from companies under common control, net of an increase in content revenues from a company under common control and an increase in production and postproduction revenues from associates.

In the first six months of 2024, the Corporation recorded content acquisition costs, telecommunications service costs, advertising space acquisition costs, professional service fees, commissions on sales and newsgathering services arising from transactions with companies under common control and associates totalling $62,041,000 ($66,629,000 for the first six months of 2023). The decrease was primarily due to lower content acquisition costs with associates, as well as a decrease in commissions on advertising sales paid to the parent corporation, net of an increase in purchases of advertising space from a company under common control.

In the first half of 2024, the Corporation also billed management fees to companies under common control in the amount of $1,568,000 ($2,982,000 for the first half of 2023). The decrease was due to the same factor as noted above.

The Corporation also assumed management fees of the parent corporation in the amount of $4,477,000 for the first six months of 2024 ($2,440,000 for the same period of 2023), as well as interest in the amount of $3,256,000 on the secured renewable credit facility ($60,000 for the first half of 2023). The increase in management fees was due to the same factor as noted above.

Capital stock

Table 6 below presents information on the Corporation's capital stock. In addition, 705,774 Class B stock options of the Corporation were outstanding as at July 12, 2024.

Table 6
Capital stock outstanding as at July 12, 2024
(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

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. There have not been any changes to internal control over financial reporting during the three-month period ended June 30, 2024 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

Additional information

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

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, the use of forward-looking terminology such as "propose," "will," "expect," "may," "anticipate," "intend," "estimate," "plan," "foresee," "believe" or the negative of these terms or variations of them or similar terminology. Certain factors that may cause actual results to differ from current expectations include the possibility that the reorganization plan announced on November 2, 2023 will not be carried out on schedule or at all, the possibility that the Corporation will be unable to realize the anticipated benefits of the reorganization plan on schedule or at all, the possibility that unknown potential liabilities or costs will be associated with the reorganization plan, the possibility that the Corporation will be unable to successfully implement its business strategies, seasonality, operational risks (including pricing actions by competitors and the risk of loss of key customers in the Film Production & Audiovisual Services and Production & Distribution segments), programming, content and production cost risks, credit risk, government regulation risks, government assistance risks, changes in economic conditions, fragmentation of the media landscape, risk related to the Corporation's ability to adapt to fast-paced technological change and to new delivery and storage methods, labour relation risks, and the risks related to public health emergencies, as well as any urgent steps taken by government.

The forward-looking statements in this document are made to give investors and the public a better understanding of the Corporation's circumstances and are based on assumptions it believes to be reasonable as of the day on which they were made. Investors and others are cautioned that the foregoing list of factors that may affect future results is not exhaustive and that undue reliance should not be placed on any forward-looking statements.

For more information on the risks, uncertainties and assumptions that could cause the Corporation's actual results to differ from current expectations, please refer to the Corporation's public filings, available at www.sedarplus.ca and www.groupetva.ca, including in particular the "Risks and Uncertainties" section of the Corporation's annual Management's Discussion and Analysis for the year ended December 31, 2023.

The forward-looking statements in this Management's Discussion and Analysis reflect the Corporation's expectations as of August 1, 2024, and are subject to change after that date. The Corporation expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required to do so by the applicable securities laws.

Montreal, Quebec

August 1, 2024

Table 7
SELECTED QUARTERLY FINANCIAL DATA
(in thousands of dollars, except for per-share data)

		2024		2023				
		June 30		March 31		Dec. 31		Sept. 30
Operations								
Revenues	**$**	**143,951**	$	129,161	$	151,714	$	118,620
Adjusted EBITDA (negative adjusted EBITDA)	**$**	**13,170**	$	(19,301)	$	5,904	$	16,485
Net loss attributable to shareholders	**$**	**(2,905)**	$	(17,903)	$	(15,872)	$	(639)
Basic and diluted per-share data								
Basic and diluted loss per share	**$**	**(0.07)**	$	(0.41)	$	(0.37)	$	(0.01)
Weighted average number of outstanding and diluted shares (in thousands)		**43,206**		43,206		43,206		43,206

		2023				2022		
		June 30		March 31		Dec. 31		Sept. 30
Operations								
Revenues	$	138,760	$	136,103	$	171,924	$	130,519
(Negative adjusted EBITDA) adjusted EBITDA	$	(3,843)	$	(23,977)	$	7,676	$	18,195
Net (loss) income attributable to shareholders	$	(7,847)	$	(23,533)	$	(264)	$	7,623
Basic and diluted per-share data								
Basic and diluted (loss) earnings per share	$	(0.18)	$	(0.54)	$	(0.01)	$	0.18
Weighted average number of outstanding shares (in thousands)		43,206		43,206		43,206		43,206
Weighted average number of diluted shares (in thousands)		43,206		43,206		43,206		43,308

- The Corporation's businesses experience significant seasonality caused, among other factors, by seasonal advertising patterns, consumers' viewing, reading and listening habits, demand for production services from international and local producers, demand for content from global broadcasters, and the related delivery schedules. 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 spending.
- In the Broadcasting segment, operating expenses vary mainly as a result of programming costs, which are directly related to programming strategies and to live sports broadcasts. In the Film Production & Audiovisual Services segment, operating costs fluctuate according to demand for production services from international and local producers. In the Magazines segment, operating expenses fluctuate according to publication schedules, which may vary from quarter to quarter. In the Production & Distribution segment, operating expenses fluctuate according to delivery schedules and estimated future revenues.

Accordingly, adjusted EBITDA for interim periods may vary from one quarter to the next.