



August 4, 2017

For immediate release

TVA GROUP REPORTS \$8.6 MILLION GROWTH IN ADJUSTED OPERATING INCOME¹ IN THE SECOND QUARTER OF 2017.

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 \$1.9 million or \$0.04 per share in the second quarter of 2017, compared with a net loss attributable to shareholders of \$5.7 million or \$0.13 per share in the same quarter of 2016.

Second quarter operating highlights:

- Consolidated adjusted operating income¹ of \$11,072,000, a favourable variance of \$8,645,000 from the same quarter of 2016.
- \$5,076,000 adjusted operating income¹ in the Broadcasting & Production segment, a favourable variance of \$7,507,000 caused mainly by a 30.2% decrease in the adjusted operating loss¹ of “TVA Sports” due to increased advertising and subscription revenues.
- \$3,965,000 adjusted operating income¹ in the Magazines segment, a favourable variance of \$45,000 due primarily to the savings generated by rationalization plans implemented in recent quarters.
- \$2,031,000 adjusted operating income¹ in the Film Production & Audiovisual Services segment (“MELS”), a favourable variance of \$1,093,000 essentially because of increased adjusted operating income¹ from soundstage and equipment rental due to higher volume of activities.

“We are satisfied with our second quarter of 2017 results, particularly in the Broadcasting & Production segment, which grew its advertising revenues for the third consecutive quarter, with year-over-year increases of 77.6% at “TVA Sports”, 4.2% at the other specialty services, and 6.7% at TVA Network.

TVA Group’s total market share increased by 3.5 points to 39.8%² in the second quarter of 2017 compared with 36.3% in the same period of 2016. “TVA Sports” increased its market share by 1.8 points to 5.4% as a result of large audiences for the Stanley Cup playoffs. The channel set a new record by registering the best ratings for the Stanley Cup finals since 2008. The news and public affairs channel “LCN” grew its market share by 0.8 points to 4.5% and TVA Network by 0.5 points to 23.9%. TVA Network also had the top 3 most-watched programs in Quebec during the period,” commented Julie Tremblay, President and CEO of the Corporation.

“The Magazines segment’s adjusted operating income¹ was stable in the second quarter of 2017 compared with the same quarter of 2016 despite an 11.0% decrease³ in its operating revenues. The savings generated by the expense rationalization and reduction plans implemented in recent quarters have offset the decline in the segment’s operating revenues,” added Julie Tremblay.

“Lastly, the arrival of major new productions, including the Hollywood movie *X-Men* and the television series *The Bold Type*, in the second quarter, helped boost the Film Production & Audiovisual Services segment’s adjusted operating income,¹ which more than doubled compared with the same quarter of 2016. The growing demand for film and

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

² Numeris – French Quebec, April 1 to June 30, 2017, Mon-Sun, 2 a.m. – 2 a.m., all t2+

³ Excluding discontinued titles.

TV serie production services, combined with the drawing power of Canada and of Montreal in particular and the reputation of our facilities and services in this field, have led us to submit to the Corporation's Board of Directors a project to expand our existing complex," concluded Ms. Tremblay.

MELS studios enlargement project

The Corporation's Board of Directors today approved the plan to expand the MELS production complex in the Technoparc, near the Bonaventure Autoroute. The project involves construction of a 160,000 square-foot building which will include a 60,000-square-foot soundstage with 50-foot vertical clearance and adjacent multi-use spaces. The Corporation is in the process of obtaining the required permits. It hopes to break ground in the fall and have the facility ready to welcome its first productions in the summer of 2018.

Definition

Adjusted operating income (loss) ("Adjusted operating results")

In its analysis of operating results, the Corporation defines adjusted operating income (loss) as net income (loss) before depreciation of property, plant and equipment, amortization of intangible assets, financial expenses, operational restructuring costs and others, income taxes and share of 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. Certain factors that may cause actual results to differ from current expectations include seasonality, operational risks (including pricing actions by competitors and the risk of loss of key customers in the Film Production & Audiovisual Services segment), programming, content and production cost risks, credit risk, government regulation risks, government assistance risks, changes in economic conditions, fragmentation of the media landscape, risk related to the Corporation's ability to adapt to fast-paced technological change and to new delivery and storage methods, 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, 2016 and the "Risk Factors" section in the Corporation's 2016 annual information form.

The forward-looking statements in this news release reflect the Corporation's expectations as of August 4, 2017 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 to do so by the applicable securities laws.

TVA Group

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

Source:

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

TVA GROUP INC.

Interim consolidated statements of loss

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

		Three-month periods ended June 30		Six-month periods ended June 30	
	Note	2017	2016	2017	2016
Revenues	2	\$ 152,542	\$ 144,229	\$ 293,666	\$ 289,752
Purchases of goods and services	3	101,812	101,480	204,717	205,229
Employee costs		39,658	40,322	78,471	81,799
Depreciation of property, plant and equipment and amortization of intangible assets		8,919	8,920	17,742	17,354
Financial expenses	4	637	866	1,272	1,836
Operational restructuring costs and others	5	4,118	708	4,950	1,160
Loss before tax recovery and share of income of associated corporations		(2,602)	(8,067)	(13,486)	(17,626)
Tax recovery		(595)	(2,126)	(3,197)	(4,225)
Share of income of associated corporations		(265)	(222)	(467)	(328)
Net loss		\$ (1,742)	\$ (5,719)	\$ (9,822)	\$ (13,073)
Net (loss) income attributable to:					
Shareholders		\$ (1,870)	\$ (5,676)	\$ (9,902)	\$ (13,065)
Non-controlling interest		128	(43)	80	(8)
Basic and diluted loss per share attributable to shareholders	6 c)	\$ (0.04)	\$ (0.13)	\$ (0.23)	\$ (0.30)

See accompanying notes to interim condensed consolidated financial statements.

TVA GROUP INC.

Interim consolidated statements of comprehensive loss

(unaudited)
(in thousands of Canadian dollars)

	Note	Three-month periods ended June 30		Six-month periods ended June 30	
		2017	2016	2017	2016
Net loss		\$ (1,742)	\$ (5,719)	\$ (9,822)	\$ (13,073)
Other comprehensive items that may be reclassified to income:					
Cash flow hedge:					
Gain on valuation of derivative financial instruments	8	65	71	110	163
Deferred income taxes	8	(17)	(19)	(29)	(44)
Other comprehensive items that will not be reclassified to income:					
Defined benefit plans:					
Re-measurement loss	8	–	(10,000)	–	(25,000)
Deferred income taxes	8	–	2,685	–	6,685
		48	(7,263)	81	(18,196)
Comprehensive loss		\$ (1,694)	\$ (12,982)	\$ (9,741)	\$ (31,269)
Comprehensive (loss) income					
attributable to:					
Shareholders		\$ (1,822)	\$ (12,939)	\$ (9,821)	\$ (31,261)
Non-controlling interest		128	(43)	80	(8)

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 6)	Contributed surplus	Retained earnings	Accumulated other comprehensive (loss) income (note 8)		
Balance as at December 31, 2015	\$ 207,280	\$ 581	\$ 107,369	\$ (6,474)	\$ 676	\$ 309,432
Net loss	–	–	(13,065)	–	(8)	(13,073)
Other comprehensive loss	–	–	–	(18,196)	–	(18,196)
Balance as at June 30, 2016	207,280	581	94,304	(24,670)	668	278,163
Net (loss) income	–	–	(26,790)	–	172	(26,618)
Other comprehensive income	–	–	–	26,680	–	26,680
Balance as at December 31, 2016	207,280	581	67,514	2,010	840	278,225
Net (loss) income	–	–	(9,902)	–	80	(9,822)
Other comprehensive income	–	–	–	81	–	81
Balance as at June 30, 2017	\$ 207,280	\$ 581	\$ 57,612	\$ 2,091	\$ 920	\$ 268,484

See accompanying notes to interim condensed consolidated financial statements.

TVA GROUP INC.

Interim consolidated balance sheets

(unaudited)
(in thousands of Canadian dollars)

	June 30, 2017	December 31, 2016
Assets		
Current assets		
Cash	\$ 1,018	\$ 17,219
Accounts receivable	153,642	142,663
Income taxes	3,148	3,966
Programs, broadcast rights and inventories	63,626	77,628
Prepaid expenses	7,741	3,870
	229,175	245,346
Non-current assets		
Broadcast rights	45,779	44,684
Investments	13,166	12,756
Property, plant and equipment	202,889	205,843
Intangible assets	28,743	32,493
Goodwill	37,885	37,885
Defined benefit plan asset	3,171	4,250
Deferred income taxes	6,050	3,351
	337,683	341,262
Total assets	\$ 566,858	\$ 586,608

TVA GROUP INC.

Interim consolidated balance sheets (continued)

(unaudited)
(in thousands of Canadian dollars)

	Note	June 30, 2017	December 31, 2016
Liabilities and equity			
Current liabilities			
Bank overdraft		\$ 6,631	\$ –
Accounts payable and accrued liabilities		100,570	105,523
Income taxes		818	1,250
Broadcast rights payable		79,029	92,627
Provisions		8,057	6,638
Deferred revenues		15,431	19,847
Short-term debt		8,437	6,562
		218,973	232,447
Non-current liabilities			
Long-term debt		64,817	62,561
Other liabilities		12,812	11,579
Deferred income taxes		1,772	1,796
		79,401	75,936
Equity			
Capital stock	6	207,280	207,280
Contributed surplus		581	581
Retained earnings		57,612	67,514
Accumulated other comprehensive income	8	2,091	2,010
Equity attributable to shareholders		267,564	277,385
Non-controlling interest		920	840
		268,484	278,225
Total liabilities and equity		\$ 566,858	\$ 586,608

See accompanying notes to interim condensed consolidated financial statements.

On August 4, 2017, the Board of Directors approved the interim condensed consolidated financial statements for the three-month and six-month periods ended June 30, 2017 and 2016.

TVA GROUP INC.

Interim consolidated statements of cash flows

(unaudited)

(in thousands of Canadian dollars)

	Note	Three-month periods ended June 30		Six-month periods ended June 30	
		2017	2016	2017	2016
Cash flows related to operating activities					
Net loss		\$ (1,742)	\$ (5,719)	\$ (9,822)	\$ (13,073)
Adjustments for:					
Depreciation and amortization		8,969	8,989	17,841	17,492
Share of income of associated corporations		(265)	(222)	(467)	(328)
Deferred income taxes		(1,061)	(2,032)	(2,753)	(3,800)
Loss on contingent consideration receivable	5	–	198	–	198
Loss on valuation of derivative financial instruments		–	1	1	3
		5,901	1,215	4,800	492
Net change in non-cash balances related to operating activities		596	6,325	(19,717)	2,272
Cash flows provided by (used in) operating activities		6,497	7,540	(14,917)	2,764
Cash flows related to investing activities					
Additions to property, plant and equipment		(5,146)	(3,306)	(10,886)	(16,197)
Additions to intangible assets		(690)	(546)	(1,038)	(1,045)
Net change in investments		57	293	57	293
Business disposal		–	222	–	222
Cash flows used in investing activities		(5,779)	(3,337)	(11,867)	(16,727)
Cash flows related to financing activities					
Change in bank overdraft		(583)	(5,574)	6,631	6,244
(Decrease) increase in long-term debt		(1,266)	2,058	4,032	1,131
Repayment of derivative financial instruments		(39)	(46)	(80)	(96)
Cash flows (used in) provided by financing activities		(1,888)	(3,562)	10,583	7,279
Net change in cash		(1,170)	641	(16,201)	(6,684)
Cash at beginning of period		2,188	4,671	17,219	11,996
Cash at end of period		\$ 1,018	\$ 5,312	\$ 1,018	\$ 5,312
Interest and taxes reflected as operating activities					
Net interest paid		\$ 645	\$ 637	\$ 1,225	\$ 1,271
Income taxes (received) paid (net of payments or refunds)		(104)	936	(830)	2,046

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, 2017 and 2016 (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 *Quebec Business Corporations Act*. TVA Group is a communications company engaged in the Broadcasting & Production, Film Production & Audiovisual Services, and Magazines businesses (note 10). 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, reading and listening habits, and the production needs of 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 2016 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, 2016 have been restated to conform to the presentation adopted for the three-month and six-month periods ended June 30, 2017.

2. Revenues

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

	Three-month periods ended June 30		Six-month periods ended June 30	
	2017	2016	2017	2016
Advertising services	\$ 81,393	\$ 76,324	\$ 154,472	\$ 147,515
Royalties	32,183	28,761	64,371	57,923
Rental and postproduction services and other services rendered	13,659	11,521	25,123	28,296
Product sales	25,307	27,623	49,700	56,018
	\$ 152,542	\$ 144,229	\$ 293,666	\$ 289,752

TVA GROUP INC.

Notes to interim condensed consolidated financial statements (continued)

Three-month and six-month periods ended June 30, 2017 and 2016 (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	
	2017	2016	2017	2016
Rights and production costs	\$ 69,792	\$ 67,514	\$ 139,024	\$ 137,971
Printing and distribution	6,838	8,635	13,609	16,823
Services rendered by the parent corporation				
- Commissions on advertising sales	6,154	5,700	11,492	10,784
- Others	2,216	2,189	4,458	4,391
Building costs	4,706	5,154	10,565	10,777
Marketing, advertising and promotion	4,293	5,597	8,558	9,194
Others	7,813	6,691	17,011	15,289
	\$ 101,812	\$ 101,480	\$ 204,717	\$ 205,229

4. Financial expenses

	Three-month periods ended June 30		Six-month periods ended June 30	
	2017	2016	2017	2016
Interest on long-term debt	\$ 614	\$ 603	\$ 1,202	\$ 1,276
Amortization of financing costs	50	69	99	138
Interest expense on net defined benefit liability or asset	25	87	49	174
Foreign exchange (gain) loss	(78)	98	(108)	233
Others	26	9	30	15
	\$ 637	\$ 866	\$ 1,272	\$ 1,836

TVA GROUP INC.

Notes to interim condensed consolidated financial statements (continued)

Three-month and six-month periods ended June 30, 2017 and 2016 (unaudited)

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

5. Operational restructuring costs and others

In the second quarter of 2017, the Corporation recorded a \$3,663,000 allowance for onerous leases extending up to June 2022 for premises that are unused following implementation of rationalization plans in the Magazines segment.

In the three-month and six-month periods ended June 30, 2017 and 2016, the Corporation recorded the following operational restructuring costs in connection with elimination of positions:

	Three-month periods ended June 30		Six-month periods ended June 30	
	2017	2016	2017	2016
Broadcasting & Production	\$ 219	\$ 404	\$ 691	\$ 404
Magazines	261	76	407	390
Film Production & Audiovisual Services	3	18	137	96
	\$ 483	\$ 498	\$ 1,235	\$ 890

During the second quarter of 2016, the Corporation had recognized a \$198,000 loss arising from the final adjustment to a contingent consideration related to the sale of the book publishing operations acquired from Transcontinental Inc.

TVA GROUP INC.

Notes to interim condensed consolidated financial statements (continued)

Three-month and six-month periods ended June 30, 2017 and 2016 (unaudited)

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

6. 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, 2017	December 31, 2016
4,320,000 Class A common shares	\$ 72	\$ 72
38,885,535 Class B shares	207,208	207,208
	\$ 207,280	\$ 207,280

c) Loss per share attributable to shareholders

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

	Three-month periods ended June 30		Six-month periods ended June 30	
	2017	2016	2017	2016
Net loss attributable to shareholders	\$ (1,870)	\$ (5,676)	\$ (9,902)	\$ (13,065)
Weighted average number of basic and diluted shares outstanding	43,205,535	43,205,535	43,205,535	43,205,535
Basic and diluted loss per share attributable to shareholders	\$ (0.04)	\$ (0.13)	\$ (0.23)	\$ (0.30)

The loss per diluted share calculation does not take into consideration the potential dilutive effect of stock options of the Corporation, because their impact is non-dilutive.

TVA GROUP INC.

Notes to interim condensed consolidated financial statements (continued)

Three-month and six-month periods ended June 30, 2017 and 2016 (unaudited)

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

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

	Six-month period ended June 30, 2017			
	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, 2016	357,632	\$ 12.71	173,250	\$ 62.44
Exercised	–	–	(21,350)	64.59
Cancelled	(104,915)	14.00	(7,400)	64.78
Balance as at June 30, 2017	252,717	\$ 12.18	144,500	\$ 62.01

Of the options outstanding as at June 30, 2017, 198,717 Corporation Class B stock options at an average exercise price of \$13.44 and 18,000 Quebecor Media stock options at an average price of \$65.97 could be exercised.

During the three-month period ended June 30, 2017, 15,550 Quebecor Media stock options were exercised for a cash consideration of \$327,000 (3,800 stock options were exercised for a cash consideration of \$30,000 in the same period of 2016). During the six-month period ended June 30, 2017, 21,350 Quebecor Media stock options were exercised for a cash consideration of \$378,000 (3,800 stock options were exercised for a cash consideration of \$30,000 in the same period of 2016).

Deferred stock unit (“DSU”) and performance stock unit (“PSU”) plans

TVA Group has a DSU plan and a PSU plan for some management employees based on TVA Group Class B Non-Voting Shares (“TVA Group Class B Shares”). Quebecor also has DSU and PSU plans for its employees and those of its subsidiaries, based on, among other things, Quebecor Class B Shares. Under these plans, the DSUs vest over six years and will be redeemed for cash only upon the participant’s retirement or cessation of employment, as the case may be. The PSUs vest over three years and will be redeemed for cash at the end of that period, subject to achievement of financial targets. Under the TVA Group plan, holders of DSUs and PSUs are entitled to receive dividends on TVA Group Class B Shares in the form of additional units. Under the Quebecor plan, holders of DSUs and PSUs are entitled to receive dividends on Quebecor Class B Shares in the form of additional units.

TVA GROUP INC.

Notes to interim condensed consolidated financial statements (continued)

Three-month and six-month periods ended June 30, 2017 and 2016 (unaudited)

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

7. Stock-based compensation and other stock-based payments (continued)

Deferred stock unit (“DSU”) and performance stock unit (“PSU”) plans (continued)

The following table shows changes in outstanding DSUs and PSUs during the six-month period ended June 30, 2017:

	Outstanding units			
	Corporation's stock units		Quebecor stock units	
	DSU	PSU	DSU	PSU
Balance as at December 31, 2016	159,499	212,671	11,482	12,762
Granted	–	–	18	22
Exercised	(1,114)	–	(119)	–
Cancelled	(4,232)	(7,128)	(451)	(634)
Balance as at June 30, 2017	154,153	205,543	10,930	12,150

Deferred stock unit (“DSU”) plan for directors

As of June 30, 2017, the total number of DSUs outstanding under this plan was 62,396 (43,932 as of December 31, 2016).

Stock-based compensation expense

During the three-month and six-month periods ended June 30, 2017, compensation expenses in the amount of \$842,000 and \$1,244,000 respectively were recorded in respect of all stock-based compensation plans (\$289,000 and \$652,000 in the same periods of 2016).

8. Accumulated other comprehensive (loss) income

	Cash flow hedge	Defined benefit plans	Total
Balance as at December 31, 2015	\$ (338)	\$ (6,136)	\$ (6,474)
Other comprehensive income (loss)	119	(18,315)	(18,196)
Balance as at June 30, 2016	(219)	(24,451)	(24,670)
Other comprehensive income	96	26,584	26,680
Balance as at December 31, 2016	(123)	2,133	2,010
Other comprehensive income	81	–	81
Balance as at June 30, 2017	\$ (42)	\$ 2,133	\$ 2,091

TVA GROUP INC.

Notes to interim condensed consolidated financial statements (continued)

Three-month and six-month periods ended June 30, 2017 and 2016 (unaudited)

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

9. Fair value of financial instruments

In accordance with IFRS 13, *Fair Value Measurement*, the Corporation has considered the following fair value hierarchy. This hierarchy reflects the significance of the inputs used in measuring the financial instruments accounted for at fair value on the consolidated balance sheets:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3: Inputs that are not based on observable market data (unobservable inputs).

The fair value of long-term debt and of the derivative financial instrument are estimated based on a valuation model using Level 2 inputs. Fair value is based on discounted cash flows using period-end market yields or the market value of similar financial instruments with the same maturity.

The book value and fair value of long-term debt and the derivative financial instrument as at June 30, 2017 and December 31, 2016 are as follows:

	June 30, 2017		December 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Derivative financial instrument	\$ 133	\$ 133	\$ 322	\$ 322
Long-term debt ¹	73,639	73,639	69,607	69,607

¹ The book value of long-term debt excludes deferred financing costs.

10. Segmented information

The Corporation's operations consist of the following segments:

- The **Broadcasting & Production segment**, which includes the operations of TVA Network (including the subsidiary and divisions TVA Productions inc., TVA Nouvelles and TVA Interactif), specialty services, the marketing of digital products associated with the various televisual brands, commercial production services and distribution of audiovisual products.
- The **Magazines segment**, which through its subsidiaries, notably TVA Publications inc. and Les Publications Charron & Cie inc., publishes magazines in various fields including the arts, entertainment, television, fashion, sports and decoration, markets digital products associated with the various magazine brands and provides custom publishing, print advertising production and premedia services.
- The **Film Production & Audiovisual Services segment**, which through its subsidiaries Mels Studios and Postproduction G.P. and Mels Dubbing Inc. provides soundstage and equipment rental, dubbing, postproduction and visual effects services.

TVA GROUP INC.

Notes to interim condensed consolidated financial statements (continued)

Three-month and six-month periods ended June 30, 2017 and 2016 (unaudited)

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

10. Segmented information (continued)

	Three-month periods ended June 30		Six-month periods ended June 30	
	2017	2016	2017	2016
Revenues				
Broadcasting & Production	\$ 117,252	\$ 105,061	\$ 228,023	\$ 211,024
Magazines	23,709	29,197	45,158	56,684
Film Production & Audiovisual Services	14,214	12,650	25,778	28,162
Intersegment items	(2,633)	(2,679)	(5,293)	(6,118)
	152,542	144,229	293,666	289,752
Adjusted operating income (loss) ¹				
Broadcasting & Production	5,076	(2,431)	5,733	(6,315)
Magazines	3,965	3,920	4,349	5,979
Film Production & Audiovisual Services	2,031	938	396	3,060
	11,072	2,427	10,478	2,724
Depreciation of property, plant and equipment and amortization of intangible assets	8,919	8,920	17,742	17,354
Financial expenses	637	866	1,272	1,836
Operational restructuring costs and others	4,118	708	4,950	1,160
Loss before tax recovery and share of income of associated corporations	\$ (2,602)	\$ (8,067)	\$ (13,486)	\$ (17,626)

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

- (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 and others, income taxes and share of income of associated corporations. Adjusted operating income (loss) as defined above is not a measure of results that is consistent with IFRS.