Consolidated financial statements of

TVA GROUP INC.

Years ended December 31, 2018 and 2017

Independent auditor's report

To the Shareholders of **Groupe TVA Inc.**

Opinion

We have audited the consolidated financial statements of **Groupe TVA Inc.** and its subsidiaries (the "Corporation"), which comprise the consolidated balance sheets as at December 31, 2018 and 2017, and the consolidated statements of income, comprehensive income, equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**"** section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises of the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Corporation audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Francis Guimond.

Ernst & Young LLP [1]

Montréal, Canada
February 28, 2019

[1] CPA auditor, CA, public accountancy permit no. A118111

TVA GROUP INC.

CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

Consolidated financial statements

TVA GROUP INC.

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

Years ended December 31, 2018 and 2017
(in thousands of Canadian dollars, except per share amounts)

	Notes		2018		2017
Revenues	2 and 26	**$**	**551,910**	$	589,707
Purchases of goods and services	3 and 26		**357,171**		373,404
Employee costs			**144,356**		149,922
Depreciation of property, plant and equipment and amortization of intangible assets	14 and 15		**35,542**		34,874
Financial expenses	5		**2,477**		2,449
Operational restructuring costs and others	6		**2,433**		6,390
Impairment of goodwill and intangible assets	7		**–**		42,405
Income (loss) before tax expense (recovery) and share of income of associated corporations			**9,931**		(19,737)
Tax expense (recovery)	9		**2,467**		(3,631)
Share of income of associated corporations			**(684)**		(445)
Net income (loss)		**$**	**8,148**	$	(15,661)
Net income (loss) attributable to:					
Shareholders		**$**	**8,312**	$	(15,951)
Non-controlling interest			**(164)**		290
Basic and diluted earnings (loss) per share attributable to shareholders	21	**$**	**0.19**	$	(0.37)

See accompanying notes to consolidated financial statements.

TVA GROUP INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Years ended December 31, 2018 and 2017
(in thousands of Canadian dollars)

	Note		2018		2017
Net income (loss)		**$**	**8,148**	$	(15,661)
Other comprehensive items that may be reclassified to income (loss):					
Cash flow hedge:					
Gain on valuation of derivative financial instruments			**–**		168
Deferred income taxes	9		**–**		(45)
Other comprehensive items that will not be reclassified to income (loss):					
Defined benefit plans:					
Re-measurement gain	25		**710**		1,150
Deferred income taxes	9		**(188)**		(308)
			522		965
Comprehensive income (loss)		**$**	**8,670**	$	(14,696)
Comprehensive income (loss) attributable to:					
Shareholders		**$**	**8,834**	$	(14,986)
Non-controlling interest			**(164)**		290

See accompanying notes to consolidated financial statements.

TVA GROUP INC.

CONSOLIDATED STATEMENTS OF EQUITY

Years ended December 31, 2018 and 2017
(in thousands of Canadian dollars)

	Equity attributable to shareholders				Equity attributable to non-controlling interest	Total equity
	Capital stock (note 21)	Contributed surplus	Retained earnings	Accumulated other comprehensive income (note 23)		
Balance as at December 31, 2016	$ 207,280	$ 581	$ 67,514	$ 2,010	$ 840	$ 278,225
Net (loss) income	–	–	(15,951)	–	290	(15,661)
Other comprehensive income	–	–	–	965	–	965
Balance as at December 31, 2017	207,280	581	51,563	2,975	1,130	263,529
Net income (loss)	–	–	8,312	–	(164)	8,148
Other comprehensive income	–	–	–	522	–	522
Balance as at December 31, 2018	**$ 207,280**	**$ 581**	**$ 59,875**	**$ 3,497**	**$ 966**	**$ 272,199**

See accompanying notes to consolidated financial statements.

TVA GROUP INC.

CONSOLIDATED BALANCE SHEETS

As at December 31, 2018 and 2017
(in thousands of Canadian dollars)

	Notes		2018		2017
Assets					
Current assets					
Cash		**$**	**18,112**	$	21,258
Accounts receivable	11		**151,715**		144,913
Income taxes			**3,325**		596
Programs, broadcast rights and inventories	12		**78,483**		79,437
Prepaid expenses			**4,081**		3,736
			255,716		249,940
Non-current assets					
Broadcast rights	12		**42,987**		43,031
Investments	13		**11,242**		12,851
Property, plant and equipment	8 and 14		**187,116**		200,510
Intangible assets	8 and 15		**13,662**		15,120
Goodwill	8 and 16		**9,102**		7,892
Defined benefit plan asset	25		**–**		2,873
Deferred income taxes	9		**14,750**		14,015
			278,859		296,292
Total assets		**$**	**534,575**	$	546,232

TVA GROUP INC.

CONSOLIDATED BALANCE SHEETS (CONTINUED)

As at December 31, 2018 and 2017
(in thousands of Canadian dollars)

	Notes		2018		2017
Liabilities and equity					
Current liabilities					
Accounts payable and accrued liabilities	17	**$**	**100,249**	$	104,505
Income taxes			**782**		6,314
Broadcast rights payable			**70,145**		69,244
Provisions	18		**7,522**		8,937
Deferred revenues	24		**16,803**		18,728
Short-term debt	19		**52,849**		9,844
			248,350		217,572
Non-current liabilities					
Long-term debt	19		**–**		52,708
Other liabilities	20		**13,579**		11,632
Deferred income taxes	9		**447**		791
			14,026		65,131
Equity					
Capital stock	21		**207,280**		207,280
Contributed surplus			**581**		581
Retained earnings			**59,875**		51,563
Accumulated other comprehensive income	23		**3,497**		2,975
Equity attributable to shareholders			**271,233**		262,399
Non-controlling interest			**966**		1,130
			272,199		263,529
Commitments, guarantees and contingencies	18 and 27				
Event subsequent to balance sheet date	30				
Total liabilities and equity		**$**	**534,575**	$	546,232

See accompanying notes to consolidated financial statements.

On February 28, 2019, the Board of Directors approved the consolidated financial statements for the years ended December 31, 2018 and 2017.

On behalf of the Board of Directors,

(signed)

Sylvie Lalande, Chairwoman of the Board

(signed)

Marc A. Courtois, Chairman of Audit Committee

TVA GROUP INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2018 and 2017
(in thousands of Canadian dollars)

	Notes		**2018**		2017
Cash flows related to operating activities					
Net income (loss)		**$**	**8,148**	$	(15,661)
Adjustments for:					
Depreciation and amortization	5, 14 and 15		**35,739**		35,071
Impairment of goodwill and intangible assets	7		**–**		42,405
Share of income of associated corporations			**(684)**		(445)
Deferred income taxes	9		**(1,618)**		(12,024)
Gain on disposal of assets	6		**(3,936)**		(740)
Impairment of other assets	6		**2,000**		–
Others			**(80)**		2
Cash flows provided by current operations			**39,569**		48,608
Net change in non-cash balances related to operating activities	10 a)		**(14,436)**		(15,319)
Cash flows provided by operating activities			**25,133**		33,289
Cash flows related to investing activities					
Additions to property, plant and equipment	14		**(12,936)**		(21,621)
Additions to intangible assets	15		**(3,916)**		(1,795)
Disposal of property, plan and equipment and intangible assets	6		**3,723**		740
Business acquisitions	8		**(4,755)**		–
Change in investments			**195**		350
Others			**(600)**		–
Cash flows used in investing activities			**(18,289)**		(22,326)
Cash flows related to financing activities					
Repayment of long-term debt	19		**(9,900)**		(6,768)
Others			**(90)**		(156)
Cash flows used in financing activities			**(9,990)**		(6,924)
Net change in cash			**(3,146)**		4,039
Cash, beginning of year			**21,258**		17,219
Cash, end of year		**$**	**18,112**	$	21,258

See accompanying notes to consolidated financial statements.

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

TVA Group Inc. ("TVA Group" or "the Corporation") is governed by the Quebec *Business Corporations Act.* TVA Group is a communications company engaged in the Broadcasting & Production, Film Production & Audiovisual Services, and Magazines industries. 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 ownership interests in its main subsidiaries are as follows:

	% of ownership
TVA Publications Inc.	100.0%
Les Publications Charron & Cie Inc.	100.0%
MELS Studios and Postproduction G.P.	100.0%
Mels Dubbing Inc.	100.0%
TVA Productions Inc.	100.0%
TVA Productions II Inc.	100.0%
TVA Sales and Marketing Inc.	100.0%

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments (note 1(l)), the stock-based compensation liability (note 1(u)) and the net defined benefit asset or liability (note 1(v)), and are presented in Canadian dollars, which is the currency of the primary economic environment in which the Corporation and its subsidiaries operate ("functional currency").

Comparative figures for the year ended December 31, 2017 have been restated to conform to the presentation adopted for the year ended December 31, 2018.

(b) Changes in accounting policies

(i) IFRS 9 – *Financial Instruments*

On January 1, 2018, the Corporation adopted the new rules under IFRS 9, which simplifies the measurement and classification of financial assets by reducing the number of measurement categories in IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard also provides for a fair value option in the designation of a non-derivative financial liability and its related classification and measurement, as well as for a new hedge accounting model more closely aligned with risk management activities undertaken by entities.

Under the new rules, financial assets and liabilities are now all classified as subsequently measured at amortized cost. The Corporation also uses the expected credit losses method in IFRS 9 to estimate the allowance for expected credit losses on its financial assets. (note 1o))

The adoption of IFRS 9 by the Corporation had no impact on the consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Changes in accounting policies (continued)

(ii) IFRS 15 – *Revenue from Contracts with Customers*

On January 1, 2018, the Corporation also adopted IFRS 15, which specifies how and when an entity should recognize revenue as well as requiring such entities to provide users of financial statements with more informative disclosures.

The standard provides a single, principles-based five-step model to be applied to all contracts with customers. (note 1(f))

The adoption of IFRS 15 by the Corporation had no impact on the consolidated financial statements.

(c) Consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries. All intercompany balances and transactions were eliminated on consolidation.

A subsidiary is an entity controlled by the Corporation. The Corporation controls an entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to use its power over the entity to affect the amount of those returns.

Non-controlling interest in the net assets and results of consolidated subsidiaries is presented separately from the Corporation's interest. Non-controlling interest in the equity of a subsidiary consists of the amount of non-controlling interest calculated at the date of the original business combination and its share of changes in equity since that date. Changes in non-controlling interest in a subsidiary that do not result in a loss of control by the Corporation are accounted for as equity transactions.

(d) Business combinations

A business combination is accounted for by the acquisition method. The cost of an acquisition is measured at the acquisition-date fair value of the consideration given in exchange for control of the acquiree. This consideration may comprise cash payments, asset transfers, financial instrument issues or future contingent payments. The identifiable assets acquired and liabilities assumed from the acquiree are recognized at acquisition-date fair value. The results of an acquiree's operations are included in the Corporation's consolidated financial statements from the date of the business acquisition. The expenses incurred for the acquisition and integration of the acquiree are included in the consolidated statement of income (loss) under "Operational restructuring costs and others."

Non-controlling interest in an acquiree is presented in equity on the consolidated balance sheets, separately from equity attributable to shareholders, and is initially measured at fair value.

(e) Foreign currency translation

Financial assets and liabilities in foreign currencies are translated into the functional currency at the exchange rate in effect at the balance sheet date. Other assets and liabilities are translated into the functional currency at the exchange rate in effect at the transaction date. Foreign currency transactions are translated into the functional currency at the exchange rate in effect on the transaction date. Translation gains and losses are included in the consolidated statements of income (loss) for the year under "Financial expenses."

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Revenue recognition

The Corporation recognizes operating revenues from a contract with a customer only when all of the following criteria are satisfied:

- The parties to the contract have approved the contract - in writing, orally or in accordance with other customary business practices - and are committed to performing their respective obligations;
- The entity can identify each party's rights regarding the goods or services to be transferred;
- The entity can identify the payment terms for the goods or services to be transferred;
- The contract has commercial substance (i.e., the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract); and
- It is highly probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

<u>Advertising revenues</u>

Revenues from the sale of advertising airtime and space on the Corporation's websites and mobile apps are recognized when the advertisement airs or is displayed online. Revenues from the sale of advertising space in magazines are recognized when the advertisement is published, i.e., at the magazine release date.

<u>Subscription revenues</u>

Revenues from specialty television channel subscriptions are recognized on a monthly basis when the service is rendered.

Amounts received for magazine subscriptions are accounted for as deferred revenues and are amortized over the subscription term.

<u>Revenues from newsstand magazine sales</u>

Revenues from newsstand magazine sales are recognized when the magazines are delivered to newsstands and are calculated using an amount of revenue less an allowance for future returns.

<u>Revenues from soundstage, mobile unit and production equipment rental</u>

Revenues from soundstage, mobile unit and production equipment rental are recognized over the term of the rental period.

<u>Revenues from postproduction, visual effects and distribution</u>

Revenues from postproduction, visual effects and distribution are recognized when the service is rendered.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Impairment of assets

For the purposes of assessing impairment, assets are grouped in cash-generating units ("CGUs"), which are the smallest groups of assets that generate separately identifiable cash inflows. The Corporation reviews at each balance sheet date whether events or circumstances have occurred to indicate that the carrying amounts of long-lived assets with finite useful lives may be less than their recoverable amounts. Goodwill, intangible assets with indefinite useful lives, and intangible assets not yet available for use are tested for impairment each fiscal year, as well as whenever there is an indication that the carrying amount of the asset, or the CGU to which an asset has been allocated, exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs of disposal and the value in use of the asset or the CGU. Fair value less costs of disposal is the amount obtainable by an entity at the valuation date from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Value in use is the present value of the future cash flows expected to be derived from an asset or CGU.

An impairment loss is recognized in the amount by which the carrying amount of an asset or a CGU exceeds its recoverable amount. When the recoverable amount of a CGU to which goodwill has been allocated is lower than the CGU's carrying amount, the related goodwill is impaired first. Any excess amount of impairment is recognized and allocated to the assets in the CGU, prorated to the carrying amount of each asset in the CGU.

An impairment loss recognized in prior periods for long-lived assets with finite useful lives and intangible assets with indefinite useful lives, other than goodwill, can be reversed through the consolidated statement of income (loss) when the carrying amount does not exceed the carrying amount that would have been determined had no impairment charge been recognized in previous periods.

(h) Barter transactions

In the normal course of business, the Corporation broadcasts and publishes advertising in exchange for goods and services. The revenues generated and expenses incurred are accounted for on the basis of the fair value of the goods and services provided.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Income tax

Current income taxes are recognized with respect to amounts expected to be paid or recovered according to tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred taxes are accounted for using the liability method. Under this method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred tax assets and liabilities are valued at the enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect of a change in enacted or substantively enacted tax rates on deferred tax assets and liabilities is recognized in income in the period during which the substantive enactment date falls. A deferred tax asset is recognized initially when it is probable that future taxable income will be sufficient to use the related tax benefits and may be subsequently reduced, if necessary, to the amount that is more probable than not to be realized. A deferred tax expense or benefit is recognized in other comprehensive income (loss) or otherwise directly in equity to the extent that it relates to items that are recognized in other comprehensive income (loss) or directly in equity in the same or a different period.

In the normal course of the Corporation's operations, there are a number of uncertain tax positions due to the complexity of certain transactions and continuous changes in related tax interpretations and legislation. When a tax position is uncertain, the Corporation recognizes an income tax benefit or reduces an income tax liability only when it is probable that the tax benefit will be realized in the future or the income tax liability is no longer probable.

(j) Earnings (loss) per share

Earnings (loss) per share are calculated based on the weighted average number of common shares outstanding during the year. The Corporation uses the treasury stock method to determine the dilutive effects of options when calculating diluted earnings per share.

(k) Leases

Assets under leasing agreements are classified at the inception of the lease as (i) finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee, or as (ii) operating leases for all other leases.

Operating lease payments are recognized in the consolidated statement of income (loss) on a straight-line basis over the period of the lease. Any lessee incentives are deferred and then recognized evenly over the lease term.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Financial instruments

Financial assets and liabilities are classified as subsequently measured at amortized cost, except for certain investments that are presented at fair value in the consolidated statement of comprehensive income (loss).

(m) Financing costs

Financing costs related to long-term debt are capitalized as a reduction of long-term debt and are amortized using the effective interest method.

(n) Tax credits and government assistance

The Corporation is eligible for several government programs designed to support televisual product programming and production and magazine publishing in Canada. Government financial assistance is recognized as revenue or as a reduction in related costs, whether capitalized and amortized or expensed, in the year the costs are incurred and when management has reasonable assurance that the conditions of the government programs are met.

In the Magazines segment, government assistance for the production and distribution of Canadian content in magazines is recognized as revenue. Government assistance is initially reported in deferred revenues and amortized over the number of issues.

(o) Trade receivables

Trade receivables are presented net of an allowance for expected credit losses. The Corporation uses the expected credit losses method required under IFRS 9 to estimate that allowance. It is based on the specific credit risk of its customers, the expected life of the financial assets, historical trends and economic conditions. Individual trade receivables are written off when deemed uncollectible.

(p) Programs, broadcast rights and inventories

<u>Programs produced and productions in progress</u>

Programs produced and productions in progress related to broadcasting activities are accounted for at the lower of cost and net realizable value. Cost includes direct charges for goods and services and the share of labour and overhead expenses related to each production. The cost of each program is charged to operating expenses, when it is broadcast using a method based on the manner in which future economic benefits from the rights will be generated.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Programs, broadcast rights and inventories (continued)

Broadcast rights and broadcast rights payable

Broadcast rights are contractual rights allowing limited or unlimited broadcast of televisual products or films. The Corporation recognizes an acquired broadcast rights asset and records obligations incurred under broadcast rights acquisition contracts as a liability when the broadcast period begins and the following conditions have been met:

(i) The cost of each program, film or series, or broadcast rights to a live event, is known or can be reasonably determined;

(ii) The programs, films or series have been accepted by the Corporation or the live event is broadcast in accordance with the conditions of the broadcast licence agreement;

(iii) The programs, films or series are available for first showing or broadcast or the live event is broadcast.

Prior to all the above asset recognition conditions being met, the amounts paid for broadcast rights are accounted for as prepaid broadcast rights under “Programs, broadcast rights and inventories” and “Broadcast rights.”

Broadcast rights are classified as current or long-term, based on management’s estimate of the broadcast period. These rights are charged to operating expenses when televisual products and films are broadcast over the contract period, using a method based on the manner in which future economic benefits from the rights will be generated.

Broadcast rights payable are classified as current or long-term liabilities based on the payment terms set out in the acquisition contracts.

Inventories

Product inventories are valued at the lower of cost, determined by the first-in, first-out method, and net realizable value.

Net realizable value

Estimates of future revenue, used to determine net realizable values of inventories related to the broadcasting, are reviewed periodically by management and revised as necessary. The carrying value of programs produced and productions in progress, as well as broadcast rights, is reduced to net realizable value, as necessary, based on this assessment.

The net realizable value of product inventories is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

The amount of the impairment write-down of programs, broadcast rights and inventories is revised when the circumstances that previously caused the write-down expense no longer exist.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Investments

Investments in corporations over which the Corporation exercises significant influence are accounted for using the equity method. Under this method, the share of the income of the associated corporations is recorded in the consolidated statement of income (loss). Other investments are recorded at fair value in the consolidated statement of comprehensive income (loss). Carrying values of investments are reduced to estimated fair values if there is objective evidence of impairment of the investment.

(r) Property, plant and equipment

Property, plant and equipment are initially stated at cost, which consists of acquisition costs, net of government grants and income tax credits, and/or development costs, including preparation, installation and testing costs. Expenditures, such as maintenance and repair costs, are recorded in operating expenses as incurred.

Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Assets	Estimated useful life
Buildings and their components	10-40 years
Equipment	5-15 years

Leasehold improvements are amortized over the shorter of the term of the lease or estimated useful life.

Depreciation methods, residual values and the useful lives of significant property, plant and equipment are reviewed at least once a year. Any change is accounted for prospectively as a change in accounting estimate.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Goodwill and intangible assets

Goodwill

Goodwill arising from a business acquisition is measured and recognized as the excess of the fair value of the consideration paid over the fair value of the recognized identifiable assets acquired and liabilities assumed. When the Corporation acquires less than 100% of equity interests in the acquiree at the acquisition date, goodwill attributable to the non-controlling interest is also recognized at fair value.

For impairment testing purposes (note 1(g)), goodwill is allocated to a CGU as of the business acquisition date. Goodwill is allocated to the CGU expected to benefit from the synergies of the business acquisition.

Intangible assets

Broadcasting licences, magazine operating licences and publishing trademarks have indefinite useful lives and are not amortized.

Customer lists and non-compete clauses arising from business acquisitions are recognized at fair value at the acquisition date.

Software is initially recorded at cost. Internally developed intangible assets such as software and websites are mainly comprised of internal costs incurred for the development of these assets to be used internally or for providing services to customers. Those costs are capitalized when the development stage of the software application begins and costs incurred prior to that stage are recognized as expenses.

Intangible assets with finite useful lives are amortized on a straight-line basis over the following periods:

Assets	Estimated useful life
Software, websites and mobile applications	3-10 years
Non-competition agreements and customer lists	3-10 years

Amortization methods, residual values, and the useful lives of significant intangible assets are reviewed at least once a year. Any change is accounted for prospectively as a change in accounting estimate.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Provisions

Provisions are recognized when (i) the Corporation has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and when (ii) the amount of the obligation can be reliably estimated.

Restructuring costs, including, among other things, termination benefits, are recognized when a detailed plan for the restructuring exists and a valid expectation has been raised in those affected that the plan will be carried out. Restructuring costs also include a provision for expenses related to onerous leases, net of estimated revenues from the premises left unused following implementation of rationalization plans.

Provisions are reviewed at each balance sheet date and changes in estimates are reflected in the consolidated statement of income (loss) in the reporting periods in which the re-measurements occurred.

(u) Stock-based compensation

Stock-based awards to officers or directors that call for settlement in cash, such as deferred stock units and performance stock units, or that call for settlement in cash or other assets at the holder's option, such as stock option awards, are accounted for at fair value and classified as a liability. The compensation cost is recognized in expenses over the vesting period. Changes in the fair value of stock-based awards between the grant date and the measurement date result in a change in the liability and compensation expense.

The fair value of the deferred stock units and performance stock units is based on the underlying share price as of the measurement date. Estimates of the fair value of stock options are determined by applying an option-pricing model, taking into account the terms and conditions of the grant. The main assumptions are discussed in note 22.

(v) Pension plans and post-retirement benefits

The Corporation offers employees defined contribution pension plans and defined benefit pension plans.

Defined contribution pension plans

In accordance with its defined contribution pension plans, the Corporation pays fixed contributions to participating employees' pension plans and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as employee costs in the consolidated statements of income (loss) when the contributions fall due.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Pension plans and post-retirement benefits (continued)

Defined benefit pension plans and other retirement benefits

Defined benefit pension plan costs are determined using actuarial methods and are accounted for using the projected unit credit method, which incorporates management's best estimates of future salary levels, other cost escalations, employee retirement ages and other actuarial factors. Defined benefit pension costs recognized in the consolidated statements of income (loss) under employee costs primarily include the following:

i) Cost of services in exchange for employee services rendered during the year;

ii) Past service costs recognized on the earlier of the following dates: (a) when the benefit plan is amended, or (b) when restructuring costs are recognized.

Interest on the net defined benefit liability or asset recognized in the consolidated statements of income (loss) under financial expenses is determined by multiplying the net defined benefit liability or asset by the discount rate used to determine the defined benefit obligation.

Re-measurements of the net defined-benefit liability or asset are recognized immediately in other comprehensive income (loss) and recorded in accumulated other comprehensive income. Re-measurements include the following items:

(i) Actuarial gains and losses arising from changes in the financial and demographic actuarial assumptions used to determine defined-benefit obligations or resulting from experience adjustments on liabilities;

(ii) The difference between the actual rate of return on plan assets and the expected interest revenues on plan assets considered in the calculation of interest on net defined benefit liabilities or assets;

(iii) Changes in the net defined-benefit asset limit or the minimum funding liability.

Recognition of a net benefit asset is limited under certain circumstances to the amount recoverable, which is primarily based on the extent to which the Corporation can unilaterally reduce future contributions to the plan. In addition, an adjustment to the net defined-benefit asset or liability can be recorded to reflect a minimum funding liability in some of the Corporation's pension plans.

Under a former plan, the Corporation also offers life, health and dental insurance plans to some of its retired employees. This post-retirement coverage is no longer offered to the Corporation's active employees. The cost of postretirement benefits is determined using an accounting methodology similar to that for defined benefit pension plans. The related expense is funded by the Corporation as the benefits fall due.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Use of estimates and judgment

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, related amounts of revenues and expenses, and the disclosure of contingent assets and liabilities. These estimates are determined to the best of management's knowledge based on the information available at the measurement date. Actual results could differ from these estimates.

The following significant areas require management to make the most difficult, subjective or complex estimates:

(i) Recoverable value of an asset or a CGU

When an impairment test is performed on an asset or CGU, management estimates the recoverable amount of the asset or the CGU on the basis of its fair value less costs of disposal or its value in use. These estimates are based on valuation models that require the use of certain assumptions, such as expected future cash flows, a pre-tax discount rate (WACC) or a perpetual growth rate. Those assumptions materially affect the results of the impairment tests and the impairment expense recorded in the consolidated statement of income (loss), if any. Note 16 describes the key assumptions used in the goodwill impairment tests and presents a sensitivity analysis of recoverable amounts.

(ii) Costs and obligations related to pension and postretirement benefit plans

Defined-benefit pension plan costs and obligations are estimated on the basis of a number of assumptions, including the discount rate, future salary levels, the retirement age of employees, health care costs, and other actuarial factors. Some of these assumptions could materially affect the employee costs and financial expenses recognized in the consolidated statement of income (loss), the gain or loss on re-measurement of defined-benefit plans recognized in the consolidated statement of comprehensive income (loss) and the carrying amount of defined-benefit assets and other liabilities recognized in the consolidated balance sheet. Note 25 describes the key assumptions and presents a sensitivity analysis of the discount rate.

The following is the most significant judgement made by management, other than estimates:

(i) Determining useful life for the purpose of depreciation of assets with finite useful lives

For each category of assets with finite useful lives, management must determine the period over which the Corporation expects to derive future economic benefits from the assets. The determination of useful life requires judgment and has an impact on the depreciation expense recognized in the consolidated statement of income (loss).

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Recent accounting pronouncements

(i) IFRS 16 – *Leases* is required to be applied retrospectively for annual periods beginning on or after January 1, 2019.

On January 1, 2019, the Corporation will adopt on a fully retrospective basis the new rules under IFRS 16, which set out the 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 will be 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 will be initially measured on a present value basis.

The adoption of IFRS 16 will have a material impact on the Corporation's consolidated financial statements since the Corporation has commitments under long-term leases for premises and equipment.

Under IFRS 16, most lease charges will be expensed as a depreciation of the right-of-use asset, along with an interest on the related lease liability. As operating lease expenses are currently recognized as operating expenses as they are incurred, the adoption of IFRS 16 will change the timing of the recognition of these lease charges over the term of each lease. It will also affect the classification of expenses in the statement of income (loss).

The retroactive adoption of IFRS 16 will have the following impacts on the consolidated financial statements:

Consolidated statements of income and comprehensive income

Increase (decrease)		**2018**
Purchases of goods and services	$	**(4,134)**
Depreciation of property, plant and equipment and amortization of intangible assets		**3,077**
Financial expenses		**808**
Operational restructuring costs and others		**(764)**
Deferred income tax expense		**268**
Net income and comprehensive income attributable to shareholders	$	**745**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Recent accounting pronouncement (continued)

(i) IFRS 16 – *Leases* is required to be applied retrospectively for annual periods beginning on or after January 1, 2019 (continued)

Consolidated balance sheets

Increase (decrease)		**December 31, 2018**		December 31, 2017
Right-of-use assets	**$**	**9,161**	$	10,922
Deferred tax assets		**170**		438
Accounts payable and accrued liabilities		**(1,109)**		(1,090)
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 was $3,480,000 as of December 31, 2018 and $4,298,000 as of December 31, 2017.

(ii) IFRIC 23 – *Uncertainty over income tax treatments* is required to be applied retrospectively for annuals periods beginning on or after January 1, 2019.

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 Corporation does not expect its consolidated financial statements to be materially impacted by the adoption of IFRIC 23.

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

2. REVENUES

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

	2018	2017
Advertising services	**$ 263,407**	$ 293,253
Royalties	**126,244**	125,044
Rental and postproduction services and other services rendered	**84,296**	87,639
Product sales[1]	**77,963**	83,771
	$ 551,910	$ 589,707

[1] Revenues from product sales include newsstand and subscription sales of magazines and sales of audiovisual content.

3. PURCHASES OF GOODS AND SERVICES

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

	2018	2017
Rights and production costs	**$ 238,273**	$ 244,320
Printing and distribution	**24,076**	27,765
Services rendered by parent corporation:		
- Commissions on advertising sales[1]	**28,014**	20,896
- Others	**9,078**	8,994
Building costs	**20,403**	21,388
Marketing, advertising and promotion	**14,762**	16,066
Others	**22,565**	33,975
	$ 357,171	$ 373,404

[1] Following organizational changes made in 2018, responsibility for local sales was transferred to the parent corporation's advertising agency, in consideration of which the Corporation invoices management fees to that entity (note 26).

4. BARTER TRANSACTIONS

In the normal course of business, the Corporation broadcasts and publishes advertising in exchange for goods and services. For the year ended December 31, 2018, the Corporation recognized revenues and operating expenses related to barter transactions totalling $2,316,000 ($3,419,000 in 2017).

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

5. FINANCIAL EXPENSES

	Note		**2018**		2017
Interest on long-term debt	19	**$**	**2,413**	$	2,445
Amortization of financing costs			**197**		197
Interest expense on net defined benefit liability or asset	25		**154**		99
Foreign exchange gain			**(11)**		(162)
Others			**(276)**		(130)
		$	**2,477**	$	2,449

6. OPERATIONAL RESTRUCTURING COSTS AND OTHERS

		2018		2017
Operational restructuring costs	**$**	**4,203**	$	7,128
Others		**(1,770)**		(738)
	$	**2,433**	$	6,390

Operational restructuring costs

In 2018 and 2017, the Corporation recorded operational restructuring costs in connection with the elimination of positions and the implementation of rationalization plans in the Magazines segment as follows:

		2018		2017
Broadcasting & Production	**$**	**606**	$	816
Magazines		**3,182**		6,107
Film Production & Audiovisual Services		**415**		205
	$	**4,203**	$	7,128

Restructuring costs for 2018 include $2,015,000 ($5,526,000 in 2017) for onerous leases extending up to June 2022 for premises left unused following implementation of rationalization plans in the Magazines segment.

6. OPERATIONAL RESTRUCTURING COSTS AND OTHERS (continued)

Others

In the third quarter of 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 recognition of a $2,936,000 gain on disposal.

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

In 2018, the Corporation recorded a $1,000,000 gain on disposal of assets in connection with the sale of *The Hockey News*.

In 2017, the Corporation recognized a $740,000 gain on the sale of a parcel of land.

7. IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS

The continuing downward trend in operating revenues in the magazine industry led the Corporation to perform an impairment test on its Magazines CGU in the third quarter of 2017. The Corporation concluded that the recoverable amount of the Magazines CGU, based on value in use, was less than its carrying amount. Accordingly, a $29,993,000 goodwill impairment charge, including $1,489,000 without any tax consequences, and a $12,412,000 charge for impairment of certain intangible assets, including $3,103,000 without any tax consequences, were recognized.

8. BUSINESS ACQUISITIONS

(a) Mobilimage inc.

On January 22, 2018, the Corporation acquired the assets of Mobilimage inc., consisting essentially 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 pre-established working capital target agreed to by the parties. The acquired company's mobile production vehicle and equipment rental activities have been incorporated into the Film Production & Audiovisual Services segment's operations.

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. The goodwill related to the acquisition arises mainly from expected synergies.

(b) Audio Zone inc.

On August 27, 2018, the Corporation acquired all shares of Audio Zone Inc. 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. The acquired sound postproduction activities have been incorporated into the Film Production & Audiovisual Services segment's operations.

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

8. BUSINESS ACQUISITIONS (continued)

(b) Audio Zone inc. (continued)

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. The goodwill related to the acquisition arises mainly from expected synergies.

The final allocation of the purchase prices of the businesses acquired in 2018 is as follows:

Assets acquired		
Current assets	$	**477**
Property, plant and equipment		**2,430**
Intangible assets		**1,256**
Goodwill		**1,210**
		5,373
Liabilities assumed		
Current liabilities		**270**
Deferred income taxes		**348**
		618
Net assets acquired at fair value	**$**	**4,755**
Consideration		
Cash	$	**4,729**
Assumed bank overdraft		**26**
		4,755

Goodwill in the amount of $642,000 is deductible for tax purposes for the acquisitions made in 2018.

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

9. INCOME TAX

Income tax expense (recovery) is detailed as follows:

		2018		2017
Current	**$**	**4,085**	$	8,393
Deferred		**(1,618)**		(12,024)
	$	**2,467**	$	(3,631)

The following table reconciles the income tax expense (recovery) at the Canadian statutory rate of 26.7% in 2018 (26.8% in 2017) and the income tax expense (recovery) reported on the consolidated statements of income (loss):

		2018		2017
Tax expense (recovery) at Canadian statutory tax rate	**$**	**2,652**	$	(5,290)
Increase (decrease) resulting from:				
Tax impact of non-deductible charges and non-taxable revenues		**283**		345
Non-deductible impairment of assets		**534**		1,231
Others[1]		**(1,002)**		83
Tax expense (recovery)	**$**	**2,467**	$	(3,631)

[1] Includes reductions in deferred tax liabilities of $766,000 (nil in 2017) in light of developments in tax audits, jurisprudence and tax legislation.

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

9. INCOME TAX (continued)

The significant items comprising the Corporation's net deferred income tax asset and their impact on deferred income tax recovery are as follows:

	Consolidated balance sheets		Consolidated statements of income (loss)	
	2018	2017	**2018**	2017
Accounts payable, accrued liabilities and provisions	**$ 1,422**	$ 2,411	**$ 989**	$ (807)
Defined benefit plans	**1,128**	(317)	**(1,633)**	(616)
Property, plant and equipment	**2,264**	2,188	**(76)**	(315)
Goodwill and intangible assets	**6,545**	6,510	**(35)**	(10,217)
Others	**2,944**	2,432	**(863)**	(69)
	$ 14,303	$ 13,224	**$ (1,618)**	$ (12,024)

Changes in net deferred income tax assets are as follows:

	2018	2017
Balance as of beginning of the year	**$ 13,224**	$ 1,555
Recognized in statement of income (loss)	**1,618**	12,024
Recognized in other comprehensive income (loss)	**(188)**	(353)
Others	**(351)**	(2)
Balance as of end of the year	**$ 14,303**	$ 13,224
Deferred tax assets	**14,750**	14,015
Deferred tax liabilities	**(447)**	(791)
	$ 14,303	$ 13,224

The Corporation recorded no deferred tax liabilities with respect to its subsidiaries' retained earnings during the current year or in prior years either because it does not expect to sell these investments or these retained earnings will become taxable.

As at December 31, 2018, the Corporation had operating loss carryforwards for income tax purposes of approximately $174,000 available to reduce its future taxable income. These loss carryforwards expire by 2038.

The Corporation also has $166,620,000 in unrecognized loss carryforwards with no expiry to be used solely to reduce future capital gains.

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

10. CASH FLOW INFORMATION

The following tables provide supplementary information regarding the consolidated statements of cash flows.

(a) Net changes in non-cash operating assets and liabilities, net of the effect of business acquisitions and disposal, are as follows:

	2018	2017
Accounts receivable	$ (6,385)	$ (2,250)
Programs, broadcast rights and inventories	861	(156)
Accounts payable and accrued liabilities	(4,768)	(2,182)
Broadcast rights payable	269	(22,964)
Income taxes	(8,247)	8,434
Defined benefit plan asset and other liabilities	6,155	2,485
Others	(2,321)	1,314
	$ (14,436)	$ (15,319)

(b) Interest and income taxes paid (received) are classified in operating activities and are detailed as follows:

	2018	2017
Interest paid	$ 2,113	$ 2,315
Income taxes paid (received) (net of refund or payments)	12,325	(42)

11. ACCOUNTS RECEIVABLE

	Note	2018	2017
Trade receivables	28 b)	$ 86,943	$ 89,468
Other receivables		21,487	21,345
Trade and other receivables from companies under common control and associated companies		39,667	29,715
Tax credits and government assistance receivable		3,618	4,385
		$ 151,715	$ 144,913

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

12. PROGRAMS, BROADCAST RIGHTS AND INVENTORIES

			2018
	Short-term	**Long-term**	**Total**
Programs produced and productions in progress	**$ 1,196**	**$ –**	**$ 1,196**
Broadcast rights	**76,124**	**42,987**	**119,111**
Inventories	**1,163**	**–**	**1,163**
	$ 78,483	**$ 42,987**	**$ 121,470**

			2017
	Short-term	Long-term	Total
Programs produced and productions in progress	$ 5,207	$ –	$ 5,207
Broadcast rights	73,018	43,031	116,049
Inventories	1,212	–	1,212
	$ 79,437	$ 43,031	$ 122,468

The cost of inventories and expenses related to programs and broadcast rights included in purchases of goods and services and employee costs amounted to $341,380,000 in 2018 ($351,903,000 in 2017). In 2018, an impairment expense totalling $106,000 ($3,322,000 in 2017) related to inventories, programs and broadcast rights was recorded in purchases of goods and services.

13. INVESTMENTS

	Note	**2018**	2017
Tele Inter-Rives Ltd., associated corporation, 45% ownership interest		**$ 9,198**	$ 8,956
Publications Senior inc., associated corporation, 50% ownership interest	6	**1,122**	2,973
Other investments		**922**	922
		$ 11,242	$ 12,851

Télé Inter-Rives is a company that operates four local television stations, including two that are affiliated with TVA Network, owned by the Corporation. Its head office is in Rivière-du-Loup, Quebec, Canada.

Publications Senior inc., a company that operates magazines and websites, mainly *Le Bel Âge* and *Good Times*. Its head office is in Montreal, Quebec, Canada.

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

14. PROPERTY, PLANT AND EQUIPMENT

For the years ended December 31, 2018 and 2017, changes in the net carrying amount of property, plant and equipment are as follows:

	Land, buildings and leasehold improvements	Equipment	Projects under development	Total
Cost:				
Balance as at December 31, 2016	$ 186,658	$ 239,854	$ 6,335	$ 432,847
Acquisitions[1]	6,257	11,535	3,673	21,465
Reclassification	1,972	2,890	(4,862)	–
Write-offs and disposals	–	(27)	–	(27)
Balance as at December 31, 2017	194,887	254,252	5,146	454,285
Acquisitions[1, 2]	2,969	9,499	1,581	14,049
Business acquisitions	212	2,218	–	2,430
Reclassification	387	3,303	(3,661)	29
Write-offs and disposals	(7,224)	(831)	–	(8,055)
Balance as at December 31, 2018	**$ 191,231**	**$ 268,441**	**$ 3,066**	**$ 462,738**
Accumulated depreciation and impairment:				
Balance as at December 31, 2016	$ 77,299	$ 149,705	$ –	$ 227,004
Depreciation	7,032	19,756	–	26,788
Write-offs and disposals	–	(17)	–	(17)
Balance as at December 31, 2017	84,331	169,444	–	253,775
Depreciation	7,762	21,537	–	29,299
Write-offs and disposals	(6,621)	(831)	–	(7,452)
Balance as at December 31, 2018	**$ 85,472**	**$ 190,150**	**$ –**	**$ 275,622**
Net carrying amount:				
As at December 31, 2017	$ 110,556	$ 84,808	$ 5,146	$ 200,510
As at December 31, 2018	**105,759**	**78,291**	**3,066**	**187,116**

1 The net change in additions to property, plant and equipment funded by accounts payable and accrued liabilities, consisting primarily of equipment, was a $469,000 increase for the year ended December 31, 2018 ($166,000 decrease for the year ended December 31, 2017).

2 For the year ended December 31, 2018, the Corporation recognized additions funded through finance leases in the amount of $662,000 (nil in 2017) and a related depreciation expense of $130,000 (nil in 2017). As at December 31, 2018, equipment funded through finance leases had a net carrying amount of $532,000 (nil at December 31, 2017).

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

15. INTANGIBLE ASSETS

For the years ended December 31, 2018 and 2017, changes in the net carrying amount of licences and other intangible assets are as follows:

	Broadcasting licences[1]	Software, websites and mobile applications	Other intangible assets[1]	Projects under development	Total
Cost:					
Balance as at December 31, 2016	$ 92,569	$ 59,018	$ 30,680	$ 347	$ 182,614
Acquisitions[2]	–	2,029	–	1,096	3,125
Reclassification	–	201	–	(201)	–
Balance as at December 31, 2017	92,569	61,248	30,680	1,242	185,739
Acquisitions[2]	–	1,253	3	2,406	3,662
Business acquisitions	–	28	1,228	–	1,256
Reclassification	–	973	–	(1,002)	(29)
Write-off and disposals	–	(368)	–	–	(368)
Balance as at December 31, 2018	**$ 92,569**	**$ 63,134**	**$ 31,911**	**$ 2,646**	**$ 190,260**

As at December 31, 2018, the cost of internally generated intangible assets, consisting mainly of software, websites and mobile apps, was $16,399,000 ($14,289,000 as at December 31, 2017). For the year ended December 31, 2018, the Corporation recognized additions to internally generated intangible assets totalling $2,110,000 ($1,071,000 in 2017).

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

15. INTANGIBLE ASSETS (continued)

	Broadcasting licences[1]	Software, websites and mobile applications	Other intangible assets[1]	Projects under development	Total
Accumulated amortization and impairment:					
Balance as at December 31, 2016	$ 92,569	$ 47,816	$ 9,736	$ –	$ 150,121
Impairment (note 7)	–	–	12,412	–	12,412
Amortization	–	4,500	3,586	–	8,086
Balance as at December 31, 2017	92,569	52,316	25,734	–	170,619
Amortization	–	4,461	1,782	–	6,243
Write-off and disposals	–	(264)	–	–	(264)
Balance as at December 31, 2018	**$ 92,569**	**$ 56,513**	**$ 27,516**	**$ –**	**$ 176,598**
Net carrying amount:					
As at December 31, 2017	$ –	$ 8,932	$ 4,946	$ 1,242	$ 15,120
As at December 31, 2018	**–**	**6,621**	**4,395**	**2,646**	**13,662**

1 Intangible assets with indefinite useful lives are not amortized. They include fully impaired broadcasting licences in the Broadcasting & Production CGU, a fully impaired magazine operating licence in the Magazines CGU, and brands with a net carrying amount of $1,200,000 in the Magazines CGU ($1,200,000 in 2017).

2 The net change in additions to intangible assets funded by accounts payable and accrued liabilities, consisting primarily of software, was a $272,000 decrease for the year ended December 31, 2018 ($1,330,000 increase for the year ended December 31, 2017).

As at December 31, 2018, the accumulated amortization and impairment of internally generated intangible assets, consisting primarily of software, websites and mobile apps, amounted to $14,395,000 ($13,614,000 as at December 31, 2017). For the year ended December 31, 2018, the Corporation recognized an amortization expense arising from internally generated intangible assets in the amount of $781,000 ($2,596,000 in 2017).

As at December 31, 2018, internally generated intangible assets had a net carrying amount of $2,004,000 ($675,000 at December 31, 2017).

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

16. GOODWILL

Goodwill as at December 31, 2018 and 2017 is detailed as follows:

	Note		**2018**		2017
Cost	8	**$**	**198,769**	$	197,559
Accumulated amortization and impairment			**189,667**		189,667
Net carrying amount		**$**	**9,102**	$	7,892

At December 31, 2018, the carrying amount of the goodwill allocated to the Film Production & Audiovisual Services CGU was $9,102,000 ($7,892,000 at December 31, 2017).

At December 31, 2018 and 2017, the remaining balance included in the cost, fully depreciated and impaired, arose from past acquisitions in the Broadcasting & Production and Magazines segments.

Recoverable amount

The recoverable amounts of the CGUs were determined based on the higher of value in use or fair value less costs of disposal with respect to the impairment tests performed. The Corporation uses the discounted cash flow method to estimate recoverable value, consisting of future cash flows derived primarily from the most recent budget and from the three-year strategic plan approved by the Corporation's management and presented to the Board of Directors. These forecasts consider each CGU's past operating performance and market share as well as economic trends, along with specific market and industry trends and corporate strategies. In particular, specific assumptions are used for each type of revenue generated by a CGU or for each type of expense as well as for future property, plant and equipment expenditures. As such, assumptions take into account, among other things, subscriber and readership statistics, advertising market trends, the competitive landscape, evolving product and service offering, proliferation of media platforms, technological development and operating cost structures.

The perpetual growth rate is used for cash flows beyond the three-year period in the strategic plan. The discount rate used by the Corporation is a pre-tax rate derived from the weighted average cost of capital pertaining to each CGU, which reflects the current market assessment of (i) the time value of money, and (ii) the risk specific to the assets for which the future cash flow estimates have not been risk-adjusted. The perpetual growth rate was determined with regard to the specific markets of each CGU. In some cases, the Corporation can also estimate the fair value less cost of disposal with a market approach that consists of estimating fair value less costs of disposal by using multiples of operating performance of comparable entities, transaction metrics and other available market information, instead of using primarily the discounted cash flow method.

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

16. GOODWILL (CONTINUED)

Recoverable amount (continued)

The following key assumptions were used to determine the recoverable amount in the most recent impairment tests:

	2018		2017	
CGUs	**Pre-tax discount rate (WACC)**	**Perpetual growth rate**	Pre-tax discount rate (WACC)	Perpetual growth rate
Magazines[1]	**–**	**–**	15.6 %	-2.0 %
Film Production & Audiovisual Services[1]	**11.5 %**	**2.0 %**	12.7 %	2.0 %

[1] The recoverable amounts of these CGUs are based on value in use in 2018 and in 2017.

Any material variance in the pre-tax discount rate (WACC) or the perpetual growth rate used in the most recently performed test could result in the recoverable amount for the Film Production & Audiovisual Services CGU being lower than the carrying amount of the CGU.

17. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Note	**2018**	2017
Accounts payable and accrued liabilities		**$ 44,304**	$ 47,604
Employee salaries and benefits		**22,568**	26,366
Accounts payable to companies under common control and associated companies		**30,646**	29,036
Stock-based compensation	22	**2,562**	1,354
Interest payable and others		**169**	145
		$ 100,249	$ 104,505

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

18. PROVISIONS AND CONTINGENCIES

	Operational restructuring costs	Contingencies, legal disputes and others	Total
			2018
Balance as at December 31, 2017	$ 4,161	$ 6,747	$ 10,908
Net change in income	4,203	(181)	4,022
Payments	(4,634)	(591)	(5,225)
	3,730	5,975	9,705
Less long-term portion reported under “Other liabilities”	(2,183)	–	(2,183)
Balance as at December 31, 2018	**$ 1,547**	**$ 5,975**	**$ 7,522**

	Operational restructuring costs	Contingencies, legal disputes and others	Total
			2017
Balance as at December 31, 2016	$ 834	$ 5,804	$ 6,638
Net change in income	7,078	1,556	8,634
Payments	(3,751)	(613)	(4,364)
	4,161	6,747	10,908
Less long-term portion reported under “Other liabilities”	(1,971)	–	(1,971)
Balance as at December 31, 2017	**$ 2,190**	**$ 6,747**	**$ 8,937**

Recognition of provisions requires judgement, as to both the period and the amount, based on relevant circumstances and situations, which may change in the future. Provisions are made primarily for the following purposes:

Operational restructuring costs

Provisions for operational restructuring costs include termination benefits related to the elimination of positions in the Corporation’s three business segments and the provision for onerous leases related to premises left unused following implementation of rationalization plans in the Magazines segment.

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

18. PROVISIONS AND CONTINGENCIES (continued)

Contingencies, legal disputes and others

There are a number of legal proceedings against the Corporation and its subsidiaries that are pending. In the opinion of the management of the Corporation and its subsidiaries, the outcome of those proceedings is not expected to have a material adverse effect on the Corporation's results or on its financial position.

Management of the Corporation, after taking legal advice, has established provisions for specific claims or actions considering the facts of each case. The Corporation cannot determine when and if a payment related to these provisions will be made.

19. LONG-TERM DEBT

		2018		2017
Bank credit facilities[1]	**$**	**52,939**	$	62,839
Financing costs, net of accumulated amortization		**(90)**		(287)
		52,849		62,552
Less short-term debt		**(52,849)**		(9,844)
Long-term debt	**$**	**–**	$	52,708

[1] The bank credit facilities of the Corporation comprise a revolving credit facility of $150,000,000, maturing on February 24, 2019, as well as a secured term loan in the initial amount of $75,000,000 maturing on November 3, 2019. In the 2018 and 2017 financial years, it bore interest at floating rates based on Bankers' acceptance rates, LIBOR, Canadian or U.S. prime rate, plus a variable spread determined by a leverage ratio. The secured term loan bears interest at floating rates based on Bankers' acceptance rates or the Canadian prime rate, plus a variable spread determined by a leverage ratio. As at December 31, 2018, the term loan bears interest at an annual rate of 3.79%. The term loan provides for quarterly amortization payments commencing on December 20, 2015. The bank credit facilities contain covenants such as maintaining certain financial ratios, limiting the Corporation's ability to incur additional indebtedness and restricting the payment of dividends and other distributions. They are secured by liens on all of its movable assets and an immovable hypothec on its head office building. No amounts were drawn on that revolving credit facility at December 31, 2018 and 2017.

On February 13, 2019, the Corporation renewed its revolving credit facility of $150,000,000 in order to extend its maturity to February 24, 2020 as well as modify certain terms and conditions.

As at December 31, 2018, the Corporation was in compliance with the terms of its bank credit facilities.

Principal repayments of long-term debt in the coming year amount to $52,939,000.

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

20. OTHER LIABILITIES

	Note		**2018**		2017
Broadcast rights payable		**$**	**3,559**	$	4,191
Deferred revenues			**1,818**		2,551
Onerous leases[1]			**2,183**		1,971
Defined benefit plans	25		**4,258**		1,686
Stock-based compensation[2]	22		**1,243**		1,214
Others			**518**		19
		$	**13,579**	$	11,632

1 The current portion of the provision for onerous leases is included in provisions.

2 The current portion of stock-based compensation is included in accounts payable and accrued liabilities.

21. CAPITAL STOCK

Authorized

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.

		2018		2017
Issued and paid up				
4,320,000 class A common shares	**$**	**72**	$	72
38,885,535 class B shares		**207,208**		207,208
	$	**207,280**	$	207,280

Earnings (loss) per share

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

		2018		2017
Net income (loss) attributable to shareholders	**$**	**8,312**	$	(15,951)
Weighted average number of basic and diluted shares outstanding (in share)		**43,205,535**		43,205,535
Basic and diluted earnings (loss) per share attributable to shareholders	**$**	**0.19**	$	(0.37)

The earnings (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.

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

22. STOCK-BASED COMPENSATION

(a) Class B stock option plan for officers

The plan specifies that the granting of options and the terms and conditions associated with the options granted are determined by the Corporation's Human Resources and Corporate Governance Committee. However, the purchase price of each Class B share under an option cannot be less than the closing price on the Toronto Stock Exchange on the last trading day before the option is granted. In addition, the option term cannot exceed ten years. The number of Class B shares issuable over the term of the Class B stock option plan for officers is 2,200,000.

When exercising options, holders may elect to receive from the Corporation a cash payment equal to the number of shares underlying the options exercised, multiplied by the difference between the market value and the subscription price of the shares under option or, subject to certain terms and conditions, subscribe for Class B shares of the Corporation at the subscription price. Market value is defined as the average closing market price of the shares over the last five trading days preceding the date on which the option was exercised. Option holders have undertaken to obtain the Corporation's consent before exercising their right to subscribe for the shares for which they wish to exercise their options.

Options are exercisable over a five-year period as follows:

(i) Equally over five years, with the first 20% portion vesting as of the first anniversary of the grant date;

(ii) Equally over four years, with the first 25% portion vesting as of the second anniversary of the grant date;

(iii) Equally over three years, with the first 33 1/3% portion vesting as of the third anniversary of the grant date.

The Corporation recognized a $28,000 compensation expense reversal in connection with this plan for the year ended December 31, 2018 ($10,000 compensation expense in 2017).

The following table provides details of changes to outstanding options granted through December 31, 2018 and 2017:

		2018		2017
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Balance at beginning of year	**60,000**	**$ 6.85**	357,632	$ 12.71
Granted	**280,000**	**2.16**	–	–
Cancelled	**–**	**–**	(134,915)	12.86
Expired	**–**	**–**	(162,717)	14.75
Balance at end of year	**340,000**	**$ 2.99**	60,000	$ 6.85
Vested options at end of year	**36,000**	**$ 6.85**	24,000	$ 6.85

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

22. STOCK-BASED COMPENSATION (continued)

(a) Class B stock option plan for officers (continued)

The following table provides summary information on stock options outstanding as at December 31, 2018:

	Outstanding options			Vested options	
Range of exercise price	**Number**	**Weighted average years to maturity**	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
$2.16 to $6.85	340,000	9.13	$ 2.99	36,000	$ 6.85
$2.16 to $6.85	**340,000**	**9.13**	**$ 2.99**	**36,000**	**$ 6.85**

(b) Quebecor Media stock option plan

Under a stock option plan established by Quebecor Media, options have been granted to the officers, senior managers and other key employees of Quebecor Media and its subsidiaries. Each option may be exercised within ten years of the grant date at an exercise price no lower than the fair value of the common shares of Quebecor Media at the grant date, as determined by Quebecor Media's Board of Directors (should the common shares of Quebecor Media not be listed on a recognized stock exchange at the grant date), or the weighted average price over the last five trading days preceding the grant date of the common shares of Quebecor Media on the stock exchanges where such shares are listed. As long as Quebecor Media's common shares are not listed on a recognized stock exchange, vested options may be exercised only during the following periods: March 1-March 30, June 1–June 29, September 1–September 29 and December 1–December 30 of each year. On an option's exercise date, option holders may exercise their right, at their discretion, to: (i) receive a cash amount equal to the appreciation in value of the vested option's underlying shares; or (ii) purchase common shares of Quebecor Media.

Except in specific circumstances, and unless the Human Resources and Corporate Governance Committee of Quebecor Media decides otherwise, options vest over a five-year period using one of the following methods, as determined by that Committee at the grant date: (i) equally over five years, with the initial 20% portion vesting on the first anniversary of the grant date; (ii) equally over four years, with the first 25% portion vesting as of the second anniversary of the grant date; or (iii) equally over three years, with the first 33 1/3% portion vesting as of the third anniversary of the grant date.

The Corporation recognized a $1,569,000 compensation expense in connection with this plan for the year ended December 31, 2018 ($720,000 in 2017).

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

22. STOCK-BASED COMPENSATION (continued)

(b) Quebecor Media stock option plan (continued)

The following table provides details of changes to stock options granted to senior executives of the Corporation as at December 31, 2018 and 2017:

		2018		2017
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Balance at beginning of year	**66,900**	**$ 65.64**	173,250	$ 62.44
Options related to executives transferred to TVA Group	**45,800**	**59.70**	–	–
Exercised	**(45,850)**	**60.82**	(59,750)	60.36
Cancelled	**–**	**–**	(46,600)	60.52
Balance at end of year	**66,850**	**$ 64.88**	66,900	$ 65.64
Vested options at end of year	**38,700**	**$ 63.34**	15,600	$ 67.55

During the year ended December 31, 2018, $1,048,000 was disbursed by the Corporation for the Quebecor Media stock options exercised ($1,193,000 in 2017).

The following table provides summary information on stock options outstanding as at December 31, 2018:

		Outstanding options			**Vested options**
Range of exercise price	**Number**	**Weighted average years to maturity**	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
$57.64 to $70.56	66,850	5.52	$ 64.88	38,700	$ 63.34
$57.64 to $70.56	**66,850**	**5.52**	**$ 64.88**	**38,700**	**$ 63.34**

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

22. STOCK-BASED COMPENSATION (continued)

(c) Deferred stock unit ("DSU") and performance stock unit ("PSU") plans

TVA Group offers a deferred stock unit ("DSU") plan and a performance stock unit ("PSU") plan for some management employees 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 achievement of financial targets. Holders of DSUs and PSUs are entitled to receive additional shares upon payment of dividends on TVA Class B Shares. No treasury shares will be issued for the purposes of the plans.

Quebecor also offers DSU and PSU plans 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 cessation of employment, as the case may be. The PSUs vest over three years and will be redeemed for cash at the end of that period, subject to achievement of financial targets. Holders of DSUs and PSUs are entitled to receive additional shares upon payment of dividends on Quebecor Class B Shares. No treasury shares will be issued for the purposes of the plans.

The following table shows changes to outstanding units under the DSU and PSU plans during the year ended December 31, 2018:

	Outstanding units	
	DSU	PSU
TVA Group		
Balance at beginning and at end of year	**203,464**	**270,637**
Quebecor		
Balance at beginning of year	31,300	34,795
Granted	192	219
Balance at end of year	**31,492**	**35,014**

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

22. STOCK-BASED COMPENSATION (continued)

(d) Deferred stock unit (”DSU”) plan for directors

The Corporation has a deferred stock unit (“DSU”) plan for the Corporation’s directors. Under the terms of the DSU plan, each director who is not an officer of the Corporation must receive a minimum of $15,000 per year in the form of DSUs (“mandatory portion”). Once the minimum ownership threshold described in the Directors’ Minimum Ownership Policy has been reached, the mandatory portion is lowered to a minimum of $10,000 per year. Subject to certain conditions, each director may elect to receive up to 100% of the total cash compensation payable for his or her services as a director in the form of DSUs.

The value of a DSU is based on the weighted average trading price of the Corporation’s Class B non-voting shares on the Toronto Stock Exchange over the last five trading days immediately preceding the relevant date. DSUs entitle the holder to receive dividends, payable in the form of additional DSUs at the same rate as that which applies to the dividends paid from time to time on the Class B non-voting shares.

The DSU plan provides that all DSUs credited to a director’s account will be repurchased by the Corporation at the director’s request and their value will be paid to the director after he or she ceases to be a director of the Corporation. For the purposes of DSU repurchase, the value of a DSU is determined on the basis of the closing price of the Class B non-voting shares on the Toronto Stock Exchange on the last trading day before the repurchase date. As of December 31, 2018, the total number of DSUs outstanding under this plan was 134,130 (78,012 as of December 31, 2017).

(e) Assumptions for estimating the fair value of stock options

The fair value of stock options under the Corporation and Quebecor Media stock option plans was estimated using the Black-Scholes option pricing model. The following weighted-average assumptions were used to estimate the fair value of all outstanding stock options under the Corporation and Quebecor Media stock option plans as at December 31, 2018 and 2017:

	TVA Group		Quebecor Media	
	2018	2017	**2018**	2017
Risk-free interest rate	**2.06 %**	1.97 %	**1.97 %**	1.85 %
Dividend yield	**– %**	– %	**1.13 %**	1.12 %
Expected volatility	**47.07 %**	50.78 %	**16.23 %**	17.68 %
Expected remaining life	**5.21 years**	3.59 years	**1.37 years**	2.53 years

Because, as at December 31, 2018, the common shares of Quebecor Media were not publicly traded on a stock exchange, the expected volatility is derived from the implied volatility of the shares of Quebecor Media’s parent corporation. The expected remaining life of options granted represents the period of time that options granted are expected to be outstanding. The risk-free rate over the expected remaining life of the option is based on the Government of Canada yield curve in effect at the time of the valuation. Dividend yield is based on the current average yield.

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

22. STOCK-BASED COMPENSATION (continued)

(f) Liabilities related to vested options and stock unit plan expense

As at December 31, 2018, the intrinsic value of liabilities for which options have vested was $1,878,000 ($404,000 as at December 31, 2017).

For the year ended December 31, 2018, a $744,000 compensation expense was recognized in connection with the stock unit plans ($466,000 for the year ended December 31, 2017).

23. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

		Cash flow hedge		Defined benefits plan		Total
Balance as at December 31, 2016	$	(123)	$	2,133	$	2,010
Other comprehensive income		123		842		965
Balance as at December 31, 2017		–		2,975		2,975
Other comprehensive income		–		522		522
Balance as at December 31, 2018	**$**	**–**	**$**	**3,497**	**$**	**3,497**

24. TAX CREDITS AND GOVERNMENT ASSISTANCE

Revenues included $12,021,000 ($12,768,000 in 2017) in government assistance, primarily for producing and publishing Canadian content in magazines.

Tax credits and government assistance amounting to $228,000 ($180,000 in 2017) were recorded as a reduction of program production expenses, which are included in operating expenses.

Deferred revenues included $2,557,000 ($3,175,000 in 2017) in financial assistance for the creation and publishing of Canadian content in magazines.

Government assistance recorded as a reduction of property, plant and equipment amounted to $112,000 ($200,000 in 2017).

25. PENSION PLANS AND POST-RETIREMENT BENEFITS

Pension plans provided to the management and unionized employees of the Corporation include a defined benefit portion based on career earnings indexed before and after retirement, as well as a defined contribution portion. The Corporation offers its senior management an end-of-career earnings pension plan indexed before and after retirement, as well as a non-indexed supplemental post-retirement plan for which the benefits offset the tax limit effect. Certain employees are provided with a career-earnings pension plan indexed before and after retirement. The Corporation also offers other retirement benefits to eligible retired employees.

TVA Group pension plans are registered with a Quebec or federal regulatory authority. The Corporation's financing policy is to maintain its contributions at sufficient levels to fund benefit payments and to meet applicable regulatory requirements and provisions governing pension plan funding. These provisions require, among other things, the future payment of special solvency contributions when the degree of solvency of the retirement plans is less than 100% as defined by the applicable laws in Quebec and federally. The contributions are determined by an actuarial valuation performed by an independent company at least once every three years or annually, according to the applicable legislation and the provisions of the plans.

By their design, the defined benefit plans expose the Corporation to certain specific risks, such as investment performance, changes to the discount rate used to value the obligations, longevity of plan members and future inflation. The plans are administered by the pension committees, which are composed of plan members, members of Corporation management and independent members, or by the Corporation, according to the provisions of the plans. Under the Corporation's rules of governance, approval and oversight of all policies related to defined benefit plans are the responsibility at different levels of the pension committees, the Corporation's senior management and the Audit Committee. Management of the risks associated with the pension plans is also performed under the control of these committees at various levels. Custody of securities and management of securities transactions are also performed by trustees under a mandate conferred by the Pension Committee or the Corporation, as the case may be. The policies include those dealing with investment objectives, risk mitigation strategies and the mandate to hire investment fund managers and oversee their work and their performance. The defined benefit plans are monitored on an ongoing basis to assess funding and investment policies, financial status and the funding requirements of the Corporation.

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

25. PENSION PLANS AND POST-RETIREMENT BENEFITS (continued)

The following table provides information on the defined benefit plans and reconciles the changes in the plans' accrued benefit obligations and the fair value of plan assets for the years ended December 31, 2018 and 2017:

	Pension benefits		Post-retirement benefits	
	2018	2017	**2018**	2017
Change in benefit obligations				
Benefit obligations at beginning of year	**$ 285,997**	$ 268,751	**$ 1,686**	$ 1,904
Service costs	**6,427**	6,042	**2**	2
Interest costs	**10,102**	10,600	**38**	51
Participant contributions	**2,999**	2,915	**–**	–
Actuarial (gains) losses arising from:				
Financial assumptions	**(15,993)**	16,027	**(380)**	58
Participant experience	**(1,296)**	(1,948)	**(478)**	(198)
Benefits paid	**(11,461)**	(16,390)	**(114)**	(134)
Others	**702**	–	**(53)**	3
Benefit obligations at end of year	**$ 277,477**	$ 285,997	**$ 701**	$ 1,686
Change in plan assets				
Fair value of plan assets at beginning of year	**$ 298,029**	$ 280,903	**$ –**	$ –
Actual return on plan assets	**(9,527)**	26,115	**–**	–
Employer contributions	**1,819**	4,486	**114**	134
Participant contributions	**2,999**	2,915	**–**	–
Benefits paid	**(11,461)**	(16,390)	**(114)**	(134)
Fair value of plan assets at end of year	**$ 281,859**	$ 298,029	**$ –**	$ –

As at December 31, 2018, the weighted average duration of defined benefit obligations was 15.3 years (14.6 years at December 31, 2017). The Corporation projects benefit payments in the amount of $12,904,000 in 2019.

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

25. PENSION PLANS AND POST-RETIREMENT BENEFITS (continued)

The Corporation's investment strategy for plan assets takes into consideration a number of factors, including the time horizon of plan obligations and investment risk. For each plan, an allocation range is developed for each asset category, in which a combination of equity securities and debt securities is used to optimize the risk-return profile of plan assets and mitigate any mismatch between assets and liabilities.

Plan assets are allocated as follows:

	2018		2017	
Equity securities:				
Canadian	**23.3**	**%**	27.5	%
Foreign	**31.7**		32.2	
Debt securities	**44.8**		38.1	
Others	**0.2**		2.2	
	100.0	**%**	100.0	%

The fair value of equity securities and debt securities is based on quoted prices in an active market, unlike the fair value of other investments.

Where funded plans have a net defined benefit asset, the Corporation determines if potential reductions in future contributions are permitted by applicable regulation and collective agreements. When a defined benefit asset is created, it may not exceed the future economic benefit that the Corporation may expect to derive from that asset. The future economic benefit represents the value of future contribution holidays and fees payable to the pension plan. It does not reflect potential future gains that could enable the Corporation to take contribution holidays. Where there is a minimum funding requirement, this may further limit the amount recognized on the balance sheet. The minimum funding requirement represents the present value of solvency contributions, based on the latest actuarial funding valuations filed.

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

25. PENSION PLANS AND POST-RETIREMENT BENEFITS (continued)

The reconciliation of funded status to the net amount recognized in the consolidated balance sheets is detailed as follows:

	Pension benefits		Post-retirement benefits	
	2018	2017	**2018**	2017
Reconciliation of funded status				
Benefit obligations	**$ (277,477)**	$ (285,997)	**$ (701)**	$ (1,686)
Fair value of plan assets	**281,859**	298,029	**–**	–
Plan surplus (deficit)	**$ 4,382**	$ 12,032	**$ (701)**	$ (1,686)
Asset limit	**(7,939)**	(9,159)	**–**	–
Net amount recognized[1]	**$ (3,557)**	$ 2,873	**$ (701)**	$ (1,686)

[1] The net amount recognized for 2018 includes a $4,258,000 liability reported under "Other liabilities" (note 20). In 2017, the net amount included a $2,873,000 asset reported under "Defined benefit plan asset" and a $1,686,000 liability reported under "Other liabilities."

The re-measurement components are:

	Pension benefits		Post-retirement benefits	
	2018	2017	**2018**	2017
Actuarial gain (loss) on benefit obligations	**$ 17,289**	$ (14,079)	**$ 857**	$ 139
Actual return on plan assets, less interest income anticipated in the interest on the net defined benefit liability or asset calculation	**(18,976)**	16,038	**–**	–
Asset limit	**1,540**	(948)	**–**	–
Re-measurements recorded in comprehensive income (loss)	**$ (147)**	$ 1,011	**$ 857**	$ 139

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

25. PENSION PLANS AND POST-RETIREMENT BENEFITS (continued)

Components of the net benefit costs are as follows:

	Pension benefits		Post-retirement benefits	
	2018	2017	**2018**	2017
Employee costs :				
Service costs	**$ 6,427**	$ 6,042	**$ 2**	$ 2
Past service costs	**702**	–	**–**	–
Others	**855**	769	**–**	–
Interest on net defined benefit liability or asset	**116**	48	**38**	51
Net benefit costs	**$ 8,100**	$ 6,859	**$ 40**	$ 53

The cost related to defined contribution pension plans for fiscal 2018 amounted to $2,969,000 ($2,916,000 in 2017).

The expected employer contributions to the Corporation's defined-benefit pension plans and post-retirement benefit plans will be $473,000 in 2019, based on the most recently filed actuarial report (contributions of $1,933,000 were paid in 2018).

Assumptions

The Corporation determines its assumption for the discount rate to be used for computing annual service and interest expenses on the basis of an index of high-quality corporate bond yields and a matched-funding yield curve analysis as of the measurement date.

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

25. PENSION PLANS AND POST-RETIREMENT BENEFITS (continued)

Assumptions (continued)

The actuarial assumptions used to determine the Corporation's retirement plan obligations as at December 31, 2018 and 2017 are as follows:

	Pension benefits Post-retirement benefits			
	2018		2017	
Benefit obligations				
Rates as of year-end:				
Discount rate	**3.90**	**%**	3.50	%
Rate of compensation increase	**3.00**		3.00	
Current periodic costs				
Rates as of preceding year-end:				
Discount rate	**3.50**	**%**	3.90	%
Rate of compensation increase	**3.00**		3.00	

The average retirement age assumed for plan members varies with the plan and averaged 61 years in 2018 and 2017.

For the purpose of calculating the post-retirement benefit obligation, the annual rate of increase in healthcare costs was assumed to be 7.2% at the end of 2018. Based on forecasts, the cost is expected to decrease gradually over the next 9 years, to 5.0%, and to remain at that level thereafter.

Sensitivity analysis

An increase of 10-basis-points in the discount rate would have decreased the pension benefits obligation by $3,667,000 and the post-retirement benefits obligation by $10,000 as of December 31, 2018.

There are limitations to this sensitivity analysis since it only considers the impact of a 10-basis-point increase in the discount rate, without any change in the other assumptions. No sensitivity analysis was performed on the other assumptions, because similar changes in those assumptions would have no significant impact on the consolidated financial statements.

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

26. RELATED-PARTY TRANSACTIONS

Compensation of key officers

The key officers are the senior executives and the members of the Board of Directors of the Corporation. Their compensation is as follows:

		2018		2017
Salaries and short-term benefits	**$**	**3,539**	$	3,771
Stock-based compensation		**1,802**		1,064
Other long-term benefits		**459**		97
	$	**5,800**	$	4,932

Revenues and operating expenses

For the year ended December 31, 2018, 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.

- The Corporation sold advertising space and content, recognized subscription revenues and provided production, postproduction and other services to companies under common control and associated companies, for an aggregate amount of $100,242,000 ($102,396,000 in 2017).
- The Corporation recorded telecommunications service costs, advertising space acquisition costs, professional service fees and commissions on sales and news gathering services arising from transactions with companies under common control and affiliated companies totalling $55,897,000 ($45,410,000 in 2017).
- In 2018, the Corporation also invoiced management fees to corporations under common control in the amount of $10,259,000 ($3,556,000 in 2017). These fees are recorded as a reduction of operating expenses.
- The Corporation also assumed management fees of the parent corporation amounting to $3,420,000 ($3,420,000 in 2017).

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

27. COMMITMENTS AND GUARANTEES

(a) Leases and purchasing agreements

The Corporation has commitments under operating leases, mainly for premises and equipment, and under acquisition contracts for services, broadcast rights, property, plant and equipment and intangible assets, calling for payments totalling $626,551,000, including $5,420,000 with related companies. The leases have various terms, indexing clauses, purchase options and renewal rights. Minimum payments for future years are as follows:

	Leases	Broadcast rights[1]	Others
2019	$ 3,419	$ 104,651	$ 14,310
2020 to 2023	6,609	313,415	10,772
2024 and thereafter	$ 1,929	$ 171,249	$ 197

[1] Commitments regarding rights include commitments arising from the agreement with Rogers Communications made by Quebecor Media and TVA Group in 2013 for Canadian French-language broadcast rights to National Hockey League games. Total commitments related to that agreement have been included in the Corporation's commitments.

Expenses in the amount of $4,145,000 related to the operating leases of the Corporation and its subsidiaries were recognized under operating expenses in the consolidated statements of loss in 2018 ($5,402,000 in 2017).

(b) Guarantees

The Corporation has guaranteed a portion of the residual values of certain assets under operating leases for the benefit of the lessor. If the fair value of the assets at the end of their respective lease terms is less than their guaranteed residual value, the Corporation is required to compensate the lessor for a portion of the shortfall, subject to certain conditions. As at December 31, 2018, the maximum liability in respect of these guarantees totalled approximately $431,000, and the Corporation has recognized no amount in the consolidated balance sheet in relation to these guarantees. In previous years, the Corporation has made no payments in respect of these guarantees.

In the normal course of business, the Corporation enters into indemnification agreements with third parties as part of certain transactions, including acquisition contracts for goods, service agreements and leases. These indemnification agreements require the Corporation to compensate the third parties for costs incurred as a result of specific circumstances. The terms of these indemnification agreements vary from transaction to transaction, based on the contract terms. The nature of these indemnification agreements prevents the Corporation from making a reasonable estimate of the maximum potential amount it could be required to pay to third parties for all of its commitments.

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Corporation's risk management policies are established to identify and analyze the Corporation's risk exposures, set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and in the Corporation's activities.

As the Corporation and its subsidiaries use financial instruments, they are exposed to credit risk, liquidity risk and market risk related to foreign exchange and interest rate fluctuations.

(a) 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 is estimated based on a valuation model using Level 2 inputs. The fair value is based on discounted cash flows using year-end market yields or the market value of similar instruments with the same maturity.

The fair value of long-term debt corresponds to its carrying amount as at December 31, 2018 and 2017.

(b) Credit risk management

Credit risk is the risk of the Corporation incurring a financial loss on bad debts should a client or another party to the contract fail to meet its contractual obligations.

In the normal course of business, the Corporation regularly evaluates the financial position of its clients and reviews the credit history of each new client. As at December 31, 2018 and 2017, no clients had balances representing a significant portion of the Corporation's consolidated trade receivables. The Corporation uses the expected credit losses method to estimate the allowance. It is based on the specific credit risk of its customers, the expected life of the financial assets, historical trends and economic conditions. The Corporation has trade accounts receivable from numerous clients, primarily advertising agencies. As a result, the Corporation does not believe that it is exposed to an unusual or significant level of credit risk. As at December 31, 2018, 17.6% of trade receivables had been outstanding for more than 120 days after the billing date (17.7% as at December 31, 2017), of which 19.4% were covered by an allowance for expected credit losses (22.9% as at December 31, 2017).

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

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk management (continued)

The table below shows the variance in the allowance for expected credit losses for the years ended December 31, 2018 and 2017:

		2018		2017
Balance as at beginning of year	**$**	**3,777**	$	2,981
Changes of expected credit losses		**286**		1,163
Impairment		**(1,508)**		(367)
Balance as at end of year	**$**	**2,555**	$	3,777

(c) Liquidity risk management

Liquidity risk is the risk that the Corporation and its subsidiaries will be unable to meet financial obligations as they fall due or will be required to meet them at excessive cost. The Corporation and its subsidiaries ensure that they have sufficient cash flows from continuing operations and available sources of financing to meet future cash requirements for long-term investments, working capital, interest payments and debt servicing, income tax payments, pension plan contributions, dividends, share redemptions, commitments and guarantees.

As at December 31, 2018, the obligations and maturities of significant financial liabilities of the Corporation are as follows:

		Total		**Less than 1 year**		**1-3 years**
Accounts payable and accrued liabilities	$	101,031	$	101,031	$	–
Broadcast rights payable		73,704		70,145		3,559
Long-term debt		52,939		52,939		–
Interest payments[1]		1,791		1,791		–
Total	**$**	**229,465**	**$**	**225,906**	**$**	**3,559**

[1] Interest is calculated on a constant debt level equal to that at December 31, 2018 and includes standby fees on the revolving credit facility.

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(d) Market risk

Market risk is the risk that changes in market prices due to fluctuations in foreign exchange rates and interest rates could affect the Corporation's revenues or the value of its financial instruments. The objective of market risk management is to mitigate and control exposures within acceptable parameters while optimizing the return on risk.

Foreign exchange risk

The Corporation is exposed to limited foreign exchange risk on revenues and expenses arising from transactions made in currencies other than the Canadian dollar. The most frequently used foreign currency is the U.S. dollar, which is primarily used to make capital expenditures and collect income from certain clients. In light of the insubstantial volume of foreign currency transactions, the Corporation has determined foreign exchange hedging to be unwarranted. Accordingly, the Corporation has limited sensitivity to changes in foreign exchange rates.

Interest rate risk

The Corporation is exposed to interest rate risk associated with its revolving credit facility and its term loan facility. As at December 31, 2018, the Corporation's long-term debt consisted entirely of floating-rate debt.

(e) Capital management

The Corporation's primary objectives in managing capital are to:

- Preserve the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders;
- Maintain an optimal capital base in order to meet the capital requirements of its various operating segments, including growth opportunities and maintaining investor and creditor confidence.

The Corporation manages its capital structure in accordance with the characteristics of the risks associated with its segments' underlying assets and applicable requirements, if any. The Corporation manages its capital structure by issuing new debt or repaying existing debt with cash flows provided by operating activities, distributing amounts to shareholders through dividends or share redemptions or issuing capital stock in the marketplace and making adjustments to its capital expenditure program. The Corporation's strategy remains unchanged from last year.

The Corporation's capital structure is composed of shareholder's equity and long-term debt, less cash.

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

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(e) Capital management(continued)

The capital structure as of December 31, 2018 and 2017 was as follows:

		2018		2017
Long-term debt	**$**	**52,939**	$	62,839
Cash		**(18,112)**		(21,258)
Net liabilities		**34,827**		41,581
Equity	**$**	**272,199**	$	263,529

Excluding maintenance of certain financial ratios under its credit agreements, the Corporation is not subject to any other externally imposed capital requirements. As at December 31, 2018, the Corporation was in compliance with the terms of its credit agreements.

29. SEGMENTED INFORMATION

The Corporation's operations consist of the following segments:

– The **Broadcasting & Production segment** includes the operations of TVA Network (including the TVA Productions Inc. subsidiary and the TVA Nouvelles division), specialty services, the marketing of digital products associated with the various televisual brands, commercial production services and distribution of audiovisual products;

– 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** through its subsidiaries Mels Studios and Postproduction G.P. and Mels Dubbing Inc. provides soundstage, mobile unit and production equipment rental services, dubbing, postproduction, visual effects and distribution services.

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

29. SEGMENTED INFORMATION (continued)

Intersegment items represent the elimination of normal course business transactions between the Corporation's business segments regarding revenues and expenses.

The reportable segments determined by the Corporation's management are strategic operating units that provide various goods and services. They are managed separately because, among other reasons, each segment requires different marketing strategies.

The segments' accounting policies are the same as those used by the Corporation as a whole (see note 1).

					2018
	Broadcasting & Production	**Magazines**	**Film Production & Audiovisual Services**	**Intersegments items**	**Total**
Revenues	**$ 417,597**	**$ 77,708**	**$ 68,447**	**$ (11,842)**	**$ 551,910**
Purchases of goods and services	**283,931**	**56,064**	**29,018**	**(11,842)**	**357,171**
Employee costs	**106,431**	**13,434**	**24,491**	**–**	**144,356**
Adjusted EBITDA[1]	**27,235**	**8,210**	**14,938**	**–**	**50,383**
Depreciation of property, plant and equipment and amortization of intangible assets					**35,542**
Financial expenses					**2,477**
Operational restructuring costs and others					**2,433**
Income before tax expenses and share of income of associated corporations					**$ 9,931**

[1] The Chief Executive Officer uses adjusted EBITDA as a measure of financial performance for assessing the performance of each of the Corporation's segments. Adjusted EBITDA is defined as net income (loss) before depreciation of property, plant and equipment, amortization of intangible assets, financial expenses, operational restructuring costs and others, income taxes and share of income of associated corporations. Adjusted EBITDA as defined above is not a measure of results that is consistent with IFRS.

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

29. SEGMENTED INFORMATION (continued)

	Broadcasting & Production	Magazines	Film Production & Audiovisual Services	Intersegments items	Total
					2017
Revenues	$ 439,149	$ 94,583	$ 67,073	$ (11,098)	$ 589,707
Purchases of goods and services	287,535	66,830	30,137	(11,098)	373,404
Employee costs	109,747	17,733	22,442	–	149,922
Adjusted EBITDA[1]	41,867	10,020	14,494	–	66,381
Depreciation of property, plant and equipment and amortization of intangible assets					34,874
Financial expenses					2,449
Operational restructuring costs and others					6,390
Impairment of goodwill and intangible assets [2]					42,405
Loss before tax recovery and share of income of associated corporations					$ (19,737)

1 The Chief Executive Officer uses adjusted EBITDA as a measure of financial performance for assessing the performance of each of the Corporation's segments. Adjusted EBITDA is defined as net income (loss) before depreciation of property, plant and equipment, amortization of intangible assets, financial expenses, operational restructuring costs and others, impairment of goodwill and intangible assets, income taxes and share of income of associated corporations. Adjusted EBITDA as defined above is not a measure of results that is consistent with IFRS.

2 The impairment is attributable to the Magazines segment.

30. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

On February 13, 2019, the Corporation finalized an agreement to acquire 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, for a total consideration of $24,000,000. The transaction was concluded on April 30, 2018 and approved by the Canadian Radio-television and Telecommunications Commission ("CRTC") on January 14, 2019. The acquired assets consist mainly of broadcast rights, intangible assets and goodwill. The assumed liabilities consist mainly of accounts payable and accrued liabilities and broadcast rights payable.

On February 22, 2019, the Corporation concluded an agreement to acquire the companies in the Incendo group, a Montreal-based producer and distributor of television programs for international markets, for an approximate amount of $19,500,000 subject to certain adjustments. The transaction is subject to various conditions and is expected to close in the coming weeks.