INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

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CORPORATE PROFILE

TVA Group Inc. ("TVA Group" or the "Corporation"), a subsidiary of Quebecor Media Inc. ("QMI" or the "parent corporation"), is a communications company with operations in four business segments: Broadcasting, Magazines, Film Production & Audiovisual Services, and Production & Distribution. In the Broadcasting segment, the Corporation creates, broadcasts and produces entertainment, sports, news and public affairs programming and is engaged in commercial production. It operates North America's largest private French-language television network as well as nine specialty services, since acquiring effective control of the "Zeste" and "Évasion" channels on February 13, 2019. Prior to that date, it held a minority interest in the "Évasion" specialty service. In the Magazines segment, TVA Group publishes over 50 titles, making it Quebec's largest magazine publisher. The Film Production & Audiovisual Services segment provides soundstage, mobile and equipment rental services as well as postproduction and visual effects services. The Production & Distribution segment produces and distributes television programs for the world market. The Corporation's Class B shares are listed on the Toronto Stock Exchange under the ticker symbol TVA.B.

This Interim Management's Discussion and Analysis covers the Corporation's main activities during the third quarter of 2019 and the major year-over-year changes. The Corporation's Condensed Interim Consolidated Financial Statements for the three-month and nine-month periods ended September 30, 2019 and 2018 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including in particular IAS 34, *Interim Financial Reporting*.

On January 1, 2019, the Corporation adopted on a fully retrospective basis the new rules under IFRS 16 which set out new principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The standard provides lessees with a single accounting model for all leases, with certain exemptions. In particular, lessees are required to report most leases on their balance sheets by recognizing right-of-use assets and related financial liabilities. Assets and liabilities arising from a lease are initially measured on a present value basis. The adoption of IFRS 16 had significant impacts on the consolidated financial statements since all of the Corporation segments are engaged in various long-term leases relating to premises and equipment. Under IFRS 16, most lease charges are now expensed as a depreciation of the right-of-use asset, along with interest on the related lease liability. Since operating lease charges were recognized as operating expenses as they were incurred under the previous standard, the adoption of IFRS 16 has changed the timing of the recognition of these lease charges over the term of each lease. It also has affected the classification of expenses in the consolidated statements of income (loss). Principal payments of the lease liability are now presented as financing activities in the consolidated statements of cash flows, whereas under the previous standard these payments were presented as operating activities. The impact of adoption of IFRS 16 on a fully retrospective basis is described under "Changes in Accounting Policies."

This report should be read in conjunction with the information in the annual Consolidated Financial Statements and Management's Discussion and Analysis for the financial year ended December 31, 2018 and in the Condensed Interim Consolidated Financial Statements dated September 30, 2019. All amounts are stated in Canadian dollars.

BUSINESS SEGMENTS

At the beginning of the second quarter of 2019, the Corporation reorganized its business segments to better reflect changes in its operations and management structure following the acquisition of the companies in the Incendo group on April 1, 2019. Accordingly, the new Production & Distribution segment was created.

As well, since February 13, 2019, following the acquisition of the companies in the Serdy Média inc. and Serdy Vidéo inc. groups, the activities of the "Évasion" and "Zeste" specialty services have been included in the Broadcasting segment's results, while postproduction activities have been included in the Film Production & Audiovisual Services segment's results.

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

- The **Broadcasting segment** includes the operations of TVA Network, specialty services, the marketing of digital products associated with the various televisual brands, and commercial production services;

- The **Magazines segment** through its subsidiaries, notably TVA Publications inc. and Les Publications Charron & Cie inc., publishes magazines in various fields including the arts, entertainment, television, fashion and decorating; markets digital products associated with the various magazine brands; and provides custom publishing services;

- The **Film Production & Audiovisual Services segment ("MELS")** through its subsidiaries Mels Studios and Postproduction G.P. and Mels Dubbing Inc., provides soundstage, mobile and equipment rental services, as well as dubbing, postproduction and visual effects;

- The **Production & Distribution segment** through the companies in the Incendo group produces and distributes television shows, movies and television series for the world market.

HIGHLIGHTS SINCE END OF SECOND QUARTER 2019

- On September 12, 2019, the collective agreement of the unionized employees in Sherbrooke, which had come to term on December 31, 2017 and which covered about 8% of the Corporation's permanent unionized employees, was renewed for five years, thus extending the term to December 31, 2022.

- On September 3, 2019, Patrick Jutras was appointed to the position of Senior Vice-President and Chief Advertising Officer of QMI and TVA Group.

NON-IFRS FINANCIAL MEASURES

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

Adjusted EBITDA (previously adjusted operating income (loss))

In its analysis of operating results, the Corporation defines adjusted EBITDA, as reconciled to net income (loss) under IFRS, as net income (loss) before depreciation and amortization, financial expenses, operational restructuring costs and other, income taxes and share of loss (income) of associates. Adjusted EBITDA as defined above is not a measure of results that is consistent with IFRS. It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows as a measure of liquidity. This measure should not be considered in isolation or as a substitute for other performance measures prepared in accordance with IFRS. This measure is used by management and the Board of Directors to evaluate the Corporation's consolidated results and the results of its segments. This measure eliminates the significant level of 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 EBITDA is also relevant because it is a significant component of the Corporation's annual incentive compensation programs. The Corporation's definition of EBITDA may not be the same as similarly titled measures reported by other companies.

Table 1 provides a reconciliation of adjusted EBITDA to net income (loss) as disclosed in the Corporation's condensed consolidated financial statements.

Table 1
Reconciliation of the adjusted EBITDA measure used in this report to the net income (loss) measure used in the condensed consolidated financial statements
(in thousands of dollars)

	Three-months ended September 30		Nine-months ended September 30	
	2019	2018	**2019**	2018
Adjusted EBITDA:				
Broadcasting	**$ 21,458**	$ 16,924	**$ 21,517**	$ 11,409
Magazines	**2,883**	2,074	**8,290**	6,104
Film Production & Audiovisual Services	**6,482**	9,089	**8,425**	11,103
Production & Distribution	**318**	–	**640**	–
	31,141	28,087	**38,872**	28,616
Depreciation and amortization	**11,155**	9,417	**29,942**	28,028
Financial expenses	**1,038**	800	**3,042**	2,493
Operational restructuring costs and other	**392**	(803)	**5,037**	154
Tax expense (recovery)	**5,133**	4,571	**496**	(757)
Share of loss (income) of associates	**55**	42	**(292)**	(610)
Net income (loss) attributable to shareholders	**$ 13,368**	$ 14,060	**$ 647**	$ (692)

ANALYSIS OF CONSOLIDATED RESULTS

2019/2018 third-quarter comparison

Operating revenues: $125,618,000, a $1,800,000 (-1.4%) decrease.

- $2,292,000 (2.6%) increase in the Broadcasting segment (Table 2), essentially due to a 10.7% increase in specialty channel revenues as a result of the addition of operating revenues from the "Évasion" and "Zeste" channels since their acquisition on February 13, 2019 and a 7.1% increase in the advertising revenues of the other specialty services. The favourable variance was partially offset by a 3.6% decrease in TVA Network's revenues.

- $3,755,000 (-20.5%) decrease in the Magazines segment (Table 2), due mainly to the impact on revenues of the discontinuation of the publication of *ELLE Canada* and *ELLE Québec* magazines, the last issues of which were released in May 2019, combined with the 28.5%, 24.7% and 7.2% decreases in advertising revenues, subscription revenues and newsstand revenues respectively, on a comparable basis.

- $2,965,000 (-12.7%) decrease in the Film Production & Audiovisual Services segment (Table 2), due primarily to a 29.4% decrease in revenues from soundstage, mobile and equipment rental, partially offset by revenue growth from visual effects and dubbing and subtitling.

- $3,097,000 increase in the Production & Distribution segment following the acquisition of the companies in the Incendo group on April 1, 2019.

Table 2
Operating revenues
(in thousands of dollars)

	Three-months ended September 30		Nine-months ended September 30	
	2019	2018	**2019**	2018
Broadcasting	**$ 90,979**	$ 88,687	**$ 313,550**	$ 304,338
Magazines	**14,519**	18,274	**48,333**	56,881
Film Production & Audiovisual Services	**20,468**	23,433	**47,669**	49,398
Production & Distribution	**3,097**	–	**6,576**	–
Intersegment items	**(3,445)**	(2,976)	**(10,414)**	(9,173)
	$ 125,618	$ 127,418	**$ 405,714**	$ 401,444

Adjusted EBITDA: $31,141,000, a $3,054,000 (10.9%) favourable variance.

- $4,534,000 favourable variance in the Broadcasting segment (Table 3), caused mainly by the acquisition of the "Évasion" and "Zeste" channels and a 25.0% increase in the adjusted EBITDA of the other specialty channels, including a 13.6% increase in adjusted EBITDA from "TVA Sports."

- $809,000 favourable variance in the Magazines segment (Table 3), due primarily to the savings generated by the continuation of various staff and expense rationalization plans implemented in recent quarters. Those savings outweighed the decrease in the segment's operating revenues.

- $2,607,000 unfavourable variance in the Film Production & Audiovisual Services segment (Table 3), due primarily to a 35.0% decrease in adjusted EBITDA from soundstage, mobile and equipment rental, as well as a decrease in adjusted EBITDA from postproduction activities, partially offset by positive adjusted EBITDA from visual effects, whereas negative adjusted EBITDA had been generated in the third quarter of 2018.

- $318,000 favourable variance in the Production & Distribution segment reflecting the addition of adjusted EBITDA generated by the companies in the Incendo group.

Table 3
Adjusted EBITDA
(in thousands of dollars)

	Three-months ended September 30		Nine-months ended September 30	
	2019	2018	**2019**	2018
Broadcasting	**$ 21,458**	$ 16,924	**$ 21,517**	$ 11,409
Magazines	**2,883**	2,074	**8,290**	6,104
Film Production & Audiovisual Services	**6,482**	9,089	**8,425**	11,103
Production & Distribution	**318**	–	**640**	–
	$ 31,141	$ 28,087	**$ 38,872**	$ 28,616

Net income attributable to shareholders: $13,361,000 ($0.31 per basic and diluted share), compared with $14,090,000 ($0.33 per basic and diluted share) for the same period of 2018.

- The negative variance of $729,000 (-$0.02 per basic and diluted share) was essentially due to:

  - $1,738,000 unfavourable variance in the depreciation and amortization charge;
  - $1,195,000 unfavourable variance in operational restructuring costs and other;
  - $562,000 unfavourable variance in the income tax expense; and
  - $238,000 unfavourable variance in financial expenses;

  partially offset by:

  - $3,054,000 increase in adjusted EBITDA.

- The calculation of earnings per share was based on a weighted average of 43,205,535 outstanding diluted shares for the quarters ended September 30, 2019 and 2018.

Depreciation and amortization: $11,155,000, a $1,738,000 increase essentially caused by an increase in the amortization charge for intangible assets resulting from business acquisitions, partially offset by a decrease in the amortization charge for certain technical equipment.

Financial expenses: $1,038,000, a $238,000 increase, due mainly to the accretion expense related to the amount payable and the contingent consideration in connection with the Acquisition of Incendo, as described below.

Operational restructuring costs and other: $392,000 in the third quarter of 2019, compared with -$803,000 in the same period of 2018.

- In the third quarter of 2019, the Corporation recorded $169,000 in operational restructuring costs arising from the elimination of positions, in particular $133,000 in the Magazines segment ($596,000 in the three-month period ended September 30, 2018, including $213,000 in the Broadcasting segment, $152,000 in the Magazines segment and $231,000 in the Film Production & Audiovisual Services segment).

- During the three-month period ended September 30, 2019, the Corporation also recorded a $196,000 charge in connection with business acquisitions.

- In July 2018, the Corporation closed the sale of a building in Quebec City for net proceeds on disposal of $3,528,000. The transaction gave rise to a $2,936,000 gain on disposal in the third quarter of 2018.

- In the third quarter of 2018, the Corporation recorded a $2,000,000 charge for impairment of its investment in an associate in the Magazines segment following revised guidance from that corporation's management and the continuing downward trend in operating revenues in the industry.

- During the same quarter, the Corporation also made a $370,000 downward adjustment to the provision for onerous leases in the Magazines segment.

Tax expense: $5,133,000 (effective tax rate of 27.7%) in the third quarter of 2019, compared with $4,571,000 (effective tax rate of 24.5%) in the same period of 2018.

- In the third quarter of 2019, the effective tax rate was higher than the Corporation's statutory tax rate of 26.6%, mainly because of the variance between the actual income tax charge for the 2018 financial year and the provision recognized in 2018, as well as permanent differences related to non-deductible items.

- In the third quarter of 2018, the tax rate was lower than the Corporation's statutory tax rate of 26.7%, essentially because of a $766,000 reduction in the Corporation's future income tax liability in light of the evolution of tax auditing, jurisprudence and tax legislation.

Share of loss of associates: $55,000 in the third quarter of 2019, compared with $42,000 in the same period of 2018; the $13,000 unfavourable variance was due to the lower financial results of an associate in the television industry, partially offset by the discontinuation of recognition of TVA Group's share of the loss of an associate in order to reflect the investment's fair value.

2019/2018 year-to-date comparison

Operating revenues: $405,714,000, a $4,270,000 (1.1%) increase.

- $9,212,000 (3.0%) increase in the Broadcasting segment (Table 2), essentially due to a 10.3% increase in specialty channel revenues as a result of the addition of operating revenues from the "Évasion" and "Zeste" channels, as well as increased combined revenues from the other channels. TVA Network recorded 2.2% lower operating revenues, including a 1.8% decrease in advertising revenues and an 8.5% decrease in revenues from commercial production activities.

- $8,548,000 (-15.0%) decrease in the Magazines segment (Table 2), due mainly to 22.5%, 15.9% and 9.1% decreases in advertising revenues, subscription revenues and newsstand revenues respectively, on a comparable basis, discontinuation of the publication of *ELLE Canada* and *ELLE Québec* magazines, and the sale of *The Hockey News* magazine on January 26, 2018.

- $1,729,000 (-3.5%) decrease in the Film Production & Audiovisual Services segment (Table 2), due primarily to a 22.5% decrease in revenues from soundstage, mobile and equipment rental, partially offset by revenue growth from postproduction, visual effects and dubbing and subtitling.

- $6,576,000 increase in the Production & Distribution segment, reflecting the acquisition of the companies in the Incendo group.

Adjusted EBITDA: $38,872,000, a $10,256,000 favourable variance.

- $10,108,000 favourable variance in the Broadcasting segment (Table 3) caused mainly by the acquisition of the "Évasion" and "Zeste" channels, a 12.9% decrease in the negative adjusted EBITDA of the "TVA Sports" channel, a 24.0% increase in the adjusted EBITDA of the other specialty channels, and a 6.3% increase in TVA Network's adjusted EBITDA.

- $2,186,000 favourable variance in the Magazines segment (Table 3), due mainly to the savings generated by the continuation of staff and expense rationalization plans implemented in recent quarters, which outweighed the decrease in operating revenues.

- $2,678,000 unfavourable variance in the Film Production & Audiovisual Services segment (Table 3), due primarily to a 41.1% decrease in adjusted EBITDA from soundstage, mobile and equipment rental activities, partially offset by a 76.4% decrease in negative adjusted EBITDA from visual effects.

- $640,000 favourable variance in the Production & Distribution segment reflecting the addition of the adjusted EBITDA of the companies in the Incendo group.

Net income attributable to shareholders: $422,000 ($0.01 per basic and diluted share) for the first nine months of 2019, compared with a net loss attributable to shareholders of $468,000 (-$0.01 per basic and diluted share) in the same period of 2018.

- The $890,000 ($0.02 per basic and diluted share) favourable variance was essentially due to:

    - $10,256,000 increase in adjusted EBITDA;

    partially offset by:

    - $4,883,000 unfavourable variance in operational restructuring costs and other;

    - $1,914,000 unfavourable variance in the depreciation and amortization charge;

    - $1,253,000 unfavourable variance in the tax expense;

    - $549,000 unfavourable variance in financial expenses;

    - $449,000 increase in the share of income attributable to the non-controlling interest; and

    - $318,000 unfavourable variance in the share of income of associates.

- The calculation of earnings (loss) per share was based on a weighted average of 43,205,535 outstanding diluted shares for the nine-month periods ended September 30, 2019 and 2018.

Depreciation and amortization expense: $29,942,000, a $1,914,000 increase essentially due to the same factors as those noted above in the 2019/2018 third-quarter comparison, as well as an increase in the amortization charge for equipment for rental.

Financial expenses: $3,042,000, a $549,000 increase due mainly to the same factor as that mentioned above in the 2019/2018 third-quarter comparison, as well as interest on the higher short-term debt stemming from the recent acquisitions made by the Corporation.

Operational restructuring costs and other: $5,037,000 in the first nine months of 2019, compared with $154,000 in the same period of 2018.

- In the first nine months of 2019, the Corporation recorded $2,644,000 in operational restructuring costs arising from the elimination of positions, including $1,181,000 in the Broadcasting segment, $1,350,000 in the Magazines segment and $113,000 in the Film Production & Audiovisual Services segment ($2,070,000 in the same period of 2018, including $612,000 in the Broadcasting segment, $1,043,000 in the Magazines segment and $415,000 in the Film Production & Audiovisual Services segment).

- In the same period, the Corporation recorded a $2,061,000 charge in connection with business acquisitions, primarily for investments in the Canadian broadcasting system to support French-language productions, as required by the CRTC as a condition of transferring the licences for the “Évasion” and “Zeste” channels to the Corporation.

- During this period, the Corporation also made a $397,000 upward adjustment to the provision for onerous leases in the Magazines segment ($172,000 downward adjustment in the first nine months of 2018).

- As mentioned in the 2019/2018 third-quarter comparison, the Corporation recorded a $2,936,000 gain on disposal in the third quarter of 2018 following the sale of a building in Quebec City, as well as a $2,000,000 impairment charge on its investment in an associate in the Magazines segment.

- Lastly, in the first nine months of 2018, the Corporation also recorded a $1,000,000 gain on the sale of *The Hockey News* magazine.

Tax expense: $496,000 (effective tax rate of 58.3%) in the first nine months of 2019, compared with a $757,000 tax recovery (effective tax rate of 36.8%) in the same period of 2018.

- In the first nine months of 2019, the effective tax rate was higher than the Corporation’s statutory tax rate of 26.6%, because of, among other things, permanent differences related to non-deductible items and the difference between the actual income tax charge for the 2018 financial year and the provision recognized in 2018.

- In the first nine months of 2018, the effective tax rate was higher than the Corporation’s statutory tax rate of 26.7% because of, among other things, a $766,000 reduction in the Corporation’s future income tax liabilities, partially offset by a non-deductible charge for impairment of an investment in an associate.

Share of income of associates: $292,000 in the first nine months of 2019, compared with $610,000 in the same period of 2018; the $318,000 unfavourable variance was mainly due to the lower financial results of an associate in the television industry and the discontinuation of recognition of TVA Group’s share of the income of an associate in order to reflect the investment’s fair value.

SEGMENTED ANALYSIS

Broadcasting

2019/2018 third-quarter comparison

Operating revenues: $90,979,000, a $2,292,000 (2.6%) increase, due primarily to the addition of revenues from the “Évasion” and “Zeste” specialty services following their acquisition on February 13, 2019 and, on a comparable basis:

- 7.1% increase in the combined advertising revenues of the specialty channels; and

- 2.6% increase in the subscription revenues of the entertainment specialty channels and of “LCN”;

partially offset by:

- 34.5% decrease in commercial production revenues at TVA Network due to lower volume of activities;

- 4.8% decrease in the subscription revenues of “TVA Sports”; and

- 1.5% decrease in TVA Network’s advertising revenues.

French-language audience share

Table 4
French-language audience share
(Market share in %)

Third quarter 2019 vs Third quarter 2018			
	2019	**2018**	**Difference**
French-language conventional broadcasters:			
TVA	**23.6**	23.7	- 0.1
SRC	**11.1**	10.8	0.3
V	**5.5**	5.4	0.1
	40.2	39.9	0.3
French-language specialty and pay services:			
TVA	**14.7**	14.4	0.3
Bell Media	**15.0**	14.4	0.6
Corus	**7.7**	8.3	- 0.6
SRC	**5.2**	5.2	-
Other	**4.9**	6.1	- 1.2
	47.5	48.4	- 0.9
Total English-language channels and other:	**12.3**	11.7	0.6
TVA Group	**38.3**	38.1	0.2

Source: Numeris, French Quebec, July 1 to Septembe 30, Mon-Sun, 2:00a.m – 2:00a.m, All 2+.

TVA Group's market share for the period of July 1 to September 30, 2019 increased by 0.2 point to 38.3%, compared with 38.1% in the same period of 2018.

TVA Group's specialty services had a combined market share of 14.7% in the third quarter of 2019, compared with 14.4% in the same period of 2018, a 0.3-point increase due in part to the acquisition of the "Évasion" and "Zeste" channels. The "TVA Sports" channel posted 0.4-point growth. The news and public affairs channel "LCN" had a 5.1% share for the three-month period and continues to be Quebec's most-watched specialty channel.

TVA Network maintained its lead among over-the-air channels with a 23.6% market share, more than its two main over-the-air rivals combined. It carried three of the top five shows in Quebec during the third quarter of 2019, including the new original television series *Alerte Amber*, which was a hit with an average audience of more than 1.5 million.

Operating expenses: $69,521,000, a $2,242,000 (-3.1%) decrease due primarily to:

- a 4.0% decrease in TVA Network's operating expenses because of a favourable retroactive adjustment related to reproduction rights for musical works, the favourable impact of various cost-cutting initiatives and lower volume of activities in commercial production. The reductions were partially offset by the recognition of a provision for pending lawsuits; and

- 11.4% decrease in the specialty channels' operating expenses, excluding "Évasion" and "Zeste," also stemming from a favourable retroactive adjustment related to reproduction rights for musical works;

partially offset by:

- the addition of operating expenses of the "Évasion" and "Zeste" specialty channels following their acquisition on February 13, 2019.

Adjusted EBITDA: $21,458,000, a $4,534,000 favourable variance due primarily to:

- acquisition of the "Évasion" and "Zeste" channels; and
- 25.0% increase in the other specialty channels' adjusted EBITDA, mainly as a result of the above-noted decrease in operating expenses.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Broadcasting segment's activities (expressed as a percentage of revenues) decreased from 80.9% in the third quarter of 2018 to 76.4% in the same period of 2019. The decrease was caused by both higher operating revenues and lower operating expenses for the segment.

<u>2019/2018 year-to-date comparison</u>

Operating revenues: $313,550,000, a $9,212,000 (3.0%) increase due primarily to the addition of the operating revenues of the "Évasion" and "Zeste" channels, and on a comparable basis:

- 6.7% increase in the advertising revenues of the specialty services, notably a 10.4% increase for "TVA Sports"; and
- a 4.1% increase in the subscription revenues of the specialty services other than "TVA Sports";

partially offset by:

- 2.2% lower operating revenues for TVA Network, including a 1.8% decrease in advertising revenues and an 8.5% decrease in revenues from commercial production due to lower volume of activities; and
- 2.9% decrease in the subscription revenues of "TVA Sports."

Operating expenses: $292,033,000, an $896,000 (-0.3%) decrease due primarily to:

- 3.1% decrease in TVA Network's operating expenses, essentially because of the combination of:
  - decrease in content costs;
  - favourable impact of various expense reduction initiatives;
  - a favourable retroactive adjustment related to reproduction rights for musical works;
  - decrease in operating expenses related to commercial production; and
  - recognition of a provision for pending lawsuits; and
- 2.1% decrease in operating expenses at the specialty services other than "Évasion" and "Zeste," notably a 2.7% decrease in "TVA Sports" expenses, because of favourable retroactive adjustments related to reproduction rights for musical works and cost reductions;

partially offset by:

- the addition of the operating expenses of the "Évasion" and "Zeste" channels;

Adjusted EBITDA: $21,517,000, a $10,108,000 favourable variance due primarily to:

- acquisition of the "Évasion" and "Zeste" channels;
- 12.9% decrease in the negative adjusted EBITDA of "TVA Sports" due primarily to the decrease in its operating expenses;
- 24.0% increase in the adjusted EBITDA of the other specialty channels; and
- 6.3% increase in TVA Network's adjusted EBITDA.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Broadcasting segment's activities (expressed as a percentage of revenues) decreased from 96.3% in the first nine months of 2018 to 93.1% in the same period of 2019. The decrease was caused mainly by higher operating revenues for the segment.

Acquisition of the shares of the companies in the Serdy Média inc. group and the Serdy Vidéo inc. group ("Acquisition of Serdy")

On February 13, 2019, the Corporation acquired all of the shares of the companies in the Serdy Média inc. group, which owns and operates the "Évasion" and "Zeste" specialty channels, and the companies in the Serdy Vidéo inc. group, which is involved in television production, for a cash purchase price of $25,604,000, including a $1,604,000 adjustment based on a predetermined working capital target agreed to by the parties, less $519,000 in acquired cash. The results of operation of the "Évasion" and "Zeste" channels have been included in the Broadcasting segment's results, while the results of postproduction activities have been included in the Film Production & Audiovisual Services segment's results since the acquisition date. The acquisition is consistent with the Corporation's strategic objective of enhancing its array of television content for its viewers and advertisers.

Magazines

2019/2018 third-quarter comparison

Operating revenues: $14,519,000, a $3,755,000 (-20.5%) decrease due mainly to the impact of the discontinuation of the publication of *ELLE Canada* and *ELLE Québec* magazines, the last issues of which were issued in May 2019, as well as the following decreases, on a comparable basis:

- 28.5% decrease in advertising revenues, mainly in the decorating and women's categories;
- 24.7% decrease in subscription revenues, primarily in the women's and decorating categories; and
- 7.2% decrease in newsstand revenues.

Canada Periodical Fund

The Government of Canada created the Canada Periodical Fund ("**CPF**") on April 1, 2010. The CPF provides financial assistance to the Canadian magazine and non-daily newspaper industries so they can continue to produce and distribute Canadian content. All assistance related to this program is fully recorded under operating revenues. It amounted to 16.5% of the segment's operating revenues for the three-month period ended September 30, 2019 (15.1% in the same period of 2018).

Readership and market share statistics

With nearly 3.8 million readers across all platforms for its French titles, TVA Group is the top publisher of French-language magazines in Quebec and a leading player in the Canadian magazine market with a total of more than 9.3 million cross-platform readers. *7 Jours* is Quebec's most popular entertainment and celebrity news magazine with 538,000 readers per week on all platforms.

Canada's lifestyle standard-setter *Canadian Living* reaches nearly 3.9 million cross-platform readers. Its French-language counterpart *Coup de pouce* is the most-read French-language lifestyle magazine on all platforms with 1.4 million cross-platform readers.

Clin d'œil is the most popular fashion and beauty magazine in Quebec with 615,000 cross-platform readers.

Source: Vividata, Spring 2019, Total Canada, 14+, January 1, 2018 to December 31, 2018

Operating expenses: $11,636,000, a decrease of $4,564,000 (-28.2%) due mainly to:

- decrease in operating expenses resulting from the discontinuation of the publication of *ELLE Canada* and *ELLE Québec* magazines;
- subscription cost savings, on a comparable basis, largely in distribution and in recruiting campaigns; and
- operating cost savings resulting from staff and expense rationalization plans implemented in recent quarters.

Adjusted EBITDA: $2,883,000, an $809,000 favourable variance, due mainly to the decrease in operating expenses, which outweighed the decrease in operating revenues.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Magazines segment's activities (expressed as a percentage of revenues) decreased from 88.7% in the third quarter of 2018 to 80.1% in the same period of 2019, mainly because the decrease in the segment's operating expenses exceeded the decrease in its operating revenues.

2019/2018 year-to-date comparison

Operating revenues: $48,333,000, an $8,548,000 (-15.0%) decrease due primarily to:

- 22.5% decrease in the magazines' advertising revenues, on a comparable basis, mainly in the women's and decorating categories;
- the impact of the discontinuation of the publication of *ELLE Canada* and *ELLE Québec* magazines in May 2019;
- 15.9% decrease in subscription revenues on a comparable basis, largely in the women's and decorating categories;
- 9.1% decrease in the magazines' newsstand revenues, on a comparable basis; and
- the sale of *The Hockey News* magazine on January 26, 2018.

Operating expenses: $40,043,000, a decrease of $10,734,000 (-21.1%) due mainly to:

- subscription cost savings, on a comparable basis, largely in distribution and in recruiting campaigns;
- decrease in operating expenses resulting from the discontinuation of the publication of *ELLE Canada* and *ELLE Québec* magazines;
- operating cost savings resulting from staff and expense rationalization plans implemented in recent quarters; and
- decrease in operating expenses resulting from the sale of *The Hockey News* magazine.

Adjusted EBITDA: $8,290,000, a $2,186,000 favourable variance due mainly to the decrease in operating expenses, which outweighed the decrease in operating revenues.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Magazines segment's activities (expressed as a percentage of revenues) decreased from 89.3% in the nine-month period ended September 30, 2018 to 82.8% in the same period of 2019. The decrease was essentially due to the same factor as that noted above in the 2019/2018 third quarter comparison.

Film Production & Audiovisual Services

2019/2018 third-quarter comparison

Operating revenues: $20,468,000, a $2,965,000 (-12.7%) decrease due primarily to:

- 29.4% decrease in revenues from soundstage, mobile and equipment rental;

partially offset by:

- growth in revenues from visual effects and dubbing and subtitling due to higher volume of activities.

Operating expenses: $13,986,000, a $358,000 (-2.5%) decrease, due primarily to:

- 22.7% decrease in operating expenses related to soundstage, mobile and equipment rental, essentially because of lower volume of activities;

partially offset by:

- 21.3% increase in operating expenses related to postproduction activities as a result, among other things, of the inclusion of the operations of Audio Zone since August 27, 2018 and Serdy since February 13, 2019; and
- 38.5% and 20.2% increases in operating expenses related to dubbing and subtitling and visual effects activities respectively, stemming from higher volume of activities.

Adjusted EBITDA: $6,482,000, a $2,607,000 unfavourable variance due primarily to a 35.0% decrease in adjusted EBITDA from soundstage, mobile and equipment rental, as well as a decrease in adjusted EBITDA from postproduction, partially offset by positive adjusted EBITDA from visual effects, whereas negative adjusted EBITDA had been generated in the third quarter of 2018.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Film Production & Audiovisual Services segment's activities (expressed as a percentage of revenues) increased from 61.2% in the third quarter of 2018 to 68.3% in the third quarter of 2019, essentially due to the decrease in operating revenues.

2019/2018 year-to-date comparison

Operating revenues: $47,669,000, a decrease of $1,729,000 (-3.5%), primarily due to:

- 22.5% decrease in revenues from soundstage, mobile and equipment rental;

partially offset by:

- 36.5% increase in postproduction revenues due to higher volume of activities stemming from, among other things, the Acquisition of Audio Zone on August 27, 2018;
- 70.9% increase in visual effects revenues due to higher volume of activities; and
- 7.5% increase in dubbing and subtitling revenues.

Operating expenses: $39,244,000, a $949,000 (2.5%) increase due primarily to:

- 38.1% increase in operating expenses related to postproduction as a result of higher volume of activities, as indicated above; and

- 10.4% increase in operating expenses related to dubbing and subtitling because of higher volume of activities;

partially offset by:

- 10.5% decrease in operating expenses related to soundstage, mobile and equipment rental.

Adjusted EBITDA: $8,425,000, a $2,678,000 unfavourable variance primarily due to:

- 41.1% decrease in adjusted EBITDA from soundstage, mobile and production equipment rental;

partially offset by:

- decrease in negative adjusted EBITDA from visual effects.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Film Production & Audiovisual Services segment's activities (expressed as a percentage of revenues) increased from 77.5% in the first nine months of 2018 to 82.3% in the same period of 2019. The increase came mainly because the decrease in operating revenue from soundstage, mobile and equipment rental significantly exceeded the decrease in operating expenses related to that service.

Acquisition of the assets of Mobilimage inc. ("Acquisition of the assets of Mobilimage")

On January 22, 2018, Mels Studios and Postproduction G.P. acquired the assets of Mobilimage inc., consisting mainly of mobile production vehicles and equipment, for a cash purchase price of $2,705,000, consisting of the agreed price of $2,750,000 less a $45,000 adjustment related to a predetermined working capital target agreed to by the parties. The results of the HD and 4K mobile rental and operation business have been included in the Film Production & Audiovisual Services segment's results since the acquisition date. The acquisition was consistent with the Corporation's strategic objective of offering an array of production equipment and services in order to meet producers' needs and reduce the use of outsourced services for its own production needs.

Acquisition of the shares of Audio Zone Inc. ("Acquisition of Audio Zone")

On August 27, 2018, the Corporation acquired all shares of Audio Zone Inc., a sound postproduction company, for a total cash purchase price of $2,050,000 consisting of the agreed price of $2,024,000 and assumption of a $26,000 bank overdraft. This purchase price includes a $24,000 adjustment based on a predetermined working capital target agreed to by the parties, which was paid in the fourth quarter of 2018. The purchase price allocation essentially included accounts receivable, property, plant and equipment, a client list, a non-compete clause, goodwill, and accounts payable and accrued liabilities. The sound postproduction service's results have been included in the results of the Film Production & Audiovisual Services segment since the acquisition date. The acquisition was consistent with the Corporation's strategic objective of offering an array of production services that meet the needs of producers and customers.

Production & Distribution

2019/2018 third-quarter comparison

The acquisition of the companies in the Incendo group on April 1, 2019 gave rise to the following variances in operating results for the third quarter of 2019:

- $3,097,000 favourable variance in operating revenues;

- $2,779,000 unfavourable variance in operating expenses; and
- $318,000 favourable variance in adjusted EBITDA generated by the new segment.

Activities related to the distribution of films produced by Incendo accounted for 69.8% of the segment's operating revenues for the three-month period ended September 30, 2019. Incendo's productions are mainly thrillers, with nearly 70% of revenues for the three-month period stemming from international distribution.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Production & Distribution segment's activities (expressed as a percentage of revenues) amounted to 89.7% for the three-month period ended September 30, 2019.

2019/2018 year-to-date comparison

The companies in the Incendo group gave rise to the following variances in operating results for the nine-month period ended September 30, 2019:

- $6,576,000 favourable variance in operating revenues;
- $5,936,000 unfavourable variance in operating expenses; and
- $640,000 favourable variance in adjusted EBITDA generated.

Activities related to the distribution of films produced by Incendo accounted for 78.0% of the segment's operating revenues for the nine-month period ended September 30, 2019. Incendo's productions are mainly thrillers, with nearly 67% of revenues for the nine-month period stemming from international distribution. Operating results for the period are consistent with the Corporation's forecasts.

Analysis of cost/revenue ratio: Employee costs and the cost of purchases of goods and services for the Production & Distribution segment's activities (expressed as a percentage of revenues) amounted to 90.3% for the nine-month period ended September 30, 2019.

Acquisition of the shares of the companies in the Incendo group ("Acquisition of Incendo")

On April 1, 2019, the Corporation closed an agreement reached on February 22, 2019 to acquire the shares of the companies in the Incendo Media Inc. group, which is engaged in the production and distribution of high-quality television programming for the worldwide marketplace, for a cash consideration of $10,392,000 (net of $859,000 in acquired cash and a $644,000 repayment due to an adjustment based on a predetermined working capital target agreed to by the parties) and a balance payable at fair value of $6,818,000 on the acquisition date. The purchase price is also subject to adjustments related to the achievement of financial conditions in the next three years. The contingent consideration was set at $1,739,000 on that date, according to the discounted future cash flows of the future contingent adjustments. The discounted future value is determined according to significant inputs not based on observable market data, assumptions and a range of probabilities for the achievement of financial conditions. The preliminary purchase price allocation essentially includes accounts receivable, programs, film and musical rights catalogues, goodwill and accounts payable and accrued liabilities. Since the acquisition date, the acquired operation's results have been presented under a new business segment, the Production & Distribution segment.

This acquisition is in keeping with the Corporation's strategy of diversifying its revenue streams and expanding its international footprint, especially in English-language markets. The goodwill associated with this acquisition arises primarily from the organization's expertise and expected future growth.

CASH FLOWS AND FINANCIAL POSITION

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

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

	Three-months ended September 30		Nine-months ended September 30	
	2019	2018	**2019**	2018
Cash flows related to operating activities	**$ 32,842**	$ 21,234	**$ 45,684**	$ 24,133
Additions to property, plant and equipment and intangible assets	**(3,885)**	(5,005)	**(12,992)**	(13,294)
Disposal of property, plan and equipment and intangible assets	**–**	3,723	**–**	3,723
Business acquisitions	**(972)**	(2,026)	**(35,477)**	(4,731)
Other	**(604)**	(957)	**(2,933)**	(4,122)
Repayment of (increase in) net debt	**$ 27,381**	$ 16,969	**$ (5,718)**	$ 5,709

	September 30, 2019	December 31, 2018
At period end:		
Bank overdraft	**$ 1,029**	$ –
Short-term debt	**44,775**	52,849
Less: cash	**(5,349)**	(18,112)
Net debt	**$ 40,455**	$ 34,737

Operating activities

Cash flows provided by operating activities: $11,608,000 increase for the three-month period ending September 30, 2019 compared with the same period of 2018, due mainly to a $8,522,000 net favourable variance in operating assets and liabilities, particularly accounts receivable, partially offset by an unfavourable variance in accounts payable and accrued liabilities, and a $3,054,000 increase in adjusted EBITDA.

Cash flows provided by operating activities: $21,551,000 increase during the nine-month period ending September 30, 2019, compared with the same period of 2018, due mainly to:

- $14,882,000 favourable net change in operating assets and liabilities, including favourable variances in accounts receivable, and current tax assets and liabilities, partially offset by unfavourable variances in accounts payable and accrued liabilities, as well as deferred revenues; and

- $10,256,000 increase in adjusted EBITDA;

partially offset by:

- $4,883,000 unfavourable variance in operational restructuring costs and other.

Working capital: Negative amount of $6,349,000 as at September 30, 2019, compared with a positive amount of $4,995,000 at December 31, 2018. The $11,344,000 negative variance is mainly due to lower accounts receivable and cash, partially offset by decreases in short-term debt, accounts payable and accrued liabilities and provisions and by an increase in current income tax assets.

Investing activities

Additions to property, plant and equipment and to intangible assets: $3,885,000 in the third quarter of 2019, compared with $5,005,000 in the same period of 2018, a decrease of $1,120,000 (-22.4%). The decrease stems mainly from reduced investment in equipment for rental during the third quarter of 2019 compared with the same period of 2018.

Additions to property, plant and equipment and to intangible assets: $12,992,000 for the first nine months of 2019, compared with $13,294,000 in the same period of 2018, a slight decrease of $302,000 (-2.3%).

During the nine-month period ended September 30, 2019, the Corporation made investments in technical equipment necessary to integrate activities following the Acquisition of Serdy and in the "TVA Sports Direct" platform.

Disposal of property, plant and equipment and of intangible assets: nil for the three-month and nine-month periods ended September 30, 2019 ($3,723,000 in the same periods of 2018). In July 2018, the Corporation closed the sale of a building in Quebec City for net proceeds on disposal of $3,528,000.

Business acquisitions: $972,000 in the three-month period ended September 30, 2019 mainly related to the settlement of adjustments based upon predetermined working capital targets agreed to by the parties (see "Acquisition of Serdy" and "Acquisition of Incendo" above) compared with $2,026,000 in the same period of 2018 (see "Acquisition of Audio Zone" above).

Business acquisitions: $35,477,000 in the nine-month period ended September 30, 2019 (see "Acquisition of Serdy" and "Acquisition of Incendo" above) compared with $4,731,000 in the same period of 2018 (see "Acquisition of the assets of Mobilimage" and "Acquisition of Audio Zone" above).

Financing activities

Short-term debt (excluding deferred financing costs): $44,825,000 as at September 30, 2019, compared with $52,939,000 at December 31, 2018. The $8,114,000 decrease essentially reflects quarterly principal payments on the term loan.

Financial position as at September 30, 2019

Net available liquid assets: $154,165,000, consisting of a $149,845,000 unused and available revolving credit facility and $5,349,000 in cash, less a $1,029,000 bank overdraft.

As at September 30, 2019, the entire $44,825,000 principal amount was payable on the debt during the next 12-month period.

The weighted average term of TVA Group's debt was approximately 0.1 year as at September 30, 2019 (0.8 year as of December 31, 2018). The debt consisted entirely of floating-rate debt as at September 30, 2019 and December 31, 2018.

The Corporation has a $150,000,000 revolving credit facility, which matures on February 24, 2020. As at September 30, 2019, the revolving credit facility was undrawn, with the exception of outstanding letters of credit amounting to $155,000. As at December 31, 2018, there were no drawings on the revolving credit facility.

The Corporation's management believes that the cash flows generated on an annual basis by continuing operating activities and by available sources of financing should be sufficient to fulfill its commitments with respect to investment in property, plant and equipment, working capital, interest payments, income tax payments, debt repayment, pension plan contributions, share redemptions and dividend payments (or distribution of capital), and to meet its commitments and guarantees.

Under its credit agreements, the Corporation is subject to certain covenants, including maintenance of certain financial ratios. As at September 30, 2019, the Corporation was in compliance with all the terms of its credit agreements.

Analysis of consolidated balance sheet at September 30, 2019

Table 6
Consolidated balance sheets of TVA Group
Analysis of main variances between September 30, 2019 and December 31, 2018
(in thousands of dollars)

	September 30, 2019	December 31, 2018	Difference	Main reasons for difference
Assets				
Cash	**$ 5,349**	$ 18,112	$ (12,763)	Impact of the Acquisition of Serdy and Acquisition of Incendo.
Accounts receivable	**133,047**	151,715	(18,668)	Impact of current and seasonal variations in activities and a tightening of our credit policies, net of the impact of the Acquisition of Serdy and Acquisition of Incendo.
Programs and broadcast rights	**51,689**	42,987	8,702	Impact of the Acquisition of Serdy and Acquisition of Incendo.
Property, plant and equipment	**174,716**	186,583	(11,867)	Impact of depreciation charges exceeding investments and the property, plant and equipment acquired in the Acquisition of Serdy.
Intangible assets	**30,639**	13,662	16,977	Impact of the Acquisition of Serdy and Acquisition of Incendo.
Goodwill	**23,104**	9,102	14,002	Impact of the Acquisition of Serdy and Acquisition of Incendo.
Liabilities				
Accounts payable and accrued liabilities	**$ $ 92,724**	$ 100,306	$ (7,582)	Impact of current and seasonal variations in activities, net of the impact of the Acquisition of Serdy and Acquisition of Incendo.
Short-term debt	**44,775**	52,849	(8,074)	Impact of quarterly capital repayments on term loan.
Other liabilities	**23,257**	10,885	12,372	Impact of the Acquisition of Serdy and Acquisition of Incendo.

ADDITIONAL INFORMATION

Contractual obligations

As of September 30, 2019, material contractual commitments of operating activities included capital repayment and interest on debt and lease liabilities, payments under broadcast rights acquisition contracts, and payments under other contractual commitments. These contractual obligations are summarized in Table 7.

Table 7
Material contractual obligations of TVA Group as of September 30, 2019
(in thousands of dollars)

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Current portion of long-term debt	$ 44,825	$ –	$ –	$ –	$ 44,825
Lease liabilities	3,335	5,065	2,215	1,437	12,052
Payment of interest[1]	1,034	662	191	88	1,975
Broadcast rights	181,176	170,310	139,518	132,500	623,504
Other commitments	15,638	11,619	2,922	155	30,334
Total	**$ 246,008**	**$ 187,656**	**$ 144,846**	**$ 134,180**	**$ 712,690**

[1] *Interest is calculated on a constant debt level equal to that at September 30, 2019 on the revolving credit facility and includes standby fees on that facility and interest payable on lease obligations.*

In 2013, QMI and TVA Group reached a 12-year agreement with Rogers Communications Inc. for Canadian French-language broadcast rights to National Hockey League games. Operating expenses related to that contract are recognized in the Corporation's operating expenses and total commitments related to the contract have been included in the Corporation's commitments.

Related party transactions

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

In the third quarter of 2019, the Corporation sold advertising space and content to, recognized subscription revenues from, and provided production, postproduction and other services to corporations under common control and associated corporations in the aggregate amount of $23,457,000 ($21,934,000 in the third quarter of 2018).

In the third quarter of 2019, the Corporation recorded telecommunications service costs, advertising space acquisition costs, professional service fees, commissions on sales and newsgathering costs arising from transactions with corporations under common control and associated corporations totalling $12,874,000 ($12,142,000 in the third quarter of 2018).

In the third quarter of 2019, the Corporation also billed management fees to corporations under common control in the amount of $1,288,000 ($2,416,000 in the third quarter of 2018). These fees are recorded as a reduction of operating expenses.

As well, the Corporation paid management fees to the parent corporation in the amount of $855,000 in the third quarter of 2019 ($855,000 in the third quarter of 2018).

During the first nine months of 2019, the Corporation sold advertising space and content, recorded subscription revenues and provided production, postproduction and other services to corporations under common control and associated corporations in the aggregate amount of $73,703,000 ($72,994,000 during the first nine months of 2018).

In the first nine months of 2019, the Corporation recorded telecommunications service costs, advertising space acquisition costs, professional service fees, commissions on sales and newsgathering costs arising from transactions with corporations under common control and associated corporations totalling $42,988,000 ($41,898,000 in the first nine months of 2018).

In the nine-month period ended September 30, 2019, the Corporation also billed management fees to corporations under common control in the amount of $4,543,000 ($7,869,000 in the same period of 2018).

As well, the Corporation paid management fees to the parent corporation in the amount of $2,565,000 in the first nine months of 2019 ($2,565,000 in the first nine months of 2018).

Capital stock

Table 8 below presents information on the Corporation’s capital stock. In addition, 565,000 Class B stock options of the Corporation were outstanding as at October 18, 2019.

Table 8
Number of shares outstanding as at October 18, 2019
(in shares and dollars)

	Issued and outstanding	Carrying amount
Class A common shares	4,320,000	$ 0.02
Class B shares	38,885,535	$ 5.33

Contingencies and legal disputes

Lawsuits were brought by and against the Corporation, and against Quebecor and some of its subsidiaries, in connection with business disputes with a broadcasting distribution undertaking. At this stage in the proceedings, the management of the Corporation does not expect their outcome to have a material effect on the Corporation’s results or on its financial position.

Changes in Accounting Policies

IFRS 16 - *Leases*

On January 1, 2019, the Corporation adopted on a fully retrospective basis the new rules under IFRS 16, which set out new principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The standard provides lessees with a single accounting model for all leases, with certain exemptions. In particular, lessees are required to report most leases on their balance sheets by recognizing right-of-use assets and related financial liabilities. Assets and liabilities arising from a lease are initially measured on a present value basis.

The adoption of IFRS 16 had significant impacts on the consolidated financial statements since all of the Corporation segments are engaged in various long-term leases relating to premises and equipment.

Under IFRS 16, most lease charges are now expensed as a depreciation of the right-of-use asset, along with interest on the related lease liability. Since operating lease charges were recognized as operating expenses as they were incurred under the previous standard, the adoption of IFRS 16 has changed the timing of the recognition of these lease charges over the term of each lease. It also has affected the classification of expenses in the consolidated statements of income (loss).

Principal payments on the lease liability are now presented as financing activities in the consolidated statements of cash flows, whereas under the previous standard these payments were presented as operating activities.

The retrospective adoption of IFRS 16 had the following impacts on the comparative consolidated financial figures:

Interim consolidated statements of income (loss) and comprehensive income (loss)

Increase (decrease)		Three-months ended September 30, 2018		Nine-months ended September 30, 2018
Purchases of goods and services	$	(1,119)	$	(3,257)
Depreciation and amortization		815		2,319
Financial expenses		202		626
Operational restructuring costs and other		(24)		(3)
Tax recovery		(33)		(83)
Net loss and comprehensive loss	$	(93)	$	(232)

Consolidated balance sheets

Increase (decrease)		December 31, 2018		December 31, 2017
Right-of-use assets	$	9,161	$	10,922
Deferred income tax assets		170		438
Accounts payable and accrued liabilities		57		63
Provisions		(1,166)		(1,153)
Lease liabilities [1]		13,092		15,524
Other liabilities		(2,183)		(1,860)
Retained earnings	$	(469)	$	(1,214)

[1] *The current portion of lease liabilities stood at $3,480,000 as of December 31, 2018 and $4,298,000 as of December 31, 2017.*

IFRIC 23 - *Uncertainty Over Income Tax Treatments*

IFRIC 23 provides guidance on how to value uncertain income tax positions based on the probability of whether or not the relevant tax authorities will accept the Corporation's tax treatments. The adoption of IFRS 23 had no impact on the consolidated financial statements.

Disclosure controls and procedures

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

For the Broadcasting, Magazines and Film Production & Audiovisual Services segments, management has identified no changes in internal control over financial reporting during the three-month period ended September 30, 2019 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

On April 1, 2019, the Corporation closed the acquisition of the companies in the Incendo group, the operations of which are presented in the new Production & Distribution segment. Given the brief interval between the acquisition date and the attestation date of September 30, 2019, management was unable to complete its analysis of internal controls over that segment's financial reporting. In the coming months, management will complete its analysis of internal controls over financial reporting with respect to the newly acquired operations. Please see tables 1, 2 and 3 above for more financial information on the Production & Distribution segment. Tableau 9 also provides supplementary financial information.

Table 9
Supplementary financial information – Production & Distribution

		September 30, 2019
Current assets	$	15,880
Non-current assets		4,261
Current liabilities		5,814
Non-current liabilities		978

Additional information

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

Forward-looking information disclaimer

The statements in this Management's Discussion and Analysis that are not historical facts may be forward-looking statements and are subject to important known and unknown risks, uncertainties and assumptions which could cause the Corporation's actual results for future periods to differ materially from those set forth in the forward-looking statements. Forward-looking statements generally can be identified by the use of the conditional or by forward-looking terminology such as "propose," "will," "expect," "may," "anticipate," "intend," "estimate," "plan," "foresee," "believe" or the negative of those terms or variations of them or similar terminology. Certain factors that may cause actual results to differ from current expectations include seasonality, operational risks (including pricing actions by competitors and the risk of loss of key customers in the Film Production & Audiovisual Services and Production & Distribution segments), programming, content and production cost risks, credit risk, government regulation risks, government assistance risks, changes in economic conditions, fragmentation of the media landscape, risk related to the Corporation's ability to adapt to fast-paced technological change and to new delivery and storage methods, and labour relation risks.

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

For more information on the risks, uncertainties and assumptions that could cause the Corporation's actual results to differ from current expectations, please refer to the Corporation's public filings, available at www.sedar.com and www.groupetva.ca including in particular the "Risks and Uncertainties" section of the Corporation's annual Management's Discussion and Analysis for the year ended December 31, 2018 and the "Risk Factors" section in the Corporation's 2018 annual information form.

The forward-looking statements in this Management's Discussion and Analysis reflect the Corporation's expectations as of October 31, 2019, and are subject to change after that date. The Corporation expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required to do so by the applicable securities laws.

Montreal, Quebec

October 31, 2019

Table 10
SELECTED QUARTERLY FINANCIAL DATA
(in thousands of dollars, except for per-share data)

	2019			2018
	Sept. 30	June 30	March 31	Dec. 31
Operations				
Operating revenues	**$ 125,618**	$ 145,955	$ 134,141	$ 150,466
Adjusted EBITDA	**$ 31,141**	$ 3,764	$ 3,967	$ 25,901
Net income (loss) attributable to shareholders	**$ 13,361**	$ (6,224)	$ (6,715)	$ 9,525
Basic and diluted per-share data				
Basic and diluted earnings (loss) per share	**$ 0.31**	$ (0.14)	$ (0.16)	$ 0.22
Weighted average number of outstanding shares (in thousands)	**43,206**	43,206	43,206	43,206

	2018			2017
	Sept. 30	June 30	March 31	Dec. 31
Operations				
Operating revenues	$ 127,418	$ 140,190	$ 133,836	$ 155,256
Adjusted EBITDA (negative adjusted EBITDA)	$ 28,087	$ (2,812)	$ 3,341	$ 24,025
Net income (loss) attributable to shareholders	$ 14,090	$ (9,629)	$ (4,929)	$ 10,318
Basic and diluted per-share data				
Basic and diluted earnings (loss) per share	$ 0.33	$ (0.22)	$ (0.11)	$ 0.24
Weighted average number of outstanding shares (in thousands)	43,206	43,206	43,206	43,206

- The Corporation's businesses experience significant seasonality due to, among other factors, seasonal advertising patterns, consumers' viewing, reading and listening habits, demand for production services from international and local producers, demand for content from global broadcasters, and the related delivery schedules. Because the Corporation depends on the sale of advertising for a significant portion of its revenues, operating results are also sensitive to prevailing economic conditions, including changes in local, regional and national economic conditions, particularly as they may affect advertising expenditures.

- Operating expenses in the Broadcasting segment vary, mainly as a result of programming costs, which are directly related to programming strategies and to live sports broadcasts, while in the Magazines segment operating costs fluctuate according to publication schedules, which may vary from quarter to quarter. In the Film Production & Audiovisual Services segment, operating expenses vary according to demand for production services from international and local producers. In the Production & Distribution segment, operating expenses vary according to delivery schedules and estimated future revenues.

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