



July 28, 2015

For immediate release

TVA GROUP REPORTS \$2.6 MILLION NET LOSS ATTRIBUTABLE TO SHAREHOLDERS FOR SECOND QUARTER ENDED JUNE 30, 2015

Montreal, Canada - TVA Group Inc. (“TVA Group” or “the Corporation”) announced today that it recorded a net loss attributable to shareholders in the amount of \$2.6 million, or \$0.06 loss per share, for the second quarter of 2015, compared with net income attributable to shareholders of \$9.2 million, or \$0.39 earnings per share, in the same quarter of 2014.

Second quarter operating highlights:

- \$7,371,000 consolidated adjusted operating income¹, a \$13,628,000 (-64.9%) negative variance compared with the same quarter of 2014;
- \$535,000 adjusted operating income in the Broadcasting & Production segment, a \$17,535,000 (-97.0%) unfavourable variance caused mainly by the higher adjusted operating loss of “TVA Sports,” largely related to broadcast of the National Hockey League (“NHL”) playoffs during the quarter, and a 9.7% decline in advertising revenues at TVA Network;
- \$1,213,000 adjusted operating income in the Magazines segment, a \$1,716,000 (-58.6%) decrease due primarily to a 20.2% decline in newsstand revenues² and a 10.3% decline in advertising revenues,² partially offset by the adjusted operating income generated by the magazines acquired from Transcontinental Inc. on April 12, 2015;
- \$5,623,000 adjusted operating income in the new Film Production & Audiovisual Services segment, which includes the operations of the properties acquired from Vision Globale A.R. Itée and its subsidiaries (“Vision Globale”) on December 30, 2014.

“In the second quarter of 2015, the Broadcasting & Production segment’s financial results continued to be affected by higher adjusted operating losses at our sports specialty services caused by the concentration of operating costs related to the NHL playoffs in the second quarter,” commented Julie Tremblay, President and Chief Executive Officer of the Corporation. “However, we are very encouraged by our total revenues from the sports services. In the second quarter of 2015, the revenues were 6 time more compared to the same quarter of 2014 and reached an important growth of 28.1% compared with our first quarter of 2015, which bodes well for the performance of “TVA Sports” going forward. At the same time, the advertising environment remains challenging, which is reflected in the 18.0% decline in TVA Network’s adjusted operating income compared with the same quarter of 2014. On the ratings front, TVA Network slightly increased its market share from 21.4% to 22.0%, while its two main rivals lost market share. “TVA Sports”, in its first season, as the exclusive broadcaster of French playoffs for the NHL, has become the most watched sports channel in Quebec. During the 12 games of the Montreal Canadiens presented in the playoffs, an average of 1,577,000 viewers, with peaks up to 2.5 million, was reached, representing a market share of 49.1%.”

¹ See definition of adjusted operating income (loss) below.

² Excluding the magazines acquired on April 12, 2015.

“In the Magazines segment, integration of the mastheads acquired from Transcontinental Inc. on April 12, 2015 into our existing operations began during the last quarter. The segment’s profitability² declined during the period because of lower newsstand and advertising revenues. The Corporation will be able to capitalize on the new titles’ contribution and the initially identified synergies as of the third and fourth quarters of this year”, continued Ms. Tremblay.

“Finally, we are very satisfied with the new Film Production & Audiovisual Services segment’s financial results for the quarter, which measure up to the potential we saw when we made the acquisition. The results were driven by strong numbers for soundstage and equipment leasing for film production. There is every indication that the trend will continue in the coming months. As we hoped, the segment is reducing our sensitivity to fluctuations in advertising revenues,” Ms. Julie Tremblay concluded.

Cash flows provided by operating activities totalled \$46.5 million in the quarter, compared with \$16.1 million in the same quarter of 2014. This \$30.4 million increase was essentially due to the favourable net change in operating assets and liabilities, particularly a favourable variance related to accounts payable and accrued liabilities, programs, broadcast and distribution rights and inventories and broadcast and distribution rights payable, which was partially offset by a decrease related to accounts receivable.

Definition

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 International Financial Reporting Standards (“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.

Forward-looking information disclaimer

The statements in this news release 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. 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. Investors and others are cautioned that the foregoing list of factors that may affect future results is not exhaustive and that undue reliance should not be placed on any forward-looking statements. For more information on the risks, uncertainties and assumptions that could cause the Corporation’s actual results to differ from current expectations please refer to the Corporation’s public filings available at www.sedar.com and <http://groupetva.ca> including, in particular, the “Risks and Uncertainties” section of the Corporation’s annual Management’s Discussion and Analysis for the year ended December 31, 2014 and the “Risk Factors” section of the Corporation’s annual notice for 2014.

The forward-looking statements in this news release reflect the Corporation’s expectations as of July 28, 2015, and are subject to change after this 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.

TVA Group

TVA Group Inc., a subsidiary of Quebecor Media Inc., is an integrated communications company engaged in the broadcasting, film and television production, and magazine publishing industries. TVA Group Inc. is the largest broadcaster of French-language entertainment, information and public affairs programming in North America, the largest publisher of French-language magazines, and one of the largest private-sector producers of French-language content. The Corporation's Class B shares are listed on the Toronto Stock Exchange under the ticker symbol TVA.B.

Information:

Denis Rozon, CPA, CA
Vice President and Chief Financial Officer
514 598-2808

TVA GROUP INC.

Interim consolidated statements of (loss) income

(unaudited)

(in thousands of Canadian dollars, except per-share amounts)

		Three-month periods ended June 30		Six-month periods ended June 30	
	Note	2015	2014	2015	2014
Revenues	2	\$ 159,424	\$ 109,700	\$ 285,938	\$ 215,021
Purchases of goods and services	3	109,869	55,934	203,280	134,403
Employee costs		42,184	32,767	82,978	65,644
Depreciation of property, plant and equipment and amortization of intangible assets		7,079	5,317	13,887	10,701
Financial expenses	4	870	975	2,805	2,095
Operational restructuring costs, impairment of assets and other costs	5	2,304	–	2,711	–
(Loss) income before (recovery) tax expense and share of loss of associated corporations		(2,882)	14,707	(19,723)	2,178
(Recovery) tax expense		(412)	3,628	(6,394)	(519)
Share of loss of associated corporations	10 a)	258	1,916	4,110	3,697
Net (loss) income		\$ (2,728)	\$ 9,163	\$ (17,439)	\$ (1,000)
Net (loss) income attributable to:					
Shareholders		\$ (2,588)	\$ 9,163	\$ (17,299)	\$ (1,000)
Non-controlling interest		(140)	–	(140)	–
Basic and diluted (loss) earnings per share attributable to shareholders	7 c)	\$ (0.06)	\$ 0.39	\$ (0.50)	\$ (0.04)

See accompanying notes to interim condensed consolidated financial statements.

TVA GROUP INC.

Interim consolidated statements of comprehensive (loss) income

(unaudited)

(in thousands of Canadian dollars)

		Three-month periods ended June 30		Six-month periods ended June 30	
	Note	2015	2014	2015	2014
Net (loss) income		\$ (2,728)	\$ 9,163	\$ (17,439)	\$ (1,000)
Other comprehensive items that may be reclassified to income:					
Derivative financial instrument	8	182	–	(365)	–
Deferred income taxes	8	(49)	–	98	–
Comprehensive (loss) income		\$ (2,595)	\$ 9,163	\$ (17,706)	\$ (1,000)
Comprehensive (loss) income attributable to:					
Shareholders		\$ (2,455)	\$ 9,163	\$ (17,566)	\$ (1,000)
Non-controlling interest		(140)	–	(140)	–

See accompanying notes to interim condensed consolidated financial statements.

TVA GROUP INC.

Interim consolidated statements of equity

(unaudited)
(in thousands of Canadian dollars)

	Equity attributable to shareholders				Equity attributable to non-controlling interest	Total equity
	Capital stock (note 7)	Contributed surplus	Retained earnings	Accumulated other comprehensive (loss) income (note 8)		
Balance as at December 31, 2013	\$ 98,647	\$ 581	\$ 203,683	\$ 5,148	\$ –	\$ 308,059
Net loss	–	–	(1,000)	–	–	(1,000)
Balance as at June 30, 2014	98,647	581	202,683	5,148	–	307,059
Net loss	–	–	(40,088)	–	–	(40,088)
Other comprehensive loss	–	–	–	(8,766)	–	(8,766)
Balance as at December 31, 2014	98,647	581	162,595	(3,618)	–	258,205
Business acquisition (note 6)	–	–	–	–	565	565
Net loss	–	–	(17,299)	–	(140)	(17,439)
Issuance of share capital, net of transaction costs	108,725	–	–	–	–	108,725
Other comprehensive loss	–	–	–	(267)	–	(267)
Balance as at June 30, 2015	\$ 207,372	\$ 581	\$ 145,296	\$ (3,885)	\$ 425	\$ 349,789

See accompanying notes to interim condensed consolidated financial statements.

TVA GROUP INC.

Interim consolidated balance sheets

(unaudited)
(in thousands of Canadian dollars)

	Note	June 30, 2015	December 31, 2014
Assets			
Current assets			
Cash		\$ 8,009	\$ –
Accounts receivable		154,894	136,811
Income taxes		6,621	5,256
Programs, broadcast and distribution rights and inventories		60,034	74,765
Prepaid expenses		8,489	3,734
		238,047	220,566
Non-current assets			
Broadcast and distribution rights		43,566	31,989
Investments		14,331	12,111
Property, plant and equipment		201,872	201,429
Licences and other intangible assets		99,976	83,647
Goodwill	6	83,138	48,266
Defined benefit plan asset		5,543	2,964
Deferred income taxes		3,970	1,060
		452,396	381,466
Total assets		\$ 690,443	\$ 602,032

TVA GROUP INC.

Interim consolidated balance sheets (continued)

(unaudited)

(in thousands of Canadian dollars)

	Note	June 30, 2015	December 31, 2014
Liabilities and equity			
Current liabilities			
Bank overdraft		\$ –	\$ 4,486
Accounts payable and accrued liabilities		131,591	88,746
Income taxes		312	777
Broadcast and distribution rights payable		88,004	45,660
Provisions		5,037	4,331
Deferred revenues		23,269	8,690
Credit facility from parent corporation	10 b)	–	100,000
Short-term debt		2,813	938
		251,026	253,628
Non-current liabilities			
Long-term debt		74,118	72,757
Other liabilities		12,490	9,967
Deferred income taxes		3,020	7,475
		89,628	90,199
Equity			
Capital stock	7	207,372	98,647
Contributed surplus		581	581
Retained earnings		145,296	162,595
Accumulated other comprehensive loss	8	(3,885)	(3,618)
Equity attributable to shareholders		349,364	258,205
Non-controlling interest		425	–
		349,789	258,205
Guarantees	11		
Total liabilities and equity		\$ 690,443	\$ 602,032

See accompanying notes to interim condensed consolidated financial statements.

On July 28, 2015, the Board of Directors approved the interim condensed consolidated financial statements for the three-month and six-month periods ended June 30, 2015 and 2014.

TVA GROUP INC.

Interim consolidated statements of cash flows

(unaudited)

(in thousands of Canadian dollars)

		Three-month periods ended June 30		Six-month periods ended June 30	
	Note	2015	2014	2015	2014
Cash flows related to operating activities					
Net (loss) income		\$ (2,728)	\$ 9,163	\$ (17,439)	\$ (1,000)
Adjustments for:					
Depreciation and amortization		7,148	5,367	14,063	10,802
Share of loss of associated corporations		258	1,916	4,110	3,697
Deferred income taxes		(334)	396	(6,027)	961
Loss on valuation of derivative financial instruments		2	–	17	–
		4,346	16,842	(5,276)	14,460
Net change in non-cash balances related to operating activities		42,122	(762)	76,871	6,492
Cash flows provided by operating activities		46,468	16,080	71,595	20,952
Cash flows related to investing activities					
Additions to property, plant and equipment		(6,034)	(5,481)	(12,094)	(11,820)
Additions to intangible assets		(391)	(727)	(899)	(1,495)
Net change in investments	10 a)	(539)	(1,346)	(2,620)	(2,767)
Net business acquisitions	6	(55,200)	–	(55,200)	(501)
Cash flows used in investing activities		(62,164)	(7,554)	(70,813)	(16,583)
Cash flows related to financing activities					
Decrease of bank overdraft		–	–	(4,486)	–
Net change of revolving credit facilities		2,909	–	3,098	–
Repayment of credit facility from parent corporation	10 b)	–	–	(100,000)	–
Issuance of share capital, net of transaction costs	7	–	–	108,725	–
Repayment of derivative financial instruments		(54)	–	(110)	–
Cash flows provided by financing activities		2,855	–	7,227	–
Net change in cash		(12,841)	8,526	8,009	4,369
Cash at beginning of period		20,850	3,560	–	7,717
Cash at end of period		\$ 8,009	\$ 12,086	\$ 8,009	\$ 12,086
Interest and taxes reflected as operating activities					
Net interest paid		\$ 836	\$ 2,113	\$ 2,551	\$ 2,031
Income taxes paid (net of refunds)		44	1,755	1,460	4,701

See accompanying notes to interim condensed consolidated financial statements.

TVA GROUP INC.

Notes to interim condensed consolidated financial statements

Three-month and six-month periods ended June 30, 2015 and 2014 (unaudited)
(Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts)

TVA Group Inc. ("TVA Group" or the "Corporation") is governed by the Québec *Business Corporations Act*. TVA Group is an integrated communications company engaged in the broadcasting, film and audiovisual production, and magazine publishing industries (note 12). The Corporation is a subsidiary of Quebecor Media Inc. ("Quebecor Media" or "the parent corporation") and its ultimate parent corporation is Quebecor Inc. ("Quebecor"). The Corporation's head office is located at 1600 de Maisonneuve Boulevard East, Montreal, Quebec, Canada.

The Corporation's businesses experience significant seasonality due to, among other factors, seasonal advertising patterns, consumers' viewing and reading habits, and demand for production services 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. Accordingly, the results of operations for interim periods should not necessarily be considered indicative of full-year results.

1. Basis of presentation

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), except that they do not include all disclosures required under IFRS for annual consolidated financial statements. In particular, these consolidated financial statements were prepared in accordance with IAS 34, *Interim Financial Reporting*, and accordingly, they are condensed consolidated financial statements. These condensed consolidated financial statements should be read in conjunction with the Corporation's 2014 annual consolidated financial statements, which describe the accounting policies used to prepare these financial statements.

Certain comparative figures for the three-month and six-month periods ended June 30, 2014 have been restated to conform with the presentation adopted for the three-month and six-month periods ended June 30, 2015.

2. Revenues

The breakdown of revenues between advertising services, royalties and other services rendered and product sales is as follows:

	Three-month periods ended June 30		Six-month periods ended June 30	
	2015	2014	2015	2014
Advertising services	\$ 74,729	\$ 60,230	\$ 131,974	\$ 116,376
Royalties and other services rendered	56,699	25,894	104,844	52,336
Product sales	27,996	23,576	49,120	46,309
	\$ 159,424	\$ 109,700	\$ 285,938	\$ 215,021

TVA GROUP INC.

Notes to interim condensed consolidated financial statements (continued)

Three-month and six-month periods ended June 30, 2015 and 2014 (unaudited)

(Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts)

3. Purchases of goods and services

The main components of purchases of goods and services are as follows:

	Three-month periods ended June 30		Six-month periods ended June 30	
	2015	2014	2015	2014
Royalties, rights and production costs	\$ 75,209	\$ 35,666	\$ 144,353	\$ 92,688
Printing and distribution	8,778	4,406	12,778	8,500
Services rendered by parent corporation	7,832	5,647	13,435	11,443
Building costs	5,497	2,244	9,829	4,680
Marketing, advertising and promotion	4,543	2,354	9,110	6,595
Other	8,010	5,617	13,775	10,497
	\$ 109,869	\$ 55,934	\$ 203,280	\$ 134,403

4. Financial expenses

	Three-month periods ended June 30		Six-month periods ended June 30	
	2015	2014	2015	2014
Interest on long-term debt	\$ 773	\$ 1,123	\$ 1,611	\$ 2,245
Interest on credit facility from parent corporation (note 10 b))	–	–	805	–
Foreign exchange loss (gain)	25	(51)	166	(14)
Amortization of financing costs	69	50	176	101
Interest expense (revenues) on net defined benefit asset or liability	13	(71)	26	(143)
Other	(10)	(76)	21	(94)
	\$ 870	\$ 975	\$ 2,805	\$ 2,095

TVA GROUP INC.

Notes to interim condensed consolidated financial statements (continued)

Three-month and six-month periods ended June 30, 2015 and 2014 (unaudited)

(Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts)

5. Operational restructuring costs, impairment of assets and other costs

For the three-month and six-month periods ended June 30, 2015, the Corporation reported operational restructuring costs following the elimination of positions in the amounts of \$1,835,000 and \$2,080,000 respectively, including \$465,000 in the Broadcasting & Production segment, \$1,280,000 in the Magazines segment and \$90,000 (\$335,000 for the six month period ended June 30, 2015) in the Film Production & Audiovisual Services segment.

As well, during the three-month period ended June 30, 2015, the Corporation recorded professional fees and integration costs in the amount of \$469,000 (\$631,000 for the six-month period ended June 30, 2015) in connection with the acquisition of substantially all of the assets of Vision Globale A.R. Itée ("Vision Globale") and the acquisition of magazines from Transcontinental Inc.

6. Business acquisitions and disposal

On April 12, 2015, the Corporation acquired 14 magazines from Transcontinental Inc., four of which are owned and operated in partnership, as well as three websites, custom publishing contracts and book publishing operations, for a cash purchase price of \$55,500,000. A \$2,012,000 amount payable was also recorded as a preliminary adjustment based on a predetermined working capital target agreed to by the parties.

The acquisition was in keeping with the Corporation's strategy to invest in the production and diffusion of diverse, rich, high-quality entertainment content. The intangible assets acquired essentially consist of client lists and mastheads. The goodwill related to this acquisition mainly reflects content quality and anticipated synergies.

TVA GROUP INC.

Notes to interim condensed consolidated financial statements (continued)

Three-month and six-month periods ended June 30, 2015 and 2014 (unaudited)

(Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts)

6. Business acquisitions and disposal (continued)

The preliminary allocation of the fair value of assets and liabilities associated with this acquisition is as follows:

Assets acquired	
Current assets	\$ 22,062
Investment	2,237
Property, plant and equipment	867
Intangible assets	19,250
Goodwill	34,051
Deferred income taxes	400
	78,867
Liabilities assumed	
Current liabilities	(20,790)
	(20,790)
Net assets acquired at fair value	58,077
Non-controlling interest	(565)
	\$ 57,512
Consideration	
Cash	55,500
Amount payable	2,012
	\$ 57,512

As part of this transaction, the Corporation simultaneously transferred the acquired book publishing operations to Sogides Group Inc., a corporation under common control, for an agreed price of \$811,000, consisting of \$300,000 in cash and a balance receivable of \$511,000. The net assets transferred include current assets of \$898,000, a publishing fund of \$127,000 and a current liability of \$214,000.

The Corporation's consolidated revenues and its consolidated pro forma net loss would have been \$308,027,000 and \$18,477,000 respectively if this net business acquisition had occurred at the beginning of the six-month period ended June 30, 2015.

An amount of \$7,635,000 of the goodwill is deductible for income tax purposes.

Vision Globale

As of June 30, 2015, the Corporation had recorded a \$1,217,000 balance payable as a preliminary adjustment to the purchase price for the acquisition of Vision Globale in 2014. As a result, the preliminary allocation of the fair value of assets and liabilities for this acquisition has been reviewed, leading to recognition of a \$373,000 deferred income tax asset, \$821,000 in additional goodwill and a \$23,000 downward adjustment to long-term liabilities. As the purchase price allocation process was not completed as of June 30, 2015, the amounts allocated to assets and liabilities may be changed subsequently.

TVA GROUP INC.

Notes to interim condensed consolidated financial statements (continued)

Three-month and six-month periods ended June 30, 2015 and 2014 (unaudited)

(Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts)

7. Capital stock

a) Authorized capital stock

An unlimited number of Class A common shares, participating, voting, without par value.

An unlimited number of Class B shares, participating, non-voting, without par value.

An unlimited number of preferred shares, non-participating, non-voting, with a par value of \$10 each, issuable in series.

b) Issued and outstanding capital stock

	June 30, 2015	December 31, 2014
4,320,000 Class A common shares	\$ 72	\$ 72
38,885,535 Class B shares (19,450,906 in 2014)	207,300	98,575
	\$ 207,372	\$ 98,647

On March 20, 2015, the Corporation completed a subscription rights offering to its shareholders, whereby it received gross proceeds totalling \$110,000,000 from the issuance of 19,434,629 Class B non-voting shares. Transaction costs of \$1,745,000, less \$470,000 in income tax, were charged to capital stock as a reduction of gross proceeds from the issuance. The transaction costs include \$1,100,000 in commitment fees paid to Quebecor Media.

c) (Loss) earnings per share attributable to shareholders

The following table shows the computation of (loss) earnings per basic and diluted share attributable to shareholders:

	Three-month periods ended June 30		Six-month periods ended June 30	
	2015	2014	2015	2014
Net (loss) income attributable to shareholders	\$ (2,588)	\$ 9,163	\$ (17,299)	\$ (1,000)
Weighted average number of basic and diluted shares outstanding	43,205,535	23,770,906	34,449,274	23,770,906
Basic and diluted (loss) earnings per share attributable to shareholders	\$ (0.06)	\$ 0.39	\$ (0.50)	\$ (0.04)

The (loss) earnings per diluted share calculation does not take into consideration the potential dilutive effect of stock options of the Corporation, since their impact is anti-dilutive.

TVA GROUP INC.

Notes to interim condensed consolidated financial statements (continued)

Three-month and six-month periods ended June 30, 2015 and 2014 (unaudited)

(Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts)

8. Accumulated other comprehensive income (loss)

	Cash flow hedge	Defined benefits plan	Total
Balance as at December 31, 2013 and June 30, 2014	\$ –	\$ 5,148	\$ 5,148
Other comprehensive loss	–	(8,766)	(8,766)
Balance as at December 31, 2014	–	(3,618)	(3,618)
Other comprehensive loss	(267)	–	(267)
Balance as at June 30, 2015	\$ (267)	\$ (3,618)	\$ (3,885)

The Corporation is using an interest rate swap to secure future interest expenses on a \$41,250,000 portion of its \$75,000,000 secured term loan, which bears interest at a floating rate. This interest rate swap is designated as a cash flow hedge and therefore the effective portion of the hedge is reported in other comprehensive loss while the ineffective portion is immediately recognized in loss. In the three-month and six-month periods ended June 30, 2015, losses of \$2,000 and \$17,000 respectively relating to the ineffective portion of the hedge were recognized in loss under financial expenses.

TVA GROUP INC.

Notes to interim condensed consolidated financial statements (continued)

Three-month and six-month periods ended June 30, 2015 and 2014 (unaudited)
 (Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts)

9. Stock-based compensation and other stock-based payments

	Six-month period ended June 30, 2015			
	Corporation's Class B stock options		Quebecor Media stock options	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Balance as at December 31, 2014	525,368	\$ 15.25	355,432	\$ 55.43
Granted	80,000	6.85	50,000	70.56
Exercised	–	–	(46,772)	46.55
Expired	(59,631)	21.28	–	–
Cancelled	(82,366)	13.68	(8,200)	67.80
Stock options related to Executive transferred to TVA Group	–	–	148,500	55.72
Stock options related to Executive transferred to Quebecor Media	–	–	(233,360)	53.71
Balance as at June 30, 2015	463,371	\$ 13.30	265,600	\$ 61.14

Of the options outstanding as at June 30, 2015, 363,371 Corporation Class B stock options at an average exercise price of \$14.91 and 5,400 Quebecor Media stock options at an average price of \$60.89 could be exercised.

During the three-month period ended June 30, 2015, 35,147 Quebecor Media stock options were exercised for a cash consideration of \$447,000 (no stock options were exercised in the same period of 2014). During the six-month period ended June 30, 2015, 46,772 Quebecor Media stock options were exercised for a cash consideration of \$739,000 (21,375 stock options were exercised for a cash consideration of \$352,000 during the same period of 2014).

During the three-month and six-month periods ended June 30, 2015, the Corporation recorded a compensation expense of \$6,000 and a compensation expense reversal of \$5,000 respectively in relation to the Corporation's Class B stock options (compensation expense reversals of \$15,000 and \$46,000 respectively in the same periods of 2014) and a compensation expense reversal of \$103,000 and a compensation expense of \$831,000 respectively in relation to Quebecor Media stock options (compensation expenses of \$197,000 and \$597,000 respectively in the same periods of 2014).

TVA GROUP INC.

Notes to interim condensed consolidated financial statements (continued)

Three-month and six-month periods ended June 30, 2015 and 2014 (unaudited)

(Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts)

10. Related party transactions

a) Share of loss and capital contributions to SUN News

On February 13, 2015, Sun Media Corporation, a corporation under common control, announced the discontinuation of the operations of SUN News. As at June 30, 2015, the share of SUN News' loss included costs related to the discontinuation of operations.

In April 2015, as part of a corporate reorganization, Sun Media Corporation was folded into Quebecor Media, which now holds a 51% interest in SUN News.

In 2015, the Corporation continues making capital contributions to cover operating losses up to the closure date as well as costs related to the discontinuation of operations. During the three-month period ended June 30, 2015, the partners in SUN News made a capital contribution of \$1,100,000 (\$3,300,000 in the same period of 2014), including \$539,000 from the Corporation (\$1,617,000 in 2014) and \$561,000 from the other partner (\$1,683,000 in 2014).

During the six-month period ended June 30, 2015, the partners in SUN News made a capital contribution of \$5,900,000 (\$6,200,000 in the same period of 2014), including \$2,891,000 from the Corporation (\$3,038,000 in 2014) and \$3,009,000 from the other partner (\$3,162,000 in 2014).

b) Repayment of credit facility

On December 30, 2014, in connection with the funding of the acquisition of the assets of Vision Globale, the Corporation obtained a \$100,000,000 credit facility from Quebecor Media. On March 20, 2015, the Corporation reimburse the credit facility using the proceeds from the subscription rights offering (note 7). The Corporation recognized and paid an \$805,000 interest expense in connection with this transaction in the first quarter of 2015, which is included in financial expenses.

11. 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.

TVA GROUP INC.

Notes to interim condensed consolidated financial statements (continued)

Three-month and six-month periods ended June 30, 2015 and 2014 (unaudited)

(Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts)

12. Segmented information

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 on December 30, 2014. Accordingly, the new Film Production & Audiovisual Services segment was created.

Since April 12, 2015, following the transaction with Transcontinental Inc., 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.

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

- The **Broadcasting & Production segment**, which includes the operations of TVA Network (including the subsidiary and divisions TVA Productions Inc., TVA Nouvelles and TVA Interactif), specialty services, the marketing of digital products associated with the various televisual brands, the commercial production, 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, including TVA Publications Inc. and Les Publications Charron & Cie inc., includes the publication of French- and English-language magazines in various fields such as the arts, entertainment, television, fashion, sports and decoration, as well as the marketing of 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, post-production and visual effects services provided by Mels Studios and Postproduction G.P., (formerly Montréal Studios et Équipements s.e.n.c.).

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Notes to interim condensed consolidated financial statements (continued)

Three-month and six-month periods ended June 30, 2015 and 2014 (unaudited)

(Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts)

12. Segmented information (continued)

	Three-month periods ended June 30		Six-month periods ended June 30	
	2015	2014	2015	2014
Revenues				
Broadcasting & Production	\$ 113,405	\$ 94,240	\$ 218,419	\$ 185,176
Magazines	28,259	15,958	41,715	31,096
Film Production & Audiovisual Services	18,822	–	27,906	–
Intersegment items	(1,062)	(498)	(2,102)	(1,251)
	159,424	109,700	285,938	215,021
Adjusted operating income (loss) ¹				
Broadcasting & Production	535	18,070	(7,948)	9,859
Magazines	1,213	2,929	2,151	5,115
Film Production & Audiovisual Services	5,623	–	5,477	–
	7,371	20,999	(320)	14,974
Depreciation of property, plant and equipment and amortization of intangible assets	7,079	5,317	13,887	10,701
Financial expenses	870	975	2,805	2,095
Operational restructuring costs, impairment of assets and other costs	2,304	–	2,711	–
(Loss) income before (recovery) tax expense and share of loss of associated corporations	\$ (2,882)	\$ 14,707	\$ (19,723)	\$ 2,178

The above-noted intersegment items represent the elimination of normal course business transactions between the Corporation's business segments regarding revenues.

- (1) The Chief Executive Officer uses adjusted operating income (loss) as a measure of financial performance for assessing the performance of each of the Corporation's segments. Adjusted operating income (loss) is defined 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.