



**October 28, 2016**

**For immediate release**

**TVA GROUP REPORTS \$32.5 MILLION NET LOSS ATTRIBUTABLE TO SHAREHOLDERS IN THE THIRD QUARTER OF 2016**

**Montreal, Canada** - TVA Group Inc. (the "Corporation") today announced that it recorded a net loss attributable to shareholders of \$32.5 million, or a loss of \$0.75 per share, in the third quarter of 2016, compared with a net loss attributable to shareholders of \$36.5 million, or a loss of \$0.84 per share, in the same quarter of 2015.

**Third quarter operating highlights:**

- Consolidated adjusted operating income<sup>1</sup> of \$20,693,000, an unfavorable variance of \$10,171,000 (-33%) from the same quarter of 2015;
- \$11,249,000 adjusted operating income<sup>1</sup> in the Broadcasting & Production segment, a negative variance of \$7,965,000 (-41%) due primarily to a decrease in the adjusted operating income<sup>1</sup> of TVA Network and the "TVA Sports" channel, which was affected by the concentration of costs related to broadcasting the World Cup of Hockey in September 2016;
- \$5,712,000 adjusted operating income<sup>1</sup> in the Magazines segment, a \$1,889,000 (49%) improvement mainly reflecting operational synergies realized since the integration of the magazines acquired from Transcontinental and other cost-cutting initiatives;
- \$3,732,000 adjusted operating income<sup>1</sup> in the Film Production & Audiovisual Services segment, a negative variance of \$4,095,000 (-52%) due to lower volume of activities in soundstage and equipment rental, partially offset by increased of adjusted operating results from visual effects;
- Non-cash charge for impairment of goodwill of \$40,100,000 compared with a \$60,107,000 non-cash charge for impairment of a broadcasting licence in the same quarter of 2015.

"In a fast-changing industry, we recorded a decrease in adjusted operating income<sup>1</sup> despite a strong performance by the "TVA Sports" channel, which saw an important growth in advertising revenues related mainly to the broadcast of the 2016 World Cup of Hockey. TVA Group's total market share increased by 1.7 points to 34.0%<sup>2</sup> in the third quarter of 2016, compared with 32.3%<sup>2</sup> in the same period of 2015. We are also pleased to announce that our new TVA.CA site is now live and our TVA mobile app has been released. They give users free access to TVA programs in high definition, live or on demand. The site and the app also offer many other features. Users can catch up on shows from the previous seven days, watch exclusive original content, pause and resume play on a different screen and receive customized suggestions. Users can also access programming from the Corporation's five entertainment channels," commented Julie Tremblay, President and Chief Executive Officer of the Corporation.

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<sup>1</sup> See definition of adjusted operating income (loss) below.

<sup>2</sup> Source: Numeris, French Quebec, July 1 to September 30, 2016, Mon-Sun, 2:00 – 2:00, T2+.

“While we recorded an increase in adjusted operating income<sup>1</sup> in the Magazines segment, the continuing downward trend in the magazines industry’s operating revenues, particularly advertising revenues and newsstand sales, led the Corporation to conclude that a \$40.1 million non-cash charge for impairment of goodwill had to be taken,” said Julie Tremblay.

“Finally, the results of the Film Production & Audiovisual Services segment suffered from the absence of any major Hollywood production at our facilities for the second quarter in a row. However, the increase in volume of activities at our visual effects and postproduction operations, combined with more efficient resource management, partially offset the unfavourable impact from soundstage and equipment rental operations. We are currently setting up new facilities which will expand our visual effects capacity and meet the requirements of the international majors,” concluded Ms. Tremblay.

### **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, impairment of assets and others, income taxes and share of (income) loss 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 and risk related to the 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, 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](http://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, 2015 and the “Risk Factors” section in the Corporation’s 2015 annual information form.

The forward-looking statements in this news release reflect the Corporation’s expectations as of October 28, 2016, and are subject to change after this date. The Corporation expressly disclaims any obligation or intention to update or revise

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<sup>1</sup> See definition of adjusted operating income (loss) below.

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 a communications company engaged in the broadcasting, film and audiovisual production, and magazine publishing industries. TVA Group Inc. is the largest broadcaster of French-language entertainment, information and public affairs programming, in North America, and one of the largest private production companies. TVA Group is also a leading publisher of French-language magazines and publishes some of Canada's most popular English-language titles. 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)

	Note	Three-month periods ended September 30		Nine-month periods ended September 30	
		2016	2015	2016	2015
<b>Revenues</b>	2	\$ 131,592	\$ 138,523	\$ 421,344	\$ 424,461
Purchases of goods and services	3	74,329	70,242	279,089	273,522
Employee costs		36,570	37,417	118,838	120,395
Depreciation of property, plant and equipment and amortization of intangible assets		8,968	6,871	26,322	20,758
Financial expenses	4	738	1,009	2,574	3,814
Impairment of a licence and goodwill	5	40,100	60,107	40,100	60,107
Operational restructuring costs, impairment of assets and others	6	617	168	1,777	2,879
<b>Loss before income tax (recovery) and share of (income) loss of associated corporations</b>		<b>(29,730)</b>	<b>(37,291)</b>	<b>(47,356)</b>	<b>(57,014)</b>
Income tax expense (recovery)		2,821	(1,689)	(1,404)	(8,083)
Share of (income) loss of associated corporations		(275)	449	(603)	4,559
<b>Net loss</b>		<b>\$ (32,276)</b>	<b>\$ (36,051)</b>	<b>\$ (45,349)</b>	<b>\$ (53,490)</b>
<b>Net (loss) income attributable to:</b>					
Shareholders		\$ (32,507)	\$ (36,455)	\$ (45,572)	\$ (53,754)
Non-controlling interest		231	404	223	264
<b>Basic and diluted loss per share attributable to shareholders</b>	8 c)	<b>\$ (0.75)</b>	<b>\$ (0.84)</b>	<b>\$ (1.05)</b>	<b>\$ (1.44)</b>

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 September 30		Nine-month periods ended September 30	
		2016	2015	2016	2015
<b>Net loss</b>		\$ (32,276)	\$ (36,051)	\$ (45,349)	\$ (53,490)
Other comprehensive items that may be reclassified to income:					
Cash flow hedge:					
Gain (loss) on valuation of derivative financial instruments	10	40	(154)	203	(519)
Deferred income taxes	10	(10)	42	(54)	140
Other comprehensive items that will not be reclassified to income:					
Defined benefit plans:					
Re-measurement gain (loss)	10	5,000	–	(20,000)	–
Deferred income taxes	10	(1,343)	–	5,342	–
		3,687	(112)	(14,509)	(379)
<b>Comprehensive loss</b>		\$ (28,589)	\$ (36,163)	\$ (59,858)	\$ (53,869)
<b>Comprehensive loss attributable to:</b>					
Shareholders		\$ (28,820)	\$ (36,567)	\$ (60,081)	\$ (54,133)
Non-controlling interest		231	404	223	264

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 8)	Contributed surplus	Retained earnings	Accumulated other comprehensive loss (note 10)		
<b>Balance as at December 31, 2014</b>	\$ 98,647	\$ 581	\$ 162,595	\$ (3,618)	\$ –	\$ 258,205
Business acquisitions (note 7)	–	–	–	–	565	565
Net (loss) income	–	–	(53,754)	–	264	(53,490)
Issuance of share capital, net of transaction costs	108,633	–	–	–	–	108,633
Other comprehensive loss	–	–	–	(379)	–	(379)
<b>Balance as at September 30, 2015</b>	<b>207,280</b>	<b>581</b>	<b>108,841</b>	<b>(3,997)</b>	<b>829</b>	<b>313,534</b>
Business acquisitions (note 7)	–	–	–	–	(148)	(148)
Net loss	–	–	(1,472)	–	(5)	(1,477)
Other comprehensive loss	–	–	–	(2,477)	–	(2,477)
<b>Balance as at December 31, 2015</b>	<b>207,280</b>	<b>581</b>	<b>107,369</b>	<b>(6,474)</b>	<b>676</b>	<b>309,432</b>
Net (loss) income	–	–	(45,572)	–	223	(45,349)
Other comprehensive loss	–	–	–	(14,509)	–	(14,509)
<b>Balance as at September 30, 2016</b>	<b>\$ 207,280</b>	<b>\$ 581</b>	<b>\$ 61,797</b>	<b>\$ (20,983)</b>	<b>\$ 899</b>	<b>\$ 249,574</b>

See accompanying notes to interim condensed consolidated financial statements.

# TVA GROUP INC.

## Interim consolidated balance sheets

(unaudited)

(in thousands of Canadian dollars)

	Note	September 30, 2016	December 31, 2015
<b>Assets</b>			
<b>Current assets</b>			
Cash		\$ 19,262	\$ 11,996
Accounts receivable		122,169	150,930
Income taxes		3,476	6,787
Programs, broadcast rights and inventories		61,266	79,495
Prepaid expenses		5,205	4,064
		<b>211,378</b>	<b>253,272</b>
<b>Non-current assets</b>			
Broadcast rights		52,190	36,321
Investments		12,530	12,594
Property, plant and equipment		205,766	208,103
Intangible assets		33,888	39,770
Goodwill	5	37,885	77,985
Deferred income taxes		14,288	7,069
		<b>356,547</b>	<b>381,842</b>
<b>Total assets</b>		<b>\$ 567,925</b>	<b>\$ 635,114</b>

# TVA GROUP INC.

## Interim consolidated balance sheets (continued)

(unaudited)

(in thousands of Canadian dollars)

	Note	September 30, 2016	December 31, 2015
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 87,162	\$ 112,914
Income taxes		822	1,769
Broadcast rights payable		91,926	88,867
Provisions		5,876	7,107
Deferred revenues		22,545	28,148
Short-term debt		5,625	4,219
		<b>213,956</b>	<b>243,024</b>
<b>Non-current liabilities</b>			
Long-term debt		64,817	68,812
Defined benefit plan liability		27,099	2,322
Other liabilities		9,893	8,652
Deferred income taxes		2,586	2,872
		<b>104,395</b>	<b>82,658</b>
<b>Equity</b>			
Capital stock	8	207,280	207,280
Contributed surplus		581	581
Retained earnings		61,797	107,369
Accumulated other comprehensive loss	10	(20,983)	(6,474)
Equity attributable to shareholders		<b>248,675</b>	<b>308,756</b>
Non-controlling interest		899	676
		<b>249,574</b>	<b>309,432</b>
<b>Total liabilities and equity</b>		<b>\$ 567,925</b>	<b>\$ 635,114</b>

See accompanying notes to interim condensed consolidated financial statements.

On October 28, 2016, the Board of Directors approved the interim condensed consolidated financial statements for the three-month and nine-month periods ended September 30, 2016 and 2015.



# TVA GROUP INC.

## Interim consolidated statements of cash flows

(unaudited)

(in thousands of Canadian dollars)

	Note	Three-month periods ended September 30		Nine-month periods ended September 30	
		2016	2015	2016	2015
<b>Cash flows related to operating activities</b>					
Net loss		\$ (32,276)	\$ (36,051)	\$ (45,349)	\$ (53,490)
Adjustments for:					
Depreciation and amortization		9,036	6,940	26,528	21,003
Impairment of a licence and goodwill	5	40,100	60,107	40,100	60,107
Share of (income) loss of associated corporations		(275)	449	(603)	4,559
Deferred income taxes		1,580	(2,618)	(2,220)	(8,645)
Others	4, 6	101	5	302	22
		<b>18,266</b>	<b>28,832</b>	<b>18,758</b>	<b>23,556</b>
Net change in non-cash balances related to operating activities		<b>15,354</b>	<b>(13,592)</b>	<b>17,626</b>	<b>63,279</b>
Cash flows provided by operating activities		<b>33,620</b>	<b>15,240</b>	<b>36,384</b>	<b>86,835</b>
<b>Cash flows related to investing activities</b>					
Additions to property, plant and equipment		(7,821)	(5,498)	(24,018)	(17,592)
Additions to intangible assets		(444)	(682)	(1,489)	(1,581)
Change in investments	11 a)	(1,188)	–	(895)	(2,620)
Net business acquisitions	7	–	(1,161)	222	(56,361)
Cash flows used in investing activities		<b>(9,453)</b>	<b>(7,341)</b>	<b>(26,180)</b>	<b>(78,154)</b>
<b>Cash flows related to financing activities</b>					
Decrease in bank overdraft		(6,244)	–	–	(4,486)
Net change in long-term debt		(3,926)	(2,886)	(2,795)	212
Repayment of credit facility from parent corporation	11 b)	–	–	–	(100,000)
Issuance of share capital, net of transaction costs	8	–	(92)	–	108,633
Repayment of derivative financial instruments		(47)	(35)	(143)	(145)
Cash flows (used in) provided by financing activities		<b>(10,217)</b>	<b>(3,013)</b>	<b>(2,938)</b>	<b>4,214</b>
<b>Net change in cash</b>		<b>13,950</b>	<b>4,886</b>	<b>7,266</b>	<b>12,895</b>
<b>Cash at beginning of period</b>		<b>5,312</b>	<b>8,009</b>	<b>11,996</b>	<b>–</b>
<b>Cash at end of period</b>		<b>\$ 19,262</b>	<b>\$ 12,895</b>	<b>\$ 19,262</b>	<b>\$ 12,895</b>
<b>Interest and taxes reflected as operating activities</b>					
Net interest paid		\$ 533	\$ 624	\$ 1,804	\$ 3,175
Net income taxes (received) paid		(3,594)	645	(1,548)	2,105

See accompanying notes to interim condensed consolidated financial statements.

# TVA GROUP INC.

## Notes to interim condensed consolidated financial statements

Three-month and nine-month periods ended September 30, 2016 and 2015 (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 a communications company engaged in the broadcasting and production, film production and audiovisual services, and magazines publishing industries (note 13). 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 demand for production facilities from international and local producers. Because the Corporation depends on the sale of advertising for a significant portion of its revenues, operating results are also sensitive to prevailing economic conditions, including changes in local, regional and national economic conditions, particularly as they may affect advertising expenditures. 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 are condensed consolidated financial statements. These condensed consolidated financial statements should be read in conjunction with the Corporation's 2015 annual consolidated financial statements, which describe the accounting policies used to prepare these financial statements.

Certain comparative figures for the three-month and nine-month periods ended September 30, 2015 have been restated to conform to the presentation adopted for the three-month and nine-month periods ended September 30, 2016.

### 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 September 30		Nine-month periods ended September 30	
	2016	2015	2016	2015
Advertising services	\$ 55,649	\$ 56,204	\$ 203,164	\$ 205,637
Royalties, rental and postproduction services and other services rendered	46,091	51,477	133,124	138,862
Product sales	29,852	30,842	85,056	79,962
	\$ 131,592	\$ 138,523	\$ 421,344	\$ 424,461

# TVA GROUP INC.

## Notes to interim condensed consolidated financial statements (continued)

Three-month and nine-month periods ended September 30, 2016 and 2015 (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 September 30		Nine-month periods ended September 30	
	2016	2015	2016	2015
Royalties, rights and production costs	\$ 42,816	\$ 38,831	\$ 180,787	\$ 183,184
Printing and distribution	7,948	9,450	24,771	22,228
Services rendered by parent corporation:				
- Commissions on advertising sales	3,902	3,791	14,217	12,537
- Others	2,163	2,194	6,554	6,883
Building costs	5,336	4,729	16,113	14,558
Marketing, advertising and promotion	4,593	2,924	13,787	12,034
Others	7,571	8,323	22,860	22,098
	\$ 74,329	\$ 70,242	\$ 279,089	\$ 273,522

### 4. Financial expenses

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2016	2015	2016	2015
Interest on long-term debt	\$ 616	\$ 741	\$ 1,892	\$ 2,352
Interest on credit facility from parent corporation (note 11 b))	-	-	-	805
Foreign exchange loss	42	19	275	185
Amortization of financing costs	68	69	206	245
Interest expense on net defined benefit liability	88	13	262	39
Loss on valuation of derivative financial instruments	1	5	4	22
Others	(77)	162	(65)	166
	\$ 738	\$ 1,009	\$ 2,574	\$ 3,814

# TVA GROUP INC.

## Notes to interim condensed consolidated financial statements (continued)

Three-month and nine-month periods ended September 30, 2016 and 2015 (unaudited)

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

### 5. Impairment of a licence and goodwill

The continuing downward trend in operating revenues in the magazines industry, particularly advertising and newsstand revenues, led the Corporation to perform an impairment test on its Magazines cash-generating unit ("CGU") in the third quarter of 2016. The Corporation concluded that the recoverable amount, based on value in use, of the Magazines CGU was less than its carrying amount. Accordingly, a \$40,100,000 goodwill impairment charge, without any tax consequences, was recognized. The Corporation used a 15.6% pre-tax discount rate and a 1.0% perpetual decline rate to calculate the recoverable amount.

In the third quarter of 2015, market conditions in the television industry, particularly the continuing pressure on advertising revenues, led the Corporation to perform an impairment test on its Broadcasting & Production CGU. The Corporation concluded that the recoverable amount, based on value in use, of the Broadcasting & Production CGU was less than its carrying amount. A \$60,107,000 impairment charge was recorded with respect to the broadcasting licence, including \$30,054,000 without any tax consequences.

### 6. Operational restructuring costs, impairment of assets and others

In the three-month and nine-month periods ended September 30, 2016 and 2015, the Corporation recorded the following operational restructuring costs, mainly in connection with elimination of positions:

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2016	2015	2016	2015
Broadcasting & Production	\$ 341	\$ 274	\$ 745	\$ 739
Magazines	105	602	495	1,882
Film Production & Audiovisual Services	71	4	167	339
	\$ 517	\$ 880	\$ 1,407	\$ 2,960

During the three-month period ended September 30, 2015, the Corporation recorded a \$32,000 net reversal of professional fees in connection with acquisitions made in 2014 and 2015. During the nine-month period ended September 30, 2016, the Corporation recorded professional fees in the amount of \$72,000 in connection with those acquisitions (\$599,000 in the same period of 2015).

In the third quarter of 2016, the Corporation also recorded a \$100,000 impairment charge on an intangible asset in the Magazines segment.

As well, in the second quarter of 2016, the Corporation recognized a \$198,000 loss on the contingent consideration receivable from Sogides Group Inc. in connection with the sale of the book publishing operations acquired in the transaction with Transcontinental Inc. (note 7).

# TVA GROUP INC.

## Notes to interim condensed consolidated financial statements (continued)

Three-month and nine-month periods ended September 30, 2016 and 2015 (unaudited)

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

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### 6. Operational restructuring costs, impairment of assets and others (continued)

On October 15, 2015, the Supreme Court of Canada refused to hear an appeal from Bell ExpressVu Limited Partnership ("Bell ExpressVu"), a subsidiary of Bell Canada, against a Quebec Court of Appeal judgement in favour of Videotron Ltd. and TVA Group rendered on March 6, 2015. The ruling ordered Bell ExpressVu to pay TVA Group \$665,000, including interest, for having failed to implement an appropriate security system in a timely manner to prevent piracy of its satellite television signals between 1999 and 2005, thereby harming its competitors and broadcasters. Accordingly, on October 19, 2015, Bell ExpressVu paid the amount of \$933,000, including interest and professional fees in connection with the outcome of this case. In the third quarter of 2015, a \$680,000 gain, including interest, was recognized in operational restructuring costs, impairment of assets and others.

### 7. Business acquisitions and disposals

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 purchase price of \$56,286,000 in cash, including \$786,000 paid in the fourth quarter of 2015 as a final adjustment contingent upon a predetermined working capital target agreed to by the parties. The acquired net assets consisted mainly of intangible assets and goodwill.

As part of this transaction, the Corporation simultaneously transferred the acquired book publishing operations to Sogides Group Inc., a corporation under common control, for the agreed price of \$720,000, including \$300,000 in cash and a contingent consideration receivable valued at \$420,000. During the three-month period ended June 30, 2016, the Corporation received a final contingent consideration of \$222,000 and recorded a \$198,000 loss under other items to reflect the change in value of that consideration (note 6).

#### Global Vision

In the second quarter of 2015, the Corporation had recognized a \$1,217,000 balance payable as a preliminary adjustment to the purchase price for the acquisition of substantially all of the assets of A.R. Global Vision Ltd. ("MELS") in 2014. In the third quarter ended September 30, 2015, the amount payable was lowered and \$1,161,000 was paid as an adjustment to the purchase price.

# TVA GROUP INC.

## Notes to interim condensed consolidated financial statements (continued)

Three-month and nine-month periods ended September 30, 2016 and 2015 (unaudited)  
 (Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts)

### 8. 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

	September 30, 2016	December 31, 2015
4,320,000 Class A common shares	\$ 72	\$ 72
38,885,535 Class B shares	207,208	207,208
	<b>\$ 207,280</b>	<b>\$ 207,280</b>

On March 20, 2015, the Corporation completed a subscription rights offering to its shareholders, whereby it received net proceeds totalling \$110,000,000 from the issuance of 19,434,629 Class B Non-Voting Shares. Transaction costs of \$1,870,000, less \$503,000 in income tax, were charged to share capital as a reduction of net proceeds from the issuance. The transaction costs included \$1,100,000 in commitment fees paid to Quebecor Media.

#### 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 September 30		Nine-month periods ended September 30	
	2016	2015	2016	2015
Net loss attributable to shareholders	\$ (32,507)	\$ (36,455)	\$ (45,572)	\$ (53,754)
Weighted average number of basic and diluted shares outstanding	43,205,535	43,205,535	43,205,535	37,368,027
Basic and diluted loss per share attributable to shareholders	\$ (0.75)	\$ (0.84)	\$ (1.05)	\$ (1.44)

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 nine-month periods ended September 30, 2016 and 2015 (unaudited)

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

### 9. Stock-based compensation

#### Stock options plans

	Nine-month period ended September 30, 2016			
	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, 2015	463,371	\$ 13.30	226,200	\$ 61.70
Exercised	–	–	(41,200)	57.73
Expired	(105,739)	15.29	–	–
<b>Balance as at September 30, 2016</b>	<b>357,632</b>	<b>\$ 12.71</b>	<b>185,000</b>	<b>\$ 62.59</b>

Of the options outstanding as at September 30, 2016, 283,632 Corporation Class B stock options at an average exercise price of \$14.11 and 27,350 Quebecor Media stock options at an average price of \$65.02 could be exercised.

During the three-month period ended September 30, 2016, 37,400 Quebecor Media stock options were exercised for a cash consideration of \$382,000 (33,200 stock options were exercised for a cash consideration of 1,732,000 in the same period of 2015). During the nine-month period ended September 30, 2016, 41,200 Quebecor Media stock options were exercised for a cash consideration of \$412,000 (79,972 stock options were exercised for a cash consideration of \$2,471,000 in the same period of 2015).

#### Differed share unit and performance share unit plans

On July 10, 2016, TVA Group established a differed share unit ("DSU") plan and a performance share unit ("PSU") plan for some managers based on TVA Group Class B Non-voting Shares ("TVA Group Class B Shares"). The DSUs vest over six years and will be redeemed for cash only upon the participant's retirement or termination 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 the achievement of financial targets. DSUs and PSUs entitled the holders to receive additional units when dividends are paid on TVA Class B Shares. No treasury shares will be issued for the purposes of these plans. On July 10, 2016, TVA Group awarded 159,499 DSUs and 212,671 PSUs under the plans.

# TVA GROUP INC.

## Notes to interim condensed consolidated financial statements (continued)

Three-month and nine-month periods ended September 30, 2016 and 2015 (unaudited)

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

### 9. Stock-based compensation (continued)

#### Differed share unit and performance share unit plans (continued)

On July 13, 2016, Quebecor also established a DSU plan and a PSU plan for its employees and those of its subsidiaries, based on, among other things, Quebecor Class B Shares. The DSUs vest over six years and will be redeemed for cash only upon the participant's retirement or termination of employment, as the case may be. The PSUs vest over three years and will be redeemed for cash at the end of this period, subject to achievement of financial targets. DSUs and PSUs entitled the holders to receive additional units when dividends are paid on Quebecor Class B Shares. No treasury shares will be issued for the purposes of these plans. On July 13, 2016, Quebecor awarded 11,465 DSUs and 12,741 PSUs based on Quebecor Class B Shares to managers of TVA Group.

#### Stock-based compensation expense

During the three-month period ended September 30, 2016, a \$331,000 compensation expense was recorded in respect of all stock-based compensation plans (\$137,000 in the same period of 2015). During the nine-month period ended September 30, 2016, a \$920,000 compensation expense was recorded in respect of all stock-based compensation plans (\$963,000 in the same period of 2015).

### 10. Accumulated other comprehensive loss

	Cash flow hedge	Defined benefit plans	Total
Balance as at December 31, 2014	\$ –	\$ (3,618)	\$ (3,618)
Other comprehensive loss	(379)	–	(379)
Balance as at September 30, 2015	(379)	(3,618)	(3,997)
Other comprehensive income (loss)	41	(2,518)	(2,477)
Balance as at December 31, 2015	(338)	(6,136)	(6,474)
Other comprehensive income (loss)	149	(14,658)	(14,509)
<b>Balance as at September 30, 2016</b>	<b>\$ (189)</b>	<b>\$ (20,794)</b>	<b>\$ (20,983)</b>



# TVA GROUP INC.

## Notes to interim condensed consolidated financial statements (continued)

Three-month and nine-month periods ended September 30, 2016 and 2015 (unaudited)  
(Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts)

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### 11. Related party transactions

#### a) ROC Television G.P. ("ROC Television," formerly SUN News General Partnership)

Since the announcement on February 13, 2015 of the discontinuation of the operations of ROC Television, in which TVA Group holds a 49% interest, the Corporation has continued making capital contributions to ROC Television to cover its operating losses up to the closure date as well as costs related to the discontinuation of operations. A \$198,000 allowance was recorded under accounts payable and accrued liabilities at September 30, 2016 to cover those costs.

The partners made a capital contribution of \$2,600,000 in the three- and nine-month periods ended September 30, 2016, including \$1,274,000 from TVA Group for costs for which an allowance had already been made at the end of the previous financial year and \$1,326,000 from the other partner. The partners made no capital contribution in the third quarter of 2015 and a \$5,900,000 contribution in the nine-month period ended September 30, 2015, including \$2,891,000 from TVA Group and \$3,009,000 from the other partner.

#### b) Repayment of credit facility

In connection with the funding of the acquisition of the assets of MELS, the Corporation obtained a \$100,000,000 credit facility from Quebecor Media, which was paid down in full in the first quarter of 2015 with the proceeds from the subscription rights offering (note 8). The Corporation recognized and paid interest in the amount of \$805,000 on that credit facility in the first quarter of 2015.

### 12. 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 sheet:

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

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

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

The fair value of long-term debt and of the derivative financial instrument is estimated based on a valuation model using Level 2 inputs. The 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.

# TVA GROUP INC.

## Notes to interim condensed consolidated financial statements (continued)

Three-month and nine-month periods ended September 30, 2016 and 2015 (unaudited)  
(Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts)

### 12. Fair value of financial instruments (continued)

The carrying amount and fair value of the long-term debt and the derivative financial instrument as at September 30, 2016 and December 31, 2015 were as follows:

	September 30, 2016		December 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Derivative financial instrument	\$ 472	\$ 472	\$ 814	\$ 814
Long-term debt <sup>1</sup>	71,002	71,002	73,797	73,797

<sup>1</sup> The carrying amount of long-term debt excludes financing costs.

### 13. Segmented information

Management made changes to the Corporation's management structure at the beginning of 2016. Some Broadcasting & Production segment operations formerly conducted by TVA Accès inc. (now Mels Dubbing Inc.) were transferred to other units of the Corporation. Commercial production remained in the Broadcasting & Production segment, while custom publishing, commercial print production and premedia services were integrated into the operations of the Magazines segment and dubbing became part of the Film Production & Audiovisual Services segment. Financial information for prior comparative periods has been restated to take into account the new presentation.

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, commercial production services and distribution of audiovisual products by the TVA Films division.
- The **Magazines segment**, which through its subsidiaries, notably TVA Publications inc. and Les Publications Charron & Cie inc., publishes French- and English-language magazines in various fields such as the arts, entertainment, television, fashion, sports and decoration and markets digital products associated with the various magazine brands, and provides custom publishing, commercial print 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, postproduction and visual effects services.

# TVA GROUP INC.

## Notes to interim condensed consolidated financial statements (continued)

Three-month and nine-month periods ended September 30, 2016 and 2015 (unaudited)  
 (Tabular amounts are expressed in thousands of Canadian dollars, except per share and per option amounts)

### 13. Segmented information (continued)

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2016	2015	2016	2015
<b>Revenues</b>				
Broadcasting & Production	\$ 88,409	\$ 84,335	\$ 299,433	\$ 298,436
Magazines	30,025	34,989	86,709	81,214
Film Production & Audiovisual Services	15,969	21,536	44,131	51,640
Intersegment items	(2,811)	(2,337)	(8,929)	(6,829)
	<b>131,592</b>	<b>138,523</b>	<b>421,344</b>	<b>424,461</b>
<b>Adjusted operating income<sup>(1)</sup></b>				
Broadcasting & Production	11,249	19,214	4,934	11,422
Magazines	5,712	3,823	11,691	6,007
Film Production & Audiovisual Services	3,732	7,827	6,792	13,115
	<b>20,693</b>	<b>30,864</b>	<b>23,417</b>	<b>30,544</b>
Depreciation of property, plant and equipment and amortization of intangible assets	8,968	6,871	26,322	20,758
Financial expenses	738	1,009	2,574	3,814
Impairment of a licence and goodwill	40,100	60,107	40,100	60,107
Operational restructuring costs, impairment of assets and others	617	168	1,777	2,879
	<b>50,423</b>	<b>128,965</b>	<b>117,565</b>	<b>153,415</b>
<b>Loss before income tax expense (recovery) and share of (income) loss of associated corporations</b>	<b>\$ (29,730)</b>	<b>\$ (37,291)</b>	<b>\$ (47,356)</b>	<b>\$ (57,014)</b>

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

<sup>(1)</sup> 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 others, income taxes and share of (income) loss of associated corporations. Adjusted operating income (loss) as defined above is not a measure of results that is consistent with IFRS.